

The Estimated Impact of the Palesky Tax Cap Proposal on Jay

Prepared for:

Citizens to Reduce Local Property Taxes Statewide

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INTRODUCTION

The Town of Jay is located in Franklin County in western Maine along the Androscoggin River. It has a population of 4,985 people and is 49.8 square miles in size. The Town was incorporated in 1795. Jay is home to a major paper manufacturer, International Paper, which is the Town's largest taxpayer. The Town has a council/manager form of government. It has its own school department that oversees K-12 education.

The town manager, department heads, and the school superintendent worked together to establish the minimum services they could provide in order to keep the town viable with the revenues that would be allowed under the tax cap. The Town Manager can be reached at 207-897-6785 or at jmanager@jay-maine.org.

PROPERTY TAX REVENUE IMPACT

2004 Municipal Valuation	<u>\$1,095,352,614</u>
Effective Date of Last Revaluation	<u>1997</u>
Assessment Ratio (02/04 ratio)	<u>100%</u>
Estimated Equalized 2004 Valuation (divide 2004 municipal valuation by assessment ratio unless revaluation became effective within last 2 years then use actual municipal valuation)	<u>\$1,095,352,614</u>
Tax Commitment with 10 Mill Cap (multiply estimated equalized 2004 valuation by .010)	<u>\$10,953,526</u>
Voter Approved Debt (annual 2004 payment on debt; only include current year payment on debt which was approved by the voters before 1999 or approved by at least 2/3 of the voters between 1999-2004)	<u>\$597,226</u>
Total Tax Commitment Allowed under Tax Cap (tax commitment with 10 mill cap plus voter approved debt service)	<u>\$11,550,752</u>
2004 Actual Total Tax Commitment	<u>\$17,458,507</u>
Estimated Property Tax Revenue Loss under Tax Cap 2004 (actual commitment minus tax commitment allowed under Palesky)	<u>\$5,907,755</u>
Estimated Property Tax Revenue Loss as % of 2004 Actual Total Tax Commitment	<u>34%</u>

SUMMARY

Jay would lose \$5.6 million in property tax revenue or 34 percent of its current tax commitment of \$17.5 million if the Palesky Tax Cap were enacted. Such a significant loss in the ability of the town's citizens to pay for their expected services would indeed affect the health of this Maine community. The most severe curtailments would be in the areas of education and public safety. With a potential loss of 18 jobs for law enforcement, Jay would no longer have a police enforcement capacity that would prove effective and preventative. With a potential loss of 6 part-time jobs in fire and the closing of one station the fire department's response time would no longer be rapid or well-equipped. More than 50 positions would need to be eliminated from the School Department. As a result, the schools would no longer offer many courses that are common among most quality school systems.

SERVICE IMPACTS

The following are specific examples of potential service impacts resulting from the Palesky Tax Cap:

Public Safety: Police

- The Police Department would be impacted dramatically.
- Local dispatch services would be eliminated, thus necessitating dependency on Franklin County Dispatch, a service already operating under maximum effort.
- With three and possibly four officers cut, there would only be one officer on duty at a time, requiring more dependency on the County Sheriff's Department. However, the sheriff would be under ever increasing demand by all other towns in the county. In addition, if surrounding municipalities also reduced their law enforcement capabilities, Jay would not be able to rely on aid from these other towns.

Public Safety: Fire

- Both the nature of Jay's industry and large geographic area require two fire stations. In the case of the Tax Cap, Jay would have to close one station, reduce the force, and eliminate the capital reserve which is currently maintained for major purchases.

Public Works: Roads

- Jay's current high level of care of roads, a service to the 1,000 workers traveling each day to the mills, would no longer be possible.
- Jay would suffer a reduction in staff as well as equipment, thus severely reducing the level of both summer and winter road maintenance. Minimum care of summer roads would result in their eventual deterioration.
- Jay would eliminate extra services currently provided to the schools.

Public Works: Transfer/Recycling

- Jay would review the viability of the regional facility.
- The town would discontinue all curbside collection of recycling materials and trash for residents, schools, and businesses.
- The reduction of force and equipment would not allow the facility to be open its current six days per week.

Public Works: Sewer

- Town subsidization of the Sewer Department would revert completely to user fees, resulting in a jump from a rate of \$175 to that of \$588 per year.

Codes, Health and Human Services

This department is currently fee-based and would continue so.

Parks and Recreation: Recreation

- Jay would eliminate completely the five-week recreation program.

Parks and Recreation: Library

- The town's library, a popular service which is currently open six days per week, would revert to a 12 hour per week open schedule, due to a dramatic reduction in staff.
- The book budget would be cut by 40 percent.
- Cut custodian services by 50 percent.

General Administration

- Jay's town office, now open 43 hours per week, would be open 32 hours per week.
- Overtime would be eliminated and salaries would be frozen.
- Closing time would revert from 5pm to 4pm.
- Summer help would be eliminated, thus impacting building and grounds upkeep, including the customary care to cemeteries.
- The custodian's overtime would be eliminated, thus requiring fees from parties using the municipal building in off-hours.
- Professional services such as legal fees, dues, and auditing services would be cut back dramatically.

Education

The following positions eliminations or reductions would occur:

- 35 teaching positions would be eliminated, including all levels of art, physical education, gifted and talented, health, computer, and world languages.
- The superintendent position would be reduced to 2 1/2 days per week.
- Five administrative positions would be eliminated.
- Three secretarial positions would be eliminated.
- 1/2 nurse position would be eliminated.
- Two ed tech positions would be eliminated.
- Three custodian/bus driver positions would be eliminated.
- All food service workers eliminated.

In addition, there would be:

- No sports or co-curricular activities except "pay for play".
- No sports or co-curricular bussing.
- No adult education.
- Increases in class size to 25 or greater.
- Decreased course offerings.
- Single bus runs.
- No transportation for high school students.
- No availability of school buildings after hours.
- Reduction in building heat after three pm.
- Only emergency lighting in the schools after hours.
- No alternative program.
- No in-service.
- No hot lunch program; only vending machines would be available.

Debt Service

There would be no change in debt service.

Municipal Building Reserve

- The municipal building project, anticipated because of health issues with the present building, would be abandoned.

Donations

- Jay would eliminate donations to the following entities: Seniors Plus, Healthy Community Coalition, SAVES, Red Cross, and Jay Historical Society.
- The town's donations to the Veterans Memorial monument project would be curtailed.

BUSINESS IMPACTS

The following are specific impacts to business if the Palesky Tax Cap were to pass:

- Jay would no longer provide curbside pickup of trash and recycling materials.
- Jay's inability to respond quickly to road clearing during storms would affect job absenteeism.
- Businesses may need to provide private security since the town would not be able to provide immediate response to law enforcement issues.
- Businesses may have to pay higher premiums for insurance following the town's inevitable reduction in fire response capabilities.
- Newspapers will suffer losses in advertising and revenues as the town's workforce and services are reduced.

NON PROPERTY TAX REVENUE IMPACTS

The following is a list of potential non-property tax revenue impacts if the Palesky Tax Cap were to pass:

- Sewer usage would be fee-based.
- Jay would require pay-per-bag at the transfer station.
- Fees for licenses would increase.
- There could possibly be a fee-for-response in the case of fire emergencies.
- Many school programs would be funded by fees (see "Service Impacts - Education").

BUDGET BACKGROUND

2002 Full Value Tax Rate	16.91
2004 % of Tax Commitment – Municipal	33%
2004 % of Tax Commitment – School	62%
2004 % of Tax Commitment – County	5%
Current Fiscal Year	Jul 01 04-Jun 30 05
Current Year General Fund Expenditures	\$17,854,248
Undesignated, Unreserved Fund Balance (in last completed fiscal year)	\$4,106,424
Undesignated, Unreserved Fund Balance as a % of Current Year Total General Fund Expenditures	23%
2004 Long-Term Debt Outstanding	\$11,056,876
2004 Five Largest Taxpayers	
International Paper Company	
Specialty Minerals	
Calpine (Androscoggin Energy)	
Wausau Paper	
Central Maine Power	

Palesky Tax Cap Impact - Jay												
Budget Impacts												
Expenditure Category	2004 Budget (Actual)				Estimated Budget Cuts under Palesky Tax Cap				2004 Estimated Budget under Palesky Tax Cap			
	Operating	Capital	Total (oper.+cap.)	Category Total as % of Total Budget	Operating	Capital	Total (oper.+cap.)	Category Total as % of Total Budget	Operating	Capital	Total (oper.+cap.)	Category Total as % of Total Budget
General Administration	\$779,814	\$5,000	\$784,814	4.8%	\$77,912	\$0	\$77,912	1.5%	\$701,902	\$5,000	\$706,902	6.4%
Public Safety	\$1,052,274	\$75,000	\$1,127,274	7.0%	\$466,707	\$46,247	\$512,954	9.8%	\$585,567	\$28,753	\$614,320	5.6%
Law Enforcement	\$833,600	\$25,000	\$858,600	5.3%	\$430,000	\$0	\$430,000	8.2%	\$403,600	\$25,000	\$428,600	3.9%
Fire	\$151,860	\$50,000	\$201,860	1.2%	\$36,707	\$46,247	\$82,954	1.6%	\$115,153	\$3,753	\$118,906	1.1%
Emergency Medical Services	\$66,814	\$0	\$66,814	0.4%	\$0	\$0	\$0	0.0%	\$66,814	\$0	\$66,814	0.6%
Other Public Safety	\$0	\$0	\$0	0.0%	\$0	\$0	\$0	0.0%	\$0	\$0	\$0	0.0%
Public Works	\$2,916,951	\$130,000	\$3,046,951	18.8%	\$1,004,692	\$30,000	\$1,034,692	19.8%	\$1,912,259	\$100,000	\$2,012,259	18.3%
Roads	\$1,313,250	\$50,000	\$1,363,250	8.4%	\$420,492	-\$10,000	\$410,492	7.9%	\$892,758	\$60,000	\$952,758	8.7%
Solid Waste	\$939,500	\$80,000	\$1,019,500	6.3%	\$199,000	\$40,000	\$239,000	4.6%	\$740,500	\$40,000	\$780,500	7.1%
Other Public Works	\$664,201	\$0	\$664,201	4.1%	\$385,200	\$0	\$385,200	7.4%	\$279,001	\$0	\$279,001	2.5%
Codes, Health & Human Services	\$0	\$0	\$0	0.0%	\$0	\$0	\$0	0.0%	\$0	\$0	\$0	0.0%
Parks, Recreation, & Library	\$186,475	\$0	\$186,475	1.2%	\$111,475	\$0	\$111,475	2.1%	\$75,000	\$0	\$75,000	0.7%
Parks and Recreation	\$39,475	\$0	\$39,475	0.2%	\$39,475	\$0	\$39,475	0.8%	\$0	\$0	\$0	0.0%
Library	\$147,000	\$0	\$147,000	0.9%	\$72,000	\$0	\$72,000	1.4%	\$75,000	\$0	\$75,000	0.7%
Education (local appropriation from property taxes only)	\$9,867,933	\$0	\$9,867,933	60.9%	\$3,379,780	\$0	\$3,379,780	64.7%	\$6,488,153	\$0	\$6,488,153	59.2%
Debt Service	\$1,039,499	\$0	\$1,039,499	6.4%	\$0	\$0	\$0	0.0%	\$1,039,499	\$0	\$1,039,499	9.5%
Other (anything not included in above categories)	\$0	\$139,566	\$139,566	0.9%	\$0	\$109,366	\$109,366	2.1%	\$0	\$30,200	\$30,200	0.3%
TOTAL	\$15,842,946	\$349,566	\$16,192,512	100.0%	\$5,040,566	\$185,613	\$5,226,179	100.0%	\$10,802,380	\$163,953	\$10,966,333	100.0%

Notes:

"2004 Budget Actual Other Public Works": \$385,200 of the \$664,201 is assigned to Sewer. The Tax Cap will result in sewer usage becoming 100% fee-based.

"2004 Budget Actual Other Capital": (1) Municipal Building Fund=\$100,000. (2) Donations=\$29,566. (3) Veterans Memorial=\$10,000.

"2004 Estimated Budget under Palesky Tax Cap Other Capital": (1) Municipal Building Fund=\$25,000. (2) Donation=\$5,200. (3) Veterans Memorial=\$0.

Codes, Health & Human Services is currently fee based and is not included in this analysis

Palesky Tax Cap Impact - Jay													
Employment Impacts													
Service Category	2004 # of Positions (Actual)				Estimated Position Cuts under Palesky Tax Cap				2004 Estimated # of Positions under Palesky Tax Cap				
	Full Time	Part Time	Total (full+part)	Category Total as % of Total Positions	Full Time	Part Time	Total (full+part)	Category Total as % of Total Positions	Full Time	Part Time	Total (full+part)	Category Total as % of Total Positions	
General Administration	7	2	9	3.2%	0	-2	-2	2.0%	7	0	7	3.9%	
Public Safety	11	54	65	23.2%	-6	-18	-24	23.8%	5	36	41	22.9%	
Law Enforcement	11	13	24	8.6%	-6	-12	-18	17.8%	5	1	6	3.4%	
Fire	0	41	41	14.6%	0	-6	-6	5.9%	0	35	35	19.6%	
Emergency Medical Services	0	0	0	0.0%	0	0	0	0.0%	0	0	0	0.0%	
Other Public Safety	0	0	0	0.0%	0	0	0	0.0%	0	0	0	0.0%	
Public Works	23	0	23	8.2%	-7	1	-6	5.9%	16	1	17	9.5%	
Roads	13	0	13	4.6%	-3	0	-3	3.0%	10	0	10	5.6%	
Solid Waste	8	0	8	2.9%	-4	1	-3	3.0%	4	1	5	2.8%	
Other Public Works	2	0	2	0.7%	0	0	0	0.0%	2	0	2	1.1%	
Codes, Health & Human Services	1	0	1	0.4%	0	0	0	0.0%	1	0	1	0.6%	
Parks, Recreation, & Library	3	19	22	7.9%	-2	-16	-18	17.8%	1	3	4	2.2%	
Parks and Recreation	0	17	17	6.1%	0	-17	-17	16.8%	0	0	0	0.0%	
Library	3	2	5	1.8%	-2	1	-1	1.0%	1	3	4	2.2%	
Education	153	7	160	57.1%	-49	-2	-51	50.5%	104	5	109	60.9%	
Other (anything not included in above categories)	0	0	0	0.0%	0	0	0	0.0%	0		0	0.0%	
TOTAL	198	82	280	100.0%	-64	-37	-101	100.0%	134	45	179	100.0%	

Notes:

"2004 Positions Actual Emergency Medical Services - Jay currently contracts for emergency medical services