



# 127th MAINE LEGISLATURE

LD 1660

LR 2772(01)

## An Act To Establish the Fund To Advance Public Kindergarten to Grade 12 Education

**Fiscal Note for Initiated Bill**  
**Committee: Not Referred**  
**Fiscal Note Required: Yes**

### Preliminary Fiscal Impact Statement

	FY 2015-16	FY 2016-17	Projections FY 2017-18	Projections FY 2018-19
<b>Net Cost (Savings)</b>				
General Fund	\$0	(\$43,800,000)	(\$70,900,000)	\$2,200,000
<b>Revenue</b>				
General Fund	\$0	\$43,800,000	\$70,900,000	(\$2,200,000)
Other Special Revenue Funds	\$0	\$800,000	\$80,900,000	\$164,300,000

#### Fiscal Detail and Notes

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).

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 for the tax year that begins on January 1, 2018, the fiscal note assumes that the revenue collected in fiscal year 2016-17 and for the first 6 months of fiscal year 2017-18 (July - December 2017) would be retained by the General Fund and would increase transfers to the Local Government Fund. 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 further clarify this issue.

It is estimated that General Fund revenue would increase by \$43,800,000 in fiscal year 2016-17, \$150,400,000 in fiscal year 2017-18 and \$162,000,000 in fiscal year 2018-19 from the surcharge. Local Government Fund revenue would increase by \$800,000 in fiscal year 2016-17, \$1,400,000 in fiscal year 2017-18 and \$100,000 in fiscal year 2018-19. General Fund revenue will be reduced by the amounts of the transfers to the Department of Education, which are anticipated to be \$79,500,000 in fiscal year 2017-18 and \$164,200,000 in fiscal year 2018-19. The Department of Education will require Other Special Revenue Funds allocations of \$79,500,000 in fiscal year 2017-18 and \$164,200,000 in fiscal year 2018-19 in order to spend money transferred to the fund. This bill does not include the allocations required but does establish the new fund.

It should 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.