

# MAINE STATE LEGISLATURE

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# LD 1 PROGRESS REPORT 2006



MAINE'S GOAL IS TO LOWER ITS STATE AND LOCAL TAX BURDEN  
RANKING TO THE MIDDLE ONE-THIRD OF STATES BY 2015.

2006	MEETING LD 1'S GROWTH LIMITS	GROWTH COMPARED TO PRE-LD 1 YEARS
<b>STATE</b> GENERAL FUND APPROPRIATIONS	OVER <u>UNDER</u>	ABOVE <u>BELOW</u>
<b>MUNICIPALITIES</b> COMBINED PROPERTY TAX LEVY	OVER <u>UNDER</u>	ABOVE <u>BELOW</u>
<b>COUNTIES</b> COMBINED ASSESSMENT	OVER <u>UNDER</u>	<u>ABOVE</u> BELOW
<b>SCHOOLS</b> COMBINED APPROPRIATIONS	<u>OVER</u> UNDER	<u>ABOVE</u> BELOW



## What is this report about?

Each year, the State Planning Office reports on the progress made by Maine's state, county, and municipal governments, and its school administrative units, in reaching LD 1's tax burden reduction goal. Last year, Dr. Todd Gabe and the University of Maine's Margaret Chase Smith Policy Center found that, "LD 1, in its early impact, has constrained the growth of state and local governments in Maine."

This year, evidence of LD 1's impact is mixed. The State and a majority of county and municipal governments stayed within their limits, but

the overall reduction in growth was not as dramatic as last year. Taxes raised for a county jail project actually increased the overall growth rate of county assessments. Also, 81% of school administrative units exceeded their LD 1 limits, and growth of total school appropriations increased for the third year in a row.

This brochure summarizes the findings of the State Planning Office's 2006 LD 1 progress report. The full report can be accessed online at [www.maine.gov/spo](http://www.maine.gov/spo) or by calling (207) 287-6077.

We thank Dr. Gabe and the University of Southern Maine's Dr. Charles Colgan for their thoughtful review of our analysis. We also thank the Maine Municipal Association, Maine Revenue Services, Maine Department of Administrative and Financial Services, Maine Department of Education, Robert Devlin, and the many local and county officials who contributed their time, data, and expertise.

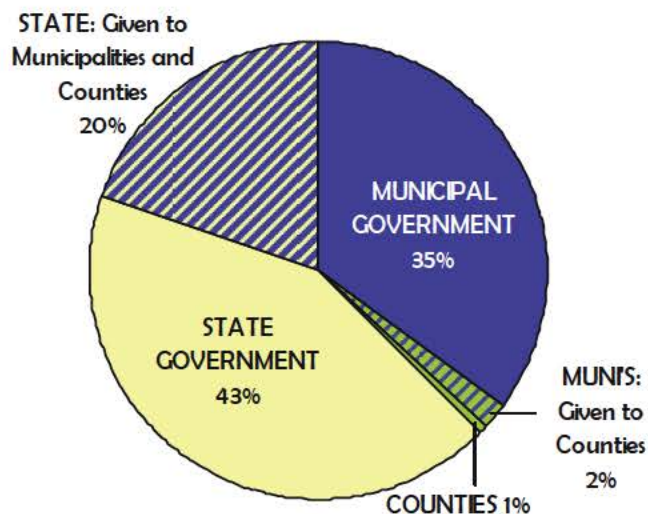
*Martha Freeman, Director  
State Planning Office*

*Catherine Reilly  
State Economist*

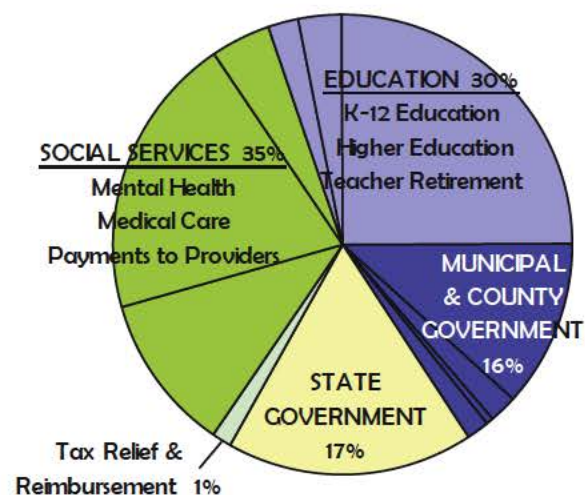
- The State met its LD 1 limit even while increasing aid to local education.
- Statewide, property tax commitments were within their collective LD 1 limit. For the second year in a row, the growth rate of property taxes was lower than before LD 1.
- Counties displayed constrained growth in their assessments, aside from pre-approved funds for a new jail.
- School Administrative Units exceed their collective LD 1 limit. Compared to last year, both the percentage of SAUs exceeding their limit, and the amount by which they were over, has increased.

The charts below show the combined revenues and expenditures of Maine governments in 2005. The majority of tax revenues are collected at the state level, but much of that is redistributed to municipal and county governments. Education and social services are the largest budget items for government, accounting for about two-thirds of spending.

Estimated Revenues of Maine Governments 2005



Estimated Expenditures by Maine Governments 2005



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Outside Academic Review: Todd Gabe and Charles Colgan  
Brochure Layout and Design: Jody Harris, Linda LaPlante, and Catherine Reilly

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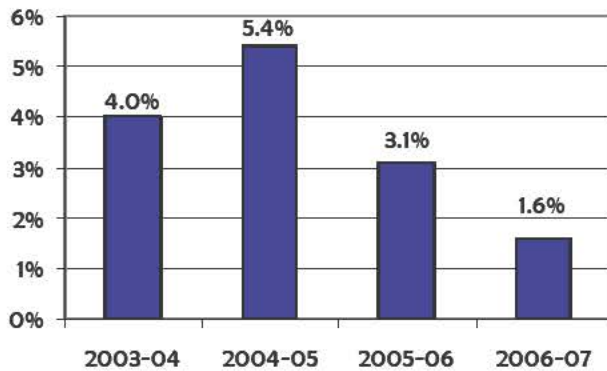


## How did the State perform?

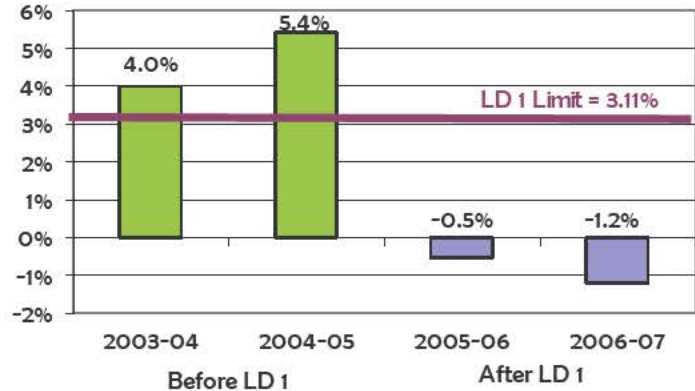
Growth of the State's General Fund appropriations has slowed and remained below the LD 1 limit. Total General Fund appropriations increased by 1.6% in the 2006-07 fiscal year. In the ten years prior to LD 1, annual growth of General Fund appropriations averaged 5.4%.

Excluding the required increase of state appropriations to 55% of covered K-12 education costs by 2009 (funds that are not subject to the State's LD 1 limit of 3.11%), reveals even more constrained growth. As shown at right, remaining appropriations actually declined by 1.2% in 2006-07, which follows a decline of 0.5% in the previous year.

State General Fund Appropriations Growth

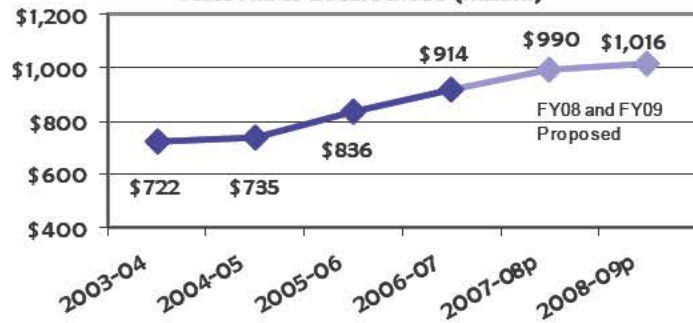


State Appropriations Subject to 3.11% Limit  
(Excludes Additional Aid to Local Schools)



While remaining below the LD 1 limit, the State increased funding for local K-12 education by \$314 million during the FY06-FY07 biennium.

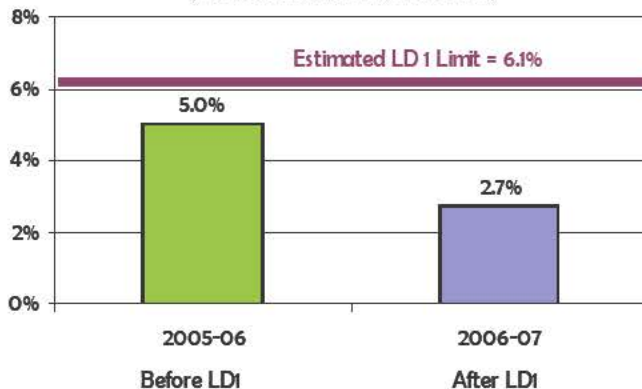
State Aid to Local Schools (millions)



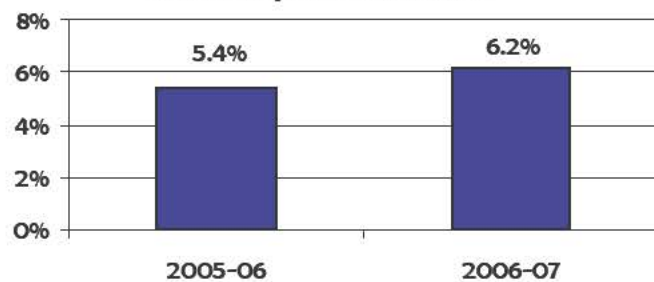
## How did counties perform?

Most counties stayed within their LD 1 limit and reduced tax assessment growth in 2006-07 (2006 for counties on a calendar fiscal year). However, counties' combined total assessments grew faster in 2006 than in 2005. Total county assessments grew 6.2% in 2006, up from 5.4% the previous year. This was primarily due to funds raised by Lincoln and Sagadahoc counties for a new jail.

Total County Assessments Subject to 6.1% Limit  
(Excludes Lincoln-Sagadahoc Jail)

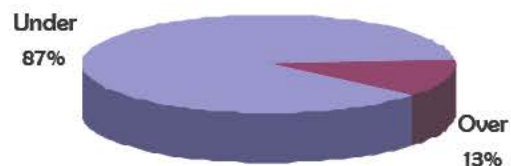


Total County Assessment Growth

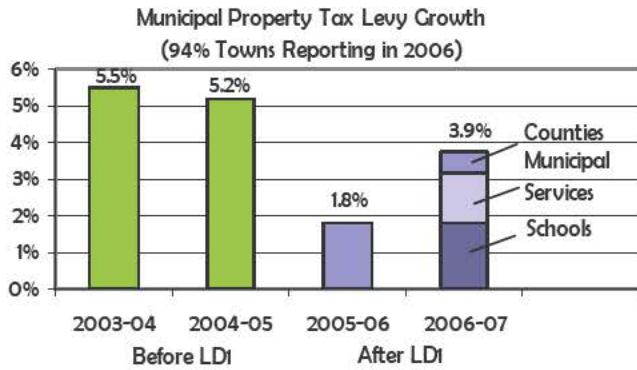


Counties reported a combined assessment growth limit of 6.1%, plus a legislatively-approved allowance for funding the Lincoln and Sagadahoc jail. Setting aside the jail costs, remaining assessments grew by just 2.7% in 2006. Individually, fourteen counties stayed under their LD 1 limits and two surpassed them.

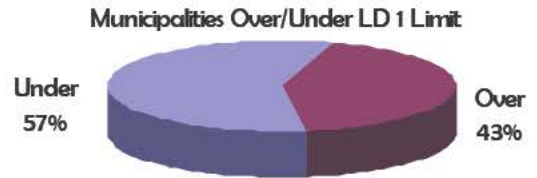
Counties Over/Under LD 1 Limit



# What happened to property taxes?



Statewide, combined property tax levies were below their estimated LD 1 limit. Those levies include taxes raised for municipal government, counties, and schools. Total property taxes raised for the 2006-07 fiscal year grew by 3.9%. That exceeds the previous year's growth rate but is below recent pre-LD 1 years. Schools, which account for about two-thirds of property taxes, were the largest source of growth.

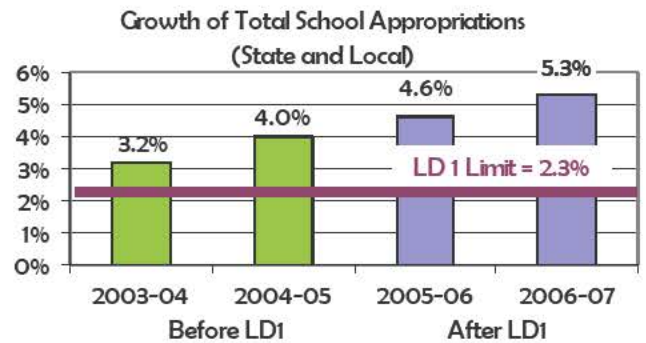


# How did municipalities perform?

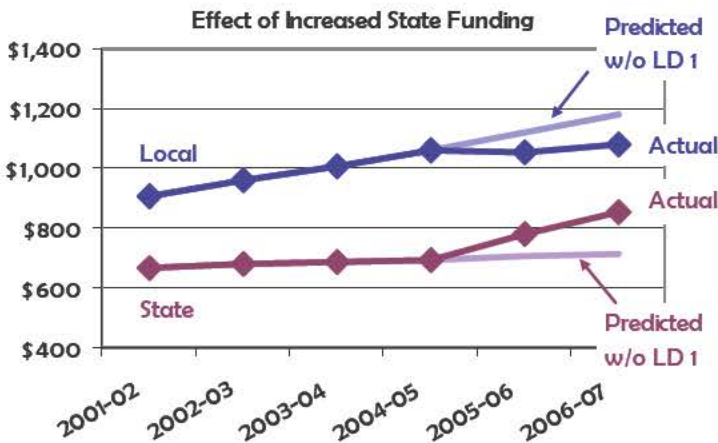
Over half of municipalities stayed within their **Estimated LD 1 Limit of 5.3%**.

# How did school administrative units perform?

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 for school funding to set targets for the amount of property taxes raised for local schools. The LD 1 limit for SAUs is 100% of EPS. For the 2006-07 school year, fully 81% of SAUs exceeded that limit. Their combined allocations were \$132.4 million or 7.5% over 100% of EPS. Compared to last year, both the percentage of SAUs exceeding their limit, and the amount they are over, has increased.



Growth of total state and local appropriations to schools rose for the third year in a row.



Based on historical trends, the growth of local appropriations for K-12 schools is lower than it likely would have been without LD 1. For the 2006-07 school year, the difference between predicted and actual local appropriations was \$98 million. State funding was \$141 million higher than would have been expected without the push to fund 55% of EPS costs by 2009. According to these estimates, about 70% of increased state funding is being used to offset local property tax revenues.

