

South Portland City Council
Position Paper of the City Manager

Subject:

RESOLVE #3-12/13 – Expressing opposition to the proposed State of Maine biennium budget. Passage requires majority vote.

Position:

The City Council is asked to adopt the proposed Resolve to go on record as opposing the Governor's proposed state budget; as such a reduction will be of significant impacts to South Portland and communities around the State of Maine.

I presented the impacts to the City Council during its joint budget workshop with the School Board on January 23rd. Please refer to the Resolve for specific information.

Requested Action:

Council passage of RESOLVE #3-12/13.


City Manager



CITY OF SOUTH PORTLAND

THOMAS E. BLAKE
Mayor

JAMES H. GAILEY
City Manager

SUSAN M. MOONEY
City Clerk

SALLY J. DAGGETT
Jensen Baird Gardner & Henry

IN CITY COUNCIL

RESOLVE #3-12/13

District One
THOMAS S. COWARD

District Two
PATRICIA A. SMITH

District Three
MELISSA E. LINSKOTT

District Four
LINDA C. COHEN

District Five
GERARD A. JALBERT

At Large
ALAN R. LIVINGSTON

At Large
THOMAS E. BLAKE

RESOLVE, Expressing the Opposition of the City Council of the City of South Portland to Proposals to Shift the Burden off Funding State Government to the Property Tax and Property Tax Payer.

WHEREAS, the State Administration has submitted a proposed budget for the coming biennium that will dramatically shift the burden of funding state government to the property tax by eliminating or significantly modifying long-standing property tax relief programs; and

WHEREAS, the proposal to suspend municipal revenue sharing would result in a \$1.8 million revenue loss to the City of South Portland, representing 6.4% of the City's general fund operating budget and \$0.53 on the property tax rate; and

WHEREAS, the proposal to redirect the excise tax on tractor trailers will reduce the City's revenues by an additional \$424,540 or \$0.13 cents on the tax rate; and

WHEREAS, eliminating the homestead exemption in FY 15 for those under 65 will increase taxes for no longer qualifying residents by \$165 on the net median home value in that year if the City's tax rate remains unchanged, representing a tax increase of over 5.41% for most of those losing the exemption; and

WHEREAS, low and moderate income residents under the age of 65 who now qualify for the state property tax circuit breaker program will no longer qualify for it in the coming budget year; and

WHEREAS, starting in the second year of the biennium, the business equipment tax reimbursement program (BETR), under which businesses are fully reimbursed for property taxes paid on certain business equipment, will be eliminated with most qualifying property transferred to the business equipment tax exemption program (BETE). Under this program, the City will be reimbursed by the State for 60% of the taxes due, reducing City revenues by an estimated \$761,807 in FY 15, or \$.023 cents on the tax rate; and

WHEREAS, the elimination of the business equipment tax reimbursement (BETR) and the modification to the business equipment tax exemption (BETE) will have a significant impact on the City's commercial taxpayers, many of whom make-up the economic engine for the State of Maine, providing jobs and good paying salaries and benefits. The elimination of the BETR program will adversely impact the retail sector, a sector who will not qualify under the BETE program. Additionally, all businesses within the BETR program will experience an 18 month void in State reimbursement until those businesses qualify for BETE program funds; and

WHEREAS, if enacted, these changes will reduce City revenues by at least \$2,034,460 in FY 14 and \$2,796,267 in FY 15, excluding certain impacts on the school budget; and

WHEREAS, to replace these revenues through property taxation, the City's tax rate would have to increase by approximately \$0.60 in FY 14 and an additional \$0.23 in FY 15 before considering any other expenditure increases that may be required; and

WHEREAS, alternatively, reducing expenditures by this amount would require eliminating general fund expenditures and dramatically reducing community services and staffing over and above the reductions that have been implemented since 2007; and

WHEREAS, further staffing and expenditure reductions of this magnitude would undermine the City's ability to provide local public services; and

WHEREAS, even a balance between tax increases and spending cuts would result in much higher property taxes in return for services that would no longer meet resident expectations or needs.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SOUTH PORTLAND, that the City Council hereby expresses its strong opposition to provisions included in the recently proposed state budget that would significantly shift the burden of funding state government to the property tax and property taxpayer. These proposals will dramatically increase property taxes in South Portland, taxes which often are unrelated to the ability of property owners to pay, and will require spending reductions which will call into question our ability to protect the health and welfare of our community and provide our residents with government services.

BE IT FURTHER RESOLVED, that the City Clerk is directed to provide copies of this RESOLVE to the members of the Legislature representing the City of South Portland, members of the Appropriations and Taxation Committees, the Governor, the Speaker of the House, the President of the Senate and the Legislative leadership.

Fiscal Note: Less than \$1,000

Dated: February 4, 2013