February 6, 2015

Re: Proposed State General Fund Budget FY16-FY17

Dear Senator Hamper, Representative Rotundo and distinguished members of the Joint Standing Committee on Appropriations and Financial Services.

I am Ken Fletcher of Winslow, Maine and serve on the Winslow Town Council. I appreciate the opportunity to provide input about the importance of restoring Municipal Revenue Sharing and preserving the Homestead Exemption for Winslow property taxpayers.

Winslow is a community of about 7800 people with 3,160 residences of which 76% are owner-occupied. The residential valuation comprises 70% of the total tax base of $602 million.

Through tight control of municipal and education expenditures, Winslow has had a stable mill rate of $15.50/1000 for the past 7 years. Our FY 15 combined municipal and education budget is actually $170,402 less per year than the FY 09 budget. During this same period, Revenue Sharing has decreased from $942,921 in FY 09 to $363,489 in FY 15.

In addition, the local education budget was required to absorb $200,000 more per year as a greater portion of teacher's retirement was shifted to the local level. In FY 09, Winslow property taxpayers contributed $5.52 million as the Local Share of Education. In FY 15, the Local Share is $6.26 million.

Winslow has been able to fund the increased Local Share of Education and compensate for the loss in Revenue Sharing up until now because we have experienced Taxable Valuation growth of about 2 % per year while reducing expenses through the elimination of positions, sharing a Fire Chief with Waterville, modifying our employee health insurance program, sharing the expense of public works equipment with neighboring towns and delaying capital projects as well increasing the use of the Town Fund Balance.

The continued reduction and elimination of Revenue Sharing will result in a property tax increase. Even with our 2% annual growth in Taxable Valuation (~ $200,000 per year in increase property tax revenue) and continued expenditure control, losing ~$940,000 in Revenue Sharing equates to a $1.5/1000 mill rate increase. For the average Winslow homeowner, their property tax bill will increase by $197 per year. This will be a significant burden for the ~900 Winslow households owned by residents 65 and above. Raising property taxes on retired people on a fixed income is simply making it more difficult for them to stay in their homes.

It has been suggested that the municipalities can easily compensate for the elimination of Revenue Sharing by 'tightening the belts". In theory, to offset the ~$940,000 loss in revenue sharing, we would need to cease all the Public Works activities including repairing roads and infrastructure but since our total Public Works budget is $744,000 we would have to look else where. Still short of the $940,000 funding gap, we would then need to cut our Police Dept. which has a total budget of $669,000 or our Fire Dept. which has a total budget of $510,000. Of course we could simply not pay our County tax which is $602,218. Aside from the fact that Winslow does not have the ability to elect not to fund county government as expected, cost shifting to other county taxpayers is not a real savings to the people of Maine. Winslow does not have large non-profits to tax to compensate for the loss of Revenue Sharing.

While the proposed increase in Homestead Exemption for those 65 and above would tend to mitigate the Mill Rate increase caused by the elimination of Revenue Sharing, the 65+ retired home owner would still pay more property taxes. The added $10,000 of Homestead Exemption would reduce property taxes by $170 at the new mill rate of $17/1000. But the higher mill rate of $17/1000 caused by Revenue Sharing elimination would raise property taxes for a net increase of $27 per year.

Since the Homestead Exemption is proposed to be eliminated for those homeowners under 65, the ~1290 owner-occupied homeowners will see a significant increase in property taxes. Through the loss of the homestead exemption, their property taxes will increase by $170 at the new mill rate of $17/1000 resulting from the Revenue Sharing elimination plus an average of $197 per year at the new $17/1000 mill rate (total property tax increase of ~$367 per year).

As you know, Maine is already heavily dependent on property taxes as a funding source for government services. It has been reported that property taxes currently comprise 45% of government funding as compared to 24% from sales taxes and 32% from income taxes. The proposed budget has been estimated to increase the property tax burden to 48%, increase the sales tax share to 32% and reduce the income tax share to 20%.

If these estimates are correct, the proposed budget significantly shifts more of the tax burden to Maine people's property taxes including those on a fixed income. It is generally accepted that property taxes are the most regressive of the three primary tax methods. Please do not place more of a burden on Maine homeowners by underfunding Revenue Sharing and eliminating the Homestead Exemption.

Thank you for your consideration.

Sincerely,

Ken Fletcher