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## **An Act To Ensure Responsible Government Spending, Investment and Educational Efficiency**

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

### **PART A**

**Sec. A-1. 5 MRSA §1534, sub-§1, ¶C** is enacted to read:

C. For the purposes of determining compliance with this section, if the Legislature eliminates or reduces a General Fund appropriation and creates in its place a reserve account to which funds are directed from undedicated revenue for the purposes of replacing the eliminated or reduced General Fund appropriation with a non-General Fund appropriation, the base for the previous fiscal year must be reduced by the value of the eliminated or reduced General Fund appropriation.

**Sec. A-2. 20-A MRSA §15671-A, sub-§1, ¶B-1** is enacted to read:

B-1. “Net new funding” means the amount of funds to be received by a school administrative unit from the State for that fiscal year pursuant to section 15688, subsection 3-A, paragraph D, less the product of the following: the amount of such funds received in the prior fiscal year multiplied by the growth limitation factor calculated pursuant to Title 30-A, section 5721-A for the municipality or municipalities that comprise the school administrative unit.

**Sec. A-3. 20-A MRSA §15671-A, sub-§6** is enacted to read:

**6. Exceeding maximum state and local spending target when the school administrative unit is the recipient of net new funding.** In any year in which a school administrative unit is the recipient of net new funding, if the sum of that school administrative unit's required local contribution determined pursuant to section 15688, subsection 3-A plus the state contribution as calculated pursuant to section 15688, subsection 3-A, paragraph D plus any additional local amount proposed to be raised pursuant to section 15690, subsection 3 exceeds by more than 5% the school administrative unit's maximum state and local spending target established pursuant to subsection 4, the following provisions govern approval of that additional amount.

A. The article approving the additional amount must conform to the requirements of section 15690, subsection 3, paragraph B.

B. For all school administrative units that finally approve the school budget at a town meeting or district meeting, and notwithstanding section 1304, subsection 6; section 1701, subsection 7; Title 30-A, section 2528, subsection 5; or any other provision of law, municipal charter provision or ordinance, voter approval of the article must be approved by at least 2/3 of the school administrative

unit's legislative body or, if the legislative body votes to approve the article by a simple majority but not by at least a 2/3 majority, voter approval of the article must be finally approved by a majority of voters at referendum.

C. For all school administrative units with a legislative body that adopts the school budget by a referendum process, the article must be approved by a majority of voters at referendum.

D. For all school administrative districts and community school districts that have adopted the budget validation process established in section 1305-A or 1701-A, the article must be approved by a majority of the voters at the open district meeting and a majority of voters at the budget validation referendum.

E. In a municipality where the responsibility for final adoption of the school budget is vested by the municipal charter in a council, this paragraph applies, except that the petition and referendum provisions apply only if the municipal charter does not otherwise provide for or prohibit a petition and referendum process with respect to the matters described in this paragraph.

(1) A majority of the entire membership of the school board or committee must approve the additional amount in a regular budget meeting.

(2) An article approving the additional amount must conform to the requirements of section 15690, subsection 3, paragraph B and be approved by at least 2/3 of the entire membership of the council in a vote taken in accordance with section 15690, subsection 5 or, if the council votes to approve the article by a simple majority of the council but not by at least a 2/3 majority of the entire membership, by a majority of voters at referendum.

(3) If an article is approved by at least 2/3 of the entire membership of the council pursuant to subparagraph (2), the voters may petition for a referendum vote on the same article in accordance with subparagraph (4). If a petition is filed in accordance with subparagraph (4), the vote of the council is suspended pending the outcome of the referendum vote. Upon approval of the article by a majority of the voters voting in that referendum, the article takes effect. If the article is not approved by a majority of the voters voting in that referendum, the article does not take effect. Subsequent to the vote, the school committee or board may again propose an additional amount, subject to the requirements of this section.

(4) If a written petition, signed by at least 10% of the number of voters voting in the last gubernatorial election in the municipality, requesting a vote on the additional amount is submitted to the municipal officers within 30 days of the council's vote pursuant to subparagraph (2), the article voted on by the council must be submitted to the legal voters in the next regular election or a special election called for the purpose. The election must be held within 45 days of the submission of the petition. The election must be called, advertised and conducted according to the law relating to municipal elections, except that the registrar of

voters is not required to prepare or the clerk to post a new list of voters and absentee ballots must be prepared and made available at least 14 days prior to the date of the referendum. For the purpose of registration of voters, the registrar of voters must be in session the secular day preceding the election. The voters shall indicate by a cross or check mark placed against the word "Yes" or "No" their opinion on the article. The results must be declared by the municipal officers and entered upon the municipal records.

**Sec. A-4. 30-A MRSA §706-A, sub-§7-A** is enacted to read:

**7-A. Process for exceeding county assessment limit when the county is the recipient of net new funding.** When the county is the recipient of net new funding, that county may exceed or increase the county assessment limit only if approved by a vote of a majority of all the members of both the county budget committee or county budget advisory committee and the county commissioners, and the approval is ratified at referendum. For the purposes of conducting the referendum election, the article voted on by the commissioners and budget advisory committee must be submitted to the legal voters in the next regular election or a special election called for that purpose. The election must be called, advertised and conducted according to the law relating to municipal elections, except that the registrar of voters is not required to prepare or the clerk to post a new list of voters, the filing requirement contained in section 2528 does not apply and absentee ballots must be prepared and made available at least 14 days prior to the date of the referendum. For the purpose of registration of voters, the registrar of voters must be in session the secular day preceding the election. The voters shall indicate by a cross or check mark placed against the word "Yes" or "No" their opinion on the article. The results must be declared by the county commissioners and entered upon the county records.

**Sec. A-5. 30-A MRSA §5721-A, sub-§7-A** is enacted to read:

**7-A. Process for exceeding property tax levy limit when the municipality is the recipient of net new funding.** If a municipality is the recipient of net new funding, that municipality may exceed or increase the property tax levy limit only by the following means.

A. If the municipal budget is adopted by town meeting, the property tax levy limit may be exceeded only if approved by at least 2/3 of the assembled membership of the town meeting or, if the legislative body votes to approve the article by a simple majority but not by at least a 2/3 majority, the property tax levy limit may be exceeded only if finally approved by a majority of voters at referendum.

B. If the municipal budget is adopted by referendum, the property tax levy limit may be exceeded only if a separate article that specifically identifies the intent to exceed the property tax levy limit is approved by a simple majority of the referendum voters.

C. In a municipality where the responsibility for final adoption of the budget is vested by the municipal charter in a council, this paragraph applies, except that the petition and referendum provisions apply only if the municipal charter does not otherwise provide for or prohibit a petition and referendum process with respect to the matters described in this paragraph.

(1) An article approving the property tax levy limit must be approved by at least 2/3 of the entire membership of the council or, if the council votes to approve the article by a simple majority of the council but not by at least a 2/3 majority of the entire membership, by a majority of voters at referendum.

(2) If an article is approved by at least 2/3 of the entire membership of the council pursuant to subparagraph (1), the voters may petition for a referendum vote on the same article in accordance with subparagraph (3). If a petition is filed in accordance with subparagraph (3), the vote of the council is suspended pending the outcome of the referendum vote. Upon approval of the article by a majority of the voters voting in that referendum, the article takes effect. If the article is not approved by a majority of the voters voting in that referendum, the article does not take effect. Subsequent to the vote, the school committee or board may again propose an additional amount, subject to the requirements of this section.

(3) If a written petition, signed by at least 10% of the number of voters voting in the last gubernatorial election in the municipality, requesting a vote on the additional amount is submitted to the municipal officers within 30 days of the council's vote pursuant to subparagraph (1), the article voted on by the council must be submitted to the legal voters in the next regular election or a special election called for the purpose. The election must be held within 45 days of the submission of the petition. The election must be called, advertised and conducted according to the law relating to municipal elections, except that the registrar of voters is not required to prepare or the clerk to post a new list of voters and absentee ballots must be prepared and made available at least 14 days prior to the date of the referendum. For the purpose of registration of voters, the registrar of voters must be in session the secular day preceding the election. The voters shall indicate by a cross or check mark placed against the word "Yes" or "No" their opinion on the article. The results must be declared by the municipal officers and entered upon the municipal records.

## **PART B**

**Sec. B-1. 3 MRSA §554** is enacted to read:

### **§ 554. Debt limitations**

In any fiscal year, no more than 5% of General Fund and Highway Fund revenues may be allocated to tax-supported debt service payments. For the purposes of this section, a "tax-supported debt service payment" means any payment required by an evidence of indebtedness or similar borrowing certificate for all general obligation bonds and the following types of revenue bonds issued under the authority of state law: certificates of participation, capital leases and all borrowing accomplished pursuant to Title 4, chapter 33. The term "tax-supported debt service payment" does not include a payment towards debt service on bonds backed by the moral obligation of the State.

**Sec. B-2. 3 MRSA §555** is enacted to read:

**§ 555. Limitations on unfunded actuarial liabilities**

By January 1, 2008 and by every January 1st thereafter, the Treasurer of State shall determine and report to the Legislature the actuarial liability ratio of the State, with the numerator as all pension, health and life insurance benefits scheduled to be provided to retired state employees, retired teachers and other retired governmental employees entitled to benefits pursuant to state law and the denominator as all assets pledged against those aggregate liabilities. The Treasurer of State shall make this determination in consultation with the Maine State Retirement System and the Department of Administrative and Financial Services, Bureau of Human Resources, Division of Employee Health and Benefits. The report required by this section must include the actuarial liability ratios of all other states to the extent comparative data are available.

**PART C**

**Sec. C-1. Regional delivery of educational administrative services; legislative findings and intent; establishment of goals.**

**1. Findings.** The Legislature finds that:

A. The State's annual state and local expenditure for kindergarten through grade 12 public education significantly exceeds national and peer state averages;

B. It is the intent of the State that these state and local expenditures be brought into greater conformity with national and peer state averages and it is a role of the Legislature to establish goals to realize this intent;

C. A number of administrative services could be provided to multiple school administrative units within defined regions within the State in a manner that would preserve or improve the quality of those services, preserve the quality of education services provided to the State's public school students and reduce the cost of providing those services for the State and the participating school administrative units;

D. The most appropriate geographic regions within the State to begin systematically developing and implementing regionalized educational administrative services are the 26 centers or regions that currently provide career and technical education services to broader geographic regions;

E. The State's school administrative units are varied with respect to the benefits that may be available and the efficiencies that may be achieved as a result of regionalizing certain administrative services; and

F. The most appropriate location of decision-making authority with respect to which educational administrative services to regionalize and how to otherwise meet the goal established by the Legislature is at the local and regional level.

It is, therefore, the intent of the Legislature that this Part provide the necessary direction, guidance and resources to bring the state and local expenditures for kindergarten through grade 12 public school education into a greater conformity with national and peer state averages without impairing the quality of education services delivered to the State's public school students.

**2. Goals.** The following goals are established:

A. It is the goal of the Legislature that by school year 2009-2010, the total state and local expenditure for providing school administrative services in the State, measured as a percent of personal income in this State, as estimated by the United States Department of Commerce, Bureau of Economic Analysis, be reduced by a minimum of 10%.

B. It is also the goal of the Legislature that upon the implementation of the recommendations of the planning alliances established by this Part:

(1) The ratio of students to administrative personnel in all regions of the State will reasonably conform to related ratios established by the essential programs and services school funding model;

(2) School administrative functions, including without limitation special education management, human resources management, information technology management and financial management functions, will be shared with multiple school administrative units and municipal units of government among and throughout the planning alliance regions;

(3) The student transportation systems throughout all regions of the State will be well planned and coordinated among the school administrative units and avoid redundancy in routing;

(4) Labor negotiation calendars and procedures among the school administrative units will be coordinated insofar as practicable; and

(5) The purchase of all supplies and materials common to the school administrative units and all supplies and materials common to both school administrative units and municipal units of government will be conducted in a manner designed to maximize the purchasing power of the aggregated governmental units.

**Sec. C-2. Planning alliances established.** For the purposes of assisting in the regional delivery of educational administrative services among all the school administrative units, 26 planning alliances are established in accordance with this section.

**1. Service area.** Each planning alliance shall serve the school administrative units within a geographic area defined by the State's career and technical education centers, as set out in the Maine Revised Statutes, Title 20-A, section 8402.

**2. Composition.** Each planning alliance is composed of 12 members, including 4 municipal officials, 4 public school officials and 4 members of the general public, all of whom must reside within the geographic area served by the career and technical education center.

A. For each planning alliance, the 4 municipal officials must be elected by caucus.

(1) According to the implementation schedule provided in section 5 of this Part, the Commissioner of Education shall notify all municipal officials serving in the geographic region served by the career and technical education center to caucus at a specified date, time and place for the purpose of electing

4 municipal officials to be members of the planning advisory committee. The commissioner or the commissioner's designee serves as nonvoting moderator for that regional caucus. Nominations for the municipal official representatives must be received from the floor. Although municipal officials residing within the career and technical education center's geographic area may be nominated, only municipal officials serving within the same geographic area and in attendance at the caucus are allowed to vote. The method of voting must be decided by voting membership. The 4 nominees receiving the most votes are approved as the municipal official members of the planning alliance, except that no municipality may have more than one representative on the planning alliance. The names of those elected by the caucus must be recorded and forwarded to the commissioner.

B. For each planning alliance, the 4 school officials must be elected by caucus.

(1) According to the implementation schedule provided in section 5 of this Part, the Commissioner of Education shall notify all school officials serving in the geographic region served by the career and technical education center to caucus at a specified date, time and place for the purpose of electing 4 school officials to be members of the planning advisory committee. The commissioner or the commissioner's designee serves as nonvoting moderator for that regional caucus. Nominations for the school official representatives must be received from the floor. Although school officials residing within the career and technical education center's geographic area may be nominated, only school officials serving within the same geographic area and in attendance at the caucus are allowed to vote. The method of voting must be decided by voting membership. The 4 nominees receiving the most votes are approved as the school official members of the planning alliance except that no school administrative unit may have more than one member on the planning alliance. The names of those elected by the caucus must be recorded and forwarded to the commissioner.

C. For each planning alliance, the 4 members of the general public are appointed as follows.

(1) The President of the Senate shall appoint one member of the general public for each planning alliance.

(2) The minority leader of the Senate shall appoint one member of the general public for each planning alliance.

(3) The Speaker of the House shall appoint one member of the general public for each planning alliance.

(4) The minority leader of the House shall appoint one member of the general public for each planning alliance.

D. Each planning alliance must be provided with one full-time staff assistant, whose salary and benefits must be provided at state expense in accordance with section 4 of this Part.

**3. Terms.** Members of each planning alliance serve for a period of 2 years. Any vacancy must be filled in the same manner and by the same authority as established by this section for the original appointment.

**4. Timing of election and appointments.** All elections and appointments of planning alliance members must be accomplished according to the implementation schedule provided in section 5 of this Part.

**Sec. C-3. Planning alliance responsibilities.** Each planning alliance must be convened and respond to the following charge according to the implementation schedule provided in section 5 of this Part.

**1. Identification of baseline information.** According to the implementation schedule provided in section 5 of this Part, each planning alliance shall for the geographic region it represents:

A. Calculate the total expenditures for educational administrative services, measure that expenditure as a percent of personal income in this State and identify the degree to which that expenditure would have to be reduced in order to comply with the goals established in section 1 of this Part;

B. Identify all the types of public school administrative units including school administrative districts, community school districts, municipal school units and any school unions that currently provide for shared superintendent services.

C. Identify the degree to which administrative services, specifically, and educational services, generally, are currently being shared between and among the school administrative units within the region or across region lines, including without limitation formal regional alliances, bulk purchasing agreements or other coalitions designed to provide regionally developed services to the participating school administrative units;

D. Identify for each school administrative unit the relationship between that school system's actual employment or budget, as applicable, and the allocated employment or budget, as applicable, as identified by the essential programs and services school funding model for the following categories: school system administration and support, operations and maintenance, special education and transportation;

E. Identify the region's current aggregate educational administrative personnel profile, measured in full-time equivalents, including, but not limited to, the following positions: superintendent, principal, special education director, transportation director, technology director, business agent or financial officer, human resources director and all reasonably equivalent positions;

F. Identify all municipal administrative services by type and position that are being similarly provided on the municipal level and might reasonably be subject to shared services arrangements, including positions in the fields of technology and financial and human resources management and all reasonably equivalent positions;

G. Identify all major types of materials and supplies purchased by the school administrative units along with all similar materials and supplies purchased by the municipalities in the region;

H. Identify all schedules that pertain to the school administrative units, including without limitation school calendars and all schedules for labor negotiations and contract approval, school board meetings, budget development and budget approval meetings;

I. Map out the entire school transportation system that is used to transport students to and from school once a day;



J. Identify all educational mandates enacted by the Legislature that could be repealed or redesigned in a manner that would eliminate the need for redundant or unnecessary educational administrative services without impairing the quality of educational services provided to the public school students; and

K. Identify any other baseline information regarding the provision of educational administrative services within the region that the planning alliance finds to be pertinent to responding to the legislative charge.

**2. Development of recommendations.** According to the implementation schedule provided in section 5 of this Part, each planning alliance shall prepare in the form of preliminary recommendations a plan for the redesign of the provision of educational administrative services within the region that is appropriate to the needs of the region and would clearly meet the goals as established for the region in subsection 1, paragraph A. The plan must, at a minimum:

A. Identify any recommended redesign of the types of school administrative units within the region, if applicable;

B. Establish as a finding of the planning alliance the recommended number of educational administrative full-time equivalent positions that should be funded within the region for the following positions: superintendent, principal, special education director, transportation director, technology officer, business agent or financial officer, human resources director and all reasonably equivalent positions. This finding must specifically identify all recommended service sharing arrangements between and among municipalities and school administrative units within the region, particularly in the areas of technology, transportation maintenance, human resources and financial management, as those recommended arrangements would affect the recommended personnel profile;

C. Recommend a specific set of adjustments to the region's current profile of administrative personnel to be implemented over the next 2-year period that would serve to adjust the current personnel profile as identified under subsection 1, paragraph E to the recommended personnel profile;

D. Recommend, as applicable, the organization or reorganization of any joint purchasing arrangements between and among the school administrative units within the region and between and among the school administrative units and the municipalities within the region;

E. Recommend, to the extent necessary to achieve the goals of this Part and facilitate other recommendations of the planning alliance, the coordination of schedules, including without limitation, school calendars, labor contract negotiations, school board meetings, school budget development and adoption meetings;

F. Recommend, as applicable, the development of coordinated regional or subregional school transportation systems; and

G. Recommend any changes to state law that would assist the region in meeting the goals of this Part without impairing the quality of educational services provided to State's public school students.

**3. Outreach.** According to the implementation schedule provided in section 5 of this Part, each planning alliance shall hold public hearings on its preliminary recommendations. At a minimum, a public hearing must be held at a school facility in each school administrative unit or school union within the region. On the basis of the information provided and input received at the public hearings, each planning alliance shall amend the preliminary recommendations as appropriate to develop its final recommendations according to the implementation schedule in section 5 of this Part.

**4. Transmittal and implementation of final recommendations.** Each planning alliance shall adopt its final recommendations according to the implementation schedule provided in section 5 of this Part. The final recommendations must identify the goals that must be met within the region to comply with the goals established by this Part and clearly identify by what means and by when the goals will be reached through the implementation of the recommendations of the planning alliance.

A. Each planning alliance shall formally transmit to every school board within the planning alliance region the final recommendations in a format that includes:

- (1) The complete report for the school board's records;
- (2) An executive summary of the entire report suitable for presentation to the legislative body of the school administrative unit to consider for adoption;
- (3) The specific recommendations pertaining to the school administrative unit that fall within the authority of the school board to implement, suitable for presentation to the school board to consider for adoption; and
- (4) The specific recommendations pertaining to the school administrative unit that fall within the authority of the legislative body of the school administrative unit to implement, suitable for presentation to that legislative body to consider for adoption.

B. The school board and the legislative body of every school administrative unit within the planning alliance region shall act on the recommendations transmitted to them according to the implementation schedule provided in section 5 of this Part.

#### **Sec. C-4. Resources and Department of Education responsibilities.**

**1. Resources.** Notwithstanding any other law, the highest priority of distribution from the Fund for the Efficient Delivery of Educational Services as established in the Maine Revised Statutes, Title 20-A, section 15754 for fiscal year 2007-08 and fiscal year 2008-09 is to provide the staff support and other related support to the planning alliances as required by this Part.

**2. Department of Education responsibilities.** The Department of Education shall assist in the implementation of this Part as set out in this subsection:

A. The Department of Education shall adopt rules to assist in the implementation of this Part. Rules adopted pursuant to this paragraph are routine technical rules as defined in the Maine Revised Statutes, Title 5, chapter 375, subchapter 2-A. At a minimum, those rules must:

- (1) Specifically define the career and technical education regions within the State both geographically and according to each region's school administrative units;

- (2) Identify by position and support position all educational administrative services that should be reasonably included in the analysis conducted by each planning alliance;
- (3) Establish the minimum qualifications, job description and salary and benefit range for each planning alliance's full-time staff assistant; and
- (4) Provide for a system of administration of the Fund for the Efficient Delivery of Educational Services, modeled after the system of administration for the Fund for the Efficient Delivery of Local and Regional Services provided in the Maine Revised Statutes, Title 30-A, chapter 231 and including the automatic payment of salary and benefits for one full-time staff assistant for each planning alliance in accordance with section 2 of this Part.

B. In addition to any responsibilities required by this Part or imposed by rule, the Department of Education shall assist in the implementation of this Part by:

- (1) Assisting all planning alliances in the collection and presentation of data pertinent to the charge established by this Part;
- (2) Assisting in the organization of caucuses as provided in section 2 of this Part;
- (3) Providing or contracting for facilitation services to be provided to the planning alliances to ensure their ability to fulfill the charges required by this Part; and
- (4) Submitting interim progress reports to the Legislature no later than January 1, 2008 and January 1, 2009 and a final report no later than January 1, 2010 that describe the compliance of the planning alliances with the requirements of this Part.

**Sec. C-5. Implementation schedule.** The various charges established by this Part must be accomplished according to the following schedule.

**1. Appointments and caucuses.** The initial appointments and caucuses of municipal and school officials required by section 2 of this Part must be completed no later than October 1, 2007.

**2. Hiring of staff assistants.** The full-time staff assistant for each planning alliance must be hired by the planning alliance no later than December 1, 2007.

**3. Convening of planning alliances.** The planning alliances must be convened no later than January 1, 2008.

**4. Completion of identification and baseline information.** The planning alliances shall complete the identification of baseline information as required by section 3, subsection 1 of this Part no later than July 1, 2008.

**5. Develop preliminary recommendations.** The planning alliances shall complete the development of their preliminary recommendations as required by section 3, subsection 2 of this Part no later than September 1, 2008.

**6. Outreach effort.** The planning alliances shall complete the outreach effort required by section 3, subsection 3 of this Part no later than January 1, 2009.

**7. Final recommendations.** The planning alliances shall develop their final recommendations and transmit those recommendations as required by section 3, subsection 4 of this Part no later than February 1, 2009.

**8. Consider and act on recommendations.** The school boards and the legislative bodies of the school administrative units shall consider and act on the recommendations of the planning alliances no later than July 1, 2009.

**Sec. C-6. Sunset; achievement of required efficiencies** Unless reauthorized by the Legislature, this Part is repealed February 1, 2010. It is the intent of the Legislature that the goals of section 1, subsection 2 of this Part be achieved by that date. If the goals of this Part have not been achieved in a career and technical education region served by a planning alliance pursuant to this Part, the Commissioner of Education shall present to the joint standing committee of the Legislature having jurisdiction over education matters a plan for the reorganization of all school administrative units within that career and technical education region. The commissioner's plan must be designed to achieve the goals of section 1, subsection 2 of this Part. The joint standing committee of the Legislature having jurisdiction over education matters is authorized to submit legislation in the Second Regular Session of the 124th Legislature that reorganizes the school administrative units within any career and technical education region that has failed to achieve the goals of this Part by February 1, 2010.

## PART D

**Sec. D-1. 36 MRSA §7302, sub-§2,** as enacted by PL 2005, c. 2, Pt. H, §2, is amended to read:

**2. Indicators; annual report.** With reference to Title 5, chapter 142; Title 20-A, section 15671, subsection 1; and Title 30-A, sections 706-A and 5721-A, the State Planning Office shall develop and apply specific, quantifiable performance indicators against which the progress in achieving the tax burden reduction goals established in section 7301 can be measured. On January 15, 2006 and annually thereafter, the State Planning Office shall report to the Governor and to the joint standing committee of the Legislature having jurisdiction over taxation matters on the progress made by the State, counties, municipalities and school administrative units, respectively, in achieving the tax burden reduction goals. The report required by this subsection must be comprised of 4 distinct parts reporting on the progress made by the State, municipalities, counties and school administrative units, respectively. The State Planning Office may also include in its report recommendations on alternative strategies to achieve the tax burden reduction goals established in section 7301 that reflect the best practices in this State, other states and other countries. The State Planning Office shall enlist the services of the Maine Development Foundation, established in Title 10, section 916, in order to annually present to the general public the information provided in the reports required by this section.

**Sec. D-2. 36 MRSA §7302, sub-§3,** as enacted by PL 2005, c. 2, Pt. H, §2, is repealed and the following enacted in its place:

**3. Data.** The State Planning Office shall collect and analyze data and report in accordance with this subsection.

A. The State Planning Office shall annually collect and analyze data regarding spending and revenues for municipalities, counties and school administrative units. The State Planning Office shall submit an annual report that provides information and analysis regarding government spending and revenue behavior and trends to the Governor and the joint standing committee of the Legislature having jurisdiction over taxation matters. The report must include information that identifies spending and revenue behavior by individual municipalities, counties and school administrative units. Upon request, other departments of State Government shall cooperate and assist the State Planning Office in the preparation of the report.

B. No later than the January 1st following the publication of the United States Department of Commerce, United States Census Bureau's Census of Governments report as required by 13 United State Code, Section 161 (2005), the State Planning Office shall submit to the Legislature a report on the State's state and local government payroll and expenditures in comparison to the state and local government employment and expenditures across all other states and across a subset of those states that should reasonably be considered peer states in terms of demography, geography, climate and other relevant factors. The categories of employment and expenditures must be calculated according to both state and local function and include, without limitation: elementary, secondary and higher education; public safety including corrections, police, fire and emergency services; public works including solid waste, water and wastewater management, highways and public buildings; natural resources protection; housing and community development; social insurance administration; public welfare; financial administration; health; judiciary; libraries and recreation services; and general government administration. The report shall identify the categories of employment and expenditures that deviate significantly from national or peer state averages.

C. No later than January 1, 2008, the State Planning Office shall develop the analytical framework for the report required by paragraph B, working in consultation with experts from the University of Maine in the area of comparative governmental analysis and representatives of all levels of government whose payroll and expenditures are categorized within the United States Department of Commerce, United States Census Bureau's Census of Governments report.

D. The State Planning Office, working in conjunction with Maine Revenue Services, shall establish a contract with the Maine Development Foundation, established in Title 10, section 916, to compile a comprehensive comparative analysis of government revenues in each state to be submitted to the Legislature no later than January 15, 2008. The analysis must include, without limitation:

(1) All sources of governmental revenue by type of tax, fee, intergovernmental transfer, investment or other identifiable source for each state for the most recent year for which those data are available;

(2) Various comparative measures of burden, ranked by state, including residential, nonresidential and exported burden, with respect to state and local government taxes and fees;

(3) Comparative rankings of reliance among all the states with respect to each type of state and local tax and fee; and

(4) Comparative rankings of tax rates among all the states for state income taxes, sales taxes and property taxes measured in full value.

## SUMMARY

Part A of this bill establishes new procedures to govern the act of exceeding or increasing the various spending limitations that currently apply to state, county, municipal and school governments. On the state level, Part A establishes a system to make the determination of compliance with the spending limitation system an accurate year-to-year comparison if the Legislature decides to fund a General Fund expenditure outside of the General Fund appropriation process. For counties, schools and municipalities, the existing approval procedures to exceed the current spending limitations would still be required, but, if the local government was proposing to exceed or increase the applicable limitation and the local government was the recipient of net new funding from the State, the approval would have to be accomplished by a referendum vote. For municipal and school governments, a 2/3 vote of the legislative body, such as the town meeting or school district meeting or city council, would avoid the need to obtain a referendum approval of the budget.

Part B of this bill establishes a 5% limit on the amount of General Fund and Highway Fund revenues that may be allocated for tax-supported debt service in any fiscal year. Part B also directs the State Treasurer to annually calculate and report to the Legislature on the aggregate unfunded actuarial liability of the State, taking into consideration health and life insurance and pension benefits that are scheduled to be provided to retired state employees, teachers and other governmental workers provided benefits pursuant to state law.

Part C of this bill establishes as a goal a 10% reduction by the year 2010 in the statewide expenditure for educational administrative services in kindergarten to grade 12 public education as that expenditure is measured as a percent of total personal income. It establishes goals for specific categories of costs and services. It also establishes a comprehensive system of analysis, recommendation, outreach and implementation to be accomplished on the local level through the creation of regional planning alliances to achieve that goal within the 26 career and technical education regions in Maine. If the cost reduction goal is not achieved, the Commissioner of Education must submit a plan to the Legislature to achieve the cost reductions.

Part D of this bill amends the law governing the responsibilities of the Executive Department, State Planning Office to collect data and report about the effects of government spending limitation law on Maine's overall tax burden. Part D requires the State Planning Office to work with the Maine Development Foundation to prepare the required compliance reports in a manner designed to be accessible to the general public. Part D also requires the State Planning Office to perform calculations of Maine's state and local government employment and expenditure levels in comparison with other states for the purpose of identifying categories of government employment and expenditure that deviate significantly from national and peer state averages. Finally, Part D directs the State Planning Office, working in conjunction with Maine Revenue Services, to establish a contract with the Maine Development

Foundation to comprehensively analyze the sources of government revenue available to each state in the United States, including Maine, with a focus on comparing the various state and local taxes and fees in terms of nominal revenues by category, tax and revenue burdens, rates of taxes and fee schedules and levels of reliance and exportation.