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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 4. 30-A MRS §5721-A, sub-§4, as amended by PL 2005, c. 683, Pt. I, §2, is further amended to read:

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

in funding" means the amount of funds received by the municipality from the State during the calendar year immediately preceding the most recently completed calendar year less the amount of such funds received in the most recently completed calendar year. If the calculation required by this subsection yields a positive value, that value may be added to the municipality's property tax levy limit. If a municipality receives net new funds in any fiscal year for which its property tax levy limit has not been adjusted as provided in this subsection, the municipality shall adjust its property tax levy limit in the following year in an amount equal to the net new funds.

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

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

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

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

SUMMARY

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

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

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

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

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

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