

# MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

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ONE HUNDRED AND TENTH LEGISLATURE

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**Legislative Document**

**No. 1473**

H. P. 1249

House of Representatives, March 25, 1981

Referred to the Committee on Appropriations and Financial Affairs. Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Representative Kany of Waterville.

Cosponsors: Senator Najarian of Cumberland, Representative Pearson of Old Town and Senator Huber of Cumberland.

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STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-ONE

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**AN ACT Incorporating Federal Funds Directly into the State Budgeting Process.**

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

**Sec. 1.** 5 MRSA § 1502 is repealed.

**Sec. 2.** 5 MRSA § 1504, last sentence is amended to read:

In each such case, the charging off of such accounts shall be recommended by the head of the department, institution or agency originally responsible for such account and, if a federal grant, shall be consistent with any applicable federal law.

**Sec. 3.** 5 MRSA § 1541, sub-§§ 1 and 5, are amended to read:

**1. Official system of general accounts.** To maintain an official system of general accounts, unless otherwise provided by law, embracing all the financial transactions of the State Government, **including any transactions involving federal funds except where inconsistent with federal law;**

**5. Reports.** To make monthly reports on all receipts and expenditures of the State Government to the Governor and the State Auditor; to make monthly reports on appropriations, allotments, encumbrances and authorized payments to the Governor, to the State Auditor and to the head of the department or agency

directly concerned. **In both instances, the reports shall include all transactions involving federal funds;**

**Sec. 4. 5 MRSA § 1541, sub-§ 10, last sentence, is amended to read:**

The State Controller shall set up and maintain special accounts with respect to moneys received for designated purposes from the Federal Government **only where it is inconsistent with federal law to account for federal funds through the official system of general accounts.**

**Sec. 5. 5 MRSA § 1541, sub-§ 14 is enacted to read:**

**14. Federal funds. Except in the specific instances where it is inconsistent with federal law, the powers and duties of the Bureau of Accounts and Control shall apply to any federal funds granted to the State.**

**Sec. 6. 5 MRSA § 1543, as last amended by PL 1979, c. 312, § 3, is further amended by adding at the end a new sentence to read:**

**This section shall apply to any funds, including federal funds, granted to the State, except in the specific instances where it is inconsistent with the federal law.**

**Sec. 7. 5 MRSA § 1547, as amended by P&SL 1969, c. 236, § C, is further amended to read:**

**§ 1547. Annual financial report**

The State Controller shall prepare as soon as possible after the close of each fiscal year an explanatory report in pamphlet form of the financial condition of the State, **including any federal funds granted to the State**, together with such supporting figures for such fiscal year as may be necessary to furnish a comprehensive and concise report. This report shall be the official annual financial report of the State Government.

**Sec. 8. 5 MRSA § 1581 is repealed and the following enacted in its place:**

**§ 1581. Form of appropriation bill**

**The General Fund appropriation bills, each of which include the federal funds allocation provided for in section 1664, shall be drawn so as to authorize the appropriation or allocation, or both, to be made to each department or agency of the State Government for each fiscal year of the biennium. The appropriation or allocation, or both, shall provide specific amounts for personal services, capital expenditures and amounts for all other departmental expenses. Appropriations for the acquisition of property shall be in such detail under each department or agency as the Governor-elect or the Governor shall determine. These appropriations or allocations, or both, shall not be segregated in greater detail than the major classes or projects for which they are expendable during each fiscal year of the biennium.**

Sec. 9. 5 MRSA § 1583, as amended by PL 1977, c. 696, § 42, is repealed and the following enacted in its place:

**§ 1583. Exceeding appropriations prohibited**

**1. General.** Except as provided in this section no agent or officer of the State or any department or agency thereof whose duty it is to expend money under an appropriation or allocation, or both, by the Legislature, shall contract any obligation on behalf of the State in excess of the appropriation or allocation, or both. Whoever exceeds in his expenditure such appropriation or allocation, or both, shall not have any claim for reimbursement.

Any person who knowingly violates this section shall be guilty of a Class E crime. All prosecutions under this section shall be by indictment and the fines inure to the State.

**2. Federal funds.**

**A. Funds received are greater or less than the amount appropriated.**

(1) If the federal funds received are less than the amount of the funds approved by the Legislature for a specific purpose, the total of federal funds and state funds and personnel supported by federal expenditures allocated for such purpose shall be reduced in proportion to the amount of reduction in federal funds.

(2) If the federal funds received are greater than the amount of the funds approved by the Legislature for a specific purpose, the total expenditure of federal and state funds for such purpose shall not exceed the amount approved by the Legislature.

**B. If federal funds become available to the State for expenditure by the State while the Legislature is not in session and availability of the funds could not reasonably have been anticipated and included in the budget approved by the Legislature for the appropriate fiscal year the Treasurer of State may accept such funds on behalf of the State and the Governor may make expenditures for such funds as are authorized by federal and state law. Upon application for these funds, and upon receipt of these funds, the Governor shall submit to the Legislative Council, the Legislative Finance Officer and the members of the Joint Standing Committee on Appropriations and Financial Affairs a statement:**

(1) Describing the proposed federal expenditure in the same manner as they would be described in the state budget document; and

(2) A statement as to why the availability of the federal funds and the necessity of their expenditure could not have been anticipated in time for these expenditures to be approved as part of the State budget document for that particular fiscal year. No federal expenditure may be made for any program for more than one fiscal year without legislative allocation as required by law.

**Sec. 10.** 5 MRSA § 1585, sub-§ 4 is enacted to read:

**4. Federal funds.** This section shall apply to any federal funds provided such application is consistent with federal law.

**Sec. 11.** 5 MRSA § 1662, sub-§ 1 is amended to read:

**1. State budget document.** To prepare and submit to the Governor-elect, or the Governor, biennially, a unified state budget document in accordance with chapters 141 to 155;

**Sec. 12.** 5 MRSA § 1662, as last amended by PL 1979, c. 711, Pt. F, § 2, is further amended by adding at the end a new paragraph to read:

**The requirements of this section shall apply to both state and federal funds.**

**Sec. 13.** 5 MRSA § 1663, first sentence, is amended to read:

The budget of the State Government shall present a complete financial plan for each fiscal year of the ensuing biennium for **both state and federal funds.**

**Sec. 14.** 5 MRSA § 1664, as last amended by PL 1975, c. 515, is repealed and the following enacted in its place:

**§ 1664. Form of budget document**

**1. General requirements.** The state budget document, setting forth a financial plan for the use of state and federal funds by the State Government for each fiscal year of the ensuing biennium, shall be set in 3 parts, the nature and contents of which shall be as provided in this section.

**A. Part 1** shall consist of a budget message by the Governor-elect, or the Governor, which shall outline the financial policy of the State Government for the ensuing biennium, describing in connection therewith the important features of the financial plan. It shall embrace a general budget summary setting forth the aggregate figures of the budget in such manner as to show the balanced relations between the total proposed expenditures and the total anticipated revenues together with the other means of financing the budget for each fiscal year of the ensuing biennium, contrasted with the corresponding figures for the last completed fiscal year and the fiscal year in progress. The general budget summary shall be supported by explanatory schedules or statements classifying the expenditures contained therein by organization units, objects and funds and the income by organization units, sources and funds.

**B. Part 2** shall embrace the detailed budget estimates both of expenditures and revenues as provided. It shall include statements of the bonded indebtedness of the State Government showing the debt redemption requirements, the debt authorized and unissued and the condition of the sinking funds. It shall contain any statements relative to the financial plan which the Governor-elect, or the Governor, may deem desirable or which may be required by the Legislature.

C. Part 3 shall embrace complete drafts or summaries of the budget bills, the legislative measures required to give legal sanction to the financial plan when adopted by the Legislature. These bills shall include General Fund appropriation bills, one each from the Part I budget and the Part II budget and allocation bills for the following: Highway Fund, Inland Fisheries and Wildlife Fund, Coastal Protection Fund and for the administrative expenses of the Bureau of Alcoholic Beverages and the State Liquor Commission authorizing expenditures for each fiscal year of the ensuing biennium and such other bills as may be required to provide the income necessary to finance the budget. Any budget bill shall be a unified budget bill and shall include an allocation for all federal funds related to the programs funded by the bill.

2. Federal funds. For the purposes of formulating and executing the budget, "federal funds" mean any financial assistance made to a state agency or to an employee of such an agency acting in his official capacity by the United States Government, whether a loan, grant, subsidy, augmentation, advance, reimbursement or any other form where such financial assistance will be expended by the state agency or employee acting in his official capacity. It shall not include federal pass-through funds which are received by the State Government and passed directly to local governments in those cases where the State is permitted no discretion with respect to disposition of the funds to local governments under the terms of the grant and federal law. "State agency" means each department and agency of the State Government required to comply with chapter 149, except that the term "state agency" shall not include the University of Maine or the Maine Maritime Academy.

Sec. 15. 5 MRSA § 1665, first sentence is amended to read:

On or before September 1st of the even-numbered years, all departments and other agencies of the State Government and corporations and associations receiving or desiring to receive state or federal funds under the provisions of law shall prepare, in the manner prescribed by and on blanks furnished them by the State Budget Officer, and submit to ~~said officer~~ him estimates of their expenditure and appropriation requirements for each fiscal year of the ensuing biennium contrasted with the corresponding figures of the last completed fiscal year and the estimated figures for the current fiscal year.

Sec. 16. 5 MRSA § 1665, last ¶ is amended to read:

Upon receipt of the budget estimates submitted in accordance with this section, the State Budget Officer may require the heads of departments and other agencies of the State Government and officers of organizations and associations receiving or desiring to receive state or federal funds under the provisions of law to appear before ~~said officer~~ him and present such additional data in support of their budget estimates as ~~said officer may deem~~ he deems necessary.

Sec. 17. 5 MRSA § 1666, as repealed and replaced by PL 1973, c. 732, is amended to read:

**§ 1666. Review and revision of estimates**

The Governor-elect or the Governor, with the assistance of the State Budget Officer, shall reweiv the budget estimates, altering, revising, increasing or decreasing the items of ~~said~~ the estimates as may be deemed necessary in view of the needs of the various departments and agencies and the total anticipated income of the State Government during the ensuring biennium. Such review shall cover all budgets regardless of source of funds, **whether state or federal**, including, but not limited to, budgets related to the Highway Fund, the Federal Revenue Sharing Fund, and other special revenue funds. The State Budget Officer, at the direction of the Governor-elect or the Governor shall then prepare a state budget document in the form required by law. The Governor-elect or the Governor shall be fully responsible for all budgetary recommendations made to the Legislature. The Governor shall transmit ~~said~~ the budget document to the Legislature not later than the close of the 2nd week of the regular legislative session. A Governor-elect to his first term of office shall transmit ~~said~~ the budget document to the Legislature not later than the close of the 6th week of the regular legislative session.

**Sec. 18. 5 MRSA § 1667**, as last amended by PL 1977, c. 712, Pt. F, § 1, is further amended to read:

**§ 1667. Work program and allotments**

Not later than June 1st of each year, the Governor shall require the head of each department and agency of the State Government to submit to the Bureau of the Budget a work program for the ensuing fiscal year. Such work program shall include all appropriations, revenues, transfers and other funds, **including both state and federal funds**, made available to ~~said~~ the department or agency for its operation and maintenance and for the acquisiton of property, and it shall show the requested allotments of ~~said~~ the sums by quarters for the entire fiscal year, classified to show allotments requested for specific amounts for personal services, Capital expenditures and amounts for all other departmental expenses. The Department of Mental Health and Corrections shall further break down its budget to include institutional food expenditures. Funds not expended for this budget item shall not be transferred between line categories. The Governor, with the assistance of the State Budget Officer, shall review the requested allotments with respect to the work program of each department or agency and shall, if he deems it necessary, revise, alter or change such allotments before approving ~~the same~~ **them**. The aggregate of such allotments shall not exceed the total sums made available to ~~said~~ the department or agency for the fiscal year in question. The State Budget Officer shall transmit a copy of the allotments as approved by the Governor to the head of the department or agency concerned and also a copy to the State Controller. The State Controller shall thereupon authorize all expenditures to be made from the sums available on the basis of such allotments and not otherwise.

The head of any department or agency of the State Government, whenever he

~~shall deem~~ **deems** it necessary by reason of changed conditions, may revise the work program of his department or agency at the beginning of any quarter during the fiscal year, and submit ~~such the~~ revised program to the Bureau of the Budget with his request for a revision of the allotments of the remaining quarters of that fiscal year. If, upon ~~such re-examination~~ **reexamination** of the work program, the State Budget Officer, with the approval of the Governor, ~~shall decide~~ **decides** to grant the request for the revision of the allotments, the same procedure, so far as it relates to review, approval and control shall be followed as in the making of the original allotments.

**Sec. 19.** 5 MRSA § 1669, as enacted by PL 1979, c. 711, Pt. F, § 3, is repealed.

#### STATEMENT OF FACT

This bill changes the State Government's budgeting process by requiring that federal grants in aid be treated like state funds in the formulation and execution of budgets. It will give the Legislature information that it ought to have for policy making, but does not have, as well as a role in the expenditure of a significant share of the funds used by the State.

These changes are warranted by 4 reasons.

1. Federal grants in recent years constitute approximately 1/3 of our over \$1,000,000,000 expenditures.
2. Frequently federal grants are compliments to or substitutes for state funds. Any significant changes in the amounts of federal funds are certain to have dramatic consequences for state expenditures and during the decade of the 1980's such changes are virtually certain to occur. It is crucial for the Legislature to have the information and the new role in order to carry out its constitutional role of policy maker.
3. The probable increase in the number of block grants to states and resulting increase of discretion in the use of funds requires the Legislature to become more closely involved in the allocation of federal funds.