

Revitalizing Maine's Service Centers

by John Melrose



Maine's 77 "service center" municipalities account for a large proportion of all the state's consumer retail sales, jobs, services, and tax revenues from income, sales and property taxes, and are home to most of the state's higher education and health care institutions. However, as John Melrose points out in this article, Maine's public policy turns "worse than a blind eye" to these communities. He presents here the policy recommendations put forth in a strategic plan by the Maine Service Centers Coalition for supporting and strengthening service centers. These recommendations include leveling the financial playing field between service centers and other communities, improving local government administration to lower costs, reorganizing the delivery of public services, investing financial, human and social capital, and removing barriers to compact, mixed-use development. 

INTRODUCTION

In 1998, the State Planning Office reported that 71% of all jobs, 74% of all services and 77% of all consumer retail sales occurred in just 69 of Maine's nearly 500 municipalities. The significance of this economic concentration was further underscored when it was noted that 74% of all state income and sales tax revenues came from these same communities. Add in local property tax revenues, and these relatively few communities originate roughly 63% of all tax revenue from these three major sources. These communities are Maine's service centers.

Service centers are defined in rules promulgated by the Maine State Planning Office (see sidebar on next page). They are not only home to most of Maine's jobs and commerce; they host the overwhelming share of our state's medical facilities and institutions of higher learning, and our state's history and cultural activity is largely centered in these communities. Service centers represent the very type of land use development favored by those advocating smart growth. Yet for all this relevance to tax policy, economic development, environmental protection and even education and health care, Maine's public policy turns worse than a blind eye toward these communities. Consider these examples of current public policy:

- While generating three-quarters of the revenue for State Municipal Revenue Sharing, state policy exports this asset to less-needy communities with lower property tax rates. Service centers receive just over half of this program's benefits, for a net loss of over \$20 million.
- Service centers host over 86% of the state-enacted property tax exemptions for benevolent and charitable, literary and scientific and leased hospital property, representing a revenue loss in excess of \$40 million per year.
- While having their own law enforcement capacity, they are taxed to provide this same service to their lower-taxed neighbors through the county budget for an additional cost approximating \$10 million.

- While "urban compact" communities are responsible for summer and winter maintenance of the state highway system, their outlying neighbors are relieved of this obligation and the true cost of this function is shifted in part to the property tax in these urban communities.
- While closing underpopulated schools, their outlying neighbors receive state aid to build new schools an easy commute away from the closed facility.

These are but a few examples of state policies that diminish the very places that must be relied upon to sustain our economy.

A more detailed look at the tax burden issue illustrates the value of forging a new perspective. Current data show that Maine's much-heralded near top in the nation ranking in tax burden is heavily attributed to the property tax, not the income or sales tax. Left largely unstated is that Maine's poor ranking is heavily skewed by the extraordinary property tax burden of its service center communities.

In 1998, the State Planning Office cited property tax rates among service centers as 44% higher than those of other communities. Based on the 2002 property tax commitments of Maine municipalities, service center tax rates averaged 18.85 mills, 37% higher than the 13.84 rate for the balance of the state. If the service centers had the same average mill rates as the balance of the state, without corresponding tax increases elsewhere, Maine would move significantly toward the national average on tax burden. As a percent of total personal income, Maine's tax burden must drop by 1.2 percentage points or \$368 million to place Maine squarely in the middle of the states.¹ An average



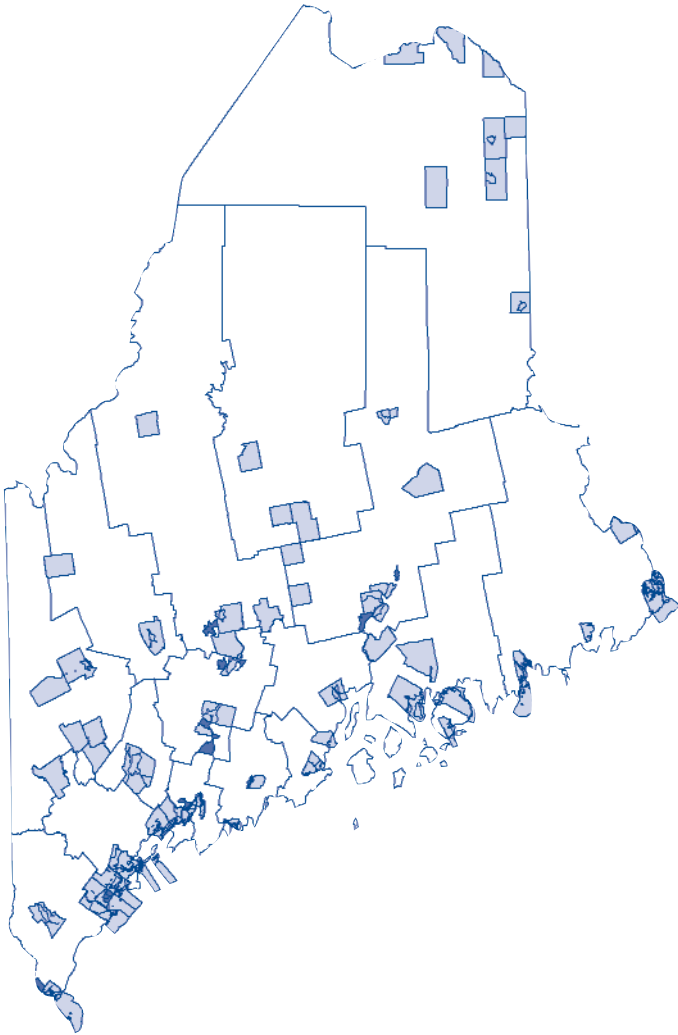
...for all this relevance to tax policy, economic development, environmental protection, and even education and health care, Maine's public policy turns worse than a blind eye to these [service center] communities.

Maine's Service Centers

The Maine State Planning Office has through rulemaking identified 77 municipalities contained within “Regional Service Centers.” The rulemaking was done pursuant to Title 30-A MRSA §4301, sub-§14-A and is now Chapter 220, available on the State Planning Office Web site. The rule sets forth four basic criteria that are influential in identifying service centers: retail sales levels, jobs-to-workers ratios, amount of federally assisted housing, and volume of service sector jobs. By rule, regional service centers include communities that meet these criteria, as well as portions of adjacent municipalities that meet certain criteria.

Service Centers

Ashland	Kittery
Auburn	Lewiston
Augusta	Limestone
Bangor	Lincoln
Bar Harbor	Lubec
Bath	Machias
Belfast	Madawaska
Bethel	Milbridge
Biddeford	Millinocket
Blue Hill	Newport
Boothbay Harbor	Norway
Brewer	Orono
Bridgton	Oxford
Brunswick	Paris
Bucksport	Pittsfield
Calais	Portland
Camden	Presque Isle
Caribou	Rangeley
Damariscotta	Rockland
Dexter	Rockport
Dover-Foxcroft	Rumford
Eastport	Saco
Ellsworth	Sanford
Fairfield	Scarborough
Farmingdale	Skowhegan
Farmington	South Portland
Fort Kent	Southwest Harbor
Freeport	Thomaston
Greenville	Van Buren
Guilford	Waterville
Houlton	Westbrook
Jackman	



**Adjacent Areas Designated as
Part of a Service Center**

Eliot	Norridgewock
Gardiner	Oakland
Hallowell	Old Orchard Beach
Hampden	Old Town
Mexico	Randolph
Milford	Topsham
Newcastle	Winslow

five mill rate reduction for service centers, without increases elsewhere, would realize nearly .7 of the 1.2 percentage points needed, or just over a \$200 million reduction in tax burden.

In the entire debate over tax burden, there has been little sustained conversation over the merits of focusing the fix where the problem is truly concentrated. Relieve the tax plight of service centers and Maine's overall standing on tax burden would significantly improve. Relieve service centers and it is possible to realize a targeted stimulus for three-quarters of the Maine economy. Relieve service centers and relief can be provided to the very places that disproportionately assist special-needs populations.

The smart growth debate gives much attention to where we do not want development. Initiatives like Land for Maine's Future or the new highway access management law reflect this attentiveness. Equal attention must be given to the incentives for development to occur in already built-up areas, where roads, schools and utilities already exist, where historic properties available for reuse are presently at risk of abandonment, and where habitats have already been compromised. This environmentally driven objective converges nicely with the deep-seated desire of policymakers to build the Maine economy. The place where three-quarters of the Maine economy exists is the place where we logically should further grow that economy and promote a more benign land use and development practice. Service centers are that place.

PROPOSALS FOR REVITALIZING SERVICE CENTERS

In 2002, the Maine Service Centers Coalition was formed to promote the economic health and community vitality of Maine's service centers. The coalition, which includes 47 of Maine's 77 service centers, researches and articulates policies that support and strengthen service centers. In 2003, the membership adopted a strategic plan that guides its policy and advocacy work. The mission, goals and recommendations of this strategic plan are presented below.

First and foremost, the well-being of Maine requires vibrant service centers that are experiencing economic and population growth, are diverse in

employment, housing and cultural offerings, are sustaining of the creative and entrepreneurial class, are affordable, and are self-contained as places to work, recreate and, most importantly, live. They must reflect a strong sense of community. On the scorecard for those choosing a place to live, work, locate a business or just hold an event, our service centers need to score at the top of the list for compelling economic, environmental and social considerations.

With such a mission in mind, our goal can be nothing less than the conservation of Maine's economic, natural and human resources. This is a goal focused on being effective stewards of the environment in its broadest sense. It is about reversing public policy that presently results in a waste of Maine's treasures by essentially redeploying the same workers, school children, households and shoppers onto previously undeveloped land while the public and private investment in service centers is being underutilized, neglected and discarded. In reversing these policies, Maine can reduce its overall consumption of resources, reuse existing investments and recycle property already developed.

The coalition believes that revitalization of service centers will occur if the climate they offer for investment and reinvestment is improved. Whether the decisionmaker is a resident or a non-resident, a small business owner or a corporate executive, a college president or a hospital administrator, the climate within service centers must strongly encourage these individuals and many others to invest financial, human and social capital to a much greater degree. Changing the investment climate requires changes in the competitive position of service centers relative to the cost of living and doing business in these communities.

Moreover, in addressing cost, we should be concerned with matters of public expenditures, tax policy, governmental organization, service quality and regulation. Some of coalition's recommendations that follow are intended to level the financial playing field among municipalities. Other recommendations are designed to lower the property tax burden in service centers without corresponding tax increases elsewhere, thereby moving Maine toward the middle of the country on overall tax burden and lessening Maine's over reliance on the property tax. Still other recommendations are intended to leverage private sector invest-

ment that builds the local tax base.

In regards to lowering the cost of local government, the matter of how government is organized in Maine is a particular concern. In a speech to the Community Preservation Advisory Committee last year, Evan Richert of the University of Southern Maine and former head of the Maine State Planning Office, revealed some of his research on the relationship of tax burden to governmental organization. He noted that nationally there appear to be fewer government full-time equivalent employees per 10,000 population than in Maine. He concluded that, if Maine was organized more like states similar to Maine, savings could be realized. Idaho, for example, while having nearly three times as many counties, has less than half as many towns and 114 school units compared to Maine's 285.

To a much greater extent, the responsibilities of funding and delivering governmental services should reside within the same level of government.

He concluded that the number of units of local government was the single most significant determinant in the difference in cost between the two states. While additional quantitative research on the effect of governmental structure on costs is required, it is clear that this topic must be part of the larger agenda for lowering Maine's tax burden. Richert also suggested that any pursuit of reorganization should attempt to match the personal geography or travel patterns of its citizens with regard to shopping, work and accessing critical services to the boundaries of regional governmental bodies.

While the number of units of government may significantly influence cost, full consideration should be given to what appears to be a bigger problem in Maine's pattern of governmental organization. In Maine, it is commonplace to split responsibility for raising revenues, delivering service and prescribing service standards. An example would be a state directive to counties on how they will deliver a service that

municipalities pay for by raising taxes through the local property tax. This pattern of governmental organization diffuses accountability and responsiveness to both taxpayers and service recipients.

The organization Citizens to Reduce Local Property Taxes Statewide has presented an initiated bill to the voters that, if passed, would require the state to meet its long-stated commitment to funding General Purpose Aid to Education at 55%. This referendum measure also calls on the state to pay 100% of the cost of special education. This measure addresses several issues of interest to service centers. It seeks to reduce the over reliance on the property tax by balancing the relative revenues raised from sales, income and property taxes. It also requires the state to develop a tax burden management plan to address Maine's overall high tax burden.

In addition to this measure, the coalition believes that tax reform proposals are needed to minimize the disparity that presently exists in property tax rates among Maine communities, while moving Maine toward the middle of the nation in relative tax burden. It needs to be underscored that the recommendations that follow do not include any proposals for creating new taxes or increasing tax rates on existing taxes.

LEVEL THE FINANCIAL PLAYING FIELD

State tax and expenditure policies that cause extreme disparity in local property tax rates and retard investment where Maine's economy is centered should be reformed. Creativity and dialogue within the municipal community will be essential to shape a consensus on these issues. This will not occur unless there is an understanding that Maine's economic, natural and human resources are at risk when our service centers are at risk. The following are some of the more prominent proposals being presently advocated by service centers.

- Apportion State Municipal Revenue Sharing to reflect the tax effort on only the municipal side of the local budget, thereby removing from the current calculation the local tax effort for schools, which now will be considered under the new Essential Programs and Services initiative.

- Relieve municipalities with at least four full-time law enforcement personnel from any obligation to pay for county patrol services. Consider reducing payments by 25% if there is one full-time law enforcement officer, by 50% for two and by 75% for three.
- Share with communities the state income tax revenues generated from property-tax-exempt institutions, for up to 50% of the tax loss. Where there are no income taxes generated from the property, there would be no state share.
- Grant municipalities the option to finance fire protection services on the basis of property square footage (buildings and land) exclusively or in combination with traditional support through the property tax.

Other opportunities to level the financial playing field among municipalities and thereby reduce property tax rate disparities include reallocating traffic fine income, reforming urban match requirements for transportation investments, and equalizing state-local winter and summer highway maintenance cost sharing. Finally, Maine should not worsen property tax rate disparities between service center communities and the rest of the state. The current proposal to repeal the personal property tax on business equipment and machinery, if enacted, could have that result. Service centers have nearly 70% of the personal property value in Maine in their communities while representing 45% of all property valuation. Therefore, if the consequences of the proposed exemption are not mitigated, the disparity of property tax rates for service centers compared to the rest of the state will be exacerbated.

IMPROVE LOCAL GOVERNMENT ADMINISTRATION TO LOWER COSTS

Service centers have at their doorstep the best public and private sector management experience in the state. This is a tremendous asset to bring to bear on the challenges of lowering the cost and improving the quality of public services. Significant successful initiatives

already exist for communities to draw upon but, where new thinking is needed, these public and private sector administrators should join forces to generate new ideas.

Traditional topics such as debt management, preventive maintenance, workplace safety management and regulatory reform require constant consideration to identify opportunities to cut costs and improve service. A rapidly evolving opportunity involves the effective application of technological advances to such functions as public record retention, tax assessing, mapping, conferencing, winter road salt application and school instruction. This year, Maine's service centers are working to create an easily accessible information clearinghouse and exchange where managers can find solutions to problems, identify relevant innovative approaches and offer up their successes for others to consider.

REORGANIZE THE DELIVERY OF PUBLIC SERVICES

Existing service delivery patterns for state, county and municipal government need to be reconsidered. The current pattern of intergovernmental service delivery must be revised to ensure that service responsibilities are assigned to that level of government best positioned to provide service in the most efficient, effective and accountable manner. To a much greater extent, the responsibilities of funding and delivering governmental services should reside within the same unit or level of government. The initiative for reallocating responsibilities ideally should be driven and organized from the bottom up not the top down. Service centers must be among the initiators of restructuring efforts.

While service centers generally do not favor expanding county government in its current form, they are open to a total restructuring of boundaries and functions that would also include granting home rule and taxing authority. Preliminary conversations between service centers and the Maine County Commissioners Association have indicated that there may be common ground in addressing this issue one governmental function at a time, in allowing flexibility in organizational design for each region as reflected in charters, in granting the power to tax, and that any

reorganization not result in the creation of regional entities in addition to existing counties. Some further suggestions being offered by service centers include the following:

- Reconsider the boundaries, financing, functions and accountability of county government. Consider realigning county boundaries to reflect regional travel patterns much like Maine's 35 labor market areas. Have school administrative units operate as a department within county government. Consider having the school funding formula provide aid at this unit level. However, for the sake of community cohesion, leave current school identities intact to the greatest extent possible.
- Authorize counties to assume full municipal powers with respect to the unorganized townships within their borders and ease municipal deorganization by having county governance available as a more attractive alternative to the current state governance option.
- Reconsider the boundaries of regional planning districts and county government and consider the idea of bringing them both into alignment with the boundary concept suggested above.
- Eliminate general assistance as a function of local government.

INVEST IN FINANCIAL, HUMAN AND SOCIAL CAPITAL

While investment must come in many forms, the objective should be to enhance functional diversity and thereby realize the goal of having vibrant service centers. In each functional area, be it housing, employment, retail, recreation or culture and the arts, the diversity of offerings must be strong. This type of diversity is well documented as a key to supporting the creative and entrepreneurial class that keeps a community growing and adapting. While investment must recognize the imperatives of joining the global economy, it must not come at the expense of local

culture being overrun by cultural globalization. Much of Maine's historic property assets reside in service centers. These assets richly reflect local culture and serve not only to differentiate communities but also greatly add to community diversity. Proposals of interest to service centers include the following:

- Coordinate public investment through the Maine State Housing Authority, Department of Economic and Community Development and the Maine Department of Transportation to target projects that promote compact, mixed-use development and which leverage private sector investment.
- Make a stronger financial commitment to the redevelopment of brownfield and urban renewal sites that have been left vacant or underutilized for decades and often are in the very core of service centers.
- Issue a biennial service center capital investment plan to guide state capital investment decision-making that leverages or attracts private investment that builds the property tax base, lessens the dependence on the property tax for capital financing, creates jobs, reduces public service operating costs, and matches federal funds.

Other areas of interest include the siting of governmental buildings in downtowns including schools, pedestrian amenities, tax incentives for historic preservation and affordable housing, waterfront public access preservation and energy supply, and conservation opportunities.

REMOVE BARRIERS TO COMPACT MIXED-USE DEVELOPMENT

Much work remains in reexamining local regulations and procedures that undermine the goal of creating vibrant service centers. It is critical that the link between transportation and land use planning be strengthened. Designs are needed that foster mixed-use development and higher population densities, while maximizing multi-modal mobility and access. Regulatory frameworks also are needed to spur both historic preservation and complementary "infill" devel-

opment, while enhancing the diversity of housing and employment opportunity.

Research conducted by the State Planning Office reveals that 43% of Maine home buyers moving out of urban communities (representing 37% of the total market) are looking for compact, walkable neighborhoods often not allowed under municipal zoning ordinances. Service centers must become more responsive to market demands by removing unnecessary regulatory and procedural obstacles to the creation of compact, mixed-use neighborhood designs.

Service centers need to promote traditional development by changing planning and zoning regulations so that compact, walkable, mixed-use, transit-oriented projects can be built. Presently, service centers are exploring with the Maine Downtown Center a collaborative effort to document and support the exchange of "best regulatory practices" for promoting compact mixed use development.

CONCLUSION

The implementation of such a workplan will require the active participation of constituencies that extend well beyond the municipal leadership of Maine's service centers. There must be an intergovernmental partnership forged with federal, state and county government as well as with special service districts. The link to the private sector through the state and local chambers of commerce as well as Maine's business associations must be strong. After all, it has been clearly established that service centers are where three-quarters of Maine's jobs and commerce are. Earlier it was noted that much of Maine's medical establishment and institutions of higher learning are found in service centers. Their involvement in fulfilling this plan is essential. Also, it has been noted that this strategy is about environmental protection, historic preservation and cultural awareness. These constituencies deserve a seat at the table. Service centers must reach out and engage all these parties to enlist their support and make implementation a broader team effort.

This effort must be constantly sensitive to the potential for divisiveness that pits service centers against non-service center communities. Service centers

must not succeed at the expense of their fellow municipalities. Rather, the success of service centers must demonstrably be a success for all communities. With 74% of all State General Purpose Aid to Education and State-Municipal Revenue Sharing sent to non-service centers being derived from service centers, it is easy to appreciate how building the economy of service centers lifts all communities. Of the five sets of strategies previously outlined, the first one entitled "Level the Financial Playing Field" may be most problematic for intermunicipal relations. Nevertheless, if careful consideration is given to how the proposed remedies will stimulate economic returns that benefit all communities, progress can be realized.

Vibrant service centers will come through the pursuit of five strategies that level the financial playing field among municipal governments; improve local government administration; reorganize the delivery of public services; invest financial, human and social capital; and reduce barriers to compact, mixed-use development.

These strategies support the overall goal of conserving Maine's economic, natural and human resources. This is about being effective stewards of our environment in the broadest meaning of that term. 🐟



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ENDNOTE

1. The State Planning Office calculated Maine's tax burden at 12.3% of personal income for 2001. This differs from the Census Bureau, which made a major error in the Maine calculation and did not offset tax relief provisions. Mississippi has the average tax burden in the nation at 11.1% of personal income. The middle 10 states range from 11.2% to 10.9%.