



Maine Municipal Association

2018

Federal Issues Paper



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The 2018 Federal Issues Paper is a publication of the Maine Municipal Association. The purpose of the paper is to highlight federal issues that are of concern to Maine municipal officials and to reflect the policy positions adopted by the MMA Executive Committee.

Table of Contents

Introduction	1
Fiscal State of Municipalities	2
Transportation Infrastructure Funding.....	3
Broadband Infrastructure.....	5
Interest-free Tax Exempt Bonds	6
Community Development Block Grants	6
Low-Income Home Energy Assistance Program (LIHEAP).....	7
Public Safety Grants.....	8
Federal Unfunded Mandates	10
Maintaining the Partnership	10

Introduction

On behalf of our 485 member municipalities, the Maine Municipal Association (MMA) is pleased to present its 2018 Federal Issues Paper (FIP). For over three decades, MMA has published and shared a version of this document with Maine's congressional delegation each year. While many of the issues presented in the 2018 paper are similar in nature to those first addressed in 1985, this year's paper is written with an understanding and recognition of a political environment full of unknowns, especially with respect to federal funding and support for important local programs.

The 2018 edition of the Federal Issues Paper has three goals:

First, to illustrate the role federal revenue plays in funding services provided by Maine governments. While the amount of federal aid received by municipalities is minimal in comparison to all other sources of revenue, every dollar provided to the state, municipalities and other qualifying non-governmental organizations reduces the burden placed on local property, state sales and state income taxpayers.

Second, to highlight the federal level programs and issues of great importance to local government leaders. Over the last month, updates from Washington, D.C. report that funding for vital programs, such as infrastructure improvements, heating assistance, and economic development, is at risk. Our goal is to highlight for Maine's congressional delegation the federal programs vital to the state and its residents and to encourage ongoing support for those programs.

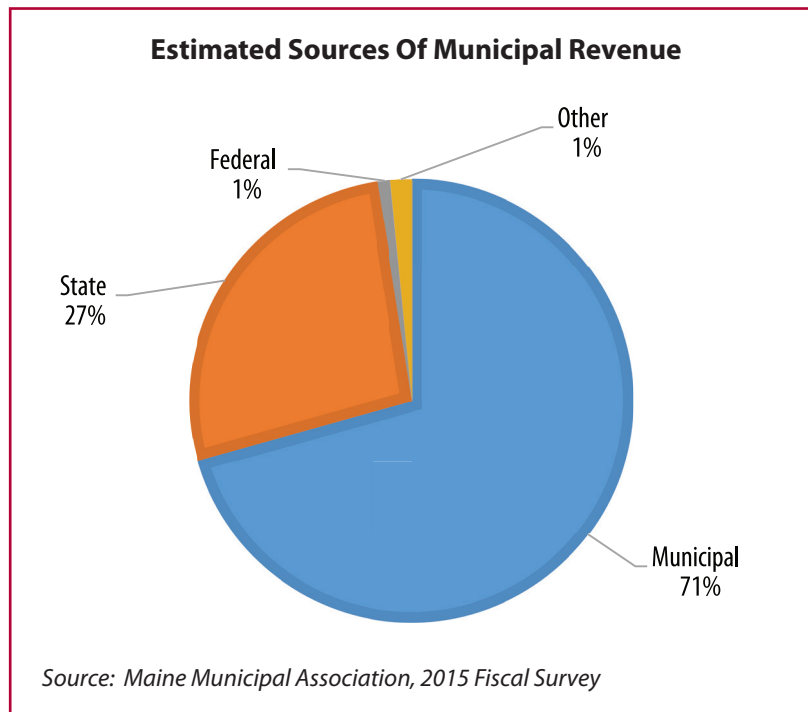
Third, to establish an ongoing working relationship with the members of Maine's congressional delegation and to develop the means necessary to regularly share information about the issues facing local officials at home in Maine and those facing the congressional delegation in Washington, D.C.

Municipal officials thank Senator Susan Collins, Senator Angus King, Representative Chellie Pingree and Representative Bruce Poliquin for their tireless efforts to represent and protect the interests of Maine residents. Your efforts - small and large - do not go unnoticed and are greatly appreciated.

Thank you.

Fiscal State of Municipalities

It is estimated that annually municipalities statewide raise \$4 billion to fund a variety of local government services. Of the total revenue, \$3 billion is raised through municipal sources, with the largest source being a \$2.5 billion property tax contribution. State aid and reimbursements account for \$1 billion of revenue, mostly in the form of funding for K-12 education. An additional \$100 million is generated through other sources of revenue, including federal grants and appropriations from undesignated surplus, reserve and trust fund accounts.

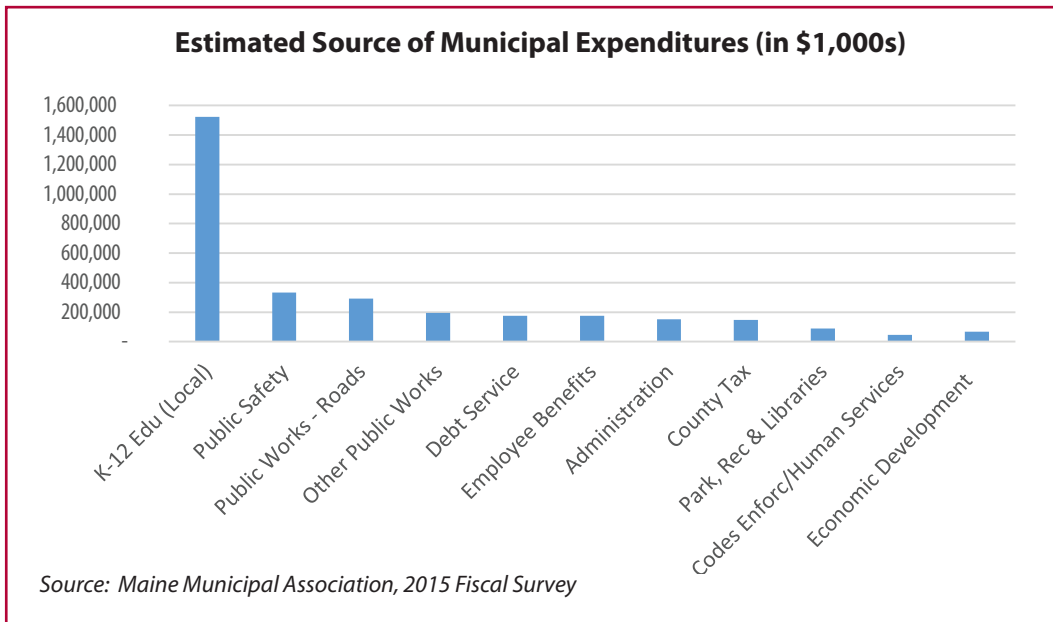


The revenue raised from these sources funds locally approved and mandated services, with the local share of K-12 education funding accounting for the largest municipal expenditure. Property tax dollars fund \$1.5 billion of the required and “additional” local share for K-12 education expenditures, accounting for 60 percent of total property tax assessments.

The cost of providing public safety services, including police, fire, and emergency medical services, is projected to cost \$335 million annually, representing the second largest municipal expenditure. The third largest local government expenditure is investment in road and bridge infrastructure, accounting for \$280 million of total municipal spending. These three expenditures (e.g., school, public safety and transportation infrastructure) account for 67 percent of total local government spending. The accompanying table shows all sources of municipal expenditures.

Although federal funding for local government programs and services accounts for only 1 percent of total municipal revenue, it is nonetheless extremely important. The amount of burden placed on property taxpayers is at an all-time high. In 2007, of the three major taxes (e.g., local property, state sales and state income) used to pay for state and municipal services, the tax assessed on property raised 42 percent (\$2 billion) of the total revenue utilized to provide local government services. In 2016, property taxes generated 45 percent (\$2.5 billion) of the total revenue.

In addition to the direct federal aid provided to municipalities, local governments also benefit when the state and nonprofit organizations receive funding for roads and bridges or home heating assistance. Disbursements of federal allocations relieve the pressures placed on the property tax. Municipal officials ask that as our congressional delegation members work to adopt a federal government budget to please keep in mind how funding decisions will impact the ability of municipalities and the state to provide needed and desired services to residents and businesses in the State of Maine.



Transportation Infrastructure Funding

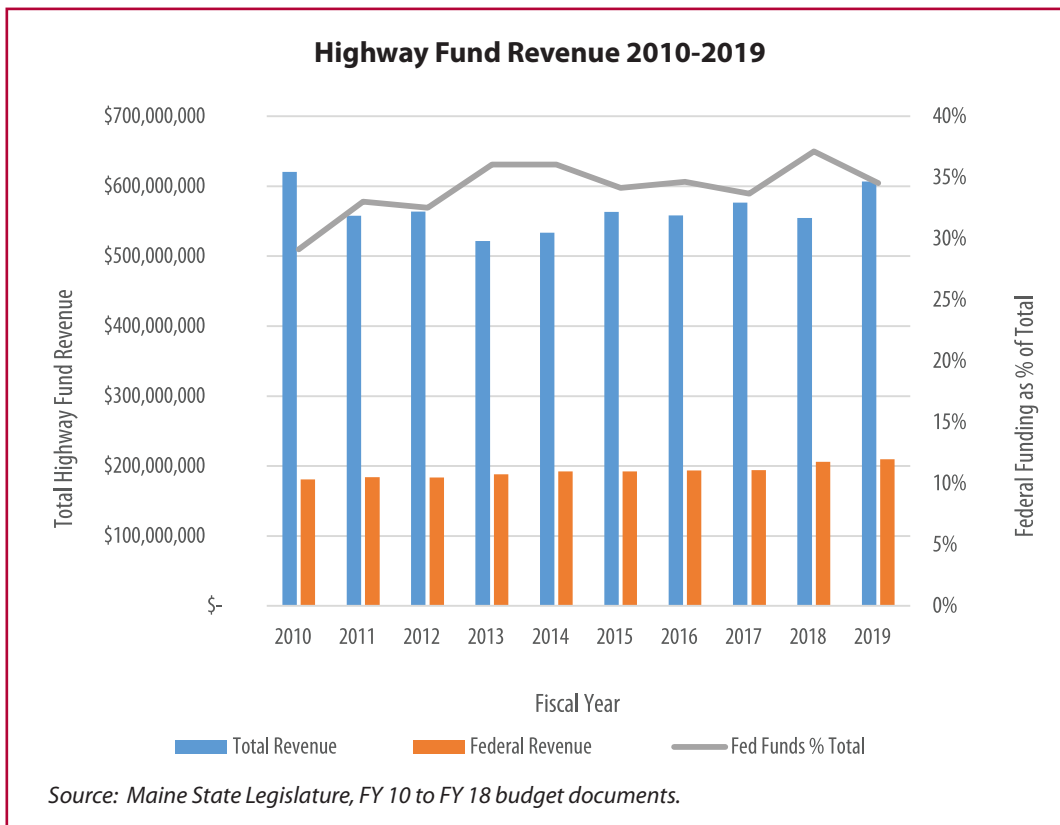
Maine’s road and bridge system is the most important component of its transportation network. The system consists of nearly 22,700 miles of highway including 336 federal, 8,303 state and 13,862 local miles. Nearly 90% of all passenger movement and Maine’s freight, which is estimated to transport \$90 million of product annually, is shipped over the state’s road and bridge infrastructure.

In light of the above-average deterioration that comes with harsh winters and spring thaws, infrastructure investments are vitally important to the northeast. According to the data published in the U.S. Department of Transportation’s Statistics’ *State Transportation Statistics, 2015* report, of the total road miles maintained by the Maine Department of Transportation (MaineDOT), 25 percent are in good condition, 48 percent in acceptable condition and 27 percent in poor condition. Maine’s bridge inventory is also in need of repairs, as 15 percent of Maine’s 2,419 bridges need to be monitored, repaired or replaced for reasons of structural deficiency. Nearly one-fifth, 18 percent, of Maine bridges are no longer functionally adequate to accommodate the volume and weight of traffic.

The decisions Congress makes regarding transportation related funding and policy issues have a direct impact on the ability of states and municipalities to maintain and repair state and local roads. Municipal officials appreciate that through the enactment of the FAST Act (Fixing America’s Surface Transportation) in 2015, Maine will receive \$978 million in federal funds between 2016 and 2020 and MMA thanks our Congressional delegation members for their role in securing this important funding.

However, as shown in the accompanying chart, MaineDOT relies heavily on federal transportation infrastructure funding. Federal funding accounts, on average, for one-third of the revenue annually spent on Maine roads, bridges, ports, harbors, marine transportation, aviation, freight and passenger railroads, and bicycle and pedestrian trails.

Changes in federal policies increasing the state’s match requirement would adversely impact the number of infrastructure projects completed each year. For example, between 2013 and 2017, Maine voters supported the issuance of \$385 million in transportation-related bond revenue, which raised an additional \$550 million in federal and other source funding. Of the total \$935 million investments in the last 5 years, nearly 50 percent was capitalized with federal matching funds.



As proposed in President Trump’s \$100 billion transportation funding incentive program, municipalities and states are required to raise 80 percent of the cost of infrastructure projects from public and private sources in order to receive 20 percent in federal funding. The 80 percent/20 percent local/federal share will adversely impact states like Maine that are dependent on federal funding to support much needed road and bridge improvements. Municipal officials ask that our Congressional delegation members continue to advocate for traditional levels of federal funding, roughly \$190 million annually, for transportation infrastructure improvements.

Broadband Infrastructure

In both rural and urban communities, there is a looming sense that the rest of the world is beginning to leave Maine behind as a result of the relatively slow deployment of reliable, high speed internet throughout our state. Access to this resource is crucial to Maine's ability to create jobs, attract new residents, provide educational opportunities, and improve home-based "tele" healthcare.

Maine's "three-ring binder" broadband infrastructure backbone has been up-and-running since 2012. The binder's fiber optic network is often likened to a highway that still lacks sufficient on-off ramp connections to ensure widespread access via the "roads" or internet lines that extend into individual communities. With the significant infusion of federal funding to install the binder, followed by allocations including Connect America Funds (substantially increased in New England in 2015), there is ample demonstration that the federal government recognizes the importance of a robust broadband utility and is actively engaged in helping make it a reality.

In attempting to expand these connections statewide, four obstacles have been identified: connection and implementation delays; unreliable service quality; variable and prohibitive costs for consumers; and lack of return on investment for providers. To address our so-called "last mile" challenge, the Maine Municipal Association's Legislative Policy Committee incorporated efforts to expand statewide access to reliable high-speed internet as part of its 2015-2016 and 2017-2018 legislative platforms. The specific initiative proposed by the Association, in both biennia, was a \$10 million bond issue to create a pool of resources to be augmented and leveraged by municipal investments in an effort to encourage public-private investments.

In recent years, it has become clear that without state and federal assistance, expanding infrastructure into Maine's unserved and underserved regions will not become a near-term reality. There is now widespread recognition by local officials that internet access is unreliable, unaffordable, slow, or a combination thereof in their individual communities. This is an issue from the smallest plantations and islands to the largest cities, impacting schools, hospitals, farmers, and small businesses.

Despite the broad-based support for expanding access, there is growing concern from the incumbent internet provider industry that governmental investments in public-private infrastructure partnerships will somehow force the private sector to compete with government. The industry's position has so far stalled state-level support for further investment, leaving communities in limbo.

Municipal officials strongly disagree with the assessment that public partnerships will negatively impact the public-private sector. On the contrary, public-level investments will address the industry's understandable return-on-investment challenges by helping to modernize the statewide system in a more timely way. According to the data published by the U.S. Census, in 2015 38 percent of households nationwide did not have access to the broadband infrastructure necessary to meet the relatively forward-looking Maine ConnectME Authority standard service definition of 10 mbps download and upload speeds. Yet more than twice that amount, 92 percent of Maine's businesses and residents, still do not have access to the infrastructure necessary to meet this standard within our state. More specifically, roughly 65 percent of citizens nationwide have access to a minimum download speed of 100 mbs and upload speed of 10 mbps, but only 8 percent of Maine citizens have those levels of service. For these reasons, it is important that all entities work together to ensure Maine remains economically viable in the coming years.

Municipal officials ask our Congressional delegation members to continue to allow for public level investment to expand broadband access to underserved and unserved areas of the state.

Interest-free Tax Exempt Bonds

With increasing local level investments in highway, bridge and broadband infrastructure, the preservation of the tax-exempt status of municipal bonds is paramount. Tax-exempt bonds are the primary source of public financing used to pay for roads, bridges, drinking water and wastewater facilities, schools, parks and recreational areas, airports, transit systems, correctional facilities, affordable housing and more. Through this exemption, the federal government has for more than a century provided indirect financial support to states and local governments for the development and maintenance of essential public facilities and services, which cannot be practically financed by other means.

According to the Maine Municipal Bond Bank, in 2016 nearly \$44 million in bonds with a 20-year repayment term were issued to fund public infrastructure projects. In 2017, the value of bonds issued by the bond bank for infrastructure projects increased to \$157 million. Without the exempt status, bond financing costs would have increased by nearly \$2 million in 2016 and by \$8 million in 2017. Although some of the state's largest municipalities, including Bangor, Portland, South Portland, and Scarborough, for example, issue their own bonds, the majority of municipal public infrastructure bonds are issued by the Maine Municipal Bond Bank.

If Congress repealed or capped this exemption, there would be an immediate increase of up to two percentage points for the interest costs on all new issuances of municipal bonds due to investors demanding higher interest rates to compensate for the federal tax on that interest income. Since tax-exempt municipal bonds are issued primarily for necessary infrastructure and capital projects, the result of this would be either a reduction of infrastructure-related capital improvement spending by our cities, towns, schools and utility districts, or significant increases in the costs of these projects. Such increases will be borne by our citizens through higher state and local taxes, higher utility rates, and higher user fees. For these reasons, the existing exemption should be protected.

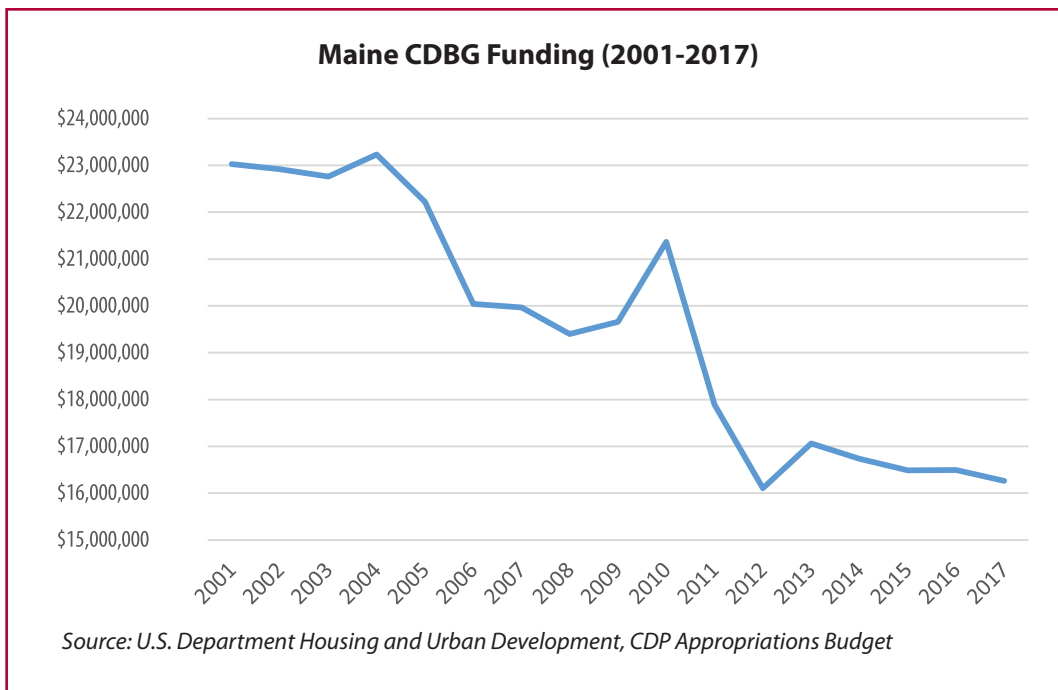
MMA thanks all Congressional delegation members for opposing the repeal of tax exempt bonds.

Community Development Block Grants

Maine's Community Development Block Grant (CDBG) program provides funding and technical support for projects that achieve local community and economic development objectives, while focusing benefits on low-to-moderate income persons. Maine receives CDBG funds through two avenues. The first is the direct funding for Maine's "entitlement" communities of Portland, Bangor, Lewiston, Auburn, South Portland and Biddeford. The second avenue is through statewide block grants awarded to communities through a competitive grant application process, which is administered by the Maine Office of Community Development.

Over the past two decades, federal support for the grant program has fluctuated. Federal funding for the program hit a high of \$23 million in 2001 and a low of \$16 million in 2017.

According to information provided by the Maine Office of Community Development, in 2017 over \$8 million in block grant funding was awarded to 24 non-entitlement communities. Of that total, nearly \$1 million was awarded to the Town of Machias to replace and repair sewer lines, thereby avoiding shifting increased cost on to the system's 720 customers. A \$1 million housing grant awarded to Brunswick will be used by the local housing authority to fund a 50 unit housing rehabilitation project which is a critical part of the community's affordable housing mix. The Town of Skowhegan received a \$120,000 business assistance grant enabling Bigelow Brewing to purchase a new canning system for their brewery and increasing staff by three full-time employees and two part-time employees. And, the Town of Fort Kent received a \$300,000 downtown



revitalization grant, which will fund a parking lot project and improvements to the levee along the Fish River.

Municipal officials believe the CDBG program has been successful and should be maintained as a separate and distinct program. CDBG is one of the few remaining federal programs available to assist Maine communities in their efforts to create jobs, provide affordable housing, eliminate blight, and generate economic development.

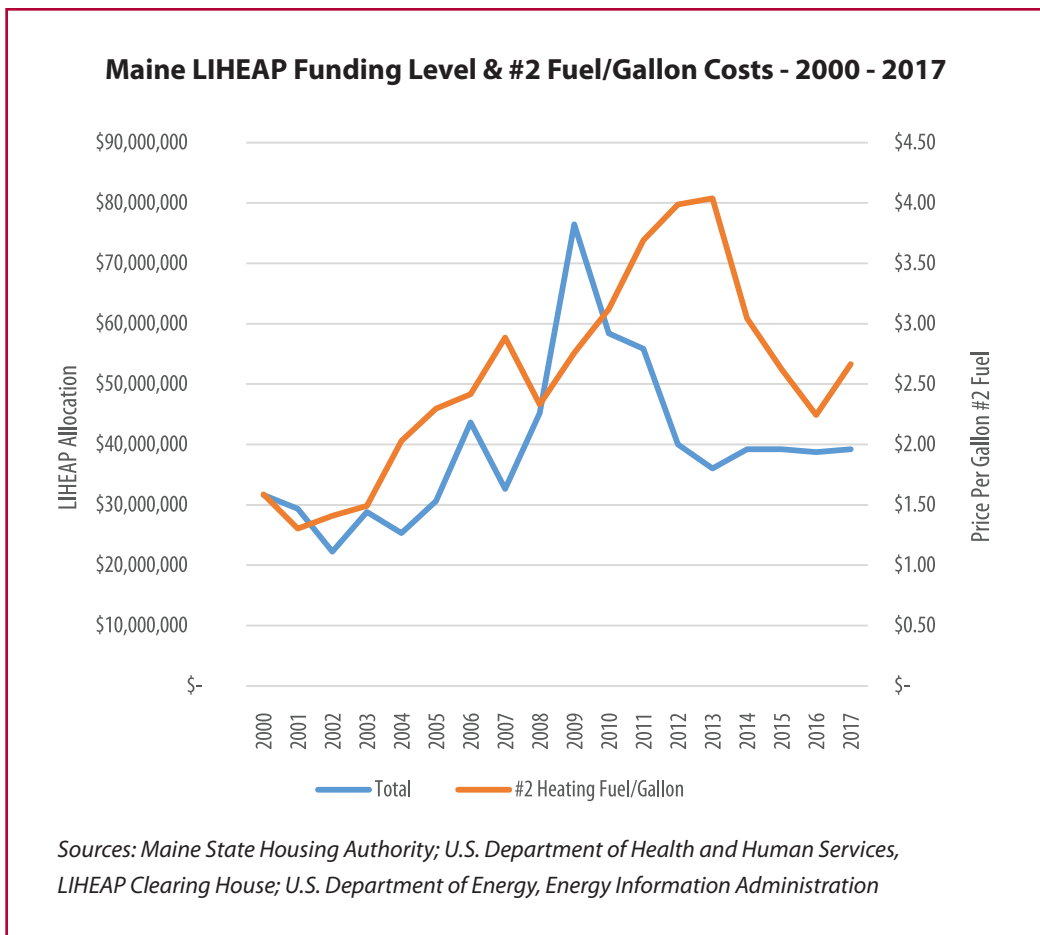
MMA thanks all Congressional delegation members for supporting continued CDBG funding.

Low-Income Home Energy Assistance Program (LIHEAP)

Since 2000, the annual allocation for federal heating assistance in Maine has ranged from a high of \$76 million in 2009 to a low of \$22 million in 2002. Over the last 18 years, the average annual allocation to the heating assistance program has been \$40 million. In the early part of the last 18 years (2000 to 2005), the average annual allocation for LIHEAP was in the \$28 million range. In mid-part of the span (2006 – 2011), the average allocation increased to \$52 million a year, and in the most recent six-year period (2012-2017), the average annual distribution decreased to \$38 million, representing a return to the pre-surge levels.

At the same time, fuel prices have, overall, steadily increased since 2000. According to the information generated by the U.S. Department of Energy, between 2000 and 2005 the average cost of #2 heating fuel was \$1.66/gallon during the heating months of January, February, March, October, November and December. Between 2006 and 2011, the average per gallon cost increased to \$2.94, and to \$3.14/gallon between 2012 and 2017.

From a long-term budget point of view, the allocation to LIHEAP between 2012 and 2017 is not entirely out of line. The problem is that the cost of heating fuel continues to increase, impacting the amount of heating assistance the program is able to purchase. In 2000, the \$32 million allocation allowed the state to purchase



22 million gallons for residents in need. That capacity peaked in 2009 when 32 million gallons of fuel oil were purchased using \$76 million in LIHEAP funding. The current funding allocation of \$39 million allows the statewide program to purchase 15 million gallons of fuel.

In response to the recent announcement from Washington, D.C. that funding for this heating program could be on the chopping block, municipal officials urge Maine’s Congressional delegation to continue to fight for ongoing financial support for this program.

Public Safety Grants

Maine’s public safety officials are continuously trying to find efficient and effective ways to provide public safety services. While municipalities work together to provide services through mutual aid agreements and the sharing of equipment, staff and facilities, these communities also benefit from several federally funded public safety grant programs.

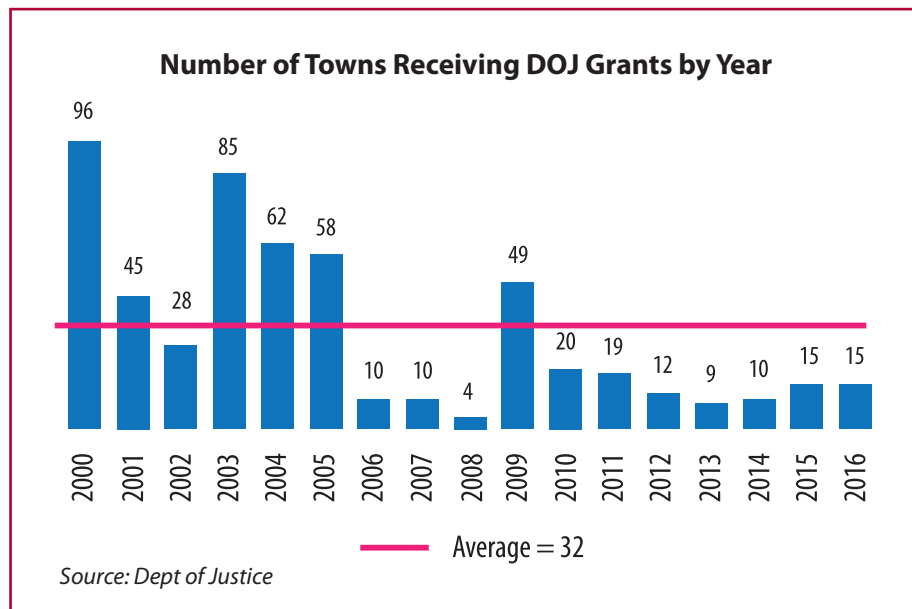
Since 2005, municipalities have experienced a significant reduction in the availability of Department of Justice (DOJ) and Homeland Security grants. These programs have been utilized by Maine’s communities to enhance public safety programs, while limiting local budget impacts. Past programs offered through these funding streams have included grants for protective equipment, targeted enforcement, support for infrastructure that enhanced inter-agency cooperation and information sharing, and funding to increase the number of public safety officers in small communities.

The DOJ often sets priorities for addressing some of America’s biggest problems, such as the opioid addiction crises, through a variety of grant programs. While large city departments have the staffing and resources necessary to support often complex pre-application and post-award administrative requirements, historically the DOJ has ensured some of the grants were targeted to smaller and rural initiatives. This program is crucial as issues like this are hitting small rural towns that do not have the necessary revenues and resources to respond. Unfortunately, many of these programs are no longer available.

In the past 16 years, Maine municipalities have received an average of \$2 million annually in federal funding for a variety of public safety programs to combat specific community challenges. Along with opportunities to hire additional police officers, and rehire positions lost to budget cuts, 141 Maine communities were able to take advantage of a Bullet Proof Vest Program grant, to better protect their community public servants. In 2009 an increase in federal funding was attributed to the implementation of the American Recovery and Reinvestment Act of (ARRA) and the COPS Hiring Recovery Program (CHRP). This program removed the match requirement for funding entry level police officers and covered the costs of their salary and benefits packages specifically to preserve jobs, increase community policing capacity, and crime prevention efforts.

Like the Department of Justice grants, Homeland Security grants have provided much needed support for rural communities since 2004, through the Assistance to Firefighters Grant Program (AFG) and the Staffing for Adequate Fire and Emergency Response Grant Program (SAFER). These grants have helped firefighters, emergency medical responders, and State Fire Training Academies to obtain critically needed equipment, protective gear, emergency vehicles, training, and other resources needed to enhance disaster emergency response. Without this federal support much of these improvements could never have been achieved.

Municipal officials ask our Congressional delegation members to continue to support federal funding for public safety programs.



Federal Unfunded Mandates

Two decades ago, MMA supported the passage of the Unfunded Mandates Reform Act (UMRA). At that time, the Act passed with wide bipartisan support. Under its terms, the Congressional Budget Office (CBO) is required to assess the cost of directives to state and local levels that are proposed to be enacted into federal law.

The CBO acknowledges that the term “mandate” is defined narrowly in UMRA. Independent agency mandates, and costs associated with the conditions for local governments to receive grants or other federal aid, are not included in the existing mandate definition. According to the National Conference of State Legislatures, “time has shown [the Act] contains a variety of loopholes that have ultimately marginalized its legislative intent.”

Dozens of bills containing mandates above the statutory threshold have been enacted by Congress. Many more fall below the threshold, and even more have been promulgated via agency regulations. The two most significant unfunded federal mandates falling upon local governments are in the area of environmental regulation and education – specifically, the federal requirements under the Clean Water Act regarding the management of drinking water, wastewater and stormwater, and the Individuals with Disabilities in Education Act. Compliance with these two mandates alone places a burden on Maine’s property taxpayers and utility rate payers valued at millions of dollars annually.

Meanwhile, there has been a steady decline in federal dollars made available to support initiatives at the state and local levels. The 2017 Federal Issues Paper highlighted the issues associated with waning funds offered through the Community Development Block Grant Program, and previous parts of this year’s paper also acknowledge several other areas of federal funding that seem to be running dry. It is still too early to assess the current Administration’s approach toward imposing new, and enforcing existing, unfunded federal mandates on Maine’s towns and cities.

Municipal officials ask that our Congressional delegation members look for opportunities to update the laws protecting municipal and state governments from cost prohibitive mandates to show that Congress takes the burdens it has placed on local shoulders seriously.

Maintaining the Partnership

As stated in the introduction, municipal officials understand the federal-local government relationship is a two-way street and should be fostered throughout the year. For this reason, municipal officials and the Maine Municipal Association look forward to discussing and implementing ways to keep the lines of communication open. Municipal officials appreciate the work Maine’s Congressional delegation does on behalf of its residents and are ready to assist you in continuing efforts to do what is best for Maine.



Maine Municipal Association

OUR MISSION

The mission of the Maine Municipal Association is to provide professional services to local governments throughout Maine and to advocate their common interests at the state and national levels.

OUR CORE BELIEFS

We believe in:

- Local government as the keystone of democracy.
- Representative and participatory local government.
- The accessibility and accountability of municipal government officials.
- A commitment to honesty, integrity and the highest ethical standards among public officials.
- The vital intergovernmental role of municipal governments in providing basic services essential to public safety and the functioning of our economy.
- The individuality of each local government.
- The value of collaboration as a means of strengthening cities and towns and providing needed services.

LOCAL GOVERNMENT
begins with **YOU**[®]



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