

Budget Still at Impasse, Other Bills of Municipal Interest Await Action

There is no solid news at this writing about the state budget recommendation (or recommendations) that will be presented to the Legislature for its consideration. In broadcast terminology, a “hard break” is fast approaching on this budget process. All broadcasters know that it makes no sense to play the game of chicken with hard breaks.

Although two reports were voted out of the Appropriations Committee on Saturday morning last week, neither budget recommendation is considered politically viable and the development of the budget proposal that will be given actual consideration by the full Legislature has been entirely assumed by the four legislative leaders. As soon as the municipally-relevant details of the magic amendment that resolves the budget impasse emerge into public view, we will provide that information to subscribers of the Legislative Bulletin as an action alert.

A short list of the most municipally pertinent components of the state budget include:

- The extent of the legislative raids on the municipal revenue sharing program for both years of the biennium and, potentially, beyond.
- The level of distribution for General Purpose Aid for Local Schools.
- Any changes that might be made to the Homestead property tax exemption;
- Whether the taxable property in the Business Equipment Tax Reimbursement program will be made tax exempt.
- Changes to the funding and administration of the General Assistance program.

There are several other bills of significant municipal interest that have yet to

be taken up or finally decided by both the House and the Senate. The remainder of this Legislative Bulletin—the last edition of the 2015 legislative session—attempts to bring municipal officials up to date with where those bills currently stand. Because these bills have been tabled by either the Senate or the House, it is impossible to predict when they will be taken off the table and given final consideration.

Therefore, municipal officials who are concerned about the outcome of any of the following bills are encouraged at their earliest opportunity to contact their legislators and express those concerns. It is possible that these bills will come off the table today or even into the weekend. When the Legislature is in session, your State Representatives can be reached at 287-1400 or 1-800-423-2900, and your State Senators can be reached at 287-1540 or 1-800-423-6900.

LD 94 – Cutting municipal excise tax revenue

LD 94, *An Act To Base the Excise Tax Imposed on the Purchase of a Motor Vehicle on the Price Paid*, sponsored by Rep. Heather Sirocki of Scarborough, would require the motor vehicle excise tax collected and retained by municipalities to be assessed on the purchase price of the vehicle rather than on the Manufacturer’s Suggested Retail Price (MSRP), otherwise known as the list price, as has been required since the motor vehicle excise tax was created in 1929. As originally drafted, the bill would have also required the state to reimburse municipalities for 100% of any lost excise tax revenue.

On Monday of this week, the members of the House voted against an amended

version of LD 94 by a margin of 80 to 65. The version of LD 94 defeated in the House would require that after Jan. 1, 2017 municipal excise tax collectors apply a 10% discount to the MSRP before assessing the tax. The existing excise tax rate structure, ranging from 24 mills for first-year models down to four mills for vehicles in their sixth and subsequent years, would be retained. Although the printed version of LD 94 provided state funding to cover the municipal revenue losses, municipal officials will not be surprised that the amendment that came out of the committee process did not. As a result, Maine Revenue Services estimates that municipalities statewide would lose \$21 million in excise tax revenue each year.

LD 94, with an “ought not to pass” recommendation from the House, is tabled in the Senate.

We have learned that some Senate proponents of LD 94 are seeking to somewhat mitigate the losses in municipal revenue by amending LD 94 to require municipal tax collectors to use the purchase price, rather than the MSRP, in the first year of registration only. The purchase price would include the price paid as well as trade-in value, as applicable. The excise tax assessed in the second and subsequent years would be assessed on the basis of the MSRP, as is currently required.

Maine Revenue Services estimates that this approach to LD 94 would reduce municipal excise tax revenues by \$4.3 million each year, potentially making the change more palatable to the members of the Legislature.

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Budget and Other Municipal Interest Bills (cont'd)

In addition to the revenue losses and administrative complexities, municipal officials oppose all versions of LD 94 because in one way or another each proposal would provide the catalyst for eroding the foundation of an 86 year old tax policy that requires the excise taxes, levied in lieu of a property tax, to be assessed on the basis of a common and uniform value throughout all municipal jurisdictions.

Please contact the members of the Senate and ask them to oppose LD 94.

LD 1191 - Relaxing the MUBEC mandate

LD 1191 is a bill that was sponsored on behalf of MMA's Legislative Policy Committee by Senator Mike Thibodeau of Waldo County.

LD 1191 allows the legislative body of municipalities between 4,000 and 10,000 in resident population to opt-out of an obligation to enforce MUBEC. The MUBEC code would still be the applicable building and energy code in all municipalities over 4,000 in population. The only difference is that the municipality's legislative body could choose whether to use **public resources** to enforce MUBEC or, instead, allow the code to be enforced at the **private sector** level, through the third-party inspector system. (Note: The printed version of LD 1191 would have provided the option to all 89 municipalities currently mandated to enforce MUBEC. As amended in the committee process, LD 1191 now provides the option to a subset of that group of 89

towns and cities...the 70 municipalities in Maine that have populations between 4,000 and 10,000.)

MMA's Legislative Policy Committee developed LD 1191 in response to the deep cuts to municipal revenue sharing that have been effected by the Legislature over the last six years. The cut to municipal revenue sharing this year alone is approximately \$85 million. If the Legislature does not choose to honor the system established in law to assist municipalities with the mandates placed on them, the mandates should be relaxed or made optional to the extent possible.

LD 1191 was given party-line endorsement in the Senate on Thursday this week, but will face significant challenges to passage in the House. **Municipal officials who would like to see more options and flexibilities provided with respect to unfunded state mandates should contact their members of the House today and urge their support of LD 1191.**

LD 1377 - Formal review of all municipal mandates

LD 1377, *Resolve, To Establish the Commission To Study the Reduction of Unfunded and Outdated Municipal Mandates*, also sponsored by Senator Thibodeau, would create a 10-member commission charged with reviewing unfunded and outdated mandates placed on local government by the Legislature or state agency rules. A similar mandate review effort began in the 126th Legislature and has since stalled, and this bill

was proposed in an attempt to revitalize that work.

The majority report on LD 1377 by the State and Local Government Committee, was "ought not to pass". There were two reasons given for opposing the mandate study. Some Committee members felt that the make-up of the commission was lopsided toward municipalities, therefore "arming one side of like-minded people to bring forth grievances." In MMA's view, the municipal officials charged with carrying out state mandates are the appropriate parties to examine the relevance and continued propriety of unfunded state mandates, but there was certainly no municipal objection to amending the make-up of the Commission.

The second reason given for opposing the bill is that MMA, as an organization representative of municipalities, could bring forth a list of mandates to be repealed or redesigned making it unnecessary to create a new study group to explore this issue. While it is true that MMA attempts to maintain an inventory of state mandates, the process of evaluating those mandates by municipal officials and other interested parties who work with those mandates "in the field" is invaluable.

On Thursday this week, LD 1377 was given unanimous endorsement in the Senate, but will likely still face challenges to passage in the House. **Please contact the members of the House and ask them to support LD 1377.**

LD 1036 - GA and appropriate use of available resources

As proposed, LD 1036, *An Act To Prioritize Use of Available Resources in General Assistance Programs*, sponsored by Sen. Eric Brakey of Androscoggin County, would require both initial and repeat General Assistance (GA) applicants who through their own actions (i.e., fraud, misrepresentation, violation of a program rule, etc.) cause the loss of an otherwise available resource (e.g., housing, supplemental food program, counseling, etc.), or applicants who without cause refuse to use an available resource, would be-

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come ineligible to receive GA to replace the forfeited or abandoned resource for a period 120 days. Under existing law, an applicant in this circumstance is ineligible to receive GA until that applicant seeks out the potentially available resource.

The change to GA policy found in LD 1036 has long been supported by municipal welfare directors as well as by MMA's 70-member Legislative Policy Committee. Municipal officials believe the approach in LD 1036 strengthens program credibility, participant accountability and provides municipal program administrators with the tools necessary to ensure that all program resources are effectively used.

Although it is expected that LD 1036 will be supported in the Senate and opposed in the House, largely along party lines, neither body has debated or voted on the bill. LD 1036 is currently tabled in the Senate.

Please contact the members of the House and Senate and ask them to support LD 1036.

LD 1035 - 275 day limitation on GA eligibility

LD 1035, *An Act To Create a 9-month Time Limit on General Assistance Benefits*, also sponsored by Sen. Brakey, proposes to place a 275-day limit on the General Assistance (GA) benefits granted in a five year period to an applicant who

is able to work and does not have any dependents.

MMA's 70-member Legislative Policy Committee voted to oppose LD 1035 because of significant uncertainty as to how this limit would be tracked at the local level. When coupling the transient nature of GA beneficiaries with the absence of a statewide GA clientele database, it is evident to local administrators that tracking GA assistance provided over a five year period would be nearly impossible for communities. Municipal officials are concerned that the bill provides yet another avenue for the state to reduce its financial obligations to the state/municipal program.

LD 1035 received bipartisan support in the Senate and is now tabled in the House.

Please contact the members of the House and ask them to oppose LD 1035.

LD 337 - The tax lien discharge process (no action needed)

Finally, there is an update to report on LD 337, *An Act To Remove Liens Once Satisfied*. LD 337 was amended by a majority of the Insurance and Financial Affairs Committee to require municipalities to discharge tax liens within 60 days of the tax lien being satisfied. The Committee's amended version of the

bill further required that written notice of the discharge be mailed to all persons or entities that were provided original notice of the lien filing.

Although municipal officials did not object to the 60-day discharge requirement, concerns were raised with the costs to the property taxpayers for mailing out notice of a discharged lien not only to the property owner, but also to all other interested parties, including financial institutions, that had been previously notified that a lien had been filed.

The version of the bill enacted by both the House and Senate on Wednesday this week addresses the municipal concerns. As amended, the bill simply requires municipalities to discharge a lien within 60 days of the tax lien being satisfied. The bill further provides that a holder of a lien who fails to discharge the lien within 60 days of full payment is liable to actual damages suffered by the debtor or owner of the property as a result of the failure to discharge the lien, but that liability is not placed on the state, a municipality or other governmental entity.

LD 337, as amended by the Legislature, will soon be on the Governor's desk for his consideration. When speaking to members of the House and Senate on other issues of municipal importance, please thank them for addressing the municipal concerns raised with the earlier versions of LD 337.