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STATE OF MAINE



REPORT

THE COMMISSION TO STUDY THE COST OF PROVIDING CERTAIN SERVICES IN THE UNORGANIZED TERRITORIES

December 2006

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**THE COMMISSION TO STUDY THE COST OF PROVIDING
CERTAIN SERVICES IN THE UNORGANIZED TERRITORIES**

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COMMISSION TO STUDY THE COST OF PROVIDING CERTAIN SERVICES IN THE UNORGANIZED TERRITORIES

EXECUTIVE SUMMARY December 1, 2006

The Commission to Study the Cost of Providing Certain Services in the Unorganized Territories (study commission) was established in 2005 by Resolve 2005, chapter 125 and its mission enlarged in 2006 by PL 2005, chapter 624. The Commission consists of 17 members including 6 legislators, 5 state agency representatives, 2 representatives of county government and 4 unorganized territory landowners representing a range of total landownership. The study commission met 12 times to conduct its work. As a result of the significant workload of the study commission, its original reporting date was extended from December 7, 2005 to December 1, 2006.

The unorganized territories (UT) comprise more than 9.4 million acres of the State of Maine and have a population of approximately 8,000 people. In the absence of any municipal government, “municipal” services in the UT are provided by either state agencies or county governments. The budget process is overseen by the fiscal administrator of the unorganized territory (FAUT), a position in the State Department of Audit. According to statute, the funds necessary to pay for these “municipal” services (called the municipal cost component) are authorized annually by the Legislature through action on legislation submitted by the FAUT based on budgets submitted by State agencies and counties.

Resolve 2005, chapter 125 directed the study commission to review all aspects of the funding and provision of services in the UT, especially fire protection and preparedness, land use planning and related activities and education. PL 2005, chapter 624, directed the study commission to review the spending growth limitations for the UT enacted in 2006 during the Second Regular Session of the 122nd Legislature for the purpose of extending to the UT the spending growth limitations imposed on municipalities in 2005 (commonly referred to as “LD 1.” Chapter 624 also directed the study commission to develop a new budget funding mechanism for the FAUT that promotes budget transparency and fiscal accountability.

The study commission reviewed the history and process for UT services and funding. It received information from State and county officials, residents and taxpayers of the unorganized territory and other interested persons. The study commission held 2 meetings outside of Augusta to provide an opportunity for those in and close to the UT to present opinions and recommendations without having to travel to Augusta. One meeting was held in Millinocket and the other in Dover-Foxcroft. The study commission appointed a subcommittee to conduct in-depth consideration of the issues related to funding and provision of services by counties.

The study commission considered the following issues and makes the following recommendations.

FINDINGS AND RECOMMENDATIONS

LAND USE AND DEVELOPMENT PRESSURES

- 1. The study commission recognizes that development in the UT is increasing and results in the demand for and the need to provide additional municipal-type services in all categories of the municipal cost component, not just the funding of LURC. These demands have the potential to increase the economic burden on taxpayers in the UT. There was general agreement among the members of the study commission that the property tax burden in the UT should be kept as low as possible and that the cost of providing new services resulting from increased development should be allocated as much as possible to those property owners creating the need for additional services.*
- 2. The study commission recommends an increase in LURC General Fund funding of \$320,094 beginning in FY 2007-08 to permit the establishment of 5 positions and 2 upgrades in LURC regional field offices to improve services for LURC “customers.”*
- 3. The study commission recommends that a portion of the additional revenue to support the increase in LURC funding be generated by increasing charges to the towns and plantations. The assessment for towns and plantations should be raised to .025% of equalized valuation raising approximately an additional \$145,000 from towns and plantations. This increase reflects a more appropriate apportionment to towns and plantations based on the percentage of LURC effort in those areas. The formula for calculating the assessment against the UT should be changed from the current 18% of LURC’s General Fund appropriation to an assessment of .014% of equalized state valuation which is estimated to generate approximately the same amount from the UT as under current law in FY 2006-07. Basing assessments in the UT on equalized state valuation will generate increased funding over time as property values increase, more closely mirroring the increased need for LURC services resulting from development activity in the area under LURC jurisdiction.*
- 4. The study commission recommends that LURC and Maine Revenue Services work with the Attorney General’s Office and recommend strategies (including legislation, if necessary) to address nonpayment of assessments on towns and plantations.*
- 5. The study commission supports LURC’s proposal to revise regulatory fees to provide a more appropriate fee schedule based on the amount of development*

proposed and to reflect more accurately the staff time needed to review more complex, time-consuming applications and the cost of processing.

- 6. The study commission recommends that increased effort be made by LURC to provide information to potential UT residents about the lack of services in remote areas.*
- 7. The study commission strongly recommends that counties take an active role in reviewing applications for development in the UT and provide feedback to LURC regarding the availability or lack of county services that may be required or requested for the proposed development.*

FOREST FIRE PROTECTION

- 1. The study commission recognizes that State forest fire protection activities are a service that is provided statewide, not just in the UT, and should be funded from statewide resources. The study commission recognizes the importance of these functions to the economy of the State and encourages funding of forest fire protection activities that is adequate to ensure the ability to respond to fire dangers statewide in a timely and effective manner.*
- 2. The study commission strongly urges the Division to acquire the Bell 407 helicopter scheduled for purchase in August 2007 and 2 additional Bell 407s over the next 4 years to provide helicopters for forest fire suppression well into the future, ensuring effective protection of the State's most valuable natural resource.*
- 3. The study commission strongly recommends that the administration and the Legislature restore capital dollars lost to budget cuts over the last 4 years to 2001 levels of \$225,000 annually.*
- 4. The study commission strongly recommends that the Division receive funding for 4 of 11 positions lost to budget cuts over the past 4 years*

GOVERNMENT STRUCTURE

- 1. The study commission recommends that the FAUT develop legislation to provide a process for areas with significant population and property value to organize in a manner that is similar to the deorganization process.*

COUNTY SERVICES

1. *The study commission found merit in the suggestion that counties be given authority to charge service fees to the recipients of “municipal” services provided in the UT and recommends that such authority be extended.*

EDUCATION

1. *The study commission encourages the Department of Education to explore and implement efficiencies and economies to reduce the property tax burden of the education component of the MCC.*
2. *The study commission encourages the Department of Education to submit and the Legislature to approve an education component in the municipal cost component that will more realistically reflect actual anticipated expenditures rather than being based on the previous year’s authorization.*
3. *The study commission recommends that statutes be amended to provide that the State will not provide transportation of students or reimburse families for transportation over roads that have not been accepted by the county as public roads and that do not meet Maine Department of Transportation standards. Reimbursement of residents of the UT for transporting their own children should be discontinued beginning in fiscal year 2007-08.*
4. *The study commission recommends that the Department of Education review and recommend whether the Unorganized Territory Education and Services Fund should be entitled to receive aid from the State’s General Fund in the same manner as if it were a school administrative district under the Essential Programs and Services program.*

UT BUDGET

1. *The study commission recommends no changes to the spending growth limitation procedures enacted in the Second Regular Session of the 122nd Legislature and believes that those procedures should be reevaluated after several years of experience to demonstrate whether they should be retained.*
2. *The study commission recommends that the municipal cost component request for the FAUT line more accurately reflect the actual cost of the function.*
3. *The FAUT should work with county commissioners and the State Controller to make the municipal cost component process more transparent.*
4. *The study commission recommends the addition of a position to assist the FAUT with municipal cost component budgets, legislative issues affecting the UT and the identification and procurement of economic development grant money.*

5. *FAUT should work with the State Controller to resolve issues addressed by auditors to make the UT budget consistent with standard government accounting practices.*
6. *Counties should do a better job of advertising opportunities for citizen input on UT budgets and should hold at least a portion of public hearings and other meetings on the UT budget at times that will provide the greatest opportunity for UT residents to attend.*

MISCELLANEOUS ISSUES

1. *The study commission recommends that the fee paid for collection of motor vehicle and watercraft excise taxes be raised to \$6 in order to ensure local access to services at convenient times and locations.*
2. *The study commission encourages DHHS to work with the FAUT to continue exploring and implementing methods for cost reduction in the administration of general assistance in the UT.*
3. *The study commission recommends that the Commissioner of Inland Fisheries and Wildlife work with landowners, municipalities and recreation groups to explore and make recommendations for the appropriate distribution of responsibility and costs for rescue services among State, municipal and individual parties.*
4. *The study commission recommends that the UT statutes be updated to provide technical corrections.*

**COMMISSION TO STUDY THE COST OF PROVIDING
CERTAIN SERVICES IN THE UNORGANIZED TERRITORIES**

**FINAL REPORT
December 1, 2006**

I. BACKGROUND

A. The Study Commission

The Commission to Study the Cost of Providing Certain Services in the Unorganized Territories was established by Resolve 2005, chapter 125. It originated as **LD 1636, Resolve, To Study the Cost of the Provision of Certain Governmental Services in the Unorganized Territories**, introduced in May 2005 by Rep. Robert Duplessie of Westbrook. The resolve was referred to the Joint Standing Committee on Taxation, which heard and worked the bill. The bill, as amended by Committee Amendment “A” to adjust the proposed membership of the study commission, was enacted and signed by the Governor in June 2005.

The study commission consists of 17 members representing the following interests.

Legislative members (6)

- Two members of the Senate
- Four members of the House of Representatives

(Appointed by presiding officers; at least one member from each legislative body must be a member of the Joint Standing Committee on Agriculture, Conservation and Forestry or the Joint Standing Committee on Natural Resources. At least 50% of the members from each legislative body must be members of the political party with the second highest membership in the body.)

Agency representatives (5)

- State Tax Assessor
- Commissioner of Conservation
- Director of the Maine Land Use Regulation Commission (LURC)
- Director of the Maine Forest Service
- Fiscal Administrator of the Unorganized Territory (FAUT)

(Agency representatives are authorized to appoint designees to serve in their place)

County government representatives (2)

Must be from a county with areas under the jurisdiction of LURC

(One appointed by President of the Senate; one appointed by Speaker of the House of Representatives)

Landowners (4)

- One owning less than 500 acres
- One owning 500-5000 acres
- One owning 5,000-100,000 acres
- One owning more than 100,000 acres

(Appointed by the President of the Senate and the Speaker of the House of Representatives)

Resolve 2005, chapter directed the Legislative Council to provide staffing services for the study commission.

Resolve 2005, chapter 125 authorized four meetings of the study commission and directed the study commission to submit a report to the Second Regular Session of the 122nd Legislature by December 7, 2005. Once the study commission began its work, it became apparent that additional meetings and time would be required to complete its work. In 2005 the Legislative Council approved 2 additional meetings to be held outside of Augusta to solicit comment from members of the public with connections to the unorganized territories. The study commission's reporting deadline was extended ultimately to December 1, 2006. Five study commission meetings were authorized in 2006.

B. Duties of the study commission

Resolve 2005, chapter 125 directed the study commission to:

- “1. Study the provision of fire preparedness and protection services by the Maine Forest Service and others in the unorganized territories; the provision of land use planning services and related activities by the Maine Land Use Regulation Commission in the unorganized territories, including planning, permitting and compliance activities; the provision of education services in the unorganized territories; and the provision of other types of services in the unorganized territories that are determined relevant by the commission;
2. Study the cost and reimbursement for services provided in the unorganized territories; and
3. Recommend whether adjustments in the level or method of funding should be made for services provided in the unorganized territories....”

[Emphasis added]

During the Second Regular Session of the 122nd Legislature in 2006, the duties of the study commission were expanded to require it to “... review growth limitations established by [Public Law 2005, chapter 624] and make recommendations for retaining, amending or repealing those limitations ...” and to “... develop a new budget funding mechanism for the office of the fiscal”

administrator of the unorganized territory within the Department of Audit that promotes budget transparency and provides better fiscal accountability for inclusion in the municipal cost component for fiscal years beginning on or after July 1, 2007.”

C. Process

The study commission met four times in 2005 and 8 times in 2006 to request and receive information relating to its tasks. The first two meetings in early 2006 were held in the evening, one in Millinocket and one in Dover-Foxcroft, to provide an opportunity for UT residents, taxpayers and other interested persons to provide information to assist the study commission in its work. Information was received from state agencies providing services in the UT, county officials with responsibility for UT services, municipalities impacted by the UT’s need for services, nonresident UT taxpayers and concerned citizens.

D. Context

The unorganized territories comprise more than 9.4 million acres of the State of Maine. Almost 8,000 people live in the UT. While this large amount of land and the population of a medium sized Maine town need municipal services, there is no municipal government in the UT.

Maine statutes provide the structure for the provision of municipal services in the UT.¹ “Municipal” services in the UT are provided by the state agencies and county governments. State services, such as land use management, property tax assessment, general assistance and education are authorized through General Fund appropriations and Other Special Revenue allocations. Notably, the State serves as the school district for the UT and operates 6 schools as well as paying tuition for children to attend schools outside the district. Each county with UT prepares a separate budget for municipal services provided by that county in the UT. The total cost of State and county services (called the “municipal cost component” or “MCC”) is authorized in legislation by the Legislature and collected, along with the general county tax assessment from the owners of taxable property in the UT in the same way that a town covers the cost of its services and county tax assessment through the property tax. Motor vehicle and watercraft excise taxes paid by UT residents are credited to the municipal cost component budget, and the UT receives State revenue sharing and reimbursement for certain property tax exemptions in the same manner as a municipality.

Property taxes are assessed in the unorganized territory for the purposes of funding the services that are funded by municipal governments in organized areas. Property is valued, and taxes are assessed and collected by Maine Revenue Services. County governments and the State General Fund are reimbursed from

¹ See 36 MRSA c. 115 (State services) and 30-A MRSA 305-A (county services).

UT property tax revenues for municipal services provided in the UT. Surplus revenues that exceed 10% of expenditures for the year, not including amounts allocated to a contingent account or set aside in capital reserve accounts, must be used to reduce taxes in the succeeding year.

E. Municipal cost component process

The fiscal aspects of the municipal cost component for the UT are overseen by the fiscal administrator of the unorganized territory (FAUT).² 36 MRSA chapter 115 establishes the current MCC procedure. (See Appendices D and E.)

1. Annually the FAUT gathers requests for MCCs from counties and state agencies and presents legislation to the Legislature containing all requests for funding under the MCC.
2. The Legislature enacts legislation establishing the MCC.
3. The State Tax Assessor determines a mill rate for State services and a county property tax mill rate for each county based on the authorized amounts for each county and the general county tax assessment. The total UT mill rate is the total of the state mill rate and the applicable county mill rate.
 - a. State services are apportioned state-wide to determine a state rate.
 - b. County services and county tax are apportioned by county to determine a county rate.
4. County funds are paid quarterly to the appropriate county.
5. Under 36 MRSA §1605, 90% of the previous year's expenditures by state agencies are transferred to the General Fund on October 31st annually. State agencies submit an annual report of expenditures by the end of the fiscal year and are reimbursed the remainder due up to actual expenditures. Unexpended revenues above 10% of expenditures carry forward to the next year.

F. Legal considerations

The current procedure for determination of the municipal cost component was enacted in 1978. An Opinion of the Justices indicated that the procedure met the requirements of Article IX, Section 8 of the Maine Constitution that property taxes be assessed equally.³

Article IX, Section 8 of the Maine Constitution requires that all property taxes be assessed equally and according to just value. The Maine Supreme Judicial Court

² The current fiscal administrator of the unorganized territory is Doreen Sheive, a member of the Commission to Study the Provision of Certain Services in the Unorganized Territories.

³ Opinion of the Justices, 383 A.2d 648 (1978).

has interpreted that section to mean that property must be taxed the same statewide, but that property tax may be imposed within a defined jurisdiction for special services that are provided only within that jurisdiction. In *Opinion of the Justices*, 80 A.2d 421, 146 Me. 239 (1951) the Maine Supreme Judicial Court determined that a statute that required the *entire* cost of education in the unorganized territory to be paid from the property tax in the UT violated Article IX, Section 8 when organized areas received a "... part of their cost of education by state funding derived from general taxation." The 1978 municipal cost component mechanism was acceptable because it required the calculation of the UT share of education funding in the same manner as if the UT were a municipality.

A May 19, 1981 opinion of the Attorney General, applying the constitutional standard to funding of the Land Use Regulation Commission (LURC) indicated that the UT property tax could not be used to fund services provided in the UT that were also provided in organized areas using state general fund revenues.

The Law Court further elaborated on the application of the Maine Constitution to the property tax in the UT in *McBreairty v. Commissioner of Administrative and Financial Services*, 663 A.2d 50 (1995). The *McBreairty* Court, stating its deference to Legislative decision making, ruled that:

1. It was permissible to require the UT to pay 100% of education costs despite the 5% minimum state funding to municipalities because the court found that the State provided some services in the UT that municipalities fund themselves.
2. It is permissible to charge the UT for 10% of the cost of LURC as long as those funds are used to fund services in the UT.

While *McBreairty* might be interpreted to be at odds with earlier precedents, the Law Court did not overturn earlier opinions, but appears instead to cite them as authority, leaving the legal precedents in some state of confusion.

II. POLICY AREAS EXPLORED

A. LURC and development pressures: context

Resolve 2005, chapter 125 directed the study commission to study the provision of land use planning services and related activities by the Maine Land Use Regulation Commission in the unorganized territories, including planning, permitting and compliance activities. The study commission spent a significant amount of time exploring the role of the Maine Land Use Regulation Commission (LURC), its functions and budget.

The study commission recognizes that development in the UT is increasing and results in the demand for and the need to provide additional municipal-type services in all categories of the municipal cost component, not just the funding of LURC. These demands have the potential to increase the tax burden on taxpayers in the UT. There was general agreement among the members of the study commission that the property tax burden in the UT should be kept as low as possible and that the cost of providing new services resulting from increased development should be allocated as much as possible to those property owners creating the need for additional services.

LURC is a 7-member commission created by the Legislature in 1971. Members are appointed by the Governor and confirmed by the Legislature. LURC jurisdiction includes all unorganized and deorganized townships as well as all plantations and those municipalities that have organized since 1971 that have not been approved by LURC for implementation of their own land use controls. LURC jurisdiction covers 10.5 million acres (approximately half of the land area in the state) comprised of 420 unorganized townships, 32 plantations and 7 towns.

LURC's statutory functions include land use planning, zoning, permitting, implementation of land use standards and associated responsibilities. It serves in a similar capacity to a municipal planning board with the concurrent mission of oversight of land use management of the State's extensive wilderness resources. LURC's staff are state employees with a expertise in a variety of relevant disciplines. About half of the staff are located at the LURC central office in Augusta. The remainder are based in 5 full-service LURC regional offices in municipalities adjacent to areas under LURC jurisdiction.

LURC funding consists almost exclusively of General Fund appropriations. Several assessments directly related to the LURC budget reimburse the General Fund for portions of the cost of LURC services. These separate assessments have been adopted over time to reflect contemporaneous funding needs and are not necessarily supported by a comprehensive rationale.

- 18% of the LURC General Fund appropriation (increased from 10% in fiscal year 2005-06) is assessed annually as part of the UT municipal cost component and collected as part of the property tax assessed against property in the UT.
- An annual assessment (enacted in 2003) of .01% of state valuation is assessed against each plantation and town under LURC's jurisdiction.

- LURC fees, and penalties are deposited in the General Fund. (In 2005, LURC was given authority to impose processing fees on “extraordinary” project applications to cover the actual costs associated with review of the application.)

1. LURC issues considered by the study commission

The study commission held numerous discussions throughout the course of its work related to LURC services and funding. The primary focus was on the following issues.

Development pressure. Recent years have seen an increase in the amount of work required of LURC as a result of development proposals in LURC jurisdiction. Several recent concept planning requests are requiring substantial time and effort on the part of LURC’s staff. Despite increased efficiencies and streamlining of the permitting and compliance process in recent years, enforcement efforts have not been able to keep pace with needs.

Need for additional staff/funding. From at least the mid-1990s through fiscal year 2002-2003, LURC maintained 26-27 legislatively authorized positions. In fiscal year 2003-2004 authorized positions were cut from 27 to 22.5. Although 2 Senior Planner positions were restored in fiscal year 2005-06, their functions were focused on comprehensive planning functions. (See Appendix C for history of LURC General Fund appropriations.) The bulk of the impact of cuts in positions has been felt in the regional offices. In order to restore regional office permitting and enforcement activity to earlier levels, LURC requested that the study commission support the restoration of additional positions to the number authorized in 2003-04.

Plantations not paying assessment. Towns and plantations consume approximately 35% of LURC’s workload, while constituting only about 11% of the total acreage in LURC’s jurisdiction. In 2003 an assessment was adopted against towns and plantations in LURC jurisdiction in the amount of .01% of the most recent state valuation to reimburse the General Fund for a portion of LURC costs. At least one plantation (Rangeley Plantation) has refused to pay the assessment. The only penalty provided by statute is withholding of revenue sharing funds which, in the case of some/many towns and plantations is far less than the savings through failure to pay the assessment.

Fee schedule needs updating. LURC fees are adopted by LURC through the state rulemaking process. Fees have been designed to encourage compliance and have not reflected the movement in many municipalities to base fees on the size or value of the development.

LURC has already initiated the rulemaking process (Fall 2006) to revise permit fees to provide higher fees based on the amount of development proposed and to reflect more accurately the staff time needed for more complex, time-consuming applications and the cost of processing. This proposal is estimated to raise approximately \$200,000 to \$400,000 additional revenue depending on number and size of applications. These rules are major substantive rules and must be reviewed by the Legislature (most likely in 2007) before they may take effect.

2. LURC recommendations

1. ***The study commission recommends an increase in LURC General Fund funding of \$320,094 beginning in FY 2007-08 to permit the establishment of 5 positions and 2 upgrades in LURC regional field offices to improve services for LURC “customers.”*** This recommendation would restore to LURC the same level of appropriations that covered the 4 positions that were eliminated in 2003 and use that funding to provide a reorganization of capabilities. The new staff would consist of two Environmental Specialist III positions, three Environmental Technician positions and the upgrade of two Environmental Specialist II positions to Environmental Specialist III positions. Despite increased efficiencies instituted following the 2003 cuts, the number of compliance cases opened and resolved has been reduced in half from pre-2003 levels. The increased staff would help to restore LURC compliance efforts that suffered from the 2003 position cuts. This proposal will give more responsibilities to the regional offices while also creating upper and lower levels in the employment ladder that presently do not exist.

2. The study commission reviewed the current funding formulas for assessments intended to support the efforts of LURC. ***The study commission recommends that a portion of the additional revenue to support the increase in LURC funding be generated by increasing charges to the towns and plantations. The assessment for towns and plantations should be raised to .025% of equalized valuation raising approximately an additional***

\$145,000 from towns and plantations. This increase reflects a more appropriate apportionment to towns and plantations based on the percentage of LURC effort in those areas. The formula for calculating the assessment against the UT should be changed from the current 18% of LURC's General Fund appropriation to an assessment of .014% of equalized state valuation which is estimated to generate approximately the same amount from the UT as under current law in FY 2006-07. Basing assessments in the UT on equalized state valuation will generate increased funding over time as property values increase, more closely mirroring the increased need for LURC services resulting from development activity in the area under LURC jurisdiction.

3. The study commission considered allowing or requiring LURC to refuse to provide services in towns and plantations that have not paid their assessments or to have a higher fee structure in nonpaying jurisdictions than in areas where assessments have been paid. Concerns were expressed that greater assessments might encourage greater nonpayment or that property owners might take actions without a permit. *The study commission recommends that LURC and Maine Revenue Services work with the Attorney General's Office and recommend strategies (including legislation, if necessary) to address nonpayment of assessments on towns and plantations.*

4. *The study commission supports LURC's proposal to revise regulatory fees to provide a more appropriate fee schedule based on the amount of development proposed and to reflect more accurately the staff time needed to review more complex, time-consuming applications and the cost of processing.* Additional fee revenue will help to defray a portion of the costs associated with other recommendations in this report relating to increased staffing for LURC.

3. General development issues

The study commission recommends that increased effort be made by LURC to provide information to potential UT residents about the lack of services in remote areas.

LURC should work with UT counties and the FAUT to develop and fund a brochure that can be given to all applicants, available at regional offices, county offices and provided to real estate agents, developers and others that:

- clarifies counties' role in providing services including county contact information and advises people to contact the county for information on available services;
- indicates that services may not be available in remote areas; and
- provides contact information for state services.

Counties should have information describing services that can be expected in various parts of the county UT and the county UT budget process.

LURC should require developers/subdividers to provide LURC brochures and county materials to potential purchasers of property.

MRS should include brochures in tax bill mailings.

The study commission strongly recommends that counties take an active role in reviewing applications for development in the UT and provide feedback to LURC regarding the availability or lack of county services that may be required or requested for the proposed development.

Enhanced cooperation between LURC and county governments can identify areas where services that will be needed due to the proposed development are either available or lacking. This information will provide greater understanding of the full costs of development on government and taxpayers at the point at which decisions are being made on development-related applications.

B. Forest Fire Protection

Maine is said to have the highest percentage of forested land of all the 50 states. Maine's forests provide a valuable resource for both natural resource based industries and outdoor recreation. This resource is continually at risk from the devastation of forest fires, whether of natural or human-caused origins. Although major forest fire damage has not been extensive in recent years, history shows that, without vigilance, the potential for overwhelming losses exists. In 1907, a series of major forest fires resulted in major landowners gathering together to request State involvement in the detection and suppression of forest fires in the unorganized areas of the State, resulting in the formation of the Maine Forest District, supported by revenues from landowners in the district until 1983. A devastating series of fires located primarily in developed areas in the southern part of the State in 1947 resulted in the expansion of State forest fire protection activities throughout the State.

Modern forest fire protection activities in the State are the responsibility of the Maine Forest Service within the State Department of Conservation. The Maine

Forest Service, Forest Protection Division (FPD) has statutory responsibility for forest fire prevention, education, detection and suppression.

Funding for the FPD comes primarily from the State General Fund, with small amounts from federal funds and other special revenue funds. The General Fund is reimbursed for a portion of the annual cost of forest fire protection activities through the Commercial Forestry Excise Tax (CFET) calculated per acre and assessed against persons owning at least 500 acres statewide of commercial forestland. The CFET per acre tax is calculated annually to reimburse the General Fund for 40% of the cost of forest fire protection activities.

Actions in recent years by the administration and the Legislature have resulted in the reduction of personnel of the FPD; reducing authorized positions from 100 in fiscal year 2002-03 to 89 in fiscal year 2003-04. In addition, appropriations for capital expenditures have decreased from a little over \$200,000 per year in the years preceding fiscal year 2001-02 to the point of elimination in fiscal years 2004-05 through 2006-07. These appropriations are critical to the needed replacement of vehicles, aircraft and other equipment necessary for the continuing effectiveness of the FPD. All Other appropriations have also been trending downward with a slight up turn in fiscal year 2006-07. (See Appendix C for history of appropriations.)

The study commission recognizes that State forest fire protection activities are a service that is provided statewide, not just in the UT, and should be funded from statewide resources. The study commission recognizes the importance of these functions to the economy of the State and encourages funding of forest fire protection activities that is adequate to ensure the ability to respond to fire dangers statewide in a timely and effective manner.

1. Aircraft replacement. Since 1959, the Forest Protection Division has used aircraft to support forest fire suppression activities. In 1976, the Division acquired federal excess Huey helicopters that were loaned to the state from the U.S. Forest Service. The Division has used these helicopters as the backbone of the aerial suppression fleet since that time. Helicopters are the most efficient means of providing initial attack on fires in Maine due to the remoteness of vast areas of forestland and the availability of numerous small ponds and lakes where helicopters can get water. Helicopters are often staged in remote areas of the state during periods of high fire danger to provide quick initial attack, essential to keeping fires small and limiting the size, complexity, suppression costs and damages. Currently the Division has only 2 remaining Hueys that are in airworthy condition. These aircraft are in excess of 40 years old and are becoming too costly to maintain. As a result of the increased costs associated with the maintenance of these helicopters, the Division is reaching a point where they can no longer effectively maintain the Huey fleet. Additionally, there have been several occasions over the last 5 years when the Hueys were all grounded because of an Airworthiness Directive from the FAA. These notices often occur

with very short notice requiring the Division to act quickly to implement emergency agreements with other states to provide short-term coverage for fire emergencies.

In 2001, the Division formed a task group to determine the need for a replacement for the Hueys and to identify the helicopter that would serve best as the new aerial suppression platform for Maine. The task group was comprised of aviation experts from Maine and the federal government, a major Maine landowner representative, the Chief Pilot of the Forest Protection Division, the Colonel of the Maine Air National Guard, the Director of the Maine Forest Service and the Director of the Forest Protection Division. The recommendation of the task group was that the Division should continue to use the helicopter as the aerial suppression platform as it is the most effective means of keeping fires small and damages to a minimum. The task group also recommended that the Division should continue to fly the Hueys as long as possible, considering safety and maintenance issues, and that the Division should begin the process of acquiring Bell 407s as a direct replacement for the aging Huey fleet. The Bell 407 was chosen as the least expensive replacement option that would still carry the same amount of water as the Huey. The Division has begun the process of reserving and setting aside funding for the acquisition of one Bell 407 helicopter which is scheduled for August 2007.

The study commission strongly urges the Division to acquire the Bell 407 helicopter scheduled for purchase in August 2007 and 2 additional Bell 407's over the next 4 years to provide helicopters for forest fire suppression well into the future, ensuring effective protection of the State's most valuable natural resource. Maine is arguably the most heavily forested state in the nation. To allow the Forest Protection Division's aerial suppression resources to fall into disrepair is irresponsible and would leave the state vulnerable to destructive and costly forest fires.

The study commission strongly recommends that the administration and the Legislature restore capital dollars lost to budget cuts over the last 4 years to 2001 levels of \$225,000 annually. Forest fire protection requires the use of tank trucks and other specialized fire fighting equipment. Replacement of first line fire response equipment including helicopters has been prevented over the last 4 years as a result of budget cuts that left the Division with no capital funding. Without this necessary funding, the Division will not only be unable to replace the helicopter fleet in a timely manner but necessary rolling stock such as water tenders and tank trucks have not, and will not be replaced as well. Although the Division has been very creative and frugal with its use of loaned federal equipment, this equipment can only be considered a short-term solution to a growing problem. If capital purchases continue to be postponed the need for replacement will only grow to the point where the Division will be unable to catch up to the need.

The study commission strongly recommends that the Division receive funding for 4 of 11 positions lost to budget cuts over the past 4 years. During the process of building the Division's 2002-03 biennial budget, an entire line of forest rangers was cut from the Division. Ten of these positions were field forest rangers that were critical to providing effective protection of Maine's natural resources. The study commission recommends that 4 of these positions be restored now to ensure that when Maine experiences another bad fire year as in 2001, the Division is able to meet suppression needs in those areas of the State where the Division serves as the primary forest fire response agency. It is further recommended that these positions be placed strategically in wildland-urban interface areas where increased human presence is likely to result in increased risk of forest fires. Such placement will provide needed resources in the unorganized areas of the state while allowing for support and response when necessary in the organized towns.

C. Government structure

Municipal government in Maine is made up of cities, towns and plantations⁴. Cities and towns are organized by act of the Legislature and under Article VIII, Part 2 of the Maine Constitution have home rule power to alter or amend their charters in any way not prohibited by the Constitution or general law. Plantations may be organized as provided by statute. While they do not have home rule power under the Constitution, the Legislature has authorized plantations to exercise most municipal functions.⁵ For property tax purposes, plantations are considered municipalities.

The study commission heard concerns that some areas of the unorganized territory were becoming settled with significant population and residential property that made those areas little different from plantations or small towns. These areas are the most likely to require municipal cost component expenditures and increase the property tax for all landowners in the UT, including those who require little in the way of “municipal” services. Current statutes provide 3 ways in which a plantation may be organized.

1. 20% of the voters of an unorganized township with 200 or more voters may require the county commissioners to issue a warrant for a meeting of the voters of the unorganized township to elect officers.
2. One or more county commissioners on written application of 3 voters of an unincorporated or unorganized place may issue a warrant requiring one of the applicants to announce a meeting of the voters to elect officers.
3. When a state or county tax is assessed to the unincorporated or unorganized place the State Treasurer or county commissioners, without application of

⁴ Maine statutes sometimes include plantations in the definitions of “municipality” (see e.g. 36 MRSA §501.3) and sometimes do not (see e.g. 30-A MRSA §2001.8).

⁵ See 30-A MRSA Chapter 301, Subchapter 2 (30-A MRSA §7051 et seq.)

the voters may issue a warrant to any inhabitant of the place to meet to elect officers.

These procedures are somewhat archaic and do not reflect current thought on the considerations that should go into municipal organization.

*The study commission recommends that the FAUT develop legislation to provide a process for areas with significant population and property value to organize in a manner that is similar to the deorganization process.*⁶ This process should include the development of a plan for the assumption of municipal services and a process for approval of the plan at the local level and by the Legislature. The FAUT should consider providing incentives for organization such as giving the new municipality any schools or other “municipal” type structures within their area

D. County services

1. Service fees.

The study commission appointed a subcommittee to conduct in depth consideration of the issues surrounding funding and provision of municipal cost component services by counties. The county services subcommittee (Duplessie, Carroll, Doiron, Jodrey, Pray, Sheive) submitted the following report, which was approved by the full study commission.

Structure

It was evident from discussions of the full study commission that there are concerns about centers of population within the UT making significant demands on county-administered “municipal” services and that those demands appear to be likely to expand as proposals for development in the UT increase. Concerns were raised about the fairness of spreading the costs of such services across all property taxpayers in the county, including those who receive little benefit from the services.

The subcommittee discussed the implications of mandating or providing incentives for organization of unorganized areas with significant demand for services and reached the following conclusions.

1. Potential for organization. There was agreement that organization would only make sense for areas with significant population base and sufficient property valuation to maintain an acceptable mill rate in exchange for the local control that organization provides. It was recognized that any such areas wishing to organize have several avenues of doing so under current law either as plantations (under 30-A MRSA

⁶ See 30-A MRSA c.302.

chapter 301) or as towns (through legislation adopted through the legislative process).

2. Mandating organization. The subcommittee agreed that mandating organization would be impractical and likely to generate significant conflict.

3. Providing incentives for organization. It was suggested that unorganized areas with significant existing “municipal-style” assets could be given those assets in exchange for organization. There was concern that in most instances, the incentives would not be adequate to provide an incentive to organization.

4. Role of counties. It was recognized that counties have a significant role to play in the provision of “municipal” services in the UT. Although counties in Maine are creations of State Government and much more limited in scope and authority than counties in many other states, county officials are the closest to the needs of UT citizens and taxpayers and in the best position to determine what services should be provided and how to provide them. Maine’s counties, with legislative authorization, have developed individual processes for adoption of budgets and other fiscal decision-making. It would be unnecessarily disruptive to mandate that all counties use the same procedures and follow the same standards for services in the UT. State law should continue to provide the flexibility that counties need to meet the variety of situations they confront.

5. Authority for county service fees. *The subcommittee found merit in the suggestion that counties be given authority to charge service fees to the recipients of “municipal” services provided in the UT, and the study commission recommends that such authority be extended.* Service fees, unlike taxes, are based on the cost of providing specific services, are assessed only against persons actually using a service and the revenues are spent only for the purpose of providing the service. Many services, such as solid waste management, structural fire protection and emergency medical services, may be reasonably provided in some areas of the county with significant population and not provided in more remote areas where the demand is small or the distance prohibitive. It would be fairer to assess the cost of those services on the beneficiaries than to require taxpayers in areas not benefited to share in the cost. The subcommittee believes that it would be best to grant authority to counties to institute such charges where county officials determine that it would result in greater equity. Such authority should be provided without imposing too many restrictions in order to permit experimentation that can result in creative solutions to unique situations. Counties imposing service fees should be able to include the administrative costs of assessing and enforcing the fees in the fee structure. Services provided through service

fees and the fee revenue generated would be outside the municipal cost component structure that establishes property tax rates in the UT. Counties would be authorized to impose liens to collect the fees. Counties imposing service fees should be required to report on their experience to the FAUT and the Legislature in order that the experience with this new mechanism can be evaluated.

E. Education. The Commissioner of the Department of Education is responsible for the education of children in the unorganized territory. Most recent numbers show 198 students attending 6 elementary schools administered by the DoE and 958 students tuitioned to schools in organized areas. A handful of students in remote areas are home schooled.

The cost of providing education services for students in the UT is funded through the municipal cost component process. The municipal cost component statutes provide that the cost of education in the UT should be determined in the same manner as if the UT were a municipality (36 MRSA §1603.3.A); however, there are several ways in which the education funding statutes provide that the unorganized territory is treated differently from a municipal school administrative unit. Most notably, the unorganized territory is not entitled to the minimum state subsidy for education provided to other school units. In addition, the tuition rate paid by the State for UT students sent to non-UT SAUs is the tuition rate established for the receiving school, while tuition paid for students sent from other SAUs is limited to the statewide average. In 2005, the law was amended to provide that targeted funds under the Essential Programs and Services funding formula for technology, assessment and kindergarten to grade 2 are paid to the receiving school for UT-tuitioned students, while for non-UT students, targeted funds remain with the sending unit.

The study commission makes the following recommendations with regard to education services.

1. Cost savings. While the study commission understands that the small numbers of students in the UT and the enormous geographic area covered means that costs per UT student will inevitably exceed statewide averages, the *Department of Education is encouraged to explore and implement efficiencies and economies to reduce the property tax burden of the education component of the MCC.* While the State must primarily consider the impact on the children of the UT and the contributions of local communities within the UT, the Department should focus more attention on the potential for closing schools with small numbers of students and joining with other jurisdictions to achieve efficiencies in transportation and administrative functions.

2. Budget transparency. The study commission noted that the Department of Education's annual request for a General Fund appropriation exceeds the amount of actual expenditures by quite a large degree. The result is the unnecessary overcollection of property tax revenue frequently in the range of \$1 to \$2 million annually. Although unspent revenue is carried forward to reduce the succeeding year's UT property tax, it would be better to avoid the need for this carry forward. *The study commission encourages the Department to submit and the Legislature to approve an education component in the municipal cost component that will more realistically reflect actual anticipated expenditures rather than being based on the previous year's authorization.*

3. Transportation costs DoE pays transportation costs for all UT students either through 29 buses or by reimbursement at 36¢ per mile to parents who transport their own children. In a limited number of instances, room and board in the amount of \$10 per day is paid for students for whom transportation is unrealistic. The total cost of transportation in 2005-06 was \$989,253, including salaries, benefits, fuel, repairs, contracted conveyances and room and board in lieu of transportation. The cost of reimbursement to parents and room in board included in the total was \$21,336. Transportation costs in the UT are double the statewide average due to large distances and high maintenance and replacement costs because of substandard roads. *The study commission recommends that statutes be amended to provide that the State will not provide transportation of students or reimburse families for transportation over roads that have not been accepted by the county as public roads and that do not meet Maine Department of Transportation standards. Reimbursement of residents of the UT for transporting their own children should be discontinued beginning in fiscal year 2007-08*

4. *The study commission recommends that the Department of Education review and recommend whether the Unorganized Territory Education and Services Fund should be entitled to receive aid from the state's General Fund in the same manner as if it were a school administrative district under the Essential Programs and Services program.*

F. UT budget issues

1. Growth limitations. In 2005, the Legislature enacted LD 1 providing spending limitations to State and local governments.⁷ Those

⁷ PL 2005, c. 2.

limits did not originally apply to the UT; however, in 2006 the Legislature provided similar limitations on the UT municipal cost component.⁸ Beginning with the 2006-07 fiscal year, the growth in spending in the State portion of the municipal cost component is the same as the limit for the State General Fund spending. The limit for each county portion of the municipal cost components is calculated in the same manner as if the total unorganized territory for the county were a municipality.

The study commission supports the concept of treating the UT municipal cost component budget in the same manner as a municipality. *The study commission recommends no changes to the spending growth limitation procedures enacted in the Second Regular Session of the 122nd Legislature and believes that those procedures should be reevaluated after several years of experience to demonstrate whether they should be retained.*

2. FAUT. The Fiscal Administrator of the Unorganized Territory administers the municipal cost component process and is responsible for auditing and reporting on the municipal cost component budget. The costs of this function are included as part of the municipal cost component. Spending is authorized as an allocation from the Unorganized Territory Education and Services Fund as “other special revenue.” The FAUT is located in the State Department of Audit.

1. Budget transparency. The budget for the office of the FAUT should be more transparent. In recent years, the FAUT portion of the municipal cost component requests has not fully identified the actual costs of this position. Less than full funding of this line was requested in recognition that other lines (notably education) were overstated (see above). The desire was to keep the overall municipal cost component request closer to actual need; however, the understatement of the FAUT line has led to misunderstanding of the actual cost of that function.

The study commission recommends that the municipal cost component request for the FAUT line more accurately reflect the actual cost of the function. The study commission believes that the proper balance within the municipal cost components is best provided by each component reflecting actual costs as closely as possible.

2. County budgets. *The FAUT should work with county commissioners and the State Controller to make the municipal cost component process more transparent.* Guidelines should be developed for identification of appropriate county services and

⁸ PL 2005, c. 624. (See Appendix B)

methods of funding. The county UT budget process should be more visible with better notice to residents and taxpayers.

3. Additional staff. The FAUT has indicated to the study commission a need for additional staffing, especially during county budget season and the Legislative session to assist with analysis and liaison with county commissioners and the Legislature. The FAUT has needed to work significant amounts of overtime during those periods and believes that additional staff would enable the office to provide more effective oversight for the UT. *The study commission recommends the addition of a position to assist the FAUT with municipal cost component budgets, legislative issues affecting the UT and the identification and procurement of economic development grant money.* This position would free up time for the FAUT to focus more attention on economic development issues, review of excise tax funds and the potential for tax increment financing in connection with development in the UT.

4. Auditing issues. *FAUT should work with the State Controller to resolve issues addressed by auditors to make the UT budget consistent with standard government accounting practices.*

5. Openness of county UT budget process. Although counties are required to hold separate public hearings on the UT budget, few residents and taxpayers are aware of the opportunity to participate and comment on the proposed UT budget. Each county has its own budget procedures and no one process is best for all counties; however, the study commission encourages all UT counties to develop procedures for inclusion of a resident of the UT in the development and consideration of county UT budgets where this process has not already been implemented. *Counties should do a better job of advertising opportunities for citizen input on UT budgets and should hold at least a portion of public hearings and other meetings on the UT budget at times that will provide the greatest opportunity for UT residents to attend.*

G. Miscellaneous issues. The following miscellaneous issues were also considered by the study commission.

1. Motor vehicle and watercraft excise tax. Collection of motor vehicle and watercraft excise taxes is a municipal responsibility and revenues collected are retained by the municipality. In the UT, the State Bureau of Revenue Services appoints collection agents which may be municipalities or private individuals. The availability of collection agents

provides convenience to UT residence who otherwise might be required to travel long distances to pay their excise taxes. Excise taxes may also be paid at State Bureau of Motor Vehicles branch offices. The fee paid by UT residents to agents for collecting and remitting motor vehicle excise tax has been \$4 since 1995. Watercraft excise tax collection fees mirror those for the motor vehicle excise tax. ***The study commission recommends that the fee paid for collection of motor vehicle and watercraft excise taxes be raised to \$6 in order to ensure local access to services at convenient times and locations.***

2. General assistance costs. Municipalities are responsible for providing general assistance (GA) to residents in need of basic necessities such as food, clothing, shelter and other basic needs. In the UT the State Department of Health and Human Services is responsible for providing GA and contracts with agents which may be municipalities or private individuals to perform these services. The cost of administering general assistance in the UT is very high. Agents are difficult to recruit and some municipalities traditionally providing services are reluctant to reduce their charges to reflect reduced workloads. ***The study commission encourages DHHS to work with the FAUT to continue exploring and implementing methods for cost reduction in the administration of general assistance in the UT.***

3. Rescue. The provision of basic emergency services in the UT falls under the jurisdiction of counties. Counties may provide for emergency response activities and most contract for residential fire protection and ambulance services for UT population centers that are within reasonable range of available municipal services.

A much more confusing situation exists with regard to rescue in remote areas. Such rescues are most frequently the result of nonresidents of the UT who experience difficulties while in remote areas. They can require a substantial personnel effort involving extraordinary costs. Under 12 MRSA §10105, subsection 4, the Commissioner of Inland Fisheries and Wildlife is required to take action to recover a lost or stranded person and may "... summon any person in the State to assist in search and rescue efforts." When a rescue is required in organized areas, there is usually a local rescue service involved and mutual aid agreements with neighboring services. Individuals with insurance may be asked to cover a portion of their own rescue costs. In the UT, the responsible parties are not readily identified nor are the methods of allocating costs. Responding rescue services may be left to cover their costs with no reimbursement available. In some instances they are able to bill the county for assisting in UT rescues.

The study commission is aware that this issue occurs in organized areas as well as in the UT. *The study commission recommends that the Commissioner of Inland Fisheries and Wildlife work with landowners, municipalities and recreation groups to explore and make recommendations for the appropriate distribution of responsibility and costs for rescue services among State, municipal and individual parties.* These recommendations should recognize the status of the UT and provide for costs to be allocated to the UT in the same manner that they would be for a municipality.

4. Update UT budget/tax statutes to reflect changes since last time reviewed. The basic statutes setting forth the current UT budget process were originally enacted in 1985. Review of the statutes indicates the need for revisions to update and correct obsolete language. *The study commission recommends that the UT statutes be updated to provide these technical corrections.*

APPENDICES

- A. Membership**
- B. Authorizing legislation**
Resolves 2005, Chapter 125
Public Laws 2005, Chapter 624
- C. Selected General Fund histories**
- D. Municipal cost component summary**
- E. Municipal cost component history**
mill rate chart
- F. Legislation to implement recommendations of the study commission**

APPENDIX A
MEMBERSHIP OF STUDY COMMISSION

**COMMISSION TO STUDY THE COST OF PROVIDING CERTAIN SERVICES
IN THE UNORGANIZED TERRITORIES
Resolves 2005, chapter 125**

MEMBERS

Members

Statutory requirement

Appointed by President of Senate

Sen. Bruce Bryant
Sen. Lois Snowe-Mello
Stephen Stanley
Charles Pray
Gordon Gamble

Senate
Senate
rep. of county government
landowner (<500 acres)
landowner (>100,000 acres)

Appointed by Speaker of the House

Rep. Robert Duplessie
Rep. Robert Duchesne
Rep. Arlan Jodrey
Rep. Kimberley Rosen
Robert A. Dunphy
Judy Merck
John Willard

House of Representatives
House of Representatives
House of Representatives
House of Representatives
rep. of county government
landowner (500 to 5,000 acres)
landowner (5,000 to 100,000 acres)

Ex Officio:

State Tax Assessor or designee:
Robert Doiron

Comm. of Conservation or designee:
Karin Tilberg

Director of LURC or designee:
Catherine Carroll

Director of Maine Forest Service or designee:
Bill Williams

Fiscal Administrator of the Unorganized Territory:
Doreen Sheive

APPENDIX B
AUTHORIZING LEGISLATION

CHAPTER 125

H.P. 1154 - L.D. 1636

Resolve, To Study the Cost of the Provision of Certain Governmental Services in the Unorganized Territories

Emergency preamble. Whereas, acts and resolves of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, the characteristics of land ownership and patterns of development in the unorganized territories are changing at a rapid rate, and the development pressures associated with those changes are increasingly similar to those in organized areas of the State; and

Whereas, current occurring fragmentation of land ownership in the unorganized territories is resulting in more landowners holding smaller parcels of land accompanied by increased construction of residential and other development; and

Whereas, major development proposals by large landowners in the unorganized territories are occurring at a significant rate; and

Whereas, the cost of providing basic government services such as fire protection for structures and forest lands and land use regulation is not always related to the size of land holdings, and the changes in ownership and development patterns result in an unequal demand and cost of providing services throughout the unorganized territories; and

Whereas, the costs of providing basic governmental services ought to be borne equitably by those owning land or residing in the unorganized territories; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore, be it

Sec. 1. Commission established. Resolved: That the Commission to Study the Cost of Providing Certain Services in the Unorganized Territories, referred to in this resolve as "the commission," is established; and be it further

Sec. 2. Commission membership. Resolved: That the commission consists of 17 members appointed as follows:

1. The following members appointed by the President of the Senate:

A. Two members of the Senate, at least one of whom is a member of either the Joint Standing Committee on Agriculture, Conservation and Forestry or the Joint Standing Committee on Natural Resources and at least one of whom is a member of the political party with the 2nd highest number of members of the Senate;

B. A representative of county government from a county that includes areas within the jurisdiction of the Maine Land Use Regulation Commission; and

C. Two owners of land in the unorganized territories, one of whom owns less than 500 acres and one of whom owns more than 100,000 acres.

2. The following members appointed by the Speaker of the House of Representatives:

A. Four members of the House of Representatives, at least one of whom is a member of either the Joint Standing Committee on Agriculture, Conservation and Forestry or the Joint Standing Committee on Natural Resources and at least 2 of whom are members of the political party with the 2nd highest number of members of the House of Representatives;

B. A representative of county government from a county that includes areas within the jurisdiction of the Maine Land Use Regulation Commission; and

C. Two owners of land in the unorganized territories, one of whom owns between 500 acres and 5,000 acres and one of whom owns between 5,000 acres and 100,000 acres.

3. The State Tax Assessor or a designee;

4. The Commissioner of Conservation or a designee;

5. The Director of the Maine Land Use Regulation Commission or a designee;

6. The Director of the Maine Forest Service within the Department of Conservation or a designee; and

7. The fiscal administrator of the unorganized territory or a designee; and be it further

Sec. 3. Chairs. Resolved: That the first-named Senate member is the Senate chair of the commission and the first-named House of Representatives member is the House chair of the commission; and be it further

Sec. 4. Appointments; convening of commission. Resolved: That all appointments must be made no later than 30 days following the effective date of this resolve. The appointing authorities shall notify the Executive Director of the Legislative Council once all appointments have been completed. Within 15 days after appointment of all members, the chairs shall call and convene the first meeting of the commission, which must be no later than August 1, 2005; and be it further

Sec. 5. Duties. Resolved: That the commission shall:

1. Study the provision of fire preparedness and protection services by the Maine Forest Service and others in the unorganized territories; the provision of land use planning services and related activities by the Maine Land Use Regulation Commission in the unorganized territories, including planning, permitting and compliance activities; the provision of education services in the unorganized territories; and the provision of other types of services in the unorganized territories that are determined relevant by the commission;

2. Study the cost and reimbursement for services provided in the unorganized territories; and

3. Recommend whether adjustments in the level or method of funding should be made for services provided in the unorganized territories; and be it further

Sec. 6. Staff assistance. Resolved: That the Legislative Council shall provide necessary staffing services to the commission; and be it further

Sec. 7. Compensation. Resolved: That the legislative members of the commission are entitled to receive the legislative per diem, as defined in the Maine Revised Statutes, Title 3, section 2, and reimbursement for travel and other necessary expenses related to their attendance at authorized meetings of the commission. Public members not otherwise compensated by their employers or other entities that they represent are entitled to receive reimbursement of necessary expenses and, upon a demonstration of financial hardship, a per diem equal to the legislative per diem for their attendance at authorized meetings of the commission; and be it further

Sec. 8. Report. Resolved: That, no later than December 7, 2005, the commission shall submit a report that includes its findings and recommendations, including suggested legislation, for presentation to the Second Regular Session of the 122nd Legislature. The commission is authorized to introduce legislation related to its report to the Second Regular Session of the 122nd Legislature at the time of submission of its report; and be it further

Sec. 9. Extension. Resolved: That, if the commission requires a limited extension of time to complete its study and make its report, it may apply to the Legislative Council, which may grant an extension; and be it further

Sec. 10. Commission budget. Resolved: That the chairs of the commission, with assistance from the commission staff, shall administer the commission's budget. Within 10 days after its first meeting, the commission shall present a work plan and proposed budget to the Legislative Council for its approval. The commission may not incur expenses that would result in the commission's exceeding its approved budget. Upon request from the commission, the Executive Director of the Legislative Council shall promptly provide the commission chairs and staff with a status report on the commission budget, expenditures incurred and paid and available funds.

Emergency clause. In view of the emergency cited in the preamble, this resolve takes effect when approved.

Effective June 23, 2005.

CHAPTER 624

H.P. 1437 - L.D. 2039

An Act To Establish Municipal Cost Components for Unorganized Territory Services To Be Rendered in Fiscal Year 2006-07

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, prompt determination and certification of the municipal cost components in the Unorganized Territory Tax District are necessary to the establishment of a mill rate and the levy of the Unorganized Territory Educational and Services Tax; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 36 MRSA §1611 is enacted to read:

§1611. Limitation on municipal cost component

1. Growth limitation. Except as otherwise provided in this section, the municipal cost component may not exceed the growth limitations established in subsection 2.

2. Calculation of growth limitations. The growth limitation factors are calculated as follows.

A. The growth limitation factor for the aggregate cost of the municipal cost components provided by the State is the same as the General Fund appropriation limitation factor calculated under Title 5, section 1534, subsection 2.

B. The growth limitation factor for the cost of the municipal cost components provided by a county may not exceed the municipal cost component assessment limit for that county. For purposes of this section, a municipal cost component assessment limit must be

determined by the State Tax Assessor annually for the unorganized territory in each county using the criteria provided under Title 30-A, section 5721-A as if the unorganized territory for each county were a municipality.

3. Exceeding or increasing growth limitations. Growth limitations on the municipal cost component may be exceeded or increased as follows.

A. A governmental body with the authority to approve the county municipal cost component under Title 30-A, chapter 305 may exceed or increase the county growth limitation only if that action is approved by a majority of the county budget committee or county budget advisory committee and the county commissioners.

B. The Legislature may exceed or increase the municipal cost component growth limitation for a state component by including a provision in the municipal cost component legislation enacted pursuant to section 1604 that specifically states the intent of the Legislature to exceed or increase the growth limitation.

4. Application. This section applies to municipal cost component fiscal years beginning on or after July 1, 2007.

Sec. 2. Municipal cost components for services rendered. In accordance with the Maine Revised Statutes, Title 36, chapter 115, the Legislature determines that the net municipal cost component for services and reimbursements to be rendered in fiscal year 2006-07 is as follows:

Audit - Fiscal Administration	\$118,207
Education	12,174,098
Forest Fire Protection	160,000
Human Services - General Assistance	72,250
Property Tax Assessment - Operations	739,706
Maine Land Use Regulation Commission - Operations	352,962
TOTAL STATE AGENCIES	<u>\$13,617,223</u>
County Reimbursements for Services:	
Aroostook	\$772,375

Franklin	625,146
Hancock	159,917
Kennebec	6,585
Oxford	428,846
Penobscot	773,520
Piscataquis	894,323
Somerset	815,936
Washington	691,723
TOTAL COUNTY SERVICES	<u>\$5,168,371</u>
TOTAL REQUIREMENTS	<u>\$18,785,594</u>
COMPUTATION OF ASSESSMENT	
Requirements	\$18,785,594
Less Deductions:	
General -	
State Revenue Sharing	\$290,000
Homestead Reimbursement	100,000
Miscellaneous Revenues	50,000
Transfer from Undesignated Fund Balance 2,300,000	
TOTAL	<u>\$2,740,000</u>
Educational -	
Lands Reserve Trust	\$100,000
Tuition - Travel	250,000
Miscellaneous	5,000
Special - Teacher Retirement	200,000
TOTAL	<u>\$555,000</u>
TOTAL DEDUCTIONS	<u>(\$3,295,000)</u>
TAX ASSESSMENT	<u>\$15,490,594</u>

Sec. 3. Review and recommendation. The Commission to Study the Cost of Providing Certain Services in the Unorganized Territories shall review growth limitations established by the portion of this Act enacting the Maine Revised Statutes, Title 36, section 1611 and make recommendations for retaining, amending or repealing those limitations to the joint standing committee of the Legislature having jurisdiction over taxation matters as part

of its reporting responsibilities under Resolve 2005, chapter 125. The commission also shall develop a new budget funding mechanism for the office of the fiscal administrator of the unorganized territory within the Department of Audit that promotes budget transparency and provides better fiscal accountability for inclusion in the municipal cost component for fiscal years beginning on or after July 1, 2007. The joint standing committee of the Legislature having jurisdiction over taxation matters may submit legislation related to the recommendations of the commission to the First Regular Session of the 123rd Legislature.

Emergency clause. In view of the emergency cited in the preamble, this Act takes effect when approved.

Effective May 4, 2006.

APPENDIX C
SELECTED GENERAL FUND HISTORIES

General Fund Appropriations
Through 122nd Legislature, 2nd Regular Session (including partial distribution of statewide deappropriations as of 9/05/2006)
Adjusted for Major Reorganizations and Transfers
10-Year History: FY1997-98 to FY2006-07

Fund report
Unorganized Territory Study Commission

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
010-04A-0232-53	DIVISION OF FOREST PROTECTION (DIVISION OF FOREST FIRE CONTROL)									
Pos. - Leg.	(101,000)	(101,000)	(101,000)	(101,000)	(101,000)	(100,000)	(89,000)	(89,000)	(89,000)	(92,000)
Pos. - Other	(5,687)	(5,687)	(5,687)	(5,841)	(6,167)	(6,321)	(6,315)	(6,315)	(6,315)	(6,315)
Pers. Serv.	5,107,663	5,198,333	4,744,353	5,306,489	5,717,919	5,645,938	5,645,924	6,232,176	6,251,945	6,524,733
All Other	2,310,647	2,379,212	2,932,822	2,538,758	2,616,925	2,566,992	2,409,305	2,392,514	1,795,655	2,220,003
Cap. Exp.	203,000	206,000	206,000	222,500	103,500	139,920	18,258	0	0	0
Program Total	7,621,310	7,783,545	7,883,175	8,087,747	8,438,344	8,352,850	8,073,487	8,624,690	8,047,600	8,744,736
Annual % Increase	-5.38%	2.13%	1.28%	2.60%	4.33%	-1.01%	-3.34%	6.83%	-6.69%	8.66%
010-04A-0236-91	MAINE LAND USE REGULATION COMMISSION									
Pos. - Leg.	(26,000)	(26,000)	(27,000)	(27,000)	(27,000)	(27,000)	(22,500)	(22,500)	(24,500)	(24,500)
Pers. Serv.	1,269,427	1,296,496	1,301,450	1,336,265	1,464,668	1,533,291	1,359,664	1,434,548	1,574,518	1,599,959
All Other	353,582	359,101	381,800	393,300	397,655	400,456	386,318	423,091	398,211	340,862
Cap. Exp.	12,350	12,350	7,000	3,500	0	0	13,500	15,000	0	0
Program Total	1,635,359	1,667,947	1,690,250	1,733,065	1,862,323	1,933,747	1,759,482	1,872,639	1,972,729	1,940,821
Annual % Increase	1.97%	1.99%	1.34%	2.53%	7.46%	3.84%	-9.01%	6.43%	5.34%	-1.62%
010-05C-0220-17	EDUCATION IN THE UNORGANIZED TERRITORY									
Pos. - Leg.	(41,000)	(41,000)	(36,000)	(35,000)	(33,000)	(33,000)	(30,000)	(30,000)	(30,000)	(30,000)
Pos. - Other	(29,476)	(29,476)	(33,393)	(34,278)	(35,901)	(35,901)	(34,443)	(34,443)	(32,541)	(32,541)
Pers. Serv.	2,755,705	2,817,708	2,751,436	2,823,241	3,157,632	3,273,004	3,430,923	3,503,235	3,059,796	3,604,249
All Other	6,404,877	6,742,619	6,683,272	7,417,060	7,393,263	7,001,289	7,316,972	7,448,851	8,456,449	8,511,849
Cap. Exp.	262,300	150,000	150,000	594,000	150,000	150,000	155,000	155,000	0	58,000
Program Total	9,422,882	9,710,327	9,584,708	10,834,301	10,700,895	10,424,293	10,902,895	11,107,086	11,516,245	12,174,098
Annual % Increase	-3.21%	3.05%	-1.29%	13.04%	-1.23%	-2.58%	4.59%	1.87%	3.68%	5.71%

APPENDIX D
MUNICIPAL COST COMPONENT SUMMARY

**“MUNICIPAL” SERVICES PROVIDED IN THE UNORGANIZED TERRITORY
FUNDED BY PROPERTY TAX**

<p>FY 2006-07 UPDATE</p>

OVERVIEW:

The unorganized territories comprise more than 8 million acres of the State of Maine. Almost 8,000 people live in the UT. While this large amount of land and the population of a medium sized Maine town need municipal services, there is no municipal government in the UT. “Municipal” services are provided by the State and county governments. The cost of those services (called the “municipal cost component”) is collected from the owners of taxable property in the UT in the same way as a town covers the cost of its services through the property tax. The budget for the UT is approved by the Legislature every year and is overseen by the fiscal administrator of the unorganized territory.¹ Details are contained in the annual report for the Unorganized Territory Municipal Cost Components which will be provided at the first meeting of the commission.

STATE-PROVIDED SERVICES:

Services provided throughout the UT are generally provided by a state agency. These consist of the following:

State Agency	FY 2006-07 budget ²	Activities funded
Audit Department	\$118,207	Funds the position of Fiscal Administrator of the Unorganized Territory (the counterpart of a City Manager) for the unorganized territory and associated expenditures. The fiscal administrator works with all agencies and county governments providing services in the unorganized territory to compile budgets, audit finances, provide technical assistance and prepare the annual audit and report. The fiscal administrator prepares, submits and monitors annual “municipal cost component” legislation establishing the budget and property tax component for the UT.
Department of Education	\$12,174,098	The State Department of Education serves as the “school unit” for the unorganized territory. The Department operates # schools and employs # administrators, # teachers and # other employees serving ## children in the UT. The State also pays tuition for UT students to attend neighboring schools in approximately the same manner as a municipality without a school would tuition its students.
Department of Conservation Forest Fire Protection	\$160,000	The UT is treated like one large municipality for purposes of assessing the cost of forest fire protection. State law (12 MRSA §9204) limits the financial responsibility of municipalities for forest fires to 1/4 of 1% of the municipality’s state valuation. Beyond that limit, the State will reimburse municipalities for costs that they incur for forest fire suppression (excluding costs of the municipality’s own equipment). The State does not charge municipalities for state forest fire protection services.

¹ The current fiscal administrator of the unorganized territory is Doreen Sheive, a member of the Commission to Study the Provision of Certain Services in the Unorganized Territories.

² The FY 2006-07 budget for the unorganized territory was enacted by the Legislature as PL 2005, chapter 624.

		<p>The amount determined for the unorganized territory is an estimate of its "municipal" financial responsibility based on an analysis of historical costs.</p> <p>40% of the cost of state forest fire protection activities is covered by the Commercial Forestry Excise Tax paid by owners of more than 500 acres of forestland. The remainder (excluding federal funds) is paid by the State General Fund.</p>
Department of Health and Human Services General Assistance	\$72,750	The Department of Health and Human Services administers general assistance for the UT. Services are provided by agents and surrounding towns approved by DHHS.
Department of Administrative and Financial Services Bureau of Revenue Services	\$739,706	The Bureau of Revenue Services is the property tax assessor and tax collector for the UT. BRS is responsible for determining the assessed value of taxable property, determining exempt property, billing and collecting taxes, making adjustments through abatements or supplemental assessment and foreclosing on tax delinquent property. BRS is also responsible for collecting motor vehicle and watercraft excise taxes in the UT and contracts with agents and neighboring municipalities to perform this function.
Department of Conservation Land Use Regulation Commission	\$352,962	<p>Beginning in FY 2005-06, Maine statutes (12 MRSA §685-E) specify that 18% of LURC's budget for planning services and activities must be allocated to the UT (prior to FY 2005-06, the amount required was 10%)</p> <p>LURC jurisdiction covers the unorganized and deorganized townships and plantations and municipalities that have organized since 1971 that have not received LURC permission to implement their own land use controls.</p> <p>LURC is statutorily required to assess municipalities and plantations in its jurisdiction a fee equal to .01% of their most recent state valuation.</p>
TOTAL	\$13,617,223	

COUNTY SERVICES:

The 12 counties with unorganized territories each prepare a separate budget for "municipal" services provided in the UT. The cost of these services is collected through the municipal cost component property tax from taxpayers in the UT in the appropriate county. Services provided vary from county to county but typically include, roads and bridges, snow removal, public safety, dumps and cemeteries. The total cost for fiscal year 2006-2007 is \$5,168,371.

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APPENDIX E
MUNICIPAL COST COMPONENT HISTORY

01-11-2006

MUNICIPAL COST COMPONENTS
FIVE YEAR COMPARISON

	<u>2002-2003</u>	<u>2003-2004</u>	<u>Increase (- Decrease</u>	<u>2004-2005</u>	<u>Increase (- Decrease</u>	<u>2005-2006</u>	<u>Increase (- Decrease</u>	<u>2006-2007</u>	<u>Increase (- Decrease</u>
State Agencies									
Fiscal Administrator	108,207	108,207	0.00%	108,207	0.00%	118,207	9.24%	118,207	0.00%
Education	10,452,001	10,902,895	4.31%	11,107,086	1.87%	11,916,245	7.29%	12,174,098	2.16%
Forest Fire Protection	150,000	150,000	0.00%	150,000	0.00%	160,000	6.67%	160,000	0.00%
Human Services - General Assistance	77,610	77,610	0.00%	78,750	1.47%	72,250	-8.25%	72,250	0.00%
Property Tax Assessment - Operations	621,641	647,399	4.14%	658,453	1.71%	672,688	2.16%	739,706	9.96%
Computer Assisted Mass Appraisal (CAMA) system	0	0	0.00%	173,000	100.00%	0	-100.00%	0	-100.00%
Maine Land Use Regulation Commission - Operations	197,177	185,735	-5.80%	183,295	-1.31%	350,332	91.13%	352,962	0.75%
Total State Agencies	11,606,636	12,071,846	4.01%	12,458,791	3.21%	13,289,722	6.67%	13,617,223	2.46%
County Services									
Aroostook	626,178	643,089	2.70%	658,963	2.47%	676,752	2.70%	772,375	14.13%
Franklin	590,661	573,099	-2.97%	761,079	32.80%	600,716	-21.07%	625,146	4.07%
Hancock	105,824	76,808	-27.42%	103,923	35.30%	130,808	25.87%	159,917	22.25%
Kennebec	5,694	6,393	12.28%	7,770	21.54%	5,977	-23.08%	6,585	10.17%
Oxford	331,888	362,248	9.15%	363,481	0.34%	408,363	12.35%	428,846	5.02%
Penobscot	766,807	676,840	-11.73%	722,475	6.74%	722,554	0.01%	773,520	7.05%
Piscataquis	514,639	522,569	1.54%	721,385	38.05%	724,671	0.46%	894,323	23.41%
Somerset	770,189	773,469	0.43%	675,696	-12.64%	840,286	24.36%	815,936	-2.90%
Washington	430,162	429,889	-0.06%	466,676	8.56%	499,615	7.06%	691,723	38.45%
Total County Services	4,142,042	4,064,404	-1.87%	4,481,448	10.26%	4,609,742	2.86%	5,168,371	12.12%
TOTAL REQUIREMENTS	15,748,678	16,136,250	2.46%	16,940,239	4.98%	17,899,464	5.66%	18,785,594	4.95%
Less Deductions									
General	1,917,443	2,800,000	46.03%	2,740,000	-2.14%	2,740,000	0.00%	2,740,000	0.00%
Educational	621,500	520,000	-16.33%	555,000	6.73%	555,000	0.00%	555,000	0.00%
TOTAL DEDUCTIONS	2,538,943	3,320,000	30.76%	3,295,000	-0.75%	3,295,000	0.00%	3,295,000	0.00%
TAX ASSESSMENT	13,209,735	12,816,250	-2.98%	13,645,239	6.47%	14,604,464	7.03%	15,490,594	6.07%

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**UNORGANIZED TERRITORY OF MAINE
MILL RATES BY COUNTY**

COUNTY	TAX YEARS																
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Aroostook	0.00902	0.0079	0.00777	0.00953	0.00885	0.00844	0.00733	0.00681	0.00602	0.00707	0.0082	0.00856	0.00788	0.00756	0.00754	0.00754	0.00696
Franklin	0.01099	0.00893	0.01043	0.01065	0.01006	0.01028	0.0088	0.00901	0.00802	0.00958	0.01262	0.01273	0.01126	0.01021	0.01117	0.01024	0.00883
Hancock	0.00685	0.00576	0.00601	0.01082	0.00834	0.00807	0.00553	0.00553	0.00497	0.00595	0.00663	0.00674	0.00673	0.00597	0.00620	0.00666	0.00601
Kennebec	0.00717	0.00591	0.00637	0.00735	0.00677	0.00671	0.00631	0.00622	0.00563	0.00835	0.01171	0.00999	0.00809	0.00812	0.00884	0.00816	0.00718
Knox	0.00784	0.0067	0.00699	0.0079	0.00755	0.00765	0.00649	0.00605	0.0051	0.00575	0.00681	0.00717	0.00638	0.00571	0.00574	0.00592	0.00472
Lincoln	0.00733	0.00619	0.0065	0.00749	0.00688	0.00684	0.00579	0.00557	0.00471	0.00554	0.00655	0.00691	0.00638	0.00556	0.00557	0.00585	0.00505
Oxford	0.01001	0.00897	0.00909	0.00981	0.00905	0.01076	0.0085	0.00825	0.00777	0.00762	0.00918	0.00958	0.0089	0.00836	0.00805	0.00853	0.00721
Penobscot	0.00866	0.00872	0.00936	0.01257	0.01194	0.01014	0.00919	0.00833	0.00865	0.00962	0.01066	0.01107	0.01061	0.00934	0.00962	0.00969	0.00857
Piscataquis	0.00909	0.00811	0.0083	0.00916	0.0082	0.00777	0.00677	0.00668	0.00615	0.00702	0.00813	0.0088	0.00797	0.00757	0.00798	0.00841	0.00725
Somerset	0.00867	0.00769	0.00794	0.00926	0.00862	0.0084	0.00757	0.00707	0.00653	0.00717	0.00873	0.00887	0.00825	0.00782	0.00765	0.0078	0.00685
Waldo	0.00884	0.00635	0.00676	0.00784	0.00737	0.00733	0.0064	0.00596	0.00485	0.0058	0.00666	0.0073	0.00676	0.00614	0.00637	0.00692	0.00502
Washington	0.01093	0.01033	0.01025	0.01105	0.01049	0.01022	0.00909	0.00859	0.00809	0.00936	0.00906	0.0092	0.00939	0.00866	0.00894	0.00919	0.00882

Source: Maine Revenue Services

APPENDIX F
PROPOSED LEGISLATION

**LEGISLATION TO IMPLEMENT THE RECOMMENDATIONS OF THE
COMMISSION TO STUDY THE COST OF PROVIDING CERTAIN SERVICES
IN THE UNORGANIZED TERRITORIES**

**An Act To Implement the Recommendations of the Commission To Study the Costs
of Providing Certain Services in the Unorganized Territories**

Be it enacted by the People of the State of Maine as follows:

PART A

Sec. A-1. 30-A MRSA 7504 is enacted to read:

§7504. Service fees

1. Authority. The county commissioners of each county may impose a service fee on recipients of eligible services provided in the unorganized territory.

2. Eligible services. Eligible services include:

A. Solid waste management;

B. Structural fire protection;

C. Ambulance and emergency medical services;

D. Law enforcement;

E. Animal control; and

F. Other services provided to property owners or residents in a limited geographic area.

3. Conditions. Service fees imposed under this section must be:

A. Based on the actual cost of providing the service;

B. Imposed only on persons eligible for or actually receiving the service; and

C. Imposed on all similarly situated persons eligible for or actually receiving the service.

4. Use of revenues. Revenues received under this section must be used to reduce the amount requested to be raised through property taxes under Title 36, chapter 115.

PART B

Sec. B-1. 12 MRSA §685D is repealed.

Sec. B-2. 12 MRSA §685-E is repealed and the following enacted in its place:

12 § 685-E. Funding

1. Unorganized territories. Beginning with fiscal year 2008-09, funding for planning, permitting and ensuring compliance services and activities of the commission in the unorganized territories must be assessed and allocated to the unorganized territories through a fee equal to .014% of the most recent equalized state valuation established by the State Tax Assessor. This fee must be collected through the municipal cost component under Title 36, chapter 115.

2. Towns and plantations. Beginning with fiscal year 2008-09, a town or a plantation in the commission's jurisdiction that elects not to administer land use controls at the local level but receives commission services or a town or plantation with a portion of its land under the commission's jurisdiction and receiving commission services, including planning, permitting and ensuring compliance, must be assessed a fee equal to .025% of the most recent equalized state valuation established by the State Tax Assessor for that town or plantation or that portion of a town or plantation under the commission's jurisdiction. The State Tax Assessor shall issue a warrant to each such town or plantation no later than March 1st of each year. The warrant is payable on demand. Interest charges on unpaid fees begin on June 30th of each year and are compounded monthly at the interest rate for unpaid property tax as established by the State Tax Assessor for the unorganized territory. For any assessment that remains unpaid as of September 1st of the year in which it is due, state revenue sharing to that town or plantation must be reduced by an amount equal to any unpaid warrant amount plus any accrued interest, until the amount is paid. These fees must be deposited to the General Fund.

3. Reports. The commission shall make the following reports to the Legislature.

A. By January 15, 2008 the commission shall report to the joint standing committees of the Legislature with jurisdiction over conservation matters and taxation matters making recommendations, including legislation if necessary, to enforce payment of the assessments required under subsection 2. The joint standing committees of the Legislature with jurisdiction over conservation matters and taxation matters shall jointly review the recommendations and may report out legislation considered necessary as a result of the commission's report.

B. By January 15, 2009 the commission shall report to the joint standing committees of the Legislature with jurisdiction over conservation matters and taxation matters regarding commission funding and other financial matters. The report must cover the 5 previous fiscal years and must identify General Fund

appropriations and other resources, amounts assessed and collected from the assessments required under this section and amounts assessed and collected from fees and penalties assessed under this chapter. The joint standing committees of the Legislature with jurisdiction over conservation matters and taxation matters shall jointly review the distribution of funding and other assessments among the General Fund, unorganized territories and towns and plantations under the commission's jurisdiction and may report out legislation considered necessary as a result of the commission's report.

PART C

C-1. 20-A MRSA §3252, sub-§5 is amended to read:

5. Transportation and board. The costs of transportation or board may be paid in full or in part by the commissioner except that the commissioner may not provide or reimburse parents for providing transportation of students over roads that have not been accepted by the county as public roads or do not meet Department of Transportation standards. Beginning with fiscal year 2008-09, the commissioner may not reimburse parents for the transportation of a student.

C-2. 20-A MRSA §3253-A, sub-§4 is amended to read:

4. Transportation or board. The costs of transportation or board may be paid in full or in part by the commissioner except that the commissioner may not provide or reimburse parents for providing transportation of students over roads that have not been accepted by the county as public roads or do not meet Department of Transportation standards. Beginning with fiscal year 2008-09, the commissioner may not reimburse parents for the transportation of a student.

C-3. Review and recommendation. The Department of Education shall review whether the Unorganized Territory Education and Services Fund under Title 36, chapter 115 should be entitled to receive aid from the General Fund in the same manner as if the Unorganized Territory Tax District were a school administrative district under the Essential Programs and Services program. The department shall submit a report by January 15, 2008 to the joint standing committee of the Legislature with jurisdiction over taxation matters indicating the results of its review, including the fiscal impacts of making that change in entitlement and any statutory changes that would be necessary to accomplish the change.

PART D

Sec. D-1. 36 MRSA §1605, sub-§1-A is enacted to read:

1-A. Fund accounting. The State Controller shall establish an Unorganized Territory Education and Services Fund that reflects all of the activity of that fund within

the state accounting system chart of accounts in accordance with the standards of the Government Accounting Standards Board as it applies to fund financial statements.

PART E

Sec. E-1. 36 MRSA §1487, sub-§2 is amended to read:

2. State Tax Assessor. In the unorganized territory, the State Tax Assessor shall appoint agents to collect the excise tax. Agents, including municipalities designated as agents, are allowed a fee of \$4 ~~\$6~~ for each tax receipt issued. Agents shall deposit the remainder on or before the 20th day of each month following receipt with the Treasurer of State. The Treasurer of State shall make quarterly payments to each county in an amount that is equal to the receipts for that period from each county. Those payments must be made at the same time as payments under section 1606. County receipts under this section must be deposited in the county's unorganized territory fund.

PART F

Sec. F-1. 30-A MRSA §7501, sub-§2 is repealed and the following enacted in its place:

2. Solid waste. Solid waste management;

Sec. F-2. 30-A MRSA §7502, sub-§1 is amended to read:

1. Fund established. There is established in each county one unorganized territory fund to which must be credited all receipts under Title 12, section 10203 and Title 36, sections ~~1489~~ 1487, 1505 and 1606 and all other receipts that are allocated for municipal services in the unorganized territory, and from which all disbursements for municipal services in the unorganized territory are made.

Sec. F-3. 36 MRSA §1602, sub-§4, ¶B is amended to read:

B. The State Tax Assessor shall establish a district-wide mill rate calculated to raise the cost of all other portions of the municipal cost component certified by the Legislature. ~~For fiscal years 1985-86, 1986-87, 1987-88, 1988-89 and 1989-90, in figuring the district-wide mill rate, the State Tax Assessor shall subtract \$100,000 from the amount certified by the Legislature.~~

Sec. F-4. 36 MRSA §1610 is repealed.

SUMMARY

This bill implements the recommendations of the Commission to Study the Cost of Providing Certain Services in the Unorganized Territories established by Resolve 2005, c. 125.

Part A provides authority for county commissioners to impose service fees for certain types of services provided in the unorganized territory. Service fees must be based on the actual cost of providing the service, imposed only on persons actually receiving the service and imposed on all similarly situated persons receiving the service. Revenues must be used to reduce property taxes.

Part B changes the method of assessing areas under the jurisdiction of the Land Use Regulation Commission for the cost of providing services. The unorganized territory will be assessed a fee equal to .014% of state valuation. Towns and plantations under LURC jurisdiction will be assessed a fee equal to .025% of state valuation, reflecting a higher amount of commission activities in those areas. The commission is required to report during the First Regular Session of the 124th Legislature regarding financial matters.

Part C provides that the Commissioner of Education may not reimburse provide or reimburse parents for providing transportation for students over roads that have not been accepted by the county as public roads or that do not meet Department of Transportation standards. Reimbursement to parents for transportation of a student would not be permitted beginning in fiscal year 2008-09.

Part D requires the State Controller to establish an accounting system for the Unorganized Territory Education and Service Fund that is in accordance with the Government Accounting Standards Board as it applies to financial statements.

Part E increases the fee paid to agents collecting motor vehicle and watercraft excise taxes in the unorganized territories from \$4 to \$6.

Part F makes technical changes to update languages and statutory references and repeal obsolete provision in the laws relating to the funding of services in the unorganized territories.

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