



JANET T. MILLS
GOVERNOR

STATE OF MAINE
DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT



MICHAEL A. DUGUAY
COMMISSIONER

May 5, 2025

Senator Nicole Grohoski
Representative Kristen Cloutier
Members of the Committee on Taxation
100 State House Station
Augusta, ME 04333

Re: Testimony Neither For Nor Against
LD 1621 An Act to Allow Municipalities to Use Tax Increment Financing Revenues to Support
Lake Restoration and Protection Activities
and LD 1657 An Act to Expand the Use of Tax Increment Revenue for Affordable Housing by
Adding Authorized Project Costs

Dear Senator Grohoski, Representative Cloutier and members of the Taxation Committee,

Tax Increment Financing (TIF) was established as an economic development tool to support municipal growth. Over the years, the TIF program has helped communities revitalize their downtowns and business centers.

Originally, the Legislature authorized TIFs to encourage commercial and industrial development that would create jobs and broaden the local tax base. Under the original framework, TIF revenues could only be used for development expenses within the designated TIF District, and only for a period of up to 30 years. Municipalities typically bonded these projects, repaying the debt with the increased property tax revenues generated by development within the District. To reduce the financial risk for municipalities, credit enhancement agreements with developers were later added to the statute.

In 2001, with the backing of municipalities, law firms, and development organizations, the TIF statute underwent significant revisions. Since then, there have been several additional amendments, expanding allowable project costs beyond the TIF District boundaries.

Over just the past eight years, several notable changes have been made to the Maine TIF (MTIF) program:

1. Municipal Administrative Offices (2023): Up to 50% of costs for constructing or renovating central administrative offices may now be TIF-eligible, capped at 15% of the District's captured assessed value.



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2. Public Safety Facilities (2021): TIF revenues may now cover costs related to public safety buildings, also capped at 15%. A bill passed this session increases that cap to 25%.
3. Broadband Expansion: TIF funding can now support broadband and fiber optics projects, including planning and construction, even in residential or non-commercial areas that are unserved, as defined by the Connect Maine Authority.
4. Affordable Housing (2021): Affordable housing project costs have been added to the statute, despite potential conflicts with existing provisions that limit certain “unallowable” uses of TIF funds. Affordable housing TIFs are already separately administered by Maine Housing.
5. Extended TIF Terms: TIF Districts can now extend up to 50 years, a significant increase from the original 30-year limit.

One critical aspect of the TIF program is “sheltering.” When a TIF District is created, the increase in property value from development is excluded from calculations that determine a municipality’s share of state education aid, revenue sharing, and county tax obligations. This allows municipalities to use sheltered revenue—rather than general funds—to pay for approved project costs.

However, this approach can create inequities. Municipalities with limited capacity for commercial or industrial growth—due to geography, infrastructure, or other constraints—may be left out of the benefits TIF offers. These communities often face higher property taxes, while others with steady development can use TIF to fund an increasing range of projects.

The two bills currently before you propose to expand the TIF program even further. While we support progress and economic growth, there is growing concern that some of these expansions—such as funding lake restoration or offering direct financial support for housing—depart significantly from TIF’s original intent. These uses move TIF away from being a targeted tool for fostering lasting economic development and toward becoming a general-purpose funding source.

We urge you to consider whether continued expansion of the TIF program aligns with its original purpose and whether it serves all Maine communities equitably.

Sincerely,



JANET T. MILLS
GOVERNOR

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DEVELOPMENT

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A handwritten signature in blue ink, appearing to read "Maureen Terry".

Maureen Terry
Legislative Liaison
Department of Economic and Community Development