

MAINE STATE LEGISLATURE

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Fiscal Briefing for the Legislative Council

Legislative Council Meeting
July 27, 2006

*Prepared by the
Office of Fiscal & Program Review*

Executive Summary

1. Revenue Update (See Attachment A)

- General Fund revenue was \$4.8 million over budget for the month of June, resulting in a final positive variance for FY06 of \$74.1 million (+2.6%). All major tax lines with the exception of the Telecommunication Personal Property Tax performed above expectations.
- Highway Fund revenue was under budget in June by \$2.6 million, resulting in a final negative variance for FY06 of \$4.4 million (-1.3%). Fuel Taxes were the major reason for the FYTD negative variance. This revenue category was under budget by \$5.2 million. High gasoline prices have affected gasoline consumption, unlike the national trends.
- Fund for a Healthy Maine (FHM) ended up FY06 with a positive variance of \$3.9 million, largely a result of tobacco settlement payments being higher than anticipated. Racino revenue and interest earnings also contributed to the positive variance. This positive variance may reduce the amount of the Fund-wide deallocations that will be distributed to individual FHM programs in FY07.

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

- Average balance of the Cash Pool was \$795.7 million in June. This is above the average balances of the last 5 years of \$604.7 million and above last June's balance of \$739.0 million.
- For the General Fund, the positive revenue variances have continued to improve the cash position. The additions to General Fund reserve balances as a result of the FY06 positive variance and lapsed balances will provide a sufficient reserve to significantly reduce cash flow borrowing for FY07.
- Highway Fund cash balances despite the negative variances has remained relatively stable in the last few months. Although the trend based on this fiscal year budget shortfall, is still heading downward.

3. Fund Status Reports – Based on FY06 Actuals (See Attachment C)

- General Fund budgeted ending balance at the close of FY07 remains unchanged from prior report at \$18,747. Revenue surplus, lapsed balances and other net accounting adjustments increased unappropriated surplus by \$89.0 million, all of which was reserved or transferred per statute. Updated side-by-side of the "Cascade" based on FY06 actual year-end data is included. Balances in the Budget Stabilization Fund and Reserve for Operating Capital now are nearly \$150 million.
- Highway Fund budgeted ending balance at the close of FY07 increased slightly to \$1.1 million. A revenue shortfall was offset by an emergency financial order that increased lapsed balances by additional \$2.1 million.

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

JUNE 2006 AND FINAL FY06 REVENUE VARIANCE REPORT

| Revenue Line | June '06 Budget | June '06 Actual | June '06 Var. | FY06 YTD Budget | FY06 YTD Actual | FY06 YTD Variance | FY06 YTD Variance % | FY06 Budgeted Totals |
|---------------------------------------|--------------------|-----------------------|-----------------------|----------------------|-------------------------|-----------------------|------------------------|-------------------------|
| General Fund | | | | | | | | |
| Sales and Use Tax | 167,591,405 | 169,478,364.20 | 1,886,959.20 | 930,641,080 | 946,174,276.49 | 15,533,196.49 | 1.7% | 930,641,080 |
| Service Provider Tax | 7,862,581 | 8,005,371.52 | 142,790.52 | 46,494,165 | 47,028,430.04 | 534,265.04 | 1.1% | 46,494,165 |
| Individual Income Tax | 178,959,232 | 175,595,152.12 | (3,364,079.88) | 1,228,307,845 | 1,254,506,663.19 | 26,198,818.19 | 2.1% | 1,228,307,845 |
| Corporate Income Tax | 36,891,743 | 26,686,857.07 | (10,204,885.93) | 175,150,000 | 188,015,557.61 | 12,865,557.61 | 7.3% | 175,150,000 |
| Cigarette and Tobacco Tax | 14,228,305 | 17,003,760.00 | 2,775,455.00 | 151,738,325 | 156,951,369.91 | 5,213,044.91 | 3.4% | 151,738,325 |
| Public Utilities Tax | 0 | (6.49) | (6.49) | 21,440,000 | 20,627,030.00 | (812,970.00) | -3.8% | 21,440,000 |
| Insurance Companies Tax | 22,789,005 | 24,148,377.83 | 1,359,372.83 | 72,141,931 | 76,065,864.43 | 3,923,933.43 | 5.4% | 72,141,931 |
| Estate Tax | 8,042,298 | 9,260,089.40 | 1,217,791.40 | 70,099,322 | 75,330,514.40 | 5,231,192.40 | 7.5% | 70,099,322 |
| Property Tax - Unorganized Territory | 175,163 | 1,998,906.00 | 1,823,743.00 | 11,278,476 | 11,559,305.00 | 280,829.00 | 2.5% | 11,278,476 |
| Income from Investments | 1,301,825 | 2,795,797.31 | 1,493,972.31 | 6,563,582 | 8,271,869.40 | 1,708,287.40 | 26.0% | 6,563,582 |
| Transfer to Municipal Revenue Sharing | (19,949,409) | (19,368,261.25) | 581,147.75 | (121,410,248) | (124,222,179.55) | (2,811,931.55) | -2.3% | (121,410,248) |
| Transfer from Lottery Commission | 3,871,860 | 3,484,556.09 | (387,303.91) | 50,334,250 | 50,879,646.68 | 545,396.68 | 1.1% | 50,334,250 |
| Other Revenue | 28,674,440 | 36,160,803.05 | 7,486,363.05 | 214,959,376 | 220,637,339.02 | 5,677,963.02 | 2.6% | 214,959,376 |
| Totals | 450,438,448 | 455,249,766.85 | 4,811,318.85 | 2,857,738,104 | 2,931,825,686.62 | 74,087,582.62 | 2.6% | 2,857,738,104 |
| Highway Fund | | | | | | | | |
| Fuel Taxes | 41,962,149 | 39,690,501.04 | (2,271,647.96) | 226,776,993 | 221,575,308.92 | (5,201,684.08) | -2.3% | 226,776,993 |
| Motor Vehicle Registration and Fees | 9,191,044 | 8,858,625.97 | (332,418.03) | 87,172,358 | 87,658,962.22 | 486,604.22 | 0.6% | 87,172,358 |
| Inspection Fees | 434,194 | 437,238.68 | 3,044.68 | 4,397,970 | 4,373,691.60 | (24,278.40) | -0.6% | 4,397,970 |
| Fines | 184,044 | 158,555.20 | (25,488.80) | 1,973,665 | 1,809,813.31 | (163,851.69) | -8.3% | 1,973,665 |
| Income from Investments | 72,698 | 393,313.12 | 320,615.12 | 1,300,000 | 1,833,806.41 | 533,806.41 | 41.1% | 1,300,000 |
| Other Revenue | 913,234 | 621,129.62 | (292,104.38) | 9,286,173 | 9,294,574.07 | 8,401.07 | 0.1% | 9,286,173 |
| Totals | 52,757,363 | 50,159,363.63 | (2,597,999.37) | 330,907,159 | 326,546,156.53 | (4,361,002.47) | -1.3% | 330,907,159 |

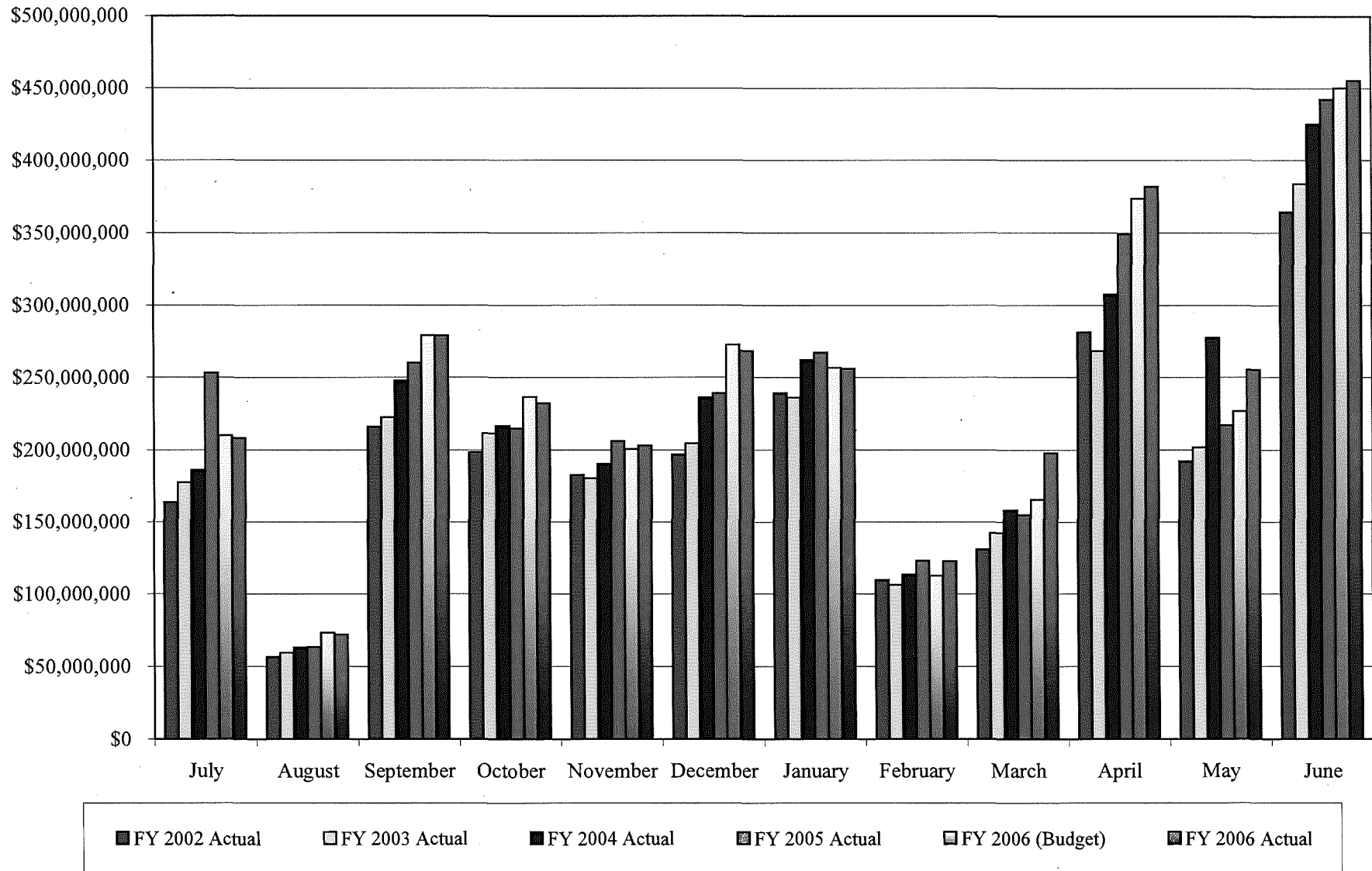
Historical Comparison of Total Fiscal Year Revenue

| REVENUE CATEGORY | FY 2002 | % Chg | FY 2003 | % Chg | FY 2004 | % Chg | FY 2005 | % Chg | FY 2006 | % Chg |
|--|------------------------|--------------|------------------------|-------------|------------------------|--------------|------------------------|-------------|------------------------|-------------|
| GENERAL FUND | | | | | | | | | | |
| Sales and Use Tax | \$836,134,084 | 2.3% | \$857,486,801 | 2.6% | \$917,243,245 | 7.0% | \$896,576,322 | -2.3% | \$946,174,276 | 5.5% |
| Service Provider Tax | \$0.00 | N/A | \$0.00 | N/A | \$0 | N/A | \$44,645,517 | N/A | \$47,028,430 | 5.3% |
| Individual Income Tax | \$1,069,834,791 | -7.7% | \$1,071,701,694 | 0.2% | \$1,156,715,909 | 7.9% | \$1,296,255,557 | 12.1% | \$1,364,368,543 | 5.3% |
| Individual Income Tax (Circuitbreaker) | \$0 | N/A | \$0 | N/A | \$0 | N/A | (\$26,030,227) | N/A | (\$42,796,070) | -64.4% |
| Individual Income Tax (BETR) | \$0 | N/A | \$0 | N/A | \$0 | N/A | \$0 | N/A | (\$67,065,810) | N/A |
| Corporate Income Tax | \$77,366,103 | -19.5% | \$91,188,393 | 17.9% | \$111,616,051 | 22.4% | \$135,862,913 | 21.7% | \$188,015,558 | 38.4% |
| Cigarette and Tobacco Tax | \$97,599,599 | 25.9% | \$98,414,470 | 0.8% | \$96,604,646 | -1.8% | \$96,350,704 | -0.3% | \$156,951,370 | 62.9% |
| Public Utilities Tax | \$30,479,783 | 2.4% | \$29,285,143 | -3.9% | \$27,991,188 | -4.4% | \$25,403,214 | -9.2% | \$20,627,030 | -18.8% |
| Insurance Companies Tax | \$55,244,333 | 26.8% | \$71,078,089 | 28.7% | \$72,206,053 | 1.6% | \$75,669,053 | 4.8% | \$76,065,864 | 0.5% |
| Estate Tax | \$23,420,240 | -23.5% | \$30,520,320 | 30.3% | \$32,075,501 | 5.1% | \$32,255,727 | 0.6% | \$75,330,514 | 133.5% |
| Property Tax - Unorganized Territory | \$10,333,984 | 5.4% | \$9,930,103 | -3.9% | \$10,709,308 | 7.8% | \$10,622,666 | -0.8% | \$11,559,305 | 8.8% |
| Income from Investments | \$3,829,521 | -76.7% | \$2,345,741 | -38.7% | \$2,310,036 | -1.5% | \$5,854,625 | 153.4% | \$8,271,869 | 41.3% |
| Revenue Sharing Transfers | (\$101,150,084) | 4.3% | (\$103,039,221) | -1.9% | (\$111,464,335) | -8.2% | (\$119,712,814) | -7.4% | (\$124,222,180) | -3.8% |
| Liquor Transfers | \$25,168,524 | 3.9% | \$26,073,276 | 3.6% | \$102,182,743 | 291.9% | \$49,845,027 | -51.2% | \$2,560,044 | -94.9% |
| Lottery Transfers | \$39,317,891 | 10.8% | \$39,442,111 | 0.3% | \$41,272,645 | 4.6% | \$49,328,102 | 19.5% | \$50,879,647 | 3.1% |
| Other Revenue | \$164,081,792 | 11.0% | \$170,263,271 | 3.8% | \$224,076,568 | 31.6% | \$217,918,667 | -2.7% | \$218,077,295 | 0.1% |
| TOTAL GENERAL FUND REVENUE | \$2,331,660,562 | -2.1% | \$2,394,690,190 | 2.7% | \$2,683,539,557 | 12.1% | \$2,790,845,053 | 4.0% | \$2,931,825,687 | 5.1% |
| HIGHWAY FUND | | | | | | | | | | |
| Fuel Taxes | \$184,732,999 | 1.2% | \$187,901,008 | 1.7% | \$212,600,961 | 13.1% | \$220,484,728 | 3.7% | \$221,575,309 | 0.5% |
| Motor Vehicle Registration and Fees | \$83,285,014 | 9.1% | \$83,032,421 | -0.3% | \$82,577,637 | -0.5% | \$84,645,422 | 2.5% | \$87,658,962 | 3.6% |
| Inspection Fees | \$3,412,662 | 37.0% | \$4,169,773 | 22.2% | \$4,708,196 | 12.9% | \$4,260,059 | -9.5% | \$4,373,692 | 2.7% |
| Fines | \$1,958,350 | -6.6% | \$2,531,692 | 29.3% | \$1,918,703 | -24.2% | \$1,518,580 | -20.9% | \$1,809,813 | 19.2% |
| Income from Investments | \$2,857,209 | -32.6% | \$1,338,794 | -53.1% | \$720,046 | -46.2% | \$1,440,739 | 100.1% | \$1,833,806 | 27.3% |
| Other Revenue | \$5,737,781 | 5.0% | \$9,272,396 | 61.6% | \$9,502,442 | 2.5% | \$13,728,627 | 44.5% | \$9,294,574 | -32.3% |
| TOTAL HIGHWAY FUND REVENUE | \$281,984,017 | 3.2% | \$288,246,084 | 2.2% | \$312,027,986 | 8.3% | \$326,078,155 | 4.5% | \$326,546,157 | 0.1% |

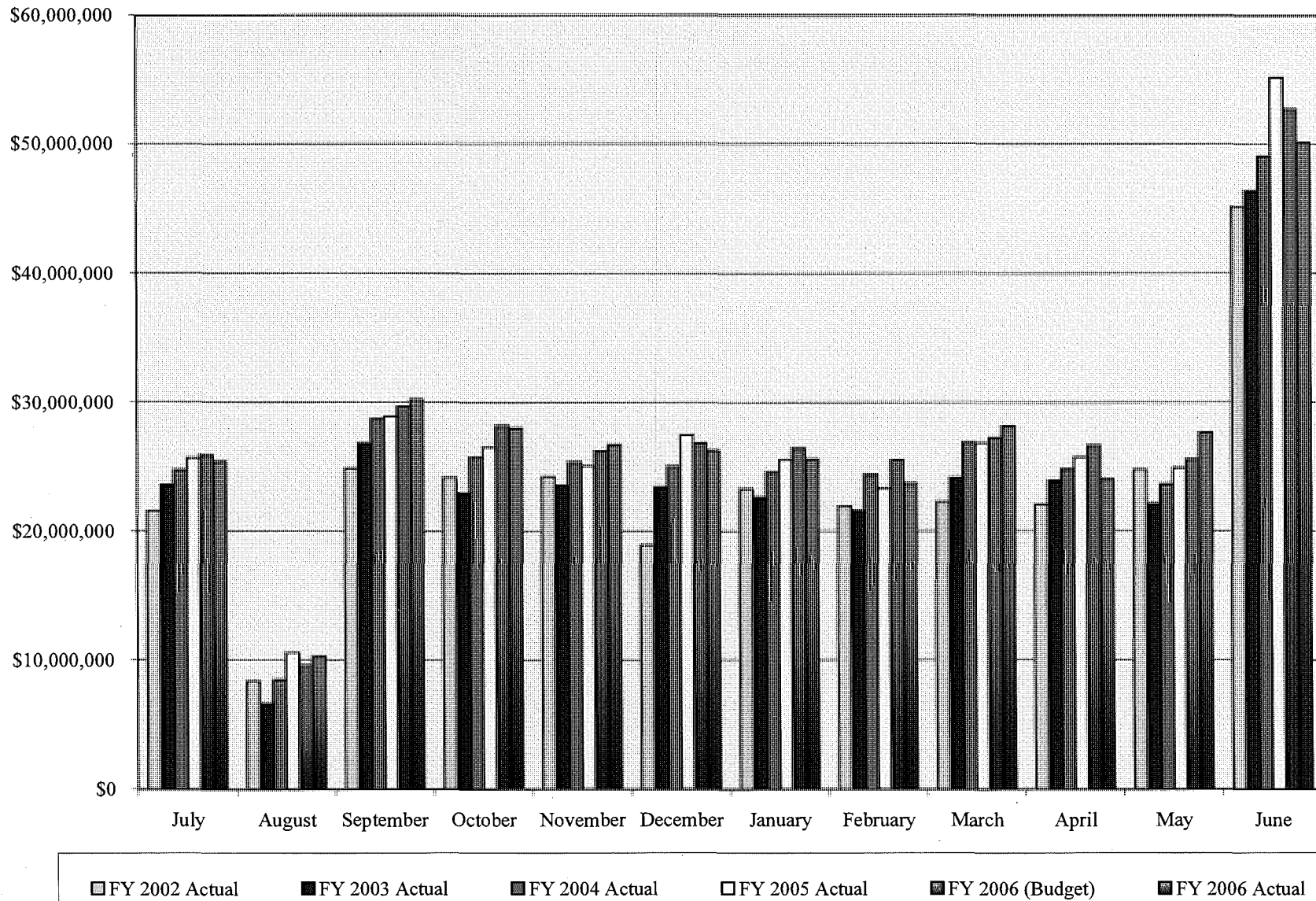
Adjusted for Service Provider Tax Split

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

Prepared by the Office of Fiscal and Program Review
July Fiscal Briefing - Attachment A - Page 3 of 4

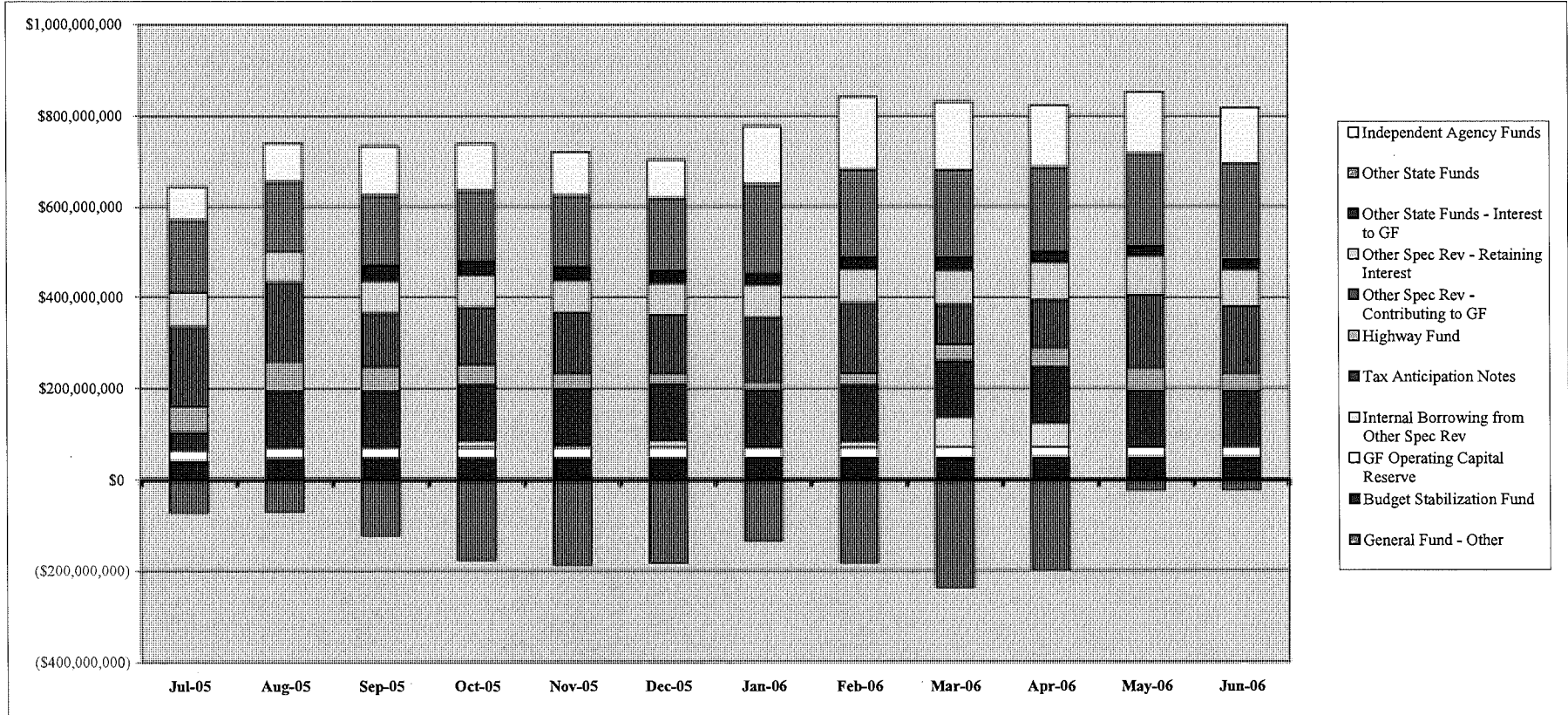


Monthly Historical Comparisons - Highway Fund Revenue FY 2002 - FY 2006



Cash Pool - Average Daily Balances by Month - Fiscal Year ending June 30, 2006 (FY06)

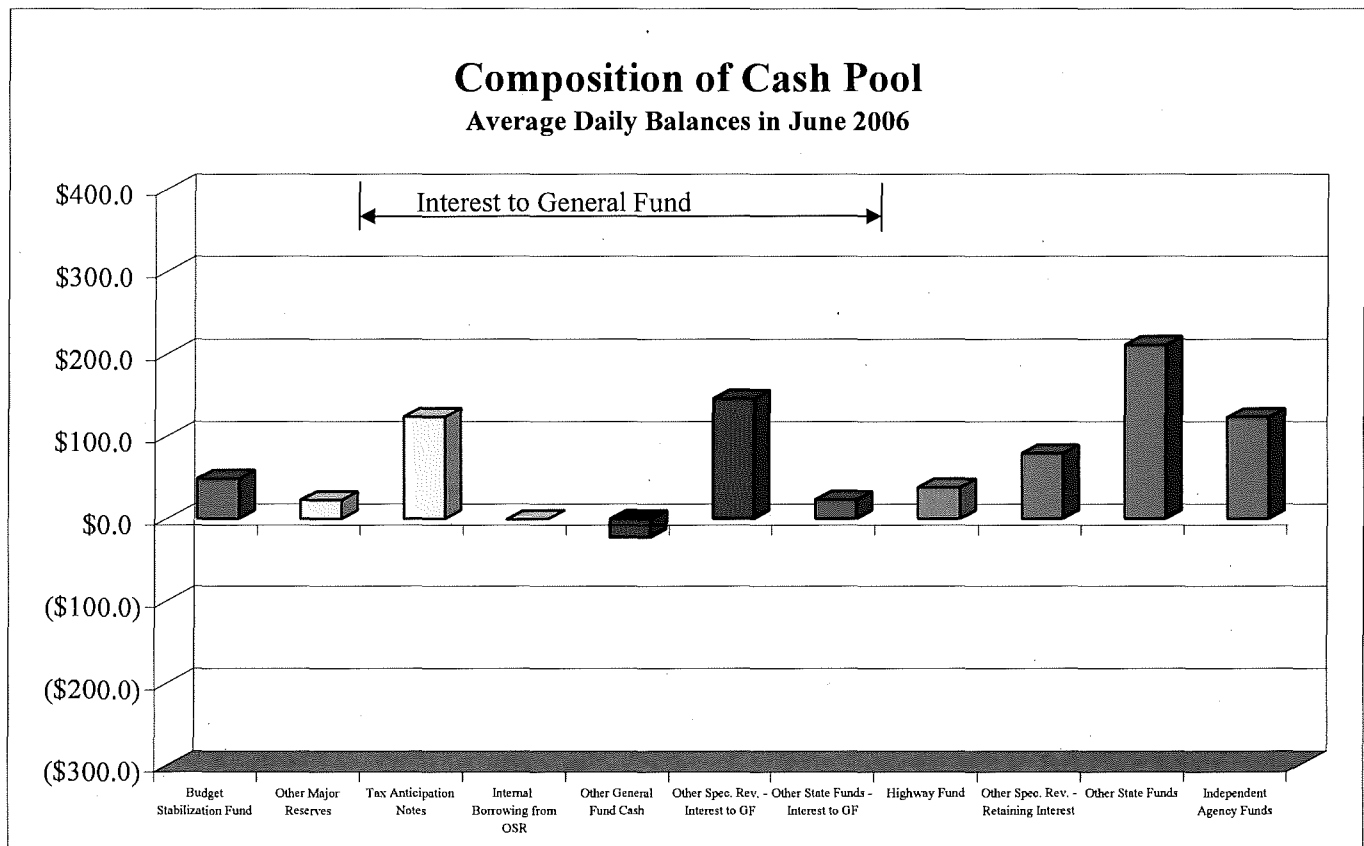
| | Jul-05 | Aug-05 | Sep-05 | Oct-05 | Nov-05 | Dec-05 | Jan-06 | Feb-06 | Mar-06 | Apr-06 | May-06 | Jun-06 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| General Fund (GF) - Total | 31,590,765 | 123,411,914 | 72,560,526 | 33,084,117 | 13,067,051 | 27,153,888 | 62,326,249 | 25,944,181 | 24,162,731 | 48,672,029 | 172,372,797 | 173,399,165 |
| General Fund - Detail | | | | | | | | | | | | |
| General Fund - Other | (72,495,374) | (70,414,245) | (121,408,599) | (175,395,714) | (186,205,303) | (182,303,528) | (134,248,906) | (181,722,995) | (236,335,202) | (198,431,102) | (23,007,139) | (22,203,697) |
| Budget Stabilization Fund | 41,113,315 | 47,107,367 | 47,250,333 | 47,406,200 | 47,553,562 | 47,738,624 | 47,920,879 | 48,091,240 | 48,295,270 | 48,451,005 | 48,661,145 | 48,884,070 |
| GF Operating Capital Reserve | 23,093,792 | 23,093,792 | 23,093,792 | 23,093,792 | 23,093,792 | 23,093,792 | 23,093,792 | 23,093,792 | 23,093,792 | 23,093,792 | 23,093,792 | 23,093,792 |
| Internal Borrowing from Other Spec Rev | 0 | 0 | 0 | 0 | 14,354,839 | 5,000,000 | 15,000,000 | 1,935,484 | 12,857,143 | 65,483,871 | 51,933,333 | 0 |
| Tax Anticipation Notes | 39,879,032 | 123,625,000 | 123,625,000 | 123,625,000 | 123,625,000 | 123,625,000 | 123,625,000 | 123,625,000 | 123,625,000 | 123,625,000 | 123,625,000 | 123,625,000 |
| Highway Fund | 56,773,897 | 65,111,905 | 52,657,256 | 42,554,215 | 32,976,435 | 22,869,703 | 17,393,344 | 25,247,033 | 35,688,420 | 42,353,389 | 49,306,903 | 38,316,375 |
| Other Spec Rev - Contributing to GF | 174,044,110 | 172,529,484 | 118,170,707 | 126,569,507 | 133,254,062 | 127,892,672 | 141,163,782 | 153,836,138 | 86,949,725 | 104,767,840 | 159,756,365 | 145,905,865 |
| Other Spec Rev - Retaining Interest | 74,717,663 | 69,165,242 | 70,406,895 | 69,672,356 | 70,685,964 | 69,307,766 | 71,244,067 | 73,955,496 | 75,252,455 | 81,190,624 | 85,972,671 | 79,874,817 |
| Other State Funds - Interest to GF | 1,679,954 | 1,645,515 | 35,771,128 | 32,969,322 | 31,353,546 | 29,198,365 | 25,703,621 | 27,852,644 | 29,654,115 | 26,058,344 | 23,398,107 | 23,744,553 |
| Other State Funds | 159,455,626 | 151,865,964 | 154,545,423 | 154,324,302 | 156,886,737 | 160,058,782 | 196,952,103 | 192,502,457 | 191,613,515 | 185,232,976 | 203,292,399 | 211,003,227 |
| Independent Agency Funds | 72,980,548 | 84,772,608 | 106,632,313 | 102,866,099 | 96,317,316 | 84,067,179 | 127,817,647 | 159,676,426 | 149,990,153 | 136,358,847 | 134,626,265 | 123,472,006 |
| Total Cash Pool | 571,242,563 | 668,502,631 | 610,744,247 | 562,039,919 | 534,541,111 | 520,548,355 | 642,600,813 | 659,014,375 | 593,311,115 | 624,634,048 | 828,725,507 | 795,716,007 |



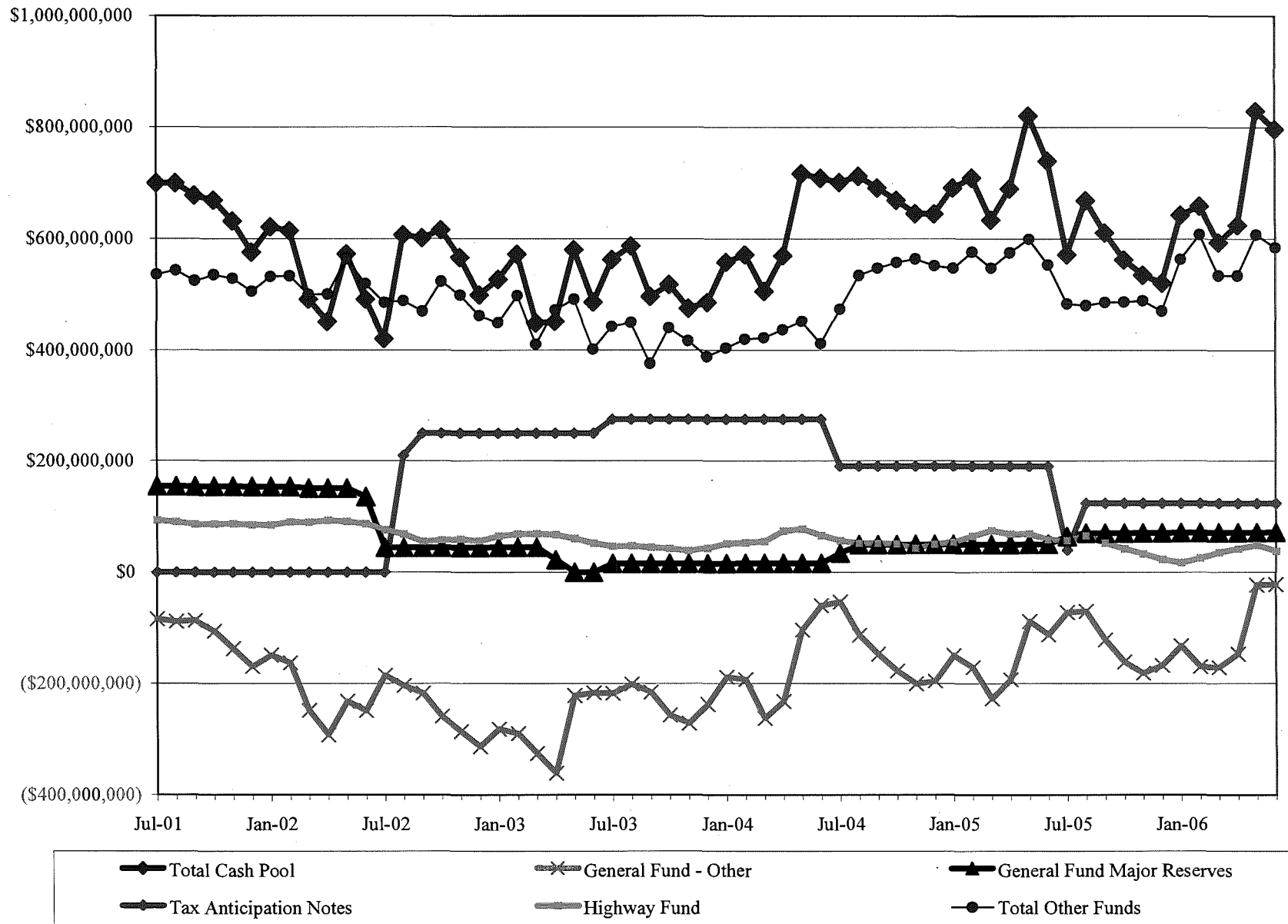
Composition of State's Cash Pool

June 2006 Average Daily Balances

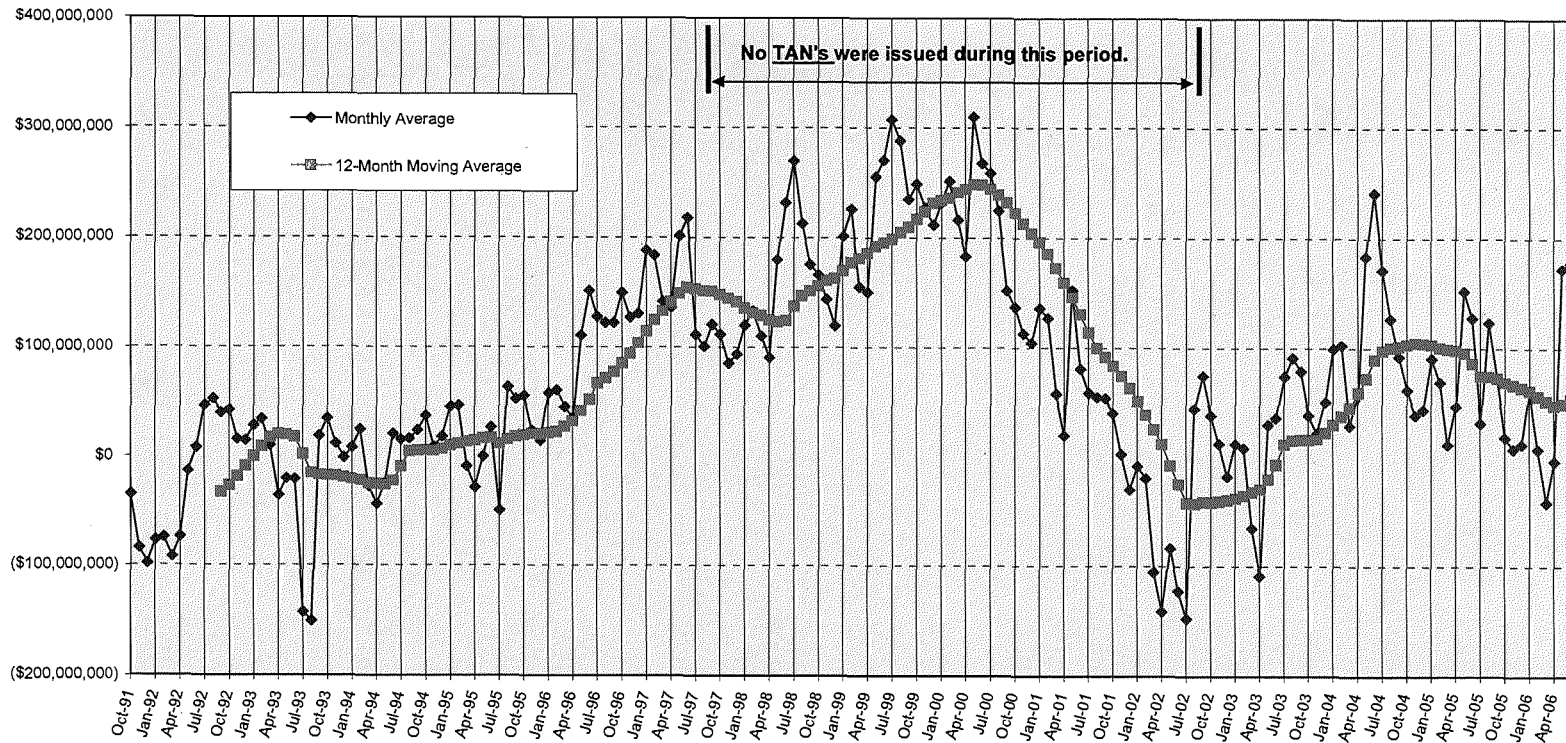
| | June 2006 |
|---|----------------------|
| General Fund - Total | \$173,399,165 |
| General Fund - Detail | |
| Budget Stabilization Fund (Rainy Day Fund) | \$48,884,070 |
| Reserve for General Fund Operating Capital | \$23,093,792 |
| Tax Anticipation Notes | \$123,625,000 |
| Internal Borrowing from Other Special Revenue | \$0 |
| General Fund - Other | (\$22,203,697) |
| Highway Fund | \$38,316,375 |
| Other Special Revenue - Contributing to General Fund | \$145,905,865 |
| Other Special Revenue - Retaining Interest Earned | \$79,874,817 |
| Other State Funds - Contributing Interest to General Fund | \$23,744,553 |
| Other State Funds | \$211,003,227 |
| Independent Agency Funds | \$123,472,006 |
| Total Cash Pool | \$795,716,007 |



Cash Pool Line Graph - Major Components - July 2001 to June 2006



GENERAL FUND DAILY STARTING CASH BALANCES

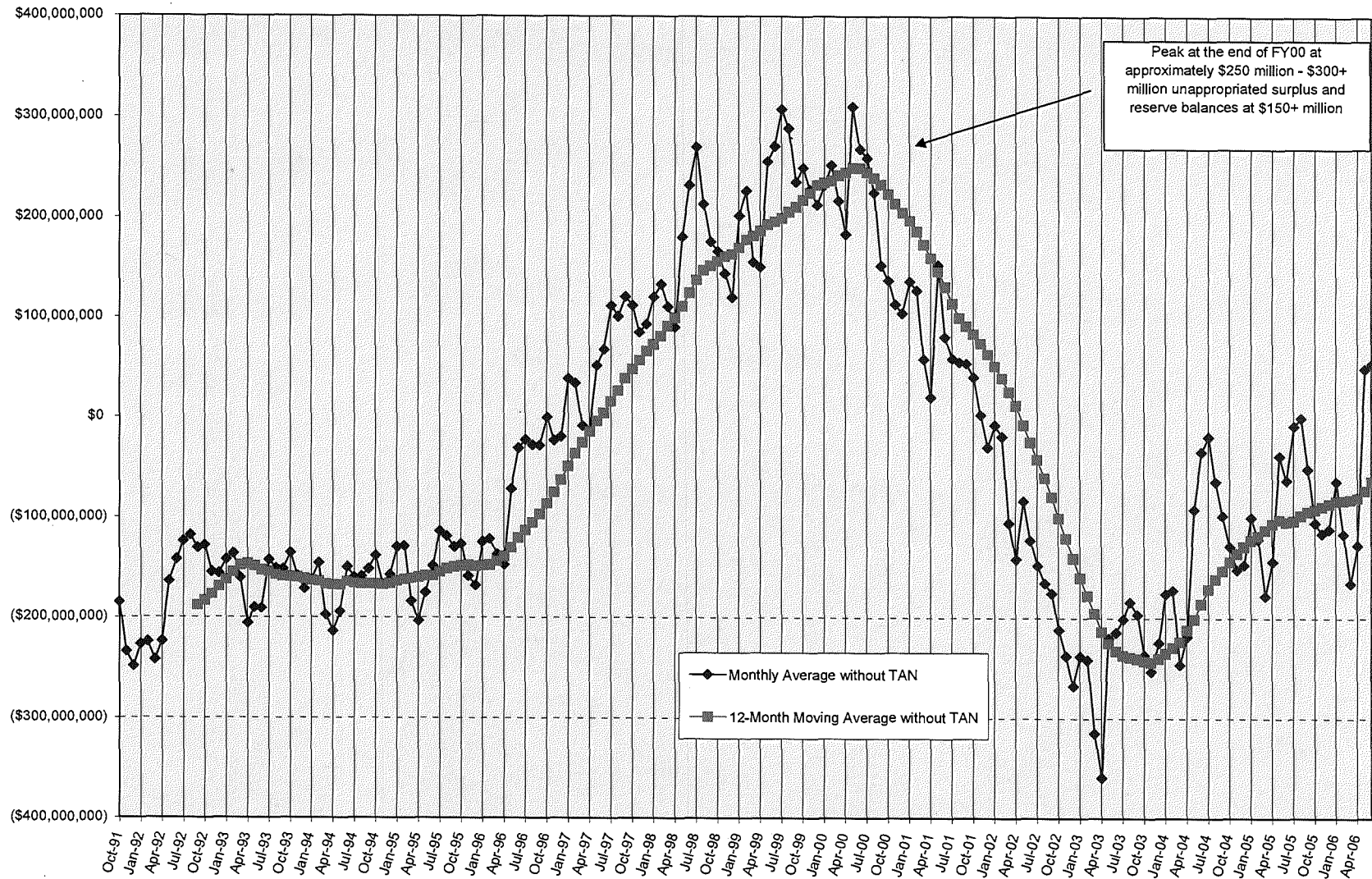


TAX ANTICIPATION NOTES (TAN's) - History from FY 1990-91 ⁽¹⁾

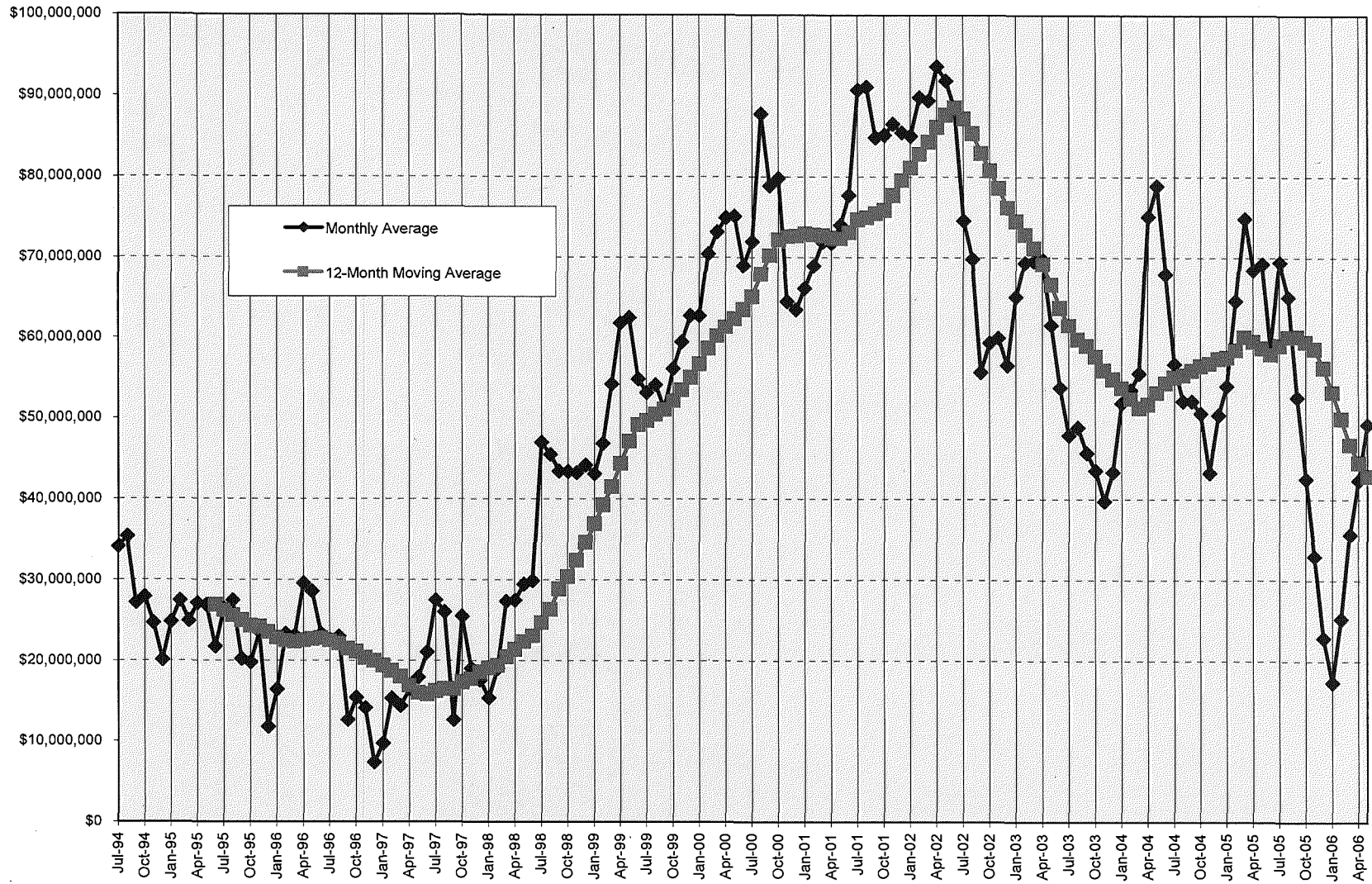
| Fiscal Year | Amount Authorized | Amount Issued | Reference |
|------------------------|------------------------------|---------------|--|
| 2005-06 ⁽¹⁾ | \$314,718,914 ⁽¹⁾ | \$123,625,000 | 5 MRSA, §150 (as amended by PL 2001, c. 705) |
| 2004-05 ⁽¹⁾ | \$309,540,537 ⁽¹⁾ | \$190,000,000 | 5 MRSA, §150 (as amended by PL 2001, c. 705) |
| 2003-04 ⁽¹⁾ | \$293,657,381 ⁽¹⁾ | \$275,000,000 | 5 MRSA, §150 (as amended by PL 2001, c. 705) |
| 2002-03 ⁽¹⁾ | \$282,869,203 ⁽¹⁾ | \$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: ⁽¹⁾ 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



GENERAL FUND STATUS - SUMMARY BY LEGISLATIVE SESSION

Reflects All Actions Through the End of 122nd Legislature, 2nd Regular Session and FY 06 Closing Transactions ¹

| | FY 06 | FY 07 |
|--|------------------------|------------------------|
| AVAILABLE FUNDS | | |
| 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 ² | (\$41,667,536) | \$0 |
| March 2006 Revenue Revision - Reserve Pursuant to 5 MRSA §1535 ² | (\$1,889,771) | \$0 |
| Legislation Enacted During 122nd Legislature, 2nd Regular Session ¹ | (\$9,791,861) | (\$4,442,989) |
| Unbudgeted Lapsed Balances | \$7,309,703 | \$0 |
| Other Accounting Adjustments | \$7,558,984 | \$0 |
| Statutory Year-end Transfers | (\$88,956,269) | \$0 |
| Subtotal - Transfers/Adjustments to Balance | (\$79,093,118) | (\$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) |
| Revenue Variances | \$74,087,583 | \$0 |
| 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 ¹ | \$427,695 | (\$1,651,785) |
| Subtotal - Undedicated Revenue | \$2,931,825,687 | \$2,934,190,370 |
| TOTAL PROJECTED RESOURCES | \$2,852,732,568 | \$2,903,180,593 |
| APPROPRIATIONS | | |
| 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 ¹ | \$54,140,488 | \$48,524,582 |
| TOTAL APPROPRIATIONS | \$2,871,878,613 | \$2,917,678,445 |
| NET CHANGE (PROJECTED RESOURCES LESS APPROPRIATIONS) | (\$19,146,045) | (\$14,497,852) |

| | | |
|---------------------------------------|-----------------------|-----------------------|
| BEGINNING BALANCE ³ | \$33,662,644 | \$14,516,599 |
| NET CHANGE (FROM ABOVE) | (\$19,146,045) | (\$14,497,852) |
| ENDING BALANCE ³ | \$14,516,599 | \$18,747 |

| | | |
|--|------------------------|------------------------|
| APPROPRIATION LIMITS - BASED ON LD 1, PL 2005 c. 2 ³ | | |
| FY05 Base Appropriation Grown By 3.11% Growth Factor | \$2,794,180,033 | \$2,881,079,032 |
| General Purpose Aid for Local Schools Growth until 55% achieved | \$101,579,345 | \$179,561,601 |
| Total Appropriations Allowed by LD 1, PL 2005, c. 2 Appropriation Limit | \$2,895,759,378 | \$3,060,640,633 |
| Total Appropriations (from Above) | \$2,871,878,613 | \$2,917,678,445 |
| Amount that Appropriations are Above (Below) Limit | (\$23,880,765) | (\$142,962,188) |

Notes:

¹ Reflects budgeted ending balances based on actual FY05 and FY 06 ending balances and all enacted laws through the 2nd Regular Session of the 122nd Legislature. FY06 closing transactions are preliminary and are subject to change.

² 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.

³ 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.

Comparison of Statutory Year-End Transfers (the "Cascade") Before and After 122nd Legislature, 2nd Regular Session Changes

Based on Actual Distributions at the Close of Fiscal Year 2005-06

| 122nd Legislature - PL 2005, c. 2 (LD 1) Prior to 2nd Regular Session Changes | | 122nd Legislature - PL 2005, c. 519 (LD 1968) After 2nd Regular Session Changes | |
|---|---------------------|---|---------------------|
| Unappropriated Surplus | | Unappropriated Surplus | |
| Prior Period & Accounting Adjustments | \$7,558,984 | Prior Period & Accounting Adjustments | \$7,558,984 |
| Unbudgeted Lapsed Balances | \$7,309,703 | Unbudgeted Lapsed Balances | \$7,309,703 |
| Excess/Surplus Revenue | \$74,087,583 | Excess/Surplus Revenue | \$74,087,583 |
| Total Unappropriated Surplus Available | \$88,956,269 | Total Unappropriated Surplus Available | \$88,956,269 |
| Distributions in Order of Priority | | Distributions in Order of Priority | |
| 1) Budget Stabilization Fund (32% of excess revenue - 5 MRSA §1536) | \$23,708,026 | 1) State Contingent Account (Up to \$350,000 to replenish account - 5 MRSA §1507) | \$349,500 |
| 2) Retirement Allowance Fund (32% of excess revenue - 5 MRSA §1536) | \$23,708,026 | 2) Loan Insurance Reserve Fund (Up to \$1,000,000 when not at limit - 5 MRSA §1511) | \$1,000,000 |
| 3) Reserve for General Fund Operating Capital (16% of excess revenue - 5 MRSA §1536) | \$11,854,013 | 3) Budget Stabilization Fund (35% of unappropriated surplus) | \$30,662,369 |
| 4) State Contingent Account (Up to \$350,000 to replenish account - 5 MRSA §1507) | \$349,219 | 4) Retirement Allowance Fund (20% of unappropriated surplus) | \$17,521,354 |
| 5) Loan Insurance Reserve Fund (Up to \$1,000,000 when not at limit - 5 MRSA §1511) | \$1,000,000 | 5) Reserve for General Fund Operating Capital (20% of unappropriated surplus) | \$17,521,354 |
| 6) Budget Stabilization Fund (Remaining balance to BSF - 5 MRSA §1535) | \$28,336,984 | 6) Retiree Health Internal Service Fund (15% of unappropriated surplus) | \$13,141,015 |
| | | 7) Capital Construction & Improvements Reserve Fund (10% of unappropriated surplus) | \$8,760,677 |
| Unappropriated Surplus after Year-End Transfers | \$0 | Unappropriated Surplus after Year-End Transfers | \$0 |

Base for Percentage Distributions is Excess/Surplus Revenue

Base for Percentage Distributions is Total Unappropriated Surplus

HIGHWAY FUND STATUS

Reflects All Actions Through the End of the 122nd Legislature, 2nd Regular Session
and FY 06 Closing Transactions

| | FY 06 | FY 07 |
|---|----------------------|--------------------|
| AVAILABLE FUNDS | | |
| 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 |
| Unbudgeted Lapsed Balances | \$4,322,523 | \$0 |
| Other Accounting Adjustments | \$68,243 | \$0 |
| Subtotal - Transfers/Adjustments to Balance | \$15,337,293 | \$15,463,276 |
| 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) |
| Revenue Variance | (\$4,361,002) | \$0 |
| 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 | \$326,546,157 | \$340,392,025 |
| TOTAL PROJECTED RESOURCES | \$341,883,450 | \$355,855,301 |
| ALLOCATIONS | | |
| 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 |
| TOTAL ALLOCATIONS | \$349,584,284 | \$355,824,472 |
| NET CHANGE (PROJECTED RESOURCES LESS ALLOCATIONS) | (\$7,700,834) | \$30,829 |
| BEGINNING BALANCE ¹ | \$8,731,058 | \$1,030,224 |
| NET CHANGE (FROM ABOVE) | (\$7,700,834) | \$30,829 |
| ENDING BALANCE | \$1,030,224 | \$1,061,053 |

Notes:

¹ Reflects actual ending balances for FY 05 and FY 06 including all FY 06 closing transactions. FY 06 closing transactions are preliminary and may be subject to change.