

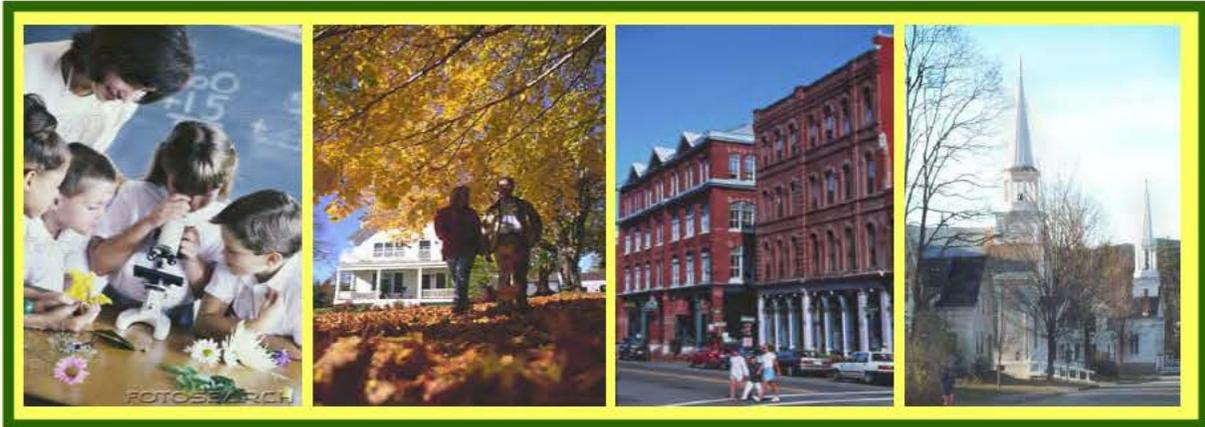
MAINE STATE LEGISLATURE

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LD 1 PROGRESS REPORT 2008



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

2008	MEETING LD 1'S GROWTH LIMITS?	GROWTH COMPARED TO PRE-LD 1 YEARS
STATE	YES	LOWER
MUNICIPALITIES	YES	LOWER
COUNTIES	YES	LOWER
SCHOOLS	NO	LOWER

What is this report about?

In 2005, Maine passed "LD 1," a law that placed limits on the growth of government at all levels and increased property tax relief for Maine homeowners. Each year, the State Planning Office publishes a report on the progress made by state, county, and municipal governments, and school administrative units, in reaching LD 1's tax burden reduction goal. In the first report, 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."

Since that first year, the State and most county and municipal governments have stayed within their aggregate LD 1 limits. In 2008, there were two notable exceptions to this trend. First, the few counties exceeding their LD 1 limits cite jail costs as the reason. Second, while the growth of total school appropriations has moderated, fully 88% of school units exceeded their individual limits.

This brochure summarizes SPO's 2008 LD 1 progress report. The full report is available online at

www.maine.gov/spo or by calling (207) 287-6077.

We thank the Maine Municipal Association, Maine County Commissioners Association, Maine Revenue Services, Maine Department of Administrative and Financial Services, Maine Department of Education, Robert Devlin, and the many local officials who contributed their time and expertise in gathering this information.

*Martha Freeman, Director
State Planning Office*

*Michael LeVert
Acting State Economist*

- In 2008, the State was below its LD 1 limit. Total General Fund appropriations actually fell, partially due to worsening economic conditions and the resulting impact on state revenues.
- Municipal property tax commitments were below their collective LD 1 limit. The reduction in growth was less dramatic than immediately following the passage of LD 1 in 2005.
- Most counties stayed within their LD 1 limits. The growth of their collective assessments would have moderated significantly if not for several jail projects that were approved by voters before the current effort to create a unified State and county correctional system.
- School Administrative Units exceeded their collective LD 1 limit for the fourth year in a row. Both the percentage of SAUs exceeding their limit and the amount by which they were over increased.

The tables below show the estimated revenues and expenditures of Maine governments in 2008. 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.

How is \$1 raised by Maine's state and local government?	
Local Property Tax	\$0.36
Individual Income Tax	\$0.23
Other State Taxes	\$0.22
Sales Tax	\$0.18
Other Local Taxes	\$0.02
Total State and Local Taxes	\$1.00

Source: Maine State Legislature, Office of Fiscal and Program Review

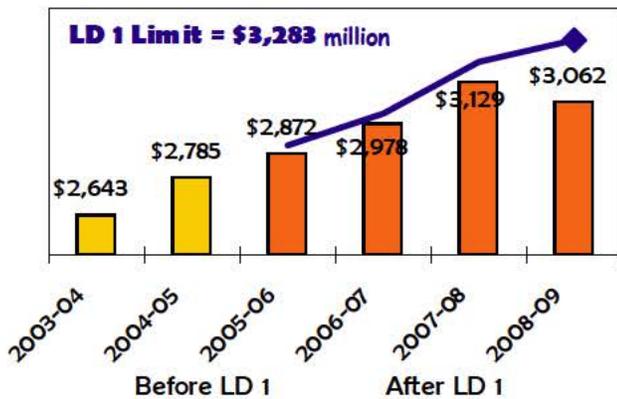
How is \$1 spent by Maine's state and local government?	
Social Services	\$0.34
Education	\$0.28
State Government	\$0.18
Municipal and County Government	\$0.20
Total State and Local Taxes	\$1.00

Source: State Planning Office estimation based on data from Maine State Legislature, Office of Fiscal and Program Review; Maine Municipal Association, and Robert Devlin

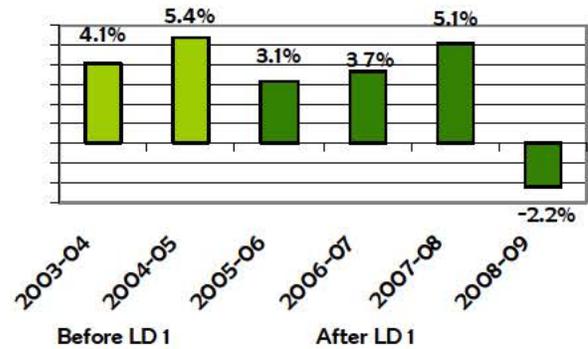
How did the State perform?

The State's General Fund appropriations have remained below the LD 1 limit. Based on spending bills enacted during the Second Regular Session of the 123rd Legislature (Public Law, Chapter 1), total appropriations for the 2008-09 fiscal year were \$221 million, or 6.7%, below the limit. Recognizing the emergency curtailment in state spending signed by Governor Baldacci in January 2009, the State's General Fund actually shrank by 2.2% in FY2009.

State General Fund Appropriations (millions)

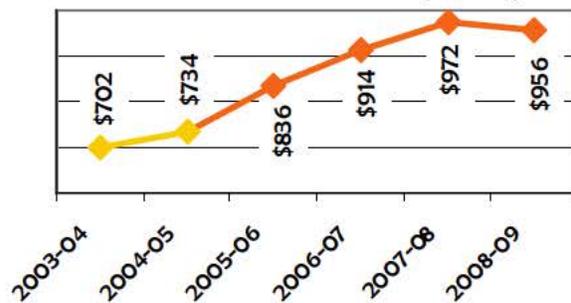


State General Fund Appropriations Growth



Since FY2005, state aid to local schools has grown by over 30% (\$222 million of additional funding in FY2009). It accounts for nearly one-third of the State's total FY2009 General Fund appropriations.

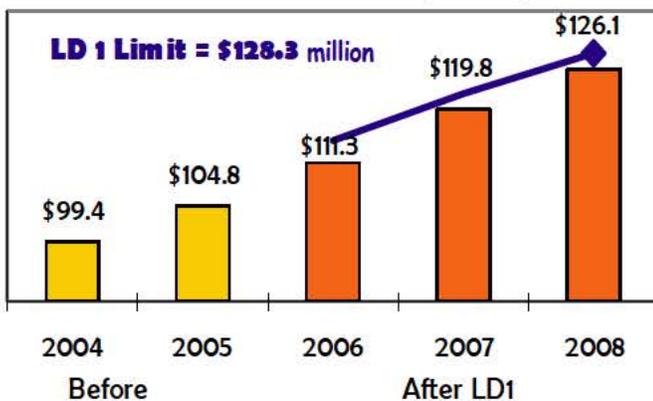
State Aid to Local Schools (millions)



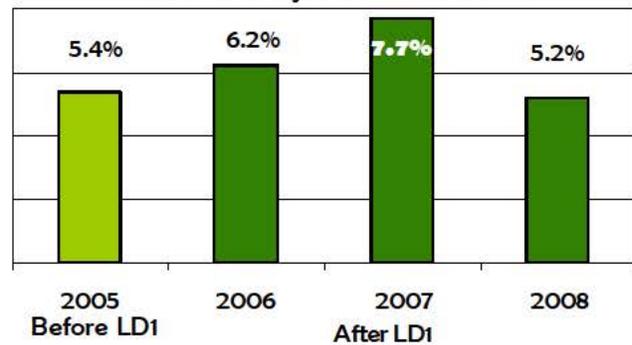
How did counties perform?

Most counties stayed within their LD 1 limit and reduced tax assessment growth in 2008. Compared to the previous year, total assessments grew by 5.2%. That is slightly below the 5.4% growth rate seen in 2005, before LD 1 became law. Total statewide county assessments were \$2.2 million, or 1.7%, below their combined limit.

Total County Assessment (millions)

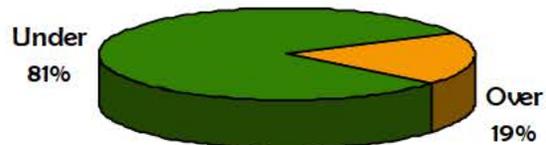


Total County Assessment Growth

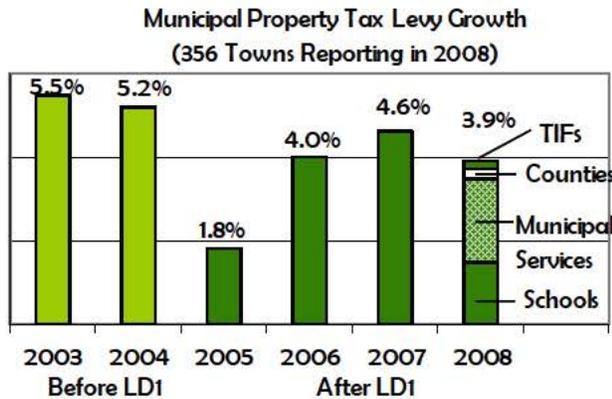


Individually, thirteen counties stayed within their 2008 LD 1 limits. On average, they were 5.6% below their limit. Three counties surpassed their LD 1 limit, citing jail-related expenses.

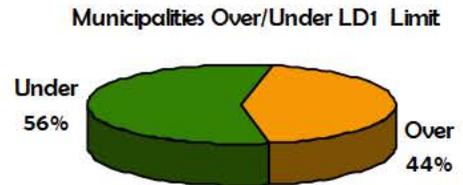
Counties Over/Under LD 1 Limit



What happened to property taxes?



Statewide, total property taxes raised for the 2008 property tax year grew by 3.9%. That is lower than last year's estimated growth of 4.6%. Those taxes fund municipal services, county government, schools, and Tax Increment Financing (TIF). TIFs are tax revenues that municipalities return to developers who have invested in their town.



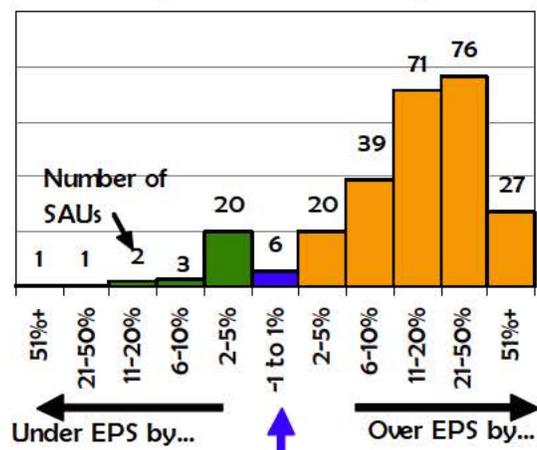
Over half of municipalities stayed under their **Estimated LD 1 Limit of 4.8%.**

How did municipalities perform?

How did school administrative units perform?

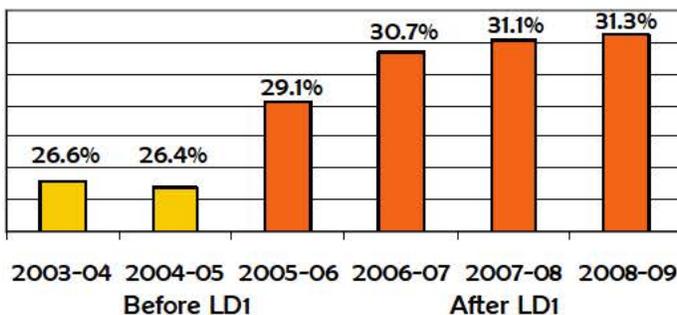
School Administrative Units (SAUs) displayed the most divergence from the expenditure targets set by LD 1. LD 1 uses the Essential Programs and Services (EPS) model for school funding to set targets for the amount of property taxes raised for local schools. The LD 1 limit for SAUs is 100% of EPS. For the 2008-09 school year, fully 88% of SAUs exceeded that limit. Their combined allocations were \$220 million or 12.7% over 100% of EPS. Compared to last year, both the percentage of SAUs exceeding their limit and the amount they are over has increased.

SAU Spending Relative to EPS
(2008 - 09 School Year)



Total state and local appropriations to schools rose for the fourth year in a row, although at a slower pace. (Note: This does not include recent curtailments in GPA included in the emergency supplemental budget passed in January 2009.)

State Aid to Local School as Percentage of Total General Fund Appropriations



Since FY2005, the State has steadily increased its contribution to local schools, to over \$200 million in each of the last two years. GPA funding now accounts for over 31% of total General Fund appropriations, up from about 26%.

Growth of Total State and Local School Appropriations

