

MAINE STATE LEGISLATURE

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**Maine Citizen's Guide to the
Referendum Election**

Tuesday, November 7, 2017



**In Accordance with
the August 8, 2017 Proclamations of the Governor and with
the Acts Passed by the 128th Legislature
at the First Regular Session**

**Matthew Dunlap
Secretary of State**

Appropriation 010-29A-4213-012

State of Maine
Office of the Secretary of State
Augusta, Maine 04333

Dear Fellow Citizen,

The information in this booklet is intended to help voters learn about the questions that will appear on the November 7, 2017 Referendum Election ballot. Referendum elections are an important part of the heritage of public participation in Maine.

Inside this booklet, you will find:

- ◆ the referendum questions;
- ◆ the legislation each question represents;
- ◆ a summary of the intent and content of the legislation;
- ◆ an explanation of the significance of a “yes” or “no” vote;
- ◆ an analysis of the debt service on the bond issue;
- ◆ an estimate of the fiscal impact of each referendum question on state revenues, appropriations and allocations; and
- ◆ public comments filed in support of or in opposition to each ballot measure.

For information about how and where to vote, please contact your local Municipal Clerk or call Maine’s Division of Elections at 624-7650. Information is also available online at www.maine.gov/sos.

The Department of the Secretary of State, the Attorney General, the State Treasurer and the Office of Fiscal and Program Review have worked together to prepare this booklet of information and we hope you find it helpful.

Sincerely,



Matthew Dunlap
Secretary of State

State of Maine
Referendum Election, November 7, 2017
Listing of Referendum Questions

Question 1: Citizen's Initiative

Do you want to allow a certain company to operate table games and/or slot machines in York County, subject to state and local approval, with part of the profits going to the specific programs described in the initiative?

Question 2: Citizen's Initiative

Do you want Maine to expand Medicaid to provide healthcare coverage for qualified adults under age 65 with incomes at or below 138% of the federal poverty level, which in 2017 means \$16,643 for a single person and \$22,412 for a family of two?

Question 3: Bond Issue

Do you favor a \$105,000,000 bond issue for construction, reconstruction and rehabilitation of highways and bridges and for facilities or equipment related to ports, harbors, marine transportation, freight and passenger railroads, aviation, transit and bicycle and pedestrian trails, to be used to match an estimated \$137,000,000 in federal and other funds, and for the upgrade of municipal culverts at stream crossings?

Question 4: Constitutional Amendment

Do you favor amending the Constitution of Maine to reduce volatility in state pension funding requirements caused by the financial markets by increasing the length of time over which experience losses are amortized from 10 years to 20 years, in line with pension industry standards?

Treasurer's Statement

The State of Maine borrows money by issuing bonds. General Obligation bonds are backed by the full faith and credit of the State and must be submitted statewide to the voters for approval.

Once approved, the Treasurer issues bonds as needed to fund the approved bond projects and uses a rapid 10-year repayment of principal strategy to retire the debt.

If the bond proposals on the ballot in November 2017 are approved by the voters, general obligation debt service as a percentage of the State's General Fund, Highway Fund and Revenue Sharing appropriations is expected to be 2.87% in FY18 and 3.28% in FY19.

The following is a summary of general obligation bond debt of the State of Maine as of **September 30, 2017**.

Bonds Outstanding (Issued and Maturing through 2027):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Highway Fund	\$ 40,605,000	\$ 3,096,918	\$ 43,701,918
General Fund	\$ 419,635,000	\$ 84,437,669	\$ 504,072,669
Total	\$ 460,240,000	\$ 87,534,587	\$ 547,774,587

Unissued Bonds Authorized by Voters: \$ 85,208,697

Unissued Bonds Authorized by the Constitution: \$ 101,000,000

Total Authorized but Unissued Bonds: \$ 186,208,697

The total amount that must be paid in the present fiscal year for bonded debt already outstanding (for FY2018): \$ 103,949,780

If the bonds submitted here are approved by voters and issued for the full statutory period authorized, an estimate of the total interest and principal that may reasonably be expected to be paid is **\$133,875,000.00**, representing **\$ 105,000,000.00** in principal and **\$28,875,000.00** in interest.



Terry Hayes, Treasurer of State

Question 1: Citizen's Initiative

Do you want to allow a certain company to operate table games and/or slot machines in York County, subject to state and local approval, with part of the profits going to the specific programs described in the initiative?

STATE OF MAINE

“An Act To Allow Slot Machines or a Casino in York County”

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

Sec. 1. 8 MRSA §1011, sub-§2-C is enacted to read:

2-C. Entity eligible for slot machine operator license or casino operator license.

Notwithstanding subsection 2-B or any other provision of this Title, the board may accept an application for a slot machine operator license or casino operator license to operate in York County slot machines at a slot machine facility or slot machines and table games at a casino from any entity that owned in 2003 at least 51% of an entity licensed to operate a commercial track in Penobscot County that conducted harness racing with pari-mutuel wagering on more than 25 days during calendar year 2002 if that entity and slot machine facility or casino satisfy the following criteria:

A. The operation of the slot machine facility or casino is approved by the municipality in which the slot machine facility or casino to be licensed will be located by local referendum election or by a vote of the municipal officers of the municipality in which the slot machine facility or casino is to be licensed and located held at any time; and

B. The slot machines will be located and operated in the slot machine facility or the slot machines and table games will be located and operated in the casino.

Sec. 2. 8 MRSA §1019, sub-§6, as amended by PL 2011, c. 417, §5, is further amended to read:

6. Proximity of licensed casinos and slot machine facilities. A casino operator license or slot machine operator license may not be issued under this chapter to operate any casino or slot machine facility located within 100 miles of a licensed casino or slot machine facility. This subsection does not prohibit a commercial track that was licensed to operate slot machines on January 1, 2011 from obtaining a casino operator license for the same facility where slot machines were operated as of January 1, 2011. This subsection does not apply to a license issued under section 1011, subsection 2-C.

Sec. 3. 8 MRSA §1020, sub-§3, ¶A, as amended by PL 2011, c. 585, §8, is further amended to read:

A. Except for slot machines used for training and educational purposes at postsecondary institutions as provided by section 1011, subsection 1-B, the total number of slot machines registered in the State may not exceed ~~3,000~~ 4,500; and

Sec. 4. 8 MRSA §1036, sub-§1, as amended by PL 2011, c. 417, §7, is further amended to read:

1. Distribution for administrative expenses of board. A slot machine operator licensed under section 1011, subsection 2 ~~or~~ a casino operator that is a commercial track that was

licensed to operate slot machines under section 1011, subsection 2 on January 1, 2011 or a slot machine operator or casino operator licensed under section 1011, subsection 2-C shall collect and distribute 1% of gross slot machine income to the Treasurer of State for deposit in the General Fund for the administrative expenses of the board.

Sec. 5. 8 MRSA §1036, sub-§2-D is enacted to read:

2-D. Distribution of net slot machine income from slot machine facility or casino licensed under section 1011, subsection 2-C. A slot machine operator or casino operator licensed under section 1011, subsection 2-C shall collect and distribute 39% of the net slot machine income from slot machines operated by the slot machine operator or casino operator to the board for distribution by the board as follows:

A. One percent of the net slot machine income must be deposited to the General Fund for administrative expenses of the board in accordance with the rules adopted by the board, except that, of the amount calculated pursuant to this paragraph, the following amounts must be transferred annually to the Gambling Addiction Prevention and Treatment Fund established by Title 5, section 20006-B:

- (1) For the fiscal year beginning July 1, 2017, \$50,000;
- (2) For the fiscal year beginning July 1, 2018, \$50,000; and
- (3) For the fiscal year beginning July 1, 2019 and for each fiscal year thereafter, \$100,000;

B. Ten percent of the net slot machine income must be forwarded by the board to the Treasurer of State, who shall credit the money to the fund established in section 298 to supplement harness racing purses;

C. Three percent of the net slot machine income must be credited by the board to the Sire Stakes Fund created in section 281;

D. Three percent of the net slot machine income must be forwarded by the board to the Treasurer of State, who shall credit the money to the Agricultural Fair Support Fund established in Title 7, section 91;

E. Ten percent of the net slot machine income must be forwarded directly by the board to the Treasurer of State, who shall credit the money to the Department of Education, to be used to supplement and not to supplant funding for essential programs and services for kindergarten to grade 12 under Title 20-A, chapter 606-B;

F. Two percent of the net slot machine income must be forwarded by the board to the University of Maine System Scholarship Fund created in Title 20-A, section 10909 and to the Board of Trustees of the Maine Maritime Academy to be applied by the board of trustees to fund its scholarship program. The slot machine income under this paragraph must be distributed as follows:

- (1) The University of Maine System share is the total amount of the distribution multiplied by the ratio of enrolled students in the system to the total number of enrolled students both in the system and at the Maine Maritime Academy; and
- (2) The Maine Maritime Academy share is the total amount of the distribution multiplied by the ratio of enrolled students at the academy to the total number of enrolled students both in the system and at the academy;

G. One percent of the net slot machine income must be forwarded by the board to the Board of Trustees of the Maine Community College System to be applied by the board of trustees to fund its scholarships program under Title 20-A, section 12716, subsection 1;

H. Two percent of the net slot machine income must be forwarded by the board to the Treasurer of State, who shall credit the money to the Fund to Encourage Racing at Maine's Commercial Tracks, established in section 299; however, the payment required by this paragraph is terminated when all commercial tracks have obtained a license to operate slot machines in accordance with this chapter, in which case that 2% must be credited to the General Fund as undedicated revenue;

I. Three percent of the net slot machine income must be forwarded by the board to the Treasurer of State, who shall distribute that money at the municipal level throughout the State to be used to reduce property taxes;

J. One percent of the net slot machine income must be forwarded by the board to the Treasurer of State, who shall distribute the funds to the tribal governments of the Penobscot Nation and the Passamaquoddy Tribe;

K. One percent of the net slot machine income must be forwarded by the board to the Treasurer of State, who shall use the money to fund drug education initiatives throughout the State;

L. One percent of the net slot machine income must be forwarded by the board to the Treasurer of State, who shall distribute the funds to supplement programs at the office of aging and disability services within the Department of Health and Human Services; and

M. One percent of the net slot machine income must be forwarded directly to the municipality in which the slot machines are located.

Sec. 6. 8 MRSA §1036, sub-§2-E is enacted to read:

2-E. Distribution of table game income from casino licensed under section 1011,

subsection 2-C. A casino operator licensed under section 1011, subsection 2-C shall collect and distribute 16% of the net table game income from table games operated by the casino operator to the board for distribution by the board as follows:

A. Nine percent of the net table game income must be forwarded directly by the board to the Treasurer of State, who shall credit the money to the Department of Education, to be used to supplement and not to supplant funding for essential programs and services for kindergarten to grade 12 under Title 20-A, chapter 606-B;

B. Three percent of the net table game income must be deposited to the Gambling Control Board administrative expenses Other Special Revenue Funds account, which is a nonlapsing dedicated account;

C. Two percent of the net table game income must be forwarded directly to the municipality in which the table games are located; and

D. Two percent of the net table game income must be deposited into the Coordinated Veterans Assistance Fund established in Title 37-B, section 514.

SUMMARY

This initiated bill allows slot machines or a casino in York County. The initiated bill authorizes the Department of Public Safety, Gambling Control Board to accept applications for a license to operate slot machines or a casino from an entity that owned in 2003 at least 51% of an entity licensed to operate a commercial track in Penobscot County that conducted harness horse racing with pari-mutuel wagering on more than 25 days in 2002 if certain criteria are met. The operation of the slot machines or casino must be approved by the voters or the municipal officers of the municipality in which the slot machines or casino will be located. The slot machines must be

located and operated in a slot machine facility or the slot machines and table games must be located and operated in a casino.

Current law provides that a casino operator license or slot machine operator license may not be issued to operate any casino or slot machine facility within 100 miles of a licensed casino or slot machine facility. This initiated bill exempts a slot machine operator or a casino operator licensed under the provisions of this initiated bill from the 100-mile restriction.

This initiated bill raises the limit on the number of slot machines allowed to be registered in the State from 3,000 to 4,500. The operation of the slot machines or casino is subject to regulation by the Gambling Control Board. The applicant for a slot machine operator license or casino operator license must pay the \$5,000,000 license fee set out in the Maine Revised Statutes, Title 8, section 1018, subsection 1-A.

The slot machine or casino operator must collect and distribute 1% of gross slot machine income to the Treasurer of State for deposit in the General Fund for the administrative expenses of the Gambling Control Board.

The slot machine or casino operator must collect and distribute 39% of the net slot machine income to the Gambling Control Board for distribution by the board as follows:

1. One percent must be deposited to the General Fund for administrative expenses of the board except for a certain amount that must be transferred annually to the Gambling Addiction Prevention and Treatment Fund;
2. Ten percent must be credited to a fund to supplement harness racing purses;
3. Three percent must be credited to the Sire Stakes Fund;
4. Three percent must be credited to the Agricultural Fair Support Fund;
5. Ten percent must be credited to the Department of Education to be used to supplement and not to supplant funding for essential programs and services for kindergarten to grade 12;
6. Two percent must be forwarded to the University of Maine System Scholarship Fund and to the Board of Trustees of the Maine Maritime Academy to be applied by the board of trustees to fund its scholarship program;
7. One percent must be forwarded to the Board of Trustees of the Maine Community College System to be applied by the board of trustees to fund its scholarship program;
8. Two percent must be credited to the Fund to Encourage Racing at Maine's Commercial Tracks;
9. Three percent must be forwarded to the Treasurer of State, who must distribute that money at the municipal level throughout the State to be used to reduce property taxes;
10. One percent must be distributed to the tribal governments of the Penobscot Nation and the Passamaquoddy Tribe;
11. One percent must be forwarded to the Treasurer of State, who must use the money to fund drug education initiatives throughout the State;
12. One percent must be distributed to supplement programs at the office of aging and disability services within the Department of Health and Human Services; and
13. One percent must be forwarded to the municipality in which the slot machines are located.

The casino operator must collect and distribute 16% of the net table game income to the Gambling Control Board for distribution by the board as follows:

1. Nine percent must be credited to the Department of Education to be used to supplement and not to supplant funding for essential programs and services for kindergarten to grade 12;
2. Three percent must be deposited to the Gambling Control Board administrative expenses Other Special Revenue Funds account;
3. Two percent must be forwarded to the municipality in which the table games are located; and
4. Two percent must be deposited into the Coordinated Veterans Assistance Fund.

Intent and Content
Prepared by the Office of the Attorney General

This initiated bill authorizes the state Gambling Control Board to accept an application for a license to operate slot machines, or a license to operate a casino with table games and slot machines, at a single site in York County. The legislation does not describe or define the location of such a facility, but it does define the entity that is eligible to apply for such a license. The eligible applicant is the entity that in 2003 owned at least 51% of the entity that was licensed to operate a commercial track in Penobscot County and conducted harness racing with pari-mutuel wagering on more than 25 days during calendar year 2002. Bangor Historic Track fits the latter part of this description, and Capital Seven LLC is the company that owned 51% or more of Bangor Historic Track in 2003. Capital Seven LLC, which is a limited liability company formed in Nevada and owned by Shawn Scott, is thus the only entity eligible to apply for a slot machine or casino license in York County under this initiative.

Existing law establishes the process for review and approval of the application by the Gambling Control Board. Operation of the slot machine facility or casino would also have to be approved by the municipality where it was proposed to be located – either by the municipal officers or the voters of the municipality. The facility would be subject to regulation by the Gambling Control Board under existing statutes.

The initiated bill would raise the cap on the number of slot machines allowed to be registered in Maine from 3,000 to 4,500.

The slot machine or casino operator would be required to collect and turn over to the Treasurer of State 1% of the gross income from slot machines to pay for administrative expenses of the Gambling Control Board. In addition, a total of **39% of the net income from slot machines** would be collected and distributed by the Board in specified percentages for the particular programs and entities listed in the legislation, including payments to:

- the fund to supplement harness racing purses (10%), the Sire Stakes Fund (3%), the Agricultural Fair Support Fund (3%), and the Fund to Encourage Racing at Maine's Commercial Tracks (2%)
- the Department of Education to supplement and not supplant funds for essential programs and services for Kindergarten through 12th grade education (10%)
- the University of Maine System, Maine Maritime Academy and Maine Community College System for scholarship programs (3%)
- the Treasurer of State for distribution to municipalities in order to reduce property taxes (3%)
- tribal governments of the Passamaquoddy Tribe and Penobscot Nation (1%)
- the Treasurer of State to fund drug education initiatives (1%)
- programs administered by the Office of Aging and Disability at the Department of Health & Human Services (1%)
- the municipality in which the slot machines are located (1%), and
- the General Fund for administrative expenses of the Gambling Control Board (1%), subject to a transfer of \$50,000 in each of the next two fiscal years and \$100,000 each year thereafter into an existing Gambling Addiction Prevention and Treatment Fund.

The legislation specifies a different formula for distributing net revenue from table games at a casino. A total of **16% of the net income from table games** would be distributed to:

- the Department of Education to supplement and not supplant funds for essential programs and services for Kindergarten through 12th grade education (9%)
- the Gambling Control Board's non-lapsing dedicated account for administrative expenses (3%)
- the Coordinated Veterans Assistance Fund to provide financial assistance for veterans service organizations (2%)
- the municipality where table games are located (2%)

The above listed allocations would leave the licensed operator of the casino or slot machine facility able to retain 84% of the net income from table games and 41% of the net income from slot machine operations.

If approved, this citizen initiated legislation would take effect 30 days after the Governor proclaims the official results of the election.

A "YES" vote is to enact the initiated legislation.

A "NO" vote opposes the initiated legislation.

Fiscal Impact Statement
Prepared by the Office of Fiscal and Program Review

This citizen initiative allows the Gambling Control Board, within the Department of Public Safety, to accept an application for a slot machine operator license or casino operator license for a facility in York County, so long as the applicant, in 2003, owned at least 51% of an entity licensed to operate a commercial track in Penobscot County and conducted a certain number of harness races in 2002. The municipality where the proposed slot machine facility or casino will be located must vote to approve its operation within the municipality. This initiative increases the total number of slot machines that may be registered in the State by 1,500.

This fiscal note assumes that one applicant will apply for a casino operator license and operate 1,000 slot machines and 24 table games. The casino would be taxed at the rate of 1% of gross slot machine income, 39% of net slot machine income and 16% of net table game income. The facility would generate estimated annual General Fund revenue of \$7,204,947 and estimated annual Other Special Revenue Funds revenue of \$25,130,957.

The applicant will also be required to pay a one-time non-refundable privilege fee and a casino operator license fee that will generate \$250,000 and \$5,000,000, respectively, in General Fund revenue. The applicant will also be required to pay an initial registration fee for each slot machine and table game, generating \$2,500,000 in Other Special Revenue Funds revenue. Renewal fees for the casino operator license, slot machines and table games will generate an estimated annual \$206,400 in Other Special Revenue Funds revenue. Annual state costs associated with 5 positions and other related expenses are estimated to be \$955,017.

A market feasibility study on expanded gaming in Maine estimated a 20% reduction in revenue to Oxford Casino if a new southern Maine casino were to open. This fiscal note assumes the same 20% reduction, resulting in an estimated annual state General Fund revenue loss of \$381,117 and Other Special Revenue Funds revenue loss of \$5,984,282. The impact on revenues generated by Hollywood Casino is not expected to be significant.

Summary of Casino Revenue	Annual Estimate
Gross Slot Income	\$659,190,000
Player's Share	\$591,293,430
1% of Gross Slot Income	\$6,591,900
Net Slot Machine Income	\$61,304,670
Licensee's Share of Net Slot Machine Income (61%)	\$37,395,849
State's Share of Net Slot Machine Income (39%)	\$23,908,821
Net Table Game Income	\$10,844,880
Licensee's Share of Net Table Game Income (84%)	\$9,109,699
State's Share of Net Table Game Income (16%)	\$1,735,181
State Revenues by Fund	
General Fund	
1% of Gross Slot Income	\$6,591,900
General Fund	<u>\$613,047</u>
Subtotal of General Fund Revenue Generated by Facility	\$7,204,947
Loss of General Fund Revenue - Oxford Casino	<u>(\$381,117)</u>
Total General Fund Revenue	\$6,823,830
Casino Operator License (one-time only)	\$5,000,000
Non-Refundable Privilege Fee (one-time only)	\$250,000

Other Special Revenue Funds

Gambling Control Board - 3% of Net Table Game Income	\$325,346
Harness Racing Purses	\$6,130,467
Sire Stakes Fund	\$1,839,140
Agricultural Fair Support Fund	\$1,839,140
Department of Education (K-12)	\$7,106,506
University of Maine Scholarship Fund and Maine Maritime Academy	\$1,226,094
Maine Community College System	\$613,047
Fund to Encourage Racing at Maine's Commercial Tracks *	\$1,226,093
Municipalities (used to reduce property taxes)	\$1,839,140
Tribal Governments of the Penobscot Nation and Passamaquoddy Tribe	\$613,047
Drug Education Initiatives	\$613,047
DHHS - to supplement programs at the Office of Aging and Disability Services	\$613,047
Municipality where slot machines are located	\$829,945
Gambling Addiction Prevention and Treatment Fund **	\$100,000
Coordinated Veterans Assistance Fund	<u>\$216,898</u>
Subtotal of Other Special Revenue Funds Generated by Facility	\$25,130,957
Gambling Control Board - Annual Renewal Fees	\$206,400
Loss of Other Special Revenue Funds Revenue - Oxford Casino	<u>(\$5,984,282)</u>
Total Other Special Revenue Funds Revenue	\$19,353,075
Table Games - Initial Gaming Table Fee (one-time only)	\$2,400,000
Slot Machines - Initial Registration Fee (one-time only)	\$100,000

Total Revenue - All Funds **\$26,176,905**

*If all commercial tracks obtain a license to operate slot machines, then the amount distributed from Hollywood Casino and this casino to the Fund to Encourage Racing at Maine's Commercial Tracks would then be deposited into the General Fund.

** Fiscal years ending June 30, 2018 and June 30, 2019 - \$50,000, thereafter - \$100,000

Summary of Expenditure Impacts to the State

Gambling Control Board - General Fund	\$429,947
Gambling Control Board - Other Special Revenue Funds	<u>\$525,070</u>
Total Expenditures - All Funds	\$955,017

Public Comments

No public comments were filed in opposition to Question 1.

Public comment in support of Question 1

Comment submitted by:
Mark G. Filler
Progress For Maine, LLC
477 Congress Street
5th Floor
Portland, ME 04101

Let's say **YES to Question 1** for more jobs and opportunity in Maine, more revenue for local businesses, and millions of dollars for programs like K-12, our Maine veterans, and our seniors.

A YES VOTE on QUESTION 1 will:

Generate millions of dollars in revenue without raising taxes

This gaming facility and conference center is good for all of Maine – nearly 40% of revenues will go to fund vital programs throughout the state, including K-12 and higher education, property tax relief, resources for senior citizens and people with disabilities, and drug education programs. It is projected that at least \$100 million will be generated each year by this facility, benefiting residents and communities throughout Maine.

Create Thousands of good-paying, year-round jobs

Thousands of direct and indirect jobs will provide millions in wages and benefits—including hundreds of stable, long-term jobs directly related to the gaming venue, supplying products and services to the venue and its employees.

Help the local community work as an economic engine for Maine

The law requires the local community's approval to have a gaming facility in their town. If we support the towns in York County that already want to have a new gaming facility and convention center, we can help their local businesses grow, promote tourism, and support our entire state's economy.

Let's keep the opportunity in Maine

Having a new facility in southern Maine will also encourage Mainers to stay in state instead of traveling to competing facilities in neighboring states.

Citizens of Maine: Honor the wishes of the local residents of York County and VOTE YES on Question 1.

<p>The printing of this public comment does not constitute an endorsement by the State of Maine, nor does the State warrant the accuracy or truth of any statements made in the public comment.</p>

Question 2: Citizen's Initiative

Do you want Maine to expand Medicaid to provide healthcare coverage for qualified adults under age 65 with incomes at or below 138% of the federal poverty level, which in 2017 means \$16,643 for a single person and \$22,412 for a family of two?

STATE OF MAINE

“An Act To Enhance Access to Affordable Health Care”

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

PART A

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

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

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

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

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

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

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

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

Sec. A-3. 22 MRSA §3174-G, sub-§1, ¶H is enacted to read:

H. No later than 180 days after the effective date of this paragraph, a person under 65 years of age who is not otherwise eligible for assistance under this chapter and who qualifies for medical assistance pursuant to 42 United States Code, Section 1396a(a)(10)(A)(i)(VIII) when the person's income is at or below 133% plus 5% of the nonfarm income official poverty line for the applicable family size. The department shall provide such a person, at a minimum, the same scope of medical assistance as is provided to a person described in paragraph E.

Cost sharing, including copayments, for coverage established under this paragraph may not exceed the maximum allowable amounts authorized under section 3173-C, subsection 7.

No later than 90 days after the effective date of this paragraph, the department shall submit a state plan amendment to the United States Department of Health and Human Services,

Centers for Medicare and Medicaid Services ensuring MaineCare eligibility for people under 65 years of age who qualify for medical assistance pursuant to 42 United States Code, Section 1396a(a)(10)(A)(i)(VIII).

The department shall adopt rules, including emergency rules pursuant to Title 5, section 8054 if necessary, to implement this paragraph in a timely manner to ensure that the persons described in this paragraph are enrolled for and eligible to receive services no later than 180 days after the effective date of this paragraph. Rules adopted pursuant to this paragraph are routine technical rules as defined by Title 5, chapter 375, subchapter 2-A.

Sec. A-4. Interim reporting. Between the effective date of the Maine Revised Statutes, Title 22, section 3174-G, subsection 1, paragraph H and the dates of approval of the state plan amendment by the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services necessary for implementation of Title 22, section 3174-G, subsection 1, paragraph H, the Department of Health and Human Services shall provide monthly reports to the joint standing committee of the Legislature having jurisdiction over health and human services matters and to the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs on the progress of implementation of that paragraph, any issues that might delay implementation or act as barriers to implementation and any possible solutions to those issues and barriers.

Sec. A-5. Reporting on implementation status. No later than one year after the effective date of the Maine Revised Statutes, Title 22, section 3174-G, subsection 1, paragraph H, the Commissioner of Health and Human Services shall report to the joint standing committee of the Legislature having jurisdiction over health and human services matters and to the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs on the status of implementation of Title 22, section 3174-G, subsection 1, paragraph H, including information on enrollment, costs, revenues generated from the Federal Government and other revenues, anticipated state savings and other issues pertinent to implementation.

PART B

Sec. B-1. Calculation and transfer of savings. The Commissioner of Health and Human Services, the Commissioner of Corrections and any state agency that recognizes savings as a result of implementation of the Maine Revised Statutes, Title 22, section 3174-G, subsection 1, paragraph H shall report within 60 days prior to the end of the first 12 months of enrollment under the Maine Revised Statutes, Title 22, section 3174-G, subsection 1, paragraph H to the joint standing committee of the Legislature having jurisdiction over health and human services matters, the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs and the joint standing committee of the Legislature having jurisdiction over criminal justice and public safety matters on the amount of General Fund savings and other savings resulting from coverage provided under that paragraph, including but not limited to savings to substance abuse and mental health programs; medical services provided to persons in the care and custody of, or upon release by, the Department of Corrections or a county jail or regional jail; reimbursement to cities and towns for general assistance provided under Title 22, chapter 1161; services provided for individuals 21 years of age or older and under 64 years of age who are currently eligible for the MaineCare program under medically needy, spend-down criteria; services provided under the MaineCare program, Section 1115 Health Care Reform Demonstration for Individuals with HIV/AIDS; services provided for parents participating in family reunification activities under Title 22, chapter 1071; an estimate of savings for services provided to individuals who previously would have pursued a disability determination to qualify for coverage; services provided to individuals awaiting a MaineCare program disability determination for whom the applications are

subsequently granted; services provided under the State's breast and cervical cancer treatment program; and other programs in which savings are achieved. The report must include the amount of savings realized during the preceding fiscal year by service area or program and the amount of savings projected to be achieved during the remainder of that fiscal year and during the next fiscal year by service area or program.

Sec. B-2. Reporting of revenue. The Department of Administrative and Financial Services, Maine Revenue Services shall report to the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs no later than 60 days following the end of the first 12 months of enrollment under the Maine Revised Statutes, Title 22, section 3174-G, subsection 1, paragraph H regarding any new revenues, including any increase in federal medical assistance payments resulting from coverage provided under Title 22, section 3174-G, subsection 1, paragraph H. Prior to the end of state fiscal year 2018-19, the State Controller shall transfer any savings amounts identified under this section to the MaineCare Stabilization Fund established under Title 22, section 3174-KK.

Sec. B-3. Evaluation by legislative office. Within 90 days after the end of the first 12 months of enrollment under the Maine Revised Statutes, Title 22, section 3174-G, subsection 1, paragraph H, the Office of Fiscal and Program Review shall independently review reports required pursuant to sections 1 and 2 of this Part and report to the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs and the joint standing committee of the Legislature having jurisdiction over health and human services matters on its determination of the savings and new revenue, if any, resulting from implementation of Title 22, section 3174-G, subsection 1, paragraph H. This report must also include information about the amount of federal funds received by the State as a result of coverage authorized under that paragraph.

SUMMARY

This initiated bill requires the State to provide federally approved Medicaid services through MaineCare to qualifying persons under 65 years of age with income equal to or below 133% plus 5% of the nonfarm income official poverty line.

The initiated bill requires the Department of Health and Human Services to prepare and submit to the Federal Government any state plan amendments, no later than 90 days after the effective date of the initiated bill, necessary to implement the provisions of the initiated bill. The initiated bill requires monthly reporting by the department to the appropriate joint standing committees of the Legislature on the status of a state plan amendment submission until such an amendment is approved and reporting on the status of implementation of the expanded coverage under MaineCare and on the status of implementation and savings generated to state-funded programs as a result of the expanded coverage. It requires the Department of Administrative and Financial Services, Maine Revenue Services to report on revenues generated as a result of expanded coverage. It requires any savings to be transferred to the MaineCare Stabilization Fund prior to the end of fiscal year 2018-19. It requires the Office of Fiscal and Program Review to independently review these reports and report its findings to the appropriate joint standing committees of the Legislature.

Intent and Content
Prepared by the Office of the Attorney General

This initiated bill would expand the Medicaid program in Maine (known as MaineCare) to pay healthcare costs for individuals with incomes at or below 138% of the federal poverty level who do not currently qualify for Medicaid coverage. This is the expansion that states were authorized to elect under the federal law known as the Affordable Care Act, originally enacted by Congress in 2010.

To qualify for MaineCare under existing law, an adult must be a Maine resident and a U.S. citizen, or a permanent resident or legal alien (subject to some restrictions), who is in need of health care assistance. In addition, the adult must be one of the following:

- pregnant
- a parent or caretaker relative of a dependent child or children under age 18
- blind
- disabled, or
- 65 years of age or older

and must have income and assets below a certain level, which is defined differently in the law for each of the above categories of individuals and varies according to household size. For example, parents or caretaker relatives with one or more dependent children and disabled adults must have family incomes at or below 100% of the federal poverty level to qualify for MaineCare currently. To be considered “disabled” under existing law, an adult must be found unable to engage in “any substantial gainful activity” (as defined in the Social Security Act) by reason of a physical or mental impairment that is medically determined and can be expected to result in death or to last for a continuous period of at least 12 months.

The initiated bill would expand coverage to include qualified adults (meeting existing residency and citizenship criteria) who are under the age of 65, not otherwise eligible for this assistance under existing law, and have family incomes at or below 138% of the federal poverty level. Thus, the initiative would extend MaineCare coverage of healthcare costs to:

- parents or caretaker relatives with one or more dependent children who have family incomes between 101% and 138% of the federal poverty level;
- adults with disabilities who have incomes between 101% and 138% of the federal poverty level; and
- adults with family incomes at or below 138% of the federal poverty level who do not have dependent children and are not “disabled” as that term is defined in the Social Security Act described above.

The federal poverty level is adjusted every year. In 2017, 138% of the federal poverty level means:

- \$16,643 for a single person
- \$22,412 for a family of two
- \$28,180 for a family of three
- \$33,948 for a family of four, and so on up to \$57,022 for a family of eight

Under the terms of the federal Affordable Care Act, by 2020, federal matching funds would cover 90% of the healthcare costs for the qualified adults under age 65 without dependent children who would be newly eligible under this expansion, while the State would cover the balance of 10%. Federal funds would cover 65% of the healthcare costs for parents or caretaker relatives with one or more dependent children who have household incomes between 101% and 138% of the federal poverty level. Additional information on the cost of implementing this initiative is provided in the fiscal note prepared by the Office of Fiscal and Program Review and published in this Citizen’s Guide.

If approved, this citizen initiated legislation would take effect 30 days after the Governor proclaims the official results of the election.

A “YES” vote is to enact the initiated legislation.

A “NO” vote opposes the initiated legislation.

Fiscal Impact Statement
Prepared by the Office of Fiscal and Program Review

This citizen initiative expands medical coverage under the MaineCare program to adults who qualify under federal law with incomes up to 133% plus 5% of the nonfarm income official poverty line.

The initiative will require annual General Fund appropriations of \$2,578,609 for the Office of Family Independence - District program in the Department of Health and Human Services (DHHS) for the state share of the costs of 103 new positions to administer the MaineCare eligibility expansion. Funding for the new positions reflects a 75% federal match for the 79 Eligibility Specialist positions and a 50% federal match for the other 24 new positions. The funding for the Eligibility Specialist positions assumes a 700 person caseload for each new position.

The initiative will require annual General Fund appropriations of \$50,366,696 to the DHHS for medical costs for the newly eligible childless adult population. This amount represents 10% of the total cost, with federal matching funds used for the remaining 90%.

The initiative will require annual General Fund appropriations of \$28,139,957 to the DHHS for medical costs for the parent's population between 101% to 138% of the federal poverty level. This amount represents 35% of the total cost, with federal matching funds used for the remaining 65%.

The initiative will require annual General Fund appropriations of \$409,745 to the DHHS for medical costs for the children who have not had MaineCare in the past, but whose family will opt for MaineCare coverage after expansion. This amount represents 2% of the total cost, with federal matching funds used for the remaining 98%.

Although overall costs will increase under this initiative, some programs will achieve savings that will mitigate the additional expenditures. The savings that are generated within existing programs are estimated to be \$27,000,000 annually and are already taken into account in the summary of costs and revenues in this fiscal impact statement.

Additional costs for the Legislature's Office of Fiscal and Program Review for certain review and reporting functions can be absorbed within existing budgeted resources.

In summary, when fully implemented, this initiative is anticipated to require net annual appropriations from the General Fund of \$54,495,000. Federal costs would be around \$525,000,000 annually. If approved by the voters, additional implementing legislation will be required to provide the additional appropriations and allocations.

Public Comments

No public comments were filed in opposition to Question 2.

Public comment in support of Question 2

Comment Submitted by:
Robyn Merrill
Maine Equal Justice Partners
126 Sewall St
Augusta, ME 04330

Broad Support for a YES Vote on Question 2

A Yes vote on Question 2 would make our health care system fairer and create more than 3,000 jobs. That's why there is broad support from Republicans, Democrats and Independents who know that a Yes vote on Question 2 is right for Maine.

Question 2 would expand access to health care through the Medicaid program to about 70,000 Mainers, including:

- Single mothers and children;
- People with disabilities;
- Older Mainers;
- People who work, but earn less than the federal poverty level, which is about \$16,000 for one person or about \$22,000 for a family of two; and
- Veterans

Question 2 will save lives and make our workforce healthier.

A Yes vote on Question 2 will also help Maine in the fight against opioid addiction and substance abuse, saving families the pain of a tragic death.

Doctors, nurses, health care providers, police officers and sheriffs have supported expanding Medicaid and believe it will make our communities safer and healthier.

In the 31 states that have expanded access to health care with Medicaid, insurance premiums on the private insurance market have been held in check, and fewer people rely on expensive emergency room care, saving everyone who buys insurance in the private market money.

Yes on Question 2 makes sense for the bottom line. It will save Maine more than \$27 million a year in the state budget, while bringing more than \$520 million in new funding into the state each year.

It will stabilize hospitals and clinics, particularly in rural areas, and ensure that they are able to continue to serve their communities.

It will save lives.

Yes on Question 2 is right for Maine.

<p>The printing of this public comment does not constitute an endorsement by the State of Maine, nor does the State warrant the accuracy or truth of any statements made in the public comment.</p>

Public Comments
Public comment in support of Question 2

Comment Submitted by:
Sue Henderson
Mainers for Health Care
9 E Street
South Portland, ME 04106

Vote YES on Question 2 for a Stronger Economy and Healthier Maine

Maine voters have an opportunity to strengthen our state's economy and ensure that more people have access to quality, affordable health insurance in the state.

As a nurse, I know that Question 2 will make a real difference for many families who are working hard but still can't afford insurance. Too many Mainers are forced to decide whether they can afford life-saving health care.

A YES vote on Question 2, which is called An Act To Enhance Access to Affordable Health Care, would expand access to health care coverage through Medicaid, and:

- Provide health insurance coverage to 70,000 Mainers, including single mothers, people with disabilities, older Mainers and veterans.
- Save the state budget \$27 million a year.
- Bring more than \$500 million into the state a year, creating more than 3,000 new jobs.
- Help to hold insurance premiums down for families who buy insurance on the private market.
- Strengthen and fund rural hospitals and community clinics, and help to reduce unnecessary and expensive emergency room visits.

Those of us on the frontlines of health care in our communities also know that our state faces a crisis of opioid addiction and overdoses. Leading members of the law enforcement community, nurses, doctors and treatment experts have supported expanding Medicaid and say it is one of the best ways to save lives and reduce substance abuse.

Opponents may spread misleading information to make their case, but 31 states have expanded Medicaid and continue to provide coverage citing huge benefits. If Maine voters get the facts, I believe they will agree to vote YES on Question 2. Visit mainersforhealthcare.org for more information.

Join me in voting YES on 2 for a healthier and more prosperous Maine.

The printing of this public comment does not constitute an endorsement by the State of Maine, nor does the State warrant the accuracy or truth of any statements made in the public comment.
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Question 3: Bond Issue

Do you favor a \$105,000,000 bond issue for construction, reconstruction and rehabilitation of highways and bridges and for facilities or equipment related to ports, harbors, marine transportation, freight and passenger railroads, aviation, transit and bicycle and pedestrian trails, to be used to match an estimated \$137,000,000 in federal and other funds, and for the upgrade of municipal culverts at stream crossings?

STATE OF MAINE
Chapter 299
Public Laws of 2017
Approved August 2, 2017

“An Act To Authorize a General Fund Bond Issue To Improve Highways, Bridges and Multimodal Facilities and Upgrade Municipal Culverts”

Preamble. Two thirds of both Houses of the Legislature deeming it necessary in accordance with the Constitution of Maine, Article IX, Section 14 to authorize the issuance of bonds on behalf of the State of Maine to provide funds as described in this Act,

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

Sec. 1. Authorization of bonds. The Treasurer of State is authorized, under the direction of the Governor, to issue bonds in the name and on behalf of the State in an amount not exceeding \$105,000,000 for the purposes described in section 5 of this Act. The bonds are a pledge of the full faith and credit of the State. The bonds may not run for a period longer than 10 years from the date of the original issue of the bonds.

Sec. 2. Records of bonds issued; Treasurer of State. The Treasurer of State shall ensure that an account of each bond is kept showing the number of the bond, the name of the successful bidder to whom sold, the amount received for the bond, the date of sale and the date when payable.

Sec. 3. Sale; how negotiated; proceeds appropriated. The Treasurer of State may negotiate the sale of the bonds by direction of the Governor, but no bond may be loaned, pledged or hypothecated on behalf of the State. The proceeds of the sale of the bonds, which must be held by the Treasurer of State and paid by the Treasurer of State upon warrants drawn by the State Controller, are appropriated solely for the purposes set forth in this Act. Any unencumbered balances remaining at the completion of the project in this Act lapse to the Office of the Treasurer of State to be used for the retirement of general obligation bonds.

Sec. 4. Interest and debt retirement. The Treasurer of State shall pay interest due or accruing on any bonds issued under this Act and all sums coming due for payment of bonds at maturity.

Sec. 5. Disbursement of bond proceeds from General Fund bond issue. The proceeds of the sale of the bonds authorized under this Act must be expended as designated in the following schedule under the direction and supervision of the agencies and entities set forth in this section.

**TRANSPORTATION,
DEPARTMENT OF**

Provides funds to construct, reconstruct or rehabilitate Priority 1, Priority 2 and Priority 3 state highways under the Maine Revised Statutes, Title 23, section 73, subsection 7 and for associated improvements, for the department's municipal partnership initiative and to replace and rehabilitate bridges.

Total

\$80,000,000

Provides funds for facilities or equipment, including property acquisition, related to ports, harbors, marine transportation, aviation, freight and passenger railroads, transit and bicycle and pedestrian trails that preserve public safety or otherwise have demonstrated high economic value.

Total \$20,000,000

**ENVIRONMENTAL PROTECTION,
DEPARTMENT OF**

Provides funds for a competitive grant program that matches local funding for the upgrade of municipal culverts at stream crossings in order to improve fish and wildlife habitats and increase community safety. Eligible project sponsors include local governments, municipal conservation commissions, soil and water conservation districts and private nonprofit organizations. A proposal for funding from an eligible project sponsor must include a map and summary of the proposed project, describing how it meets the following criteria:

1. Contribution to competitive grant program goals. The extent to which the proposed project allows communities to more effectively prepare for storm and flood events and advances the goals of restoring habitat for fish, including sea-run fish and native brook trout, and wildlife, including:

A. The priority status of the culvert to be upgraded or replaced for native brook trout and sea-run fish restoration, based on available stream survey data, statewide prioritization for aquatic connectivity and presence in priority watersheds of salmon, alewives and other diadromous fishes;

B. Confirmation that the culvert proposed for upgrade or replacement is on a municipal road, not a state road or private road;

C. The extent to which the proposed project meets the Department of Environmental Protection's design standard of at least 1.2 times the stream's bankfull width, with a natural stream bottom or embedded structure, and meets or exceeds the Department of Transportation's 100-year flood standard;

D. The degree of urgency of the proposed project, including whether a culvert is at high risk of failure due to age, location within a watershed or reach with high flood risk or severe flood history; and

E. The expected contribution to reducing the frequency or severity of flooding to upstream and downstream communities and improving storm water management within the proposed project area; and

2. Cost-effectiveness. The extent to which the proposed project represents an efficient and cost-effective investment, including the proportion of total project funding that will be provided from other sources and the potential avoided costs associated with the proposed project. Funds may not be used to cover all of the costs associated with a proposed project.

Total \$5,000,000

Sec. 6. Contingent upon ratification of bond issue. Sections 1 to 5 do not become effective unless the people of the State ratify the issuance of the bonds as set forth in this Act.

Sec. 7. Appropriation balances at year-end. At the end of each fiscal year, all unencumbered appropriation balances representing state money carry forward. Bond proceeds that have not been expended within 10 years after the date of the sale of the bonds lapse to the Office of the Treasurer of State to be used for the retirement of general obligation bonds.

Sec. 8. Bonds authorized but not issued. Any bonds authorized but not issued within 5 years

of ratification of this Act are deauthorized and may not be issued, except that the Legislature may, within 2 years after the expiration of that 5-year period, extend the period for issuing any remaining unissued bonds for an additional amount of time not to exceed 5 years.

Sec. 9. Referendum for ratification; submission at election; form of question; effective date. This Act must be submitted to the legal voters of the State at a statewide election held in the month of November 2017. The municipal officers of this State shall notify the inhabitants of their respective cities, towns and plantations to meet, in the manner prescribed by law for holding a statewide election, to vote on the acceptance or rejection of this Act by voting on the following question:

"Do you favor a \$105,000,000 bond issue for construction, reconstruction and rehabilitation of highways and bridges and for facilities or equipment related to ports, harbors, marine transportation, freight and passenger railroads, aviation, transit and bicycle and pedestrian trails, to be used to match an estimated \$137,000,000 in federal and other funds, and for the upgrade of municipal culverts at stream crossings?"

The legal voters of each city, town and plantation shall vote by ballot on this question and designate their choice by a cross or check mark placed within a corresponding square below the word "Yes" or "No." The ballots must be received, sorted, counted and declared in open ward, town and plantation meetings and returns made to the Secretary of State in the same manner as votes for members of the Legislature. The Governor shall review the returns. If a majority of the legal votes are cast in favor of this Act, the Governor shall proclaim the result without delay and this Act becomes effective 30 days after the date of the proclamation.

The Secretary of State shall prepare and furnish to each city, town and plantation all ballots, returns and copies of this Act necessary to carry out the purposes of this referendum.

Intent and Content
Prepared by the Office of the Attorney General

This Act would authorize the State to issue general obligation bonds in an amount not to exceed one hundred and five million dollars (\$105,000,000), to raise funds for a variety of projects as described below. The bonds would run for a period not longer than 10 years from the date of issue and would be backed by the full faith and credit of the State.

One hundred million dollars (\$100,000,000) in proceeds from the sale of these bonds would be administered by the **Department of Transportation** for the following purposes:

Highways, secondary roads and bridges – eighty million dollars (\$80,000,000) would be expended to:

- construct, reconstruct or rehabilitate state highways that have been designated as Priority 1, 2 or 3 by the Department of Transportation in accordance with state statute (23 M.R.S. § 73(7));
- repair secondary roads in partnership with municipalities pursuant to the existing Municipal Partnership Initiative program; and
- replace and rehabilitate bridges.

Municipalities are required to contribute 50% or more of the project costs under the Municipal Partnership Initiative program, which is described on the Department's web site at <http://maine.gov/mdot/planning/>. Highway and bridge projects are matched with federal funds on a ratio of 1.1 to 1 (federal to state) dollars. Accordingly, these bond proceeds are expected to leverage approximately eighty-eight million dollars (\$88,000,000) in federal and local matching funds.

Multi-modal projects – Twenty million dollars (\$20,000,000) would be spent on a variety of projects, including facilities and equipment related to ports, harbors, marine transportation, aviation, railroads (both passenger and freight), transit (public transportation) and bicycle and pedestrian trails. The intent is to fund projects that preserve public safety or otherwise demonstrate high economic value in terms of transportation. The investment of these bond proceeds is expected to be matched by approximately forty-nine million dollars (\$49,000,000) in federal, local and private funds.

Five million dollars (\$5,000,000) in proceeds from the sale of these bonds would be administered by the **Department of Environmental Protection** as a competitive grant program to upgrade or replace municipal culverts at stream crossings in order to improve fish and wildlife habitats, reduce flood hazards and improve storm water management. Local governments, municipal conservation commissions, soil and water conservation districts and private nonprofit organizations would be eligible to apply for these grants and would be required to provide some matching funds. The criteria for evaluating project proposals are set forth in the bond legislation.

If approved, the authorization of these bonds would take effect 30 days after the Governor's proclamation of the vote.

A "YES" vote approves the issuance of up to one hundred and five million dollars (\$105,000,000) in general obligation bonds to finance the activities described above.

A "NO" vote disapproves the bond issue in its entirety.

Debt Service
Prepared by the Office of the Treasurer

Total estimated life time cost is **\$133,875,000** representing **\$105,000,000** in principal and **\$28,875,000** in interest (assuming interest at **5.0%** over **10** years).

Fiscal Impact Statement
Prepared by the Office of Fiscal and Program Review

This bond issue has no significant fiscal impact other than the debt service costs identified above.

Public Comments
No public comments were filed in support of or in opposition to Question 3.

Question 4: Constitutional Amendment

Do you favor amending the Constitution of Maine to reduce volatility in state pension funding requirements caused by the financial markets by increasing the length of time over which experience losses are amortized from 10 years to 20 years, in line with pension industry standards?

STATE OF MAINE
Chapter 1
Constitutional Resolutions of 2017
Approved July 20, 2017

“RESOLUTION, Proposing an Amendment to the Constitution of Maine To Reduce Volatility in State Pension Funding Requirements Caused by the Financial Markets”

Constitutional amendment. Resolved: Two thirds of each branch of the Legislature concurring, that the following amendment to the Constitution of Maine be proposed:

Constitution, Art. IX, §18-A is amended to read:

Section 18-A. Funding of retirement benefits under the Maine Public Employees Retirement System. Beginning with the fiscal year starting July 1, 1997, the normal cost of all retirement and ancillary benefits provided to participants under the Maine ~~State~~Public Employees Retirement System must be funded annually on an actuarially sound basis. Unfunded liabilities may not be created except those resulting from experience losses. Unfunded liability resulting from experience losses must be retired over a period not exceeding ~~40~~20 years.

; and be it further

Constitutional referendum procedure; form of question; effective date. Resolved: That the municipal officers of this State shall notify the inhabitants of their respective cities, towns and plantations to meet, in the manner prescribed by law for holding a statewide election, at a statewide election held in the month of November following the passage of this resolution, to vote upon the ratification of the amendment proposed in this resolution by voting upon the following question:

“Do you favor amending the Constitution of Maine to reduce volatility in state pension funding requirements caused by the financial markets by increasing the length of time over which experience losses are amortized from 10 years to 20 years, in line with pension industry standards?”

The legal voters of each city, town and plantation shall vote by ballot on this question and designate their choice by a cross or check mark placed within the corresponding square below the word "Yes" or "No." The ballots must be received, sorted, counted and declared in open ward, town and plantation meetings and returns made to the Secretary of State in the same manner as votes for members of the Legislature. The Governor shall review the returns. If it appears that a majority of the legal votes are cast in favor of the amendment, the Governor shall proclaim that fact without delay and the amendment becomes part of the Constitution of Maine on the date of the proclamation; and be it further

Secretary of State shall prepare ballots. Resolved: That the Secretary of State shall prepare and furnish to each city, town and plantation all ballots, returns and copies of this resolution necessary to carry out the purposes of this referendum.

Intent and Content
Prepared by the Office of the Attorney General

This proposal would authorize an amendment to the Constitution of Maine to extend the maximum period of time over which net losses in the market value of the State-funded retirement plans administered by the Maine Public Employees Retirement System must be retired or funded. That period is now 10 years, and this amendment would extend it to 20 years.

The Maine Public Employees Retirement System (known as Maine PERS) is the pension system that provides retirement benefits to all state employees and public school teachers. Those employees do not contribute to Social Security and do not receive income from Social Security when they retire.

The Constitution requires the State to fund the “normal cost” of all retirement and ancillary benefits provided to system participants annually “on an actuarially sound basis.” If there are net losses in the market value of the retirement system’s investments that would create an “unfunded liability” – i.e., a situation in which the benefits that the system is obligated to pay would exceed the capacity of the fund – then those net losses (referred to as “experience losses”) amortized over a specified period of time must be replenished by the State through general fund appropriations or other means in the state budget. Experience losses are currently amortized over a 10-year period under a constitutional amendment adopted in 1995, when the retirement plan for state employees and public school teachers was funded by the state at a much lower level than it is currently. Having a larger state fund means that the obligation to recover market losses over a 10-year period can trigger a much greater dollar effect on the state’s annual budget. Under this amendment, the obligation to retire unfunded liabilities caused by such losses would remain the same, but the financial impact on the state’s annual budget would be reduced by paying back the net losses over a longer period of time. The change in the amortization period from 10 to 20 years is thus intended to smooth out the effects of volatility in the marketplace in a manner that is consistent with accepted actuarial practices.

A “YES” vote favors adoption of this constitutional amendment.

A “NO” vote opposes adoption of this constitutional amendment.

Fiscal Note

Prepared by the Office of Fiscal and Program Review

If approved by the voters, this amendment to the Constitution of Maine will increase the length of time over which experience losses to the Maine Public Employees Retirement System caused by the financial markets are amortized from 10 years to 20 years. This will lower the amount of funding needed to pay the required employers contributions in years 1 through 10 of any particular experience loss, but increase these payments in years 11 through 20. The amounts involved will depend on the frequency and magnitude of actual losses experienced.

Public Comments

No public comments were filed in support of or in opposition to Question 4.