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Legislative Document

No. 940

S.P. 317

In Senate, March 7, 2013

**An Act To Reestablish State-municipal Revenue-sharing as a
Compact between the State and Municipal Governments**

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

A handwritten signature in black ink, appearing to read 'D M Grant'.

DAREK M. GRANT
Secretary of the Senate

Presented by President ALFOND of Cumberland.
Cosponsored by Speaker EVES of North Berwick and
Senators: BOYLE of Cumberland, GRATWICK of Penobscot, KATZ of Kennebec,
LACHOWICZ of Kennebec, LANGLEY of Hancock, SAVIELLO of Franklin,
Representatives: KNIGHT of Livermore Falls, MAKER of Calais.

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

2 **Sec. 1. 5 MRSA §1667-B, sub-§§3 and 4**, as amended by PL 2011, c. 655, Pt.
3 K, §1, are further amended to read:

4 **3. Legislative review.** Excluding the State - Municipal Revenue Sharing program,
5 Other Special Revenue Funds account, the Irrevocable Disproportionate Tax Burden
6 Trust Fund program, Other Special Revenue Funds account in the Office of the Treasurer
7 of State and accounts when allotting funds to pay death benefits pursuant to Title 25,
8 chapter 195-A, allotment of the funds under subsection 1 is subject to review by the joint
9 standing committee of the Legislature having jurisdiction over appropriations and
10 financial affairs;

11 **4. 30-day wait.** Excluding the State - Municipal Revenue Sharing program, Other
12 Special Revenue Funds account, the Irrevocable Disproportionate Tax Burden Trust Fund
13 program, Other Special Revenue Funds account in the Office of the Treasurer of State
14 and accounts when allotting funds to pay death benefits pursuant to Title 25, chapter
15 195-A, allotment of the funds under subsection 1 does not take effect until 30 days after
16 the approval by the Governor; and

17 **Sec. 2. 5 MRSA §13090-K, sub-§2**, as enacted by PL 2001, c. 439, Pt. UUUU,
18 §1, is amended to read:

19 **2. Source of fund.** Beginning July 1, 2003 and every July 1st thereafter, the State
20 Controller shall transfer to the Tourism Marketing Promotion Fund an amount, as
21 certified by the State Tax Assessor, that is equivalent to 5% of the 7% tax imposed on
22 tangible personal property and taxable services pursuant to Title 36, section 1811, for the
23 first 6 months of the prior fiscal year after the reduction for the transfer to the Irrevocable
24 Local Government Trust Fund as described by Title 30-A, section 5681, subsection 5.
25 Beginning on October 1, 2003 and every October 1st thereafter, the State Controller shall
26 transfer to the Tourism Marketing Promotion Fund an amount, as certified by the State
27 Tax Assessor, that is equivalent to 5% of the 7% tax imposed on tangible personal
28 property and taxable services pursuant to Title 36, section 1811, for the last 6 months of
29 the prior fiscal year after the reduction for the transfer to the Irrevocable Local
30 Government Trust Fund. The tax amount must be based on actual sales for that fiscal
31 year and may not consider any accruals that may be required by law. The amount
32 transferred from General Fund sales and use tax revenues does not affect the calculation
33 for the transfer to the Irrevocable Local Government Trust Fund.

34 **Sec. 3. 21-A MRSA §1124, sub-§2, ¶B**, as amended by PL 2007, c. 443, Pt. B,
35 §4, is further amended to read:

36 B. Two million dollars of the revenues from the taxes imposed under Title 36, Parts
37 3 and 8 and credited to the General Fund, transferred to the fund by the State
38 Controller on or before January 1st of each year, beginning January 1, 1999. These
39 revenues must be offset in an equitable manner by an equivalent reduction within the
40 administrative divisions of the legislative branch and executive branch agencies.
41 This section may not affect the funds distributed to the Irrevocable Local
42 Government Trust Fund under Title 30-A, section 5681.

1 **Sec. 4. 30-A MRSA §5681, sub-§1**, as enacted by PL 1987, c. 737, Pt. A, §2 and
2 Pt. C, §106 and amended by PL 1989, c. 6; c. 9, §2; and c. 104, Pt. C, §§8 and 10, is
3 further amended to read:

4 **1. Findings and purpose.** The Legislature finds that:

5 A. The principal problem of financing municipal services is the burden on the
6 property tax; ~~and~~

7 B. To stabilize the municipal property tax burden and to aid in financing all
8 municipal services, it is necessary to provide funds from the broad-based taxes of
9 State Government; and

10 C. Actions of the Legislature that prevent the necessary funds under paragraph B
11 from being used for their established purpose have the effect of raising property
12 taxes, rather than broad-based taxes, to balance the budget of State Government.

13 **Sec. 5. 30-A MRSA §5681, sub-§3**, as amended by PL 2009, c. 213, Pt. S, §3
14 and affected by §16, is further amended to read:

15 **3. Revenue-sharing funds.** To strengthen the state-municipal fiscal relationship
16 pursuant to the findings and objectives of subsection 1, there is established the
17 Irrevocable Local Government Trust Fund. To provide additional support for
18 municipalities experiencing a higher-than-average property tax burden, there is
19 established the Irrevocable Disproportionate Tax Burden Trust Fund. The trustees of the
20 trust funds, referred to in this subsection as "the trustees," are the Treasurer of State, the
21 State Controller, the Attorney General and a representative of municipal governments
22 appointed by the Governor from a list of nominees provided by a statewide association
23 representing municipal governments.

24 A. The trust funds established under this subsection are established to create a stable
25 source of revenue-sharing funds for municipal governments. Funds transferred to the
26 trust funds must be held in trust for the exclusive purpose of providing revenues to
27 aid municipal governments and may not be encumbered for, or diverted to, other
28 purposes.

29 B. The trustees shall determine all matters pertaining to the management and
30 administration of the trust funds.

31 C. By March 1st annually the trustees shall submit a report to the joint standing
32 committee of the Legislature having jurisdiction over appropriations and financial
33 affairs regarding the status of the trust funds and detailing transfers to and
34 distributions from the trust funds over the previous calendar year.

35 **Sec. 6. 30-A MRSA §5681, sub-§§4-A and 4-B**, as enacted by PL 1999, c. 731,
36 Pt. U, §4, are amended to read:

37 **4-A. Distribution of Irrevocable Local Government Trust Fund.** The Treasurer
38 of State shall transfer the balance in the Irrevocable Local Government Trust Fund on the
39 20th day of each month. Money in the Irrevocable Local Government Trust Fund must
40 be distributed to each municipality in proportion to the product of the population of the
41 municipality multiplied by the property tax burden of the municipality.

1 **4-B. Distribution of Irrevocable Disproportionate Tax Burden Trust Fund.** The
2 Treasurer of State shall transfer the balance in the Irrevocable Disproportionate Tax
3 Burden Trust Fund on the 20th day of each month. Money in the Irrevocable
4 Disproportionate Tax Burden Trust Fund must be distributed to each municipality in
5 proportion to the product of the population of the municipality multiplied by the
6 disproportionate tax burden of the municipality.

7 **Sec. 7. 30-A MRSA §5681, sub-§5,** as amended by PL 2009, c. 213, Pt. S, §4
8 and affected by §16, is further amended to read:

9 **5. Transfers to funds.** No later than the 10th day of each month, the State
10 Controller shall transfer to the Irrevocable Local Government Trust Fund 5% of the
11 receipts during the previous month from the taxes imposed under Title 36, Parts 3 and 8,
12 and Title 36, section 2552, subsection 1, paragraphs A to F and L, and credited to the
13 General Fund without any reduction, except that the postage, state cost allocation
14 program and programming costs of administering state-municipal revenue sharing may be
15 paid by the Irrevocable Local Government Trust Fund. A percentage share of the
16 amounts transferred to the Irrevocable Local Government Trust Fund each month must be
17 transferred to the Irrevocable Disproportionate Tax Burden Trust Fund and distributed
18 pursuant to subsection 4-B as follows:

19 C. For months beginning on or after July 1, 2009 but before July 1, 2010, 15%;

20 D. For months beginning on or after July 1, 2010 but before July 1, 2011, 16%;

21 E. For months beginning on or after July 1, 2011 but before July 1, 2012, 17%;

22 F. For months beginning on or after July 1, 2012 but before July 1, 2013, 18%;

23 G. For months beginning on or after July 1, 2013 but before July 1, 2014, 19%; and

24 H. For months beginning on or after July 1, 2014, 20%.

25 **Sec. 8. 30-A MRSA §5681, sub-§5-C,** as amended by PL 2011, c. 380, Pt. I, §1,
26 is further amended to read:

27 **5-C. Transfers to General Fund.** For the months beginning on or after July 1,
28 2009, \$25,383,491 in fiscal year 2009-10, \$38,145,323 in fiscal year 2010-11,
29 \$40,350,638 in fiscal year 2011-12 and \$44,267,343 in fiscal year 2012-13 from the total
30 transfers pursuant to subsection 5 must be transferred to General Fund undedicated
31 revenue. The amounts transferred to General Fund undedicated revenue each fiscal year
32 pursuant to this subsection must be deducted from the distributions required by
33 subsections 4-A and 4-B based on the percentage share of the transfers to the Irrevocable
34 Local Government Trust Fund pursuant to subsection 5. The reductions in this subsection
35 must be allocated to each month proportionately based on the budgeted monthly transfers
36 to the Irrevocable Local Government Trust Fund as determined at the beginning of the
37 fiscal year.

38 **Sec. 9. 36 MRSA §699, sub-§2,** as enacted by PL 2005, c. 623, §1, is amended to
39 read:

1 **2. Intent.** It is the intent of the Legislature to fund fully transfers to the Irrevocable
2 Disproportionate Tax Burden Trust Fund under section 700-A, subsection 1 and
3 reimbursements under the business equipment tax reimbursement program under section
4 6652, subsection 4, paragraph B.

5 **Sec. 10. 36 MRSA §700-A**, as enacted by PL 2005, c. 623, §1, is amended to
6 read:

7 **§700-A. Additional municipal compensation**

8 **1. Transfers to Irrevocable Disproportionate Tax Burden Trust Fund.** Pursuant
9 to section 699, subsection 2 and in order to provide additional compensation to
10 municipalities affected by property tax exemptions provided under this subchapter, the
11 Treasurer of State shall make the following transfers as provided in section 700-B to the
12 Irrevocable Disproportionate Tax Burden Trust Fund established in Title 30-A, section
13 5681, subsection 3:

- 14 A. In fiscal year 2009-10, \$2,000,000;
- 15 B. In fiscal year 2010-11, \$2,500,000;
- 16 C. In fiscal year 2011-12, \$3,000,000;
- 17 D. In fiscal year 2012-13, \$3,500,000; and
- 18 E. In fiscal year 2013-14 and subsequent fiscal years, \$4,000,000.

19 **Sec. 11. 36 MRSA §1815, sub-§2**, as enacted by PL 1999, c. 477, §1, is amended
20 to read:

21 **2. Monthly transfer.** By the 20th day of each month, the assessor shall notify the
22 State Controller and the Treasurer of State of the amount of revenue attributable to the tax
23 collected under this Part in the previous month on sales occurring on the Passamaquoddy
24 reservation at either Pleasant Point or Indian Township reduced by the transfer to the
25 Irrevocable Local Government Trust Fund required by Title 30-A, section 5681. When
26 notified by the assessor, the State Controller shall transfer that amount to the
27 Passamaquoddy Sales Tax Fund.

28 **Sec. 12. 36 MRSA §2559**, as amended by PL 2011, c. 542, Pt. A, §141, is further
29 amended to read:

30 **§2559. Application of revenues**

31 Revenues derived by the tax imposed by this chapter must be credited to a General
32 Fund suspense account. On or before the last day of each month, the State Controller
33 shall transfer a percentage of the revenues received by the State Tax Assessor during the
34 preceding month pursuant to the tax imposed by section 2552, subsection 1, paragraphs A
35 to F and L to the Irrevocable Local Government Trust Fund as provided by Title 30-A,
36 section 5681, subsection 5. The balance remaining in the General Fund suspense account
37 must be transferred to service provider tax General Fund revenue. On or before the 15th
38 day of each month, the State Controller shall transfer all revenues received by the
39 assessor during the preceding month pursuant to the tax imposed by section 2552,

1 subsection 1, paragraphs G to J to the Medical Care Services Other Special Revenue
2 Funds account, the Other Special Revenue Funds Mental Health Services - Community
3 Medicaid program, the Medicaid Services - Adult Developmental Services program and
4 the Office of Substance Abuse - Medicaid Seed program within the Department of Health
5 and Human Services.

6 **Sec. 13. Effective date.** This Act takes effect July 1, 2015.

7 **SUMMARY**

8 Beginning July 1, 2015, this bill restructures 2 funds that are the depositories of state-
9 municipal revenue-sharing resources prior to distribution to municipalities as irrevocable
10 trusts and renames the funds.