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Subject: 2016 County Budget and FY 16 and FY 17 Jail Budgets

Dear Municipal Official:

The 2016 County Budget Process is underway. This is an annual exercise. We are at a point where things are coming into focus.

During the 2016 Legislative Session, the Maine Legislature did something they seldom do. They repealed critically flawed public policy, the Jail Consolidation Act, which was enacted in 2008. Therefore, the financial control of the jails has been returned to the counties.

In the last full funding year under the former Board of Corrections (BOC) paradigm, the County of Aroostook received just over \$1.6M in state subsidy. This was in the context of a Jail Budget of nearly \$4M. With the passage of the new law, which repealed the Jail Consolidation Act, our state subsidy has been cut by \$1M. The state subsidy amount is now less than \$650,000.

As a result of this drastic cut in state funding, we have adjusted our Jail Budget substantially. Prior to disbandment, the BOC set our Jail Budget at \$4.2M for FY 16. On September 2nd of this year, based on a recommendation and implementation of an operational efficiency plan submitted by Sheriff Darrell Crandall, the

County Commissioners approved a FY 16 amended Jail Budget of \$3.6M. This budget received final approval by our Finance Committee on September 15, 2015.

Despite such a significant reduction in expenditures, we still anticipate an end of year budget gap of over \$500,000, which would be taken from the County's fund balance, absent any significant Supplemental Funding from the Legislature. We are not excited about this prospect.

In the context of the adjustments to the Jail Budget, maintenance and utility expenses were moved from the Jail Budget to the General Fund Budget. Accordingly, we estimate an increase to the General Fund in excess of \$400,000. Aside from that, even though the state agreed to assume infrastructure costs attributable to the jail building in the context of the Jail Consolidation Act, they didn't put one penny of their money in the seven (7) years under BOC control. As a result, we are building a capital improvement fund from scratch. The picture is not pretty.

The adjustments we have made to the jail budget are consistent with our budget model we had in place prior to the advent of the BOC and the model we use for all other cost centers (departments).

All of this leads to the inevitable. Because we were handed a financial burden of significant proportions, how does all this affect the property tax payers in Aroostook County?

Well, despite cuts in employee wages and benefits, cuts to Aroostook County agencies, cuts to departmental budgets, etc., we are still looking at a 2016 General Fund Budget, which, overall will likely be up 5.9%, from \$7,162,991 to \$7,587,217, and a tax component, which is slated to increase by 8.2%, from 5,381,230 to \$5,824,070.

Regrettably, this will just barely get us through the year. The overall plan will suck \$500,000 from our General Fund (fund balance) and leaves us with less than \$70,000 in a jail building capital account (a building whose original footprint dates back to the 1880s). And, if we look beyond the FY 16 Jail Budget to FY 17, with a budget gap of \$400,000, our fund balance will be wiped out in its entirety.

Since the advent of our County Charter in 1990, the County of Aroostook has been consistently frugal and prudent with limited financial resources. As I look around the state, I see counties half of our size that tax as much or more than we do. Our tax increases are reputed to be the lowest in the state. I know for myself, because I have done the math, that our average annual tax increase since 1990 has been less than 2.5%.

We are not excited about the prospect of raising taxes and have had some significant internal heartburn getting to the point we are at now. We will say this, however. We are excited about the prospect of controlling our County Jail again and not being lackeys to the State of Maine. It will be extremely difficult during the next several years, however. We hope you will help us through this by understanding our plight and by encouraging our efforts.

Please let me know if you have any questions.

Doug