Testimony in Opposition to LD 237:
"An Act to Increase the Percentage of Funds Provided to Municipalities Through State-Municipal Revenue Sharing"

Senator Grohoski, Representative Cloutier, and the distinguished members of the Committee on Taxation, my name is Harris Van Pate, and I serve as policy analyst for Maine Policy Institute. Maine Policy is a free market think tank, a nonpartisan, non-profit organization that advocates for individual liberty and economic freedom in Maine. Thank you for the opportunity to testify in opposition to LD 237, which proposes increasing the percentage of funds distributed to municipalities through the State-Municipal Revenue Sharing program.

Maine Policy Institute promotes economic freedom, individual liberty, and responsible governance. We oppose LD 237 because increasing state-municipal revenue sharing perpetuates and encourages inefficient spending, expands dependency on state aid, and exacerbates Maine's unsustainable tax burden.

The Problem with Expanding Revenue Sharing

The State-Municipal Revenue Sharing program was established to return a portion of state revenues to municipalities to mitigate property taxes.[1] However, in practice, this program incentivizes fiscal irresponsibility and shields municipal officials from accountability to local taxpayers.[2] By increasing the revenue-sharing percentage, LD 237 would not reduce Maine's overall tax burden but instead shift it between state and local government.

Rather than focusing on sound budget management and structural reforms, municipalities that receive higher levels of state aid are more likely to increase spending, knowing the costs will be distributed across all taxpayers statewide. This diminishes local accountability and weakens the incentive for cost-cutting and innovation.

Maine's Unsustainable Tax Burden

Maine is already one of the highest-taxed states in the nation. According to the Tax Foundation's 2024 analysis comparing Maine to other states, our state collects the fifth most per capita through property taxes, the ninth most through state and local taxes, and the tenth most through state sales taxes.[3] Expanding revenue sharing will not

---

[1] https://legislature.maine.gov/statutes/30-a/title30-Asec5681.html
[2] https://mainepolicy.org/wp-content/uploads/261721109-Revenue-Sharing-Report.pdf
[3] https://taxfoundation.org/wp-content/uploads/2024/06/FF24-v3.pdf

address the underlying causes of Maine's high property tax burden but will merely shift the burden without producing meaningful reforms.

Instead of increasing revenue sharing, Maine policymakers should focus on reducing state and local government spending and implementing targeted tax reforms that promote economic growth and reduce the financial strain on Maine families and small businesses.

The Dangers of Dependency on State Aid

Increasing revenue sharing also deepens municipal reliance on unpredictable state funding. The revenue-sharing percentage has fluctuated over the years, leaving municipalities vulnerable to changes in state priorities or economic conditions. This dependency can lead to budgetary instability and mismanagement at the local level when revenue sharing is reduced.

By contrast, municipalities that rely on local tax revenue are incentivized to keep spending in check and maintain a balanced budget that reflects the priorities of their residents.

A Better Path Forward

Rather than expanding revenue sharing, Maine should pursue policies that:

1. Encourage municipalities to adopt cost-saving measures, such as shared services or consolidating administrative functions.
2. Promote economic growth by lowering tax rates on income and property, broadening the tax base, and reducing unnecessary regulations.
3. Empower local taxpayers by requiring greater transparency and accountability in municipal spending decisions.

Ultimately, the best way to alleviate the tax burden on Mainers is to reduce the overall size and cost of government—not to redistribute tax revenue between state and local governments.

Conclusion

We urge the committee to vote **Ought Not to Pass** on LD 237 for these reasons. Increasing the percentage of funds provided through revenue sharing will not reduce Maine's overall tax burden and will only perpetuate inefficiency and dependency. Maine must prioritize fiscal responsibility and meaningful tax reform that promotes economic growth and reduces the financial strain on its citizens.

Thank you for your time and consideration.