

MAINE STATE LEGISLATURE

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126th MAINE LEGISLATURE

FIRST REGULAR SESSION-2013

Legislative Document

No. 1546

S.P. 589

In Senate, May 20, 2013

**An Act To Strengthen Maine's Hospitals, Increase Access to Health
Care and Provide for a New Spirits Contract**

(EMERGENCY)

Reported by the Majority of the Joint Standing Committee on Veterans and Legal Affairs
pursuant to Joint Order, S.P. 496.

A handwritten signature in black ink, appearing to read 'D M Grant'.

DAREK M. GRANT
Secretary of the Senate

1 and incentives offered to agency liquor stores, must be reported annually to the joint
2 standing committees of the Legislature having jurisdiction over appropriations and
3 financial affairs and alcoholic beverage matters. The report must include the impact of
4 those spending initiatives on the number of cases of spirits sold in the State and on sales
5 generally.

6 **Sec. A-3. 28-A MRSA §88**, as enacted by PL 2003, c. 20, Pt. LLL, §2 and
7 affected by §4, is repealed.

8 **Sec. A-4. 28-A MRSA §90** is enacted to read:

9 **§90. Contract for operations of wholesale liquor activities**

10 **1. Statement of purpose.** The Legislature finds that it is in the public interest to
11 seek efficiencies and maximize growth in the State's wholesale spirits business while
12 ensuring that growth in revenue from the business is achieved in a socially responsible
13 manner. The contracting of the operations of the wholesale spirits business should serve
14 this purpose and provide the State's agency liquor store partners with effective and
15 efficient services in order to responsibly serve consumers of spirits in the State.

16 **2. Contract for operations.** The Commissioner of Administrative and Financial
17 Services, referred to in this section as "the commissioner," shall enter into a contract for
18 warehousing, distribution and spirits administration and a contract for spirits trade
19 marketing, each for a term of 10 years. Each contract must be awarded pursuant to a
20 competitive bid process in a manner similar to the process described in Title 5, chapter
21 155, subchapter 1-A. The commissioner is prohibited from contracting with a bidder who
22 also holds a license in this State or another state to distill, bottle or manufacture spirits.

23 **3. Development of request for bid proposals; fee.** The commissioner shall develop
24 a request for proposals designed to encourage vigorous bidding for the purpose of
25 awarding 2 contracts for the operations of the State's wholesale spirits business. The
26 commissioner shall request bids for the operation of spirits trade marketing separately
27 from bids for the combined operations of warehousing, distribution and spirits
28 administration. In order to be considered for a contract to conduct spirits trade marketing,
29 a bidder must submit a nonrefundable application fee of \$5,000. In order to be
30 considered for a contract to conduct warehousing, distribution and spirits administration,
31 a bidder must submit a nonrefundable application fee of \$20,000. The application fee
32 must be credited to an Other Special Revenue Funds account within the division of
33 purchases within the Department of Administrative and Financial Services to be used for
34 managing the application process. A request for proposals must inform potential bidders
35 of the State's target gross revenue profit margin over the term of the contract and require
36 the bidder to affirm that the bidder, or any of the principal officers of the bidder, does not
37 hold or have a direct financial interest in a license or permit in this State or any other state
38 for the distillation, bottling or manufacture of alcoholic beverages. The request for
39 proposals must instruct potential bidders to propose the scope of operations the bidder
40 will provide and the fee for that service expressed as a percentage of revenue generated
41 by the wholesale business. The request for proposals must direct bidders to indicate if the
42 bidder intends to use subcontractors and to identify those subcontractors. The request for
43 proposals must also inform potential bidders that they may propose incentives for the

1 bidder intended to encourage responsible growth of revenue and enhanced efficiencies in
2 services provided.

3 **4. Information provided by bidders.** A bidder seeking consideration of the award
4 of a contract for the operations of the State's wholesale spirits business pursuant to this
5 section shall comply with the requirements of this subsection.

6 A. A bidder on a contract to operate the warehousing, distribution and spirits
7 administration functions of the wholesale spirits business shall identify services or
8 operations for which the bidder may use a subcontractor and shall demonstrate:

9 (1) The bidder's financial capacity and access to capital to maintain the
10 operations;

11 (2) The bidder's capabilities to provide adequate transportation and distribution
12 of liquor to agency liquor stores;

13 (3) The bidder's warehousing capabilities and proposed bailment rates for liquor
14 and related fees to be charged to liquor suppliers;

15 (4) That the bidder, including any principal officer of the bidder and any named
16 subcontractor, is of good moral character and has not been found to have violated
17 any state or federal law or rule governing the manufacture, distribution or sale of
18 alcoholic beverages;

19 (5) The bidder's knowledge of the wholesale liquor business, alcoholic beverage
20 industry or a related field;

21 (6) The bidder's plan to provide agency liquor stores with a minimum of 2
22 deliveries per week;

23 (7) The bidder's methods for processing orders and invoices, including any
24 minimum ordering requirements, split case restrictions and inventory control
25 plans;

26 (8) The bidder's business plan to provide services in a manner that will assist the
27 State in achieving a target growth rate comparable to or exceeding that of other
28 states that control the sale and distribution of alcoholic beverages;

29 (9) The bidder's plan for enhancing services to liquor suppliers and agency liquor
30 stores; and

31 (10) The positive impact on the economy, employment and state revenues that
32 the bidder's overall proposal will provide.

33 B. A bidder on a contract to provide spirits trade marketing shall:

34 (1) Demonstrate the bidder's business plan and marketing strategies to encourage
35 responsible growth to the wholesale spirits business;

36 (2) Demonstrate the bidder's experience or knowledge, if any, of responsible
37 marketing of alcoholic beverages;

38 (3) Identify services for which the bidder may use a subcontractor;

1 (4) Demonstrate that the bidder, including any principal officer of the bidder and
2 any named subcontractor, is of good moral character and has not been found to
3 have violated any state or federal law or rule governing the manufacture,
4 distribution or sale of alcoholic beverages; and

5 (5) Demonstrate the positive impact on the economy, employment and state
6 revenues that the bidder's overall proposal will provide.

7 In addition to the requirements of paragraphs A and B, the commissioner, in order to
8 ensure that the objective of maximizing growth in the State's wholesale spirits business is
9 achieved, may require bidders to provide additional information, including disclosure of
10 the potential of a bidder's direct and substantial conflict of interest with the State's
11 financial interest.

12 **5. Award criteria and issuance of contract.** The commissioner shall select
13 successful bidders for the contract to conduct the operations of warehousing, distribution
14 and spirits administration and the contract to provide spirits trade marketing; however,
15 both contracts may be awarded to the same bidder. The commissioner shall choose the
16 best value bidder in conformity with Title 5, section 1825-B, subsection 7 and shall
17 consider as criteria for award the information required to be provided in subsection 4, as
18 applicable. When selecting a successful bidder for the contract to conduct the operations
19 of warehousing, distribution and spirits administration, the commissioner may not
20 consider as cause for disqualification for consideration any weakness in or inability to
21 demonstrate proficiency in any one criterion listed in subsection 4, paragraph A,
22 subparagraphs (6) to (10).

23 The commissioner shall ensure that the following criteria are met before entering into a
24 contract with a bidder for operations of warehousing, distribution and spirits
25 administration:

26 A. That revenue to the State from the sale of spirits is predictable over the term of
27 the contract;

28 B. That revenue from the sale of spirits will be maximized by the issuance of the
29 contract and achieved through efficiency of services or profit sharing or both;

30 C. That the contract establishes standards of efficiency and quality of operations;

31 D. That the bidder has demonstrated that services provided to agency liquor stores
32 will be enhanced;

33 E. That, upon execution of the contract, the disruption of services to agency liquor
34 stores and suppliers will be minimal or absent; and

35 F. That the contract provides that the alcohol bureau must approve all bailment rates
36 and related fees.

37 **6. Contract provisions; oversight and performance review.** A contract provided
38 to a successful bidder in accordance with this section must require that the person
39 awarded the contract submit to the alcohol bureau, in a form determined by the alcohol
40 bureau, an annual report audited by an independent 3rd party. The alcohol bureau,
41 following receipt of the report, shall provide the report annually to the joint standing
42 committees of the Legislature having jurisdiction over appropriations and financial affairs

1 and alcoholic beverages matters. The contract must prohibit the person awarded the
2 contract from engaging in activities reserved for agency liquor stores licensed as reselling
3 agents to provide spirits to establishments licensed for on-premises consumption. The
4 contract must also include provisions that allow for ongoing performance standards
5 review so that deficiencies in such standards may result in amendments to the contract or
6 nullification. Performance standards subject to contract amendments or nullification
7 include:

8 A. Working in partnership with the State to achieve the goal of a revenue growth rate
9 comparable to the average growth rate of other states that control the sale and
10 distribution of alcoholic beverages;

11 B. Transparency in annual reporting and conformance to the reporting requirements
12 established by the alcohol bureau; and

13 C. Except for a contract awarded to conduct spirits trade marketing, responsiveness
14 to the service needs of agency liquor stores.

15 **7. Price regulation.** The alcohol bureau shall regulate the wholesale and retail
16 prices of all liquor sold by a person awarded a contract in accordance with this section.

17 **Sec. A-5. 28-A MRSA §453, sub-§2-C,** as enacted by PL 2009, c. 213, Pt. JJJJ,
18 §2, is amended to read:

19 **2-C. Licenses.** ~~Beginning July 1, 2009, the~~ The bureau shall consider whether the
20 applicant can satisfy the following criteria when determining whether to issue an agency
21 liquor store license under this section:

22 A. ~~The~~ Except as provided in subsection 2-D, the applicant has held a license to sell
23 malt liquor and wine for off-premises consumption for more than one year
24 immediately preceding application without a violation of any provision of this Title;

25 B. The applicant will be able to stock at least \$10,000 worth of spirits purchased
26 from the State or the State's wholesale distributor upon issuance of an agency liquor
27 store license; and

28 C. The applicant can purchase the initial stock of spirits using a bank check or other
29 financial instrument that certifies that funds are available.

30 **Sec. A-6. 28-A MRSA §453, sub-§2-D** is enacted to read:

31 **2-D. Exception.** If a retailer that is located in this State and has at least 5 locations
32 licensed as an agency liquor store is sold or ownership is transferred to another company
33 that will assume operation of some or all of the retailer's stores and that company submits
34 an application for an agency liquor store license at some or all of those stores, the bureau
35 may waive the requirement of subsection 2-C, paragraph A. The bureau may provide this
36 waiver only if the applicant has held a license in another state to sell malt liquor and wine
37 or spirits at retail for off-premises consumption, for at least one year prior to submitting
38 the application, without a violation of the laws governing the sale of alcoholic beverages
39 in that state and can provide the bureau with documentation of financial success as
40 determined by the bureau.

1 Title 30-A, section 6053. The money in the fund must be used for the purpose of making
2 payments to health care providers for services provided prior to December 1, 2012 under
3 the MaineCare program established by Title 22, chapter 855. When, as determined by the
4 commissioner, there exist no outstanding amounts owed to health care providers eligible
5 to be paid from the fund, the State Controller shall transfer all amounts in the fund to the
6 Liquor Operation Revenue Fund established in Title 30-A, section 6054.

7 **Sec. B-2. 30-A MRSA c. 225, sub-c. 5** is enacted to read:

8 **SUBCHAPTER 5**

9 **LIQUOR OPERATION REVENUE BONDS**

10 **§6051. Declaration of public policy; funding**

11 The Legislature finds and declares that revenue financing bonds as authorized in this
12 subchapter are tax-exempt or taxable bonds payable from sources as provided in this
13 subchapter and such bonds do not include a legal or equitable claim against tax revenues
14 of the State and do not represent constitutional debt of or a pledge of the full faith and
15 credit of the State. The Legislature also finds that issuance of the revenue financing
16 bonds authorized in this subchapter and use of the proceeds of those bonds do not violate
17 the terms of the Constitution of Maine, Article V, Part Third.

18 **§6052. Definitions**

19 As used in this subchapter, unless the context otherwise indicates, the following
20 terms have the following meanings.

21 **1. Ancillary obligation.** "Ancillary obligation" means the obligation of the bond
22 bank in connection with liquor operation revenue bonds issued under this subchapter
23 under any of the following entered into by the bond bank:

24 A. A credit enhancement or liquidity agreement, including without limitation an
25 obligation in the form of bond insurance, a surety bond, a letter of credit, a standby
26 bond purchase agreement, a reimbursement agreement, liquidity facility or other
27 similar arrangement;

28 B. A remarketing agreement, auction agent agreement, broker-dealer agreement or
29 other agreement relating to the marketing of liquor operation revenue bonds, an
30 interest rate swap or another type of swap or hedging contract; or

31 C. An investment agreement, forward purchase agreement or similarly structured
32 investment contract.

33 **2. Cost of issuance.** "Cost of issuance" means an item of expense directly or
34 indirectly payable or reimbursable by the bond bank and related to the authorization, sale
35 or issuance of liquor operation revenue bonds, including, but not limited to, underwriting
36 fees and fees and expenses of professional consultants and fiduciaries.

1 **3. Financing costs.** "Financing costs" means all costs of issuance, capitalized
2 interest, capitalized operating expenses and debt service reserves, fees and costs of any
3 ancillary obligation or other fees, expenses and costs related to issuing, securing and
4 marketing liquor operation revenue bonds.

5 **4. Fund.** "Fund" means the Liquor Operation Revenue Fund established in section
6 6054.

7 **5. Liquor operation revenue bond.** "Liquor operation revenue bond" means a
8 bond, note or other evidence of indebtedness issued by the bond bank pursuant to this
9 subchapter.

10 **§6053. Liquor operation revenue bonds authorized**

11 **1. Revenue bonds.** Notwithstanding any other provision of law and upon written
12 approval of the Governor, the bond bank may issue liquor operation revenue bonds of up
13 to \$188,500,000 plus financing costs, and excluding bonds to refund bonds, for the
14 purpose of retiring amounts determined by the Commissioner of Health and Human
15 Services to be owed by the State to health care providers as provided by Title 22-A,
16 section 216. The bonds are payable solely from funds as provided in this subchapter.

17 **2. Amount and terms.** The bond bank may issue liquor operation revenue bonds
18 from time to time in amounts and upon such terms as the bond bank considers
19 appropriate. The terms of the liquor operation revenue bonds, their payment schedule and
20 other terms and provisions to facilitate their creditworthiness must be determined by the
21 bond bank.

22 **3. Form; interest; taxability.** The bond bank shall determine the terms of the liquor
23 operation revenue bonds, including:

24 A. The form of the liquor operation revenue bonds;

25 B. The rate or rates at which the liquor operation revenue bonds bear interest and
26 whether such interest is intended to be includable in or excludable from the gross
27 income of the bond owners for federal and state income tax purposes pursuant to the
28 United States Internal Revenue Code of 1986, as amended; and

29 C. The maturity, except that a liquor operation revenue bond may not mature later
30 than June 30, 2024.

31 **4. Not a pledge of the full faith or credit; not a debt.** Liquor operation revenue
32 bonds are not in any way a debt or liability of the State and do not constitute a loan of the
33 credit of the State or create any debt or debts or liability or liabilities on behalf of the
34 State or constitute a pledge of the faith and credit of the State. All liquor operation
35 revenue bonds issued by the bond bank, unless funded or refunded by bonds of the bond
36 bank, are payable solely from revenues or funds pledged or available for their payment as
37 authorized in this subchapter. Each liquor operation revenue bond must contain on its
38 face a statement to the effect that the bond bank is obligated to pay the principal, interest
39 and redemption premium, if any, solely from the revenues pledged for those purposes and
40 that neither the faith and credit nor the taxing power of the State is pledged to the

1 payment of the principal, interest or redemption premium, if any, on the liquor operation
2 revenue bonds.

3 **5. Bond proceeds.** Except as otherwise be provided under the indenture of trust or
4 resolution of the bond bank authorizing the liquor operation revenue bonds, the net
5 proceeds from any sale of liquor operation revenue bonds must be deposited into the
6 Health Care Liability Retirement Fund established in Title 22-A, section 216.

7 **6. Agreements with financial institutions.** For the purposes of this subchapter, the
8 bond bank may enter into an ancillary obligation or other agreement or contract with a
9 commercial bank, trust company or banking or other financial institution within or
10 outside the State that is necessary, desirable or convenient in the opinion of the bond bank
11 to provide any services to the bond bank to assist the bond bank in effectuating the
12 purposes of this subchapter. The bond bank may enter into, amend or terminate any
13 ancillary obligation or other agreement as the bond bank determines to be necessary or
14 appropriate. The ancillary obligation or other agreement may include without limitation
15 contracts commonly known as interest rate swap agreements, forward purchase contracts
16 or guaranteed investment contracts and futures or contracts providing for payments based
17 on levels of, or changes in, interest rates. These contracts may be entered into by the bond
18 bank in connection with or incidental to entering into or maintaining any agreement that
19 secures liquor operation revenue bonds issued under this subchapter or any investment or
20 contract providing for investment of reserves or similar facility guaranteeing an
21 investment rate for a period of years not to exceed the underlying terms of the liquor
22 operation revenue bonds. The determination by the bond bank that an ancillary obligation
23 or other agreement or the amendment or termination of an ancillary obligation or other
24 agreement is necessary or appropriate as provided in this section is conclusive. An
25 ancillary obligation or other agreement may contain provisions regarding payment,
26 security, default, remedy, termination and payments and other terms and conditions as
27 determined by the bond bank, after giving due consideration to the creditworthiness of the
28 counterparty or other obligated party, including any rating by any nationally recognized
29 rating agency, and to any other criteria as may be appropriate.

30 A liquor operation revenue bond or any ancillary obligation or other agreement made
31 pursuant to this subsection may contain a recital that it is issued or executed, respectively,
32 pursuant to this subchapter. The recital is conclusive evidence of the validity of the liquor
33 operation revenue bond or ancillary obligation or other agreement and of the regularity of
34 the proceedings relating to them.

35 **7. Remedies of holders of bonds.** If the bond bank defaults in the payment of
36 principal of or interest on any issue of liquor operation revenue bonds after the principal
37 and interest become due, whether at maturity or upon call for redemption or otherwise,
38 and that default continues for a period of 30 days, or if the bond bank fails or refuses to
39 comply with this subchapter or defaults in an agreement made with the holders of an
40 issue of liquor operation revenue bonds, the holders of 25% in aggregate principal
41 amount of liquor operation revenue bonds then outstanding, by instrument or instruments
42 filed in the office of the clerk of courts of Kennebec County and proved or acknowledged
43 in the same manner as a deed to be recorded, may appoint a trustee to represent the
44 bondholders. The trustee, in the trustee's own name, by mandamus or other suit, action or
45 proceeding at law or in equity, shall enforce all rights of the bondholders or holders of the

1 ancillary obligations or other agreements and require the bond bank to carry out any other
2 agreements with the bondholders or holders of such ancillary obligations or other
3 agreements and to perform the bond bank's duties required under this subchapter, as long
4 as the bonds are limited revenue obligations. An obligation to make debt service
5 payments does not constitute a debt or liability of the State or any political subdivision of
6 the State within the meaning of any constitutional or statutory limitation, or a loan of the
7 credit of the State, or a pledge of the faith and credit of the State or any political
8 subdivision of the State, and the State has no legal obligation to appropriate money for
9 those payments or other such obligations. Payments of the principal of, redemption
10 premium, if any, and interest on the liquor operation revenue bonds must be made solely
11 from amounts derived from the fund or as otherwise authorized by this subchapter.
12 Neither the faith and credit nor the taxing power of the State or of any political
13 subdivision of the State is pledged to the payment of the principal of, redemption
14 premium for, if any, or interest on the liquor operation revenue bonds.

15 **8. State authorized to enter into contracts.** The State, including any department,
16 commission, agency or other instrumentality of the State, is authorized to enter into an
17 agreement, contract or other arrangement with the bond bank in connection with the
18 issuance of liquor operation revenue bonds.

19 **9. Reserve fund for liquor operation revenue bonds.** The bond bank may
20 establish a capital reserve fund for the benefit of holders of liquor operation revenue
21 bonds subject to the provisions of section 6006, subsection 5.

22 **10. Agreement of the State.** The bond bank is authorized to include the following
23 statement in its liquor operation revenue bonds or contracts or ancillary obligations: "The
24 State hereby pledges to and agrees with the holders of any liquor operation revenue bonds
25 issued pursuant to the Maine Revised Statutes, Title 30-A, chapter 225, subchapter 5 and
26 with those parties who may enter into any ancillary obligation or contract with the Maine
27 Municipal Bond Bank pursuant to that subchapter that the State will not limit, alter,
28 restrict or impair the rights vested in the Maine Municipal Bond Bank and in any party to
29 an ancillary obligation or contract until the liquor operation revenue bonds, together with
30 interest, including interest on any unpaid installment of interest and all costs and expenses
31 in connection with any actions or proceedings by or on behalf of the bondholders, are
32 fully met and discharged and such contracts and ancillary obligations are fully performed
33 on the part of the Maine Municipal Bond Bank."

34 Nothing in this subchapter precludes the limitation or alteration of the rights vested in the
35 bond bank and holders of liquor operation revenue bonds if and when adequate provision
36 is made by law for the protection of the holders of liquor operation revenue bonds of the
37 bond bank or those entering into contracts or ancillary obligations with the bond bank.

38 **§6054. Liquor Operation Revenue Fund**

39 **1. Fund established.** The Liquor Operation Revenue Fund, referred to in this
40 section as "the fund," is a nonlapsing fund established within the bond bank to receive the
41 amounts referred to in subsection 2 and to pay amounts due under the liquor operation
42 revenue bonds and any ancillary obligations. The fund must be held separate and apart
43 from all other money, funds and accounts of the bond bank.

1 **2. Funding.** Notwithstanding section 85, subsection 1, beginning July 1, 2014, there
2 must be deposited directly into the fund any amounts received pursuant to Title 28-A,
3 section 90 and Title 22-A, section 216 and any other money or funds transferred or made
4 available to the bond bank only for the purposes of the fund from any other source
5 including without limitation amounts required to be deposited in the fund by the terms of
6 any ancillary obligation or other agreement related to liquor operation revenue bonds.

7 **3. Use of fund during bond retirement period; fiscal years before July 1, 2017.**
8 Money in the fund must be held and applied solely to the payment of the liquor operation
9 revenue bonds and any ancillary obligations secured by the fund as the bonds and
10 ancillary obligations become due and payable and for the retirement of liquor operation
11 revenue bonds, including the payment of any redemption premium required to be paid
12 when any liquor operation revenue bonds are redeemed or retired before maturity or for
13 the payment of ancillary obligations; except that, to the extent there is money in the fund
14 not needed in accordance with terms of the liquor operation revenue bonds and ancillary
15 obligations, before June 30th of each year, the bond bank shall withdraw an amount not
16 exceeding \$16,714,844 in the fiscal year ending June 30, 2015, \$16,639,000 in the fiscal
17 year ending June 30, 2016 and \$16,817,000 in the fiscal year ending June 30, 2017 to be
18 paid to the State and distributed as follows:

19 A. First, to the General Fund as undedicated revenue up to \$8,714,884 in the fiscal
20 year ending June 30, 2015, \$8,889,000 in the fiscal year ending June 30, 2016 and
21 \$9,067,000 in the fiscal year ending June 30, 2017;

22 B. Second, the remainder, if any, in each fiscal year divided in equal amounts to an
23 account within the Department of Health and Human Services and an account within
24 the Department of Environmental Protection, up to \$3,500,000 per account or the
25 maximum amount allowed for federal matching funds purposes under federal water
26 programs, whichever is less, to be used for revolving loan funds for drinking water
27 systems and wastewater treatment; and

28 C. Third, the remainder, if any, to an account within the Department of
29 Transportation to be used for the construction of highways and bridges.

30 **4. Use of fund during bond retirement period; from July 1, 2017 until bonds**
31 **retired.** Money in the fund must be held and applied solely to the payment of the liquor
32 operation revenue bonds and any ancillary obligations secured by the fund as the bonds
33 and ancillary obligations become due and payable and for the retirement of liquor
34 operation revenue bonds, including the payment of any redemption premium required to
35 be paid when any liquor operation revenue bonds are redeemed or retired before maturity
36 or for the payment of ancillary obligations; except that, to the extent there is money in the
37 fund not needed in accordance with terms of the liquor operation revenue bonds and
38 ancillary obligations, before June 30th of each year, the bond bank shall withdraw an
39 amount not exceeding \$7,000,000 to be paid to the State and distributed as follows:

40 A. First, in equal amounts to an account within the Department of Health and Human
41 Services and an account within the Department of Environmental Protection, up to
42 \$3,500,000 per account or the maximum amount allowed for federal matching funds
43 purposes under federal water programs, whichever is less, to be used for revolving
44 loan funds for drinking water systems and wastewater treatment; and

1 B. The remainder, if any, to an account within the Department of Transportation to
2 be used for the construction of highways and bridges.

3 Immediately upon retirement of all outstanding liquor operation revenue bonds and
4 ancillary obligations secured by the fund, the bond bank shall withdraw any excess
5 money in the fund and transfer it to the Maine Budget Stabilization Fund established in
6 Title 5, section 1532.

7 **5. Use of fund after bond retirement.** After all liquor operation revenue bonds and
8 any ancillary obligations secured by the fund have been retired, additional proceeds
9 credited to the fund from Title 22-A, section 216 and Title 28-A, section 90 must be
10 disbursed on a quarterly basis to the State and credited by the State Controller as follows:

11 A. The lesser of 15% and the maximum amount allowed for federal matching funds
12 purposes under federal water programs, divided equally between an account within
13 the Department of Health and Human Services and an account within the Department
14 of Environmental Protection for revolving loan funds for drinking water systems and
15 wastewater treatment;

16 B. Thirty-five percent to an account within the Department of Transportation for
17 construction of highways and bridges; and

18 C. The remainder to the Maine Budget Stabilization Fund established in section
19 1532.

20 **Sec. B-3. Appropriations and allocations.** The following appropriations and
21 allocations are made.

22 **ENVIRONMENTAL PROTECTION, DEPARTMENT OF**

23 **Land and Water Quality 0248**

24 Initiative: Allocates funds for the state share to match available federal matching funds
25 for wastewater treatment projects.

26	OTHER SPECIAL REVENUE FUNDS	2013-14	2014-15
27	All Other	\$0	\$1,331,000
28			
29	OTHER SPECIAL REVENUE FUNDS TOTAL	\$0	\$1,331,000

30 **ENVIRONMENTAL PROTECTION,**
31 **DEPARTMENT OF**
32 **DEPARTMENT TOTALS**

32		2013-14	2014-15
33			
34	OTHER SPECIAL REVENUE FUNDS	\$0	\$1,331,000
35			
36	DEPARTMENT TOTAL - ALL FUNDS	\$0	\$1,331,000

37 **HEALTH AND HUMAN SERVICES, DEPARTMENT OF (FORMERLY DHS)**

1 **Health - Bureau of 0143**
 2 Initiative: Allocates funds for the state share to match available federal matching funds
 3 for drinking water projects.

4	OTHER SPECIAL REVENUE FUNDS	2013-14	2014-15
5	All Other	\$0	\$1,331,000
6			
7	OTHER SPECIAL REVENUE FUNDS TOTAL	<u>\$0</u>	<u>\$1,331,000</u>

8 **Health Care Liability Retirement Fund N157**
 9 Initiative: Authorizes the expenditure of bond proceeds from the sale of liquor operation
 10 revenue bonds for the state share of payments to health care providers for services
 11 provided prior to December 1, 2012.

12	OTHER SPECIAL REVENUE FUNDS	2013-14	2014-15
13	All Other	\$188,500,000	\$0
14			
15	OTHER SPECIAL REVENUE FUNDS TOTAL	<u>\$188,500,000</u>	<u>\$0</u>

16 **Medical Care - Payments to Providers 0147**
 17 Initiative: Allocates the federal share of payments to health care providers for services
 18 provided prior to December 1, 2012.

19	FEDERAL EXPENDITURES FUND	2013-14	2014-15
20	All Other	\$301,700,000	\$0
21			
22	FEDERAL EXPENDITURES FUND TOTAL	<u>\$301,700,000</u>	<u>\$0</u>

23	HEALTH AND HUMAN SERVICES,		
24	DEPARTMENT OF (FORMERLY DHS)		
25	DEPARTMENT TOTALS	2013-14	2014-15
26			
27	FEDERAL EXPENDITURES FUND	\$301,700,000	\$0
28	OTHER SPECIAL REVENUE FUNDS	\$188,500,000	\$1,331,000
29			
30	DEPARTMENT TOTAL - ALL FUNDS	<u>\$490,200,000</u>	<u>\$1,331,000</u>

1	SECTION TOTALS	2013-14	2014-15
2			
3	FEDERAL EXPENDITURES FUND	\$301,700,000	\$0
4	OTHER SPECIAL REVENUE FUNDS	\$188,500,000	\$2,662,000
5			
6	SECTION TOTAL - ALL FUNDS	\$490,200,000	\$2,662,000

7 **PART C**

8 **Sec. C-1. 22 MRSA §3174-G, sub-§1, ¶F**, as amended by PL 2011, c. 380, Pt.
9 KK, §2, is further amended to read:

10 F. A person 20 to 64 years of age who is not otherwise covered under paragraphs A
11 to E when the person's family income is below or equal to 125% of the nonfarm
12 income official poverty line, provided that the commissioner shall adjust the
13 maximum eligibility level in accordance with the requirements of the paragraph.

14 (2) If the commissioner reasonably anticipates the cost of the program to exceed
15 the budget of the population described in this paragraph, the commissioner shall
16 lower the maximum eligibility level to the extent necessary to provide coverage
17 to as many persons as possible within the program budget.

18 (3) The commissioner shall give at least 30 days' notice of the proposed change
19 in maximum eligibility level to the joint standing committee of the Legislature
20 having jurisdiction over appropriations and financial affairs and the joint standing
21 committee of the Legislature having jurisdiction over health and human services
22 matters; ~~and~~

23 **Sec. C-2. 22 MRSA §3174-G, sub-§1, ¶G**, as enacted by PL 2011, c. 380, Pt.
24 KK, §3, is amended to read:

25 G. A person who is a noncitizen legally admitted to the United States to the extent
26 that coverage is allowable by federal law if the person is:

27 (1) A woman during her pregnancy and up to 60 days following delivery; or

28 (2) A child under 21 years of age;

29 **Sec. C-3. 22 MRSA §3174-G, sub-§1, ¶¶H and I** are enacted to read:

30 H. Beginning January 1, 2014, a person 21 to 64 years of age who is not otherwise
31 eligible for medical assistance under this section, who qualifies for medical assistance
32 pursuant to 42 United States Code, Section 1396a(a)(10)(A)(i)(VIII) and who has
33 income at or below 133% of the nonfarm income official poverty line plus 5% for the
34 applicable family size as required by federal law. A person eligible for medical
35 assistance under this paragraph must receive the same coverage as is provided to a
36 person eligible under paragraph E; and

37 I. Beginning October 1, 2019, a person 19 or 20 years of age who is not otherwise
38 eligible for medical assistance under this section, who qualifies for medical assistance
39 pursuant to 42 United States Code, Section 1396a(a)(10)(A)(i)(VIII) and who has

1 income at or below 133% of the nonfarm income official poverty line plus 5% for the
2 applicable family size as required by federal law. A person eligible for medical
3 assistance under this paragraph must receive the same coverage as is provided to a
4 person eligible under paragraph E.

5 **PART D**

6 **Sec. D-1. Obtaining federal approval for enhanced federal match.** The
7 Commissioner of Health and Human Services shall take all steps necessary to secure an
8 enhanced Federal Medical Assistance percentage for services provided to the MaineCare
9 childless adult waiver population in the State equal to that available under the federal
10 Patient Protection and Affordable Care Act for newly eligible Medicaid individuals. If
11 required, by October 1, 2013, the commissioner shall prepare and submit to the federal
12 Department of Health and Human Services, Centers for Medicare and Medicaid Services
13 an analysis of the benefits available under the MaineCare childless adult waiver
14 population as of December 1, 2009. In preparing and submitting this analysis, the
15 commissioner shall compare these services to those of the 3 benchmark plans specified
16 by the federal Department of Health and Human Services, Centers for Medicare and
17 Medicaid Services.

18 **Sec. D-2. Report.** The Commissioner of Health and Human Services shall report
19 no later than November 1, 2013 to the Joint Standing Committee on Appropriations and
20 Financial Affairs and the Joint Standing Committee on Health and Human Services on
21 efforts to secure the maximum Federal Medical Assistance percentage under section 1,
22 including any correspondence with the federal Department of Health and Human Services
23 regarding these efforts.

24 **PART E**

25 **Sec. E-1. Evaluation of programs.** The Commissioner of Health and Human
26 Services, the Commissioner of Corrections and the Executive Director of the State Board
27 of Corrections shall evaluate the impact of the MaineCare expansion authorized in Part C
28 on programs and services that do not currently receive Federal Medical Assistance
29 percentage matching funds or do not qualify for enhanced Federal Medical Assistance
30 percentage matching funds under the federal Patient Protection and Affordable Care Act,
31 with the goal of identifying and maximizing General Fund savings. In evaluating the
32 programs and services under this Part, the commissioners and the executive director shall
33 at a minimum evaluate the impact on the following programs and services: the state-
34 funded Mental Health Services - Community, Office of Substance Abuse and General
35 Assistance - Reimbursement to Cities and Towns programs; services provided for
36 individuals between 21 and 64 years of age who are currently eligible for MaineCare
37 under medically needy, spend-down criteria; services provided under the Maine
38 HIV/AIDS Section 1115 Demonstration Waiver; services provided for parents
39 participating in family reunification activities; services provided for disabled individuals
40 between 21 and 64 years of age with incomes below 139% of the federal poverty level;
41 services provided to individuals awaiting a MaineCare disability determination for whom
42 the applications are subsequently granted; services provided to individuals who would
43 have been considered eligible on the basis of a disability but for whom the full

1 determination process was not completed; and medical services provided to persons in the
2 care and custody of the Department of Corrections or a county correctional facility.

3 **Sec. E-2. Report.** The Commissioner of Health and Human Services, the
4 Commissioner of Corrections and the Executive Director of the State Board of
5 Corrections shall report no later than March 1, 2014 to the Joint Standing Committee on
6 Appropriations and Financial Affairs, the Joint Standing Committee on Health and
7 Human Services and the Joint Standing Committee on Criminal Justice and Public Safety
8 on the amount of General Fund savings resulting from the MaineCare expansion
9 authorized in Part C and identified in section 1. The report must include the amount of
10 savings realized during fiscal year 2013-14 by service area or program and the amount of
11 savings projected to be achieved during the remainder of that fiscal year and during fiscal
12 year 2014-15 by service area or program.

13 **Sec. E-3. Calculation and transfer.** Notwithstanding any other provision of law,
14 the State Budget Officer shall calculate the amount of savings identified in this Part that
15 applies against each General Fund account departmentwide as a result of the expansion of
16 MaineCare eligibility authorized in Part C and shall transfer the amounts up to the
17 amounts specified in section 4 by financial order upon the approval of the Governor.
18 These transfers are considered adjustments to appropriations in fiscal year 2013-14 and
19 fiscal year 2014-15. The State Controller shall transfer any amounts identified under this
20 Part greater than the amounts specified in section 4 to the MaineCare Stabilization Fund
21 established under the Maine Revised Statutes, Title 22, section 3174-KK. The State
22 Budget Officer shall provide a report of the transferred amounts to the Joint Standing
23 Committee on Appropriations and Financial Affairs no later than June 30, 2014 for fiscal
24 year 2013-14 and to the joint standing committee of the Legislature having jurisdiction
25 over appropriations and financial affairs no later than June 30, 2015 for fiscal year 2014-
26 15.

27 **Sec. E-4. Appropriations and allocations.** The following appropriations and
28 allocations are made.

29 **ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**
30 **Executive Branch Departments and Independent Agencies - Statewide 0017**

31 Initiative: Deappropriates funds on a statewide basis for savings to be identified under
32 this Part in existing state programs that result from the expansion of MaineCare
33 eligibility.

34	GENERAL FUND	2013-14	2014-15
35	Unallocated	(\$2,700,000)	(\$5,900,000)
36			
37	GENERAL FUND TOTAL	<u>(\$2,700,000)</u>	<u>(\$5,900,000)</u>

1 **PART F**

2 **Sec. F-1. Appropriations and allocations.** The following appropriations and
3 allocations are made.

4 **HEALTH AND HUMAN SERVICES, DEPARTMENT OF (FORMERLY DHS)**

5 **Bureau of Family Independence - Regional 0453**

6 Initiative: Provides funding for 6 Family Independence Unit Supervisor positions, 13
7 Office Assistant II positions and 64 Eligibility Specialist positions in the Office for
8 Family Independence program and for related All Other costs necessary to implement and
9 administer the MaineCare eligibility changes. This assumes the Eligibility Specialist
10 positions are funded 25% General Fund and 75% Other Special Revenue Funds and the
11 other positions are funded 50% General Fund and 50% Other Special Revenue Funds.

12	GENERAL FUND	2013-14	2014-15
13	POSITIONS - LEGISLATIVE COUNT	83.000	83.000
14	Personal Services	\$1,842,615	\$1,896,901
15	All Other	\$167,534	\$167,534
16			
17	GENERAL FUND TOTAL	<u>\$2,010,149</u>	<u>\$2,064,435</u>

18	OTHER SPECIAL REVENUE FUNDS	2013-14	2014-15
19	Personal Services	\$4,185,245	\$4,308,290
20	All Other	\$322,362	\$326,739
21			
22	OTHER SPECIAL REVENUE FUNDS TOTAL	<u>\$4,507,607</u>	<u>\$4,635,029</u>

23 **Medical Care - Payments to Providers 0147**

24 Initiative: Provides funds for the costs of MaineCare coverage for newly eligible adults
25 under 139% of the federal poverty line.

26	FEDERAL EXPENDITURES FUND	2013-14	2014-15
27	All Other	\$62,851,289	\$263,724,061
28			
29	FEDERAL EXPENDITURES FUND TOTAL	<u>\$62,851,289</u>	<u>\$263,724,061</u>

30 **Medical Care - Payments to Providers 0147**

31 Initiative: Provides funds for the costs of MaineCare coverage for the childless adult
32 waiver population.

1	FEDERAL EXPENDITURES FUND	2013-14	2014-15
2	All Other	\$29,301,300	\$61,474,140
3			
4	FEDERAL EXPENDITURES FUND TOTAL	<u>\$29,301,300</u>	<u>\$61,474,140</u>
5	HEALTH AND HUMAN SERVICES,		
6	DEPARTMENT OF (FORMERLY DHS)		
7	DEPARTMENT TOTALS	2013-14	2014-15
8			
9	GENERAL FUND	\$2,010,149	\$2,064,435
10	FEDERAL EXPENDITURES FUND	\$92,152,589	\$325,198,201
11	OTHER SPECIAL REVENUE FUNDS	\$4,507,607	\$4,635,029
12			
13	DEPARTMENT TOTAL - ALL FUNDS	<u>\$98,670,345</u>	<u>\$331,897,665</u>

14 **PART G**

15 **Sec. G-1. 28-A MRSA §81, sub-§1**, as amended by PL 1999, c. 535, §3, is
16 further amended to read:

17 **1. Oversight of Bureau of Alcoholic Beverages and Lottery Operations.** The
18 commission shall monitor the operation of the alcohol bureau in its administration of the
19 laws relating to the sale of spirits ~~and fortified wine~~.

20 **Sec. G-2. 28-A MRSA §81, sub-§2**, as amended by PL 1999, c. 535, §3, is
21 further amended to read:

22 **2. Advice.** The commission shall advise the director of the alcohol bureau regarding
23 the administration of the functions of the alcohol bureau. The commission may advise
24 the Governor and the Legislature regarding issues relating to the operation of the alcohol
25 bureau and the administration of the laws relating to the sale of spirits ~~and fortified wine~~.

26 **Sec. G-3. 28-A MRSA §83**, as amended by PL 2011, c. 693, §§1 and 2, is further
27 amended to read:

28 **§83. Bureau of Alcoholic Beverages and Lottery Operations**

29 **1. Bureau of Alcoholic Beverages and Lottery Operations; rules.** ~~Until the~~
30 ~~effective date of the privatization of the entire wholesale liquor business authorized by~~
31 ~~section 88, the~~ The alcohol bureau or a wholesale liquor provider contracted pursuant to
32 section 90 shall manage the sale, distribution and merchandising of spirits ~~and fortified~~
33 ~~wine~~ through state liquor stores, agency liquor stores and licensees. The alcohol bureau
34 may establish rules and procedures for the administration of the state liquor laws under its
35 jurisdiction. The rules adopted under this section are routine technical rules pursuant to
36 Title 5, chapter 375, subchapter 2-A. The day-to-day activities of the alcohol bureau are
37 under the supervision of the Commissioner of Administrative and Financial Services and
38 the director of the alcohol bureau.

1 **2. Purchase.** ~~Until the effective date of the privatization of the wholesale liquor~~
2 ~~business authorized by section 88, the~~ The alcohol bureau or a wholesale liquor provider
3 contracted pursuant to section 90 may buy and have in its possession spirits ~~and fortified~~
4 ~~wine~~ for sale to the public. The alcohol bureau shall buy spirits directly and not through
5 the State Purchasing Agent. All spirits ~~and fortified wine~~ must be free from adulteration
6 and misbranding.

7 ~~**3. Sell at retail.** The alcohol bureau may sell at retail in state liquor stores in~~
8 ~~original packages, either over the counter or by shipment to points within the State, spirits~~
9 ~~of all kinds and fortified wine for consumption off the premises of state liquor stores~~
10 ~~operated under the direction of the alcohol bureau.~~

11 **4. Enter into contracts.** Subject to any applicable laws relating to public contracts,
12 the alcohol bureau may enter into contracts or agreements and establish contract
13 performance standards for the wholesale purchase of spirits ~~and fortified wine~~.

14 **5. Investigate and recommend changes.** The alcohol bureau shall carry out a
15 continuous study and investigation of the sale of alcoholic beverages throughout the State
16 and the operation and administration of state activities and recommend to the
17 Commissioner of Administrative and Financial Services any changes in the laws or rules
18 and methods of operation that are in the best interest of the State. By December 1, 2012,
19 the commissioner shall conduct a cost-benefit analysis of the discount price at which
20 agency liquor stores purchase spirits ~~and fortified wine~~ from the State or wholesale liquor
21 provider contracted by the State that includes consideration of how the discount price
22 may be adjusted to allow agency liquor stores' revenue trends to mirror proportionally
23 any upward trend in spirits sales and revenue realized by the State or the State's wholesale
24 liquor provider. The commissioner shall update the cost-benefit analysis at least every 2
25 years and shall make the analysis available, upon request, to the joint standing committee
26 of the Legislature having jurisdiction over alcoholic beverages matters.

27 **5-A. Sales incentives to agents; rules.** The alcohol bureau may adopt rules to
28 provide for a sales incentive program for agency liquor stores. The alcohol bureau shall
29 consider federal regulations that govern sales incentives for alcoholic beverages and the
30 effect of a sales incentive program on General Fund revenue and pending or existing
31 contracts with a wholesale liquor provider when developing an incentive program.
32 Notwithstanding subsection 1, rules adopted in accordance with this subsection are major
33 substantive rules pursuant to Title 5, chapter 375, subchapter 2-A.

34 **6. Certification; annual report.** The alcohol bureau shall certify monthly to the
35 Treasurer of State, the commission and the Commissioner of Administrative and
36 Financial Services a complete statement of the revenues and expenses for liquor sales for
37 the preceding month. The alcohol bureau shall make an annual report to the Governor of
38 its activities and of the amount of liquor license fees collected by the bureau, together
39 with other information it considers advisable or that the Governor requires.

40 **7. Public meetings.** The alcohol bureau and the commission may hold public
41 meetings each year at various locations within the State for the purpose of outlining
42 operations under the liquor laws, receiving suggestions and disseminating information to
43 the public.

1 **Sec. G-4. 28-A MRSA §84, sub-§1**, as corrected by RR 1999, c. 2, §29, is
2 amended to read:

3 **1. Manage sale of spirits.** Manage the sale of spirits ~~and fortified wine~~ through
4 state liquor stores, agency liquor stores and licensees in accordance with applicable laws
5 and rules that provide for the operation of wholesale distribution of spirits ~~and fortified~~
6 ~~wine~~;

7 **Sec. G-5. 28-A MRSA §85, sub-§2**, as enacted by PL 1997, c. 373, §28, is
8 amended to read:

9 **2. Inventory.** The alcohol bureau may keep and have on hand a stock of spirits ~~and~~
10 ~~fortified wine~~ for sale, the value of which, when priced for resale must be computed on
11 the delivered case cost F.O.B. liquor warehouse designated by the commission filed by
12 liquor suppliers. The inventory value must be based upon actual cost for which payment
13 may be due and may not at any time exceed the amount of working capital authorized.
14 Spirits ~~and fortified wine~~ may not be considered in the inventory until payment has been
15 made for them.

16 **Sec. G-6. 28-A MRSA §453-C, sub-§1**, as amended by PL 2005, c. 539, §5, is
17 further amended to read:

18 **1. Agent licensed to resell spirits purchased from the alcohol bureau.** An agent
19 licensed to resell spirits ~~and fortified wine~~ purchased from the State to a retail licensee
20 licensed for on-premises consumption must be licensed as a reselling agent. An agent is
21 prohibited from reselling liquor to a retail licensee licensed for on-premises consumption
22 except for spirits and fortified wine purchased from the alcohol bureau ~~or a state liquor~~
23 ~~store~~. A reselling agent may not resell fortified wine purchased from wholesalers
24 licensed to sell beer and wine in the State.

25 **Sec. G-7. 28-A MRSA §453-C, sub-§2**, as enacted by PL 2001, c. 711, §6, is
26 amended to read:

27 **2. License fee.** The fee for a state license to resell spirits ~~and fortified wine~~ to a
28 retail licensee licensed for on-premises consumption is \$50 annually.

29 **Sec. G-8. 28-A MRSA §461, first ¶**, as enacted by PL 2011, c. 140, §1, is
30 amended to read:

31 An agency liquor store shall maintain a minimum number of product codes in
32 accordance with this section. For the purposes of this section, "product code" means a
33 single spirit ~~or fortified wine~~ product purchased from the State or the State's wholesale
34 distributor.

35 **Sec. G-9. 28-A MRSA §501**, as enacted by PL 2003, c. 20, Pt. SS, §4 and
36 affected by §8 and c. 51, Pt. C, §2, is amended to read:

1 Part A repeals current law that allows for transfer of the State's wholesale liquor
2 business through July 1, 2014. Part A directs the Commissioner of Administrative and
3 Financial Services to develop a request for proposals through the competitive bid process
4 to award 2 contracts, one for the operation of the State's wholesale liquor business
5 encompassing spirits administration and warehousing and distribution and one for spirits
6 trade marketing. Part A also increases the discount rate at which agency liquor stores
7 purchase spirits for retail sale from the current minimum of 9% of list price to 12% as of
8 July 1, 2014. Part A allows the waiver of a licensing requirement in the event that a
9 retailer with more than 5 agency liquor stores in this State is purchased or control is
10 transferred to another company not in this State as long as the purchasing or controlling
11 company has held a license to sell beer and wine in another state for at least one year.

12 Part B authorizes the bond bank, with the written approval of the Governor, to issue
13 liquor operation revenue bonds in an amount up to \$188,500,000. Part B establishes 2
14 funds, the Health Care Liability Retirement Fund and the Liquor Operation Revenue
15 Fund. The Health Care Liability Retirement Fund is funded with the revenue from the
16 sale of the bonds and used to pay debts owed by the State for services provided by health
17 care providers prior to December 1, 2012; anything in excess of the amount owed is
18 transferred to the Liquor Operation Revenue Fund. The Liquor Operation Revenue Fund
19 is funded by revenue from the management of wholesale liquor activities; such revenue
20 will be used to pay the principal and interest of the liquor operation revenue bonds as
21 those amounts become due.

22 During fiscal years 2014-15, 2015-16 and 2016-17, any excess revenue up to a set
23 amount is transferred to the General Fund to offset the amounts included in budgeted
24 General Fund revenue from liquor sales and operations and to offset additional General
25 Fund costs for liquor enforcement activities; after those transfers in those fiscal years and
26 for the rest of the bond repayment period, excess revenue over the set amount, up to
27 \$7,000,000 per year, is transferred to the Department of Health and Human Services and
28 the Department of Environmental Protection for revolving loan funds for drinking water
29 systems and wastewater treatment, and, if the amount transferred for those loans is
30 limited for federal matching funds purposes, any remainder is transferred to the
31 Department of Transportation for construction of highways and bridges. Any excess
32 funds retained by the Maine Municipal Bond Bank during the bond repayment period
33 must be transferred to the Maine Budget Stabilization Fund immediately upon retirement
34 of the bonds. Following the retirement of the bonds, excess revenue is also transferred to
35 the Maine Budget Stabilization Fund.

36 Part C expands medical coverage under the MaineCare program to adults who qualify
37 under federal law with incomes up to 133% of the nonfarm income official poverty line,
38 with the 5% federal income adjustment for family size, and qualifies Maine to receive
39 federal funding for 100% of the cost of coverage for members who enroll under the
40 expansion. Adults who will be eligible are those 21 to 64 years of age beginning January
41 1, 2014 and adults 19 and 20 years of age beginning October 1, 2019.

42 Part D requires the Commissioner of Health and Human Services to take all steps
43 necessary to secure an enhanced federal match rate for services provided to the
44 MaineCare childless adult waiver population and to report to the Joint Standing

1 Committee on Appropriations and Financial Affairs and the Joint Standing Committee on
2 Health and Human Services by November 1, 2013 on these efforts.

3 Part E requires the Commissioner of Health and Human Services, the Commissioner
4 of Corrections and the Executive Director of the State Board of Corrections to evaluate
5 the impact of the MaineCare expansion on programs and services that do not currently
6 receive Federal Medical Assistance percentage matching funds or do not qualify for
7 enhanced Federal Medical Assistance percentage matching funds under the federal
8 Patient Protection and Affordable Care Act, with the goal of identifying and maximizing
9 General Fund savings. Part E requires a report by March 1, 2014 to the Joint Standing
10 Committee on Appropriations and Financial Affairs, the Joint Standing Committee on
11 Health and Human Services and the Joint Standing Committee on Criminal Justice and
12 Public Safety on the amount of General Fund savings resulting from the MaineCare
13 expansion. The report must include the amount of savings realized during fiscal year
14 2013-14 by service area or program and the amount of savings projected to be achieved
15 during the remainder of that fiscal year and during fiscal year 2014-15. Part E requires
16 the State Budget Officer to calculate the amount of savings that applies against each
17 General Fund account for all departments and agencies from savings associated with the
18 MaineCare expansion and to transfer the amounts by financial order upon the approval of
19 the Governor. It requires the State Controller to transfer any remaining savings to the
20 MaineCare Stabilization Fund. Part E requires the State Budget Officer to provide a
21 report of the transferred amounts to the Joint Standing Committee on Appropriations and
22 Financial Affairs no later than March 1, 2014.

23 Part F provides funding for positions in the Department of Health and Human
24 Services, Bureau of Family Independence.

25 Part G removes the administration of the sale of fortified wine by the State, beginning
26 July 1, 2014.

27 **FISCAL NOTE REQUIRED**

28 **(See attached)**

**126th MAINE LEGISLATURE****LD 1546****LR 2143(01)****An Act To Strengthen Maine's Hospitals, Increase Access to Health Care and Provide for a New Spirits Contract**

Fiscal Note for Original Bill
Committee: Veterans and Legal Affairs
Fiscal Note Required: Yes

Fiscal Note

	FY 2013-14	FY 2014-15	Projections FY 2015-16	Projections FY 2016-17
Net Cost (Savings)				
General Fund	(\$689,851)	(\$4,835,565)	(\$4,528,658)	\$4,476,166
Appropriations/Allocations				
General Fund	(\$689,851)	(\$3,835,565)	(\$3,778,658)	\$5,226,166
Federal Expenditures Fund	\$393,852,589	\$325,198,201	\$341,132,913	\$348,902,215
Other Special Revenue Funds	\$193,077,607	\$7,297,029	\$10,965,878	\$11,897,404
Revenue				
General Fund	\$0	\$1,000,000	\$750,000	\$750,000
Other Special Revenue Funds	\$193,077,607	\$7,297,029	\$10,965,878	\$11,897,404

Fiscal Detail and Notes

Parts A and G of this bill implement the transition of the process for liquor sales and operations when the current lease arrangement ends at the close of fiscal year 2013-14. Under the revised contracting process, the net revenue from liquor sales and operations is projected to increase by roughly \$25 million in fiscal year 2014-15 over current budgeted net revenue and continue increasing by additional amounts each fiscal year over the 10-year contract period for the operation and management of liquor sales in the State. The net change in revenue includes the effect of changes in agent discounts, pricing strategies to increase and recover sales from New Hampshire and the elimination of the administration of the sale of fortified wines by the State. The amount of the projected increase in revenue will depend on the effectiveness of the competitive bidding process for the contracts for the various aspects of liquor sales and marketing and enforcement strategies to recover sales.

Part B of the bill authorizes the Maine Municipal Bond Bank with the approval of the Governor to issue liquor operation revenue bonds up to \$188,500,000 plus financing costs. The net proceeds from these revenue bonds will be used for the state share of the payments to health care providers for services provided prior to December 1, 2012 and will be transferred from the bond bank to the Health Care Liability Retirement Fund, an Other Special Revenue Funds account within the Department of Health and Human Services. The estimated total amount of the payments, both state and federal, to health care providers for services provided prior to December 1, 2012 is approximately \$490,200,000.

If the full amount of the \$188,500,000 is not required due to the timing of the sale of the bonds and the availability of the proceeds, either the full authorization will not be issued and annual debt service will be lower or the proceeds in excess of the amounts required for the state share of the payments to health care providers will be transferred to the bond bank to cover debt service costs.

All net revenue from liquor sales is deposited in the Liquor Operations Revenue Fund at the Maine Municipal Bond Bank to first cover annual debt service costs of the revenue bonds, approximately \$25 million per year. Total net borrowing costs above the \$188,500,000 are projected to be \$33,766,100, based on the full authorization being utilized.

Excess revenue above debt service requirements will be transferred first to the General Fund through fiscal year 2016-17 to cover current budgeted revenue estimates from liquor sales and operations and to offset the General Fund additional enforcement costs of \$1,000,000 during the 2014-2015 biennium to be appropriated in the Governor's proposed 2014-2015 Biennial Budget Bill, LD 1509. Additional revenue received above the General Fund amounts will be credited to the Other Special Revenue Funds accounts for drinking water and wastewater projects up to the amounts needed to match available federal funds or up to \$7,000,000 per year. The amounts not required to match available federal funds for the water programs will be transferred to the Department of Transportation for highway and bridge improvements. The total projected amounts to be allocated to the water programs in fiscal year 2014-15 are \$2,662,000.

After fiscal year 2016-17 and until the revenue bonds are retired, up to \$7,000,000 will be transferred to the water programs and the Department of Transportation with no General Fund revenue from liquor revenue during this period. Excess revenue from liquor operations after the debt service costs and the \$7,000,000 annually will be retained by the bond bank until the revenue bonds are retired. At that time, the bond bank will transfer the excess reserve to the Maine Budget Stabilization Fund. In fiscal year 2023-24, the projected transfer to the Maine Budget Stabilization Fund will be roughly \$138,000,000.

Parts C, D, E and F of the bill implement and adjust funding related to the expansion of MaineCare under the federal Affordable Care Act.

Part E requires an evaluation of current state programs to identify savings that would result from the MaineCare expansion, identifies programs and populations that may realize savings and deappropriates funds statewide assuming these savings are then identified and distributed. The specific programs and amount of savings that will be realized and distributed to each cannot be determined at this time. As a benchmark, the implementation of the MaineCare childless adults waiver effective October 2002 resulted in subsequent savings of \$1,800,000 deappropriated in the Mental Health Services - Community program in fiscal year 2002-03 (PL 2001 c.714). Part E includes deappropriations of \$2,700,000 in 2013-14 and \$5,900,000 in 2014-15 in the Executive Branch Departments and Independent Agencies -Statewide program in the Department of Administrative and Financial Services for savings to be identified in existing programs as a result of the expansion of MaineCare eligibility.

Part F of the bill includes General Fund appropriations of \$2,010,149 in 2013-14 and \$2,064,435 in 2014-15 for the Bureau of Family Independence - Regional program in the Department of Health and Human Services for the state share of the costs of 83 new positions to administer the MaineCare eligibility expansion. Part F also includes Federal Expenditures Fund allocations totaling \$92,152,589 in 2013-14 and \$325,198,201 in 2014-15 as detailed below. The estimated federal allocations assume 100 percent federal matching funds for the first three years of the expansion for both the current childless adult waiver population and the newly eligible adult population below 139% of the federal poverty line and a 97.5 % federal match in 2016-17. Obtaining a 100% federal match for the current childless adult waiver population and not the "expansion states" federal match (estimated to be 80.78 % in 2013-14 and 82.70% in 2014-15) assumes that under Part D, the Department of Health and Human Services will successfully take the steps indicated by the federal Department of Health and Human Services to secure the "newly eligible" 100% federal match.

		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Childless Adults Waiver (below 100% of the Federal Poverty Line)					
Estimated Population	10,500				
Estimated Cost per Year	\$5,581	\$29,301,300	\$61,474,140	\$64,486,373	\$67,646,205
Assumed Federal Match		100.0%	100.0%	100.0%	97.5%
State Share of Costs		\$0	\$0	\$0	\$1,691,155
Childless Adults (Below 139% of the Federal Poverty Line)					
Estimated Population	45,045				
Estimated Cost per Year	\$5,581	\$62,851,289	\$263,724,061	\$276,646,540	\$290,202,220
Assumed Federal Match		100.0%	100.0%	100.0%	97.5%
State Share of Costs		\$0	\$0	\$0	\$7,255,056
Total Federal Allocation		\$92,152,589	\$325,198,201	\$341,132,913	\$348,902,214
Total State share		\$0	\$0	\$0	\$8,946,211

Funding for the new positions included in Part F reflect a 75% federal match for the 64 Eligibility Specialist positions and a 50% federal match for the other new positions. The funding for the Eligibility Specialist positions assumes a 700 person caseload for each new position. This is the target caseload the Department of Health and Human Services has identified for the Eligibility Specialist positions.

This bill does not include appropriations for the MaineCare costs of coverage for the current 19-20 year old population and for the current parents population under 139% of the federal poverty line. The Department of Health and Human Services has indicated funding for the continued MaineCare coverage for these populations has been included in the MaineCare baseline adjustments reflected in the proposed Governor's 2014-2015 Biennial Budget Bill, LD 1509.