



NEWS RELEASE

For Immediate Release:
Tuesday, October 3, 2006

Contact: Shannon Spillane, CBPP, 202-408-1080,
communications@cbpp.org

MAINE'S PROPOSED "TABOR" LIKELY TO CAUSE PROPERTY TAX INCREASES ACCORDING TO NEW STUDY

Maine's property taxes would not necessarily be lower — and are more likely to increase — if voters adopt the proposed Taxpayer Bill of Rights (TABOR) that is on the ballot in Maine this November, according to a new report, "*Double Jeopardy for Local Services Under TABOR*," released today by the Maine Center for Economic Policy (MECEP) and the Washington, DC-based Center on Budget and Policy Priorities (CBPP).

"Mainers should be wary of false advertising about TABOR," said Christopher St. John, executive director of the Maine Center for Economic Policy. "It would not guarantee property tax relief — far from it. Instead, it would create pressure to raise property taxes."

TABOR would squeeze funding for locally-provided public services in two ways: by forcing cuts in state aid to localities, and by holding down the budgets of towns and cities.

Maine's TABOR proposal is modeled after a constitutional amendment of the same name adopted in Colorado in 1992. TABOR imposes the use of a rigid formula to limit spending by the state and its localities on essential services such as education, public safety and roadway maintenance. Colorado's TABOR caused significant damage to the state's public services and Coloradans have since voted to suspend TABOR for five years.

Aid to Localities

Over time, Maine's TABOR would require that as much as one-sixth of all the programs and services provided through the state budget be cut. If TABOR had been in effect in Maine since 1992, the required cuts in the state's 2005 budget would have been nearly \$450 million, or 16 percent. Since more than one-third of the state budget goes to provide state aid to localities, such aid would most likely face sharp reductions.

Reductions are likely to be particularly severe in education funding, which makes up the bulk of state aid to localities.

— *more* —

Local Expenditures

TABOR tightly limits the expenditures local governments can make, allowing minimal or, in some cases, no growth in expenditures each year. The tight limits will result in further cuts in education, as well as cuts in public safety, road maintenance, and other services.

Deteriorating Services and Property Tax Hikes

The combination of cuts in state aid and limits on local expenditures under TABOR would lead to deteriorating local services.

“Citizens are unlikely to accept poorer education standards, reduced public safety, and crumbling roads,” explained Iris Lav, Deputy Director of CBPP and co-author of the report. “TABOR might hold down property taxes in the short run, but only at a cost of a deteriorating quality of life in the state.”

“TABOR won’t create sustainable property tax relief,” Lav continued, “because the property tax is the only revenue source localities control. If roads, schools, emergency services, and recreation facilities are to be maintained, they have to be financed with the property tax. And *increasing* the property tax is the only way localities can compensate for declining state aid.”

While it may not seem plausible to believe that residents would vote to cancel their tax cuts or increase their taxes, evidence from Colorado — the only state with a TABOR — suggests that this is highly likely to occur in Maine.

- Since 1992, Colorado residents have voted over 600 times on whether to override their municipal and county TABOR limits, which meant forgoing property tax rate reductions, and nearly 85 percent of those override proposals passed.
- In addition to the overrides, there were 367 successful votes to increase local taxes, including property taxes.

“Voters in Colorado recognized the damage the TABOR limit was causing to public services they cared about and they refused to let it continue,” said Karen Lyons, co-author of the report. “Maine residents would likely find themselves in a similar situation if TABOR were to pass.”

The report points out that a number of states have recently enacted property tax relief measures that are designed to avoid deteriorations in local services. But under the constraints of TABOR, Maine would be precluded from following their example.

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