

Appropriation Limitation

The 122nd Legislature enacted a General Fund appropriation limitation as part of the property tax reform plan enacted by PL 2005, c. 2 (commonly referred to as LD 1). The appropriation limitation (see 5 MRSA, c. 142) limits both budgeted resources and total General Fund appropriations. Budgeted resources that exceed the appropriation limitation are reserved in the Maine Budget Stabilization Fund. Budgeted resources are all resources available to fund appropriations including budgeted balance forward, net transfers and adjustments to balance and total budgeted revenue.

The calculations of the amount of the appropriation limitation are presented in Table I below. The growth limitation factor (line D) is a percentage established each biennium by October 1st of even-numbered years by the State Planning Office within the Executive Department. The growth limitation factor uses average real personal income growth (capped at 2.75%) plus average population growth to determine the annual growth percentage. If the State's tax burden as a percent of personal income reaches the middle 1/3 of states, an additional growth factor, forecasted inflation, is added to the growth limitation factor. The growth limitation factor was applied to total base appropriations as of December 1, 2004 to establish the appropriation limitation for the 2006-2007 biennium (see line A). The appropriation limitations for the 2008-2009 and subsequent biennia use updated growth limitation factors applied against the appropriation limitation amount of the second fiscal year of the preceding biennium.

While the base appropriation limitation amount is fixed from the fiscal year 2004-05 total appropriations as of December 1, 2004, the statutory provisions exclude the growth of General Purpose Aid for Local Schools (GPA) from the limit until the State's share of total funding for Essential Programs and Services reaches 55%. The 55% goal was scheduled to be achieved in fiscal year 2009-10. The lack of budgeted resources has delayed the attainment of that goal until fiscal year 2010-11. While the Governor's proposed Biennial Budget does not amend the statutes setting fiscal year 2010-11 as the year that the State is committed to achieving the 55% goal, insufficient funding is proposed to achieve that goal. The calculation of the excluded GPA growth is presented in Table I on the next page (see lines B and C). The GPA base amount, total appropriations for GPA in FY 05, is subtracted from the total GPA appropriations in subsequent fiscal years to determine the growth excluded from the appropriation limitation (line C). The additional growth of line C in Table I on the next page is added to the base appropriations (line A) to come up with the Total Appropriations Allowed (line G).

Table II on the next page shows the calculated amount of budgeted resources and appropriations. Both budgeted resources and appropriations based on the 2010-2011 Biennial Budget as presented by the Governor are well below the appropriations limitation in each fiscal year (see shaded lines in Table II).

Appropriation Limitation Analysis

	Base Amounts	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
A Total Base Appropriations (Increased by Growth Factor, see D)	\$2,709,902,078	\$2,794,180,033	\$2,881,079,032	\$2,969,816,266	\$3,061,286,607	\$3,145,778,117	\$3,232,601,593
B Appropriations to General Purpose Aid for Local Schools (GPA) ¹	\$734,536,621	\$836,115,966	\$914,098,222	\$971,958,385	\$956,481,491	\$958,971,492	\$958,971,492
C General Purpose Aid Growth from FY05 until 55% State Share - Exempt from Limit		\$101,579,345	\$179,561,601	\$237,421,764	\$221,944,870	\$224,434,871	\$224,434,871
D Average Real Personal Income Growth (used in State's Growth Limitation Factor)		2.52%	2.52%	2.47%	2.47%	2.28%	2.28%
E Average Population Growth (used in State's Growth Limitation Factor)		0.59%	0.59%	0.61%	0.61%	0.49%	0.49%
F Growth Limitation Factor Applied to Base Appropriations (D + E) ²		3.11%	3.11%	3.08%	3.08%	2.76%	2.76%
G Total Appropriations Allowed (A + C)		\$2,895,759,378	\$3,060,640,633	\$3,207,238,030	\$3,283,231,477	\$3,370,212,988	\$3,457,036,464

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
General Fund Budgeted Resources						
- Beginning Budgeted Balance	\$33,662,644	\$14,516,599	\$17,578,341	\$935,111	\$100,577	\$14,762,995
- Net Transfers/Adjustments to Balance	(\$5,005,536)	(\$23,487,122)	\$24,863,133	\$99,351,984	\$2,050,000	\$350,000
- Net General Fund Revenue	\$2,857,738,104	\$3,004,907,574	\$3,040,740,422	\$2,961,821,437	\$3,008,449,772	\$3,094,174,201
Total Budgeted Resources	\$2,886,395,212	\$2,995,937,051	\$3,083,181,896	\$3,062,108,532	\$3,010,600,349	\$3,109,287,196
Amount Budgeted Resources are (below) above the limit	(\$9,364,166)	(\$64,703,582)	(\$124,056,134)	(\$221,122,945)	(\$359,612,639)	(\$347,749,268)
Total Appropriations	\$2,871,878,613	\$2,978,358,710	\$3,129,325,355	\$3,062,007,955	\$2,995,837,354	\$3,109,146,840
Amount Appropriations are (below) above the limit	(\$23,880,765)	(\$82,281,923)	(\$77,912,675)	(\$221,223,522)	(\$374,375,634)	(\$347,889,624)

Notes:

- ¹ The amount by which appropriations for General Purpose Aid for Local Schools exceed the appropriations for this program in FY 05 as of December 1, 2004 are excluded from the Appropriations Limitation until the State reaches the 55% share of Essential Programs and Services funding level. Amounts reflect appropriations through the 123rd Legislature.
- ² The growth limitation factor is established on October 1st of even numbered years. That factor is applied to both fiscal years of the biennium and is not adjusted once established.
- ³ Appropriations and budgeted revenue reflect final budgeted amounts. Beginning balances reflect actual beginning balances. For FY 2009 on, budgeted revenue reflects the December 2008 Revenue Forecast and PL 2009, c. 1. Appropriations FY 09 appropriations reflect PL 2009, c. 1. Appropriations for the 2010-2011 biennium are based on the Governor's recommendations in LD 353.

Appropriation Limitation Compared to Budgeted Resources and Appropriations

