

# MAINE STATE LEGISLATURE

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# Fiscal Briefing for the Legislative Council

Legislative Council Meeting  
September 21, 2006

*Prepared by the  
Office of Fiscal & Program Review*  
**Executive Summary**

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

- General Fund revenue was just slightly under budget in August, but remained approximately \$8.8 million (+2.9% variance) over budget for the Fiscal Year-to-date (FYTD). The Individual Income Tax and Corporate Income Tax continue to be the major contributors to the positive FYTD variance. The "Other Revenue" line is another major contributor to this excess revenue, but some of this may be overstated due to a significant amount of "undistributed" revenues at the Department of Inland Fisheries and Wildlife.
- Highway Fund revenue was under budget in August by \$5.6 million, offsetting July's positive variance and resulting in a negative variance of the FYTD of \$3.7 million (-9.6%). The Fuel Taxes line as anticipated more than reversed the temporary positive variance in July. Most other Highway Fund revenue lines were also running under budget.

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

- Average balance of the Cash Pool was \$668.8 million in August. This is above the average August balances of the last 5 years of \$654.7 million and approximately equal to last year's average balance in August. Last August, the average balance included \$123.6 million of Tax Anticipation Note (TAN) borrowing, which is not in the total this August.
- The General Fund needed to borrow \$30 million internally from Other Special Revenue Funds at the end of August, but the expectation still is that no TAN borrowing will be required in this fiscal year.
- Highway Fund average cash balances continued their downward trend in August and were nearly \$50 million below the average balance of a year ago. No further updates on how the administration plans to manage the typical demand for Highway Fund cash over the next couple of months of the heavy construction season.

## **3. 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 will meet on October 24<sup>th</sup> at 9:30AM in Room 228 of the State House to review the revenue sources not driven by the economic models and will meet again on November 28<sup>th</sup> (also at 9:30AM in Room 228) to conclude the forecast with a review of the major tax lines driven by the economic forecast.

**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**

**AUGUST 2006 REVENUE VARIANCE REPORT**

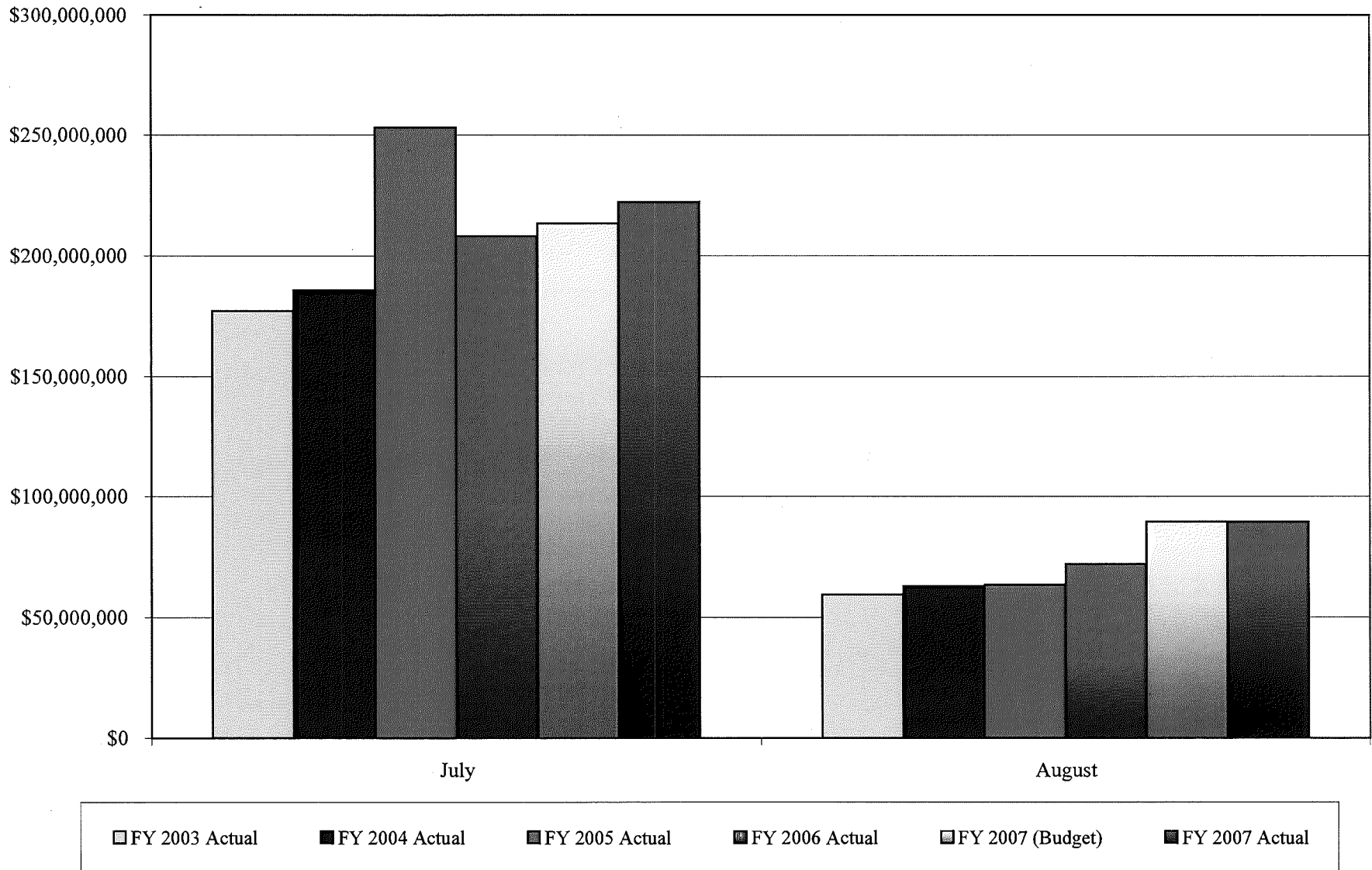
Revenue Line	August '06 Budget	August '06 Actual	August '06 Variance	FY07 YTD Budget	FY07 YTD Actual	FY07 YTD Variance	FY07 YTD Variance %	FY07 Budgeted Totals
<b>General Fund</b>								
Sales and Use Tax	2,284,559	1,187,494.61	(1,097,064.39)	97,547,068	94,721,686.60	(2,825,381.40)	-2.9%	978,142,183
Service Provider Tax	(865,136)	45,505.00	910,641.00	2,904,847	4,147,644.88	1,242,797.88	42.8%	48,911,765
Individual Income Tax	49,992,318	44,386,434.97	(5,605,883.03)	133,003,033	135,215,688.94	2,212,655.94	1.7%	1,274,529,688
Corporate Income Tax	1,400,000	2,275,148.12	875,148.12	8,000,000	12,762,917.51	4,762,917.51	59.5%	167,718,997
Cigarette and Tobacco Tax	16,258,179	16,470,811.24	212,632.24	30,804,875	31,034,312.39	229,437.39	0.7%	165,466,882
Public Utilities Tax	0	0.00	0.00	0	0.00	0.00	N/A	20,495,000
Insurance Companies Tax	12,304	94,384.53	82,080.53	649,695	419,795.01	(229,899.99)	-35.4%	79,644,425
Estate Tax	(2,961,702)	(1,887,375.29)	1,074,326.71	0	130,227.50	130,227.50	N/A	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	503,386	688,134.65	184,748.65	503,386	688,196.32	184,810.32	36.7%	6,163,582
Transfer to Municipal Revenue Sharing	(2,693,399)	(2,442,623.72)	250,775.28	(12,314,202)	(12,589,244.83)	(275,042.83)	-2.2%	(125,934,433)
Transfer from Lottery Commission	3,798,827	4,060,844.14	262,017.14	8,547,360	8,231,109.41	(316,250.59)	-3.7%	50,334,250
Other Revenue	21,774,388	24,614,487.98	2,840,099.98	33,457,282	37,134,936.28	3,677,654.28	11.0%	218,832,674
<b>Totals</b>	<b>89,503,724</b>	<b>89,493,246.23</b>	<b>(10,477.77)</b>	<b>303,103,344</b>	<b>311,897,270.01</b>	<b>8,793,926.01</b>	<b>2.9%</b>	<b>2,934,190,370</b>
<b>Highway Fund</b>								
Fuel Taxes	2,883,595	(1,681,625.90)	(4,565,220.90)	21,431,857	19,000,525.60	(2,431,331.40)	-11.3%	226,776,993
Motor Vehicle Registration and Fees	7,859,190	6,911,961.03	(947,228.97)	14,523,631	13,525,941.86	(997,689.14)	-6.9%	87,172,358
Inspection Fees	379,720	474,362.82	94,642.82	800,295	839,581.68	39,286.68	4.9%	4,397,970
Fines	176,053	148,070.94	(27,982.06)	346,783	284,013.02	(62,769.98)	-18.1%	1,973,665
Income from Investments	200,000	129,235.35	(70,764.65)	200,000	129,235.35	(70,764.65)	-35.4%	1,300,000
Other Revenue	646,026	542,484.10	(103,541.90)	1,265,926	1,091,761.59	(174,164.41)	-13.8%	9,286,173
<b>Totals</b>	<b>12,144,584</b>	<b>6,524,488.34</b>	<b>(5,620,095.66)</b>	<b>38,568,492</b>	<b>34,871,059.10</b>	<b>(3,697,432.90)</b>	<b>-9.6%</b>	<b>330,907,159</b>

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

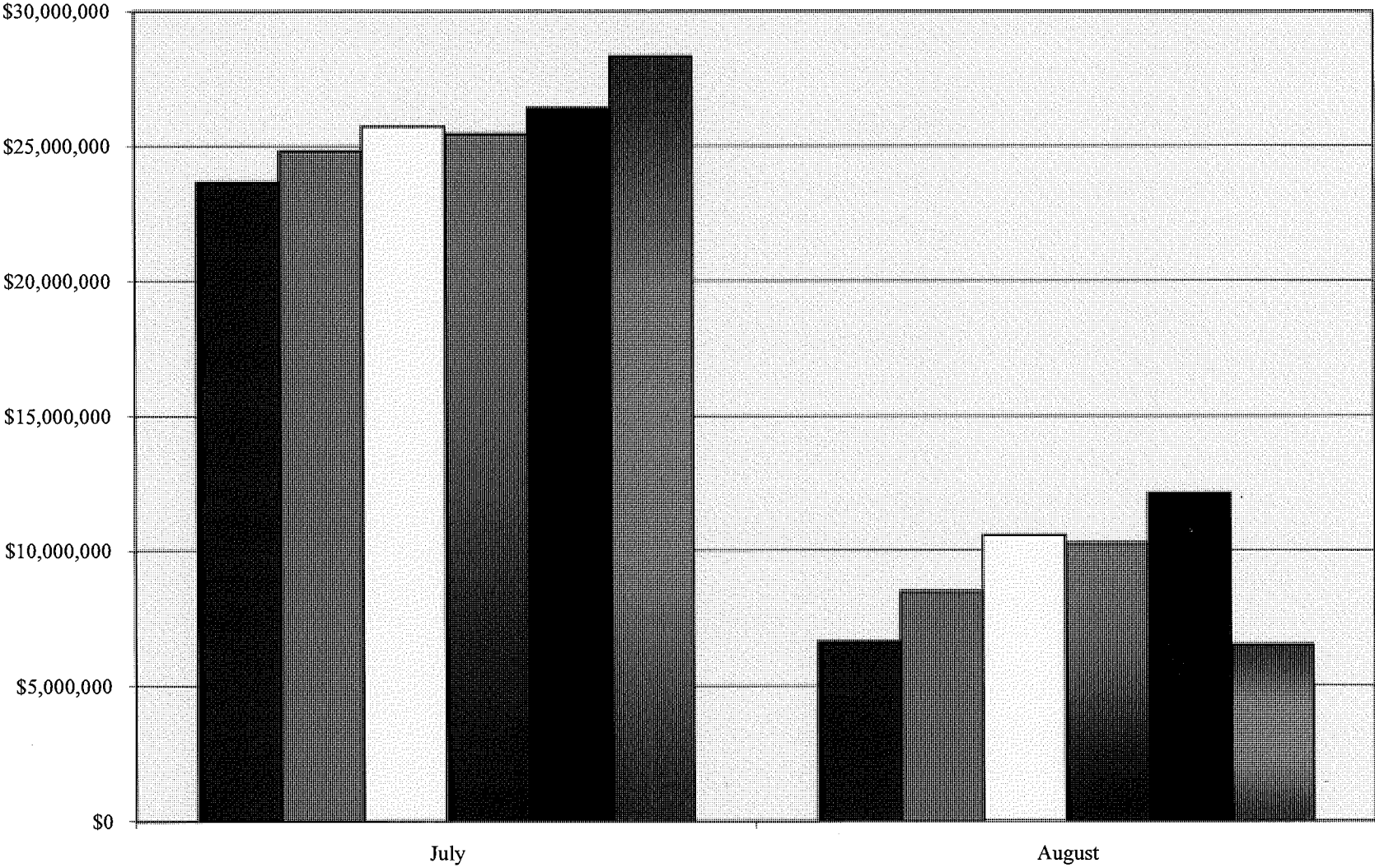
REVENUE CATEGORY	FY 2003	% Chg	FY 2004	% Chg	FY 2005	% Chg	FY 2006	% Chg	FY 2007	% Chg
<b>GENERAL FUND</b>										
Sales and Use Tax	\$82,619,353.92	7.4%	\$87,855,037.80	6.3%	\$90,326,360.01	6.5%	\$94,130,145.85	4.2%	\$94,721,686.60	0.6%
Service Provider Tax	\$0.00	N/A	\$0.00	N/A	\$3,207,756.32	N/A	\$2,803,093.80	-12.6%	\$4,147,644.88	48.0%
Individual Income Tax	\$104,386,008.37	0.6%	\$108,768,823.43	4.2%	\$133,075,823.82	22.3%	\$138,155,445.89	3.8%	\$154,136,425.52	11.6%
Individual Income Tax (Circuitbreaker)	\$0.00	N/A	\$0.00	N/A	(\$7,699,529.93)	N/A	(\$9,088,938.64)	-18.0%	(\$9,430,364.58)	-3.8%
Individual Income Tax (BETR)	\$0.00	N/A	\$0.00	N/A	\$0.00	N/A	(\$6,545,688.00)	N/A	(\$9,490,372.00)	-45.0%
Corporate Income Tax	\$5,479,762.31	83.9%	\$300,290.82	-94.5%	\$6,035,418.07	1909.9%	\$7,923,972.45	31.3%	\$12,762,917.51	61.1%
Cigarette and Tobacco Tax	\$18,692,655.75	31.6%	\$18,005,689.52	-3.7%	\$17,226,431.28	-4.3%	\$18,887,158.86	9.6%	\$31,034,312.39	64.3%
Public Utilities Tax	(\$150,001.18)	0.0%	(\$293,687.83)	-95.8%	(\$150,000.00)	48.9%	\$0.00	100.0%	\$0.00	N/A
Insurance Companies Tax	\$2,316,081.73	34.1%	\$1,933,548.96	-16.5%	\$1,273,111.20	-34.2%	\$805,659.41	-36.7%	\$419,795.01	-47.9%
Estate Tax	(\$1,228,848.72)	47.1%	(\$754,759.48)	38.6%	(\$2,345,886.94)	-210.8%	\$11,291,841.40	581.3%	\$130,227.50	-98.8%
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	(\$36,949.09)	-103.3%	\$294,745.70	897.7%	\$399,054.61	35.4%	\$507,745.71	27.2%	\$688,196.32	35.5%
Revenue Sharing Transfers	(\$9,816,741.35)	-4.8%	(\$10,043,131.77)	-2.3%	(\$11,472,237.24)	-14.2%	(\$11,596,279.59)	-1.1%	(\$12,589,244.83)	-8.6%
Liquor Transfers	\$5,293,397.38	-0.6%	\$5,498,639.90	3.9%	\$50,020,092.94	809.7%	\$750.00	-100.0%	\$5,971.36	696.2%
Lottery Transfers	\$7,396,181.98	20.9%	\$7,124,075.40	-3.7%	\$8,182,556.26	14.9%	\$7,813,966.67	-4.5%	\$8,231,109.41	5.3%
Other Revenue	\$21,799,516.42	9.4%	\$30,127,796.76	38.2%	\$28,496,403.92	-5.4%	\$25,216,507.59	-11.5%	\$37,128,964.92	47.2%
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$236,750,417.52</b>	<b>7.5%</b>	<b>\$248,817,069.21</b>	<b>5.1%</b>	<b>\$316,575,354.32</b>	<b>27.2%</b>	<b>\$280,305,381.40</b>	<b>-11.5%</b>	<b>\$311,897,270.01</b>	<b>11.3%</b>
<b>HIGHWAY FUND</b>										
Fuel Taxes	\$14,353,112.03	-6.6%	\$17,673,849.82	23.1%	\$20,546,046.20	16.3%	\$18,528,755.70	-9.8%	\$19,000,525.60	2.5%
Motor Vehicle Registration and Fees	\$13,447,913.07	4.5%	\$13,191,654.45	-1.9%	\$13,742,299.53	4.2%	\$14,408,024.57	4.8%	\$13,525,941.86	-6.1%
Inspection Fees	\$753,191.19	130.5%	\$910,806.33	20.9%	\$660,521.40	-27.5%	\$778,715.10	17.9%	\$839,581.68	7.8%
Fines	\$460,940.66	24.6%	\$332,164.68	-27.9%	\$167,189.70	-49.7%	\$373,642.31	123.5%	\$284,013.02	-24.0%
Income from Investments	\$199,639.65	-37.5%	\$56,980.39	-71.5%	\$70,933.17	24.5%	\$210,262.79	196.4%	\$129,235.35	-38.5%
Other Revenue	\$1,086,574.14	47.7%	\$1,153,122.70	6.1%	\$1,122,934.91	-2.6%	\$1,456,791.13	29.7%	\$1,091,761.59	-25.1%
<b>TOTAL HIGHWAY FUND REVENUE</b>	<b>\$30,301,370.74</b>	<b>1.1%</b>	<b>\$33,318,578.37</b>	<b>10.0%</b>	<b>\$36,309,924.91</b>	<b>9.0%</b>	<b>\$35,756,191.60</b>	<b>-1.5%</b>	<b>\$34,871,059.10</b>	<b>-2.5%</b>

Adjusted for Service Provider Tax Split

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



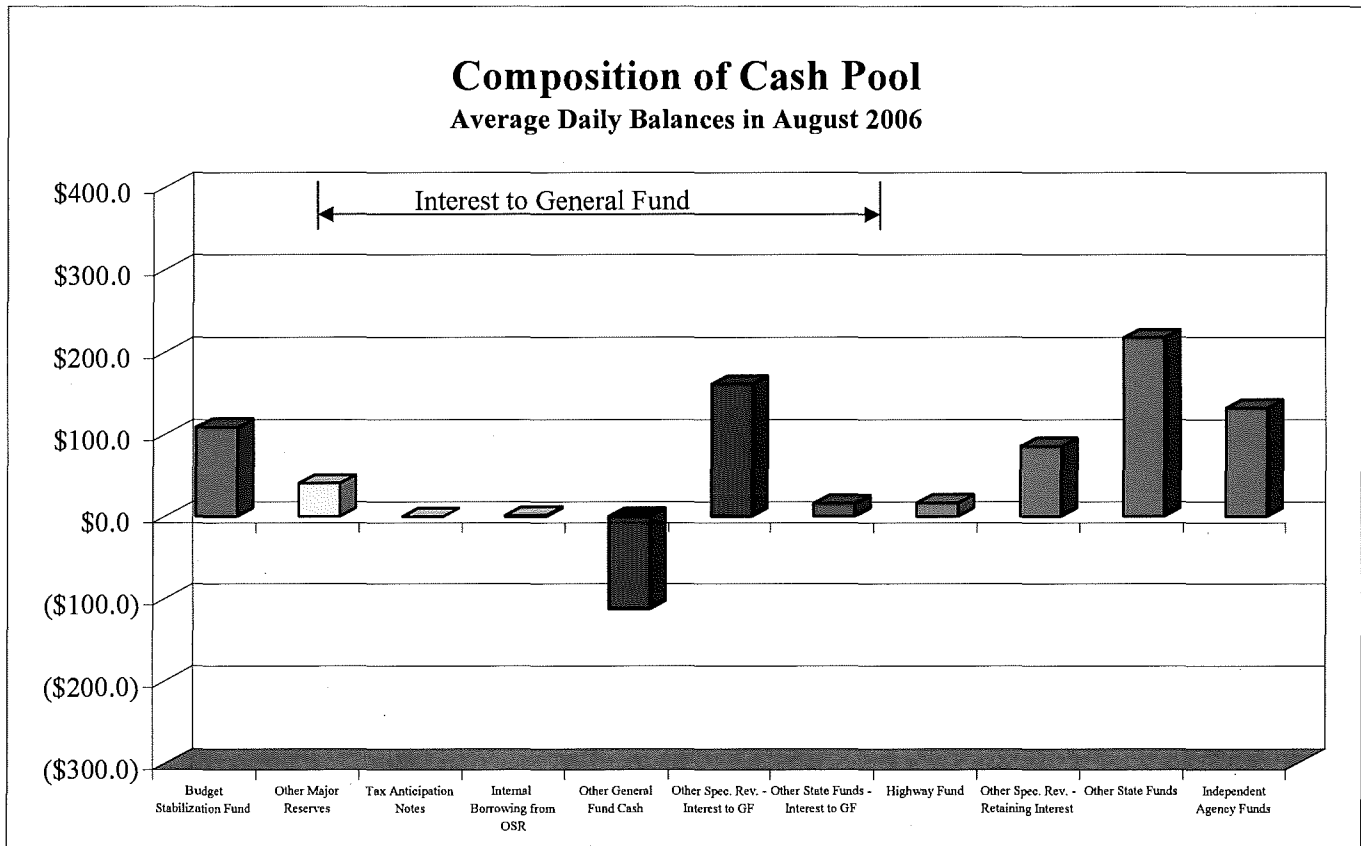
## Monthly Historical Comparisons - Highway Fund Revenue FY 2003 - FY 2007



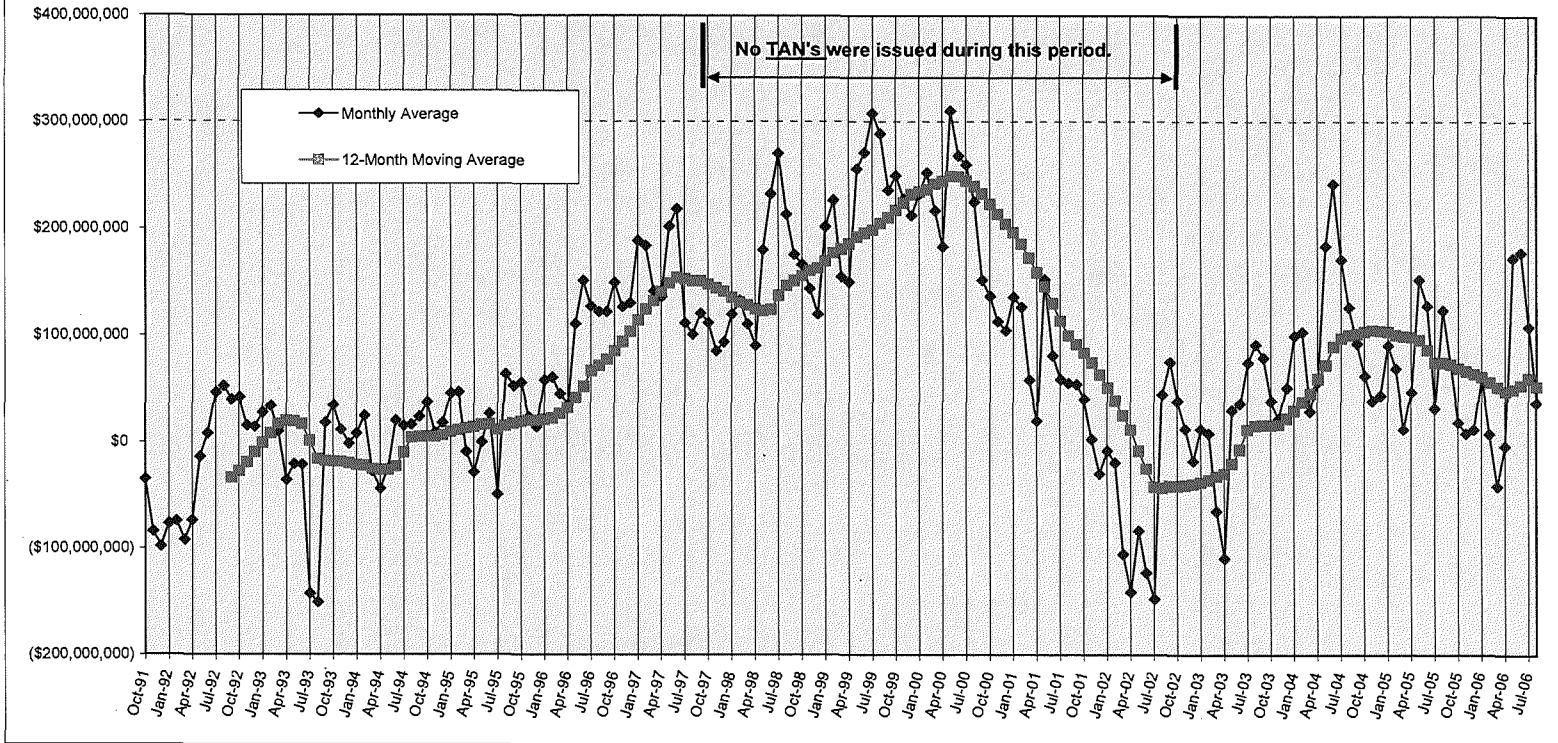
FY 2003 Actual    
  FY 2004 Actual    
  FY 2005 Actual    
  FY 2006 Actual    
  FY 2007 (Budget)    
  FY 2007 Actual

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

	August 2006
General Fund - Total	\$38,865,670
General Fund - Detail	
Budget Stabilization Fund (Rainy Day Fund)	\$109,063,472
Reserve for General Fund Operating Capital	\$40,615,146
Tax Anticipation Notes	\$0
Internal Borrowing from Other Special Revenue	\$1,935,484
General Fund - Other	(\$112,748,432)
Highway Fund	\$16,944,383
Other Special Revenue - Contributing to General Fund	\$161,390,998
Other Special Revenue - Retaining Interest Earned	\$85,588,051
Other State Funds - Contributing Interest to General Fund	\$16,277,722
Other State Funds	\$217,324,930
Independent Agency Funds	\$132,367,383
<b>Total Cash Pool</b>	<b>\$668,759,136</b>



**GENERAL FUND  
DAILY STARTING CASH BALANCES**



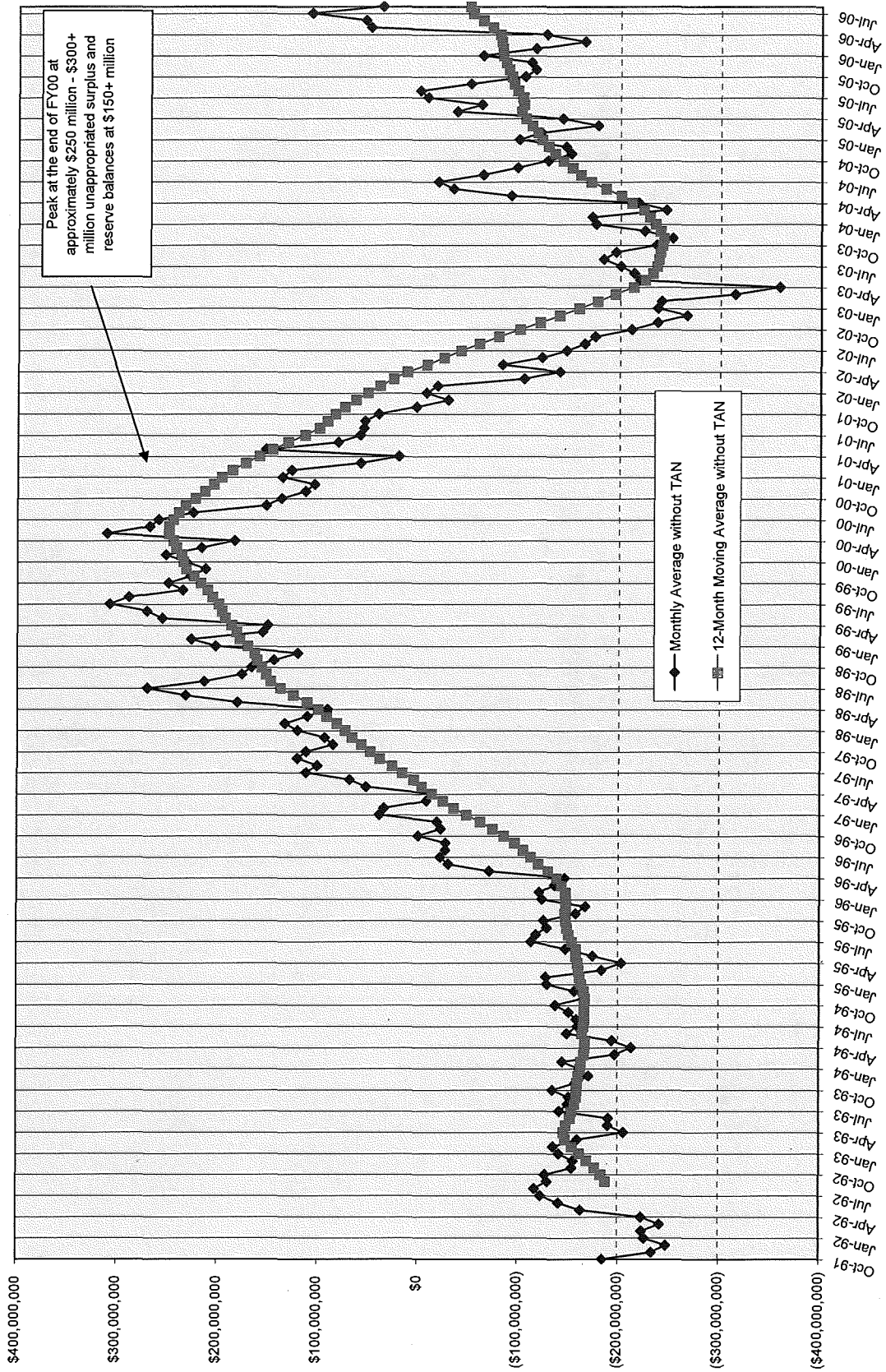
**TAX ANTICIPATION NOTES (TAN's) - History from FY 1990-91 <sup>(1)</sup>**

<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

