

STATE PLANNING OFFICE NEWSLETTER

Current News and Updates for Municipal Officials

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Maine's Demographic Trends

An aging population will affect municipalities

Maine's population is aging. As life expectancies rise, we have more elderly people; as birthrates fall, we have fewer young people; and as the baby boomers age, we have more people approaching retirement age. The U.S. Census Bureau projects that by 2030, more than one in four Maine residents will be age 65 or older. That would make us the nation's oldest state.

The aging of Maine's population will have real economic consequences. As baby boomers retire, fewer young workers will be available to take their place. A decline in the size of our workforce could limit economic growth.

Local and state governments will also feel the aging of Maine's workforce as baby boomers retire. Nearly 40% of Maine state government employees will become eligible for retirement in the next five years and projections are similar for municipal

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employees. Without younger workers to replace them, governments will have to reduce services or figure out how to provide the same services with fewer people. This could mean employing new technologies, partnering with other governments, or enlisting volunteers.

Beyond figuring out how to deliver services with a changing workforce, the very types of services demanded of state and local governments may change. Today K-12 education is the single largest municipal expense. In the future, demand for services important to elderly residents will Please see *Demographics* on page 5

The Census is coming

The 2010 census may seem like a long way off, but preparations are already underway to make sure everyone is counted. The U.S. Census Bureau develops address lists, street by street and road by road, so they can mail a census form to every household. They need help from towns to make sure their address lists are up-to-date.

On July 1, every town will receive an invitation from the Census Bureau to participate in the Local Update of Census Addresses (LUCA) program. Towns can select their level of participation, from reviewing every address on the Census Bureau's

list to providing the town's address list, or comparing the Bureau's count with its own count of addresses and households. Regional councils will host informational meetings to explain the options this spring and provide additional training and information as towns begin to review address lists.

Participating in the LUCA process is important. Towns need a complete and accurate census of their population and housing units for a variety of purposes. Population counts are the basis for Please see *Census* on page 5

Director's column

By Martha Freeman



Like most Mainers, my school years are far behind me. That's because, by median age, Maine is the oldest state. I'm concerned that too many of us are thinking about education reform from the perspective of long ago.

If we don't embrace reform, I'm afraid we'll lose the character of our state. Paradoxically, we'll lose cherished values by clinging to old ways of preserving them. Holding to 19th and 20th century structures isn't responsive to current times. Economies must be versatile and sustainable, government operations must be nimble. We must find new ways to protect Maine's character in the midst of outside forces and rapid change.

If we want property tax reductions and investment in modern education we must reorganize school administration. Sixty-three percent of Maine's property taxes are spent on local schools. Thirty-two percent of state general funds support K-12 education. Since 1979, Maine school expenditures have increased 460 percent and backroom school administrative staff has grown 54 percent. Yet, student enrollments have dropped 38 percent.

State government spending is fair game, too, if we tackle real issues. Eighty percent of state general funds are spent on education and health and welfare. The FY08-09 state budget proposes \$100 million in savings from these services because that's where we must find efficiencies. We can't

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123rd Legislature is underway

Faced with 2,400 bills, the 123rd Legislature got underway at an accelerated pace. The Appropriations Committee is now holding public hearings and work sessions on the Governor's proposed FY 08-09 budget while the Education Committee tackles numerous school administration consolidation proposals. The two issues are intricately entwined, as the Governor's proposed budget "books" the savings from his consolidation proposal to the tune of \$170 million. If the Legislature modifies that proposal, it will need to find savings elsewhere to balance the budget.

The State Planning Office has two bills up for consideration. LD 1313 implements some of the recommendations from the Solid Waste Policy Review Task Force held last winter and includes creating a permanent solid waste advisory committee to replace the five-year task force. Another bill, which has not yet been printed, makes changes to the Growth Management Act. Among other changes, it would create severability between certain land use ordinances and the need for a consistent comprehensive plan (see SPO's [January 2007](#) municipal newsletter for more information). The Legislature has not yet scheduled a public hearing for either bill. To monitor hearing schedules, visit the [legislative calendar](#).

In addition, there is considerable traction this year to reform Maine's tax code. Numerous bills address topics ranging from creating tax incentives for the rehabilitation of historic buildings to expanding the circuit breaker program to reforming the existing tax structure. The Taxation Committee is rolling up its collective sleeves to craft a package to present to the full Legislature. According to their stated goals, the Committee is looking to broaden the sales tax base and provide revenues to reduce the income tax while also providing property tax relief for all Maine residents. The Committee is preparing to complete its package by the end of March.

Fuel prices: what can we expect?

Over half of Maine's total energy and more than 90% of the energy used by households come from petroleum-based sources. Because Maine must import its petroleum products, a large increase in price can result in less money being spent locally.

In 2006, the price of a barrel of oil averaged around \$66, ranging from a low of \$56 in November to over \$75 in August. This resulted in an average gasoline price of \$2.57 per gallon. Diesel averaged \$2.71 per gallon and heating oil averaged \$2.36 per gallon. Hidden behind the annual averages are highly volatile monthly prices. In 2006, gasoline ranged from a high of \$2.98 per gallon in July to a low of \$2.22 in November.

The forecast for 2007 suggests similar or slightly lower prices. According to the U.S. Department of

Fuel prices are expected to remain flat or drop slightly in 2007 and beyond.

—U.S. Department of Energy, Energy Information Agency, *Short-term Energy Outlook*

Energy, oil should average around \$62 a barrel. It also projects diesel fuel to average \$2.66 and heating oil to be around \$2.32 per gallon. These projections assume that the weather returns to historical averages and that global exports are not disrupted by major natural or political events.

Beyond 2007, prices are likely to stay flat or drop towards \$45 per barrel. Higher prices have encouraged greater investment in exploration, the use of new technologies that allow oil to be extracted from previously inaccessible locations, and the adoption of more energy efficient technologies and alternative energy sources — all leading to new supplies and decreased demand in the

Average Annual Fuel Prices in Maine

	<u>Oil</u> <u>\$/barrel</u>	<u>Gas</u> <u>\$/gallon</u>	<u>Heating Oil</u> <u>\$/gallon</u>	<u>Diesel</u> <u>\$/gallon</u>
2001-2005	36.28	1.65	1.55	1.65
2004	41.51	1.85	1.54	1.81
2005	56.64	2.27	2.10	2.40
2006	66.05	2.57	2.40	2.70

Source: Energy Information Agency, *Short-term Energy Outlook*, March 2007

United States. Offsetting this, however, is the increase in demand from developing nations, particularly in China and India.

In the face of high gas prices, some towns have found creative ways to reduce their bills. Some have used GIS to find bus and snowplowing routes that use less fuel. Others have conducted energy audits of municipal buildings, indicating how best to insulate or reduce electricity use. Still others are installing local generation capacity, such as windmills or small scale hydroelectric generators. Unfortunately, all of these require an initial financial investment. But at today's prices, they are likely to pay for themselves quickly.



Economist Amanda Rector
Amanda joined the State Planning Office in March. She comes from the Maine Department of Labor, where she worked on special research projects within the division of Labor Market Information Services. She has a BA in economics from Wellesley College. A Camden native, Amanda now lives in Topsham with her fiancée.

SPO SEEKS APPLICATIONS FOR LAND USE PLANNING GRANTS

SPO's competitive grant program funds four types of grants for towns that want to:

1. develop first-time comprehensive plans
2. implement local strategies in adopted, consistent comprehensive plans (with a focus on zoning ordinances)
3. update existing comprehensive plans
4. initiate regional approaches to land use management

The due date for applications is April 20, 2007. For more information, visit SPO's [land use web site](#) or contact your [regional council](#) or Tom Miragliuolo at 287-3215 or tom.miragliuolo@maine.gov

NEW SPO REPORTS RELEASED

SPO has prepared two reports that may be of interest to local officials: *Municipal Capacity for Becoming Internet Service Providers* and the *Four-year Growth Management Program Evaluation*. These reports and others are available on-line at: <http://www.maine.gov/spo/pubs/index.php>.

SPO CALCULATES PERSONAL INCOME GROWTH

Under LD 1, caps are set for municipal property tax levies. A municipality may increase its levy by the amount of new property value added to the tax rolls, as a percentage of the total, plus the percentage growth in Maine's average personal income. Each town calculates its own property growth. The State Planning Office calculates personal income growth. For the 2007 tax year, personal income growth is 2.47%.

The State Planning Office bases its calculations on the most current year for which data is available (2005) in accord with the methodology described in LD 1 (PL 2005, c 2). SPO will release a new estimate that incorporates 2006 data in fall 2007, when the U.S. Bureau of Economic Analysis releases its revised estimates.

MOST RECENT CPI INFLATION MEASURE AVAILABLE

The Consumer Price Index, or CPI, is a common measure of inflation. It tracks changes in the prices consumers pay for a wide range of day-to-day goods and services, such as food, housing, utilities, education, medical care, and recreation. The prices are combined into a single average number based on the amount spent in each category. An index is created by comparing the current average with the average price for the same or similar goods and services purchased between 1982 and 1984 and taking the percentage difference between the two. The annual average CPI in 2006 was 201.6, meaning that goods and services cost 201.6% as much (about double) today as they did between 1982 and 1984.

Many labor contracts, for example, allow for an annual inflation or "cost of living" adjustment based on the Consumer Price Index. A Maine-specific CPI is not available. Therefore, unless stated otherwise, most adjustments in Maine are based on the national CPI for *All Urban Consumers* (CPI-U). The CPI-U is derived by taking the CPI-U for the current year and subtracting the CPI-U for the previous year and then dividing by the CPI-U for the previous year. For example, the CPI-U was 201.6 for 2006 and 195.3 for 2005. So, 201.6 minus 195.3 equals 6.3, and 6.3 divided by 195.3 equals 3.2%. Thus the annual average cost of living adjustment for 2006 would be 3.2%. Increasing employee's salaries by that amount would, in theory, allow them to buy the same amount of goods and services in 2006 as they did in 2005, despite rising prices. Some contracts use the year-over-year change in a specific month, while others use the average for the year. The specific timeframe to be used should be stated in the contract. If the contract does not provide a timeframe, most use the annual average.

The most recent Consumer Price Index is available through the State Planning Office web site at <http://www.maine.gov/spo/economics/economics/costofliving.php>.

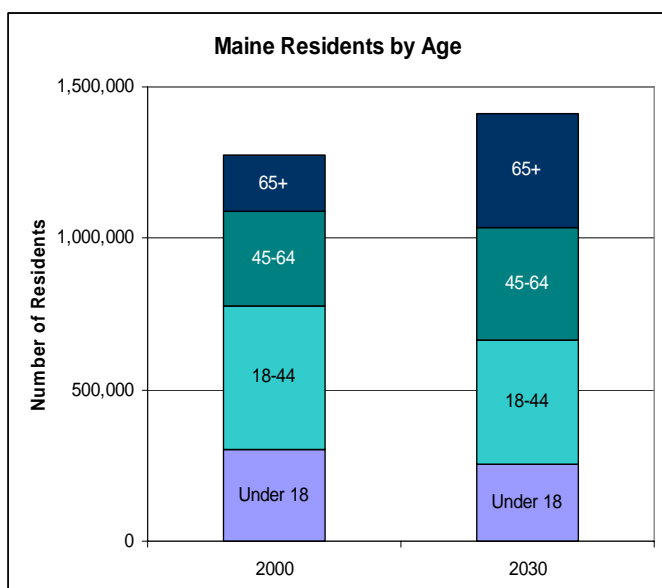
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increase, such as senior transportation services and senior meal programs.

Along with services, planning for new infrastructure and housing may increasingly consider the needs of communities' growing elderly populations. Many older Mainers prefer to live independently for as long as possible. This is easier if their

Certain pockets of Maine will be older than others. Today, many Central and Southern coastal counties have populations that are younger than the statewide average, while the Northern, Western, and Downeast counties have older populations.

homes are within walking distance of stores, banks, and healthcare facilities —and if housing units are one-story, easily maintainable, and have heated walkways to prevent ice buildup.



The aging population will also affect towns' bottom lines. A growing number of residents will be asset rich, but income poor, further increasing the pressure to reduce property taxes and municipal budgets, or find alternative funding sources. Preemptive measures may be able to address this need before calls for rapid action result in drastic measures.

These impending changes challenge us to look beyond the next budget cycle and anticipate the needs of our future selves. We'll need to plan for the retirement of workers in large numbers. We'll need to anticipate infrastructure needs before they arise. We'll need to consider new ways of delivering services with fewer people and at lower cost. None of this will be easy, but all of it will be necessary.

Schedule of Census Informational Meetings

- May 1 10:00 a.m. at Greater Portland Council of Governments office, Portland
- May 2 10:30 a.m. at Best Western/Black Bear Inn, Orono
- May 3 10:30 a.m. at Northern Maine Development Commission office, Caribou
- May 4 10:30 a.m. at Skowhegan Community Center, Skowhegan

Meetings are also being set up in Norway, Ellsworth, Augusta, and elsewhere. Watch for more information from your regional council, announcements from the Census Bureau, or check the State Planning Office web calendar at www.maine.gov/spo.

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voting districts. Undercounts can result in loss of representation in the state legislature or in Congress. There are more than 50 federal programs from which funds are dispersed based on population. Many other programs base a town's need and eligibility on income, poverty, and other characteristics of the population provided by the census.

Maine is making every effort to ensure towns have the information and technical help they need to participate in the LUCA program. For more information, contact your regional council or Joyce Benson, Maine's Census Liaison, at SPO at 287-1461 or joyce.benson@maine.gov.

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AUGUSTA, MAINE

This newsletter is prepared by the Maine State Planning Office. It is designed to provide municipal officials with topical information about the Office's resources, programs, and staff.

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dismiss this reality and claim we want to reduce spending.

We also can't dismiss change out of fear for local control. All of us want to support community, safeguard citizen participation, and improve our lives and surroundings. But will old views of local control truly protect these values? Will 290 school administrative units really steer us ahead into 21st Century Maine? We aren't experiencing community as we did 50 or 100 years ago. Young people build communities using technology. Many of us no longer live, work, and play in one town. Let's build control that's meaningful today, not just a habit of yesteryear.

Looking backwards to find the future isn't what previous Maine generations are known for. Let's act courageously and reform school administration for the next generation — now. In truth, we don't have the time or resources to waste.

*Would you like to receive this newsletter electronically?
Send your e-mail address to: linda.c.laplante@maine.gov*
