## MAINE STATE LEGISLATURE

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## 121st MAINE LEGISLATURE

## FIRST REGULAR SESSION-2003

**Legislative Document** 

No. 1307

H.P. 961

House of Representatives, March 11, 2003

RESOLUTION, Proposing an Amendment to the Constitution of Maine To Create the Maine Economic Stabilization and Endowment Fund

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

Millicent M. Macfarland MILLICENT M. MacFARLAND Clerk

Presented by Representative WOODBURY of Yarmouth.

Cosponsored by Representatives: DUDLEY of Portland, DUPLESSIE of Westbrook, EDER of Portland, MILLETT of Waterford, MILLS of Cornville, Senator: TURNER of Cumberland.

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, §24 is enacted to read:

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- 24. Budget stabilization and endowment fund. The Legislature shall enact legislation creating a budget stabilization and endowment fund as a permanent endowment fund to be managed and invested by an independent board of trustees for long-term appreciation, consistent with the principles of endowment funds that are designed to provide supporting distributions to a beneficiary in perpetuity.
- 1. Transfers to fund. Two percent of General Fund revenue must be transferred monthly to the stabilization and endowment fund until the fund balance equals the amount of General Fund revenue collected in the immediately preceding fiscal year. In any fiscal year that actual receipts of General Fund revenue exceed budgeted revenue, 1/2 of the excess revenue must also be transferred to the fund.
- 2. Distributions from fund. Four percent of the balance in the stabilization and endowment fund at the close of the immediately preceding fiscal year must be transferred annually to the General Fund for expenditure by the Legislature. Two percent of the fund balance above the regular 4% annual distribution may be transferred to the General Fund in any fiscal year when budgeted revenue growth is at least 1% below the average growth for the last 10 years. Four percent of the fund balance above the regular 4% annual distribution may be transferred to the General Fund when budgeted General Fund revenue growth is greater than 2% below the average growth for the last 10 years. At the close of a fiscal year when actual General Fund revenue collections are below budgeted revenue, additional funds may be transferred to the General Fund up to the amount of the shortfall or 4% of the fund balance, whichever is less. Legislation implementing this section and any distribution proposed as an exception to this section may be enacted upon the vote of 2/3 of all members elected to each House.

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, on the Tuesday following the first Monday 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 authorize the Legislature to create an economic stabilization and endowment fund?"

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 and, 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 purpose of this referendum.

## **SUMMARY**

This resolution proposes an amendment to the Constitution of Maine to authorize the Legislature to create a budget stabilization and endowment fund. This fund would be established in lieu of the unprotected Maine Rainy Day Fund as a constitutionally protected asset of the State with explicit fund contribution requirements and distribution limitations.

The purposes of an economic stabilization and endowment fund would be to serve as a permanent endowment fund of the State with an asset base of that grows over time and provides supporting distributions for programs and initiatives of State Government in perpetuity; as an economic stabilization fund that provides supplementary distributions to the State during budget years of economic stagnation and recession; and as an emergency liquidity fund that provides short-term distributions to the State when revenues fall unexpectedly short of budgeted projections.

The fund would be built up through monthly transfers of 2% of the General Fund revenue in any year in which the fund balance does not exceed the amount of revenue collected in the immediately preceding fiscal year and by a transfer of 1/2 of any General Fund surplus revenue.

Annually, 4% of the fund assets would be transferred to the General Fund to be appropriated by the Legislature as part of its normal budget-making process. The fund would also provide budget stabilization distributions. The proposed amendment would allow for a supplemental transfer of up to 2% of fund assets during fiscal years when budgeted economic growth is at least 1% below long-term economic growth trends or up to 4% of fund assets when budgeted economic growth is greater than 2% below long-term economic growth trends. In any fiscal year that actual General Fund revenue is below projections the fund would transfer the amount of the revenue shortfall up to 4 percent of fund assets.

The implementing legislation to be enacted by the Legislature would establish an independent board of trustees to oversee the management of fund assets, and the board would be directed to invest the assets for long-term appreciation, consistent with the principles of endowment funds that are designed to provide supporting distributions to a beneficiary in perpetuity.