

Roy Gott
Franklin
LD 225

TESTIMONY IN GENERAL SUPPORT OF

L.D. 225

AN ACT TO REDUCE PROPERTY TAXES AND FINANCE PUBLIC SCHOOL
CONSTRUCTION AND EDUCATION THROUGH A 3 PERCENT SALES TAX
ON HOTEL AND LODGING PLACE RENTALS

March 10, 2025

Senator Grohoski, Representative Cloutier, and members of the Taxation Committee, I am Roy Gott, chair of the Regional School Unit No. 24 Board of Directors, elected by the Town of Franklin. I also presently serve as Vice-President of the Maine School Boards Association and represent that body on the Governor's Commission on School Construction. I am not speaking on behalf of any of these bodies, but as a private individual with the benefit of the perspective they afford.

MSBA has already offered testimony on much of the substance around the need for increasing the pace at which school buildings are replaced or renovated. I will add that, according to one estimate currently under consideration by the Commission, to update or replace all school buildings built in or before the year 2000 could require in excess of \$11 billion in today's dollars. The present \$150 million ceiling on debt service for school construction and the glacial pace at which projects are identified, rated, approved, designed, funded, and built cannot accommodate all of the school construction needs the State of Maine faces. A number of the issues are policy-driven and these likewise are matters the Commission is considering, but the overwhelming obstacle to hastening school construction is lack of sufficient funding.

One of the charges of the Commission is to evaluate the establishment of a school construction financing authority. One requirement of such an authority, as has already been established in Massachusetts, is a funding mechanism. Earmarking a specific portion of a sales tax is a method used with significant success thus far in Massachusetts and is something the Commission is considering among its recommendations. There are drawbacks to reliance on sales tax, however. In Massachusetts, the expectation was that revenue from sales tax would continue to grow – an expectation that has not materialized to an extent as to keep pace with construction needs.

With that in mind, whether in conjunction with a school construction authority or not, a dedicated funding stream for school construction can only serve to increase the State's capacity to fund school construction and renovation projects. As the proposed tax under discussion targets lodging, it has the advantage of falling more heavily on discretionary spending by vacationers, including of course, many from outside of the State. I am in support of leveraging our tourism industry to finance essential needs such as education.

I am, however, concerned that there is mingling of purpose in the language of the LD. Property taxes, as pertain to education and passed as assessments by school districts to the towns they include, can only be reduced by decreasing the difference between the total cost of education in the district, and the amount of state aid received. Put another way, we can only reduce property taxes by increasing state aid to districts directly and lowering the mil rate expectation, and such a broad measure could only reduce property taxes in aggregate, not in every case individually as such increases in aid would necessarily flow, under current law, through the Essential Programs and Services funding formula. Without changes to the EPS formula, another area I know the legislature is considering, or an alternate funding stream not presently available to the Maine Department of Education, such additional aid will not necessarily reach all of those it is intended to benefit.

Further, I am concerned there does not appear to be an indication of what percentage

of funding would be earmarked for school construction and what part would go to supplement General Purpose Aid. Combining the two under one bill and title sounds great, but the ambiguity weakens the potential impact for both. I have read that it is estimated that \$60 million could be raised from such a tax annually. It's a good start toward supplemental funding for school construction, but the uncertainty of what percentage goes to construction handicaps the effort from the outset. Even at 100% of the estimated amount, we're still less than half of the debt ceiling for school construction at a time when many new school construction projects will cost \$100 million. I would hope that additional language could eliminate this serious ambiguity, or that aims of L.D. 225 could be separated into two bills, one for each purpose.

Overall, I support the ideas this L.D. provides, and I believe this could be a solid way to enhance funding for school construction. I feel it would be cleaner and more effective to have a separate bill to target a reduction in local property taxes, which could include modifications to the EPS model to ensure a more equitable distribution of supplemental funds.

Thank you for your consideration. I'm happy to take any questions you might have.