

MAINE STATE LEGISLATURE

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Fiscal Briefing

Legislative Council Meeting

November 16, 2006

*Prepared by the
Office of Fiscal & Program Review*

Executive Summary

1. Revenue Update (See Attachment A)

- General Fund revenue was over budget by \$5.9 million in October, increasing the positive variance for the Fiscal Year-to-date (FYTD) to \$27.2 million (+3.4%). October's positive variance was driven by a \$16.5 million positive variance in the Individual Income Tax, which was caused by a \$17.3 million positive variance in BETR and Circuitbreaker payments. Excluding BETR and Circuitbreaker payments, Individual Income Tax was ahead of budget for the FYTD by \$8.1 million. Corporate Income Tax, although under budget in October, remained \$3.3 million ahead of budget for the FYTD. Estate Tax increased its positive FYTD variance to \$11.2 million through the end of October.
- Highway Fund revenue was once again under budget in October. October's monthly negative variance of \$0.9 million increased the FYTD negative variance to \$5.2 million (-5.2%). Fuel Taxes continue to be the major source of this negative variance.

2. Revenue Forecasting Schedule

- Revenue Forecasting Committee will meet on November 28th at 9:30AM in Room 228 of the State House to conclude the forecast with a review of the major tax lines driven by the economic forecast and some other miscellaneous loose ends.

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

- Average Cash Pool balance dropped from \$632.6 million in September to \$594.9 million in October. However, October's balance was \$32.9 million higher than last October's average balance, which included \$123.6 million of Tax Anticipation Note (TAN) borrowing.
- The General Fund increased its internal borrowing from Other Special Revenue Funds to \$80 toward the end of October. The expectation still is that no TAN borrowing will be required in this fiscal year. The trend line factoring out TAN borrowing continues to show improvement.
- Highway Fund average cash balance trends continued their downward slide in October. October's average balance of \$17.1 million was substantially below last October's average balance of \$42.6 million. The early implementation of the \$15 million transfer from the General Fund to the Highway Fund has helped avoid a negative cash position in the short-term.

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

OCTOBER 2006 REVENUE VARIANCE REPORT

Revenue Line	October '06 Budget	October '06 Actual	October '06 Variance	FY07 YTD Budget	FY07 YTD Actual	FY07 YTD Variance	FY07 YTD Variance %	FY07 Budgeted Totals
General Fund								
Sales and Use Tax	92,455,278	92,591,083.33	135,805.33	284,563,969	282,648,870.58	(1,915,098.42)	-0.7%	978,142,183
Service Provider Tax	4,531,714	4,246,678.57	(285,035.43)	11,184,325	12,429,394.24	1,245,069.24	11.1%	48,911,765
Individual Income Tax	68,392,041	84,923,088.48	16,531,047.48	319,760,225	334,376,932.81	14,616,707.81	4.6%	1,274,529,688
Corporate Income Tax	10,999,863	5,870,973.61	(5,128,889.39)	52,349,726	55,643,959.90	3,294,233.90	6.3%	167,718,997
Cigarette and Tobacco Tax	14,484,607	12,885,675.49	(1,598,931.51)	59,975,711	57,919,918.55	(2,055,792.45)	-3.4%	165,466,882
Public Utilities Tax	0	(116,564.00)	(116,564.00)	0	(116,564.00)	(116,564.00)	N/A	20,495,000
Insurance Companies Tax	6,409,064	5,650,708.96	(758,355.04)	7,060,921	6,201,248.43	(859,672.57)	-12.2%	79,644,425
Estate Tax	3,212,720	3,663,542.86	450,822.86	6,188,002	17,410,927.55	11,222,925.55	181.4%	38,288,045
Property Tax - Unorganized Territory	10,150,628	10,403,375.00	252,747.00	10,150,628	10,403,375.00	252,747.00	2.5%	11,597,312
Income from Investments	603,374	441,787.55	(161,586.45)	1,898,469	1,683,273.19	(215,195.81)	-11.3%	6,163,582
Transfer to Municipal Revenue Sharing	(8,995,323)	(9,569,223.02)	(573,900.02)	(34,060,770)	(34,940,057.02)	(879,287.02)	-2.6%	(125,934,433)
Transfer from Lottery Commission	3,798,827	4,259,311.72	460,484.72	17,094,720	17,908,342.32	813,622.32	4.8%	50,334,250
Other Revenue	14,957,953	11,645,600.14	(3,312,352.86)	62,700,848	64,448,676.96	1,747,828.96	2.8%	218,832,674
Totals	221,000,746	226,896,038.69	5,895,292.69	798,866,774	826,018,298.51	27,151,524.51	3.4%	2,934,190,370
Highway Fund								
Fuel Taxes	20,930,926	19,502,611.29	(1,428,314.71)	64,936,276	60,588,921.05	(4,347,354.95)	-6.7%	234,769,382
Motor Vehicle Registration and Fees	6,792,335	7,525,644.07	733,309.07	28,440,594	27,830,481.06	(610,112.94)	-2.1%	88,406,317
Inspection Fees	334,757	313,910.94	(20,846.06)	1,520,873	1,470,738.77	(50,134.23)	-3.3%	4,414,756
Fines	161,147	163,596.90	2,449.90	675,466	617,070.65	(58,395.35)	-8.6%	2,018,239
Income from Investments	100,000	80,105.74	(19,894.26)	400,000	291,311.72	(108,688.28)	-27.2%	1,350,000
Other Revenue	642,847	500,451.17	(142,395.83)	2,545,361	2,561,205.06	15,844.06	0.6%	9,433,331
Totals	28,962,012	28,086,320.11	(875,691.89)	98,518,570	93,359,728.31	(5,158,841.69)	-5.2%	340,392,025

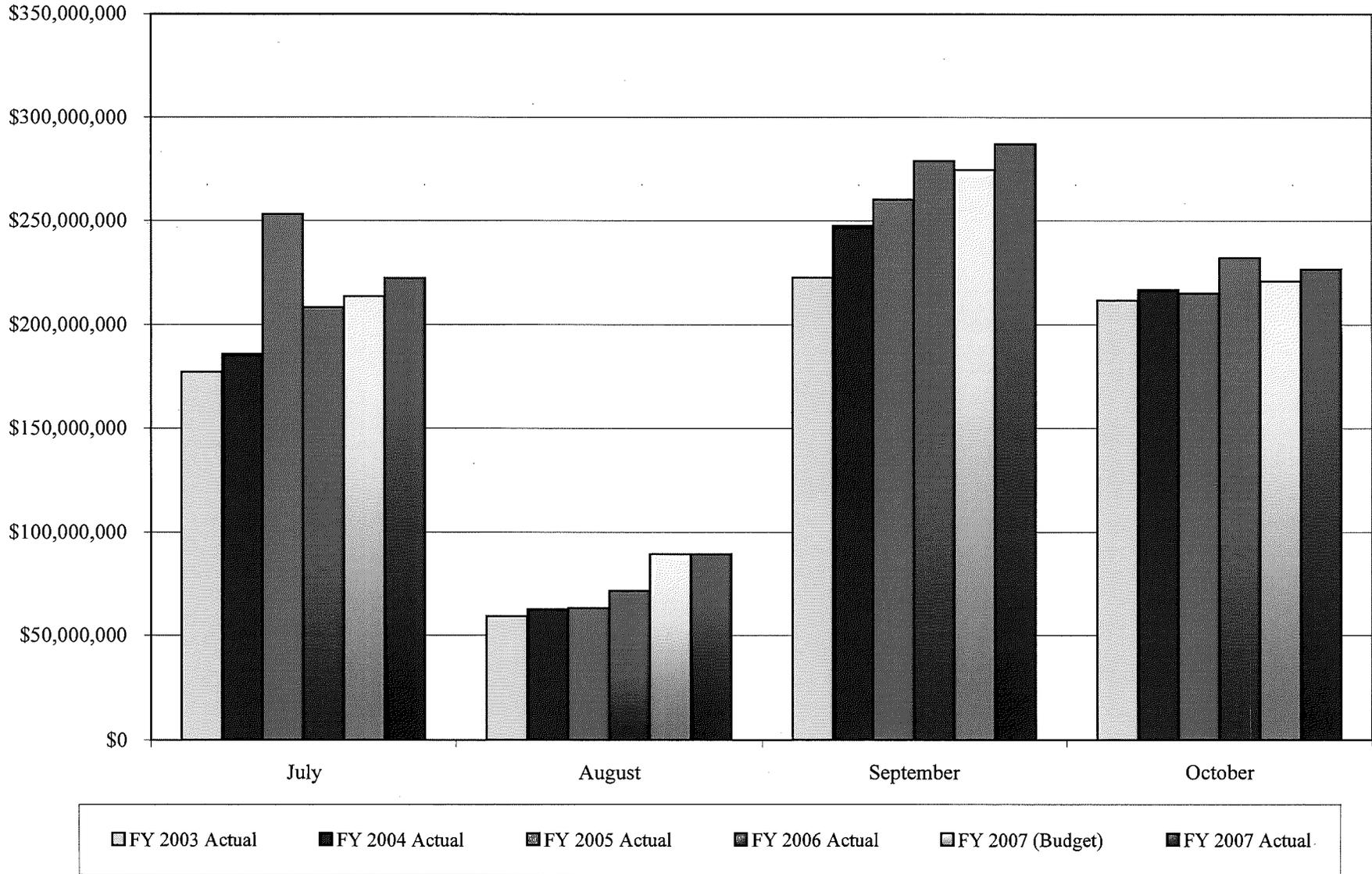
Comparison of Actual Fiscal Year-to-Date Revenue Through October of Each Fiscal Year

REVENUE CATEGORY	FY 2003	% Chg	FY 2004	% Chg	FY 2005	% Chg	FY 2006	% Chg	FY 2007	% Chg
GENERAL FUND										
Sales and Use Tax	\$247,178,149.53	6.6%	\$262,479,453.20	6.2%	\$263,639,501.23	4.6%	\$274,608,095.37	4.2%	\$282,648,870.58	2.9%
Service Provider Tax	\$0.00	N/A	\$0.00	N/A	\$10,980,787.58	N/A	\$10,792,552.97	-1.7%	\$12,429,394.24	15.2%
Individual Income Tax	\$306,888,094.36	5.3%	\$313,481,484.93	2.1%	\$344,307,227.63	9.8%	\$367,804,403.59	6.8%	\$389,434,184.29	5.9%
Individual Income Tax (Circuitbreaker)	\$0.00	N/A	\$0.00	N/A	(\$18,912,589.48)	N/A	(\$26,905,255.75)	-42.3%	(\$27,197,515.38)	-1.1%
Individual Income Tax (BETR)	\$0.00	N/A	\$0.00	N/A	\$0.00	N/A	(\$29,392,498.00)	N/A	(\$27,859,736.10)	5.2%
Corporate Income Tax	\$23,236,450.59	16.0%	\$27,301,436.27	17.5%	\$39,490,877.49	44.6%	\$51,617,068.69	30.7%	\$55,643,959.90	7.8%
Cigarette and Tobacco Tax	\$35,918,322.71	8.0%	\$34,941,346.14	-2.7%	\$34,487,999.08	-1.3%	\$44,109,348.89	27.9%	\$57,919,918.55	31.3%
Public Utilities Tax	(\$142,550.93)	-2.0%	(\$293,687.83)	-106.0%	(\$132,366.66)	54.9%	\$0.00	100.0%	(\$116,564.00)	N/A
Insurance Companies Tax	\$7,125,933.99	13.3%	\$8,390,042.35	17.7%	\$7,568,232.62	-9.8%	\$7,274,838.54	-3.9%	\$6,201,248.43	-14.8%
Estate Tax	\$3,567,544.82	371.8%	\$4,502,778.72	26.2%	\$4,539,142.73	0.8%	\$34,887,346.78	668.6%	\$17,410,927.55	-50.1%
Property Tax - Unorganized Territory	\$9,300,585.00	5.4%	\$8,937,092.00	-3.9%	\$9,638,377.00	7.8%	\$9,560,399.00	-0.8%	\$10,403,375.00	8.8%
Income from Investments	\$746,331.24	-54.4%	\$699,674.99	-6.3%	\$1,162,147.82	66.1%	\$1,903,496.60	63.8%	\$1,683,273.19	-11.6%
Revenue Sharing Transfers	(\$29,442,437.41)	-6.3%	(\$30,766,381.11)	-4.5%	(\$32,614,796.01)	-6.0%	(\$33,074,742.70)	-1.4%	(\$34,940,057.02)	-5.6%
Liquor Transfers	\$9,429,829.56	1.9%	\$10,181,349.88	8.0%	\$50,017,984.19	391.3%	\$3,450.00	-100.0%	\$8,821.36	155.7%
Lottery Transfers	\$13,000,645.89	1.1%	\$13,646,556.58	5.0%	\$16,847,265.97	23.5%	\$16,808,624.38	-0.2%	\$17,908,342.32	6.5%
Other Revenue	\$44,275,801.21	-5.0%	\$59,770,475.71	35.0%	\$60,982,476.68	2.0%	\$61,517,005.03	0.9%	\$64,439,855.60	4.8%
TOTAL GENERAL FUND REVENUE	\$671,082,700.56	5.7%	\$713,271,621.83	6.3%	\$792,002,267.87	11.0%	\$791,514,133.39	-0.1%	\$826,018,298.51	4.4%
HIGHWAY FUND										
Fuel Taxes	\$49,508,721.27	-0.1%	\$57,323,019.43	15.8%	\$61,369,502.37	7.1%	\$60,740,819.15	-1.0%	\$60,588,921.05	-0.3%
Motor Vehicle Registration and Fees	\$25,593,025.51	1.3%	\$25,621,199.24	0.1%	\$25,803,239.74	0.7%	\$28,086,927.22	8.9%	\$27,830,481.06	-0.9%
Inspection Fees	\$1,417,759.48	96.3%	\$1,658,464.25	17.0%	\$1,363,512.98	-17.8%	\$1,477,439.92	8.4%	\$1,470,738.77	-0.5%
Fines	\$852,151.58	23.5%	\$651,710.13	-23.5%	\$582,046.61	-10.7%	\$635,117.20	9.1%	\$617,070.65	-2.8%
Income from Investments	\$441,135.93	-46.8%	\$163,087.16	-63.0%	\$218,416.65	33.9%	\$593,314.59	171.6%	\$291,311.72	-50.9%
Other Revenue	\$2,320,679.83	16.3%	\$2,395,961.02	3.2%	\$2,379,809.66	-0.7%	\$2,458,127.32	3.3%	\$2,561,205.06	4.2%
TOTAL HIGHWAY FUND REVENUE	\$80,133,473.60	1.3%	\$87,813,441.23	9.6%	\$91,716,528.01	4.4%	\$93,991,745.40	2.5%	\$93,359,728.31	-0.7%

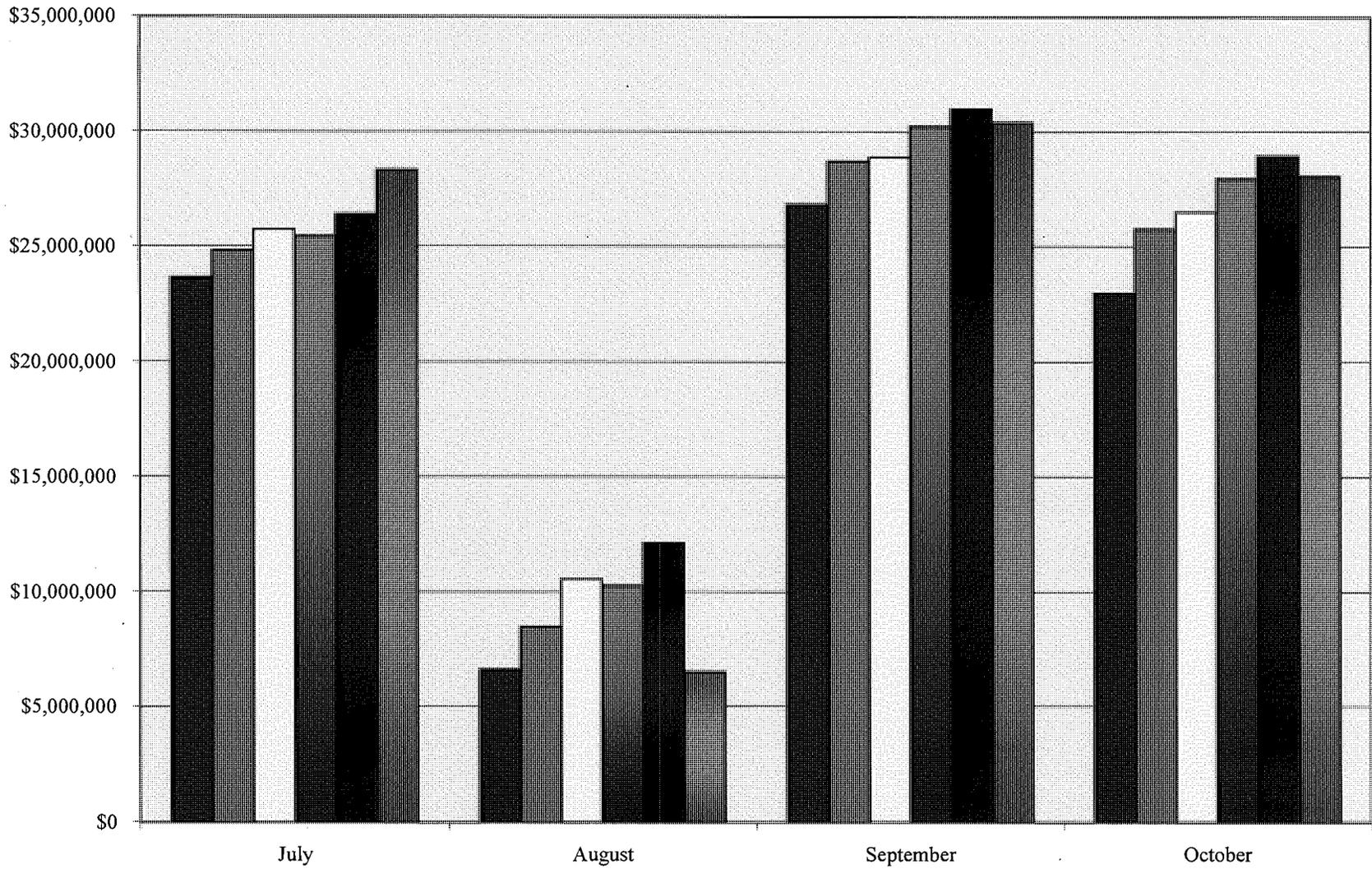
Adjusted for Service Provider Tax Split

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

Prepared by the Office of Fiscal and Program Review
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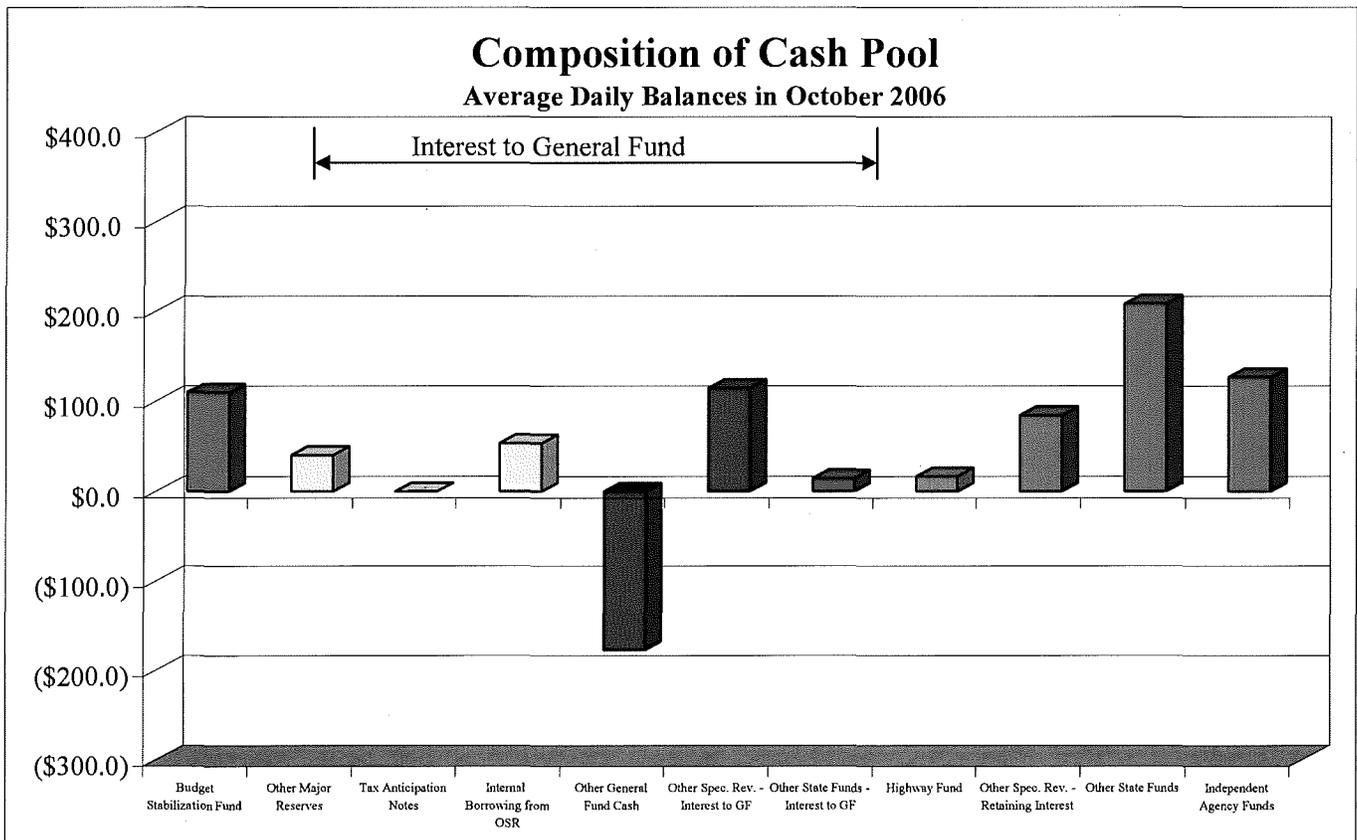
Monthly Historical Comparisons - Highway Fund Revenue FY 2003 - FY 2007



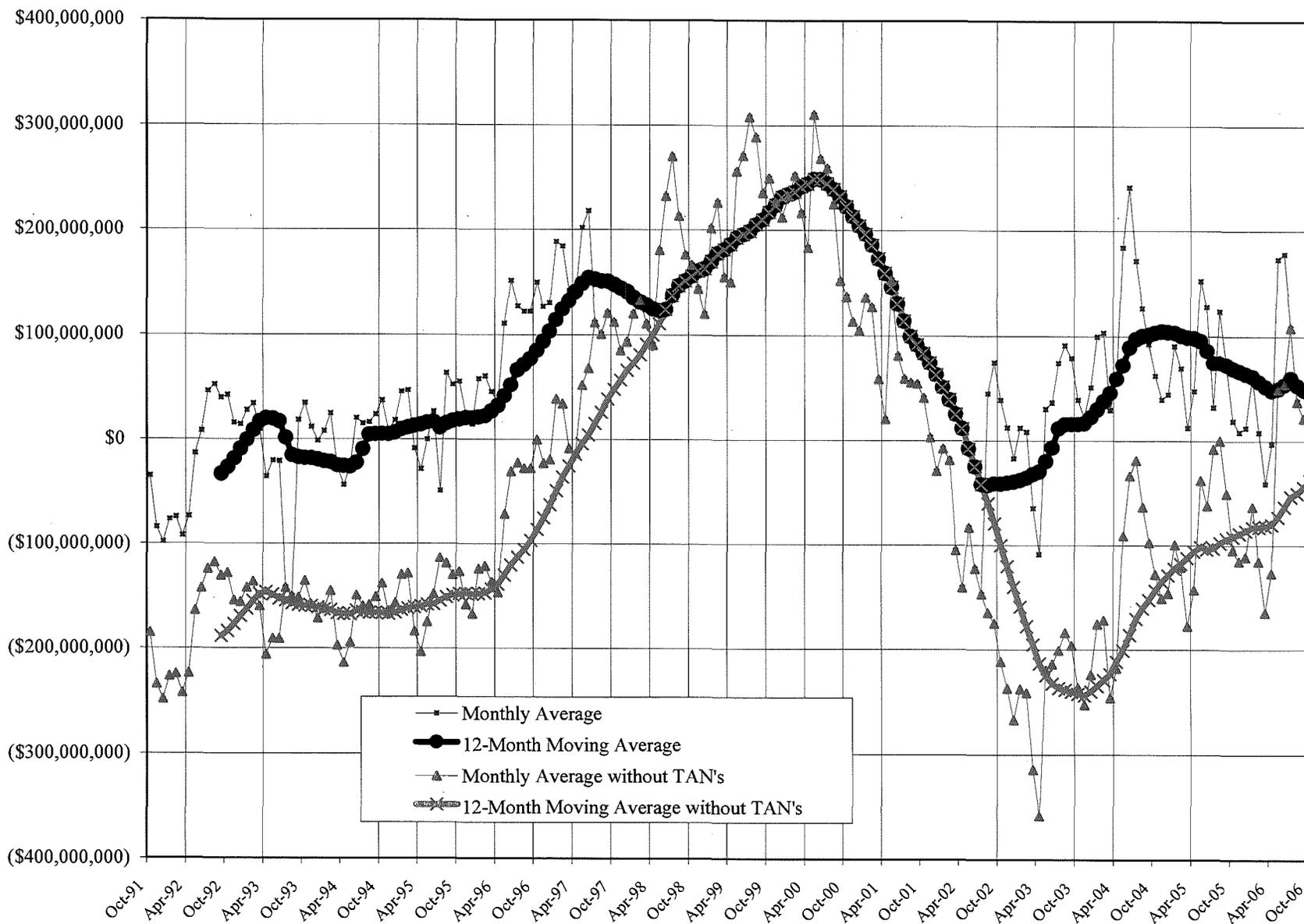
FY 2003 Actual
 FY 2004 Actual
 FY 2005 Actual
 FY 2006 Actual
 FY 2007 (Budget)
 FY 2007 Actual

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

	October 2006
General Fund - Total	\$27,739,875
General Fund - Detail	
Budget Stabilization Fund (Rainy Day Fund)	\$110,087,934
Reserve for General Fund Operating Capital	\$40,615,146
Tax Anticipation Notes	\$0
Internal Borrowing from Other Special Revenue	\$53,548,387
General Fund - Other	(\$176,511,592)
Highway Fund	\$17,081,405
Other Special Revenue - Contributing to General Fund	\$114,784,231
Other Special Revenue - Retaining Interest Earned	\$84,853,605
Other State Funds - Contributing Interest to General Fund	\$14,822,062
Other State Funds	\$208,484,766
Independent Agency Funds	\$127,107,933
Total Cash Pool	\$594,873,876



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



HIGHWAY FUND DAILY CASH STARTING BALANCES

