

**\*Testimony – LD 2222 - An Act to Establish Municipal Cost Components for Unorganized Territory Services to Be Rendered in Fiscal Year 2026-27**

**Presented to the Joint Standing Committee on Taxation**

**Harold “Chip” Jones, Fiscal Administrator of the Unorganized Territory  
Office of the State Auditor**

Senator Grohoski, Representative Sayre, and distinguished members of the Joint Standing Committee on Taxation, my name is Harold Chip Jones, and I serve as the Fiscal Administrator for the Unorganized Territory. I am here today to testify in support of LD 2222 - An Act to Establish Municipal Cost Components for Unorganized Territory Services to Be Rendered in Fiscal Year 2026-27. This legislation is presented annually in compliance with Title 36, Chapter 115: *The Unorganized Territory Educational and Services Tax*.

Unorganized Territory (UT) property taxpayers receive municipal type services from State agencies and from their counties within the Unorganized Territory Tax District, which was created by legislation in 1977. This legislation established a special purpose tax district to coordinate, contract and provide municipal type services to the UT because there is no local incorporated government. Most of the UT is remote, rural, and represents approximately half of the State of Maine land area. It is a challenge to provide these municipal services to the small population of less than 9,000 residents and businesses scattered across half the State of Maine. (reference Attachment 1 UT map). UT is growing by population and with that more services are needed. State and County officials are challenged financially to provide services across such a large area.

This bill funds the municipal services provided to the UT residents and taxpayers. LD 2222 contains the proposed FY27 UT municipal service budgets from 6 State agencies and 10 counties that have been summarized and drafted for presentation to the legislature. (Not all counties submit a UT budget even if they have UT's in their County). All costs associated with the UT municipal services are funded by UT, assessed and collected thru property taxes.

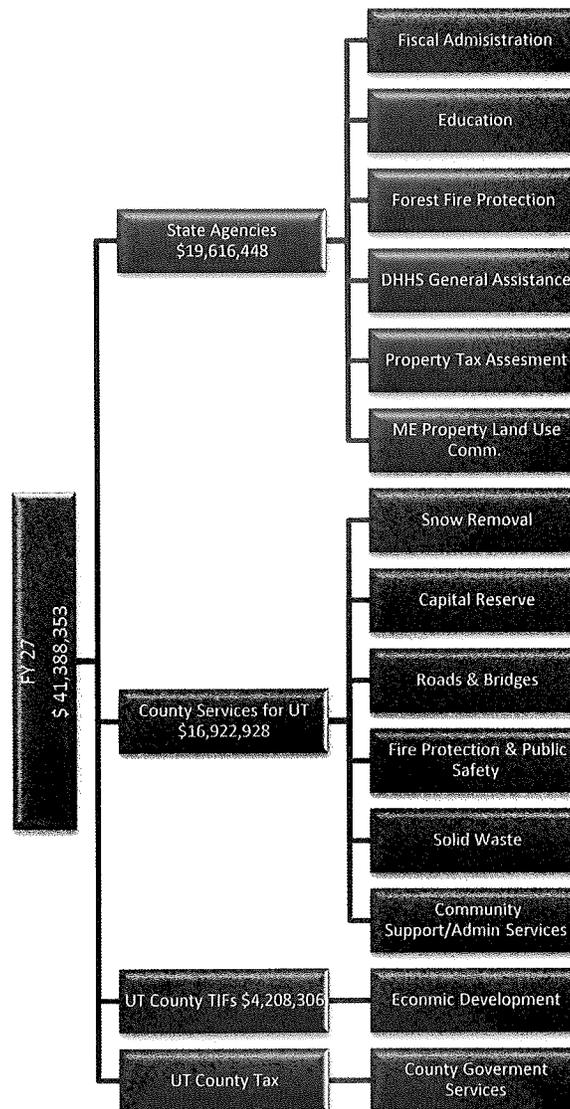
The UT municipal services provided by State Agencies and Counties are known as the Municipal Cost Components (MCC). The total UT budget falls into the following categories:

- 1) State Agency Services,
- 2) County Services,
- 3) County Tax Increment Financing (TIF)
- 4) County Taxes

Overall, the total estimated FY27 Municipal Cost Component legislative funding request, **before** county taxes and overlay, is \$38,309,124 which is \$4,484,304 or 13% higher than the budgeted amounts enacted for FY26.

The process chart below illustrates the flow of taxpayer payments into the Unorganized Territory Education and Services Fund (UTES) and the distribution of these payments into the various municipal cost components. The process starts with legislative approval of the requested funding in support of the UT. The Maine Revenue Service (MRS) State Tax Assessor (STA) applies this funding data to the MRS UT assessed property valuations to calculate mill rates and to prepare and issue the UT taxpayer bills. MRS then collects and deposits the UT property tax into the UTES fund. UT property tax revenues are transferred dollar for dollar into the State General Fund for all State agency expenditures related to services provided to the UT residents and taxpayers. Upon notification from the STA, the Fiscal Administrator of the Unorganized Territory (FAUT) transfers funds to MRS for payment to the counties who provide municipal services to the UT residents and taxpayers.

### MCC Process Chart



### 1) State Agency Services Budgets

The total FY27 State Agency budget of \$19,616,448 increased by \$675,568 or 4% from the FY26 State agency budget. The primary reason for this increase is the Education budget increase of \$538,757 from an increase of the number of students attending, Building Improvements and Special Education. LUPC budget increase of \$72,233. The LUPC budget is set by an equal to .014% of the most recent State Evaluation. A 45% reduction in the Unassigned Fund Balance was taken as the balance has reduced from FY26 (to help ease the taxpayers burden), two towns in the process of Deorganizing and a handful in conversations to deorganize

### 2) County Services Budgets

FY27 total County Services budgets increased by \$191,257 or 1% from the FY26 budget. This number is a bit of an anomaly due to Franklin County reducing Contributions to Capital Reserves by -\$685,500 after most of a bridge replacement has been collected from FY26. The leading service categories with increases are:

- Snow Removal - \$241,127 or 4.2%
- Solid Waste - \$144,015 or 9%
- Fire Protection & Public Safety (FP&PS) - \$627,573 or 18%
- Capital Reserves - \$419,770 or 8%

The two County with budget increases from FY26 to FY27 more than \$150,000 in additional funds that impacted major service categories are:

- Aroostook County – Fire Protection and Public Safety \$140,727, Capital Reserves \$362,145
- Franklin County – Roads and Bridges \$100,000, Fire Protection and Public Safety \$72,616

### 3) County TIF Budgets

MRS has estimated the FY27 budget for County TIF at \$4,208,306 which is \$1,018,438 or 32% increase the amount that was estimated for County TIF in FY26. This amount is based off what was paid out in FY26. The budget for County TIF will be complete when mill rates are finalized in July.

### 4) County Tax Budgets

Although County Taxes for the UT are not included in the annual MCC legislation, they are included in the mill rate calculations for the UT Tax District, and they are paid from the UTES Fund. The FY27 County Taxes fund sheriff services, jail operations, district attorneys, probate

courts, registry of deeds, and treasury operations within each county. Due to the large land area of the UT, which spreads across 10 Maine counties, the UT is one of the largest payers of county taxes in Maine.

### **Trends, Comments, and Uncertainties**

#### **Economic Factors:**

- Inflation between 2016-2026 averaged nationally 3.4%, compared to a 7% average in 2021, 6.5% average in 2022, and 2.7% average in 2025.
- 2023-2026: Prices for diesel fuel have stabilized at higher levels, with recent averages in early 2026 around \$4.34 per gallon.
- per gallon Some materials continue to be unstable in pricing and are having an impact on the increasing the renewal of Fire Protection, EMS coverage and Public Safety contracts

#### **State Agency:**

- Education in the Unorganized Territory (EUT) operates three elementary schools (see Attachment 1) that have 87 students and tuitions 774 students to other schools. The students' population is continuing to grow in the EUT as most other RSU's are decreasing in student population. The UT education capital budget includes the purchase of one school bus on an annual basis and school building improvements. EUT schools or students also receive no General-Purpose Aid, and education is solely funded by the UT taxpayer.
- The MRS budget includes an increase of 4% from the FY26 Biennial budget. Mostly due to payroll/benefits and IT costs.
- LUPC funding is based .014 on the State UT Valuation which increased by 20% for the UT.

#### **County Service:**

- Roads & Bridges – FY27 increase 2%, five-year average 7.1%
- Snow Removal – FY27 increase 4.2%, five-year average 6.7%
- Solid Waste – FY27 increase 8.3%, five-year average 9%
- Fire Protection & Public Safety – FY27 increase 18%, five-year average 13.5%
- Excise Tax Revenue – FY27 increase 14%, five-year average increase 6.1%

#### **County Taxes:**

- The Counties spend on average 49% of their budget on the Jails within the county
- Due to the uncertainty of state funding support for jail operations, at least 80% of the cost of county jails rest exclusively on property tax funding.

- The Public Safety services provided to the UT by the County Sheriff departments are beginning to experience constraints due to staffing shortages and area of coverages.

**Deorganization:**

- There are two municipalities currently in the process of Deorganizing.  
Maxfield and Highland Plantation

**Section 2: Transfer of interest earnings; Office of State Auditor, Unorganized 2 Territory Education and Services Fund program, Other Special Revenue 3 Funds.**

This was a collaborative effort to find a solution by the Governor's Office, Commissioners of Washington County and various State Agencies. The funds that are being used are from interest earned on the ARP State Fiscal Recovery Fund. The repayment of this will be added by MRS to the FY 2027 mill rate for Washington County UT residents.

This concludes my testimony on LD 2222. Thank you for the opportunity and I am happy to answer any questions the committee may have at the will of the Chair.

Respectively Submitted,

**Harold Chip Jones**

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**Attachment 1 – State of Maine Map - Unorganized Territory Schools**

**★Connor & Edmunds Consolidated School – Kingman Elementary Schools**

