



Town of Jay

340 Main St • Jay, Maine 04239-1697

Tel: 207-897-6785

Fax: 207-897-9420

Office of

Select Board
Assessors
Town Manager
Treasurer
Town Clerk
Planning Board
Code Administrator

May 30, 2023

Testimony in Support of LD 1954 ***An Act to Address the Recent Mill Closure in the Town of Jay*** ***by Providing Funds to Offset Property Tax Loss***

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

Good afternoon, my name is Shiloh LaFreniere, and I am the Town Manager of the Town of Jay. I am here today to speak in favor of LD 1954. I'd like to provide you with some background information on why this bill is before you today. I want to start off by saying that the title is a little misleading and I'm hoping that you don't discount our request because you think we will be opening Pandora's Box and will have requests to provide relief to every community that loses a large business. This is a unique situation, and our request is very specific. LD 1954 addresses the short-term impact on the Town of Jay. Senator Keim has a bill that is being printed that addresses the long-term answer for all communities in Maine. You will hear more about that in other testimony.

As you may already be aware, the Town of Jay is facing challenging times with regards to our tax rate due to the recent paper mill closure. When the State Revenue Sharing projections were posted recently, we were surprised to see that our projected amount had dropped from last year. This led to us asking several questions of both Maine Revenue Service and the State Treasurer's Office on how this formula works and what numbers play into it. Ultimately, we found that making use of our undesignated fund balance (UFB-our savings) to help stabilize the tax rate for our residents in years when these big valuation losses happen, actually hurts us in regard to revenue sharing. To give you an idea of how much, last year we were projected to receive \$1.4 million in revenue sharing. This year it is projected at \$1.1 million. Had we not utilized funds from our UFB in our 21-22 tax commitment (the year the pulp digester exploded at our papermill), our projected revenue sharing for this year would be \$1.7 million. Needless to say, \$600,000 would have a huge impact on our taxpayers as we face an increased tax rate due to the mill closure. We are confident that it is not the intent of the program to penalize communities that have been fiscally responsible and saved funds so that they can offset an extreme impact on their residents but, unfortunately, that is what happened.

I've included a more detailed explanation of the impact that we are seeing to help explain this. It is a complicated issue so I believe laying it out like this might be helpful. I apologize if this seems oversimplified for some, but I've tried to make it as clear and concise as possible.

Starting principals:

- 1) Expenses – Revenue = Net Taxes To Be Raised: A municipalities expenses are made up of the municipal budget, the school budget, the county budget and any tax increment financing (TIF) budget that the community might have. The revenues are made up of monies that the town takes in each year such as excise tax, interest on investments, agent fees for IF&W licenses, etc. Revenue also includes revenue sharing that is received from the State as well as any funds that a municipality utilizes from its undesignated fund balance (UFB). Once the revenues are subtracted from the expenses the balance that is left is what is raised in property taxes, the “net to be raised”.
- 2) MRS 36 § 208-A Adjustment for sudden and severe disruption of valuation: Simply put, a municipality can apply to the State of Maine for adjustment of its state valuation if it experiences a loss in valuation of at least 2% from a disruption to a single taxpayer (closure, disaster, etc.). This law provides a mechanism for the State Treasurer to recognize the municipalities reduced valuation on an expedited schedule resulting in higher State aid to education and revenue sharing.

This is a brief summary of how this played out in Jay: On April 15, 2020 the Pixelle mill digester exploded. The town recognized a loss of over \$200 million in valuation from the mill due to that explosion. Our total town valuation base went from \$596 million on our August 2020 commitment papers down to \$388 million in August of 2021 (over 2% loss from a single taxpayer). We applied to the State under the Sudden and Severe law after we committed taxes in 2021 and our valuations were adjusted. Unfortunately, the way the law works, the additional revenue sharing and aid to education does not take effect until the following year. When we committed taxes in August of 2021, we were faced with a huge funding gap for one year. In order to mitigate the impact on our citizens, the Jay Board utilized 2.25 million from our undesignated fund balance. The meant that our tax rate went up 3 mils instead of the 8.8 mils it would have gone up if the UFB monies were not utilized.

Fast forward to today and the impact of utilizing those UFB monies is being seen in our projected revenue sharing for the 23-24 fiscal year. For revenue sharing and school funding, there is a 2-year lag in the values that Maine Revenue must use. To follow the summary above, in August of 2020 the “net to be raised” in Jay was \$9.2 million. In August of 2021 it \$7.0 million. The reduction was due to the \$2.25 million that the Board used from the UFB. Had they not done so the “net to be raised” in 2021 would have been \$9.25 million. Because the calculation for State aid only looks at how much a town is raising and does not take into consideration the amount that they utilized from their savings, it appears in this case, that the town of Jay did not need extra revenue sharing because the amount we were taxing our citizens went down \$2 million. Knowing the background information, we can see that is not the case and that this is the time that we need the extra revenue the most.

LD 1954 proposes to restore the \$600,000 loss in revenue sharing that the Town of Jay will face this year due to the unforeseen impact of utilizing our UFB to stabilize the tax rate for our residents in a year when we faced a catastrophic disaster. I wholeheartedly thank you for your consideration of this bill and ask for your support of our community by voting to pass LD 1954.