

# MAINE STATE LEGISLATURE

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# 121st MAINE LEGISLATURE

## FIRST REGULAR SESSION-2003

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Legislative Document

No. 1383

S.P. 453

In Senate, March 18, 2003

### An Act To Limit the Growth of Government Spending

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

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN  
Secretary of the Senate

Presented by Senator TURNER of Cumberland.  
Cosponsored by Representative BRUNO of Raymond and  
Senators: DAVIS of Piscataquis, NASS of York, WOODCOCK of Franklin, Representative:  
BOWLES of Sanford.

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

4 Sec. 1. 5 MRSA c. 52 is enacted to read:

6 CHAPTER 52

8 STATE AND LOCAL GOVERNMENT EXPENDITURE LIMITS

10 §561. Definitions

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

14 1. Inflation. "Inflation" means the percentage change in the Consumer Price Index, as defined in Title 36, section 5402, subsection 1.

18 2. Local government. "Local government" means a municipality or a county.

20 §562. State and local government expenditure limits

22 1. State spending limit. Except as provided in subsection 3, the maximum annual percentage increase in General Fund expenditures, excluding federal funds received by the General Fund, may not exceed inflation plus the percentage change in state population in the prior year.

28 2. Local government expenditure limit. Except as provided in subsection 3, the maximum annual percentage increase in the expenditures of a local government may not exceed inflation plus the percentage change in state population in the prior year.

34 3. Two-thirds vote required. The State or a local government may authorize an expenditure in excess of the limit established in subsection 1 or 2 only upon a vote of 2/3 of the entire elected membership of each House of the Legislature, in the case of the State, or upon a 2/3 vote of the governing body of the local government, in the case of a local government.

40 4. Population determination. For purposes of subsections 1 and 2, population must be determined by annual federal census estimates, and that number must be adjusted every decade to match the Federal Decennial Census.

46 §563. Disposition of excess revenue

48 1. State emergency reserve fund. If the State collects revenue that exceeds the expenditure limit established for that fiscal year in section 562, subsection 1, as the first priority

2 before any other transfer, the State Controller shall at the  
4 close of the fiscal year transfer the amount representing the  
6 excess funds to the emergency reserve fund established by the  
8 State pursuant to section 564 at the beginning of the next fiscal  
10 year or, if the emergency reserve fund contains the requisite  
12 amount of funds, refund the excess funds to the citizens of the  
14 State in the next fiscal year.

16 2. Local government disposition. If a local government  
18 collects revenue that exceeds the expenditure limit established  
20 for that fiscal year in section 562, subsection 2, the local  
22 government shall transfer an amount representing the excess funds  
24 to the emergency reserve fund established by the local government  
26 pursuant to section 564 at the beginning of the next fiscal year  
28 or, if the emergency reserve fund contains the requisite amount  
30 of funds, refund the excess funds to the citizens of the local  
32 government.

34 **§564. Emergency reserve fund**

36 The State and each local government shall reserve in an  
38 emergency reserve fund the equivalent of 3 months of operating  
40 revenue. Appropriations from the State's emergency reserve fund  
42 may be made by a 2/3 vote of the entire elected membership of  
44 each House of the Legislature, and appropriations from the  
46 emergency reserve fund of a local government may be made by a 2/3  
48 vote of the governing body of the local government.

50 **Sec. 2. 5 MRSA §1513, sub-§1, as corrected by RR 1999, c. 2,**  
52 **§1, is amended to read:**

54 **1. Maine Rainy Day Fund.** ~~As the first priority before any~~  
56 ~~other transfer~~ After transfers made pursuant to section 563, the  
58 State Controller shall at the close of each fiscal year reserve  
60 from the unappropriated surplus of the General Fund an amount  
62 equal to 1/2 the excess of total General Fund revenues received  
64 over accepted estimates in that fiscal year and transfer that  
66 amount to the Maine Rainy Day Fund at the beginning of the next  
68 fiscal year. Accepted revenue estimates may not be increased  
70 after adjournment of each First Regular Session of the  
72 Legislature except as provided. For the first year of the  
74 biennium, revenue estimates for the 2nd year of the biennium may  
76 be adjusted once during the Second Regular Session of the  
78 Legislature. Accepted revenue estimates may be increased for  
80 other fiscal periods only if an amount not to exceed 1/2 of the  
82 increase is transferred by the State Controller to the Rainy Day  
84 Fund at the same time from the unappropriated surplus of the  
86 General Fund. The fund may not exceed 6% of the total General  
88 Fund revenues received in the immediately preceding fiscal year  
90 and may not lapse, but remains in a continuing carrying account  
92 to carry out the purposes of this section. A reduction in the  
94 fund is not necessary in the event the total General Fund

2 revenues received in the immediately preceding fiscal year are  
less than the total General Fund revenues received in the fiscal  
year 2 years previous and if the fund is at its 6% limit.

4  
6 **Sec. 3. Statutory referendum procedure; submission at statewide  
election; form of question; effective date.** This Act takes effect when  
approved only for the purpose of permitting its submission to the  
8 legal voters of the State at a statewide election held on the  
Tuesday following the first Monday of November following passage  
10 of this Act. The municipal officers of this State shall notify  
the inhabitants of their respective cities, towns and plantations  
12 to meet, in the manner prescribed by law for holding a statewide  
election, to vote on the acceptance or rejection of this Act by  
14 voting on the following question:

16 "Do you favor placing a limit on the maximum annual  
percentage increase in state and local government  
18 expenditures; requiring a 2/3 vote of the Legislature to  
approve state General Fund expenditures that exceed this  
20 limit and a 2/3 vote of a local government's governing body  
to approve local government expenditures that exceed this  
22 limit; and requiring that surplus funds be placed in an  
emergency reserve fund or returned to the citizens?"

24  
26 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  
28 the word "Yes" or "No." The ballots must be received, sorted,  
counted and declared in open ward, town and plantation meetings  
30 and returns made to the Secretary of State in the same manner as  
votes for members of the Legislature. The Governor shall review  
32 the returns and, if it appears that a majority of the legal votes  
are cast in favor of the Act, the Governor shall proclaim that  
34 fact without delay, and the Act takes effect 30 days after the  
date of the proclamation.

36  
38 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.

#### 42 **SUMMARY**

44 This bill establishes expenditure limits on state and local  
governments as follows.

46  
48 1. It provides that the maximum annual percentage increase  
in state General Fund expenditures, excluding federal funds  
received by the General Fund, may not exceed inflation plus the  
50 percentage change in state population in the prior year.

2           2. It provides that the maximum annual percentage increase  
in local government expenditures may not exceed inflation plus  
4           the percentage change in state population in the prior year.

6           3. It authorizes the State or a local government to  
authorize expenditures in excess of the established limit only  
8           upon a vote of 2/3 of the entire elected membership of each House  
of the Legislature, in the case of the State, or upon a 2/3 vote  
10          of the governing body of the local government, in the case of a  
local government.

12          4. It requires that revenues collected in excess of the  
14          spending limits must be placed in an emergency reserve fund  
containing the equivalent of 3 months of operating revenues or,  
16          if the fund already contains that amount, refunded to the  
citizens.

18          5. It requires that, in order for the bill to take effect,  
20          the issue be submitted to the voters of the State for their  
approval.