



Legislative BULLETIN

MAINE MUNICIPAL ASSOCIATION

Vol. XXXVI No. 13 April 11, 2014



Lewiston Sun Journal Editorial Hits Nail on the Head

What follows is an editorial regarding municipal revenue sharing that appeared in the Lewiston Sun Journal on Wednesday morning this week. We couldn't have said it better. The editorial begins with a reference to a chart showing the dramatic reductions in the municipal revenue sharing distribution that have taken place over the last several years in a number of sample municipalities. Because municipal officials in every town and city in the state are acutely aware of the sharp reductions in state support they have experienced, we saw no need to reproduce the chart here.

Our thanks go out to the Sun Journal for laying out the issue so clearly and forcefully. The editorial points out in its first lines that the state tax revenue being "shared" by this 40-year-old law is generated by Maine's economy. At least implicitly, the editorial recognizes something that municipal officials believe deep in their hearts: That municipal governments are as responsible for nurturing economic activity as any other government, if not more so. Revenue sharing is not a hand-out

or even a hand-up. It is a well-deserved sharing of broad-based tax revenue for the stated purpose of blunting the regressive nature of the real estate taxes upon which the municipalities must otherwise rely.

The only caution to mention is the editorial's use of the word "restore" in its description of legislation enacted this session to prevent an additional \$40 million revenue sharing raid for the next fiscal year. Too many people hear the word "restore" and take it to mean that the Legislature is now fully honoring the program. The paper doesn't misuse the term, but it is hard for the municipal community to look at that decision as a "restoration." The decision by the Legislature to refrain from lifting another \$40 million out of the revenue sharing program for FY 2015 left entirely in place the Legislature's previous decision to take more than \$86 million out of that year's revenue sharing distribution in order to balance the state's budget. The largest legislative raid of revenue sharing in the state's history, by far.

Our view: Raids of Maine's Revenue Sharing Fund must be stopped

SJ Editorial Board
Wednesday, April 9, 2014

Look at the chart above.
Really, really look at it.

It shows the amount Maine municipalities get from the state every year from taxes generated from Maine's economy. What's missing: the amount the state has decided to keep in recent years to pay its own bills.

Every month, the state controller is legally required to transfer 5 percent of

all individual and corporate income taxes, franchise taxes, service provider taxes, and sales and use taxes from the General Fund into the Local Government Fund. Those deposits are intended to be distributed to Maine's cities, towns and territories as part of the state's municipal revenue sharing program.

In 1992, for the first time, state government took \$30 million out of that 5 percent that's supposed to go to municipalities.

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Last Bulletin of the Session

The Legislature is expected to adjourn sometime in the middle of next week, perhaps with a "veto day" scheduled a couple of weeks later. This edition of the Legislative Bulletin will likely be the last for this year. The most municipally significant legislation that awaits final action is the bond package that might be advanced for voter approval in November. Legislation strengthening the system that oversees the coordinated management of the county jails (LD 1824) is also still on the docket.

Over the last few days of the legislative session, we will be communicating to our municipal membership through our "action alert" system, if necessary. A complete wrap-up of the 2014 legislative session, including complete descriptions of all the municipally-related legislation that is enacted, will be provided in the May 2014 issue of the *Maine Townsman*.

Many thanks to all municipal officials for keeping so up-to-date and staying so involved with respect to legislative matters throughout this winter and spring.

And special thanks go to the 70 members of the Association's Legislative Policy Committee (LPC) which guided and informed all of our activities during the entire legislative biennium. LPC members serve the Association without compensation and for no personal advantage. Similar to the contributions of elected municipal officials across the state, LPC members provide their time and service for no particular reason except out of some sense of civic duty, to improve their communities and to improve local government, generally.

Thank you.

Lawmakers did it in order to meet state expenses in what appeared to be a one-time raid.

That exception was not to be.

While in office, Gov. John Baldacci made it standard practice to raid the fund, taking money in fiscal years 2004, 2005, 2007 and 2010, calling each withdrawal a “one-time transfer.” Raiding has since continued, including the last and largest transfer of \$44.3 million in fiscal year 2013.

That money was and is statutorily reserved for municipalities.

On Monday, the Office of the State Treasurer released the projected revenue sharing funds that towns throughout Maine can expect to receive in the coming year, FY 15. We charted those projected funds for the towns where the Sun Journal has bureau offices, and also for Augusta, Bangor and Portland, and each will receive less than in FY 14.

The amount of revenue sharing each municipality receives is based on a mildly complex formula of population and local property tax burden.

The state controller doesn't calculate the revenue sharing dollars per resident in each town, as we did in our chart. We thought the per-capita figures would be helpful.

As you can see, with the exception of FY 10, Rumford has received a higher per capita amount under revenue sharing than other bigger cities in Maine, including Portland. And, with the exception of

FY 12, Norway has consistently been a low receiver.

What you will also see from these numbers is that in FY 15, Maine's towns are expected to get a fraction of what they have been getting in past years, largely because the fund doesn't contain the money it's supposed to.

Auburn will receive just 42 percent of the funds it got in FY 10. Lewiston will fare better, getting 57 percent of the funds it received in FY 10; Rumford and Farmington will fare just slightly better than that.

Portland is expected to receive about half of the funds it got in FY 10, and both Augusta and Bangor will get less than half.

That's a sad retreat over the years, particularly during a time when municipal expenses have climbed.

The amounts are well under what these towns should rightly be getting based on the original revenue sharing statute, and the damage this year could have been far worse if the Legislature had not voted last month to restore \$40 million in revenue sharing money that Gov. Paul LePage eliminated from the current two-year budget. That money amounted to two-thirds of all projected distributions for FY 15 and its loss would have been devastating for towns.

Maine's revenue sharing statute passed

into law in 1971 and was tweaked several times over the next two decades to augment aid to towns. Then, in 1991, the Legislature started using the Local Government Fund as a piggy bank, taking money out for General Fund purposes and replacing that money from other accounts, including moving money over from the Highway Fund in 2003 to restore revenue sharing.

Over the past decade, the raids really ramped up and the money was not always restored. Towns have suffered.

That has to stop.

Just because state government has trouble paying its bills doesn't mean it should withdraw money from a fund that is statutorily designated to help towns.

The Legislature restored the Local Government Fund this year, but that doesn't mean it will remain safe nor should it mean that lawmakers should call this a job well done and move along.

We are now in an election cycle for the 127th Legislature and every person who qualifies for the November ballot must give thought to stabilizing the Local Government Fund and giving Maine's towns some protection from future raids.

Make it a priority.

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The opinions expressed in this column reflect the views of the ownership and the editorial board.

Legislative Bulletin

A weekly publication of the Maine Municipal Association throughout sessions of the Maine State Legislature.

Subscriptions to the *Bulletin* are available at a rate of \$20 per calendar year. Inquiries regarding subscriptions or opinions expressed in this publication should be addressed to: *Legislative Bulletin*, Maine Municipal Association, 60 Community Drive, Augusta, ME 04330. Tel: 623-8428. Website: www.memun.org

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Governor's Latest Proposal to Cut Revenue Sharing

In ironic contrast to the Lewiston Sun Journal's editorial, reprinted here, Governor LePage on the same day submitted to the Legislature yet another proposal to raid the municipal revenue sharing fund and work it down toward the point of elimination. As proposed in LD 1857, *An Act To Expand Services to Persons Who Are Disabled or Elderly on Wait Lists by Reducing Revenue Sharing*, \$18 million in FY 2015 state revenue that would otherwise be distributed to municipalities to reduce property taxes, would be taken to fund a number of programs in the Medicaid system to provide home-based care and independent living support services to low income persons with disabilities, age-related disability, and brain injuries. If the Governor's bill is enacted by the Legislature, instead of taking \$86 million from the municipal revenue sharing distribution in FY 2015, (which is the amount the Legislature has decided to take thus far), the total raid would be \$104 million, or 71% of what the revenue sharing law calls for.

Because the Appropriations Committee has already developed a unanimously supported FY 2015 supplemental budget that includes funding for these Medicaid "wait lists" in a manner that does not involve additional revenue sharing reductions, it is not clear if, how or when the Legislature will react to the Governor's most recent proposal. At the moment, LD 1857 has been referred to the Appropriations Committee.

Dig Safe Bill Expires in Committee

Municipal officials will not be sorry to learn that LD 965, *An Act To Improve Maine's Underground Facility Damage Prevention Program*, was finally reported out of the Energy, Utilities and Technology Committee with a unanimous “ought not to pass” report.

It is a four-year long story. Here are the crib notes.

The for-profit utilities and excavation contractors have been aligned in the effort to make municipalities mandatory members of the Dig Safe system. For the excavators, the rallying cry is “one call”. The excavators want to be able to make a single call to the Dig Safe system. After receiving that call, Dig Safe would send municipal officials an email notification of the intent to dig, thereby nullifying the excavators’ obligation to directly contact the municipality prior to digging unless somehow formally required by the municipality. The proponents of LD 965 claim this would improve public safety. Mandatory municipal membership would also provide the Dig Safe system with a much greater base of membership to fund its operating budget.

Municipal officials believe substituting a third party email for direct excavator-municipal communication would likely harm public safety. What the excavators and for-profit utilities want to cut into, after all, are the “municipal rights of way”, and the task of managing road openings cannot be adequately addressed via a simple email.

No example was ever raised where the relatively inert water and wastewater municipal infrastructure precipitated the same type of safety issues as excavations related to the electrical and gas infrastructure, and no other state in New England mandates that municipalities join Dig Safe. Even so, MMA tried to provide constructive input on

an amendment being developed by the Committee’s chairs that might appease excavators while protecting both public dollars and public safety.

There were numerous moving parts to the amendment, but the key sticking point was whether to expressly address, in statute, a description of the new participation requirements being imposed on municipalities. The director of Dig Safe Systems insisted that each affected municipality (over 260 by MMA’s estimate) enter into open-ended contractual relationships with Dig Safe that would allow its Board to enforce certain terms and potentially impose new ones on the participating municipalities. Rather than clearly and exclusively laying out in the legislation what new obligations would

be required of municipalities (which to MMA seemed like a reasonable request), proponents preferred to leave the details up to Dig Safe.

MMA could not agree to an amendment that left the door open to new, privately-imposed mandates, and this impasse led finally to a “limited time offer” proposal that would allow municipalities to voluntarily join Dig Safe under more favorable terms than current membership would allow, with those terms expiring at the end of 2014. After tentatively agreeing to this approach, the proponents of LD 965 decided they could not live with continued voluntary municipal membership even if it was a step in the right direction, so the Committee killed the bill.

LD 1177 is Now Officially Road Kill

The discontinued road bill’s three year journey finally came to a dead end on Tuesday of this week when the House of Representatives “insisted” on its “indefinite postponement” vote of the previous week.

LD 1177, *An Act To Implement the Recommendations from the Discontinued and Abandoned Roads Stakeholder Group*, had its origins dating back to the creation of a working group in 2012. The 2014 version of the legislation took participants on a pothole riddled ride, stopping along the way for multiple public hearings, several subcommittee meetings, and countless work sessions.

One element of the bill provided property owners abutting discontinued or abandoned roads with retained public easements some tools to protect them from the serious damage being done

to the easement by others. There were no known objections to this element of LD 1177.

In other respects, however, the bill as amended by the State and Local Government Committee and further amended by the Senate took a circuitous and municipally dangerous route. It unnecessarily shifted significant costs onto the municipalities (and, therefore, the property taxpayers) by repealing the road abandonment law, requiring instead all abandoned roads to be formally discontinued, requiring damages to be paid to abutters, and mandating the compilation of detailed road inventories identifying legal status dating back 50 years.

Municipal officials greatly appreciate the efforts of the members of both the House and Senate who resisted the pressure to enact this unfunded mandate.