

COMMISSION TO STUDY THE COST OF PROVIDING CERTAIN SERVICES IN THE UNORGANIZED TERRITORIES

EXECUTIVE SUMMARY December 1, 2006

The Commission to Study the Cost of Providing Certain Services in the Unorganized Territories (study commission) was established in 2005 by Resolve 2005, chapter 125 and its mission enlarged in 2006 by PL 2005, chapter 624. The Commission consists of 17 members including 6 legislators, 5 state agency representatives, 2 representatives of county government and 4 unorganized territory landowners representing a range of total landownership. The study commission met 12 times to conduct its work. As a result of the significant workload of the study commission, its original reporting date was extended from December 7, 2005 to December 1, 2006.

The unorganized territories (UT) comprise more than 9.4 million acres of the State of Maine and have a population of approximately 8,000 people. In the absence of any municipal government, “municipal” services in the UT are provided by either state agencies or county governments. The budget process is overseen by the fiscal administrator of the unorganized territory (FAUT), a position in the State Department of Audit. According to statute, the funds necessary to pay for these “municipal” services (called the municipal cost component) are authorized annually by the Legislature through action on legislation submitted by the FAUT based on budgets submitted by State agencies and counties.

Resolve 2005, chapter 125 directed the study commission to review all aspects of the funding and provision of services in the UT, especially fire protection and preparedness, land use planning and related activities and education. PL 2005, chapter 624, directed the study commission to review the spending growth limitations for the UT enacted in 2006 during the Second Regular Session of the 122nd Legislature for the purpose of extending to the UT the spending growth limitations imposed on municipalities in 2005 (commonly referred to as “LD 1.” Chapter 624 also directed the study commission to develop a new budget funding mechanism for the FAUT that promotes budget transparency and fiscal accountability.

The study commission reviewed the history and process for UT services and funding. It received information from State and county officials, residents and taxpayers of the unorganized territory and other interested persons. The study commission held 2 meetings outside of Augusta to provide an opportunity for those in and close to the UT to present opinions and recommendations without having to travel to Augusta. One meeting was held in Millinocket and the other in Dover-Foxcroft. The study commission appointed a subcommittee to conduct in-depth consideration of the issues related to funding and provision of services by counties.

The study commission considered the following issues and makes the following recommendations.

FINDINGS AND RECOMMENDATIONS

LAND USE AND DEVELOPMENT PRESSURES

- 1. The study commission recognizes that development in the UT is increasing and results in the demand for and the need to provide additional municipal-type services in all categories of the municipal cost component, not just the funding of LURC. These demands have the potential to increase the economic burden on taxpayers in the UT. There was general agreement among the members of the study commission that the property tax burden in the UT should be kept as low as possible and that the cost of providing new services resulting from increased development should be allocated as much as possible to those property owners creating the need for additional services.*
- 2. The study commission recommends an increase in LURC General Fund funding of \$320,094 beginning in FY 2007-08 to permit the establishment of 5 positions and 2 upgrades in LURC regional field offices to improve services for LURC “customers.”*
- 3. The study commission recommends that a portion of the additional revenue to support the increase in LURC funding be generated by increasing charges to the towns and plantations. The assessment for towns and plantations should be raised to .025% of equalized valuation raising approximately an additional \$145,000 from towns and plantations. This increase reflects a more appropriate apportionment to towns and plantations based on the percentage of LURC effort in those areas. The formula for calculating the assessment against the UT should be changed from the current 18% of LURC’s General Fund appropriation to an assessment of .014% of equalized state valuation which is estimated to generate approximately the same amount from the UT as under current law in FY 2006-07. Basing assessments in the UT on equalized state valuation will generate increased funding over time as property values increase, more closely mirroring the increased need for LURC services resulting from development activity in the area under LURC jurisdiction.*
- 4. The study commission recommends that LURC and Maine Revenue Services work with the Attorney General’s Office and recommend strategies (including legislation, if necessary) to address nonpayment of assessments on towns and plantations.*
- 5. The study commission supports LURC’s proposal to revise regulatory fees to provide a more appropriate fee schedule based on the amount of development*

proposed and to reflect more accurately the staff time needed to review more complex, time-consuming applications and the cost of processing.

- 6. The study commission recommends that increased effort be made by LURC to provide information to potential UT residents about the lack of services in remote areas.*
- 7. The study commission strongly recommends that counties take an active role in reviewing applications for development in the UT and provide feedback to LURC regarding the availability or lack of county services that may be required or requested for the proposed development.*

FOREST FIRE PROTECTION

- 1. The study commission recognizes that State forest fire protection activities are a service that is provided statewide, not just in the UT, and should be funded from statewide resources. The study commission recognizes the importance of these functions to the economy of the State and encourages funding of forest fire protection activities that is adequate to ensure the ability to respond to fire dangers statewide in a timely and effective manner.*
- 2. The study commission strongly urges the Division to acquire the Bell 407 helicopter scheduled for purchase in August 2007 and 2 additional Bell 407s over the next 4 years to provide helicopters for forest fire suppression well into the future, ensuring effective protection of the State's most valuable natural resource.*
- 3. The study commission strongly recommends that the administration and the Legislature restore capital dollars lost to budget cuts over the last 4 years to 2001 levels of \$225,000 annually.*
- 4. The study commission strongly recommends that the Division receive funding for 4 of 11 positions lost to budget cuts over the past 4 years*

GOVERNMENT STRUCTURE

- 1. The study commission recommends that the FAUT develop legislation to provide a process for areas with significant population and property value to organize in a manner that is similar to the deorganization process.*

COUNTY SERVICES

1. *The study commission found merit in the suggestion that counties be given authority to charge service fees to the recipients of “municipal” services provided in the UT and recommends that such authority be extended.*

EDUCATION

1. *The study commission encourages the Department of Education to explore and implement efficiencies and economies to reduce the property tax burden of the education component of the MCC.*
2. *The study commission encourages the Department of Education to submit and the Legislature to approve an education component in the municipal cost component that will more realistically reflect actual anticipated expenditures rather than being based on the previous year’s authorization.*
3. *The study commission recommends that statutes be amended to provide that the State will not provide transportation of students or reimburse families for transportation over roads that have not been accepted by the county as public roads and that do not meet Maine Department of Transportation standards. Reimbursement of residents of the UT for transporting their own children should be discontinued beginning in fiscal year 2007-08.*
4. *The study commission recommends that the Department of Education review and recommend whether the Unorganized Territory Education and Services Fund should be entitled to receive aid from the State’s General Fund in the same manner as if it were a school administrative district under the Essential Programs and Services program.*

UT BUDGET

1. *The study commission recommends no changes to the spending growth limitation procedures enacted in the Second Regular Session of the 122nd Legislature and believes that those procedures should be reevaluated after several years of experience to demonstrate whether they should be retained.*
2. *The study commission recommends that the municipal cost component request for the FAUT line more accurately reflect the actual cost of the function.*
3. *The FAUT should work with county commissioners and the State Controller to make the municipal cost component process more transparent.*
4. *The study commission recommends the addition of a position to assist the FAUT with municipal cost component budgets, legislative issues affecting the UT and the identification and procurement of economic development grant money.*

5. *FAUT should work with the State Controller to resolve issues addressed by auditors to make the UT budget consistent with standard government accounting practices.*
6. *Counties should do a better job of advertising opportunities for citizen input on UT budgets and should hold at least a portion of public hearings and other meetings on the UT budget at times that will provide the greatest opportunity for UT residents to attend.*

MISCELLANEOUS ISSUES

1. *The study commission recommends that the fee paid for collection of motor vehicle and watercraft excise taxes be raised to \$6 in order to ensure local access to services at convenient times and locations.*
2. *The study commission encourages DHHS to work with the FAUT to continue exploring and implementing methods for cost reduction in the administration of general assistance in the UT.*
3. *The study commission recommends that the Commissioner of Inland Fisheries and Wildlife work with landowners, municipalities and recreation groups to explore and make recommendations for the appropriate distribution of responsibility and costs for rescue services among State, municipal and individual parties.*
4. *The study commission recommends that the UT statutes be updated to provide technical corrections.*