



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

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Testimony in Support of LD 2006 *An Act to Amend the Laws Regarding Adjustments for Sudden and Severe Disruption of Municipal Valuation*

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

Good afternoon, my name is Shiloh LaFreniere, and I am the Town Manager of Jay. I am here today to speak in favor of LD 2006. I'd like to provide some background information on why this bill is before you today. As many of you may recall, on April 15, 2020 the pulp digester at the Pixelle paper mill in Jay exploded. If you saw the videos or pictures of the site after the explosion, you can probably still recall the devastation. It was no small miracle that no one was killed or even injured that day. A fact that we will be forever grateful for. However, in the year following the explosion, the town recognized a loss of over \$200 million in valuation from the mill.

Our total town valuation base went from \$596 million on our August 2020 commitment papers down to \$388 million in August of 2021. 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 (UFB-our savings). This meant that our tax rate went up 3 mils instead of the 8.8 mils it would have gone up if the undesignated monies were not utilized.

Fast forward to this time last year when state revenue sharing projection numbers came out. We were surprised to see that our projected revenue sharing had dropped from the previous year. This led us to ask 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 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 was projected at \$1.1 million. Had we not utilized funds from our UFB when the digester exploded, our projected revenue sharing would have been \$1.7 million. Needless to say, \$600,000 would have had a huge impact on our taxpayers this year as we faced another increase in the 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.

To give a clearer outline of how the funding formula works: 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 the unintended consequence of the formula is that a town, when in dire need of help, is actually being penalized for being fiscally responsible.

LD 2006 proposes to amend the language related to a sudden and severe disruption of value to assure that a municipality that qualifies for this program does not see a reduction in the amount of revenue sharing it receives because of its fiscally responsible use of undesignated funds to offset taxes in the year that the qualifying event occurs. This change will not only benefit the Town of Jay but also others who you will hear from today and even others who may not realize the impact for years to come. This is a fair and equitable change that will help any community that faces this challenge. Thank you for your consideration of this bill and I ask for your support of our communities by voting to pass LD 2006.