

MAINE STATE LEGISLATURE

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Fiscal Briefing

Legislative Council Meeting

October 26, 2006

*Prepared by the
Office of Fiscal & Program Review*

Executive Summary

1. Revenue Update (See Attachment A)

- General Fund revenue was over budget by \$12.5 million in September, increasing the positive variance for the Fiscal Year-to-date (FYTD) to \$21.3 million (+3.7%). September's positive variance was driven by estate tax collections (+10.7 million), the result of 2 large estate tax payments in September. Individual Income Tax's negative variance was a result of a timing issue in BETR and Circuitbreaker payments. These payments were \$10.8 million higher than anticipated through the 1st Quarter. Corporate Income Tax continued its strong performance.
- Highway Fund revenue was under budget in September. This monthly negative variance of \$0.6 million increased the FYTD negative variance to \$4.3 million (-6.2%). Fuel Taxes are the major negative variance. Some portion of the \$1.3 million negative FYTD variance in Motor Vehicle Registration and Fees may be a timing issue, which will reduce this negative variance in future months.

2. Economic and Revenue Forecasting Schedule (See Attachment B)

- Consensus Economic Forecasting Commission met on October 3rd. The preliminary forecast has changes to the major economic variables from the previous forecast that were relatively modest, with more optimistic estimates in some areas, but more pessimistic estimates in others. This economic forecast alone is not expected to produce significant revisions to revenue.
- Revenue Forecasting Committee will meet on October 24th 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 28th (also at 9:30AM in Room 228) to conclude the forecast with a review of the major tax lines driven by the economic forecast.

3. Cash Pool and Cash Balance Trends (See Attachment C)

- Average Cash Pool balance was \$632.6 million in September, which is above average September balances of the last 5 years and \$21.9 million higher than last September's average balance, which included \$123.6 million of Tax Anticipation Note (TAN) borrowing.
- The General Fund needed to borrow \$30 million internally from Other Special Revenue Funds throughout the month of September. While that borrowing increased to \$70 million in mid-October, the expectation still is that no TAN borrowing will be required in this fiscal year. Trend line factoring out TAN borrowing continues to show improvement.
- Highway Fund average cash balances continued their downward trend in September. September's average balance of \$16.6 million was below the average September balances of the last five years of \$58.3 million. The last portion of the \$15 million General Fund transfer to Highway Fund was paid early to improve Highway Fund cash balances.

4. State Funding Disbursed to Municipalities and Counties (See Attachment D)

- OFPR annual update of major state funding disbursed to municipalities and counties shows an increase of state funding for local units of government in FY 06 after several years of very slow growth. The growth is primarily due to the "ramp-up" to 55% for school subsidies.

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

SEPTEMBER 2006 REVENUE VARIANCE REPORT

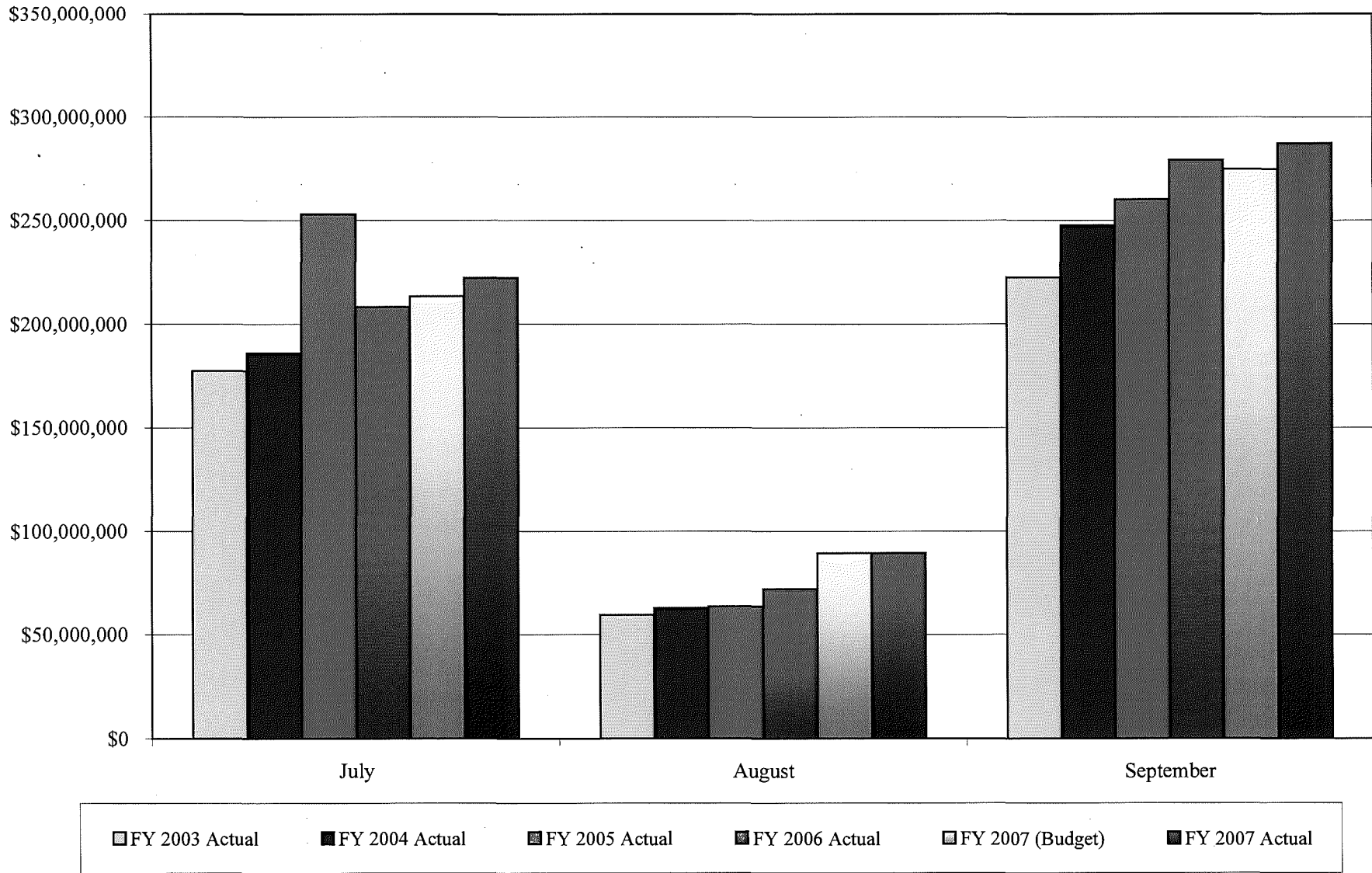
Revenue Line	September '06 Budget	September '06 Actual	September '06 Variance	FY07 YTD Budget	FY07 YTD Actual	FY07 YTD Variance	FY07 YTD Variance %	FY07 Budgeted Totals
General Fund								
Sales and Use Tax	94,567,822	95,336,100.65	768,278.65	192,114,890	190,057,787.25	(2,057,102.75)	-1.1%	978,142,183
Service Provider Tax	3,747,764	4,035,070.79	287,306.79	6,652,611	8,182,715.67	1,530,104.67	23.0%	48,911,765
Individual Income Tax	118,396,861	114,238,155.39	(4,158,705.61)	251,399,894	249,453,844.33	(1,946,049.67)	-0.8%	1,274,529,688
Corporate Income Tax	33,350,000	37,010,068.78	3,660,068.78	41,350,000	49,772,986.29	8,422,986.29	20.4%	167,718,997
Cigarette and Tobacco Tax	14,686,229	13,999,930.67	(686,298.33)	45,491,104	45,034,243.06	(456,860.94)	-1.0%	165,466,882
Public Utilities Tax	0	0.00	0.00	0	0.00	0.00	N/A	20,495,000
Insurance Companies Tax	2,162	130,744.46	128,582.46	651,857	550,539.47	(101,317.53)	-15.5%	79,644,425
Estate Tax	2,961,702	13,617,157.19	10,655,455.19	2,961,702	13,747,384.69	10,785,682.69	364.2%	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	791,709	553,289.32	(238,419.68)	1,295,095	1,241,485.64	(53,609.36)	-4.1%	6,163,582
Transfer to Municipal Revenue Sharing	(12,753,185)	(12,781,589.17)	(28,404.17)	(25,067,387)	(25,370,834.00)	(303,447.00)	-1.2%	(125,934,433)
Transfer from Lottery Commission	4,748,533	5,417,921.19	669,388.19	13,295,893	13,649,030.60	353,137.60	2.7%	50,334,250
Other Revenue	14,260,282	15,668,140.54	1,407,858.54	47,717,564	52,803,076.82	5,085,512.82	10.7%	218,832,674
Totals	274,759,879	287,224,989.81	12,465,110.81	577,863,223	599,122,259.82	21,259,036.82	3.7%	2,934,190,370
Highway Fund								
Fuel Taxes	22,575,483	22,085,784.16	(489,698.84)	44,007,340	41,086,309.76	(2,921,030.24)	-6.6%	234,769,382
Motor Vehicle Registration and Fees	7,124,528	6,778,895.13	(345,632.87)	21,648,259	20,304,836.99	(1,343,422.01)	-6.2%	88,406,317
Inspection Fees	385,821	317,246.15	(68,574.85)	1,186,116	1,156,827.83	(29,288.17)	-2.5%	4,414,756
Fines	167,536	169,460.73	1,924.73	514,319	453,473.75	(60,845.25)	-11.8%	2,018,239
Income from Investments	100,000	81,970.63	(18,029.37)	300,000	211,205.98	(88,794.02)	-29.6%	1,350,000
Other Revenue	636,588	968,992.30	332,404.30	1,902,514	2,060,753.89	158,239.89	8.3%	9,433,331
Totals	30,989,956	30,402,349.10	(587,606.90)	69,558,548	65,273,408.20	(4,285,139.80)	-6.2%	340,392,025

Comparison of Actual Fiscal Year-to-Date Revenue Through September of Each Fiscal Year

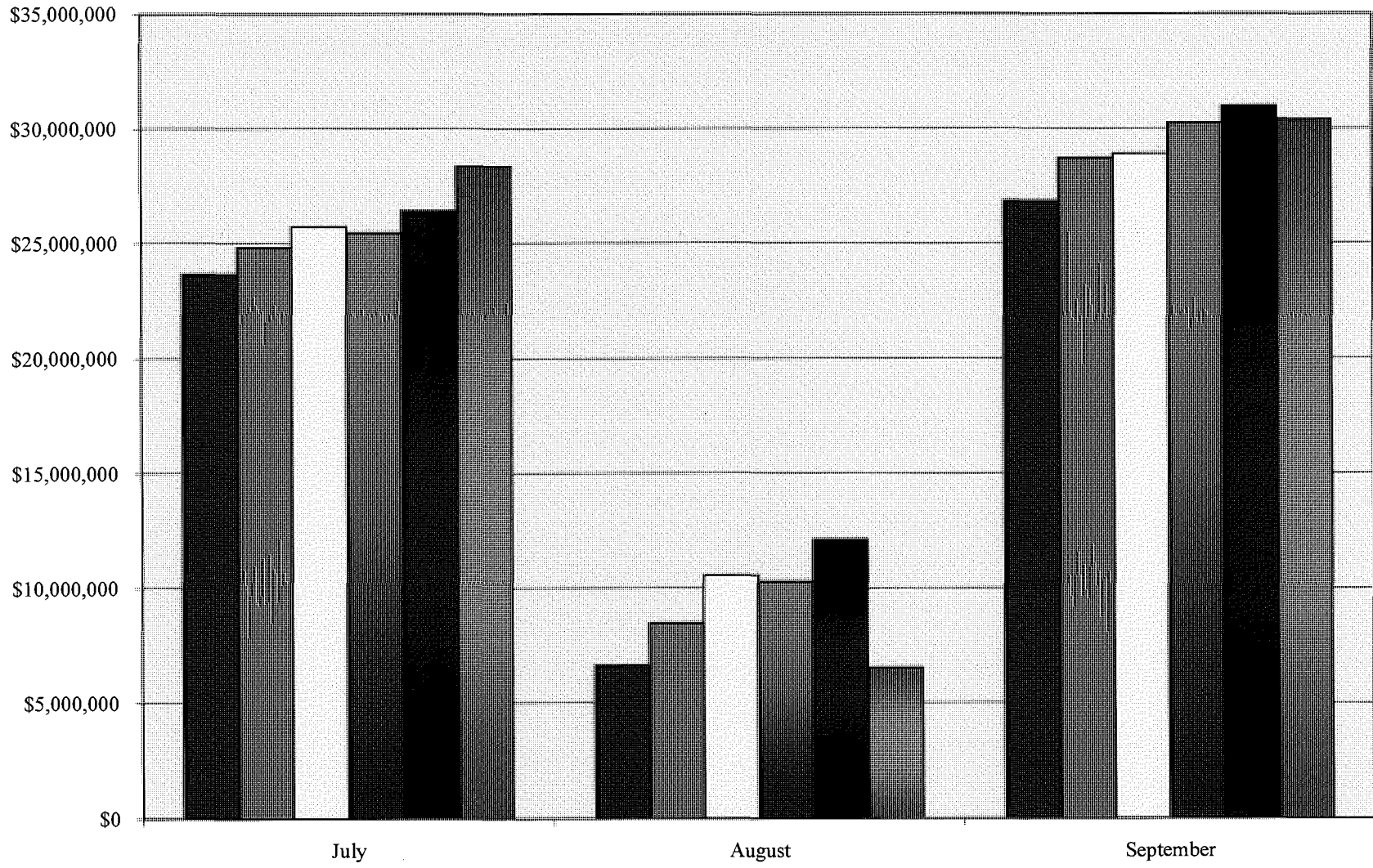
REVENUE CATEGORY	FY 2003	% Chg	FY 2004	% Chg	FY 2005	% Chg	FY 2006	% Chg	FY 2007	% Chg
GENERAL FUND										
Sales and Use Tax	\$167,699,645.16	5.3%	\$178,658,572.17	6.5%	\$177,825,339.46	3.1%	\$185,385,402.22	4.3%	\$190,057,787.25	2.5%
Service Provider Tax	\$0.00	N/A	\$0.00	N/A	\$6,396,850.10	N/A	\$6,419,578.03	0.4%	\$8,182,715.67	27.5%
Individual Income Tax	\$212,565,564.87	2.6%	\$221,420,706.18	4.2%	\$254,880,033.41	15.1%	\$271,085,229.30	6.4%	\$286,778,252.74	5.8%
Individual Income Tax (Circuitbreaker)	\$0.00	N/A	\$0.00	N/A	(\$13,212,065.74)	N/A	(\$16,191,303.55)	-22.5%	(\$20,895,690.68)	-29.1%
Individual Income Tax (BETR)	\$0.00	N/A	\$0.00	N/A	\$0.00	N/A	(\$6,546,430.41)	N/A	(\$16,428,717.73)	-151.0%
Corporate Income Tax	\$20,572,642.81	18.3%	\$20,779,903.82	1.0%	\$32,611,042.51	56.9%	\$40,938,903.42	25.5%	\$49,772,986.29	21.6%
Cigarette and Tobacco Tax	\$25,613,783.43	17.8%	\$27,327,820.94	6.7%	\$26,791,393.51	-2.0%	\$31,854,556.76	18.9%	\$45,034,243.06	41.4%
Public Utilities Tax	(\$1,267,078.10)	-767.9%	(\$293,687.83)	76.8%	(\$150,000.00)	48.9%	\$0.00	100.0%	\$0.00	N/A
Insurance Companies Tax	\$2,600,879.83	46.9%	\$2,040,409.88	-21.5%	\$1,797,449.71	-11.9%	\$1,083,332.44	-39.7%	\$550,539.47	-49.2%
Estate Tax	\$2,472,046.69	330.2%	\$1,004,445.53	-59.4%	\$1,876,875.17	86.9%	\$14,311,042.97	662.5%	\$13,747,384.69	-3.9%
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	\$360,260.97	-72.1%	\$530,354.03	47.2%	\$787,382.05	48.5%	\$1,299,556.81	65.0%	\$1,241,485.64	-4.5%
Revenue Sharing Transfers	(\$20,442,730.49)	-4.4%	(\$21,463,818.31)	-5.0%	(\$23,383,561.18)	-8.9%	(\$24,535,660.32)	-4.9%	(\$25,370,834.00)	-3.4%
Liquor Transfers	\$7,176,476.11	0.2%	\$7,934,132.89	10.6%	\$50,018,110.46	530.4%	\$750.00	-100.0%	\$8,821.36	1076.2%
Lottery Transfers	\$9,378,113.16	5.9%	\$10,385,895.69	10.7%	\$12,927,830.94	24.5%	\$11,663,852.83	-9.8%	\$13,649,030.60	17.0%
Other Revenue	\$32,672,633.98	0.4%	\$48,181,626.55	47.5%	\$47,616,244.12	-1.2%	\$42,506,730.98	-10.7%	\$52,794,255.46	24.2%
TOTAL GENERAL FUND REVENUE	\$459,402,238.42	5.3%	\$496,506,361.54	8.1%	\$576,782,924.52	16.2%	\$559,275,541.48	-3.0%	\$599,122,259.82	7.1%
HIGHWAY FUND										
Fuel Taxes	\$33,430,140.56	0.3%	\$38,792,488.87	16.0%	\$41,997,483.18	8.3%	\$40,371,777.15	-3.9%	\$41,086,309.76	1.8%
Motor Vehicle Registration and Fees	\$19,814,291.70	7.9%	\$19,653,735.85	-0.8%	\$20,116,342.96	2.4%	\$21,400,880.61	6.4%	\$20,304,836.99	-5.1%
Inspection Fees	\$1,099,583.49	82.4%	\$1,295,646.35	17.8%	\$1,034,203.41	-20.2%	\$1,156,561.34	11.8%	\$1,156,827.83	0.0%
Fines	\$658,676.86	20.3%	\$496,597.49	-24.6%	\$305,183.93	-38.5%	\$504,770.14	65.4%	\$453,473.75	-10.2%
Income from Investments	\$340,070.41	-48.9%	\$111,220.23	-67.3%	\$143,040.99	28.6%	\$416,066.73	190.9%	\$211,205.98	-49.2%
Other Revenue	\$1,803,160.03	30.8%	\$1,695,872.58	-5.9%	\$1,620,996.02	-4.4%	\$2,153,381.18	32.8%	\$2,060,753.89	-4.3%
TOTAL HIGHWAY FUND REVENUE	\$57,145,923.05	4.1%	\$62,045,561.37	8.6%	\$65,217,250.49	5.1%	\$66,003,437.15	1.2%	\$65,273,408.20	-1.1%

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



Consensus Economic Forecasting Commission

Recommendations - Historical Projections vs. Current Projections

<u>Calendar Years</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
• W&S Employment (Annual Percentage Change)									
> Consensus 11/2004	<i>-0.1</i>	0.9	1.7	1.5	1.1	1.3	1.3		
> Consensus 2/2005	<i>-0.1</i>	0.9	1.7	1.5	1.1	1.3	1.3		
> Consensus 11/2005	<i>0.1</i>	<i>1.1</i>	0.8	0.9	0.7	0.8	0.8		
> Consensus 2/2006	<i>0.1</i>	<i>1.1</i>	0.0	0.5	0.6	0.6	0.7		
> Consensus 11/2006	<i>0.1</i>	<i>0.8</i>	<i>0.0</i>	0.5	0.4	0.6	0.8	0.7	0.6
Change from Previous Forecast				0.0	-0.2	0.0	0.1		

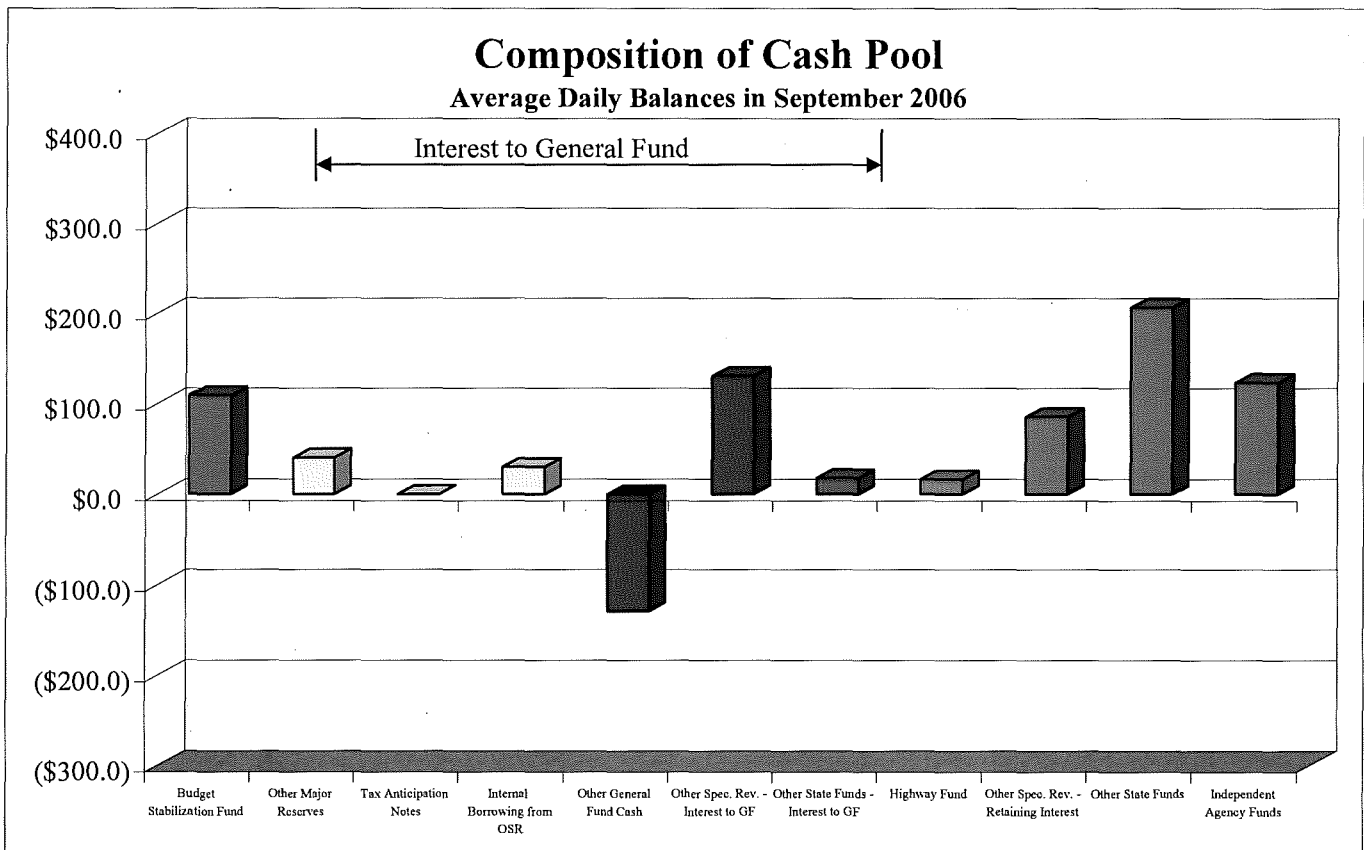
<u>Calendar Years</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
• Personal Income (Annual Percentage Change)									
• Personal Income (Annual Percentage Change)									
> Consensus 11/2004	<i>4.1</i>	5.5	4.0	4.0	4.0	4.0	4.0		
> Consensus 2/2005	<i>4.1</i>	5.5	4.0	4.0	4.0	4.0	4.0		
> Consensus 11/2005	<i>3.6</i>	<i>6.0</i>	5.5	5.5	5.0	5.0	5.0		
> Consensus 2/2006	<i>3.6</i>	<i>6.0</i>	5.0	5.0	4.5	4.5	4.5		
> Consensus 11/2006	<i>4.4</i>	<i>4.6</i>	<i>3.6</i>	5.2	4.3	4.5	4.5	4.3	4.2
Change from Previous Forecast				0.2	-0.2	0.0	0.0		

<u>Calendar Years</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
• CPI (Annual Percentage Change)									
• CPI (Annual Percentage Change)									
> Consensus 2/2004	<i>2.3</i>	2.0	2.0	2.5	2.5				
> Consensus 11/2004	<i>2.3</i>	2.8	2.0	2.0	2.0	2.0	2.0		
> Consensus 2/2005	<i>2.3</i>	2.8	2.0	2.0	2.0	2.0	2.0		
> Consensus 11/2005	<i>2.3</i>	<i>2.7</i>	3.2	2.8	2.5	2.2	2.2		
> Consensus 2/2006	<i>2.3</i>	<i>2.7</i>	3.4	3.0	2.8	2.8	2.8		
> Consensus 11/2006	<i>2.3</i>	<i>2.7</i>	<i>3.4</i>	3.5	2.5	2.2	2.2	2.2	2.2
Change from Previous Forecast				0.5	-0.3	-0.6	-0.6		

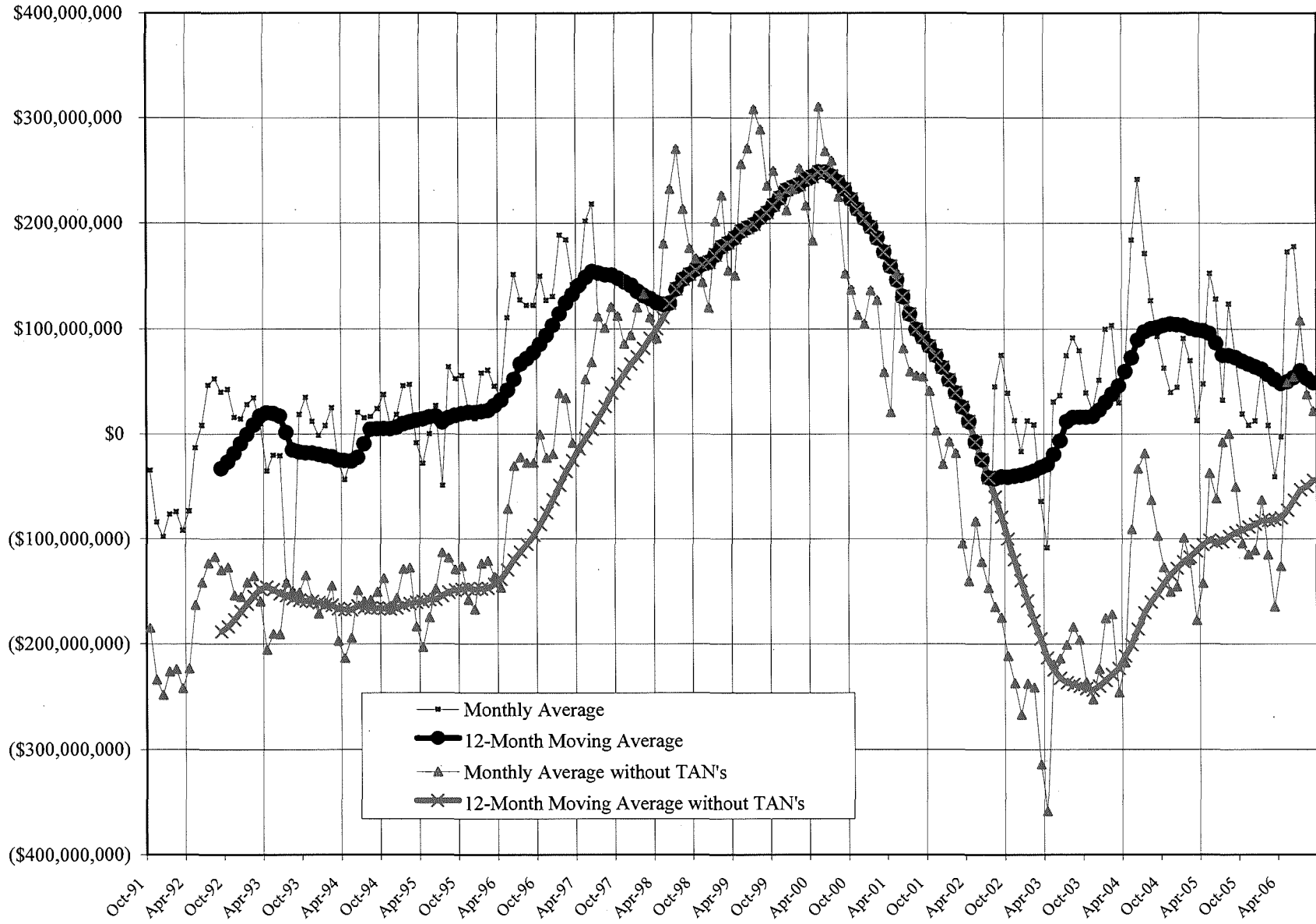
(Amounts in italics and boxes represent actuals; shaded amounts reflect revised forecasts and change from previous forecasts)

Composition of State's Cash Pool September 2006 Average Daily Balances

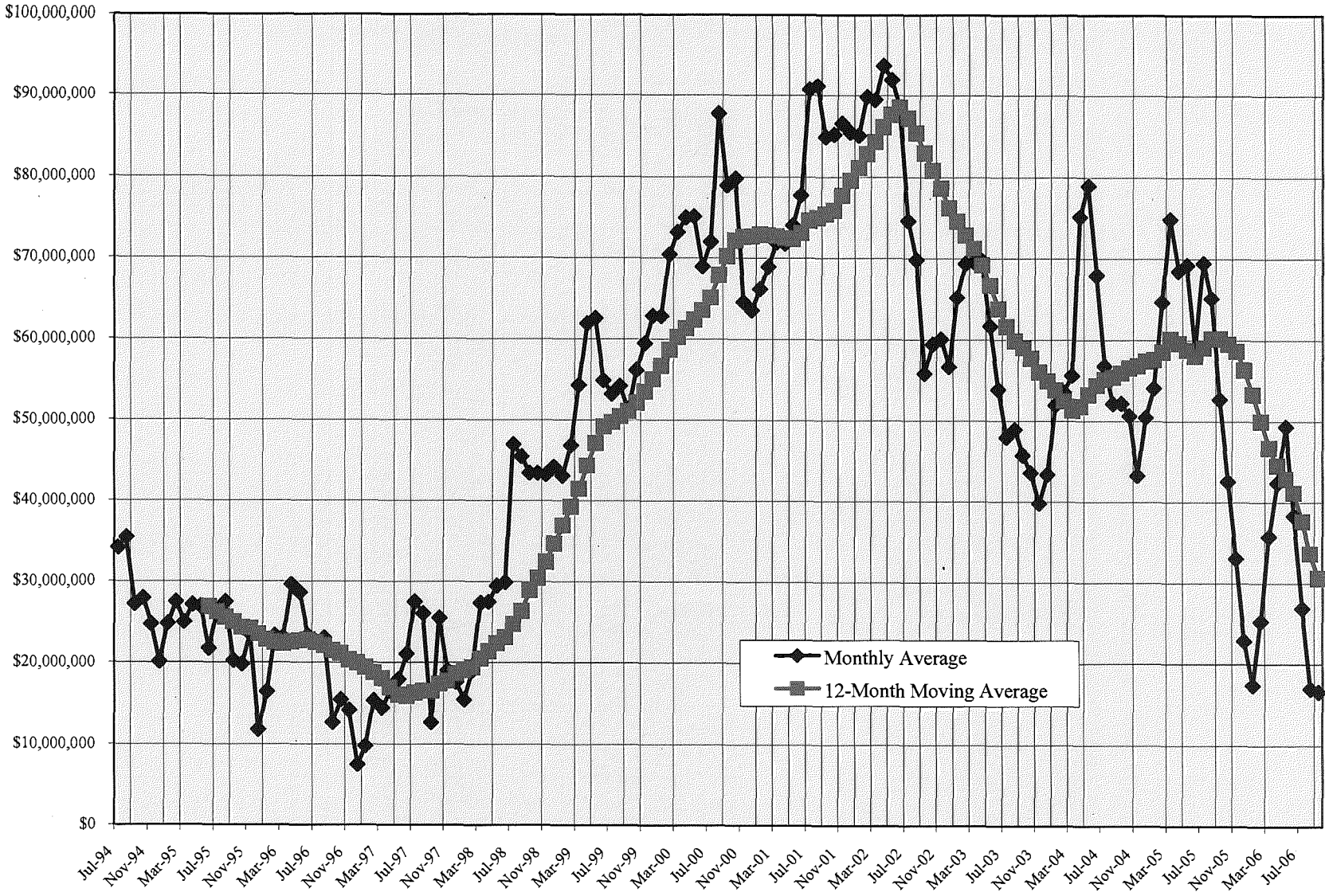
	September 2006
General Fund - Total	\$51,252,923
General Fund - Detail	
Budget Stabilization Fund (Rainy Day Fund)	\$109,531,133
Reserve for General Fund Operating Capital	\$40,615,146
Tax Anticipation Notes	\$0
Internal Borrowing from Other Special Revenue	\$30,000,000
General Fund - Other	(\$128,893,356)
Highway Fund	\$16,562,903
Other Special Revenue - Contributing to General Fund	\$130,806,390
Other Special Revenue - Retaining Interest Earned	\$85,778,033
Other State Funds - Contributing Interest to General Fund	\$17,863,690
Other State Funds	\$206,804,625
Independent Agency Funds	\$123,536,148
Total Cash Pool	\$632,604,711



General Fund Average Daily Cash Balances With and Without Tax Anticipation Notes (TAN's)



HIGHWAY FUND DAILY CASH STARTING BALANCES



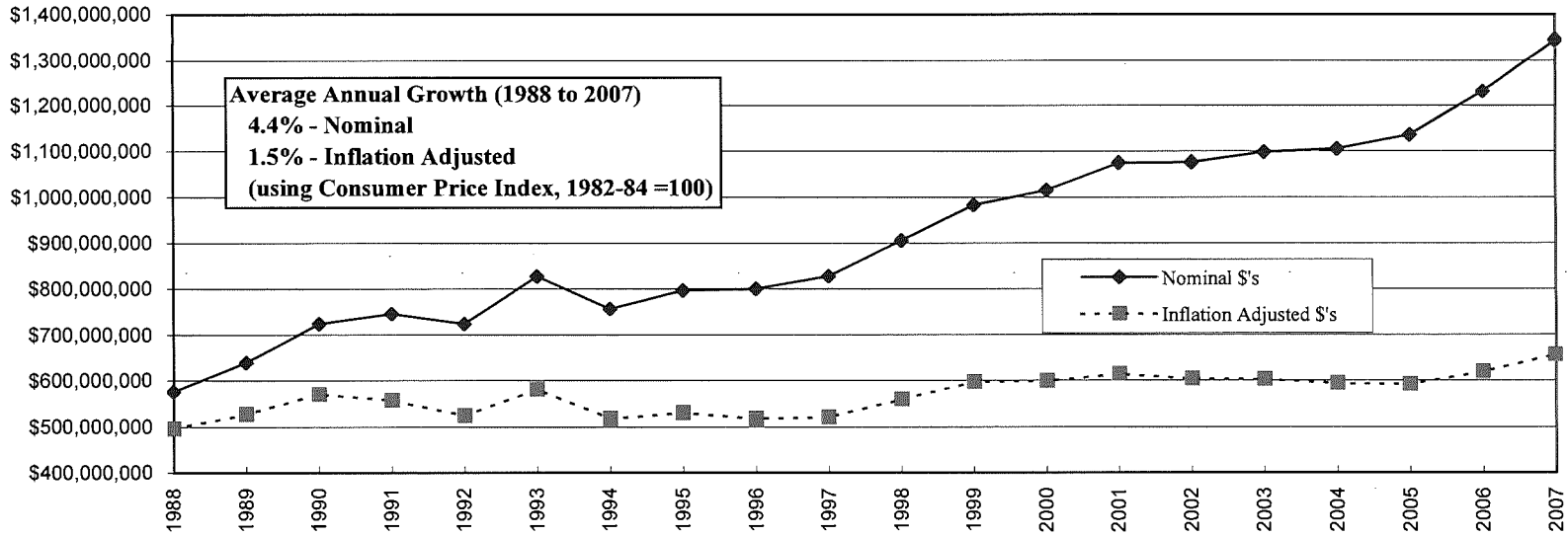
**SUMMARY OF MAJOR STATE FUNDING
DISBURSED TO MUNICIPALITIES AND COUNTIES**

Fiscal Year Ending June 30	Transportation Funding (Exhibit A)	General Assistance (Exhibit B)	Education Funding (Exhibit C)	Revenue Sharing (Exhibit D)	Property Tax Reimbursement (Exhibit E)	Natural Resource Agencies (Exhibit F)	Criminal Justice (Exhibit G)	Economic Development (Exhibit H)	Emergency & Disaster Assistance (Exhibit I)	Totals
1988	\$18,911,684	\$6,530,477	\$479,127,991	\$56,920,102	\$987,746	\$9,029,332	\$3,035,114	\$0	\$1,221,234	\$575,763,680
1989	\$21,266,686	\$7,060,245	\$531,980,772	\$63,757,298	\$977,038	\$9,209,654	\$4,117,685	\$21,451	\$573,500	\$638,964,329
1990	\$23,158,167	\$11,402,878	\$608,815,902	\$60,826,462	\$1,896,577	\$10,064,654	\$5,746,979	\$1,740,593	\$685,966	\$724,338,178
1991	\$23,251,113	\$16,153,345	\$611,316,360	\$62,254,009	\$2,633,700	\$22,713,309	\$5,523,086	\$1,213,673	\$751,034	\$745,809,629
1992	\$21,637,814	\$18,624,423	\$606,790,845	\$52,839,137	\$1,982,173	\$14,740,715	\$5,631,942	\$1,269,703	\$780,499	\$724,297,251
1993	\$32,943,120	\$10,573,448	\$665,629,417	\$61,128,500	\$2,563,723	\$26,110,307	\$5,138,892	\$22,122,353	\$1,353,487	\$827,563,247
1994	\$21,273,452	\$8,490,764	\$627,011,511	\$66,325,845	\$5,911,000	\$14,104,904	\$5,356,788	\$6,601,977	\$1,500,560	\$756,576,801
1995	\$21,883,259	\$6,276,119	\$655,747,809	\$69,896,500	\$5,953,498	\$30,131,622	\$5,653,090	\$537,830	\$466,960	\$796,546,687
1996	\$22,235,313	\$5,804,939	\$662,347,966	\$72,704,600	\$2,875,000	\$24,081,082	\$8,427,716	\$509,785	\$391,946	\$799,378,347
1997	\$22,996,920	\$5,783,080	\$687,899,992	\$77,696,000	\$2,907,234	\$20,402,236	\$8,260,911	\$375,540	\$1,087,099	\$827,409,012
1998	\$23,413,399	\$5,522,181	\$754,219,940	\$89,490,000	\$6,510,229	\$12,305,588	\$9,318,331	\$418,208	\$3,308,691	\$904,506,567
1999	\$24,087,152	\$5,409,604	\$784,175,113	\$96,174,000	\$45,262,019	\$13,469,829	\$10,434,872	\$162,558	\$2,396,425	\$981,571,572
2000	\$25,918,196	\$4,928,784	\$809,193,248	\$107,116,000	\$45,556,890	\$9,586,557	\$10,293,182	\$464,084	\$956,502	\$1,014,013,443
2001	\$23,720,710	\$4,532,067	\$863,588,842	\$109,481,753	\$45,018,234	\$15,087,028	\$11,404,128	\$863,857	\$386,394	\$1,074,083,013
2002	\$23,461,900	\$4,263,079	\$879,705,792	\$100,610,139	\$45,744,947	\$8,686,698	\$12,073,867	\$487,779	\$224,175	\$1,075,258,376
2003	\$21,890,802	\$5,025,947	\$899,980,779	\$102,311,399	\$45,620,436	\$8,731,814	\$12,203,939	\$1,032,137	\$311,543	\$1,097,108,796
2004	\$21,704,921	\$5,518,412	\$901,894,267	\$110,663,051	\$41,223,017	\$9,100,439	\$12,429,856	\$1,039,918	\$410,543	\$1,103,984,424
2005	\$22,926,204	\$5,888,966	\$923,421,213	\$117,609,820	\$39,213,142	\$11,139,146	\$13,048,435	\$393,498	\$452,907	\$1,134,093,331
2006	\$25,729,363	\$5,555,973	\$1,021,939,750	\$121,386,963	\$32,524,447	\$7,768,687	\$15,064,891	\$275,962	\$421,827	\$1,230,667,863
2007 (1)	\$26,435,483	\$6,500,000	\$1,128,938,225	\$118,933,353	\$38,605,030	\$6,994,380	\$14,341,901	\$1,150,000	\$1,672,704	\$1,343,571,076

(1) Budgeted Amounts through 122nd Legislature, 2nd Regular Session

Disbursements to Municipalities and Counties

Nominal and Inflation Adjusted Totals



As A Percentage of State Revenue

