

MAINE STATE LEGISLATURE

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122nd MAINE LEGISLATURE

SECOND REGULAR SESSION-2006

Legislative Document

No. 2045

S.P. 790

In Senate, March 2, 2006

**An Act To Implement the Recommendations of the Commission To
Reform the State Budget Process**

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 ROTUNDO of Androscoggin. (GOVERNOR'S BILL)
Cosponsored by Representative BRANNIGAN of Portland and
Senator: NASS of York, Representative: MILLETT of Waterford.

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

4 **Sec. 1. 5 MRSA §1664**, as amended by PL 2005, c. 2, Pt. A, §6
5 and affected by §14, is repealed and the following enacted in its
6 place:

7 **§1664. Form of budget document**

8
9 **1. Form.** The state budget document, setting forth a 4-year
10 financial plan for the State Government for each fiscal year of
11 the ensuing biennium and the following biennium, must:

12
13 A. Consist of a budget message by the Governor-elect or the
14 Governor that outlines the 4-year financial policy of the
15 State Government for the ensuing biennium and the following
16 biennium, describing in connection with the important
17 features of the financial plan;

18
19 B. Embrace a general budget summary setting forth the
20 aggregate figures of the budget in such a manner as to show
21 the balanced relationship between the total proposed
22 expenditures and the total anticipated revenues together
23 with the other means of financing the budget for each fiscal
24 year of the ensuing biennium, contrasted with the
25 corresponding figures for the last completed fiscal year and
26 the fiscal year in progress. The general budget summary
27 must:

28
29 (1) Be supported by explanatory schedules or
30 statements, classifying the expenditures contained
31 therein by organization units, objects and funds and
32 the income by organization units, sources and funds; and

33
34 (2) Include a summary and details of programs funded
35 through the Fund for a Healthy Maine, presenting the
36 allocation requirements and projected revenues and
37 other available resources shown in a budget fund flow
38 statement and a comparative statement that presents
39 income sources for revenue projections and allocation
40 estimates by program categories;

41
42 C. Include a financial plan for the following biennium with
43 forecasted General Fund, Highway Fund and Fund for a Healthy
44 Maine appropriation requirements and projected revenues by
45 income sources as provided in chapter 151-B and other
46 available resources shown in a budget fund flow statement
47 and a comparative statement that presents income sources for
48 revenue projections and appropriation estimates by major
49 program categories;

2 D. Specifically describe the estimated loss in revenue
4 during the last completed fiscal year and the fiscal year in
6 progress, and the anticipated loss in revenue for each
8 fiscal year of the ensuing biennium, caused by tax
10 expenditures provided in Maine statutes. For purposes of
12 this paragraph, "tax expenditures" means those state tax
14 revenue losses attributable to provisions of Maine tax laws
16 that allow a special exclusion, exemption or deduction or
18 provide a special credit, a preferential rate of tax or a
20 deferral of tax liability;

22 E. Contain the prioritized public improvements budget
24 estimate required by section 1665, subsection 5;

26 F. Include statements of the bonded indebtedness of the
28 State Government showing the debt redemption requirements,
30 the debt authorized and unissued and the condition of the
32 sinking funds; and

34 G. Contain any statements relative to the financial plan
36 that the Governor-elect or the Governor considers desirable
38 or that may be required by the Legislature.

40 2. Judicial Department appropriations or allocations. If
42 the Governor submits legislation setting forth appropriations or
44 allocations for the Judicial Department that differ from the full
46 budget request submitted by the Judicial Department under Title
48 4, section 24, the Governor shall simultaneously submit a report
50 to the joint standing committees of the Legislature having
jurisdiction over appropriations and financial affairs and
judiciary matters explaining why the Governor's budget
legislation differs from the Judicial Department's budget
submission.

3. Office of Program Evaluation and Government
Accountability appropriations or allocations. If the Governor
submits legislation setting forth appropriations or allocations
for the Office of Program Evaluation and Government
Accountability that differ from the budget request presented by
the Legislative Council on behalf of that office, the Governor
shall simultaneously submit a report to the Legislative Council
and the Office of Program Evaluation and Government
Accountability explaining why the Governor's budget legislation
differs from the Legislative Council's budget request.

4. Position identification. The Governor, when submitting
the budget to the Legislature, shall submit the budget document
and the budget bills in a manner that identifies positions
authorized by the Legislature for less than 52 weeks in a fiscal
year as "Positions - Full-time Equivalent," or "FTE," and

2 positions authorized by the Legislature for 52 weeks in a fiscal
3 year as "Positions - Legislative Count" for all funds. The State
4 Budget Officer shall implement and administer procedures to
5 ensure sufficient FTE and appropriation or allocation control for
6 positions authorized by the Legislature for less than 52 weeks in
7 a fiscal year.

8 5. Limit on General Fund appropriation. The total General
9 Fund appropriation for each fiscal year of the biennium in the
10 Governor's budget submission to the Legislature may not exceed
11 the General Fund appropriation limitation established in section
12 1534.

13 **Sec. 2. 5 MRSA §1665, sub-§1, as amended by PL 2005, c. 2, Pt.**
14 **A, §7 and affected by §14, is further amended to read:**

15 **1. Expenditure and appropriation requirements.** On or
16 before September 1st of the even-numbered years, all departments
17 and other agencies of the State Government and corporations and
18 associations receiving or desiring to receive state funds under
19 the provisions of law shall prepare, in the manner prescribed by
20 ~~and on blanks furnished them by~~ the State Budget Officer, and
21 submit to the officer estimates of their expenditure and
22 appropriation requirements for each fiscal year of the ensuing
23 biennium ~~contrasted with the corresponding figures of the last~~
24 ~~completed fiscal year and the estimated figures for the current~~
25 ~~fiscal year. The total General Fund appropriation requests~~
26 ~~submitted by each department and agency for each fiscal year may~~
27 ~~not exceed the General Fund appropriation of the previous fiscal~~
28 ~~year multiplied by one plus the average real personal income~~
29 ~~growth rate or 2.75%, whichever is less. For purposes of this~~
30 ~~subsection, "average real personal income growth rate" means the~~
31 ~~average for the prior 10 calendar years, ending with the most~~
32 ~~recent calendar year for which data is available, of the percent~~
33 ~~change in personal income in this State for a calendar year, as~~
34 ~~estimated by the United States Department of Commerce, Bureau of~~
35 ~~Economic Analysis, less the percent change in the Consumer Price~~
36 ~~Index for that calendar year. For purposes of this subsection,~~
37 ~~"Consumer Price Index" has the same meaning as in Title 36,~~
38 ~~section 5402, subsection 1.~~ The expenditure estimates must be
39 classified to set forth the data by funds, organization units,
40 character and objects of expenditure. The organization units may
41 be subclassified by functions and activities, or in any other
42 manner, at the discretion of the State Budget Officer.

43 All departments and other agencies receiving or desiring to
44 receive state funds from the Highway Fund shall submit to the
45 officer estimates of their expenditure and appropriation
46 requirements for each fiscal year of the ensuing biennium that do
47 not exceed the Highway Fund appropriation of the previous fiscal
48 year.

2 year multiplied by one plus the average real personal income
3 growth rate or 2.75%, whichever is less. The Highway Fund
4 highway and bridge improvement accounts are exempt from this
5 spending limitation.

6 **Sec. 3. 5 MRSA §1665, sub-§2**, as corrected by RR 2003, c. 2,
7 §6, is repealed.

8 **Sec. 4. 5 MRSA §1666**, as amended by PL 2005, c. 457, Pt. GGG,
9 §1, is further amended to read:

12 **§1666. Review and revision of estimates**

14 The Governor-elect or the Governor, with the assistance of
15 the State Budget Officer, shall review the budget estimates,
16 altering, revising, increasing or decreasing the items of the
17 estimates as may be determined necessary in view of the needs of
18 the various departments and agencies and the total anticipated
19 income of the State Government during the ensuing biennium. This
20 review must cover all budgets regardless of source of funds,
21 including, but not limited to, budgets related to the Highway
22 Fund, the Federal Revenue Sharing Fund and other special revenue
23 funds. The State Budget Officer, at the direction of the
24 Governor-elect or the Governor shall then prepare a state budget
25 document in the form required by law. The Governor-elect or the
26 Governor is fully responsible for all budgetary recommendations
27 made to the Legislature. The Governor shall transmit the budget
28 document to the Legislature not later than the Friday following
29 the first Monday in January of the first regular legislative
30 session. At that time the Governor shall also transmit any
31 ~~biennial---budget---bills---that---authorize---appropriations---or~~
32 ~~allocations--in--the--upcoming--biennium--that--the--Governor--may--wish~~
33 ~~to--propose--as--well--as~~ any emergency bills that authorize
34 additional appropriations or allocations in the current fiscal
35 year that the Governor may wish to propose. A Governor-elect
36 elected to a first term of office shall transmit the budget
37 document to the Legislature not later than the Friday following
38 the first Monday in February of the first regular legislative
39 session. At that time the Governor-elect shall also transmit any
40 ~~biennial---budget---bills---that---authorize---appropriations---or~~
41 ~~allocations--in--the--upcoming--biennium--that--the--Governor--may--wish~~
42 ~~to--propose--as--well--as~~ any emergency bills that authorize
43 additional appropriations or allocations in the current fiscal
44 year that the Governor may wish to propose.

46 The Governor, when submitting the budget to the Legislature,
47 shall submit the budget document and the General Fund and Highway
48 Fund bills in a manner that identifies the gross amount of
49 resources for each program. The gross unified budget bills and
50 budget document encompass resources from the General Fund.

2 Highway Fund, Federal Expenditures Fund, Federal Block Grant
Fund, Other Special Revenue Funds, internal service funds and
4 enterprise funds. Separate gross unified budget bills must be
submitted for the General Fund and the Highway Fund. All funds
6 except trust and agency funds, bond funds and costs of goods sold
expenditures in internal service funds and enterprise funds are
8 subject to legislative allocation. All programs with Highway Fund
allocations and all internal service funds, enterprise funds and
10 Other Special Revenue Funds accounts of the Department of
Transportation are subject to legislative allocations and are
12 presented for informational purposes only in the budget document
and General Fund budget bills unless a separate Highway Fund
budget is not enacted.

14
16 A biennial budget bill document transmitted by the Governor
or Governor-elect must include a part that asks the Legislature
18 whether it wishes to continue funding each individual tax
expenditure, as defined in section 1664, provided in the
20 statutes. The part must include for each tax expenditure a
statutory section reference, a brief description of each tax
22 expenditure and the loss of revenue estimated to be incurred by
funding source and fiscal year. This paragraph applies with
24 respect to the preparation of the budget document ~~and biennial~~
~~budget-bills~~ for the 1998-1999 2008-2009 biennium and thereafter.

26 SUMMARY

28
30 This bill implements the statutory recommendations of the
Commission to Reform the State Budget Process. The purpose of
32 these changes is to create a budget document that is more useful
throughout the budget deliberations of the Legislature and to
adjust the statutes to reflect the recommended change in the
34 budgeting methodology.

36 This bill shifts the starting point for the biennial budget
from the traditional current services model to a modified
38 flat-funded model. Instead of building from prior biennium
requests increased by an inflation factor, requests for
40 appropriations and allocations start from authorized positions
and flat-funded nonpersonal services appropriations and
42 allocations. Increases from those flat-funded amounts would need
to be justified and the initiatives presented in the unified
44 budget bill.

46 This bill eliminates some recently enacted restrictions on
departmental budget requests, which are replaced by the
48 flat-funded restrictions. It also provides more flexibility in
the Governor's budget document.

50

2 This bill also changes references to the Governor's
3 submission of a budget bill and replaces them with references to
4 the budget document, which will be reformatted beginning in the
5 2008-2009 biennium to mirror the new budget document format
6 approved by the commission.