LD 1 PROGRESS REPORT 2006

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This report is available online: http://www.state.me.us/spo/economics/

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EXECUTIVE SUMMARY

In January 2005, Governor John E. Baldacci signed into law LD 1: An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels (Public Law 2005, Chapter 2). The goal of LD 1 is to lower Maine's state and local tax burden ranking to the middle one-third of states by 2015. The State Planning Office (SPO) annually reports on the progress made by the State, counties, municipalities, and school administrative units toward reaching the tax burden reduction goal. While adequate data to compare Maine's current tax burden with other states is not yet available, data available through in-state sources provide early indication of LD 1's impact.

The University of Maine's Dr. Todd Gabe stated in last year's LD 1 report, "The ultimate success of LD 1 at lowering the tax burden in Maine will be determined, at least in part, by its ability to reduce the growth of state and local government." To assess the progress made by each level of government, we ask two questions: "Are they staying within the LD 1 limit?" and "Are they growing at a slower rate than in pre-LD 1 years?" In answering these questions below, we indicate each level of government's aggregate performance, since the state's tax burden is an aggregate measure. Within the report we discuss findings at the level of individual governmental units.

STATE

General Fund Appropriations Limit	**Over** ☐	**Under** ☑
Appropriations Growth Rate Compared to Pre-LD 1 Years	**Above** ☐	**Below** ☑

For the second year in a row, growth of the State's General Fund appropriations has slowed and remained below the limit set by LD 1. Total General Fund appropriations increased by 1.6% in FY2006-07, which is below the LD 1 annual growth limit of 3.11%, set at the beginning of the biennium. It is also lower than FY2005-06's 3.1% growth and the 5.4% annual average growth of the ten years prior to LD 1. Excluding appropriations required to ramp up the State's contribution to covered K-12 education costs to 55% by 2009, funds that are not subject to the 3.11% limit, reveals even more constrained growth. Remaining appropriations actually declined by 1.2% in FY2006-7, which follows a 0.5% decline in FY2005-06. The State is staying within its LD 1 limit even while increasing aid to local education.

MUNICIPALITIES

Combined Property Tax Levy Limit **Over ☐ Under ☑**

Combined Tax Levy Growth Rate Compared to Pre-LD 1 Years **Above ☐ Below ☑**

For a second year, municipalities' combined property tax commitments were below their estimated LD 1 limit. Based on a sample of 277 municipalities, the combined municipal commitment growth limit was 4.5%. Preliminary data show actual property tax commitments grew by 3.9% statewide. The 3.9% combined increase exceeds 2005's growth rate of 1.8%, but is below recent pre-LD 1 years. In the three years prior to LD 1, annual commitment growth ranged from 5.2% to 7.0%. Calendar year towns, in their first year of LD 1, had a combined commitment growth rate of 3.9%, which is below pre-LD 1 growth rates (which range from 4.2% in 2005 to 7.8% in 2002). Fiscal year towns, in their second year of LD 1, also increased their combined commitments by 3.9%. That was above last year's low 1.3% increase, but below recent pre-LD 1 levels (which ranged from 5.1% in 2004 to 6.7% in 2002). Individual survey results show that just over half (57%) of municipalities stayed within their LD 1 limit.

SCHOOL ADMINISTRATIVE UNITS

Combined Expenditure Limit **Over ☑ Under ☐**

Combined Expenditure Growth Rate Compared to Pre-LD 1 Years **Above ☑ Below ☐**

School Administrative Units (SAUs) displayed the most divergence from the expenditure targets set by LD 1. LD 1 uses the Essential Programs and Services (EPS) model of school funding to set targets for the amount of property taxes raised for local education. The LD 1 "limit" for SAUs is 100% of EPS. For the 2006-2007 school year (FY2006-07), fully 81% of SAUs exceeded that limit. Their combined allocations were $132.4 million, or 7.5%, over 100% of EPS, even while the State increased its school aid by $78 million compared to the previous school year. Compared to last year, both the percentage of SAUs exceeding their limit, and the amount they were over, has increased. Growth in total state and local appropriations to schools increased for the third year in a row, from 3.2% in 2004 to 5.3% in 2007.

COUNTIES

Combined Assessment Limit **Over ☐ Under ☑**

Combined Assessment Growth Rate Compared to Pre-LD 1 Years **Above ☑ Below ☐**

Most counties stayed within their LD 1 limit and slowed their assessment growth in 2006, their first year of full compliance with LD 1. However, the high cost of one jail project created an increase in overall assessment

growth. In 2006, counties reported a combined assessment growth limit of 6.1%, plus an allowance for assessments raised by Lincoln and Sagadahoc counties to construct and operate a shared jail. In aggregate, counties were 3.2% below their combined assessment limit. Individually, fourteen counties stayed within their limits and two surpassed them. However, total county assessments grew more in 2006 than the previous year, primarily due to the Lincoln-Sagadahoc jail. Total county assessments grew 6.2%, up from 5.4% in 2005. Setting aside the Lincoln-Sagadahoc jail costs, as a two-year exemption in statute directed, remaining assessments grew by 2.7% in 2006, below 2005's growth rate of 5.0%. Individually, nine counties (56%) had lower assessment growth between 2005 and 2006 compared to the preceding year, one county (6%) had equal growth in both years, and six counties (38%) had higher growth.

I. INTRODUCTION

In January 2005, Governor John E. Baldacci signed into law LD 1: An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels (Public Law 2005, Chapter 2). The goal of LD 1 is to lower Maine's state and local tax burden ranking to the middle one-third of states by 2015. It approaches that goal from three angles:

- Spending Limits: LD 1 limits the growth of the State's General Fund appropriations, county assessments, and local property taxes to rates reflective of Maine's income and population growth. It ties school spending to the level of student enrollment. Governing bodies may surpass the limits, but only through an explicit, public vote.

- Targeted Tax Relief: LD 1 increased the amount of property tax relief available through the Maine Residents Property Tax and Rent Relief Program (the "Circuit Breaker"). This program reimburses Maine homeowners and renters whose property tax bill exceeds 4% of their income. LD 1 expanded eligibility and increased the maximum refund from $1,000 to $2,000. Furthermore, LD 1 increased the Homestead Exemption, the amount Maine residents can subtract from the taxable value of their home, from a maximum of $7,000 to $13,000.

- Increased School Funding: LD 1 set the course for increasing, over a four year period, state spending on K-12 education to an amount that is 55% of the costs covered under Essential Programs and Services. By 2009, that will mean about $800 million in additional state funding will have been made available to offset property tax over four years.

LD 1 charged the State Planning Office (SPO) with annually reporting the progress made by state, county, and local governments, and school administrative units, toward reaching the tax burden reduction goal. While the necessary data to compare Maine's current tax burden with other states is not yet available, data available from in-state sources provide early indication of LD 1's impact.

Last year, SPO contracted with Assistant Professor Todd Gabe and the Margaret Chase Smith Policy Center at the University of Maine to undertake an analysis of LD 1. Dr. Gabe found that "the early impact of LD 1 on

reducing government spending is positive." Furthermore, "LD 1, in its early impact, has constrained the growth of state and local governments in Maine."

Dr. Gabe found that state government stayed within its limit. General Fund appropriations grew less last year than in the previous biennium. Preliminary data showed 85% of counties stayed within their assessment limits. The growth of statewide property taxes slowed to its lowest point in years. Of municipalities to which LD 1 applied, about 60% stayed within their limit. The experience of school administrative units was less favorable, with about two-thirds exceeding their spending targets.

Also last year, Maine Revenue Services reported that Maine's combined state and local tax burden declined in 2005 from 11.7% to 11.5%, with most of the reduction occurring at the local level. They found that statewide property taxes grew by just 1.7% last year, the lowest growth rate in at least eight years.

This year, SPO conducted the analysis of LD 1 based on the analytical framework established by Dr. Gabe and refined to accommodate new data and experience. There are two significant changes in this report. First, it does not replicate Dr. Gabe's descriptive sections on government revenues and expenditures, and comparisons to other states. The primary data sources that informed those sections have not been updated in the past year, so much of the information reported by Dr. Gabe is still the most recent available.[1] Second, this report contains an additional section that focuses on the rate at which additional state funding for K-12 education has displaced property tax revenues. In this case, SPO had the benefit of new data that were not available last year. As the impact of LD 1 unfolds over time, the format and content of this report may evolve to accommodate new data and address new issues of interest. However, the core indicators first reported by Dr. Gabe will remain.

[1] For a copy of Dr. Gabe's report, please call the Maine State Planning Office at (207) 287-6077 or go to: http://www.state.me.us/spo/economics/LD 1/FinalReportLD 1.pdf.

II. STATE GOVERNMENT'S EXPERIENCE WITH LD 1

LD 1 limits growth of the State's General Fund appropriations to the ten-year average annual growth rate of Maine's population plus Maine's ten-year average personal income growth (adjusted for inflation). The LD 1 appropriations limit is the previous year's appropriations increased by that growth factor. In the current biennium, LD 1 provides an allowance for the additional funds expended by the State as it increases General Purpose Aid (GPA) for local education to 55% of covered costs. Once the State reaches this target in FY2008-09, all GPA funds will be subject to the same growth limit. The State may temporarily exceed or permanently increase its limit, but only through an explicit vote of the Legislature.

The State's growth factor for FY2005-06 and FY2006-07 was set at the beginning of the biennium, using the most current data available at the time. The ten-year average income growth was 2.58% and population growth was 0.53%, resulting in a growth limit of 3.11%. That limit applied to both years of the biennium. FY2004-05 appropriations were the starting point for applying the limit.

Based on appropriations, the State has stayed within the LD 1 cap for both years of the current biennium. The FY2005-06 state General Fund appropriation limit was $2,895.8 million.[2] Actual appropriations, based on adjustments through the end of the 122nd Legislature, were $2,871.9 million. That was $23.9 million, or 0.8%, below the limit established by LD 1. For FY2006-07, the State's appropriation limit was $3,060.6 million. Current FY2006-07 appropriations are $2,917.7 million. That is $143 million, or 4.7%, below the LD 1 limit. Additional appropriations for FY2006-07 may be made in the first session of the 123rd Legislature, but if those appropriations would result in the LD 1 limit being surpassed, then a separate vote would still be needed. As of this writing, the Governor's proposed FY2006-07 supplemental budget does not recommend appropriating beyond the LD 1 limit.

[2] Source: Maine Department of Administrative and Financial Services; Maine State Legislature, Office of Fiscal and Program Review

Table 1
State General Fund Appropriations Limit Calculation
Note: All figures are in millions

	FY2005	FY2006	FY2007
Annual Growth Factor	--	3.11%	3.11%
Base General Fund Appropriations	$2,709.9	$2,794.2	$2,881.1
General Purpose Aid to Schools	$734.5	$836.1	$914.1
Additional GPA above FY2005 Level	--	$101.6	$179.6
LD 1 Appropriations Limit (Base plus Additional GPA)	--	$2,895.8	$3,060.6
Actual Total Appropriations	$2,784.5	$2,871.9	$2,917.7
Amount Below LD 1 Limit	--	-$23.9	-$143.0
Percentage Below LD 1 Limit	--	-0.8%	-4.7%

Source: Maine Department of Administrative and Financial Services; Maine State Legislature, Office of Fiscal and Program Review; author's calculations.

The portion of General Fund appropriations subject to the 3.11% growth limit (all appropriations except the additional GPA funding) actually experienced negative growth in both years of the biennium. Setting aside the additional GPA funding, total appropriations decreased by 0.5% in FY2005-06 and 1.2% in FY2006-07.

Table 2
State General Fund Appropriations Subject to 3.11% Limit
Note: All figures are in millions

	FY2005	FY2006	FY2007
Actual Total Appropriations	$2,784.5	$2,871.9	$2,917.7
Additional GPA above FY05 Level	--	$101.6	$179.6
Appropriations Subject to 3.11% Limit (Total Appropriations minus Additional GPA)	$2,784.5	$2,770.3	$2,738.1
Growth of Appropriations Subject to 3.11% Limit	--	-0.5%	-1.2%

Source: Maine Department of Administrative and Financial Services; Maine State Legislature, Office of Fiscal and Program Review; author's calculations.

Table 3 below displays the growth of all General Fund appropriations, including the additional GPA funding. Total General Fund appropriations increased by 3.1% in FY2005-06 and 1.6% in FY2006-07. During the previous two years, total appropriations grew 4.0% and 5.4%. In the ten years prior to LD 1, annual appropriations growth averaged 5.4% and ranged from a decrease of 3.0% in 2002 to an increase of 16.6% in 1999.

Last year, Dr. Gabe compared the change in annual General Fund appropriations growth before and after LD 1. Table 3 updates that comparison. The 1.6% growth of General Fund appropriations between FY2005-06 and FY2006-07 is 48% lower than appropriations growth between FY2004-05 and FY2005-06, the first under LD 1. Further, 1.6% is 70% lower than the increase of General Fund appropriations between FY2003-04 and FY2004-05 and 60% lower than the increase between FY2002-03 and FY2003-04.

Table 3
Comparative Growth of State General Fund Appropriations

	Growth Rate of General Fund Appropriations
Growth of General Fund Appropriations FY2006 - FY2007	1.6%
Growth of General Fund Appropriations FY2005 - FY2006	3.1%
Growth of General Fund Appropriations FY2004 - FY2005	5.4%
Growth of General Fund Appropriations FY2003 - FY2004	4.0%
Change in General Fund Appropriations Growth Rates Between FY2005 - FY2006 and FY2006 - FY2007	-48%
Change in General Fund Appropriations Growth Rates Between FY2004 - FY2005 and FY2006 - FY2007	-70%
Change in General Fund Appropriations Growth Rates Between FY2003 - FY2004 and FY2006 - FY2007	-60%

Source: Author's calculations using data from the Maine Department of Administrative and Financial Services and Maine State Legislature, Office of Fiscal and Program Review

Table 4 below breaks down the growth of appropriations by GPA and non-GPA funding. In both FY2005-06 and FY2006-07, funding for non-GPA programs decreased. GPA funding increased by 13.8% and 9.3% respectively. In part, this dichotomy reflects revenue constraints and the shifting of state resources to fund 55% of covered education costs by FY2008-09.

Table 4
Growth of GPA and non-GPA General Fund Appropriations

Fiscal Year	Total Approps. (millions)	Change	Non-GPA (millions)	Change	GPA (millions)	Change
2007	$2,917.7	1.6%	$2,003.6	-1.6%	$914.1	9.3%
2006	$2,871.9	3.1%	$2,035.8	-0.7%	$836.1	13.8%
2005	$2,784.5	5.4%	$2,049.9	5.6%	$734.5	4.6%
2004	$2,643.0	4.0%	$1,940.9	6.2%	$702.1	-1.6%
2003	$2,540.4		$1,826.9		$713.5	

Source: Author's calculations using data from the Maine Department of Administrative and Financial Services and Maine State Legislature, Office of Fiscal and Program Review

In addition to limiting General Fund appropriations, LD 1 strengthened two targeted property tax relief programs: the Maine Residents Property Tax and Rent Refund program, better known as the "Circuit Breaker," and the Homestead Exemption.

The Circuit Breaker provides a refund to households whose property tax bill exceeds 4% of their income. Households may receive 50% of the amount by which property taxes exceed 4 to 8% of their income, and 100% of the amount over 8%. Renters may receive reimbursement for property taxes paid indirectly through rental payments. The refund is based on the first $4,000 of property taxes. LD 1 increased the maximum refund amount from $1,000 to $2,000 and expanded eligibility by removing income limits. In the first year of these changes, the amount of state funding appropriated for tax relief through the Circuit Breaker increased by 64%, from $26.0 million in FY2004-05 to $42.8 million in FY2005-06. Refunds for FY2006-07 are estimated to be $45.0 million. About 93,000 Maine homeowners and renters received Circuit Breaker refunds in 2006. Maine Revenue Services estimates that over 225,000 are likely eligible.

The Homestead Exemption reduces the assessed value of Maine homeowners' primary residences for the purpose of property tax calculations. The property tax rate is applied to a lower value in order to lower residents' tax bills. Prior to LD 1, the Homestead Exemption was available on a sliding scale determined by the assessed value of the property. The deduction was limited to $7,000 and the State reimbursed municipalities for 100% of the forgone tax revenue. LD 1 increased the exemption to $13,000 for all homesteads, with the State reimbursing municipalities for 50% of the forgone tax revenue. The amount of state funding distributed to municipalities to pay for the Homestead Exemptions has declined slightly due to municipal valuation increases that have lowered the effective mil rates applied to the $13,000 exemption.

Table 5
State Appropriations for Circuit Breaker and Homestead Exemption

Fiscal Year	Homestead Exemption (millions)	Circuit Breaker (millions)	Total (millions)
2007 est.	$31.2	$45.0	$76.2
2006 est.	$31.2	$42.8	$74.0
2005	$32.3	$26.0	$58.3
2004	$34.4	$23.3	$57.7

Source: Circuit Breaker totals based on December 2006 Revenue Forecasting Committee estimates; Homestead Exemptions based on the General Fund budget through 122nd Legislature.

SUMMARY

In both FY2005-06 and FY2006-07, the State's General Fund appropriations have remained below the limit set by LD 1. Appropriations subject to the 3.11% growth rate limit actually declined by 0.5% in FY2005-06 and 1.2% in FY2006-07. Including the additional GPA funding, total General Fund appropriations increased by 3.1% in FY2005-06 and 1.6% in FY2006-07. Dr. Gabe stated in last year's LD 1 report, "The ultimate success of LD 1 at lowering the tax burden in Maine will be determined, at least in part, by its ability to reduce the growth of state and local government." During the 2006-2007 biennium, growth of the State's General Fund appropriations has been below recent historical levels.

III. EFFECT OF LD 1 ON LOCAL PROPERTY TAX COMMITMENTS

This section focuses on total local property tax commitments as an overall indicator of LD 1's impact on local property tax relief. "Commitments" are the amount of property tax collections approved by each municipality to finance anticipated expenditures for municipal government operations, public schools, and county government. Other sections of this report look at those three categories individually. This section looks at *total* local property tax commitments, which combines all three.

COMBINED STATEWIDE COMMITMENT GROWTH

Calculations of state tax burden use aggregate measures of the total amount of taxes collected within a state. To test whether LD 1 successfully reduced the growth of property tax collections, the State Planning Office compared Municipal Valuation Returns (MVR) for years before and after LD 1. Table 6 shows recent annual growth in aggregate (or statewide) municipal commitments,

To maintain consistency across years, we report all statistics for the sample of municipalities that responded to this year's MVR form by early December 2006. At that time, roughly 459 communities had responded to the MVR, with one community excluded due to possible reporting errors. As shown in Table 6, the estimate of statewide commitment growth compares similarly between the municipalities reporting on the 2006 MVR to the full population of municipalities reporting on the 2005 MVR. Together, the municipalities reporting on the 2006 MVR comprise 94% of all municipalities in the state and account for 98% of the total statewide commitment in 2005. The data is aggregated across municipalities, so no statistical tests can be calculated on year-to-year differences in statewide annual commitment growth. However, because the sample of communities represents a near census of statewide commitments reported in past years, we are highly confident that our results are representative of the entire set of municipalities.

Municipal commitment growth between 2005 and 2006 remained lower than in the years prior to the passage of LD 1, but exceeded the growth rate between 2004 and 2005, a period when LD 1 applied to just under half of all municipalities. Among the communities reporting on the 2006 MVR, statewide commitment growth between 2005 and 2006 was 3.9%, about double the 2005 growth rate of 1.9%. However, in the three years prior to LD 1, annual commitment growth ranged from 5.3% to 6.9%. Last year's commitment growth of 3.9% is thus roughly 24% to 42% *lower* than pre-LD 1 levels.

Table 6
Statewide Municipal Commitment Growth

	All Municipalities	2006 MVR repondents	Fiscal Year Municipalities in '06 MVR	Calendar Year Municipalities in '06 MVR
Number of Municipalities**	488	458	200	255
Statewide Annual Commitment Growth				
2005 to 2006	n/a	**3.9%**	**3.9%**	**3.9%**
2004 to 2005	1.8%	1.9%	**1.3%**	4.2%
2003 to 2004	5.2%	5.3%	5.1%	6.1%
2002 to 2003	5.5%	5.6%	5.2%	7.0%
2001 to 2002	7.0%	6.9%	6.7%	7.8%
Percentage change in Municipal Commitment Growth				
'05 to '06 compared to '04 to '05	n/a	104%	189%	**-8%**
'05 to '06 compared to '03 to '04	n/a	**-27%**	**-24%**	**-36%**
'05 to '06 compared to '02 to '03	n/a	**-30%**	**-26%**	**-44%**
'05 to '06 compared to '01 to '02	n/a	**-43%**	**-42%**	**-50%**
'04 to '05 compared to '03 to '04	-65%	-64%	**-74%**	-31%
'04 to '05 compared to '02 to '03	-66%	-66%	**-74%**	-39%
'04 to '05 compared to '01 to '02	-74%	-72%	**-80%**	-46%

**One reporting community was excluded due to a possible reporting error (see footnote XX)*
Bold type indicate numbers representing a full comparison of pre- and post-LD1 municipalities.
Source: Maine Revenue Services, Municipal Valuation Reports (2001 - 2006) & author's calculations.

Last year, LD 1 only applied to communities with fiscal years beginning on or after July 1, 2005. The 44% of Maine municipalities that operate on a July-June fiscal year tend to be larger then calendar year municipalities and account for roughly 80% of total statewide property tax commitments. Together, fiscal year communities showed a dramatic reduction in commitment growth during their first year under LD 1; growth of their combined commitments declined from 5.1% in 2004 to 1.3% in 2005. The 2005 growth rate for fiscal year municipalities was also considerably lower than the 4.2% commitment growth rate for calendar year communities that were not covered by LD 1 at the time.

This year's growth in commitments was driven largely by increased expenditures of fiscal year communities under their second year of LD 1. In 2006, the aggregate commitment growth rate for fiscal year municipalities was 3.9%, still lower than pre-LD 1 levels, but higher than 2004-2005 growth.

Municipalities with calendar year budgets reduced their commitment growth during their first year under LD 1's limits, although they did not experience as dramatic a decline as fiscal year communities did during their first year. Calendar year municipalities had a statewide commitment growth rate of 3.9% in 2006, 8% lower than their 2005, pre-LD 1, growth rate and 36% lower than growth in 2004. Although they did not have to conform to LD 1 in 2005, calendar year communities showed a 31% decline in commitment growth from 2004 to 2005 compared to the previous year. This notable decline in commitment growth between 2004 and 2005 may have somewhat mitigated the measurable impact of LD 1 on calendar year communities during their first year of compliance.

SOURCES OF COMMITMENT GROWTH

Municipal property taxes fund primarily three institutions: municipal government, county government, and local schools. Other sections of this report look at the growth of each institution separately. This section looks at the relative contributions of each to total property tax commitment growth. The available data do not permit this analysis at the level of individual municipalities for the entire state. Instead, we use responses from the current and past year's LD 1 municipal survey (discussed at length in Section V: Municipal Governments' Experience with LD 1).

In order to determine "base" or "core" commitment levels (property taxes raised to fund all municipal operations except schools), the survey asks municipalities to report total commitment levels as well as appropriations to schools, counties, and other purposes. Subtracting those appropriations from the total commitment reveals the base commitment. On this year's survey, calendar year communities reported the breakdown of total commitments for both 2006 and 2005. Fiscal year communities only reported 2006, although many reported 2005 data in last year's municipal survey. Combining both years of survey data and eliminating municipalities with either incomplete or suspect entries resulted in a database of 235 municipalities. Together these municipalities represent approximately 50% of all municipalities and 57% of the statewide municipal commitments for 2006.

Table 7
Breakdown of 2005-06 Commitment Growth by Source (in millions $)
For 235 municipalities with available data

	2005	2006	Commit. Growth '05 to '06	Commit. Growth Rates '05 to '06	Share of '05-'06 Commit. Growth	Relative Commit. Growth Ratio*
Total Commitment	$973.2	$1,010.0	$36.7	3.8%		
Base Commitment	$299.0	$312.4	$13.4	4.5%	36.4%	1.19
School Appropriations	$611.1	$628.0	$16.9	2.8%	46.1%	0.73
County Assessments	$55.7	$60.5	$4.8	8.6%	13.0%	2.28

Source: Municipal Valuation Return and Municipal LD1 Survey, 2005 & 2006

**Calculated as the share of 2005-06 commitment growth divided by share of 2005 commitment.*

Total commitment growth was approximately $37 million among the sample municipalities. Growth in local school appropriations accounted for the largest share of total commitment growth (46.1%) followed by growth in municipal operations and services (36.4%). But while growth in school appropriations accounts for the largest share of commitment growth, it also represents the largest share of total municipal commitments (63%).

We compare base, school, and county commitment growth rates in 2005-2006 to their respective shares of total commitments in 2005 (i.e., the commitment growth ratio) in order to assess whether appropriations growth in each category is higher or lower than would be expected given its share of total commitments. If all three components grew at the same rate, their respective commitment growth ratios would equal one. School appropriations have a commitment growth ratio less than one. That means that relative to its share of 2005 municipal commitments, commitment growth due to increased school appropriations is 27% less than its expected share. Growth in municipal operations and services, represented by base commitment growth, has a relative commitment growth ratio of 1.19, meaning that its growth was 19% higher than expected. County tax assessment growth was more than twice its expected share, although growth in county assessments accounts for only a small amount of commitment growth in absolute dollars. Much of the growth in county assessments between 2005 and 2006 is the direct result of assessments raised in Lincoln and Sagadahoc counties to finance the construction of a new jail (assessments excluded from the LD 1 limit by statute). When towns in Lincoln and Sagadahoc counties are excluded from the analysis, the counties' statewide share of commitment growth between 2005 and 2006 drops from 13.0% to 7.1% and their relative commitment growth ratio drops from 2.28 to 1.29.

COMMITMENT GROWTH OF INDIVIDUAL MUNICIPALITIES

The previous section focused on aggregate property tax commitments to assess the progress toward reducing overall state tax burden. Aggregate measures can be influenced by a relatively small number of large municipalities whose budgets dwarf those of Maine's smallest towns. To better understand decisions being made by individual municipalities, regardless of size, we also analyze commitment growth at the level of the individual community. Table 8 reports average municipal commitment growth in the years before and after LD 1. It also reports statistical tests of difference in growth rates between different pairs of years.

Table 8
Average Municipal Commitment Growth

	2006 MVR repondents	Fiscal Year Municipalities in '06 MVR	Calendar Year Municipalities in '06 MVR
Average Annual Municipal Commitment Growth			
2005 to 2006	4.8%	**5.2%**	**4.4%**
2004 to 2005	3.6%	**2.2%**	4.4%
2003 to 2004	6.0%	6.2%	6.1%
2002 to 2003	6.7%	6.2%	7.0%
2001 to 2002	7.8%	8.1%	7.5%
Percent Change in Average Growth Rates / Difference of Means Tests			
'05 to '06 compared to '04 to '05	33% *	132% **	**0%**
'05 to '06 compared to '03 to '04	-21% **	**-17%**	**-28%** **
'05 to '06 compared to '02 to '03	-29% **	**-16%**	**-38%** **
'05 to '06 compared to '01 to '02	-39% **	**-36%** **	**-41%** **
'04 to '05 compared to '03 to '04	-40% **	**-64%** **	-27% **
'04 to '05 compared to '02 to '03	-46% **	**-64%** **	-38% **
'04 to '05 compared to '01 to '02	-54% **	**-72%** **	-41% **

Source: Maine Revenue Services, Municipal Valuation Reports (2001 - 2006) & author's calculations.

** Indicates difference in mean growth rates significant at 90% level.*
***Indicates difference in mean growth rates significant at 95% level.*
Bold type indicate numbers representing a full comparison of pre- and post-LD1 municipalities.

Our results for average municipal commitment growth largely mirror those from our analysis of the aggregate statewide commitment growth rates, but with several notable exceptions. Growth rates based on municipal averages are generally higher than comparable growth rates calculated as a statewide aggregate. This is because the influence of smaller municipalities is more pronounced in the average rates, and smaller communities tended to have higher rates of commitment growth. Municipal commitment growth averaged 4.8% from 2005

to 2006, lower than commitment growth in the years prior to LD 1 (6.0% in 2004 and 6.7% in 2003). However, the average commitment growth rate was higher in 2006 than the previous year, when LD 1 applied to just under half of the state's municipalities. Average commitment growth was higher for fiscal year municipalities during their second year under LD 1 compared to their first year under LD 1, and was not statistically different than that in the pre-LD 1 years of 2004 and 2005. Calendar year municipalities did not see a reduction in average growth rates in their first year under LD 1, but had significantly lower growth compared with earlier pre-LD 1 years.

Table 9
Percent of Municipalities that Experienced a Reduction in Commitment Growth

	All '06 MVR repondents	Fiscal Year Municipalities in '06 MVR	Calendar Year Municipalities in '06 MVR	
Percent of Municipalities with a 2005 to 2006 Commitment Growth Rate less than Growth Rate from 2004 to 2005	41%	32%	**48%**	**
Percent of Municipalities with a 2005 to 2006 Commitment Growth Rate less than Growth Rate from 2003 to 2004	**56%**	**57%**	**55%**	
Percent of Municipalities with a 2005 to 2006 Commitment Growth Rate less than Growth Rate from 2002 to 2003	**57%**	**54%**	**60%**	
Percent of Municipalities with a 2004 to 2005 Commitment Growth Rate less than Growth Rate from 2003 to 2004	**62%**	**69%**	57%	**
Percent of Municipalities with a 2004 to 2005 Commitment Growth Rate less than Growth Rate from 2002 to 2003	**64%**	**71%**	59%	**
Number of Observations	455	200	255	

**Indicates differences between fiscal and calander year communities differ at a 95% level of statistical significance.

Bold type indicate years allowing a full comparison of pre- and post-LD1 municipalities.

Source: Maine Revenue Services, Municipal Valuation Reports (2001 - 2006) & author's calculations.

Another way to measure the impact of LD 1 on individual municipalities is to examine whether individual municipalities had lower commitment growth in the years following LD 1 compared to the years just prior to LD 1 (Table 9). In last year's study of LD 1's initial impacts, Dr. Gabe found that 70% of fiscal year municipalities had lower 2005 commitment growth compared to the pre-LD 1 years of 2004 and 2003. He also

found that in 2005 fiscal year municipalities were significantly more likely to have lower commitment growth than calendar year municipalities, the latter of which were not subject to LD 1. Additional 2005 MVR data that has become available since Dr. Gabe's study validate his initial conclusions. Using updated 2005 MVR records, we found that between 2004 and 2005 69% of fiscal year municipalities had lower commitment growth compared to the preceding year. We also found that a significantly higher proportion of fiscal year communities had lower commitment growth from 2004 to 2005 compared to calendar year communities. For example, 69% of fiscal year municipalities had lower commitment growth between 2004 and 2005 than between 2003 and 2004, compared to 57% for calendar year communities.

In 2006, the majority of municipalities did not sustain the reduction in commitment growth experienced during the preceding year, although growth rates were still lower than in years prior to the passage of LD 1. Based on preliminary data reported in the 2006 MVR, we found that fewer than half (41%) of municipalities had lowered their commitment growth from the previous year. The share of municipalities that reduced commitment growth in 2006 was lower among fiscal year municipalities (32%), which fell under LD 1's limits in both years, than among calendar year municipalities (48%), for which 2006 was the first year under LD 1. The majority of both fiscal and calendar year municipalities (57% and 55% respectively) still had lower commitment growth from 2005 to 2006 than compared to 2003 to 2004, just prior to the passage of LD 1.

SUMMARY

Last year's report offered compelling evidence of the effectiveness of LD 1 in reducing municipal commitment growth in its first year. It found that the fiscal year municipalities covered by LD 1 experienced a considerable reduction in municipal commitment growth following the passage of LD 1. It also found that fiscal year communities had significantly lower commitment growth compared to municipalities not covered by LD 1.

This year the evidence is somewhat mixed. Commitment growth rates are still lower than the years prior to the passage of LD 1, but not as low as last year. We also found that a majority of municipalities had higher levels of commitment growth this year than in the preceding year. Fiscal year communities were particularly less capable of sustaining the large growth reductions experienced in the first year. Between 2005 and 2006, commitment growth was up slightly for fiscal year municipalities, although still lower than pre-LD 1 years. Perhaps this is because the reductions reported last year were exceptionally dramatic and essentially "bottomed-out." Without further reductions, commitment growth began to level off this year. In aggregate, calendar year

municipalities had slightly lower commitment growth during their first year under LD 1 than in the preceding year, but only half actually reduced commitment growth from the preceding year.

IV. MUNICIPAL GOVERNMENTS' EXPERIENCE WITH LD 1

The preceding section examined the effect of LD 1 on local property tax commitments as indicative of its influence in reducing the growth of local government expenditures and the property tax burden. As discussed previously, local commitments are the combined sum of the local property taxes collected for financing public schools, municipal government services and operations, and county government operations.

This section addresses the impact of LD 1 on local property tax revenues used to finance municipal operations and services. LD 1 does this by limiting the growth of municipal operational expenditures to a specified rate. The limit applies to a municipality's "base" or "core" commitment: the amount of revenue approved to fund municipal operations and services, excluding funds allocated for county taxes, local schools, TIF payments, and overlays. These budget items are counted elsewhere under LD 1. The specified growth rate (i.e., "base commitment limit" or "growth limitation factor"), allows property taxes to increase at the rate of Maine's ten-year average personal income growth (adjusted for inflation) plus growth in the value of new development and improvements (i.e., the property growth factor), minus any net new state funding for existing services previously funded by property taxes. A municipality wishing to either temporarily exceed or permanently increase its base commitment limit must explicitly vote to do so.

SURVEY METHODOLOGY

To determine the impact of LD 1 on commitments raised for municipal operations, the State Planning Office distributed a voluntary questionnaire to all of the state's 489 municipal governments. The questionnaire was included as a supplemental attachment to the annual Municipal Valuation Return (MVR), with a response deadline of November 1st, or 30 days after the town's commitment, whichever is later. A blank copy of the SPO questionnaire is included in Appendix A. The questionnaire walks municipalities through the calculation of their base commitments and base commitment limits for both the past (2005) and current (2006) years. These calculations are used to determine whether or not the municipality surpassed the commitment limit, and, if so, whether the community explicitly voted to temporarily exceed or permanently increase the limit.

The questions and general format of the SPO survey match a survey sent out by the Maine Municipal Association (MMA), which is undertaking a separate analysis of LD 1 impacts. SPO and MMA agreed to pool survey responses to increase sample sizes and improve consistency. We received a total of 326 responses from

both surveys.[3] Some responses were not used because of incomplete or erroneous entries. There were 277 useable surveys representing roughly 57% of all Maine municipalities and 60% of all municipalities reporting on the 2006 MVR. Together the responding municipalities represent approximately 70% of the total statewide municipal commitment in 2005, and over 71% of the combined commitment of the 458 communities that had responded to the MVR by December 2006.

Table 10
Characteristics of Municipalities responding to the SPO/MMA municipal survey
Comparisons based on municipalities reporting on the Municipal Valuation Returns (MVR) by December 2006

Characteristic	Sample	Non-Sample	All MVR '06 Municipalities	Difference (Sample - Non-Sample)	
Number of municipalities	277	181	458		^
Percent of municipalities	60.5%	39.5%			^
Population, 2005	3,229	2,133	2,796	1,097	**
Percent with population less than 2,500	66.8%	74.6%	69.9%	-7.8	*
Population growth rate, '00 to '05	3.1%	2.6%	2.9%	0.42	
Percent with population loss, '00 - '05	27.8%	33.7%	30.1%	-5.9	
Commitment per capita, 2005	$1,457	$1,340	$1,411	$116	
Statewide municipal commitment growth rate, '05 - '06	3.9%	3.8%	3.9%		^
Average commitment growth rate, '05 - '06	4.8%	4.7%	4.8%	0.1	
Average growth of tax base, '05 to '06	15.0%	14.4%	14.7%	0.59	
Average property tax rate, 2006	0.0152	0.0151	0.0152	0.00	
Percent single-town school districts	35.7%	37.6%	36.5%	-1.83	
K-12 school enrollments per capita, 2005	0.153	0.151	0.152	0.002	
Growth in K-12 school enrollments, '00 - '05	-5.7%	-5.3%	-5.5%	-0.41	
Employment to population ratio, 2004	0.282	0.223	0.259	0.06	*
Median household income, 2000	$35,448	$34,386	$35,027	$1,062	
Percent fiscal year budget	44.9%	42.5%	44.0%	2.5	
Down East municipalities	14.4%	17.1%	15.5%		^
Mid Coast municipalities	23.1%	28.2%	25.1%		^
Northern municipalities	27.8%	30.4%	28.8%		^
Southern municipalities	16.2%	5.0%	11.8%		^
Western municipalities	18.4%	19.3%	18.8%		^

**Indicates differences between sample and non-sample communities differ at a 90% level of statistical significance.*
***Indicates differences between sample and non-sample communities differ at a 95% level of statistical significance.*
^Based on aggregate data, no statistical tests are available
Source: Maine Revenue Services, Municipal Valuation Returns 2006 & 2005; Census Current Population Estimates, Maine Labor Market Information Services, Maine Department of Education, 2000 Census of Population, and author's calculations

[3] This includes 274 SPO surveys supplemented by an additional 46 surveys from the MMA, and 6 blank responses.

We compared survey sample and non-sample municipalities according to several key criteria to determine whether municipalities responding to our survey were representative of all Maine municipalities (Table 10).[4] Sample and non-sample municipalities were similar by most indicators, but there are a few important exceptions. Sample municipalities tend to be significantly larger than non-respondents. The average sample municipality has an estimated 1,097 more residents than non-sample municipalities and roughly 67% of sample municipalities have populations below 2,500 persons compared to 75% among non-sample municipalities. Sample communities are also slightly less likely to have lost population between 2000 and 2005. Population loss is relevant because many local public services are subject to scale efficiencies. Since municipal costs cannot be cut on a one-to-one basis as the population declines, the resource pool for financing services shrinks faster than costs, resulting in a higher tax burden for remaining residents. There is also slightly higher employment per capita among responding communities compared with non-respondents.

The preceding analysis suggests that sample municipalities are sufficiently representative of all municipalities according to most indicators. The major differences between respondents and non-respondents are that non-respondents tended to be smaller and in decline, and have less of an employment base. Municipalities with these characteristics are slightly underrepresented in our sample. Because smaller communities are underrepresented, our study may slightly overstate municipal government compliance with LD 1.[5] Such bias would not likely result in a meaningful change of our overall conclusions, since the sample includes well over half of the state's municipalities. Furthermore, the over-sampling of larger communities means that our study directly represents a greater portion of the state's population.

SURVEY RESULTS

Both the SPO and MMA surveys ask communities to first report the base commitment limit for the past year as a starting point for determining this year's limit. "Base commitment" refers to property taxes raised to fund municipal governments. It excludes property taxes raised for schools and counties. For municipalities on a fiscal year budget cycle, the limit is equal to either the commitment limit of the preceding year (for communities not voting to permanently increase the past year's limit) or to the increased limit voted upon by the municipality. Municipalities with calendar year budget cycles use the past year's (calendar year 2005) base

[4] The measures were compiled from numerous secondary data sources: fiscal data from the 2006 Municipal Valuation Returns, population estimates from the U.S. Census Bureau, employment data from Maine Labor Market Information Services, school enrollments from the Maine Department of Education, and income and poverty data from the 2000 Decennial Census of Population and Housing.

[5] Later in the study we show that smaller communities had greater difficulty complying with LD1's limits.

commitment as the starting point for determining the next year's commitment limit. For calendar year communities, the 2005 base commitment limit is equal to the total commitment reported on last year's MVR minus county tax assessments, school funding, TIF payments, and overlays. As shown in Table 11, the aggregate 2005 commitment for municipalities responding to this year's survey was $1,196 million, with an aggregate base commitment limit of $374 million.[6]

Table 11
Summary Statistics, 2006 SPO/MMA Municipal Survey Returns

Number of reporting municipalities	277
Aggregate Municipal Commitment, 2005 (millions, from MVR)	$1,196
Aggregate Base Commitment Limit, 2005 (millions)	$374
Aggregate Municipal Commitment, 2006 (millions, from MVR)	$1,243
Aggregate Base Commitment Limit, 2006 (millions)	$391
Aggregate Base Commitment, 2006 (millions)	$382
Ratio of Base Commitment to Total Commitment, 2006	30.7%
Dollar amount below limit as a share of Total Base Commitment, 2006	2.4%
Aggregate (weighted) Growth Limitation Factor, 2006	4.5%
Average Growth Limitation Factor, 2006	5.2%
Percent of municipalities surpassing 2006 LD1 limit	43%
Percent of municipalities over the 2006 LD1 limit who reported voted to increase the limit	54%
Percent of municipalities over the 2006 LD1 limit who reported voted to exceed the limit	13%
Percent of municipalities over the 2006 LD1 limit and reported not voting to either exceed or increase the LD1 limit	37%

Source: Maine Revenue Services, Municipal Valuation Returns 2006 & 2005; 2006 SPO/MMA Municipal Survey, and author's calculations

Next the survey asks all municipalities to calculate their current year base commitment growth limitation factor as prescribed by LD 1. The growth limitation factor is the sum of the state's ten-year average personal income growth (adjusted for inflation) (2.62% for 2006) and an allowance for local property growth (i.e., the property growth factor). The property growth factor is calculated as the total value of new real and personal property divided by the total value of all real and personal property in the community. Many municipalities made noticeable errors in calculating the property growth factor. In most cases, the errors were simple arithmetic mistakes and SPO made the appropriate corrections. In cases where mistakes could not be corrected, SPO and MMA attempted to contact the municipality in question to determine the correct growth factor. In cases where an acceptable growth factor could not be determined, we did not include the questionable survey response in our

[6] In our analysis, we use the total 2005 commitment level as reported from the MVR. Only calendar year communities were asked to report total tax for commitment on the municipal survey.

analysis. Among the useable responses, the average growth limitation factor was 5.2%, ranging from a minimum of 2.62% (i.e., zero property growth) to a maximum of 20.2%.

The base commitment for 2006 is calculated similarly to 2005: total commitments minus payments to counties, schools, TIF, and overlays. The combined 2006 base commitment was $382 million dollars for the 277 municipalities responding to the survey. This is roughly 31% of the total 2006 commitment for the same set of municipalities.[7] The 2006 base commitment limit is calculated as the 2005 base commitment limit multiplied by one plus the growth limitation factor, minus net new state funds. The aggregate base commitment limit for 2006 was $391 million, resulting from an aggregate growth limitation factor of 4.5%. Actual base commitments were $382, roughly $9.0 million below the limit. This means that when aggregated across all reporting units, Maine municipalities kept property tax commitments below the total amount allowable under LD 1 by roughly 2.4%. Stated differently, municipalities' actual commitments equaled about 97.6% of commitments allowable under the LD 1 limit. This is the second year that municipalities came in under the LD 1 limit. Last year's study reported that the 2005 base commitments of towns to which LD 1 applied (fiscal year towns) were 0.3% under the LD 1 limit.

Although municipalities in aggregate were successful in keeping base commitments below the LD 1 limit, the experiences of individual communities varied considerably. Just over half (57%) of the municipalities responding stayed within the commitment limits imposed by LD 1 in 2006. This is essentially equivalent to the 58% of communities in last year's survey who stayed within their commitment limit. The 43% of municipalities who surpassed this year's limit did so by an average of $81,575, or 5.7% of the average municipal base commitment limit of $1.42 million. Communities whose base commitments were at or below the 2006 limit under-spent the limit by an average of $125,031, or roughly 8.8%.

The survey also asked communities surpassing the LD 1 limit to report whether they voted to temporarily exceed or permanently increase it. A vote to *exceed* temporarily lifts the limit, allowing the municipality to spend above the limit only for one year. A vote to *increase* permanently resets the base limit to a higher level for all future years. Communities were also asked to explain why they chose to exceed or increase their

[7] The total commitment figures calculated from the MVR and SPO/MMA survey differ slightly, although the two should be equal. In 2006, the MVR reports a total commitment of $1,248 million for the 277 municipalities reporting to the SPO/MMA survey. The same communities reported a total commitment of $1,268 on the SPO/MMA survey. In our analysis we use the total 2006 commitment level as reported from the MVR to be consistent with the other MVR-based calculations of total commitment reported elsewhere in this study. This choice makes no difference on the overall findings of this study.

commitment limit. Our survey results show that 73 municipalities reported explicitly voting to increase the limit while 16 voted to exceed the limit. Some of the municipalities that voted to increase or exceed the limit did not actually surpass the base limit. According to the comments included on the survey, as well as discussions with municipal budget officials, some municipalities voted to exceed or increase the limit before knowing whether they actually surpassed it. In such cases, communities reported doing so as a precaution. Of those who surpassed the limit, 64 (54% of those over the limit) voted to permanently increase the limit. Fifteen municipalities (13% of those over the limit) voted to exceed. A handful of communities voted both to exceed and increase the limit. There were an additional 44 municipalities (37%) who surpassed the limit but did not indicate whether they voted to either exceed or increase the limit.

Municipalities were provided space to comment on why they decided to vote, or not vote, to exceed or increase the LD 1 limit. In addition to taking preventative action prior to actually knowing limits, other recurring comments for voting to increase or exceed limits included (in no particular order):

- addressing one-time costs, such as financing for special and/or expensive equipment,
- covering unexpected increases in school funding,
- covering the growing costs of energy, insurance, and other operational needs,
- offsetting lower fund balance reserves which had been used in the past to fund operations without raising taxes, and
- not wanting to cut municipal services in order to remain within the limit.

There were also several communities who did not vote to increase or exceed the limit, despite having surpassed the limit. Municipalities most commonly justified this non-action by indicating that they were unaware of the necessity of voting, had trouble calculating growth limits or lacked the necessary information, or did not think LD 1 applied to them.

Table 12 presents percentages and statistical tests to help identify some of the characteristics associated with municipalities that were either over or under their base commitment limit. Smaller municipalities had greater difficulty staying within their commitment limits. On average, communities surpassing the LD 1 limit had a 2005 population nearly 2,200 fewer persons than those who met the commitment limit. While population size is strongly associated with a community's ability to stay within the LD 1 limit, municipal population itself may not be the causing factor. Larger communities may offer more services, providing them greater leeway in

curtailing non-essential expenditures to stay within budgetary limits, or providing them more opportunities to secure revenue from sources other than property taxes.

Table 12
Characteristics of Municipalities that are over/under LD 1 Commitment Limits

Characteristic	Over Limit	Under Limit	All Survey Respondents	Difference (Over - Under)	
Number of Municipalities	118	159	277		^
Population, 2005	1,988	4,151	3,229	-2,163	**
Percent with population less than 2,500	75.4%	60.4%	66.8%	15.0	**
Population growth rate, '00 to '05	2.8%	3.2%	3.1%	-0.40	
Percent with population loss, '00 - '05	31.4%	25.2%	27.8%	6.2	
Commitment per capita, 2005	$1,242	$1,616	$1,457	-$374	
Aggregate municipal commitment growth rate, '05 - '06	6.4%	3.4%	3.9%	3.0	^
Average commitment growth rate, '05 - '06	7.9%	2.5%	4.8%	5.4	**
Average growth of tax base, '05 to '06	15.6%	14.5%	15.0%	1.16	
Average property tax rate, 2006	0.0153	0.0151	0.0152	0.00	
Percent single-town school districts	28.0%	41.5%	35.7%	-13.54	**
K-12 school enrollments per capita, 2005	0.158	0.150	0.153	0.01	*
Growth in K-12 school enrollments, '00 - '05	-2.8%	-7.8%	-5.7%	5.09	*
Employment to population ratio, 2004	0.269	0.292	0.282	-0.02	
Median household income, 2000	$34,432	$36,207	$35,448	-$1,775	*
Percent fiscal year budget	38.5%	49.7%	44.9%	-11.2	*
Growth Limitation Factor	4.9%	5.5%	5.2%	-0.5	**
Percent of Municipalities by Region					
Down East	45.0%	55.0%		-10.0	^
Mid Coast	39.1%	60.9%		-21.9	^
Northern	40.3%	59.7%		-19.5	^
Southern	28.9%	71.1%		-42.2	^
Western	60.8%	39.2%		21.6	^

**Indicates difference between over and under limit communities differ at a 90% level of statistical significance.*
***Indicates difference between over and under limit communities differ at a 95% level of statistical significance.*
^Based on aggregate data, no statistical tests are available
Source: Maine Revenue Services, Municipal Valuation Returns 2006 & 2005; Census Current Population Estimates, Maine Labor Market Information Services, Maine Department of Education, 2000 Census of Population, 2006 SPO/MMA Municipal Survey, and author's ca

Not surprisingly, communities surpassing the base commitment limit had significantly higher total commitment growth in the past year. The average total commitment growth for municipalities surpassing the LD 1 base commitment limit was 7.9%, compared to 2.5% for municipalities that kept commitment growth below LD 1 limits. Municipalities with higher median household incomes were also more likely to stay within LD 1's limits, as were communities with fiscal year budgets.

Municipalities below the commitment limit were also more likely to be single-town school districts. This may also be due to size – smaller towns are more likely to be part of a Community School District or School Administrative District. It may also be because budgetary decisions for single-town districts tend to be more integrated with municipal operational budget decisions. For example, if municipal officials are more aware of a school district's growing budgetary needs they may reduce costs in municipal operations to constrain growth in the overall tax bill. In contrast, the budgetary decisions of multi-town school districts may be more independent of the fiscal situation of any single town. There was also a notable tendency for towns with more K-12 students relative to the total population and with slower recent growth in school enrollments to surpass LD 1 limit. One would assume that higher enrollment growth would put greater strains on municipal budgets, although because school expenditures are subtracted from the base commitment, growth in the K-12 enrollments may more likely represent new development which raises a community's limit.

SUMMARY

For a second year, municipalities held property tax commitments raised for municipal operations below their estimated LD 1 limit. Among the 277 municipalities participating in the survey, the aggregate base commitment limit for 2006 was $391 million. Actual base commitments for those same municipalities were $382 million, 2.4% lower than this year's limit. This compares favorably with last year's findings, where fiscal year municipalities came in 0.3% lower than the aggregate commitment limit.

The reductions in base commitments were not shared equally by all municipalities. Of the municipalities surveyed, just over half (57%) stayed within their LD 1 limit. Municipalities who surpassed the limit were typically smaller, less likely to belong to single-town school districts, have lower school enrollment growth in recent years but a higher concentration of K-12 children relative to the population, have lower median household incomes, and have lower LD 1 growth limitation factors. Commonly cited factors for increasing or exceeding LD 1 limits include: financing one time costs, such as expensive capital equipment (particularly for small towns); covering unexpected increases in school funding, growing energy and insurance costs; replenishing lower fund balances; and wanting to maintain the existing level and quality of municipal services.

V. SCHOOL ADMINISTRATIVE UNITS' EXPERIENCE WITH LD 1

The second, and frequently the largest, component of municipal property taxes are raised to finance local public schools. LD 1 follows the recently enacted Essential Programs and Services (EPS) model of school funding to set targets for the amount of property taxes raised for local education. Essential Programs and Services are those educational resources required for all students to meet the knowledge and skill standards set by the Maine Learning Results. Local school appropriations are constrained to 100% of the costs calculated by the EPS formula, excluding "local-only" debt. Under LD 1, the State is also required to increase its overall share of school funding to 55% of EPS costs by FY2008-09.

The Maine Department of Education collects information on school appropriations from state, local, and other sources on an annual basis. We use preliminary data on state and local educational appropriations for FY2006-07 to determine the share of school districts who kept expenditures below the 100% of EPS limits.[8] We then compare the share of school districts exceeding EPS to that of last year (Table 13).

EXPENDITURE GROWTH OF INDIVIDUAL SAUs

In FY2006-07, 80.5% of school administrative units exceeded their target EPS funding level. Among those reporting, the allocations for school districts exceeded the 100% EPS limit by a combined $132.4 million, or 7.5% of total statewide EPS. The percentage of schools exceeding EPS does not vary greatly by type of school district, with the exception of Community School Districts (CSDs). All CSDs exceeded EPS, but, because there are only 15 in the state, the percentage of CSDs exceeding EPS is not a reliable measure. CSDs also surpassed single-town districts and MSADs in the relative dollar amount by which they exceeded EPS targets. In FY2006-07 CSDs exceeded the statewide EPS recommended level by approximately $15 million dollars—24% of their recommended EPS limit. Single school districts exceeded EPS by a much larger dollar amount ($69 million) but a much smaller share (7.5%) of their total recommended EPS target funding levels.

[8] There were two SAUs who had not yet reported appropriations to the Maine Department of Education for 2006-2007 at the time of writing. To maintain consistency across years, these communities are excluded from all calculation in both current and past years.

Table 13
School Administrative Unit Allocations and Compliance with LD 1*
Note: 2 SAUs were excluded from all calculations to maintain consistency across years

	All SAUs	Single Town SAUs	MSADs	Community School Districts
Number of SAUs	282	195	72	15
Fiscal Year 2007 (including State Transition Funds)				
Percent SAUs over 100% EPS	80.5%	80.0%	77.8%	100.0%
Amount over EPS (millions)	$132.4	$68.8	$48.5	$15.1
Amount over as a share of EPS	7.5%	7.5%	6.2%	24.1%
Fiscal Year 2006				
Percent SAUs over 100% EPS	67.7%	67.7%	61.1%	100.0%
Amount over EPS (millions)	$57.5	$33.0	$14.3	$10.2
Amount over as a share of EPS	3.3%	3.7%	1.9%	16.5%
Fiscal Year 2006 (including State Transition Funds)				
Percent SAUs over 100% EPS	73.8%	74.4%	66.7%	100.0%
Amount over EPS (millions)	$73.8	$40.4	$22.3	$11.2
Amount over as a share of EPS	4.3%	4.5%	2.9%	18.1%

Source: Maine Dept. of Education and author's calculations
**Local only debt is excluded from all calcuations.*

Both the number of SAUs exceeding EPS and the total amount over EPS are notably higher than the previous year. Between FY2005-06 and FY2006-07, the percentage of SAUs exceeding EPS rose from 67.7% to 80.5%, a $75 million increase in the amount by which EPS was exceeded. These numbers are somewhat misleading. Last year, transitional funds provided by the State to local school districts were not counted in determining whether districts were above or below EPS targets. The number of school districts exceeding EPS was lower in FY2005-06 than it would have been if transitional state funds had been included in the calculations. This year state transitional funds were counted toward EPS targets, in order to better reflect total resources available to SAUs. Therefore, part of the reason why more municipalities are exceeding EPS in FY2006-07 is because more of state funding is being counted against EPS. After adding transitional funds to FY2005-06, the share of school districts exceeding EPS increased from 67.7% to 73.8% and the total amount exceeding EPS increased from $58 to $74 million dollars. Appropriations growth in excess of EPS is also more modest, but still on the rise. Under the revised calculations, there is now a 4.3% increase in the share of communities exceeding EPS targets between FY2005-06 and FY2006-07 and a $58.5 million increase in the amount by which EPS was exceeded.

Figure 1
Distribution of SAUs above and below EPS

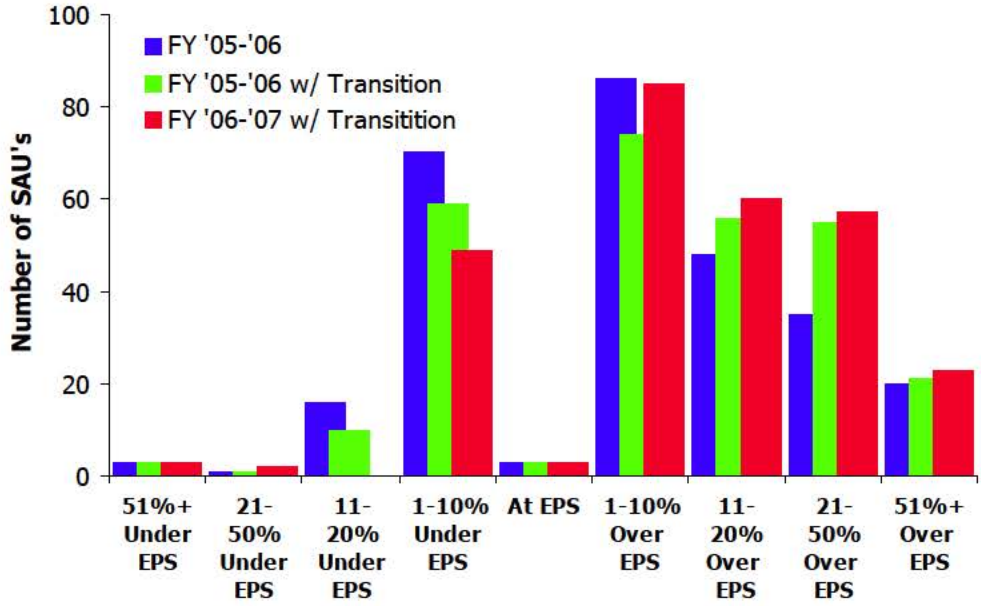


Figure 1 shows the distribution of SAUs around their targeted EPS funding levels. The bulk of SAUs are either just over or just under their EPS targets. In FY2006-07 nearly 50% of SAUs fall within 10% plus or minus their target EPS funding levels. Few SAUs were far below their target EPS funding, but over 28% were more than above 20% of their target EPS. Compared to last year, the distribution of SAUs over or under EPS has shifted to the right, with more SAUs exceeding EPS in FY2006-07 and by a larger share.

COMBINED STATEWIDE SAU EXPENDITURE GROWTH

Next we examine a longer time horizon to study the impact of LD 1 on *total* state and local appropriations to schools (Table 14). Both state transitional funds and local only debt are included in the analysis.[9] FY2005-06 was the first year LD 1 limits applied to SAU appropriations. In the two years since LD 1, the rate at which state and local appropriations to SAUs have grown has increased from 4% in FY2004-05 to 4.6% in FY2005-06, and 5.3% in FY2006-07. This increase is in large part driven by increased state funding for local K-12 education, which grew by 13.8% from FY2004-05 to FY2005-06 and another 9.3% from FY2005-06 to FY2006-07, an addition of $314 million state dollars compared to the previous biennium.

[9] The vast majority of the local appropriations are raised through local property tax commitments. For the past two years, local only debt has accounted from roughly 4 %of all total appropriations.

Table 14
Growth of State* and Local Appropriations for K-12 Education**

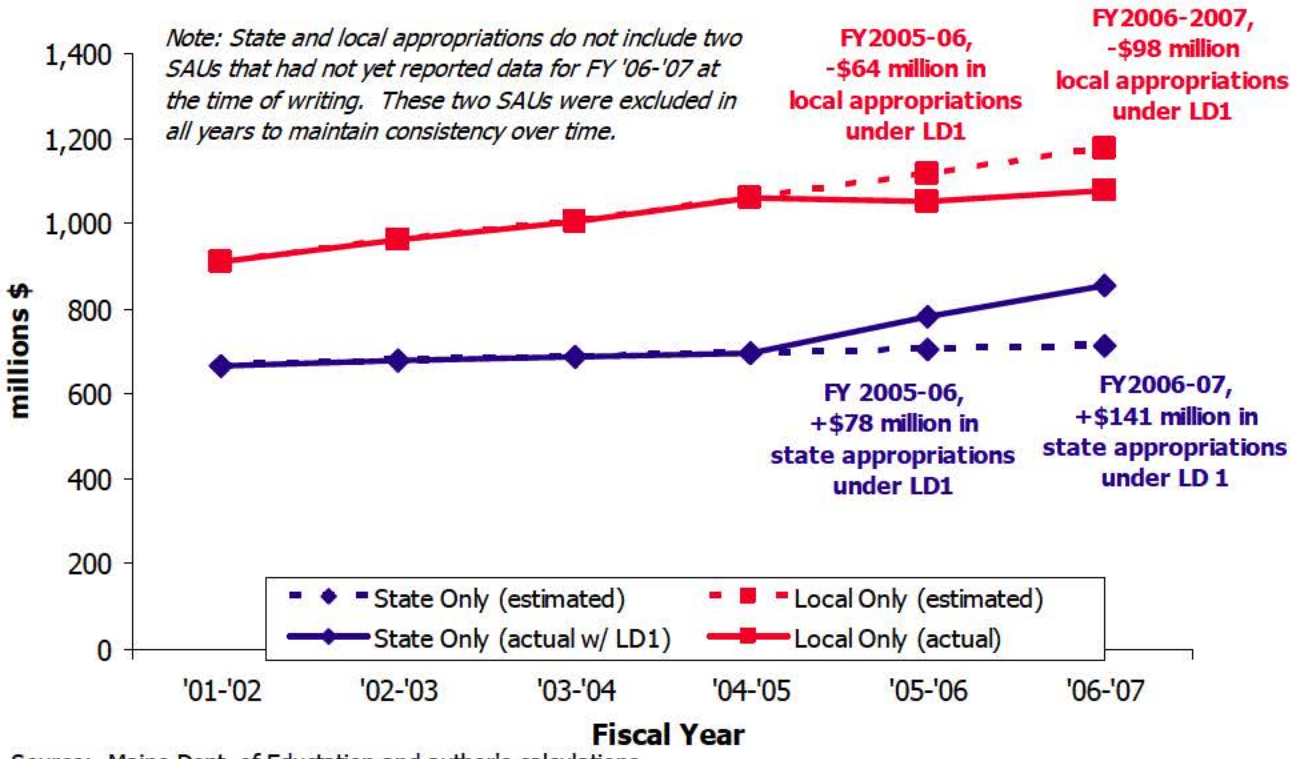
School Year	State & Local	State Only	Local Only
FY '05-'06 to FY '06-'07	5.3%	9.2%	2.4%
FY '04-'05 to FY '05-'06	4.6%	12.6%	-0.7%
FY '03-'04 to FY '04-'05	4.0%	1.5%	5.7%
FY '02-'03 to FY '03-'04	3.2%	1.2%	4.6%
FY '01-'02 to FY '02-'03	3.9%	1.4%	5.7%

Source: Maine Dept. of Education and author's calculations
** State funds in '05-'06 and '06-'07 include transitional EPS and other miscellaneous funds.*
***Local funds include local only debt for all years.*

Local appropriation growth is noticeably lower post-LD 1, but may be on the rise. In the three years prior to LD 1, annual local school appropriations growth ranged from 4.6 to 5.7%. With increased state funding and EPS limits beginning in FY2005-06, local appropriations declined by 0.7% from the preceding year. During the second year under LD 1 (FY2006-07) local appropriations to schools increased by 2.4% over the preceding year.

We use historical trends on state and local appropriations to SAUs to estimate what K-12 appropriations might have been if the State had not increased its share of school funding as prescribed by LD 1. Predicted appropriations are estimated by first calculating the average annual growth in statewide appropriations for the three years prior to LD 1 (FY2001-02 to FY2004-05) and then extrapolating the expected growth forward two years. The estimated appropriations are then compared to the actual appropriations under LD 1 to measure the amount of appropriations over or under what would have been expected in the absence of LD 1. If SAUs used additional state funding to offset local appropriations, then we would expect a decline in local appropriations at least somewhat commiserate with the increase in state expenditures. The results of our investigation are presented in Figure 2.

Figure 2
State and Local Appropriations to SAUs.
Actual (with LD 1) and Estimated (without LD 1)



Source: Maine Dept. of Eductation and author's calculations

Total state appropriations increased beyond their historically predicted level by roughly $78 million in FY2005-06, following the introduction of LD 1. This was met by local appropriations that were $64 million below their predicted appropriations. In FY2006-07, growth in local appropriations remained below pre-LD 1 levels, but the difference between the amount of additional state appropriations and the reduced local appropriations grew. State appropriations to school districts were $141 million dollars above the expected level in absence of LD 1. According to these estimates, local appropriations were $98 million below the level predicted without LD 1, resulting in approximately $43 million of additional state funds that were not matched by local reductions. According to these estimates, about 70% of increased state funding is being used to offset property tax revenues.

SUMMARY

LD 1 uses the Essential Programs and Services (EPS) model of school funding to set targets for the amount of property taxes raised for local education. The LD 1 "limit" for SAUs is 100% of EPS. As a whole, School

Administrative Units (SAUs) surpassed that limit. For the 2006-2007 school year (FY2006-07), their combined allocations were $132.4 million, or 7.5%, over 100% of EPS. Fully 81% of SAUs exceeded their individual limit. Compared to last year, both the percentage of SAUs exceeding their limit, and the amount they were over, has increased. Total state and local appropriations to schools has grown notably in the past two years. Most of this is due to the sharp increases in state funding for local schools under LD 1, a total of $314 million new state dollars compared to the previous biennium. In the first year under LD 1, local appropriations actually declined by 0.7% and growth in state appropriations were largely matched by a reduction in the growth of local appropriations. This year, local school appropriations rose by 2.4%, which is a lower growth rate than pre-LD 1, but higher than last year. The implication is that large portions of the increase in state spending to schools did not result in direct reductions in local property tax commitments.

VI. COUNTY GOVERNMENTS' EXPERIENCE WITH LD 1

LD 1 limits the growth of each county's assessment, an amount charged to municipalities within the county and paid for through property taxes. Assessment growth is limited to the ten-year average growth rate of state personal income (adjusted for inflation) plus the county's property growth factor. The property growth factor reflects new development occurring within the county. It is calculated by totaling the new property growth reported by each town and dividing by the towns' total property valuation. The LD 1 county assessment limit is based on the previous year's assessment increased by the combined income-plus-property growth factor. If the county has received net new state funds for existing services funded by the assessment, then the limit is reduced by that amount. A county wishing to either temporarily exceed or permanently increase its limit must explicitly vote to do so. Lincoln and Sagadahoc counties were given a two-year exemption, ending in 2007, on funds used to construct and operate a new jail (Public Law 2005, Chapter 348). Lincoln and Sagadahoc voters approved funding for the jail project in November 2003, before the passage of LD 1.

Fifteen of Maine's counties were not affected by LD 1 in its first year because they operate on calendar years and had adopted their budgets before LD 1 went into effect.[10] Only Sagadahoc, which has a fiscal year starting July 1st, had to comply. Last year's LD 1 report used available preliminary data on counties' 2006 assessments to project the initial impact of LD 1. This report provides actual data for 2006, thereby reporting the same year for counties as for calendar-year municipalities. The information reported in this section was collected by the State Planning Office from each county's administrative office.

COMBINED STATEWIDE COUNTY ASSESSMENT GROWTH

Calculations of state tax burden use aggregate measures of the total amount of taxes collected within a state. To assess LD 1's impact on the growth of county assessments, we first look at the combined assessment growth of all sixteen Maine counties. In aggregate, county assessments were below the level permitted under LD 1. Their combined assessment limit, including the allowance for the Lincoln and Sagadahoc jail, was $115.0 million and actual assessments were $111.3 million. That was $3.7 million, or 3.2%, below the limit.

[10] LD 1's county assessment and property tax levy limits went into effect on July 1, 2005.

Table 15
Combined County Assessment Limit Calculation
Note: All figures in millions

	2004	2005	2006
Annual Growth Factor	--	--	6.1%
Base Assessments	$99.4	$104.4	$110.8
Lincoln-Sagadahoc Jail Project	--	$0.426	$4.172
LD 1 Assessment Limit (Base plus Lincoln-Sagadahoc Jail Project)	--	--	$115.0
Actual Total Assessments	$99.4	$104.8	$111.3
Amount Below LD 1 Limit	--	--	-$3.7
Percentage Below LD 1 Limit	--	--	-3.2%

Source: State Planning Office

Total jail assessments by Sagadahoc County were $426,000 in FY2005-06 (included under "2005" in these tables) and $3,745,670 in FY2006-07 (included under "2006"). Lincoln County allocated $426,000 in 2006. The remaining assessments subject to the 6.1% growth limit grew by 5.0% in 2005 and 2.7% in 2006.

Table 16
Growth of County Assessments Subject to 6.1% Limit
Note: All figures in millions

	2004	2005	2006
Actual Total Assessments	$99.4	$104.8	$111.3
Lincoln-Sagadahoc Jail Project	--	$0.426	$4.172
Assessments Subject to 6.1% Limit (Total Assessments minus LS Jail)	--	$104.4	$107.2
Growth of Assessments Subject to 6.1% Limit	--	5.0%	2.7%

Source: State Planning Office

Including assessments raised for the Lincoln-Sagadahoc jail, total county assessments grew 6.2% in 2006, which is 15% higher than the previous year's growth rate of 5.4%. Excluding the jail, assessments grew by 2.7%, which is 46% lower than last year's rate of 5.0%. Sufficient data for comparisons to earlier years are not readily available.

Table 17
Growth of County Assessments

Year	Including Lincoln-Sagadahoc Jail Total Assmts (millions)	Change	Excluding Lincoln-Sagadahoc Jail Total Assmts (millions)	Change
2006 Actual	$111.3	6.2%	$107.2	2.7%
2005	$104.8	5.4%	$104.4	5.0%
2004	$99.4	--	$99.4	--
Change in County Assessment Growth Rates Between 2004-2005 and 2005-2006		15%		-46%

Source: State Planning Office

In any given year, counties' aggregate growth rate limit should, theoretically, closely match the aggregate growth rate limit of municipalities, since both measure the amount of new real and personal property taxed in the state in a given year and then add the same personal income growth factor. Counties' 2006 reported limit of 6.1% is higher than municipalities' 4.5% aggregate limit, estimated from survey results. There are several potential reasons for this difference. First, some towns may have given counties different valuation and growth numbers than they used to calculate their own limit based on the timing of their budget cycle and the availability of new data. Second, many counties reported not receiving growth information from all of their municipalities. Anecdotal evidence suggests that larger, faster growing municipalities may be better equipped to respond to counties' information requests, thereby skewing the county growth factor. However, the municipalities' aggregate growth rate is based on a survey sample that also under represents smaller municipalities, as discussed previously. Third, some towns may have reported their total valuation increases, including increases in market value and changes from revaluations, and not just the value of new development. Reporting these increases to counties would also increase the county limit.

ASSESSMENT GROWTH OF INDIVIDUAL COUNTIES

The counties' combined assessment growth rate limit was 6.1%, but their individual limits varied. To calculate its limit, each county added the 2006 income growth factor of 2.62% to its property growth factor. To calculate its property growth factor, each county requested information from its towns on the total value of the town's new real and personal property (i.e., "new growth") and the total value of all real and personal property in the town. Seven counties reported that they did not receive valuation information from some of their towns, or were provided with incomplete information. The property growth rate ranged from 1.7% to 12.8%, with an average of 3.5%. Adding the income growth factor resulted in total county assessment growth limits ranging

from 4.3% to 15.4%, with an average of 6.1%. After making these calculations, Lincoln and Sagadahoc counties further increased their limits by amounts equal to the allowance for jail costs.

Out of the 16 counties, 14, or 88%, reported staying below their assessment limit. On average, those counties were 4.3% below the limit. The two counties that increased their limit, Waldo and Oxford, did so by 3.7% and 7.6% respectively. Both counties indicated that they had less surplus revenue from the previous year and needed to raise assessments to maintain operations in 2006. In addition, Oxford increased the number of sheriff deputies on staff.

Another way to measure the impact of LD 1 is to compare individual counties' assessment growth in the first year of LD 1 to the prior year. In last year's study, Dr. Gabe found that 70% of municipalities to which LD 1 applied (those with the same July-June fiscal year as the State) had lower 2004-2005 commitment growth compared 2003-2004. Of the fifteen counties in their first year of LD 1, nine counties (60%) reported lower commitment growth between 2005 and 2006 compared to the preceding year, one county (7%) reported equal growth in both years, and five counties (33%) reported higher assessment growth between 2005 and 2006 than the previous year. Sagadahoc County, in its second year under LD 1, had much higher total assessment growth between FY2005-06 and FY2006-07 than the previous year due to jail construction costs; growth of Sagadahoc's non-jail assessments declined by over 8%. Including jail costs, Lincoln County's assessment growth rate declined from 6.1% in 2005 to 4.4% in 2006; its non-jail assessments declined by over 3% in 2006.

SUMMARY

In 2006, counties' combined assessments were 3.2% below the limit set by LD 1 and the Lincoln-Sagadahoc jail exemption. Fourteen of Maine's 16 counties stayed within their limits and two surpassed them. Growth of total county assessments was 6.2%, above 2005's growth rate of 5.4%. At the individual county level, 60% of counties reduced their commitment growth between 2005 and 2006, five increased it, and one remained unchanged.

VII. SUMMARY

Comparing Maine's current tax burden to other states will not be possible until data from other states is collected and adjusted to allow for comparison across differing tax systems, a process that happens at the national level and takes several years. However, the information provided in this report illuminates LD 1's early impact on fiscal decisions at all government levels and corresponding growth trends. Last year's LD 1 report revealed new constraint in the growth of local property taxes, which coincided with the law's first year of implementation. This year, evidence of LD 1's impact is mixed.

The State stayed within its General Fund appropriations limit while greatly increasing aid to local schools. Even if the additional school funding were included in the calculation, the State would still be under its limit. The additional school funding was available to ease the pressure on property taxes. Statewide, total property taxes were within their combined LD 1 limit and the growth of property taxes was once again lower than before LD 1. Individually, just over half of municipalities stayed within their limit. Counties, most of which encountered LD 1 for the first time in 2006, displayed constrained growth in their assessments, except for those raised by Lincoln and Sagadahoc to construct a new jail. Including those assessments, the growth rate of total county assessments actually increased in 2006. Maine's School Administrative Units (SAUs) diverged from LD 1's limits more than any other level of government. Fully 81% of SAUs exceeded their limit. Combined local allocations for schools were $132.4 million, or 7.5%, over EPS. Compared to last year, both the percentage of SAUs exceeding their limit, and the amount by which they were over, has increased. Based on historical trends, it appears that about 70% of the increased state education funding is offsetting local property taxes, with the remaining 30% being a net increase in school revenues.

APPENDIX A. SURVEY INSTRUMENT

The following pages display the survey instrument used by the State Planning Office to collect information on municipal commitments. The questionnaire was an attachment to the annual Municipal Valuation Return (MVR) that Maine Revenue Services sends to all municipalities.

STATE PLANNING OFFICE - MUNICIPAL COMMITMENT LIMIT WORKSHEET

Questions? Call the State Planning Office at 287-5649 or 1-800-662-4545.

Municipality:_____ **Contact Person*:**_____ **Phone Number:**_____

*The Contact Person should be able to answer clarifying questions about the reported information.

IF LD 1 APPLIED TO THE MUNICIPALITY LAST YEAR, THEN START HERE:

(LD 1 applied to all municipalities with fiscal years than began on or after July 1, 2005.)

A. If last year the municipality commited LESS THAN the LD 1 limit, enter the limit (and not the actual commitment) on Line 1 below.

B. If last year the municipality commited EXACTLY the LD 1 limit, enter the limit on Line 1 below.

C. If last year the municipality voted to EXCEED the LD 1 limit once due to an extraordinary event, enter the limit (and not the actual commitment) on Line 1 below.

D. If last year the municipality voted to INCREASE the LD 1 limit for last year and all future years, enter the amount to which the limit was increased on Line 1 below.

1. FY2005-06 BASE MUNICIPAL COMMITMENT/LIMIT $ _____

IF LD 1 DID NOT APPLY TO THE MUNICIPALITY LAST YEAR, THEN START HERE:

On Lines A through E, enter the corresponding amounts from the 2005 MVR. If items B, C, or D were paid all or in part by non-property tax revenue, then include only the amount paid with property tax revenue.

FOR CALENDAR-YEAR TOWNS, "FY2005-2006" CORRESPONDS TO CALENDAR YEAR 2005.

A. FY2005-06 TAX FOR COMMITMENT *(Line 19 on page 10 of last year's MVR.)* $ _____

B. FY2005-06 COUNTY TAX *(Line 7 on page 10 of last year's MVR.)* $ _____

C. FY2005-06 TIF FINANCING PLAN AMOUNT *(Line 9 on page 10 of last year's MVR.)* $ _____

D. FY2005-06 SCHOOL APPROPRIATIONS *(Line 10 on page 10 of last year's MVR.)* $ _____

E. FY2005-06 OVERLAY *(Line 22 on page 10 of last year's MVR.)* $ _____

Add Lines B through E and subtract total from Line A. Enter result on Line 1 below.

1. FY2005-06 (or 2005) BASE MUNICIPAL COMMITMENT $ _____

ALL MUNICIPALITIES USE THE REMAINING INSTRUCTIONS:

CALCULATE GROWTH LIMITATION FACTOR

2. TOTAL TAXABLE VALUE OF LAND, BUILDINGS, AND PERSONAL PROPERTY FIRST ASSESSED ON APRIL 1, 2006. *(Or most recent year available.)* $ _____

3. TOTAL TAXABLE VALUATION *(Line 3 on page 10 of MVR.)* $ _____

4. PROPERTY GROWTH FACTOR (*Divide Line 2 by Line 3.)* 0.___ ___ ___ ___
This calculation generates the decimal equivalent of the Property Growth Factor. For example, if Line 4 equals 0.0333, then the Property Growth Factor equals 3.33%. Keep the Property Growth Factor in decimal form to simplify later calculations.

5. AVERAGE REAL PERSONAL INCOME GROWTH 0.0262
All municipalities should use the statewide figure of 0.0262 (equals 2.62%).

Add 1.0000 plus Line 4 plus Line 5. Enter result on Line 6 below.

6. GROWTH LIMITATION FACTOR 1.___ ___ ___ ___
This calculation generates the decimal equivalent of the Growth Limitation Factor. For example, if Line 6 equals 1.0595, then the Growth Limitation Factor equals 5.95%.

STATE PLANNING OFFICE - MUNICIPAL COMMITMENT LIMIT WORKSHEET

Questions? Call the State Planning Office at 287-5649 or 1-800-662-4545.

CALCULATE NET NEW STATE FUNDS

In this section, use FY2004-05 and FY2005-06 or the most recent two years available. For calendar-year towns, "FY2004-2005" corresponds to calendar year 2004.

7. FY2004-05 MUNICIPAL REVENUE SHARING $ _____
8. *Multiply Line 7 by Line 6 (from previous page).* $ _____
9. FY2005-06 MUNICIPAL REVENUE SHARING $ _____
10. **MUNICIPALITIES TO WHICH LD 1 APPLIED LAST YEAR:** If necessary, enter any state funds that were not properly accounted for in last year's adjustment for Net New State Funds. If that is unnecessary, then enter "0" on Line 10. $ _____

    TOWNS TO WHICH LD 1 DID NOT APPLY LAST YEAR: Enter "0" on Line 10.

Add Line 9 plus Line 10, and subtract Line 8. Result may be negative. Enter result on Line 11 below.

11. NET NEW STATE FUNDS $ _____

CALCULATE BASE MUNICIPAL COMMITMENT LIMIT

12. *Multiply Line 1 by Line 6 (from previous page).* $ _____

If Line 11 is POSITIVE then subtract Line 11 from Line 12. The result is the Base Municipal Commitment Limit.

If Line 11 is NEGATIVE then Line 12 is the Base Municipal Commitment Limit

Enter the Base Municipal Commitment Limit on Line 13 below.

13. FY2006-07 (or 2006) BASE MUNICIPAL COMMITMENT LIMIT $ _____

CALCULATE BASE MUNICIPAL COMMITMENT

If items 15, 16, or 17 were paid all or in part by non-property tax revenue, then include only the amount paid with property tax revenue. For calendar-year towns, "FY2006-2007" corresponds to calendar year 2006.

14. FY2006-07 TAX FOR COMMITMENT *(Line 19 on page 10 of this MVR.)* $ _____
15. FY2006-07 COUNTY TAX *(Line 7 on page 10 of this MVR.)* $ _____
16. FY2006-07 TIF FINANCING PLAN AMOUNT *(Line 9 on page 10 of this MVR.)* $ _____
17. FY2006-07 SCHOOL APPROPRIATIONS *(Line 10 on page 10 of this MVR.)* $ _____
18. FY2006-07 OVERLAY *(Line 22 on page 10 of this MVR.)* $ _____

Add Lines 15 through 18 and subtract total from Line 14. Enter result on Line 19 below.

19. FY2006-07 (or 2006) BASE MUNICIPAL COMMITMENT $ _____

IS THE BASE MUNICIPAL COMMITMENT GREATER THAN THE LIMIT? *(Is Line 19 greater than Line 13?)*

☐ NO ☐ YES → Please indicate the amount *(subtract Line 13 from Line 19)* : $ _____

DID THE MUNICIPALITY VOTE TO *INCREASE* THE LIMIT FOR CURRENT AND FUTURE YEARS?

☐ NO ☐ YES → Please describe why:

_____

_____

DID THE MUNICIPALITY VOTE TO *EXCEED* THE LIMIT ONCE DUE TO AN EXTRAORDINARY EVENT?

☐ NO ☐ YES → Please describe why:

_____

_____