

MAINE STATE LEGISLATURE

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**Report of the
CONSENSUS ECONOMIC FORECASTING COMMISSION
November 1, 2016**

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Summary

The Maine Consensus Economic Forecasting Commission (CEFC) convened on October 28, 2016, to review and revise the forecast through 2019 and to additionally forecast 2020-2021. This report provides a summary of the Commission's findings.

The Maine and U.S. economies have generally improved since the Consensus Economic Forecasting Commission (CEFC) last met in January 2016, although growth in Maine's economy continues to lag national growth in some areas.

Maine's real GDP increased 0.6% in the first quarter of 2016. This was the fourth consecutive quarter of real GDP growth. Personal income in Maine grew 3.9% from the first half of 2015 to the first half of 2016, while wage and salary income, which is the largest component of total personal income, grew 4.9% over the same period. This is stronger growth than the CEFC had forecast in February 2016. The debt-to-income level for Maine businesses and households continued to rise to new levels in the second quarter of 2016. The Consumer Price Index was up 1.5% in September 2016 from a year ago, held down by the declines in energy prices.

Nationwide, consumer sentiment has remained relatively stable in recent months, down somewhat from a peak in January 2015. The September 2016 level was up 1.6% from a year ago. Small business optimism peaked in December 2014 and is down 6.2% from that month.

The price of crude oil seems to have leveled out around \$47 per barrel as prices in the third quarter of 2016 were unchanged from the second quarter. As a result of the declines in crude oil prices, heating oil prices and gasoline prices have seen substantial declines as well. Heating oil was below \$2 per gallon for much of the 2015-2016 heating season and has started the 2016-2017 season around \$2 per gallon. Gasoline is currently averaging \$2.35 per gallon.

Existing single-family home sales in Maine were up 6.1% in September 2016 compared to the same month last year and housing permits for the September 2015 – August 2016 year were 33.0% higher than the previous 12-month period. The median home price in the Portland-South Portland Metropolitan Statistical Area (which encompasses all of York, Cumberland, and Sagadahoc counties) increased 3.8% year-over-year in the second quarter of 2016. Mortgage delinquency rates in Maine have been declining but at a slower pace than nationally. The foreclosure rate in Maine was 0.49% in the second quarter of 2016 and has been above the national rate for fifteen of the past sixteen quarters.

The Commission made modest changes to the existing forecasts for personal income and corporate profits, but left employment and inflation unchanged. The employment forecast relies on an alternative scenario ("LowPop") created by the Office of Policy and Management, which provides staff support to the CEFC. This alternative scenario is based on the Moody's Analytics baseline with adjustments that lowered the employment forecast. These adjustments are a result of the consensus that the national level forecasts are based on overly optimistic labor force participation rates for the state of Maine, causing employment forecasts, among other things, to grow at an unattainable rate. However, this forecast does assume an increase in migration into Maine in the next few years. The Commission remains concerned about the demographic situation in Maine and the resulting impacts on workforce availability. These concerns were again reinforced in comments provided by representatives from a variety of business sectors in the Commission's data gathering session that preceded the forecast deliberations.

This forecast, coming shortly before the November 8 elections, assumes that none of the pending referendum questions (specifically questions 1, 2, and 4) pass. If any of these referendum questions do

pass, the CEFC will meet jointly with the Revenue Forecasting Committee on November 14 to discuss the potential impacts and make any necessary adjustments to the forecast.

The forecast for wage and salary employment was left unchanged, with the forecasts for 2020 and 2021 continuing the 0.0 percent employment growth forecast for 2019. The 2019-2021 employment level is just shy of the 2007 pre-recession peak. CPI was also left unchanged, with 2020 and 2021 forecast at 2.5 percent and 2.4 percent growth, respectively. Total personal income was revised upward by 0.3 percentage points in 2015 with the release of new actual data from the U.S. Bureau of Economic Analysis. The forecasts for 2016-2018 were revised downward by 0.1, 0.4, and 0.1 percentage points, respectively, while 2019 was revised upward by 0.1 percentage points. 2020 was forecast at 3.4 percent and 2021 was forecast at 3.5 percent. Wage and salary income for 2015 was revised upward by 0.7 percentage points with the release of actual data. The forecasts for 2016, 2018, and 2019 were left unchanged, while the forecast for 2017 was revised downward 0.2 percentage points to reflect the risk of some possible high-wage job losses in the manufacturing and finance industries. 2020 and 2021 were both forecast at 3.5 percent growth.

The table below provides the forecast’s major indicators.

Calendar Years	2015	2016	2017	2018	2019	2020	2021
Wage & Salary Employment (Annual Percentage Change)							
CEFC Forecast 02/2016	0.8	0.7	0.4	0.2	0.0		
CEFC Forecast 11/2016	0.8	0.7	0.4	0.2	0.0	0.0	0.0
Personal Income (Annual Percentage Change)							
CEFC Forecast 02/2016	3.4	3.7	4.0	3.7	3.3		
CEFC Forecast 11/2016	3.7	3.6	3.6	3.6	3.4	3.4	3.5
Wage and Salary Income (Annual Percentage Change)							
CEFC Forecast 02/2016	3.4	4.1	4.1	3.9	3.6		
CEFC Forecast 11/2016	4.1	4.1	3.9	3.9	3.6	3.5	3.5
CPI (Annual Percentage Change)							
CEFC Forecast 02/2016	0.1	1.7	2.4	2.6	2.3		
CEFC Forecast 11/2016	0.1	1.7	2.4	2.6	2.3	2.5	2.4

Prior to the start of the forecasting meeting, the CEFC held the annual fall data gathering session, in which the Commission heard from representatives of the Maine Tourism Association, Retail Association of Maine, Maine Restaurant Association and Maine Innkeepers Association, and Maine Bankers Association. In addition to a general overview of the industries’ economic outlook, participants were asked to share their views of the potential impacts of the upcoming referendum questions relating to marijuana legalization (Question 1), the 3% surtax on incomes over \$200,000 for education funding (Question 2), and the minimum wage increase (Question 4). A summary of the data gathering session is available separately. In deliberations leading to consensus, the CEFC considered information presented by several state agencies, including the Maine Department of Labor, Maine Revenue Services, and the Office of Policy and Management. The following sections summarize these reports.

Office of Policy and Management

In the first quarter of 2016, Maine's real Gross Domestic Product was \$51.3 billion, with \$44.4 billion coming from private industries and \$6.9 billion from government (federal, state, and local). Maine's total real GDP increased 0.6% in the first quarter of 2016. This was higher than the rate of national GDP growth, which was 0.3%. This was the fourth consecutive quarter of real GDP growth.

According to preliminary estimates from the U.S. Bureau of Economic Analysis, total personal income grew 3.9% from the first half of 2015 to the first half of 2016 and wage and salary income grew 4.9% during the same period. Wage and salary disbursements, which are the largest component of personal income, averaged around \$27.6 billion in the first half of 2016 (seasonally adjusted at annual rates). Total personal income averaged around \$58.4 billion. Maine's debt to income ratio was 25.8% in the second quarter of 2016. This is a new high point for the ratio.

The Consumer Price Index (CPI) was up 1.5% from September 2015 to September 2016, held down by continued energy price deflation. Core inflation, which excludes food and energy prices, rose 2.2% over that same period. The Chained Consumer Price Index (Chained CPI) increased 1.2% from September 2015 to September 2016, again slowed by the drop in energy prices. Core inflation rose 2.0% over the same period. Chained CPI allows for substitutions in the basket of goods and services being measured.

In September 2016, the survey-based University of Michigan Consumer Sentiment Index increased 1.6% month-over-month and was up 4.6% from a year ago. The survey-based National Federation of Independent Business (NFIB) Small Business Optimism Index was down 0.3% from the previous month and down 6.2% from the December 2014 peak.

The price of Brent crude oil plunged starting in the second half of 2014 and was just over \$47 per barrel in the third quarter of 2016, unchanged from the second quarter of 2016 and a 4.7% decrease from the second quarter of 2015. Prices appear to have bottomed out in mid-2016. The price of heating oil in Maine remained well below prices of the past few years in the 2015-2016 heating season and the 2016-2017 heating season has started at the same level, averaging \$2.03/gallon most recently. The price of heating oil in Maine had averaged around \$3.75/gallon before the 2014 decline in crude oil prices. The price of gasoline in New England on October 17, 2016 averaged \$2.35, unchanged from the previous week and \$0.05 higher than one year ago. The price of gasoline has risen somewhat recently but is still \$1.50 per gallon lower than the July 2014 peak.

Single family existing-home sales in Maine were up 6.1% in September 2016 compared to September 2015. Over the past five years, home sales in Maine have only declined year-over-year in four months. Maine has seen a rebound in housing permits in 2016. Average monthly single unit housing permits in Maine in the 12-month period from September 2015 through August 2016 were 33.0% higher than in the previous 12-month period. The median home price in the Portland-South Portland metropolitan area increased 3.8% year-over-year in the second quarter of 2016. The median home price in the second quarter of 2016 was \$248,800. The share of mortgages in Maine that are delinquent 30 days or more was 5.3% in the second quarter of 2016. The rate of delinquencies in Maine has been above the U.S. rate for seventeen straight quarters now. Maine's foreclosure rate was 0.49% in the second quarter of 2016, down slightly from the previous quarter. Maine's foreclosure rate has been above the U.S. rate for fifteen of the past sixteen quarters.

Full background materials are available at:

<http://www.maine.gov/economist/forecasts/index.shtml>

Maine Department of Labor

Unemployment rates have trended up from a low of 3.4% in March and April to 4.1% in September. This is not an indication that workforce conditions are deteriorating. Preliminary unemployment estimates tend to move in a direction for several months and then reverse course. Annual revisions that occur each year in the spring eliminate those undulations. For preliminary estimates, the 90% confidence interval is +/-0.7 percentage points, so small changes in unemployment rates should not be interpreted as significant change.

Around the state, unemployment is below the statewide average in York, Cumberland, and Sagadahoc, the three southern-most counties; close to the average in Androscoggin and Kennebec counties and the Bangor metro, the central corridor along I-95 and I-295; above the average and more seasonal in Oxford, Franklin, Somerset, and Piscataquis counties along the western rim of the state; close to the average, but extremely seasonal in the mid-coast region of Lincoln, Knox, Waldo, and Hancock counties; and well above the average in the northern region of Aroostook, Washington, and northern Penobscot counties.

Nonfarm payroll jobs estimates, based on a much larger, more reliable sample than labor force and unemployment estimates, indicate nonfarm jobs continue to rise. The strongest growth is in healthcare and social assistance, the largest sector which comprises one-sixth of jobs. Also adding jobs over the last two years were the leisure and hospitality, financial activities, and transportation, warehousing, and utilities sectors. Other private sectors have been relatively unchanged. Local and state government continue to gradually shed jobs, while the number of jobs in federal government has increased modestly due to rising employment at the Portsmouth Naval Shipyard.

Reductions in unemployment have been driving job growth the last six years, a period when the labor force has not grown. With unemployment around just 4% today, little job growth can be expected going forward from lower unemployment. The CEFC February forecast of limited job growth through in 2017 and 2018, followed by stabilization in 2019 seems reasonable.

Job and total wage growth have accelerated modestly the last two years. In current dollars, average wage growth is up from one or two percent in 2012 and 2013 to over three percent the last two years. Adjusted for inflation, which has been unusually low the last two years, average wage growth the last two years has been the highest in more than a decade.

The polarization of growth concentrated in jobs at the upper and lower ends of the earnings spectrum is expected to continue through 2024. This is driven by growth in human-capital-intensive occupations that require post-secondary education and labor-intensive occupations with limited education and skill requirements. Little growth is expected in occupations generally in the middle of the earnings spectrum as they will continue to be impacted by automation and the continuing pervasion of technology to perform routine functions.

The presentation is at www.maine.gov/labor/cwri/publications/ppt/CEFC_October_2016.pptx

Maine Revenue Services - Office of Tax Policy

FY16 General Fund revenues were \$9.8 million over budget (+0.3%). Compared to last fiscal year, FY16 General Fund revenues were up by 1.1% (+\$36.8 million). The final General Fund figures for the year included the elimination of 5, out of a total of 8, revenue accruals currently accrued at year-end. The process of phasing-out revenue accruals is consistent with the Administration's goal of fiscal stability and sustainability.

For the fiscal year, sales and service provider taxes were a combined \$3.9 million over budget. Auto/transportation sales increased by 7.2% over the first five months of calendar year 2016; most of the robust growth in the first five months came early in the calendar year. Building supply store sales increased by 12.1% during the first five months of CY16 compared to a year ago.

Individual income tax receipts ended the fiscal year under budget by \$3.6 million (-0.2%). Withholding receipts were over budget in June by \$5.3 million and were under budget for the fiscal year by \$2.0 million (0.0%). The second estimated payment of 2016 was due June 15th and exceeded budget by \$8.6 million ending the fiscal year over budget by \$13.2 million. The first two estimated payments of 2016 were flat compared to 2015, but the March forecast assumed a 5% decrease because of the tax cut effective January 1, 2016. Fiscal year refunds were over budget by \$9.4 million (+2.9%).

For the first quarter of fiscal year 2017, General Fund revenues are \$32.5 million over budget (+3.7%). Adjusting for timing issues with BETR payments and one-time Service Provider and Insurance Premium Tax audit payments, General Fund revenues would still be over budget through September by approximately \$22.5 million (+2.6%). Compared to the same three-month period of last fiscal year, FY17 General Fund revenues are up by 5.1 percent (+\$43.9 million).

August taxable sales (September revenue) increased by 7.7 percent over a year ago. Business sectors representing taxable sales made primarily to households increased by 7.8 percent over last August. For the month, sales and use and service provider taxes combined were \$4.5 million over budget. Auto/transportation sales increased by 8.5 percent over last August and are up 2 percent year-over-year for the three-month period. Tourism-related sales, specifically those tied to restaurants and lodging, increased over last August, growing 3.3 percent and 6.2 percent, respectively. For the three-month summer tourism season (June-August), restaurant sales increased by 5.9 percent over last year and lodging sales increased by 8.2 percent.

Corporate income tax receipts were over budget in September by \$4.9 million. Most of the monthly surplus (\$3.2 million) came from estimated and final payments. September is a key month for estimated payments, and estimated payments in September exceeded budget by \$1.3 million.

Individual income tax revenues were slightly (\$638,792) under budget in September. Year-to-date individual income tax receipts are \$2.9 million over budget (+0.8%). Final and estimated payments accounted for most of the monthly variance, with withholding receipts ending the month under budget by \$4.4 million. The third estimated payment of the year was \$3.8 million over budget. The first three estimated payments of the fiscal year are down 2.5 percent over 2015, but that is better growth than forecasted. Withholding revenue is under budget by \$12.2 million through the first three months of the fiscal year. Withholding receipts are being carefully monitored as the next Revenue Forecasting Committee meeting approaches.

Macroeconomic Assumptions

Two different baseline economic forecasts were examined at the meeting: the Moody's Analytics baseline scenario and the IHS Economics baseline scenario for October 2016. Additionally, OPM provided an alternative scenario based on demographic assumptions that limit employment growth to specific levels (LowPop). Each forecast was based on a different set of national macroeconomic assumptions. The LowPop scenario was based on the Moody's Analytics baseline scenario with industry sector employment growth adjustments by OPM staff. These three forecasts were then compared to the CEFC's February 2016 forecast. The key assumptions made by the CEFC are below.

- Maine population growth is likely to limit employment growth over the next few years. The employment forecast adopted by the CEFC assumes some in-migration to Maine.
- The employment and income forecasts assume the referendum questions on the November 8 ballot do not pass. If any of the questions (1, 2, or 4) do pass, the CEFC will hold a meeting jointly with the Revenue Forecasting Committee on November 14 to discuss the repercussions and make any necessary changes to the forecast.

Consensus Forecast

The CEFC members continued to believe that the Moody's forecast is overly optimistic in its employment projections for the state. Moody's has moderated its population forecast to a more reasonable level and IHS has brought its employment growth down to a more realistic scenario. However, the LowPop scenario, designed to address the employment concerns, is based on the Moody's Analytics model that seems to do a poor job of reflecting the changing income situation in Maine. The Commission tried to fit their 2016 forecasts to actual trends in employment and wage growth as much as possible while making modest changes elsewhere.

Employment growth rates, based on the LowPop scenario and left unchanged from the previous forecast, targeted an employment level for 2021 that was just below the pre-recession peak. Employment reaches a 0.0 percent growth level in 2019 and stays at that point through 2020 and 2021.

Wage and salary income growth for 2016, 2018, and 2019 was left unchanged from the previous forecast, while 2017 was moderated by 0.2 percentage points to reflect the risk of some high-wage job losses. Dividends, interest, and rent was adjusted downward by 2.3 percentage points in 2016, 3.1 percentage points in 2017, and 1.6 percentage points in 2018. The forecast for 2019 was revised upward by 0.2 percentage points. The forecast for 2016 and 2017 corresponds to the IHS forecast while the forecast for the remaining period corresponds to the Moody's baseline forecast.

The forecasts for supplements to wages and salaries, non-farm proprietors' income, and transfer receipts were accepted from the IHS forecast. Supplements to wages and salaries were adjusted downward in all years. Nonfarm proprietors' income was adjusted down in 2016 and 2019 and up in 2017 and 2018. The forecast for personal current transfer receipts was adjusted upward in all years of the forecast.

The overall result for total personal income was a 0.1 percentage point revision downward for 2016, a 0.4 percentage point revision downward for 2017, a 0.1 percentage point revision downward for 2018, and a 0.1 percentage point revision upward for 2019, with 2020 forecast at 3.4 percent and 2021 forecast at 3.5 percent.

The CEFC left its forecast for inflation using the Consumer Price Index unchanged from the previous forecast. The forecast for corporate profits was accepted from the Moody's Analytics baseline, resulting in a downward revision of 5.0 percentage points in 2016 and an upward revision of 1.6 percentage points in 2017-2019.

Overall, the primary source of concern for the CEFC continues to be Maine's demographic situation, with an aging population and little to no population growth. Any passage of referendum questions will be considered on November 14 and adjustments to the forecast may be made at that time.

The following page provides the full forecast.

Maine Consensus Economic Forecasting Commission

November 2016 Forecast

	History	Forecast					
	2015	2016	2017	2018	2019	2020	2021
CPI-U* (Annual Change)	0.1%	1.7%	2.4%	2.6%	2.3%	2.5%	2.4%
CPI for Energy Prices** (Annual Change)	-16.7%	-7.1%	6.1%	3.9%	7.0%	5.3%	4.6%
Avg. Price of New Vehicles** (Annual Change)	2.1%	2.2%	3.1%	4.1%	3.4%	2.2%	2.1%
New Vehicle Registrations** (Annual Change)	3.3%	0.8%	-4.2%	-1.9%	-0.8%	-1.8%	-3.0%
Personal Savings Rate**	5.8%	5.8%	5.7%	6.2%	6.4%	6.7%	6.9%
Maine Unemployment Rate**	4.4%	3.8%	4.0%	3.9%	3.9%	3.9%	4.1%
3-Month Treasury Bill Rate**	0.05%	0.30%	0.71%	1.37%	2.24%	2.58%	2.58%
10-Year Treasury Note Rate**	2.14%	1.74%	2.10%	2.69%	3.36%	3.59%	3.59%
Before-Tax Corporate Profits* (Annual Change)	-5.5%	1.0%	3.0%	3.2%	4.8%	3.2%	3.5%
Maine Wage & Salary Employment* (thousands)	610.0	614.2	616.8	617.8	618.0	618.2	618.2
Natural Resources	2.4	2.3	2.4	2.4	2.4	2.4	2.4
Construction	26.4	25.6	24.7	24.6	24.7	24.6	24.7
Manufacturing	50.6	51.2	51.2	51.3	51.2	51.2	51.2
Trade/Trans./Public Utils.	119.6	120.5	121.1	120.5	120.0	119.0	118.1
Information	7.5	7.4	7.4	7.4	7.3	7.3	7.3
Financial Activities	30.6	31.3	31.2	30.9	30.6	30.3	30.2
Prof. & Business Services	64.4	64.8	66.4	68.0	68.5	68.8	69.5
Education & Health Services	123.9	125.7	127.0	127.8	128.4	129.2	130.2
Leisure & Hospitality Services	63.9	65.0	64.8	65.0	65.0	65.1	65.4
Other Services	21.2	21.3	21.1	20.7	20.5	20.3	20.1
Government	99.6	99.0	99.4	99.3	99.3	100.1	99.0
Maine Wage & Salary Employment* (Annual Change)	0.8%	0.7%	0.4%	0.2%	0.0%	0.0%	0.0%
Natural Resources	-1.0%	-3.9%	0.8%	1.0%	0.5%	0.4%	1.0%
Construction	1.7%	-2.8%	-3.6%	-0.4%	0.1%	0.0%	0.3%
Manufacturing	0.6%	1.2%	0.1%	0.1%	-0.1%	0.0%	0.0%
Trade/Trans./Public Utils.	0.4%	0.8%	0.5%	-0.5%	-0.4%	-0.9%	-0.7%
Information	1.6%	-1.7%	0.0%	-0.6%	-0.6%	-0.6%	0.5%
Financial Activities	0.5%	2.4%	-0.2%	-1.1%	-0.8%	-0.9%	-0.4%
Prof. & Business Services	1.6%	0.7%	2.5%	2.3%	0.8%	0.3%	1.0%
Education & Health Services	1.4%	1.5%	1.0%	0.6%	0.5%	0.6%	0.8%
Leisure & Hospitality Services	1.3%	1.7%	-0.4%	0.3%	0.1%	0.1%	0.4%
Other Services	1.0%	0.7%	-1.2%	-1.6%	-1.3%	-1.0%	-0.6%
Government	-0.3%	-0.6%	0.4%	-0.1%	-0.1%	0.8%	-1.1%
	2015	2016	2017	2018	2019	2020	2021
Personal Income* (\$ million)	56,894	58,956	61,108	63,296	65,466	67,663	70,042
Wages & Salaries*	26,833	27,933	29,023	30,155	31,240	32,334	33,465
Supplements to Wages & Salaries*	6,677	6,883	7,094	7,280	7,498	7,728	7,959
Nonfarm Proprietors' Income*	4,041	4,214	4,383	4,556	4,687	4,826	4,994
Farm Proprietors' Income**	-0.01	12	33	34	33	32	34
Dividends, Interest, & Rent*	10,090	10,273	10,520	10,731	10,934	11,153	11,465
Dividends	2,939	2,918	2,956	3,005	2,992	2,978	3,023
Interest	4,519	4,551	4,671	4,860	5,165	5,462	5,768
Rent	2,631	2,805	2,893	2,865	2,777	2,715	2,672
Personal Current Transfer Receipts*	12,833	13,322	13,887	14,546	15,244	15,939	16,660
Less: Contributions for Social Ins.**	4,490	4,630	4,822	5,031	5,233	5,446	5,668
Adjustment for Residence**	909	948	990	1,025	1,062	1,097	1,133
Personal Income* (Annual Change)	3.7%	3.6%	3.6%	3.6%	3.4%	3.4%	3.5%
Wages & Salaries*	4.1%	4.1%	3.9%	3.9%	3.6%	3.5%	3.5%
Supplements to Wages & Salaries*	3.7%	3.1%	3.1%	2.6%	3.0%	3.1%	3.0%
Nonfarm Proprietors' Income*	3.3%	4.3%	4.0%	3.9%	2.9%	3.0%	3.5%
Farm Proprietors' Income**	***	***	181.4%	4.6%	-3.2%	-3.0%	5.9%
Dividends, Interest, & Rent*	2.9%	1.8%	2.4%	2.0%	1.9%	2.0%	2.8%
Dividends	2.6%	-0.7%	1.3%	1.6%	-0.4%	-0.5%	1.5%
Interest	0.0%	0.7%	2.6%	4.0%	6.3%	5.7%	5.6%
Rent	8.8%	6.6%	3.2%	-1.0%	-3.1%	-2.3%	-1.6%
Personal Current Transfer Receipts*	4.0%	3.8%	4.2%	4.7%	4.8%	4.6%	4.5%
Less: Contributions for Social Ins.**	4.8%	3.1%	4.2%	4.3%	4.0%	4.1%	4.1%
Adjustment for Residence**	6.5%	4.3%	4.4%	3.6%	3.6%	3.3%	3.3%

*CEFC Forecast

**From IHS Economics, OPM Low Pop Scenario and Moody's Analytics Baseline, October 2016

Remaining lines derived from CEFC forecast by CEFC staff and reviewed by CEFC

***Farm Proprietors' income was negative in 2015

APPENDIX

At the September 2016 annual joint retreat of the Consensus Economic Forecasting Commission and Revenue Forecasting Committee, the existing Consensus Revenue Forecasting statute was reviewed and some possible changes and updates were suggested. These proposals were reviewed at the Consensus Economic Forecasting Commission meeting and the commission decided to request that the following revisions be made. The Department of Administrative and Financial Services will take the lead in submitting these proposals in the upcoming legislative session.

Maine Revised Statutes

Title 5: ADMINISTRATIVE PROCEDURES AND SERVICES

Chapter 151-B: CONSENSUS REVENUE FORECASTING

§1710. CONSENSUS ECONOMIC FORECASTING COMMISSION; MEMBERSHIP

The Consensus Economic Forecasting Commission established by Title 5, section 12004-I, subsection 29-B, to provide the Governor, the Legislature and the Revenue Forecasting Committee with analyses, findings and recommendations representing state economic assumptions relevant to revenue forecasting, and referred to in this chapter as the "commission," consists of 5 members appointed as follows: two members appointed by the Governor; one member recommended for appointment to the Governor by the President of the Senate; one member recommended for appointment to the Governor by the Speaker of the House of Representatives; and one member appointed by the other members of the commission. One of the 5 members must be selected by a majority vote of the committee members to serve as the chair of the commission. ~~Commission members must be appointed within 15 days of the effective date of this section and serve until January 1997. The commission members recommended for appointment by the President of the Senate and the Speaker of the House as well as one of the members appointed by the Governor shall be appointed in January 2019 and serve a two-year term. A second member appointed by the Governor and the member appointed by the other members of the commission shall be appointed in January 2019 and serve a one-year term.~~ Thereafter, ~~the all~~ commission members are appointed ~~to two-year terms, in January of odd-numbered years.~~ A member may not be a Legislator or an employee of the Executive Department, the Legislature or the Judicial Department. Each commission member must have professional credentials and demonstrated expertise in economic forecasting. [1995, c. 368, Pt. J, §1 (NEW).]

~~All members are appointed for terms to coincide with the legislative biennium.~~ Vacancies must be filled in the same manner as the original appointments for the balance of the unexpired term, except as otherwise provided in this section. [1995, c. 368, Pt. J, §1 (NEW).]

If ~~one or more positions on the commission remains unfilled on the 16th day after the effective date of this section or~~ the expeditious filling of a vacancy is required to enable the commission to perform its duties in an efficient and timely manner, the Governor shall make those appointments at such times and in such a manner as the Governor determines necessary. [1995, c. 368, Pt. J, §1 (NEW).]

SECTION HISTORY

1995, c. 368, §J1 (NEW).

§1710-A. DUTIES OF COMMISSION

1. Duties. The Consensus Economic Forecasting Commission shall develop ~~current fiscal biennium and 2 ensuing fiscal biennia 5-year and 10-year~~ macroeconomic secular trend forecasts ~~and one-year, 2-year and 4-year economic forecasts.~~

[1995, c. 368, Pt. J, §1 (NEW) .]

2. Biennial economic assumptions. ~~The commission shall submit recommendations for state economic assumptions for the next fiscal biennium and analyze economic assumptions for the current fiscal biennium, which must be approved by a majority of the commission members.~~ No later than November 1st of each even-numbered year ~~and April 1st of each odd-numbered year,~~ the commission shall submit to the Governor, the Legislative Council, the Revenue Forecasting Committee and the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs a report that presents the analyses, findings and recommendations for the next ~~two~~ fiscal ~~biennia biennium~~ and analyze economic assumptions for the current

fiscal biennium, which must be approved by a majority of the commission members. ~~economic assumptions related to revenue forecasting for the next fiscal biennium.~~ In its report, the commission shall fully describe the methodology employed in reaching its recommendations. [1997, c. 643, Pt. W, §1 (AMD) .]

3. Current biennium adjustments. No later than ~~April 1st and~~ November 1st of each odd-numbered year and no later than February 1st ~~and November 1st~~ of each even-numbered year the commission shall submit to the Governor, the Legislative Council, the Revenue Forecasting Committee and the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs a report that presents the commission's findings and recommendations for adjustments to the economic assumptions for ~~the current fiscal biennium-all forecast years.~~ In each report the commission shall fully describe the methodology employed in reaching its recommendations.

4. Alternative economic scenarios. In addition to the duties described above, no later than February 1st of each even-numbered year the commission shall provide to the State Budget Officer, the State Economist and the Associate Commissioner for Tax Policy at least two additional economic forecasts that assume potential economic recession scenarios of varying levels of severity. These additional forecasts will include economic assumptions for the current biennium and the next two biennia. In each report the commission shall fully describe the methodology employed in reaching its recommendations.

[2007, c. 539, Pt. Q, §1 (AMD) .]

SECTION HISTORY

1995, c. 368, §J1 (NEW). 1997, c. 643, §W1 (AMD). 2007, c. 539, Pt. Q, §1 (AMD).

§1710-B. CONTRACTS

The commission may enter into contractual arrangements subject to state purchasing procedures for the procurement of economic forecasting models, data, assumptions and assistance in analyzing the data. [1995, c. 368, Pt. J, §1 (NEW) .]

SECTION HISTORY

1995, c. 368, §J1 (NEW).

§1710-C. MEETINGS

The commission shall meet at least ~~3~~ 4 times a year. Additional meetings may be called by the chair or by any 3 members. All meetings are open to the public. [1995, c. 368, Pt. J, §1 (NEW) .]

SECTION HISTORY

1995, c. 368, §J1 (NEW).

§1710-D. STAFFING

The commission may receive staff support from the Governor's Office of Policy and Management. [2011, c. 655, Pt. DD, §3 (AMD); 2011, c. 655, Pt. DD, §24 (AFF) .]

SECTION HISTORY

1995, c. 368, §J1 (NEW). 2011, c. 655, Pt. DD, §3 (AMD). 2011, c. 655, Pt. DD, §24 (AFF).

§1710-E. REVENUE FORECASTING COMMITTEE; ESTABLISHED; MEMBERSHIP

There is established the Revenue Forecasting Committee, referred to in this chapter as the "committee," for the purpose of providing the Governor, the Legislature and the State Budget Officer with analyses, findings and recommendations relating to the projection of revenues for the General Fund and the Highway Fund based on economic assumptions recommended by the Consensus Economic Forecasting Commission. The committee includes the State Budget Officer, the Associate Commissioner for Tax Policy, the State Economist, an economist on the faculty of the University of Maine System selected by the chancellor, the Director of the Office of Fiscal and Program Review and another member of the Legislature's nonpartisan staff familiar with revenue estimating issues appointed by the Legislative Council. One of the 6 members must be selected by a majority vote of the committee members to serve as the chair of the committee. [2011, c. 655, Pt. I, §6 (AMD); 2011, c. 655, Pt. I, §11 (AFF).]

SECTION HISTORY

1995, c. 368, §J1 (NEW). 1997, c. 655, §4 (AMD). 1999, c. 127, §A8 (AMD). 2001, c. 2, §1 (AMD). 2011, c. 655, Pt. I, §6 (AMD). 2011, c. 655, Pt. I, §11 (AFF).

§1710-F. DUTIES OF COMMITTEE

1. Duties; use of economic assumptions. The committee shall develop current fiscal biennium and 2 ensuing fiscal biennia revenue projections using the economic assumptions recommended by the Consensus Economic Forecasting Commission.

[1997, c. 157, §1 (AMD) .]

2. Biennial revenue projections. The committee shall submit recommendations for state revenue projections for the next 2 fiscal biennia and analyze revenue projections for the current fiscal biennium, which must be approved by a majority of the committee members. No later than December 1st of each even-numbered year, the committee shall submit to the Governor, the Legislative Council, the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs and the State Budget Officer a report that presents the analyses, findings and recommendations for General Fund and Highway Fund revenue projections for the next 2 fiscal biennia. In its report the committee shall fully describe the methodology employed in reaching its recommendations. Revenue projections for other funds of the State may be included in the report at the discretion of the committee.

[2011, c. 655, Pt. I, §1 (AMD) .]

3. Current and ensuing biennium adjustments. No later than May 1st and December 1st of each odd-numbered year and no later than March 1st and December 1st of each even-numbered year the committee shall submit to the Governor, the Legislative Council, the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs and the State Budget Officer a report that presents the analyses, findings and recommendations for adjustments to General Fund revenue and Highway Fund revenue for the current and ensuing fiscal biennia. In each report the committee shall fully describe the methodology employed in reaching its recommendations. Revenue adjustments for other funds of the State may be included in the report at the discretion of the committee.

[2007, c. 539, Pt. Q, §2 (AMD) .]

4. Appropriation limitation. The committee shall make all determinations necessary to make the appropriation limitation calculations required under chapter 142.

[2005, c. 2, Pt. A, §8 (NEW); 2005, c. 2, Pt. A, §14 (AFF) .]

SECTION HISTORY

1995, c. 368, §J1 (NEW). 1997, c. 157, §1 (AMD). 2005, c. 2, §A8 (AMD). 2005, c. 2, §A14 (AFF). 2007, c. 539, Pt. Q, §2 (AMD). 2009, c. 461, §1 (AMD). 2011, c. 655, Pt. L, §1 (AMD).

§1710-G. USE OF REVENUE FORECASTS

The State Budget Officer shall use the revenue projections recommended by the committee in setting revenue estimates in accordance with section 1665, subsection 3. The State Budget Officer shall use the revenue projections of the committee in preparing General Fund and Highway Fund revenue and expenditure forecasts in accordance with section 1664 and section 1665, subsection 7. If new information becomes available and the State Budget Officer wishes to recommend an adjustment to the revenue projections already recommended by the committee, the State Budget Officer shall convene a meeting of the committee as soon as practicable so that the committee may review any new data and make any additional recommendations it feels necessary. [1997, c. 655, §5 (AMD).]

No later than October 1st of each even-numbered year the commission and committee shall jointly issue a report to the Governor, the Legislative Council, and the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs that utilizes the alternative economic scenarios recommended by the commission in accordance with section 1710-A, subsection 4. The report shall include analyses and findings that detail the stress impact such economic recession scenarios would have on the current General Fund revenue projections of sales and income tax revenues. The report shall include an analysis of the sufficiency of the current level of the Budget Stabilization Fund and an estimate of the reserves in the Budget Stabilization Fund necessary to offset the declines in revenue as a result of potential economic recessions of varying levels of severity.

SECTION HISTORY

1995, c. 368, §J1 (NEW). 1997, c. 157, §1 (AMD). 1997, c. 655, §5 (AMD).

§1710-H. MEETINGS

The committee shall meet at least 3 ~~4~~ times a year. Additional meetings may be called by a majority vote of the committee or by the State Budget Officer as specified in section 1710-G. [1997, c. 655, §6 (AMD).]

SECTION HISTORY

1995, c. 368, §J1 (NEW). 1997, c. 655, §6 (AMD).

§1710-I. STAFFING

The committee may receive staff assistance from the Bureau of the Budget, the Governor's Office of Policy and Management, the Bureau of Revenue Services and, at the discretion of the Legislature, the Office of Fiscal and Program Review. The committee may also utilize other professionals having revenue forecasting, economic and fiscal expertise. [2011, c. 655, Pt. DD, §4 (AMD); 2011, c. 655, Pt. DD, §24 (AFF).]

SECTION HISTORY

1995, c. 368, §J1 (NEW). 1997, c. 526, §14 (AMD). 2011, c. 655, Pt. DD, §4 (AMD). 2011, c. 655, Pt. DD, §24 (AFF).

§1710-J. ACCESS TO INFORMATION

In order to assist the committee, the Department of Administrative and Financial Services shall provide information and data to the committee on request. The committee members are bound by the confidentiality restrictions concerning certain tax records described in Title 36, chapter 7. The State Tax Assessor may disclose any corporate or individualized income tax data, sales and use tax data, business tax data, property tax data or other tax data to the committee or its staff. This information may be requested in any form, including paper records, computerized data or summary statistics, but may not be transmitted with any identification by taxpayer name, number or address and must be aggregated to include at least 3 taxpayers. The State Tax Assessor shall provide information annually to the committee before the committee's December 1st report pursuant to section 1710-F concerning the amount of actual capital gains and losses experienced by taxpayers filing income tax returns in the State under Title 36, Part 8 for tax years ending in the previous calendar year. Data reported concerning capital gains and losses may be distributed by decile or quartile. In the absence of actual data, the State Tax Assessor may provide estimates of the capital gains or loss experience. [2001, c. 652, §1 (AMD).]

SECTION HISTORY

1995, c. 368, §J1 (NEW). 2001, c. 652, §1 (AMD).

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