



Maine County Commissioners Association

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Sen. Grohoski, Chair
Rep. Sayre, Chair
Joint Standing Committee on Taxation
100 State House Station
Augusta, ME 04333

Re: ***Comments of MCCA in Support of LD 2222, An Act to Establish Municipal Cost Components for Unorganized Territory Services to Be Rendered in Fiscal Year 2026-27***

Chair Grohoski, Chair Sayre, and Members of the Joint Standing Committee on Taxation:

On behalf of the Maine County Commissioners Association (MCCA), we appreciate the opportunity to provide testimony in **support** of LD 2222, which establishes the municipal cost components for services in Maine's Unorganized Territory (UT) for fiscal year 2026-27.

About MCCA. Briefly, the Maine County Commissioners Association was established in 1890 to assist Maine's county government in providing vital services to Maine citizens in a responsive, efficient, and credible manner. The Association is based in Augusta, represents all 16 of Maine's counties, and is governed by a board with representation from each participating county.

LD 2222 is necessary to continue UT services. Each biennium, the Legislature must establish the municipal cost components that fund education, road and bridge maintenance, snow removal, solid waste, fire protection, ambulance coverage, public safety, and other core services in the UT. LD 2222 fulfills that statutory responsibility and ensures continuity of services to UT residents and property owners.

Unorganized territories are governed by the State but administered by counties. Maine is comprised of hundreds of incorporated cities and towns. The remaining territory in Maine is part of the Unorganized Territory, which is governed by the State but administered by counties. The State of Maine collects property taxes from property owners in the UT, and these collections along with other General Fund revenues are used to pay for services and infrastructure within the UT. Meanwhile, the responsibility for maintaining local roads and other local services falls to county government, subject to reimbursement from the State.

Cost drivers and overall increases. The proposed cost components reflect real service pressures. Education costs are increasing by approximately \$1.1 million, in part due to enrollment changes. Roads and bridges are up roughly 7 percent. Snow removal and solid waste costs are increasing. Fire protection and public safety costs are up significantly — nearly \$1 million, or approximately 30 percent — reflecting ambulance coverage and service demands in remote areas. At the same time, county service components have remained comparatively stable. Overall county costs increased by approximately 1.14% (\$191,000) from last year, a modest increase that reflects continued efforts by counties to control spending wherever possible.

The projected UT tax increase is largely driven by reduced State fund balance support. The principal reason UT taxpayers are projected to see a notable increase this year is the reduced use of the State's Unassigned Fund Balance to offset UT taxes. Last year, approximately \$3.5 million in State undesignated revenue was applied to subsidize the UT tax rate. Under LD 2222, approximately \$1.5 million is available for that purpose. That \$2 million reduction — rather than growth in county spending

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— is the primary driver of the projected increase to UT taxpayers. In other words, the increase is driven primarily by the level of State tax offset, not by expansion of county budgets.

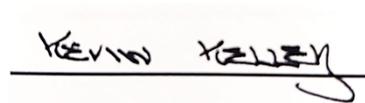
Also last year, Maine Revenue Services completed a sweeping revaluation of properties in the Unorganized Territory, resulting in significant tax shifts. Assuming valuations remain the same, for example, Somerset County anticipates approximately a 12 percent increase in taxes for some residents. Some Washington County residents could see increases in the range of 25 percent. These projections reflect the reduced State offset, combined with unavoidable service cost increases, along with the revaluation of properties.

Counties are already drawing down their own reserves. Counties are currently drawing down their own fund balances to manage significant fiscal pressures driven in no small measure from rising county jail costs combined with largely flat funding from the State. To meet these increased financial pressures and to avoid sharper increases in county property taxes, many counties have dipped into their reserves to meet their fiscal obligations to maintain county services. However, drawing down fund balances year after year by counties to meet their own obligations is not fiscally sustainable. While counties will continue to do everything possible to moderate property tax impacts related to county jail and other cost drivers, permanently relying on reserves is not prudent long-term financial policy. For that reason, MCCA respectfully encourages the Committee to review whether additional State Unassigned Fund Balance can be applied to LD 2222 to soften the impact on UT taxpayers while maintaining fiscal stability.

Washington County prepayment. MCCA supports the proposed transfer of \$640,671 from interest earnings for a one-time prepayment to Washington County to assist in restructuring county debt. This proposal is consistent with actions taken by approximately two-thirds of municipalities within Washington County that have similarly committed resources toward improving long-term financial stability. Counties believe this is a responsible, coordinated approach that will reduce future financial pressure.

Conclusion. LD 2222 is necessary to ensure the continued delivery of essential services in Maine's Unorganized Territory. Counties have exercised restraint, but service costs are rising and the reduced use of State fund balance this year significantly increases tax impacts within the UT. With the qualification that the Committee should consider amending the bill to provide additional State fund balance within the annual UT budget, we hope the Committee will approve LD 2222.

Respectfully submitted,



Kevin Kelley
Co-Chair, Legislative Policy Committee, MCCA



Jean-Marie Caterina
Co-Chair, Legislative Policy Committee, MCCA

cc: Commissioner Andre Cushing, President, MCCA
James I. Cohen, Verrill Dana, LLP, Legislative counsel for MCCA