

MAINE STATE LEGISLATURE

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122nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2005

Legislative Document

No. 30

H.P. 33

House of Representatives, January 6, 2005

An Act To Apply a System of Spending Limitations to State, County and Municipal Governments and School Administrative Units

Reference to the Committee on Appropriations and Financial Affairs suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative CARR of Lincoln.
Cosponsored by Senator DAVIS of Piscataquis.

Be it enacted by the People of the State of Maine as follows:

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PART A

Sec. A-1. 5 MRSA §1664, last ¶, as enacted by PL 2003, c. 451, Pt. X, §8, is repealed and the following enacted in its place:

The total General Fund appropriation for each fiscal year of the biennium, other than transfers of unallocated surplus or expenditures constituting direct payments to taxpayers to reduce their tax liability, may not exceed the General Fund appropriation of the previous fiscal year multiplied by a growth factor. For purposes of this paragraph, the growth factor applicable to fiscal years following the effective date of this paragraph is the base growth factor, defined as the following sum: one plus the average real personal income growth rate, as defined in section 1665, subsection 1, which rate may not exceed 2.75%. For fiscal years commencing after such time as the state tax burden ranks in the middle 1/3 of all states, the growth factor must become the personal income growth factor. The personal income growth factor is one plus the average percent change in personal income in this State for the prior 10 calendar years, ending with the most recent calendar year for which data are available, as estimated by the United States Department of Commerce, Bureau of Economic Analysis. For purposes of this section, "state tax burden" means the total amount of state and local taxes collected during the calendar year concluding on the preceding December 31st, as calculated by the State Tax Assessor, divided by the total personal income of all residents of the State during that same calendar year as calculated by the Bureau of Economic Analysis. The State Tax Assessor shall undertake this calculation no less often than once per year. For any fiscal year thereafter, if the State Tax Assessor determines that the state tax burden has increased to the highest 1/3 of all states, the growth factor for the following fiscal year must be the base growth factor. In all other fiscal years when the state tax burden ranks in the middle 1/3 of all states, the growth factor must be the personal income growth factor. The appropriation limitation set forth in this paragraph may be exceeded only in an amount necessary to comply with a court order or decree or to pay costs associated with extraordinary events outside the control of the Governor or Legislature, such as natural disasters, severe weather events, acts of God, acts of terrorism, fire, war and riots, but in no event may such events include changes in economic conditions, revenue shortfalls or increases in salaries or benefits; however, for purposes of calculating total General Fund appropriations for any future fiscal year, any appropriations made pursuant to this sentence

2 may not be deemed an appropriation of the previous fiscal year
3 for purposes of calculating the State's General Fund
4 appropriation limitation, nor may such appropriations in excess
5 of the appropriation limitation continue for longer than required
6 to comply with the court order or decree or address the
7 extraordinary event. Notwithstanding any of the limitations in
8 this paragraph, the limitation on General Fund appropriations may
9 be exceeded upon the 2/3 vote of each House of the Legislature,
10 provided that any resolution or legislation authorizing the
11 appropriation contains specific language indicating that the
12 Legislature intends to override the appropriation limitations for
13 the current fiscal year. The General Fund appropriation
14 limitation in this section may adjust up or down, on a
15 going-forward basis, as necessary to permit the State to meet the
16 goal of 55% state funding of kindergarten to grade 12 education
17 costs pursuant to the School Finance Act of 2003 set forth in
18 Title 20-A, chapter 606-C and to implement the essential programs
19 and services model set forth in Title 20-A, chapter 606-B.

20 **Sec. A-2. 5 MRSA §1678** is enacted to read:

22 **§1678. Annual spending limitation report**

24 The Office of Fiscal and Program Review, in consultation
25 with the Department of Administrative and Financial Services,
26 Maine Revenue Services, the Department of Education, a statewide
27 organization representing municipalities, a statewide
28 organization representing school management and a statewide
29 organization representing county commissioners and other
30 interested parties or associations that may be able to collect
31 the necessary data in a timely manner, shall issue a report
32 annually that identifies for each fiscal year the degree to which
33 State Government complied with the spending limitations
34 established in section 1664, the county governments complied with
35 the spending limitations established in Title 30-A, section
36 706-A, the school administrative units complied with the spending
37 limitations established in Title 20-A, chapter 101, subchapter 3
38 and the municipalities complied with the spending limitations
39 established in Title 30-A, section 5721-A or, in the alternative,
40 exceeded their respective statutory spending limits. Upon its
41 publication, the report must be distributed to the Governor, the
42 Legislature and each of the parties or associations that
43 consulted with the Office of Fiscal and Program Review in the
44 development of the report.

46 **PART B**

48 **Sec. B-1. 30-A MRSA §5721-A** is enacted to read:

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2 **§5721-A. Limitation on municipal appropriations**

4 **1. Appropriation limit established.** Notwithstanding any
6 other provision of law, a municipality may not in any fiscal year
8 make an appropriation, including amounts appropriated or
10 allocated to reserves, except as otherwise provided in this
12 section when that appropriation uses the revenues collected
14 through property taxes levied by the municipality and when the
16 appropriation would cause the municipality to exceed its property
18 tax levy limit for the fiscal year. A municipality's property
20 tax levy limit for any fiscal year must be set at its property
22 tax levy limit for the prior fiscal year multiplied by the
24 following sum: one plus the income growth factor set forth in
26 subsection 4 plus the municipality's annual property growth
factor. The annual property growth factor for a municipality is
a fraction, established by the municipality, whose denominator is
the total taxable valuation of the municipality for the tax year
associated with the municipality's fiscal year and whose
numerator is the amount of increase in the assessed valuation of
any real or personal property in the municipality during the
prior tax year that may become subject to taxation for the first
time, may be taxed as a separate parcel for the first time during
the current tax year or has had an increase in its assessed
valuation over the prior year's valuation as a result of
improvements to or expansion of the property.

28 **2. Scope.** Appropriation and property tax levy limits
30 established in subsection 1 apply to any general fund
32 appropriation of a municipality, other than appropriations and
34 revenues related to tax increment financing districts or similar
special tax districts pursuant to state law, but do not apply to
expenditures related to the budget of a school administrative
unit or county or to assessments or tuition expenditures properly
issued by a school administrative unit or county of which the
municipality is a member.

36 **3. Transition; extraordinary events.** The appropriation
38 limit established in subsection 1 must become effective for a
40 municipality for its first full fiscal year following the
effective date of this section.

42 **A.** For purposes of determining the property tax levy limit
44 for the first fiscal year for which this section is
46 effective, the limit must be set at the property tax
48 commitment of the municipality for the fiscal year during
which this section becomes effective multiplied by the
following sum: one plus the income growth factor set forth
in subsection 4 plus the municipality's annual property
growth factor set forth in subsection 1.

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2 B. If a prior year's tax commitment reflects the effect of
3 extraordinary, nonrecurring events, a municipality may
4 submit a written notice to the State Tax Assessor requesting
5 an adjustment in the levy calculation, which adjustment must
6 be determined in a reasonable amount of time.

7 4. Income growth factor. The income growth factor
8 applicable to fiscal years following the effective date of this
9 section is the base growth factor, which for purposes of this
10 section means the average real personal income growth rate as
11 defined in Title 5, section 1665, subsection 1, which rate may
12 not exceed 2.75%. For fiscal years commencing after such time as
13 the state tax burden ranks in the middle 1/3 of all states, the
14 growth factor must become the personal income growth factor as
15 defined in Title 5, section 1664. For purposes of this section,
16 "state tax burden" has the same meaning as set forth in Title 5,
17 section 1664. For any fiscal year thereafter, if the State Tax
18 Assessor determines pursuant to Title 5, section 1664 that the
19 state tax burden has increased to the highest 1/3 of all states,
20 the growth factor for the following fiscal year must be the base
21 growth factor. In all other fiscal years when the state tax
22 burden ranks in the middle 1/3 of all states, the growth factor
23 must be the personal income growth factor.

24 5. Adjustment for new state funding. If the State provides
25 net new funds to a municipality for existing services funded in
26 whole or in part by property taxes, other than required state
27 mandate funds pursuant to section 5685 that do not displace
28 current property tax expenditures, the municipality shall lower
29 its property tax levy limit in that year in an amount equal to
30 the net new funds. For purposes of this subsection, "net new
31 funds" means the amount of funds received by the municipality
32 from the State in that fiscal year, with respect to services
33 funded in whole or in part by property taxes, less the following
34 product: the amount of such funds received in the prior fiscal
35 year multiplied by an adjustment factor. The adjustment factor
36 equals: one plus the income growth factor set forth in subsection
37 4 plus the municipality's annual property growth factor as
38 defined in subsection 1. If a municipality receives net new
39 funds in any fiscal year for which its levy limit has not been
40 adjusted as provided in this subsection, the municipality shall
41 adjust its levy limit in the following year in an amount equal to
42 the net new funds.

43 6. Extraordinary event. Upon the affirmative vote of its
44 legislative body, a municipality may exceed its property tax levy
45 limit in an amount necessary to comply with a court order or
46 decree or to respond to an extraordinary event. "Extraordinary
47 event" includes any catastrophic event outside the control of the
48 legislative body, such as natural disasters, severe weather
49 and other events beyond the control of the municipality.
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2 events, acts of God, acts of terrorism, fire, war and riots.
3 "Extraordinary event" does not include changes in economic
4 conditions, revenue shortfalls or increases in salaries or
5 benefits. An appropriation under this subsection may not cause
6 the municipality's property tax levy limit to be adjusted for any
7 future fiscal years and may not continue for longer than required
8 to comply with the court order or decree or address the
9 extraordinary event. For municipalities with a town meeting form
10 of government, "legislative body" means all registered voters of
11 that municipality who are assembled for the purpose of voting at
12 any legally convened town meeting.

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14 7. Election. A municipality may elect to raise its
15 property tax levy limit upon the affirmative vote of a majority
16 of the voters voting by municipal election held at any regular or
17 special election. Notwithstanding any law to the contrary, such
18 an election may be called only upon the affirmative vote of a
19 majority of the municipal officers and must be governed according
20 to state law and any applicable municipal charter. The warrant
21 for the election must set forth the question in the following
22 form: "Do you favor raising the levy limit of [name of
23 municipality] for the purpose of [insert purpose]?" For the
24 purposes of this section, "municipal election" means a secret
25 ballot referendum unless otherwise provided by charter, for those
26 municipalities with a charter that governs municipal election
27 procedures, or by ordinance for all other municipalities.
28 Notwithstanding any other provisions of law, a charter amendment
29 proposed to the voters of a municipality as a result of this
30 section is controlled by section 2104, and a municipal ordinance
31 proposed to the voters of a municipality as a result of this
32 section must be approved by a referendum voting procedure
33 pursuant to section 2528.

34 8. Treatment of surplus; reserves. Any property tax
35 revenues collected by a municipality in any fiscal year in excess
36 of its property tax levy limit, as determined by a final audited
37 accounting, must be transferred to a property tax relief fund,
38 which each municipality shall establish, and used to reduce
39 property tax levies in subsequent fiscal years. To the extent
40 the transfers required by this section cannot be accomplished
41 under the financial management authority vested in the municipal
42 officers, the transfers must be authorized by an action of the
43 legislative body. Nothing in this subsection is intended to
44 limit the ability of a municipality to maintain adequate reserves
45 pursuant to section 5801, provided that annual allocations or
46 appropriations of funds to reserves are treated as appropriations
47 subject to the appropriation limits set forth in subsection 1.

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49 9. Fractional divisions. A municipality may, consistent
50 with Title 36, section 710, exceed its property tax levy limit in
a reasonable amount necessary to avoid fractional divisions.

2 **10. Enforcement.** In the event a municipality makes
4 appropriations in violation of this section, the State Tax
6 Assessor may require the municipality to adjust its appropriation
 limit downward in an amount equal to the illegal appropriation
 and may impose such other penalties as the Legislature may
 provide.

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10 **PART C**

12 **Sec. C-1. 20-A MRSA c. 101, sub-c. 3 is enacted to read:**

14 **SUBCHAPTER 3**

16 **FINANCE FOR SCHOOL ADMINISTRATIVE UNITS**

18 **§1071. Limitation on appropriations**

20 **1. Appropriation limit established.** Notwithstanding any
22 other provision of law, a school administrative unit may not in
24 any fiscal year make an appropriation, including an appropriation
26 to reserves or balance of allocations pursuant to section 15613,
28 subsection 9, except as otherwise provided in this section, when
30 the appropriation is funded by an appropriation or by an
32 assessment on one or more member municipalities and when such an
34 appropriation would cause the school administrative unit to
36 exceed its appropriation or assessment limit for the fiscal
38 year. A school administrative unit's appropriation or assessment
40 limit for any fiscal year must be set at its appropriation or
42 assessment limit for the prior fiscal year multiplied by the
44 following sum: one plus an income growth factor as defined in
46 subsection 3 plus the annual property growth factor for the
48 member municipality or municipalities. The annual property
50 growth factor is a fraction whose denominator is the total
 valuation of the member municipality or the total combined
 valuation of all the member municipalities for the tax year
 associated with the school administrative unit's fiscal year and
 whose numerator is the total increase in the assessed valuation
 of any real or personal property in the municipality or the total
 combined increase in the assessed valuation of any real or
 personal property in all the member municipalities during the
 prior tax year that may become subject to taxation for the first
 time, may be taxed as a separate parcel for the first time during
 the current tax year or has had an increase in its assessed
 valuation over the prior year's valuation as a result of
 improvements to or expansion of the property. In establishing
 the property growth factor under this section, the school
 administrative unit must rely on the total valuation and
 increased valuation calculations of each member municipality

2 under Title 30-A, section 5721-A, subsection 1 for the
3 corresponding fiscal year.

4 **2. Transition and scope.** The appropriation and assessment
5 limit established in subsection 1 becomes effective for a school
6 administrative unit for its first full fiscal year following the
7 effective date of this section.

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10 A. For purposes of determining the assessment limit for the
11 first fiscal year for which this section is effective, the
12 limit must be set at the amount appropriated or assessed by
13 the school administrative unit during the prior fiscal year
14 multiplied by the following sum: one plus the income growth
15 factor set forth in subsection 3 plus the annual property
16 growth factor for the member municipality or municipalities
17 set forth in subsection 1.

18 B. Beginning with fiscal year 2006-07, the limits
19 established by this subchapter do not apply to the budget of
20 any school administrative unit that appropriates a
21 combination of state and local resources that does not
22 exceed the total budget identified as reasonably necessary
23 for that school administrative unit according to chapter
24 606-B, as divided by its base-year factor. For the purposes
25 of this subsection, a school administrative unit's base-year
26 factor is calculated with the numerator being the total
27 budget identified as reasonably necessary for that school
28 administrative unit according to this subchapter for the
29 2005-2006 school year and the denominator being the actual
30 amount of state and local resources appropriated for the
31 school administrative unit by its legislative body for that
32 same fiscal year, except that the base-year factor may not
33 exceed 1.0. The limits established by this subchapter do
34 apply if the school budget proposed by the governing body of
35 a school administrative unit exceeds the adjusted budget as
36 described in this subsection, and the adoption of that
37 school budget must be approved according to the procedures
38 established in subsection 5.

39 C. If the prior year's assessment reflects the effect of
40 extraordinary, nonrecurring events, the school
41 administrative unit may submit a written notice to the
42 commissioner requesting an adjustment in the assessment
43 calculation, which adjustment must be determined in a
44 reasonable amount of time.

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46
47 **3. Income growth factor.** The income growth factor
48 applicable to fiscal years following the effective date of this
49 section is the base growth factor, which for purposes of this
50 section means the average real personal income growth rate as

2 defined in Title 5, section 1665, subsection 1, which rate may
4 not exceed 2.75%. For fiscal years commencing after such time as
6 the state tax burden ranks in the middle 1/3 of all states, the
8 growth factor must become the personal income growth factor as
10 defined in Title 5, section 1664. For purposes of this section,
12 "state tax burden" has the same meaning as set forth in Title 5,
14 section 1664. For any fiscal year thereafter, if the State Tax
16 Assessor determines pursuant to Title 5, section 1664 that the
18 state tax burden has increased to the highest 1/3 of all states,
20 the growth factor for the following fiscal year must be the base
22 growth factor. In all other fiscal years when the state tax
24 burden ranks in the middle 1/3 of all states, the growth factor
26 must be the personal income growth factor.

28 **4. Adjustment for new state funding.** If the State provides
30 net new funds to a school administrative unit for existing
32 services funded in whole or in part by assessments, other than
34 required state mandate funds pursuant to Title 30-A, section 5685
36 that do not displace current assessment-funded expenditures, the
38 school administrative unit shall lower its assessment limit in
40 that year in an amount equal to the net new funds. For purposes
42 of this section, "net new funds" includes, but is not limited to,
44 any additional state subsidies provided to the school district
46 related to implementation of the goal of 55% state funding of
48 kindergarten to grade 12 education costs pursuant to the School
50 Finance Act of 2003 set forth in chapter 606-C and includes the
net of any additional local costs or additional state subsidies
resulting from implementation of the essential programs and
services model set forth in chapter 606-B, and "net new funds"
means the amount of subsidy received by the unit from the State
in that fiscal year, with respect to services funded in whole or
in part by assessment, less the following product: the amount of
such subsidy received in the prior fiscal year multiplied by an
adjustment factor. The adjustment factor equals: one plus the
income growth factor defined in subsection 3 plus the annual
property growth factor as defined in subsection 1 for member
municipalities. In the event a school administrative unit
receives net new funds in any fiscal year for which its
assessment limit has not been adjusted as provided in this
subsection, the school administrative unit shall adjust its
assessment limit in the following year in an amount equal to the
net new funds.

44 **5. Extraordinary event.** Upon the affirmative vote of its
46 legislative body, a school administrative unit may exceed its
48 assessment limit in an amount necessary to comply with a court
50 order or decree or to respond to an extraordinary event.
"Extraordinary event" includes any catastrophic event outside the
control of the legislative body, such as natural disasters,
severe weather events, acts of God, acts of terrorism, fire, war

2 and riots. "Extraordinary event" does not include changes in
3 economic conditions, revenue shortfalls or increases in salaries
4 or benefits. An appropriation under this subsection may not
5 cause the unit's assessment limit to be adjusted for any future
6 fiscal years and may not continue for longer than required to
7 comply with the court order or decree or address the
8 extraordinary event.

9
10 6. Election. A school administrative unit may elect to
11 raise its assessment limit upon the affirmative vote of a
12 majority of the voters of the unit voting by referendum, which
13 may be held at any regular or special election. Notwithstanding
14 any law to the contrary, the referendum may be called only upon
15 the affirmative vote of a majority of the governing body of the
16 school administrative unit and must be governed according to
17 state law for municipalities under Title 30-A or according to any
18 specific law or charter applicable to that unit. The warrant for
19 the referendum must set forth the question in the following
20 form: "Do you favor raising the levy limit of [name of school
21 administrative unit] for the purpose of [insert purpose]?"

22 7. Exceeding base-year relationship to essential programs
23 and services school funding model; referendum ratification
24 required. Beginning with the 2006-2007 school year budget, the
25 legislative body of a school administrative unit must approve or
26 otherwise ratify by a referendum process and in a separate
27 article any school budget that appropriates a combination of
28 state and local resources that exceeds the total budget
29 identified as reasonably necessary for that school administrative
30 unit according to this subchapter, as divided by its base-year
31 factor. For the purposes of this subsection, any school
32 administrative unit's base-year factor is calculated with the
33 numerator being the total budget identified as reasonably
34 necessary for that school administrative unit according to this
35 chapter for the 2005-2006 school year and the denominator being
36 the actual amount of state and local resources appropriated for
37 the school administrative unit by its legislative body for that
38 same fiscal year, except that the base-year factor may not exceed
39 1.0. The referendum procedures governing voting on the school
40 budget adoption or ratification must be in accordance with
41 sections 1305, 1305-B, 1701-B or, for municipal school systems,
42 Title 30-A, section 2528, and the article presented to the voters
43 must be in the following form: "Do you favor adopting a school
44 budget that exceeds the school budget identified as reasonably
45 necessary according to the essential programs and services school
46 funding model?"

47
48 8. Treatment of surplus. Any assessments collected by a
49 school administrative unit in any fiscal year in excess of its
50 assessment limit, as determined by a final audited accounting,

2 must be transferred to a property tax relief fund, which each
3 school administrative unit shall establish, and used to reduce
4 assessments in subsequent fiscal years. To the extent the
5 transfers required by this section cannot be accomplished under
6 the financial management authority vested in the school officers,
7 the transfers must be authorized by an action of the school
8 administrative unit's legislative body. Nothing in this
9 subsection is intended to limit the ability of a school
10 administrative unit to maintain adequate reserves or balance of
11 allocations as allowed by law, provided that annual allocations
12 or appropriations of funds to reserves are treated as
13 appropriations subject to the appropriation limits set forth in
14 subsection 1.

15 9. Enforcement. In the event a school administrative unit
16 makes appropriations in violation of this section, the
17 commissioner may require the unit to adjust its appropriation
18 limit downward in an amount equal to the illegal appropriation
19 and may impose such other penalties as the Legislature may
20 provide.

22 PART D

23 Sec. D-1. 30-A MRSA §706-A is enacted to read:

24 §706-A. Limitation on appropriations

25 1. Appropriation limit established. Notwithstanding any
26 other provision of law, a county may not in any fiscal year make
27 an appropriation, including an appropriation to reserves, except
28 as otherwise provided in this section when such an appropriation
29 is funded by an assessment on its member municipalities and when
30 the appropriation would cause the county to exceed its assessment
31 limit for the fiscal year. A county's assessment limit for any
32 fiscal year must be set at its assessment limit for the prior
33 fiscal year multiplied by the following sum: one plus the income
34 growth factor set forth in subsection 3 plus the annual property
35 growth factor for its member municipalities. The annual property
36 growth factor for member municipalities is a fraction whose
37 denominator is the total combined valuation of all the member
38 municipalities for the tax year associated with the county's
39 fiscal year and whose numerator is the total combined increase in
40 the assessed valuation of any real or personal property in all
41 the member municipalities during the prior tax year that may
42 become subject to taxation for the first time, may be taxed as a
43 separate parcel for the first time during the current tax year or
44 has had an increase in its assessed valuation over the prior
45 year's valuation as a result of improvements to or expansion of
46 the property. In establishing the property growth
47 factor, the assessed valuation of any real or personal property
48 that becomes subject to taxation for the first time during the
49 current tax year shall be included in the numerator of the
50 fraction.

2 factor under this section, the county must rely on the total
3 valuation and increased valuation calculations of all the member
4 municipalities under section 5721-A, subsection 1 for its most
5 recently concluded fiscal year.

6 **2. Transition; extraordinary events.** The appropriation
7 limit established in subsection 1 must become effective for a
8 county for its first full fiscal year following the effective
9 date of this section.

10 A. For purposes of determining the assessment limit for the
11 first fiscal year for which this section is effective, the
12 limit must be set at the amount assessed by the county on
13 its member municipalities during the prior fiscal year
14 multiplied by the following sum: one plus the income growth
15 factor set forth in subsection 3 plus the annual property
16 growth factor for its member municipalities set forth in
17 subsection 1.

18 B. In the event the prior year's assessment reflects the
19 effect of extraordinary, nonrecurring events, the county may
20 submit a written notice to the State Tax Assessor requesting
21 an adjustment in the assessment calculation, which
22 adjustment must be determined in a reasonable amount of time.

23 **3. Income growth factor.** The income growth factor
24 applicable to fiscal years following the effective date of this
25 section is the base growth factor, which for purposes of this
26 section means the average real personal income growth rate as
27 defined in Title 5, section 1665, subsection 1, which rate may
28 not exceed 2.75%. For fiscal years commencing after such time as
29 the state tax burden ranks in the middle 1/3 of all states, the
30 growth factor must become the personal income growth factor as
31 defined in Title 5, section 1664. For purposes of this section,
32 "state tax burden" has the same meaning as set forth in Title 5,
33 section 1664. For any fiscal year thereafter, if the State Tax
34 Assessor determines pursuant to Title 5, section 1664 that the
35 state tax burden has increased to the highest 1/3 of all states,
36 the growth factor for the following fiscal year must be the base
37 growth factor. In all other fiscal years when the state tax
38 burden ranks in the middle 1/3 of all states, the growth factor
39 must be the personal income growth factor.

40 **4. Adjustment for new state funding.** In addition to
41 subsection 3, if the State provides net new funds to a county for
42 existing services funded in whole or in part by assessments,
43 other than required state mandate funds pursuant to section 5685
44 that do not displace current assessment-based expenditures, the
45 county must lower its assessment limit in that year in an amount
46 equal to the net new funds. For purposes of

2 this subsection, "net new funds" means the amount of funds
3 received by the county from the State in that fiscal year, with
4 respect to services funded in whole or in part by assessments,
5 less the following product: the amount of such funds received in
6 the prior fiscal year multiplied by an adjustment factor. The
7 adjustment factor equals: one plus the income growth factor
8 described in subsection 3 plus the annual property growth factor
9 for member municipalities as defined in subsection 1. In the
10 event a county receives net new funds in any fiscal year for
11 which its assessment limit has not been adjusted as provided in
12 this subsection, the county must adjust its assessment limit in
13 the following year in an amount equal to the net new funds.

14 **5. Extraordinary event.** Upon the affirmative vote of its
15 governing body, a county may exceed its assessment limit in an
16 amount necessary to comply with a court order or decree or to
17 respond to an extraordinary event. "Extraordinary event"
18 includes any catastrophic event outside the control of the county
19 commissioners, such as natural disasters, severe weather events,
20 acts of God, acts of terrorism, fire, war and riots.
21 "Extraordinary event" does not include changes in economic
22 conditions, revenue shortfalls or increases in salaries or
23 benefits. An appropriation under this subsection may not cause
24 the county's assessment limit to be adjusted for any future
25 fiscal years and may not continue for longer than required to
26 comply with the court order or decree or address the
27 extraordinary event.

28
29 **6. Referendum.** A county may elect to raise its assessment
30 limit by referendum upon the affirmative vote of a majority of
31 the voters of the county voting at any regular or special
32 election. Notwithstanding any law to the contrary, the
33 referendum may be called only upon the affirmative vote of a
34 majority of the county commissioners, and the referendum must be
35 governed according to state law and any applicable charter. The
36 warrant for the referendum must set forth the question in the
37 following form: "Do you favor raising the levy limit of [name of
38 county] for the purpose of [insert purpose]?"

39
40 **7. Treatment of surplus.** Any assessments collected by a
41 county in any fiscal year in excess of its assessment limit, as
42 determined by a final audited accounting, must be transferred to
43 a property tax relief fund, which each county shall establish,
44 and used to reduce assessments in subsequent fiscal years.
45 Nothing in this subsection is intended to limit the ability of a
46 county to maintain adequate reserves as permitted by law,
47 provided that annual allocations or appropriations of funds to
48 reserves are treated as appropriations subject to the
49 appropriation limits set forth in subsection 1.

50

2 8. Enforcement. In the event a county makes appropriations
4 in violation of this section, the State Tax Assessor may require
6 the county to adjust its appropriation limit downward in an
8 amount equal to the illegal appropriation and may impose any
10 other penalties the Legislature provides.

12 **PART E**

14 **Sec. E-1. 30-A MRSA §7102**, as enacted by PL 1987, c. 737, Pt.
16 A, §2 and Pt. C, §106 and amended by PL 1989, c. 6; c. 9, §2; and
18 c. 104, Pt. C, §§8 and 10, is further amended by adding at the
20 end a new paragraph to read:

22 The appropriation limitations set forth in section 5721-A
24 are applicable to the appropriations and revenues of plantations.

26 **SUMMARY**

28 This bill establishes spending limitation systems governing
30 state, county and local governments and school administrative
32 units. The bill is modeled on the spending limitation system
34 provided in an initiative proposed by the Maine State Chamber of
36 Commerce, with some adjustments relating to the use of certain
38 governance systems at the local, school and county levels. The
40 bill establishes a growth allowance, based on the average real
42 growth of total personal income, to govern the year-to-year
44 growth of the State's General Fund appropriations, county
46 assessments, school district assessments, the property tax
48 commitments levied for municipal school systems and the property
tax commitments levied for municipal services. For local
government, the base growth allowance is adjusted by the
appropriate property growth factor, which is a measure of new
taxable property introduced into a municipality or multimunicipal
region. Except for limited emergency situations, the Legislature
may exceed its spending limit only by a 2/3 vote of both Houses.
Except for emergency situations, the spending limit may be
exceeded by county, school and local governments only by placing
the budget before the voters at referendum, unless alternative
budget adoption procedures are established by charter amendment
or the adoption of a local ordinance by referendum approval. The
budgets of school administrative units are exempted from the
limitations to the extent those budgets, on a year-to-year basis,
do not exceed a baseline relationship between the total school
budget and the total essential programs and services allocation
for that school administrative unit.