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Press Release

LD 1 Report Highlights the Need for Efficient Government

AUGUSTA – In an annual report released today, the Maine State Planning Office found that in the five years since LD 1 became law the State, counties, and municipalities have stayed within their LD 1 spending limits. K-12 school units continued to exceed their spending limits, and smaller towns overspent limits at greater rates than larger towns.

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.

The recession that began in December, 2007 has helped dampen spending growth. State government appropriations actually declined for fiscal year 2009-10 by 3.0 percent, \$432 million below the LD 1 limit. Over two-thirds of municipalities stayed within their 2009 property tax levy limits, but smaller communities exceeded their LD 1 limits at significantly greater rates than larger communities and continued to grow property tax commitments at pre-LD 1 rates. Total county tax assessment growth fell sharply in 2009, aided by last year’s law creating a unified correctional system and capping county jail assessments at 2008 levels.

Today’s report shows that for the fifth year in a row the growth rate of property taxes was lower than before LD 1 went into effect. However, 87 percent of school administrative units exceeded their spending targets. Collectively, their spending was 11 percent above targeted levels, more than double the margin in 2005-06. Since 2005, the 29 percent increase in the State’s share of school funding has not been met by a commensurate reduction in local spending.

SPO



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State Planning Director Martha Freeman pointed to this year's report as further evidence of the need for efficient government at all levels. "Larger towns and larger school districts have an easier time staying within LD 1 limits because they have the scale to operate efficiently. Particularly in a recession, it's important that we continue to find ways to consolidate and coordinate the way governments provide services," Freeman said.

The State Planning Office will present the 2009 LD 1 report to the Joint Standing Committee on Taxation Thursday. More information about the LD 1 report can be found at www.maine.gov/spo/economics, or by contacting Michael LeVert at 287-1479.

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