

State of Maine Treasurer's Statement for the November 8, 2016 Referendum Election

The State of Maine borrows money by issuing bonds. General Obligation bonds are backed by the full faith and credit of the State and must be submitted statewide to the voters for approval.

Once approved, the Treasurer issues bonds as needed to fund the approved bond projects and uses a rapid 10-year repayment of principal strategy to retire the debt.

If the bond proposals on the ballot in November 2016 are approved by the voters, general obligation debt service as a percentage of the State's General Fund, Highway Fund and Revenue Sharing appropriations is expected to be 2.78% in FY17 and 2.99% in FY18.

The following is a summary of general obligation bond debt of the State of Maine as of **June 30, 2016**.

Bonds Outstanding (Issued and Maturing through 2026):

	Principal	Interest	Total
Highway Fund	\$61,620,000	\$5,697,497	\$67,317,497
General Fund	\$380,990,000	\$73,947,255	\$454,937,255
Total	\$442,610,000	\$79,644,752	\$522,254,752

Unissued Bonds Authorized by Voters: \$ 49,883,697

Unissued Bonds Authorized by the Constitution and Laws: \$ 99,000,000

Total Authorized but Unissued Bonds: \$ 148,883,697

The total amount that must be paid in the present fiscal year for bonded debt already outstanding (for FY2017): \$ 98,650,659

If the bonds submitted here are approved by voters and issued for the full statutory period authorized, an estimate of the total interest and principal that may reasonably be expected to be paid is **\$133,000,000**, representing **\$100,000,000** in principal and **\$33,000,000** in interest.



Terry Hayes, Treasurer of State

State of Maine Fiscal Impact Statements for the November 8, 2016 Referendum Election

Prepared by the Office of the Secretary of State, the Office of Fiscal and Program Review,
and the Office of the State Treasurer

Question 1: Citizen's Initiative

Do you want to allow the possession and use of marijuana under state law by persons who are at least 21 years of age, and allow the cultivation, manufacture, distribution, testing, and sale of marijuana and marijuana products subject to state regulation, taxation and local ordinance?

Fiscal Impact Statement

This citizen initiative legalizes recreational marijuana and assesses a sales tax of 10%. Assuming a January 1, 2018 effective date, State sales tax collections would increase by an estimated \$2,800,000 in fiscal year 2017-18 and by an estimated \$10,700,000 in subsequent years. Under current statute 98% of any sales tax collected is credited to the General Fund and 2% is transferred to the Local Government Fund for distribution to cities and towns.

The initiative designates the Department of Agriculture, Conservation and Forestry (ACF) as the state licensing authority for retail marijuana. ACF may collect fees of \$250 to \$2,500 from each retail marijuana store license, \$10 to \$100 per unit block from each retail marijuana cultivation facility license, \$100 to \$1,000 from each retail marijuana products manufacturing facility license, \$500 from each retail marijuana testing facility license, \$250 to \$2,500 from each retail marijuana social club license and other fees determined by ACF for certain other occupational licenses. Half of the revenue from these fees will go to the State and half will go to the municipality in which the establishment or club is located. Although there is no way to predict how many municipalities will allow marijuana establishments within their borders, this fiscal note assumes ACF will set license fees to generate enough revenue to cover ACF costs. ACF will require funding of approximately \$132,633 in fiscal year 2016-17 and \$2,379,534 in fiscal year 2017-18 for 3 permanent positions in fiscal year 2016-17 and an additional 15 permanent positions (18 total) in fiscal year 2017-18, related costs and certain one-time costs to regulate and control the licensing of the cultivation, manufacture, distribution, testing and sale of retail marijuana and retail marijuana products. As these funding requirements will begin prior to receipt of revenues from licensing fees, General Fund appropriations will be required until other fee revenue becomes available.

The Department of the Attorney General, the Judicial Department, the Maine Commission on Indigent Legal Services and the Department of Corrections will experience a decrease in the number of marijuana-related offenses. The amount of savings generated from the reduction in the number of civil and criminal cases is expected to be significant. Some of these savings may be offset by increased legal costs related to the licensing process and the regulation of the legalized marijuana industry.

Question 2: Citizen's Initiative

Do you want to add a 3% tax on individual Maine taxable income above \$200,000 to create a state fund that would provide direct support for student learning in kindergarten through 12th grade public education?

Fiscal Impact Statement

This initiated bill imposes a 3% additional tax, referred to as a surcharge, on Maine taxable income in excess of \$200,000 for tax years beginning on or after January 1, 2017. The surcharge is in addition to whatever tax would be imposed on these incomes under current statute or future statute. Beginning January 1, 2018, 1/12th of that tax year's estimated collections from the 3% surcharge will be transferred monthly to the Fund to Advance Public Kindergarten to Grade 12 Education. Money in the Fund will be used to supplement but not supplant General Fund appropriations for general purpose aid to local schools (GPA). It is estimated that amounts generated by the surcharge would be approximately \$142 million annually, increasing by an additional \$12 million or more each subsequent year.

It should be noted that since collections will begin in calendar 2017 for tax years that begin on or after January 1, 2017, but transfers to the Fund do not start until January of 2018, presumably for tax years that begin on or after January 1, 2018, it is unclear what would be done with the revenue collected in and for the first year. While the intent of the initiative is to have all collections from the surcharge be credited to the new fund, subsequent implementing legislation may be required to clarify that issue.

It should also be noted that while the intent of this initiative is to provide additional funding to local schools over and above what would be provided without this initiative (baseline funding), no mechanism is provided to prevent future legislators from reducing baseline funding by an amount equal to a portion of future estimates of the additional funding provided by the surcharge. Language in the initiative does indicate the amount from the surcharge will be announced "within 14 days after final enactment of the General Fund appropriation for general purpose aid for local schools". However, estimates of the surcharge amount will be available before the announcement and may impact budget negotiations on the GPA baseline appropriation.

Question 3: Citizen's Initiative

Do you want to require background checks prior to the sale or transfer of firearms between individuals not licensed as firearms dealers, with failure to do so punishable by law, and with some exceptions for family members, hunting, self-defense, lawful competitions, and shooting range activity?

Fiscal Impact Statement

This initiated bill requires a background check before a firearm sale or transfer between individuals not licensed as firearm dealers, with certain exceptions. The background check must be performed by a licensed firearm dealer who may charge a reasonable fee for services rendered. No state or local government costs or revenues are generated by these transactions. Violations for failing to comply are Class D crimes for a first conviction and Class C crimes for a 2nd or subsequent conviction. The average cost to a county for a Class D crime is \$7,774 for a 62 day sentence. The average cost to the State for a Class C crime is \$47,285 for a 439 day sentence. Some Class C sentences can be served in county facilities. The number of new cases resulting from this initiative becoming law is expected to be quite small.

Question 4: Citizen's Initiative

Do you want to raise the minimum hourly wage of \$7.50 to \$9 in 2017, with annual \$1 increases up to \$12 in 2020, and annual cost-of-living increases thereafter; and do you want to raise the direct wage for service workers who receive tips from half the minimum wage to \$5 in 2017, with annual \$1 increases until it reaches the adjusted minimum wage?

Fiscal Impact Statement

The Bureau of Labor Standards within the Maine Department of Labor will require General Fund appropriations of \$16,500 per year for each of the 4 years that the minimum wage is increased and for any subsequent year that the minimum wage would be raised by the Consumer Price Index for Urban Wage Earners and Clerical Workers for the Northeast Region. Of this annual amount, \$3,500 per year would be for updating the minimum wage poster and other related publications, \$5,000 would be for postage costs to distribute the updated poster and publications and \$8,000 would be for travel costs associated with compliance, education and outreach.

The first step on the lowest salary rate schedule in State Government is \$8.43 per hour. Currently there is no one being paid at that level. There are currently 2 employees being paid \$9.41 per hour. The 4-step increase in the minimum wage in the proposed initiative may not increase salary costs to the State until the \$10.00 per hour rate begins on January 1, 2018. The future State Government impact of the changes to the minimum wage will depend on the salary schedules in place at the time the increases occur and cannot be estimated at this time.

The increased wages required by this initiative would create costs to municipalities which would vary by individual municipality. As with State Government, the municipal impact would depend on the existing rates of pay for the lowest paid employees in each municipality at the time a higher wage would be imposed and cannot be estimated at this time.

Question 5: Citizen's Initiative

Do you want to allow voters to rank their choices of candidates in elections for U.S. Senate, Congress, Governor, State Senate, and State Representative, and to have ballots counted at the state level in multiple rounds in which last-place candidates are eliminated until a candidate wins by majority?

Fiscal Impact Statement

This initiated bill proposes to implement ranked-choice voting for the offices of United States Senator, United States Representative to Congress, Governor and state legislative candidates for general elections and primaries held on or after January 1, 2018. The Department of Secretary of State would require a General Fund appropriation of \$761,344 in fiscal year 2017-18 and \$641,440 in fiscal year 2018-19 to print an additional ballot page, update the ballot tabulating machines, lease additional ballot tabulating machines, purchase additional memory devices, lease a high-speed vote tabulating unit and contract 2 limited-period Special Deputy positions to oversee the central ranked-choice voting counting process. The Department of Public Safety would require a General Fund appropriation of \$75,926 and a Highway Fund allocation of \$72,948 in fiscal years 2017-18 and 2018-19 for overtime and fuel to retrieve, secure and return election ballots. As most of the expenditures are on-going rather than one-time start up, costs in subsequent years are anticipated to be in a similar range.

Question 6: Bond Issue

Do you favor a \$100,000,000 bond issue for construction, reconstruction and rehabilitation of highways and bridges and for facilities, equipment and property acquisition related to ports, harbors, marine transportation, freight and passenger railroads, aviation, transit and bicycle and pedestrian trails, to be used to match an estimated \$137,000,000 in federal and other funds?

Debt Service

Total estimated life time cost is \$133,000,000 representing \$100,000,000 in principal and \$33,000,000 in interest (assuming interest at 6.0% over 10 years).

Fiscal Impact Statement

This bond issue has no significant fiscal impact other than the debt service costs identified above.