

MAINE STATE LEGISLATURE

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117th MAINE LEGISLATURE

FIRST REGULAR SESSION-1995

Legislative Document

No. 638

S.P. 241

In Senate, February 23, 1995

An Act to Create the Maine Budget and Economic Stabilization Fund.

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

A handwritten signature in cursive script that reads "May M. Ross".

MAY M. ROSS
Secretary of the Senate

Presented by Senator MICHAUD of Penobscot.
Cosponsored by Representative KERR of Old Orchard Beach and
Senator: CAREY of Kennebec.

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

4 Whereas, the State needs a meaningful reserve to stabilize
6 the General Fund during periods of dislocation, economic
recession and high unemployment; and

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

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

16 **Sec. 1. 5 MRSA §1507, next to the last ¶,** as amended by PL 1993,
18 c. 410, Pt. QQQ, §4, is repealed.

20 **Sec. 2. 5 MRSA §1507,** as amended by PL 1993, c. 410, Pt. QQQ,
§§1 to 4, is further amended by adding at the end a new paragraph
22 to read:

24 After the close of each fiscal year, the Governor may
26 request a General Fund appropriation from the next session of the
Legislature in an amount as may be available to bring the total
28 available in the State Contingent Account, to a maximum of
\$2,350,000 for the current fiscal year.

30 **Sec. 3. 5 MRSA §1511,** as amended by PL 1993, c. 707, Pt. G,
§2, is further amended to read:

32 **§1511. Reserve for General Fund operating capital; Loan**
34 **Insurance Reserve**

36 ~~The State Controller may, at~~ After the close of each fiscal
year, ~~transfer from the Unappropriated Surplus of~~ the Governor
38 ~~may request a~~ General Fund appropriation to the Reserve for
General Fund Operating Capital ~~such amounts as may be available~~
40 ~~from time to time up to~~ from the next session of the Legislature
in an amount of up to \$1,000,000 a year, except for fiscal year
42 1993-94 when an amount up to \$2,500,000 may be transferred, until
a maximum of \$25,000,000 is achieved. ~~The State Controller is~~
44 ~~further authorized, at~~ After the close of each fiscal year, ~~to~~
~~transfer from the Unappropriated Surplus of~~ the Governor may
46 request a General Fund appropriation to the Loan Insurance
Reserve ~~amounts as may be available from time to time, up to~~ from
48 the next session of the Legislature in an amount of up to
\$1,000,000 per year. The balance of this reserve must be paid to
50 the Finance Authority of Maine if such payment does not cause the
balance in the reserve fund maintained by the authority, when
52 added to amounts held in the Finance Authority of Maine Mortgage

2 Insurance Fund that are not committed or encumbered for another
3 purpose, to exceed \$10,000,000. Any balance in the Loan
4 Insurance Reserve is appropriated for this purpose. ~~The State
5 Controller on or before June 30, 1993 must transfer the balance
6 in the Reserve for General Fund Operating Capital to the
unappropriated surplus of the General Fund.~~

8 **Sec. 4. 5 MRSA §1513**, as amended by PL 1993, c. 707, Pt. G,
9 §3, is repealed.

10

Sec. 5. 5 MRSA c. 142 is enacted to read:

12

CHAPTER 142

14

MAINE BUDGET AND ECONOMIC STABILIZATION FUND

16

§1521. Maine Budget and Economic Stabilization Fund

18

19 1. Maine Budget and Economic Stabilization Fund. The Maine
20 Budget and Economic Stabilization Fund, referred to in this
21 chapter as the "Stabilization Fund," is created to assist in
22 stabilizing state General Fund revenue and employment during
23 periods of dislocation, economic recession and high unemployment.

24

25 2. Transfers from General Fund to Stabilization Fund
26 triggered by excess General Fund revenues. At the close of each
27 month of the fiscal year, the State Controller shall transfer
28 from the unappropriated surplus of the General Fund to the
29 Stabilization Fund the excess of total General Fund revenues
30 received over accepted estimates in that month of the fiscal
31 year. Accepted revenue estimates may be increased only if an
32 amount equalling 1/2 of the increase is appropriated to the
33 Stabilization Fund at the same time.

34

§1522. Definitions

36

37 As used in this chapter, unless the context otherwise
38 indicates, the following terms have the following meanings.

40

41 1. Economic development activities. "Economic development
42 activities" means those expenditures to be made that will create
43 jobs, support investment in the State or otherwise stimulate the
44 State's economy.

44

45 2. Revenue shortfall. "Revenue shortfall" means the amount
46 by which the State Budget Officer determines that actual General
47 Fund revenue will fall short of accepted General Fund revenue
48 estimates.

50

§1523. Allocations from Stabilization Fund

2 1. Vote necessary for allocation. Allocations from the
3 Stabilization Fund may only be made with a vote of at least 3/4
4 of the members of each house of the Legislature.

6 2. Uses of Stabilization Fund. Use of the Stabilization
7 Fund is as follows.

8 A. Except as provided in subsection 4, amounts may be
9 allocated from the Stabilization Fund to offset a revenue
10 shortfall.

12 B. Amounts allocated from the Stabilization Fund may be
13 used for economic development activities such as:

14 (1) To provide for public works and public service
15 employment;

18 (2) For any unusual and unforeseen needs that may
19 arise for training programs and the administration and
20 operation costs of the technical colleges offering the
21 training programs;

22 (3) To provide training, education and other
23 assistance to persons affected by unusual or unforeseen
24 circumstances and currently receiving unemployment
25 compensation, aid to families with dependent children
26 or other aid or services from state or local human
27 service or welfare programs; and

28 (4) To provide state assistance to new or expanding
29 industries for any unusual, unforeseen or extraordinary
30 needs.

32 3. Limitations on use of Stabilization Fund. The
33 Stabilization Fund may not be used to offset a revenue shortfall
34 or supplemental spending needs for any given fiscal year due to
35 the following:

36 A. A statutory change in the tax rates structure or
37 taxation sources; changes in tax rates, mill rates or other
38 formulas; changes in federal, state or local revenue sharing
39 formulas; or changes in the state tax laws for federal tax
40 compatibility;

41 B. Changes in or addition of regulatory agencies or
42 programs or changes in current regulatory fee structures,
43 programs and bases;

44 C. The creation of new state departments, bureaus, agencies
45 or other governmental or quasi-governmental entities; or
46

2 D. The underfunding of agencies, programs or any other
3 state or local government activity supported by the General
4 Fund.

6 **§1524. Inclusion of transfers or allocations in budget document**

8 1. State budget document. The state budget document or any
9 budget revisions prepared in accordance with sections 1664 and
10 1666 must contain an estimate of any transfers or allocations in
11 accordance with sections 1521 and 1523.

12 **§1525. Cash management**

14 Funds in the Stabilization Fund may be combined by the
15 Treasurer of State with other amounts in the State Treasury for
16 the purposes of cash management. The earnings from investment of
17 the Stabilization Fund accrue to the Stabilization Fund. The
18 Stabilization Fund must be accounted for separately from other
19 funds of the State.

20 **§1526. Stabilization Fund balance; limitation**

22 The balance of the Stabilization Fund may not exceed 15% of
23 the total General Fund revenue received in the immediately
24 preceding fiscal year and may not lapse but must remain in a
25 continuing carrying account to carry out the purposes of this
26 chapter.

28 A transfer is not necessary if the General Fund revenue
29 received in the immediately preceding fiscal year is less than
30 the total General Fund revenue received in the fiscal year 2
31 years previous and if the Stabilization Fund is at its 15% limit.

34 **Sec. 6. 5 MRSA §1589, first ¶**, as enacted by PL 1993, c. 476,
35 §2, is amended to read:

37 At the end of each fiscal year, unencumbered appropriation
38 and allocation balances lapse into the appropriate fund or
39 account-balance and are not available unless authorized by law,
40 or-as-provided-for-in-subsections-1-to-5. Encumbered balances
41 may not be carried forward more than once at the end of a fiscal
42 year.

44 **Sec. 7. 5 MRSA §1589, sub-§1**, as repealed and replaced by PL
45 1993, c. 707, Pt. BB, §2, is repealed.

47 **Sec. 8. 5 MRSA §1589, sub-§1-A** is enacted to read:

49 1-A. Total quality management efforts. Notwithstanding any
50 other provision of law, upon the approval of the department or
51 agency head, non-General Fund and non-Highway Fund accounts may
52 contribute resources on an allocated basis to an administrative

2 account for the support of department or agency total quality
3 management efforts except that the provisions of section 1585 and
4 Public Law 1993, chapter 410, Part A, section 25 or its successor
5 apply.

6 **Sec. 9. 5 MRSA §1589, sub-§2**, as enacted by PL 1993, c. 476,
7 §2, is repealed and the following enacted in its place:

8 **2. General Fund Total Quality Management accounts; Highway**
9 **Fund Total Quality Management accounts.** After the close of each
10 fiscal year, the Governor may request a General Fund
11 appropriation, a Highway Fund allocation or an allocation from
12 other available resources to a specific department or agency or
13 to a statewide total quality management account to carry out
14 total quality management initiatives in accordance with
15 subsection 3.

16 **Sec. 10. 5 MRSA §1589, sub-§§2-A and 2-B**, as enacted by PL
17 1993, c. 707, Pt. BB, §3, are repealed.

18 **Sec. 11. 5 MRSA §1589, sub-§3**, as amended by PL 1993, c. 707,
19 Pt. BB, §4, is further amended to read:

20 **3. Total quality management initiatives.** ~~Except---as~~
21 ~~provided in subsection 3-C, available balances transferred into~~
22 Amounts appropriated or allocated to each departmentwide and
23 statewide account in accordance with subsection 2 must be used
24 for the payment of nonrecurring expenditures representing total
25 quality management initiatives in the same department or agency
26 or on a statewide basis, respectively.

27 **Sec. 12. 5 MRSA §1589, sub-§3-A**, as enacted by PL 1993, c.
28 707, Pt. BB, §5, is amended to read:

29 **3-A. Office of State Quality Management General Fund**
30 **account established.** There is established in the Executive
31 Department a General Fund account entitled Office of State
32 Quality Management to receive and expend funds in accordance with
33 ~~subsection 3-C and~~ chapter 523.

34 **Sec. 13. 5 MRSA §1589, sub-§3-C**, as enacted by PL 1993, c.
35 707, Pt. BB, §5, is amended to read:

36 **3-C. Funding; general.** ~~Notwithstanding any other provision~~
37 ~~of law, funds~~ Appropriations or allocations may be transferred
38 requested by the Governor in each fiscal year from the Statewide
39 ~~Total Quality Management General Fund account in the Department~~
40 ~~of Administrative and Financial Services to~~ for the Office of
41 State Quality Management General Fund account in the Executive
42 Department established in subsection 3-A and section 20094 and
43 the Human Resources General Fund account in the Department of
44 Administrative and Financial Services to be allotted by financial

2 order--upon--the--approval--of--the--Governor--for--the--personal
3 services--all--other--and--capital--expenditures--requirements--for--2
4 positions--in--the--Office--of--State--Quality--Management--authorized--by
5 section--20094--and--2--training--positions--in--the--Bureau--of--Human
6 Resources--to--be--established--for--total--quality--management--training
and--co-ordination.

8 **Sec. 14. 5 MRSA §1589, sub-§4 and 6**, as enacted by PL 1993, c.
9 476, §2, are amended to read:

10
11 **4. Copies of proposals to Bureau of the Budget and Office**
12 **of Fiscal and Program Review.** Copies of each approved proposal
13 for the expenditure of funds ~~transferred-into~~ available in each
14 departmentwide and statewide account in accordance with
15 subsection 2 must be submitted from each department's or agency's
16 quality management council and the Maine Quality Management
17 Council, respectively, to the Bureau of the Budget and the Office
18 of Fiscal and Program Review.

19
20 **6. Report required.** The Department of Administrative and
21 Financial Services and the Maine Quality Management Council shall
22 report to the joint standing ~~committee~~ committees of the
23 Legislature having jurisdiction over state and local government
24 matters and appropriations and financial affairs annually no
25 later than February 1st, the following:

26
27 A. The total amount ~~authorized-for-transfer~~ appropriated or
28 allocated, by department, under ~~subsection 1~~ this section;

29
30 B. A description of initiatives submitted under subsection
31 4; and

32
33 C. A recommendation from the Maine Quality Management
34 Council and the Department of Administrative and Financial
35 Services on any changes ~~in-the-transfer-amount-authorized~~
36 under-subsections-1-and-2 needed to further total quality
37 management efforts in State Government.

38
39 **Sec. 15. 30-A MRSA §5683, sub-§3**, as amended by PL 1993, c.
40 707, Pt. N, §1, is further amended to read:

41
42 **3. Property Tax Relief Fund established.** There is
43 established the Property Tax Relief Fund for the purpose of
44 distributing unanticipated surplus revenues accruing in the
45 General Fund to municipalities experiencing high rates of
46 population growth. The purpose of the fund is to assist
47 municipalities in meeting their infrastructure needs.

48
49 ~~The-State-Comptroller-shall-at~~ After the close of each fiscal year
50 ~~transfer-from-the-unappropriated-surplus-of,~~ the Governor may
51 request a General Fund appropriation to the Property Tax Relief
52 Fund from the next session of the Legislature in an amount not to

2 exceed 1/2 of the balance remaining after all other required
3 transfers or appropriations from the excess of total General Fund
4 revenues received over accepted estimates in that fiscal year and
5 all required deductions of appropriations, financial commitments,
6 designated funds, transfers from the unappropriated surplus of
7 the General Fund or transfers from the available balance
8 remaining in the General Fund have been made.

10 General Fund revenue estimates may be made once during the First
11 Regular Session of the Legislature and adjustments to these
12 accepted revenue estimates may be made once during the Second
13 Regular Session of the Legislature without mandatory transfer of
14 funds to the Property Tax Relief Fund. If adjustments are made
15 to those initial estimates presented to each regular session of
16 the Legislature, an amount equal to 1/2 of the excess of the
17 estimated revenue over the amounts required by law to be set
18 aside for other purposes must be appropriated to the Property Tax
19 Relief Fund.

20 The fund appropriation may not exceed \$25,000,000 and may not
21 lapse, but must remain a continuing carrying account to carry out
22 the purpose of this section.

24 **Sec. 16. 30-A MRSA §5683, sub-§6**, as enacted by PL 1989, c.
25 534, Pt. F, is amended to read:

26 **6. Treasurer of State.** The Treasurer of State shall
27 distribute the appropriation balance in the Property Tax Relief
28 Fund ~~as of July 1, 1989, on or before September 15, 1989, and~~
29 ~~thereafter the balance in the fund on July 1st of each year shall~~
30 ~~be distributed on or before September 15th of each following year~~
31 no later than 30 days after the legislation appropriating funds
32 for this purpose has been enacted by the Legislature and signed
33 into law by the Governor.

36 **Sec. 17. 36 MRSA §1811, 3rd ¶**, as enacted by PL 1993, c. 410,
37 Pt. KKKK, §1, is amended to read:

38 On or before May 15th of each year, the State Budget Officer
39 shall present a final estimate of General Fund revenues for the
40 current fiscal year, taking into consideration an estimate of the
41 Revenue Forecasting Committee. If estimated General Fund
42 revenues for the current fiscal year exceed those of the prior
43 fiscal year by 8% or more, on a base-to-base comparison excluding
44 one-time revenue gains and losses, revenue in an amount
45 equivalent to that generated by 0.5% of the tax on the sale of
46 personal property and taxable services taxed at a rate of 6% on
47 the effective date of this paragraph must be transferred by the
48 State Controller to the Maine Rainy-Day Budget and Economic
49 Stabilization Fund as described in this section.

2 **Sec. 18. Transition.** The State Controller shall transfer the
balance in the Maine Rainy Day Fund to the Maine Budget and
4 Economic Stabilization Fund no later than 30 days after the
effective date of this Act.

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

8

10

STATEMENT OF FACT

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This bill eliminates the Maine Rainy Day Fund and replaces it with the Maine Budget and Economic Stabilization Fund, the purpose of which is to set aside General Fund revenues in times of economic growth and when actual revenues exceed budgeted revenues. The fund is to be used in periods of economic recession and high unemployment to offset General Fund revenue shortfalls or to promote economic development activities.

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This bill also eliminates the authority of the State Controller to transfer General Fund unappropriated surplus, or any other estimated balances, to the State Contingent Account, Reserve for General Fund Operating Capital, Loan Insurance Reserve, Total Quality Management Accounts and Property Tax Relief Fund. In its place, those available funds would stay in unappropriated surplus until the next session of the Legislature when the Governor could request a General Fund appropriation for these purposes.