

# MAINE STATE LEGISLATURE

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# 122nd MAINE LEGISLATURE

## SECOND REGULAR SESSION-2006

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Legislative Document

No. 1909

H.P. 1350

House of Representatives, January 4, 2006

### **An Act To Make Minor Technical Changes to Maine's Spending Growth Benchmarks**

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Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 203.

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

*Millicent M. MacFarland*  
MILLICENT M. MacFARLAND  
Clerk

Presented by Representative WOODBURY of Yarmouth.

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

2  
3 **Sec. 1. 5 MRSA §1531, sub-§2**, as enacted by PL 2005, c. 2, Pt.  
4 A, §5 and affected by §14, is amended to read:

6       **2. Average real personal income growth.** "Average real  
7 personal income growth" means the average for the prior 10  
8 calendar years, ending with the most recent calendar year for  
9 which data is available, of the percent change in personal income  
10 in this State, as estimated by the United States Department of  
11 Commerce, Bureau of Economic Analysis, less the percent change in  
12 the Consumer Price Index for the calendar year. For purposes of  
13 this subsection, "Consumer Price Index" has the same meaning as  
14 in Title 36, section 5402, subsection 1. The average real  
15 personal income growth is determined by October 1st, annually, by  
16 the Director of the State Planning Office within the Executive  
17 Department.

18  
19 **Sec. 2. 5 MRSA §1531, sub-§3**, as enacted by PL 2005, c. 2, Pt.  
20 A, §5 and affected by §14, is amended to read:

22       **3. Baseline General Fund revenue.** "Baseline General Fund  
23 revenue" means the recommended General Fund revenue forecast  
24 reported by the Revenue Forecasting Committee in its December 1st  
25 report of even-numbered years, increased by ~~the estimated amount~~  
26 ~~of net General Fund revenue decrease, if any, for all enacted~~  
27 ~~changes reducing state and local tax burden included in that~~  
28 ~~forecast~~ the net reduction of General Fund revenue, if any, for  
29 all enacted changes affecting state and local tax burden since  
30 the previous December 1st report of even-numbered years of the  
31 Revenue Forecasting Committee.

32  
33 **Sec. 3. 5 MRSA §1534, sub-§1**, as enacted by PL 2005, c. 2, Pt.  
34 A, §5 and affected by §14, is amended to read:

36       **1. Establishment of General Fund appropriation limitation.**  
37 As of December 1st of each even-numbered year, there must be  
38 established a General Fund appropriation ~~limit~~ limitation for the  
39 ensuing biennium. The General Fund appropriation ~~limit~~  
40 limitation applies to all General Fund appropriations, except  
41 that the additional cost for essential programs and services for  
42 kindergarten to grade 12 education under Title 20-A, chapter  
43 606-B over the fiscal year 2004-05 appropriation for general  
44 purpose aid for local schools is excluded from the General Fund  
45 appropriation limitation until the state share of that cost  
46 reaches 55% of the total state and local cost.

48       A. For the first fiscal year of the biennium, the General  
Fund appropriation limitation is equal to the biennial base

2 year appropriation multiplied by one plus the growth  
limitation factor in subsection 2.

4 B. For the 2nd year of the biennium, the General Fund  
6 appropriation ~~limit~~ limitation is the General Fund  
8 appropriation limitation of the first year of the biennium  
biennial base year appropriation multiplied by one plus the  
growth limitation factor in subsection 2.

10 **Sec. 4. 5 MRSA §1535**, as enacted by PL 2005, c. 2, Pt. A, §5  
and affected by §14, is amended to read:

12 **§1535. General Fund transfers to stabilization fund**

14  
16 Baseline General Fund revenue, as recommended by the Revenue  
Forecasting ~~Commission~~ Committee and authorized in accordance  
18 with chapter 151-B, and other available budgeted General Fund  
resources that exceed the General Fund appropriation limitation  
20 established by section 1534 plus the additional cost for  
essential programs and services for kindergarten to grade 12  
22 education under Title 20-A, chapter 606-B over the fiscal year  
2004-05 appropriation for general purpose aid for local schools  
24 until the state share of that cost reaches 55% of the total state  
and local cost must be transferred to the stabilization fund.  
The State Controller, at the close of each fiscal year, shall  
26 transfer the available balance remaining in the General Fund to  
the stabilization fund after all required deductions of  
28 appropriations, budgeted financial commitments and other  
adjustments considered necessary by the State Controller.

30  
32 **Sec. 5. 5 MRSA §1536, sub-§1**, as enacted by PL 2005, c. 2, Pt.  
A, §5 and affected by §14, is amended to read:

34 **1. First priority reserve.** The State Controller shall, as  
the first priority at the close of each fiscal year, ~~reserve~~  
36 transfer from the unappropriated surplus of the General Fund an  
amount equal to the excess of total baseline General Fund revenue  
38 received over accepted estimates in that fiscal year ~~and transfer~~  
~~that amount at the beginning of the next fiscal year~~ as follows:

40 A. Thirty-two percent to the stabilization fund;

42 B. Thirty-two percent to the Retirement Allowance Fund  
44 established in section 17251; and

46 C. Sixteen percent to the Reserve for General Fund  
48 Operating Capital.

2           **Sec. 6. 30-A MRSA §706-A, sub-§1, ¶A**, as enacted by PL 2005,  
c. 2, Pt. B, §1 and affected by §§2 and 4 and c. 12, Pt. WW, §14,  
is amended to read:

4  
6           A.   "Average real personal income growth" means ~~the average~~  
~~for the prior 10 calendar years, ending with the most recent~~  
~~calendar year for which data is available, of the percent~~  
8           ~~change in personal income in this State, as estimated by the~~  
~~United States Department of Commerce, Bureau of Economic~~  
10           ~~Analysis, less the percent change in the Consumer Price~~  
~~Index for the calendar year. For purposes of this~~  
12           ~~subsection, "Consumer Price Index" has the same meaning as~~  
~~in Title 36, section 5402, subsection 1~~ has the same meaning  
14           as under Title 5, section 1531, subsection 2.

16           **Sec. 7. 30-A MRSA §706-A, sub-§1, ¶C**, as enacted by PL 2005,  
c. 2, Pt. B, §1 and affected by §§2 and 4 and c. 12, Pt. WW, §14,  
18           is amended to read:

20           C.   "Forecasted inflation" means ~~the average amount of~~  
~~change of the Consumer Price Index for the calendar years~~  
22           ~~that are part of the ensuing biennium forecasted by the~~  
~~Consensus Economic Forecasting Commission in its November~~  
24           ~~1st report of even number years~~ has the same meaning as  
under Title 5, section 1531, subsection 6.

26           **Sec. 8. 30-A MRSA §706-A, sub-§1, ¶E**, as enacted by PL 2005,  
28           c. 2, Pt. B, §1 and affected by §§2 and 4 and c. 12, Pt. WW, §14,  
is amended to read:

30           E.   "State and local tax burden" means ~~the total amount of~~  
~~state and local taxes paid by Maine residents per \$1,000 of~~  
32           ~~income, as determined annually by the State Tax Assessor~~  
~~based on data from the United States Department of Commerce,~~  
34           ~~Census Bureau and Bureau of Economic Analysis~~ has the same  
36           meaning as under Title 5, section 1531, subsection 9.

38           **Sec. 9. 30-A MRSA §706-A, sub-§2, ¶B**, as enacted by PL 2005,  
c. 2, Pt. B, §1 and affected by §§2 and 4 and c. 12, Pt. WW, §14,  
40           is amended to read:

42           B.   The county assessment limit for subsequent fiscal years  
is the county assessment limit for the preceding year  
44           multiplied by one plus the growth limitation factor pursuant  
to subsection 3.

46           **Sec. 10. 30-A MRSA §706-A, sub-§4**, as enacted by PL 2005, c.  
48           2, Pt. B, §1 and affected by §§2 and 4 and c. 12, Pt. WW, §14, is  
repealed and the following enacted in its place:

2 4. Adjustment for change in state funding. If the State  
3 provides a net increase or decrease in funding to a county for  
4 existing services funded in whole or in part by the county  
5 assessment, other than required state mandate funds pursuant to  
6 section 5685 that do not displace current county assessment  
7 expenditures, adjustments to the county assessment limit apply as  
8 described in this subsection. For purposes of this subsection,  
9 "net increase or decrease in funding" means the amount of funds  
10 received by the county from the State in that fiscal year, with  
11 respect to services funded in whole or in part by the county  
12 assessment, less the product of the following: the amount of such  
13 funds received in the prior fiscal year multiplied by one plus  
14 the growth limitation factor described in subsection 3.

15 A. If a county receives a net increase in funding in any  
16 fiscal year, the county shall reduce its county assessment  
17 limit in that year in an amount equal to the net increase in  
18 funding. If a county receives a net increase in funding in  
19 any fiscal year for which its county assessment limit for  
20 that year cannot be adjusted, the county shall reduce its  
21 county assessment limit in the following year in an amount  
22 equal to the net increase in funding.

23 B. If a county receives a net decrease in funding in any  
24 fiscal year, the county may increase its county assessment  
25 limit in that year in an amount equal to the net decrease in  
26 funding. If a county receives a net decrease in funding in  
27 any fiscal year for which its county assessment limit for  
28 that year cannot be adjusted, the county may increase its  
29 county assessment limit in the following year in an amount  
30 equal to the net decrease in funding.

31 **Sec. 11. 30-A MRSA §5721-A, sub-§1, ¶A,** as enacted by PL 2005,  
32 c. 2, Pt. C, §1 and affected by §§3 and 5 and c. 12, Pt. WW, §16,  
33 is amended to read:

34 A. "Average real personal income growth" means--the--average  
35 for--the--prior--10--calendar--years--ending--with--the--most--recent  
36 calendar--year--for--which--data--is--available--of--the--percent  
37 change--in--personal--income--in--this--State--as--estimated--by--the  
38 United--States--Department--of--Commerce--Bureau--of--Economic  
39 Analysis--less--the--percent--change--in--the--Consumer--Price  
40 Index--for--the--calendar--year--For--purposes--of--this  
41 subsection--"Consumer--Price--Index"--has--the--same--meaning--as  
42 in--Title--36--section--5402--subsection--1 has the same meaning  
43 as in Title 5, section 1531, subsection 2.

44 **Sec. 12. 30-A MRSA §5721-A, sub-§1, ¶B,** as enacted by PL 2005,  
45 c. 2, Pt. C, §1 and affected by §§3 and 5 and c. 12, Pt. WW, §16,  
46 is amended to read:

2 B. "Forecasted inflation" means ~~the average amount of~~  
change of the Consumer Price Index for the calendar years  
4 that are part of the ensuing biennium forecasted by the  
Consensus Economic Forecasting Commission in its November  
6 1st report of even number years has the same meaning as in  
Title 5, section 1531, subsection 6.

8  
10 **Sec. 13. 30-A MRSA §5721-A, sub-§1, ¶E**, as enacted by PL 2005,  
c. 2, Pt. C, §1 and affected by §§3 and 5 and c. 12, Pt. WW, §16,  
is amended to read:

12  
14 E. "State and local tax burden" means ~~the total amount of~~  
state and local taxes paid by Maine residents per \$1,000 of  
16 income, as determined annually by the State Tax Assessor  
based on data from the United States Department of Commerce,  
18 Census Bureau and Bureau of Economic Analysis has the same  
meaning as in Title 5, section 1531, subsection 9.

20 **Sec. 14. 30-A MRSA §5721-A, sub-§2, ¶B**, as enacted by PL 2005,  
c. 2, Pt. C, §1 and affected by §§3 and 5 and c. 12, Pt. WW, §16,  
22 is amended to read:

24 B. The property tax levy limit for subsequent fiscal years  
is the property tax levy limit for the preceding year  
26 multiplied by one plus the growth limitation factor pursuant  
to subsection 3.

28  
30 **Sec. 15. 30-A MRSA §5721-A, sub-§4**, as enacted by PL 2005, c.  
2, Pt. C, §1 and affected by §§3 and 5 and c. 12, Pt. WW, §16, is  
repealed and the following enacted in its place:

32  
34 **4. Adjustment for change in state funding.** If the State  
provides a net increase or decrease in funding to a municipality  
for existing services funded in whole or in part by the property  
36 tax levy, other than required state mandate funds pursuant to  
section 5685 that do not displace current property tax  
38 expenditures, adjustments to the property tax levy limit apply as  
described in this subsection. For purposes of this subsection,  
40 "net increase or decrease in funding" means the amount of funds  
received by the municipality from the State in that fiscal year,  
42 with respect to services funded in whole or in part by the  
property tax levy, compared to the product of the following: the  
44 amount of such funds received in the prior fiscal year multiplied  
by one plus the growth limitation factor described in subsection  
46 3. For purposes of determining adjustments under this  
subsection, changes in state funding do not include changes in  
48 state funding for general assistance under Title 22, section 4311  
or state funding under the Urban-Rural Initiative Program under  
50 Title 23, section 1803-B if those changes are the result of the  
operation of the formulas for calculation of state funding under

2 those sections but do include changes in funding that are the  
3 result of a statutory change in the formula for calculation of  
4 state funding under those sections.

5 A. If a municipality receives a net increase in funding in  
6 any fiscal year, the municipality shall reduce its property  
7 tax levy limit in that year in an amount equal to the net  
8 increase in funding. If a municipality receives a net  
9 increase in funding in any fiscal year for which its  
10 property tax levy limit for that year cannot be adjusted,  
11 the municipality shall reduce its property tax levy limit in  
12 the following year in an amount equal to the net increase in  
13 funding.

14 B. If a municipality receives a net decrease in funding in  
15 any fiscal year, the municipality may increase its property  
16 tax levy limit in that year in an amount equal to the net  
17 decrease in funding. If a municipality receives a net  
18 decrease in funding in any fiscal year for which its  
19 property tax levy limit for that year cannot be adjusted,  
20 the municipality may increase its property tax levy limit in  
21 the following year in an amount equal to the net decrease in  
22 funding.

## 26 SUMMARY

27 This bill makes the following technical and clarifying  
28 changes to the state, county and municipal spending limitations  
29 enacted in 2005.

30 1. The bill clarifies the definition of "baseline General  
31 Fund revenue" and the treatment of education funding increases  
32 until the state share of education funding reaches 55%.

33 2. It provides consistency in the use of the term  
34 "appropriation limitation."

35 3. It corrects language describing the transfer of amounts  
36 to reserve accounts.

37 4. It corrects several references to the calculation of  
38 county and municipal limitations by specifying that adjustments  
39 are calculated by multiplying the prior year's limit by one plus  
40 the growth limitation factor.

41 5. It establishes the Director of the State Planning Office  
42 within the Executive Department as the person determining  
43 "average real personal income growth" and the annual date for  
44



2 that determination for purposes of determining various  
limitations.

4 6. It provides that adjustments to county and municipal  
6 limitations should be available for decreases in state funding as  
well as increases.

8 7. It clarifies that municipal limitations do not need to  
10 be adjusted for changes in state reimbursement under the general  
12 assistance program or the Urban-Rural Initiative Program if those  
changes are the result of operation of the statutory formulas  
under those programs.