

**Summary of
2010-2011
Biennial Budget**

**Prepared by the
Office of Fiscal & Program Review**

February 2009

**Summary of Governor's Proposed
2010-2011 Biennial Budget
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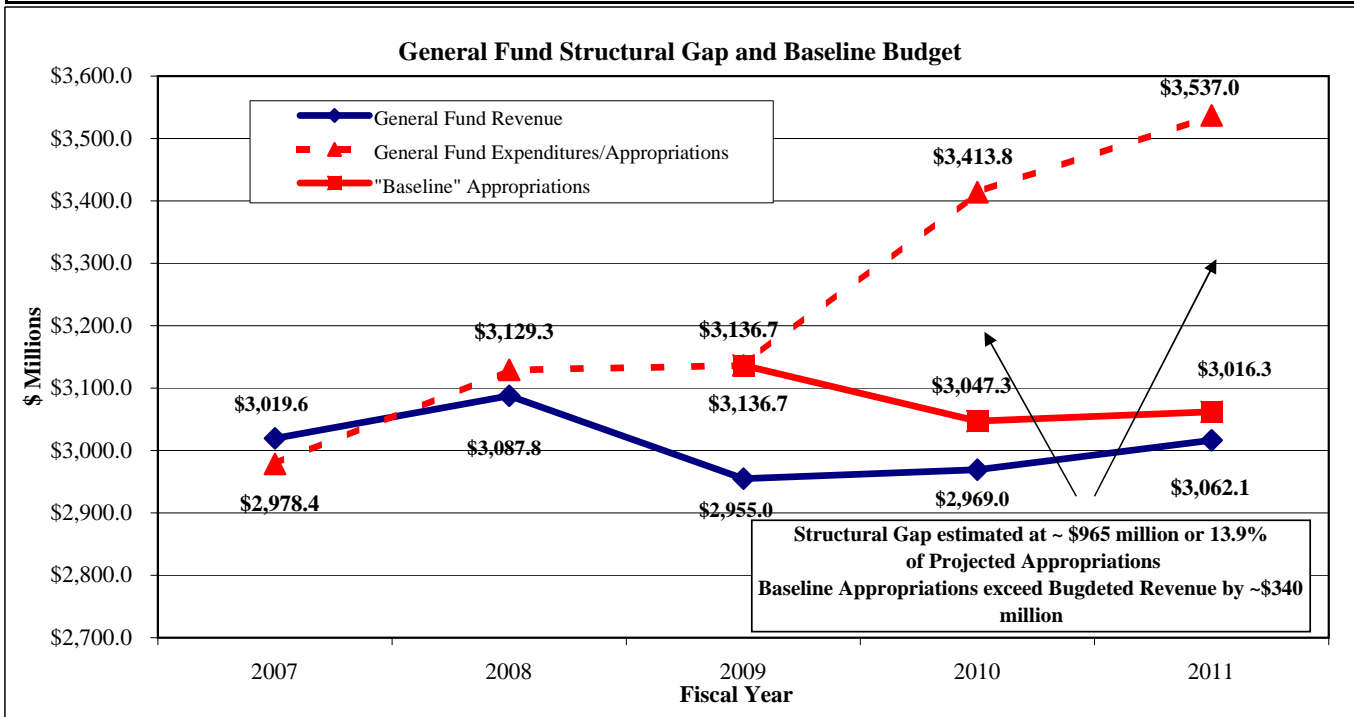
General Fund Structural Gap - Beginning 124th Legislature

The 2010-2011 biennium is the 2nd biennium that has used a new budget process and format. The traditional "Current Services" incremental approach to building a biennial budget was replaced with a new "Baseline Budget" approach and bill format recommended by the Commission to Reform the State Budget Process and adopted by the Legislature (see PL 2005, c. 601). This new "Baseline Budgeting" approach uses a modified flat-funded starting point that allows Personal Services appropriations to grow based on currently authorized positions, collective bargaining agreements and projected growth of contribution rates for retirement, health insurance and fringe benefits, but provides All Other funding at current year (FY 09) funding. The FY 09 base is adjusted for one-time initiatives. Capital Expenditures (for items costing more than \$5,000) are considered one-time and are not included in the Baseline Budget. Adjustments to this new Baseline Budget starting point are proposed as new initiatives.

Unlike previous biennia, there is no longer an official Governor's recommendation for current services appropriations and allocations upon which to report the so-called actual structural gap facing the 124th Legislature, the amount by which current services appropriations exceed budgeted resources. The analysis of the structural gap presented below is based on the estimates of "current services" appropriations compiled by the Office of Fiscal and Program Review (see Appendix B). These estimates exceed the estimates submitted by the Bureau of the Budget on September 30, 2008 by approximately \$125 million due to including amortization of unfunded liabilities for Other Post-employment Benefits (retiree health insurance) and higher growth assumptions for MaineCare. Budgeted revenue has been updated based on the December 2008 revenue forecast. The estimated structural gap for the 2010-2011 biennium, excluding the FY 09 ending balance, is approximately \$965 million or approximately 13.9% of projected "current services" appropriations.

Given the revenue pattern projected by the Revenue Forecasting Committee, even baseline appropriations exceed available resources. The revenue shortfall below Baseline Appropriations total nearly \$340 million for the 2010-2011

| | Actual | Budgeted | Projections | |
|---|-----------------------------------|-----------------------------------|--|-----------------|
| | FY 08 | FY 09 | FY 10 | FY 11 |
| General Fund Revenue | \$3,087,818,992 | \$2,955,034,169 | \$2,969,031,494 | \$3,016,276,535 |
| Annual % Change | 2.3% | -4.3% | 0.5% | 1.6% |
| General Fund Expenditures/Appropriations | \$3,129,325,355 | \$3,136,652,244 | \$3,413,757,846 | \$3,536,986,675 |
| Annual % Change | 5.1% | 0.2% | 8.8% | 3.6% |
| Transfers and Adjustments to Balance | \$24,863,133 | \$41,274,897 | \$0 | \$0 |
| Ending Balances (Projected Annual Shortfalls) | \$935,111 | (\$139,408,067) | (\$444,726,352) | (\$520,710,140) |
| | <small>Actual End Balance</small> | <small>Budget End Balance</small> | <small>Does not reflect prior year balance</small> | |
| General Fund Baseline Appropriations | | | \$3,159,861,444 | \$3,165,280,194 |
| Annual % Change | | | 0.7% | 0.2% |
| Amount Baseline Appropriations are Above/(Below) Baseline Revenue | | | (\$190,829,950) | (\$149,003,659) |



GENERAL FUND STATUS - FUND BALANCE SUMMARY

Based on Governor's Budget Proposals ¹

| | FY 09 | FY 10 | FY 11 |
|---|------------------------|------------------------|------------------------|
| <u>AVAILABLE FUNDS</u> | | | |
| Transfers/Adjustments to Balance: | | | |
| Through 123rd Legislature | \$41,274,897 | \$0 | \$0 |
| EFY09 Budget Bill (LD 45 - PL 2009, c. 1) ² | \$58,077,087 | \$0 | \$0 |
| Governor's Proposed 2010-2011 Biennial Budget (LD 353) ² | \$0 | \$2,050,000 | \$350,000 |
| Subtotal - Transfers/Adjustments to Balance | \$99,351,984 | \$2,050,000 | \$350,000 |
| Undedicated Revenue: | | | |
| December 2008 Base Revenue Estimate | \$2,955,034,169 | \$2,969,031,494 | \$3,016,276,535 |
| EFY09 Budget Bill (LD 45 - PL 2009, c. 1) ² | \$6,787,268 | \$204,958 | (\$260,844) |
| Governor's Proposed 2010-2011 Biennial Budget (LD 353) ² | \$0 | \$39,213,320 | \$78,158,510 |
| Subtotal - Undedicated Revenue | \$2,961,821,437 | \$3,008,449,772 | \$3,094,174,201 |
| TOTAL PROJECTED RESOURCES | \$3,061,173,421 | \$3,010,499,772 | \$3,094,524,201 |
| <u>APPROPRIATIONS</u> | | | |
| Appropriations through PL 2009, c. 1 / 2010-2011 Baseline | \$3,136,652,244 | \$3,159,861,644 | \$3,165,280,194 |
| EFY09 Budget Bill (LD 45 - PL 2009, c. 1) ² | (\$74,644,289) | \$0 | \$0 |
| Governor's Proposed Adjustments to Baseline Budget ² | \$0 | (\$164,024,290) | (\$56,133,354) |
| TOTAL APPROPRIATIONS | \$3,062,007,955 | \$2,995,837,354 | \$3,109,146,840 |
| NET CHANGE (Resources less Appropriations) | (\$834,534) | \$14,662,418 | (\$14,622,639) |
| BEGINNING BALANCE ³ | \$935,111 | \$100,577 | \$14,762,995 |
| NET CHANGE (FROM ABOVE) | (\$834,534) | \$14,662,418 | (\$14,622,639) |
| ENDING BALANCE | \$100,577 | \$14,762,995 | \$140,356 |

Summary of Major Changes

See separate summary for the Emergency FY 09 Supplemental Budget (LD 45 as enacted as PL 2009, c. 1). The next 2 pages provide a summary of the major initiatives separating out "savings" initiatives (those increasing General Fund balances) from "spending" initiatives (those decreasing General Fund balances). Additional information is provided in the Appendices including: an appropriations limitation analysis, a summary of appropriations by major categories and a summary of tax and fee changes.

Notes:

¹ Based on all legislative changes through the 123rd Legislature, the December 2008 Revenue Forecast, the Emergency FY 09 Budget Bill (LD 45, PL 2009, c. 1) and the General Fund Unified 2010-2011 Biennial Budget Bill (LD 353).

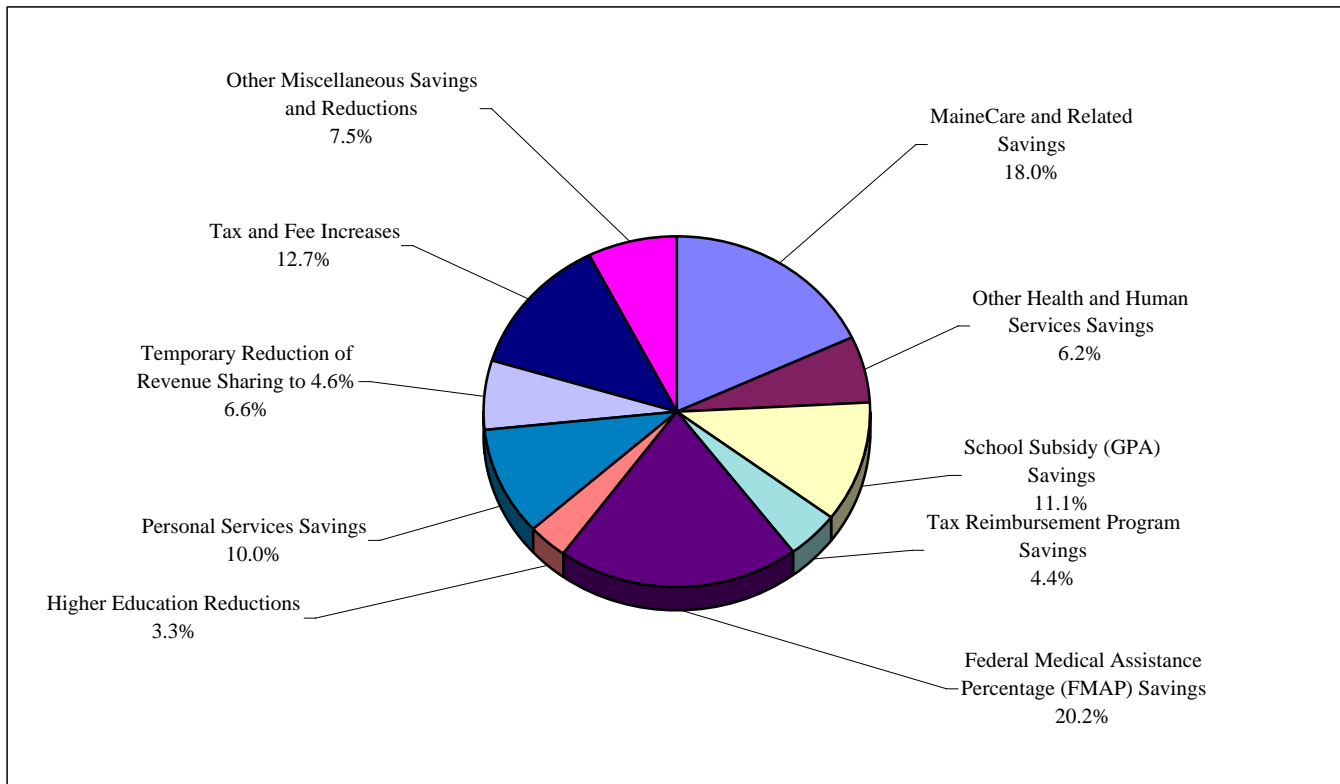
² Revenue totals in this summary have been adjusted from the amounts in the fiscal notes of the Governor's Budget Bills to avoid double-counting, but otherwise reflect the estimates as provided by the Governor. Revenue changes included in the Emergency FY 09 Supplemental Budget, LD 45 as enacted as PL 2009, c. 1 reflect revised estimates based on the enacted law. 2010-2011 Biennial Budget estimates of revenue will need to be adjusted to reflect some interaction effects not accounted for in original revenue estimates. This affects Part S of LD 353. The General Fund revenue estimate of Part S of LD 353 will need to be lowered by more than \$1.2 million.

³ Beginning Balance is based on the enacted legislation through the 123rd Legislature, FY08 actual balance, the December 2008 revenue forecast and PL 2009, c. 1, the Emergency FY 09 Supplemental Budget

General Fund Adjustments - "Savings" Initiatives ¹

Initiatives Increasing General Fund Balance

| | FY 10 | FY 11 | Biennium | % of Total |
|--|----------------|----------------|----------------|---------------|
| MaineCare and Related Savings | \$40.1 | \$47.7 | \$87.8 | 18.0% |
| Other Health and Human Services Savings | \$14.5 | \$15.9 | \$30.4 | 6.2% |
| School Subsidy (GPA) Savings | \$27.1 | \$27.1 | \$54.1 | 11.1% |
| Tax Reimbursement Program Savings | \$11.0 | \$10.4 | \$21.4 | 4.4% |
| Federal Medical Assistance Percentage (FMAP) Savings | \$98.8 | \$0.0 | \$98.8 | 20.2% |
| Higher Education Reductions | \$8.0 | \$8.0 | \$16.1 | 3.3% |
| Personal Services Savings | \$23.2 | \$25.5 | \$48.6 | 10.0% |
| Temporary Reduction of Revenue Sharing to 4.6% | \$15.9 | \$16.4 | \$32.3 | 6.6% |
| Tax and Fee Increases | \$12.0 | \$49.9 | \$61.9 | 12.7% |
| Other Miscellaneous Savings and Reductions | \$18.6 | \$17.9 | \$36.5 | 7.5% |
| TOTAL ADJUSTMENTS INCREASING BALANCE | \$269.2 | \$218.7 | \$487.9 | 100.0% |



Notes:

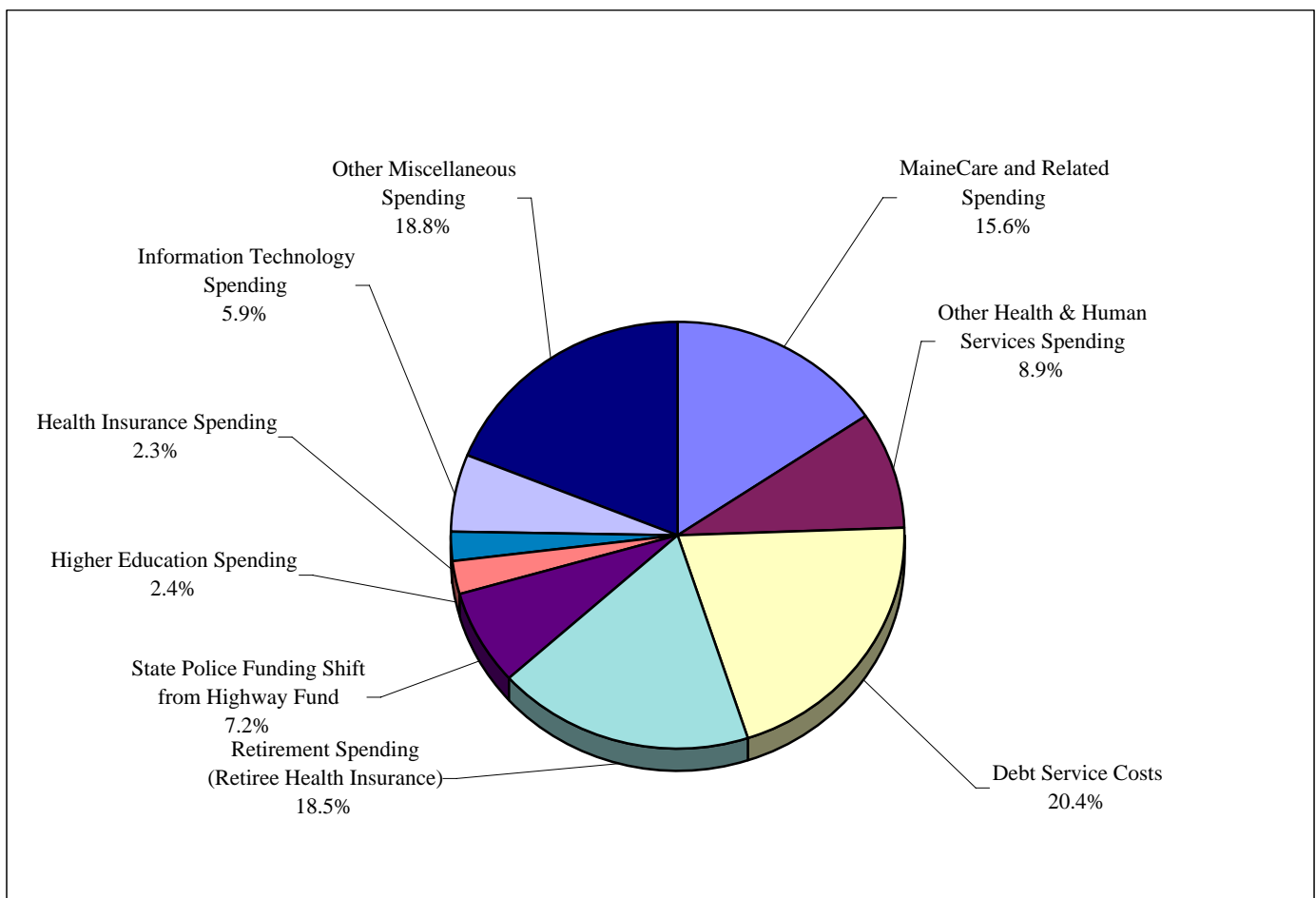
¹ "Savings" initiatives include those items that increase resources: deappropriations; revenue increases; transfers from other funds; and other positive adjustments to balances. Does not reflect transfers of appropriations between General Fund programs that net to \$0.

Amounts may not add due to rounding

General Fund Adjustments - "Spending" Initiatives ¹

Initiatives Decreasing General Fund Balance

| | FY 10 | FY 11 | Biennium | % of Total |
|--|---------------|---------------|----------------|---------------|
| MaineCare and Related Spending | \$7.7 | \$15.4 | \$23.0 | 15.6% |
| Other Health & Human Services Spending | \$10.6 | \$2.7 | \$13.2 | 8.9% |
| Debt Service Costs | \$10.7 | \$19.6 | \$30.2 | 20.4% |
| Retirement Spending (Retiree Health Insurance) | \$9.1 | \$18.2 | \$27.3 | 18.5% |
| State Police Funding Shift from Highway Fund | \$5.3 | \$5.4 | \$10.7 | 7.2% |
| Higher Education Spending | \$1.8 | \$1.8 | \$3.5 | 2.4% |
| Health Insurance Spending | \$1.1 | \$2.3 | \$3.4 | 2.3% |
| Information Technology Spending | \$4.1 | \$4.6 | \$8.7 | 5.9% |
| Other Miscellaneous Spending | \$13.6 | \$14.2 | \$27.8 | 18.8% |
| TOTAL ADJUSTMENTS DECREASING BALANCE | \$63.9 | \$84.1 | \$148.0 | 100.0% |



Notes:

¹ "Spending" initiatives include all those items that decrease resources: appropriations; revenue decreases; transfers to other funds; and other negative adjustments to fund balance. Does not reflect transfers of appropriations between General Fund programs that net to \$0.

Amounts may not add due to rounding

HIGHWAY FUND STATUS

Based on Governor's Budget Proposals ¹

| | FY 09 | FY 10 | FY 11 |
|---|--------------------|-------------------|-----------------|
| <u>AVAILABLE FUNDS</u> | | | |
| Transfers/Adjustments to Balance: | | | |
| Through 123rd Legislature | (\$2,558,023) | \$0 | \$0 |
| Governor's Proposed Budget Proposals ² | \$12,652 | (\$5,668,895) | (\$5,764,140) |
| Subtotal - Transfers/Adjustments to Balance | (\$2,545,371) | (\$5,668,895) | (\$5,764,140) |
| Highway Fund Revenue: | | | |
| December 2008 Base Revenue Estimate | \$341,858,607 | \$322,681,578 | \$326,265,735 |
| Governor's Proposed Budget Proposals ² | \$0 | (\$400,000) | (\$400,000) |
| Subtotal - Undedicated Revenue | \$341,858,607 | \$322,281,578 | \$325,865,735 |
| TOTAL PROJECTED RESOURCES | \$339,313,236 | \$316,612,683 | \$320,101,595 |
| <u>Highway Fund Allocations</u> | | | |
| Allocations through 123rd Legislature / Proposed Baseline | \$347,664,574 | \$334,455,793 | \$335,537,890 |
| Governor's Proposed Adjustments to Baseline Budget ² | (\$7,876,642) | (\$17,751,894) | (\$15,437,329) |
| TOTAL Highway Fund Allocations | \$339,787,932 | \$316,703,899 | \$320,100,561 |
| NET CHANGE (Resources less Allocations) | (\$474,696) | (\$91,216) | \$1,034 |
| BEGINNING BALANCE ² | \$600,000 | \$125,304 | \$34,088 |
| NET CHANGE (FROM ABOVE) | (\$474,696) | (\$91,216) | \$1,034 |
| ENDING BALANCE | \$125,304 | \$34,088 | \$35,122 |

Major Changes Proposed in Governor's 2010-2011 Biennial Highway Fund Budget:

| | FY 10 | FY 11 |
|---|----------------|----------------|
| > Fuel and Utility Costs | \$1,231,245 | \$1,361,139 |
| > Debt Service Costs | \$1,865,958 | \$4,469,799 |
| > Salt Costs | \$2,386,000 | \$2,386,000 |
| > Information Technology Costs | \$2,332,934 | \$2,364,834 |
| > Position eliminations or freezes/attrition and retirement incentive savings | (\$11,891,068) | (\$12,227,321) |
| > Truck, vehicle and equipment adjustments | \$1,084,670 | (\$3,014,847) |
| > Net Highway and Bridge Capital Program (Not otherwise classified) | (\$5,862,917) | \$2,152,589 |
| > Urban-Rural Initiative Program (URIP) reduction | (\$824,768) | (\$5,174,911) |
| > Savings from increasing General Fund share of State Police costs to 51% | (\$5,668,895) | (\$5,764,140) |
| > Transfer to Transcap Trust Fund based on State Police savings | \$5,668,895 | \$5,764,140 |
| > Miscellaneous other net adjustments to Baseline Budget | (\$2,005,053) | (\$1,590,471) |

Notes:

¹ Based on all legislative changes through the 123rd Legislature, the December 2008 Revenue Forecast, the Governor's proposed Emergency FY 09 Highway Fund Supplemental Budget Bill (LD 61 as amended) and the 2010-2011 Highway Fund Unified Biennial Budget Bill (LD 333).

² Beginning Balance is based on the enacted legislation through the 123rd Legislature, FY08 actual balance, the December 2008 revenue forecast and the Governor's proposed Emergency FY 09 Highway Fund Budget (LD 61 as amended).

FUND FOR A HEALTHY MAINE (FHM) STATUS

Based on Governor's Budget Proposals and Emergency FY 09 Supplemental Budget (PL 2009, c. 1) ¹

| | FY 09 | FY 10 | FY 11 |
|---|----------------------|----------------------|---------------------|
| <u>FHM RESOURCES:</u> | | | |
| Revenue: | | | |
| December 2008 Base Revenue Estimate | \$64,386,190 | \$63,760,785 | \$64,478,815 |
| Governor's Budget Proposals ² | \$0 | \$0 | \$0 |
| Subtotal - Revenue | \$64,386,190 | \$63,760,785 | \$64,478,815 |
| Total FHM Resources | \$64,386,190 | \$63,760,785 | \$64,478,815 |
| <u>FHM ALLOCATIONS AND OTHER USES:</u> ³ | | | |
| <u>Transfers</u> | | | |
| Transfers through 123rd Legislature | \$1,464,406 | \$0 | \$0 |
| Subtotal - Transfers | \$1,464,406 | \$0 | \$0 |
| <u>Allocations</u> | | | |
| Allocations through 123rd Legislature / Proposed Baseline | \$64,307,067 | \$69,006,136 | \$69,014,916 |
| Governor's Proposed Adjustments to Baseline Budget ² | \$5,252,296 | (\$3,924,661) | (\$4,549,124) |
| Subtotal - Allocations | \$69,559,363 | \$65,081,475 | \$64,465,792 |
| Total Allocations and Other Uses | \$71,023,769 | \$65,081,475 | \$64,465,792 |
| Net Change (Resources minus Allocations and Other Uses) | (\$6,637,579) | (\$1,320,690) | \$13,023 |
| BEGINNING BALANCE ⁴ | \$7,959,655 | \$1,322,076 | \$1,386 |
| NET CHANGE (FROM ABOVE) | (\$6,637,579) | (\$1,320,690) | \$13,023 |
| ENDING BALANCE | \$1,322,076 | \$1,386 | \$14,409 |

Major Changes Proposed in Governor's 2010-2011 Biennial Budget: ²

| | FY 10 | FY 11 |
|--|---------------|---------------|
| > Non-specific reductions to programs statewide based on reductions in funds available | (\$3,750,000) | (\$4,200,000) |
| > Savings from increase in the FFY 2010 Federal Medical Assistance Percentage (FMAP) | (\$151,634) | (\$182,600) |
| > Reorganization of Office of MaineCare Services | \$0 | (\$141,711) |
| > Reorganization of Office of Integrated Access and Support | (\$64,152) | (\$66,041) |
| > Increased allocations for information technology costs | \$27,052 | \$26,988 |
| > Reclassifications | \$14,073 | \$14,240 |

NOTES:

¹ Based on all legislative changes through the 123rd Legislature, the December 2008 Revenue Forecast, the Emergency FY 09 Supplemental Budget Bill as enacted as PL 2009, c. 1 and the Governor's proposed General Fund Unified 2010-2011 Biennial Budget Bill (LD 353).

² See separate OFPR document for an overview of the Emergency FY 09 Supplemental Budget, PL 2009, c. 1.

³ For the purposes of this summary, transfers out are treated as an expenditure/use and are positive amounts, while transfers in are negative amounts.

⁴ Beginning Balance is based on the enacted legislation through the 123rd Legislature, FY08 actual balance, the December 2008 revenue forecast and the Emergency FY 09 Supplemental Budget as enacted as PL 2009, c. 1.

**2010-2011 BUDGET
SUMMARY OF POSITION CHANGES**

| <u>Fund</u> | <u>Total Authorized Positions - Prior to 124th Legislature</u> | <u>Baseline Budget Administrative Adjustments¹</u> | <u>Proposed Baseline Budget Changes²</u> | <u>Total Authorized Positions - Governor's Proposals</u> |
|---|--|---|---|--|
| General Fund | 6,031.470 | 2.651 | (117.820) | 5,916.301 |
| Highway Fund | 2,486.832 | (7.189) | (128.494) | 2,351.149 |
| Federal Expenditures Fund | 1,667.626 | (3.729) | (16.528) | 1,647.369 |
| Fund for a Healthy Maine | 22.500 | 0.000 | 1.000 | 23.500 |
| Other Special Revenue Fund | 2,429.754 | (3.308) | (34.251) | 2,392.195 |
| Federal Block Grant | 137.500 | 0.000 | 2.000 | 139.500 |
| Other Funds | 1,313.116 | (1.500) | (14.162) | 1,297.454 |
| Total Change of Authorized Positions | 14,088.798 | (13.075) | (308.255) | 13,767.468 |

Notes:

¹ Reflects administrative adjustments made pursuant to 5 MRSA §1583-A, sub-§3, which authorizes the Governor and the State Budget Officer to adjust positions when preparing the next budget to reflect the number of limited-period positions that, in their opinion, are necessary to the proper operation of each department, institution or agency.

² Reflects the Governor's proposed position adjustments contained in the 2010-2011 Biennium Unified Budget Bill and the 2010-2011 Highway Fund Budget Bill.

Appendix A

Appropriation Limitation Analysis

Appendix A – Appropriation Limitation Analysis

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

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

While the base appropriation limitation amount is fixed from the fiscal year 2004-05 total appropriations as of December 1, 2004, the statutory provisions exclude the growth of General Purpose Aid for Local Schools (GPA) from the limit until the State's share of total funding for Essential Programs and Services reaches 55%. The 55% goal was scheduled to be achieved in fiscal year 2009-10. The lack of budgeted resources has delayed the attainment of that goal until fiscal year 2010-11. The calculation of the excluded GPA growth is presented in Table I on the next page (see lines B and C). The GPA base amount, total appropriations for GPA in FY 05, is subtracted from the total GPA appropriations in subsequent fiscal years to determine the growth excluded from the appropriation limitation (line C). The additional growth of line C in Table I on the next page is added to the base appropriations (line A) to come up with the Total Appropriations Allowed (line G).

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

Many legislators have asked for an analysis of the appropriation limitation assuming that the Circuitbreaker program and the Business Equipment Tax Reimbursement programs had remained funded by General Fund appropriations. The expenditures of these major tax relief programs are treated for budget purposes as reductions of individual income tax revenue, which we will refer to as "revenue appropriations." Table III on page A-4 of this appendix provides a hypothetical look at adjusted budgeted revenue and appropriations had these tax relief programs remained as appropriations and been subject to the limit. For the period beginning in fiscal year 2008-09 both the adjusted appropriations and total budgeted resources are below the limit.

Appropriation Limitation Analysis

Table I. Calculation of Appropriation Limitation

| | Base Amounts | FY 06 | FY 07 | FY 08 | FY 09 | FY 10 | FY 11 |
|--|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| A Total Base Appropriations (Increased by Growth Factor, see D) | \$2,709,902,078 | \$2,794,180,033 | \$2,881,079,032 | \$2,969,816,266 | \$3,061,286,607 | \$3,143,329,088 | \$3,227,570,308 |
| B Appropriations to General Purpose Aid for Local Schools (GPA) ¹ | \$734,536,621 | \$836,115,966 | \$914,098,222 | \$971,958,385 | \$956,481,491 | \$958,971,492 | \$958,971,492 |
| C General Purpose Aid Growth from FY05 until 55% State Share - Exempt from Limit | | \$101,579,345 | \$179,561,601 | \$237,421,764 | \$221,944,870 | \$224,434,871 | \$224,434,871 |
| D Average Real Personal Income Growth (used in State's Growth Limitation Factor) | | 2.52% | 2.52% | 2.47% | 2.47% | 2.28% | 2.28% |
| E Average Population Growth (used in State's Growth Limitation Factor) | | 0.59% | 0.59% | 0.61% | 0.61% | 0.49% | 0.49% |
| F Growth Limitation Factor Applied to Base Appropriations (D + E) ² | | 3.11% | 3.11% | 3.08% | 3.08% | 2.68% | 2.68% |
| G Total Appropriations Allowed (A + C) | | \$2,895,759,378 | \$3,060,640,633 | \$3,207,238,030 | \$3,283,231,477 | \$3,367,763,959 | \$3,452,005,179 |

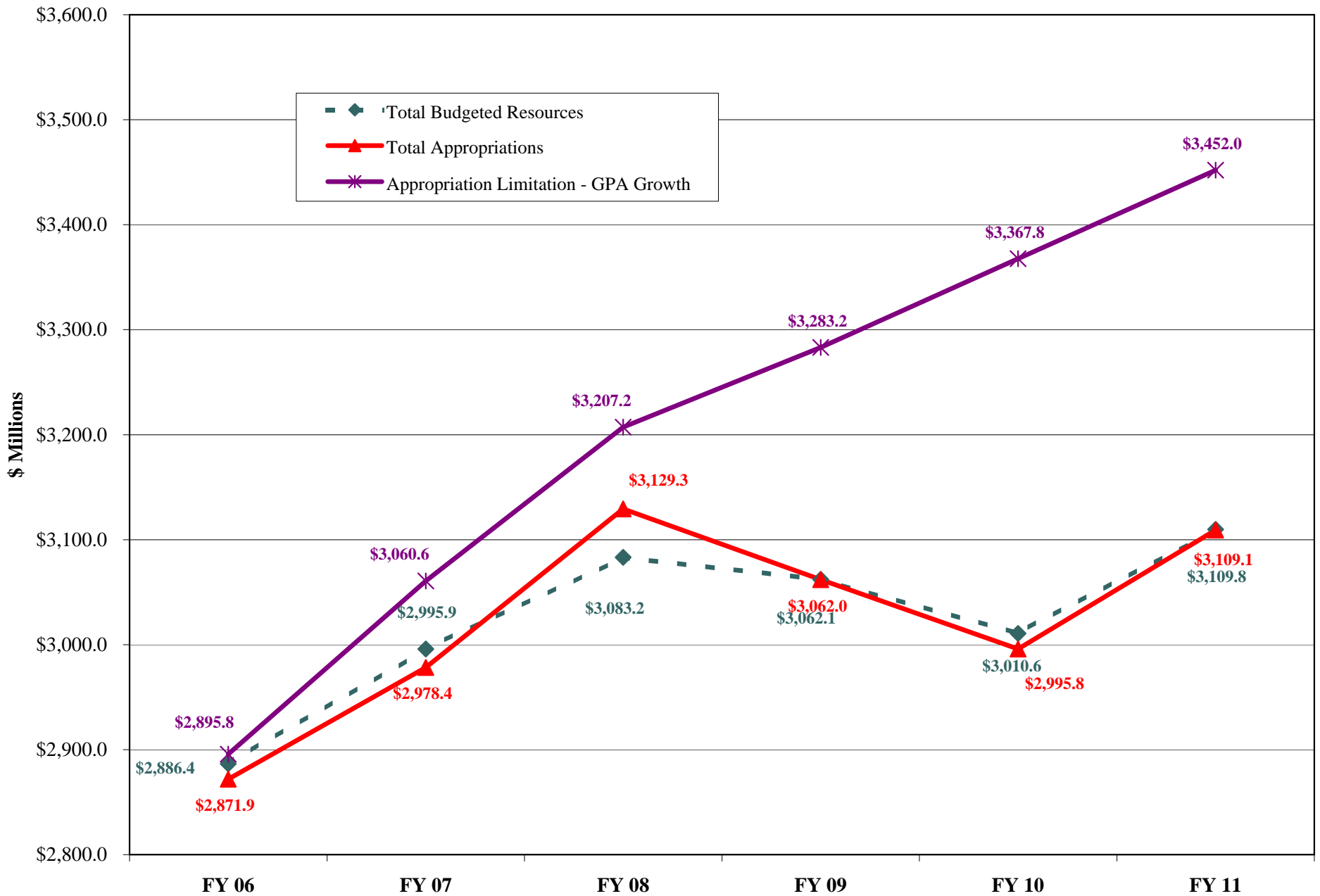
Table II. Calculation of Budgeted Resources and Total Appropriations ³

| | FY 06 | FY 07 | FY 08 | FY 09 | FY 10 | FY 11 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| General Fund Budgeted Resources | | | | | | |
| - Beginning Budgeted Balance | \$33,662,644 | \$14,516,599 | \$17,578,341 | \$935,111 | \$100,577 | \$14,969,250 |
| - Net Transfers/Adjustments to Balance | (\$5,005,536) | (\$23,487,122) | \$24,863,133 | \$99,351,984 | \$2,050,000 | \$350,000 |
| - Net General Fund Revenue | \$2,857,738,104 | \$3,004,907,574 | \$3,040,740,422 | \$2,961,821,437 | \$3,008,449,772 | \$3,094,524,201 |
| Total Budgeted Resources | \$2,886,395,212 | \$2,995,937,051 | \$3,083,181,896 | \$3,062,108,532 | \$3,010,600,349 | \$3,109,843,451 |
| Amount Budgeted Resources are (below) above the limit | (\$9,364,166) | (\$64,703,582) | (\$124,056,134) | (\$221,122,945) | (\$357,163,610) | (\$342,161,728) |
| Total Appropriations | \$2,871,878,613 | \$2,978,358,710 | \$3,129,325,355 | \$3,062,007,955 | \$2,995,837,354 | \$3,109,146,840 |
| Amount Appropriations are (below) above the limit | (\$23,880,765) | (\$82,281,923) | (\$77,912,675) | (\$221,223,522) | (\$371,926,605) | (\$342,858,339) |

Notes:

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

Appropriation Limitation Compared to Budgeted Resources and Appropriations

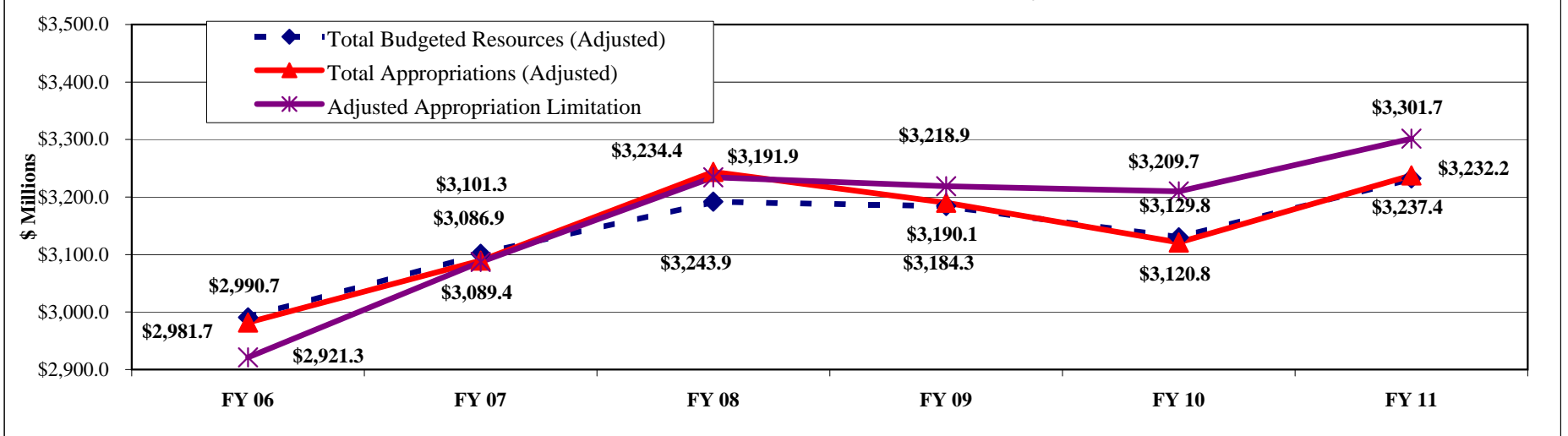


Appendix A - Appropriation Limitation Analysis

Adjusted for Circuitbreaker, BETR and Business Equipment Tax Exemption (BETE) programs

| | Base Amounts | FY 06 | FY 07 | FY 08 | FY 09 | FY 10 | FY 11 |
|---|--------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Adjustments to Base Amounts | | | | | | | |
| - Budgeted Circuitbreaker \$ (12/1/04) | \$24,742,857 | | | | | | |
| General Fund Budgeted Resources | | | | | | | |
| - Beginning Budgeted Balance | | \$33,662,644 | \$14,516,599 | \$17,578,341 | \$935,111 | \$100,577 | \$14,969,250 |
| - Net Transfers/Adjustments to Balance | | (\$5,005,536) | (\$23,487,122) | \$24,863,133 | \$99,351,984 | \$2,050,000 | \$350,000 |
| - Net General Fund Revenue | | \$2,857,738,104 | \$3,004,907,574 | \$3,040,740,422 | \$2,961,821,437 | \$3,008,449,772 | \$3,094,524,201 |
| - Net Adjustments for Revenue Appropriations | | \$104,258,924 | \$105,333,164 | \$108,721,954 | \$122,180,402 | \$119,238,571 | \$122,366,906 |
| Total Budgeted Resources (Adjusted) | | \$2,990,654,136 | \$3,101,270,215 | \$3,191,903,850 | \$3,184,288,934 | \$3,129,838,920 | \$3,232,210,357 |
| Amount Budget Resources are above (below) the limit | | \$69,382,399 | \$14,323,789 | (\$42,450,192) | (\$34,588,214) | (\$79,898,689) | (\$69,474,577) |
| Total Appropriations | | | | | | | |
| Total Appropriations | | \$2,871,878,613 | \$2,978,358,710 | \$3,129,325,355 | \$3,062,007,955 | \$2,995,837,354 | \$3,109,146,840 |
| Net Adjustments for Revenue Appropriations | | \$109,861,880 | \$110,993,851 | \$114,564,756 | \$128,135,250 | \$124,988,020 | \$128,267,196 |
| Total Appropriations (Adjusted) | | \$2,981,740,493 | \$3,089,352,561 | \$3,243,890,111 | \$3,190,143,205 | \$3,120,825,374 | \$3,237,414,036 |
| Amount Appropriations are above (below) the limit | | \$60,468,756 | \$2,406,135 | \$9,536,069 | (\$28,733,943) | (\$88,912,235) | (\$64,270,898) |

General Fund Appropriation Limit Compared to Budgeted Resources and Appropriations - Adjusted for Circuitbreaker, BETR and BETE Tax Reimbursement Payments



APPENDIX B

APPROPRIATIONS
BY MAJOR CATEGORIES

| | |
|--|------|
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General Fund Appropriations - Summary

Presented below are tables summarizing the General Fund appropriations starting with the Governor's Baseline Budget recommendations and FY 09 appropriations prior to the start of the 124th Legislature and concluding with the actual net appropriations as proposed by the Governor in LD 353, the General Fund Unified Biennial Budget Bill, and the changes enacted in the Emergency FY 09 Supplemental Budget Bill, LD 45, PL 2009, c. 1. Additional detail and descriptions are available in the remainder of this Appendix.

| | | |
|--|------------------------|------------------------|
| | FY 10 | FY 11 |
| Total Projected "Current Services" Appropriations | \$3,413,757,846 | \$3,536,986,675 |

| General Fund Expenditures/Appropriations - Governor's Baseline Budget Recommendations | | | | |
|--|------------------------|--------------------------|--|------------------------|
| | Expenditures | 123rd Legislature | Baseline Budget Recommendations | |
| Major Categories | FY 08 | FY 09 | FY 10 | FY 11 |
| General Purpose Aid for Local Schools | \$954,353,096 | \$983,528,140 | \$986,027,536 | \$986,027,536 |
| Medicaid/MaineCare | \$607,537,933 | \$608,490,163 | \$588,276,451 | \$588,276,451 |
| Higher Education | \$272,942,825 | \$276,808,672 | \$276,808,672 | \$276,808,672 |
| Teachers' Retirement | \$196,871,807 | \$198,894,740 | \$198,894,740 | \$198,894,740 |
| Tax Relief and Reimbursement | \$33,960,289 | \$34,662,519 | \$35,324,066 | \$35,324,066 |
| Debt Service | \$101,848,646 | \$108,299,480 | \$108,771,530 | \$108,771,530 |
| Personal Services | \$425,571,308 | \$438,690,186 | \$472,450,332 | \$477,868,882 |
| Other - Non-Personal Services | \$490,556,222 | \$487,278,344 | \$493,308,317 | \$493,308,317 |
| Total General Fund Appropriations | \$3,083,642,125 | \$3,136,652,244 | \$3,159,861,644 | \$3,165,280,194 |
| Annual % Change | | 1.7% | 0.7% | 0.2% |

| General Fund Appropriations - Governor's Proposed Adjustments | | | |
|--|-----------------------|---------------------------------------|-----------------------|
| | PL 2009, c. 1 | Governor's Recommended Changes | |
| Major Categories | FY 09 | FY 10 | FY 11 |
| General Purpose Aid for Local Schools | (\$27,046,649) | (\$28,855,254) | (\$28,914,544) |
| Medicaid/MaineCare | (\$16,859,639) | (\$131,812,025) | (\$32,809,627) |
| Higher Education | (\$12,463,428) | (\$6,285,627) | (\$6,285,627) |
| Teachers' Retirement | \$5,032,325 | \$10,098,517 | \$20,260,303 |
| Tax Relief and Reimbursement | (\$528,789) | (\$472,587) | (\$71,587) |
| Debt Service | (\$1,000,000) | \$8,814,771 | \$17,797,118 |
| Personal Services | (\$6,012,688) | (\$12,990,403) | (\$14,900,839) |
| Other - Non-Personal Services | (\$15,765,421) | (\$2,521,682) | (\$11,208,551) |
| Total General Fund Appropriations | (\$74,644,289) | (\$164,024,290) | (\$56,133,354) |

| General Fund Appropriations - After Adjustments and Governor's Net Recommendations | | | | |
|---|------------------------|----------------------------|---------------------------------------|------------------------|
| | Expenditures | After PL 2009, c. 1 | Governor's Net Recommendations | |
| Major Categories | FY 08 | FY 09 | FY 10 | FY 11 |
| General Purpose Aid for Local Schools | \$954,353,096 | \$956,481,491 | \$957,172,282 | \$957,112,992 |
| Medicaid/MaineCare | \$607,537,933 | \$591,630,524 | \$456,464,426 | \$555,466,824 |
| Higher Education | \$272,942,825 | \$264,345,244 | \$270,523,045 | \$270,523,045 |
| Teachers' Retirement | \$196,871,807 | \$203,927,065 | \$208,993,257 | \$219,155,043 |
| Tax Relief and Reimbursement | \$33,960,289 | \$34,133,730 | \$34,851,479 | \$35,252,479 |
| Debt Service | \$101,848,646 | \$107,299,480 | \$117,586,301 | \$126,568,648 |
| Personal Services | \$425,571,308 | \$432,677,498 | \$459,459,929 | \$462,968,043 |
| Other - Non-Personal Services | \$490,556,222 | \$471,512,923 | \$490,786,635 | \$482,099,766 |
| Total General Fund Appropriations | \$3,083,642,125 | \$3,062,007,955 | \$2,995,837,354 | \$3,109,146,840 |
| Annual % Change | | -0.7% | -2.2% | 3.8% |

General Purpose Aid for Local Schools

| | FY 08 | FY 09 | FY 10 | FY 11 |
|--|---------------|----------------|-----------------|-----------------------------|
| | Expenditures | Appropriations | Appropriations | Appropriations ¹ |
| Projected "Current Services" Appropriations | | | \$1,056,145,715 | \$1,085,402,673 |
| Biennial Budget - Baseline Budget | \$954,353,096 | \$983,528,140 | 986,027,536 | \$986,027,536 |
| EFY09 Budget (LD 45, Public Law 2009, c. 1) | | (\$27,046,649) | | |
| Adjustments to Baseline Budget - LD 353 | | | (\$28,855,254) | (\$28,914,544) |
| Total Appropriations | \$954,353,096 | \$956,481,491 | \$957,172,282 | \$957,112,992 |
| Annual % Change | | 0.2% | 0.1% | 0.0% |

Projected "Current Services" Appropriations

Consistent with the Bureau of the Budget's estimate of structural gap, reflects the cost of achieving the statutory commitment for the state to fund 55% of the total cost of K-12 public education as calculated by the Essential Programs and Services (EPS) model.

Biennial Baseline Budget

The Governor's Recommended 2010-2011 Biennial Budget adjusts for approximately \$2.5 million in one-time savings for FY 09 to the General Purpose Aid for Local Schools program associated with school bus purchases (\$1.0 million) and debt service savings due to lower than anticipated interest rates on school construction bonds (\$1.5 million). The Baseline Budget falls short of current services appropriations needs by \$70.1 million in FY 10 and \$99.4 million in FY 11.

EFY09 Budget (LD 45, Public Law 2009, c. 1)

Public Law 2009, c. 1, the Governor's Emergency Supplemental Budget, deappropriated \$27.0 million from the General Purpose Aid for Local Schools program by reducing the State share of funding K-12 public education from 54.01% to 52.52% in FY 09 and reducing the state share of the special education allocation for minimum receivers from 50% to 45%.

Adjustments to Baseline Budget - LD 353

The Governor's proposed adjustments to the 2010-2011 Biennial Budget reduce baseline appropriations in the All Other line category for General Purpose Aid for Local Schools by approximately \$28.9 million in both FY 10 and FY 11 and proposes to reduce the State share of funding K-12 public education from 55% of 100% of the total cost of essential programs and services in FY 10 to 51.01% of 97% of the total cost of EPS. Total adjustments lower final proposed appropriations below current services estimates by \$99.0 million in FY 10 and \$128.3 million in FY 11.

Summary of General Purpose Aid for Local Schools by Line Category

| | FY08 | FY09 | FY10 | FY11 |
|---|---------------|----------------|----------------|----------------|
| | Expenditures | Appropriations | Appropriations | Appropriations |
| Personal Services (Excluded to avoid double-counting) | \$0 | \$0 | \$1,799,210 | \$1,858,500 |
| All Other | \$954,353,096 | \$983,528,140 | 957,172,282 | 957,112,992 |
| Total General Purpose Aid for Local Schools | \$954,353,096 | \$983,528,140 | \$958,971,492 | \$958,971,492 |

Notes:

¹ Governor's Proposed Biennial Budget holds FY 11 funding for General Purpose Aid for Local Schools at FY 10 levels, but it does not propose to adjust the annual target for the state share percentage of the statewide adjusted total cost of the components of essential programs and services set forth in 20-A MRSA §15671, sub-§7-B. Current law sets the target for fiscal year 2010-11 at 55% of 100% of the total cost of EPS.

Medicaid/MaineCare ¹

| | FY 08 Expenditures | FY 09 Appropriations | FY 10 Appropriations | FY 11 Appropriations |
|--|-----------------------|-------------------------|-------------------------|-------------------------|
| Projected "Current Services" Appropriations | | | \$630,002,342 | \$674,282,340 |
| Biennial Budget - Baseline Budget | \$607,537,933 | \$608,490,163 | \$588,276,451 | \$588,276,451 |
| EFY09 Budget (LD 45, Public Law 2009, c. 1) | | (\$16,859,639) | | |
| Adjustments to Baseline Budget - LD 353 | | | (\$131,812,025) | (\$32,809,627) |
| Total Appropriations | \$607,537,933 | \$591,630,524 | \$456,464,426 | \$555,466,824 |
| Annual % Change | | -2.6% | -22.8% | 21.7% |

Projected "Current Services" Appropriations

Projected "current services" appropriations for the 2010-2011 biennium use FY 09 appropriations as a base, adjusts for one-time 2008-2009 spending/savings initiatives, and trends forward based on historical and national Medicaid trend factors. OFPR's estimates exceed the Bureau of the Budget's estimates as of September 2008 in FY 11 due to the difference in trend factors assumed.

Biennial Baseline Budget

For the most part, the Governor's recommended 2010-2011 Biennial Budget assumes baseline General Fund appropriations for FY10 and FY 11 at FY 09 appropriation levels with adjustments for one-time spending/savings initiatives. The largest such adjustment is for MaineCare payments to hospitals with \$21.7 million of the \$44.6 million appropriated in FY 09 from the FY 08 unappropriated surplus assumed to be ongoing prospective interim payments vs. one-time hospital settlement payments. Baseline appropriations are below "current services" estimates of appropriations for these programs by \$41.7 million in FY 10 and \$86.0 million in FY 11.

EFY09 Budget (LD 45, Public Law 2009, c. 1)

The FY 09 Emergency Supplemental Budget includes reductions of \$18.7 million in FY 09 from MaineCare programs including: \$7 million from delays in payments to nursing and residential care facility payments; \$4.3 million resulting from the proper accounting of Medicare Part B premium payments for the qualified individual (QI) population; \$4.5 million in reductions in hospital payments to be achieved with a delay of one hospital MaineCare prospective interim payment (PIP) cycle from FY 09 until the first week of FY 10 and by reducing hospital-based physician reimbursement to approximately 70% of the Medicare rate effective 2/1/2009; and \$1.8 million resulting from increased projections of Medicaid-dedicated tax revenues.

Partially offsetting these reduction are \$2.6 million in increased MaineCare funding including : \$0.9 million for delaying the privatization of the Elizabeth Levinson Center; \$0.7 million for the fiscal agent project; and \$0.8 million resulting from decreased projections of Medicaid-dedicated tax revenues.

Adjustments to Baseline Budget - LD 353

Medical Care - Payments to Providers (MAP). Proposes deappropriations of \$23.4 million in FY 10 and \$27.0 million in FY 11, including: \$9.1 million per year in reduced MaineCare payments to hospitals (\$7 million per year in reduced payments to hospital-based physicians and \$2.1 million per year in reduced payments to critical access hospitals); \$6.9 million in FY 10 and \$8.4 million in FY 11 resulting from an increase in the federal medical assistance percentage (FMAP) from 64.41 in FFY 09 to 64.99 in FFY 10; \$0.6 million in FY 10 and \$2.5 million in FY 11 from reductions in expenditures for residential care, also referred to as private nonmedical institutions (PNMIs), that support primarily the elderly; \$1.3 million in FY 10 and \$1.6 million in FY 11 from increased projections of Medicaid-dedicated tax revenues; and approximately \$4.5 million per year in other MaineCare savings from reduced durable medical equipment payments, increased third-party liability collections, increased rebate collections, and the proper accounting of Medicare Part B premium payments for the qualified individual (QI) population.

Partially offsetting these reductions with proposed spending increases above baseline funding of \$5.1 million in FY 10 and \$7.4 million in FY 11 for increased health care costs reflecting an overall growth rate of 2.55%. Also proposes an increase of \$2.2 million in FY 10 and \$7.6 million in FY 11 to increase MaineCare prospective interim payments to hospitals by 3% each year.

Departmentwide. Proposes a \$98.8 million deappropriation to reflect the anticipated temporary increase in the federal medical assistance percentage (FMAP) as part of the federal stimulus legislation.

Nursing Facilities. Proposes total deappropriations of \$1.9 million in FY 10 and \$2.9 million in FY 11 including: \$1.5 million in FY 10 and \$1.7 million in FY 11 from an increase in the federal medical assistance percentage (FMAP) from 64.41 in FFY 09 to 64.99 in FFY 10; and \$0.2 million in FY 10 and \$0.9 million in FY 11 from increased projections of Medicaid-dedicated tax revenues.

Medicaid Services - Mental Retardation; Mental Retardation Waivers - MaineCare. Proposes deappropriations of \$4.7 million in FY 10 and \$6.9 million in FY 11, including reductions of \$1.3 million in FY 10 and \$2.7 million in FY 11 to be achieved by restricting access to community support services (day habilitation) for recipients who live in agency-operated residential programs covered by the home and community-based waiver for people with developmental disabilities; as well as reductions for the increased federal medical assistance percentage (FMAP) for FFY 10 and increased Medicaid-dedicated tax revenues. Also proposes transfers of \$9.1 million per year into these programs from other MaineCare seed programs to reflect a redistribution of savings from previously enacted departmentwide savings initiatives.

Mental Health Services - Child Medicaid. Proposes deappropriations of \$5.5 million in FY 10 and \$5.6 million in FY 11, including reductions of: \$2.1 million per year from integrating prior authorization functions for the treatment and room and board components of children's private nonmedical institutions; \$1.1 million per year from utilizing nationally validated Child and Adolescent Functional Assessment Scores for individual children who attain a score of 50 as the criteria to develop a discharge plan to be executed within 30 days; and \$1.2 million per year to be achieved by limiting residential private nonmedical institution reimbursement to one standard deviation of the fiscal year 2008-09 average rates and setting a standard room and board rate. Also proposes net transfers of \$1.9 million per year out of this program to other MaineCare seed programs to reflect a redistribution of savings from previously enacted departmentwide savings initiatives.

Mental Health Services - Community Medicaid. Proposes deappropriations of \$4.1 million in FY 10 and \$4.7 million in FY 11, including: \$1.7 million in FY 10 and \$1.9 million in FY 11 by changing the eligibility criteria for MaineCare Section 17 community support services; \$1.6 million per year from reduced funding for private nonmedical institutions for adults with mental illness as the result of several initiatives relating to the number of units, rates, eligibility and concurrent services; as well as reductions for the increased federal medical assistance percentage (FMAP) for FFY 10 and increased Medicaid-dedicated tax revenues. Also proposes transfers of \$8.4 million per year from this program to other MaineCare seed programs to reflect a redistribution of savings from previously enacted departmentwide savings initiatives.

Summary of MaineCare Programs - Appropriations Baseline Budget

| | FY08 | FY09 | Baseline Budget | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Expenditures | Appropriations | FY10 | FY11 |
| Medical Care - Payments to Providers 0147 | \$356,618,950 | \$344,275,666 | \$320,793,572 | \$320,793,572 |
| Nursing Facilities 0148 | \$59,264,784 | \$71,289,352 | \$73,979,227 | \$73,979,227 |
| Medicaid Services - Mental Retardation 0705 | \$20,585,115 | \$22,148,446 | \$21,760,113 | \$21,760,113 |
| Mental Retardation Waivers - MaineCare 0987 Z006 | \$89,317,462 | \$87,864,008 | \$79,130,675 | \$79,130,675 |
| Mental Health Services - Child Medicaid 0731 | \$31,408,859 | \$33,572,003 | \$35,179,670 | \$35,179,670 |
| Mental Health Services - Community Medicaid 0732 | \$42,619,621 | \$43,342,990 | \$51,414,324 | \$51,414,324 |
| Office of Substance Abuse - Medicaid Seed 0844 | \$3,150,899 | \$2,675,153 | \$2,675,153 | \$2,675,153 |
| Disproportionate Share Hospitals (RPC and DDPC) ¹ | \$4,572,244 | \$3,322,545 | \$3,343,717 | \$3,343,717 |
| Subtotal | \$607,537,933 | \$608,490,163 | \$588,276,451 | \$588,276,451 |
| Annual % Change | | 0.2% | -3.3% | 0.0% |

Summary of MaineCare Programs - Adjustments - FY09 through FY11

| | FY 09 | Proposed Adjustments | |
|--|-----------------------|------------------------|-----------------------|
| | Appropriations | FY10 | FY11 |
| Medical Care - Payments to Providers 0147 | (\$13,513,698) | (\$15,884,927) | (\$11,737,974) |
| Departmentwide 0640 (Stimulus FMAP) | \$0 | (\$98,800,000) | \$0 |
| Nursing Facilities 0148 | (\$3,757,658) | (\$1,918,107) | (\$2,947,185) |
| Medicaid Services - Mental Retardation 0705 | (\$23,694) | (\$1,376,361) | (\$1,923,169) |
| Mental Retardation Waivers - MaineCare 0987 Z006 | \$0 | \$5,760,407 | \$4,083,519 |
| Traumatic Brain Injury Seed (Z042) | \$0 | \$114,010 | \$114,010 |
| Mental Health Services - Child Medicaid 0731 | \$0 | (\$7,325,433) | (\$7,440,320) |
| Mental Health Services - Community Medicaid 0732 | \$211,423 | (\$12,491,009) | (\$13,030,347) |
| Office of Substance Abuse - Medicaid Seed 0844 | \$258,559 | \$186,155 | \$157,730 |
| Disproportionate Share Hospitals (RPC and DDPC) ¹ | (\$34,571) | (\$76,760) | (\$85,891) |
| Subtotal | (\$16,859,639) | (\$131,812,025) | (\$32,809,627) |

Summary of MaineCare Programs - Appropriations With Governor's 2010-2011 Budget Proposal

| | FY08 | FY09 | Proposed Budget | |
|---|---------------|----------------|-----------------|---------------|
| | Expenditures | Appropriations | FY10 | FY11 |
| Medical Care - Payments to Providers 0147 | \$356,618,950 | \$330,761,968 | \$304,908,645 | \$309,055,598 |
| Annual % Change | | -7.3% | -7.8% | 1.4% |
| Departmentwide 0640 (Stimulus FMAP) | \$0 | \$0 | (\$98,800,000) | \$0 |
| Annual % Change | | 0.0% | 0.0% | 0.0% |
| Nursing Facilities 0148 | \$59,264,784 | \$67,531,694 | \$72,061,120 | \$71,032,042 |
| Annual % Change | | 13.9% | 6.7% | -1.4% |
| Medicaid Services - Mental Retardation 0705 | \$20,585,115 | \$22,124,752 | \$20,383,752 | \$19,836,944 |
| Annual % Change | | 7.5% | -7.9% | -2.7% |
| Mental Retardation Waiver - MaineCare 0987 | \$89,317,462 | \$87,864,008 | \$84,891,082 | \$83,214,194 |
| Annual % Change | | -1.6% | -3.4% | -2.0% |
| Traumatic Brain Injury Seed (Z042) | \$0 | \$0 | \$114,010 | \$114,010 |
| Annual % Change | | 0.0% | 0.0% | 0.0% |
| Mental Health Services - Child Medicaid 0731 | \$31,408,859 | \$33,572,003 | \$27,854,237 | \$27,739,350 |
| Annual % Change | | 6.9% | -17.0% | -0.4% |
| Mental Health Services - Community Medicaid 0732 | \$42,619,621 | \$43,554,413 | \$38,923,315 | \$38,383,977 |
| Annual % Change | | 2.2% | -10.6% | -1.4% |
| Office of Substance Abuse - Medicaid Seed 0844 | \$3,150,899 | \$2,933,712 | \$2,861,308 | \$2,832,883 |
| Annual % Change | | -6.9% | -2.5% | -1.0% |
| Disproportionate Share Hospitals (RPC and DDPC) ¹ | \$4,572,244 | \$3,287,974 | \$3,266,957 | \$3,257,826 |
| Annual % Change | | -28.1% | -0.6% | -0.3% |
| Total | \$607,537,933 | \$591,630,524 | \$456,464,426 | \$555,466,824 |
| Annual % Change | | -2.6% | -22.8% | 21.7% |

¹ Reflects "All Other" expenditures/appropriations only. Personal Services expenditures/appropriations included in the Personal Services summary.

Higher Education

| | FY 08 Expenditures | FY 09 Appropriations | FY 10 Appropriations | FY 11 Appropriations |
|--|-----------------------|-------------------------|-------------------------|-------------------------|
| Projected "Current Services" Appropriations | | | \$283,728,889 | \$290,538,382 |
| Biennial Budget - Baseline Budget | \$272,942,825 | \$276,808,672 | \$276,808,672 | \$276,808,672 |
| EFY09 Budget (LD 45, Public Law 2009, c. 1) | | (\$12,463,428) | | |
| Adjustments to Baseline Budget - LD 353 | | | (\$6,285,627) | (\$6,285,627) |
| Total Appropriations | \$272,942,825 | \$264,345,244 | \$270,523,045 | \$270,523,045 |
| Annual % Change | | -3.1% | 2.3% | 0.0% |

Projected "Current Services" Appropriations

The structural gap projections for the 2010-2011 biennium uses FY 09 appropriations as a base and provides an inflation adjustment of 2.5% for FY 10 and 2.4% for FY 11 based on the forecast of the Consensus Economic Forecasting Commission.

Biennial Baseline Budget

The Governor's Recommended 2010-2011 Biennial Budget proposes to hold the baseline General Fund appropriations for FY 10 and FY 11 for the higher education programs at FY 09 levels falling short of the "current services" estimates by \$6.9 million and \$13.7 million in FY 10 and FY 11, respectively.

EFY09 Budget (LD 45, Public Law 2009, c. 1)

Public Law 2009, c. 1, the Governor's Emergency Supplemental Budget, reduced FY 09 appropriations to the Maine Community College System, Maine Maritime Academy and the Student Financial Assistance program within FAME by 5.4% and to the University of Maine System's Educational & General Activities program by 4.6%.

Adjustments to Baseline Budget - LD 353

The Governor's proposed adjustments to the 2010-2011 Biennial Budget reduce the baseline funding for Higher Education by approximately \$6.3 million in both FY 10 and FY 11. Total appropriations after adjustments are below "current services" estimates by \$13.2 million in FY 10 and \$20.0 million in FY 11. The table below details the funding for each of the state's higher education institutions.

Summary of Higher Education by Institution

| | FY08 Expenditures | FY09 Appropriations | FY10 Appropriations | FY11 Appropriations |
|--|-------------------|------------------------|------------------------|------------------------|
| University of Maine System | | | | |
| Biennial Budget - Baseline Budget | \$199,404,600 | \$200,764,206 | \$200,764,206 | \$200,764,206 |
| Adjustments | | (\$8,372,135) | (\$5,028,700) | (\$5,028,700) |
| Total Expenditures/Appropriations | \$199,404,600 | \$192,392,071 | \$195,735,506 | \$195,735,506 |
| Annual % Change | | -3.5% | 1.7% | 0.0% |
| Maine Community College System | | | | |
| Biennial Budget - Baseline Budget | \$51,941,634 | \$54,429,035 | \$54,429,035 | \$54,429,035 |
| Adjustments | | (\$2,928,354) | \$261,793 | \$261,793 |
| Total Expenditures/Appropriations | \$51,941,634 | \$51,500,681 | \$54,690,828 | \$54,690,828 |
| Annual % Change | | -0.8% | 6.2% | 0.0% |
| Maine Maritime Academy | | | | |
| Biennial Budget - Baseline Budget | \$8,835,474 | \$8,854,314 | \$8,854,314 | \$8,854,314 |
| Adjustments | | (\$476,374) | (\$242,608) | (\$242,608) |
| Total Expenditures/Appropriations | \$8,835,474 | \$8,377,940 | \$8,611,706 | \$8,611,706 |
| Annual % Change | | -5.2% | 2.8% | 0.0% |
| Other Higher Education Spending | | | | |
| Biennial Budget - Baseline Budget | \$12,761,117 | \$12,761,117 | \$12,761,117 | \$12,761,117 |
| Adjustments | | (\$686,565) | (\$1,276,112) | (\$1,276,112) |
| Total Expenditures/Appropriations | \$12,761,117 | \$12,074,552 | \$11,485,005 | \$11,485,005 |
| Annual % Change | | -5.4% | -4.9% | 0.0% |

Teachers' Retirement

(Including Retired Teachers' Health Insurance and Group Life Insurance)

| | FY 08 Expenditures | FY 09 Appropriations | FY 10 Appropriations | FY 11 Appropriations |
|--|-----------------------|-------------------------|-------------------------|-------------------------|
| Projected "Current Services" Appropriations | | | \$250,702,360 | \$268,283,516 |
| Biennial Budget - Baseline Budget | \$196,871,807 | \$198,894,740 | \$198,894,740 | \$198,894,740 |
| EFY09 Budget (LD 45, Public Law 2009, c. 1) | | \$5,032,325 | | |
| Adjustments to Baseline Budget - LD 353 | | | \$10,098,517 | \$20,260,303 |
| Total Appropriations | \$196,871,807 | \$203,927,065 | \$208,993,257 | \$219,155,043 |
| Annual % Change | | 3.6% | 2.5% | 4.9% |

Projected "Current Services" Appropriations

The structural gap estimates differ from the Bureau of the Budget's due to including funding for the Retired Teachers' Group Life Insurance program and for the requirement in PL 2007, c. 240, Part RRR-1 that requires, beginning with the fiscal year starting July 1, 2009, annual appropriations to retire in 30 years or less from July 1, 2007 the unfunded liability for retiree health benefits as determined by the Office of the State Controller and certified as of June 30, 2006. Projected teacher salary growth is based upon the actuarial assumption for inflation/general salary increase of 4.75%. Contribution rate is assumed to 8.0% of payroll in FY 10 and 8.9% of payroll in FY 11 based on Teacher Alternative 2 of Retiree Healthcare Plan Actuarial Valuation as of June 30, 2006.

Biennial Baseline Budget

The Governor's Recommended 2010-2011 Biennial Budget proposes to hold the baseline General Fund appropriations for FY 10 and FY 11 for the teacher retirement, retired teachers' health insurance and retired teachers' group health insurance at FY 09 levels. The FY 09 base appropriation was not adjusted upward for the one-time adjustment related to the prepayment of Teachers' Retirement in FY 09, which reduced appropriations by \$6,794,273. Baseline appropriations are below "current services" estimates of appropriations for these programs by \$51.8 million in FY 10 and \$69.4 million in FY 11.

EFY09 Budget (LD 45, Public Law 2009, c. 1)

Public Law 2009, c. 1, the Governor's Emergency Supplemental Budget for fiscal year 2008-09, partially offset the \$6,794,273 deappropriation included in PL 2007, c. 240, Part T for savings associated with the State prepaying the annual employer contribution costs of teacher retirement for fiscal year 2008-09 on or before July 15, 2008 due to insufficient cash flow to pay the entire amount in the timeframe required.

Adjustments to Baseline Budget - LD 353

The Governor's Budget for the 2010-2011 Biennium proposes to increase total General Fund appropriations for Teacher Retirement by 2.5%, or \$10.1 million, in FY 10 and by 4.9%, or \$20.3 million, in FY 11. The table at the bottom of this page details each of the programs included in the total funding for Teacher Retirement.

The adjustments to the baseline budget for teacher retirement costs are based upon current law and the Maine Public Employees Retirement System's actuarial valuation for the State Employee and Teacher Retirement Program as of June 30, 2008. The 2010-2011 budget also increases the State's share of health insurance costs for retired teachers' by 6.0% per year and proposes to fund group life insurance for retired teachers' at a cost of \$2.4 million in FY10 and \$2.5 million in FY11.

The appropriations after adjustments to the baseline budget for teacher retirement costs are below "current services" estimates by \$41.7 million in FY 10 and \$49.1 million in FY 11.

Summary of Teacher Retirement by Program

| | FY08 Expenditures | FY09 Appropriations | FY10 Appropriations | FY11 Appropriations |
|---|-------------------|------------------------|------------------------|------------------------|
| Teachers' Retirement | | | | |
| Biennial Budget - Baseline Budget | \$177,054,037 | \$178,669,830 | \$178,669,830 | \$178,669,830 |
| Adjustments | | \$5,032,325 | \$9,137,869 | \$18,058,735 |
| Total Expenditures/Appropriations | \$177,054,037 | \$183,702,155 | \$187,807,699 | \$196,728,565 |
| Annual % Change | | 3.8% | 2.2% | 4.8% |
| Retired Teachers' Health Insurance | | | | |
| Biennial Budget - Baseline Budget | \$17,413,138 | \$17,706,058 | \$17,706,058 | \$17,706,058 |
| Adjustments | | \$0 | \$1,062,363 | \$2,188,469 |
| Total Expenditures/Appropriations | \$17,413,138 | \$17,706,058 | \$18,768,421 | \$19,894,527 |
| Annual % Change | | 1.7% | 6.0% | 6.0% |
| Retired Teachers' Group Life Insurance | | | | |
| Biennial Budget - Baseline Budget | \$2,404,632 | \$2,518,852 | \$2,518,852 | \$2,518,852 |
| Adjustments | | \$0 | (\$101,715) | \$13,099 |
| Total Expenditures/Appropriations | \$2,404,632 | \$2,518,852 | \$2,417,137 | \$2,531,951 |
| Annual % Change | | 4.7% | -4.0% | 4.7% |

Tax Relief and Reimbursement Programs

| | FY 08 | FY 09 | FY 10 | FY 11 |
|--|--------------|----------------|----------------|----------------|
| | Expenditures | Appropriations | Appropriations | Appropriations |
| Projected "Current Services" Appropriations | | | \$35,546,000 | \$35,987,000 |
| Biennial Budget - Baseline Budget | \$33,960,289 | \$34,662,519 | \$35,324,066 | \$35,324,066 |
| EFY09 Budget (LD 45, Public Law 2009, c. 1) | | (\$528,789) | | |
| Adjustments to Baseline Budget - LD 353 | | | (\$472,587) | (\$71,587) |
| Total Appropriations | \$33,960,289 | \$34,133,730 | \$34,851,479 | \$35,252,479 |
| Annual % Change | | 0.5% | 2.1% | 1.2% |

Projected "Current Services" Appropriations

FY 10 and FY 11 programs costs were estimated by determining the projected growth in the individual programs that make up this category resulting in a 3.29% increase in FY 10 and a 1.24% increase in FY 11.

Biennial Baseline Budget

The Bureau of the Budget considered certain FY 09 deappropriations to be one-time and added those amounts, \$661,547, back to the FY 09 base to determine the FY 10 and FY 11 baseline budget amounts. These included adjustments to Veterans Organization Tax Reimbursement program (\$300,000), Veterans Property Tax Reimbursement program (\$359,800), Homestead Property Tax Exemption - Mandate Reimbursement (\$1,093) and Snow Grooming Property Tax Exemption Reimbursement (\$643).

EFY09 Budget (LD 45, Public Law 2009, c. 1)

Deappropriates a total of \$528,789 from various tax reimbursement programs. See summary of adjustments below.

Adjustments to Baseline Budget - LD 353

Adjustments to the various tax reimbursement programs result in net deappropriations totaling \$472,587 in FY 10 and \$71,587 in FY 11. The Governor also proposes adjustments to the Circuit Breaker and BETR programs, which do not affect General Fund appropriations, but reduce Individual Income Tax revenue. The adjustments to revenue associated with these programs is detailed below.

Summary of Adjustments by Program

| | FY 09 | FY 10 | FY 11 |
|---|-------------|-------------|-------------|
| Homestead Property Tax Exemption Reimbursement 0886 | (\$461,200) | \$223,602 | \$223,602 |
| Homestead Property Tax Exemption - Mandate Reimbursement 0887 | \$0 | (\$1,000) | (\$1,000) |
| Mandate BETE - Reimburse Municipalities Z065 | (\$15,000) | \$10,000 | \$15,000 |
| Snow Grooming Property Tax Exemption Reimbursement Z024 | (\$4,500) | \$6,435 | \$6,435 |
| Tree Growth Tax Reimbursement 0261 | (\$40,000) | (\$285,000) | \$75,000 |
| Veterans Tax Reimbursement 0407 | \$0 | (\$154,732) | (\$129,732) |
| Veterans Organization Tax Reimbursement Z026 | (\$8,089) | (\$272,892) | (\$262,892) |
| Waste Facility Tax Reimbursement 0907 | \$0 | \$1,000 | \$2,000 |
| | (\$528,789) | (\$472,587) | (\$71,587) |

Tax Reimbursement Program - Revenue Adjustments

| | FY 10 | FY 11 |
|--|--------------|--------------|
| Maine Residents Property Tax Exemption Program (Circuit Breaker) | \$4,340,050 | \$4,137,013 |
| Business Equipment Tax Reimbursement (BETR) | \$6,565,349 | \$6,004,794 |
| | \$10,905,399 | \$10,141,807 |

| Revenue Adjustments (December 2008 Forecast) * | FY 08 | FY 09 | FY 10 | FY 11 |
|--|-----------------|-----------------|-----------------|-----------------|
| Maine Residents Property Tax Program (Circuit Breaker) | (\$46,689,380) | (\$48,202,400) | (\$50,701,520) | (\$53,375,000) |
| Business Equipment Tax Reimbursement (BETR) | (\$67,875,376) | (\$68,559,334) | (\$65,653,487) | (\$60,047,934) |
| Municipal Business Equipment Tax Reimbursement (BETE) | \$0 | (\$11,373,516) | (\$19,538,412) | (\$24,986,069) |
| Disproportionate Tax Burden Fund | \$0 | \$0 | (\$2,000,000) | (\$2,500,000) |
| Subtotal Revenue Loss | (\$114,564,756) | (\$128,135,250) | (\$137,893,419) | (\$140,909,003) |
| Totals Revenues and Expenditures - Tax Relief and Reimbursement Programs - Governor's Proposals | | | | |
| Expenditures | \$33,960,289 | \$34,133,730 | \$34,851,479 | \$35,252,479 |
| Revenue | \$114,564,756 | \$128,135,250 | \$126,988,020 | \$130,767,196 |
| | \$148,525,045 | \$162,268,980 | \$161,839,499 | \$166,019,675 |
| | | 9.3% | -0.3% | 2.6% |

* Reflects amounts of Gross Revenue equal to the cost of the programs and program expansions had they remained as appropriations. Revenue estimates are based on the December 2008 revenue forecast.

Debt Service

| | FY 08 | FY 09 | FY 10 | FY 11 |
|--|---------------|----------------|----------------|----------------|
| | Expenditures | Appropriations | Appropriations | Appropriations |
| Projected "Current Services" Appropriations | | | \$115,711,000 | \$113,444,000 |
| Biennial Budget - Baseline Budget | \$101,848,646 | \$108,299,480 | \$108,771,530 | \$108,771,530 |
| EFY09 Budget (LD 45, Public Law 2009, c. 1) | | (\$1,000,000) | | |
| Adjustments to Baseline Budget - LD 353 | | | \$8,814,771 | \$17,797,118 |
| Total Appropriations | \$101,848,646 | \$107,299,480 | \$117,586,301 | \$126,568,648 |
| Annual % Change | | 5.4% | 9.6% | 7.6% |

Projected "Current Services" Appropriations

Projected appropriations for debt service assumed that the State Treasurer would issue bonds and certain bond anticipation notes (BAN's) related to those bonds, of \$127.6 million in FY 09, \$49.8 million in FY 10 and \$7.5 million in FY 11. The total, \$184.9 million, is the amount of unissued bonds that had been authorized by the voters through June 30, 2008. Tax Anticipation Notes (TAN's) of \$150 million per year were assumed for each year.

Biennial Baseline Budget

Appropriations for debt service were adjusted upward to add back some one-time savings in both the Debt Service - Governmental Facilities Authority program (\$277,939) and Treasurer's Debt Service program (\$194,111). The baseline budget amounts are below projections of "current services" appropriations by \$6.9 million in FY 10 and \$4.7 million in FY 11.

EFY09 Budget (LD 45, Public Law 2009, c. 1)

The Governor's 2008-09 Supplemental Budget (LD 45) deappropriates \$1,000,000 from debt service in FY 09 for net savings from a smaller bond issue in June, 2008 and a transfer of an additional \$250,000 from the Debt Service Earnings account.

Adjustments to Baseline Budget - LD 353

The debt service program within the Office of the Treasurer of State is increased by \$8,814,771 in FY 10 and by \$17,797,118 in FY 11 based on the expectation of new issues. The Debt Service Program within the Maine Governmental Facilities Authority contains no adjustment to its baseline budget.

With the proposed adjustments, the total appropriations to the debt services programs in this category exceed current services estimates by \$1.9 million in FY 10 and \$13.1 million in FY 11. The additional amounts are based on the assumption that new bond issues will be authorized, increasing the amounts issued during the 2010-2011 biennium.

Personal Services

| | FY 08 | FY 09 | FY 10 | FY 11 |
|--|---------------|----------------|----------------|----------------|
| | Expenditures | Appropriations | Appropriations | Appropriations |
| Projected "Current Services" Appropriations | | | \$538,565,829 | \$553,612,516 |
| Biennial Budget - Baseline Budget | \$425,571,308 | \$438,690,186 | \$472,450,332 | \$477,868,882 |
| EFY09 Budget (LD 45, Public Law 2009, c. 1) | | (\$6,012,688) | | |
| Adjustments to Baseline Budget - LD 353 | | | (\$12,990,403) | (\$14,900,839) |
| Total Appropriations | \$425,571,308 | \$432,677,498 | \$459,459,929 | \$462,968,043 |
| Annual % Change | | 1.7% | 6.2% | 0.8% |

Projected "Current Services" Appropriations

OFPR's projected growth of Personal Services appropriations is assumed to be 22.8% in FY 10 and 2.8% in FY 11. Personal Services estimates for "current services" and the Baseline Budget amounts should be similar as these amounts are established using similar rules to the former "current services" approach to budgeting. The primary reason for the difference between OFPR's estimated Personal Services appropriations and final Baseline Budget amounts is OFPR's inclusion of the costs of funding the requirement in PL 2007, c. 240, Part RRR-1. That provision requires that beginning in FY 10 annual appropriations be made to retire, in 30 years or less from July 1, 2007, the unfunded liability for retiree health benefits certified by the Commissioner of Administrative and Financial Services as of June 30, 2006. The estimated costs added to OFPR's estimate assumed an additional cost of 16.7% of payroll in FY 10 and 17.7% of payroll in FY 11 (based on State Alternative 1 of Retiree Healthcare Plan Actuarial Valuation, June 30, 2006).

Biennial Budget - Baseline

The Personal Services amounts in the Baseline Budget for the 2010-2011 biennium increase by 7.7% in FY 10 and 1.1% in FY 11. The growth in Personal Services for the 2010-2011 biennium is primarily related to factoring in the collective bargaining agreement approved by the 123rd Legislature, but not appropriated to individual programs during the 2008-2009 biennium. Agencies were expected to absorb the additional costs or access the Salary Plan, if they were not able to offset the costs. In addition, certain agencies whose employees are paid in Cycle A have an additional payroll or 27th biweekly payroll in FY 10.

EFY09 Budget (LD 45, Public Law 2009, c. 1)

Public Law 2009, c. 1, the Governor's Emergency Supplemental Budget, reduced personal services costs by \$6.4 million in FY 09 primarily by eliminating 13.347 authorized positions in the General Fund and by managing vacant positions.

Adjustments to Baseline Budget - LD 353

The Governor's proposed adjustments to the Baseline Budget reduce the Personal Services by 2.7%, or approximately \$13.0 million in FY 10 and 3.1%, or \$14.9 million in FY 11.

The only significant increases in Personal Services costs were adjustments to fund reorganizations. The major adjustment increasing Personal Services costs is the change in the General Fund share of State Police program costs from 40% to 51%, while reducing the Highway Fund share from 60% to 49%.

The primary initiatives proposed by the Governor to achieve these savings include: 1) increasing the attrition factor for personal services costs from 1.6% to 5%, saving approximately \$10.1 million in FY 10 and \$10.0 million in FY 11; 2) offering a retirement incentive to eligible State employees, saving an estimated \$2.4 million in FY 10 and \$2.7 million in FY 11; and 3) requiring those State employees who earn more than \$50,000 per year to pay a portion of their health insurance premiums with savings of approximately \$0.4 million in both FY 10 and FY 11. Total reductions from baseline General Fund authorized position counts in the 2010-2011 biennium total 117.820 positions.

Note:

The requirement to fund the unfunded liability of retiree health insurance was not addressed within the Governor's proposed biennial budget. PL 2007, c. 240, Part RRR was not repealed or modified. This provision affects Personal Services costs estimates as noted above and Retired Teachers' Health Insurance.

"Other" Non-Personal Services Appropriations

| | FY 08 | FY 09 | FY 10 | FY 11 |
|--|---------------|----------------|----------------|----------------|
| | Expenditures | Appropriations | Appropriations | Appropriations |
| Projected "Current Services" Appropriations | | | \$503,355,711 | \$515,436,248 |
| Biennial Budget - Baseline Budget | \$490,556,222 | \$487,278,344 | \$493,308,317 | \$493,308,317 |
| EFY09 Budget (LD 45, Public Law 2009, c. 1) | | (\$15,765,421) | | |
| Adjustments to Baseline Budget - LD 353 | | | (\$2,521,682) | (\$11,208,551) |
| Total Appropriations | \$490,556,222 | \$471,512,923 | \$490,786,635 | \$482,099,766 |
| Annual % Change | | -3.9% | 4.1% | -1.8% |

Projected "Current Services" Appropriations

The projections for this category of "other" non-personal services appropriations started with FY 09 appropriations adjusted for any one-time appropriations or deappropriations. That base was inflated using the forecast of the consumer price index by the Consensus Economic Forecasting Commission as of its November 2008 forecast. Baseline Budget amounts in this category were under the estimated "current services" appropriations by \$6.1 million in FY 10 and \$18.1 million in FY 11.

Biennial Baseline Budget

FY 09 appropriations were adjusted upward by \$6,029,973 to account for net one-time reductions and establish the Baseline Budget at a higher level than the final FY 09 appropriations of the 123rd Legislature in this category.

EFY09 Budget (LD 45, Public Law 2009, c. 1)

Total appropriations were reduced by \$15,765,421 in the Emergency FY 09 Budget Bill, PL 2009, c. 1. See separate summary for more detail on these changes.

Adjustments to Baseline Budget - LD 353

Major adjustments to Baseline Budget are presented below:

| | FY10 | FY 11 |
|--|---------------|---------------|
| ALL DEPARTMENTS STATEWIDE | | |
| Information Technology Initiatives Statewide | | |
| Various information technology initiatives statewide. Reflecting Non-Personal Services appropriations, net of increases and decreases. | \$1,516,280 | (\$1,970,577) |
| DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES | | |
| Statewide Radio Network System 0112 | | |
| Adjusts debt service costs associated with delaying project, but increasing borrowing amount. | (\$874,851) | \$2,804,122 |
| DEPARTMENT OF CORRECTIONS | | |
| Several Programs | | |
| Provides funding for contractual services with a private facility to transfer inmates from the Maine State Prison, and reduces funding for related All Other costs as a result of these transfers and position eliminations. | \$1,814,207 | \$1,761,044 |
| DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT | | |
| Office of Innovation 0995 | | |
| Reduces funding for the Maine Technology Institute. | (\$755,567) | (\$755,011) |
| DEPARTMENT OF EDUCATION | | |
| Adult Education | | |
| Reduces funding for literacy volunteers, New England Literacy Resource Center, GED test administration, state administration, the college transition administrative contract, the college transition program and local program state subsidy from the Adult Education program. | (\$605,980) | (\$605,980) |
| PK-20 Curriculum, Instruction and Assessment Z081 | | |
| Reduces funding from savings achieved by joining with other states in a common interstate assessment agreement. | (\$1,029,180) | (\$1,029,180) |

| | FY10 | FY 11 |
|--|---------------|---------------|
| HEALTH AND HUMAN SERVICES (formerly BDS) | | |
| Departmentwide 0640 | | |
| Reduces funding for room and board due to a social security income cost-of-living increase. | (\$4,000,000) | (\$4,000,000) |
| Mental Retardation Services - Community | | |
| Reduces funding for room and board due to a social security income cost-of-living increase. | (\$479,682) | (\$479,682) |
| HEALTH AND HUMAN SERVICES (formerly DHS) | | |
| Bureau of Medical Services 0129 | | |
| Provides funding for the fiscal agent project. | \$3,000,000 | (\$3,000,000) |
| Health - Bureau of 0143 | | |
| Provides funding for childhood vaccines. | \$2,000,000 | \$2,000,000 |
| Health - Bureau of 0143 | | |
| Provides funding for the federally-subsidized purchase of antivirals to be used in an influenza pandemic. | \$2,175,076 | \$0 |
| IV-E Foster Care/Adoption Assistance 0137 | | |
| Reduces funding by reducing rates for certain children's behavioral health services, including targeted case management and assertive community treatment. | \$0 | (\$1,328,390) |
| State-Funded Foster Care/Adoption Assistance 0139 | | |
| Reduces funding by streamlining and simplifying the family foster home licensing process and by eliminating payments to unlicensed foster homes. | (\$1,300,000) | (\$1,300,000) |
| State-Funded Foster Care/Adoption Assistance 0139 | | |
| Transfers funding from the Medical Care - Payments to Providers program and provides additional funding to continue to serve youth in need of transitional services. | \$1,079,248 | \$1,079,248 |
| State-Funded Foster Care/Adoption Assistance 0139 | | |
| Reduces funding by combining the State's investment in the home visiting infrastructure with the alternative response program for children from birth to 5 years of age to implement an intensive, short-term secondary prevention program of up to 6 months. | (\$500,000) | (\$500,000) |
| Medical Care - Payments To Providers - Non Match 0997 | | |
| Eliminates funding no longer required by community agencies that were expected to be affected by federal targeted case management rule changes as it is anticipated that these changes will not be implemented. | (\$6,648,675) | (\$6,648,675) |
| JUDICIAL DEPARTMENT | | |
| Courts - Supreme, Superior and District 0063 | | |
| Reduces funding to maintain costs within available resources. | (\$1,000,000) | (\$1,000,000) |
| Courts - Supreme, Superior and District 0063 | | |
| Provides funding for the increases in required indigent legal services costs. | \$921,560 | \$921,560 |
| Judicial - Debt Service 9998 | | |
| Funding for debt service costs for court facilities. | \$1,657,473 | \$1,554,249 |
| PUBLIC SAFETY | | |
| State Police 0291 | | |
| Adjusts funding from 40% General Fund and 60% Highway Fund to 51% General Fund and 49% Highway Fund. | \$1,521,961 | \$1,521,961 |
| TREASURER OF STATE | | |
| Administration - Treasury | | |
| Provides funding for the Treasurer's Cash Management Transparency and Proficiency Initiative that will ensure the long-term sustainability of cost-effective banking services and management-level personnel required to maintain cash management, oversight and analysis. Also generates revenue. | \$697,000 | \$697,000 |

Appendix C

Tax and Fee Changes Affecting State and Local Tax Burden

**Tax and Fee Changes
Affecting State and Local Tax Burden**

| | | FY 09 | FY 10 | FY 11 | FY 12 | FY13 |
|--------------------------------|--|-------------|-------------|-------------|-------------|-------------|
| Sales and Use Tax | | | | | | |
| LD 353, Part H | Sales tax revenue increase associated with the conversion of the excise tax on smokeless tobacco products from a tax equaling 78% of the wholesale price to a tax based on weight at the rate of \$2.02 per ounce. The change is effective for purchases on or after July 1, 2009. | \$0 | \$72,974 | \$73,704 | \$74,441 | \$75,185 |
| Individual Income Tax * | | | | | | |
| LD 45, Part Z | Delays the Tax Credit for Rehabilitation of Historic Properties with respect to the Kennebec Arsenal National Historic Landmark from tax years beginning on or after January 1, 2006 but before January 1, 2010 to tax years that begin on or after January 1, 2009 but before January 1, 2013. Unused credit amounts in any one tax year may be carried forward only through tax year 2012. (Also included in LD 353, Part N) | \$500,000 | \$0 | (\$500,000) | (\$500,000) | (\$500,000) |
| LD 45, Part I | Part I amends Maine law to disallow use of the election to pay estimated tax based on the prior year's tax liability with regard to unusual event income, such as realization of a large capital gain. An unusual event is defined as a receipt of income exceeding \$500,000. The change applies to tax years beginning on or after January 1, 2009. (Also included in LD 353, Part W) | \$5,405,000 | \$216,200 | \$224,848 | \$233,842 | \$243,196 |
| LD 353, Part LL | Revenue increase from limiting the allowable benefit under the Maine Residents Property Tax and Rent Refund Program for all nonelderly households to 90% of the amount to which those households would otherwise be eligible for application periods beginning on August 1, 2009 and on August 1, 2010. | \$0 | (\$402,000) | (\$292,000) | \$0 | \$0 |
| LD 353, Part A | Additional individual income tax revenue from the continuation of an overtime project to enhance revenue discovery and revenue collections. | \$0 | \$2,000,000 | \$2,000,000 | \$0 | \$0 |
| LD 353, Part A | Revenue increase associated with establishing 2 Senior Revenue Agent positions for the Criminal Investigations Unit to provide deterrence to tax delinquents and focus on those individuals and businesses that intentionally failed to file a tax return, failed to pay tax or filed a fraudulent tax return. | \$0 | \$550,000 | \$550,000 | \$550,000 | \$550,000 |
| Corporate Income Tax | | | | | | |
| LD 353, Part NN | Revenue increase that results from removing from the apportionment calculation the sales of tangible personal property by businesses operating in more than one state if the sales are delivered to a state where the taxpayer is not taxable. Sales other than those of tangible personal property are also removed from the Maine sales in the apportionment calculation if the sales are delivered from Maine to a state where the taxpayer is not taxable. | \$0 | \$2,750,000 | \$2,512,500 | \$2,555,250 | \$2,606,355 |

**Tax and Fee Changes
Affecting State and Local Tax Burden**

| | | FY 09 | FY 10 | FY 11 | FY 12 | FY13 |
|---|--|--------------------|---------------------|---------------------|---------------------|---------------------|
| Cigarette and Tobacco Products Taxes | | | | | | |
| LD 353, Part H | Revenue increase associated with the conversion of the excise tax on smokeless tobacco products from a tax equaling 78% of the wholesale price to a tax based on weight at the rate of \$2.02 per ounce. The change is effective for purchases on or after July 1, 2009. | \$0 | \$1,459,485 | \$1,474,080 | \$1,488,820 | \$1,503,709 |
| Public Utilities Taxes | | | | | | |
| LD 353, Part P | Revenue increase associated with a change in the rate of the tax on telecommunications personal property. | \$0 | \$1,545,181 | \$1,524,181 | \$762,590 | \$0 |
| LD 45, Part P | Part P freezes the 2009 mill rate on Telecommunications Personal Property at 22 mills, the same rate applicable in 2008. | \$795,030 | \$0 | \$0 | \$0 | \$0 |
| Estate Tax | | | | | | |
| LD 353, Part E | Revenue increase associated with an adjustment to ensure that the Maine estate tax under current law will continue to be imposed for deaths occurring after calendar year 2009 with the intent of maintaining the state's estate tax revenues at current levels. | \$0 | \$2,260,959 | \$39,486,749 | \$48,888,212 | \$57,886,141 |
| Other Revenue - Tax and Fee Changes | | | | | | |
| Conservation, Department of | | | | | | |
| LD 353, Part MM | The Commissioner of the Department of Conservation shall undertake a review of fees charged by the Bureau of Parks and Lands and implement in a manner deemed most appropriate by the Commissioner fees increases to generate additional undedicated revenue to the General Fund of \$475,500 annually beginning in fiscal year 2009-10. | \$0 | \$475,500 | \$475,500 | \$475,500 | \$475,500 |
| Inland Fisheries and Wildlife, Department of | | | | | | |
| LD 353, Part OO | Increases the fees for certain hunting, fishing and trapping licenses by \$2.50 in calendar year 2010 and \$1 in calendar year 2011. This increase does not affect any lifetime license fees. | \$0 | \$722,500 | \$1,621,375 | \$1,621,375 | \$1,621,375 |
| Marine Resources, Department of | | | | | | |
| LD 353, Part G | Increases of license fees levied by the Department of Marine Resources. | \$0 | \$392,483 | \$448,414 | \$448,414 | \$448,414 |
| Total - Tax and Fee Increases (Decreases) | | \$6,700,030 | \$12,043,282 | \$49,599,351 | \$56,598,444 | \$64,909,875 |

* Does not include changes to the individual income tax transfers related to benefit payments for the Circuit Breaker and BETR tax relief programs, only the impact on individual income revenue associated with the benefit changes through changes itemized deductions. The revenue transfers for the benefit payments are not considered changes affecting tax burden.