

SUMMARY OF MAJOR STATE FUNDING DISBURSED TO MUNICIPALITIES AND COUNTIES

This report summarizes the major state funding disbursed to municipalities and counties. These disbursements represent a substantial portion of the State’s budget and significantly affect local government budgets as well. The State’s support of municipal and county functions through these disbursements has a major impact on the amount of local property taxes assessed on Maine taxpayers to support municipal and county government.

This report captures state funds, including bond proceeds, paid directly to municipalities and counties or paid on their behalf for a local governmental purpose. All major direct-disbursement programs/items are reflected, such as General Purpose Aid for Local Schools and State-Municipal Revenue Sharing, as well as certain indirect expenditures, most notably, Teachers’ Retirement, which is paid 100% by the State. Local school units would otherwise make these payments to the retirement system for the “employer share” of teacher retirement costs. The amounts in this report do not include federal funds that pass through state agencies to local units of government and do not reflect any benefit that local units might receive from the sales tax and fuel tax exemptions for local governmental purchases. The summary data in this report do not include amounts the State pays to individuals and businesses as reimbursement for local property taxes. Appendix A summarizes those expenditures separately.

The extent of the State’s financial support of local governments is best illustrated when the data are expressed as a percentage of state revenue (see the graph on page 3). For the fiscal year ending June 30, 2008 (FY 2008), disbursements to municipalities and counties from the General Fund represented 39.4% of total General Fund revenue. This percentage increases to 41.9% if State-Municipal Revenue Sharing expenditures are included as General Fund expenditures and the revenue set aside for revenue sharing is added back to General Fund revenue. When all state disbursements to municipalities and counties, excluding bond expenditures, are compared to total state operating revenue (which, for the purposes of this analysis, excludes all federal funds, enterprise funds, internal services funds, trust funds and bond funds), the State disbursed 32.9% of its operating revenue back to municipalities and counties. The average annual percent increase in these disbursements from FY 1990 to FY 2009 was 3.6%. On an inflation-adjusted basis that upward trend was 0.7% annually.

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