



**Testimony of David Nealley, City Councilor, City of Bangor, before the
Joint Standing Committees on Taxation and Appropriations and Financial
Affairs**

Regarding the Proposed Budget for FY 16 and FY 17

February 18, 2015

Senator Hamper, Representative Rotundo, Senator McCormick, Representative Goode, and members of the Joint Standing Committees on Appropriations and Financial Affairs and Taxation, my name is David Nealley and I am a Bangor City Councilor. I am testifying today in opposition of the budget provision that would eliminate Revenue Sharing.

The Nexus of Revenue Sharing

This is a misnamed program by which a city like Bangor provides for and creates significant economic activity and then the State Government collects the tax revenue from this activity and then allows the host community (the creator of the economic activity to receive a small percentage of the revenue).

Revenue Sharing was implemented over 40 years ago because the Legislature reasoned "that the principal problem of financing municipal services is a burden on the property tax; and to stabilize the municipal property tax burden and to aid in financing all municipal services, it is necessary to provide funds from the broad-based taxes of State Government". Pursuant to [Title 30-A, Subpart 9, Chapter 223, Subchapter 2, Section 5681](#), revenue sharing is to be distributed monthly to each municipality based on a formula whose variables include municipal populations, state valuations and tax assessments. The monthly revenue sharing pool is funded by setting aside 5 percent of the State Government's sales, service provider, personal and corporate income tax receipts for the month.

Put simply, Revenue Sharing was implemented for the following reasons:



- a. Provide a broad based tax for ensuring stable municipal funding; and
- b. Assist municipalities to provide consistent funding needed to provide services that maintain the environment in which businesses can thrive. Police, Fire and Public Works are essential services that must be maintained to support an active commercial, industrial and business center.
- c. Recognize the disproportionate tax burdens that are placed on service center communities and unique burden placed upon communities such as Bangor to support regional services such as Federal, State, and County Government as well as the vast array of non-profits that call Bangor home.
- d. Every \$25,000 reduction to Bangor's share, results in an estimated one (.01) cent increase to the mil rate.

Municipalities such as Bangor have invested heavily in economic development efforts that will help businesses locate, expand, develop and thrive. Those investments have been good for the City, Region and State. Reductions in Revenue Sharing, on the other hand, have resulted in substantial cost shifts to businesses that are dependent on our services to maintain police, fire and roads. As the shift continues from Revenue Sharing to property taxes, fewer and fewer taxpayers are required to pay for services. Additionally, basic services such as roads and transit have been cut that directly support economic development and business stability in the region. What used to be part of the services that they would receive through taxes paid to the state are now being shifted to property taxes.

The sales tax statistics below demonstrate that retail sales in Bangor produce the highest retail sales tax to the State exceeding those in Portland and South Portland.

Total for	CY 2012	CY 2013	6 mos 2014
Bangor	\$78,567,570	\$82,989,646	\$41,550,229
Portland	\$63,798,795	\$66,638,784	\$35,098,124
S. Portland	\$43,046,460	\$46,719,745	\$22,832,777
Total - State of Maine	\$877,189,845	\$935,272,561	\$465,490,223

So, needless to say, Bangor as the largest contributor of sales tax revenue to the state has continued to allow the state to gain from a producer and redistribute the monies as it sees fit. Bangor produces more and more for the state and receives less and less for doing so.

In 2010, the Legislature began transferring a portion of the funds allocated by Statute for Revenue Sharing to the State of Maine General Fund. The table below shows the impact over the last seven fiscal years.

Fiscal Year	Statutory	Legislative Transfer	Municipal Revenue	Bangor Revenue
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	Allocation		Sharing	Sharing
2008-2009	\$123,748,797	\$2,789,719	\$120,959,078	\$4,411,277
2009-2010	\$122,873,014	\$25,383,491	\$97,489,523	\$3,832,933
2010-2011	\$130,880,200	\$38,145,323	\$92,734,877	\$3,670,723
2011-2012	\$137,225,178	\$40,350,638	\$96,874,540	\$3,637,838
2012-2013	\$138,109,890	\$44,267,343	\$93,842,547	\$3,513,711
2013-2014	\$136,306,246	\$73,306,246	\$65,000,000	\$2,305,725
2014-2015	\$145,949,391	\$85,949,391	\$60,000,000	\$2,033,162

If Revenue Sharing had been maintained as prescribed by Statute, Bangor would have received an additional \$10.8 million over this seven year period.

The tax rate impact for the legislative transfer of Revenue Sharing funds for FY 2014-2015 translates to a \$1.23 increase in the municipal tax rate.

In closing, I wish to speak to both those who believe in local autonomy, equity for producing communities, and those who understand the importance of the service centers role, in a part of Maine that has significant challenges.

Bangor is positioned in the largest geographic region of poverty east of the Mississippi. The traditional industries of forestry, farming and fishing and most manufacturing jobs have left our region. Most of the new significant economic activity has come from Bangor. However, Bangor also has an obligation to its region as a service center community. The funds that have been taken away from Bangor not only have a negative impact on Bangor property tax payers but on our ability to grow.

In the same way that Washington DC has usurped states rights with mandates, Maine State Government has usurped local autonomy.

The majority of our budget is dictated by mandates; very few fully funded, a few with partial funding and many more unfunded. This is not good for the foundation of democracy.

We ask that you respectfully consider a full re-instatement of revenue sharing and at the very least protect the program in its current form.

Thank you and thank you for your public service on behalf of the citizens of the Great State of Maine.

For additional information, please feel free to contact any of the following municipal officials:

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