



LD 1 Report Shows Tax Burden Reduction but Continued Spending Beyond School Caps

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AUGUSTA – In an annual report released today, the Maine State Planning Office found that in the four years since LD 1 became law the State, counties, and municipalities have stayed within their LD 1 spending limits. The trend of school units exceeding their spending caps continues to accelerate.

The law called “LD 1” resulted from a 2004 citizens’ referendum. The referendum increased the State’s share of aid to education in an ongoing effort to reduce property taxes and lower Maine’s combined state and local tax burden.

State appropriations actually declined for fiscal year 2008-09 by 2.2 percent, \$221 million below the LD 1 limit. Fifty-six percent of municipalities reporting were under their 2008 property tax levy cap. Thirteen of Maine’s 16 counties stayed within their 2008 LD 1 limits.

As part of this year’s LD 1 report, Maine Revenue Services forecasts that the combined state and local tax burden for 2008 will be 10.97 percent. The state and local tax burden for 2005, the first year of LD 1, was 11.28 percent.

Today’s report shows that for the fourth year in a row the growth rate of property taxes was lower than before LD 1 went into effect. However, 88 percent of school administrative units exceeded their spending benchmarks. Collectively, their spending was \$220 million above targeted levels. Compared to last year, both the percentage of school units exceeding their limit and the amount they are over has increased.

Maine State Planning Office Director Martha Freeman pointed to this trend as further evidence of the need to fulfill the citizens’ referendum promise that increased state aid to schools would result in property tax relief. “Since 2005 state funding for K-12 education has increased 30 percent. Nearly one third of the State’s total General Fund appropriations are now devoted to schools. This year’s LD 1 report shows once more that all the relief available isn’t making it to property taxpayers,” Freeman said.

More information about the LD 1 report can be found at www.maine.gov/spo.