February 17, 2015

Hon. Senator James M. Hamper, Chair
Hon. Representative Margaret R. Rotundo, Chair
Members of the Appropriations and Financial Affairs Committee
Hon. Earle L. McCormick, Chair
Hon. Adam A. Goode, Chair
Members of the Joint Standing Committee on Taxation

As you are aware, revenue sharing was established by the Maine Legislature in 1972 as result of the following legislative "findings": a. The principal problem of financing municipal services is the burden on the property tax; b. To stabilize the municipal property tax burden and to aid in financing all municipal services, it is necessary to provide funds from the broad-based taxes of State Government.

The City of Brewer has lost over $3 million in revenue sharing to the State since 2010, over $1.5m in FY14 and FY15 alone. The impact on the mil rate has been approximately $1.20—or $150.00 on a $125,000 home.

At its peak in FY2008, the City received $1.4 million in revenue sharing from the State. In FY2015, Brewer will receive just $580,000, a 59% decrease in aid.

A loss of $580,000 in revenue sharing would require Brewer to cut its municipal budget by 5% to maintain a balanced budget, or an increase of $0.83 (4%) on its mil rate. Conversely, if Brewer were to receive its statutory revenue sharing allotment of $1,410,000, it would be able to lower its mil rate by about $1.20, or almost 6%.

Brewer's municipal budget (excluding the school) has increased less than 2.4% in the last six years, or an average of 0.4% per year. In that same timeframe, the City's non-property tax revenues have decreased 5%, or an average of 0.8% per year—driven almost exclusively by decreased revenue sharing.

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In FY14, Brewer was forced to raise its property tax in part due to the 33% ($300,000) reduction in revenue sharing funds from the State. Brewer had already reduced its municipal budget by hundreds of thousands of dollars to bring it to a point where total proposed spending was 0.5% below the previous year. When the revenue sharing cut came, the city had nowhere else to go. The result was a $0.42 increase in the mil rate to make up this revenue loss.

These revenue sharing cuts come on top of a shrinking tax base, which both exacerbates our revenue shortfall and magnifies the disproportionate impact placed on property tax payers. Brewer's total assessed value has decreased $28m (3.6%) since 2009.

Brewer honors its promises and we believe the State should as well. When the State was debating increases to GPA in 2005 to bring it closer to its 55% obligation, the Brewer City Council resolved to apply at least 90% of the increased aid to reduce the property tax burden on residents. In the end, the Council chose to apply not just 90%, but 110%, of the amount to lowering the property tax burden—decreasing the mil rate by $1.12, or over 5%. It is a fallacy that increased aid will just lead to increased spending, and Brewer has a track record to prove it.

Brewer has also complied with the spending limits imposed by LD 1. Brewer's FY15 budget was $2.3m (26%) below its LD 1 limit.

Revenue Sharing is not municipal welfare; rather, it is part of a positive economic development cycle. Local businesses generate sales and income tax revenue, a small portion of which is returned to the communities to support the services and infrastructure needed to sustain and grow those businesses.

We respectfully ask the Appropriations Committee to recommend to the full Legislature restoration of its obligation to Municipal Revenue Sharing and certainly not eliminate it altogether in year two as the Governor has proposed.

Very respectfully submitted,

Matthew Vachon, Mayor

Beverly Uhlenhake, Deputy Mayor

Kevin J.M. O'Connell, Councilor

Jerry Goss, Councilor

Joseph L. Ferris, Councilor