



# HOUSE OF REPRESENTATIVES

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To: Winslow Town Council  
Subject: Maine Legislative Update for June 2009

## **State Government's General Fund 2010-11 Budget:**

The Legislature passed and the Governor signed the Supplemental budget for 2009 and the biennium budget for 2010-11 on May 28<sup>th</sup>. Due to the economic recession and the resulting decrease in state revenues, General Fund expenditures were reduced to \$5.8 billion for the next two years. This is approximately the same level of expenditures that existed in 2005.

The impact of the current economic realities can be seen when 2009 10 month ytd revenues are viewed in relation to the same period in 2008. Individual income tax receipts are \$140.5 million less in 2009 than in 2008 (a 11.1% decrease). Sales tax receipts are \$35.4 million less in 2009 than in 2008 (a 4.8% decrease). Corporate Income tax receipts are \$32.5 million less than in 2008 (a 22.7 % decrease).

In response to the significant drop in state revenues, the approved budget included several measures, which in my opinion, are problematic. First, the 2010-11 budget was 'balanced' by utilizing a total of \$547 million of one-time money comprised of the remaining balance in Maine's 'Rainy Day Fund' plus the federal stimulus money. This means that the next Legislature and Governor will face an incoming shortfall of at least \$547 million if there is not a significant up-swing in the economy by 2012.

In addition, there were several changes included in the budget that will potentially shift approximately \$150 million of costs to the local level and increase the property taxes. These include:

- a \$44 cut to Municipal Revenue Sharing
- a \$6.9 million cut to the Homestead Exemption in 2011 when the allowable exemption is decreased from \$13,000 to \$10,000.
- a \$17 million cut in Circuit Breaker program by reducing benefits to qualifying households by 20%.
- a \$12 million cut to the BETR program which will increase taxes for qualifying businesses
- a \$1.2 million reduction in the Tree Growth reimbursements.
- A \$69 million cut to EPS funding for K-12 school subsidies in 2011

I did not vote for the budget because it did not deal with the long-term structural changes that are needed to increase state government effectiveness and efficiency. In addition, the budget cost-shifted a significant burden back onto property taxes while renegeing on the commitment to fund K-12 education at the 55% level.

Please contact me if there is additional information or clarification needed.

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