

# MAINE STATE LEGISLATURE

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# **Fiscal Briefing for the Legislative Council**

Legislative Council Meeting  
June 19, 2006

*Prepared by the  
Office of Fiscal & Program Review*

## **Executive Summary**

### **1. General Fund and Highway Fund Revenue Update (See Attachment A)**

- General Fund revenue was \$28.5 million over budget for the month of May, increasing the positive variance to \$69.4 million (+2.9%) for the fiscal year-to-date (FYTD). This variance reflects the March revenue revisions and all enacted laws through the 2<sup>nd</sup> Regular Session. Individual Income Tax and Corporate Income Tax are the major contributors to this positive variance.
- Highway Fund revenue was over budget in May by \$2.0 million, reducing the negative variance for the FYTD to \$1.8 million (-0.6%). The Fuel Taxes line has been the major reason for the FYTD negative variance. It remained \$2.9 million under budget despite being revised downward by \$4.1 million in FY06 in the March 2006 revenue forecast. High gasoline prices have affected gasoline consumption. However, May's negative variance was not as large as previous months'.

### **2. Cash Pool and Cash Balance Trends (See Attachment B)**

- Average balance of the Cash Pool was \$828.7 million in May. This is above the average balances of the last 5 years of \$601.4 million and above last May's balance of \$820.4 million.
- The positive revenue variances have offset the cash drain of MaineCare interim payment recovery performance. As a result, the General Fund internal borrowing from Other Special Revenue Funds, which spiked up to \$83.5 million in the early part of April, was eliminated at the end of April.
- Highway Fund cash balances have begun to recover over the last 4 months after dropping precipitously earlier this fiscal year as a result of the budget problems within the Department of Transportation. This recovery may be shortened by the additional demands on Highway Fund resources as a result of the flood damage in southern Maine.

### **3. Fund Status Reports (See Attachment C)**

- General Fund available resources during the 122<sup>nd</sup> Legislature, 2<sup>nd</sup> Regular Session, which totaled \$118.1 million prior to Legislative actions, were nearly fully committed for various purposes by the supplemental budget and the bills enacted off the Special Appropriations Table (only \$18,747 remains uncommitted).
- Highway Fund available resources, which totaled \$5.0 million, remained at slightly over \$1.0 million at the close of the 2<sup>nd</sup> Regular Session. This net change of only -\$4.0 million understates the effort to provide approximately \$31.0 million of new Highway Fund allocations for the Highway and Bridge Improvements program shortfall.

# General Fund and Highway Fund Revenue Update

## Highlights and Summary – May 2006 Revenue

### General Fund Revenue

General Fund revenue was \$28.5 million over budget for the month of May, increasing the positive variance to \$69.4 million (+2.9%) for the fiscal year-to-date (FYTD). This variance reflects the March revenue revisions and all enacted laws through the 2<sup>nd</sup> Regular Session. Individual Income Tax and Corporate Income Tax are the major contributors to this positive variance.

### General Fund Revenue – May 2006 Variance by Major Category/Line

- **Sales and Use Tax** – May: +\$0.9 million FYTD: +\$13.6 million (+1.8%). This revenue category was revised downward by \$3.1 million in the March 2006 revenue revision. That revision was based on revenue performance through January 2006 and the downward revision of the economic forecast. Sales Tax revenue rebounded significantly in the period from February through April with very strong growth over prior year collections. FYTD revenue through May is 5.6% above the same period of the prior fiscal year. Sales Tax is budgeted to increase by only 3.8% in FY06 over FY05. With this cushion, the poor weather in the months of May and June are not expected to offset this positive variance.
- **Service Provider Tax** – May: +\$3.1 million FYTD: +0.4 million (+1.0%). April's negative variance, due primarily to a delay in the recording of certain accounting transactions, was more than offset in May, bringing this revenue line back to a positive variance for the FYTD.
- **Individual Income Tax** – May: +\$13.0 million FYTD: +\$29.6 million (+2.8%). May Final Payments and Estimated Payments were once ahead of budget, but refunds were higher than anticipated. Withholding payments, which had been below budget through April, recovered in May and will be very close to budget in FY06. \$4.4 million of this revenue line's FYTD positive variance was related to Business Equipment Tax Reimbursement payments, which is not expected to change through the end of the fiscal year. Some recent filings for the Circuitbreaker program are expected to bring these transfers much closer to budget.
- **Corporate Income Tax** – May: +\$8.7 million FYTD: +\$23.1 million (+16.7%). This category was increased by \$9.9 million in FY06 in the March 2006 revenue forecast, yet it has continued to generate very substantial positive variances. May performance was again significantly above the upward revision and indicates a substantial positive variance in this category through the end of FY06. FYTD revenue in this line was 54.3% higher than the same period in FY05.
- **Cigarette and Tobacco Tax** – May: -\$0.9 million FYTD: +\$2.4 million (+1.8%). This category was increased by \$4.5 million in the March 2006 forecast to account for the previously unbudgeted inventory effect of the recent tax increase. FYTD performance still exceeded revised budgeted amounts through May.
- **Public Utilities Tax** – May: -\$0.8 million FYTD: -0.8 million (-3.8%). May's assessment for the Telecommunications Personal Property Tax, which is accrued and recorded when assessed but is collected in the next fiscal year before the end of August, was below budget reflecting a much lower assessed value for telecommunications personal property, 3.8% below what was budgeted.
- **Insurance Company Tax** – May: -1.7 million FYTD: +\$2.6 million (+5.2%). This revenue category recovered well in March and April after being significantly under budget through February. It remains ahead of budget for the FYTD despite being under budget in May.
- **Estate Tax** – May: +\$1.5 million FYTD: \$4.0 million (+6.5%). This category was increased by \$6.0 million in FY06 by the March 2006 forecast, but it still continues to exceed expectations. May's positive variance would have been higher but for a \$1 million refund of an earlier

substantial estate tax estimated payment. FYTD estate tax revenue collections continued to be very strong, 160.8% above the same period last fiscal year.

- **Property Tax -Unorganized Territory** – May: +\$0.0 million FYTD: -\$1.5 million (-13.9%). The negative variances in April and FYTD were the result of an error in the monthly distribution. The October transfer represents an estimate based on the prior year and was slightly over budget. The only other transfer this fiscal year will be in June, based on actual General Fund expenditures.
- **Income from Investments** – May: +\$0.1 million FYTD: +\$0.2 million (+4.1%). The rate of return on the cash pool for the month of April representing May revenue climbed over 5% (the forecast assumed a return closer to 4.5%). The recent positive General Fund revenue variances also contributed to the improved earnings.
- **Revenue Sharing Transfers** – May: -\$1.3 million FYTD: -\$3.4 million (-3.3%). This revenue line is calculated based on 5.1% of Sales, Service Provider, Individual Income and Corporate Income Taxes. The variance in this line reflects 5.1% of the inverse of the total variances for the above mentioned tax lines.
- **Lottery Transfer** – May: +\$0.2 million FYTD: +\$0.9 million (+2.0%). Lottery revenue was over budget in May, increasing the FYTD positive variance.
- **Other Revenue** – May: +\$5.7 million FYTD: -\$1.7 million (-0.9%). Revenue collected by the Department of Health and Human Services recovered in April and May and was \$5.3 million over budget in May, shrinking that department's negative variance for the FYTD to \$4.4 million (the downward revenue revision in March of \$3.5 million was distributed in the last quarter of FY06). Another underperforming area is Judicial Department fine revenue, whose negative variance increased in May and was under budget by \$4.1 million for the FYTD despite a downward revenue revision of \$2.5 million in the March revenue forecast.

#### **Highway Fund Revenue**

Highway Fund revenue was over budget in May by \$2.0 million, reducing the negative variance for the FYTD to \$1.8 million (-0.6%). The Fuel Taxes line has been the major reason for this negative variance. It remained \$2.9 million under budget despite being revised downward by \$4.1 million in FY06 in the March 2006 revenue forecast. High gasoline prices have affected gasoline consumption. May's negative variance in the gasoline tax was not as large as previous months'.

#### **Highway Fund Revenue – May 2006 Variance by Major Category/Line**

- **Fuel Taxes** – May: -\$0.0 million FYTD: -\$2.9 million (-1.6%). See discussion above.
- **Motor Vehicle Registration and Fees** – May: +\$2.2 million FYTD: +\$0.8 million (+1.1%). A \$1.6 million payment received on the last day of April was not recorded as part of April revenue, resulting in last month's negative variance. May's performance more than offset that temporary negative variance.
- **Inspection Fees** – This revenue line is running slightly under budget for the FYTD.
- **Fines** – Highway Fund fine revenue was under for the FYTD by \$0.1 million (-7.7%).
- **Income from Investments** – May: +\$0.1 million FYTD: +\$0.2 million (+17.4%). Improved Highway Fund cash balances and the higher rate of return were the reasons for the positive variance.
- **Other Revenue** – May: -\$0.2 million FYTD: +\$0.3 million (+3.6%).

#### **OTHER REVENUE SUMMARY MATERIALS THAT FOLLOW INCLUDE:**

- **Table of May Revenue Variances for the General Fund and Highway Fund (page 3)**
- **Fiscal Year-to-Date Revenue through May for FY02 through FY06 (page 4)**
- **Graphs of Monthly Revenue History: General Fund (page 5) & Highway Fund (page 6)**

**General Fund and Highway Fund Revenue**  
**Fiscal Year Ending June 30, 2006**  
**Reflecting March 2006 RFC Adjustments AND Enacted Laws Through the 122ND Legislature, 2ND Regular Session**

**MAY 2006 REVENUE VARIANCE REPORT**

Revenue Line	May '06 Budget	May '06 Actual	May '06 Var.	FY06 YTD Budget	FY06 YTD Actual	FY06 YTD Variance	FY06 YTD Variance %	FY06 Budgeted Totals
<b>General Fund</b>								
Sales and Use Tax	69,581,310	70,449,860.06	868,550.06	763,049,675	776,695,912.29	13,646,237.29	1.8%	930,641,080
Service Provider Tax	4,233,259	7,297,446.96	3,064,187.96	38,631,584	39,023,058.52	391,474.52	1.0%	46,494,165
Individual Income Tax	84,365,454	97,373,929.63	13,008,475.63	1,049,348,613	1,078,911,511.07	29,562,898.07	2.8%	1,228,307,845
Corporate Income Tax	4,545,753	13,227,133.03	8,681,380.03	138,258,257	161,328,700.54	23,070,443.54	16.7%	175,150,000
Cigarette and Tobacco Tax	13,769,671	12,855,738.98	(913,932.02)	137,510,020	139,947,609.91	2,437,589.91	1.8%	151,738,325
Public Utilities Tax	21,440,000	20,627,036.49	(812,963.51)	21,440,000	20,627,036.49	(812,963.51)	-3.8%	21,440,000
Insurance Companies Tax	13,441,242	11,786,193.62	(1,655,048.38)	49,352,926	51,917,486.60	2,564,560.60	5.2%	72,141,931
Estate Tax	2,680,765	4,230,599.98	1,549,834.98	62,057,024	66,070,413.61	4,013,389.61	6.5%	70,099,322
Property Tax - Unorganized Territory	0	0.00	0.00	11,103,313	9,560,399.00	(1,542,914.00)	-13.9%	11,278,476
Income from Investments	460,101	511,450.63	51,349.63	5,261,757	5,476,010.78	214,253.78	4.1%	6,563,582
Transfer to Municipal Revenue Sharing	(8,299,013)	(9,605,766.84)	(1,306,753.84)	(101,460,839)	(104,853,918.30)	(3,393,079.30)	-3.3%	(121,410,248)
Transfer from Lottery Commission	3,871,862	4,105,064.49	233,202.49	46,462,390	47,395,090.59	932,700.59	2.0%	50,334,250
Other Revenue	16,704,743	22,400,435.43	5,695,692.43	186,190,861	184,476,608.67	(1,714,252.33)	-0.9%	214,959,376
<b>Totals</b>	<b>226,795,147</b>	<b>255,259,122.46</b>	<b>28,463,975.46</b>	<b>2,407,205,581</b>	<b>2,476,575,919.77</b>	<b>69,370,338.77</b>	<b>2.9%</b>	<b>2,857,738,104</b>
<b>Highway Fund</b>								
Fuel Taxes	16,443,431	16,398,082.28	(45,348.72)	184,814,844	181,884,807.88	(2,930,036.12)	-1.6%	226,776,993
Motor Vehicle Registration and Fees	7,958,103	10,145,675.14	2,187,572.14	77,981,314	78,800,331.25	819,017.25	1.1%	87,172,358
Inspection Fees	395,623	406,959.81	11,336.81	3,963,776	3,936,452.92	(27,323.08)	-0.7%	4,397,970
Fines	184,039	160,514.66	(23,524.34)	1,789,621	1,651,258.11	(138,362.89)	-7.7%	1,973,665
Income from Investments	71,217	175,109.09	103,892.09	1,227,302	1,440,493.29	213,191.29	17.4%	1,300,000
Other Revenue	593,946	395,072.70	(198,873.30)	8,372,939	8,673,449.45	300,510.45	3.6%	9,286,173
<b>Totals</b>	<b>25,646,359</b>	<b>27,681,413.68</b>	<b>2,035,054.68</b>	<b>278,149,796</b>	<b>276,386,792.90</b>	<b>(1,763,003.10)</b>	<b>-0.6%</b>	<b>330,907,159</b>

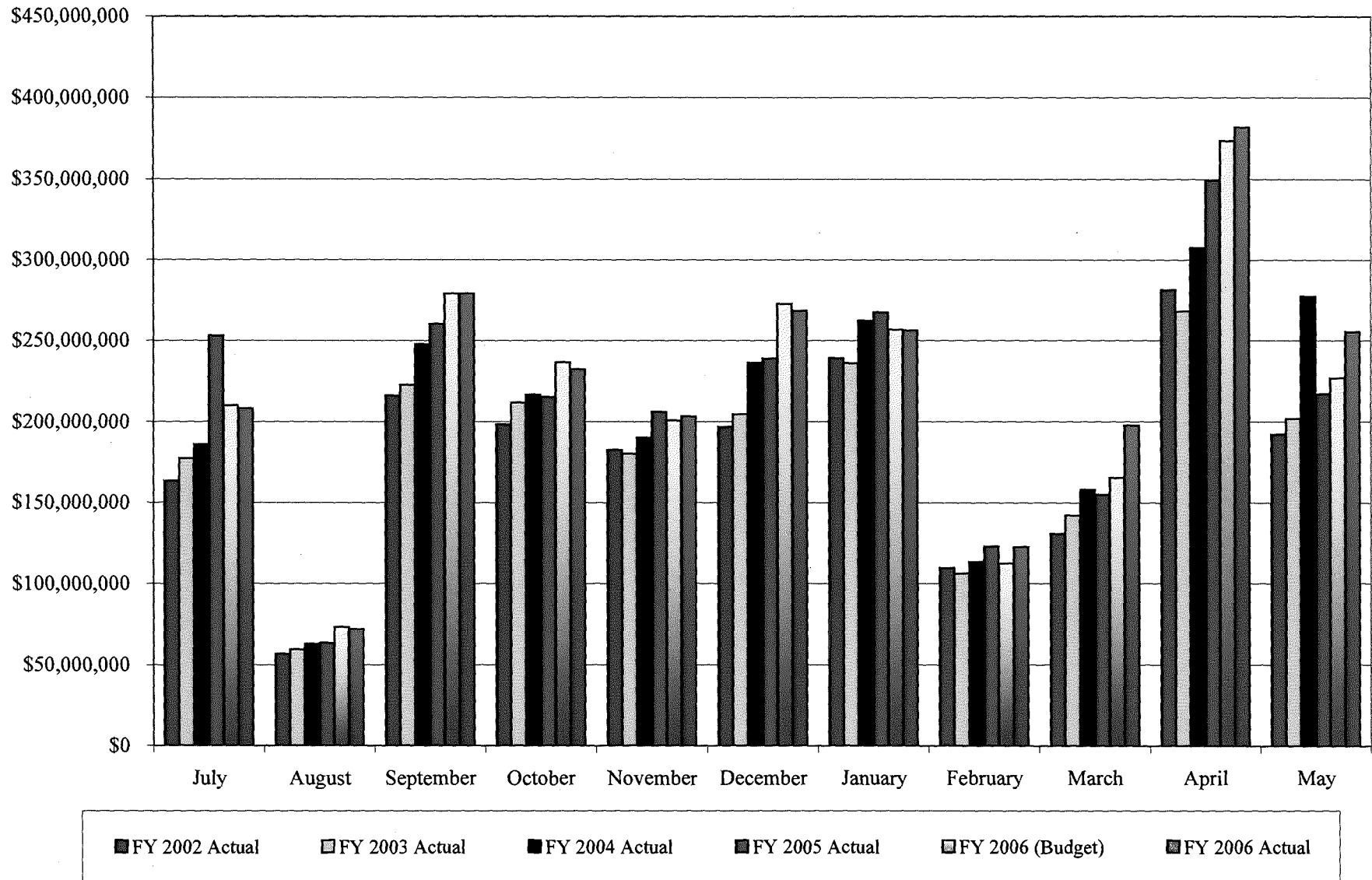
## Comparison of Actual Year-to-Date Revenue Through May of Each Fiscal Year

REVENUE CATEGORY	FY 2002	% Chg	FY 2003	% Chg	FY 2004	% Chg	FY 2005	% Chg	FY 2006	% Chg
<b>GENERAL FUND</b>										
Sales and Use Tax	\$681,864,264	2.2%	\$699,387,795	2.6%	\$752,587,905	7.6%	\$735,784,841	2.6%	\$776,695,912	5.6%
Service Provider Tax	\$0.00	N/A	\$0.00	N/A	\$0	N/A	\$36,686,203	N/A	\$39,023,059	6.4%
Individual Income Tax	\$920,709,042	-10.3%	\$915,737,281	-0.5%	\$993,970,958	8.5%	\$1,123,679,265	13.0%	\$1,187,362,163	5.7%
Individual Income Tax (Circuitbreaker)	\$0	N/A	\$0	N/A	\$0	N/A	(\$26,018,842)	N/A	(\$41,388,926)	-59.1%
Individual Income Tax (BETR)	\$0	N/A	\$0	N/A	\$0	N/A	\$0	N/A	(\$67,061,726)	N/A
Corporate Income Tax	\$61,131,699	-22.5%	\$71,195,730	16.5%	\$89,173,113	25.3%	\$104,551,138	17.2%	\$161,328,701	54.3%
Cigarette and Tobacco Tax	\$88,905,409	25.9%	\$91,289,814	2.7%	\$86,690,963	-5.0%	\$87,334,446	0.7%	\$139,947,610	60.2%
Public Utilities Tax	\$30,480,518	2.4%	\$29,159,651	-4.3%	\$27,990,140	-4.0%	\$25,414,128	-9.2%	\$20,627,036	-18.8%
Insurance Companies Tax	\$39,160,561	19.1%	\$51,191,566	30.7%	\$50,438,780	-1.5%	\$50,024,352	-0.8%	\$51,917,487	3.8%
Estate Tax	\$17,001,193	-27.4%	\$23,991,459	41.1%	\$21,942,083	-8.5%	\$25,330,613	15.4%	\$66,070,425	160.8%
Property Tax - Unorganized Territory	\$8,827,588	5.1%	\$9,300,585	5.4%	\$8,937,092	-3.9%	\$9,638,377	7.8%	\$9,560,399	-0.8%
Income from Investments	\$3,388,610	-76.3%	\$2,024,130	-40.3%	\$1,699,538	-16.0%	\$4,221,873	148.4%	\$5,476,072	29.7%
Revenue Sharing Transfers	(\$84,848,955)	6.1%	(\$86,002,361)	-1.4%	(\$93,622,331)	-8.9%	(\$100,708,813)	-7.6%	(\$104,853,918)	-4.1%
Liquor Transfers	\$22,820,309	3.7%	\$23,767,245	4.1%	\$100,114,970	321.2%	\$50,158,496	-49.9%	\$2,557,444	-94.9%
Lottery Transfers	\$36,166,169	9.9%	\$36,028,125	-0.4%	\$37,917,898	5.2%	\$45,696,534	20.5%	\$47,395,091	3.7%
Other Revenue	\$141,629,167	13.9%	\$143,608,940	1.4%	\$180,412,078	25.6%	\$176,812,061	-2.0%	\$181,919,092	2.9%
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$1,967,235,575</b>	<b>-3.6%</b>	<b>\$2,010,679,958</b>	<b>2.2%</b>	<b>\$2,258,253,186</b>	<b>12.3%</b>	<b>\$2,348,604,671</b>	<b>4.0%</b>	<b>\$2,476,575,920</b>	<b>5.4%</b>
<b>HIGHWAY FUND</b>										
Fuel Taxes	\$149,605,886	0.7%	\$152,533,494	2.0%	\$174,603,545	14.5%	\$181,227,818	3.8%	\$181,884,808	0.4%
Motor Vehicle Registration and Fees	\$74,768,284	10.9%	\$73,648,668	-1.5%	\$73,247,218	-0.5%	\$75,207,714	2.7%	\$78,800,336	4.8%
Inspection Fees	\$2,981,850	40.6%	\$3,734,644	25.2%	\$4,175,281	11.8%	\$3,819,563	-8.5%	\$3,936,453	3.1%
Fines	\$1,749,214	-7.5%	\$2,406,860	37.6%	\$1,748,011	-27.4%	\$1,373,064	-21.4%	\$1,651,258	20.3%
Income from Investments	\$2,501,041	-30.9%	\$1,183,727	-52.7%	\$560,361	-52.7%	\$1,093,275	95.1%	\$1,440,493	31.8%
Other Revenue	\$5,192,574	5.1%	\$8,302,987	59.9%	\$8,578,483	3.3%	\$8,109,328	-5.5%	\$8,673,444	7.0%
<b>TOTAL HIGHWAY FUND REVENUE</b>	<b>\$236,798,849</b>	<b>3.6%</b>	<b>\$241,810,381</b>	<b>2.1%</b>	<b>\$262,912,900</b>	<b>8.7%</b>	<b>\$270,830,762</b>	<b>3.0%</b>	<b>\$276,386,793</b>	<b>2.1%</b>

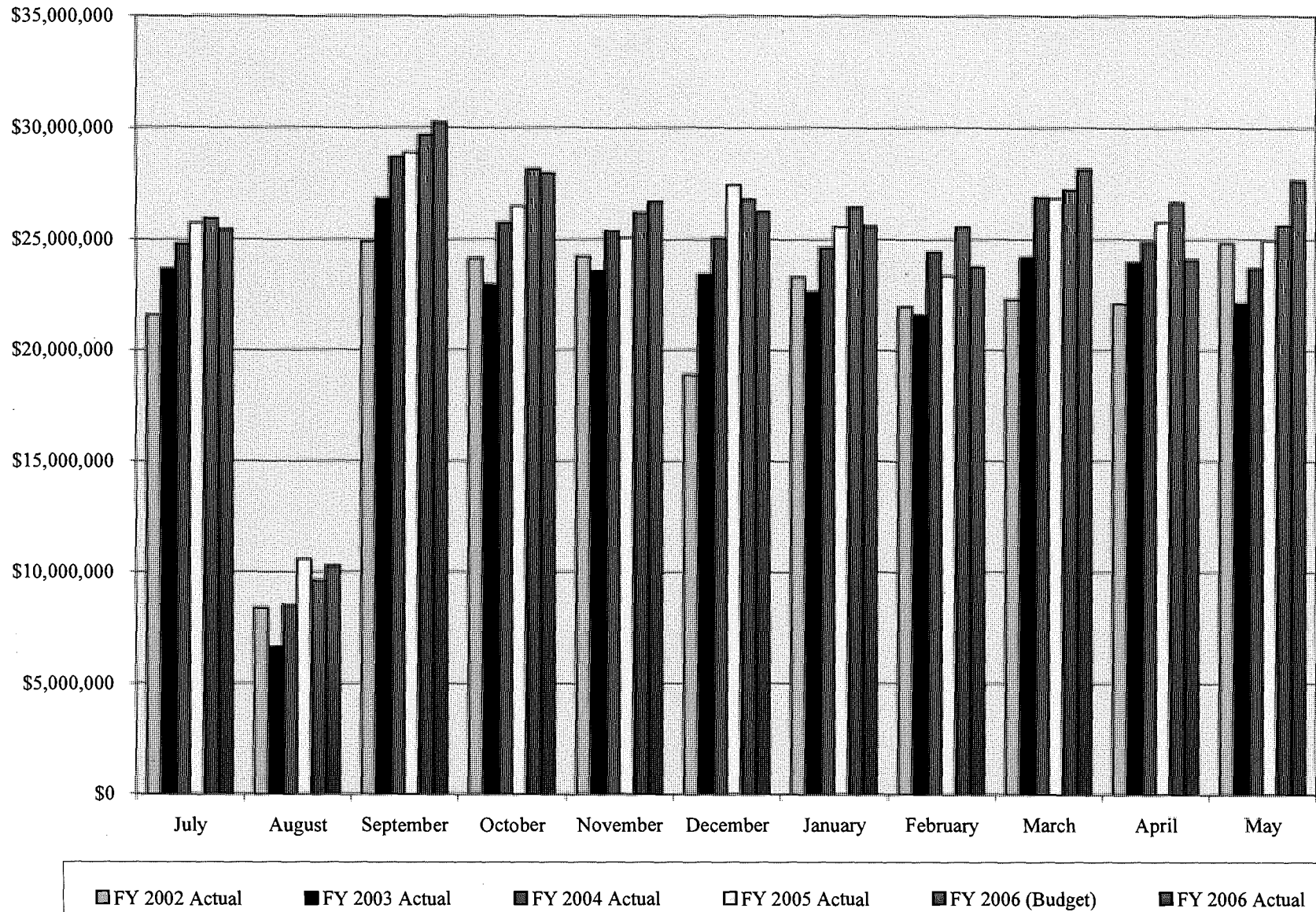
Adjusted for Service Provider Tax Split

## Monthly Historical Comparisons - General Fund Revenue FY 2002 - FY 2006

June 2006 Fiscal Briefing - General Fund and Highway Fund Revenue Update  
Prepared by the Office of Fiscal and Program Review  
Attachment A - Page 5 of 6



## Monthly Historical Comparisons - Highway Fund Revenue FY 2002 - FY 2006



## **Cash Pool and Cash Balance Trends Summary**

### **May 2006 Cash Pool Average Balances (see page 2)**

- Average balance of the Cash Pool was \$828.7 million in May. This is above the average balance since the beginning of FY 2002 of \$601.4 million and above last May's balance of \$820.4 million.
- Highway Fund balance has recovered slightly from the very low average balances of December and January to an average balance of \$49.3 million in May. This is still significantly below the average balance of the last 5 years of \$64.2 million and is substantially below last May's average balance of \$69.2 million. Also see trend discussion below.
- General Fund cash position averaged \$172.4 million in May. This amount included \$123.6 million in Tax Anticipation Notes (TAN's), \$48.7 million in the Budget Stabilization Fund and \$23.1 million in the Reserve for General Fund Operating Capital. The General Fund did not need to use internal borrowing from Other Special Revenue in May. Absent these reserve balances and temporary borrowing, the General Fund would have had a negative average balance in May of \$23.0 million. This is substantially better than a year ago, when the comparable negative balance was \$88.3 million. See trend discussion below.
- Other State Funds and Independent Agency Funds had average total balances of \$607.0 million in May, which were higher than the averages of the last 5 years and, with the elimination of the internal borrowing at the end of April, higher than the previous year's balance of \$599.2 million.

### **General Fund Cash Balance Trends (see charts on pages 3 and 4)**

- General Fund trend (as measured by a 12-month moving average) continues to improve in the chart on page 4, which factors out the effect of the General Fund's reduced reliance on Tax Anticipation Notes (TAN's).
- The declining trend in the chart on page 3 reflects reduced TAN borrowing, which has decreased from \$275 million in FY04 to \$190 million in FY05 and to \$123.6 million in FY06.
- Internal borrowing, which had been very high in recent months, was not required in May. April's tax collections eliminated the need for this borrowing in the last week of April.

### **Highway Fund Cash Balance Trends (see chart on page 5)**

- Highway Fund cash balances, which had dropped precipitously during the early part of this fiscal year and have begun to recover. However, the trend, using a 12-month moving average continued to decline.
- The recent flood damage in southern Maine will likely increase budgetary pressures on the Highway and Bridge Improvement program within the Department of Transportation and slow or reverse this recent recovery.

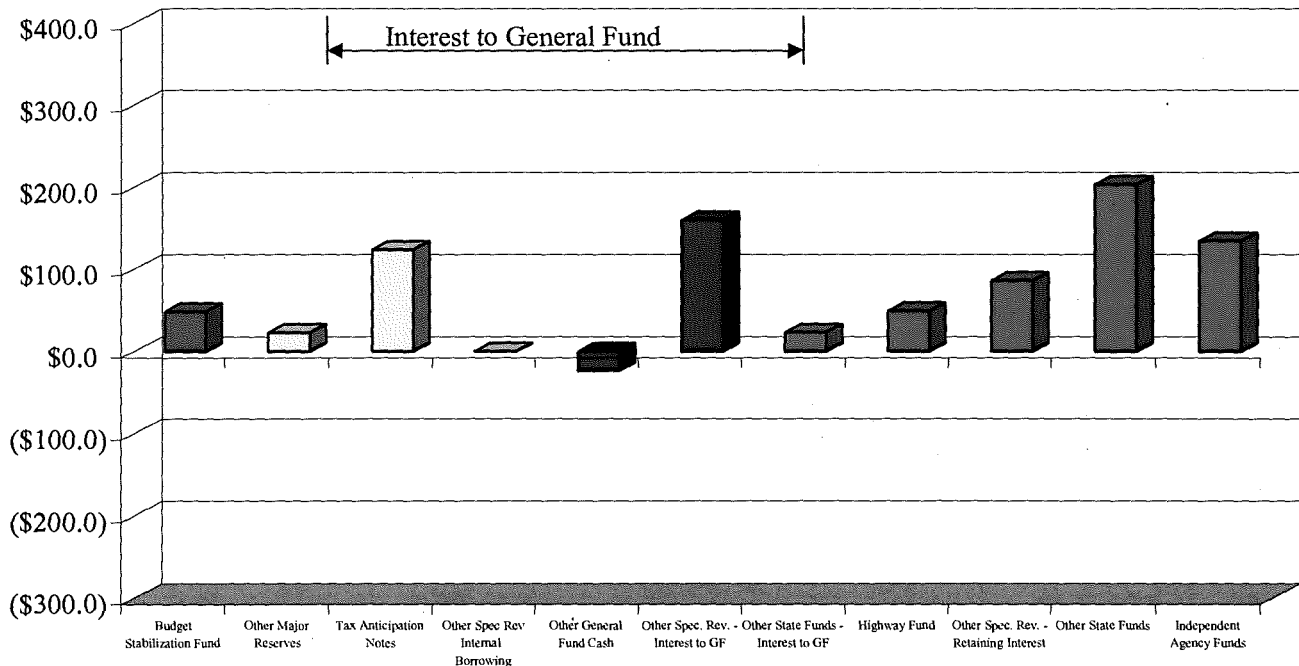
## Composition of State's Cash Pool

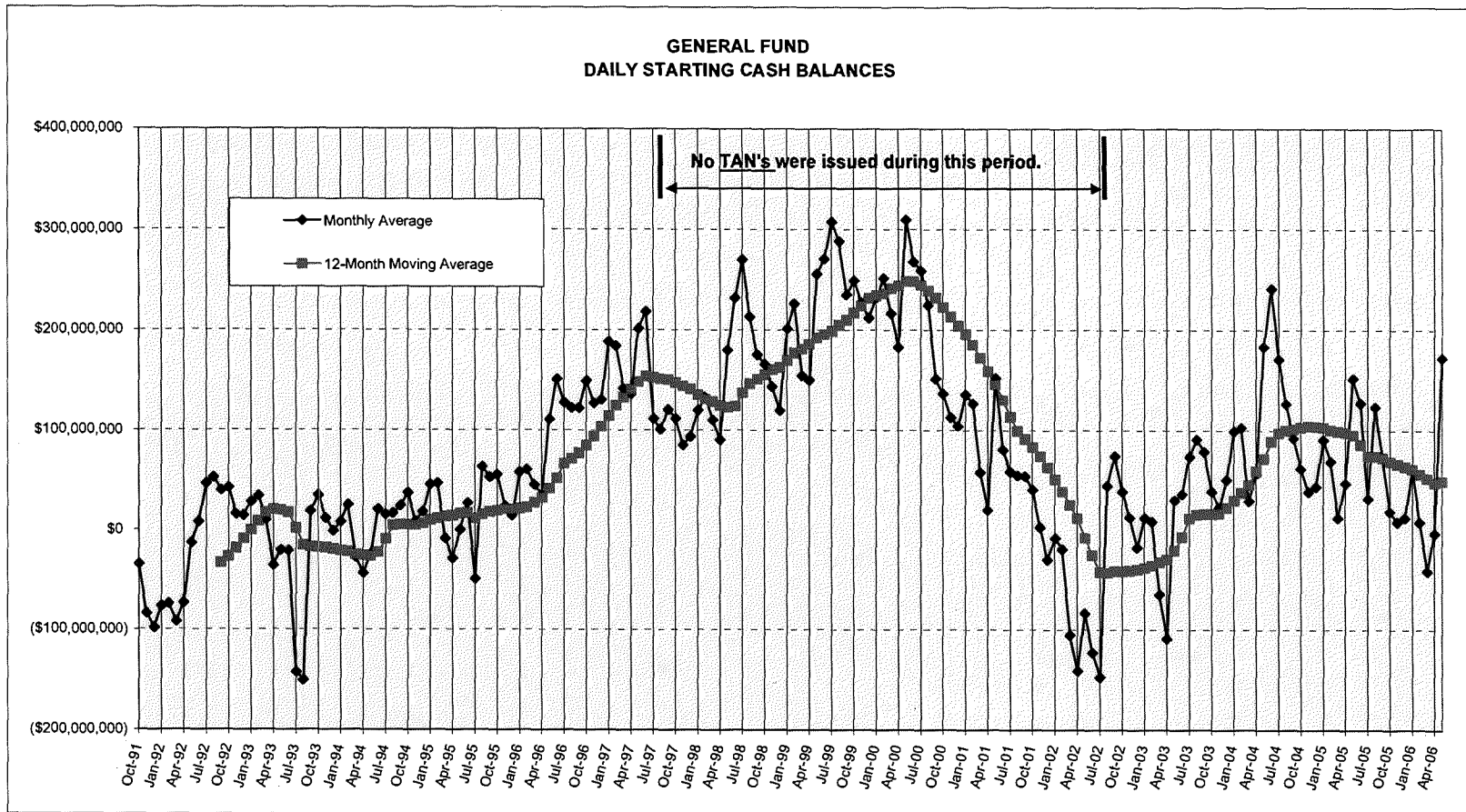
### May 2006 Average Daily Balances

	May 2006
General Fund - Total	\$172,372,797
General Fund - Detail	
Budget Stabilization Fund (Rainy Day Fund)	\$48,661,145
Reserve for General Fund Operating Capital	\$23,093,792
Tax Anticipation Notes	\$123,625,000
Internal Borrowing from Other Special Revenue	\$0
General Fund - Other	(\$23,007,139)
Highway Fund	\$49,306,903
Other Special Revenue - Contributing to General Fund	\$159,756,365
Other Special Revenue - Retaining Interest Earned	\$85,972,671
Other State Funds - Contributing Interest to General Fund	\$23,398,107
Other State Funds	\$203,292,399
Independent Agency Funds	\$134,626,265
<b>Total Cash Pool</b>	<b>\$828,725,507</b>

## Composition of Cash Pool

### Average Daily Balances in May 2006



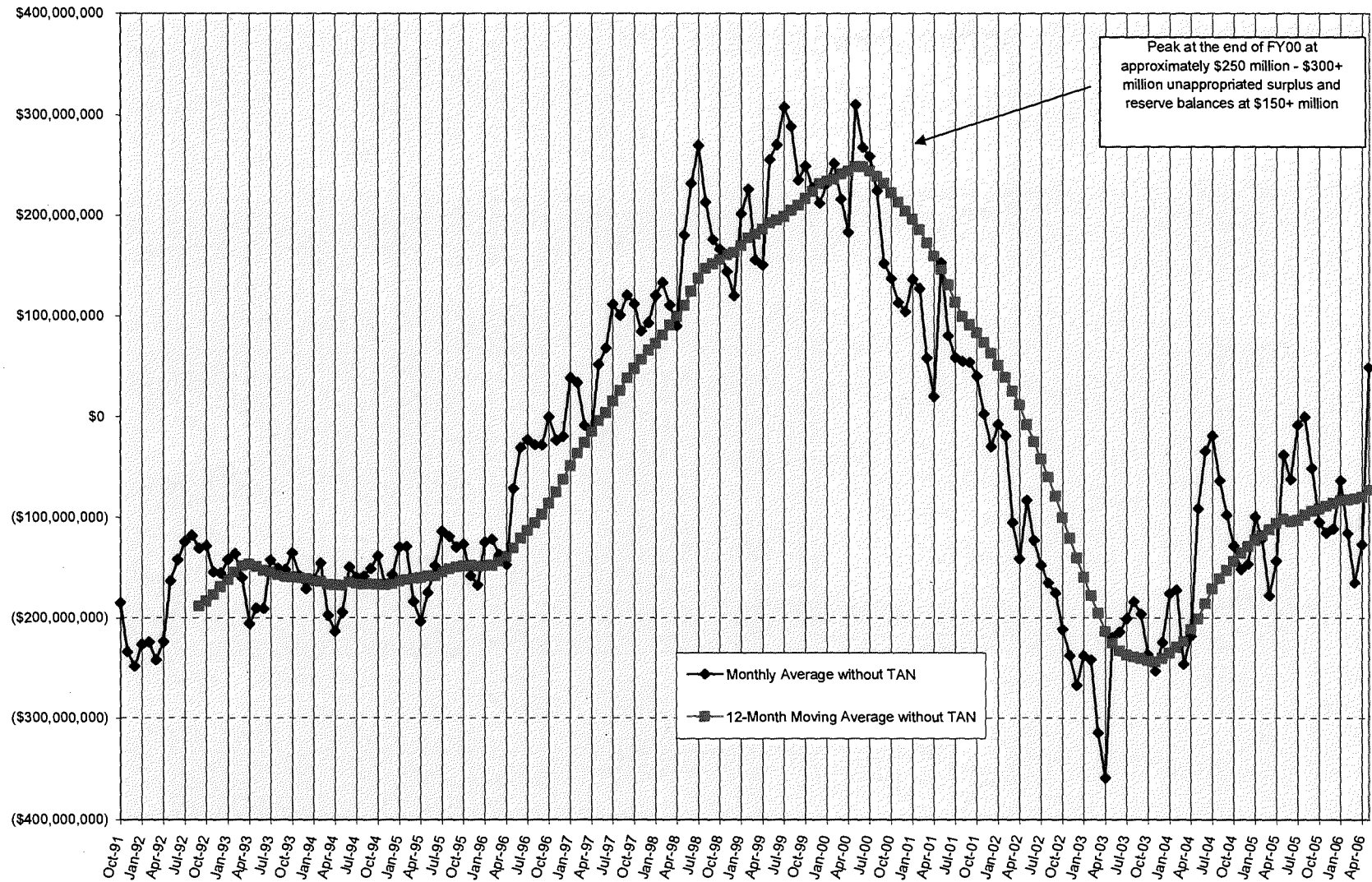


**TAX ANTICIPATION NOTES (TAN's) - History from FY 1990-91 <sup>(1)</sup>**

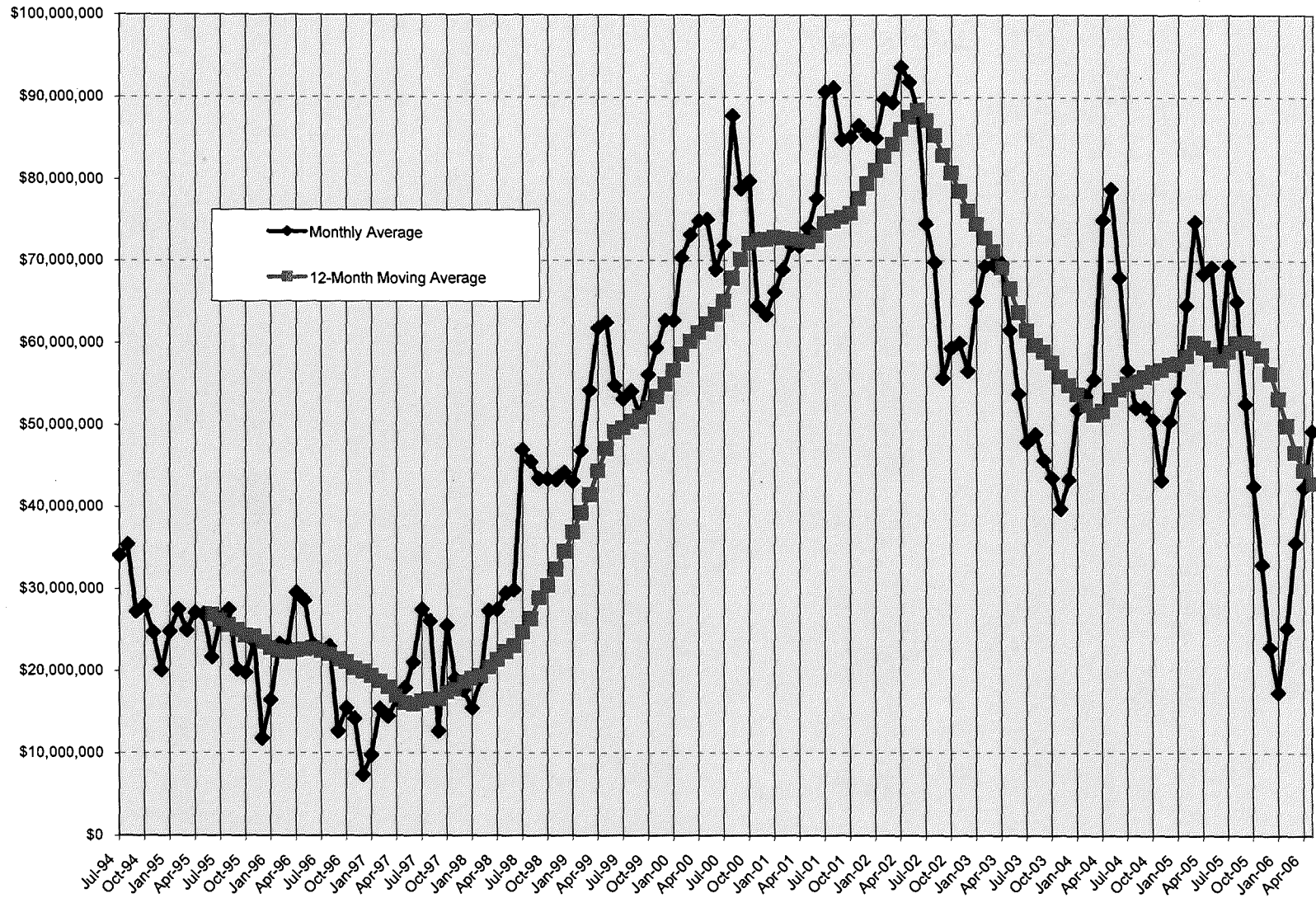
Fiscal Year	Amount Authorized	Amount Issued	Reference
2005-06 <sup>(1)</sup>	\$314,718,914 <sup>(1)</sup>	\$123,625,000	5 MRSA, §150 (as amended by PL 2001, c. 705)
2004-05 <sup>(1)</sup>	\$309,540,537 <sup>(1)</sup>	\$190,000,000	5 MRSA, §150 (as amended by PL 2001, c. 705)
2003-04 <sup>(1)</sup>	\$293,657,381 <sup>(1)</sup>	\$275,000,000	5 MRSA, §150 (as amended by PL 2001, c. 705)
2002-03 <sup>(1)</sup>	\$282,869,203 <sup>(1)</sup>	\$250,000,000	5 MRSA, §150 (as amended by PL 2001, c. 705)
2001-02	\$100,000,000	\$0	5 MRSA, §150 (as amended by PL 2001, c. 467)
1997-98	\$100,000,000	\$0	PL 1997, c. 24, §F-1 (Repealed by PL 1997, c. 643, §E-5)
1996-97	\$190,000,000	\$150,000,000	PL 1995, c. 665 §P-1
1995-96	\$182,000,000	\$182,000,000	PL 1995, c. 368, §V-1
1994-95	\$175,000,000	\$175,000,000	PL 1993, c. 707, §P-2
1993-94	\$170,000,000	\$170,000,000	PL 1993, c. 382, §1
1992-93	\$170,000,000	\$170,000,000	PL 1991, c. 780, §BB-1
1991-92	\$150,000,000	\$150,000,000	PL 1991, c. 589, §1
1990-91	\$125,000,000	\$115,000,000	PL 1991, c. 5, §1

**Notes:** <sup>(1)</sup> 5 MRSA, §150 provides the statutory authorization for Tax Anticipation Notes. As amended by PL 2001, c. 705, the limit is the same as that imposed by the Constitution of Maine, Article IX, Sec. 14, 10% of total General Fund appropriations and Highway Fund allocations or 1% of the State Valuation, whichever is less. The amounts authorized for fiscal years 2002-03 through 2004-05 reflect final General Fund appropriations and Highway Fund allocations. Amounts for fiscal year 2005-06 reflect budgeted amounts through the 122nd Legislature, 2nd Special Session. Special exceptions to the general authorization levels are detailed in this table.

# **GENERAL FUND** **DAILY STARTING CASH BALANCES - EXCLUDING TAX ANTICIPATION NOTES**



# **HIGHWAY FUND DAILY STARTING CASH BALANCES**



## Fund Status Summary

### General Fund Status (see page 2)

- With the March 2006 Revenue Forecast, the 122<sup>nd</sup> Legislature during the 2<sup>nd</sup> Regular Session had available General Fund resources of \$118.1 million for the 2006-2007 biennium. At the close of the 2<sup>nd</sup> Regular Session, the 122<sup>nd</sup> Legislature had committed all but \$18,747 of these available resources.
- Provided below is a table that highlights the 2<sup>nd</sup> Regular Session changes included in the fund status report on page 2 of this attachment.

### Summary of General Fund Status

(\$'s in Millions)

General Fund Adjustments - 122nd Legislature, 2nd Regular Session			
	FY06	FY07	Biennium
Net Increase (Decrease) of Revenue	\$0.4	(\$1.7)	(\$1.2)
Net Increase (Decrease) of Transfers	(\$9.8)	(\$4.4)	(\$14.2)
Net Decrease (Increase) of Appropriations	(\$54.1)	(\$48.5)	(\$102.7)
Net Increase (Decrease) of General Fund Balance	(\$63.5)	(\$54.6)	(\$118.1)
<b>Estimated Ending Balances - After 2nd Reg. Session</b>	<b>\$14.5</b>	<b>\$0.0</b>	<b>\$0.0</b>

### Highway Fund Status (see page 3)

- With the March 2006 Revenue Forecast, the 122<sup>nd</sup> Legislature during the 2<sup>nd</sup> Regular Session had available Highway Fund resources of \$5.0 million for the 2006-2007 biennium. At the close of the 2<sup>nd</sup> Regular Session, the uncommitted balance in the Highway Fund was slightly over \$1.0 million.
- This net change understates the efforts to provide additional funding totaling \$31.0 million to address the shortfall in the Highway and Bridge Improvement program.
- Provided below is a table that highlights the 2<sup>nd</sup> Regular Session changes included in the fund status report on page 3 of this attachment.

### Summary of Highway Fund Status

(\$'s in Millions)

Highway Fund Adjustments - 122nd Legislature, 2nd Regular Session			
	FY06	FY07	Biennium
Net Increase (Decrease) of Revenue	\$0.0	\$0.0	\$0.0
Net Increase (Decrease) of Transfers	\$10.9	\$15.0	\$26.0
Net Decrease (Increase) of Allocations	(\$13.0)	(\$16.9)	(\$30.0)
Net Increase (Decrease) of Highway Fund Balance	(\$2.1)	(\$1.9)	(\$4.0)
<b>Estimated Ending Balances - After 2nd Reg. Session</b>	<b>\$1.0</b>	<b>\$1.0</b>	<b>\$1.0</b>

# GENERAL FUND STATUS

Reflects All Actions Through the End of 122nd Legislature, 2nd Regular Session <sup>1</sup>

	FY 06	FY 07
<b>AVAILABLE FUNDS</b>		
Transfers/Adjustments to Balance:		
Legislation Enacted During 122nd Legislature, 1st Regular Session	(\$11,339,286)	(\$60,526,470)
Legislation Enacted During 122nd Legislature, 1st Special Session	\$59,682,918	\$33,959,682
December 2005 Revenue Revision - Reserve Pursuant to 5 MRSA §1535 <sup>2</sup>	(\$41,667,536)	\$0
March 2006 Revenue Revision - Reserve Pursuant to 5 MRSA §1535 <sup>2</sup>	(\$1,889,771)	\$0
Legislation Enacted During 122nd Legislature, 2nd Regular Session <sup>1</sup>	(\$9,791,861)	(\$4,442,989)
Subtotal - Transfers/Adjustments to Balance	(\$5,005,536)	(\$31,009,777)
Undedicated Revenue:		
December 2004 Base Revenue Estimate	\$2,719,127,178	\$2,828,629,922
March 2005 Revenue Revision	\$4,518,518	\$13,559,873
December 2005 Revenue Revision	\$112,125,896	\$52,295,464
March 2006 Revenue Revision	\$1,889,771	(\$16,173,721)
Legislation Enacted During 122nd Legislature, 1st Regular Session	(\$49,627,185)	(\$41,880,069)
Legislation Enacted During 122nd Legislature, 1st Special Session	\$69,276,231	\$99,410,686
Legislation Enacted During 122nd Legislature, 2nd Regular Session <sup>1</sup>	\$427,695	(\$1,651,785)
Subtotal - Undedicated Revenue	\$2,857,738,104	\$2,934,190,370
<b>TOTAL PROJECTED RESOURCES</b>	<b>\$2,852,732,568</b>	<b>\$2,903,180,593</b>
<b>APPROPRIATIONS</b>		
Governor's Recommended Current Services Appropriations	\$3,038,859,383	\$3,210,743,852
Other Appropriations Enacted During 122nd Legislature, 1st Regular Session	(\$371,216,736)	(\$469,358,239)
Appropriations Enacted During 122nd Legislature, 1st Special Session	\$150,095,478	\$127,768,250
Legislation Enacted During 122nd Legislature, 2nd Regular Session <sup>1</sup>	\$54,140,488	\$48,524,582
<b>TOTAL APPROPRIATIONS</b>	<b>\$2,871,878,613</b>	<b>\$2,917,678,445</b>
<b>NET CHANGE (PROJECTED RESOURCES LESS APPROPRIATIONS)</b>	<b>(\$19,146,045)</b>	<b>(\$14,497,852)</b>

<b>BEGINNING BALANCE <sup>3</sup></b>	<b>\$33,662,644</b>	<b>\$14,516,599</b>
<b>NET CHANGE (FROM ABOVE)</b>	<b>(\$19,146,045)</b>	<b>(\$14,497,852)</b>
<b>ENDING BALANCE <sup>3</sup></b>	<b>\$14,516,599</b>	<b>\$18,747</b>
<b>APPROPRIATION LIMITS - BASED ON LD 1, PL 2005 c. 2 <sup>3</sup></b>		
<b>FY05 Base Appropriation Grown By 3.11% Growth Factor</b>	<b>\$2,794,180,033</b>	<b>\$2,881,079,032</b>
<b>General Purpose Aid for Local Schools Growth until 55% achieved</b>	<b>\$101,579,345</b>	<b>\$179,561,601</b>
<b>Total Appropriations Allowed by LD 1, PL 2005, c. 2 Appropriation Limit</b>	<b>\$2,895,759,378</b>	<b>\$3,060,640,633</b>
<b>Total Appropriations (from Above)</b>	<b>\$2,871,878,613</b>	<b>\$2,917,678,445</b>
<b>Amount that Appropriations are Above (Below) Limit</b>	<b>(\$23,880,765)</b>	<b>(\$142,962,188)</b>

## Notes:

<sup>1</sup> Reflects budgeted ending balances based on actual FY05 ending balance and all enacted laws through the 2nd Regular Session of the 122nd Legislature.

<sup>2</sup> LD 1, PL 2005, c. 2, requires a transfer to the Budget Stabilization Fund equal to the amount by which budgeted resources exceed the Appropriation Limit in a fiscal year. Budgeted Resources are equal to the beginning balance plus Total Projected Resources. This amount may change depending on Legislative changes to budgeted resources. This amount is calculated and transferred before other year-end transfers to the Budget Stabilization Fund based on available unappropriated surplus.

<sup>3</sup> LD 1, PL 2005, c. 2, establishes an Appropriation Limitation based on total FY05 appropriations multiplied by a growth factor that is average real personal income growth (but no greater than 2.75%) plus average population growth. This percentage growth factor is 3.11% for the 2006-2007 biennium. Appropriations to General Purpose Aid for Local Schools (GPA) above FY05 GPA appropriations are excluded from the limit until the State achieves a state share of 55% (by FY09 based on PL 2005, c. 2). When the state share of GPA appropriations reaches 55%, GPA appropriations will also be subject to the percentage growth factor. This percentage factor will change, if the State's tax burden is in the middle 1/3 of states.

## HIGHWAY FUND STATUS

Reflects All Actions Through the End of the 122nd Legislature, 2nd Regular Session

	<u>FY 06</u>	<u>FY 07</u>
<b><u>AVAILABLE FUNDS</u></b>		
Transfers/Adjustments to Balance:		
Legislation Enacted During 122nd Legislature, 1st Special Session	\$0	\$443,276
Legislation Enacted During 122nd Legislature, 2nd Regular Session	\$10,946,527	\$15,020,000
Subtotal - Transfers/Adjustments to Balance	<u>\$10,946,527</u>	<u>\$15,463,276</u>
Undedicated Revenue:		
December 2004 Base Revenue Estimate	\$330,427,181	\$340,210,231
March 2005 Revenue Revision	(\$386,001)	(\$386,000)
December 2005 Revenue Revision	\$6,013,207	\$2,074,313
March 2006 Revenue Revision	(\$4,445,720)	(\$615,999)
Legislation Enacted During 122nd Legislature, 1st Special Session	(\$701,508)	(\$898,812)
Legislation Enacted During 122nd Legislature, 2nd Regular Session	\$0	\$8,292
Subtotal - Undedicated Revenue	<u>\$330,907,159</u>	<u>\$340,392,025</u>
<b>TOTAL PROJECTED RESOURCES</b>	<u>\$341,853,686</u>	<u>\$355,855,301</u>
<b><u>ALLOCATIONS</u></b>		
Current Services Allocations	\$343,720,550	\$352,630,576
Other Allocations Enacted During 122nd Legislature, 1st Regular Session	(\$8,754,644)	(\$16,836,221)
Legislation Enacted During 122nd Legislature, 1st Special Session	\$1,607,105	\$3,083,197
Legislation Enacted During 122nd Legislature, 2nd Regular Session	\$13,011,273	\$16,946,920
<b>TOTAL ALLOCATIONS</b>	<u>\$349,584,284</u>	<u>\$355,824,472</u>
<b>NET CHANGE (PROJECTED RESOURCES LESS ALLOCATIONS)</b>	<u>(\$7,730,598)</u>	<u>\$30,829</u>
<b>BEGINNING BALANCE <sup>1</sup></b>	<b>\$8,731,058</b>	<b>\$1,000,460</b>
<b>NET CHANGE (FROM ABOVE)</b>	<b>(\$7,730,598)</b>	<b>\$30,829</b>
<b>ENDING BALANCE</b>	<b><u>\$1,000,460</u></b>	<b><u>\$1,031,289</u></b>

**Notes:**

<sup>1</sup> Reflects actual ending balance for FY05 including all FY05 closing transactions.