

MAINE STATE LEGISLATURE

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115th MAINE LEGISLATURE

FIRST REGULAR SESSION-1991

Legislative Document

No. 1879

H.P. 1299

House of Representatives, May 17, 1991

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

A handwritten signature in cursive script that reads "Ed Pert".

EDWIN H. PERT, Clerk

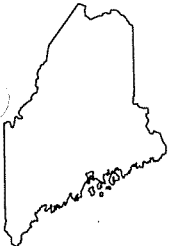
Presented by Representative CARROLL of Gray.
Cosponsored by Senator BOST of Penobscot.

STATE OF MAINE

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

**An Act to Reform the State Budget Process and Management of State
Finances and Fiscal Policy.**

(EMERGENCY)



Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, State Government is facing a projected revenue shortfall for the balance of this fiscal year and may face a shortfall in the next biennium; and

Whereas, our governmental organization and delivery of programs and services need to be analyzed and streamlined accordingly as soon as possible; and

Whereas, other substantial opportunities for cost savings in State Government need to be identified immediately; and

Whereas, in order to submit interim reports by April 1st and final reports in time for the next legislative session, studies must be initiated before the 90-day period expires; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

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

PART A

Sec. A-1. 5 MRSA §1513, sub-§1, as enacted by PL 1985, c. 448, is amended to read:

1. **Maine Rainy Day Fund.** The State Controller shall at the close of each fiscal year transfer from the unappropriated surplus of the General Fund to the Maine Rainy Day Fund an amount not to exceed 1/2 the excess of total General Fund revenues received over accepted estimates in that fiscal year. No accepted revenue estimate shall may be increased after adjournment of each First Regular Session of the Legislature except as provided. For the first year of the biennium, revenue estimates for the 2nd year of the biennium may be adjusted once during the Second Regular Session of the Legislature. Accepted revenue estimates may be increased for other fiscal periods only if 1/2 of the increase is appropriated to the Rainy Day Fund at the same time. The fund shall may not exceed \$25,000,000 5% of the total General Fund revenues received in the immediately preceding fiscal year, which shall may not lapse, but remain in a continuing carrying account to carry out the purposes of this Act section.

Sec. A-2. 5 MRSA §1662-A is enacted to read:

§1662-A. Annual summary of State's fiscal affairs

2 The Governor shall publish by December 1st of each year a
4 report summarizing the State's fiscal affairs that must include
6 the following: analysis of the State's economy and economic
8 forecasts; analysis of state revenues and expenditures and any
10 emerging trends in these areas; analysis of the allocation of
 state revenues by major spending category and major spending
 program; and any other information to help Maine's citizens
 understand the status of the State's fiscal affairs and fiscal
 policies.

12 Sec. A-3. 5 MRSA §1664, as amended by PL 1989, c. 934, Pt. C,
14 §1, is further amended to read:

16 **§1664. Form of budget document**

18 The state budget document, setting forth a financial plan
20 for the State Government for each fiscal year of the ensuing
 biennium, shall must be set up in 3 4 parts, the nature and
 contents of which shall must be as follows+.

22 Part 1 shall must consist of a budget message by the
24 Governor-elect, or the Governor, which shall must outline the
26 financial policy of the State Government for the ensuing
28 biennium, describing in connection therewith the important
30 features of the financial plan. It shall must embrace a general
32 budget summary setting forth the aggregate figures of the budget
34 in such manner as to show the balanced relations between the
36 total proposed expenditures and the total anticipated revenues
38 together with the other means of financing the budget for each
40 fiscal year of the ensuing biennium, contrasted with the
42 corresponding figures for the last completed fiscal year and the
44 fiscal year in progress. It shall must specifically describe the
46 estimated loss in revenue during the last completed fiscal year
 and the fiscal year in progress, and the anticipated loss in
 revenue for each fiscal year of the ensuing biennium, caused by
 tax expenditures provided in Maine statutes; the term "tax
 expenditures" means those state tax revenue losses attributable
 to provisions of Maine tax laws which allow a special exclusion,
 exemption or deduction or which provide a special credit, a
 preferential rate of tax or a deferral of tax liability. The
 general budget summary shall must 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.

48 Part 2 shall must embrace the detailed budget estimates both
50 of expenditures and revenues as provided. It must fully set
52 forth the methodology used to project revenues and expenditures
 and the data and assumptions used in estimates and forecasting
 formulas including those relating to growth or decline in
 personal income and wages, population and demographic changes,

2 employment and unemployment, taxable sales growth and inflation.
3 It shall must include statements of the bonded indebtedness of
4 the State Government showing the debt redemption requirements,
5 the debt authorized and unissued and the condition of the sinking
6 funds. It shall must contain any statements relative to the
7 financial plan which the Governor-elect, or the Governor, may
8 deem determines desirable, or which may be required by the
9 Legislature, and shall must contain the analysis and statement
10 required by section 1665, paragraph-G subsection 2.

11
12 Part 3 shall must embrace complete drafts or summaries of
13 the budget bills, the legislative measures required to give legal
14 sanction to the financial plan when adopted by the Legislature.
15 These bills shall must include General Fund appropriation bills
16 and allocation bills for the following: Highway Fund, Federal
17 Revenue Sharing Fund, Coastal Protection Fund, Maine Nuclear
18 Emergency Planning Fund and for the administrative expenses of
19 the Bureau of Alcoholic Beverages and the State Liquor
20 Commission, authorizing expenditures for each fiscal year of the
21 ensuing biennium and such other bills as may be required to
22 provide the income necessary to finance the budget.

23
24 Part 4 must consist of a 5-year projection of the fiscal
25 impacts of the state budget on the General Fund and all other
26 funds.

27
28 Sec. A-4. 5 MRSA §1667, as amended by PL 1981, c. 316, Pt. I,
29 is further amended by adding at the end a new paragraph to read:

30 Not later than December 1st of each year the Governor shall
31 require the head of each department and agency to provide 5-year
32 cost projections for each program under its jurisdiction for
33 which the aggregate costs of implementation are projected to be
34 \$10,000,000 or more during any of the next 5 years.

35
36 Sec. A-5. 5 MRSA c. 150-A is enacted to read:

37
38 CHAPTER 150-A

39
40 MAINE COUNCIL OF ECONOMIC ADVISORS

41
42 §1691. Council established

43
44 The Maine Council of Economic Advisors, referred to in this
45 chapter as the "council," is established as an independent
46 advisory council under section 12004-J.

47
48 §1692. Membership

49
50 The council consists of 5 members: two members appointed by
51 the Governor; one member appointed by the President of the

2 Senate; one member appointed by the Speaker of the House of
3 Representatives; and one member appointed by a majority of the
4 other 4 members who shall serve as chair of the commission. In
5 making these appointments to the council, the Governor, the
6 President of the Senate and the Speaker of the House of
7 Representatives shall consider those residents of the State from
8 the private sector who have a demonstrated expertise in economic
9 forecasting and economic policy analysis.

10 **§1693. Term of office; chair**

11 Members are appointed for 2-year terms except members may
12 serve after the expiration of their terms until their successors
13 have taken office. The Governor, the President of the Senate and
14 the Speaker of the House of Representatives may terminate the
15 membership of their respective appointees for good and just cause
16 and the reason for the termination must be communicated in
17 writing to each member whose term is so terminated. The
18 appointment of any member of the council must be terminated if
19 the member is absent from 3 consecutive meetings without
20 communicating good and just cause to the chair of the council.

21 **§1694. Vacancies**

22 Members appointed to fill vacancies occurring prior to the
23 expiration of the term for which their predecessor was appointed
24 serve only for the remainder of that term and must be appointed
25 by the same person who appointed their predecessor. Any vacancy
26 on the council does not affect its powers.

27 **§1695. Powers and duties**

28 The council has the powers and duties to advise and consult
29 with the Governor and the Legislature concerning the following:

30 **1. Economic analyses.** Developing and analyzing economic
31 data relating to the budget; and

32 **2. Economic forecast.** Providing annual and biennial
33 economic and revenue forecasts relating to the budget that must
34 be updated quarterly. All forecasts and updates must be
35 distributed to the Bureau of the Budget and the legislative
36 Office of Fiscal and Program Review.

37 **§1696. Meetings; compensation; quorum**

38 The council shall meet at the call of the chair and not less
39 than 4 times during each year. Members serve without
40 compensation. Three members constitute a quorum.

41 **§1697. Staff; funding**

2 4. Specific areas in which further study are justified by
potential savings; and

4 5. Information and data relating to governmental
6 expenditures, indebtedness and personnel management.

8 In examining these issues, the commission may:

10 1. Hold up to 10 public hearings at the times and places it
determines necessary;

12 2. Hold informational sessions for discussions with
14 knowledgeable persons;

16 3. Conduct, summarize and analyze the results of a
literature search, including an examination of the federal Grace
18 Commission report;

20 4. Procure and analyze relevant data;

22 5. Conduct legal research and prepare opinions on legal
questions within the scope of the study; and

24 6. Determine and summarize the legislative actions or
26 governmental programs undertaken in other jurisdictions related
to issues within the scope of the study.

28 **Sec. B-5. Report.** The commission shall submit a final report,
30 together with any necessary implementing legislation, to the
Second Regular Session of the 115th Legislature and the Office of
32 the Executive Director of the Legislative Council no later than
November 1, 1991.

34 **Sec. B-6. Expenses.** Expenses or reimbursements of commission
36 members are not authorized.

38 **Sec. B-7. Appropriation.** The following funds are appropriated
from the General Fund to carry out the purposes of this Act.

40 1991-92

42 **EXECUTIVE DEPARTMENT**
44 **Special Commission to Study the Organization**
46 **of State Government Including Operational**
48 **Cost Controls and Delivery of Services**

50 All Other \$6,000

Provides funds for public hearings, report

2 printing and other expenses of the Special
3 Commission to Study the Organization of
4 State Government including Operational Cost
5 Controls and Delivery of Services. These
6 funds may not lapse but must be carried
7 forward to June 30, 1992.

8 **Emergency clause.** In view of the emergency cited in the
9 preamble, this Act takes effect when approved.
10

12 STATEMENT OF FACT

14 This bill seeks to improve the state budget process, fiscal
15 policy and fiscal accountability by doing the following:

16 1. Increasing the Maine Rainy Day Fund ceiling from
17 \$25,000,000 to 5% of the General Fund;

20 2. Requiring an annual summary on state fiscal affairs and
21 the budget;

22 3. Requiring full disclosure of state revenue and spending
23 assumptions and methodology;

26 4. Requiring a 5-year projection of fiscal impacts of the
27 state budget;

28 5. Requiring expanded information on the actual and
29 projected cost of major programs;

32 6. Establishing the Maine Council of Economic Advisors; and

34 7. Establishing the Special Commission to Study the
35 Organization of State Government Including Operational Cost
36 Controls and Delivery of Services to conduct a cost-management
37 efficiency study of State Government including a study of
38 governmental organization and the delivery of programs and
services.