

**TESTIMONY OF**  
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**DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on State and Local Government

February 20, 2024

LD 2102 – *An Act to Support Municipalities by Repealing the Law Limiting the Municipal Property Tax Levy*

Good afternoon, Senator Nangle, Representative Stover, and members of the Joint Standing Committee on State and Local Government. I am Amanda Rector, Maine State Economist in the Department of Administrative and Financial Services, and I am here today at the request of the Administration to testify in support of LD 2102, *An Act to Support Municipalities by Repealing the Law Limiting the Municipal Property Tax Levy*.

The property tax levy limit on municipalities was well-intentioned. It was part of Public Law 2005, Chapter 2 (LD 1: An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels). This law established limits on the growth of General Fund appropriations, county assessments, municipal property tax levies, and local cost share expectations for school districts. The goals were to reduce the tax burden on Maine residents and increase transparency in government budgets. For many years, my office was responsible for reporting on the progress made towards these goals and adherence to the requirements of this law. That reporting requirement was repealed in 2017; my office still calculates the income growth factor used in the limit calculations and fields occasional questions from municipalities about the limit.

Over the years of reporting, no progress was observed on the goal of reducing the tax burden on Maine residents as a result of this statute. In addition, my office observed numerous issues related to the municipal property tax levy limit. The statutes and processes for calculating the municipal tax levy limit and determining whether a town has gone over the limit are complicated and confusing, resulting in frequent errors. Compounding this problem is the fact that each year's

limit is based on the previous year's limit, so any error made in calculating the limit at any point in time is carried forward indefinitely. If a town stopped calculating the limit (or had never calculated it before), the statute as written requires them to go back and calculate the limit for each year that it wasn't calculated in order to calculate the current limit.

Revisions to the statute over the years have not simplified matters. For example, the process of calculating net new state funding (revenue sharing) was revised in 2013 in a manner that allows towns to choose how they want to calculate (using either a forward-looking or a backward-looking estimate), which makes this part of the formula even more prone to errors and confusion.

The statute requires towns that would be going over the limit to vote on whether to exceed or increase the limit. There is a high degree of inconsistency in voting practices. Some towns vote to increase or exceed every year regardless of whether it was needed. Some towns, due to incorrect calculations, either voted when they didn't need to or didn't vote when they should have. Some towns simply ignore the statute in its entirety. None of these situations meet the goal of increasing transparency.

The tax levy limit statutes place a large administrative burden on towns, and when reporting was being done, there was no evidence the statutes were achieving the desired effects. Given these two factors, a repeal of the statute is appropriate.

I would also draw attention to the fact that the statutes limiting county assessments and local cost share expectations for school districts are still in effect and have similar issues.

Thank you for the opportunity to testify today. I am happy to answer any questions or bring additional information to the work session.