MAINE STATE LEGISLATURE

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L.D. 2075

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DATE: 5/22/06

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6   **TAXATION**

8   *Minority*

10   Reproduced and distributed under the direction of the Clerk of
        the House.

12
                                    STATE OF MAINE
14   **HOUSE OF REPRESENTATIVES**
                                  122ND LEGISLATURE
16   **SECOND REGULAR SESSION**

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                COMMITTEE AMENDMENT "*A*" to I.B. 1, L.D. 2075, Bill, "An Act
20   To Create the Taxpayer Bill of Rights"

22   Amend the bill by incorporating the attached fiscal note.

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                                        SUMMARY
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            This amendment incorporates a fiscal note.

COMMITTEE AMENDMENT

122nd MAINE LEGISLATURE

LD 2075   LR 3236(02)

An Act To Create the Taxpayer Bill of Rights

Fiscal Note for Bill as Amended by Committee Amendment "A"
Committee: Taxation
Fiscal Note Required: Yes

Fiscal Note

Undetermined future biennium impact - General Fund

Referendum Costs   **Month/Year**   **Election Type**   **Question Type**   **Question Length**

Nov-06   General   Initiated Bill *   Standard

  * As an initiated bill, if not passed as submitted to the Legislature, the bill and any competing measure will be submitted to the voters at the next general election, November 2006.

  The Secretary of State's budget includes sufficient funds to accommodate one ballot of average length for the general election in November. If the number or size of the referendum questions increases the ballot length, an additional appropriation of $8,000 or more may be required.

Fiscal Detail and Notes

This initiated bill imposes expenditure limitations on state and local district governments that would restrict the growth in spending with limited exceptions to inflation and population increases. Quasi-governmental agencies providing educational services and local school districts must limit spending increases to inflation and student enrollment. The state spending limit would apply to the General Fund and Highway Fund in aggregate and would apply to individual Other Special Revenue Funds accounts. If enacted or if sent to the voters and approved, it is assumed that this measure will take effect and apply to State fiscal year 2007-08.

Based on current estimates of inflation and population change, the State spending limit is estimated to allow growth of approximately 3.4% from the prior fiscal year's expenditures in both FY 2007-08 and FY 2008-09. Based on the assumption that the spending limit uses fiscal year 2006-07 spending, which is assumed to equal appropriations and allocations, the General Fund spending limit is projected to be below projections of General Fund revenue. That excess General Fund revenue would remain in unappropriated surplus. For the Highway Fund, the spending limit based on current projections and fiscal year 2006-07 allocations, would be above projections of Highway Fund revenue in each year of the 2008-2009 biennium. The actual spending limitation for fiscal year 2007-08 will not be established until final expenditures for each of the funds is established.

Based on the projected growth under current law of some of the General Fund major programs including General Purpose Aid for Local Schools, Teachers' Retirement and Medicaid/MaineCare, the 123rd Legislature will need to reduce funding from current projections of needs or implement the statutory changes necessary to adjust funding needs to stay within the spending limits.

This bill amends the year-end transfers from the unappropriated surplus of the General Fund. It repeals the transfers to the State Contingent Account of up to $350,000 and the Loan Insurance Reserve within the Finance Authority of Maine of up to $1,000,000. It also repeals transfers to the Retirement Allowance Fund within the Maine State Retirement System and the Reserve for General Fund Operating Capital. For the General Fund and the Highway Fund, it requires at the close of each fiscal year that 80% of any state surplus must be used for tax relief and the remaining 20% must go to General Fund and Highway Fund Budget Stabilization Funds and only be used if revenues are not sufficient to fund the level of expenditure permitted by the growth limits.

The legislation also requires a 2/3rds vote of legislative bodies for all tax and fee increases followed by a majority approval by voters in a referendum. If a measure is submitted to the voters for approval of an increase in revenues or expenditures over the limit, the State will be required to reimburse local districts for certain election costs.

This legislation also limits expenditure growth for local school administrative units to the sum of the change in the consumer price index plus the change in its student enrollment plus approved changes in revenues. The impact of this measure on the amount of funding available to individual school administrative units to support the cost of providing education can not be determined at this time. It is also not clear how the required approval of the legislative body and the voters in a jurisdiction, in order to raise additional revenue or exceed the expenditure limitation, will affect a local unit's ability to meet its required local share of funding K-12 education. Current law requires that, if a local school administrative unit does not raise its required local share, its State subsidy will be proportionately reduced.

This legislation also provides revenue and expenditure limitations for quasi-governmental agencies and requires the approval of 2/3 of the members of the legislative body of those agencies that have legislative bodies to increase certain revenues or exceed the expenditure limit. Agencies that are affected by this legislation include the Child Development Services System, the Finance Authority of Maine, the Governor Baxter School for the Deaf, the Loring Development Authority, the Maine Community College System, the Maine Educational Loan Authority, Maine Maritime Academy, the Maine Port Authority, the Maine Municipal Bond Bank, the Maine State Housing Authority, the Northern New England Passenger Rail Authority, the University of Maine System, the Maine State Retirement System, the Maine Health and Higher Educational Facilities Authority and the Maine Governmental Facilities Authority.