



FISCAL NEWS

MONTHLY NEWSLETTER OF THE OFFICE OF FISCAL AND PROGRAM REVIEW

MAY 2010

Volume 4 Number 5

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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

General Fund revenue continued to come in ahead of projections through May and will end the year with a revenue surplus greater than the \$33 million accumulated through the end of April. Income tax performance was very close to projections for the 2009 tax year based on the final payments due April 15th. Corporate profits nationally have increased Maine corporate income tax receipts well above budget. And, most encouraging was that taxable sales in March showed the first year-over-year growth in almost 2 years.

Even Highway Fund revenue recovered from a poor performance in March and was ahead of budget in April. With May revenue looking like it will end the month close to budget, it appears that the Highway Fund will keep the positive surplus for the year of roughly \$5 million largely in tact.

The State's total average cash pool balance in April showed the first improvement in year-over-year comparisons in this fiscal year. Internal borrowing was moderately higher than the same time last year, but the overall balances were strong enough to support this so the State will avoid external borrowing for another year.

The Dirigo Health Fund has repaid all but \$7.5 million of the \$25 million cash advance from the General Fund. It reached an agreement with its contractor, Harvard Pilgrim, to defer payments in order to repay the cash advance before June 30, 2010.

MaineCare caseload continues to grow including some significant growth in March and April for the non-categorical adult waiver population. Despite this growth in caseload, total MaineCare spending is still tracking very close to FY 2009 levels. Having sufficient State funds to pay MaineCare cycles through the end of this year will depend on: maximizing other seed funding sources, such as dedicated provider taxes and Fund for a Healthy Maine allocations; utilizing the authority of the Department of Health and Human Services to transfer funds between MaineCare and related programs by financial order; and continuing to manage the utilization of MaineCare services even in the face of continuously growing MaineCare caseloads.

Federal efforts to approve a 6-month extension of the enhanced Medicaid matching rates for the second half of FY 2011 continue. The latest plan to pass the extension prior to the Memorial Day Congressional recess seems increasing unlikely.



General Fund Revenue Update

Total General Fund Revenue - FY 2010 (\$'s in Millions)

	Budget	Actual	Var.	% Var.	Prior Year	% Growth
April	\$342.1	\$344.6	\$2.5	0.7%	\$338.9	1.7%
FYTD	\$2,053.5	\$2,086.5	\$33.0	1.6%	\$2,153.0	-3.1%

General Fund revenue was \$2.5 million (0.7%) over budget in April, increasing the fiscal year-to-date (FYTD) positive variance to \$33.0 million (1.6%). FYTD revenue is 3.1% below the same period in FY 2009. Final budgeted General Fund revenue was projected to decline by 4.2% for FY 2010.

While Individual Income Tax was under budget by \$10.4 million in April largely due to final payments being less than projected, it remained very close to budget for the FYTD through April. Actual collections for 2009 tax year individual income tax liability were very close to budget, only \$4 million below estimates. May individual income tax collections are expected to be slightly above budget, bringing individual income tax collections modestly ahead of projections for the fiscal year.

Corporate Income Tax continued to build up its positive variance with April collections coming in \$4.6 million over budget and pushing the FYTD variance upward to \$15.5 million. May's receipts will further increase Corporate Income Tax's positive variance upward by at least another \$3 million.

Sales tax collections in April, representing March taxable sales, were very strong coming in \$5.7 million ahead of projections for the month. March 2010 taxable sales were 2.2% higher than March 2009, representing the first year-over-year increase in almost 2 years. Some of this change in trend, which created April's positive variance and which also appears to be positively affecting April taxable sales, may represent sales that would normally have occurred later in the year but occurred earlier due to the unusually early spring weather in March and April. However, there are some indications of some positive trends nationally with some upward movement in consumer confidence.

There have been very few substantial negative variances. Some areas of concern include the Real Estate Transfer Tax and Inland Fisheries and Wildlife revenue, which were more than \$1 million under budget each through April. However, the negative variances from these sources have been more than offset by strong performances in various other categories that resulted in the \$33 million positive variance through April, which is expected to increase over the final 2 months of FY 2010.

Highway Fund Revenue Update

Total Highway Fund Revenue - FY 2010 (\$'s in Millions)

	Budget	Actual	Var.	% Var.	Prior Year	% Growth
April	\$25.0	\$27.5	\$2.5	10.0%	\$25.5	7.8%
FYTD	\$234.4	\$239.6	\$5.2	2.2%	\$248.0	-3.4%

Highway Fund revenue was \$2.5 million (10.0%) over budget in April, increasing the FYTD positive variance to \$5.2 million (2.2%). Through 10 months of FY 2010, Highway Fund revenue has declined 3.4% compared to the same period in FY 2009. This actual decline compares favorably with the final budgeted decline of 4.5% for FY 2010 Highway Fund revenue.

Much of April's \$2.5 million positive Highway Fund revenue variance was the result of a \$2.0 million shift of revenue from the long-term trailer registrations budgeted for March, but received in

April. These registrations and positive variances in title fee revenue indicate some positive trends in business activity and automobile sales.

Fuel tax receipts were ahead of budget in April by \$0.6 million and have now built up a positive variance of \$3.0 million through 10 months of FY 2010.

Preliminary data for May indicate that May revenue will come in close to budget so that the \$5 million plus variance through April will remain largely in tact with one month to go in the fiscal year.



Cash Update

With the infusion of cash from April's income tax revenue, the State will be able to avoid external borrowing for another year (FY 2006 was the last year the State utilized external cash flow borrowing). Total cash balances in April averaged \$342.8 million and were more than \$90 million higher than last year's balance at this time, despite having \$115.8 million less of reserve balances.

Through the end of May, the Dirigo Health Fund (DHF) has repaid all but \$7.5 million of the \$25 million General Fund cash advance. DHF has negotiated a restructured payment schedule with its contractor, Harvard Pilgrim, to defer some payments

in order to make the final payments to the General Fund before June 30th. DHF will be presenting more detail about the schedule for the final repayments to the General Fund and the amount and terms of the deferred payments when it presents its report to the Appropriations Committee on Tuesday, June 1st.

Average balances in the Federal Expenditures Fund have continued to show some improvement from the average low of -\$40.0 million in October 2009. April's negative average balance improved to \$7.2 million. Although some negative balances are normal for federal funds, April's balance was still higher than the norm.

Summary of Treasurer's Cash Pool		
April Average Daily Balances		
Millions of \$'s		
	2009	2010
General Fund (GF) Total	\$20.3	\$33.7
General Fund (GF) Detail:		
Budget Stabilization Fund	\$75.4	\$0.2
Reserve for Operating Capital	\$40.6	\$0.0
Tax Anticipation Notes	\$0.0	\$0.0
Internal Borrowing	\$323.2	\$341.2
Other General Fund Cash	(\$418.9)	(\$307.7)
Other Spec. Rev. - Interest to GF	(\$19.7)	\$8.6
Other State Funds - Interest to GF	(\$11.4)	\$8.0
Highway Fund	\$31.7	\$52.4
Other Spec. Rev. - Retaining Interest	\$29.4	\$17.5
Other State Funds	\$138.6	\$126.1
Independent Agency Funds	\$61.8	\$96.5
Total Cash Pool	\$250.7	\$342.8



MaineCare Update

Six Month Extension of ARRA Enhanced FMAP

As discussed in last month's *Fiscal News*, Congress continues to work on the bill (H.R. 4213) that extends for six months the enhanced federal medical assistance percentage (FMAP) made available to states in the American Recovery and Reinvestment Act of 2009 (ARRA). This extension would provide states with additional funding through June 30, 2011. The bill has passed both the House and Senate but is awaiting final action in both houses. The delay is apparently the result of the increased focus on identifying funding offsets for the bill's increased spending, with a number of the bill's original funding offsets subsequently used in other enacted legislation. The latest plan to complete action on the bill by the Memorial Day Congressional recess appears increasingly unlikely.

The State's recently passed 2010-2011 Supplemental Budget (PL 2009, c. 571) assumed savings of \$85.5 million resulting from the six-month extension of the ARRA enhanced FMAP. Should the extension of the enhanced FMAP not be enacted by July 1, 2010,

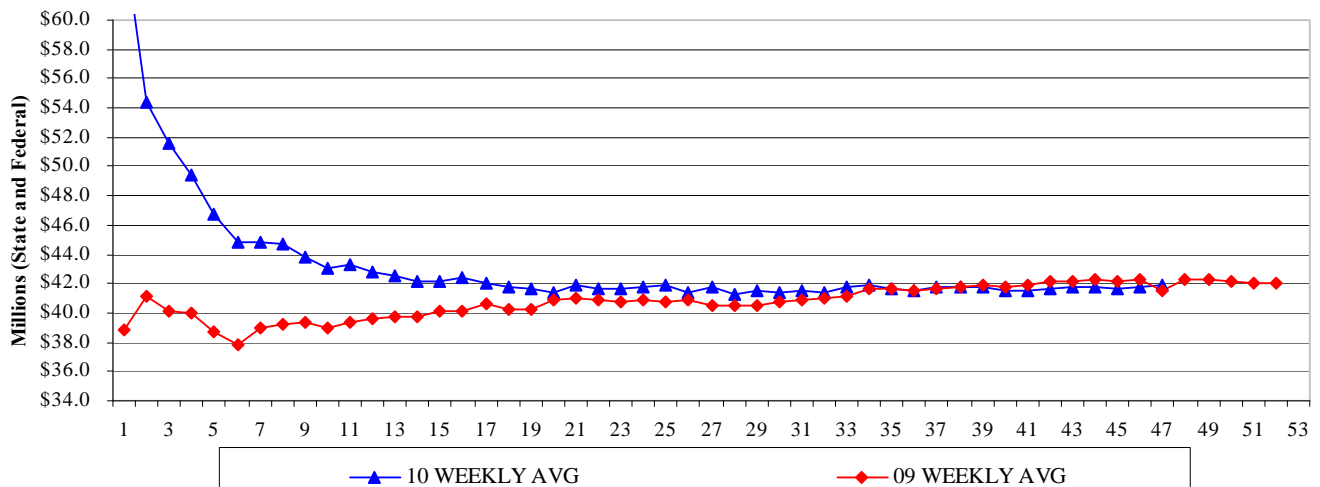
Part OOOO requires the Governor to begin to implement authority to curtail allotments to distribute the unrealized enhanced FMAP savings statewide effective no later than October 1, 2010.

MaineCare Cycle Payments

MaineCare spending through Week 47 (through May 21st) continues to be relatively stable and consistent with FY 2009 spending at a weekly average cycle amount of \$42.0 million (state and federal spending). The chart below summarizes weekly average MaineCare payment cycles for FY 2010 through Week 47, as well as comparable payment cycle averages for FY 2009. The FY 2010 averages below do not include the \$132.5 million in MaineCare hospital settlements paid in the October 23, 2009 (17th) cycle, but do reflect the one-time delay of hospital and long term care facility MaineCare payments from FY 2009 to FY 2010 required in PL 2009, c. 1. Accordingly, the weekly average of MaineCare payment cycles for FY 2010 through Week 47 was \$42.0 million (state and federal), an increase from the Week 42 average of \$41.8 million.

MaineCare Weekly Cycle Averages - FY 09 and FY 10

FY 10 Through 5/21/10 - Week 47 of 52



° FY 09 averages do not reflect MaineCare hospital settlements of \$160.4 paid in the 5/8/09 (45th) cycle and \$36.3 million paid in the 6/12/09 (50th) cycle but do reflect the Week 47 cycle delayed and paid with the Week 48 cycle and the delay in hospital and long-term care payments until FY 10.
° FY 10 averages do not reflect the \$132.5 million in MaineCare hospital settlements paid in the 10/23/09 (17th) cycle but do reflect the delayed FY 09 hospital and long-term care payments paid in the first weekly cycle of FY 10.

**MaineCare Update (continued)****MaineCare Caseload**

April 2010 MaineCare caseload data summarized below show continued growth of 1,642 persons in April, and a cumulative increase of 19,693 persons over the last 12 months. The April increase follows monthly increases of 3,681 persons in March and 605 persons in February. The overall MaineCare caseload increase is driven by increases in the “traditional Medicaid” and, in recent months, by the non-categorical adult waiver enrollment categories.

The “traditional Medicaid” enrollment category (i.e., adults and children receiving financial benefits such as TANF and IV-E Foster Care; aged and disabled persons; and institutionalized persons) increased by 877 persons in April after a 1,570 persons increase in March, with 11,344 persons added over the last 12 months - a 5.07% increase - in

this category. Details included in the DHHS monthly caseload reports indicate increases in low-income children under the age of 21 are the major factor behind the increase in the “traditional Medicaid” category.

The non-categorical adult waiver population increased to 12,867 persons in April, an increase of 533 persons. This April increase follows a 1,665 person increase in March. The waiver caseload had been relatively stable over the previous 6 months fluctuating around the 10,500 person level. Month to month fluctuations in caseload for this waiver population reflect DHHS decisions in managing new enrollment on a monthly basis to keep spending for the waiver within budgeted amounts but also to meet the American Recovery and Reinvestment Act of 2009 (ARRA) maintenance of effort requirements related to Medicaid eligibility levels.

MaineCare Caseload Summary							
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
2009 Avg.	226,423	9,590	4,801	18,976	10,673	5,857	276,320
Detail for Last 12 Months							
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
Jul-09	227,163	9,653	4,790	19,242	11,427	5,884	278,159
Aug-09	228,083	9,722	4,778	19,364	11,120	6,023	279,090
Sep-09	229,060	9,812	4,780	19,427	10,799	6,062	279,940
Oct-09	230,349	9,859	4,880	19,665	10,463	6,154	281,370
Nov-09	231,033	9,954	4,950	19,734	10,179	6,183	282,033
Dec-09	232,089	9,869	5,125	19,741	10,486	6,254	283,564
Jan-10	233,384	9,902	5,084	19,838	10,288	6,355	284,851
Feb-10	232,479	10,261	5,137	20,533	10,669	6,377	285,456
Mar-10	234,049	10,390	5,170	20,716	12,334	6,478	289,137
Apr-10	234,926	10,357	5,171	20,879	12,867	6,579	290,779
Changes:							
Latest month	877	-33	1	163	533	101	1,642
Last 12 Months	11,344	1,036	430	2,564	3,393	926	19,693
Eligibility Descriptions:							
<ul style="list-style-type: none"> • 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 (MS-CHIP) (effective July 1998) are children with family incomes above 125/133% 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 and Highway Fund Revenue
Fiscal Year Ending June 30, 2010
Reflecting Budgeted Amounts Through 124th Legislature, 2nd Regular Session

APRIL 2010 REVENUE VARIANCE REPORT

Revenue Line	April '10 Budget	April '10 Actual	April '10 Variance	FY10 YTD Budget	FY10 YTD Actual	FY10 YTD Variance	FY10 YTD Variance %	FY10 Budgeted Totals
General Fund								
Sales and Use Tax	63,376,439	69,047,464.27	5,671,025.27	660,742,566	667,094,951.22	6,352,385.22	1.0%	883,839,994
Service Provider Tax	4,607,058	4,476,384.51	(130,673.49)	42,026,712	41,141,196.19	(885,515.81)	-2.1%	55,590,852
Individual Income Tax	215,929,526	205,504,367.12	(10,425,158.88)	1,037,211,125	1,036,966,409.46	(244,715.54)	0.0%	1,299,630,000
Corporate Income Tax	13,500,000	18,063,589.12	4,563,589.12	122,394,337	137,857,294.01	15,462,957.01	12.6%	147,718,716
Cigarette and Tobacco Tax	11,941,632	12,321,956.54	380,324.54	116,922,073	122,257,247.36	5,335,174.36	4.6%	140,139,902
Insurance Companies Tax	9,515,771	12,552,761.76	3,036,990.76	36,065,884	41,048,085.37	4,982,201.37	13.8%	71,985,000
Estate Tax	2,245,136	2,844,195.94	599,059.94	20,616,861	23,391,592.34	2,774,731.34	13.5%	29,593,253
Other Taxes and Fees	8,682,610	9,972,995.11	1,290,385.11	105,920,211	105,656,054.86	(264,156.14)	-0.2%	148,808,830
Fines, Forfeits and Penalties	2,625,167	2,123,396.20	(501,770.80)	27,670,723	27,692,663.63	21,940.63	0.1%	32,853,721
Income from Investments	(94,927)	(35,585.50)	59,341.50	51,145	103,888.19	52,743.19	103.1%	103,246
Transfer from Lottery Commission	3,869,372	3,842,688.96	(26,683.04)	41,020,058	42,541,229.68	1,521,171.68	3.7%	49,843,299
Transfers to Tax Relief Programs	(2,101,143)	(2,328,506.41)	(227,363.41)	(110,609,862)	(110,614,196.47)	(4,334.47)	0.0%	(112,559,862)
Transfers for Municipal Revenue Sharing	(2,898,290)	(3,949,115.32)	(1,050,825.32)	(78,547,765)	(79,598,954.97)	(1,051,189.97)	-1.3%	(95,899,642)
Other Revenue	10,866,882	10,139,262.97	(727,619.03)	32,005,113	30,975,150.53	(1,029,962.47)	-3.2%	41,358,080
Totals	342,065,233	344,575,855.27	2,510,622.27	2,053,489,181	2,086,512,611.40	33,023,430.40	1.6%	2,693,005,389
Highway Fund								
Fuel Taxes	16,121,893	16,679,205.92	557,312.92	160,865,668	163,891,760.78	3,026,092.78	1.9%	220,305,526
Motor Vehicle Registration and Fees	7,775,933	9,829,569.31	2,053,636.31	61,387,093	63,838,026.24	2,450,933.24	4.0%	75,043,693
Inspection Fees	355,659	405,150.70	49,491.70	3,198,756	3,270,129.77	71,373.77	2.2%	3,896,915
Fines, Forfeits and Penalties	145,913	117,949.94	(27,963.06)	1,446,294	1,265,104.48	(181,189.52)	-12.5%	1,745,049
Income from Investments	5,200	18,165.14	12,965.14	102,930	123,935.29	21,005.29	20.4%	113,330
Other Revenue	566,569	412,928.15	(153,640.85)	7,379,995	7,201,325.09	(178,669.91)	-2.4%	8,387,253
Totals	24,971,167	27,462,969.16	2,491,802.16	234,380,736	239,590,281.65	5,209,545.65	2.2%	309,491,766

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

REVENUE CATEGORY	FY 2006	% Chg	FY 2007	% Chg	FY 2008	% Chg	FY 2009	% Chg	FY 2010	% Chg
GENERAL FUND										
Sales and Use Tax	\$706,246,052.23	5.7%	\$727,924,791.68	3.1%	\$732,603,524.37	0.6%	\$697,222,167.14	-4.8%	\$667,094,951.22	-4.3%
Service Provider Tax	\$31,725,611.56	-3.4%	\$34,997,598.59	10.3%	\$38,870,025.85	11.1%	\$39,871,988.04	2.6%	\$41,141,196.19	3.2%
Individual Income Tax	\$1,088,940,290.10	4.3%	\$1,176,374,367.50	8.0%	\$1,261,043,240.25	7.2%	\$1,120,532,568.53	-11.1%	\$1,036,966,409.46	-7.5%
Corporate Income Tax	\$148,101,567.51	47.2%	\$132,737,820.49	-10.4%	\$143,433,409.85	8.1%	\$110,931,940.98	-22.7%	\$137,857,294.01	24.3%
Cigarette and Tobacco Tax	\$127,091,870.93	58.6%	\$131,657,353.89	3.6%	\$125,741,515.63	-4.5%	\$119,730,926.25	-4.8%	\$122,257,247.36	2.1%
Insurance Companies Tax	\$40,131,292.98	10.7%	\$32,713,789.65	-18.5%	\$36,878,882.96	12.7%	\$39,562,791.69	7.3%	\$41,048,085.37	3.8%
Estate Tax	\$61,839,825.02	168.0%	\$41,980,038.35	-32.1%	\$25,640,079.84	-38.9%	\$22,507,369.96	-12.2%	\$23,391,592.34	3.9%
Other Taxes and Fees	\$96,474,117.18	5.9%	\$103,099,412.95	6.9%	\$99,573,489.92	-3.4%	\$103,548,472.74	4.0%	\$105,656,054.86	2.0%
Fines, Forfeits and Penalties	\$29,859,500.70	6.1%	\$33,231,271.98	11.3%	\$36,672,476.30	10.4%	\$36,205,386.26	-1.3%	\$27,692,663.63	-23.5%
Earnings on Investments	\$4,964,621.46	36.1%	\$922,415.08	-81.4%	\$1,672,430.15	81.3%	\$1,255,747.74	-24.9%	\$103,888.19	-91.7%
Transfer from Lottery Commission	\$43,290,026.10	5.3%	\$42,038,985.68	-2.9%	\$40,706,921.47	-3.2%	\$41,559,579.14	2.1%	\$42,541,229.68	2.4%
Transfers to Tax Relief Programs	(\$107,402,708.66)	-312.9%	(\$108,173,767.59)	-0.7%	(\$111,219,411.02)	-2.8%	(\$120,632,550.58)	-8.5%	(\$110,614,196.47)	8.3%
Transfers for Municipal Revenue Sharing	(\$95,248,151.46)	-12.3%	(\$95,156,901.36)	0.1%	(\$105,301,270.01)	-10.7%	(\$94,244,234.36)	10.5%	(\$79,598,954.97)	15.5%
Other Revenue	\$45,302,881.66	-51.3%	\$33,731,912.52	-25.5%	\$33,784,066.14	0.2%	\$34,900,373.56	3.3%	\$30,975,150.53	-11.2%
TOTAL GENERAL FUND REVENUE	\$2,221,316,797.31	4.2%	\$2,288,079,089.41	3.0%	\$2,360,099,381.70	3.1%	\$2,152,952,527.09	-8.8%	\$2,086,512,611.40	-3.1%
HIGHWAY FUND										
Fuel Taxes	\$165,486,725.60	0.2%	\$168,332,477.56	1.7%	\$167,430,291.57	-0.5%	\$161,679,510.00	-3.4%	\$163,891,760.78	1.4%
Motor Vehicle Registration and Fees	\$68,654,661.11	2.0%	\$68,687,072.78	0.0%	\$67,910,304.81	-1.1%	\$72,979,931.19	7.5%	\$63,838,026.24	-12.5%
Inspection Fees	\$3,529,493.11	2.7%	\$3,576,974.90	1.3%	\$3,292,981.51	-7.9%	\$3,262,176.58	-0.9%	\$3,270,129.77	0.2%
Fines	\$1,490,743.45	8.6%	\$1,430,018.63	-4.1%	\$1,464,389.22	2.4%	\$1,478,015.80	0.9%	\$1,265,104.48	-14.4%
Income from Investments	\$1,265,384.20	38.7%	\$699,998.88	-44.7%	\$1,111,890.60	58.8%	\$405,019.61	-63.6%	\$123,935.29	-69.4%
Other Revenue	\$8,278,371.75	7.8%	\$8,227,875.14	-0.6%	\$8,175,810.74	-0.6%	\$8,155,107.04	-0.3%	\$7,201,325.09	-11.7%
TOTAL HIGHWAY FUND REVENUE	\$248,705,379.22	1.2%	\$250,954,417.89	0.9%	\$249,385,668.45	-0.6%	\$247,959,760.22	-0.6%	\$239,590,281.65	-3.4%