

MAINE STATE LEGISLATURE

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123rd MAINE LEGISLATURE

SECOND REGULAR SESSION-2008

Legislative Document

No. 2276

H.P. 1641

House of Representatives, March 26, 2008

An Act To Improve the Administration of State-Municipal Revenue Sharing

Reported by Representative PIOTTI of Unity for the Joint Standing Committee on Taxation pursuant to Joint Order, H.P. 1594.

Reference to the Committee on Taxation suggested and ordered printed under Joint Rule 218.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

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

2 **Sec. 1. 30-A MRSA §5681, sub-§2**, as amended by PL 2007, c. 437, §1 and
3 affected by §22, is further amended to read:

4 **2. Definitions.** As used in this section, unless the context otherwise indicates, the
5 following terms have the following meanings.

6 A. "Population" means the population as determined by the latest Federal Decennial
7 Census or the population as determined and certified by the Department of Health
8 and Human Services, whichever is later. For the purposes of this section, the
9 Department of Health and Human Services shall determine the population of each
10 municipality at least once every 2 years. For the purposes of the distributions
11 required by this section, beginning July 1, 2009, "population" means the most current
12 population data available as of the January 1st prior to the fiscal year of distribution.

13 B. "Property tax burden" means the total real and personal property taxes assessed
14 in the ~~most recently completed~~ municipal fiscal year pertaining to the latest state
15 valuation, except the taxes assessed on captured value within a tax increment
16 financing district, divided by the latest state valuation certified to the Secretary of
17 State.

18 C. "Annual growth ceiling" for fiscal year 2005-06 means \$100,000,000. For
19 subsequent fiscal years, "annual growth ceiling" must be determined by the State Tax
20 Assessor by September 1st annually and means the annual growth ceiling for the
21 previous fiscal year adjusted by the lower of the percentage change for the previous
22 ~~fiscal calendar~~ year in the Consumer Price Index compared to the ~~fiscal calendar~~ year
23 immediately preceding the previous ~~fiscal calendar~~ year and the percentage change in
24 receipts for the previous fiscal year from the taxes imposed under Title 36, Parts 3
25 and 8 and Title 36, section 2552, subsection 1, paragraphs A to F and credited to the
26 General Fund compared to the fiscal year immediately preceding the previous fiscal
27 year. The annual growth ceiling may not be less than the annual growth ceiling for
28 the previous year.

29 D. "Consumer Price Index" means the average over a 12-month period ending ~~June~~
30 ~~30th December 31st~~ annually of the National Consumer Price Index, not seasonally
31 adjusted, published monthly by the United States Department of Labor, Bureau of
32 Labor Statistics designated as the "National Consumer Price Index for All Urban
33 Consumers - United States City Average."

34 E. "Disproportionate tax burden" means the total real and personal property taxes
35 assessed in the ~~most recently completed~~ municipal fiscal year pertaining to the latest
36 state valuation, except the taxes assessed on captured value within a tax increment
37 financing district, divided by the latest state valuation certified to the Secretary of
38 State and reduced by .01.

39 **Sec. 2. 30-A MRSA §5681, sub-§5-B**, as amended by PL 2007, c. 240, Pt. NNN,
40 §1, is further amended to read:

1 **5-B. Fund for the Efficient Delivery of Local and Regional Services.** For the
2 months beginning on or after July 1, 2004 until June 30, 2009, and before the
3 distributions required by subsections 4-A and 4-B, 2% of all receipts transferred each
4 month pursuant to subsection 5 must be deposited in the Fund for the Efficient Delivery
5 of Local and Regional Services, as established in subsection 3, ~~and~~. For the months
6 during each fiscal year beginning on or after July 1, 2009, and before the distributions
7 required by subsections 4-A and 4-B, \$500,000 of the receipts transferred during the
8 fiscal year pursuant to subsection 5 must be deposited in the Fund for the Efficient
9 Delivery of Local and Regional Services. The funds so deposited must be distributed to
10 those municipalities and counties that can demonstrate significant and sustainable savings
11 in the cost of delivering local and regional governmental services through collaborative
12 approaches to service delivery, enhanced regional delivery systems, the consolidation of
13 administrative services, the creation of broad-based purchasing alliances or the execution
14 of interlocal agreements. Any amounts transferred to the Fund for the Efficient Delivery
15 of Local and Regional Services in excess of \$500,000 in any fiscal year must be
16 transferred to General Fund undedicated revenue.

17 **Sec. 3. 30-A MRSA §5681, sub-§8** is enacted to read:

18 **8. Posting of revenue sharing projections.** For the purpose of assisting
19 municipalities in a timely manner in their budget development process and in the
20 determination of their property tax levy limits as required by section 5721-A, the
21 Treasurer of State shall post no later than April 15th of each year on the Treasurer of
22 State's website the projected revenue sharing distributions as required by this section
23 according to the most recently issued state revenue forecasts issued by the Revenue
24 Forecasting Committee pursuant to Title 5, chapter 151-B for the subsequent fiscal year
25 beginning on July 1st.

26 **Sec. 4. 30-A MRSA §5721-A, sub-§4**, as amended by PL 2005, c. 683, Pt. 1, §2,
27 is further amended to read:

28 **4. Adjustment for new state funding.** If the State provides net new funding to a
29 municipality for existing services funded in whole or in part by the property tax levy,
30 other than required state mandate funds pursuant to section 5685 that do not displace
31 current property tax expenditures, the municipality shall lower its property tax levy limit
32 in that year in an amount equal to the net new funds. For purposes of this subsection,
33 "net new funds" means the amount of funds received by the municipality from the State
34 in that fiscal during the most recently completed calendar year, with respect to services
35 funded in whole or in part by the property tax levy, less the product of the following: the
36 amount of such funds received in the prior ~~fiscal~~ calendar year multiplied by one plus the
37 growth limitation factor described in subsection 3. "Net new funds" refers to state-
38 municipal revenue sharing and does not include changes in state funding for general
39 assistance under Title 22, section 4311 or in state funding under the Urban-Rural
40 Initiative Program under Title 23, section 1803-B if those changes are the result of the
41 operation of the formula for calculation of state funding under that section but does
42 include changes in funding that are the result of a statutory change in the formula for
43 calculation of state funding under that section. If the calculation required by this
44 subsection reveals that the municipality received a net reduction in funding, the

1 municipality is authorized to adjust its property tax levy limit in an amount equal to the
2 net reduction of funds. For the purpose of determining if there was a net reduction in
3 funding, the municipality may consider only those funds that are net new funds. For
4 purposes of this subsection, "net reduction in funding" means the amount of funds
5 received by the municipality from the State during the calendar year immediately
6 preceding the most recently completed calendar year less the amount of such funds
7 received in the most recently completed calendar year. If the calculation required by this
8 subsection yields a positive value, that value may be added to the municipality's property
9 tax levy limit. If a municipality receives net new funds in any fiscal year for which its
10 property tax levy limit has not been adjusted as provided in this subsection, the
11 municipality shall adjust its property tax levy limit in the following year in an amount
12 equal to the net new funds.

13 **Sec. 5. 30-A MRSA §6204, 2nd ¶**, as enacted by PL 2005, c. 266, §2, is
14 amended to read:

15 Grant funds may not be used for reimbursement of costs or expenses incurred prior to
16 an award from the fund. A maximum of 10% of the value of grant funds available during
17 any year may be awarded for planning grants.

18 **Sec. 6. 30-A MRSA §6206, 2nd ¶**, as enacted by PL 2005, c. 266, §2, is
19 amended to read:

20 The department ~~may~~ shall require an eligible applicant to provide matching funds for
21 a planning grant in an amount ~~not to exceed 50% of~~ not less than the total grant award
22 requested, ~~as determined by the department in accordance with a request for proposals~~
23 ~~issued under section 6209, and may give preference or priority to an eligible applicant~~
24 ~~whose proposal provides matching funds.~~

25 **SUMMARY**

26 This bill clarifies and changes the timing of the various data inputs that in
27 combination determine each municipality's share of the state-municipal revenue sharing
28 distribution, including municipal population, full-value mill rates and consumer price
29 indices, so that the Treasurer of State can post the projected revenue sharing distribution
30 in a timely manner for the purposes of municipal budget development. The bill also
31 requires the Treasurer of State to post the revenue sharing projections on the Treasurer of
32 State's website no later than April 15th of each year.

33 This bill also makes several changes to laws related to state-municipal revenue
34 sharing as it relates to the Fund for the Efficient Delivery of Local and Regional Services
35 and the system of calculating a municipality's property tax levy limit. This bill:

- 36 1. Permanently establishes legislative practice by dedicating \$500,000 of state-
37 municipal revenue sharing funds each year to the Fund for the Efficient Delivery of Local
38 and Regional Services rather than 2% of receipts of the Local Government Fund as
39 originally enacted;

1 2. Changes the administration of the Local Government Efficiency Fund to require
2 dollar-for-dollar matching requirements for planning grants and limits the overall
3 distribution of planning grants in any year to no more than 10% of all grants as measured
4 by value;

5 3. Clarifies with respect to the calculation of a municipality's property tax levy limit
6 that "net new funds" refers to municipal revenue sharing and that the net new funding
7 analysis applies to the previous calendar year's receipts rather than current projected fiscal
8 year receipts; and

9 4. Allows "net new funds" adjustments to the property tax levy limit to operate either
10 as a negative or a positive adjustment in response to revenue sharing increases or
11 decreases.