

MAINE STATE LEGISLATURE

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LD 1 PROGRESS REPORT 2009



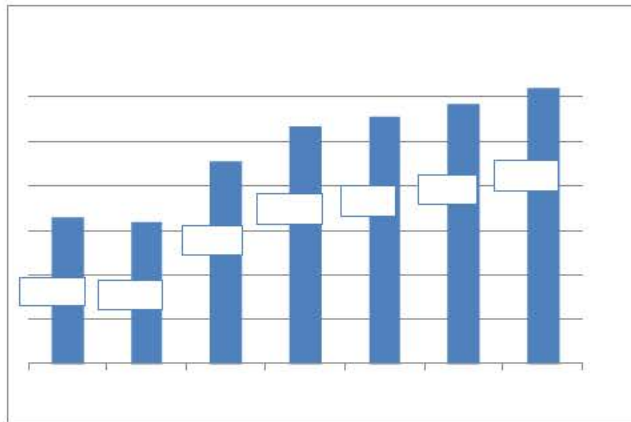
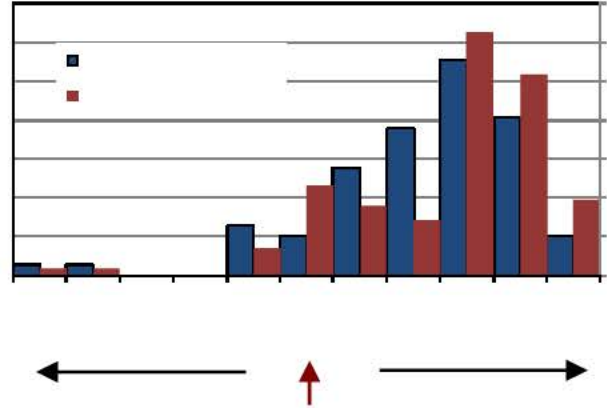
THIS REPORT ANSWERS TWO QUESTIONS ABOUT STATE AND LOCAL GOVERNMENT: ARE THEY STAYING WITHIN THEIR LD 1 LIMIT? HAS LD 1 SLOWED THEIR RATE OF GROWTH?

2009	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

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 2009-10 school year, 86.7% of SAUs exceeded that limit. Their combined allocations were 10.9% over 100% of EPS. Compared to last year, the percentage of SAUs exceeding their limit stayed the same and the relative amount they went over decreased.

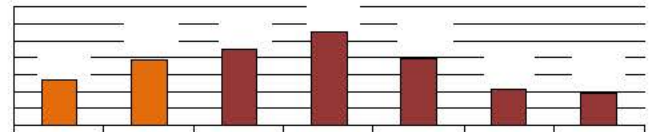
(Note: All FY2010 figures reflect GPA appropriated by the 1st Session of the 124th Legislature.)



In FY2010, GPA for schools was \$213 million dollars more than it was in FY2005.

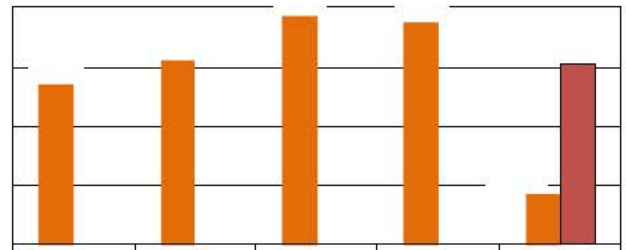
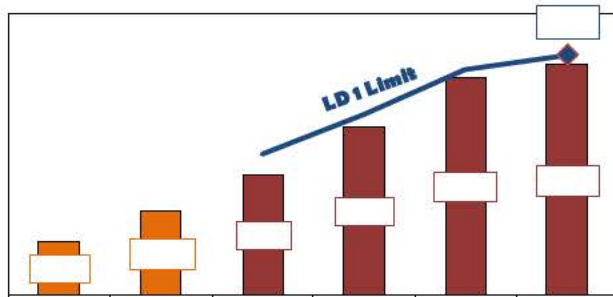
SAUs conforming to the recent school consolidation law—generally larger districts—exceeded EPS by a smaller average margin (10%) than non-conforming SAUs (15%). 47% of conforming SAUs stayed within 110% of EPS, compared to 33% of non-conforming SAUs.

Total state and local appropriations for schools grew at a slower pace in FY09 and FY10.



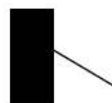
How did counties perform?

Most counties stayed within their LD 1 limit and reduced tax assessment growth in 2010. Total assessments grew by 1.7% from 2008, well below the 5.4% growth rate seen in 2005, before LD 1 became law. Total statewide county assessments were 1.3% below their combined limit.



The recent jail unification law and county corrections spending cap sharply reduced assessment growth, according to our estimates.

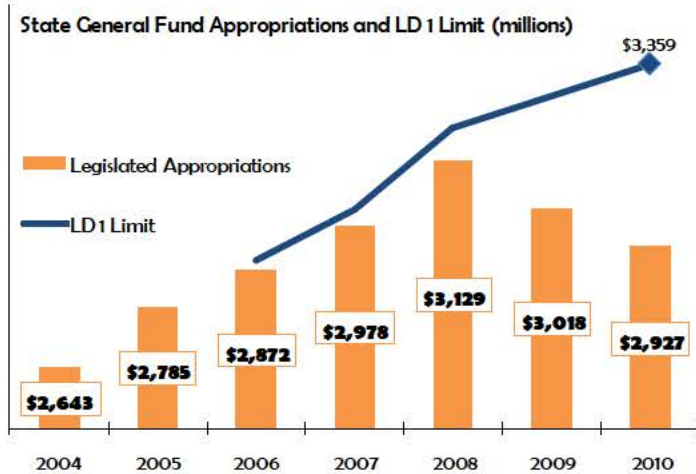
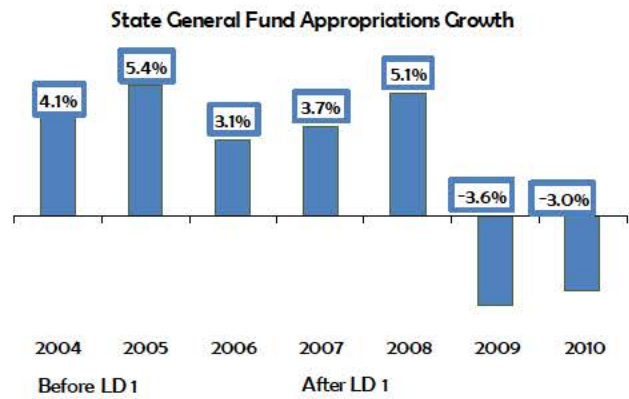
Ten counties stayed within their 2009 LD 1 limits. On average, they were 7.4% below their limit. Six counties surpassed their LD 1 limit, with five of these six incorrectly including corrections expenses in their LD 1 limit calculation.



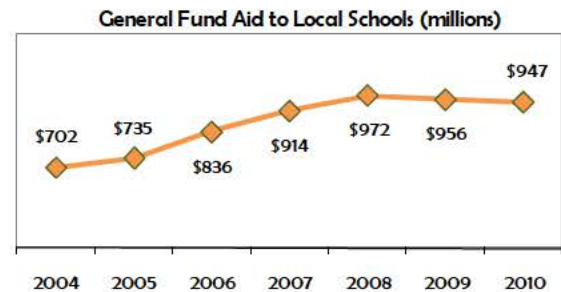
How did the State perform?

The State's General Fund appropriations have remained below the LD 1 limit. Based on spending bills enacted during the First Regular Session of the 124th Legislature, total appropriations for the 2010 fiscal year were \$432 million (12.9%) below the limit.

Note: All FY2010 figures reflect appropriations set by the 1st Session of the 124th Legislature and signed into law. The Governor's proposed supplemental budget addresses the revenue shortfall for FY2010, but it has not been approved by the Legislature at the time of this writing.

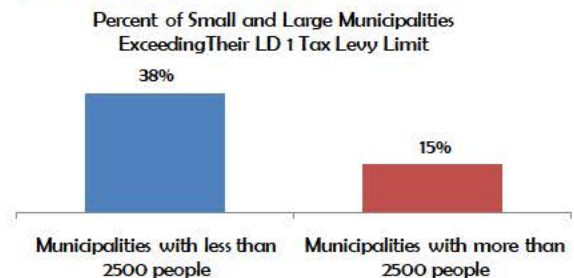


Since FY2005, state aid to local schools has grown by \$213 million, or 29%. It accounts for nearly one-third of the State's total FY2010 General Fund appropriations. (Note: This reflects GPA appropriated by the 1st Session of the 124th Legislature.)

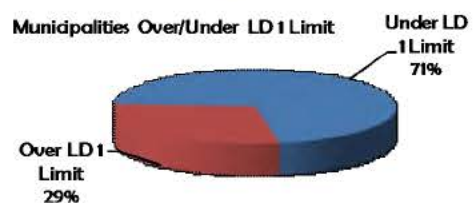


What happened to property taxes?

Statewide, total property taxes raised for the 2009 property tax year grew by 2.5%. That is lower than last year's estimated growth of 4.7%. 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. Smaller municipalities had a harder time staying within their LD 1 limits than larger municipalities.



Of the 29% of municipalities who exceeded their LD 1 Growth Limit, 79% were small municipalities (< 2500 people).



How did municipalities perform?

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. However, individual experiences varied, with smaller communities having a harder time staying close to their LD 1 limits. In 2009, total school appropriations growth has slowed, but 87% of school units exceeded their individual limits, and many by large margins.

This brochure summarizes SPO's 2009 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
State Economist*

- In 2009, the State was below its LD 1 limit. Total General Fund appropriations fell at a greater rate than last year, partially due to worsening economic conditions and the resulting impact on state revenues.
- Municipal property tax commitments were below their collective LD 1 limit. Growth in property tax commitments was almost as low as it was immediately after LD 1 became law in 2005. Individual experiences varied, with smaller municipalities exceeding their LD 1 limits at a higher rate than large municipalities.
- Most counties stayed within their LD 1 limits. Growth of total county assessments fell sharply, primarily because of the new law unifying state and county correctional facilities and capping county jail assessments at 2008 levels.
- School Administrative Units exceeded their collective LD 1 limit for the fifth year in a row. The percentage of SAUs exceeding their limit stayed constant but the amount by which they were over decreased in FY2010. However, smaller SAUs exceeded LD 1 limits by a greater margin than larger SAUs.

The tables below show the estimated revenues and expenditures of Maine governments, on average over recent years. 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 nearly 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	\$0.21
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, (including federal funds)?	
Social Services	\$0.37
Education	\$0.30
State Government	\$0.18
Municipal and County Government	\$0.15
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