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THE MAINE SENATE
131st Legislature

Testimony of Senator Lisa Keim before the Joint Standing Committee on
Taxation
**Presenting LD 2006, An Act to Amend the Laws Regarding Adjustments for Sudden and
Severe Disruption of Municipal Valuation**
January 9, 2024

Senator Grohoski, Representative Perry, and the distinguished members of the Committee on Taxation, I am Lisa Keim, and I proudly represent the citizens of Senate District 19, which includes Northern Oxford County and communities in Franklin County. I want to urge you to support of LD 2006, "An Act to Amend the Laws Regarding Adjustments for Sudden and Severe Disruption of Municipal Valuation."

As you may remember, last year the Town of Jay faced a severe challenge with their tax rates due to the closure of the paper mill in March of 2023, which had been the central economic engine in Jay, and the surrounding communities, for 130 years.

Last year, this vast majority of this committee supported LD 1954, which would have provided a one-time appropriation of \$600,000 to the Town of Jay to help offset the property tax revenue loss from the mill closure. Unfortunately, LD 1954, meant to soften the fiscal impact, failed in the Senate last session.

To remind you of Jay's recent history, in April of 2020 the paper mill's pulp digester exploded, which caused a loss of \$200 million in valuation from the mill. Given this significant drop in valuation, the Town of Jay applied to the Sudden and Severe law but, given the structural delay of this program, the town made the decision to utilize its undesignated fund balance to offset the sharp increase in mil rate and soften the impact on citizens.

Given that the town utilized savings to offset tax increases for the explosion, and then again for the mill closure, the total valuation impact to the town is not fully taken into consideration with the current Sudden and Severe structure.

In the Sudden and Severe law, the state uses the mil rate to calculate revenue sharing, which if a town uses savings to offset the sudden loss, does not reflect that actual impact to the town. To restate this, any fiscally responsible town, such as Jay, that uses an undesignated fund balance to offset the sudden loss, ends up penalized in the state's current Sudden and Severe formula.

It could not have been the intent of our Sudden and Severe program to penalize municipalities for being fiscally responsible and building up their rainy day funds before sudden and severe events, such as these in Jay.

LD 2006 seeks to alleviate this problem in the future by amending the sudden and severe law to direct Maine Revenue Services to recognize the specific funds that a town uses to mitigate an extreme tax increase in the year following an event that qualifies for sudden and severe.

This time, the current law hurt Jay but there are many other towns that could find themselves in similar situations if we do not change our sudden and severe statute.

I would like to strongly urge that the committee amend the bill as drafted to make this change retroactive so it can help the people of Jay.

Thank you for your consideration of this legislation. I would be happy to answer any questions you may have.