

M. FISCAL CAPACITY

1. Purpose

High property tax rates are one of the major problems facing communities with large amounts of lake-front properties such as Orland. They are a particular problem for the elderly and others on fixed incomes. Therefore, a comprehensive plan should examine fiscal trends in a town.

Specifically, this section will:

- a. summarize Orland's current fiscal conditions;
- b. discuss recent revenue and expenditure patterns;
- c. predict likely future revenue and expenditure trends; and
- d. assess Orland's capacity to finance capital expenditures for the next ten years.

2. Key Findings and Issues

Property tax assessments have increased rapidly in Orland. Between 1990 and 1995, tax spending increased at an after-inflation rate of 25 percent. The largest increases has been school spending (an after-inflation rate of 77 percent in ten years). State education subsidies have increased at about half the rate of town school spending.

The tax base is primarily residential and undeveloped land. State records show that Orland has no industrial valuation and just over one percent of the valuation is due to taxable personal property. Only 4 percent of the valuation is tax-exempt.

3. Public Opinion Survey and Community Workshop Results

Forty-eight percent of the respondents to the survey felt that property taxes were a problem, while 37 percent felt that they were not a problem. There were also several comments at the first public workshop regarding the tax base and new development. Some expressed concern about sprawl and the cost of development. Others felt that it was important to attract new development to broaden the tax base.

4. Valuation and Tax Assessment

Orland's ability to raise tax revenue is dependent largely on its tax base or valuation. As seen in Table M.1, Orland's state equalized valuation increased from \$36.1 million in 1987 to \$91.6 million in 1995. This is an increase of about 151 percent in nine years. When these figures are adjusted for inflation, the total increase is 86

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percent.

There has also been an increase in the property tax burden. When adjusted for inflation, the total money raised through property taxes increased from \$709,035 in 1987 to \$1,124,435 in 1995. This was a real (adjusted for inflation) increase of 59 percent. Property tax assessments thus increased at a slower rate than the valuation over the eight-year period. Between 1990 and 1995, however, total valuation and assessments both increased at a rate of about 25 percent, indicating that the gap between valuation and assessments increases may be closing. If assessments were to increase at a faster rate than the valuation, this would likely mean even greater burden on all tax payers in town.

Year	Valuation		Property Tax Assessment	
	Current Dollars ¹	1995 Dollars ²	Current Dollars ¹	1995 Dollars ²
1987	\$36,450,000	\$49,207,500	\$525,211	\$709,035
1988	\$42,250,000	\$54,080,000	\$595,895	\$762,746
1989	\$46,650,000	\$56,446,500	\$685,727	\$829,730
1990	\$64,450,000	\$73,473,000	\$790,769	\$901,477
1991	\$77,050,000	\$83,984,500	\$909,872	\$991,760
1992	\$85,400,000	\$91,378,000	\$934,372	\$999,778
1993	\$89,650,000	\$93,236,000	\$948,716	\$986,665
1994	\$87,150,000	\$88,893,000	\$1,014,278	\$1,034,564
1995	\$91,650,000	\$91,650,000	\$1,124,435	\$1,124,435
Nine-Year Change	151%	86%	114%	59%

1 Unadjusted for inflation.
2 Adjusted for inflation.

SOURCE: Maine Bureau of Taxation, Municipal Valuation Return Summary. Inflation adjustments made using U.S. Dept. of Labor Consumer Price Index.

It is useful to compare valuation trends in Orland to those of other Hancock County towns. As seen in Table M.2, Orland's 1995 state equalized valuation per capita was higher than Penobscot, but was lower than the Blue Hill and Franklin. On a per capita basis, the 1995 property tax assessment in Orland was \$589 (see Table M.2). This is just over half of the Hancock County average. These per capita figures are for year-round residents only, they do not reflect the share of the property tax burden assumed by non-resident land owners. They do, however, indicate that Orland's

property tax burden is not as severe as that of many communities in Hancock County.

Table M.2					
Valuation, Tax Rates, and Tax Spending (Assessment)					
Orland, Penobscot, Blue Hill, Franklin and Hancock County: 1995					
	1994 Population Estimate	1995 State Equalized Valuation	1995 State Valuation Per Capita	1995 Tax Assessment	1995 Tax Assessment Per Capita
Orland	1,909	\$91,650,000	\$48,009	\$1,124,435	\$589
Penobscot	1,125	\$62,250,000	\$55,333	\$845,595	\$752
Blue Hill	2,013	\$268,450,000	\$133,358	\$2,694,437	\$1,339
Franklin	1,221	\$56,150,000	\$45,987	\$756,339	\$619
Hancock County	48,837	\$4,569,750,000	\$93,571	\$53,552,500	\$1,097
SOURCE: Maine Bureau of Taxation, Municipal Valuation Return Statistical Summary					

Between 1990 and 1995 tax spending in Orland increased at an after-inflation rate of 25 percent (see Table M.3). This is a slower rate of increase than either Penobscot, Blue Hill or Franklin. It is, however, six percentage points faster than the overall rate for Hancock County. This means that while Orland has not faced the very rapid spending increases experienced by some towns, its rate is still above the county average.

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**Table M.3
Tax Spending (Assessment)
Orland, Penobscot, Blue Hill, Franklin and Hancock County: 1990-1995**

	1990	1991	1992	1993	1994	1995	Percent Increase 1990-1995	Percent Increase Adjusted for Inflation
Orland	\$790,769	\$909,872	\$934,372	\$948,716	\$1,014,278	\$1,124,435	42%	25%
Penobscot	\$417,113	\$548,381	\$636,350	\$730,111	\$777,433	\$845,595	103%	78%
Blue Hill	\$1,793,984	\$2,094,107	\$2,219,051	\$2,407,336	\$2,550,138	\$2,694,437	50%	32%
Franklin	\$370,524	\$618,412	\$477,504	\$567,531	\$641,540	\$756,339	104%	79%
Hancock County	\$39,627,272	\$43,288,247	\$45,124,533	\$48,247,255	\$51,081,828	\$53,552,500	35%	19%

SOURCE: Maine Bureau of Taxation, Municipal Valuation Return Statistical Summary

Orland Comprehensive Plan: Inventory and Analysis

Property tax burdens can also be measured by comparing the various types of property in a town. As seen in Table M.4, Orland has just over \$1 million in taxable personal property (items such as machinery or major pieces of office equipment) or one percent of the total valuation. This compares to an average of six percent for Hancock County. The Hancock County average, however, is skewed by those few towns with large industries. Bucksport, for example, has about 80 percent of all reported personal property in the county.

State Bureau of Taxation data indicate that Orland has no industrial valuation. Based on the experiences of other small towns, it is possible that there is some industrial property in Orland that has been erroneously classified as "personal property."

Orland, according to state figures, has about \$4 million worth of tax-exempt property. This includes about \$950,000 in federal property, \$100,000 in state property and \$1.9 million in other public property. There is also about \$470,000 worth of veterans exemption in town. Other tax-exempt property includes churches (about \$173,000), fraternal organizations (\$120,000), charitable properties (\$141,000) and literary and scientific organizations (\$165,000). Overall, this property amounts to about 4 percent of the total state valuation. This is comparable to Penobscot, but less than the other towns shown.

Town	Personal Property	Percent	Industrial Valuation	Percent	Exempt Property	Percent
Orland	\$1,099,630	1.2%	\$0	0.0%	\$4,043,880	4%
Penobscot	\$190,100	0.3%	\$190,100	0.3%	\$2,702,800	4%
Blue Hill	\$2,361,200	0.9%	\$0	0.0%	\$77,351,020	29%
Franklin	\$1,433,745	2.6%	\$917,110	1.6%	\$3,016,450	5.4%
Hancock County	\$292,504,401	6.4%	\$331,210,309	7.2%	\$533,707,001	12%

SOURCE: Maine Bureau of Taxation, Municipal Valuation Return Statistical Summary

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**Table M.5
Major Revenue Sources, Orland
1986-1996**

	1986 ¹	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Property Taxes Receipts	\$435,124	\$527,359	\$594,648	\$669,385	\$761,595	\$877,040	\$909,645	\$985,847	\$1,026,906	\$1,120,220	\$1,197,104
(Percent Property Taxes of All Revenue Sources Except "Other")	70%	67%	69%	33%	35%	38%	37%	37%	42%	40%	44%
Excise Taxes	\$104,303	\$129,566	\$154,921	\$149,138	\$142,244	\$163,486	\$166,181	\$197,501	\$207,216	\$232,044	\$239,400
State Revenue Sharing/Transfers *	\$83,385	\$49,087	\$57,882	\$1,190,441	\$1,270,042	\$1,235,540	\$1,292,252	\$1,409,360	\$1,167,964	\$1,292,054	\$1,161,622
Highway Block Grant		\$10,789	\$35,925								
Education Subsidies		\$7,855									
Interest		\$22,526								\$32,000	
Licenses/Revenues		\$35,925	\$12,390	\$11,493	\$12,620	\$31,714	\$113,613	\$72,414	\$71,515	\$148,652	\$148,489
Subtotal	\$622,812	\$783,107	\$855,766	\$2,020,457	\$2,186,501	\$2,307,780	\$2,481,691	\$2,665,122	\$2,473,601	\$2,824,970	\$2,746,615
Other	\$853,294	\$690	\$1,198,326	\$299,060	\$401,619	\$308,803	\$310,556	\$352,533	\$479,789	\$579,000	\$280,040
TOTAL	\$1,476,106	\$783,797	\$2,054,092	\$2,319,517	\$2,588,120	\$2,616,583	\$2,792,247	\$3,017,655	\$2,953,390	\$3,403,970	\$3,026,655

1: NOTE: Denotes payments actually received rather than assessment.

*NOTE: All state revenue sources (highway block grant, revenue sharing, education aid) included in this category after 1988.

5. Current and Future Revenue Trends

Major revenue sources for Orland are shown in Table M.5. These numbers are taken from the annual Treasurer's Reports and represent the actual monies received in a given year. This means that "property taxes received" differs from the property tax assessment for that year since it includes late payments from previous years. The large "other" category includes items such as interest, specialized state grants, alewife sales, sale of town property and other variable items. Since accounting procedures used in the annual town reports vary from year to year, some of the variation in numbers for a given category may be due to different reporting formats. The property tax collections, excise taxes and state revenue transfers appear to be the most consistent.

Table M.6 compares state school subsidies and local appropriations for education. While overall school spending in Orland increased at an after-inflation rate of 72 percent between 1986 and 1996, the state appropriation increased by only 50 percent. The municipal appropriation, however, increased by 103 percent. Local property taxes are thus accounting for a greater proportion of educational costs.

Table M.6 Orland State School Subsidies and Local Appropriation			
Year	State Amount ¹	Municipal Amount	Total
1985-1986	\$488,078	\$341,399	\$829,477
1986-1987	\$557,935	\$407,590	\$965,525
1987-1988	\$728,057	\$424,726	\$1,152,783
1988-1989	\$808,890	\$447,992	\$1,256,882
1989-1990	\$965,484	\$748,041	\$1,713,525
1990-1991	\$1,082,265	\$812,889	\$1,895,154
1991-1992	\$1,004,948	\$750,341	\$1,755,289
1992-1993	\$1,010,406	\$790,081	\$1,800,487
1993-1994	\$1,055,048	\$965,648	\$2,020,696
1994-1995	\$1,046,041	\$885,077	\$1,931,118
1995-1996	\$1,034,992	\$977,476	\$2,012,468
Percent Increase	112%	186%	143%
Percent Increase Adjusted for Inflation	50%	103%	72%
¹ These figures are from the school's fiscal year and may differ from town figures, which are based on the calendar year.			
SOURCE: Town Reports as compiled by the HCPC.			

6. Current and Future Expenditure Trends

Table M.7 compares selected expenditures between 1986 and 1996 adjusted for inflation. The most rapid spending increase was in education. All other categories also increased at a rate well above that of inflation. Welfare, for example, increased by nearly 300 percent and administration by just over 100 percent. The slowest percentage increases were for cemeteries and highways, which increased by 18 and 17 percent respectively.

Since education accounts for the largest portion of local expenditures and the school budget is largely set by state mandates, the town has relatively little control over much of the budget. Similarly, welfare is also driven by state requirements to provide general assistance and much of the health and sanitation budget is related to solid waste and recycling.

Most towns in Maine have seen an increase in administrative costs due to the greater burden being placed on all municipalities. More time is needed to deal with the various state mandates. As mentioned in the *Public Services and Facilities* chapter, however, Orland has only one full-time town office employee. The town has thus managed to limit its administrative expenditures.

Orland faces several capital expenditures over the next few years. These are in addition to likely continued increases in school costs. For example, the town office building requires major repairs or replacement with a new facility. The fire department will need to replace the 1968 Ford pump and the fire station requires substantial repairs.

The town may also have to consider extra funding for road rebuilding and repair. Recent changes in the state's municipal road reimbursement formula further restrict how state money can be spent. Funds may be used only for capital projects such as building and rebuilding of roads and hot-topping projects with a 2-inch minimum layer of pavement.

Another pending project is a salt-sand storage shed. While eventual state reimbursement for this cost is possible, the town may have to pay for the initial construction. The town should consider developing a schedule through which these various projects can be listed in the capital improvements program.

Item	1986 Amount	1986 Amount in 1996 Dollars	1996 Amount	Constant Dollar Percent Change
Administration	\$58,757	\$82,847	\$168,327	103%
Health and Sanitation	\$42,738	\$60,261	\$97,955	63%
Welfare	\$2,063	\$2,909	\$11,541	297%
Education	\$345,789	\$487,562	\$2,165,578	344%
Protection	\$24,789	\$34,952	\$59,353	70%
Highways	\$103,843	\$146,419	\$172,779	18%
Parks and Recreation	\$4,149	\$5,850	\$19,912	240%
Cemeteries	\$1,047	\$1,476	\$1,728	17%
Capital Projects	\$14,712	\$20,744	\$0	--
County Tax	\$22,543	\$31,786	\$47,726	50%
Debt Service	\$0	\$0	\$96,658	0%

SOURCE: Town Reports as compiled by the HCPC

7. Municipal Debt and Capital Financing

Orland presently has a relatively low volume of debt when compared to the maximum debt allowed by state law. Towns may borrow up to 15 percent of their total state valuation, which in Orland's case would be about \$13 million in 1996. About half of the debt must be reserved for educational purposes.

The town had a total of \$540,188 in debt in 1996. This included about \$12,000 in school debt. Other payments included notes for the fire truck, tank truck and the school and general sewer bond. Orland thus has ample ability to borrow more money if the selectmen and voters chose to support this particular type of financing.