

## **Maine Education Association**

**Grace Leavitt President | Jesse Hargrove Vice President | Beth French Treasurer**  
**Rebecca Cole NEA Director | Rachelle Bristol Executive Director**

### **Testimony**

### **In Support**

### **LD 130: An Act to Eliminate Senior Citizen Property Tax Stabilization and Expand the Homestead Property Tax Exemption.**

**John Kosinski, Government Relations Director, Maine Education Association**

### **Before the Taxation Committee**

**March 16, 2023**

Senator Grohoski, Representative Perry and esteemed members of the Taxation Committee,

My name is John Kosinski (he/him) and I am proud to serve as the Director of Government Relations for the Maine Education Association (MEA). The MEA represents 24,000 educators in the state of Maine, including teachers and other professionals in nearly every public school in the state and faculty and other professional staff in the University of Maine and Community College Systems.

I am here to testify on behalf of the MEA in support of LD 130, *An Act to Eliminate Senior Citizen Property Tax Stabilization and Expand the Homestead Property Tax Exemption*.

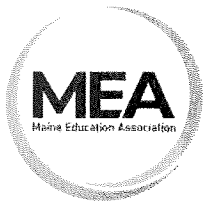
LD 130 attempts to fix a program implemented last session in the waning days of the last Legislature. The bill that created the Property Tax Stabilization Fund, LD 290 in the 130th Legislature, had a public hearing on May 12, 2021. At the public hearing, one resident submitted testimony in support. Both the Maine Municipal Association and the Department of Administrative and Financial Services (DAFS) on behalf of the Administration testified in opposition. No other members of the public submitted testimony besides the sponsor. The bill had one work session on May 25th, where it was voted the same day. The majority report was "ought not to pass," and the minority report of the Committee was "ought to pass as amended."

The bill was passed in June of 2021 by the House and Senate and parked on the Special Appropriations Table due to the bill's fiscal impact. Ten months later, on April 25, 2022, the bill was pulled from "the table," voted on by the House and Senate on the same day and sent to the Governor where it became law without the Governor's signature.

It is important to note, at the time the bill was passed, the fiscal note predicted a cost of \$7,041,472 for fiscal year 23-24 and \$13,964,315 for 24-25. But clearly there was an issue with this fiscal note, because the Governor's proposed budget sets aside \$15 million for 23-24, and an additional \$31 million for 24-25, more than double what was reflected on the fiscal note for the bill.

35 Community Drive, Augusta, ME 04330 | 1349 Broadway, Bangor, ME 04401  
7 Hatch Drive, Suite 220, Caribou, ME 04736 | 29 Christopher Toppi Drive, South Portland ME 04106

207-622-5866 | 207-888-2070 fax | [www.mainea.org](http://www.mainea.org)



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I am confident we all want to see relief for low income seniors, but the Property Tax Stabilization Fund, as currently constructed, is not means tested. The program will subsidize property taxes for wealthy owners of mansions on the ocean. Residents of palatial estates on Maine's "Gold Coast" will see their property taxes frozen.

In recent years, due in large part to the leadership of Governor Mills, our state has delivered on its promise to taxpayers by finally meeting the statutory obligation to fund 55% of the cost of public education as demanded by voters via statewide referendum. And the state renewed its commitment to cities and towns by returning revenue sharing to 5%. But it wasn't long ago when the state was continuously shirking its obligations. It took 17 years for the state to finally fund 55% of the cost of public schools. I am sure you can understand why we would be concerned about the long-term viability of the current Property Tax Stabilization program given the recent history of the state struggling to meet its obligations. And clearly, if the current program is not changed, we can expect the cost to the state will continue to increase and the funding to reimburse cities and towns could become a bargaining chip in future state budget negotiations.

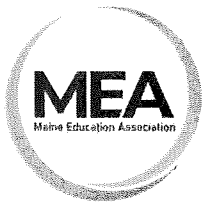
LD 130 would repeal the poorly targeted Property Tax Stabilization Fund and instead triple the homestead exemption for all Maine residents 65 or older who have lived in their homestead for at least 10 years. This proposal is progressive. It provides a larger homestead exemption for all qualified seniors. But the impact of a senior on a property valued at \$200,000 will be far more beneficial than a senior living in property valued in the millions. This proposal will provide meaningful relief to seniors without unnecessarily freezing the property taxes of the wealthiest among us. And it will provide a stable program that seniors can count on.

During the public hearing on LD 290 in 2021, Deputy Commissioner Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services provided the following testimony:

"If the Committee has concerns about the property tax burden on senior citizens, the existing Homestead Exemption and Property Tax Fairness Credits are a better approach to target property tax relief to those homeowners in need of property tax relief. This bill creates an administratively complex program for both the state and municipalities that is not well targeted to those truly in need."<sup>1</sup>

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<sup>1</sup> See Testimony of Michael J. Allen, Association Commissioner for Tax Policy in the Department of Administrative and Financial Services, before the Joint Standing Committee on Taxation, May 12, 2021, found here: [getTestimonyDoc.asp \(mainelegislature.org\)](https://www.mainelegislature.org/getTestimonyDoc.asp)



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We agree and we think LD 130 directly addresses the concerns raised by the Associate Commissioner.

In addition, in 2012 the Legislature approved significant funding for a thorough review of the state's school funding formula, often called the Picus Report. This report contained many important findings, including the dismal state of public-school funding in Maine at the time, but the report also specified that because of our state's reliance on property taxes to fund local schools we need to pay close attention to property tax relief for specific communities. The report specifically recommended improvements to the homestead exemption and property tax fairness credit to provide targeted relief to low income families, especially in higher property wealth/low income communities. These communities often struggle the most due to the design of our state's school funding model. Tripling the homestead exemption for qualified seniors, as specified in LD 130, is supported by the thorough analysis of our school's funding formula in the Picus Report.<sup>2</sup>

Thank you for your time and your service to the people of Maine. I will do my best to answer any questions you may have.

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<sup>2</sup> See "An Independent Review of Maine's Essential Programs and Services Funding Act: Part 2," December 1, 2013, found here: [5397 \(maine.gov\)](http://5397.maine.gov)