

# MAINE STATE LEGISLATURE

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# 114th MAINE LEGISLATURE

FIRST REGULAR SESSION - 1989

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Legislative Document

No. 1088

H.P. 776

House of Representatives, April 10, 1989

Reference to the Committee on Taxation suggested and ordered printed.

*Ed Pert*

EDWIN H. PERT, Clerk

Presented by Representative CASHMAN of Old Town.

Cosponsored by Speaker MARTIN of Eagle Lake, Senator ANDREWS of Cumberland and President PRAY of Penobscot.

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STATE OF MAINE

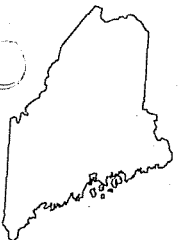
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IN THE YEAR OF OUR LORD  
NINETEEN HUNDRED AND EIGHTY-NINE

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**An Act to Provide Comprehensive Property Tax Relief.**

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

3 **Sec. 1. 20-A MRSA §2, sub-§3**, as enacted by PL 1987, c. 821,  
is amended to read:

5  
7 **3. Mandated programs.** Any legislation containing a state  
mandate enacted by the Legislature after January 1, 1989, which  
requires additional funding, shall contain provisions for full  
9 funding by the State ~~for 2 years, after which the legislation~~  
~~shall contain full funding through the School Finance Act of~~  
11 ~~1985, as amended.~~ The funding requirements to implement the  
mandate must be identified. Any such legislation for which full  
13 state funding is not provided may not be enacted.

15 State mandates are defined as any state-initiated or statutory  
action that requires a local school administrative unit to  
17 establish, expand or modify its activities in such a way as to  
necessitate additional expenditures from local revenues,  
19 excluding any order issued by a state court or any legislation  
necessary to comply with a federal mandate.

21 This chapter is repealed on June 30, 1992, unless reviewed and  
23 extended by specific Act of the Legislature.

25 **Sec. 2. 20-A MRSA §15602-A** is enacted to read:

27 **§15602-A. State aid to education**

29 **1. Education funding.** The responsibility for funding  
education shall shift to the State according to the following  
31 timetable.

33 A. Beginning on July 1, 1989, the State shall pay a minimum  
effective rate of 59% of the total allocation for education  
35 as defined in section 15603, subsection 28.

37 B. Beginning on July 1, 1990, the State shall pay a minimum  
effective rate of 61% of the total allocation for education  
39 as defined in section 15603, subsection 28.

41 C. Beginning on July 1, 1991, the State shall pay a minimum  
effective rate of 63% of the total allocation for education  
43 as defined in section 15603, subsection 28.

45 D. Beginning on July 1, 1992, the State shall pay a minimum  
effective rate of 65% of the total allocation for education  
47 as defined in section 15603, subsection 28.

49 E. Beginning on July 1, 1989, the State shall pay each  
municipality the sum of \$50 for each student for which that  
51 municipality has educational responsibility under this Title  
and who is enrolled in Maine's public education system or

1 placed in some other educational system at the expense of  
2 the municipality. The money received pursuant to this  
3 paragraph shall only be used to reduce the municipality's  
4 local allocation for education.

5  
6 **Sec. 3. 20-A MRSA §15613, sub-§§12 and 13, as enacted by PL**  
7 **1987, c. 848, §10, are amended to read:**

8  
9 12. **Hold harmless to maximize subsidy stability.** Effective  
10 in 1988-89, each school administrative unit shall be guaranteed a  
11 minimum state allocation for operating costs that is 90% 95% of  
12 that unit's state allocation for operating costs during the  
13 previous year. These funds shall be included as part of the  
14 school unit's total allocation as computed under this chapter and  
15 not as an adjustment to the unit's total allocation.

16  
17 13. **Minimum state allocation.** Effective 1988-89, each  
18 school administrative unit shall be guaranteed a minimum state  
19 share of its total allocation that is determined by multiplying  
20 5% 15% of the foundation per pupil operating rate by the average  
21 number of resident kindergarten to grade 12 pupils, including  
22 special education tuition pupils, in the unit on April 1st and  
23 October 1st of the calendar year immediately prior to the year of  
24 allocation. These funds shall be included as part of the school  
25 unit's total allocation as computed under this chapter and not as  
26 an adjustment to the unit's total allocation.

27  
28 **Sec. 4. 30-A MRSA §709 is enacted to read:**

29  
30 **§709. Responsibility for funding county government**

31  
32 **1. County government funding.** The responsibility for  
33 funding county government shall shift to the State according to  
34 the following timetable.

35  
36 **A. Beginning on July 1, 1989, the State shall pay all costs**  
37 **associated with the county jail system, including, but not**  
38 **limited to, the costs for personnel, operation, maintenance**  
39 **and construction.**

40  
41 **B. Beginning on July 1, 1990, the State shall pay 1/3 of**  
42 **all the other costs of county government throughout the**  
43 **State.**

44  
45 **C. Beginning on July 1, 1991, the State shall pay 2/3 of**  
46 **all the other costs of county government throughout the**  
47 **State.**

48  
49 **D. Beginning on July 1, 1992, the State shall pay all the**  
50 **costs of county government throughout the State.**

1           **Sec. 5. 30-A MRS §5681, sub-§5**, as enacted by PL 1987, c.  
2 737, Pt. A, §2 and Pt. C, §106; and PL 1989, cc. 6 and 9, is  
3 further amended to read:

5           **5. Treasurer of State.** An amount equal to 5.1% of the  
6 receipts from the taxes imposed under Title 36, Parts 3 and 8,  
7 and credited to the General Fund, plus an amount equal to  
8 \$237,000 of the receipts from the tax imposed under Title 36,  
9 Part 3, shall be transferred by the Treasurer of State to the  
10 Local Government Fund on the first day of each month.

11           Beginning July 1, 1989, an amount equal to 6.1% of the receipts  
12 of the taxes under Title 36, Parts 3 and 8, and credited to the  
13 General Fund, plus an amount equal to \$237,000 of the receipts  
14 from the tax imposed under Title 36, Part 3, shall be transferred  
15 by the Treasurer of State to the Local Government Fund on the  
16 first day of each month.

17           Beginning July 1, 1990, an amount equal to 7.1% of the receipts  
18 of the taxes under Title 36, Parts 3 and 8, and credited to the  
19 General Fund, plus an amount equal to \$237,000 of the receipts  
20 from the tax imposed under Title 36, Part 3, shall be transferred  
21 by the Treasurer of State to the Local Government Fund on the  
22 first day of each month.

23           The Treasurer of State shall distribute the balance in the Local  
24 Government Fund on the 20th day of each month.

25           **Sec. 6. 36 MRS §6218** is enacted to read:

26           §6218. State funding for the Household Tax and Rent Refund Act

27           1. Funding for the Household Tax and Rent Refund Act.  
28 State funding for the Household Tax and Rent Refund Act shall be  
29 as follows.

30           A. Beginning on July 1, 1989, the Legislature shall  
31 allocate an additional \$1,750,000 to fund the benefit  
32 provided by section 6206 and an additional \$1,750,000 to  
33 fund the benefit provided by section 6207 and in each  
34 section shall adjust either the income caps or benefit  
35 levels or both to reflect the additional funding.

36           B. Beginning on July 1, 1990, the Legislature shall  
37 allocate an additional \$3,500,000 to fund the benefit  
38 provided by section 6206 and an additional \$3,500,000 to  
39 fund the benefit provided by section 6207 and in each  
40 section shall adjust either the income caps or benefit  
41 levels or both to reflect the additional funding.

42           C. Beginning on July 1, 1991, the Legislature shall  
43 allocate an additional \$2,250,000 to fund the benefit

1 provided by section 6206 and an additional \$5,250,000 to  
3 fund the benefit provided by section 6207 and in each  
5 section shall adjust either the income caps or benefit  
7 levels or both to reflect the additional funding.

9 D. Beginning on July 1, 1989, the Legislature shall  
11 allocate an additional \$7,000,000 to fund the benefit  
13 provided by section 6206 and an additional \$7,000,000 to  
15 fund the benefit provided by section 6207 and in each  
17 section shall adjust either the income caps or benefit  
19 levels or both to reflect the additional funding.

## 21 STATEMENT OF FACT

23 The purpose of this bill is to provide meaningful and  
25 ongoing relief from rising property taxes for both municipalities  
27 and citizens by shifting a significant portion of the burden  
29 currently carried by the property tax to the state sales tax and  
31 income tax, which are the major sources of state revenue, are  
33 progressive, and which more realistically reflect a person's  
35 ability to pay.

Section 1 of the bill related to education is to amend the  
mandated programs provision in the Maine Revised Statutes, Title  
20-A, section 2, subsection 3, to require full state funding for  
any mandates enacted after January 1, 1989. The current law  
requires the State to only fund its mandates for 2 years after  
which the funding mandates become part of the school funding  
formula. This means that a significant portion of the mandate  
falls upon municipalities and must be paid for with local  
property tax dollars.

Section 2 of the bill requires the State to pay an  
increasing percentage of the total allocation for education. As  
with the county tax, it proposes increased payments over a 4-year  
period at the rate of 2% per year. The current effective rate of  
state participation is 58.59%; this proposal would increase the  
State's share to 65% by July 1, 1992.

The bill also proposes that each municipality receive a \$50  
allocation for each student for which that municipality has  
educational responsibility and that the money be used only to  
reduce the municipality's local allocation for education. The  
purpose of this provision is to make certain that those  
communities that have lost significant amounts of state aid to  
education will receive a relatively stable minimum amount for  
each year and that all other municipalities will also receive  
additional money to be deducted from the local cost of education.

1 Section 3 proposes to increase state aid to municipalities  
3 who lose money under the current formula by raising the  
5 hold-harmless provision in the Maine Revised Statutes, Title  
7 20-A, section 15613, subsection 12, from 90% to 95%. The effect  
of this change would be to minimize further a loss in state  
revenue due to factors in the current formula, primarily state  
valuation.

9 Section 3 also proposes to assist municipalities that have  
11 lost revenues under the current formula by increasing the minimum  
13 state allocation in the Maine Revised Statutes, Title 20-A,  
section 15613, subsection 13, from 5% to 15% of the foundation  
per pupil operating rate.

15 Section 4 of the bill increases the State's share of funding  
17 county government over a 4-year period leading up to a total  
19 assumption of the cost of county government beginning on July 1,  
21 1992. The cost of county government represents an expenditure  
over which municipalities have little or no control and which has  
been rising at an alarming rate in many counties throughout the  
State.

23 Section 5 of this bill relates to the municipal revenue  
25 sharing program. The bill proposes that the amount of revenue  
27 sharing be increased over a 2-year period to a level .1% above  
the level recommended by the Speaker's Select Committee on  
Property Tax Reform in 1986.

29 Section 6 of the bill calls for increased funding over a  
31 4-year period for the Household Tax and Rent Refund Act. This  
33 Act is designed primarily to assist low-income and elderly  
35 individuals with either property taxes or rent payments. By  
increasing funding to the program, it will be possible to  
increase the income levels and the benefit levels so that the  
program provides some relief from the property tax for  
middle-income individuals.

37