

# MAINE STATE LEGISLATURE

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# Fiscal Briefing for the Legislative Council

Legislative Council Meeting  
August 24, 2006

*Prepared by the  
Office of Fiscal & Program Review*

## Executive Summary

### 1. Revenue Update (See Attachment A)

- General Fund revenue was \$8.8 million over budget for the month of July, the first month of FY07, (+4.1% variance). The Individual Income Tax and Corporate Income Tax lines continued to be the major contributors to the positive General Fund revenue variance.
- Highway Fund revenue was over budget in July by \$1.9 million (+7.3%). Ironically, the Fuel Taxes line, which ended FY06 with a negative variance of \$5.2 million, was the major reason for the July positive variance. Gasoline tax receipts were still slightly under budget, but it was receipts from diesel fuel and other special fuels that were over budget by \$2.2 million.

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

- Average balance of the Cash Pool was \$689.3 million in July. This is above the average July balances of the last 5 years of \$590.8 million and above last July's balance of \$571.2 million.
- The General Fund balance with the additions to General Fund reserve balances as a result of the FY06 positive variance and lapsed balances have provided sufficient cash balances to avoid Tax Anticipation Note borrowing. Some internal borrowing or some temporary lines of credit may be required later in the fiscal year, but cash flow borrowing needs have been significantly reduced.
- Highway Fund cash balance has continued its downward trend. The typical cycle for the Highway Fund cash balance shows a drain over the next few months, related to the construction season.

### 3. Fund for a Healthy Maine Status Report (See Attachment C)

- Fund for a Healthy Maine ended FY06 with an increase to the budgeted ending balance of \$5.0 million. The increase resulted primarily from the positive revenue variance of \$3.9 million, but was also driven by lapsed program account balances of \$0.7 million and prior period adjustments of \$0.4 million.
- The pending fund-wide deallocation of \$8.4 million, which was used to keep the Fund for a Healthy Maine in balance, could be reduced to approximately \$3.3 million. The December revenue forecast will be the next critical piece of the puzzle that will determine the allocation reductions that will actually need to be distributed to the FHM programs.

### 4. Revenue Forecasting Schedule

- Consensus Economic Forecasting Commission will meet on October 3<sup>rd</sup> at 9:30AM in Room 228 of the State House.
- Revenue Forecasting Committee schedule has not yet been established.

**General Fund and Highway Fund Revenue**

**Fiscal Year Ending June 30, 2007**

**Reflecting March 2006 RFC Adjustments AND Enacted Laws Through the 122nd Legislature, 2nd Regular Session**

**JULY 2006 REVENUE VARIANCE REPORT**

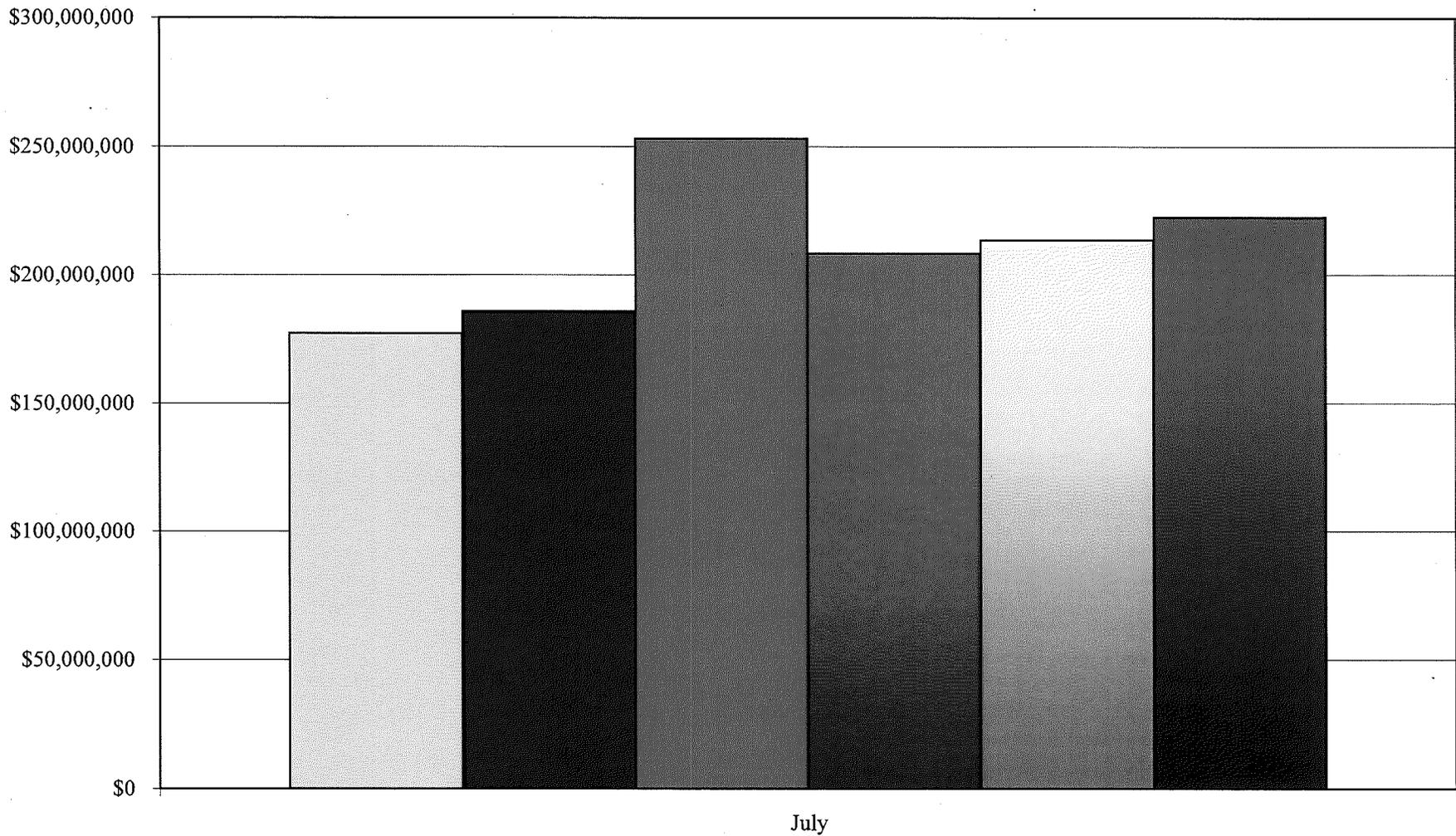
Revenue Line	July '06 Budget	July '06 Actual	July '06 Variance	FY07 YTD Budget	FY07 YTD Actual	FY07 YTD Variance	FY07 YTD Variance %	FY07 Budgeted Totals
<b>General Fund</b>								
Sales and Use Tax	95,262,509	93,534,191.99	(1,728,317.01)	95,262,509	93,534,191.99	(1,728,317.01)	-1.8%	978,142,183
Service Provider Tax	3,769,983	4,102,139.88	332,156.88	3,769,983	4,102,139.88	332,156.88	8.8%	48,911,765
Individual Income Tax	83,010,715	90,829,253.97	7,818,538.97	83,010,715	90,829,253.97	7,818,538.97	9.4%	1,274,529,688
Corporate Income Tax	6,600,000	10,487,769.39	3,887,769.39	6,600,000	10,487,769.39	3,887,769.39	58.9%	167,718,997
Cigarette and Tobacco Tax	14,546,696	14,563,501.15	16,805.15	14,546,696	14,563,501.15	16,805.15	0.1%	165,466,882
Public Utilities Tax	0	0.00	0.00	0	0.00	0.00	N/A	20,495,000
Insurance Companies Tax	637,391	325,410.48	(311,980.52)	637,391	325,410.48	(311,980.52)	-48.9%	79,644,425
Estate Tax	2,961,702	2,017,602.79	(944,099.21)	2,961,702	2,017,602.79	(944,099.21)	-31.9%	38,288,045
Property Tax - Unorganized Territory	0	0.00	0.00	0	0.00	0.00	N/A	11,597,312
Income from Investments	0	61.67	61.67	0	61.67	61.67	N/A	6,163,582
Transfer to Municipal Revenue Sharing	(9,620,803)	(10,146,621.11)	(525,818.11)	(9,620,803)	(10,146,621.11)	(525,818.11)	-5.5%	(125,934,433)
Transfer from Lottery Commission	4,748,533	4,170,265.27	(578,267.73)	4,748,533	4,170,265.27	(578,267.73)	-12.2%	50,334,250
Other Revenue	11,682,894	12,520,448.30	837,554.30	11,682,894	12,520,448.30	837,554.30	7.2%	218,832,674
<b>Totals</b>	<b>213,599,620</b>	<b>222,404,023.78</b>	<b>8,804,403.78</b>	<b>213,599,620</b>	<b>222,404,023.78</b>	<b>8,804,403.78</b>	<b>4.1%</b>	<b>2,934,190,370</b>
<b>Highway Fund</b>								
Fuel Taxes	18,548,262	20,682,151.50	2,133,889.50	18,548,262	20,682,151.50	2,133,889.50	11.5%	226,776,993
Motor Vehicle Registration and Fees	6,664,441	6,613,980.83	(50,460.17)	6,664,441	6,613,980.83	(50,460.17)	-0.8%	87,172,358
Inspection Fees	420,575	365,218.86	(55,356.14)	420,575	365,218.86	(55,356.14)	-13.2%	4,397,970
Fines	170,730	135,942.08	(34,787.92)	170,730	135,942.08	(34,787.92)	-20.4%	1,973,665
Income from Investments	0	0.00	0.00	0	0.00	0.00	N/A	1,300,000
Other Revenue	619,900	549,277.49	(70,622.51)	619,900	549,277.49	(70,622.51)	-11.4%	9,286,173
<b>Totals</b>	<b>26,423,908</b>	<b>28,346,570.76</b>	<b>1,922,662.76</b>	<b>26,423,908</b>	<b>28,346,570.76</b>	<b>1,922,662.76</b>	<b>7.3%</b>	<b>330,907,159</b>

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

REVENUE CATEGORY	FY 2003	% Chg	FY 2004	% Chg	FY 2005	% Chg	FY 2006	% Chg	FY 2007	% Chg
<b>GENERAL FUND</b>										
Sales and Use Tax	\$82,777,436.68	14.5%	\$86,508,519.32	4.5%	\$91,816,108.05	6.1%	\$91,925,611.73	4.1%	\$93,534,191.99	1.7%
Service Provider Tax	\$0.00	N/A	\$0.00	N/A	\$0.00	N/A	\$3,637,926.31	N/A	\$4,102,139.88	12.8%
Individual Income Tax	\$69,726,688.88	-0.8%	\$83,052,539.92	19.1%	\$79,910,313.30	-3.8%	\$81,609,866.28	2.1%	\$91,540,695.33	12.2%
Individual Income Tax (Circuitbreaker)	\$0.00	N/A	\$0.00	N/A	(\$902,443.76)	N/A	(\$1,240.30)	99.9%	(\$711,441.36)	-57260.4%
Individual Income Tax (BETR)	\$0.00	N/A	\$0.00	N/A	\$0.00	N/A	(\$96,624.00)	N/A	\$0.00	100.0%
Corporate Income Tax	\$3,930,811.89	84.4%	\$1,844,585.80	-53.1%	\$5,652,128.01	206.4%	\$6,572,991.46	16.3%	\$10,487,769.39	59.6%
Cigarette and Tobacco Tax	\$8,563,526.67	22.5%	\$8,549,404.45	-0.2%	\$8,431,327.15	-1.4%	\$9,398,358.31	11.5%	\$14,563,501.15	55.0%
Public Utilities Tax	(\$150,000.00)	-505.8%	(\$293,687.83)	-95.8%	(\$150,000.00)	48.9%	\$0.00	100.0%	\$0.00	N/A
Insurance Companies Tax	\$1,799,750.55	21.6%	\$1,824,335.58	1.4%	\$1,043,066.93	-42.8%	\$736,893.40	-29.4%	\$325,410.48	-55.8%
Estate Tax	\$1,278,342.35	57.9%	\$2,618,823.10	104.9%	\$895,568.17	-65.8%	\$8,939,072.87	898.1%	\$2,017,602.79	-77.4%
Property Tax - Unorganized Territory	\$0.00	N/A	\$0.00	N/A	\$0.00	N/A	\$0.00	N/A	\$0.00	N/A
Income from Investments	\$0.00	100.0%	\$0.00	N/A	\$0.00	N/A	\$4,207.14	N/A	\$61.67	-98.5%
Revenue Sharing Transfers	(\$7,978,181.81)	-8.1%	(\$8,741,687.91)	-9.6%	\$0.00	100.0%	(\$9,366,075.10)	N/A	(\$10,146,621.11)	-8.3%
Liquor Transfers	\$2,647,377.41	10.7%	\$0.00	-100.0%	\$50,021,472.08	N/A	\$150.00	-100.0%	\$3,930.05	2520.0%
Lottery Transfers	\$3,067,218.65	-3.0%	\$0.00	-100.0%	\$3,299,583.75	N/A	\$3,953,794.97	19.8%	\$4,170,265.27	5.5%
Other Revenue	\$11,636,016.90	1.9%	\$10,577,364.39	-9.1%	\$13,091,344.36	23.8%	\$11,037,488.77	-15.7%	\$12,516,518.25	13.4%
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$177,298,988.17</b>	<b>8.4%</b>	<b>\$185,940,196.82</b>	<b>4.9%</b>	<b>\$253,108,468.04</b>	<b>36.1%</b>	<b>\$208,352,421.84</b>	<b>-17.7%</b>	<b>\$222,404,023.78</b>	<b>6.7%</b>
<b>HIGHWAY FUND</b>										
Fuel Taxes	\$16,094,601.50	-0.2%	\$17,083,324.18	6.1%	\$18,150,810.02	6.2%	\$17,732,329.87	-2.3%	\$20,682,151.50	16.6%
Motor Vehicle Registration and Fees	\$6,543,637.07	38.3%	\$6,838,538.96	4.5%	\$6,612,845.87	-3.3%	\$6,554,161.22	-0.9%	\$6,613,980.83	0.9%
Inspection Fees	\$272,054.90	26.6%	\$467,980.77	72.0%	\$272,571.90	-41.8%	\$407,492.80	49.5%	\$365,218.86	-10.4%
Fines	\$239,371.21	33.5%	\$174,069.59	-27.3%	\$167,189.70	-4.0%	\$0.00	-100.0%	\$135,942.08	N/A
Income from Investments	\$0.00	N/A	\$0.00	N/A	\$0.00	N/A	\$0.00	N/A	\$0.00	N/A
Other Revenue	\$516,841.17	48.0%	\$257,099.62	-50.3%	\$533,581.31	107.5%	\$770,704.72	44.4%	\$549,277.49	-28.7%
<b>TOTAL HIGHWAY FUND REVENUE</b>	<b>\$23,666,505.85</b>	<b>9.6%</b>	<b>\$24,821,013.12</b>	<b>4.9%</b>	<b>\$25,736,998.80</b>	<b>3.7%</b>	<b>\$25,464,688.61</b>	<b>-1.1%</b>	<b>\$28,346,570.76</b>	<b>11.3%</b>

Adjusted for Service Provider Tax Split

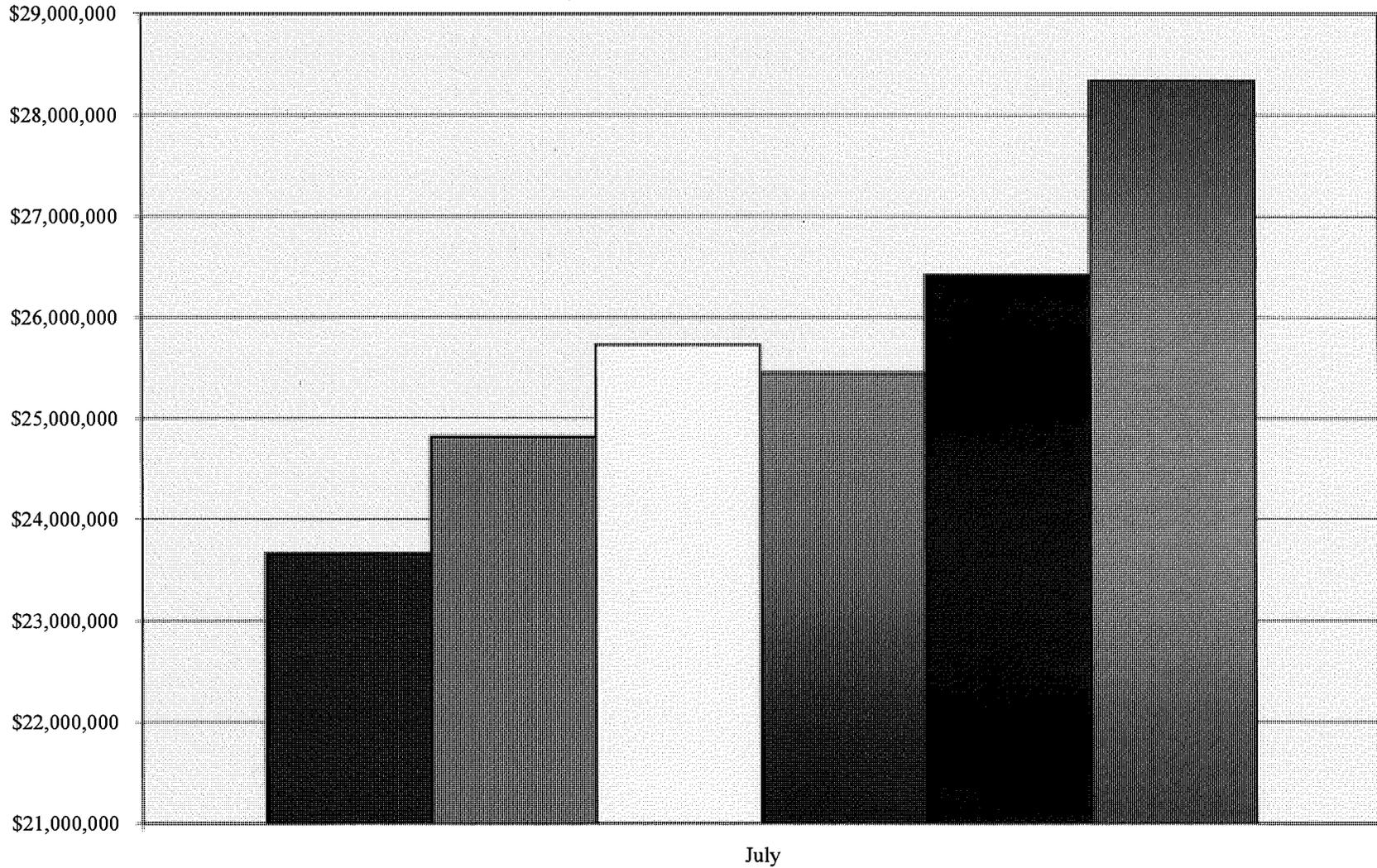
## Monthly Historical Comparisons - General Fund Revenue FY 2003 - FY 2007



Prepared by the Office of Fiscal and Program Review  
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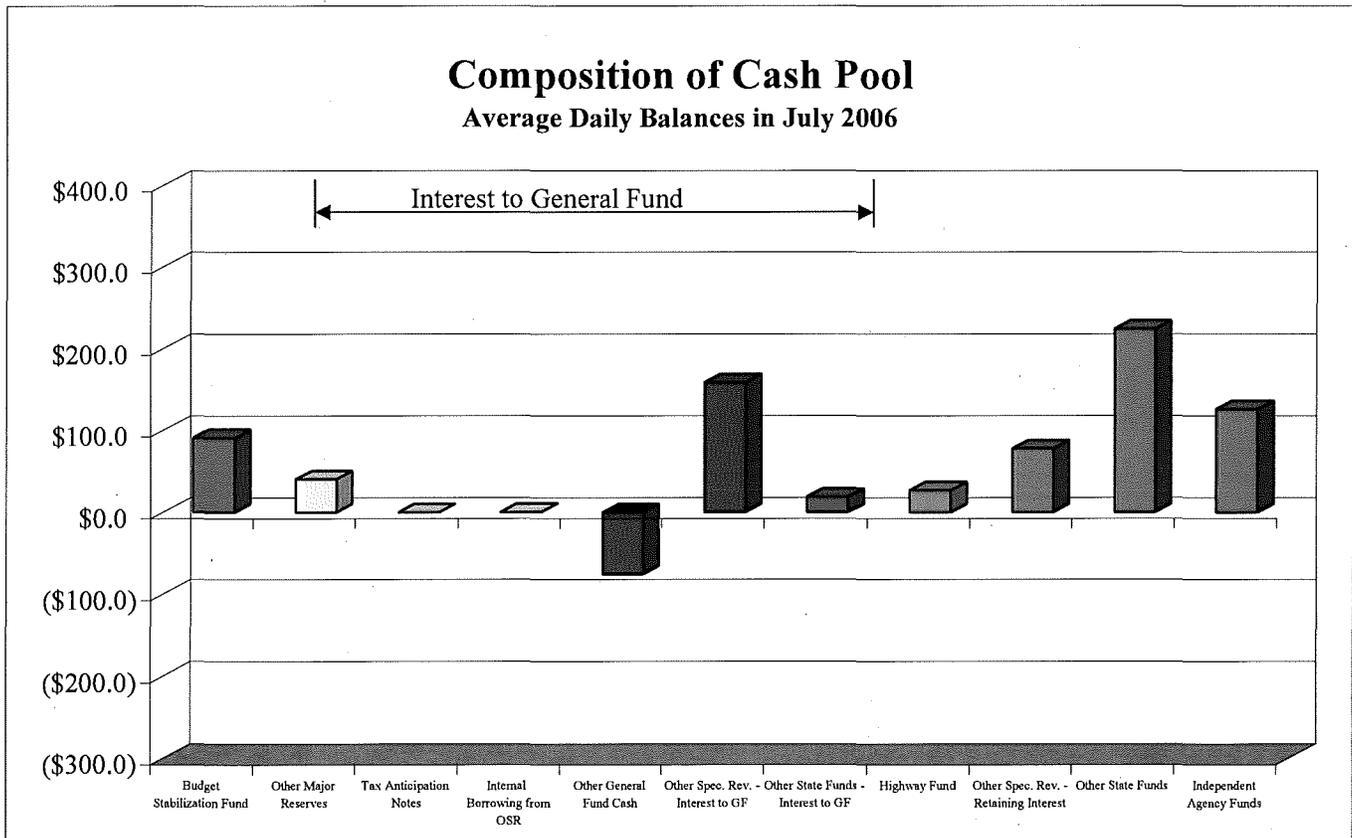


## Monthly Historical Comparisons - Highway Fund Revenue FY 2003 - FY 2007

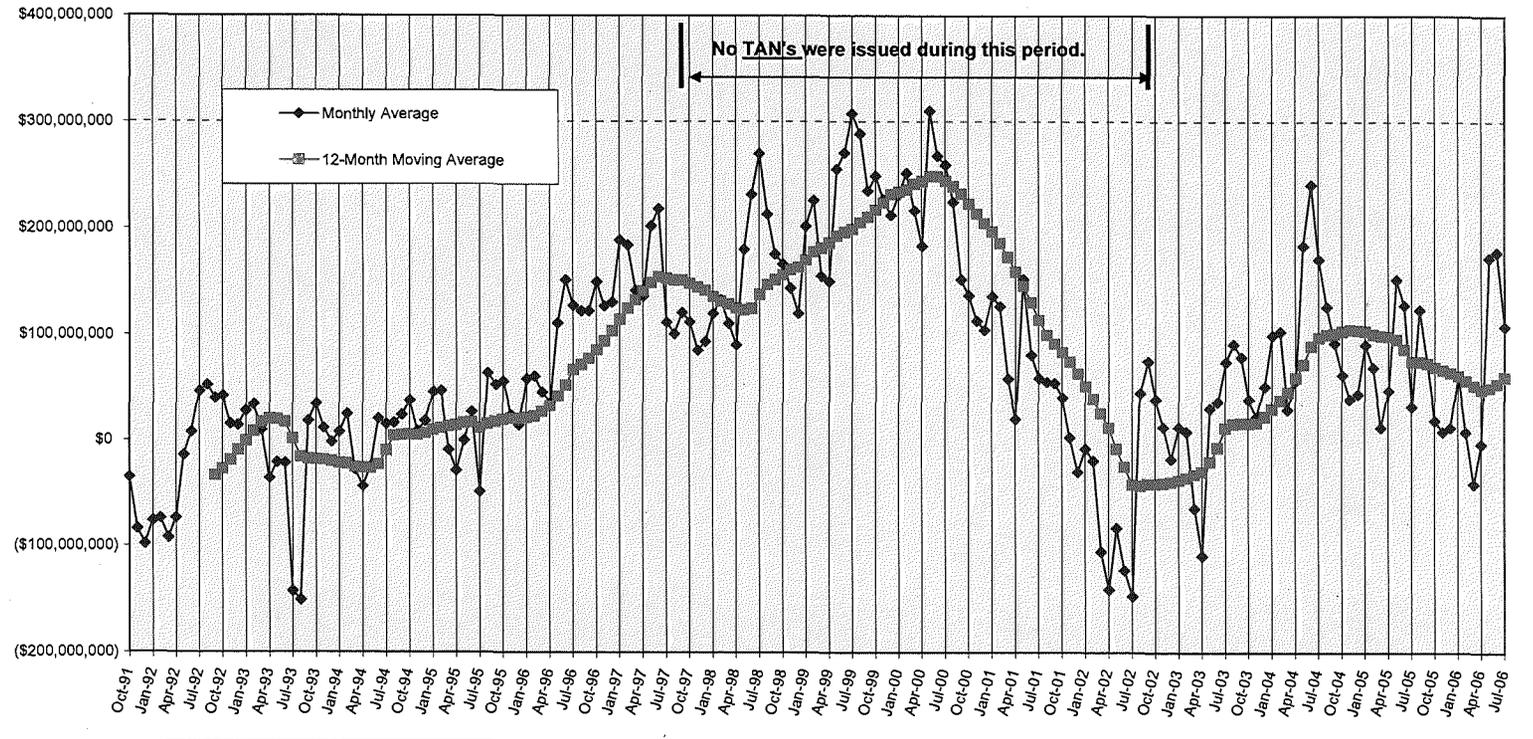


## Composition of State's Cash Pool July 2006 Average Daily Balances

	July 2006
General Fund - Total	\$56,504,209
General Fund - Detail	
Budget Stabilization Fund (Rainy Day Fund)	\$91,403,591
Reserve for General Fund Operating Capital	\$40,615,146
Tax Anticipation Notes	\$0
Internal Borrowing from Other Special Revenue	\$0
General Fund - Other	(\$75,514,528)
Highway Fund	\$26,889,549
Other Special Revenue - Contributing to General Fund	\$158,797,698
Other Special Revenue - Retaining Interest Earned	\$77,787,533
Other State Funds - Contributing Interest to General Fund	\$18,947,952
Other State Funds	\$224,217,491
Independent Agency Funds	\$126,125,049
<b>Total Cash Pool</b>	<b>\$689,269,480</b>



**GENERAL FUND  
DAILY STARTING CASH BALANCES**

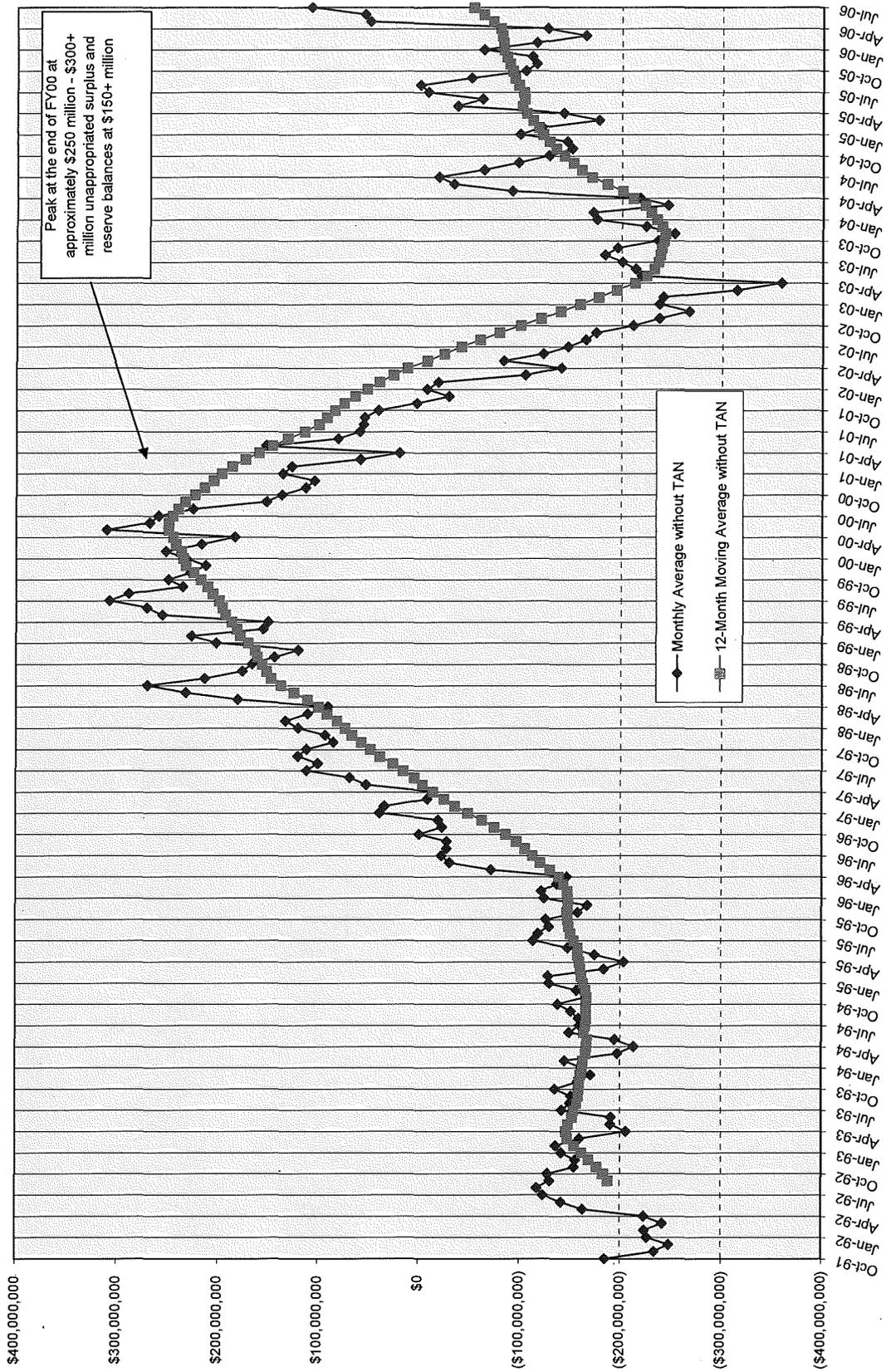


**TAX ANTICIPATION NOTES (TAN's) - History from FY 1990-91 <sup>(1)</sup>**

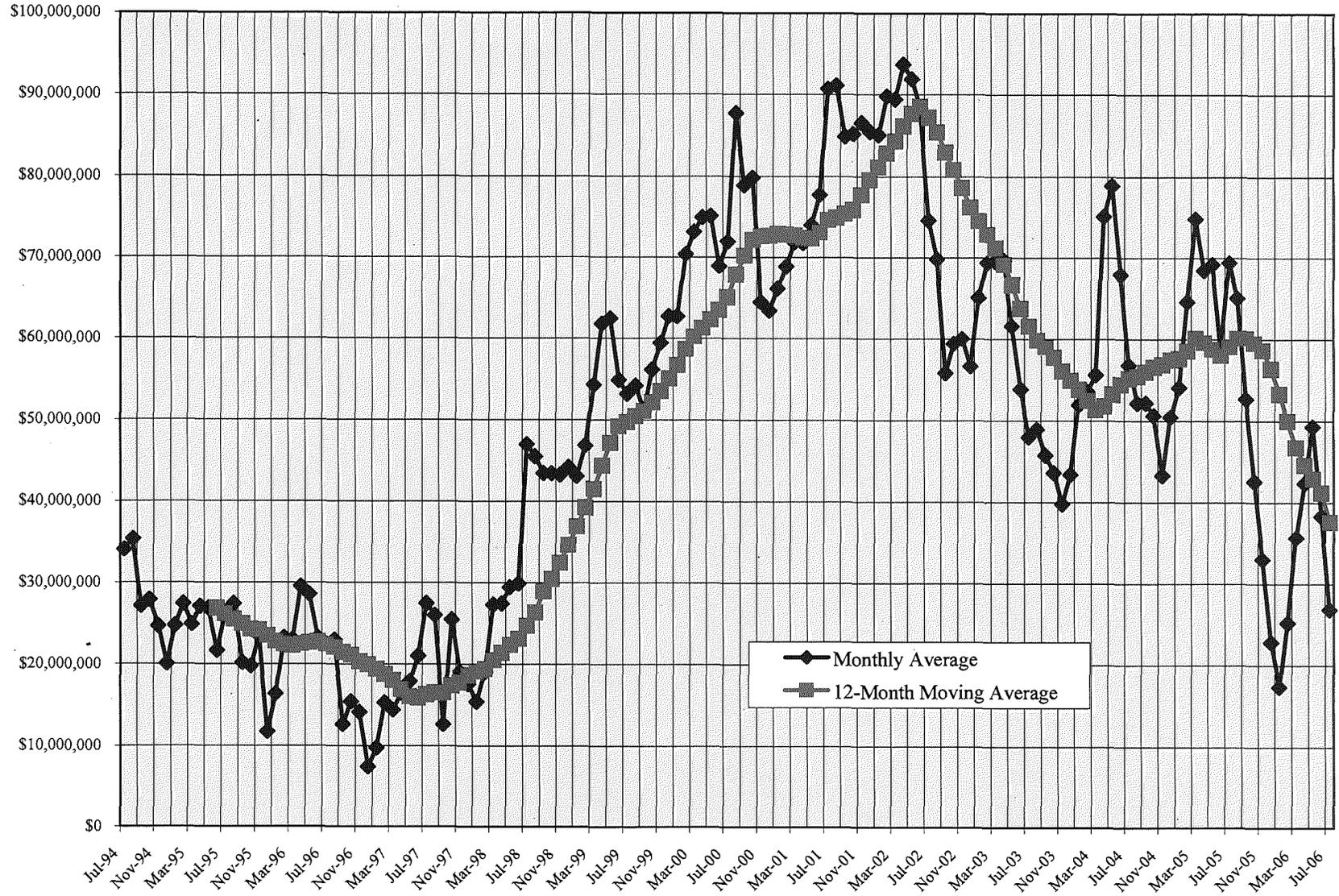
<u>Fiscal Year</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Reference</u>
2006-07 <sup>(1)</sup>	\$327,350,292 <sup>(1)</sup>	\$0	5 MRSA, §150 (as amended by PL 2001, c. 705)
2005-06 <sup>(1)</sup>	\$322,146,290 <sup>(1)</sup>	\$123,625,000	5 MRSA, §150 (as amended by PL 2001, c. 705)
2004-05 <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 CASH STARTING BALANCES



## FUND FOR A HEALTHY MAINE (FHM) STATUS

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

	FY 06	FY 07
<b><u>FHM RESOURCES:</u></b>		
<u>Revenue</u>		
December 2004 Base Revenue Estimate	\$48,784,525	\$59,424,155
December 2005 Revenue Revision	(\$5,430,903)	(\$15,014,476)
March 2006 Revenue Revision	(\$335,591)	(\$720,395)
Revenue Variances (Actual minus Budgeted Revenue)	\$3,889,720	\$0
Subtotal - Revenue	\$46,907,751	\$43,689,284
<u>Other Resources and Adjustments</u>		
Adjustments to Prior Year Balances	\$414,491	\$0
Lapsed Balances from Unexpended Funds	\$703,901	\$0
Subtotal - Other Resources and Adjustments	\$1,118,393	\$0
<b>Total Resources</b>	<b>\$48,026,144</b>	<b>\$43,689,284</b>
<b><u>FHM ALLOCATIONS AND OTHER USES: <sup>1</sup></u></b>		
<u>Transfers</u>		
Transfers - 122nd Legislature, 1st Regular Session <sup>2</sup>	\$51,010	\$74,921
Transfers - 122nd Legislature, 1st Special Session	\$400,000	\$4,600,000
Transfers - 122nd Legislature, 2nd Regular Session	(\$2,346,727)	(\$2,103,273)
Subtotal - Transfers	(\$1,895,717)	\$2,571,648
<u>Allocations</u>		
Governor's Recommended Current Services Allocations <sup>3</sup>	\$49,501,587	\$50,299,252
Other Allocations - 122nd Legislature, 1st Regular Session <sup>2</sup>	(\$53,194)	(\$74,921)
Allocations - 122nd Legislature, 1st Special Session, "Part 2" Budget	\$367,409	\$486,821
Allocations - 122nd Legislature, 1st Special Session, "Part 3" Budget	\$0	\$5,213,520
Allocations - 122nd Legislature, 2nd Regular Session <sup>4</sup>	(\$72,865)	(\$14,617,235)
Subtotal - Allocations	\$49,742,937	\$41,307,437
<b>Total Allocations and Other Uses</b>	<b>\$47,847,220</b>	<b>\$43,879,085</b>
<b>Net Change (Resources minus Allocations and Other Uses)</b>	<b>\$178,924</b>	<b>(\$189,801)</b>
<b>BEGINNING BALANCE <sup>5</sup></b>		
	<b>\$5,081,373</b>	<b>\$5,260,297</b>
<b>NET CHANGE (FROM ABOVE)</b>		
	<b>\$178,924</b>	<b>(\$189,801)</b>
<b>ENDING BALANCE</b>		
	<b>\$5,260,297</b>	<b>\$5,070,496</b>

**NOTES:**

- <sup>1</sup> For the purposes of this summary, transfers out are treated as an expenditure/use and are positive amounts, while transfers in are negative amounts.
- <sup>2</sup> Reflects the impact of three Other Special Revenue Fund deallocations authorized under PL 2005, c 12, Pts I, R and II, that were distributed to selected FHM accounts. The distribution of these Other Special Revenue Fund /wide deallocations to FHM accounts was not budgeted. In FY06, all but \$2,184 of these deallocated FHM funds were then transferred to the General Fund.
- <sup>3</sup> Current Services allocations are approximately flat-funded from FY05 levels (FY05 Allocations = \$49,863,014).
- <sup>4</sup> Includes the impact of the FY07, \$8,391,658 million fund-wide deallocation authorized under PL 2005, c. 519, Pt AA. Before distributing this fund-wide deallocation, the State Budget Officer must first apply any unexpended balance in the Fund for a Healthy Maine as of June 30, 2006.
- <sup>5</sup> Reflects actual FY05 and FY06 ending balances, including all revenue and expenditure variances and closing transactions for FY05 and FY06.