

FINANCE & ADMINISTRATION COMMITTEE MEETING

Wednesday June 7th, 2017

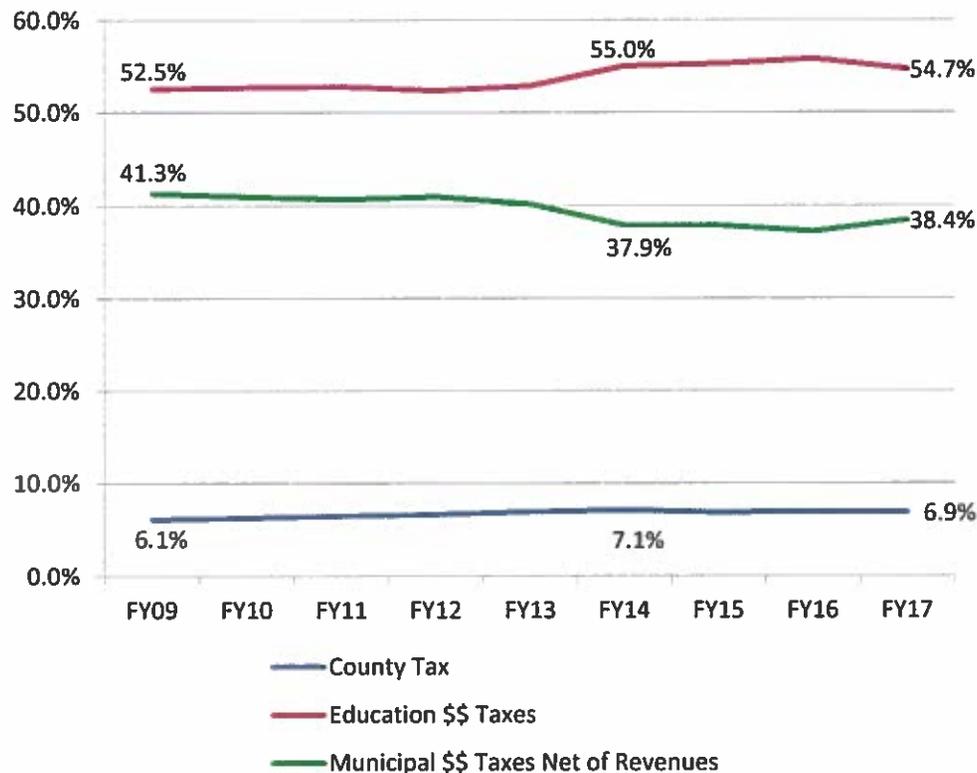
6:00 p.m.

Hampden Town Office

1. Meeting Minutes
 - a. May 15th, 2017
2. Review & Sign Warrants
3. Old Business
4. New Business
 - a. Clarification of error in reporting school and budget trends at the May 1st budget presentation
 - b. Proposed FY17 Budget Amendment to Sewer Revenues and Overlay in order to properly credit FY17 sewer amounts paid toward General Fund interfund transfer deficit
 - c. Review of the proposed FY18 budget and referral to Council to set Public Hearing on June 19th, 2017
 - d. Review of the tentative election timeline for the November 7th, 2017 Municipal Election and potential Bond Referendum
 - e. Review of Committee priorities for FY18
 - f. Establishment of the summer schedule for Council and Committee meetings
 - g. Discussion on the June 8th District Budget Meeting to be held at Hampden Academy at 7:00 p.m.
5. Public Comment
6. Committee Member Comments
7. Adjournment

Budget Trends: FY09-FY17

Taxpayer Funded Expense Trends, Hampden,
RSU-22 and County



- Greater percentage of property tax dollars to RSU-22 and County
- Municipal percentage of property tax revenue steadily decreasing – though did increase in FY17
- FY09 to FY17
 - Town +12.2%
 - RSU +25.6%



Town of Hampden
106 Western Avenue
Hampden, Maine 04444



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Email:
townmanager@hampdenmaine.gov

TO: Finance Committee and Town Council
FROM: Angus Jennings, Town Manager
DATE: June 1, 2017
RE: Recommended FY17 Budget Amendment

As you know, the approved FY17 Sewer expense budget included \$100,000 in the expense budget in order to pay down the interfund balance deficit (which stood at \$651,616 at year-end FY16).

When preparing the FY17 Town Budget last spring, I projected an additional \$100,000 in revenue in the General Fund's Sewer Revenue Account (R 01-78), over and above the \$60,000 which had been traditionally budgeted as the Sewer Fund's offset of Town personnel costs associated with sewer operations.

As I have reported verbally at prior Committee meetings, I have since learned that it was an error to budget this \$100,000 as General Fund revenue since – although the \$100,000 will be received in FY17 – if it is receipted as revenue it will not “count” toward the interfund deficit.

This budgeting was akin to the General Fund saying to the Sewer Fund: “You owe me \$100,000 in FY17.” When the Sewer Fund pays the General Fund \$100,000, it would simply satisfy this “new” obligation – created by the Budget – rather than being credited toward the interfund deficit. This was not the intent.

Instead, when we transfer the \$100,000 from the Sewer Fund to the General Fund before June 30, we will receipt these monies to a general ledger account “General Fund Due From Sewer” (G 1-111-02). This will result in a \$100,000 reduction in the amount due to the General Fund from the Sewer Fund, which was the original intent.

The lesson learned here – which has been taken into account in preparing the FY18 Budget – is that the sewer expense to pay back the interfund transfers must be budgeted in order to ensure that enough money is raised to meet this obligation. However, the General Fund revenue should not be budgeted or it creates a “new” obligation.

In order to correct this error, it is recommended that the Council approve an amendment to the FY17 Budget to reduce projected income to the Sewer Income account (R 01-78) from \$160,000 to \$60,000 and to reduce the budgeted Overlay (E 66-01-55-01) from \$210,704.39 to \$110,704.39.

Current Account Status

R 01-78 GENERAL GOVT - SEWER INCOME

160,000.00 = Budget
0.00 = Bud Adj

-60,768.50 = YTD Net

99,231.50 = Balance

Per	Jrnl	Check	Date	Vendor-----	Description-----	RCB / Type	Debits	Credits
18	0180		08/31/16		08/31/2016 C/R	R CR	0.00	482.30
.1	0414		11/21/16		11/21/2016 C/R	R CR	0.00	286.20
13	0800		03/30/17		03/30/2017 C/R	R CR	0.00	60,000.00
Totals-							0.00	60,768.50

Monthly Summary

Month	--Regular Entries--		--Budget Entries--	
	Debits	Credits	Debits	Credits
August	0.00	482.30	0.00	0.00
November	0.00	286.20	0.00	0.00
March	0.00	60,000.00	0.00	0.00
Totals	0.00	60,768.50	0.00	0.00

Current Account Status

G 1-111-02 GENERAL FUND / DUE TO/FR SF

541,569.87 = Beg Bal 0.00 = YTD Net 651,569.87 = Balance
 110,000.00 = Adjust 0.00 = YTD Enc

Per	Jrnl	Check	Date	Vendor-----	Description-----	RCB / Type	Debits	Credits
17	0781		03/27/17		Beg Bal Adjustments	B GJ	110,000.00	0.00
Totals-							110,000.00	0.00

Monthly Summary

Month	--Regular Entries--		--Balance Entries--	
	Debits	Credits	Debits	Credits
July	0.00	0.00	110,000.00	0.00
Totals	0.00	0.00	110,000.00	0.00

**Tentative Election Timeline November 7, 2017 Municipal Election and
Potential Bond Referendum**

July 31st	Nomination papers available
August 7th	Council adopts ordinance/authorizes borrowing (?)
?	Deadline for ESS to receive thumb drives from SOS
August 28 th	Nomination papers due back by close of business
August 31 st	Verify signatures on nominations and notify nominees of date of drawing lots for name order on the ballot
Sept. 5th	Draw lots, create ballot mock-up, Public Hearing on Bond (?)
Sept. 7th	All ballot content must be submitted to ESS
Sept. 14th	Must sign off on the ballot layout and submit ballot quantities
Sept. 27 th	Municipal absentee ballots are available (statutory 30-45 days prior to election-this is the 45 th day prior)
Nov. 7 th	Municipal/Bond Referendum Election

There will be other dates to submit flashdrives, and sign off on ballot content but I have to wait for the SOS/ESS election timeline to determine.

FINANCE & ADMINISTRATION COMMITTEE Finance 4-e

Present

Future (FY18) and on

A
Vital

Reorganize and reassign some financial management responsibilities
Resolve developers' escrow accounts (51 accounts over 10+ years totaling \$109,340)

Financing sewer treatment plant improvements (close loan(s); bond mgmt.)
Bond Issue for Route 1A project (authorization received; ant. spring 2018; secure and oversee bond issue)
Update Personnel Ordinance and Policies

B
Important

With Winterport, Newburgh and Frankfort, engage in budget and capital planning with RSU-22
Environmental Trust – document past seven years of potentially eligible expenditures (146 transactions totaling over \$270,000)
Restore Fund Balance to healthier condition to eliminate need for tax anticipation borrowing

Evaluate use and potential disposition of Town-owned properties
Strategic planning for Environmental Trust as long-term resource
Revisit Bid Procedure Guidelines
Re-bid current long-term vendor contracts
Adopt Ambulance Abatement Policy
Regionalize one or more local services (if feasible, equal or greater level of service, and cost effective)
Revaluation (assessing)
Establish reserve account for remediating or demolishing dangerous buildings
Potential renegotiation of Emera TIF

C
Optional

Update Fees Ordinance

Accept credit cards and expand online payment options
Evaluate potential for solar installations on Town buildings and/or properties
Amend Town Charter incl. to bring ordinance amendment process in line with statute to streamline current process

D
Worthless

MANAGER INITIATIVES (OR RESPONSIBILITIES)

Present

Future (FY18) and on

A
Vital

Annual Capital Program updates with short-, mid- and long-term investment priorities, and funding sources and uses, for public facilities and infrastructure

Implement revised contracts for hauling and processing of solid waste
Improved Department of Labor Compliance (trainings, documentation)

B
Important

Maine Municipal Bond Bank: 3 overdue bond closeout reports (2006, 2010, 2014)
Service Charge Collections (and appeals)
Implement plan to preserve (and restore as needed) archived vital records
Bring management of dog license fees into alignment with State policy

Ensure that management of cemetery funds complies with statute
Accept online payments (in addition to Rec/Pool) by credit/debit card
Library - provide for credit / debit card payments
Re-do and simplify Chart of Accounts

C
Optional

Support civic organizations such as through Volunteer Open House and Community Forum

Encumbrance policy for fiscal year-end carryovers

D
Worthless

**WARRANT TO CALL
REGIONAL SCHOOL UNIT NO. 22
BUDGET MEETING
(20-A M.R.S. § 1485)**

TO: David Greenier, a resident of Regional School Unit No. 22 (the "Regional School Unit") composed of the Towns of Hampden, Newburgh, Winterport, and Frankfort, State of Maine.

In the name of the State of Maine, you are hereby required to notify the voters of each of the municipalities within the Regional School Unit, namely, the Towns of Hampden, Newburgh, Winterport, and Frankfort, that a Regional School Unit Budget Meeting will be held at Hampden Academy, 89 Western Ave., Hampden, ME 04444, Maine at 7:00 P.M. on June 8, 2017 for the purpose of determining the Budget Meeting Articles for the 2017-2018 fiscal year set forth below.

ARTICLE 1A: To elect a moderator to preside at the meeting.

ARTICLES 1 THROUGH 11
AUTHORIZE EXPENDITURES IN COST CENTER CATEGORIES

- ARTICLE 1: To see what sum the Regional School Unit will be authorized to expend for Regular Instruction.
School Board Recommends \$ 10,842,147.48
- ARTICLE 2: To see what sum the Regional School Unit will be authorized to expend for Special Education.
School Board Recommends \$ 5,475,311.74
- ARTICLE 3: To see what sum the Regional School Unit will be authorized to expend for Career and Technical Education.
School Board Recommends \$ 392,018.55
- ARTICLE 4: To see what sum the Regional School Unit will be authorized to expend for Other Instruction.
School Board Recommends \$ 780,410.97
- ARTICLE 5: To see what sum the Regional School Unit will be authorized to expend for Student and Staff Support.
School Board Recommends \$ 2,384,404.31
- ARTICLE 6: To see what sum the Regional School Unit will be authorized to expend for System Administration.
School Board Recommends \$ 848,848.89
- ARTICLE 7: To see what sum the Regional School Unit will be authorized to expend for School Administration.
School Board Recommends \$ 1,378,854.45
- ARTICLE 8: To see what sum the Regional School Unit will be authorized to expend for Transportation and Buses.
School Board Recommends \$ 1,247,778.77
- ARTICLE 9: To see what sum the Regional School Unit will be authorized to expend for Facilities Maintenance.
School Board Recommends \$ 3,487,850.06

- ARTICLE 10:** To see what sum the Regional School Unit will be authorized to expend for Debt Service and Other Commitments.
School Board Recommends \$ 3,973,638.91
- ARTICLE 11:** To see what sum the Regional School Unit will be authorized to expend for All Other Expenditures.
School Board Recommends \$33,000.00

ARTICLES 12 THROUGH 14
RAISE FUNDS FOR THE PROPOSED SCHOOL BUDGET

- ARTICLE 12:** To see what sum the Regional School Unit will appropriate for the total cost of funding public education from pre-kindergarten to grade 12 as described in the Essential Programs and Services Funding Act and to see what sum the Regional School Unit will raise and assess as each municipality's contribution to the total cost of funding public education from pre-kindergarten to grade 12 as described in the Essential Programs and Services Funding Act in accordance with the Maine Revised Statutes, Title 20-A, section 15688.

Recommended amounts set forth below:

Total Appropriated (by municipality):	Total Raised (and Regional School Unit assessments by municipality):
Town of Hampden \$ 14,874,409.15	Town of Hampden \$ 5,044,050.50
Town of Newburgh \$ 2,935,068.29	Town of Newburgh \$ 841,987.67
Town of Winterport \$ 7,261,671.54	Town of Winterport \$ 2,093,915.83
Town of Frankfort \$ 1,721,625.55	Town of Frankfort \$ 658,364.17
Total Appropriated (sum of above) \$ 26,792,774.53	Total Raised (sum of above) \$ 8,638,318.17

Explanation: The Regional School Unit's contribution to the total cost of funding public education from pre-kindergarten to grade 12 as described in the Essential Programs and Services Funding Act is the amount of money determined by state law to be the minimum amount that the Regional School Unit must raise and assess in order to receive the full amount of state dollars.

- ARTICLE 13:** To see what sum the Regional School Unit will raise and appropriate for the annual payments on debt service previously approved by the Regional School Unit voters for non-state-funded school construction projects or non-state-funded portions of school construction projects in addition to the funds appropriated as the local share of the Regional School Unit's contribution to the total cost of funding public education from pre-kindergarten to grade 12.

School Board Recommends \$ 493,800.85

Explanation: Non-state-funded debt service is the amount of money needed for the annual payments on the Regional School Unit's long-term debt for major capital school construction projects that are not approved for state subsidy. The bonding of this long-term debt was previously approved by the Regional School Unit voters.

- ARTICLE 14:** **(Written ballot required.)** To see what sum the Regional School Unit will raise and appropriate in additional local funds **(Recommend \$2,108,941.49)**, which exceeds the State's Essential Programs and Services allocation model by **(Recommend \$1,553,093.09)** as required to fund the budget recommended by the School Board.

The School Board gives the following reasons for exceeding the State's Essential Programs and Services funding model by \$1,553.093.09: EPS does not fully support all of the necessary costs of a comprehensive pre-K-12 educational program, such as (1) athletics/co-curricular program costs; (2) transportation for the athletics/co-curricular program; and (3) special education costs.

Explanation: The additional local funds are those locally raised funds over and above the Regional School Unit's local contribution to the total cost of funding public education from pre-kindergarten to grade 12 as described in the Essential Programs and Services Funding Act and local amounts raised for the annual payment on non-state funded debt service that will help achieve the Regional School Unit budget for educational programs.

ARTICLE 15 SUMMARIZES THE PROPOSED SCHOOL BUDGET

ARTICLE 15: To see what sum the Regional School Unit will authorize the School Board to expend for the fiscal year beginning July 1, 2017 and ending June 30, 2018 from the Regional School Unit's contribution to the total cost of funding public education from pre-kindergarten to grade 12 as described in the Essential Programs and Services Funding Act, non-state-funded school construction projects, additional local funds for school purposes under the Maine Revised Statutes, Title 20-A, section 15690, unexpended balances, tuition receipts, state subsidy and other receipts for the support of schools.
School Board Recommends \$30,844,264.13

ARTICLE 16 AUTHORIZES EXPENDITURE OF GRANTS AND OTHER RECEIPTS

ARTICLE 16: In addition to amounts approved in the preceding questions, shall the School Board be authorized to expend such other sums as may be received from federal or state grants or programs or other sources during the fiscal year for school purposes, provided that such grants, programs or other sources do not require the expenditure of other funds not previously appropriated?

ARTICLE 17 AUTHORIZES THE ADULT EDUCATION PROGRAM AND RAISES THE LOCAL SHARE

ARTICLE 17: To see if the Regional School Unit will appropriate \$68,000.00 for adult education and raise \$33,000.00 as the local share, with authorization to expend any additional, incidental, or miscellaneous receipts in the interest and for the well-being of the adult education program.

ARTICLE 18 AUTHORIZES EXPENDITURES FROM THE PREVIOUSLY APPROVED CAPITAL PROJECT RESERVE FUND

ARTICLE 18: In addition to amounts authorized under Articles 1 through 17, shall the School Board be authorized to transfer up to \$150,000.00 from unallocated fund balances and/or unanticipated revenues to the RSU's previously established Capital Reserve Fund and shall the School Board be further authorized to expend up to \$150,000.00 from this Capital Reserve Fund to fund capital projects in the RSU including the following: (i) window sill

replacement at Weatherbee Elementary School; (ii) various paving projects throughout the RSU; (iii) flooring replacement at Reeds Brook Middle School, and (iv) the school revolving renovation fund water infiltration project at Reeds Brook Middle School?

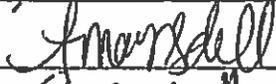
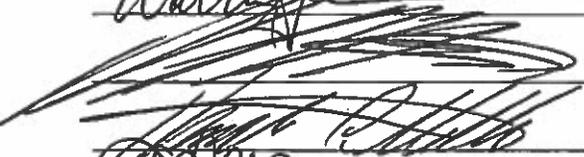
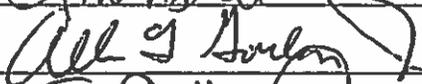
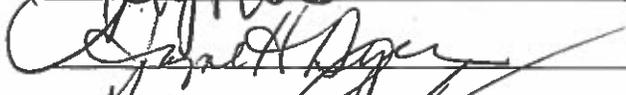
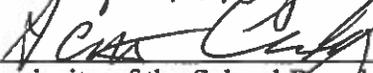
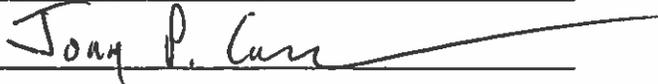
ARTICLE 19 AUTHORIZES A TRANSFER TO AND EXPENDITURE FROM THE SCHOOL ATHLETIC FACILITY CAPITAL RESERVE FUND

ARTICLE 19: In addition to amounts authorized under Articles 1 through 18, shall the School Board be authorized to transfer up to 50% of gate receipts from RSU athletic events during the 2017-2018 fiscal year to the School Athletic Facility Capital Reserve Fund and to expend these funds from said reserve fund for the purpose of maintaining the RSU's multi-purpose athletic field and maintaining other Regional School Unit athletic facilities?

ARTICLE 20 AUTHORIZES THE DISPOSITION OF ANY ADDITIONAL STATE SUBSIDY RECEIVED

ARTICLE 20: In the event that the Regional School Unit receives more state education subsidy than the amount included in its budget, shall the School Board be authorized to use all or part of the additional state subsidy to increase expenditures for school purposes in cost center categories approved by the School Board, and/or decrease the local cost share expectation, as defined in Title 20-A, section 15671-A(1)(B), for local property taxpayers for funding public education as approved by the School Board?

Given under our hand this day, May 17, 2017 at Hampden, Maine.

A majority of the School Board of Regional School Unit No. 22

A true copy of the Warrant, attest:


David Greenier, Resident
Regional School Unit No. 22

HAMPDEN, ME 04444
 POSTAL CUSTOMER

ECRWSS

PERMIT NO. 201
 HAMPDEN, ME
PAID
 US POSTAGE
 PRESORT STD

TOWN OF HAMPDEN
 106 WESTERN AVENUE
 HAMPDEN, ME 04444

Upcoming Dates on the Local Budget and Election Calendar

Monday, June 5 at 6 PM	Town Budget Workshop	Municipal Building
Tuesday, June 6 at 6 PM	RSU-22 Budget Public Forum	Hampden Academy Library
Wednesday, June 7 at 7 PM	Town Council Meeting (Town Budget referral to public hearing)	Municipal Building
Thursday, June 8 at 7 PM	RSU-22 Budget Meeting (*** Public voting in "Town Meeting" format on amounts in School Budget ***)	Hampden Academy Gym
Tuesday, June 13, 8AM-8 PM	RSU-22 Budget Validation Referendum (Public "yes or no" ballot voting on School Budget)	Public Safety Building
Monday, June 19 at 7 PM	Town Council Budget Public Hearing	Municipal Building

More details inside and at www.hampdenmaine.gov/budget

Town of Hampden
 106 Western Avenue
 Hampden, Maine 04444



Phone: (207) 862-3034
Fax: (207) 862-5067
Email:
 townmanager@hampdenmaine.gov

TO: Hampden Taxpayers
 FROM: Angus Jennings, Town Manager
 RE: Fiscal Year 2018 Budget

This is a special mailing sent on behalf of Hampden's Town Council, intended to inform residents of key budget topics, and meeting dates remaining in the FY18 budget calendar.

There are three major ingredients of the Town budget – Town services, School (RSU-22), and Penobscot County. The Town and School budgets offer the greatest opportunities for local residents and taxpayers to get involved and voice your opinions. There is a brief discussion on the following page about some of the top issues under consideration.

The Town Council recognizes the challenges of providing an excellent public education and quality local services while limiting the cost impact on local tax payers. Unfortunately, this inherent tension is greater this budget cycle due to two State policy factors:

Municipal Revenue Sharing still less than half of historical levels. As recently as 2010, Hampden received \$800,000 per year from the State of Maine through Municipal Revenue Sharing. Every dollar offsets the need to raise revenues through local taxation. While Revenue Sharing is gradually increasing from its low of \$300,000 in 2014, it is still less than half of historical levels. This has shifted more of the cost burden for local services and programs to Hampden property tax payers.

Major Uncertainty Regarding State Aid to Education. In a typical budget cycle, by around March the School Board learns how much State Aid it will receive in the next budget year. This year, very late in the budget cycle, this amount is still not known. The proposed RSU-22 budget relies on the best available projection – a reduction of \$115,000 – but this amount is not certain. A key question has emerged: if more State Aid is received than is currently projected, how will it be used? More on this below.

The Town receives additional local revenues each year as a result of new Assessed Valuation within the community, which generates additional property tax revenue that offsets some amount of growth in expenses. The annual increase in valuation in Hampden has averaged \$10.8 million over the past 8 years, which at the current mil rate would generate about \$200,000 in new property taxes.

The proposed RSU-22 budget alone would increase Hampden costs by \$257,000. Holding all other costs and revenues equal, the Town's valuation would need to increase by more than \$14 million in order to absorb this increase. This level of growth is well above historical averages and is not expected. (And, other costs are also rising). This will require the Town Council to either cut Town services, deplete one-time reserves, or raise the mil rate.

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The Town Council understands the impact that even a small increase in the mil rate can have on Hampden residents – particularly those living on fixed incomes.

For that reason, Town officials called upon the School Board to hold any local budget increase to less than 3%. The proposed School budget increase is 2.54% overall but, due to projected reductions in State Aid to Education, the increase to Hampden taxpayers would be 4.1%.

Because of the uncertainty regarding how much State Aid to Education will be received, the Town Councils in Hampden and Winterport also called upon the School Board to require that – if more State Aid to Education is received than is projected – excess funds would go directly to offset local property taxes.

The School Board instead voted to preserve the option to spend more than is budgeted for certain School “Cost Centers” in its FY18 Budget, or to offset local property taxes. The Board’s vote, although modified from an earlier vote, fell short of the Council’s request.

For this reason the Town Councils in both Hampden and Winterport voted recently to withhold their support for the proposed FY18 RSU-22 Budget.

At the June 8 School Budget Meeting, held in a “Town Meeting” format, each of the articles that make up the School Budget will be reviewed, debated, and acted upon by those registered voters who are present. Proposed articles may also be amended – which could either reduce or increase funding – by majority vote of the voters who are present.

The June 8 meeting is your best opportunity to be heard regarding the School Budget (which represents about 55% of the total property tax funded budget). Last year, out of 5,880 registered and enrolled voters in Hampden, **only 32 registered voters attended the School Budget Meeting.**

The Town Council urges Hampden residents to attend the RSU-22 Budget Meeting on June 8 at 7 PM in order to participate in the School Budget process prior to ballot voting at the School Budget Referendum on June 13. The June 13 ballot offers a simple “yes” or “no” vote – the June 8 meeting offers the opportunity to debate the details of the budget.

There are also still opportunities to make your voice heard regarding the Town Budget. Major items under consideration include potential staffing increases in Public Works, Public Safety, and Recreation; as well as many infrastructure needs.

After six budget workshops and a sewer rate hearing in May, the Town Council will hold a final budget workshop on Monday, June 5 at 6 PM to conduct a top-to-bottom review of the draft budget. On Wednesday, June 7 at 7 PM the Council will refer the proposed FY18 Town Budget to public hearing, which will take place on Monday, June 19 at 7 PM.

www.hampdenmaine.gov/budget

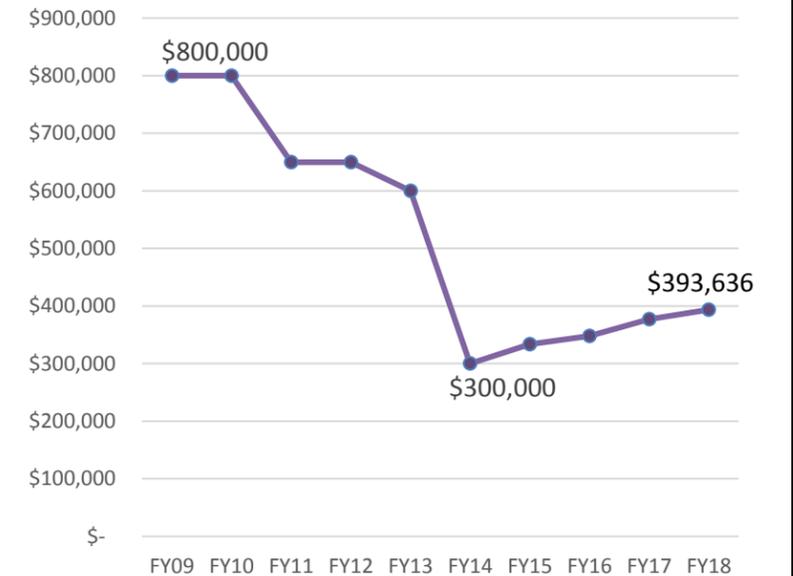
Trend: Reduced State Funding

In 1971, the State enacted Municipal Revenue Sharing. The municipal use of revenue sharing has been used by law for a single purpose, which is to reduce the property tax rate.

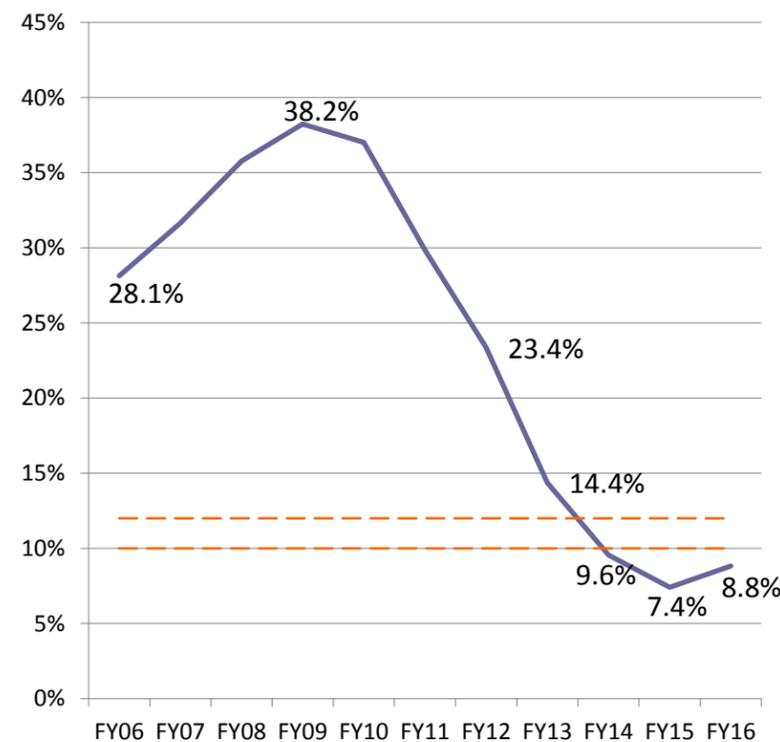
The State fully funded Revenue Sharing for more than 3 decades. Unfortunately, since 2010 “the Legislature has been taking revenue sharing funds to pay for state spending priorities as an ever-growing matter of course.” (Maine Municipal Association)

Reductions in Maine Municipal Revenue Sharing to Hampden have shifted more of the cost burden to local property taxes.

Maine Municipal Revenue Sharing to Hampden, FY09 to FY18



Hampden Unassigned Fund Balance as Percent of Annual Costs, FY09 to FY16



Source: Town of Hampden Audits.

Hampden: Drawing from Fund Balance to Offset Local Property Tax Burden

Due primarily to reductions in State funding, combined with significant School budget increases in 2014 and 2015, Hampden drew more than \$4 million from Fund Balance and financial reserves over the past ten years in order to balance the budget while keeping taxes stable.

This provided some property tax relief during those years, but substantially depleted the Town’s financial reserves. Fund Balance is recommended to be at 10-12% of annual expenses in order to allow the Town to pay its bills year-round without need to borrow. Hampden fell below this level in 2014.

For that reason, the current year (FY17) budget did not rely on any draw from Fund Balance. And, FY16 closed out well with the first increase in Fund Balance in nearly a decade.

However, due to rising costs, the Town Council is again considering a draw from Fund Balance for FY18 as one of several not great options.

Calculating the State's Share of the Total Cost of K-12 Education

Appropriators Divided on Methodology

On Tuesday, the members of the Appropriations and Financial Affairs Committee emerged from negotiations to cast straw votes on several noncontroversial elements of Governor LePage's proposed FY 2018 – 2019 General Fund biennial budget. Of particular interest to municipal officials was not the 50-plus initiatives unanimously moved in or out of the Appropriations Committee's version of the two-year budget, but rather the subsequent discussion on how to appropriately calculate the state's share of K-12 public education expenditures.

As hard as it may be to believe after the last 33 years, there remains a concerted push on the part of some legislators, in this case the Republicans on the Appropriations Committee, to redefine the 55% state-share standard in a way that is entirely repugnant to the 55% requirement adopted in express detail no fewer than three times since 1984. The 55% standard has been clearly articulated twice by the Legislature, in 1984 and 2005, and once by an explicit directive from the voters in 2004.

If you can't escape from the voters' simple demand that 55% of the cost of K-12 education be covered by the state's broad-based tax revenue rather than regressive local property taxes, there's a back-up strategy in Augusta. Simply redefine the cost of K-12 education so that it includes a bunch of state financial obligations that are unrelated to the real-life costs associated with providing education to Maine's 180,000 K-12 public school students.

Voila! Without having to expend any

effort, the state's 55% financial obligation is magically achieved.

The key to this sleight of hand is the Unfunded Actuarial Liability in the Maine Public Employees Retirement System (MEPERS). Referred to as the UAL, the state's unfunded actuarial liability has virtually nothing to do with educating the state's public school students. It has everything to do, instead, with the Legislature's practice in the 1980s and early 1990s of chronically underfunding the MEPERS system, which covers both state employees and school

teachers. As a result of that systemic underfunding, the Legislature is now obliged to pay-down the UAL, which for the teachers' side of MEPERS is about \$130 million each year.

As the Appropriations Committee members discussed the issue on Tuesday, it would appear that the Republican committee members believe the UAL expenditure should be somehow recognized as part of the state's obligation to pay for K-12 education. This recognition would either allow the state to not fully

(continued on page 2)

LD 848 PTSD Mandate Acknowledged

The Labor, Commerce, Research and Economic Development Committee on Tuesday voted unanimously among the members present to include the legally-required "mandate preamble" on LD 848, *An Act To Support Law Enforcement Officers and First Responders Diagnosed with Post-traumatic Stress Disorder*. The legislation will add a new "rebuttable presumption" to workers' compensation law that when a law enforcement officer, firefighter, or emergency medical services worker is diagnosed by a licensed physician or psychologist as having post-traumatic stress disorder (PTSD), the PTSD would be presumed to be a work related injury and, therefore compensable.

After tabling the question in several work sessions held since the bill's public hearing on March 23, this week the committee ultimately recognized the need

to acknowledge the legislation, which promises significant new costs for local governments statewide, as an unfunded state mandate on municipalities.

Despite its designation as a significant unfunded mandate, LD 848 stands a fairly good chance of garnering enough votes in the House and Senate to be enacted. The reason is that the bill will be presented to the full Legislature with a unanimous "ought to pass as amended" recommendation. This unanimous recommendation marks a first for this committee; previous votes on proposals to create a new Workers' Compensation presumption against municipal employers have been divided.

That is not the only "first" presented by this bill. If LD 848 becomes law, Maine's municipalities will become the first local governments in the nation to be subjected to this new presumption.

cover 55% of the Essential Programs and Services school funding model or, in the alternative, actually force the state's UAL payment into the EPS model. Doing so would make the municipalities pay for roughly half, or \$65 million, of the state government's financial liabilities in the name of public education.

During the Appropriations Committee's discussion on the subject matter, Senator Roger Katz (Kennebec Cty.) explained that to exclude the UAL from the calculation of state's 55% share of school expenditures is akin to changing the rules in the midst of the game. Since 2011, according to Sen. Katz, the Legislature has installed into statute a definition of the cost of K-12 education that includes "state contributions to teacher retirement, retired teachers' health insurance and retired teachers' life insurance." Sen. Katz believes this definition includes not only the "normal" costs of teacher benefits, but also a \$130 million expenditure that is completely unrelated to the cost associated with delivering educational services to Maine students. From Sen. Katz's perspective, if members of the Legislature believe that those costs should not be included in the

mix, then the law needs to be amended.

In truth, the 2011 statute inaccurately defining the 55% standard should be repealed.

The Democratic committee members, led by Representative Brian Hubbell of Bar Harbor, began to outline their funding proposal, which seeks to invest an additional \$120 million in education funding in FY 2018. While the proponents of this funding approach concede that they may not meet the state funding target next year, the methodology in place remains true to the citizen initiated mandate to fund 55% of the costs directly associated with educating K-12 students. As succinctly summarized by Rep. Hubbell, from the perspective of the Democratic members of the Appropriations Committee, it is better to make strides toward achieving the 55% goal honestly, than to achieve the goal by manipulating the definition of 55% in the state's favor.

Representative John Martin of Eagle Lake observed that it was somewhat nonsensical to focus on the issue of 55%, because through the adoption of the 2016 citizen initiative that target became irrelevant. Rep. Martin believes

that Maine's voters have directed the state to increase the previous year's appropriation for K-12 education by the amount raised through the assessment of the 3% surcharge on any portion of taxable income that exceeds \$200,000, yielding roughly \$150 million annually. If that figure achieves an outcome that is less than, greater than or equal to 55% of the cost of K-12 education, regardless of the factors used in the calculation, then so be it.

While municipal officials agree that the voters of Maine have directed the state to invest an additional \$150 million annually in K-12 education funding, they believe it remains necessary for the state to continue to work on its goal to fund at least 55% of the cost of providing K-12 educational services; that is, at least 55% of Essential Programs and Services school funding model. If the Legislature is allowed to redefine the 55% target as it pleases, the entire effort becomes meaningless. Sooner or later, the Legislature could redefine the 55% standard to shift additional burdens onto the property taxpayers rather than compel the state to appropriately fund public education.

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IN THE HOPPER

(The bill summaries are written by MMA staff and are not necessarily the bill's summary statement or an excerpt from that summary statement. During the course of the legislative session, many more bills of municipal interest will be printed than there is space in the *Legislative Bulletin* to describe. Our attempt is to provide a description of what would appear to be the bills of most significance to local government, but we would advise municipal officials to also review the comprehensive list of LDs of municipal interest that can be found on MMA's website, www.memun.org.)

Taxation

LD 1629 – An Act To Protect the Elderly from Tax Lien Foreclosures. (Governor's Bill) (Sponsored by Rep. Espling of New Gloucester.)

This bill amends the law governing the property tax lien mortgage system as it applies to property owners 65 years of age or older. For those property owners, a pre-foreclosure process is established to commence at least 90 days before foreclosure. Under that process, the municipality must contact the owner of the property and assist the owner in applying for a poverty tax abatement. With respect to any property tax obligations not forgiven through the abatement process, the municipality must offer the owner a reasonable repayment schedule. If the owner does not agree to the repayment schedule, the municipality must engage a qualified mediator to negotiate a reasonable payment schedule, with 50% of the mediator's fee being added to the value captured by the tax lien. If an installment repayment plan is established, and the property owner becomes more than 30 days delinquent on that plan, the municipality may issue a demand for the balance of the tax obligation to be paid within 14 days. If during the pre-foreclosure process a municipal official or employee has a reasonable suspicion that the property owner has a physical or mental condition that interferes with the owner's ability to have business dealings with the municipality, the municipality must notify the Department of Health and Human Services.

The bill also provides special foreclosure and sale provisions for any property owner 65 years of age or older after a foreclosure occurs. If such an owner is living in the property and the property is the owner's sole residence, the municipality is prohibited from selling the foreclosed property until the value of the municipal lien exceeds 50% of the assessed value of the property. The owner must be provided a right to purchase back the property prior to any sale. The sale of the property must be accomplished by an independent licensed broker, conducted in a commercially reasonable manner, and the property may not be sold for less than its municipal assessed value unless the municipality can demonstrate through an independent appraisal that the value of the property has deteriorated since the most recent tax assessment. Neither the municipality nor any purchaser of the property from the municipality may take any action to remove the former owner from the foreclosed property until after a sale of the property. All proceeds from the sale of the property in excess of the tax owed, interest and allowable fees must be refunded to the former owner.

Veterans & Legal Affairs

LD 1624 – Resolution, Proposing an Amendment to the Constitution of Maine To Implement Ranked-choice Voting. (Sponsored by Sen. Breen of Cumberland Cty; additional cosponsors.)

A 2017 Maine Supreme Judicial Court ruling found that the citizen initiated law providing for the rank-choice election of the offices of Governor, State Senator and State Representative to be unconstitutional. This resolution proposes to amend Maine's Constitution to allow the Governor and members of the Maine Legislature to be elected by majority, rather than plurality, vote. If supported by at least two-thirds of the current members of the House and Senate, on November 7, 2017 voters of Maine will be asked to vote on the proposed constitutional amendment.

LD 1625 – An Act To Repeal the Ranked-choice Voting Law. (Sponsored by Sen. Mason of Androscoggin Cty; additional cosponsors.)

A 2017 Maine Supreme Judicial Court ruling found that the citizen initiated law providing for the rank-choice election of the offices of Governor, State Senator and State Representative to be unconstitutional. This bill repeals the citizen initiated law.