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The Office of Fiscal and Program Review (OFPR) is a nonpartisan staff office of the Legislative Council providing budget, tax and general fiscal research and analysis for the Maine State Legislature.



Month In Review

While FY 2009 has ended and closed for accounting purposes, the poor revenue performance of the last 2 months of the fiscal year will carry forward and have an immediate effect on budgeted balances in the 2010-2011 biennium. The immediate impact of the General Fund negative revenue variances is the reduction to the balance forward that creates new 2010-2011 biennium shortfalls in each fiscal year that total \$24.8 million. Part of the effect of the \$43.4 million negative General Fund revenue variance was offset by lapsed balances and some substantial net positive accounting adjustments. Due to the reduction in budgeted ending balance, no statutory year-end or “cascade” transfers were made from the General Fund unappropriated surplus at the end of FY 2009.

For the Highway Fund, FY 2009’s negative revenue variances were more than offset by other lapsed balances and accounting adjustments so that there was a modest increase to the 2010-2011 budgeted balance. The increase in the uncommitted balance meant that some modest additional funds were made available for the Highway and Bridge Capital program in the Department of Transportation.

In addition to the shortfalls carried forward from FY 2009, there may be additional shortfalls from on-going variances with the current economic and revenue projections. The Consensus Economic Forecasting Commission and the Revenue Forecasting Committee met at the end of July in a joint meeting. The intent of this meeting was to discuss processes and forecasting issues and not to revise the economic or revenue forecasts. The revisions are scheduled by statute to occur late this fall. Discussions at that meeting indicated that the employment picture, while still in decline, was doing better than the underlying economic forecast. However, the personal income forecast, particularly for salary and wages, is too optimistic. Preliminary revenue data for July indicate a significant negative variance in individual income tax withholding payments. Sale tax collections as previously expected based on June’s weather will be under budget in July. August sales tax revenue is now expected to be under budget as well based on the lack of “summer” weather in July.

Both the Appropriations Committee and the Transportation Committee met during the month to continue discussions of budget issues. The Appropriations Committee met 3 times during July to begin work on the continuation of the 123rd Legislature’s initiative to streamline state government. The Transportation Committee met once during the month to discuss alternative sources of funding highway maintenance after its efforts to pass an increase in fuel taxes failed at the end of the First Regular Session.

**Month in Review (continued)**

Looking back at the significant budget problems facing Maine, we were fortunate to be spared even more difficult decisions by historically high General Fund reserves and the availability of American Recovery and Reinvestment Act of 2009 (ARRA) stimulus funding. Together, these funding sources

offset nearly half of the 124th Legislature's 3-year total shortfall/structural gap for FY 2009 shortfall and the 2010-2011 biennium. The drawback to the reliance on these solutions is that they are not on-going, structural solutions. Very significant budget decisions still lie ahead.

General Fund Revenue Update**Total General Fund Revenue - FY 2009 (\$'s in Millions)**

	Budget	Actual	Var.	% Var.	Prior Year	% Growth
June	\$474.6	\$444.3	(\$30.3)	-6.4%	\$479.7	-7.4%
FYTD	\$2,854.8	\$2,811.4	(\$43.4)	-1.5%	\$3,087.8	-9.0%

General Fund revenue was under budget by \$30.3 million in June and ended FY 2009 with a \$43.4 million or 1.5% negative variance. General Fund revenue fell by 9.0% from FY 2008. The decline in revenue was driven primarily by declines in Individual Income Tax (declining 12.4%) and Corporate Income Tax (declining 22.5%).

Negative variances continued in the income and sales tax lines despite significant downward revisions in the May forecast. The Individual Income Tax alone was \$39.5 million under budget for FY 2009, with half of this variance coming from withholding payments, which were \$20.4 million under budget for the fiscal year based on negative variances in the last 2 months. Sales and Use Tax performance continued to deteriorate beyond expectations. The weather was a significant factor in June's poor revenue performances. The weather is likely to be an even greater drag on July sales tax revenue representing taxable sales in June.

The final negative variance was not as large as reported to the Appropriations Committee earlier this month. The reported estimate was based on preliminary numbers and did not factor in a \$4.0 million positive variance in the Other Revenue category for the month of June. Some of the major Other Revenue positive variances included racino revenue, beer excise taxes, corporate filing fees and the unclaimed property transfer.

July revenue will be under budget due to significant negative variances in individual income tax withholding and sales tax collections. Withholding receipts will end July more than \$10 million under budget. July's sales tax collections representing June taxable sales will also be under budget by more than \$10 million (see discussion under Revenue and Economic Forecasting Update).

Highway Fund Revenue Update**Total Highway Fund Revenue - FY 2009 (\$'s in Millions)**

	Budget	Actual	Var.	% Var.	Prior Year	% Growth
June	\$50.3	\$50.0	(\$0.3)	-0.7%	\$53.7	-7.0%
FYTD	\$325.1	\$324.2	(\$0.9)	-0.3%	\$328.1	-1.2%

Highway Fund revenue was under budget by \$0.3 million or 0.7% in June and ended FY 2009 with a negative variance of \$0.9 million or 0.3%. June's poor performance contributed to a 1.2% overall decline in annual Highway Fund revenue from FY 2008 to FY 2009. June's negative variance was primarily related to fuel taxes, which were under

budget by \$1.6 million in June and ended the fiscal year \$1.0 million or 0.5% under budget.

Preliminary fuel tax collection data for July indicate that the gas tax will end the month with negative variance once again, which is also likely tied to the weather. Other categories of Highway Fund revenue appear to be performing well enough to offset the gas tax variance.



FY 2009 Ending Fund Balances

Both the General Fund and the Highway Fund ended FY 2009 with positive ending balances despite ending the year with negative revenue variances. However, for the General Fund, that positive balance is lower than the budgeted balance and creates a new shortfall in the 2010-2011 biennium. Originally, the General Fund balance was projected to end the year with a positive ending balance of \$52.2 million. That balance forward was budgeted to be reduced to \$1.3 million over the course of the 2010-2011 biennium. The negative General Fund revenue variance in FY 2009 of \$43.4 million was partially offset by lapsed balances and other accounting

adjustments that cut the budgeted ending balance in about half. The actual ending balance at the close of FY 2009 (based on preliminary reporting) was \$26.2 million. This lower beginning balance for FY 2010 results in a total biennium shortfall of \$24.8 million (see table below). This shortfall does not yet reflect the potential for a new downward revenue revision based on recent poor revenue performances primarily in the sales and income taxes. Based on the ending balance in the General Fund, there were no “uncommitted” resources available for statutory year-end transfers (also referred to as “cascade” transfers) to MaineCare or other reserve funds at the close of FY 2009.

GENERAL FUND BALANCE - 2010-2011 Biennium
Revised for FY 2009 Actual Ending Balance (\$'s in millions)

	FY 2010	FY 2011
BEGINNING BALANCE	\$26.2	(\$14.9)
BUDGETED NET CHANGE	<u>(\$41.1)</u>	<u>(\$9.9)</u>
ENDING BALANCE	<u><u>(\$14.9)</u></u>	<u><u>(\$24.8)</u></u>

The Highway Fund revenue variance of \$0.9 million was more than offset by lapsed balances and other accounting adjustments and ended the year with an ending balance higher than anticipated. That “uncommitted” balance over \$500,000, based on preliminary numbers, was approximately \$142,000, which was reserved and transferred to the Highway

and Bridge Capital program in the Department of Transportation. The Highway Fund budgeted ending balance for the 2010-2011 biennium is projected to be \$1.1 million, \$0.5 million higher than projected at the close of the first regular session. Current revenue variances in the Highway Fund have not been as pronounced as the General Fund and future revenue revisions will not likely be as significant.

HIGHWAY FUND BALANCE - 2010-2011 Biennium
Revised for FY 2009 Actual Ending Balance (\$'s in millions)

	FY 2010	FY 2011
BEGINNING BALANCE	\$1.5	\$2.1
BUDGETED NET CHANGE	<u>\$0.5</u>	<u>(\$1.0)</u>
ENDING BALANCE	<u><u>\$2.1</u></u>	<u><u>\$1.1</u></u>

Fund for a Healthy Maine year-end calculations are not yet available. The modest positive revenue variance in FY 2009 for the Fund for a Healthy Maine of \$136,982 will combine with lapsed balances in Fund for a Healthy Maine program accounts to increase the beginning balance

of the 2010-2011 biennium above the \$6.8 million that was budgeted. All but \$121 of the \$6.8 million is budgeted to be used up over the course of the 2010-2011 biennium. The lapsed balances should add a small cushion to the ending balance in the Fund for a Healthy Maine.



Cash Balances Update

Presented to the right is a summary of the State’s average cash balances in June compared to June 2008. The poor General Fund revenue performances over the last 2 months and the use of reserves continued to worsen cash balances. The average balance of \$444.4 million for the total cash pool in June was \$109.2 million below June 2008 and significantly below June’s 2002 to 2008 historical average of \$629.5 million. At the Appropriations Committee meeting, the State Treasurer and the State Controller announced that they would need to issue Tax Anticipation Notes (TAN’s) totaling \$125 million to help with cash flow issues in FY 2010. The State last issued TAN’s in FY 2006. Since then, the State had been able to rely solely on internal borrowing for its cash flow needs.

Summary of Treasurer's Cash Pool		
June Average Daily Balances		
Millions of \$'s		
	2008	2009
General Fund (GF) Total	\$25.9	\$40.1
General Fund (GF) Detail:		
Budget Stabilization Fund	\$118.9	\$75.5
Reserve for Operating Capital	\$40.6	\$40.6
Tax Anticipation Notes	\$0.0	\$0.0
Internal Borrowing	\$13.5	\$200.0
Other General Fund Cash	(\$147.1)	(\$276.1)
Other Special Revenue - Interest to GF	\$155.0	\$6.2
Other State Funds - Interest to GF	(\$12.7)	(\$10.8)
Highway Fund	\$18.4	\$25.5
Other Special Revenue - Retaining Interest	\$78.7	\$21.2
Other State Funds	\$200.7	\$280.9
Independent Agency Funds	\$87.5	\$81.2
Total Cash Pool	\$553.5	\$444.4

MaineCare Update

Based on an analysis of preliminary year-end closing financial information, MaineCare programs have ended FY 2009 with a cumulative General Fund balance of \$19.6 million (see summary table below) and Other Special Revenue Funds cash balances of \$2.8 million. Such balances in MaineCare programs would carry forward and be available to offset FY 2010 MaineCare costs. There are several factors that may still affect the final FY 2009 balances in these programs. The preliminary MaineCare balances do not reflect a \$15 million downward adjustment to offset a prior period accounting error related to the repayment of MaineCare interim

payments. PL 2009. c. 213 Part DD had authorized the use of up to \$10 million in FY 2009 “cascade” funds for this purpose, but given no FY 09 “cascade” distribution will be made (see article on FY 2009 Ending Fund Balances), the Department of Health and Human Services (DHHS) has indicated the correction will be reflected as an adjustment to balance forward, reducing the amount available in FY 2010. The preliminary MaineCare closing amounts also do not reflect a recently identified closing adjustment of \$2.86 million that will also be corrected as an adjustment to the balance forward, increasing the amount available in FY 2010.

2008-09 MaineCare General Funding Spending						
\$'s in millions						
Program	FY 2007 Expend.	FY 2008 Expend.	FY 2009			Unoblig. Bal. ²
			Approp. ¹	Allot. ²	Expend. ²	
0147 Medical Care - Paymts to Providers (MAP)	\$347.7	\$356.6	\$320.9	\$350.4	\$347.5	\$2.8
0148 Nursing Facilities	\$61.8	\$59.3	\$50.7	\$42.9	\$39.4	\$3.5
0705 Medicaid Services - Mental Retardation	\$22.0	\$20.6	\$18.1	\$15.8	\$15.2	\$0.6
0987 Mental Retardation Waiver - MaineCare	\$84.9	\$89.3	\$83.5	\$82.3	\$76.1	\$6.2
Z006 Mental Retardation Supports Waiver	\$0.0	\$0.0	\$1.1	\$5.3	\$5.2	\$0.1
0731 Mental Health Services - Child Medicaid	\$35.2	\$31.4	\$31.7	\$40.1	\$38.4	\$1.7
0732 Mental Health Servs - Community Medicaid	\$45.5	\$42.6	\$37.9	\$34.1	\$30.5	\$3.5
0844 Office of Sub. Abuse - Medicaid Seed	\$3.5	\$3.2	\$2.3	\$2.9	\$2.1	\$0.8
0733 Disproportionate Share - Riverview	\$10.4	\$10.4	\$10.6	\$11.4	\$11.0	\$0.1
0734 Disproportionate Share - DDPC	\$8.2	\$9.1	\$8.3	\$9.1	\$8.6	\$0.3
Total MaineCare Accounts-General Fund	\$619.2	\$622.4	\$565.2	\$594.2	\$574.0	\$19.6

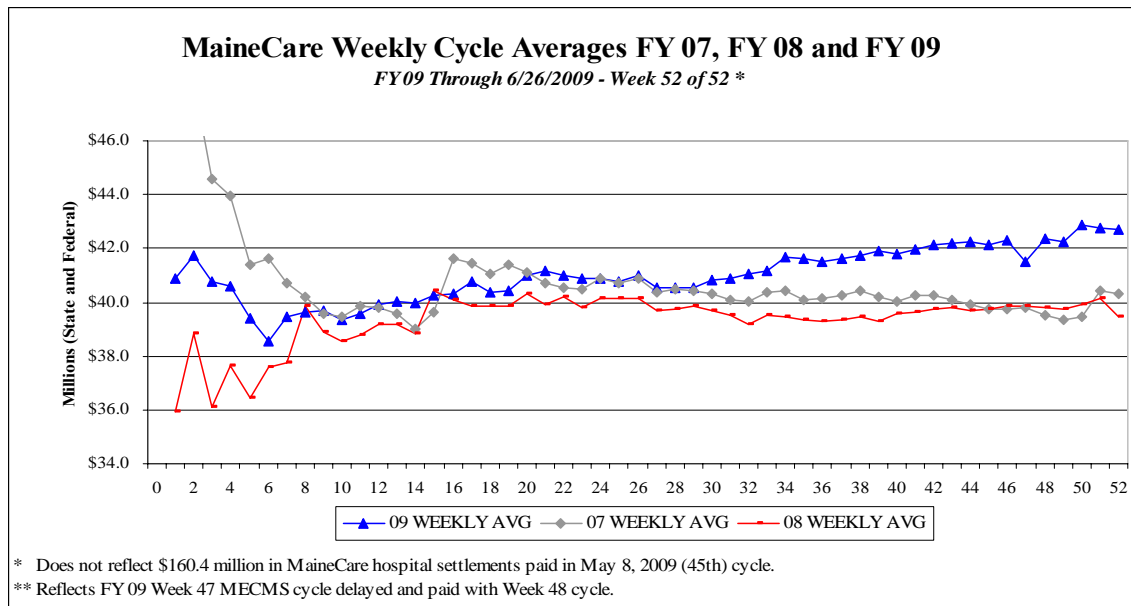
¹ Reflects appropriations through the 124th 1st. Regular Session
² Reflects transactions through July 20, 2009. Differences between appropriations and allotment include the transfer of prior year balances and transfers between MaineCare and related programs by financial order.

**MaineCare Update (continued)**

As summarized in the chart below, the increase in average MaineCare weekly payment cycles to more than \$42 million (state and federal dollars) per week that began in the second half of the calendar year continued through Week 52. The average paid cycle for the year was \$42.7 million, not including hospital settlement payments of \$160.4 million issued in Cycle 45. The average paid cycles for the year including these hospital settlement payments was \$45.7 million. Other items of note in recent cycle payments include:

- The decrease in the cycle average through Week 47 reflects the delay in payment of the Week 47 cycle until Week 48, when two cycles were paid.

- An additional \$36.3 million (\$10 million General Fund) in hospital settlements authorized in PL 2009, c. 213 were paid in Cycle 50.
- As required in PL 2009, c. 1, FY 2009 week 52 hospital prospective interim payments (PIPs) of approximately \$7.3 million and three weeks of June 2009 private non-medical institution (PNMI) and nursing facility (NF) payments of approximately \$19.8 million were delayed until FY 2010 Cycle 1. The cumulative FY 2009 GF deappropriation included in PL 2009, c. 1 was \$9.6 million.



The table on the next page summarizes recent trends in MaineCare caseload, focusing on the traditional Medicaid program (i.e., adults and children receiving financial benefits such as TANF and IV-E Foster Care; aged and disabled persons; and institutionalized persons) and expansions to eligibility made in recent years. While caseloads in the traditional categories have been trending up over this period, expansion populations other than the non-categorical waiver eligibles have remained relatively stable once fully implemented. The non-categorical waiver eligible population has fluctuated reflecting policy changes made to keep the waiver program within federal and state budgetary spending limits. The decline in 2009 caseload through April reflected enacted budget initiatives to cap spending on the waiver program at a level

significantly below that allowed under the approved federal waiver.

Recently released June 2009 MaineCare caseload data show a continued significant increase in the “traditional Medicaid” enrollment category this year. The June 2009 caseload data also show that the significant increase in the non-categorical waiver population from 9,474 persons in April 2009 to 11,538 persons in May 2009 has leveled off somewhat at 11,638 persons in June. The recent increase was the result of recent DHHS actions to open enrollment for non-categorical eligible adults currently on waiting lists for the non-categorical waiver program. At the AFA Committee’s July 23rd meeting, DHHS Commissioner Harvey, informed the Committee that the program has once again been closed to new enrollment.

**MaineCare Update (continued)**

MaineCare Caseload							
Month	Traditional Medicaid	SCHIP Medicaid Expansion	SCHIP "Cub Care"	Medicaid Expansion Parents ≤ 150% FPL	Non-Categorical Adults ≤ 100% FPL	Medicaid Expansion Parents >150% FPL	Total
2002 Avg.	174,962	8,597	4,209	13,756	1,349	0	202,873
2003 Avg.	195,664	8,142	4,734	14,019	14,738	0	237,298
2004 Avg.	203,608	9,397	4,502	16,414	21,138	0	255,058
2005 Avg.	209,817	10,130	4,159	18,301	19,875	2,016	264,298
2006 Avg.	212,842	10,289	4,518	18,790	14,670	4,998	266,106
2007 Avg.	215,763	9,909	4,524	19,010	20,060	5,490	274,756
2008 Avg.	217,214	9,513	4,524	18,273	14,276	5,582	269,381
Detail by Month							
Jul-08	216,163	9,408	4,467	18,050	13,684	5,574	267,346
Aug-08	215,970	9,508	4,349	18,126	13,198	5,526	266,677
Sep-08	216,242	9,586	4,386	18,270	12,620	5,462	266,566
Oct-08	216,817	9,749	4,544	18,688	11,975	5,561	267,334
Nov-08	217,676	9,812	4,528	18,589	11,548	5,495	267,648
Dec-08	218,097	9,772	4,611	18,481	11,121	5,537	267,619
Jan-09	219,754	9,765	4,631	18,607	10,719	5,532	269,008
Feb-09	222,145	9,145	4,674	18,062	10,341	5,396	269,763
Mar-09	223,664	9,171	4,730	18,076	9,886	5,510	271,037
Apr-09	223,582	9,321	4,741	18,315	9,474	5,653	271,086
May-09	224,463	9,364	4,797	18,582	11,538	5,800	274,544
Jun-09	225,693	9,447	4,741	18,900	11,638	5,832	276,251

DHHS Eligibility Descriptions:

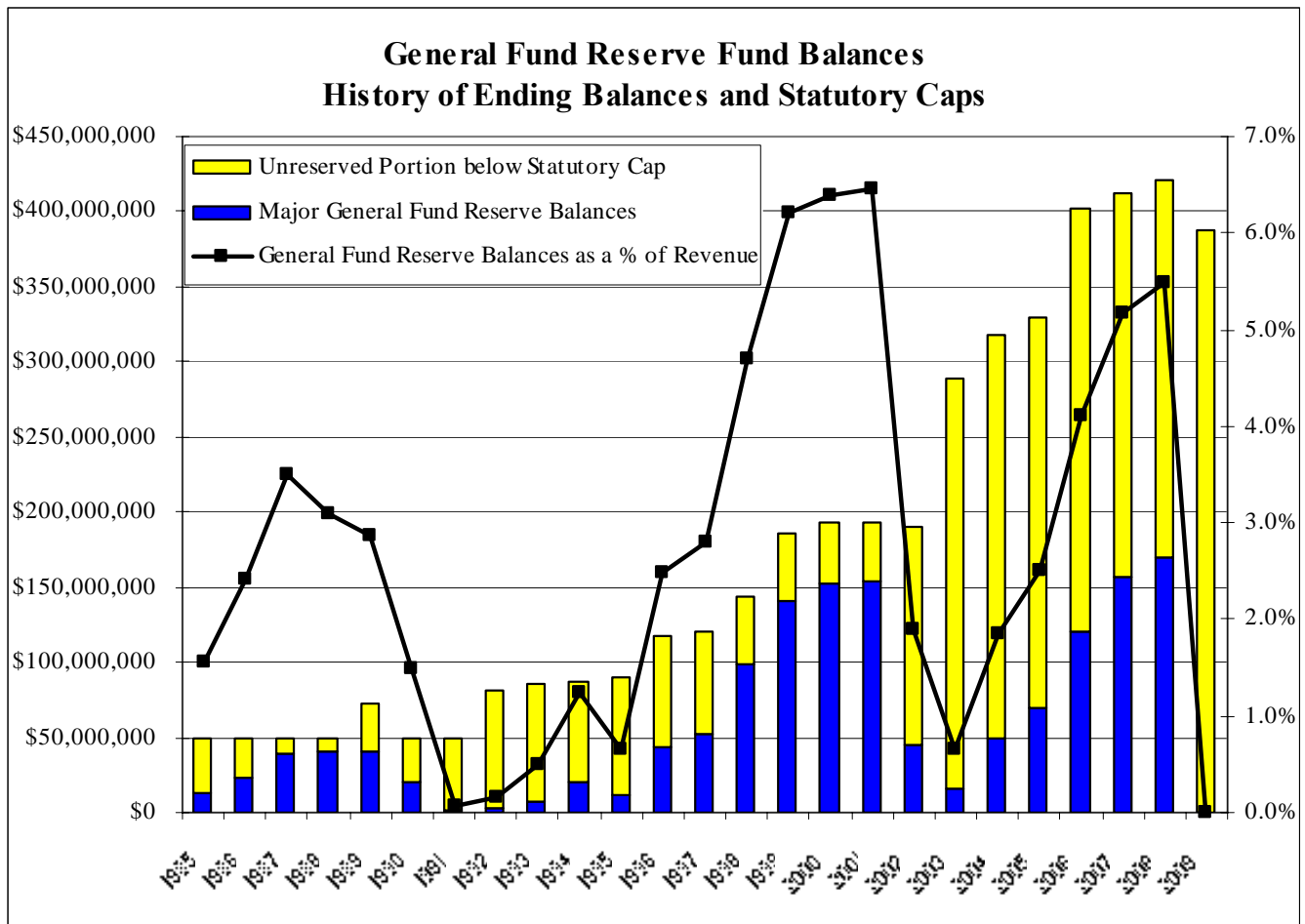
- **Traditional Medicaid** includes adults and children in receipt of a financial benefit (TANF, IV-E); aged and disabled persons in receipt of a financial benefit (SSI, SSI Supplement), institutionalized persons (NF), and others not included below.
- **SCHIP (State Child Health Insurance Program) Medicaid Expansion Children (M S-CHIP)** (effective July 1998) are children with family incomes above 100% and up to and including 150% of the Federal Poverty Level (FPL).
- **SCHIP "Cub Care" Children** (effective July 1998) are children with family incomes above 150% and up to and including 200% of FPL.
- **Medicaid Expansion Parents** are persons who function as the primary caretakers of dependent children and whose income is above 100% and up to and including 150% of FPL (effective September 2000); and beginning May 2005, up to and including 200% of FPL.
- **Non-Categorical Adults** (effective October 2002) are persons who are over 21 and under 65, not disabled, not the primary caretakers of dependent children, and whose income is not more than 100% of FPL.



General Fund Reserve Balances

The graph below displays a history of the General Fund's 2 major reserve funds (the Maine Budget Stabilization Fund and the Reserve for General Fund Operating Capital). The history starts in 1985 with the establishment of the Maine Rainy Day Fund, the predecessor of the Maine Budget Stabilization Fund. The balances in these 2 major reserve funds at the end of FY 2008 totaled \$169.5 million (\$128.9 million in the Maine Budget Stabilization Fund). This was the highest balance in dollar value over the history of these major reserves. The previous highest combined reserve balances totaled \$154.2 million (\$143.7 million in the Maine Rainy Day Fund) at the close of FY 2001.

Transfers from these 2 major reserves to the General Fund were major contributors to balancing the General Fund budget during the 124th Legislature's First Regular Session. The entire balances in the reserves at the beginning of May were budgeted to offset the General Fund shortfall. The ending balance at the close of FY 2009 was the lowest since FY 1991. The balance at the close of FY 2009 was just under \$0.2 million as a result of interest on balances in the Maine Budget Stabilization Fund for the last 2 months of FY 2009.





Economic and Revenue Forecasting Update

The Consensus Economic Forecasting Commission (CEFC) and the Revenue Forecasting Committee (RFC) met jointly on Tuesday, July 28, 2009, to review the current economic and revenue performance and discuss several forecasting-related topics. The purpose of this meeting was not to revise the official economic and revenue forecasts, but to evaluate the performance of these forecasts and to prepare for the fall forecasts. The agenda items included the following:

- An update of the current economic situation;
- An analysis of the errors in the past economic forecasts;
- A review of a new requirement in the Pine Tree Development Zones law;
- A discussion of labor data collection issues; and
- A discussion of the recently enacted tax reform package.

In its review of the current economic situation, the group concluded that the CEFC's current employment forecast was actually lower than the actual labor market performance. However, it is apparent that the forecast did not adequately capture salary and wage performance relative to employment change. Historically, the CEFC has been more accurate in forecasting employment as opposed to personal income due to better and more timely employment data.

The group discussed the disconnect between employment and wages in this recession. Wages have traditionally been assumed to "sticky" (i.e. wages do not decline, in economic downturns) and labor market effects are primarily manifested as layoffs. The national and regional economic models that are used to develop the economic forecasts include this assumption. This recession appears to refute that assumption as employers have much more frequently reduced hours or pay. The current market may be more accepting of these cost reduction methods in this downturn due in large part to low inflation rates and real or perceived high rehiring and retraining costs. Under this scenario, income and withholding may increase before the labor market shows significant gains in net new jobs.

As for the performance of the sales tax, the recent dismal summer weather certainly had not been factored into the current forecasts. While this explains some of the poor sales tax performance, neither the economic or tax models were not able to adequately capture the current situation for the May revenue revisions. Attempts to add new variables, such as increased savings rates, still resulted in the need for manual adjustments to target the tax models to meet actual data. The reverse of the wealth impact from declining financial and real estate markets also has not been adequately captured in the models.

A discussion of the new Pine Tree Development Zone (PTDZ) requirements for the economic and revenue forecast and the impact of the tax reform package seemed to indicate relatively insignificant effects from tax changes on the economic forecasts. The "dynamic" effects of these tax changes have very little detectable effect largely due to the formulas used in most economic modeling. The group also discussed the "but for" test in the PTDZ law and the new requirements to effectively present a second economic forecast backing out any economic growth associated with the law. There was an interesting discussion about the inadequacy of any "but for" test. In the end, the group concluded that, even if they assumed the Department of Economic and Community Development's (DECD) assessment that approved businesses would truly not have invested or employed the qualifying workers "but for" the incentives in the PTDZ law, the CEFC would still need additional data. A DECD study in process may provide some necessary data to forecast the differential created by the incentives under the law, but not by the next scheduled forecast.

Unless something changes dramatically (for the better) by the fall forecast, the uniqueness of the current recession and the failure of the economic models to capture the disconnect between the job market "counts" and aggregate salaries and wages, the revisions during the fall forecasts will likely produce additional sizeable downward revisions to the income and sales tax forecasts. The other major short-term factor, the dismal weather, is hopefully just that — short-term.



General Fund Budget Overview

The 124th Legislature faced one of the most significant budget shortfalls driven by the current “great recession” and its dramatic effect on the State’s major tax revenue. The General Fund structural gap and FY 2009 shortfalls, which continued to grow throughout the 1st Regular Session, rivaled the structural gaps in the early and mid-1990’s. The December 2008 and May 2009 revenue revisions were the largest downward revisions in the Revenue Forecasting Committee’s history. The most discouraging news is that there will likely be sizeable new shortfalls to address during the next session.

The attachment on the next page provides a one-page summary of the extent of the General Fund shortfalls and the solutions employed to address them. For the 3-year budget period addressed by the 124th Legislature, FY 2009 to FY 2011, the shortfalls totaled \$1.675 billion. Of this amount, \$625.6 million was the difference between projected 2010-2011 biennium “current services” appropriations and the Baseline Budget appropriations, the starting level of appropriations for the Biennial Budget. The reductions from “current services” appropriations required to reach the biennial budget starting point were not explicitly addressed by the 124th Legislature. However, some programs such as Teacher’s Retirement and Debt Service required offsets to the implied reductions and received additional appropriations above baseline levels.

The most striking fact about the solutions employed by the 124th Legislature was the impact of the American Recovery and Reinvestment Act of 2009 (ARRA) federal stimulus funds. Total General Fund

deappropriations directly related to ARRA funding totaled \$629.5 million over the 3-year budget window (37.6% of the total shortfall/gap) with the largest impact coming from the temporary increase in the Federal Medical Assistance Percentage (FMAP) primarily affecting the State’s share of total Medicaid costs. The increase in the FMAP resulted in total General Fund deappropriations from baseline of \$409.8 million. This amount does not reflect the additional General Fund or other fund savings from a reduced state share to address Medicaid shortfalls. ARRA State Fiscal Stabilization Fund (SFSF) grants also contributed to the General Fund solution by allowing deappropriations, primarily from General Purpose Aid for Local Schools (GPA) and the public higher education institutions, to be offset with federal ARRA funds.

The next most significant set of solutions, the use of General Fund reserves, which total \$166.5 million or 9.9% of the total shortfall/gap (see separate article on page 7), were also one-time in nature. With this reliance on one-time solutions, a \$24.8 million shortfall resulting from FY 2009 revenue variances, the prospect of new downward revenue revisions, the need to address the FY 2011 statutory commitment to GPA funding levels and \$30 million in savings to be identified by the Appropriations Committee’s continued initiative to streamline state government, it is clear that a significant effort still lies ahead to finish the 2010-2011 biennium with a balanced budget — to say nothing of the daunting task that will be required for the 2012-2013 biennium.

Summary of General Fund Structural Gap/Shortfalls and Solutions

124th Legislature, 1st Regular Session

Estimated Shortfall/Structural Gap Estimates	FY 09	FY 10	FY 11	3-yr Totals
Dec. 2008 Revenue vs. Projected Current Services Approps.	\$0.0	(\$444.5)	(\$521.0)	(\$965.5)
December 2008 Baseline Revenue Revision	(\$140.3)	\$0.0	\$0.0	(\$140.3)
May 2009 Revenue Revision	(\$129.2)	(\$195.6)	(\$244.2)	(\$569.1)
Total Structural Gap/Shortfalls - 124th 1st Regular Session	(\$269.5)	(\$640.2)	(\$765.2)	(\$1,674.9) 100.0%

General Fund - Summary of Actions to Offset Structural Gap/Shortfalls

Transfers and Adjustments to Balance	FY 09	FY 10	FY 11	3-yr Totals	% of Gap
General Fund Reserve Balance Transfers	\$170.2	\$0.0	(\$3.6)	\$166.5	9.9%
General Fund Appropriation Lapsed Balances	\$5.6	\$2.4	\$2.3	\$10.3	0.6%
One-day Borrowing from Other Special Revenue Funds	\$0.0	\$16.0	(\$16.0)	(\$0.0)	0.0%
General Fund Transfers from (to) Other Funds	\$8.6	\$3.5	\$2.0	\$14.1	0.8%
Prior Period Adjustments (Tax Accounting Error)	(\$11.1)	\$0.0	\$0.0	(\$11.1)	-0.7%
Total Net Transfers/Adjustments	\$173.2	\$21.9	(\$15.3)	\$179.8	10.7%
Legislative Revenue Adjustments	FY 09	FY 10	FY 11	3-yr Totals	% of Gap
Tax Reform - (Gross Sales and Income Tax Changes)	\$0.0	\$12.5	\$8.2	\$20.8	1.2%
Tax Enforcement Initiatives	\$0.0	\$22.5	\$19.4	\$41.9	2.5%
Other Tax and Fee Changes	\$6.7	\$21.7	\$44.9	\$73.3	4.4%
Net Changes to Tax Relief Revenue Transfers	\$0.0	\$15.1	\$14.1	\$29.2	1.7%
Net Reductions to Revenue Sharing/Accounting Change	\$19.8	\$15.8	\$23.0	\$58.6	3.5%
Other Revenue Changes	\$2.5	\$3.5	\$10.4	\$16.4	1.0%
Total General Fund Revenue Increases (Decreases)	\$29.0	\$91.2	\$120.0	\$240.2	14.3%
Appropriations	FY 09	FY 10	FY 11	3-yr Totals	% of Gap
Implied Changes from Current Services Estimates to Baseline	\$0.0	(\$253.9)	(\$371.7)	(\$625.6)	37.4%
Legislative Adjustments from Baseline Appropriations:					
- ARRA SFSF School Subsidy (GPA) Reductions	(\$40.2)	(\$51.2)	(\$66.9)	(\$158.3)	9.4%
- ARRA FMAP Deappropriations	(\$125.0)	(\$189.3)	(\$95.6)	(\$409.8)	24.5%
- ARRA Other MaineCare Offsets	(\$22.2)	(\$9.8)	\$0.0	(\$32.0)	1.9%
- ARRA Higher Education Deappropriations	(\$13.1)	(\$8.2)	(\$8.2)	(\$29.4)	1.8%
Subtotal - ARRA-related Deappropriations	(\$200.5)	(\$258.4)	(\$170.6)	(\$629.5)	37.6%
- Other GPA Adjustments	\$0.0	\$4.3	(\$39.9)	(\$35.6)	2.1%
- Other MaineCare Adjustments	\$88.1	\$22.6	(\$33.2)	\$77.6	-4.6%
- Other Health and Human Services Adjustments	(\$21.4)	(\$4.6)	(\$14.0)	(\$40.0)	2.4%
- State Employees - Pay and Health Insurance	\$0.0	(\$14.1)	(\$18.9)	(\$33.0)	2.0%
- Attrition and Retirement Incentive Savings	\$0.0	(\$12.0)	(\$12.4)	(\$24.5)	1.5%
- Debt Service Adjustments from Baseline	(\$1.0)	\$14.8	\$25.9	\$39.8	-2.4%
- Teachers Retirement Adjustments from Baseline	\$5.0	\$10.1	\$20.3	\$35.4	-2.1%
- Savings from Streamlining Initiative	\$0.0	\$0.0	(\$30.0)	(\$30.0)	1.8%
- Other Net Adjustments from Baseline Appropriations	\$11.0	\$4.9	(\$5.8)	\$10.2	-0.6%
Total Increase (Decrease) to Appropriations	(\$118.7)	(\$486.2)	(\$650.3)	(\$1,255.2)	74.9%
Net Increase (Decrease) General Fund Balance	\$320.9	\$599.3	\$755.0	\$1,675.3	100.0%
Net Increase (Decrease) to Ending Balances	\$51.3	(\$41.1)	(\$9.9)	\$0.3	

General Fund and Highway Fund Revenue
Fiscal Year Ending June 30, 2009
Reflecting Final Budgeted Amounts

JUNE 2009 AND FINAL FY 2009 REVENUE VARIANCE REPORT

Revenue Line	June '09 Budget	June '09 Actual	June '09 Var.	FY09 YTD Budget	FY09 YTD Actual	FY09 YTD Variance	FY09 YTD Variance %	FY09 Budgeted Totals
General Fund								
Sales and Use Tax	165,967,752	160,922,855.00	(5,044,897.00)	929,698,051	921,823,720.19	(7,874,330.81)	-0.8%	929,698,051
Service Provider Tax	8,834,479	8,835,550.28	1,071.28	53,452,742	52,812,594.94	(640,147.06)	-1.2%	53,452,742
Individual Income Tax	184,921,379	161,437,774.89	(23,483,604.11)	1,281,982,990	1,242,505,909.45	(39,477,080.55)	-3.1%	1,281,982,990
Corporate Income Tax	35,113,923	25,880,193.71	(9,233,729.29)	148,940,000	143,085,965.64	(5,854,034.36)	-3.9%	148,940,000
Cigarette and Tobacco Tax	12,258,301	13,971,628.03	1,713,327.03	143,213,844	144,424,711.63	1,210,867.63	0.8%	143,213,844
Public Utilities Tax	0	0.00	0.00	18,405,029	19,536,482.86	1,131,453.86	6.1%	18,405,029
Insurance Companies Tax	22,973,322	26,316,407.76	3,343,085.76	71,978,985	79,770,430.97	7,791,445.97	10.8%	71,978,985
Estate Tax	8,827,641	7,041,801.24	(1,785,839.76)	34,335,010	31,819,187.58	(2,515,822.42)	-7.3%	34,335,010
Property Tax - Unorganized Territory	1,963,261	1,638,382.00	(324,879.00)	12,969,540	12,633,755.00	(335,785.00)	-2.6%	12,969,540
Income from Investments	46,555	(10,366.20)	(56,921.20)	1,154,221	1,100,029.38	(54,191.62)	-4.7%	1,154,221
Transfer to Municipal Revenue Sharing	(14,583)	0.00	14,583.00	(103,412,337)	(102,156,198.76)	1,256,138.24	1.2%	(103,412,337)
Transfer from Lottery Commission	3,811,481	4,365,919.68	554,438.68	49,549,250	49,839,434.04	290,184.04	0.6%	49,549,250
Other Revenue	29,918,611	33,941,678.94	4,023,067.94	212,495,823	214,172,271.68	1,676,448.68	0.8%	212,495,823
Totals	474,622,122	444,341,825.33	(30,280,296.67)	2,854,763,148	2,811,368,294.60	(43,394,853.40)	-1.5%	2,854,763,148
Highway Fund								
Fuel Taxes	39,442,412	37,875,516.70	(1,566,895.30)	217,243,255	216,215,543.91	(1,027,711.09)	-0.5%	217,243,255
Motor Vehicle Registration and Fees	9,945,667	10,574,044.99	628,377.99	92,254,651	91,886,824.40	(367,826.60)	-0.4%	92,254,651
Inspection Fees	107,616	394,193.08	286,577.08	3,996,421	4,057,977.64	61,556.64	1.5%	3,996,421
Fines	184,762	163,429.33	(21,332.67)	1,795,049	1,785,196.53	(9,852.47)	-0.5%	1,795,049
Income from Investments	28,772	44,993.96	16,221.96	458,392	480,418.53	22,026.53	4.8%	458,392
Other Revenue	608,428	921,359.99	312,931.99	9,401,872	9,816,188.25	414,316.25	4.4%	9,401,872
Totals	50,317,657	49,973,538.05	(344,118.95)	325,149,640	324,242,149.26	(907,490.74)	-0.3%	325,149,640

Comparison of Actual Year-to-Date Revenue Through June of Each Fiscal Year

REVENUE CATEGORY	FY 2005	% Chg	FY 2006	% Chg	FY 2007	% Chg	FY 2008	% Chg	FY 2009	% Chg
GENERAL FUND										
Sales and Use Tax	\$896,576,322.41	2.6%	\$946,174,276.49	5.5%	\$971,455,721.16	2.7%	\$983,057,278.30	1.2%	\$921,823,720.19	-6.2%
Service Provider Tax	\$44,645,517.02	N/A	\$47,028,430.04	5.3%	\$49,400,531.56	5.0%	\$52,100,663.57	5.5%	\$52,812,594.94	1.4%
Individual Income Tax	\$1,296,255,556.72	12.1%	\$1,364,368,543.16	5.3%	\$1,464,928,346.49	7.4%	\$1,558,032,960.61	6.4%	\$1,365,437,729.41	-12.4%
Individual Income Tax (Circuitbreaker)	(\$26,030,227.29)	N/A	(\$42,796,070.28)	-64.4%	(\$44,440,759.07)	-3.8%	(\$46,689,380.27)	-5.1%	(\$48,751,672.45)	-4.4%
Individual Income Tax (BETR)	\$0.00	N/A	(\$67,065,809.69)	N/A	(\$66,553,092.48)	0.8%	(\$67,875,376.29)	-2.0%	(\$74,180,147.51)	-9.3%
Corporate Income Tax	\$135,862,913.44	21.7%	\$188,015,557.61	38.4%	\$183,851,533.23	-2.2%	\$184,514,568.35	0.4%	\$143,085,965.64	-22.5%
Cigarette and Tobacco Tax	\$96,350,703.70	-0.3%	\$156,951,369.91	62.9%	\$158,953,466.08	1.3%	\$150,499,431.93	-5.3%	\$144,424,711.63	-4.0%
Public Utilities Tax	\$25,403,213.56	-9.2%	\$20,627,030.00	-18.8%	\$16,317,029.00	-20.9%	\$16,858,472.04	3.3%	\$19,536,482.86	15.9%
Insurance Companies Tax	\$75,669,053.48	4.8%	\$76,065,864.43	0.5%	\$74,452,541.68	-2.1%	\$72,292,532.14	-2.9%	\$79,770,430.97	10.3%
Estate Tax	\$32,255,726.97	0.6%	\$75,330,514.40	133.5%	\$54,820,038.11	-27.2%	\$39,890,576.91	-27.2%	\$31,819,187.58	-20.2%
Property Tax - Unorganized Territory	\$10,622,666.00	-0.8%	\$11,559,305.00	8.8%	\$11,376,293.00	-1.6%	\$12,217,081.00	7.4%	\$12,633,755.00	3.4%
Income from Investments	\$5,854,625.01	153.4%	\$8,271,869.40	41.3%	\$1,215,836.12	-85.3%	\$1,074,143.31	-11.7%	\$1,100,029.38	2.4%
Revenue Sharing Transfers	(\$119,712,814.17)	-7.4%	(\$124,222,179.55)	-3.8%	(\$130,490,756.35)	-5.0%	(\$135,820,175.16)	-4.1%	(\$102,160,745.18)	24.8%
Liquor Transfers	\$49,845,026.94	-51.2%	\$2,560,043.62	-94.9%	\$4,412,264.00	72.4%	\$5,534,346.00	25.4%	\$6,190,531.00	11.9%
Lottery Transfers	\$49,328,102.14	19.5%	\$50,879,646.68	3.1%	\$50,624,741.35	-0.5%	\$49,491,086.25	-2.2%	\$49,839,434.04	0.7%
Other Revenue	\$217,918,667.48	-2.7%	\$218,077,295.40	0.1%	\$219,271,655.50	0.5%	\$212,640,783.41	-3.0%	\$207,986,287.10	-2.2%
TOTAL GENERAL FUND REVENUE	\$2,790,845,053.41	4.0%	\$2,931,825,686.62	5.1%	\$3,019,595,389.38	3.0%	\$3,087,818,992.10	2.3%	\$2,811,368,294.60	-9.0%
HIGHWAY FUND										
Fuel Taxes	\$220,484,728.32	3.7%	\$221,575,308.92	0.5%	\$226,824,017.56	2.4%	\$225,235,339.36	-0.7%	\$216,215,543.91	-4.0%
Motor Vehicle Registration and Fees	\$84,645,422.12	2.5%	\$87,658,962.22	3.6%	\$87,291,873.62	-0.4%	\$86,094,837.27	-1.4%	\$91,886,824.40	6.7%
Inspection Fees	\$4,260,058.93	-9.5%	\$4,373,691.60	2.7%	\$4,342,518.85	-0.7%	\$4,193,874.09	-3.4%	\$4,057,977.64	-3.2%
Fines	\$1,518,580.08	-20.9%	\$1,809,813.31	19.2%	\$1,667,999.77	-7.8%	\$1,747,985.91	4.8%	\$1,785,196.53	2.1%
Income from Investments	\$1,440,738.71	100.1%	\$1,833,806.41	27.3%	\$1,105,986.72	-39.7%	\$1,152,490.60	4.2%	\$480,418.53	-58.3%
Other Revenue	\$13,728,627.10	44.5%	\$9,294,574.07	-32.3%	\$9,588,686.28	3.2%	\$9,712,051.34	1.3%	\$9,816,188.25	1.1%
TOTAL HIGHWAY FUND REVENUE	\$326,078,155.26	4.5%	\$326,546,156.53	0.1%	\$330,821,082.80	1.3%	\$328,136,578.57	-0.8%	\$324,242,149.26	-1.2%

Adjusted for Service Provider Tax Split