



FISCAL NEWS

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Month In Review

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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.



The Revenue Forecasting Committee (RFC) met at the end of April to update its revenue forecast armed with the new economic forecast of the Consensus Economic Forecasting Commission (CEFC), updated federal income tax data and updated actual revenue experience, including preliminary data from the critically important April individual income tax filings. Based on this new data, the RFC revised downward the forecast for all funds included in its forecast, creating new budget shortfalls for the 126th Legislature to address. The exception was the Fund for a Healthy Maine (FHM) for which the RFC recognized a one-time positive variance from April tobacco settlement payments, which was sufficient to offset other downward adjustments.

General Fund revenue, which was significantly under budget for the month of March, recovered strongly in April due to Individual Income Tax final payments. The strength of Individual Income Tax collections in the current fiscal year, driven largely by taxpayer behavior recognizing income in tax year 2012 to avoid pending adverse tax changes in tax year 2013, produced enough of an increase in the RFC's fiscal year 2013 General Fund revenue forecast to offset the on-going reductions from the Corporate Income Tax and Sales and Use Tax categories. The sizeable reductions in these categories significantly outweighed the Individual Income Tax on-going upward revision for the 2014-2015 biennium and the next.

In the Highway Fund revenue forecast, the RFC recognized the recent negative variances for Fuel Taxes and made a downward revision for each year of the forecast period.

Improvement in General Fund cash balances, particularly the strength of April revenue performance, and the health of cash balances in other funds were sufficient for the State to once again avoid having to borrow externally for General Fund cash flow needs this fiscal year.

Maine Public Employees Retirement System (MainePERS) investments increased by 4.7% during the last quarter largely on the strong performance of the U.S. stock market. The system's assets increased by \$400 million last quarter to \$11.4 billion as of March 31st.

The State's operating expenditures through three quarters of fiscal year 2013 declined by 0.7% compared with the same period last fiscal year. Although General Fund expenditures in the Department of Health and Human Services (DHHS) declined by more than 5% compared with the same period last fiscal year, the downward trend needs to drop even further in the last quarter of this fiscal year to achieve overall budgeted savings within the department.

MaineCare spending is a major area within DHHS in which spending has failed to decline as budgeted. With just two months remaining in the fiscal year, the question now appears to be will the enhanced authority of DHHS to transfer funding from other DHHS programs and to delay the last hospital cycle payment this fiscal year into the next fiscal year be sufficient to cover the shortfall.



General Fund Revenue Update

Total General Fund Revenue - FY 2013 (\$'s in Millions)

| | Budget | Actual | Var. | % Var. | Prior Year | % Growth |
|-------|-----------|-----------|----------|--------|------------|----------|
| March | \$231.0 | \$199.8 | (\$31.2) | -13.5% | \$226.5 | -11.8% |
| FYTD | \$1,924.3 | \$1,919.3 | (\$5.1) | -0.3% | \$1,918.9 | 0.0% |

General Fund revenue was under budget by \$31.2 million (13.5%) in March and \$5.1 million (0.3%) for the three quarters of this fiscal year. Through March, General Fund revenue growth was virtually flat compared with the same period last fiscal year. However, Individual Income Tax collections in April surged ahead of budget with final payments for the 2012 tax year verifying that there was a significant amount of shifting of income into 2012 by high-income taxpayers in reaction to pending tax changes. Individual Income Tax performance this fiscal year has been strong enough to offset sizeable negative variances in Sales and Use Tax and Corporate Income Tax. As a result, the Revenue Forecasting Committee (RFC) revised its General Fund revenue projections for fiscal year 2013 upward by approximately \$43.5 million (see Revenue Forecast Update article for more information about the revenue forecast).

The Individual Income Tax category was \$38.0 million over budget for the fiscal year through March. This category suffered a temporary set-back in March as collections came in under budget by \$10.8 million. Much of this negative variance was related to a timing issue in the monthly distribution of withholding payments. Preliminary data indicate that withholding will get back on track after April collections. The big story in April, however, is a significant positive variance in final payments for the 2012 tax year. These payments are running ahead of projections by more than \$55 million for the month.

Through April, the Individual Income Tax positive variance may be as high as \$90 million. The RFC revised this category upward by \$81.1 million in FY 2013.

Sales and Use Tax was \$11.1 million under budget in March and \$16.6 million for the fiscal year through March. April's collections are once again falling below budget and the negative variance for the fiscal year through April will be close to \$20 million. The RFC revised this category downward by \$22.1 million in fiscal year 2013.

Corporate Income Tax was under budget by \$6.6 million in March and was \$13.2 million under budget for the fiscal year through March. Preliminary data for April show this category over budget by slightly more than \$1 million for the month. Negative variances also continue to grow. Despite April's performance, the RFC conservatively revised this category downward by \$15 million in FY 2013.

Estate Tax collections, which are difficult to predict and distribute to a monthly budget, remained under budget through March by \$3.6 million. April's performance improved and will reduce this negative variance. Despite this negative variance, the RFC revised its projections of this category upward by \$5.4 million. This amount is over and above the \$7.0 million recognized in the recently enacted supplemental budget bill. Information about a pending estate tax payment provided to Maine Revenue Services was the primary basis for this adjustment.

Highway Fund Revenue Update

Total Highway Fund Revenue - FY 2013 (\$'s in Millions)

| | Budget | Actual | Var. | % Var. | Prior Year | % Growth |
|-------|---------|---------|---------|--------|------------|----------|
| March | \$23.4 | \$22.7 | (\$0.7) | -3.2% | \$23.2 | -2.2% |
| FYTD | \$221.3 | \$219.4 | (\$1.9) | -0.9% | \$217.9 | 0.7% |



Highway Fund Revenue Update (continued)

Highway Fund revenue was under budget by \$0.7 million (3.2%) in March and \$1.9 million (0.9%) for three quarters of fiscal year 2013. Highway Fund revenue through March was still showing positive growth of 0.7%, but only due to the significant one-time title fee revenue received in October. Fuel tax collections appear to be on a track to drive this growth rate into negative territory by the end of this fiscal year.

Fuel tax collections have fallen \$2.6 million (1.8%) below budget for the year through March and 2.1% below the same period last fiscal year. High fuel prices, both motor fuel and heating oil prices,

have placed significant financial burdens on Maine consumers. Recent reductions in oil prices, affecting gasoline and other fuel prices have yet to change the downward trend in fuel consumption. As a result, the Revenue Forecasting Committee (RFC) revised revenue estimates for Fuel Taxes downward by \$3.6 million in fiscal year 2013.

Positive variances from motor vehicle registrations and fees, particularly October title fee revenue, have provided a partial offset to the significant negative variances from the Fuel Taxes category. The RFC revised the forecast upward in this category in the current fiscal year only.

Tobacco Settlement Payment Update

April Tobacco Settlement Payments that accrue to the Fund for a Healthy Maine (FHM) totaled \$50.99 million, \$1.51 million over budget. This variance was recognized as an increase of budgeted revenue (FHM) by the Revenue Forecasting Committee (RFC) as its meeting on April 26th. At that time, insufficient data was available regarding the components of the payment for the RFC to extrapolate that variance to future fiscal years.

There remains a significant amount of uncertainty

surrounding these payments as a result of pending litigation on certain adjustments within the Master Settlement Agreement. Some states recently reached a settlement on one of the pending legal questions regarding these adjustments, but Maine was not one of those states. Maine's case, which will decide a reduction factor, is still pending. The RFC will have more information about the April payments and potentially the outcome of Maine's posture in the legal proceedings to revise the next regular forecast due in December.

Revenue Forecast Update

The Revenue Forecasting Committee (RFC) met on April 26th to revise its forecast based on the updated economic forecast and a review of recent experience. During the first regular session years, the RFC's mid-session reporting date is May 1st to allow the RFC to capture critical individual income tax revenue data from the April 15th filing deadline. The table on the next page summarizes the changes to the current forecast for each of the funds forecast by the RFC, the incremental change each fiscal year and the revised budgeted revenue. The RFC will be releasing its report and final projections on its May 1st reporting deadline.

Most critical to this Legislature are the changes in the three fiscal years that affect the current "budget

window" that must be balanced, the current fiscal year and the next biennium. For the General Fund, this forecast reduces budgeted resources by \$14.6 million in aggregate over that period. That reduction in budgeted resources is actually closer to \$21 million when factoring in \$3.2 million of annual revenue recognized in this forecast that was also included in the Governor's original budget proposals for fiscal years 2014 and 2015. The Governor's original budget proposals left a budgeted ending General Fund balance of roughly \$16.8 million at the close of the 2014-2015 biennium. That balance could be applied to offset a portion of this new revenue shortfall created by this revenue revision.

**Revenue Forecast Update (continued)**

The General Fund budget is also indirectly affected by the forecast of the MaineCare Dedicated Revenue Taxes that provide resources for the MaineCare program and reduce the General Fund contributions. This forecast reduces projected dedicated revenue sources for the MaineCare program by roughly \$3.3 million over the current budget window and potentially shifts those costs to the General Fund.

The Highway Fund, proportionately, is the most adversely affected by this revenue forecast with the downward revisions as a result of updated

projections of Fuel Taxes. Over the budget window, the Highway Fund loses \$11.3 million of budgeted revenue. Also discouraging is the trend of fuel tax collections, which projected out by the RFC will produce a declining revenue pattern throughout the forecast period.

The Fund for a Healthy Maine was the only fund revised upward for the current budget window by the RFC. A sizeable variance in this April's tobacco settlement payments offset reductions throughout the forecast period from other Fund for a Healthy Maine revenue sources.

Summary of May 2013 Revenue Revisions

Millions of \$'s

General Fund Summary

| | FY12 Actual | FY13 | FY14 | FY15 | FY16 | FY17 |
|-------------------------|--------------------|-------------|-------------|-------------|-------------|-------------|
| Current Forecast | \$3,015.5 | \$3,007.8 | \$2,914.3 | \$3,011.6 | \$3,119.1 | \$3,222.5 |
| Annual % Growth | 2.4% | -0.3% | -3.1% | 3.3% | 3.6% | 3.3% |
| Net Increase (Decrease) | | \$43.5 | (\$33.8) | (\$24.3) | (\$26.4) | (\$24.8) |
| Revised Forecast | \$3,015.5 | \$3,051.3 | \$2,880.5 | \$2,987.2 | \$3,092.6 | \$3,197.7 |
| Annual % Growth | 2.4% | 1.2% | -5.6% | 3.7% | 3.5% | 3.4% |

Highway Fund Summary

| | FY12 Actual | FY13 | FY14 | FY15 | FY16 | FY17 |
|-------------------------|--------------------|-------------|-------------|-------------|-------------|-------------|
| Current Forecast | \$317.2 | \$318.9 | \$311.7 | \$309.7 | \$309.4 | \$308.9 |
| Annual % Growth | 1.9% | 0.5% | -2.3% | -0.6% | -0.1% | -0.2% |
| Net Increase (Decrease) | | (\$3.5) | (\$3.9) | (\$4.0) | (\$4.0) | (\$3.8) |
| Revised Forecast | \$317.2 | \$315.4 | \$307.8 | \$305.8 | \$305.4 | \$305.0 |
| Annual % Growth | 1.9% | -0.6% | -2.4% | -0.7% | -0.1% | -0.1% |

Fund for a Healthy Maine Summary

| | FY12 Actual | FY13 | FY14 | FY15 | FY16 | FY17 |
|-------------------------|--------------------|-------------|-------------|-------------|-------------|-------------|
| Current Forecast | \$55.5 | \$49.5 | \$53.9 | \$53.4 | \$53.0 | \$52.5 |
| Annual % Growth | 2.1% | -10.9% | 8.9% | -0.9% | -0.9% | -0.9% |
| Net Increase (Decrease) | | \$1.5 | (\$0.5) | (\$0.4) | (\$0.4) | (\$0.4) |
| Revised Forecast | \$55.5 | \$51.0 | \$53.4 | \$53.1 | \$52.6 | \$52.1 |
| Annual % Growth | 2.1% | -8.2% | 4.8% | -0.7% | -0.9% | -0.9% |

Medicaid/Maine Care Dedicated Revenue Taxes Summary

| | FY12 Actual | FY13 | FY14 | FY15 | FY16 | FY17 |
|-------------------------|--------------------|-------------|-------------|-------------|-------------|-------------|
| Current Forecast | \$151.9 | \$154.4 | \$154.4 | \$154.4 | \$154.4 | \$154.4 |
| Annual % Growth | 2.6% | 1.6% | 0.0% | 0.0% | 0.0% | 0.0% |
| Net Increase (Decrease) | | (\$1.1) | (\$1.1) | (\$1.1) | (\$1.1) | (\$1.1) |
| Revised Forecast | \$151.9 | \$153.3 | \$153.3 | \$153.3 | \$153.3 | \$153.3 |
| Annual % Growth | 2.6% | 0.9% | 0.0% | 0.0% | 0.0% | 0.0% |



Cash Update

The average total cash pool balance for March was \$316.4 million: \$91.5 million lower than February; \$16.8 million higher than last March and \$111.2 million less than the \$427.7 million average balance for March of the previous 10 years. March is typically the low point for cash balances every year before April individual income tax revenue improves the State's cash position.

General Fund internal borrowing was \$29.3 million higher than March 2012. The strength of the overall cash pool has been sufficient to support this higher level of borrowing. Having managed to meet General Fund cash flow needs by internal borrowing only through the critical turnaround in cash towards the end April, it is now clear that the State will not seek external sources for cash again this fiscal year. Fiscal year 2006 was the last year the State issued Tax Anticipation Notes or borrowed externally.

| Summary of Treasurer's Cash Pool | | |
|---|-------------------------|----------------|
| March Average Daily Balances | | |
| | Millions of \$'s | |
| | 2012 | 2013 |
| General Fund (GF) Total | \$19.1 | \$20.9 |
| General Fund (GF) Detail: | | |
| Budget Stabilization Fund | \$70.7 | \$44.6 |
| Reserve for Operating Capital | \$17.1 | \$17.1 |
| Tax Anticipation Notes | \$0.0 | \$0.0 |
| Internal Borrowing | \$314.0 | \$343.4 |
| Other General Fund Cash | (\$382.7) | (\$384.1) |
| Other Spec. Rev. - Interest to GF | (\$15.9) | (\$4.9) |
| Other State Funds - Interest to GF | \$18.0 | \$17.1 |
| Highway Fund | \$40.9 | \$43.1 |
| Other Spec. Rev. - Retaining Interest | \$16.3 | \$12.9 |
| Other State Funds | \$116.6 | \$98.8 |
| Independent Agency Funds | \$104.8 | \$128.6 |
| Total Cash Pool | \$299.7 | \$316.4 |

MainePERS Investment Update

Maine Public Employees Retirement System (MainePERS) investments were up 4.7% for the quarter and 9.6% over the previous one year period. The total plan assets increased \$400 million for the quarter, from \$11.0 billion as of December 31, 2012 to \$11.4 billion as of March 31, 2013.

For the quarter ending March 31, 2013, US stocks were up 11.0% and international stocks returned 3.2%. US bonds were down slightly, decreasing by 0.1%. During that same time period, just over 90% of MainePERS investments were allocated among US Stocks (34.3%), US Bonds (26.4%), International

Stocks (24.5%), and Real Estate (5.4%), with the balance in Other, Infrastructure, Private Equity and Cash.

The table below has the long-term return information as of March 31, 2013. Over the past 30 years, the fund has had an average return of 8.9% per year. It is important to realize that quarterly and annual performance can deviate significantly from this long-term average in any given year and will not affect the rates for the 2014-2015 biennium, which were established based on the returns and value of plan assets as of June 30, 2012.

| Long-Term Performance ending March 31, 2013 | | | | | |
|--|---------------|----------------|----------------|-----------------|-----------------|
| | 1 Year | 3 Years | 5 Years | 10 Years | 30 Years |
| Total Fund | 9.6% | 8.9% | 4.2% | 8.2% | 8.9% |



State Expenditure Update

The State’s expenditures in its operating funds declined by 0.7% through three quarters of FY 2013 compared with the same period in FY 2012. Declines in General Fund and Federal Funds expenditures were only partially offset by a 5.2% increase of expenditures in Other Special Revenue Funds. Highway Fund expenditures for this period increased by less than 1%. The table below summarizes the expenditures of the State’s operating funds and provides detail by the major departments for the General Fund and Highway Fund expenditures.

The General Fund expenditure decline was led by the Department of Health and Human Services (DHHS), which declined by \$44.5 million or 5.2% for three quarters of FY 2013. For FY 2013, total appropriations for the fiscal year were budgeted to decline by \$147.5 million prior to the additional funding provided by the Emergency FY 2013 Supplemental Budget Bill. Extending the DHHS spending pattern of the first three quarters

through the end of FY 2013, it appears unlikely that DHHS will achieve the budgeted FY 2013 decline of \$69.8 million, even after the additional supplemental funding recently provided. A much higher proportional reduction in DHHS spending will need to occur in the final quarter.

The Department of Education is also budgeted to reduce its General Fund spending compared with FY 2012 by \$10.3 million or 0.9% after the adjustments in the Emergency FY 2013 Supplemental Budget. Although the positive growth in spending through three quarters of FY 2013 at \$14.2 million or 1.7% growth appears inconsistent with the budget, the most significant supplemental budget changes, the \$12.6 million school subsidy reduction and the \$18.5 million June subsidy payment deferral disproportionately reduce fourth quarter spending.

A significant portion of the 1.8% reduction in Federal Funds spending is driven by the reduction in DHHS spending for MaineCare and other programs with federal matching funds.

Operating Funds - Expenditures through 3rd Quarter

| Operating Funds : | FY 2012 | FY 2013 | % Change |
|--|------------------------|------------------------|-----------------|
| General Fund | \$2,343,602,403 | \$2,306,087,547 | -1.6% |
| Highway Fund | \$232,651,706 | \$234,416,860 | 0.8% |
| Other Special Revenue Funds | \$663,154,400 | \$697,802,191 | 5.2% |
| Federal Funds | \$1,959,732,992 | \$1,924,802,318 | -1.8% |
| Total Operating Funds | \$5,199,141,501 | \$5,163,108,917 | -0.7% |
| General Fund Expenditures by Major Department | | | |
| Education | \$834,909,223 | \$849,062,727 | 1.7% |
| Health and Human Services | \$861,196,894 | \$816,699,753 | -5.2% |
| Corrections | \$100,183,794 | \$99,620,438 | -0.6% |
| Administrative and Financial Services | \$103,910,081 | \$102,852,467 | -1.0% |
| Other Departments and Agencies | \$443,402,410 | \$437,852,164 | -1.3% |
| Highway Fund Expenditures by Major Department | | | |
| Transportation | \$184,974,190 | \$187,145,467 | 1.2% |
| Secretary of State | \$22,601,068 | \$23,735,287 | 5.0% |
| Public Safety | \$22,071,135 | \$21,520,824 | -2.5% |
| Other Departments and Agencies | \$3,005,313 | \$2,015,283 | -32.9% |



MaineCare Update

MaineCare Cycle Spending

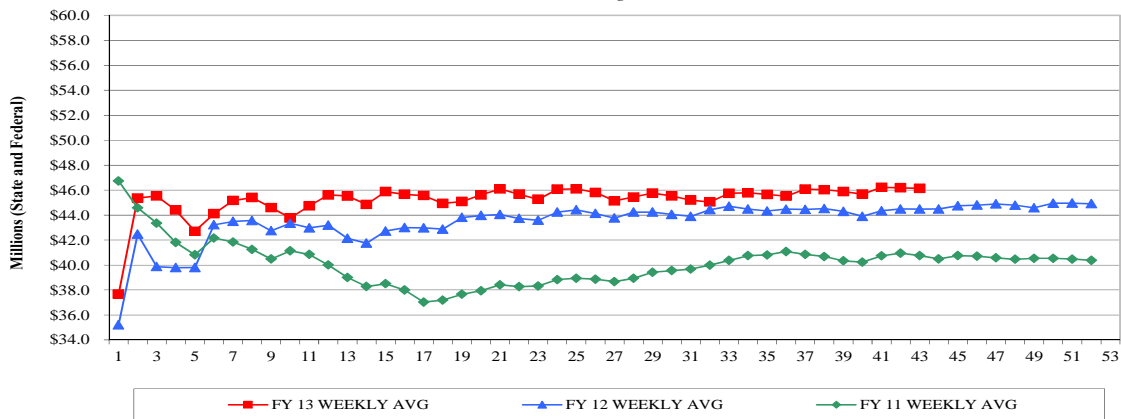
The average weekly MaineCare cycle for FY 2013 through Week 43 was \$46.1 million (state and federal dollars), a slight increase from the average through Week 38 of \$46.0 million but significantly above the FY 2012 average of \$44.9 million. MaineCare Chart 1 below summarizes average weekly MaineCare cycle payments for FY 2013 as well as comparable payment cycle averages for FY 2011 and FY 2012. MaineCare Chart 2 summarizes the actual cycles each week for FY 2013 and for FY 2011 and FY 2012.

MaineCare Chart 1 shows weekly MaineCare cycle averages have been consistently above the average for FY 2012. MaineCare Chart 2 shows that the monthly billing “high point” cycle for April was \$68.5 million in Week 41, an increase over the March monthly billing “high point” cycle of \$66.5 million in

Week 37. Over the first ten months of FY 2013, the monthly billing “high point” cycles have averaged \$59.6 million, an increase over the FY 2012 monthly billing “high point” cycle average of \$57.0 million.

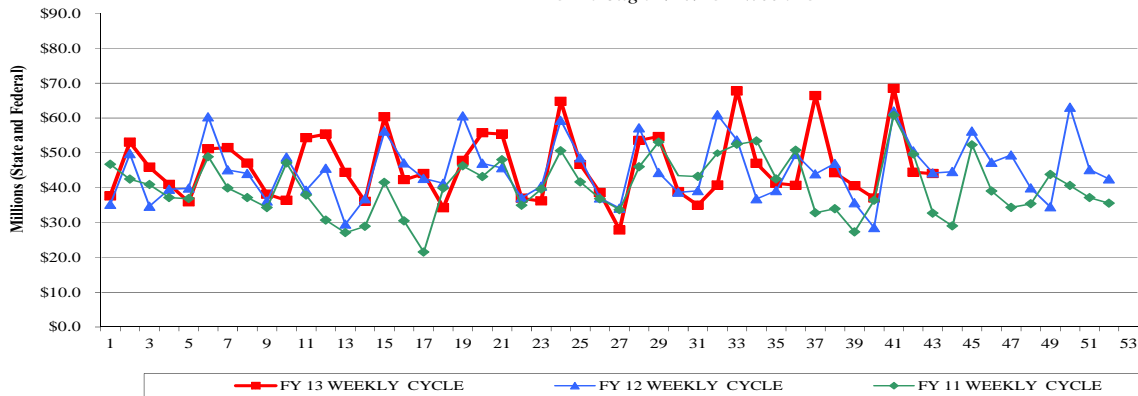
With only two months remaining in FY 2013, and little evidence of a change in the MaineCare cycle payment trend despite continued declines in MaineCare caseloads, the \$81.6 million net supplemental FY 2013 MaineCare appropriation provided earlier this year in the Emergency FY 2013 Supplemental Budget Bill (PL 2013, c. 1), will not likely be sufficient to meet MaineCare obligations for the remainder of FY 2013. Absent new funding, the Department of Health and Human Services (DHHS) will need to rely on the enhanced authority provided in Part U of PL 2013, c. 1, to transfer funds from other DHHS programs to MaineCare and delay at least some part of the final FY 2013 MaineCare cycle costs.

MaineCare Chart 1 - Weekly Cycle Averages - FY 11, FY 12 and FY 13
FY 13 Through 4/27/13 - Week 43



° FY 11 averages do not reflect MaineCare hospital settlements of \$227.7 million paid in the 3/18/11 (37th) and \$20.8 million paid in the 3/25/11 (38th) cycles. FY 13 averages do not reflect MaineCare hospital settlements of \$26.3 million paid in the 9/29/12 (13th) cycle.

MaineCare Chart 2 - Weekly Cycles - FY 11, FY 12 and FY 13
FY 13 Through 4/27/13 - Week 43



° FY 11 cycles do not include MaineCare hospital settlements of \$227.7 million paid in the 3/18/11 (37th) and \$20.8 million paid in the 3/25/11 (38th) cycles. FY 13 cycles do not reflect MaineCare hospital settlements of \$26.3 million paid in the 9/29/12 (13th) cycle.

**MaineCare Update (Continued)****MaineCare Expenditures through Nine Months**

MaineCare Table 1 summarizes MaineCare and Related expenditures (all state and federal dollars) through the first nine months for the last three fiscal years. The overall growth rate through nine months from FY 2012 to FY 2013 of 2.6%, included increases in the hospital services (i.e., from the continued implementation of the new hospital payment system), one-time hospital settlements, residential care, mental health services, and rehabilitation services payment categories. Significant decreases in expenditures through nine months occurred in the pharmacy and related, home and community-based care waivers, medical professionals, and the case management expenditure categories.

Another significant factor continuing to affect FY 2013 expenditures through nine months was the increased credits and other offsets in the “16 Other Adjustments” expenditure category. This category reflects financial transactions (e.g., third party liability collections, audit settlements, etc.) that were not assigned to another object of expenditure code. MaineCare Table 1 also summarizes the MaineCare and related programs General Fund expenditure impact through nine months. While the total impact shows a 4.9% decrease from FY 2012 to FY 2013, after adjusting for a significant one-time expenditure in FY 2012 for the targeted case management federal settlement and in FY 2013 for hospital settlement payments, the resulting adjusted General Fund impact shows a 1.7% decrease.

MaineCare Table 1 - MaineCare and Related Expenditures Through 9 Months*All Funds*

| Expenditure Categories | FY 2011 | FY 2012 | FY 2013 | Changes 2012 to 2013 | |
|--------------------------------------|------------------------|------------------------|------------------------|-----------------------|--------------|
| | | | | \$ | % |
| 1 Hospital Services | \$366,354,030 | \$345,451,173 | \$420,617,148 | \$75,165,975 | 21.8% |
| 1A Hospital Settlements ¹ | \$248,527,119 | \$0 | \$26,332,279 | \$26,332,279 | na |
| 2 Residential Care | \$333,962,500 | \$384,130,311 | \$390,427,036 | \$6,296,725 | 1.6% |
| 3 HCBC Waivers | \$211,895,830 | \$246,792,040 | \$241,278,036 | (\$5,514,004) | -2.2% |
| 4 Pharmacy and Related | \$224,065,379 | \$253,742,217 | \$234,646,145 | (\$19,096,071) | -7.5% |
| 5 Medical Professionals | \$124,672,563 | \$135,127,587 | \$126,652,232 | (\$8,475,355) | -6.3% |
| 6 Medicare Crossover Payments | \$40,865,957 | \$98,661,539 | \$95,767,966 | (\$2,893,573) | -2.9% |
| 7 Mental Health Services | \$144,431,202 | \$190,797,374 | \$201,876,712 | \$11,079,338 | 5.8% |
| 8 Clinic Services | \$35,909,037 | \$37,336,767 | \$39,777,049 | \$2,440,281 | 6.5% |
| 9 Home Health | \$16,217,116 | \$21,349,351 | \$22,216,380 | \$867,030 | 4.1% |
| 10 Rehabilitation Services | \$7,934,718 | \$13,429,960 | \$17,588,272 | \$4,158,311 | 31.0% |
| 11 Case Management ¹ | \$36,848,243 | \$60,675,754 | \$32,050,379 | (\$28,625,375) | -47.2% |
| 12 Certified Seed | \$5,833,314 | \$18,724,962 | \$17,680,107 | (\$1,044,855) | -5.6% |
| 13 Transportation Services | \$36,529,636 | \$35,721,644 | \$33,136,996 | (\$2,584,648) | -7.2% |
| 15 Other Services | \$11,314,281 | \$13,634,338 | \$9,895,950 | (\$3,738,389) | -27.4% |
| 16 Other Adjustments | \$53,184,717 | (\$14,515,967) | (\$21,750,397) | (\$7,234,429) | 49.8% |
| All Funds Totals | \$1,898,545,642 | \$1,841,059,050 | \$1,888,192,291 | \$47,133,241 | 2.6% |
| General Fund Totals | \$418,765,830 | \$621,565,179 | \$591,345,990 | (\$30,219,189) | -4.9% |
| One-Time Adjustments ¹ | (\$69,513,035) | (\$29,736,437) | (\$9,671,846) | | |
| General Fund Adjusted Totals | \$349,252,794 | \$591,828,742 | \$581,674,144 | (\$10,154,598) | -1.7% |

¹ Includes the one-time FY 2011 hospital settlement payment; FY 2012 targeted case management federal settlement and FY 2013 hospital settlement payment.



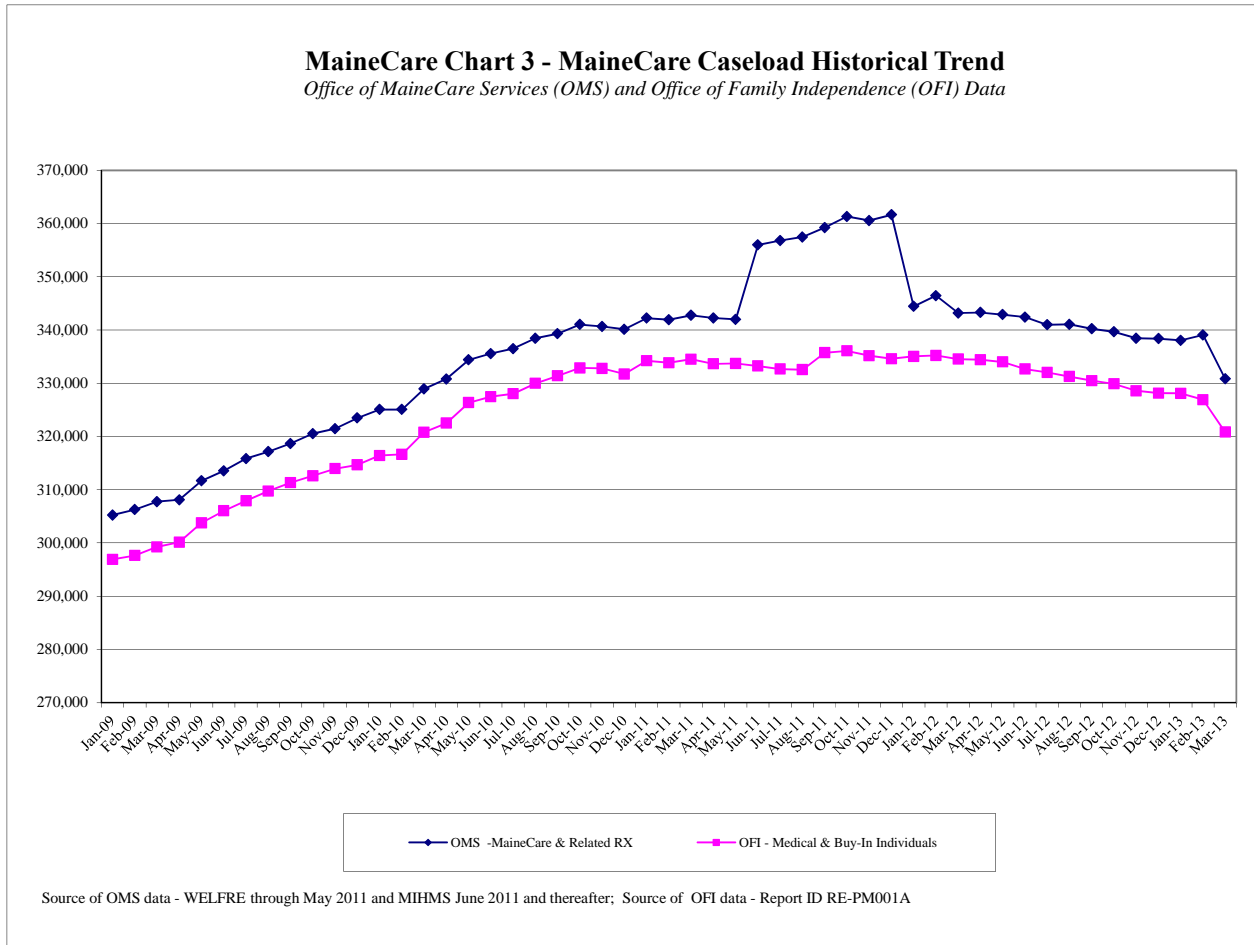
MaineCare Update (Continued)

MaineCare Caseload

MaineCare caseload data for March released by the Department of Health and Human Services’ (DHHS) Office of MaineCare Services (OMS) and by the DHHS Office of Family Independence (OFI) show aggregate caseload continuing to decrease. MaineCare Chart 3 below shows the OMS and OFI caseload data over time. The two sources count MaineCare caseload differently but, except for the problems with the initial switchover to the Maine Integrated Health Management System (MIHMS) caseload data source (June to December 2011), have done so consistently. MaineCare Table 2 provides caseload data detail from June 2011 through March 2013 compiled using the MIHMS system.

While MaineCare caseload continued to decrease

driven largely by decreases in the non-categorical adult waiver caseload as a result of the freeze on new enrollment, the March data show the first signs of the effects of ending MaineCare eligibility for parents from 133% to 200% of the Federal Poverty Level (FPL) that took effect March 1, 2013. As shown on MaineCare Table 2, the number of eligible parents between 150% and 200% of the FPL decreased from 6,477 in February to 1,740 in March, and the number of eligible parents below 150% of the FPL decreased from 20,619 to 17,077 in March. MaineCare Table 2 also shows an increase in the “Traditional Medicaid” eligibility category, that includes those eligible for transitional Medicaid coverage after losing eligibility. The transitional Medicaid coverage sub-category within the “Traditional Medicaid” eligibility group increased from 8,221 in February to 13,895 in March.



**MaineCare Update (Continued)**

| MaineCare Table 2 - MaineCare and Related 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 | MSP and DEL/Me Rx | Total |
| Jun-10 - May-11 | | | | | | | | |
| Averages | 239,326 | 10,291 | 5,407 | 20,918 | 16,153 | 6,787 | 41,309 | 340,191 |
| Jun-11 | 251,147 | 10,110 | 5,835 | 21,465 | 16,629 | 7,715 | 43,090 | 355,991 |
| Jul-11 | 251,756 | 10,307 | 5,854 | 21,641 | 16,257 | 7,692 | 43,292 | 356,799 |
| Aug-11 | 252,163 | 10,434 | 5,841 | 21,809 | 15,853 | 7,752 | 43,610 | 357,462 |
| Sep-11 | 250,207 | 10,588 | 5,834 | 22,059 | 18,957 | 7,713 | 43,871 | 359,229 |
| Oct-11 | 251,932 | 10,874 | 5,825 | 22,566 | 18,819 | 7,862 | 43,437 | 361,315 |
| Nov-11 | 252,087 | 10,741 | 5,829 | 21,884 | 18,496 | 7,850 | 43,667 | 360,554 |
| Dec-11 | 253,016 | 10,943 | 5,817 | 21,977 | 18,023 | 7,929 | 43,940 | 361,645 |
| Jan-12 | 253,350 | 10,925 | 5,850 | 22,154 | 17,535 | 7,984 | 45,771 | 363,569 |
| <i>DHHS Revisions</i> | <i>-11,820</i> | <i>-540</i> | <i>-186</i> | <i>-1,445</i> | <i>-2,304</i> | <i>-1,015</i> | <i>-1,812</i> | <i>-19,122</i> |
| Revised Jan-12 | 241,530 | 10,385 | 5,664 | 20,709 | 15,231 | 6,969 | 43,959 | 344,447 |
| Feb-12 | 243,780 | 10,216 | 5,725 | 20,736 | 14,846 | 6,990 | 44,162 | 346,455 |
| Mar-12 | 244,994 | 10,120 | 5,719 | 20,877 | 14,537 | 7,108 | 45,144 | 348,499 |
| <i>DHHS Revisions</i> | <i>-3,274</i> | <i>-208</i> | <i>-51</i> | <i>-406</i> | <i>-229</i> | <i>-176</i> | <i>-970</i> | <i>-5,314</i> |
| Revised Mar-12 | 241,720 | 9,912 | 5,668 | 20,471 | 14,308 | 6,932 | 44,174 | 343,185 |
| Apr-12 | 241,764 | 10,106 | 5,608 | 20,854 | 13,888 | 6,867 | 44,202 | 343,289 |
| May-12 | 241,794 | 10,076 | 5,642 | 20,768 | 13,460 | 6,874 | 44,266 | 342,880 |
| Jun-12 | 241,404 | 10,219 | 5,619 | 21,020 | 13,029 | 6,827 | 44,313 | 342,431 |
| Jul-12 | 240,225 | 10,021 | 5,545 | 21,225 | 12,820 | 6,752 | 44,411 | 340,999 |
| Aug-12 | 240,857 | 9,984 | 5,553 | 21,178 | 12,388 | 6,728 | 44,373 | 341,061 |
| Sep-12 | 240,176 | 10,130 | 5,529 | 21,233 | 12,050 | 6,676 | 44,434 | 340,228 |
| Oct-12 | 239,893 | 10,153 | 5,564 | 21,244 | 11,532 | 6,759 | 44,527 | 339,672 |
| Nov-12 | 239,071 | 10,235 | 5,576 | 21,122 | 11,074 | 6,726 | 44,642 | 338,446 |
| Dec-12 | 239,052 | 10,295 | 5,612 | 21,149 | 10,749 | 6,752 | 44,775 | 338,384 |
| Jan-13 | 238,974 | 10,299 | 5,608 | 21,177 | 10,378 | 6,711 | 44,893 | 338,040 |
| Feb-13 | 241,593 | 9,774 | 5,568 | 20,619 | 10,116 | 6,477 | 44,908 | 339,055 |
| Mar-13 | 247,357 | 6,311 | 5,154 | 17,077 | 9,857 | 1,740 | 44,893 | 332,389 |

Note: Beginning with its June 2011 MaineCare Caseload report, DHHS switched the source of MaineCare caseload data from the old WELFRE system to the new Maine Integrated Health Management System (MIHMS). The caseload data above include data from June 2011 through March 2013 compiled using the MIHMS system and data from June 2010 through May 2011 compiled using the WELFRE system. In January and March of 2012, DHHS revised its caseload count to correct for ineligible cases that MIHMS had continued to include as eligible.

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 (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** (eff. 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.
- **Medicare Savings Program (MSP) and DEL/Me Rx** include persons eligible for Medicaid, but not for "full benefits" (e. g., QMB, SLMB, QI) who meet the criteria for participation in DEL and/or Maine Rx.

General Fund Revenue Fiscal Year Ending June 30, 2013 (FY 2013) March 2013 Revenue Variance Report

| Revenue Category | | | | Fiscal Year-To-Date | | | | | FY 2013 Budgeted Totals |
|---|---------------------|---------------------|-----------------------|----------------------|----------------------|--------------------|---------------|--------------------------------|-------------------------------|
| | March '13 Budget | March '13 Actual | March '13 Variance | Budget | Actual | Variance | Variance % | % Change from Prior Year | |
| Sales and Use Tax | 73,016,157 | 61,952,890 | (11,063,267) | 673,242,851 | 656,692,284 | (16,550,567) | -2.5% | -0.4% | 1,006,986,404 |
| Service Provider Tax | 4,164,108 | 3,802,513 | (361,595) | 34,685,811 | 32,801,807 | (1,884,004) | -5.4% | 0.5% | 53,586,812 |
| Individual Income Tax | 71,881,000 | 61,089,049 | (10,791,951) | 923,795,000 | 961,830,874 | 38,035,874 | 4.1% | 3.8% | 1,413,890,000 |
| Corporate Income Tax | 30,263,702 | 23,682,924 | (6,580,778) | 117,144,373 | 103,979,645 | (13,164,728) | -11.2% | -33.9% | 186,021,732 |
| Cigarette and Tobacco Tax | 9,381,518 | 10,432,669 | 1,051,151 | 102,352,305 | 102,309,864 | (42,441) | 0.0% | -2.5% | 138,180,000 |
| Insurance Companies Tax | 14,743,929 | 12,897,612 | (1,846,317) | 29,885,209 | 28,350,837 | (1,534,372) | -5.1% | -11.2% | 80,715,000 |
| Estate Tax | 3,587,800 | 2,588,244 | (999,556) | 39,902,833 | 36,330,220 | (3,572,613) | -9.0% | 49.3% | 64,878,175 |
| Other Taxes and Fees * | 18,726,245 | 16,156,813 | (2,569,432) | 106,338,378 | 101,265,630 | (5,072,748) | -4.8% | 17.1% | 151,399,353 |
| Fines, Forfeits and Penalties | 2,772,028 | 2,280,601 | (491,427) | 18,089,189 | 17,719,122 | (370,067) | -2.0% | -1.9% | 24,452,139 |
| Income from Investments | (11,897) | 4,342 | 16,239 | 48,025 | 94,296 | 46,271 | 96.3% | -41.5% | 66,082 |
| Transfer from Lottery Commission | 5,052,893 | 6,935,023 | 1,882,130 | 39,412,503 | 39,227,135 | (185,368) | -0.5% | -3.0% | 52,550,000 |
| Transfers to Tax Relief Programs * | (2,406,686) | (2,210,396) | 196,290 | (108,844,580) | (108,040,886) | 803,694 | 0.7% | 3.3% | (112,086,562) |
| Transfers for Municipal Revenue Sharing | (3,835,503) | (3,085,884) | 749,619 | (65,246,937) | (67,407,806) | (2,160,869) | -3.3% | 2.3% | (93,076,067) |
| Other Revenue * | 3,705,972 | 3,289,567 | (416,405) | 13,541,163 | 14,112,783 | 571,620 | 4.2% | -17.2% | 40,219,187 |
| Totals | 231,041,266 | 199,815,966 | (31,225,300) | 1,924,346,123 | 1,919,265,805 | (5,080,318) | -0.3% | 0.0% | 3,007,782,255 |

* Additional detail by subcategory for these categories is presented on the following page.

General Fund Revenue Fiscal Year Ending June 30, 2013 (FY 2013) March 2013 Revenue Variance Report

| Revenue Category | | | | Fiscal Year-To-Date | | | | | FY 2013 Budgeted Totals |
|--|---------------------|---------------------|-----------------------|----------------------|----------------------|--------------------|---------------|--------------------------------|-------------------------------|
| | March '13 Budget | March '13 Actual | March '13 Variance | Budget | Actual | Variance | Variance % | % Change from Prior Year | |
| Detail of Other Taxes and Fees: | | | | | | | | | |
| - Property Tax - Unorganized Territory | 0 | 0 | 0 | 11,979,881 | 9,654,297 | (2,325,584) | -19.4% | -19.8% | 14,114,107 |
| - Real Estate Transfer Tax | 457,247 | 546,691 | 89,444 | 5,968,537 | 6,525,748 | 557,211 | 9.3% | 11.5% | 9,142,526 |
| - Liquor Taxes and Fees | 1,746,570 | 2,043,663 | 297,093 | 15,784,959 | 15,211,606 | (573,353) | -3.6% | -0.7% | 20,940,313 |
| - Corporation Fees and Licenses | 1,000,605 | 1,376,518 | 375,913 | 3,302,691 | 3,450,090 | 147,399 | 4.5% | 1.0% | 7,847,099 |
| - Telecommunication Excise Tax | 0 | 20,423 | 20,423 | 0 | (383,410) | (383,410) | N/A | 84.9% | 11,000,000 |
| - Finance Industry Fees | 1,906,100 | 2,397,200 | 491,100 | 17,633,602 | 19,183,480 | 1,549,878 | 8.8% | 2.2% | 23,351,990 |
| - Milk Handling Fee | 86,927 | 86,445 | (482) | 1,989,217 | 2,021,370 | 32,153 | 1.6% | 115.8% | 2,249,995 |
| - Racino Revenue | 1,508,559 | 1,287,563 | (220,996) | 11,932,796 | 10,867,887 | (1,064,909) | -8.9% | 24.9% | 16,458,622 |
| - Boat, ATV and Snowmobile Fees | 201,161 | 156,255 | (44,906) | 2,693,917 | 2,512,904 | (181,013) | -6.7% | -3.0% | 4,763,561 |
| - Hunting and Fishing License Fees | 856,340 | 690,374 | (165,966) | 12,142,106 | 11,728,547 | (413,559) | -3.4% | 2.1% | 16,214,189 |
| - Other Miscellaneous Taxes and Fees | 10,962,736 | 7,551,681 | (3,411,055) | 22,910,672 | 20,493,112 | (2,417,560) | -10.6% | 107.5% | 25,316,951 |
| Subtotal - Other Taxes and Fees | 18,726,245 | 16,156,813 | (2,569,432) | 106,338,378 | 101,265,630 | (5,072,748) | -4.8% | 17.1% | 151,399,353 |
| Detail of Other Revenue: | | | | | | | | | |
| - Liquor Sales and Operations | 2,292 | 3,750 | 1,458 | 20,628 | 18,900 | (1,728) | -8.4% | -16.9% | 8,084,900 |
| - Targeted Case Management (DHHS) | 175,449 | 1,589 | (173,860) | 1,579,040 | 1,627,368 | 48,328 | 3.1% | -51.3% | 2,105,386 |
| - State Cost Allocation Program | 1,675,900 | 1,276,051 | (399,849) | 12,096,039 | 11,626,202 | (469,837) | -3.9% | 20.7% | 16,115,330 |
| - Unclaimed Property Transfer | 0 | 0 | 0 | 0 | 0 | 0 | N/A | N/A | 6,000,000 |
| - Toursim Transfer | 0 | 0 | 0 | (9,932,319) | (9,932,319) | 0 | 0.0% | -5.4% | (9,932,319) |
| - Transfer to Maine Milk Pool | (84,374) | 0 | 84,374 | (1,667,377) | (1,520,704) | 146,673 | 8.8% | -160.5% | (2,007,657) |
| - Transfer to STAR Transportation Fund | 0 | 0 | 0 | (6,137,811) | (6,137,811) | 0 | 0.0% | -92.0% | (6,137,811) |
| - Other Miscellaneous Revenue | 1,936,705 | 2,008,176 | 71,471 | 17,582,963 | 18,431,147 | 848,184 | 4.8% | 6.9% | 25,991,358 |
| Subtotal - Other Revenue | 3,705,972 | 3,289,567 | (416,405) | 13,541,163 | 14,112,783 | 571,620 | 4.2% | -17.2% | 40,219,187 |
| Detail of Transfers to Tax Relief Programs: | | | | | | | | | |
| - Me. Resident Prop. Tax Program (Circuitbreaker) | (1,024,703) | (1,211,122) | (186,419) | (40,331,235) | (38,401,761) | 1,929,474 | 4.8% | 3.6% | (43,081,877) |
| - BETR - Business Equipment Tax Reimb. | (1,365,584) | (1,059,003) | 306,581 | (47,141,243) | (48,843,604) | (1,702,361) | -3.6% | 7.4% | (47,632,583) |
| - BETE - Municipal Bus. Equip. Tax Reimb. | (16,399) | 59,729 | 76,128 | (21,372,102) | (20,795,520) | 576,582 | 2.7% | -8.7% | (21,372,102) |
| Subtotal - Tax Relief Transfers | (2,406,686) | (2,210,396) | 196,290 | (108,844,580) | (108,040,886) | 803,694 | 0.7% | 3.3% | (112,086,562) |
| Inland Fisheries and Wildlife Revenue - Total | 1,133,805 | 921,249 | (212,556) | 15,578,417 | 15,135,425 | (442,992) | -2.8% | 1.5% | 21,894,711 |

Highway Fund Revenue Fiscal Year Ending June 30, 2013 (FY 2013) March 2013 Revenue Variance Report

| Revenue Category | | | | Fiscal Year-To-Date | | | | | FY 2013 Budgeted Totals |
|---|---------------------|---------------------|-----------------------|---------------------|--------------------|--------------------|---------------|--------------------------------|-------------------------------|
| | March '13 Budget | March '13 Actual | March '13 Variance | Budget | Actual | Variance | % Variance | % Change from Prior Year | |
| Fuel Taxes: | | | | | | | | | |
| - Gasoline Tax | 13,720,640 | 13,054,429 | (666,211) | 131,242,324 | 129,598,503 | (1,643,821) | -1.3% | -2.3% | 194,210,000 |
| - Special Fuel and Road Use Taxes | 3,692,546 | 3,814,506 | 121,960 | 31,262,486 | 30,120,956 | (1,141,530) | -3.7% | -1.1% | 45,180,000 |
| - Transcap Transfers - Fuel Taxes | (1,284,452) | (1,244,099) | 40,353 | (13,488,127) | (13,312,977) | 175,150 | 1.3% | 1.6% | (17,590,004) |
| - Other Fund Gasoline Tax Distributions | (343,112) | (327,619) | 15,493 | (3,703,344) | (3,667,058) | 36,286 | 1.0% | 4.5% | (4,856,610) |
| Subtotal - Fuel Taxes | 15,785,622 | 15,297,217 | (488,405) | 145,313,339 | 142,739,423 | (2,573,916) | -1.8% | -2.1% | 216,943,386 |
| Motor Vehicle Registration and Fees: | | | | | | | | | |
| - Motor Vehicle Registration Fees | 5,228,939 | 5,415,326 | 186,387 | 45,339,508 | 45,934,696 | 595,188 | 1.3% | -0.3% | 64,805,936 |
| - License Plate Fees | 286,447 | 329,807 | 43,360 | 2,265,347 | 2,422,987 | 157,640 | 7.0% | 0.9% | 3,351,681 |
| - Long-term Trailer Registration Fees | 2,415,308 | 2,390,378 | (24,930) | 8,210,569 | 8,261,951 | 51,382 | 0.6% | -0.6% | 9,384,523 |
| - Title Fees | 1,064,081 | 1,267,429 | 203,348 | 14,606,083 | 15,434,794 | 828,711 | 5.7% | 75.7% | 17,836,273 |
| - Motor Vehicle Operator License Fees | 803,271 | 730,976 | (72,296) | 6,552,828 | 6,340,138 | (212,690) | -3.2% | 2.8% | 8,761,371 |
| - Transcap Transfers - Motor Vehicle Fees | (3,184,392) | (3,465,300) | (280,908) | (12,435,136) | (12,807,702) | (372,566) | -3.0% | -18.7% | (16,764,002) |
| Subtotal - Motor Vehicle Reg. & Fees | 6,613,654 | 6,668,616 | 54,962 | 64,539,199 | 65,586,864 | 1,047,665 | 1.6% | 7.6% | 87,375,782 |
| Motor Vehicle Inspection Fees | 248,540 | 0 | (248,540) | 2,236,860 | 2,275,648 | 38,788 | 1.7% | -4.8% | 2,982,500 |
| Other Highway Fund Taxes and Fees | 89,425 | 66,927 | (22,499) | 890,421 | 863,392 | (27,029) | -3.0% | -7.9% | 1,276,365 |
| Fines, Forfeits and Penalties | 103,788 | 86,045 | (17,743) | 779,216 | 782,782 | 3,566 | 0.5% | 1.6% | 1,039,868 |
| Interest Earnings | 10,987 | 8,056 | (2,931) | 92,489 | 59,503 | (32,986) | -35.7% | -24.3% | 124,642 |
| Other Highway Fund Revenue | 560,231 | 543,310 | (16,921) | 7,435,381 | 7,085,782 | (349,599) | -4.7% | 1.1% | 9,123,222 |
| Totals | 23,412,247 | 22,670,169 | (742,078) | 221,286,905 | 219,393,394 | (1,893,511) | -0.9% | 0.7% | 318,865,765 |