



TABOR II

What is TABOR?

How does it work?

Why was it proposed?

What's the impact on Falmouth?

Ballot Question #4

“Do you want to change the existing formulas that **limit state and local government spending and require voter approval by referendum** for spending **over** those limits and for increases in state taxes?”

What is TABOR?

- TABOR is an acronym for the “Taxpayer Bill of Rights”
- TABOR is a legislative proposal to cap spending & taxes
- In 2006, TABOR lost
 - statewide: 46% to 54%
 - Falmouth: 48% to 52%

What does TABOR II do?

TABOR II would impose a new statutory formula, placing limits on increases for state **taxes** and **spending** for the general fund, highway fund and special revenue funds and require voter approval to exceed the limitations

Currently, LD 1 restricts spending **only** in the general fund for state spending but not for the Highway Fund or “Other Special Revenue Funds”

Formula to limit spending

Current: 10 year average growth in average personal income + 10 year average population growth

2.28% avg personal income (1998-2008)
0.57% avg population growth (1998-2008)
2.87% spending cap on general fund

Proposed: 3 year average population growth
+ prior year's rate of inflation

.001% avg population growth (2006-2008)
3.8% prior year inflation (2008)
3.81% spending cap on all state spending

Why has this question been initiated?

Control.

Proponents have lost faith in the ability or the will of elected officials to control taxes and spending relative to Maine's economy and people's ability to pay.

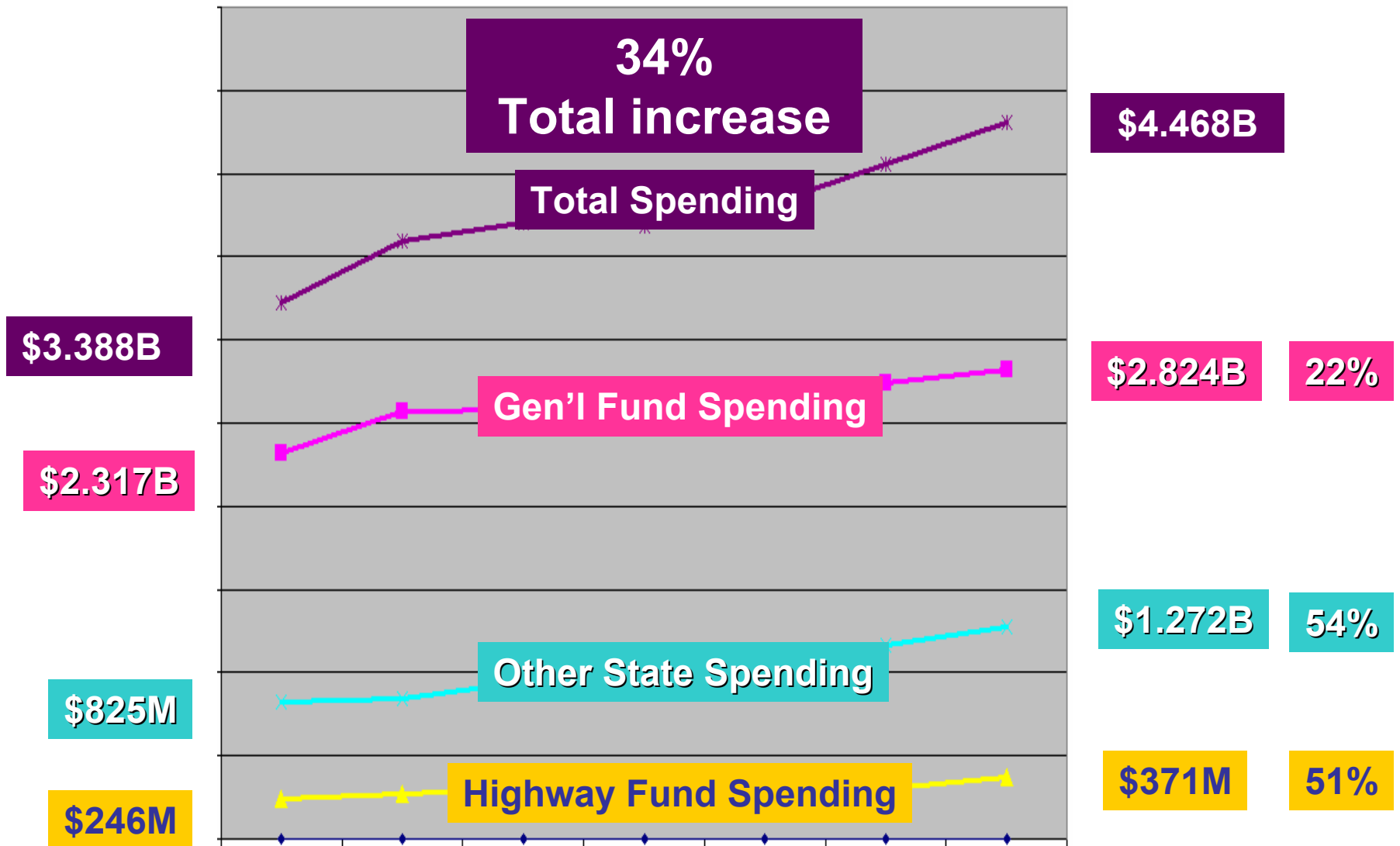
They want people to vote on tax and spending increases that exceed a formulaic cap.

Why has this question been initiated?

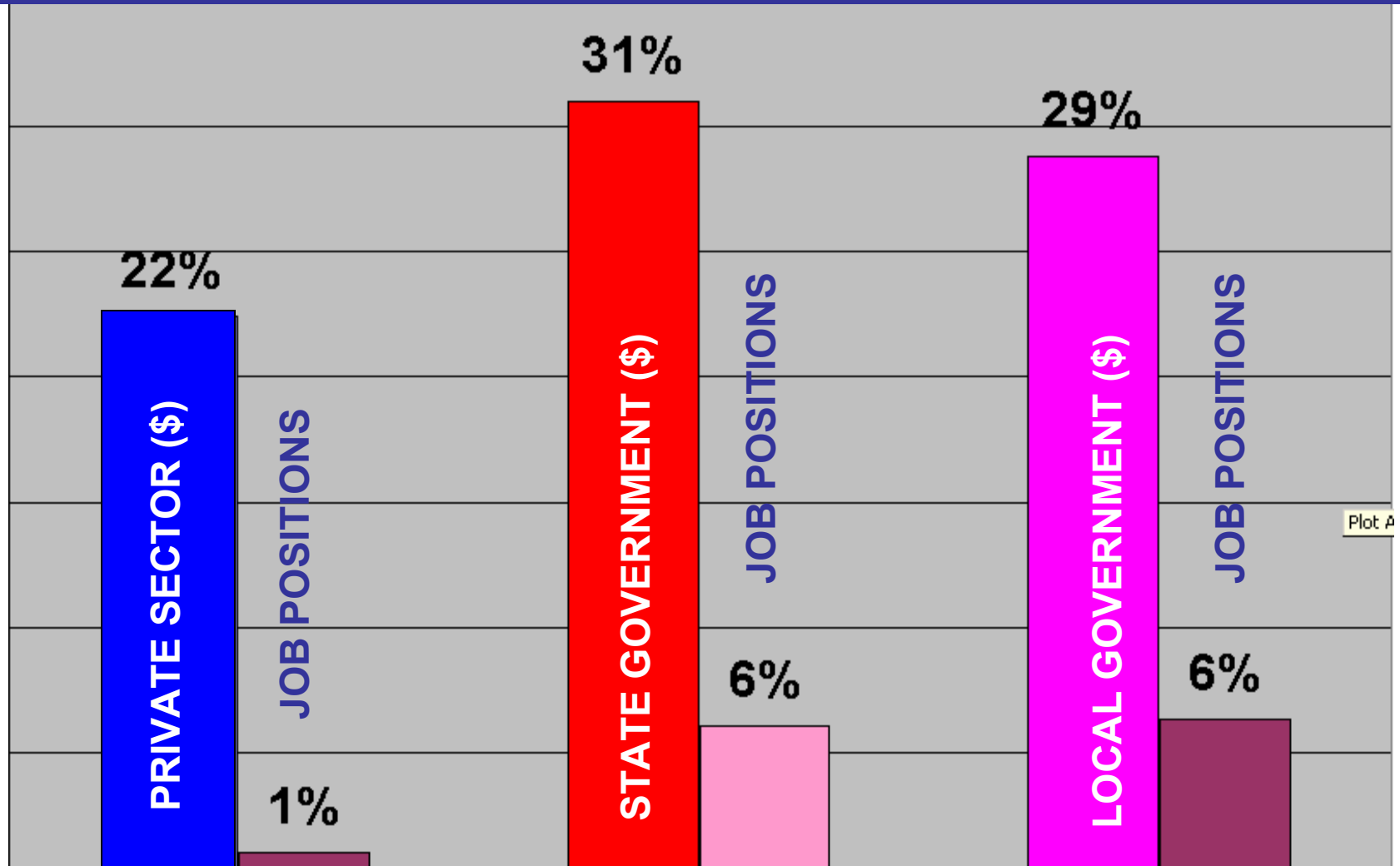
Opponents of TABOR II believe remedies currently exist to control spending either through elected officials or by local option referendum.

They also believe that TABOR II will be more volatile than the current LD 1 spending cap and expensive to administer.

State Revenue Spending 2000 - 2006



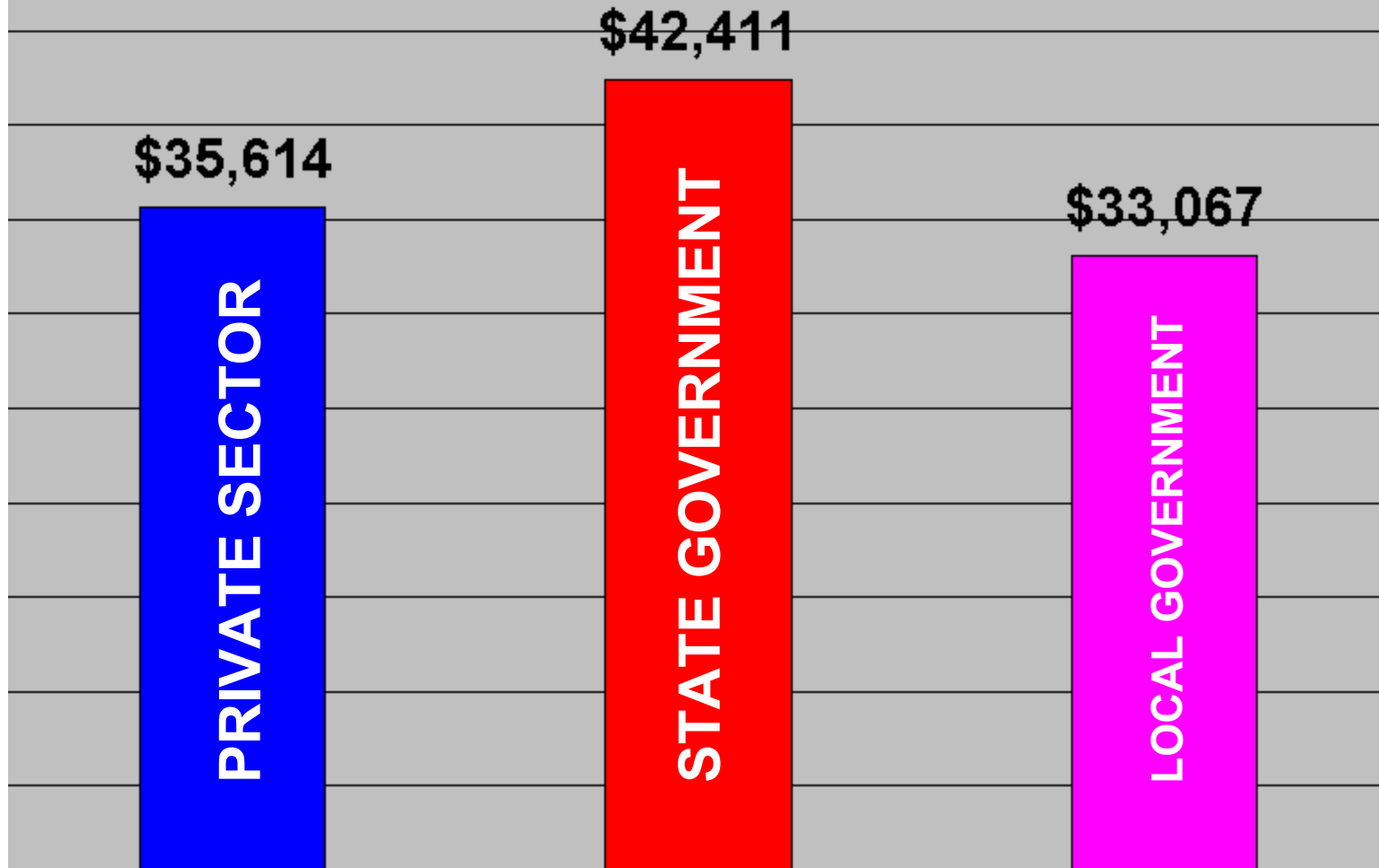
Change in Maine total wages & positions 2000-2006



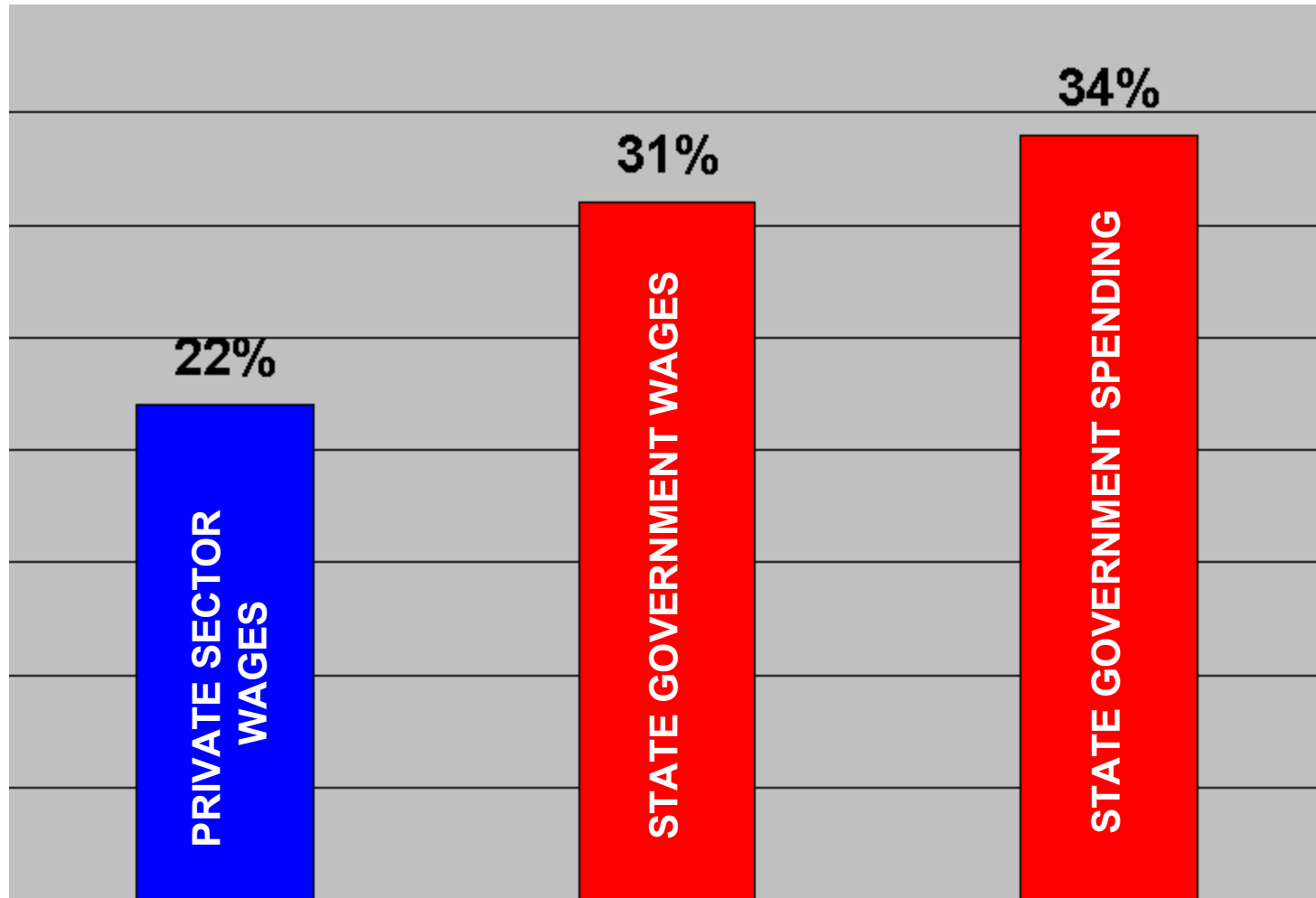
Source: Maine DOL (<http://www.maine.gov/labor/lmis/data/qcew/QCEW-Maine-2006.xls>)

Average Maine wages 2006

Source: Maine DOL



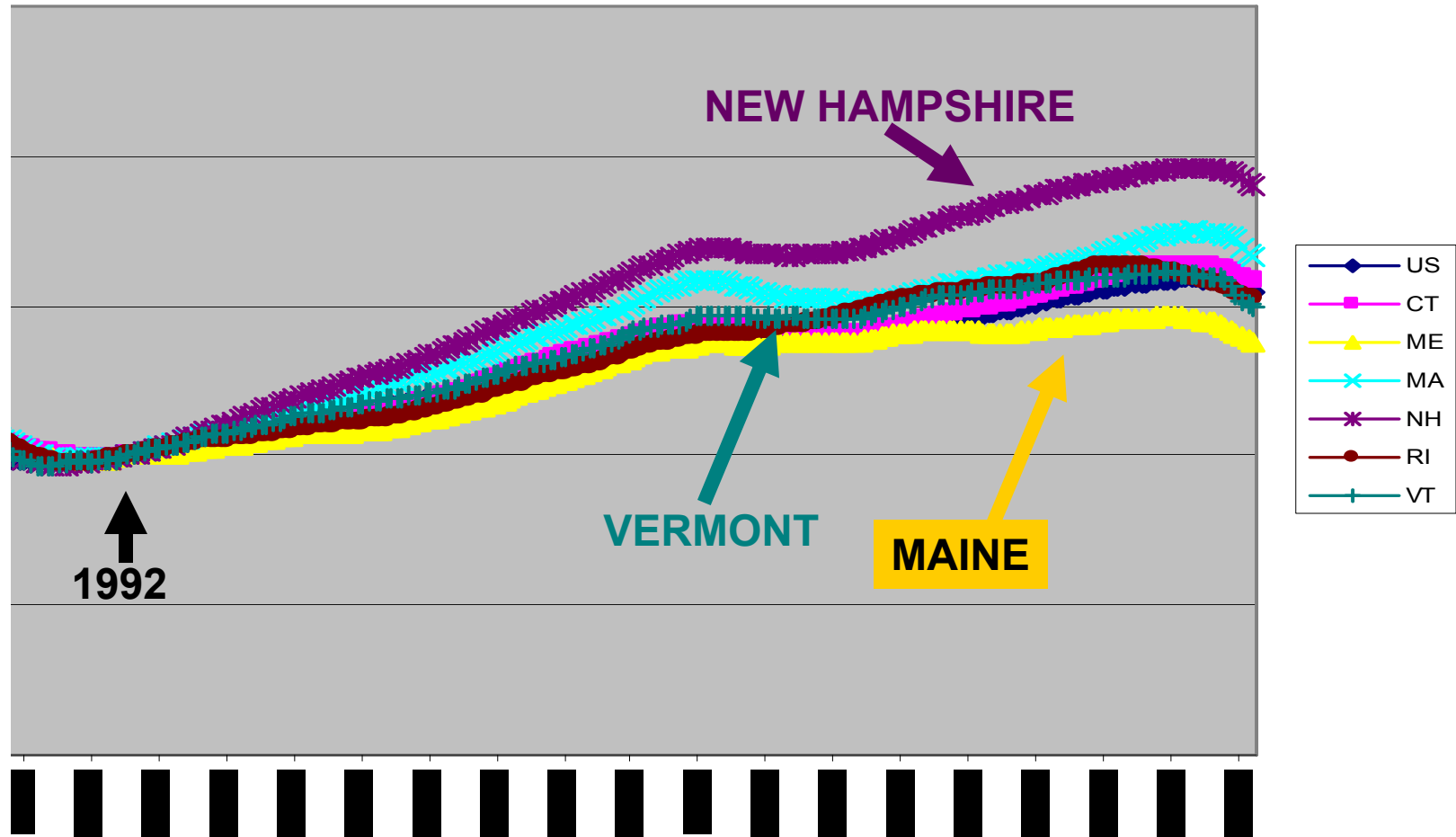
Change in Maine Wages & Spending 2000-2006



Source: Maine DOL / OF&PR

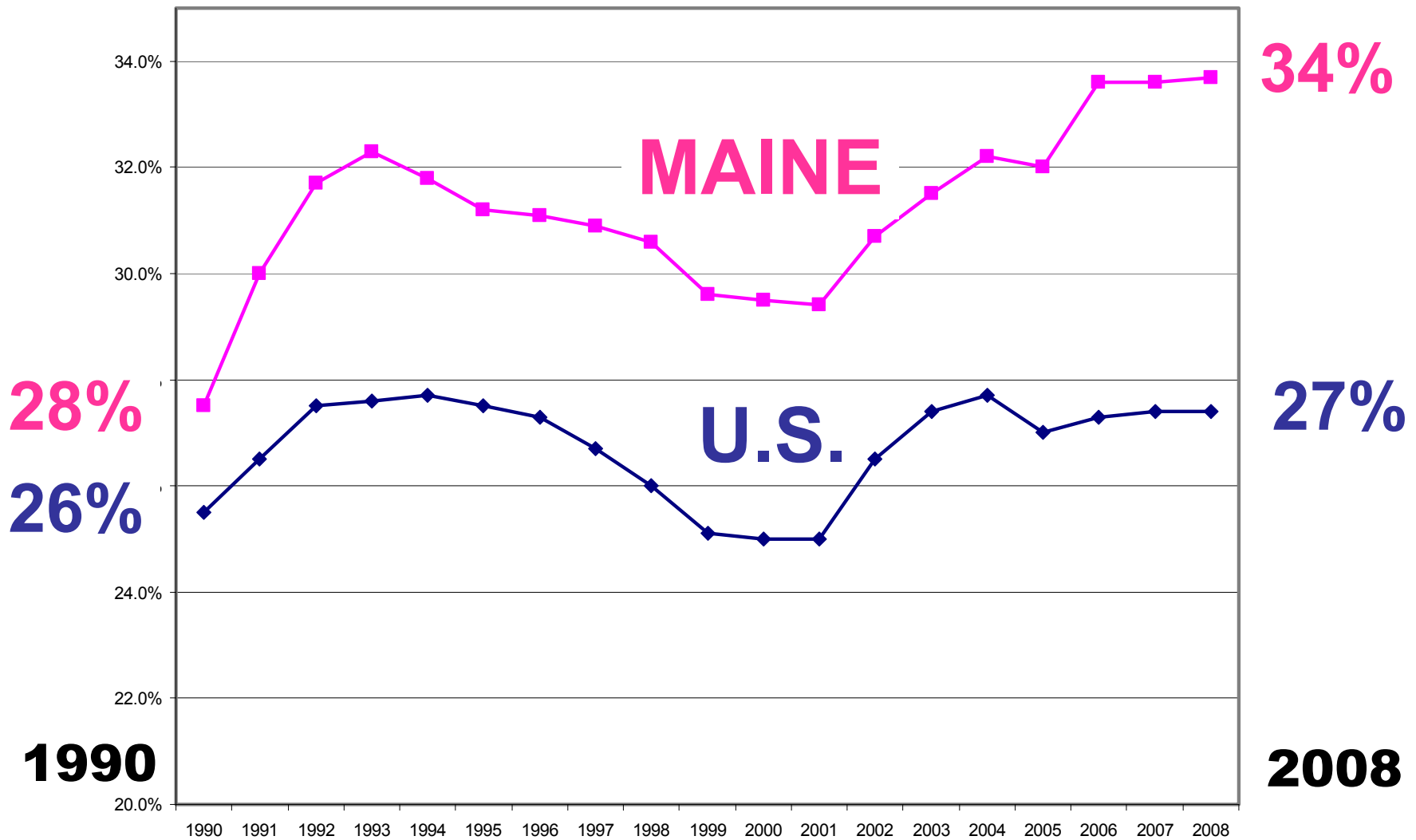
Economic Activity Index 1992 - 2008

Federal Reserve Bank of Philadelphia



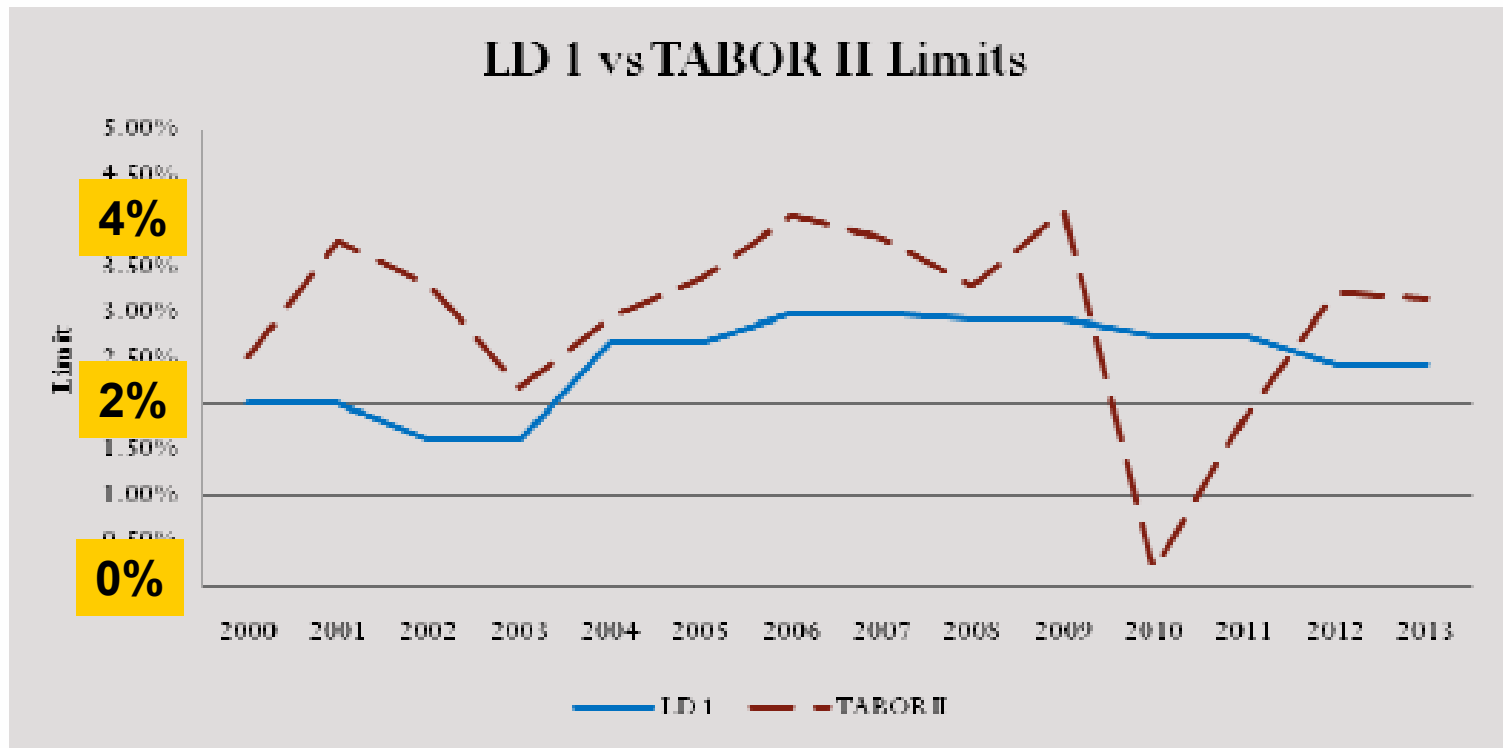
Calibrated to trend at each state's pace of growth in real gross state product relative to July 1992 levels, the state indexes are derived from total non-farm employment, unemployment rates, average hours worked in manufacturing, and wage and salary disbursements.

Public sector share of personal income



Impact of TABOR II

The TABOR II limits are more volatile and, in the case of the state government, often times more generous than the existing LD1 limits (Source: OF&PR, MMA)



Source: OFPR

Highway Funding

- Requires annual voter approval for an increase in motor fuel taxes that currently are automatically indexed

Special Revenue Funds

Sample of 700 Special Revenue Funds

- Maine Outdoor Heritage Fund
- Maine Black Bear Scholarship Fund
- Maine Dairy Farm Stabilization Fund
- Snowmobile Trail and Trail Grooming Equipment Fund
- Saco River Corridor Commission
- Eel and Elver Management Fund

Note: Not all funds are completely dedicated to the named activity. Many share revenue with the General Fund.

Use of fund balances

Current (LD 1): Legislature can “bank” any funds below the spending cap for future authorized spending

- \$221 million currently “banked”

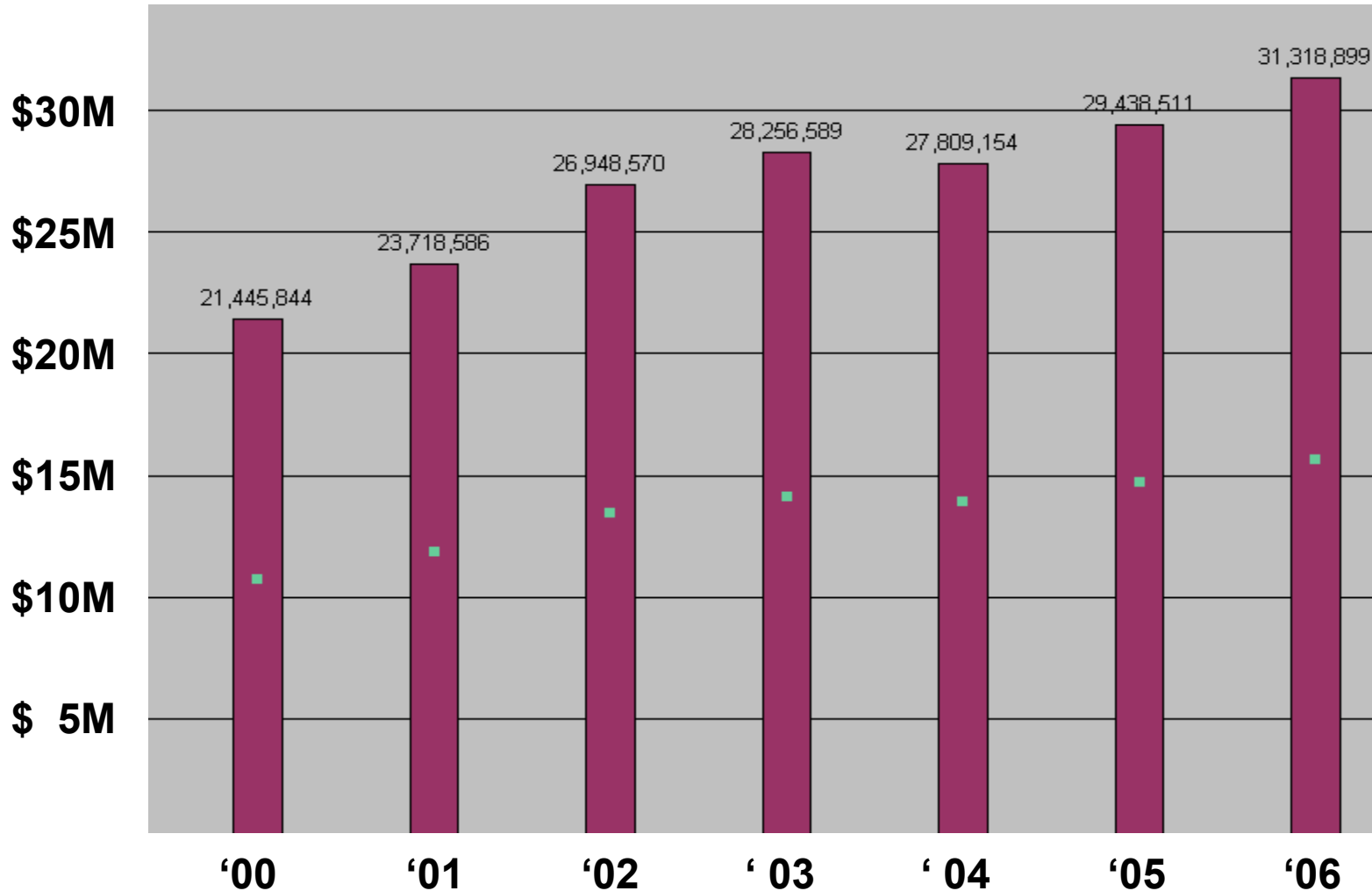
Proposed (TABORII): “use it or lose it”

- 20% of balance sent to Maine Budget Stabilization Fund (not to exceed 12% of General Fund)
- 80% of balance sent to Tax Relief Reserve Fund to be disbursed back to taxpayers through reductions in broad-based taxes

Falmouth Municipal Spending

- Remains controlled under LD 1 formula
- Requires voter approval to exceed the spending cap
- Education funding remains subject to the current budget validation referendum **but** is impacted by overall spending decisions made in Augusta

Falmouth Town & School Spending 2000 - 2006



State Revenue for Falmouth 2010

Revenue subject to state decisions

- Aid to Education - \$6,667,662
- Revenue Sharing - \$775,000
- Road/METRO assistance - \$169,784
- Homestead/BETR Reimbursement - \$285,294

To Exceed *Spending* Cap

State:

- Must be approved by a majority in both the House and the Senate and a majority of the voters. Written notice must be delivered to all registered voters (est. \$800K).

County:

- Must be approved by a majority of the budget advisory committee and county commissioners as well as a majority of voters

Municipal:

- Must be approved by a majority of the town council and a majority of voters at a general or special election

To exceed tax cap

TABOR II requires a statewide referendum for any state-level:

- tax rate increase
- tax base expansion
- repeal of any tax exemption that net generates more than 1/100 of 1% of the state's General Fund (approximately \$300,000 a year)

TABOR II Summary

- Requires voter approval for spending above formula-determined caps
- Sets 2010 as the base year for spending
- Triggers a statewide referendum election for revenue increases of as little as 1/100 of 1%
- Caps all state revenue accounts by formula (General Fund, Highway Fund, Other Special Revenue Funds)
- Formulas are less stable than are current LD 1 formulas
- TABOR II can be changed by statute

Questions & Comments

Reduction of the
Excise Tax

TABOR II