

# ***Town of Falmouth***

## Resolution of the Town Council opposing the passage of the proposed State Law seeking to modify current State Law on tax and expenditure limitations on State and Local Government; the Referendum to Reduce the Excise Tax

- Whereas, the current law, LD 1, also imposes expenditure limitations on State Government; and
- Whereas, the purpose of this legislation was to limit state spending and the municipal property tax levy in an effort to reduce the tax burden on our citizens and reduce Maine's national ranking on tax burden; and
- Whereas, since it was adopted, it has achieved its stated purpose, with current State spending and municipal property taxes both below targeted levels; and
- Whereas, the Town of Falmouth's municipal tax commitment for Fiscal Year 2010 is approximately \$700,000 below the state established limit; and
- Whereas, this citizen initiative, also known as TABOR II, will make changes to the current spending and property taxation limits that apply to all levels of government in Maine; and
- Whereas, it will impose growth limits on all state spending, including the State's Highway Fund, where the current law places limits only on the State's General Fund; and
- Whereas, TABOR II will establish Fiscal Year 2010 as the baseline year for all future growth in State spending, a year where both the State General Fund and Highway Fund will experience significant revenue declines; thus, this proposal will lock in State spending at current depressed levels reflecting the impact of the current recession on State revenues; and
- Whereas, current State spending limits, LD 1, are calculated on a cumulative basis allowing the amount spending is below the limit to be carried forward to future years thus allowing some flexibility in State spending and providing an incentive to spend below statutory levels; TABOR II will base the

following year's spending level on that of the current year, thus creating a "use it or lose it incentive;" and

Whereas, The Town of Falmouth receives annually \$8.0 million in state funds. These include the following major state aid programs: Aid to education -- \$6,667,662, Revenue Sharing - \$775,000, Road/Metro assistance - \$169,784, Homestead/BETR Reimbursement - \$285,294; there is the potential that a portion of Falmouth's state aid could be jeopardy, if the State is forced, due to the cap, to choose between differing needs at the state level.

Whereas, TABOR II will require statewide voter approval for virtually all tax increases and expenditure increases above the growth limit, a requirement that entails significant additional state and local election expenditures and additional costs associated with its requirement that certain notices and financial information be mailed to every registered voter in the State at an estimated cost of \$800,000 for each mandated referendum; and

Whereas, at the municipal and county level, TABOR II also mandates referendum voting to approve any budget that exceeds the municipal or count property tax limit; and

Whereas, it also requires municipalities and counties to adopt a uniform budget format as developed by the State Planning Office; and

Whereas, both of these requirements will add cost that must be borne by local government and its citizens; and

Whereas, TABOR II, if approved, will dramatically move state and local government in Maine in the direction of budgeting by referendum, the results of which have become apparent in those States where this has already happened; and

Whereas, it will limit the flexibility of both the State and its local governments to react to changing conditions, community needs, and economic conditions and undermine the authority of elected officials to make budgetary and service decisions based on information and a depth of analysis unlikely to be undertaken by the average voter.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF FALMOUTH THAT

For the following reasons, the Town Council opposes the so-called TABOR II question that will appear on the November ballot and which would significantly modify current limits on State spending and on the municipal property tax levy:

- The spending and levy limits established in current state law have been achieving their stated goal of reducing the tax burden on Maine citizens;
- The requirement that state spending above the spending limit and most tax increases be subject to approval at a statewide referendum will increase both state and local expenses and move toward a system of budgeting by referendum which, as shown by experience elsewhere, is an ineffective way to make budgetary and service level decisions;
- By establishing the current year as the basis from which future state spending increases are to be calculated, state spending, particularly for the highway fund, will be starting from a depressed level reflecting the impact of the current recession;
- Tax policy, budgets, and service levels are best decided through the core processes of representative government where the people elect individuals and charge them with the responsibility of making decisions based on data, analysis, debate, and public opinion while balancing the need for services and expenditures that address the common good with the ability of citizens to pay for such services.

BE IT FURTHER RESOLVED THAT

We urge all citizens to become fully informed on this proposal prior to the November election by becoming familiar with the language of the proposal and reviewing materials provided by those supporting and opposing this measure.

*Signed on October 13, 2009 at Falmouth, Maine*

**FALMOUTH TOWN COUNCIL**

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Cathy Breen, Chair

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*Attest:*

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Ellen Planer, Town Clerk, Town of Falmouth