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STATE OF MAINE

DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES

Bureau of the Budget
State House Station #58
Augusta, Maine 04333

Date: September 30, 2018

To: Honorable Paul R. LePage, Governor
Honorable Michael D. Thibodeau, President of the Senate
Honorable Sara Gideon, Speaker of the House
Honorable James M. Hamper, Appropriations and Financial Affairs, Senate Chair
Honorable Drew Gattine, Appropriations and Financial Affairs, House Chair
Members, Joint Standing Committee on Appropriations and Financial Affairs

From: Melissa L. Gott, State Budget Officer

Subject: Report on the projection of revenues and forecasted expenditure requirements for the General Fund and the Highway Fund for the 2018-2019 biennium and the 2020-2021 biennium in accordance with Title 5 § 1665.

The State of Maine, Bureau of the Budget presents the state budget forecast for the General Fund and the Highway Fund for the 2018-2019 biennium and the 2020-2021 biennium in accordance with Title 5 §1665. This effort was initiated and passed into law by the 117th Legislature as fulfillment of one of the recommendations of the Special Commission on Governmental Restructuring to provide a platform for long term financial planning.

This state budget forecast is based on the current structure of state revenues and expenditures for both the General Fund and the Highway Fund as required by Title 5 § 1665, subsection 7. This budget forecast should provide the most consistent view of revenue and expenditure trends over the long term as a basis for financial planning and decision making. The forecasts of revenues, appropriations and allocations contained in this report, as constructed under current law and current trends, result in a projected structural gap for the 2020-2021 biennium in the General Fund of \$503,930,254 and in the Highway Fund of \$356,098,323.

cc: Alexander E. Porteous, Commissioner, Department of Administrative and Financial Services
Holly Lusk, Chief of Staff, Office of the Governor
Chris Nolan, Director, Office of Fiscal & Program Review, Maine Legislative
Grant Pennoyer, Executive Director of the Maine Legislature

**STATE OF MAINE REVENUE AND EXPENDITURE PROJECTION
GENERAL FUND AND HIGHWAY FUND FISCAL YEARS 2019 - 2021**

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STATE OF MAINE BUDGET FORECAST 2018-2019 BIENNIUM AND 2020-2021 BIENNIUM

I. INTRODUCTION

Title 5, §§ 1664 and 1665 require a four-year budget projection for the General Fund and the Highway Fund. This initiative is in fulfillment of the recommendations of the Special Commission on Governmental Restructuring for the purpose of providing a basis for long term budget planning for the State's two undedicated funds. This budget approach also provides a means of comparing the structure of current expenditures and current revenues projected forward on a consistent trend basis for both funds. The projection shows the capacity of the State's General Fund and Highway Fund resources to support the level of State government services projected forward based on current law and current program trends.

This report is being issued in accordance with Title 5 § 1665, subsection 7 that requires a four-year budget forecast for the General Fund and the Highway Fund by September 30th of each even-numbered year. As such, this report provides a four-year budget forecast for the 2018-2019 biennium and the 2020-2021 biennium. The expected outcome is a reasonable and consistent portrayal of the General Fund and the Highway Fund budgets for fiscal year 2020 and fiscal year 2021 based on currently available financial and program information. This information, to be useful, needs to include the General Fund appropriations and Highway Fund allocations approved through the Second Special Session of the 128th Legislature.

The projected revenues and expenditures for the General Fund and the Highway Fund are based on current law and current program trends, as required by Title 5, § 1665, sub-section 7. With respect to revenues, the General Fund and Highway Fund represent the March 2018 projections of the Revenue Forecasting Committee, as required by Public Law 1997, chapter 157 and reflects all actions through the Second Special Session of the 128th Legislature.

It is important to stress that this forecast must be developed using current law as its basis. Therefore, the statute obligating the state to pay 55 percent of the cost of K-12 education is the basis for expenditures used in this forecast. It is common for subsequent budget proposals to change these underlying statutes, resulting in either one-time or ongoing savings that are necessary to maintain a balanced budget as constitutionally required. For example, a budget initiative that would hold General Purpose Aid to Education at its current state-funded level would immediately reduce the estimated structural gap. There are many other, similar examples. The reader is advised to bear this in mind when assessing the *estimated* structural gap and the potential for closing it.

In order to provide the most accurate expenditure estimate from currently available budget information, the projection uses the fiscal year 2019 legislatively approved appropriations and allocations from the Second Special Session 128th Legislature. The 2020-2021 biennial estimates are further adjusted for the effect of one-time and phased-in actions expected to occur in fiscal year 2019. More detailed projections on a department or program basis are made where appropriate to reflect specific trends in those areas.

Salaries and wages for the 2020-2021 biennium are based on merit growth from the 2018-2019 biennium. The projection for Personal Services does not anticipate future salary adjustments beyond the 2018-2019 biennium as a result of collective bargaining.

II. GENERAL FUND

A. BUDGET STATUS Fiscal Years 2018-2021

GENERAL FUND STATUS						
	Fiscal Years 2018-2019 BUDGET			Fiscal Years 2020-2021 FORECAST		
	FY 2018	FY 2019	TOTAL	FY 2020	FY 2021	TOTAL
BALANCE	57,074,957		57,074,957	27,230,484		27,230,484
ADJUSTMENTS	26,635,843	(15,033,286)	11,602,557			
REVENUE	3,505,620,429	3,668,205,427	7,173,825,856	3,685,973,012	3,797,966,516	7,483,939,528
TOTAL RESOURCES	3,589,331,229	3,653,172,141	7,242,503,370	3,713,203,496	3,797,966,516	7,511,170,012
ADJUSTMENTS						
APPROPRIATIONS	3,514,673,944	3,700,598,942	7,215,272,886	3,963,571,792	4,051,528,474	8,015,100,266
PROJECTED BALANCE (SHORTFALL)	74,657,285	(47,426,801)	27,230,484	(250,368,296)	(253,561,958)	(503,930,254)

The budgeted General Fund adjusted fund status for fiscal year 2018 was \$74,657,285 and is projected to be \$27,230,484 at the end of 2018-2019 biennium, including adjustments enacted through the Second Special Session of the 128th Legislature.

The Revenue Forecasting Committee (RFC) in its May 2017 report re-projected revenues downward by \$1.7 million for the 2020-2021 biennium. In December 2017 the RFC increased its revenue projections by \$420 thousand for the 2020-2021 biennium. In March 2018, the RFC re-projected revenues upward by \$149.7 million. Miscellaneous law impact in the 128th Legislature beyond the March 2018 forecast further decreased projections by \$30.5 million, for a total increase of \$117.9 million over the May 2017 forecast. This projected revenue increase was primarily attributable to the Individual Income Tax, Corporate Income Tax and Sales and Use Tax lines.

It is important to stress that this forecast, by law, must assume the following:

- **State share cost of Education at 55%** to achieve the commitment made in Public Law 2005 chapter 2, which is estimated to cost an additional **\$147 million** over the 2020-2021 biennium,
- **State-Municipal Revenue Sharing return to 5% beginning in fiscal year 2020**, from 2% set in fiscal years 2016 through 2019, an increase in transfers to the Local Government Fund from the General Fund of **\$213 million** over the 2020-2021 biennium,
- **Medicaid Expansion** as enacted in 2017 Initiated Bill, Chapter 1, at a cost of **\$180 million** through the 2020-2021 biennium.

The reader is advised to bear this in mind when assessing the *estimated* structural gap and the potential for closing it.

Current projections for the 2020-2021 biennium include a beginning balance of \$27,230,484 and General Fund revenues of \$7,483,939,528. Projected General Fund appropriations for the biennium are \$8,015,100,266 which results in a structural budget gap for the General Fund of \$503,930,254.

B. REVENUE PROJECTION* Fiscal Years 2019-2021

GENERAL FUND REVENUE PROJECTION

SOURCE	Fiscal Years 2018-2019 BUDGET				Fiscal Years 2020-2021 PROJECTION				
	FY 2018	FY 2019	YR. TO YR. % CHANGE	TOTAL BIENNIUM	FY 2020	YR. TO YR. % CHANGE	FY 2021	YR. TO YR. % CHANGE	TOTAL BIENNIUM
Sales and Use Tax	1,409,548,328	1,467,441,307	4.11%	2,876,989,635	1,535,634,830	4.65%	1,596,036,598	3.93%	3,131,671,428
Service Provider Tax	62,224,469	62,454,424	0.37%	124,678,893	62,777,200	0.52%	63,124,900	0.55%	125,902,100
Individual Income Tax	1,554,804,704	1,619,358,151	4.15%	3,174,162,855	1,685,003,500	4.05%	1,754,806,250	4.14%	3,439,809,750
Corporate Income Tax	171,924,242	204,329,196	18.85%	376,253,438	198,430,000	-2.89%	194,835,000	-1.81%	393,265,000
Cigarette & Tobacco Tax	129,032,000	134,099,350	3.93%	263,131,350	131,503,450	-1.94%	129,014,375	-1.89%	260,517,825
Insurance Company Tax	74,150,000	74,150,000		148,300,000	74,950,000	1.08%	80,450,000	7.34%	155,400,000
Inheritance & Estate Tax	12,416,710	12,640,409	1.80%	25,057,119	12,850,000	1.66%	13,300,000	3.50%	26,150,000
Fines, Forfeits and Penalties	18,354,011	18,205,011	-0.81%	36,559,022	18,204,011	-0.01%	18,205,011	0.01%	36,409,022
Income from Investments	5,428,946	5,831,119	7.41%	11,260,065	6,593,792	13.08%	7,128,423	8.11%	13,722,215
Transfer from Lottery	59,000,000	57,000,000	-3.39%	116,000,000	57,000,000		57,000,000		114,000,000
Trans for Tax Relief Progs	(63,768,101)	(66,388,623)	4.11%	(130,156,724)	(69,500,000)	4.69%	(73,000,000)	5.04%	(142,500,000)
Trans. to Muni. Rev. Share	(69,244,574)	(70,802,823)	2.25%	(140,047,397)	(168,987,873)	138.67%	(183,561,126)	8.62%	(352,548,999)
Other Taxes and Fees	139,808,638	139,776,209	-0.02%	279,584,847	132,938,586	-4.89%	132,872,584	-0.05%	265,811,170
Other Revenues	1,941,056	10,111,697	420.94%	12,052,753	8,575,516	-15.19%	7,754,501	-9.57%	16,330,017
TOTAL REVENUE**	3,505,620,429	3,668,205,427	4.64%	7,173,825,856	3,685,973,012	0.48%	3,797,966,516	3.04%	7,483,939,528

*The revenue projection for fiscal years 2019-2021 includes all actions of the Revenue Forecasting Committee through March 2018 and reflects all actions through the 2nd Special Session of the 128th Legislature.

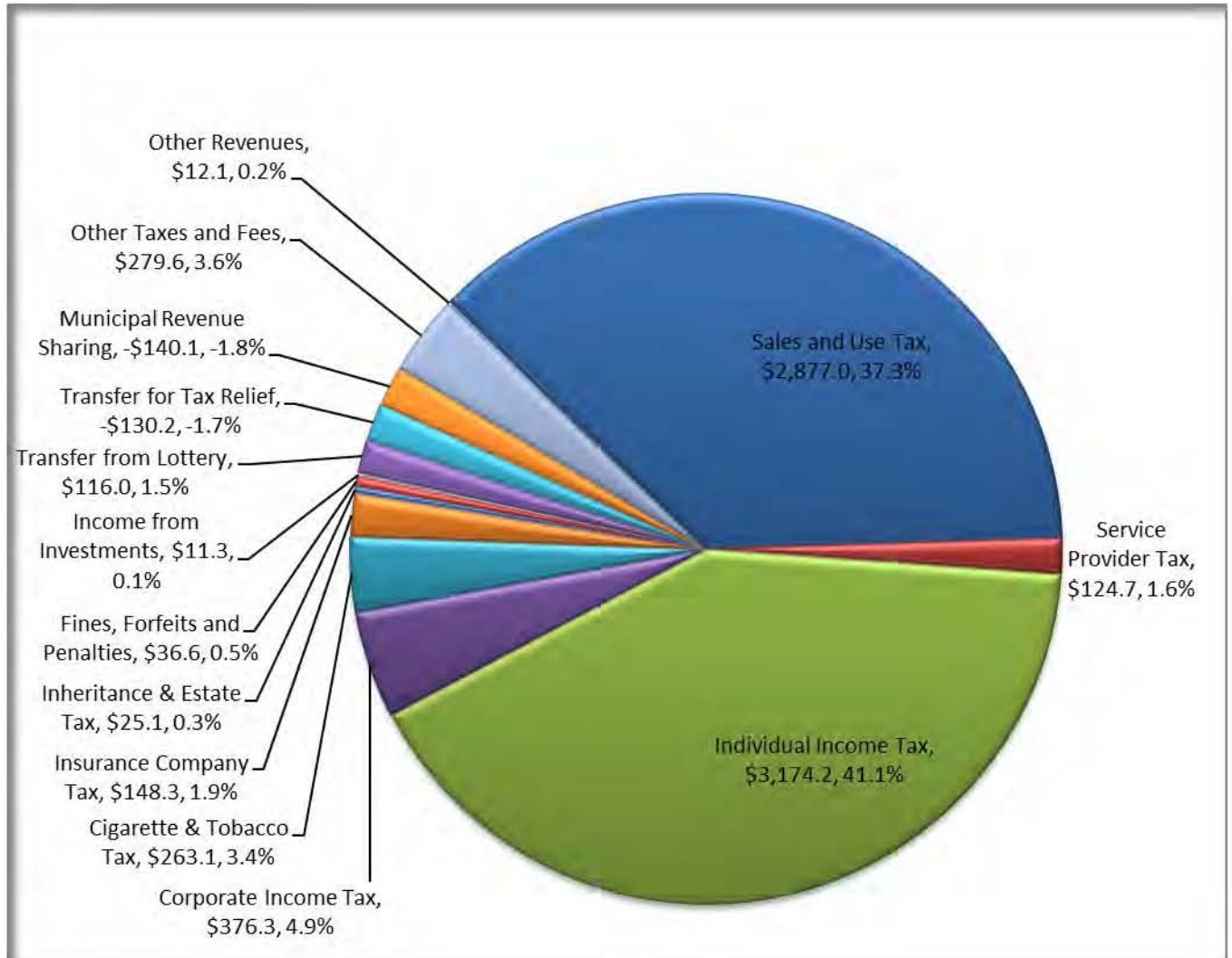
**The decline in fiscal year 2020 growth to .5% includes the impact of the return of State-Municipal Revenue Sharing (30-A M.R.S.A. §5681) from 2% set in fiscal years 2016 through 2019 back to 5% beginning in fiscal year 2020.

Fiscal Years 2018 – 2019

General Fund Budgeted Revenues - \$7,173.8

*Includes Transfers for Municipal Revenue Sharing of (\$140.1)
and Transfers to Tax Relief Programs of (\$130.2)*

Dollars shown in Millions

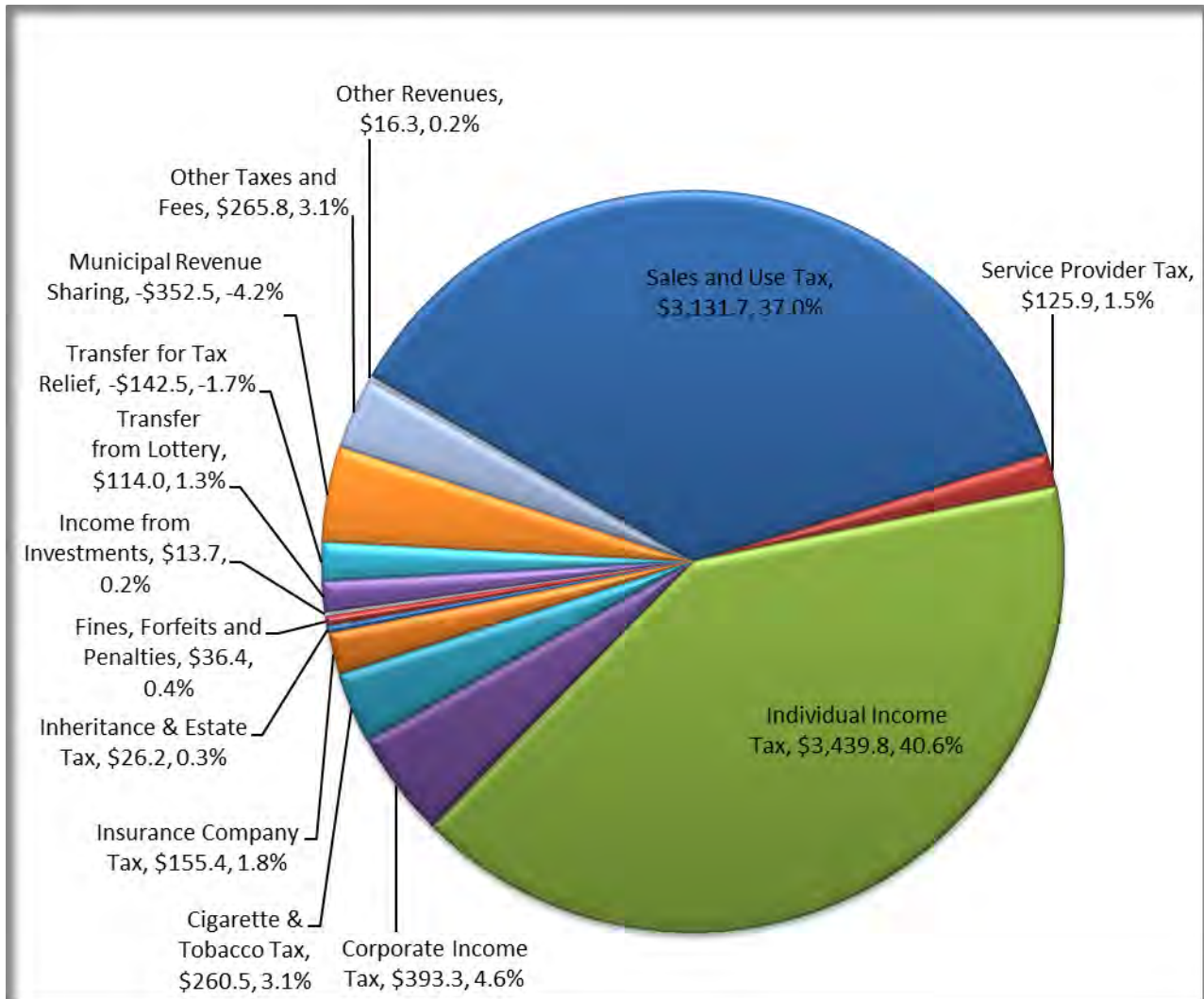


Fiscal Years 2020 – 2021

General Fund Projected Revenues - \$7,483.9

Includes Transfers for Municipal Revenue Sharing of (\$352.5)
and Transfers to Tax Relief Programs of (\$142.5)*

Dollars shown in Millions



* Beginning in fiscal year 2020, the transfer from the General fund for state-municipal revenue sharing (30-A M.R.S.A. §5681) includes the impact of the return from 2% set in fiscal years 2016 through 2019 back to 5% beginning in fiscal year 2020.

C. GENERAL FUND REVENUE PROJECTION NARRATIVE

SALES AND USE TAX

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
1,409,548	1,467,441	4.11%	2,876,990	1,535,635	4.65%	1,596,037	3.93%	3,131,671

The Sales and Use Tax forecast for fiscal year 2019, fiscal year 2020 and fiscal year 2021 includes all actions of the Revenue Forecasting Committee through March 2018 and reflects all actions through the Second Special Session of the 128th Legislature. Public Law 2013, c.368, Part M increased the tax on sales of prepared food, lodging and liquor sold in bars and restaurants and similar licensed establishments to 8 percent and the general sales tax to 5.5 percent from October 1, 2013 to June 30, 2015. Public Law 2015, chapter 267, Part OOOO made the 5.5 percent tax permanent, expanded the definition of food products not considered grocery staples, retained the 8 percent tax on prepared food and liquor and increased the tax on living quarters to 9 percent beginning January 1, 2016. 2015 Initiated Bill, Chapter 5, legalized recreational marijuana and assessed a 10 percent sales tax on retail marijuana and retail marijuana products. Public Law 2017, Chapter 409, established a regulatory structure for recreational marijuana and assessed certain excise taxes on marijuana flower, mature marijuana plants, marijuana trim, seedlings and seed. As of August 2018, actual Sales and Use Tax revenue was \$8.4 million over budget for the fiscal year. Revenue was \$15.6 million or 5.6 percent over prior fiscal year-to-date collections. Sales and Use Tax receipts are projected to grow modestly through the 2020-2021 biennium.

SERVICE PROVIDER TAX

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
62,224	62,454	0.37%	124,679	62,777	0.52%	63,125	0.55%	125,902

Public Law 2003, chapter 673, Part V, reclassified various categories previously included in the Sales and Use Tax as the Service Provider Tax, effective in fiscal year 2004-05. This law reflects the re-categorization of the following services from the Sales and Use Tax to the Service Provider Tax: (a) extended cable television services; (b) fabrication services; (c) rental of video media and video equipment; (d) rental of furniture, audio media and audio equipment pursuant to a rental-purchase agreement; (e) telecommunication services; and (f) installation, maintenance or repair of telecommunications equipment. In addition, (g) private non-medical institution services were included in Public Law 2003, chapter 673, Part V. Subsequent legislation added community support service for persons with (h) mental health diagnoses, (i) intellectual disabilities or autism, (j) home support services, (l) ancillary services and (m) group residential services for persons with brain injuries to those being assessed the tax. Revenue generated from the Service Provider Tax on private non-medical institution services, community support services, home support services and group residential services for persons with brain injuries are credited to various Medicaid related Other Special Revenue Funds accounts in the Department of Health and Human Services. Public Law 2015, chapter 267, Part TTTT included an increase in the Service Provider tax rate effective January 1, 2016 from a rate of 5 percent to a new rate of 6 percent, and an expansion of the service provider tax on cable and radio services. As of August 2018, actual Service Provider Tax revenue was \$764 thousand over budget for the month. Revenue was \$580 thousand or 5.5 percent over prior fiscal year-to-date collections. It is

projected that the revenues to the General Fund from the Service Provider Tax will steadily grow through the 2020-2021 biennium.

INDIVIDUAL INCOME TAX

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
1,554,805	1,619,358	4.15%	3,174,163	1,685,004	4.05%	1,754,806	4.14%	3,439,810

The forecast for fiscal year 2019, fiscal year 2020 and fiscal year 2021 for the Individual Income Tax line include all actions of the Revenue Forecasting Committee through March 2018 and reflect all actions of the Second Special Session of the 128th Legislature. The estimates for fiscal year 2019, fiscal year 2020 and fiscal year 2021 reflect the underlying economic forecast of the Consensus Economic Forecasting Commission with respect to personal income, wage and salary income and enactment of the tax changes by the 128th Legislature. In addition, 2015 Initiated Bill, chapter 4, An Act to Establish the Fund to Advance Public Kindergarten to Grade 12 Education, enacted a surcharge of 3% on taxable income exceeding \$200,000 for tax years beginning, on or after January 1, 2017. The surcharge was repealed by Public Law 2017, chapter 284, Part D. In the 128th Second Special Session, Public Law 2017, chapter 474 conforms to certain provisions of the most recent federal tax law. Maine’s personal income is projected to grow at 4.3 percent for calendar year 2019, 3.9 percent for calendar year 2020 and 3.7 percent for calendar year 2021 with wage and salary growth averaging 3.7 percent during the same three-year period. Annual revenue from the individual tax line is projected to increase by 4.2 percent from fiscal year 2018 to fiscal year 2019 and to increase by 6.2 percent in fiscal year 2020 and 2.0 percent in fiscal year 2021. Finally, as of August 2018, actual Individual Income Tax revenue was \$16.7 million over budget for the first two months of the fiscal year. Revenue was \$23.1 million or 10.5 percent over prior fiscal year-to-date collections. The forecast assumes capital gains realizations as a percentage of personal income will average 2.9 percent between tax years 2019 and 2021.

CORPORATE INCOME TAX

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
171,924	204,329	18.85%	376,253	198,430	-2.89%	194,835	-1.81%	393,265

The forecast for fiscal year 2019, fiscal year 2020 and fiscal year 2021 for the Corporate Income Tax line includes all actions of the Revenue Forecasting Committee through March 2018 and reflects all actions of the Second Special Session of the 128th Legislature. Revenues from the Corporate Tax line for fiscal year 2019 are projected to be 6.65 percent above fiscal year 2018 levels due to the CEFC’s November 2017 forecast of higher corporate profits in 2017 and 2018 and conformity to the deemed repatriation of income enacted in the Federal Tax Cuts and Job Act. In the 128th Second Special Session, Public Law 2017, chapter 474 conforms to certain provisions of the most recent federal tax law. As of August 2018, actual Corporate Income Tax revenue was \$6.6 million over budget for the fiscal year. Revenue was \$6.6 million or 53.5 percent over prior fiscal year-to-date collections. Annual revenue from the corporate income tax line is projected to increase by 4.3 percent in fiscal year 2020 and 3.2 percent in fiscal year 2021.

CIGARETTE AND TOBACCO PRODUCTS TAX

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
129,032	134,099	3.93%	263,131	131,503	-1.94%	129,014	-1.89%	260,518

The forecast for fiscal year 2019, fiscal year 2020 and fiscal year 2021 for the Cigarette and Tobacco Products Tax lines includes all actions of the Revenue Forecasting Committee through March 2018 and reflects all actions of the Second Special Session of the 128th Legislature. Public Law 2017, chapter 308, increased the legal age to purchase cigarettes and tobacco products from 18 to 21 except for individuals who are 18 years old as of July 1, 2018 and was estimated to reduce General Fund revenue by \$106 thousand, \$312 thousand and \$511 thousand in fiscal years 2019, 2020 and 2021 respectively. Cigarette and tobacco products tax revenue is currently projected to decline approximately 2.0 percent per year over the 2020-2021 biennium.

INSURANCE COMPANY TAX

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
74,150	74,150	0.00%	148,300	74,950	1.08%	80,450	7.34%	155,400

The forecast for fiscal year 2019, fiscal year 2020 and fiscal year 2021 for the Insurance Company Tax line includes all actions of the Revenue Forecasting Committee through March 2018 and reflects all actions of the Second Regular Session of the 128th Legislature. Revenues from insurance companies are associated with the gross value of insurance policies issued. As business within the state grows, the amount of insurance coverage also expands. Although it would be expected that this revenue source would increase at a rate consistent with the overall growth of the economy, the emphasis on lower workers' compensation premium costs and consumer actions in response to rising premiums appears to be moderating the growth in this revenue source. This line was reduced at the beginning of the forecast period through fiscal year 2020, with an expected return to previous levels as tax credits are set to expire under the Maine New Markets Capital Investment program, assuming 7.3 percent growth through the next biennium.

INHERITANCE AND ESTATE TAX

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
12,417	12,640	1.80%	25,057	12,850	1.66%	13,300	3.50%	26,150

The forecast for fiscal year 2019, fiscal year 2020 and fiscal year 2021 for the Inheritance and Estate Tax line includes all actions of the Revenue Forecasting Committee through March 2018 and reflect all actions through the Second Special Session of the 128th Legislature. Public Law 2011, chapter 380, Part M increased the exclusions to \$2 million and established a progressive rate structure for estates of decedents dying after December 31, 2012. Public Law 2015, chapter 267, Part I further increased the exclusion amount to the federal exclusion amount for deaths occurring after December 31, 2015 and is indexed for inflation annually. The Legislature did not conform Maine's estate to the new federal exemption, but did retain its conformity to the federal exemption amount as of December 31, 2016 and its indexing. Projected revenue from the Inheritance and Estate tax line is projected to increase by 1.8 percent from fiscal year 2018 to fiscal year 2019 and increase by 3.5 percent over the 2020-2021 biennium.

FINES, FORFEITS AND PENALTIES

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
18,354	18,205	-0.81%	36,559	18,204	-0.01%	18,205	0.01%	36,409

Effective with fiscal year 2010, the Revenue Forecasting Committee established a new Fines, Forfeits and Penalties revenue category for reporting purposes. Revenues from fines, forfeits and penalties were previously recorded and classified as Other Revenue. Revenues from fines are derived primarily from collections undertaken by the Violations Bureau in the Judicial Department. A decline of 0.81 percent in revenues from this category is projected between 2018 and 2019 with no further decreases projected for the 2020-2021 biennium.

TRANSFER FOR TAX RELIEF PROGRAMS

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
(63,768)	(66,389)	4.11%	(130,157)	(69,500)	4.69%	(73,000)	5.04%	(142,500)

Beginning with fiscal year 2010 the Revenue Forecasting Committee adopted the Transfer for Tax Relief category for its revenue report. This category groups the following programs; Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption (BETE) programs for revenue reporting purposes; forecasts for each of these programs are presented below. The Maine Residents' Property Tax Program was repealed by the Legislature in the 126th 1st Regular Session and replaced by the Property Tax Fairness credit which is accounted for in the Individual Income Tax line.

BUSINESS EQUIPMENT TAX REIMBURSEMENT (BETR)

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
(26,800)	(23,420)	-12.61%	(50,220)	(22,500)	-3.93%	(21,000)	-6.67%	(43,500)

BUSINESS EQUIPMENT TAX EXEMPTION (BETE)

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
(36,968)	(42,969)	16.23%	(79,937)	(47,000)	9.38%	(52,000)	10.64%	(99,000)

BETR reimbursement is 100 percent of the property taxes paid on eligible property, for the first 12 years, 75 percent in year 13, 70 percent in year 14 and so on until it reaches a minimum of 50 percent in years 18 and beyond. Generally, property first placed into service in Maine after April 1, 1995, but on or before April 1, 2007 is eligible. Only certain retail equipment first placed in service after April 1, 2007 will continue to be eligible for BETR reimbursement. BETR reimbursement experience is affected by the new Business Equipment Tax Exemption (BETE) program. Non-retail property first placed into service after April 1, 2008 is eligible for the BETE program. Business property eligible for BETE is 100 percent exempt from the local property tax and the state will reimburse municipalities for a portion of the lost revenue. The percentage reimbursed to municipalities is generally 50 percent, but some municipalities with significant personal property receive a higher percentage for reimbursement.

STATE-MUNICIPAL REVENUE SHARING

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
(69,245)	(70,803)	2.25%	(140,047)	(168,988)	138.67%	(183,561)	8.62%	(352,549)

The Sales and Use Tax, Individual Income Tax, Corporate Income Tax and Service Provider Tax lines are subject to municipal revenue sharing pursuant to Maine Revised Statutes, Title 30-A, § 5681 of the Maine Revised Statutes. Title 30-A, § 5681 requires that an amount equal to 2 percent of the actual receipts through fiscal year 2019, and 5 percent of the actual receipts beginning in fiscal year 2020 of the above referenced tax lines be transferred to the Local Government Fund (State- municipal revenue sharing), are projected to increase of \$213 million over the 2020-2021 biennium. Projected state-municipal revenue sharing is a calculation based on the forecasts of the four previously referenced tax revenue lines. As of August 2018, actual state-municipal revenue sharing transfers were \$382 thousand over budget for the month. State-municipal revenue sharing transfers were \$450 thousand or 3.9 percent over prior fiscal year-to-date collections.

The Legislature approved a change in the reimbursement rate from 5.1 percent to 5.0 percent effective July 1, 2009. Public Law 2015, chapter 267, Part K reduced the state-municipal revenue sharing transfer from 5 percent to 2 percent for fiscal years 2016 through 2019. Funds for revenue sharing are also distributed to the Disproportionate Tax Burden Fund which is used to provide additional support to municipalities experiencing a higher than average property tax burden. Effective with fiscal year 2010, the Legislature approved a change to the distribution of funds for this program resulting in increased funding for the Disproportionate Tax Burden Fund.

OTHER TAXES AND FEES

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
139,809	139,776	-0.02%	279,585	132,939	-4.89%	132,873	-0.05%	265,811

Effective with fiscal year 2010, the Revenue Forecasting Committee adopted a new revenue category for revenue reporting purposes. Revenues from taxes and fees that were previously included under the Other Revenues category and Property Taxes - Unorganized Territory and Public Utilities Tax, which were previously reported in their own category, are now included in the Other Taxes and Fees category. This forecast reflects a projected 4.9 percent reduction in revenues from Other Taxes and Fees in fiscal year 2020 due to current projections of cost allocation revenues.

OTHER REVENUES

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
1,941	10,112	420.94%	12,053	8,576	-15.19%	7,755	-9.57%	16,330

Effective with fiscal year 2010, the Revenue Forecasting Committee approved the reclassification of revenues for taxes and fees and for fines, forfeits and penalties previously reflected under Other Revenues being recorded in their own category for reporting purposes. The Other Revenues category includes all other General Fund revenue sources collected by the various departments and agencies that are not otherwise classified in the categories listed on the

General Fund Summary Table. The changes over the 2018-2019 and the 2020-2021 biennia are primarily attributable to changes in the projected March 2018 Revenue Forecasting Committee forecast General Fund subsidy for milk.

D. EXPENDITURE FORECAST CHARTS Fiscal Years 2019-2021

GENERAL FUND EXPENDITURE FORECAST CHART

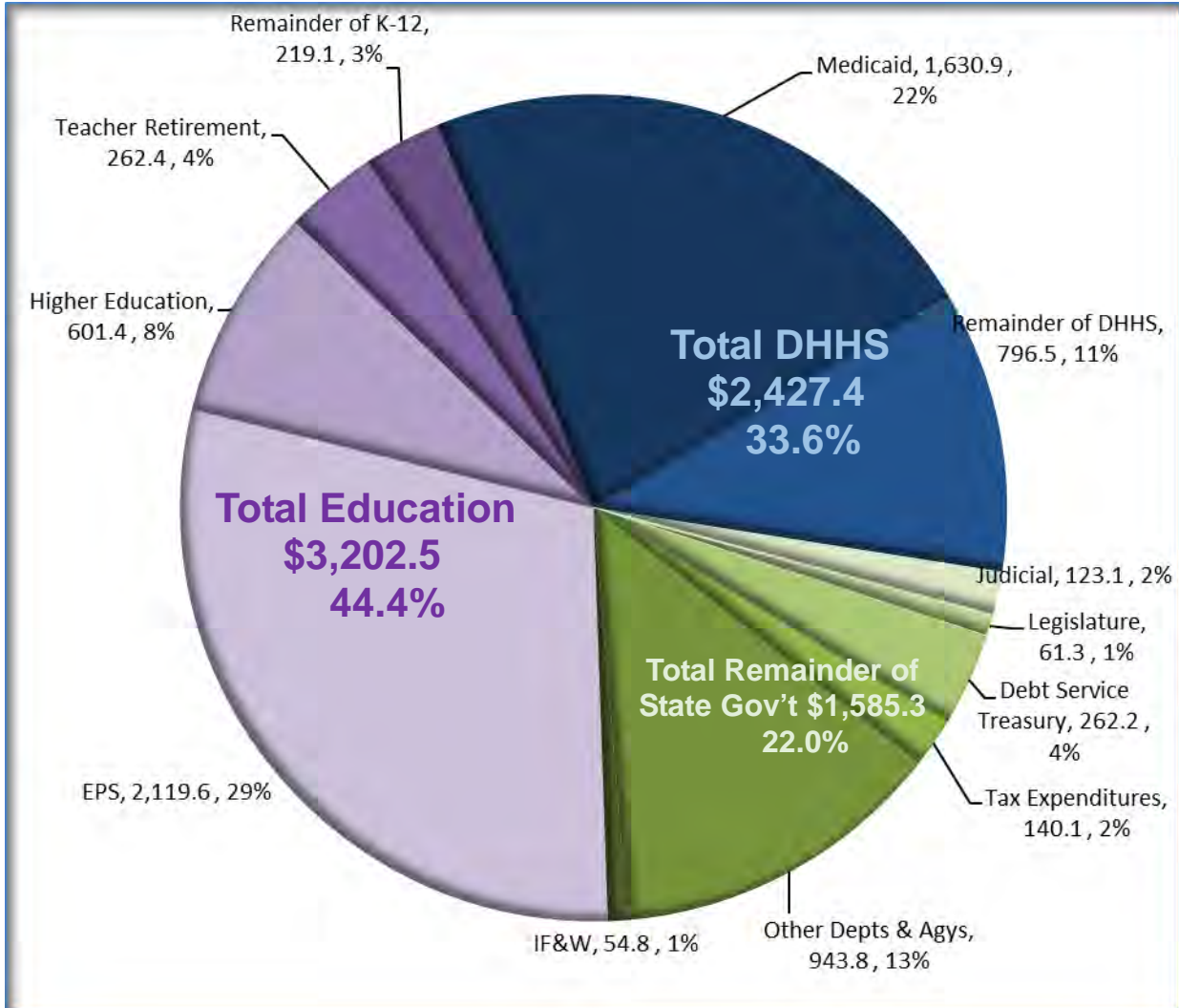
MAJOR PROGRAM CATEGORIES POLICY AREA / AGENCY / PROGRAM	Fiscal Years 2018-2019 BUDGET				Fiscal Years 2020-2021 FORECAST				
	FY 2018	FY 2019	YR. TO YR. % CHANGE	TOTAL TOTAL	FY 2020	YR. TO YR. % CHANGE	FY 2021	YR. TO YR. % CHANGE	BIENNium TOTAL
Homestead Property Tax Exemption	53,384,000	68,859,000	28.99%	122,243,000	76,700,000	11.39%	79,200,000	3.26%	155,900,000
Government Facilities Authority	16,836,024	19,955,674	18.53%	36,791,698	19,955,674		19,955,674		39,911,348
Debt Service - Treasury	90,354,359	96,749,206	7.08%	187,103,565	110,158,676	13.86%	106,749,206	-3.10%	216,907,882
Other Agencies And Programs	139,371,797	146,742,973	5.29%	286,114,770	160,294,867	9.24%	164,033,461	2.33%	324,328,328
Total Policy Area - Governmental Support & Operations	299,946,180	332,306,853	10.79%	632,253,033	367,109,217	10.47%	369,938,341	0.77%	737,047,558
Total Policy Area - Economic Development & Work Force Training	46,456,072	43,591,773	-6.17%	90,047,845	43,187,675	-0.93%	43,266,491	0.18%	86,454,166
General Purpose Aid for Local Schools	1,021,684,127	1,097,892,644	7.46%	2,119,576,771	1,154,820,473	5.19%	1,192,432,626	3.26%	2,347,253,099
Teacher Retirement/Retired Teachers' Health Insurance	169,421,735	177,980,833	5.05%	347,402,568	219,530,365	23.34%	224,329,950	2.19%	443,860,315
Child Development Services	30,186,076	34,385,221	13.91%	64,571,297	33,765,251	-1.80%	33,765,251		67,530,502
Other Agencies And Programs	319,607,408	328,885,368	2.90%	648,492,776	326,042,475	-0.86%	324,138,425	-0.58%	650,180,900
Total Policy Area - Education	1,540,899,346	1,639,144,066	6.38%	3,180,043,412	1,734,158,564	5.80%	1,774,666,252	2.34%	3,508,824,816
Medical Care - Payments To Providers	411,081,218	423,778,358	3.09%	834,859,576	511,566,540	20.72%	529,191,054	3.45%	1,040,757,594
Nursing Facilities	93,313,433	98,789,118	5.87%	192,102,551	106,215,154	7.52%	112,344,224	5.77%	218,559,378
Foster Care/Adoption Assistance	51,610,545	65,749,385	27.40%	117,359,930	57,775,148	-12.13%	57,801,530	0.05%	115,576,678
Community Mental Health	37,719,706	37,676,047	-0.12%	75,395,753	37,781,139	0.28%	38,014,420	0.62%	75,795,559
Mental Health Medicaid	39,547,419	39,547,419		79,094,838	39,547,419		39,547,419		79,094,838
Community Developmental Services	20,441,265	20,631,882	0.93%	41,073,147	21,270,414	3.09%	21,970,802	3.29%	43,241,216
Developmental Services - Medicaid	161,102,096	190,946,118	18.52%	352,048,214	190,946,118		190,946,118		381,892,236
Mental Health Services - Children	14,509,038	14,443,994	-0.45%	28,953,032	14,677,371	1.62%	14,800,033	0.84%	29,477,404
Mental Health Services - Child Medicaid	34,262,243	34,262,243		68,524,486	34,262,243		34,262,243		68,524,486
Substance Abuse Services	14,408,805	21,258,919	47.54%	35,667,724	21,347,660	0.42%	21,435,506	0.41%	42,783,166
Substance Abuse Services- Medicaid	4,979,486	4,979,486		9,958,972	4,979,486		4,979,486		9,958,972
Other Agencies And Programs	298,259,834	296,822,693	-0.48%	595,082,527	306,288,294	3.19%	314,159,828	2.57%	620,448,122
Total Policy Area - Health & Human Services	1,181,235,088	1,248,885,662	5.73%	2,430,120,750	1,346,656,986	7.83%	1,379,452,663	2.44%	2,726,109,649
Total Policy Area - Natural Resources Development & Protection	77,826,452	80,761,979	3.77%	158,588,431	82,427,757	2.06%	83,571,718	1.39%	165,999,475
Corrections	185,576,638	186,150,450	0.31%	371,727,088	190,871,008	2.54%	196,537,808	2.97%	387,408,816
Judicial Branch	73,558,411	79,274,615	7.77%	152,833,026	85,395,825	7.72%	88,254,186	3.35%	173,650,011
Other Agencies And Programs	101,142,024	82,264,888	-18.66%	183,406,912	105,276,383	27.97%	107,277,761	1.90%	212,554,144
Total Policy Area - Justice & Protection	360,277,073	347,689,953	-3.49%	707,967,026	381,543,216	9.74%	392,069,755	2.76%	773,612,971
Total Policy Area - Transportation, Safety & Development									
Total Policy Area - Arts, Heritage & Cultural Enrichment	8,033,733	8,218,656	2.30%	16,252,389	8,488,377	3.28%	8,563,254	0.88%	17,051,631
Total Policy Area - Business Licensing and Regulation									
GRAND TOTAL GENERAL FUND EXPENDITURES	3,514,673,944	3,700,598,942	5.29%	7,215,272,886	3,963,571,792	7.11%	4,051,528,474	2.22%	8,015,100,266

Fiscal Years 2018 – 2019

General Fund Budgeted Appropriations

\$7,215.3

Dollars in Millions

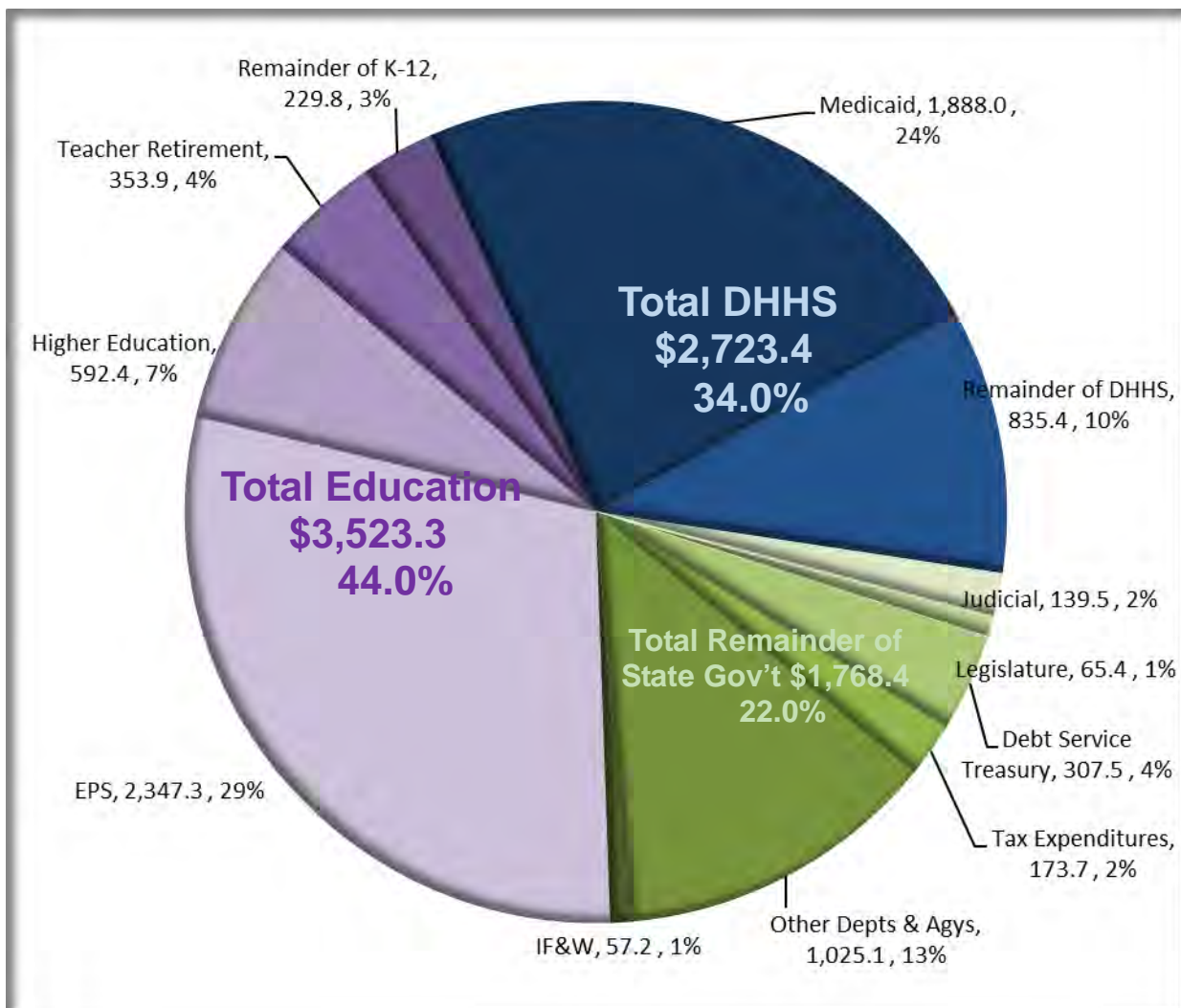


Fiscal Years 2020 - 2021

General Fund Forecasted Appropriations

\$8,015.1

Dollars in Millions



E. GENERAL FUND EXPENDITURE FORECAST NARRATIVE

HOMESTEAD PROPERTY TAX EXEMPTION

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
53,384	68,859	28.99%	122,243	76,700	11.39%	79,200	3.26%	155,900

Public Law 1997, chapter 643, Part HHH established the Homestead Property Tax Exemption Program. This program establishes an exemption for all individuals who have maintained a residence for the 12 months prior to April 1st of each year. Public Law 2005, chapter 2, Part F set the exemption amount at \$13,000 of the individual's homestead valuation and decreased the percentage of the benefit to homeowners that the state is responsible for to the constitutionally required 50 percent. Public Law 2009, chapter 213, Part YYY reduced the exemption amount from \$13,000 to \$10,000 beginning with fiscal year 2011. Public Law 2015, chapter 267, Part J increased the exemption amount from \$10,000 to \$15,000 in fiscal year 2017 and increased the exemption amount from \$10,000 to \$20,000 beginning with fiscal year 2018. Public Law 2015, chapter 390 increased the percentage of benefit that the state is responsible for, from 50 percent to 62.5 percent of the exemption effective April 1, 2017. Public Law 2017, c. 284 delayed the increase in reimbursement to 62.5 percent from April 1, 2017 to April 1, 2018. The Homestead Property Tax Exemption is expected to cost an additional \$18.1 million above the baseline appropriation over the 2020-2021 biennium due to the increase in the reimbursement to 62.5 percent on April 1, 2018.

GOVERNMENTAL FACILITIES AUTHORITY

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
16,836	19,956	18.53%	36,792	19,956	0.00%	19,956	0.00%	39,911

The Governmental Facilities Authority, created by Public Law 1997, chapter 523, for the purpose of financing the renovation or construction of State and Judicial Branch facilities, administers a fund that includes principal and interest payments for loans in which financed projects are approved. Each issuance of securities by the Maine Governmental Facilities Authority must be approved by a two-thirds vote in each House of the Legislature. The obligations of the Authority do not constitute a pledge of the faith and credit of the State. In the upcoming biennium, these include capital repairs and improvements to state-owned facilities throughout the State as designated by the Commissioner of Administrative and Financial Services, capital construction and improvements to the Maine Correctional Center in South Windham, a case management system for the Judicial Department and construction of court facilities in the counties of Oxford and York. Projects undertaken through the Governmental Facilities Authority for the Judicial Branch are included in the Judicial Department's budget as debt service payments and are not reflected in the estimates shown above. The forecast reflects debt service necessary for outstanding principal and interest costs in each fiscal year of the 2020-2021 biennium.

DEBT SERVICE – TREASURY

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
90,354	96,749	7.08%	187,104	110,159	13.86%	106,749	-3.10%	216,908

In fiscal year 2019, a total of \$125.5 million of the authorized General Obligation, General Fund bond inventory was issued during the August 2018 bond sale. In the 128th Second Special Session, the Legislature approved sending additional bond proposals to the voters in Public Law 2017, chapters 425, 465 and 467 for a total of \$200 million in November 2018. If the voters approve these bonds, a June 2019 bond sale is assumed for approximately \$148 million. In addition, in fiscal year 2019, debt service budgeted appropriations of \$96.4 million were supplemented by \$3.7 million pursuant to Public Law 2017, chapter 284, Part FFFFFFFF, authorizing remaining balances in the program from fiscal year 2018, a total of \$13.1 million, to carry forward to fiscal year 2019 rather than lapse to the general fund unappropriated surplus. The 2020-2021 biennium amounts represent the debt service requirements for those bonds issued through fiscal year 2019. The debt service requirements for the 2020-2021 biennium may be higher than projected either assuming additional bond sales of bonds already authorized and/or the Legislature approves sending additional bond proposals to the voters in calendar year 2019.

GENERAL PURPOSE AID FOR LOCAL SCHOOLS

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
1,021,684	1,097,893	7.46%	2,119,577	1,154,820	5.19%	1,192,433	3.26%	2,347,253

The preliminary analysis would increase General Purpose Aid for Local Schools funding for the upcoming biennium by \$230 million over the previous biennium and achieve the commitment made in Public Law 2005 chapter 2, as amended by Public Law 2015, chapters 267, 389 and 481, for 55 percent state share of education costs. Public Law 2017, chapter 284 permanently set funding provided from slot machines and table games in Maine Revised Statutes 8 MRSA §1036, sub-§2-A, ¶A, as part of the state’s share contribution to Essential Programs and Services, aligning with levels projected in the March 2018 revenue forecast. In addition, there is a transfer from Department of Education to Department of Health and Human Services of \$15 million in each fiscal year in the 2018-2019 biennium and \$17 million in each fiscal year in the 2020-2021 biennium for Medicaid services that are provided in a school setting.

The State contribution to the total cost of funding public education from kindergarten to grade 12 including the cost of the components of essential programs and services, plus the state contributions to teacher retirement, retired teachers' health insurance and retired teachers' life insurance for Fiscal Year 2019 is 53.35 percent. It is important to stress that the forecast, by law, must assume a state share of GPA equal to 55 percent of total allowable costs.

TEACHER RETIREMENT/RETIRED TEACHERS' HEALTH INSURANCE

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
169,422	177,981	5.05%	347,403	219,530	23.34%	224,330	2.19%	443,860

The expenditure forecast for the 2020-2021 biennium for Teacher Retirement assumes projected teacher salary and wage growth of 2.75 percent based upon the actuarial assumption for inflation and general salary increase. The required unfunded actuarial liability (UAL) payment for the 2020-2021 biennium for teacher retirement is established by the actuarial valuation performed by the Maine Public Employees Retirement System's actuary. Public Law 2013, chapter 368 changed the method for funding normal costs of teacher retirement. Beginning in fiscal year 2014, the normal cost of retirement for a teacher must be included in the total allocation for Essential Programs and Services for the school administrative unit that employs the teacher. In addition, the employer retirement normal costs and administrative operating expenses, whose funding is provided from local and state funds must be paid by the local school administrative units or by the private school. The remaining employer retirement cost component is the unfunded actuarial liability, which forms the basis for the forecast for teacher retirement in the 2020-2021 biennial budget.

Public Law 2013, chapter 368, Part H, section 3, limited the premium increase for fiscal years beginning after June 30, 2015 to no more than any percentage increase in the Consumer Price Index plus 3.0 percent. In addition, providers of the health insurance benefit plans for retired teachers must also make available their premium costs and any related data as requested by the Executive Director of Health Insurance within the Department of Administrative and Financial Services.

MEDICAL CARE - PAYMENTS TO PROVIDERS

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
411,081	423,778	3.09%	834,860	511,567	20.72%	529,191	3.45%	1,040,758

The projected cost of the 2017 Initiated Bill, Chapter 1, An Act to Enhance Access to Affordable Healthcare, to provide federally approved Medicaid services through MaineCare to qualifying persons under 65 years of age with income equal to or below 133% plus 5% of the nonfarm income official poverty line is approximately \$180 million over the 2020-2021 biennium. Appropriations in the Medical Care – Payments to Providers program decreased during the 2018-2019 biennium attributable to an update of the hospital tax base year, from tax year 2012 to 2014, and an adjustment to recognize the change in the Federal Medical Assistance Percentage. The decreases in appropriations include an offset of hospital supplemental pool payments that were increased by \$2.5 million annually. Public Law 2017, chapter 460, provided funding for certain rate increases, a total of \$16.5 million beginning in fiscal year 2019. Additional costs over the baseline amount provided, that are expected associated with these increased reimbursements in fiscal year 2020 are \$5.3 million and \$8.2 million in fiscal year 2021.

Although the primary source of the non-federal share of the MaineCare program is from the state's general fund, the MaineCare program also relies on resources consisting of dedicated revenue from the hospital tax, nursing facility, residential treatment facility tax, service provider tax on private nonmedical institutions, drug and durable medical equipment rebates and the Fund for a Health Maine that are in excess of \$267 million annually overall. In addition, the Department of Education transfers \$15 million of school subsidy payments in each fiscal year of the 2018-2019 biennium and \$17 million in the upcoming 2020-2021 biennium to support the state-share of Medical Services that are provided in a school setting.

NURSING FACILITIES

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
93,313	98,789	5.87%	192,103	106,215	7.52%	112,344	5.77%	218,559

The Nursing Facilities program provides funds for MaineCare payments to nursing facilities for professional nursing care or rehabilitative services for injured, disabled or sick persons. Public Law 2017, chapter 460, appropriated \$5.5 million beginning in fiscal year 2019 for rate increases for certain services, including a special wage allowance in fiscal year 2019. These increases are projected to cost an additional \$7.4 million and \$13.6 million above the baseline appropriation in fiscal years 2020 and 2021 respectively.

FOSTER CARE/ADOPTION ASSISTANCE

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
51,611	65,749	27.40%	117,360	57,775	-12.13%	57,802	0.05%	115,577

The Title IV-E Foster Care/Adoption Assistance and State-funded Foster Care/Adoption Assistance programs the Department of Health and Human Services provides foster care, independent living and adoption assistance services to children in the care or custody of the Department of Health and Human Services. Payments made from the IV-E Foster Care/Adoption Assistance program support children who are eligible under Title IV-E of the Federal Social Security Act; payments from the State-funded program support children not eligible under Title IV-E. The increased funding in fiscal year 2019 and additional baseline funding in the 2020-2021 biennium was provided in Public Law 2017, chapter 471, An Act to Improve the Child Welfare System, a portion that is considered one-time for a new comprehensive child welfare information system. This law also includes a General Fund appropriation to the Department of Health and Human Services of \$50,000 in fiscal year 2019 to contract with a third party to conduct a rate study to develop a new rate for MaineCare reimbursement for trauma-focused cognitive behavioral therapy to be completed no later than April 1st, 2019.

COMMUNITY MENTAL HEALTH

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
37,720	37,676	-0.12%	75,396	37,781	0.28%	38,014	0.62%	75,796

Funds for the Community Mental Health program are provided for services to adults who are not eligible for MaineCare or for services that are not covered by MaineCare. The fiscal year 2018-2019 biennial budget provided funding for the forensic consumers who the courts determine to be not criminally responsible and who may no longer meet the clinical level of care for residential treatment but are in the care and custody of the Commissioner of Health and Human Services. Funds for unmet needs related to the Consent Decree are segregated into a separate program that began in 2015, included a baseline appropriation of \$5.8 million in each of the 2020-2021 biennium. The Bridging Rental Assistance Program as further segregated from the Consent Decree and Community Mental Health programs during the 2020-2021 biennium, included a baseline appropriation of \$6.6 million in each year. Anticipated costs in the program are projected to remain flat overall through the 2020-2021 biennium.

MENTAL HEALTH MEDICAID

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
39,547	39,547	0.00%	79,095	39,547	0.00%	39,547	0.00%	79,095

This program provided services to adults with mental illness who are eligible for benefits under the MaineCare program. Funding for the program remains relatively flat in fiscal year 2020 and fiscal year 2021.

COMMUNITY DEVELOPMENTAL SERVICES

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
20,441	20,632	0.93%	41,073	21,270	3.09%	21,971	3.29%	43,241

The Developmental Services service delivery system provides services and support to a limited number of people with intellectual and developmental disabilities or autism who are not eligible for MaineCare. The programs also assist those in need with financial resources to pay for some services that are not covered by the MaineCare program such as family support, housing and food. The growth over the 2020-2021 biennium reflects the baseline grown in personnel services for the program.

DEVELOPMENTAL SERVICES MEDICAID

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
161,102	190,946	18.52%	352,048	190,946	0.00%	190,946	0.00%	381,892

Funding in the Developmental Services MaineCare and the Developmental Services-MaineCare Waiver programs provide services for persons with developmental disabilities or autistic disorder who are Medicaid eligible or Medicaid reimbursable. Services provided include residential support, day habilitation and transportation. Public Law 2017, c. 284 increased the annual cap for support services for adults with intellectual disabilities or autistic disorder from \$23,771 to \$47,500. In addition, Public Law 2017, chapter 460 provides funding of \$5.2 million in each fiscal year, beginning October 1, 2018, to add 50 members a month from the waiting list until 300 new members in total have been added. Public Law 2017, chapter 459 adds approximately \$22.8 million beginning in fiscal year 2019 and into the baseline for the 2020-2021 biennium, for increased reimbursement for certain services under these programs.

MENTAL HEALTH SERVICES – CHILDREN

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
14,509	14,444	-0.45%	28,953	14,677	1.62%	14,800	0.84%	29,477

Funds for Children’s Mental Health Services are provided for services to children who are not eligible for MaineCare or for services that are not covered by MaineCare. The General Fund appropriations are projected to increase in fiscal year 2020 by 1.62 percent and in fiscal year 2021 by .84 percent.

MENTAL HEALTH SERVICES - CHILD MEDICAID

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
34,262	34,262	0.00%	68,524	34,262	0.00%	34,262	0.00%	68,524

General Fund support is used to provide state share for mental health services provided to eligible children and youth under the child Medicaid program. Funding for the program remains relatively flat in fiscal year 2020 and fiscal year 2021.

SUBSTANCE ABUSE SERVICES

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
14,409	21,259	47.54%	35,668	21,348	0.42%	21,436	0.41%	42,783

General Funds are provided for the Office of Substance Abuse and Mental Health Services for contracts with prevention and treatment service agencies, and provides technical assistance and continuing education to health professionals. In addition, the Office of Substance Abuse and Mental Health Services administers the Driver Education and Evaluation Program, which

provides the mandated (5 MRSA, c. 521, Sub-c. V) Operating Under the Influence (OUI) countermeasure programs in the state of Maine. The growth over the 2020-2021 biennium reflects the baseline growth in personnel services for the program.

SUBSTANCE ABUSE SERVICES- MEDICAID

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
4,979	4,979	0.00%	9,959	4,979	0.00%	4,979	0.00%	9,959

General Fund support is used to provide the state share for outpatient substance abuse services provided to eligible members in the Medicaid program. Funding for the program remains relatively flat in fiscal year 2020 and fiscal year 2021.

CORRECTIONS

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
185,577	186,150	0.31%	371,727	190,871	2.54%	196,538	2.97%	387,409

The Department of Corrections is responsible for the direction and general administrative supervision, guidance and planning of adult and juvenile correctional facilities and programs within the State. General Fund support provides over 95 percent of the funding for the Department of Corrections. The growth in the fiscal year 2018-2019 biennium and the anticipated growth in the 2020-2021 biennium reflect baseline growth in personnel services.

JUDICIAL BRANCH

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
73,558	79,275	7.77%	152,833	85,396	7.72%	88,254	3.35%	173,650

The Judicial Branch is responsible for the administration and management of the court system within the State. General Fund support provides over 89 percent of the funding for the Judicial Branch. The growth in the fiscal year 2018-2019 biennium and the anticipated growth in the 2020-2021 biennium reflect baseline growth in personal services and an increase in facility and operational needs.

III. HIGHWAY FUND

A. BUDGET STATUS Fiscal Years 2018-2021

HIGHWAY FUND STATUS						
	Fiscal Years 2018-2019 BUDGET			Fiscal Years 2020-2021 FORECAST		
	FY 2018	FY 2019	TOTAL	FY 2020	FY 2021	TOTAL
BALANCE	7,441,416		7,441,416	584,667		584,667
ADJUSTMENTS	8,604,230	11,041,312	19,645,542			
REVENUE	328,680,161	333,709,648	662,389,809	338,289,229	340,307,964	678,597,193
TOTAL RESOURCES	344,725,807	344,750,960	689,476,767	338,873,896	340,307,964	679,181,860
ADJUSTMENTS	6,253,259	6,328,638	12,581,897	6,345,967	6,404,253	12,750,220
ALLOCATIONS	337,446,481	338,863,722	676,310,203	510,564,578	511,965,385	1,022,529,963
PROJECTED BALANCE (SHORTFALL)	1,026,067	(441,400)	584,667	(178,036,649)	(178,061,674)	(356,098,323)

The Highway Fund adjusted fund status for fiscal year 2018 was \$1,026,067 and is projected to be \$584,667 at the end of 2018-2019 biennium, including adjustments enacted through the Second Special Session of the 128th Legislature.

The Revenue Forecasting Committee (RFC) in its May 2017 report re-projected revenues upward by \$1.9 million for the 2020-2021 biennium. The RFC in December 2017 decreased its revenue projections by \$781 thousand for the 2020-2021 biennium. The RFC in March 2018 re-projected revenues upward by \$809 thousand resulting in a net overall revenue increase of \$9.4 million for the 2020-2021 biennium. This revenue increase was primarily in the fuel tax lines. The revenue projections also include revisions made in miscellaneous laws enacted through the Second Special Session of the 128th Legislature.

Public Law 2011, chapter 610, An Act to Improve Transportation in the State established provisions relating to the Department of Transportation's capital program goals. *It is important to stress that this forecast, by law, must assume the state share which is estimated at \$300 million over the 2020-2021 biennium.* The reader is advised to bear this in mind when assessing the *estimated* structural gap and the potential for closing it.

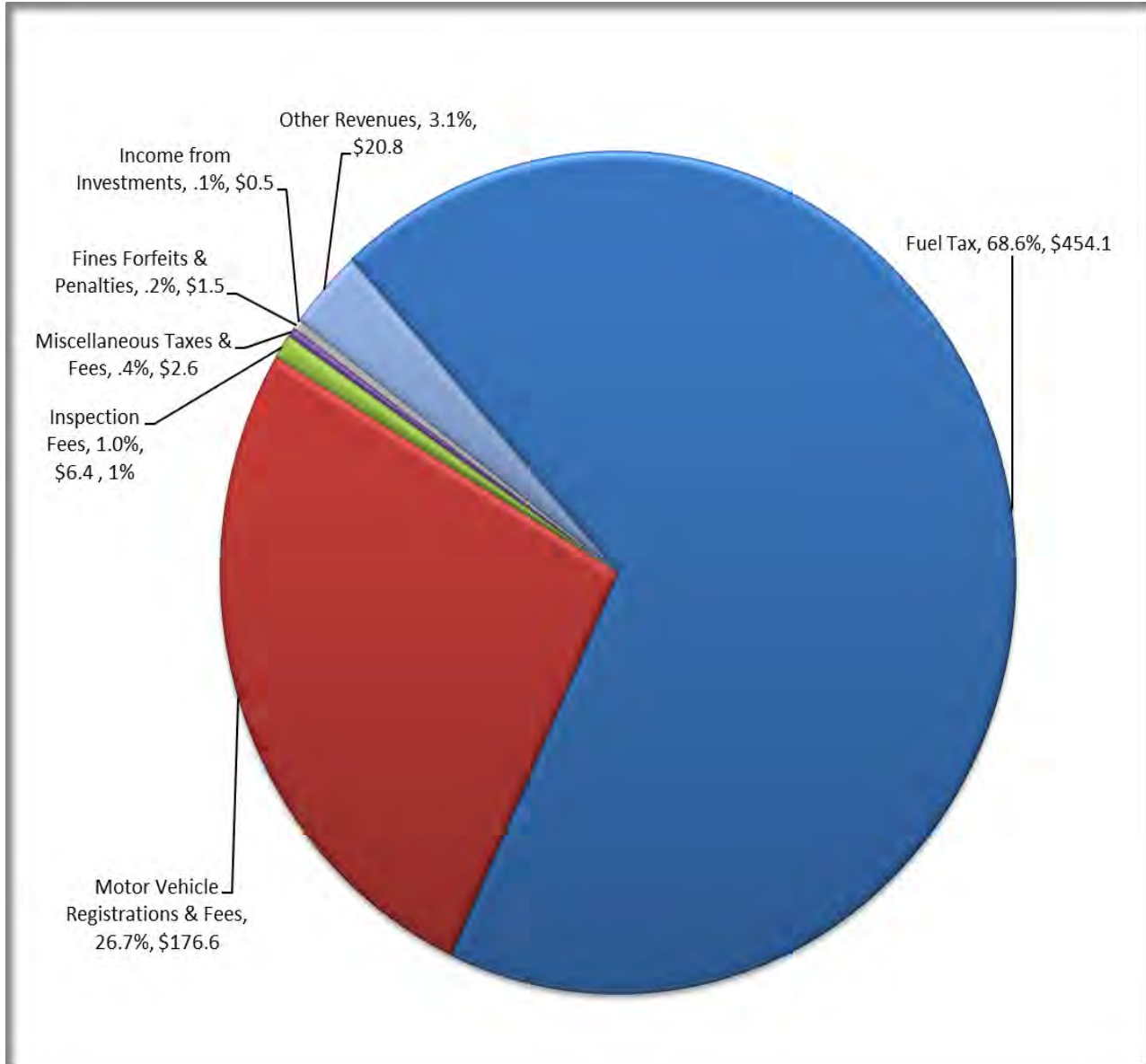
Current projections for the 2020-2021 biennium include a beginning balance of \$584,667 and Highway Fund revenues of \$678,597,193. Projected Highway Fund allocations for the biennium are \$1,022,529,963 and adjustments of \$12,750,220 which result in a projected structural budget gap of \$356,098,323.

B. REVENUE PROJECTION Fiscal Years 2019-2021

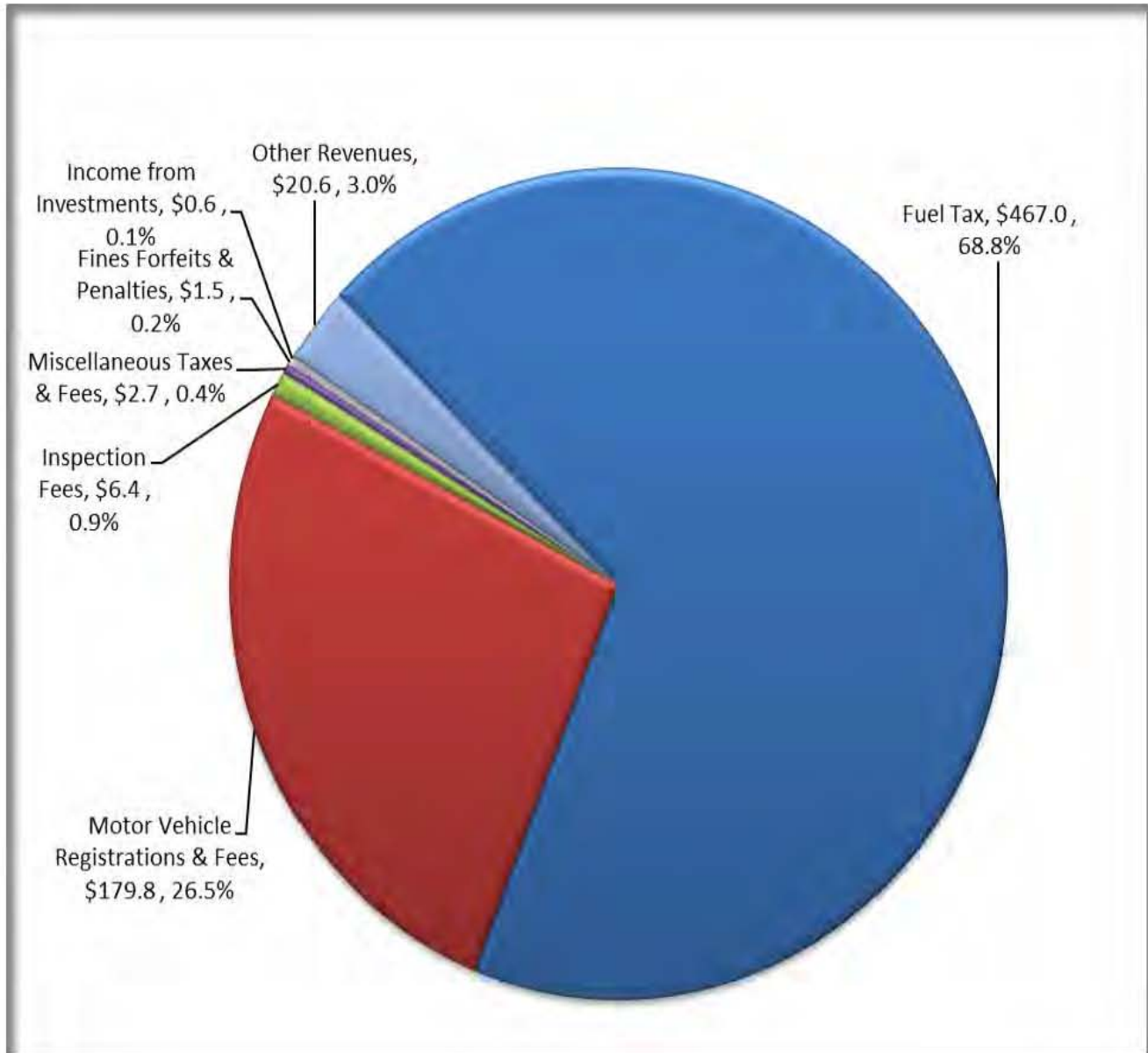
HIGHWAY FUND REVENUE PROJECTION

SOURCE	Fiscal Years 2018-2019 BUDGET				Fiscal Years 2020-2021 FORECAST				
	FY 2018	FY 2019	YR. TO YR. % CHANGE	TOTAL BIENNIUM	FY 2020	YR. TO YR. % CHANGE	FY 2021	YR. TO YR. % CHANGE	TOTAL BIENNIUM
Fuel Tax	224,172,333	229,929,720	2.57%	454,102,053	232,232,626	1.00%	234,726,643	1.07%	466,959,269
Motor Vehicle Registrations & Fees	88,451,559	88,109,056	-0.39%	176,560,615	90,148,780	2.31%	89,661,693	-0.54%	179,810,473
Inspection Fees	3,202,500	3,202,500		6,405,000	3,202,500		3,202,500		6,405,000
Miscellaneous Taxes & Fees	1,293,729	1,280,229	-1.04%	2,573,958	1,368,729	6.91%	1,355,229	-0.99%	2,723,958
Fines Forfeits & Penalties	739,039	739,039		1,478,078	739,039		739,039		1,478,078
Income from Investments	218,841	261,754	19.61%	480,595	303,303	15.87%	327,895	8.11%	631,198
Other Revenues	10,602,160	10,187,350	-3.91%	20,789,510	10,294,252	1.05%	10,294,965	0.01%	20,589,217
TOTAL REVENUE	328,680,161	333,709,648	1.53%	662,389,809	338,289,229	1.37%	340,307,964	0.60%	678,597,193

Fiscal Years 2018 - 2019 Highway Fund Budgeted Revenues \$662.4 Dollars in Millions



Fiscal Years 2020 – 2021 Highway Fund Projected Revenues \$678.6 Dollars in Millions



HIGHWAY FUND REVENUE PROJECTION NARRATIVE

FUEL TAX

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
224,172	229,930	2.57%	454,102	232,233	1.00%	234,727	1.07%	466,959

The forecast for the Motor Fuel Taxes was reviewed by the Revenue Forecasting Committee in March 2018. The gasoline tax rate on July 1, 2018 is \$0.300 per gallon. The diesel fuel tax rate on July 1, 2018 is \$0.312 per gallon. Public Law 2011, chapter 392, Part C repealed the indexing of motor fuels tax rates on January 1, 2012. Beginning January 2009, 7.5 percent of the gasoline tax and 7.5 percent of the special fuel tax is dedicated to the Trans-Cap Trust Fund at the Municipal Bond Bank in accordance with Public Law 2007, chapter 470.

MOTOR VEHICLE REGISTRATIONS AND FEES

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
88,452	88,109	-0.39%	176,561	90,149	2.31%	89,662	-0.54%	179,810

The forecast for fiscal year 2019, fiscal year 2020 and fiscal year 2021 for Motor Vehicle Registration Fees includes all actions of the Revenue Forecasting Committee through March 2018 and all actions of the 2nd Special Session of the 128th Legislature. The projections for fiscal years 2020 and 2021 are associated with the projected number of drivers licenses during each year of the licensing cycle.

INSPECTION FEES

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
3,203	3,203	0.00%	6,405	3,203	0.00%	3,203	0.00%	6,405

Revenues from Inspection Fees are expected to remain flat for the fiscal year 2020-2021 biennium.

OTHER REVENUES

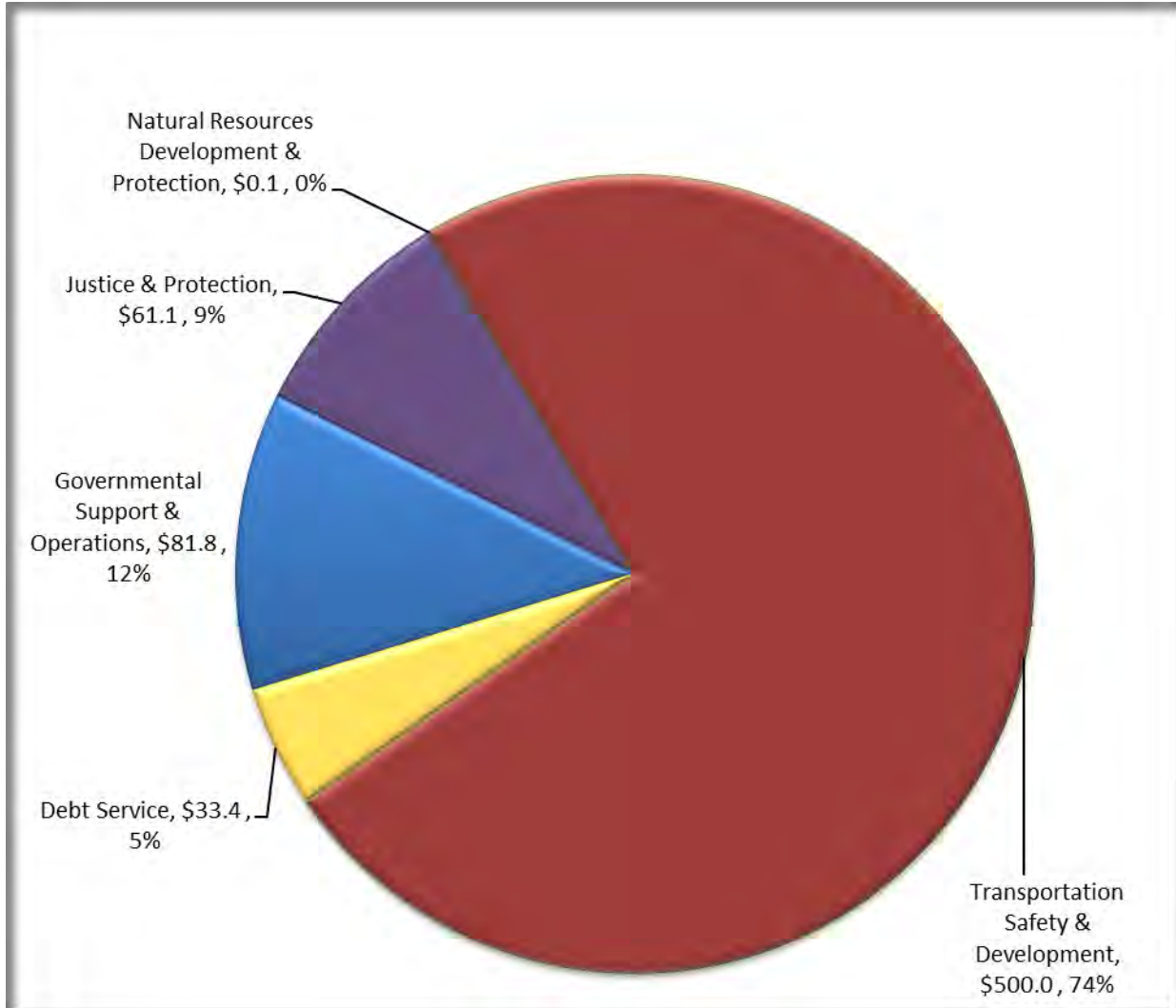
FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
10,602	10,187	-3.91%	20,790	10,294	1.05%	10,295	0.01%	20,589

Other Revenues within the Highway Fund include miscellaneous service fees and charges, net revenue transfers and other contributions. The forecast for the 2020-2021 biennium is expected to remain flat in this revenue category.

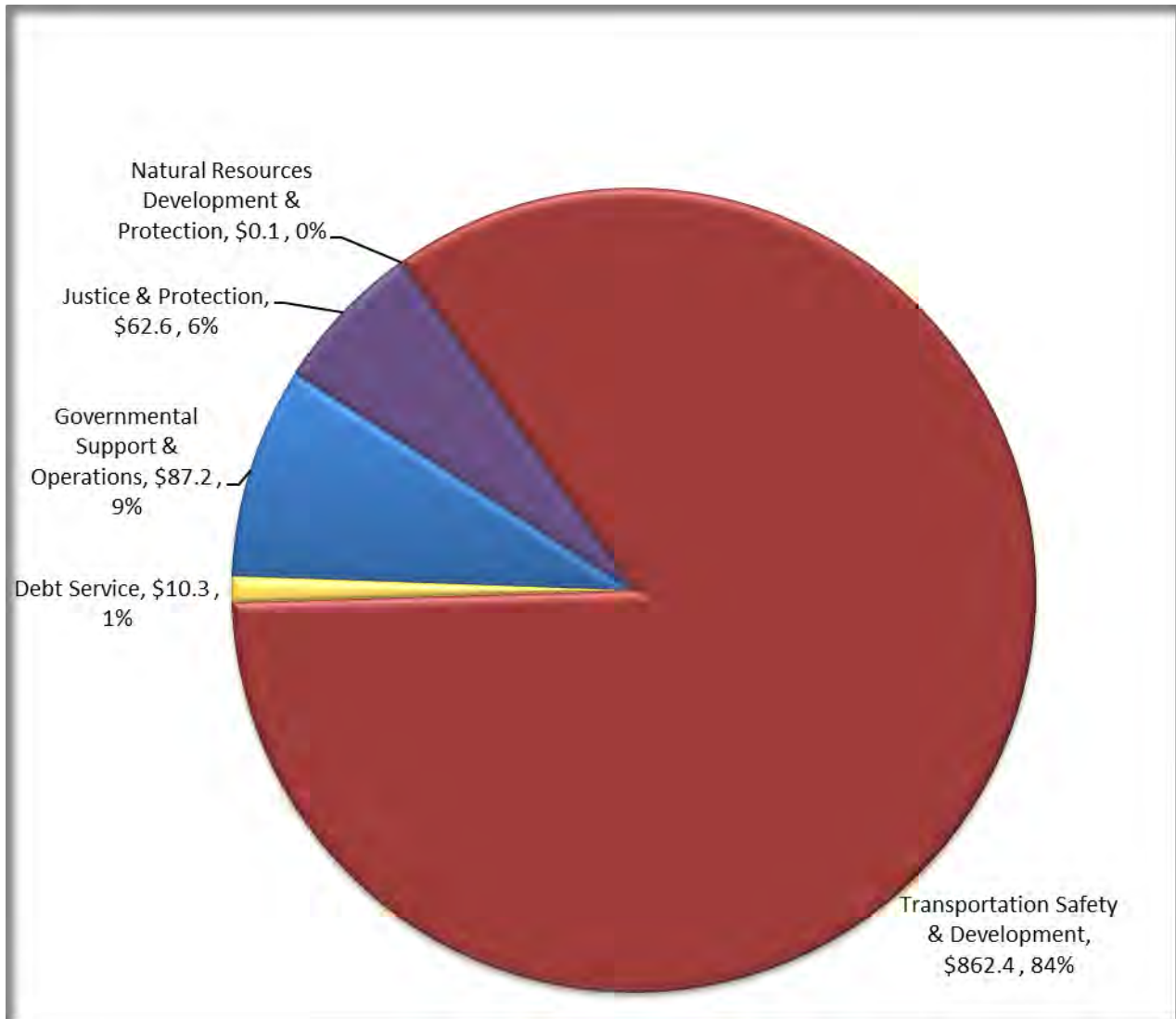
C. EXPENDITURE FORECAST CHARTS Fiscal Years 2019-2021

HIGHWAY FUND EXPENDITURE FORECAST CHART									
MAJOR PROGRAM CATEGORIES POLICY AREA / AGENCY / PROGRAM	Fiscal Years 2018-2019 BUDGET				Fiscal Years 2020-2021 FORECAST				
	FY 2018	FY 2019	YR. TO YR. % CHANGE	TOTAL TOTAL	FY 2020	YR. TO YR. % CHANGE	FY 2021	YR. TO YR. % CHANGE	BIENNIUM TOTAL
Administration Motor Vehicles	37,900,423	38,753,824	2.25%	76,654,247	40,609,559	4.79%	41,209,599	1.48%	81,819,158
Other Agencies And Programs	2,545,375	2,557,113	0.46%	5,102,488	2,684,687	4.99%	2,698,538	0.52%	5,383,225
Total Policy Area - Governmental Support & Operations	40,445,798	41,310,937	2.14%	81,756,735	43,294,246	4.80%	43,908,137	1.42%	87,202,383
Total Policy Area - Natural Resources Development & Protection	33,054	33,054		66,108	33,054		33,054		66,108
State Police	20,237,533	20,676,002	2.17%	40,913,535	20,659,645	-0.08%	20,827,649	0.81%	41,487,294
Other Agencies And Programs	10,185,224	10,020,698	-1.62%	20,205,922	10,539,597	5.18%	10,557,203	0.17%	21,096,800
Total Policy Area - Justice & Protection	30,422,757	30,696,700	0.90%	61,119,457	31,199,242	1.64%	31,384,852	0.59%	62,584,094
Maintenance & Operations	162,766,509	163,314,882	0.34%	326,081,391	169,937,430	4.06%	174,544,738	2.71%	344,482,168
Highway & Bridge Capital	38,902,571	44,511,770	14.42%	83,414,341	189,484,576	325.70%	190,498,658	0.54%	379,983,234
Highway & Bridge Light Capital	4,970,683	5,588,755	12.43%	10,559,438	26,000,000	365.22%	26,000,000		52,000,000
Local Road Assistance Program	21,258,437	21,079,597	-0.84%	42,338,034	23,009,566	9.16%	23,055,895	0.20%	46,065,461
Debt Service	19,976,210	13,405,540	-32.89%	33,381,750	7,999,668	-40.33%	2,320,500	-70.99%	10,320,168
Other Agencies And Programs	18,670,462	18,922,487	1.35%	37,592,949	19,606,796	3.62%	20,219,551	3.13%	39,826,347
Total Policy Area - Transportation Safety & Development	266,544,872	266,823,031	0.10%	533,367,903	436,038,036	63.42%	436,639,342	0.14%	872,677,378
TOTAL HIGHWAY FUND EXPENDITURES	337,446,481	338,863,722	0.42%	676,310,203	510,564,578	50.67%	511,965,385	0.27%	1,022,529,963

Fiscal Years 2018 – 2019
Highway Fund Budgeted Allocations
\$676.3
Dollars in Millions



Fiscal Years 2020 – 2021 Highway Fund Forecasted Allocations \$1,022.5 Dollars in Millions



D. HIGHWAY FUND EXPENDITURE FORECAST NARRATIVE

ADMINISTRATION MOTOR VEHICLES

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
37,900	38,754	2.25%	76,654	40,610	4.79%	41,210	1.48%	81,819

The Bureau of Motor Vehicles (BMV) was established to provide public safety and better regulation of traffic through administration of the laws of the State relating to motor vehicles and to the operators and operation thereof. Under the auspices of the Secretary of State, the Bureau provides the general public with a main office, thirteen branch office locations, and 506 municipalities throughout the state, where motor vehicle registrations may be obtained. There are approximately 1.4 million vehicle registrations processed annually. The Bureau provides titling of approximately 400,000 motor vehicles annually. The Bureau collects and submits sales tax to Maine Revenue Services when a vehicle is purchased and registered through a private sale. The Bureau is also responsible for implementing commercial vehicle laws, including truck registration, weight permits, and fuel tax programs. Driver licenses may be obtained at the main office, in the 13 branch office locations, 9 AAA locations and 19 mobile unit locations. There are roughly 1 million licensed drivers in the State. The anticipated growth in the fiscal year 2020-2021 biennium reflect baseline growth in personnel services and an anticipated increase in the cost of insurance and technology.

STATE POLICE

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
20,238	20,676	2.17%	40,914	20,660	-0.08%	20,828	0.81%	41,487

The Maine State Police have primary goals of 1) patrolling rural areas of Maine without organized police departments for the purpose of preventing and investigating criminal activity; 2) enforcing traffic safety laws in rural areas, Maine Turnpike and Interstate System; 3) overseeing the Motor Vehicle Inspection Program and enforcing the Commercial Motor Vehicle laws and rules; 4) investigating homicides that occur outside Portland and Bangor; 5) investigating child abuse cases; 6) providing crime laboratory services to all law enforcement agencies; 7) providing a repository for criminal history and records information; and 8) providing specialized administrative and enforcement services.

Public Law 2007, chapter 682, changed the funding ratio of the State Police program from 40% General Fund and 60 percent Highway Fund to 51 percent General Fund and 49 percent Highway Fund for fiscal year 2010 and requires the State Budget Officer to calculate the reduction in Highway Fund allocation to the State Police program resulting from this change and notify the State Controller, who transfers that amount from the Highway Fund to the Trans-Cap Trust Fund. For the 2020-2021 biennium, the transfer to the Trans-Cap Trust Fund is projected to be approximately \$12.8 million. The calculation and the percentage funding ratio assumptions above remain in effect as it pertains to the Trans-Cap Trust Fund.

Public Law 2013, chapter 368 changed the funding ratio for the State Police program from 51 percent General Fund and 49 percent Highway Fund to 65 percent General Fund and 35 percent

Highway Fund to coincide with the report from the Department of Public Safety, Bureau of State Police on the activities of the Bureau of the State Police to the Legislature for the 2014-2015 biennium. Finally, liquor enforcement was transferred from the State Police program to the Bureau of Alcoholic Beverages in the Department of Administrative and Financial Services.

MAINTENANCE & OPERATIONS

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
162,767	163,315	0.34%	326,081	169,937	4.06%	174,545	2.71%	344,482

The Maintenance & Operations program maintains the infrastructure of 15,900 lane miles of interlocking state and state aid highways. It is responsible for winter services to the 8,100 lane miles designated as state highway and the maintenance of all appurtenances and facilities associated with and necessary for the proper and safe utilization of the system by the motoring public. This program provides for the installation, maintenance and upgrading of traffic control devices and lighting. It also maintains 2,806 bridges on public highways for public use and inspection of 3,800 bridges as required by the National Bridge Inspection Standards.

HIGHWAY AND BRIDGE CAPITAL

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
38,903	44,512	14.42%	83,414	189,485	325.70%	190,499	0.54%	379,983

The Highway and Bridge Capital program provides funding for the capital improvement of the Federal-aid and State Highway network in order to maintain a safe, efficient and effective infrastructure for all users of the system. General Obligation bond issues funded by the General Fund, were authorized by voters and are assumed to be sold through fiscal year 2019 to provide continued support for transportation improvement projects. The level of fiscal years 2020 and 2021 funding is based on the cost to meet the goals set forth in 23 MRSA §73-7.

Public Law 2011, chapter 610, An Act to Improve Transportation in the State established provisions relating to the Department of Transportation's capital program goals. It is important to stress that this forecast, by law, must assume the state share which is estimated at \$300 million over the 2020-2021 biennium.

HIGHWAY LIGHT CAPITAL

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
4,971	5,589	12.43%	10,559	26,000	365.22%	26,000	0.00%	52,000

This program was established in fiscal year 2010 for capital work not generally appropriate for bonding at a level to provide approximately 600 miles of light capital (also referred to as maintenance surface treatment) per year, among other work, depending on bid prices and the severity of winter weather.

LOCAL ROAD ASSISTANCE PROGRAM

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
21,258	21,080	-0.84%	42,338	23,010	9.16%	23,056	0.20%	46,065

This program provides Municipal Transportation Assistance funding targeted to the capital needs of rural roads and highways and reflective of urban maintenance responsibilities on state and state aid roads. The budget projections for the 2020-2021 biennium are a percentage of the Highway Fund budget for the Maine Department of Transportation calculated in accordance with Title 23§1803–B, sub-§ 1, paragraph D.

DEBT SERVICE

FY 2018 (000)	FY 2019 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2020 (000)	YR % CHANGE	FY 2021 (000)	YR % CHANGE	TOTAL BIENNIUM
19,976	13,406	-32.89%	33,382	8,000	-40.33%	2,321	-70.99%	10,320

This highway fund program funds debt service to support highway and bridge improvements. The outstanding highway fund bond principal as of June 30, 2018 was \$22,320,000. The last Highway Fund bond issuance was in June 2011 which issued the remaining \$25 million of authorized Highway Fund bonds.

SUMMARY

This report provides a summary and detailed projection of revenues, appropriations and allocations for the General Fund and the Highway Fund for the 2018-2019 biennium and the 2020-2021 biennium.

The forecasts of revenues, appropriations and allocations contained in this report, when constructed under current law and current trends, result in a projected structural gap in the General Fund of \$503,930,254 and a projected structural gap in the Highway Fund of \$356,098,323 for the 2020-2021 biennium. The base level projections for the General Fund and Highway Fund include the March 2018 projection of the Revenue Forecasting Committee and reflect all actions through the Second Special Session of the 128th Legislature.