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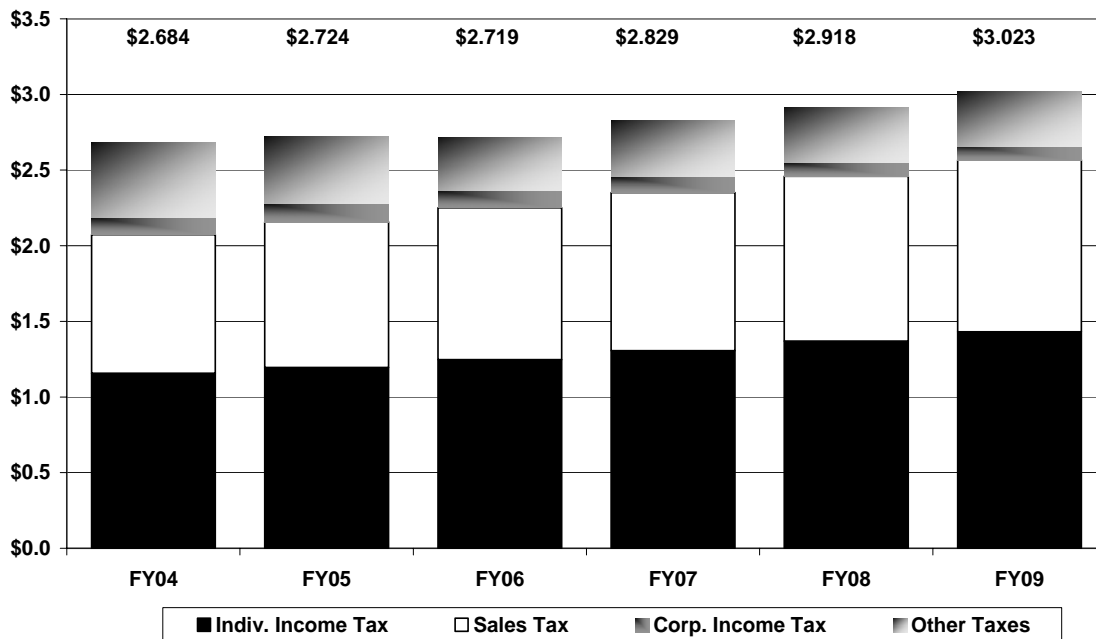


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# REPORT OF THE MAINE STATE REVENUE FORECASTING COMMITTEE

December 2004

## GENERAL FUND REVENUES (Billions of \$)



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# **REPORT OF THE MAINE STATE REVENUE FORECASTING COMMITTEE**

**December 2004**

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## EXECUTIVE SUMMARY

This report summarizes the Maine State Revenue Forecasting Committee's review and revisions of the estimates of General Fund, Highway Fund, and Fund for a Healthy Maine (Tobacco Settlement Fund) revenues for the fiscal years ending June 30, 2005 (FY05) through June 30, 2009 (FY09). This forecast establishes the base revenues that must be used by the Governor in submitting the 2006-2007 biennial budgets for the General Fund and the Highway Fund. This forecast represents an increase for the General Fund and the Highway Fund over the March 2004 forecast as adjusted by legislative changes. The primary driver of the increase of revenue in this forecast is the improvement of the economic projections for the current calendar year, which more than offset slightly lower projections of growth through the remainder of the forecast period.

### SUMMARY TABLE OF DECEMBER 2004 FORECAST

#### General Fund (\$'s in millions)

	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$2,651.6	\$2,669.9	\$2,783.7		
Net Change from Current Forecast	\$72.0	\$49.2	\$45.0		
Revised Amount	\$2,723.6	\$2,719.1	\$2,828.6	\$2,918.0	\$3,022.8
Annual % Growth	1.5%	-0.2%	4.0%	3.2%	3.6%

#### Highway Fund (\$'s in millions)

	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$317.4	\$320.4	\$329.3		
Net Change from Current Forecast	\$3.9	\$10.0	\$10.9		
Revised Amount	\$321.4	\$330.4	\$340.2	\$348.8	\$358.1
Annual % Growth	3.0%	2.8%	3.0%	2.5%	2.7%

#### Fund for a Healthy Maine (\$'s in millions)

	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$50.4	\$52.8	\$58.6		
Net Change from Current Forecast	(\$1.8)	(\$4.0)	\$0.8		
Revised Amount	\$48.5	\$48.8	\$59.4	\$72.0	\$73.1
Annual % Growth	-0.7%	0.5%	21.8%	21.2%	1.6%

*Note: FY05 equals the fiscal year ending June 30, 2005; FY06 equals fiscal year ending June 30, 2006; etc. Amounts may not add due to rounding.*

**General Fund:** The change in the General Fund forecast presented here is driven primarily by the updated economic forecast of the Consensus Economic Forecasting Commission (see Appendix C). The Commission's November projections are more optimistic about employment growth than its previous forecast. Its forecast of personal income growth is more optimistic as well compared to the previous forecast. That increase is primarily driven by a substantial increase in the calendar year 2004 projection (the growth rate increased from 4.0% to 5.5%), but the longer term projections for growth are less optimistic compared to the previous forecast (calendar years

2005, 2006 and 2007 growth rates were revised downward from 4.5% growth to 4.0%). The 2004 calendar year increase more than offsets the longer-term slower growth and was the primary driver of the increase in the revenue forecast. The Commission also revised its inflation estimate for the 2004 calendar year – increasing it from 2.0% to 2.8%. The longer-term projections for inflation were lowered, resulting in a 2% inflation assumption for calendar year 2005 through calendar year 2009.

The modest growth in the General Fund revenue pattern between FY04 and FY05 and the negative growth between FY05 and FY06 reflect the impact of the 121<sup>st</sup> Legislature's changes to the revenue pattern, which included a number of substantial "one-time" revenue increases. These include the upfront payment for the lease of the wholesale liquor operation, some delays in tax changes to conform to federal tax changes, Highway Fund contributions to revenue sharing, increases in the General Fund share of the Real Estate Transfer Tax and the Tax Amnesty program.

Highway Fund: Highway Fund revenue is projected upward for all major lines based on strong historic performances. The major increases in the Highway Fund revenue forecast are in the Fuel Taxes line and the Motor Vehicle Registrations and Fees line. The increase in the Fuel Taxes line is driven by the increase in the Personal Income economic variable. Like the General Fund major tax lines, the short-term increase in that variable more than offset the longer-term slower growth assumptions. The increase in the assumed inflation rate in calendar year 2004 in the economic forecast (2.8% instead of 2.0%) resulted in a higher assumed tax rate as a result of the automatic indexing of the fuel taxes that began in FY04. Motor vehicle registration and fees increased based on strong historic performances.

Fund for a Healthy Maine: The Fund for a Healthy Maine is revised downward as a result of new estimates of the tobacco settlement payments, which indicate that the adjustments that are part of the settlement (particularly the volume adjustment that is based on national cigarette sales) will reduce the payments below previous estimates. In addition, further downward revisions for the short-term (FY05 and FY06) result from a revised start date assumption for the "Racino" (video slot machines facility) at the Bangor Raceway. An unexpected payment received in August 2004 from a new participating manufacturer lessened the downward reduction in FY05. The additional increase in the revenue flow to this fund stems from a new series of payments (Strategic Contribution Payments) that begin in FY08 that have been part of the Master Settlement Agreement from the beginning. (Note: the estimates in this final report include additional adjustments to the estimates of tobacco settlement payments that did not get included into the December 1<sup>st</sup> memo.)

## I. INTRODUCTION AND BACKGROUND TO REVENUE FORECAST

This report represents the major update of the revenue forecast and provides the estimates of the revenue available for the Governor's biennial budget submissions due by January 7, 2005. This report and appendices provide a description of all of the key elements to the revenue forecast for the General Fund, Highway Fund and the Fund for a Healthy Maine. In addition, this year's report includes a projection of the estimated revenue throughout the forecast period of certain taxes on service providers dedicated to the Medicaid/MaineCare program that, while dedicated, represent a substantial shift of resources from the General Fund.

### A. Economic Forecast

As directed by the originating Executive Order and the subsequent statute, the Committee closely examined the economic assumptions developed by the Consensus Economic Forecasting Commission (CEFC). (See Appendices A and C for background and report). First, projected employment, income, interest rates and inflation changes were used directly in the tax revenue estimating models maintained and operated by Maine Revenue Services. Second, Committee members assessed revenue trends predicted by models and by other agencies against economic expectations offered by the CEFC.

The CEFC met October 7, 2004 to prepare the economic assumptions that would become the basis of the Revenue Forecasting Committee's revenue projections. Given that Maine's economic health is highly dependent on national economic activity, the Commission examined national economic trends and projections. It concluded that growth in the current calendar year based on data through 3 quarters would be significantly higher than previously projected. The Commission was less optimistic for the subsequent 4 years and projected slightly slower growth.

The CEFC has been asked to expand the number of economic variables that it forecasts and provides to Maine Revenue Services to incorporate in their tax models. A detailed list of these assumptions can be found in Appendix A. The Revenue Forecasting Committee directly adopted the Economic Commission's forecast and incorporated these assumptions into its revenue forecasting models. The major economic growth assumptions underlying the December 2004 revenue projections are as follows:

<b>Summary of Consensus Economic Forecasting Commission Economic Forecast</b>						
<b><u>Calendar Years</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
<b>• W&amp;S Employment (Annual Percentage Change)</b>						
> Consensus 2/2004	0.8	1.0	1.0	1.0		
> Consensus 11/2004	0.9	1.7	1.5	1.1	1.3	1.3
> Incremental Change	0.1	0.7	0.5	0.1		

**Summary of Consensus Economic Forecasting Commission Economic Forecast (continued)**

<b><u>Calendar Years</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
<b>• Personal Income (Annual Percentage Change)</b>						
> Consensus 2/2004			4.0	4.5	4.5	
> Consensus 11/2004			5.5	4.0	4.0	4.0 4.0
> Incremental Change			1.5	-0.5	-0.5	
<b>• CPI (Annual Percentage Change)</b>						
> Consensus 2/2004			2.0	2.0	2.5	
> Consensus 11/2004			2.8	2.0	2.0	2.0 2.0
> Incremental Change			0.8	0.0	-0.5	

**B. Capital Gains Forecast**

A major variable that is not included in the economic forecast is a projection of net capital gains. Maine's exceptional capital gains growth during the stock market "bubble" of the late 1990's (in excess of 20% annual increases for 5 consecutive years through tax year 2000) came to an abrupt end in tax year 2001 plummeting 53.1%, resulting in a very unpleasant April surprise in 2002. Capital Gains during the "bubble" were overly conservative with respect to this variable, resulting in sizeable positive variances in the Individual Income Tax line. While Maine did have the direction right in 2001, the Committee did not anticipate the extent of the reduction that was more than twice what the Committee had forecast. The extent of the appreciation in the stock market and the amount of income derived from capital gains significantly increased the volatility of Maine's already volatile General Fund revenue stream.

The Revenue Forecasting Committee and Maine Revenue Services, like their counterparts in other states, have had much difficulty trying to accurately forecast this variable. Maine data is not captured at the state level and may only be accessed through federal tax data. That information is shared with Maine Revenue Services, but it lags by as much as 2 years. Since November 1999, Maine Revenue Services has been required to provide a report on the net capital gains and losses realized by taxpayers filing Maine individual income tax returns. That report was initially reported to the Joint Standing Committee on Appropriations and Financial Affairs and the Joint Standing Committee on Taxation. Now, the report is provided just to the Revenue Forecasting Committee, which includes this information in its annual December report. (Appendix D provides a copy of that report).

With the bursting of the "bubble", the extent of the individual income tax liability derived from net capital gains has dropped down from its peak in 2000 of 17.5% to a level more in line with historical patterns before the "bubble." The committee is now forecasting that taxes on net capital gains will be in the 6.5% range for the foreseeable future. The Table below presents some history and the current projections of net capital gains that are factored into the forecast for the Individual Income Tax line.

### Maine Resident - Net Capital Gains

Tax Year	\$ Millions	Annual Change
1996	\$799.7	45.0%
1997	\$1,218.7	52.4%
1998	\$1,551.0	27.3%
1999	\$1,867.2	20.4%
2000	\$2,360.3	26.4%
2001	\$1,108.0	-53.1%
2002	\$916.6	-17.3%
<b>December 2004 Projections</b>		
2003	\$1,001.7	9.3%
2004	\$1,056.8	5.5%
2005	\$1,099.0	4.0%
2006	\$1,143.0	4.0%
2007	\$1,188.7	4.0%
2008	\$1,236.3	4.0%
2009	\$1,285.7	4.0%

### C. Legislative Changes

The Revenue Forecasting Committee bases the revenue forecast on current law. The Committee does review the revenue derived from legislative changes. While the Committee did make some small adjustments to the amounts budgeted for General Fund revenue from enacted legislative changes, this forecast is particularly affected by the shift of budgeted revenue from enacted legislative changes. The table below shows that the 121<sup>st</sup> Legislature enacted net budgeted increases for the 2004-2005 biennium totaling \$319.1 million in order to address the General Fund structural gap and to address subsequent Medicaid/MaineCare shortfalls. The one-time nature of many of those proposals is evident in that the budgeted revenue from those same legislative changes that carry over to the 2006-2007 biennium total only \$146.4 million, a drop in revenue between the biennia of \$172.7 million.

### Legislative Changes Enacted by 121st Legislature 2003 and 2004 Legislative Sessions Budgeted Revenue (\$'s in millions)

	FY04	FY05	FY06	FY07
Net General Fund Revenue from 121st Legislative Changes	\$183.5	\$135.7	\$73.3	\$73.1
Biennial Totals		\$319.1		\$146.4
Change from 2004-2005 to 2006-2007 Biennium				(\$172.7)



### III. OVERVIEW OF REVENUE PROJECTIONS

This section provides narrative descriptions of each of the forecasts of the major revenue sources of the General Fund and Highway Fund and a summary of the outlook for the Fund for a Healthy Maine. This report also includes a projection of certain new taxes on health care providers that are set aside as dedicated revenue for the Medicaid program. The Tables in Appendix B provide some recent historical data of actual revenue collections for each of these funds, a comparison by major revenue source of actual FY04 revenue compared to final budgeted amounts, and a comparison of current projections to revised projections for FY05 through FY09. In these tables, the General Fund “Other Revenue” component, which has become a substantial and largely unexplained piece, has been broken out into some categories for the first time to help explain the forecast of “Other Revenue” in the General Fund. The amounts in the tables in the narratives that follow may not add due to rounding.

#### A. General Fund

<b>General Fund (\$'s in millions)</b>					
	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$2,651.6	\$2,669.9	\$2,783.7		
Net Change from Current Forecast	\$72.0	\$49.2	\$45.0		
Revised Amount	\$2,723.6	\$2,719.1	\$2,828.6	\$2,918.0	\$3,022.8
Annual % Growth	1.5%	-0.2%	4.0%	3.2%	3.6%

The projections of major sources of General Fund revenue are summarized in the following as narrative descriptions of the major assumptions and unusual legislative changes that affected the revenue stream.

#### **Sales and Use Tax**

<b>Sales and Use Tax (\$'s in millions)</b>					
	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$896.1	\$938.0	\$982.4		
Net Change from Current Forecast	\$18.6	\$16.9	\$11.9		
Revised Amount	\$914.7	\$954.9	\$994.3	\$1,035.6	\$1,079.8
Annual % Growth	-0.3%	4.4%	4.1%	4.1%	4.3%

This revenue source is projected using econometric models. The primary variables used to forecast this revenue line are the aggregate forecast of Personal Income, inflation and total employment growth. With the exception of the lower inflation forecast in calendar years 2006 and 2007, all of these variables produce an increase of the forecast for this line. The growth pattern in the forecast mirrors that of aggregate Personal Income. The decline in FY05 results from the splitting out of certain taxable sales of services into their own revenue line (see below). In FY05, the amount estimated to be associated with those service taxes broken out into the “Service Provider Tax” revenue source is \$46.7 million. Absent the separation of those amounts, the committee accepted the model runs without any additional “targeting.” Although

the Committee in the past has tried to target certain aspects of the model, such as automobile sales, in the end, that additional targeting did not seem to improve the forecast of the sales tax line.

Legislative changes during the 121<sup>st</sup> Legislature (2003 and 2004) increased revenue in this line by approximately \$7.1 million in FY05 and slightly above \$7.5 annually during the 2006-2007 biennium. One component of that legislative package was reversed in this forecast reducing the estimated impact of the legislative changes by approximately \$1.5 million annually. Unlike other revenue lines, the legislative changes did not affect the flow of revenue with one-time or unusual revenue patterns.

### **Service Provider Tax**

<b>Service Provider Tax (\$'s in millions)</b>					
	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$46.7	\$48.8	\$51.1		
Net Change from Current Forecast	\$0.0	\$0.0	\$0.0		
Revised Amount	\$46.7	\$48.8	\$51.1	\$53.2	\$55.3
Annual % Growth	0.0%	4.5%	4.7%	4.1%	3.9%

This revenue source was segregated from the Sales and Use Tax in order to combine it with a dedicated revenue tax on Private Non-medical Institutions (PNMI's), a portion of which is eligible for Medicaid match. The Committee and Maine Revenue Services did not have sufficient data or historical experience to provide a refinement of the segregation of these services that were previously taxed as taxable sales. With a few more months of data, the Committee and Maine Revenue Services will revisit these estimates and revise them as needed.

### **Individual Income Tax**

<b>Individual Income Tax (\$'s in millions)</b>					
	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$1,166.4	\$1,234.2	\$1,298.6		
Net Change from Current Forecast	\$29.7	\$12.3	\$7.5		
Revised Amount	\$1,196.1	\$1,246.5	\$1,306.1	\$1,369.7	\$1,431.4
Annual % Growth	3.4%	4.2%	4.8%	4.9%	4.5%

The forecast for the Individual Income Tax is consistent with the changes in the economic forecast. The Individual Income Tax is forecast with the input of several economic variables: the components of Personal Income, inflation, total employment growth, the unemployment rate, and the 3-month treasury bill and 10-year treasury note rates. In addition to these economic variables, Maine Revenue Services must also input assumptions about net capital gains (see discussion of Capital Gains Forecast above). For the most part the relationship and the effect of these variables on the individual income tax is obvious. Personal Income and the distribution of that variable into its components (salaries and wages; dividends, interest and rent; proprietor's income; and transfer payments) affect the accuracy of the Individual Income Tax forecast. Part

of the problem that resulted in the unpleasant “April Surprise” of 2002 was capital gains, but another third was a problem with the distribution of the components of Personal Income. Since that time, the Consensus Economic Forecasting Commission has spent much more time in evaluating the distribution of Personal Income. The forecast of inflation has some offsetting influences on the forecast. On one hand, a higher rate of inflation will result in a higher forecast of nominal salaries and wages and proprietors’ income. On the other hand, the tax brackets are indexed for inflation and a higher rate of inflation will increase the brackets and reduce the rates applied to certain income below the highest bracket.

The modest growth from FY04 to FY05 is influenced somewhat by this factor, but the largest changes result from the unusual increase of revenue in FY04 due to the Tax Amnesty program and other enforcement initiatives that enhanced revenue by more than \$4 million and from the deduction of the distributions for the Maine Residents Property Tax and Rent Refund or “circuit breaker” program from individual income tax revenue. FY05 was the first year that this large program is deducted from the revenue side. Provided below is a summary of the gross amounts that will be deducted from Individual Income Tax as a result of the “circuit breaker” program:

**Tax and Rent Refund (Circuit Breaker) Program Reimbursements**  
**(\$'s in millions)**

	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	-\$24.7	-\$25.8	-\$27.0		
Net Change from Current Forecast	\$0.0	-\$3.5	-\$1.7		
Revised Amount	-\$24.7	-\$29.3	-\$28.7	-\$29.4	-\$30.2
Annual % Growth	2.4%	18.2%	-1.9%	2.5%	2.5%

The transfers for the “circuit breaker” program were capped in FY05 by statute, resulting in a sizeable shortfall in FY05 that must be paid from the FY06 transfer amount, which is the cause of the substantial growth in FY06 of 18.2% and the decline in FY07. The shortfall, which totals \$2,034,790, results from a delay of \$903,000 of FY04 program expenditures paid in FY05 and a higher revised estimate of FY05 program expenditures.

**Corporate Income Tax:**

**Corporate Income Tax (\$'s in millions)**

	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$104.4	\$96.7	\$94.2		
Net Change from Current Forecast	\$19.0	\$16.5	\$12.6		
Revised Amount	\$123.4	\$113.1	\$106.8	\$93.0	\$93.0
Annual % Growth	10.5%	-8.3%	-5.6%	-12.9%	0.0%

The Corporate Income Tax model is driven by employment growth and the CPI forecast. The employment growth assumption increases in each year of the forecast and a higher estimate of inflation in 2004 results in a net increase in the projections for this tax. The increases in the

short-term and the negative growth after FY05 are attributable to recent adjustments to the conformity of state tax law with federal tax laws. Revenue estimates were driven upward for FY04 and FY05, in part, due to the improved underlying economic conditions and to the delayed conformity to the Federal code with respect to bonus depreciation. The delay in conformity causes State tax collections to be higher in FY04 and FY05 and to be lower in the years after that.

### **Cigarette and Tobacco Tax**

<b>Cigarette and Tobacco Tax (\$'s in millions)</b>					
	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$96.9	\$96.1	\$95.4		
Net Change from Current Forecast	-\$0.9	-\$0.9	-\$0.9		
Revised Amount	\$96.0	\$95.2	\$94.5	\$93.8	\$93.0
Annual % Growth	-0.6%	-0.8%	-0.7%	-0.8%	-0.9%

This revenue source has been declining on a more accelerated basis. The Committee had forecast significant drops in the sale of cigarette stamps due to effective anti-smoking campaigns, increased rolling of cigarettes, and the loss of sales to out-of-state and internet purchases. The forecast is reduced by an additional \$900,000 annually in this forecast as a result of targeting the model to a reduced base, FY04 revenue from this source was approximately \$1.0 million under budget.

### **Public Utilities Tax**

<b>Public Utilities Tax (\$'s in millions)</b>					
	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$28.1	\$26.8	\$25.9		
Net Change from Current Forecast	-\$1.4	-\$1.3	-\$1.4		
Revised Amount	\$26.7	\$25.4	\$24.5	\$23.3	\$22.3
Annual % Growth	-4.7%	-4.6%	-3.7%	-4.8%	-4.5%

This revenue source includes a small amount of revenue that is related to the Railroad Company Tax (approximately \$400,000 net General Fund revenue), 100% of which is being dedicated beginning in FY06. The largest piece of this major revenue line is the Telecommunications Personal Property Tax. That tax is projected to decline for 2 reasons: 1) the mill rate on that property is statutorily scheduled to decline through tax year 2010 and 2) the technological changes in this industry have accelerated the depreciation of this personal property.

## Insurance Companies Tax

Insurance Companies Tax (\$'s in millions)					
	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$65.8	\$64.4	\$67.0		
Net Change from Current Forecast	\$12.8	\$12.7	\$12.7		
Revised Amount	\$78.6	\$77.1	\$79.6	\$81.1	\$82.7
Annual % Growth	8.9%	-1.9%	3.2%	1.9%	1.9%

This revenue source has shown significant growth in recent years since the bursting of the stock market “bubble”. The insurance companies tax, based on premiums, has grown as premiums growth has adjusted to make up for the losses in insurance company portfolios. This forecast assumes that the growth of this revenue line will revert back to the normal growth patterns prior to the recent increases. FY05 growth is related to a legislative change that applied the insurance premium tax to contracts for future annuities. That revenue was originally budgeted for receipt in FY04, but was delayed until Maine Revenue Services and the affected taxpayers reached offers in compromise. It is interesting to note that despite this delay from FY04 to FY05 of approximately \$11.4 million of budgeted revenue (the majority of that budgeted revenue was related to retroactive assessments), the insurance companies tax exceeded the FY04 expectations by \$2.8 million. While the growth assumptions have been slowed, the enhanced base off which the growth is projected produces a substantial upward revision for this revenue line.

## Estate Tax

Estate Tax (\$'s in millions)					
	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$31.9	\$32.6	\$34.6		
Net Change from Current Forecast	-\$2.9	-\$2.5	-\$3.0		
Revised Amount	\$29.0	\$30.1	\$31.6	\$33.9	\$35.4
Annual % Growth	-9.5%	3.6%	5.0%	7.2%	4.3%

Estate tax estimates are forecast by Maine Revenue Services using a model based on aggregate Personal Income growth. Looking at aggregated data of actual tax returns using a data warehouse enhances the data and the model. Tax year 2003 returns are the most recent available and is the adjusted base year upon which this forecast derives. An adjustment is also made to account for additional estate tax planning, which is occurring in reaction to Maine’s recent decision to not conform with federal tax law. The unusual 7.2% growth in FY08 is related to federal law changes for the estate exemption amount, which is fully phased-in at \$1 million for deaths occurring in 2006. Previous year growth rates were suppressed by the effect of the phase-in of the exemption.

## Property Tax - Unorganized Territory

### Property Tax - Unorganized Territory (\$'s in millions)

	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$10.6	\$10.7	\$11.0		
Net Change from Current Forecast	\$0.0	\$0.0	\$0.0		
Revised Amount	\$10.6	\$10.7	\$11.0	\$11.3	\$11.7
Annual % Growth	-1.2%	1.0%	2.7%	3.0%	3.0%

Property Tax - Unorganized Territory – The annual General Fund transfers for the General Fund expenditures of the municipal cost component of the Unorganized Territory have not been revised in this forecast despite a positive revenue variance of \$506,684 in FY04. That variance is the result of an accounting adjustment from a prior period and should not affect current projections of expenditures and the related transfers to the General Fund.

## Income from Investments

### Income from Investments (\$'s in millions)

	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$1.0	\$1.6	\$1.8		
Net Change from Current Forecast	\$3.1	\$4.4	\$4.3		
Revised Amount	\$4.1	\$6.0	\$6.0	\$6.0	\$6.0
Annual % Growth	76.8%	48.0%	0.0%	0.0%	0.0%

General Fund Income from Investments is expected to increase by \$3,064,390 in FY05, \$4,439,493 in FY06 and \$4,295,338 in FY07. These recommended adjustments are due to a projected increase in interest rates as well as the impact of increased balances in the Cash Pool for which the General Fund accumulates interest.

## Transfers to Municipal Revenue Sharing

### Transfers to Municipal Revenue Sharing (\$'s in millions)

	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	-\$112.9	-\$120.5	-\$126.2		
Net Change from Current Forecast	-\$3.4	-\$2.4	-\$1.7		
Revised Amount	-\$116.3	-\$122.9	-\$127.8	-\$132.7	-\$138.3
Annual % Growth	4.4%	5.6%	4.0%	3.8%	4.2%

The amounts transferred for municipal revenue sharing are based on a percentage of the Individual Income Tax, Corporate Income Tax, Sales and Use Tax and the General Fund portion of the Service Provider Tax. Consequently, the estimate of these amounts is a simple calculation based on the forecast for those taxes. The only unusual change related to these transfers is a planned increase from 5.1% to 5.2% of these taxes beginning in FY06.

## Transfer from Lottery Commission

Transfer from Lottery Commission (\$'s in millions)					
	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$52.1	\$52.4	\$51.7		
Net Change from Current Forecast	\$0.2	\$0.4	\$1.1		
Revised Amount	\$52.3	\$52.8	\$52.8	\$52.8	\$52.8
Annual % Growth	26.7%	1.0%	0.0%	0.0%	0.0%

The Lottery began participation in Powerball, a multistate lottery beginning in FY05, hence the 26.7% growth rate over FY04. This forecast does not include any changes in the base forecast. The only change in this revenue source from the prior forecast is the elimination of an offset against lottery revenue from sales diverted to the new “Racino” in Bangor (see discussion of Pari-mutuel and Gaming Revenue below) that was assumed in the fiscal note for that legislation. The Committee thought that given the limited geographical competition from the Bangor “Racino” that the revenue offset would not be appreciable.

## Other Revenues

Other Revenues (\$'s in millions)					
	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$264.4	\$188.2	\$196.3		
Net Change from Current Forecast	-\$2.7	-\$6.9	\$1.7		
Revised Amount	\$261.7	\$181.2	\$198.0	\$196.9	\$197.8
Annual % Growth	-19.8%	-30.8%	9.3%	-0.6%	0.4%

This category of revenue actually represents many different individual revenue sources that are forecast by several different agencies. As mentioned earlier, this year’s report provides additional descriptions of the many sources included in this line. See Appendix B for the detail of the changes in this forecast of this line. Presented in the following paragraphs are descriptions of the major changes that represent substantial revisions to this forecast.

**Real Estate Transfer Tax** – Despite an upward projection in January of 2004 of \$1.1 million, this tax still exceeded budgeted revenue with a \$1,875,519 positive variance in FY04. The real estate market has been quite active and property values have been growing in the double-digit range. This is expected to continue for the short-term through FY05 with an upward revision of \$3,184,214 recommended for that year. Smaller upward revisions are expected in FY06 and beyond. There is also an adjustment in this revenue source in FY06 as the H.O.M.E. Fund share returns to 45% of the total tax (excluding those amounts derived by the transfer of controlling interests). In FY04 and FY05 only, the General Fund retained an additional \$7,500,000 each year that would otherwise have gone to the H.O.M.E. fund.

**Liquor Sales and Operations** – This revenue category reflects the recent leasing of the state’s wholesale liquor business to a private entity and the discontinuance of state owned liquor stores.

Revenues will now be generated on the basis of profit sharing and it is anticipated that these will be reported in a new revenue source code labeled Liquor Profit Sharing (RSC 2575). In FY03 and prior fiscal years, the revenue amounts were recorded as transfers from the State Liquor Commission; for FY04, the revenue amounts reflect a split between revenues transferred by the Liquor Commission and a \$75,000,000 payment received as a result of the leasing of the wholesaling operation; in FY05, the projected revenues will also reflect a split between another \$50,000,000 lease payment and the beginning of the aforementioned profit sharing; and in FY06 and thereafter, the revenue stream in this category will reflect the proceeds of profit sharing. At this point, it is too early to estimate the amount of profit sharing from this venture.

**Liquor Taxes and Fees** – The Department of Public Safety collects most liquor taxes and fees. The adjustments to these revenue projections reflect an increase of almost \$865,000 in annual revenues collected from liquor taxes from increased sales of different types of wine, beer and malt beverages. This increase is partially offset by an annual decrease of slightly more than \$11,000 collected from the licensure of establishments that either sell or serve liquor. This decrease in licensing revenue appears to be the net effect of owner decisions to change licensure type in response to new smoking regulations.

**Banking Fees/Assessments** – The FY04 positive variance of \$724,280 is primarily the result of increased registration and licensing fee income in the Office of Securities, which the Department explains has been aided by greater than anticipated strength in the financial markets. While some continued growth in securities licensing fee revenue is assumed, a continued positive variance in this category of the magnitude of the FY04 variance is not expected. Also of note, this category reflects a significant increase in securities registration fee income budgeted for FY05 and future years, the result of the increase in the filing fee from \$500 to \$1,000 authorized under PL 2003, c. 673, Part RRR, and effective August 1, 2004.

**Corporation Fees & Licenses** – Corporation fees and licenses are administered and collected by the Secretary of State. Beginning in FY05, approximately \$2,500,000 in annual increases to budgeted revenue is attributable to a large number of fee increases authorized by the 121<sup>st</sup> Maine State Legislature.

**Hunting and Fishing License Fees** – The Department of Inland Fisheries and Wildlife collects all hunting and fishing license fees. According to the provisions of Article IX, § 22 of the Maine Constitution, undedicated revenues collected by the department for deposit into the General Fund are “protected” and the Legislature is required to appropriate an amount of funds to the department that is at least equal to the amount of undedicated revenues collected by the department in a particular fiscal year. Due to the expiration of a temporary surcharge that added to most fees collected by the department, budgeted annual revenues decline by almost \$3,000,000 in FY06 and beyond.

**Boat, ATV and Snowmobile Fees** – These revenues are also collected by the Department of Inland Fisheries and Wildlife and were subject to the temporary surcharge.



**Pari-mutuel and Gaming Revenue** - Pari-mutuel revenue is derived from the “handle” or amount that is wagered on harness racing and is collected for the General Fund by the State Harness Racing Commission. Gaming revenue is collected by the Gambling Control Board and consists of proceeds that will be collected from the video slot machine revenue at a commercial track in Bangor. Changes in the projections of gaming revenue are attributable to the delayed opening of the “Racino” at the Bangor commercial racetrack. Originally forecast to begin in January of 2005 with 500 video gaming machines in a temporary facility, the provisional operating licensee, Penn National, has canceled plans for the temporary facility and is now projecting the opening of a brand new facility with a full compliment of 2,000 video gaming machines in July of 2006. As a consequence of these changes, the only gaming revenue that will be collected in FY05 will be the initial operator’s licensing fee of \$200,000. In FY06, gaming revenue will be limited to reimbursements for background checks and additional licensing revenue; all of which will total an estimated \$635,366. In FY07, which will be the “Racino’s” first full operating year, it is estimated that gaming revenues will total \$12,936,139 with estimated revenues of \$13,243,305 and \$13,455,619 in FY08 and FY09, respectively.

**Fines, Forfeits and Penalties** – Despite a positive variance of \$1.2 million in FY04, Judicial Fines are not revised upward for this forecast. Some recent fine increases have created some uncertainty in the continuation of this positive variance into future years. Fines collected by other agencies, the Office of the Attorney General, the Department of Professional and Financial Regulation and the Department of Environmental Protection (DEP) are adjusted in this forecast. DEP fine revenue is reduced by (\$215,000) annually beginning in FY05 (based on improved historical data), while the fines collected by the Attorney General, Professional and Financial Regulation and the Treasurer of State (Bad Check Charges) offset that reduction in FY05 resulting in a minor net increase in fine revenue. The reductions exceed the increases in FY06 and FY07.

**Targeted Case Mgmt Revenue (HHS)** – Revenue derived from billing Medicaid for targeted case management services provided to eligible individuals by employees of the State. The variances above budgeted amounts for FY04 and the forecast period reflect an increase in estimated billing for child welfare case management services (and one-time FY04 increases in adult protective and mental retardation billings) offset by decreases in billings for mental health and public health nursing case management services. The mental health decrease is due to a recent decrease in the average number of MaineCare eligible individuals who are receiving services. Estimates for FY06 and beyond also reflect an anticipated reduction in the federal medical assistance percentage (FMAP), the percentage upon which reimbursement is based.

**HHS Services Rendered** – Revenue derived from billing Medicaid, Medicare, and private payers for medical services provided to eligible residents in state-run facilities and programs and from administrative cost allocation reimbursement for certain BDS functions. Estimates reflect an increase in cost allocation reimbursement in FY 2004 (an additional quarter’s worth of revenue was recorded in FY04) and a decrease beginning in FY05 (position changes and vacancies associated with the merger into the Department of Health and Human Services are expected to result in reduced levels of reimbursable expenditures). Estimates for FY06 and beyond also reflect an anticipated reduction in the federal medical assistance percentage (FMAP), the percentage upon which the majority of this reimbursement is based.

**Unclaimed Property Transfer** – Pursuant to 33 MRSA §1964, the Office of the Treasurer of State is authorized to transfer money in the Unclaimed Property Fund to the General Fund. In FY04 there was a \$6,216,948 positive variance in the Unclaimed Property transfer to the General Fund. Part of this difference was the result of a timing issue with the processing of certain claims by the Office of the Treasurer and no adjustment to subsequent years is needed. Revenue in FY06 and beyond assumes a flat base transfer amount of \$7,000,000 annually.

**Tourism Transfer** – This revenue line represents the amount the State Controller is required to transfer to the Tourism Marketing Promotion Fund (5 MRSA §13090-K). The amount transferred is certified by the State Tax Assessor and is equal to 5% of the 7% meals and lodging tax collected in the prior fiscal year. The transfer must be based on actual sales for that fiscal year and may not consider any accruals that may be required by law. The amount transferred from General Fund sales and use tax revenue to the Tourism Marketing Promotion Fund does not affect the calculation for the transfer to the Local Government Fund (municipal revenue sharing). The December 2004 forecast proposes to reduce the amount transferred from the General Fund by \$322,511 in FY05, \$311,588 in FY06 and by \$368,772 in FY07. This reduction is based on more recent actual data, which indicates a reduction in the base upon which the percentage is applied.

**Transfers to Maine Clean Election Fund** - 21 MRSA §1124 authorizes early transfers to the Maine Clean Elections Fund in the event that the Commission determines that it will not have sufficient funds. The Commission on Governmental Ethics and Election Practices can request that the State Controller transfer funds early. The Maine Clean Elections Fund is expected to have a shortfall for the 2006 election and consequently the Commission will likely request early transfers from funds that would have been received in FY07 and FY08. FY06 General Fund revenue is decreased by \$2,000,000 and FY07 revenue is increased by \$2,000,000 each year. This early transfer provision may result in an additional transfer in January 2006 that would represent an advance of the January 2008 transfer, if gubernatorial candidates participate. The transfers from the Income Tax Check off to the Maine Clean Elections Fund are reduced from \$300,000 annually during the forecast period to \$250,000. This reduction is based on more recent actual data, which indicates a reduction in the amounts transferred.

**Other Miscellaneous** – Provided below are some of the “other miscellaneous” General Fund revenue changes, which are typically identified by a Revenue Source Code account number (RSC).

**Commercial Forestry Excise Tax (RSC 0175)** – This tax is assessed at a fixed amount per acre against owners of more than 500 acres of forested land in the State. The tax funds 40% of the costs of the State’s forest fire suppression activities. The tax is determined by the State Tax Assessor from information provided and certified by the Commissioner of the State Department of Conservation. The December 2004 update proposes to reduce the budgeted amount by \$101,254 in FY05, \$103,023 in FY06 and \$105,568 in FY07 due to recent trends and updated projections.

Hospital Assessment (RSC 1913) - This revenue represents on-going payments from hospitals that continue to have outstanding tax liabilities from prior fiscal years, before this hospital assessment (36 MRSA §2801-A) was repealed in 1998. The December 2004 update proposes to reduce the budgeted amount by \$241,080 in FY07 to bring the budgeted amount to \$0 since the final liability terminates at that time.

Contribution from the Highway Fund (RSC 2717) - This revenue transfer is related to Maine Revenue Services employees who administer and collect gasoline and other Highway Fund related taxes. The December 2004 update proposes to reduce the budgeted amount by \$126,600 annually in FY05, FY06 and FY07 due to recent trends and updated projections utilizing the new Budget Financial Management System. That system allows for a different, more accurate method of estimating personnel costs.

Contribution from Other Revenue (RSC 2719) - This revenue source is increased by \$608,391 annually in FY05, FY06 and FY07 to bring the budgeted amount to \$0. This portion of the budgeted transfers was inadvertently not eliminated with the repeal of the transfer related to childcare tax credits originally intended to be funded by the Fund for a Healthy Maine (enacted by PL 1991, c. 401, Part NNN; repealed PL 2001, c. 358, Part D). This change corrects that oversight.

Container Fee (RSC 1195) - Bottle deposit originators are exempt from this fee if they enter into co-mingling arrangements with other bottle deposit originators. This amount is reduced by \$100,000 in FY05 because some major deposit originators are expected to enter into co-mingling arrangements.

Recovered Costs (RSC 2690) - The Department of the Attorney General received an increase in General Fund revenue from the unexpected collection of fines and settlements of \$695,116 in FY05. Due to the unpredictable nature of these collections, this increase is not projected beyond FY05.

Driver Rehabilitation Course Fees (RSC 1515) – Based on a negative variance in FY04, this revenue source is projected downward for each year of the forecast period. The downward projection is due to revised estimates of the number of individuals served and the actual fees charged for these programs.

Child Support Collections (RSC 2520) – Revenue derived from child support collections from absent parents of children in state custody. The positive variance for FY04 and the forecast period is based on recent trends of increased collections above budgeted amounts.

Barron Center Transfer (RSC 2451) – Revenue derived from payments from the City of Portland to the state (i.e. intergovernmental transfer) related to increased Medicaid payments to the city-owned Barron Center. Budgeted revenue from this intergovernmental transfer is eliminated beginning in FY06 due to the federal government's disallowance of the increased Medicaid payments.

Registration of Feeding Stuffs (RSC 1406) – Despite a positive variance in FY04, this revenue source is projected downward for each year of the forecast period. The downward projections for this revenue line bring budgeted revenues into line with actual revenues collected in FY04. The reduced revenue projections are due to less than favorable economic conditions that have caused a number of smaller companies to either cease selling their products in Maine or to consolidate, resulting in a smaller number of products that require registration.

## **B. Highway Fund**

	<b>Highway Fund (\$'s in millions)</b>				
	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$317.4	\$320.4	\$329.3		
Net Change from Current Forecast	\$3.9	\$10.0	\$10.9		
Revised Amount	\$321.4	\$330.4	\$340.2	\$348.8	\$358.1
Annual % Growth	3.0%	2.8%	3.0%	2.5%	2.7%

Highway Fund revenue is projected upward for all major lines based on strong historic performances. Provides below are narrative descriptions of these major Highway Fund revenue lines and the underlying assumptions for the adjustments and projections.

### **Fuel Taxes**

	<b>Fuel Taxes (\$'s in millions)</b>				
	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$218.6	\$225.7	\$233.8		
Net Change from Current Forecast	\$2.2	\$3.9	\$4.1		
Revised Amount	\$220.8	\$229.7	\$237.9	\$246.6	\$255.6
Annual % Growth	3.9%	4.0%	3.6%	3.7%	3.7%

This major revenue line (composed of both the gasoline tax and special fuel taxes) is the only Highway Fund revenue source that is forecast using Maine Revenue Services models. The model's fuel tax forecast uses the following economic variables: aggregated Personal Income, inflation (the annual indexing of the fuel tax is determined by the prior years inflation rate), and employment (as a measure of business activity and consequently fuel usage). The 2 primary reasons for the increase in the fuel tax line are the short-term increases in the Personal Income and Inflation economic variables. The fuel tax line had been running consistently ahead of budget in FY04. The change in the Personal Income projections for calendar year 2004 explains why we were experiencing these positive variances. It also results in a higher base from which future year growth rates build, resulting in higher projected revenues.

The Inflation estimate, which was increased from 2.0% to 2.8% in calendar year 2004, will result in a larger increase in the tax rate when it is adjusted effective July 1, 2005. Provided below is a table comparing the current projections of fuel tax rates with the newly revised rates.

Projected Tax Rates				
	Gasoline Tax		Special Fuel Tax	
	Current	Revised	Current	Revised
7/1/2004	\$0.252	\$0.252	\$0.263	\$0.263
7/1/2005	\$0.257	\$0.259	\$0.268	\$0.270
7/1/2006	\$0.262	\$0.264	\$0.274	\$0.276
7/1/2007		\$0.269		\$0.281
7/1/2008		\$0.275		\$0.281

### **Motor Vehicle Registration & Fees**

Motor Vehicle Registration & Fees (\$'s in millions)					
	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$78.7	\$79.5	\$80.2		
Net Change from Current Forecast	\$0.2	\$3.6	\$4.1		
Revised Amount	\$78.9	\$83.1	\$84.3	\$84.1	\$84.2
Annual % Growth	-4.4%	5.4%	1.4%	-0.2%	0.2%

The various fees associated with motor vehicle registrations and licenses are collected for the Highway Fund by the Bureau of Motor Vehicles within the Department of the Secretary of State. The reprojections for this revenue category, which are increases of approximately \$160,000, \$3.6 million and \$4.1 million in FY05, FY06 and FY07, respectively, are largely based on the most current trends in actual revenue collections in these lines. In particular, the majority of the significant increases for FY06 and FY07 are attributable to the projected annual revenues collected from driver's license fees, which have been increased by slightly more than \$3.6 million and \$3.9 million in FY06 and FY07, respectively, to properly reflect the number of licenses which will be renewed on a cyclical basis.

## Inspection Fees

Inspection Fees (\$'s in millions)					
	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$3.5	\$3.5	\$3.5		
Net Change from Current Forecast	\$0.9	\$0.9	\$0.9		
Revised Amount	\$4.4	\$4.4	\$4.4	\$4.5	\$4.5
Annual % Growth	-6.9%	0.4%	0.4%	1.2%	1.3%

The Department of Public Safety is responsible for administering and collecting the fees associated with motor vehicle inspections. The annual increase of approximately \$500,000 collected from permits to use highways corresponds to the increased number of permits sold for the transportation of over-sized truck loads and the revised annual revenue increases of \$437,400 from motor vehicle inspection fees are attributable to recent trends in the collection of actual revenues from these fees.

## Fines, Forfeits and Penalties

Fines, Forfeits and Penalties (\$'s in millions)					
	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$2.2	\$2.2	\$2.3		
Net Change from Current Forecast	\$0.0	\$0.0	\$0.0		
Revised Amount	\$2.2	\$2.2	\$2.3	\$2.3	\$2.3
Annual % Growth	12.9%	3.8%	2.0%	0.0%	0.0%

The Judicial Department is responsible for collecting fines for the Highway Fund pertaining to motor vehicle violations. The negative variance of \$204,198 in actual revenues collected in FY04 appears to be based in an over-estimation of fine revenues that would be collected by the Judicial Department. The department is currently reexamining the basis by which the current revenue projections for FY05 and beyond were made. Projected revenues for FY06 and FY07 were increased by \$20,000 in each year to accurately reflect the amounts of projected fine revenue that will be transferred from the General Fund to the Highway Fund.

## Income from Investments

Income from Investments (\$'s in millions)					
	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$1.0	\$1.0	\$1.0		
Net Change from Current Forecast	-\$0.1	\$0.5	\$0.5		
Revised Amount	\$0.9	\$1.6	\$1.6	\$1.6	\$1.6
Annual % Growth	31.4%	64.5%	0.0%	0.0%	0.0%

Income from Investments is based on projected cash balances of the Highway Fund and projected rates of earnings of the cash pool. Transfers to the General Fund in FY 05 that reduce

Highway Fund balances available for investment are only partially offset by an increase in the assumed rate of return of the cash pool. The upward annual adjustments of \$.5 million for FY06 and FY07 represent an assumed increase in the earnings rate of the pool. The projected earnings for FY08 and FY09 assume a rate of earnings consistent with the 2006-2007 biennium.

### **Highway Fund - Other Revenues**

<b>Highway Fund - Other Revenues (\$'s in millions)</b>					
	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$13.4	\$8.5	\$8.5		
Net Change from Current Forecast	\$0.8	\$1.0	\$1.2		
Revised Amount	\$14.2	\$9.5	\$9.8	\$9.8	\$9.9
Annual % Growth	49.4%	-33.3%	3.0%	0.7%	0.7%

This revenue category includes various miscellaneous revenues collected for the Highway Fund by the different agencies that are charged with that task. The total projected revenue of \$14.2 million for FY05 includes one-time revenue proceeds of \$5 million from the sale of the Payne Road Bridge to the Maine Turnpike Authority. Most of the net increased projections in this revenue category, which include \$.8 million in FY05, \$1 million in FY06 and \$1.2 million in FY07 are attributable to an annual increase of more than \$.7 million from a realignment of authorized fees charged by the Bureau of Motor Vehicles for information purchased through the Internet service provided by InforME and from increases in revenues realized from the sale of autos by the Department of Public Safety. The annual increase of \$225,000 in revenue realized from the sale of autos is due to the transition from purchasing State Police cruisers to a leasing arrangement.

### **C. Fund for a Healthy Maine**

<b>Fund for a Healthy Maine (\$'s in millions)</b>					
	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$50.4	\$52.8	\$58.6		
Net Change from Current Forecast	(\$1.8)	(\$4.0)	\$0.8		
Revised Amount	\$48.5	\$48.8	\$59.4	\$72.0	\$73.1
Annual % Growth	-0.7%	0.5%	21.8%	21.2%	1.6%

The Fund for a Healthy Maine is revised downward as a result of new estimates of the tobacco settlement payments, which indicate that the adjustments that are part of the settlement (particularly the volume adjustment that is based on national cigarette sales) will reduce the payments below previous estimates. In addition, additional downward revisions for the short-term (FY05 and FY06) result from a revised start date assumption for the "Racino" (video slot machines facility) at the Bangor Raceway. (A more detailed description of the causes for this change is included in the section on pari-mutuel revenues on page 14.) An unexpected payment received in August 2004 from a new participating manufacturer lessened the downward reduction in FY05. The additional increase in the revenue flow to

this fund stems from a new series of payments (Strategic Contribution Payments) that begin in FY08 that have been part of the Master Settlement Agreement from the beginning. (Note: the estimates in this final report include additional adjustments to the estimates of tobacco settlement payments that did not get included into the December 1<sup>st</sup> memo.)

#### **D. Medicaid/MaineCare Dedicated Revenue Taxes**

<b>Medicaid/MaineCare Dedicated Revenue Taxes (\$'s in millions)</b>					
	FY05	FY06	FY07	FY08	FY09
Previous Budgeted Amount	\$97.2	\$98.0	\$98.8		
Net Change from Current Forecast	\$0.0	\$2.2	\$4.7		
Revised Amount	\$97.2	\$100.2	\$103.5	\$106.9	\$110.4
Annual % Growth	100.4%	3.1%	3.3%	3.3%	3.3%

In the last few years, the Department of Health and Humans Services (the State) has dramatically increased the use of dedicated revenue from health care provider taxes to fund MaineCare/Medicaid programs resulting in general fund savings used to offset budget shortfalls. Provider taxes were first enacted in the early 1990's but repealed by the end of the decade. Beginning in 2003 with the nursing facility tax and the residential treatment facility tax; the hospital tax added in 2004; and the Private Non-Medical Institution (PNMI) component of the service provider tax added in 2005; the State enacted taxes that will generate more than \$100 million per year in dedicated revenue during the forecast period.

The forecast assumes an overall annual growth rate of 3.3%, with revenue from the hospital tax assumed to grow at 4% per year and revenue from the other health care provider taxes assumed to grow at 2.5% per year. While overall health care inflation is expected to be higher than these growth rates, the growth assumption is based on the State's ability to control nursing facility, residential treatment facility and PNMI revenue growth because of the significant share of this revenue resulting from MaineCare/Medicaid and other State payments. The slightly higher forecast growth assumption for hospital tax revenue reflects the relatively smaller overall share of hospital revenue attributable to MaineCare/Medicaid payments. At the same time, under the recently enacted Dirigo Health legislation (PL 2003, c. 469), the State has initiated efforts to control the overall growth in hospital spending.

### **III. CONCLUSION**

The increases of revenue for the General Fund and the Highway Fund (fuel taxes) in this forecast are primarily driven by the economic forecast of the Consensus Economic Forecasting Commission. That forecast was adjusted upward significantly for calendar year 2004 based on more up-to-date actual economic data, but was less optimistic for future growth in the long-term. That short-term increase in the key economic variables that affect the tax models outweighed the longer-term slower growth and produced upward revisions for those revenue sources projected by the economic models. The Committee generally felt that the slower growth in the longer-



term in this revised economic forecast added a degree of conservatism to this forecast and that the risk for future revenue was an up-side risk, absent any major unforeseen shocks to the economy.

As noted earlier in this report, the revenue pattern of the General Fund has been affected significantly by recent legislative changes that enhanced revenue in the 2004-2005 biennium by significantly more than the effect on the 2006-2007 biennium, resulting in negative growth between FY05 and FY06. While the Committee revised the amounts forecast as a result of some of these change, those changes were relatively minor. The revenue estimate from a sales and use tax enforcement initiative was lowered by \$1.5 million, a new insurance premium tax initiative related to contracts for future annuities was delayed by a year from FY04 to FY05 and the start-up of the “Racino” in Bangor was delayed by nearly 2 years.

The Committee also provided a forecast of recently enacted health care provider taxes that are recorded as dedicated revenue, but were included in this report because of their importance to the General Fund budget. The expenditures supported by those dedicated revenue taxes are related to the Medicaid/MaineCare program that realized net General Fund expenditure savings from the implementation of these taxes.

The Highway Fund revenue forecast was increased over and above the economic forecast changes that affect the fuel tax line in nearly all revenue sources as a result of strong historic performances across the board.

Finally, the Fund for a Healthy Maine received downward aggregate revisions as a result of this forecast. This fund was budgeted to receive a substantial amount of revenue from the “Racino” initiative. The delay dropped projections for the fund. The Committee also again adjusted downward the anticipated Tobacco Settlement payments. The forecast, based on national econometric forecasts, has in recent years failed to adequately capture the trend of declining national cigarette sales.

# APPENDIX A

## Historical Background and Methodology of Maine's Revenue Forecasting Process



## **APPENDIX A**

### **Historical Background and Methodology of Maine's Revenue Forecasting Process**

#### **History**

The Revenue Forecasting Committee was established by Governor John R. McKernan, Jr. on May 25, 1992 by Executive Order 14 FY91/92 in order to provide the Governor, the Legislature, and the State Budget Officer with an analysis and recommendations related to the projection of General Fund and Highway Fund revenue. Its creation was in response to a recommendation by the Special Commission on Government Restructuring. Committee membership originally included the State Budget Officer, the State Tax Assessor, the State Economist, the Director of the Office of Fiscal and Program Review, and an economist on the faculty of the University of Maine System selected by the Chancellor.

The original Executive Order called upon the Revenue Forecasting Committee to submit recommendations for State revenue projections for the upcoming fiscal biennium, as well as adjustments to current biennium General Fund and Highway Fund revenue estimates. In accomplishing its task, the Committee was directed to utilize the economic assumptions developed by the Consensus Economic Forecasting Commission.

In 1995, Public Law 1995, c. 368 enacted in statute the Consensus Economic Forecasting Commission and the Revenue Forecasting Committee, adopting both the structure and the intent of the original Executive Order.

Public Law 1997, chapter 655 enacted a number of changes to Title 5, chapter 151-B. There were three major changes: first, the revenue projections developed by the Committee would no longer be advisory but would be used by the Executive Branch in setting budget estimates and out-biennium forecasts; second, the State Budget Officer was empowered to convene a meeting of the Committee to review any new data that might become available; and third, the Committee was expanded from five to six members, with the sixth member being an analyst from the Office of Fiscal and Program Review designated by the Director of that office.

Public Law 2001, chapter 2, enacted a further change to the appointment process of the sixth member making that appointment less specific by requiring that member to be non-partisan staff appointed by the Legislative Council.

#### **Methodology**

Both the General Fund and the Highway Fund revenue projections are actually an aggregation of several individual revenue source forecasts. For the General Fund, many departments and agencies collect revenue under different authority. Highway Fund revenue, although more limited in the number of sources, also has multiple revenue sources. Since each of these individual revenue sources is distinctly different in terms of

size (and thus relative importance to total revenue) and factors that influence growth (such as tax law, economic growth, interest rates, size of lottery jackpots, number of patrolmen, etc.), the Committee uses different approaches for evaluating various revenue source forecasts.

In order to ensure that the Committee's review process is as efficient and effective as possible, it divides its revenue line review into three parts:

- Major revenue sources directly tied to economic activity
- Major revenue sources tied to other "non-economic" factors
- Minor revenue sources

### **Major revenue sources tied to economic forecast**

In general, major revenue lines directly tied to economic activity are forecast using econometric equations. These equations define a mathematical relationship between historical revenue growth and relevant economic trends, then project revenue growth based on the defined relationship and expected future performance of the economic variable chosen. For example, revenues derived from the collection of individual income tax are very closely tied to growth in Maine personal income. Thus, an equation is estimated that defines income tax revenue in terms of personal income (and other relevant variables), then the forecast of personal income growth in Maine is used to estimate future income tax collections. The Revenue Forecasting Committee then reviews the equation, the underlying economic assumptions, and the overall revenue forecast level to ensure that they are logical and plausible given our knowledge of current economic conditions and revenue growth. It is the Committee's understanding, and truly the spirit of "consensus forecasting", that model results need not be blindly accepted and should be closely examined.

Maine Revenue Services is instrumental in the development of the forecast for the major taxes, the major revenue sources tied to economic activity. The Research Division maintains the econometric models that are used to develop the forecast. Maine Revenue Services also has access to a tax "data warehouse" in order to query tax data and refine the model outputs and equations. The economic variables forecast by the CEFC are fed into the models.

### **Major revenue sources tied to "non-economic" factors and Other Minor Revenue Sources**

Both the major revenue sources tied to other "non-economic" factors and the other minor revenue sources are generally prepared by the department or agency responsible for collecting the particular revenue stream. Their experience with and expertise in tracking revenue growth is used in place of an equation to project future revenue activity. For example, the level of participation in Maine's lottery is not easily or clearly tied to any particular economic indicator, like income or employment. Revenue derived from lottery ticket sales can, however, be projected based on past lottery sales, the likelihood of a large jackpot occurring within a twelve month period and planned changes in product

mix or marketing strategy. Therefore, the Department of Administrative and Financial Services reviews past lottery trends and evaluates any changes in marketing strategy and estimates the lottery's revenue performance over the upcoming biennium. Additional factors reviewed by the Committee include the projected Cost of Goods Sold and Administrative Expense to arrive at an estimated Net Profit to be transferred to the General Fund. The Revenue Forecasting Committee then reviews their forecast to ensure that their logic is sound and to ensure that this particular line forecast is consistent with expectations for other revenue lines.

To further streamline the review of the hundreds of minor revenue sources, the committee has employed a strategy that has the analysts of the Office of Fiscal and Program Review and the Bureau of the Budget work with the “collecting” agencies to develop the forecast for each of the hundreds of minor revenue sources. This review is particularly concentrated in even numbered years before the beginning of the 1<sup>st</sup> Regular Session of the Legislature when the biennial budget for the upcoming biennium is first considered. Agencies are required to submit their estimates to the Bureau of the Budget as part of the biennial budget development process in the fall of even number years. Every revenue source is reviewed by the Office of Fiscal and Program Review and the Bureau of the Budget with the agencies for consistency with the economic forecast, historic trends and enacted law changes that may affect future revenue rates, bases or flows.

When preparing a formal review of the biennial budget in odd numbered years to decide if revisions are necessary, the Revenue Forecasting Committee uses a similar, though streamlined, process. The major tax models are re-estimated using any updated economic and capital gains assumptions as well as current baseline data. The budget to actual performance of the other revenue lines is examined by a subcommittee of the Budget Office and the Office of Fiscal and Program Review and, when significant variances exist, the subcommittee recommends to the full Committee which agencies should develop and present new projections for the Committee’s consideration.

### **Length of Forecast**

By statute, the revenue forecast must project revenue for the upcoming biennium and the subsequent biennium. For the start of a biennium, December of even numbered years, this forecast will encompass a span of 5 fiscal years – the current fiscal year, the next biennial budget to be approved in the upcoming legislative session and a projection of the following biennium. This projection for the following biennium was added as a long-range planning tool to help establish a look at the health of the next biennial budget to be developed 2 years later and adopted by a new Legislature. This projection of revenue is combined with projections of expenditures for the General Fund and Highway Fund to develop estimates of the “structural gap” or “structural surplus” of each fund.

### **Current Tax Law**

The Revenue Forecasting Committee bases all revenue projections on current state tax law and other state laws with future effective dates that affect state revenue sources. The

Committee is careful to watch for sunsets and future effective dates of laws that will affect revenue and build those enacted law changes into the forecast. The Committee does not attempt to second-guess how the law may be changed during the upcoming Legislative session. The Fiscal Note Process overseen by the Office of Fiscal and Program Review establishes and tracks the revenue effects associated with legislative changes. These legislative revenue changes are then included in the base revenue forecast. The Revenue Forecasting Committee at its next meeting then adopts or amends those estimates of the legislative revenue changes.

### **Forecast Schedule**

The Revenue Forecasting Committee has 2 statutory reporting dates each year: December 1<sup>st</sup> and March 1<sup>st</sup>. The timing of these reports is based on the schedule of the budget process and the Legislature's session schedule. The Governor is required to submit a biennial budget during the first regular session of each Legislature. That process begins in even numbered years with agencies submitting budget requests by September 1<sup>st</sup>. That process concludes with when the Governor submits his budget proposals to the Legislature by a statutory deadline, the first Friday after the 1<sup>st</sup> Monday in January (approximately one month later for a newly elected Governor). The revenue forecasting fall forecast begins with the economic forecast by the Consensus Economic Forecasting Commission that must report by November 1<sup>st</sup>. The December 1<sup>st</sup> deadline of the revenue forecast provides the Governor with an update of the revenue forecast that the Governor must use as the basis for submitting balanced General Fund and Highway Fund budgets. That 1<sup>st</sup> forecast of the biennium updates the current projections for the upcoming budget biennium and it provides the 1<sup>st</sup> projections of the following biennium.

In December of odd-numbered years, the forecast is updated for the next legislative session (the 2<sup>nd</sup> Regular Session of the Legislature) that begins in January of even-number years. The annual March 1<sup>st</sup> reporting deadline is scheduled to provide the Legislature with a "mid-session" update so that they might have the most up-to-date forecast for the conclusion of their budget decisions.

# APPENDIX B

## Detailed Forecast Tables





# GENERAL FUND REVENUE

## REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECMEBER 2004

Source	FY99 Actual	FY00 Actual	% Chg.	FY01 Actual	% Chg.	FY02 Actual	% Chg.	FY03 Actual	% Chg.
Sales and Use Tax	814,321,914	847,355,132	4.1%	817,781,460	-3.5%	836,134,084	2.2%	857,486,801	4.9%
Service Provider Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Individual Income Tax	1,004,937,795	1,074,622,161	6.9%	1,167,749,567	8.7%	1,069,834,791	-8.4%	1,071,701,694	-8.2%
Corporate Income Tax	144,942,751	150,045,645	3.5%	96,102,796	-36.0%	77,366,103	-19.5%	91,188,393	-5.1%
Cigarette and Tobacco Tax	77,750,154	78,343,171	0.8%	77,501,831	-1.1%	97,599,599	25.9%	98,414,470	27.0%
Public Utilities Tax	29,670,868	15,786,931	-46.8%	29,776,778	88.6%	30,479,783	2.4%	29,285,143	-1.7%
Insurance Companies Tax	37,730,425	42,697,847	13.2%	43,576,501	2.1%	55,244,333	26.8%	71,078,089	63.1%
Estate Tax	29,768,114	58,803,666	97.5%	30,616,759	-47.9%	23,420,240	-23.5%	30,520,320	-0.3%
Prop. Tax - Unorganized Territory	9,372,295	9,333,204	-0.4%	9,808,431	5.1%	10,333,984	5.4%	9,930,103	1.2%
Income from Investments	19,760,828	20,312,457	2.8%	16,365,950	-19.4%	3,829,583	-76.6%	2,345,855	-85.7%
Transfer to Municipal Rev. Sharing	(98,997,466)	(105,673,142)	6.7%	(106,163,291)	0.5%	(101,150,084)	-4.7%	(103,039,221)	-2.9%
Transfer from Lottery Commission	39,600,544	38,138,174	-3.7%	35,483,595	-7.0%	39,317,891	10.8%	39,442,111	11.2%
Other Revenues *	150,860,081	165,451,560	9.7%	172,027,974	4.0%	189,250,254	10.0%	196,336,434	14.1%
Total - General Fund Revenue	2,259,718,302	2,395,216,806	6.0%	2,390,628,351	-0.2%	2,331,660,562	-2.5%	2,394,690,190	0.2%

### Change in Biennial Totals

#### \* Detail of Other Revenues:

- Real Estate Transfer Tax	12,022,820	9,320,476	-22.5%	9,048,762	-2.9%	9,208,923	1.8%	10,770,668	19.0%
- Commercial Forestry Excise Tax	3,093,662	3,078,166	-0.5%	2,943,380	-4.4%	3,681,764	25.1%	3,172,724	7.8%
- Liquor Sales and Operations	19,794,778	23,226,758	17.3%	24,231,271	4.3%	25,168,524	3.9%	26,073,276	7.6%
- Liquor Taxes and Fees	15,202,482	16,004,965	5.3%	15,925,822	-0.5%	16,528,396	3.8%	17,141,878	7.6%
- Banking Fees/Assessments	7,691,753	8,724,430	13.4%	9,811,430	12.5%	9,356,930	-4.6%	9,293,280	-5.3%
- Corporation Fees & Licenses	3,113,991	3,128,892	0.5%	3,313,312	5.9%	3,390,039	2.3%	3,482,107	5.1%
- Hunting and Fishing License Fees	13,873,219	14,028,485	1.1%	13,681,818	-2.5%	14,857,760	8.6%	13,958,510	2.0%
- Boat, ATV and Snowmobile Fees	2,052,897	2,223,168	8.3%	2,143,124	-3.6%	2,169,025	1.2%	2,483,836	15.9%
- Parimutuel and Gaming Revenue	1,149,511	1,081,230	-5.9%	1,094,337	1.2%	1,105,430	1.0%	1,086,936	-0.7%
- Fines, Forfeits and Penalties	25,621,009	26,154,983	2.1%	26,525,142	1.4%	26,588,960	0.2%	26,991,935	1.8%
- Targeted Case Management (HHS)	13,480,692	20,016,381	48.5%	26,098,790	30.4%	34,085,690	30.6%	33,235,104	27.3%
- HHS Services Rendered	4,386,157	4,892,920	11.6%	4,023,508	-17.8%	4,604,354	14.4%	4,774,087	18.7%
- State Cost Allocation Program	6,976,288	7,889,111	13.1%	6,044,287	-23.4%	10,231,443	69.3%	10,986,971	81.8%
- Unclaimed Property Transfer	4,400,000	10,200,000	131.8%	2,550,000	-75.0%	7,841,073	207.5%	8,180,260	220.8%
- Tourism Transfer	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
- Clean Elections Fund Transfer	(2,276,990)	(2,522,795)	10.8%	(2,274,557)	-9.8%	(2,248,226)	-1.2%	(2,302,904)	1.2%
- Other Miscellaneous	20,277,813	18,004,390	-11.2%	26,867,549	49.2%	22,680,169	-15.6%	27,007,764	0.5%
IF&W Total Revenue **	16,863,077	17,129,376	1.6%	16,619,119	-3.0%	17,895,675	7.7%	17,595,575	5.9%

\*\* IF&W Revenue is a component of the Other Revenue line but is not included in the Detail of Other Revenue because it includes Other Revenue classified above.

Updated: 12/23/04

# GENERAL FUND REVENUE

## REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECMEBER 2004

Source	FY04 Actual	% Chg.	FY04 Budget	FY04 Variance	% Var.	FY05 Budget	% Chg.	Recom. Chg.	FY05 Revised	% Chg.
Sales and Use Tax	917,243,245	7.0%	905,721,382	11,521,863	1.3%	896,092,063	-2.3%	18,617,937	914,710,000	-0.3%
Service Provider Tax	0	0.0%	0	0	0.0%	46,700,000	#DIV/0!	0	46,700,000	#DIV/0!
Individual Income Tax	1,156,715,909	7.9%	1,130,761,691	25,954,218	2.3%	1,166,441,294	0.8%	29,664,902	1,196,106,196	3.4%
Corporate Income Tax	111,616,051	22.4%	103,752,841	7,863,210	7.6%	104,391,604	-6.5%	18,960,000	123,351,604	10.5%
Cigarette and Tobacco Tax	96,604,646	-1.8%	97,616,940	(1,012,294)	-1.0%	96,919,864	0.3%	(900,000)	96,019,864	-0.6%
Public Utilities Tax	27,991,188	-4.4%	28,900,000	(908,812)	-3.1%	28,050,000	0.2%	(1,375,000)	26,675,000	-4.7%
Insurance Companies Tax	72,206,153	1.6%	69,415,308	2,790,845	4.0%	65,848,416	-8.8%	12,767,456	78,615,872	8.9%
Estate Tax	32,075,501	5.1%	32,103,631	(28,130)	-0.1%	31,941,909	-0.4%	(2,899,142)	29,042,767	-9.5%
Prop. Tax - Unorganized Territory	10,709,308	7.8%	10,202,624	506,684	5.0%	10,580,086	-1.2%	0	10,580,086	-1.2%
Income from Investments	2,310,207	-1.5%	1,287,885	1,022,322	79.4%	1,020,345	-55.8%	3,064,390	4,084,735	76.8%
Transfer to Municipal Rev. Sharing	(111,464,335)	8.2%	(109,152,033)	(2,312,302)	2.1%	(112,894,875)	1.3%	(3,429,383)	(116,324,258)	4.4%
Transfer from Lottery Commission	41,272,645	4.6%	42,321,885	(1,049,240)	-2.5%	52,074,827	26.2%	217,923	52,292,750	26.7%
Other Revenues *	326,259,040	66.2%	307,544,057	18,714,983	6.1%	264,442,965	-18.9%	(2,740,774)	261,702,191	-19.8%
Total - General Fund Revenue	2,683,539,557	12.1%	2,620,476,211	63,063,346	2.4%	2,651,608,498	-1.2%	71,948,309	2,723,556,807	1.5%
Change in Biennial Totals								71,948,309		

### \* Detail of Other Revenues:

- Real Estate Transfer Tax	22,196,221	106.1%	20,320,702	1,875,519	9.2%	18,622,132	-16.1%	3,184,214	21,806,346	-1.8%
- Commercial Forestry Excise Tax	2,907,340	-8.4%	3,400,250	(492,910)	-14.5%	3,451,254	18.7%	(101,254)	3,350,000	15.2%
- Liquor Sales and Operations	102,182,743	291.9%	102,056,396	126,347	0.1%	55,569,357	-45.6%	(5,569,357)	50,000,000	-51.1%
- Liquor Taxes and Fees	17,485,024	2.0%	16,816,841	668,183	4.0%	16,828,285	-3.8%	532,302	17,360,587	-0.7%
- Banking Fees/Assessments	9,572,280	3.0%	8,848,000	724,280	8.2%	15,423,000	61.1%	15,440	15,438,440	61.3%
- Corporation Fees & Licenses	3,600,455	3.4%	3,230,200	370,255	11.5%	5,451,707	51.4%	0	5,451,707	51.4%
- Hunting and Fishing License Fees	16,898,278	21.1%	16,706,409	191,869	1.1%	16,102,032	-4.7%	2,450	16,104,482	-4.7%
- Boat, ATV and Snowmobile Fees	3,974,511	60.0%	3,834,349	140,162	3.7%	4,239,724	6.7%	0	4,239,724	6.7%
- Parimutuel and Gaming Revenue	1,036,539	-4.6%	1,015,000	21,539	2.1%	3,709,324	257.9%	(2,494,424)	1,214,900	17.2%
- Fines, Forfeits and Penalties	38,219,275	41.6%	36,882,295	1,336,980	3.6%	35,368,943	-7.5%	46,771	35,415,714	-7.3%
- Targeted Case Management (HHS)	34,762,095	4.6%	33,223,004	1,539,091	4.6%	34,263,590	-1.4%	1,040,242	35,303,832	1.6%
- HHS Services Rendered	8,892,183	86.3%	6,983,887	1,908,296	27.3%	6,494,534	-27.0%	119,642	6,614,176	-25.6%
- State Cost Allocation Program	10,438,262	-5.0%	10,482,077	(43,815)	-0.4%	10,692,505	2.4%	0	10,692,505	2.4%
- Unclaimed Property Transfer	16,763,948	104.9%	10,547,000	6,216,948	58.9%	10,000,000	-40.3%	0	10,000,000	-40.3%
- Tourism Transfer	(7,213,282)	N/A	(7,213,282)	0	0.0%	(7,876,700)	9.2%	322,511	(7,554,189)	4.7%
- Clean Elections Fund Transfer	(2,247,659)	-2.4%	(2,300,000)	52,341	-2.3%	(2,300,000)	2.3%	50,000	(2,250,000)	0.1%
- Other Miscellaneous	46,790,827	73.2%	42,710,929	4,079,898	9.6%	38,403,278	-17.9%	110,689	38,513,967	-17.7%
IF&W Total Revenue **	21,902,902	24.5%	21,654,401	248,501	1.1%	21,461,399	-2.0%	(16,663)	21,444,736	-2.1%

\*\* IF&W Revenue is a component of the Other Revenue line but is not included in the Detail of Other Revenue because it includes Other Revenue classified above.

Updated: 12/23/04

# GENERAL FUND REVENUE

## REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECMEBER 2004

Source	FY06 Budget	% Chg.	Recom. Chg.	FY06 Revised	% Chg.	FY07 Budget	% Chg.	Recom. Chg.	FY07 Revised	% Chg.	FY08 Projection	% Chg.	FY09 Projection	% Chg.
Sales and Use Tax	938,017,771	4.7%	16,900,729	954,918,500	4.4%	982,396,736	4.7%	11,948,093	994,344,829	4.1%	1,035,560,000	4.1%	1,079,780,000	4.3%
Service Provider Tax	48,801,500	4.5%	0	48,801,500	4.5%	51,095,171	4.7%	0	51,095,171	4.7%	53,200,000	4.1%	55,300,000	3.9%
Individual Income Tax	1,234,170,264	5.8%	12,318,794	1,246,489,058	4.2%	1,298,609,002	5.2%	7,478,575	1,306,087,577	4.8%	1,369,690,017	4.9%	1,431,374,517	4.5%
Corporate Income Tax	96,655,057	-7.4%	16,450,000	113,105,057	-8.3%	94,163,219	-2.6%	12,620,000	106,783,219	-5.6%	93,010,000	-12.9%	93,010,000	0.0%
Cigarette and Tobacco Tax	96,125,360	-0.8%	(900,000)	95,225,360	-0.8%	95,433,494	-0.7%	(900,000)	94,533,494	-0.7%	93,822,164	-0.8%	93,012,607	-0.9%
Public Utilities Tax	26,760,000	-4.6%	(1,320,000)	25,440,000	-4.6%	25,875,000	-3.3%	(1,380,000)	24,495,000	-3.7%	23,320,000	-4.8%	22,260,000	-4.5%
Insurance Companies Tax	64,416,469	-2.2%	12,725,462	77,141,931	-1.9%	66,969,233	4.0%	12,675,192	79,644,425	3.2%	81,149,288	1.9%	82,684,299	1.9%
Estate Tax	32,646,239	2.2%	(2,545,836)	30,100,403	3.6%	34,585,012	5.9%	(2,964,951)	31,620,061	5.0%	33,911,834	7.2%	35,361,666	4.3%
Prop. Tax - Unorganized Territory	10,690,713	1.0%	0	10,690,713	1.0%	10,982,067	2.7%	0	10,982,067	2.7%	11,311,529	3.0%	11,650,874	3.0%
Income from Investments	1,607,053	57.5%	4,439,493	6,046,546	48.0%	1,751,208	9.0%	4,295,338	6,046,546	0.0%	6,046,546	0.0%	6,046,546	0.0%
Transfer to Municipal Rev. Sharing	(120,517,519)	6.8%	(2,374,815)	(122,892,334)	5.6%	(126,165,736)	4.7%	(1,666,425)	(127,832,161)	4.0%	(132,675,921)	3.8%	(138,292,155)	4.2%
Transfer from Lottery Commission	52,389,690	0.6%	444,560	52,834,250	1.0%	51,700,617	-1.3%	1,133,633	52,834,250	0.0%	52,834,250	0.0%	52,834,250	0.0%
Other Revenues *	188,159,829	-28.8%	(6,933,635)	181,226,194	-30.8%	196,259,727	4.3%	1,735,717	197,995,444	9.3%	196,870,050	-0.6%	197,751,979	0.4%
Total - General Fund Revenue	2,669,922,426	0.7%	49,204,752	2,719,127,178	-0.2%	2,783,654,750	4.3%	44,975,172	2,828,629,922	4.0%	2,918,049,757	3.2%	3,022,774,583	3.6%
Change in Biennial Totals								94,179,924						

### \* Detail of Other Revenues:

- Real Estate Transfer Tax	11,344,575	-39.1%	660,343	12,004,918	-44.9%	11,571,466	2.0%	242,974	11,814,440	-1.6%	11,884,726	0.6%	11,955,435	0.6%
- Commercial Forestry Excise Tax	3,503,023	1.5%	(103,023)	3,400,000	1.5%	3,555,568	1.5%	(105,568)	3,450,000	1.5%	3,500,000	1.4%	3,500,000	0.0%
- Liquor Sales and Operations	0	-100.0%	0	0	-100.0%	0	#DIV/0!	0	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!
- Liquor Taxes and Fees	16,828,285	0.0%	852,908	17,681,193	1.8%	16,828,285	0.0%	1,185,713	18,013,998	1.9%	18,370,609	2.0%	18,740,046	2.0%
- Banking Fees/Assessments	16,048,000	4.1%	15,440	16,063,440	4.0%	16,048,000	0.0%	15,440	16,063,440	0.0%	16,062,040	0.0%	16,062,040	0.0%
- Corporation Fees & Licenses	5,453,707	0.0%	0	5,453,707	0.0%	5,455,707	0.0%	0	5,455,707	0.0%	5,455,707	0.0%	5,455,707	0.0%
- Hunting and Fishing License Fees	14,456,100	-10.2%	602,450	15,058,550	-6.5%	14,456,100	0.0%	102,450	14,558,550	-3.3%	14,558,550	0.0%	14,558,550	0.0%
- Boat, ATV and Snowmobile Fees	2,818,369	-33.5%	0	2,818,369	-33.5%	2,818,369	0.0%	0	2,818,369	0.0%	2,818,369	0.0%	2,818,369	0.0%
- Parimutuel and Gaming Revenue	5,398,758	45.5%	(3,796,308)	1,602,450	31.9%	11,952,605	121.4%	2,111,734	14,064,339	777.7%	14,243,305	1.3%	14,455,619	1.5%
- Fines, Forfeits and Penalties	37,708,504	6.6%	(121,000)	37,587,504	6.1%	38,392,739	1.8%	(124,000)	38,268,739	1.8%	38,278,064	0.0%	38,283,064	0.0%
- Targeted Case Management (HHS)	34,696,519	1.3%	136,013	34,832,532	-1.3%	35,138,179	1.3%	(121,994)	35,016,185	0.5%	35,479,326	1.3%	35,951,731	1.3%
- HHS Services Rendered	6,510,108	0.2%	(875,378)	5,634,730	-14.8%	6,551,470	0.6%	(892,606)	5,658,864	0.4%	5,658,864	0.0%	5,658,864	0.0%
- State Cost Allocation Program	9,829,675	-8.1%	(292,453)	9,537,222	-10.8%	10,056,943	2.3%	(335,431)	9,721,512	1.9%	9,721,512	0.0%	9,721,512	0.0%
- Unclaimed Property Transfer	7,000,000	-30.0%	0	7,000,000	-30.0%	7,000,000	0.0%	0	7,000,000	0.0%	7,000,000	0.0%	7,000,000	0.0%
- Tourism Transfer	(8,247,600)	4.7%	311,587	(7,936,013)	5.1%	(8,631,540)	4.7%	368,772	(8,262,768)	4.1%	(8,608,314)	4.2%	(8,968,080)	4.2%
- Clean Elections Fund Transfer	(2,300,000)	0.0%	(1,950,000)	(4,250,000)	88.9%	(2,300,000)	0.0%	2,050,000	(250,000)	-94.1%	(2,250,000)	800.0%	(2,250,000)	0.0%
- Other Miscellaneous	27,111,806	-29.4%	(2,374,214)	24,737,592	-35.8%	27,365,836	0.9%	(2,761,767)	24,604,069	-0.5%	24,697,292	0.4%	24,809,122	0.5%
IF&W Total Revenue **	18,464,994	-14.0%	608,033	19,073,027	-11.1%	18,485,611	0.1%	108,227	18,593,838	-2.5%	18,601,669	0.0%	18,609,705	0.0%

\*\* IF&W Revenue is a component of the Other Revenue line but is not included in the Detail of Other Revenue because it includes Other Revenue classified above.

Updated: 12/23/04

## HIGHWAY FUND REVENUE

### REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2004

Source	FY99 Actual	FY00 Actual	% Chg.	FY01 Actual	% Chg.	FY02 Actual	% Chg.	FY03 Actual	% Chg.
Fuel Taxes	166,759,976	174,691,255	4.8%	182,502,097	4.5%	184,732,999	1.2%	187,901,008	1.7%
Motor Vehicle Registration & Fees	64,296,262	74,079,566	15.2%	76,317,758	3.0%	83,285,014	9.1%	83,032,421	-0.3%
Inspection Fees	2,138,368	2,625,496	22.8%	2,491,237	-5.1%	3,412,662	37.0%	4,169,773	22.2%
Fines, Forfeits and Penalties	1,952,025	2,145,602	9.9%	2,097,609	-2.2%	1,958,350	-6.6%	2,531,692	29.3%
Income from Investments	3,031,603	3,997,979	31.9%	4,241,955	6.1%	2,857,209	-32.6%	1,338,794	-53.1%
Other Revenues	5,985,729	5,379,040	-10.1%	5,467,245	1.6%	5,737,781	4.9%	9,272,396	61.6%
Total - Highway Fund Revenue	244,163,962	262,918,938	7.7%	273,117,902	3.9%	281,984,017	3.2%	288,246,084	2.2%
<u>Change in Biennial Totals</u>									

Updated: 12/01/04

## HIGHWAY FUND REVENUE

### REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2004

Source	FY04 Actual	% Chg.	FY04 Budget	FY04 Var.	% Var	FY05 Budget	% Chg.	Recom. Chg.	FY05 Revised	% Chg.
Fuel Taxes	212,600,843	13.1%	210,496,449	2,104,394	1.0%	218,638,488	2.8%	2,200,241	220,838,729	3.9%
Motor Vehicle Registration & Fees	82,577,755	-0.5%	79,605,062	2,972,693	3.7%	78,693,539	-4.7%	159,695	78,853,234	-4.5%
Inspection Fees	4,708,196	12.9%	3,461,771	1,246,425	36.0%	3,470,359	-26.3%	911,100	4,381,459	-6.9%
Fines, Forfeits and Penalties	1,918,703	-24.2%	2,122,901	(204,198)	-9.6%	2,165,359	12.9%	0	2,165,359	12.9%
Income from Investments	720,046	-46.2%	425,217	294,829	69.3%	1,026,195	42.5%	(79,810)	946,385	31.4%
Other Revenues	9,502,442	2.5%	8,632,917	869,525	10.1%	13,443,932	41.5%	756,145	14,200,077	49.4%
Total - Highway Fund Revenue	312,027,986	8.3%	304,744,317	7,283,669	2.4%	317,437,872	1.7%	3,947,371	321,385,243	3.0%
Change in Biennial Totals								3,947,371		

Updated: 12/01/04

## HIGHWAY FUND REVENUE

### REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2004

Source	FY06 Budget		Recom. Chg.	FY06 Revised		FY07 Budget		Recom. Chg.	FY07 Revised		FY08		FY09	
		% Chg.			% Chg.		% Chg.			% Chg.	Projection	% Chg.	Projection	% Chg.
Fuel Taxes	225,731,796	2.2%	3,929,517	229,661,313	4.0%	233,785,781	3.6%	4,109,796	237,895,577	3.6%	246,582,716	3.7%	255,630,113	3.7%
Motor Vehicle Registration & Fees	79,458,666	0.8%	3,630,492	83,089,158	5.4%	80,217,409	1.0%	4,073,908	84,291,317	1.4%	84,118,459	-0.2%	84,249,547	0.2%
Inspection Fees	3,476,649	-20.7%	921,321	4,397,970	0.4%	3,483,001	0.2%	931,755	4,414,756	0.4%	4,468,458	1.2%	4,524,821	1.3%
Fines, Forfeits and Penalties	2,228,666	2.9%	20,000	2,248,666	3.8%	2,273,239	2.0%	20,000	2,293,239	2.0%	2,293,239	0.0%	2,293,239	0.0%
Income from Investments	1,026,195	8.4%	530,283	1,556,478	64.5%	1,026,195	0.0%	530,283	1,556,478	0.0%	1,556,478	0.0%	1,556,478	0.0%
Other Revenues	8,478,733	-40.3%	994,863	9,473,596	-33.3%	8,521,261	0.5%	1,237,603	9,758,864	3.0%	9,824,716	0.7%	9,891,006	0.7%
Total - Highway Fund Revenue	320,400,705	-0.3%	10,026,476	330,427,181	2.8%	329,306,886	2.8%	10,903,345	340,210,231	3.0%	348,844,066	2.5%	358,145,204	2.7%
Change in Biennial Totals								20,929,821						

Updated: 12/01/04

**FUND FOR A HEALTHY MAINE REVENUE  
(TOBACCO SETTLEMENT REVENUE)  
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2004**

Source	FY00 Actual	FY01 Actual	% Chg.	FY02 Actual	% Chg.	FY03 Actual *	% Chg.
Initial Payments	35,541,456	16,839,539	-52.6%	16,236,644	-3.6%	16,458,172	1.4%
Base Payments	27,422,283	30,926,515	12.8%	40,055,643	29.5%	39,348,861	-1.8%
Attorney General Reimbursements	212,904	53,226	-75.0%	25,475	-52.1%	0	-100.0%
Other Sources **	0	0	0.0%	0	0.0%	0	0.0%
Income from Investments	1,604,300	3,605,927	124.8%	1,233,998	-65.8%	681,756	-44.8%
Total - Tobacco Settlement Revenue	64,780,943	51,425,207	-20.6%	57,551,760	11.9%	56,488,789	-1.8%

\* FY03 Actual does not include \$514,339 received in July 2003 and \$480,059 received in October 2003 that were related to payments due prior to FY04.

\*\* Other Sources includes a portion of the State's share of proceeds from slot machines at commercial race tracks.

Revised: 12/15/04



**FUND FOR A HEALTHY MAINE REVENUE  
(TOBACCO SETTLEMENT REVENUE)  
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2004**

Source	FY04 Actual	% Chg.	FY04 Budget	FY04 Variance	% Var	FY05 Budget	% Chg.	Recom. Chg.	FY05 Revised *	% Chg.
Initial Payments	0	-100.0%	0	0	0.0%	0	0.0%	0	0	0.0%
Base Payments	48,952,964	24.4%	49,138,850	(185,886)	-0.4%	48,772,127	-0.4%	(280,221)	48,491,906	-0.9%
Attorney General Reimbursements	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%
Other Sources **	0	0.0%	0	0	0.0%	1,584,893	0.0%	(1,584,893)	0	0.0%
Income from Investments	54,830	-92.0%	25,000	29,830	119.3%	25,000	-54.4%	20,000	45,000	-17.9%
Total - Tobacco Settlement Revenue	49,007,794	-13.2%	49,163,850	(156,056)	-0.3%	50,382,020	2.8%	(1,845,114)	48,536,906	-1.0%
Change in Biennial Totals								(1,845,114)		

\* FY 05 Revised Estimate of Base Payments includes \$536,783.38 of unexpected revenue received in August 2004 from a new participating manufacturer.

\*\* Other Sources includes a portion of the State's share of proceeds from slot machines at commercial race tracks.

Revised: 12/15/04

**FUND FOR A HEALTHY MAINE REVENUE  
(TOBACCO SETTLEMENT REVENUE)  
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2004**

Source	FY06 Budget	% Chg.	Recom. Chg.	FY06 Revised	% Chg.	FY07 Budget	% Chg.	Recom. Chg.	FY07 Revised	% Chg.	FY08 Forecast	% Chg.	FY09 Forecast	% Chg.
Initial Payments	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0.0%
Base Payments	49,569,690	1.6%	(830,165)	48,739,525	0.5%	50,328,283	1.5%	(842,648)	49,485,635	1.5%	61,877,959	25.0%	62,803,705	1.5%
Attorney General Reimbursements	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0.0%
Other Sources **	3,233,160	104.0%	(3,233,160)	0	#DIV/0!	8,244,600	155.0%	1,648,920	9,893,520	#DIV/0!	10,091,340	2.0%	10,293,120	2.0%
Income from Investments	25,000	0.0%	20,000	45,000	0.0%	25,000	0.0%	20,000	45,000	0.0%	45,000	0.0%	45,000	0.0%
Total - Tobacco Settlement Revenue	52,827,850	4.9%	(4,043,325)	48,784,525	0.5%	58,597,883	10.9%	826,272	59,424,155	21.8%	72,014,299	21.2%	73,141,825	1.6%
Change in Biennial Totals								(3,217,053)						

\*\* Other Sources includes a portion of the State's share of proceeds from slot machines at commercial race tracks.

Revised: 12/15/04

**MEDICAID/MAINECARE DEDICATED REVENUE TAXES**  
**REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2004**

Source	FY03 Actual	FY04 Actual	% Chg.	FY04 Budget	FY04 Variance	% Var	FY05 Budget**	% Chg.	Recom. Chg.	FY05 Revised	% Chg.
Nursing Facility Tax	22,048,469	30,501,448	38.3%	34,136,537	(3,635,089)	-10.6%	27,685,446	-9.2%	0	27,685,446	-9.2%
Residential Treatment Facility (ICFs\MR) Tax	1,565,094	1,617,662	3.4%	1,527,282	90,380	5.9%	1,437,066	-11.2%	0	1,437,066	-11.2%
Hospital Tax *	0	16,383,319	na	16,600,000	(216,681)	-1.3%	49,895,974	204.6%	0	49,895,974	204.6%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	0	0	na	0	0	na	18,161,686	na	0	18,161,686	na
Total - Health Care Provider Taxes	23,613,563	48,502,429	105.4%	52,263,819	(3,761,390)	-7.2%	97,180,172	100.4%	0	97,180,172	100.4%
Change in Biennial Totals									0		

\* Reflects revenue from the hospital tax first enacted under PL 2003, c. 513 and amended under PL 2003, c. 673, but does not include revenue from previous hospital taxes and assessments.

\*\* The hospital tax rate increased from 0.74% of net operating revenue in FY 04 to 2.23% in FY 05.

Revised: 12/23/04

## MEDICAID/MAINECARE DEDICATED REVENUE TAXES

### REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2004

Source	FY06 Budget	% Chg.	Recom. Chg.	FY06 Revised	% Chg.	FY07 Budget	% Chg.	Recom. Chg.	FY07 Revised	% Chg.	FY08 Forecast	% Chg.	FY09 Forecast	% Chg.
Nursing Facility Tax	28,308,369	2.25%	0	28,308,369	2.25%	29,016,081	2.50%	(3)	29,016,078	2.50%	29,741,480	2.50%	30,485,017	2.50%
Residential Treatment Facility (ICFs\MR) Tax	1,469,400	2.25%	0	1,469,400	2.25%	1,506,135	2.50%	0	1,506,135	2.50%	1,543,788	2.50%	1,582,383	2.50%
Hospital Tax *	49,895,974	0.00%	1,995,839	51,891,813	4.00%	49,895,974	0.00%	4,071,511	53,967,485	4.00%	56,126,185	4.00%	58,371,232	4.00%
Service Provider Tax - Private Non- Medical Institutions (PNMIs)	18,357,916	1.08%	212,408	18,570,324	2.25%	18,439,963	0.45%	594,619	19,034,582	2.50%	19,510,447	2.50%	19,998,208	2.50%
Total - Health Care Provider Taxes	98,031,659	0.88%	2,208,247	100,239,906	3.15%	98,858,153	0.84%	4,666,128	103,524,281	3.28%	106,921,900	3.28%	110,436,840	3.29%
Change in Biennial Totals								\$6,874,375						

\* Reflects revenue from the hospital tax first enacted under PL 2003, c. 513 and amended under PL 2003, c. 673, but does not include revenue from previous hospital taxes and assessments.

\*\* The hospital tax rate increased from 0.74% of net operating revenue in FY 04 to 2.23% in FY 05.

Revised: 12/23/04



## APPENDIX C

### Consensus Economic Forecasting Commission Report



**Report of the  
MAINE CONSENSUS ECONOMIC FORECASTING COMMISSION  
October 7, 2004**

Commissioners present:

Charlie Colgan, Muskie School, USM, Chair  
Michael Donihue, Colby College  
John Davulis, CMP

Staff Support present:

Michael Allen, (MRS), Dana Evans (DOL), John Nyada, (MRS), Galen Rose, (SPO),  
Jerome Stanhope, MRS

The Commission met on October 7, 2004 to discuss whether their February 2004 forecast should be revised before the Revenue Forecasting Committee meets in November 2004. The committee made substantial changes to the February forecast, based on changes in current national and State economic conditions and updated forecasts for Maine from the State Planning Office, the New England Economic Project, and Global Insight, Inc. The Commission also extended the forecast out to 2009, to encompass the next two biennia. The table below summarizes those changes for Wage and Salary Employment Growth and Personal Income Growth.

Maine Wage & Salary Employment Growth

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
> Consensus 2/2004	0.8	1.0	1.0	1.0	none	none
> Consensus 11/2004	0.9	1.7	1.5	1.1	1.3	1.3

Maine Total Personal Income Growth

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
> Consensus 2/2004	4.0	4.5	4.5	4.5	none	none
> Consensus 11/2004	5.5	4.0	4.0	4.0	4.0	4.0

Also, the US Consumer Price Index (CPIu) forecast for a 2.0% increase in 2004 was changed to 2.8%, based on historical data through August. Further, while the February forecast called for CPI growth of 2% in 2005 and 2.5% in 2006 and 2007, the revised forecast calls for 2% growth in each year of the 2005-2009 period.

Three forecasts formed the basis for much of the discussion. These were the State Planning Office (SPO) and New England Economic Project (NEEP) forecasts, which were based on underlying U.S. forecasts and a Maine model prepared by Economy.com, and a Global Insight (GI) forecasts. The two underlying forecasts differed, with the Economy.com based forecasts showing stronger employment growth overall than the Global Insight forecast. The two also differed in their outlooks for manufacturing, with Global insight showing a weaker (higher job loss) outlook than Economy.com. Global Insight also expected somewhat stronger personal income growth than the NEEP and SPO forecasts. The Committee concluded the most likely forecast would be for employment growth consistent with the NEEP forecast, but personal income growth slower than the Global Insight forecast.

The table on the following page shows the Commission's expected growth rates for employment, personal income and its components, and inflation.



# Maine Consensus Economic Forecasting Commission

Forecast of October 2004

Revised 10/15/2004

	HISTORY						FORECAST					
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Rate or Annual Growth Rate												
CPI-u	1.6%	2.2%	3.4%	2.8%	1.6%	2.3%	2.8%	2.0%	2.0%	2.0%	2.0%	2.0%
Me. Unemployment Rate	4.4	4.1	3.4	4.0	4.4	5.0	4.3	4.2	4.1	4.1	4.0	4.0
3-Month Treasury Bill Rate	4.9%	4.8%	6.0%	3.5%	1.6%	1.1%	1.2	2.8	4.1	4.7	4.6	
10-Year Treasury Note Rate	5.3%	5.6%	6.0%	5.0%	4.6%	4.0%	4.5	5.0	5.7	5.7	5.5	
Maine Agricultural Empl.(1,000's)	16	13.0	16.0	12.0	14.0	16.0	13.0	14.0	14.0	14.0	14	14.0
Employment Levels (1,000's)												
Maine Wage & Salary Employment	569.1	586.3	603.5	608.1	606.5	606.1	611.3	621.4	630.9	638.2	646.7	655.4
Natural Resources	2.7	2.7	2.7	2.7	2.6	2.5	2.6	2.7	2.6	2.6	2.6	2.6
Construction	25	27.8	29.2	29.8	29.4	30.4	31.5	30.1	29.1	29.2	29.5	29.9
Manufacturing	81.1	80.6	79.5	74.6	68	63.8	61.3	61.1	60.7	60.4	60.1	59.8
Trade/Transp//Publ. Utils.	115.9	119.5	122.7	123.6	123.2	123.0	124.0	125.2	127.1	127.6	128.3	129.0
Information	11.1	11.7	12.1	12.2	11.6	11.2	11.3	11.6	11.8	12.0	12.3	12.5
Financial Activities	31.2	32.8	34.1	35.1	35.1	35.0	35.4	36.3	37.2	38.0	38.6	39.1
Prof. & Business Services	46.6	48.3	51.8	51.8	51.4	50.6	51.0	53.8	55.7	57.0	58.4	59.8
Education & Health Services	90	94.2	97.5	100.7	104.9	106.8	109.0	112.7	115.9	118.4	121.8	125.1
Leisure & Hospitality Services	53.2	54.3	55.9	56.5	57.3	58.3	59.3	61.2	63.2	64.8	66.4	68.2
Other Services	17.7	18	18.3	19.1	19.8	21.0	21.8	22.3	22.6	22.9	23.2	23.6
Government	94.6	96.7	99.6	102	103.1	103.5	104.1	104.5	104.8	105.2	105.5	105.8
Annual Growth Rates												
Maine Wage & Salary Employment	-	3.0%	2.9%	0.8%	-0.3%	-0.1%	0.9%	1.7%	1.5%	1.1%	1.3%	1.3%
Natural Resources	-	0.0%	0.0%	0.0%	-3.7%	-3.8%	5.9%	1.2%	-2.0%	-1.3%	-0.5%	-0.3%
Construction	-	11.2%	5.0%	2.1%	-1.3%	3.4%	3.7%	-4.6%	-3.2%	0.3%	1.0%	1.4%
Manufacturing	-	-0.6%	-1.4%	-6.2%	-8.8%	-6.2%	-3.9%	-0.4%	-0.5%	-0.6%	-0.5%	-0.5%
Trade/Transp//Publ. Utils.	-	3.1%	2.7%	0.7%	-0.3%	-0.2%	0.8%	1.0%	1.5%	0.4%	0.5%	0.5%
Information	-	5.4%	3.4%	0.8%	-4.9%	-3.4%	0.7%	2.8%	1.8%	2.0%	2.0%	1.9%
Financial Activities	-	5.1%	4.0%	2.9%	0.0%	-0.3%	1.0%	2.6%	2.7%	2.1%	1.5%	1.2%
Prof. & Business Services	-	3.6%	7.2%	0.0%	-0.8%	-1.6%	0.7%	5.6%	3.5%	2.3%	2.5%	2.4%
Education & Health Services	-	4.7%	3.5%	3.3%	4.2%	1.8%	2.0%	3.4%	2.9%	2.1%	2.9%	2.7%
Leisure & Hospitality Services	-	2.1%	2.9%	1.1%	1.4%	1.7%	1.7%	3.1%	3.3%	2.6%	2.5%	2.8%
Other Services	-	1.7%	1.7%	4.4%	3.7%	6.1%	3.8%	2.2%	1.5%	1.3%	1.4%	1.4%
Government	-	2.2%	3.0%	2.4%	1.1%	0.4%	0.6%	0.4%	0.4%	0.3%	0.3%	0.3%
Million \$ - at Seas. Adjusted Annual Rates												
Personal income	29709.75	31016.25	33173.25	35102.25	36295.5	37781.5	39859.5	41453.9	43112.0	44836.5	46630.0	48495.2
Wage and salary disbursements	15204	16234.0	17194.8	17978.3	18500.0	19169.3	20166.1	21154.2	22190.7	23211.5	24279.2	25396.1
Supplements to Wages & Salaries	3359.75	3554	3772.75	4056.5	4451.25	4731	4977.0	5136.3	5295.5	5454.4	5596.2	5741.7
Non-farm Proprietors' income	2,131	2227.5	2347.0	2768.0	2806.5	3010.8	3197.4	3418.0	3612.9	3800.7	3983.2	4174.4
Farm Proprietors' income	55.5	77.0	57.0	26.8	-3.5	-33.8	39.8	41.4	43.0	44.8	46.6	48.5
Dividends, interest, and rent	5745	5618.5	6178.5	6342.0	6217.3	6100.0	6520.9	6547.0	6579.7	6764.0	6960.1	7155.0
Transfer payments	5122	5279.3	5588.3	6017.3	6464.3	7003.8	7396.0	7710.7	8005.7	8338.5	8674.3	9005.7
less: Personal contrb. for social insur.	2418	2554.8	2665.8	2812.0	2848.8	2926.3	3089.0	3203.4	3358.5	3522.5	3688.7	3852.2
Adjustment for residence	511	580.3	700.5	725.5	707.8	726.5	699.7	714.9	737.9	768.5	802.0	836.7
Farm Income	138	153.8	145.8	117.0	90.5	80.0	79.7	82.9	86.2	89.7	93.3	97.0
Annual Growth Rates												
Personal income	-	4.4%	7.0%	5.8%	3.4%	4.1%	5.5%	4.0%	4.0%	4.0%	4.0%	4.0%
Wage and salary disbursements	-	6.8%	5.9%	4.6%	2.9%	3.6%	5.2%	4.9%	4.9%	4.6%	4.6%	4.6%
Supplements to Wages & Salaries	-	5.8%	6.2%	7.5%	9.7%	6.3%	5.2%	3.2%	3.1%	3.0%	2.6%	2.6%
Non-farm Proprietors' income	-	4.5%	5.4%	17.9%	1.4%	7.3%	6.2%	6.9%	5.7%	5.2%	4.8%	4.8%
Farm Proprietors' income	-	38.7%	-26.0%	-53.1%	Not Available - negative base values			4.0%	3.9%	4.2%	4.0%	4.1%
Dividends, interest, and rent	-	-2.2%	10.0%	2.6%	-2.0%	-1.9%	6.9%	0.4%	0.5%	2.8%	2.9%	2.8%
Transfer payments	-	3.1%	5.9%	7.7%	7.4%	8.3%	5.6%	4.3%	3.8%	4.2%	4.0%	3.8%
less: Personal contrb. for social insur.	-	5.7%	4.3%	5.5%	1.3%	2.7%	5.6%	3.7%	4.8%	4.9%	4.7%	4.4%
Adjustment for residence	-	13.5%	20.7%	3.6%	-2.4%	2.6%	-3.7%	2.2%	3.2%	4.2%	4.4%	4.3%
Farm Income	-	11.4%	-5.2%	-19.7%	-22.6%	-11.6%	-0.4%	4.0%	4.0%	4.0%	4.0%	4.0%

P:\Galen\CEFC\Oct 2004 Fcst & Bkgnd\Cefc10\_2004.XLS

3 month T-bill and 10yr Treas. Note rates are from Economy.com - Aug. 2004

In deliberating its October 2004 forecast, the Committee considered the following:

1) The State Planning Office reported that the Maine and national economies continued to make modest progress through the summer, but job growth was still quite slow.

US real Gross Domestic Product advanced at an annual rate of 3.3% in the second quarter, the slowest growth rate of the past five quarters. National job growth also continued to be slow.

The Maine economy has been on a similar track. The Maine Coincident Economic Index, which approximates Gross State Product growth, rose at an annual rate of 2.7% through July. And, payroll job growth through August was up only 0.7% over the same period of last year, adding 5,800 jobs since yearend (seasonally adjusted). Maine's seasonally adjusted unemployment rate stood at 4.5% in August, while the national rate was 5.4%.

Maine taxable retail sales for the first 7 months were up a surprisingly strong 6.5% over the same period of last year (growth in 2003 was 4.6%).

Housing permits slowed dramatically in July and August compared to last year, falling 2.8% and 0.9% respectively. In contrast, year-over-year growth in March thru June was 30% to 55% each month.

Contract awards for residential construction also appeared to be slowing. Year-over-year growth in January and February (seasonally adjusted) was 45%, but then slowed to only 1% growth in June. Awards did bounce back to 27% in July, but the trend appears to be in the other direction.

Existing (as opposed to new-) home sales for the first half-year were up 17%, pushing the average price up 12.4% over the same period.

Over the past year, bankruptcies have been flat at annual rates of about 4,600, slightly above the previous record rates of early 1999.

In sum, the Maine and national economies are both growing at slow to moderate rates, with only a few sectors showing strong growth.

2. General Fund revenues through the first 2 months of the fiscal year (July and August) were \$22.2 million over budget. Individual income tax revenues were \$14.9 million over budget, but Revenue Services economists reported that much of this was due to timing issues, and the surplus amount would likely be smaller after September. Sales tax revenues were \$4.6 million over budget, but high heating oil prices this winter are expected to keep this surplus from expanding much further, at least through the winter. Corporate income tax revenues were \$5.7 million over budget.

3. Commissioners noted a number of positive trends which may impact the Maine economy going forward. These included:

- a. The value of the US dollar is still falling, which should benefit exporters and tourism.
  - b. US monetary and fiscal policies are still stimulative, which is helping to maintain strong consumer spending.
  - c. The recent national trend of producing more without increasing labor input has probably approached its limit, meaning employment growth rates should increase.
4. Several important negative trends were also noted by Commissioners. These included:
- a. US labor market job openings and turnover rates are still weak, with no positive signs. In fact, seasonally adjusted payroll employment in August was still below the average for 2000.
  - b. World oil prices have been volatile and extremely high in recent months, topping \$55/barrel at one point. While the national forecasts studied suggest prices will fall somewhat, to the \$35 to \$40 per barrel range over the next couple years, this level is still well above the norm of the past few years.
  - c. The SPO and NEEP Maine forecasts called for personal income growth in the 3.8% to 4% range in the 2005-2009 period. This is about a half-percentage point below the CEFC February forecast. The primary cause of this slower growth was slower forecast growth for Supplements to Wages and Salaries (formerly termed Other Labor Income) and Transfer Payments.

## APPENDIX D

### Maine Revenue Services Capital Gains Report





JOHN ELIAS BALDACCI  
GOVERNOR

STATE OF MAINE  
MAINE REVENUE SERVICES  
24 STATE HOUSE STATION  
AUGUSTA, MAINE  
04333-0024

REBECCA M. WYKE  
COMMISSIONER OF  
ADMINISTRATIVE & FINANCIAL SERVICES

JEROME D. GERARD  
ACTING EXECUTIVE DIRECTOR

November 19, 2004

Dear Revenue Forecasting Committee Members:

Pursuant to 5 MRSA, § 1710-J, Maine Revenue Services (MRS) is providing the committee with a report on the amount of capital gains and losses realized by taxpayers filing Maine individual income tax returns for tax year 2002.

The information on capital gains and losses realized by individual taxpayers reflect income reported to both MRS and the Internal Revenue Service (IRS) by Maine resident filers. The attached table for individual income tax returns is based solely on Maine residents. MRS has concluded that data on non-resident filers is insufficient to accurately measure the amount of capital gains and losses taxable in Maine.

As reported in Table 1, there were 57,733 individual income tax returns reporting a positive level of capital gains realizations in tax year 2002, totaling \$1,034 million. There were 51,982 returns reporting a capital loss in tax year 2002, totaling \$117.3 million. Net capital gains realizations in tax year 2002 reported by Maine resident filers was \$916.6 million, translating into \$62.7 million in individual income tax revenue.

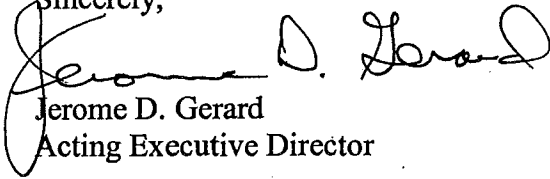
At the bottom of Table 1 is a short history of net capital gains realizations reported on Maine resident individual income tax returns. The 2002 level of net realizations represents a 17.3 percent decrease over the 2001 tax year. This time series of net realizations demonstrates the remarkable increase in capital gains realized by Maine residents for the 5 year period ending with the 2000 tax year, and the subsequent "crash" in 2001. We estimate that the stock market correction resulted in a \$118 million annual reduction in individual income tax liability by Maine residents.

We have included two graphs that show how the stock market's rapid appreciation and subsequent decline has impacted state income tax revenues. The first graph shows the actual growth in capital gains realizations between 1995 and 2002, the growth in capital gains estimated by the Revenue Forecasting Committee for those tax years, and the current forecast of capital gains realizations by the committee for tax years 2003 through 2005.

The second graph demonstrates how reliant the state had become on capital gains realizations by tax year 2000. MRS estimates that taxes from capital gains represented 17.5 percent of total resident income tax liability in tax year 2000, compared with over 6 percent of total resident income tax liability in tax year 1995. Based on the Revenue Forecasting Committee's forecast, we estimate that taxes on net capital gains will only represent 6.5% of resident income tax liability for the foreseeable future.

If you need any further information, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Jerome D. Gerard". The signature is fluid and cursive, with the first name "Jerome" being the most prominent part, followed by "D." and "Gerard".

Jerome D. Gerard  
Acting Executive Director

**Capital Gains and Losses Reported on Maine Individual Income Tax Returns, Tax Year 2002 /1**

Decile	Expanded Income Range			Returns with Net Capital Gains			Returns with Net Capital Losses			Returns with Capital Gains/Losses		
				Thousands	(Millions of Dollars)		Thousands	(Millions of Dollars)		Thousands	(Millions of Dollars)	
				Returns	Gains	Revenue	Returns	Losses	Revenue	Returns	Gains	Revenue
First & Second	\$0	-	\$8,825	5,176	\$16.2	\$0.1	7,990	(\$18.5)	(\$0.1)	13,166	(\$2.2)	(\$0.0)
Third	\$8,826	-	\$13,120	2,670	\$6.4	\$0.1	2,327	(\$5.1)	(\$0.1)	4,997	\$1.2	\$0.0
Fourth	\$13,121	-	\$18,516	3,970	\$11.9	\$0.3	3,069	(\$6.8)	(\$0.2)	7,039	\$5.1	\$0.1
Fifth	\$18,517	-	\$24,883	4,196	\$13.2	\$0.4	3,410	(\$7.5)	(\$0.2)	7,606	\$5.7	\$0.2
Sixth	\$24,884	-	\$33,046	4,861	\$18.1	\$0.7	3,928	(\$8.6)	(\$0.3)	8,789	\$9.5	\$0.4
Seventh	\$33,047	-	\$43,796	6,027	\$26.1	\$1.2	5,059	(\$10.9)	(\$0.5)	11,086	\$15.3	\$0.7
Eighth	\$43,797	-	\$58,695	7,748	\$41.6	\$2.3	6,097	(\$13.2)	(\$0.7)	13,845	\$28.4	\$1.5
Ninth	\$58,696	-	\$83,291	9,633	\$77.2	\$5.0	8,021	(\$17.5)	(\$1.1)	17,654	\$59.7	\$3.9
Tenth	\$83,292	&	Over	13,452	\$823.1	\$58.0	12,081	(\$29.2)	(\$2.1)	25,533	\$793.9	\$56.0
Total				57,733	\$1,033.9	\$68.0	51,982	(\$117.3)	(\$5.3)	109,715	\$916.6	\$62.7

Total Resident Tax Returns filed in Tax Year 2002 = 573,231

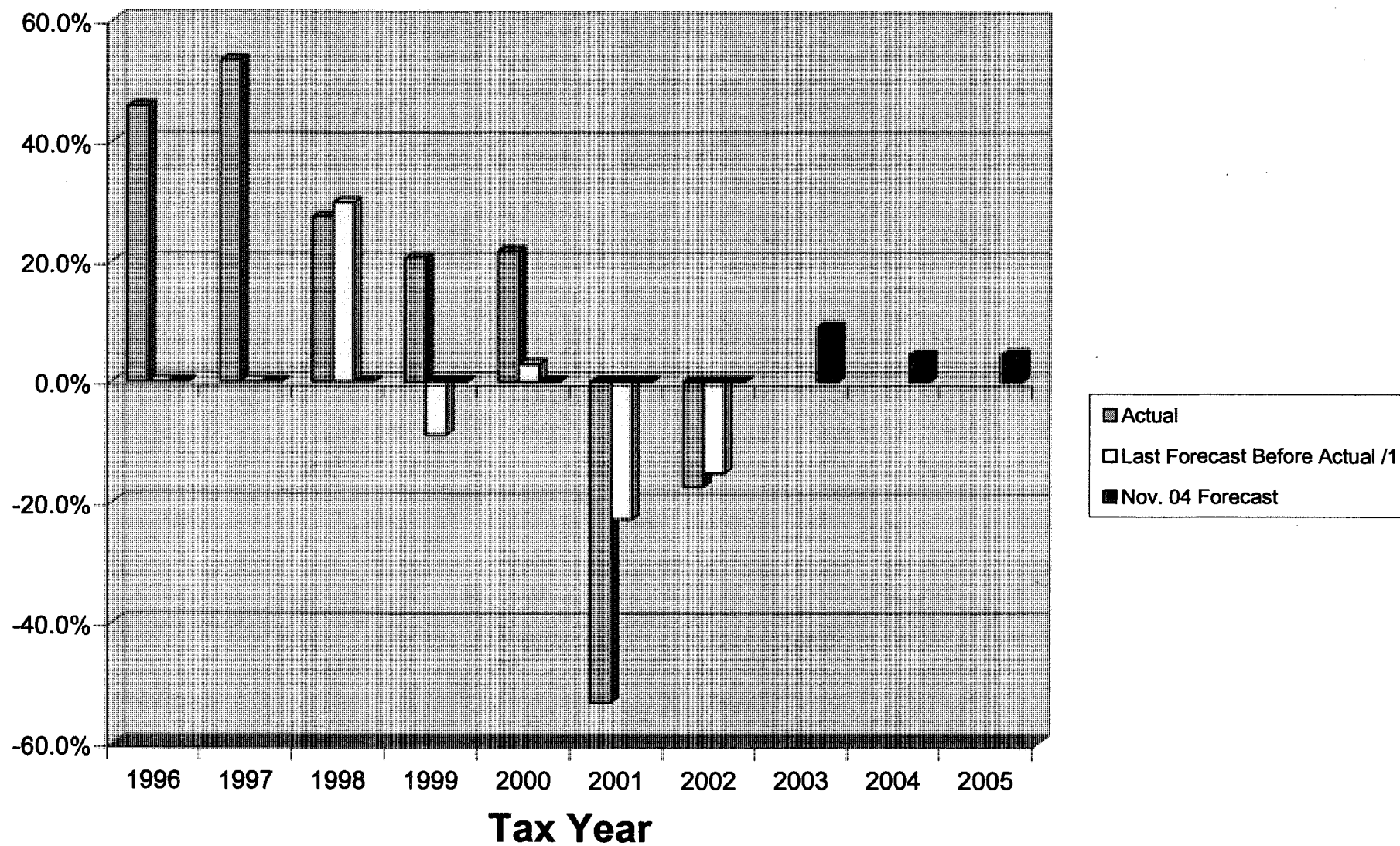
Total Resident Tax Liability in Tax Year = \$965.1 Million

1/ Based on Maine Revenue Services' Individual Income Tax Model. Data is from tax returns filed with the Internal Revenue Service and Maine Revenue Services.

	Resident Net Gains (\$ Millions)	% Change
1995	\$551.7	
1996	\$799.7	45.0%
1997	\$1,218.7	52.4%
1998	\$1,551.0	27.3%
1999	\$1,867.2	20.4%
2000	\$2,360.3	26.4%
2001	\$1,108.0	-53.1%
2002	\$916.6	-17.3%

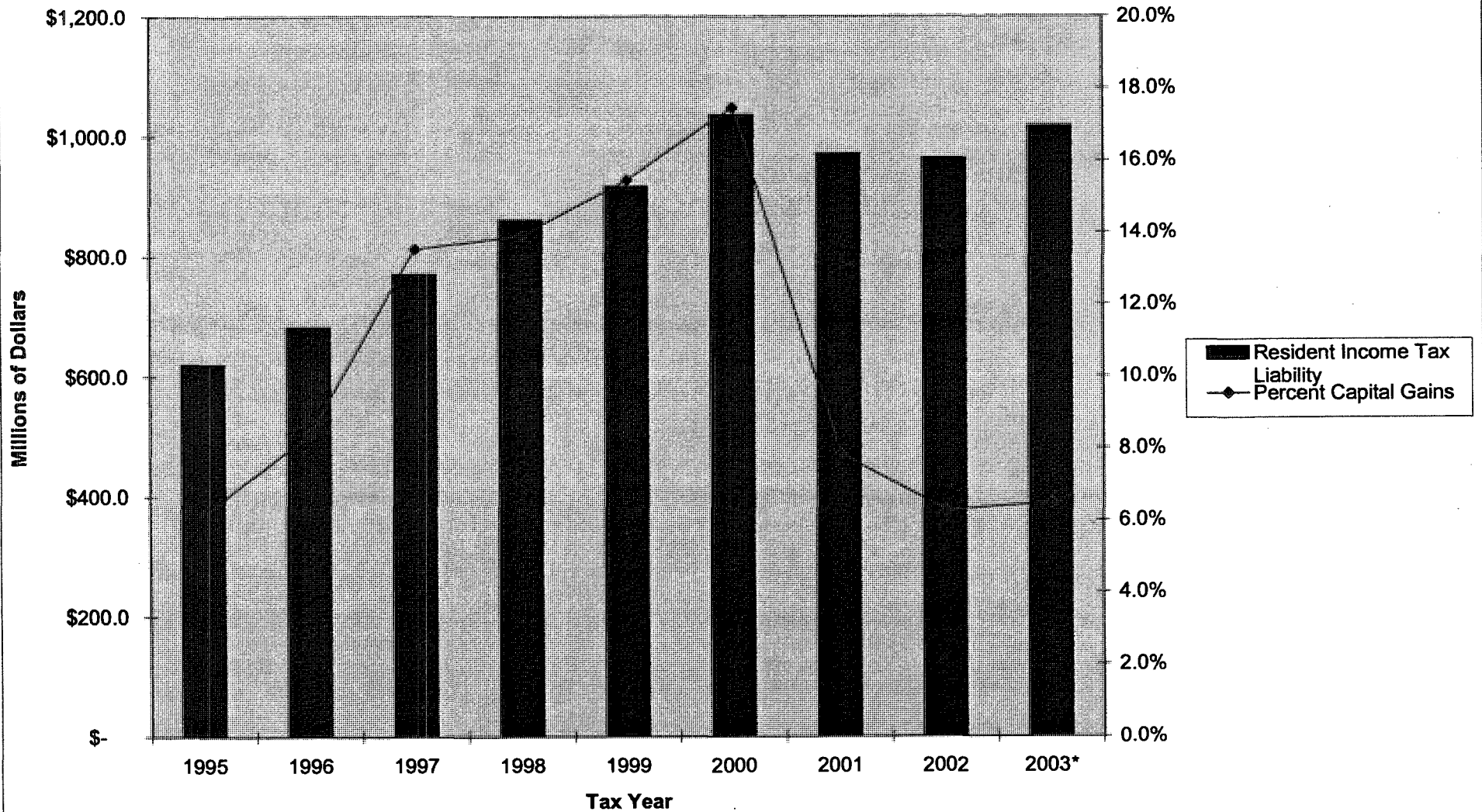


## Percentage Change in Capital Gains Realizations by Maine Residents



1/ Represents last forecast prior to receipt of tax year return.

### Percentage of Resident Liability Attributable to Net Capital Gains



\* Signifies a forecasted value.



## APPENDIX E

Maine Revenue Services  
Back-up Materials  
for November 19, 2004  
Revenue Forecasting Committee  
Meeting





## **REVENUE FORECASTING COMMITTEE**

**November 19, 2004**

**Maine Revenue Services  
Economic Research Division**



**Revenue Forecasting Committee Recommended Revenue Projections for  
FY2005 - FY2009**

Source	FY02 Actual	FY03 Actual	% Chg.	FY04 Budget	% Chg.	Variance	FY04 Actual	% Chg.	FY05 Budget	% Chg.	Recom. Chg.	FY05 Reproject	% Chg.
Sales and Use Tax	\$836,134,084	\$857,486,801	2 6%	\$905,721,382	5 6%	\$11,521,863	\$917,243,245	7 0%	\$942,792,063	2 8%	\$18,617,937	\$961,410,000	4 8%
Individual Income Tax	\$1,069,834,791	\$1,071,701,694	0 2%	\$1,130,761,691	5 5%	\$25,954,218	\$1,156,715,909	7 9%	\$1,166,441,294	0 8%	\$29,664,902	\$1,196,106,196	3 4%
Corporate Income Tax	\$77,366,103	\$91,188,393	17 9%	\$103,752,841	13 8%	\$7,863,210	\$111,616,051	22 4%	\$104,391,604	-6 5%	\$18,960,000	\$123,351,604	10 5%
Cigarette and Tobacco Tax	\$97,599,599	\$98,414,470	0 8%	\$97,616,940	-0 8%	(\$1,012,294)	\$96,604,646	-1 8%	\$96,919,864	0 3%	(\$900,000)	\$96,019,864	-0 6%
Public Utilities Tax	\$30,479,783	\$29,285,143	-3 9%	\$28,900,000	-1 3%	(\$908,812)	\$27,991,188	-4 4%	\$28,050,000	0 2%	(\$1,375,000)	\$26,675,000	-4 7%
Insurance Companies Tax	\$55,244,333	\$71,078,089	28 7%	\$69,415,308	-2 3%	\$2,790,745	\$72,206,053	1 6%	\$65,848,416	-8 8%	\$12,236,957	\$78,085,373	8 1%
Estate Tax	\$23,420,240	\$30,520,320	30 3%	\$32,103,631	5 2%	(\$28,130)	\$32,075,501	5 1%	\$31,941,909	-0 4%	(\$2,899,142)	\$29,042,767	-9 5%
Property Tax - Unorg Territory	\$10,333,984	\$9,930,103	-3 9%	\$10,202,624	2 7%	\$506,684	\$10,709,308	7 8%	\$10,580,086	-1 2%	\$0	\$10,580,086	-1 2%
Income from Investments	\$3,829,583	\$2,345,855	-38 7%	\$1,287,885	-45 1%	\$1,022,322	\$2,310,207	-1 5%	\$1,020,345	-55 8%	\$0	\$1,020,345	-55 8%
Transfer to Municipal Rev Sharing	(\$101,150,084)	(\$103,039,221)	1 9%	(\$109,152,033)	5 9%	(\$2,312,303)	(\$111,464,335)	8 2%	(\$112,894,875)	1 3%	(\$3,429,386)	(\$116,324,261)	4 4%
Transfer from Liquor Commission	\$25,168,524	\$26,073,276	3 6%	\$27,056,396	3 8%	\$126,347	\$27,182,743	4 3%	\$0	-100 0%	\$0	\$0	0 0%
Transfer from Lottery Commission	\$39,317,891	\$39,442,111	0 3%	\$42,321,885	7 3%	(\$1,049,240)	\$41,272,645	4 6%	\$52,074,827	26 2%	\$0	\$52,074,827	26 2%
Other Revenues	\$164,081,732	\$170,263,157	3 8%	\$280,487,661	64 7%	\$18,588,736	\$299,076,397	75 7%	\$264,442,965	-11 6%	\$0	\$264,442,965	-11 6%
Total Revenue Available	\$2,331,660,563	\$2,394,690,190	2 7%	\$2,620,476,211	9 4%	\$63,063,346	\$2,683,539,558	12 1%	\$2,651,608,498	-1 2%	\$70,876,268	\$2,722,484,766	1 5%
Change in Biennium													



**Revenue Forecasting Committee Recommended Revenue Projections for  
FY2005-FY2009**

Source	FY06 Budget	% Chg.	Recom. Chg.	FY06 Reproject	% Chg.	FY07 Budget	% Chg.	Recom. Chg.	FY07 Reproject	% Chg.	FY08 Budget	% Chg.	FY09 Budget	% Chg.
Sales and Use Tax	\$986,819,271	2 6%	\$16,900,729	\$1,003,720,000	4 4%	\$1,033,491,907	4 7%	\$11,948,093	\$1,045,440,000	4 2%	\$1,088,760,000	4 1%	\$1,135,080,000	4 3%
Individual Income Tax	\$1,234,170,264	3 2%	\$12,814,218	\$1,246,984,482	4 3%	\$1,298,609,002	5 2%	\$8,794,344	\$1,307,403,346	4 8%	\$1,371,038,680	4 9%	\$1,432,756,897	4 5%
Corporate Income Tax	\$96,655,057	-21 6%	\$16,450,000	\$113,105,057	-8 3%	\$94,163,219	-2 6%	\$12,620,000	\$106,783,219	-5 6%	\$93,010,000	-12 9%	\$93,010,000	0 0%
Cigarette and Tobacco Tax	\$96,125,360	0 1%	(\$900,000)	\$95,225,360	-0 8%	\$95,433,494	-0 7%	(\$900,000)	\$94,533,494	-0 7%	\$93,822,164	-0 8%	\$93,012,607	-0 9%
Public Utilities Tax	\$26,760,000	0 3%	(\$1,320,000)	\$25,440,000	-4 6%	\$25,875,000	-3 3%	(\$1,380,000)	\$24,495,000	-3 7%	\$23,320,000	-4 8%	\$22,260,000	-4 5%
Insurance Companies Tax	\$64,416,469	-17 5%	\$11,679,006	\$76,095,475	-2 5%	\$66,969,233	4 0%	\$11,613,102	\$78,582,335	3 3%	\$78,921,895	0 4%	\$80,411,245	1 9%
Estate Tax	\$32,646,239	12 4%	(\$2,545,836)	\$30,100,403	3 6%	\$34,585,012	5 9%	(\$2,964,951)	\$31,620,061	5 0%	\$33,911,834	7 2%	\$35,361,666	4 3%
Property Tax - Unorg Territory	\$10,690,713	1 0%	\$0	\$10,690,713	1 0%	\$10,982,067	2 7%	\$0	\$10,982,067	2 7%	\$10,982,067	0 0%	\$10,982,067	0 0%
Income from Investments	\$1,607,053	57 5%	\$0	\$1,607,053	57 5%	\$1,751,208	9 0%	\$0	\$1,751,208	9 0%	\$1,751,208	0 0%	\$1,751,208	0 0%
Transfer to Municipal Rev Sharing	(\$120,517,519)	3 6%	(\$2,400,577)	(\$122,918,096)	5 7%	(\$126,165,736)	4 7%	(\$1,734,847)	(\$127,900,582)	4 1%	(\$132,746,051)	3 8%	(\$138,364,039)	4 2%
Transfer from Liquor Commission	\$0	0 0%	\$0	\$0	0 0%	\$0	0 0%	\$0	\$0	0 0%	\$0	0 0%	\$0	0 0%
Transfer from Lottery Commission	\$52,389,690	0 6%	\$0	\$52,389,690	0 6%	\$51,700,617	-1 3%	\$0	\$51,700,617	-1 3%	\$51,700,617	0 0%	\$51,700,617	0 0%
Other Revenues	\$188,159,829	-28 8%	\$0	\$188,159,829	-28 8%	\$196,259,727	4 3%	\$0	\$196,259,727	4 3%	\$196,259,727	0 0%	\$196,259,727	0 0%
Total Revenue Available	\$2,669,922,426	-1 9%	\$50,677,540	\$2,720,599,966	-0 1%	\$2,783,654,750	4 3%	\$37,995,741	\$2,821,650,492	3 7%	\$2,910,732,141	3 2%	\$3,014,221,995	3 6%
									\$88,673,281					

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**STATE OF MAINE**  
Undedicated Revenues - General Fund  
For the Twelfth Month Ended June 30, 2004  
Comparison to Budget

EXHIBIT I

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2004
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	
Sales and Use Tax	164,655,339	164,250,897	404,442	0.2%	917,243,245	905,721,382	11,521,863	1.3%	905,721,382
Individual Income Tax	162,744,951	161,890,000	854,951	0.5%	1,156,715,909	1,130,761,691	25,954,218	2.3%	1,130,761,691
Corporate Income Tax	22,442,938	19,488,174	2,954,764	15.2%	111,616,051	103,752,841	7,863,210	7.6%	103,752,841
Cigarette and Tobacco Tax	9,913,683	7,786,725	2,126,958	27.3%	96,604,646	97,616,940	(1,012,294)	(1.0%)	97,616,940
Public Utilities Tax	1,048	-	1,048	-	27,991,188	28,900,000	(908,812)	(3.1%)	28,900,000
Insurance Companies Tax	21,767,273	17,470,326	4,296,947	24.6%	72,206,053	69,415,308	2,790,745	4.0%	69,415,308
Estate Tax	10,133,418	8,280,258	1,853,160	22.4%	32,075,501	32,103,631	(28,130)	(0.1%)	32,103,631
Property Tax - Unorg Territory	1,772,216	1,265,531	506,685	40.0%	10,709,308	10,202,624	506,684	5.0%	10,202,624
Income from Investments	610,498	94,437	516,061	546.5%	2,310,207	1,287,885	1,022,322	79.4%	1,287,885
Transfer to Municipal Revenue Sharing	(17,842,005)	(17,627,085)	(214,920)	(1.2%)	(111,464,335)	(109,152,033)	(2,312,302)	(2.1%)	(109,152,033)
Transfer from Liquor Commission	2,067,773	2,254,518	(186,745)	(8.3%)	27,182,743	27,056,396	126,347	0.5%	27,056,396
Transfer from Lottery Commission	3,354,748	3,595,183	(240,435)	(6.7%)	41,272,645	42,321,885	(1,049,240)	(2.5%)	42,321,885
Other Revenues	43,664,490	107,620,401	(63,955,911)	(59.4%)	299,076,397	280,487,661	18,588,736	6.6%	280,487,661
<b>Total Collected</b>	<b>425,286,372</b>	<b>476,369,365</b>	<b>(51,082,993)</b>	<b>(10.7%)</b>	<b>2,683,539,557</b>	<b>2,620,476,211</b>	<b>63,063,346</b>	<b>2.4%</b>	<b>2,620,476,211</b>

NOTES: (1) Included in the above is \$17,842,005 for the month and \$111,464,335 year to date, that was set aside for Revenue Sharing with cities and towns

(2) Figures reflect estimates of the Maine State Revenue Forecasting Committee approved in February 2004

(3) This report has been prepared from preliminary month end figures and is subject to change

**STATE OF MAINE**  
Undedicated Revenues - General Fund  
For the Fourth Month Ended October 31, 2004  
For the Fiscal Year Ending June 30, 2005  
Comparison to Budget

EXHIBIT I

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2005
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	
Sales and Use Tax	85,814,162	81,927,394	3,886,768	4.7%	263,639,501	256,560,721	7,078,780	2.8%	896,092,063
Service Provider Tax	4,583,937	4,092,783	491,154	12.0%	10,980,788	12,349,030	(1,368,242)	(11.1%)	46,700,000
Individual Income Tax	83,726,670	88,939,584	(5,212,914)	(5.9%)	325,394,638	307,620,237	17,774,401	5.8%	1,166,441,294
Corporate Income Tax	6,879,835	6,575,410	304,425	4.6%	39,490,877	27,951,753	11,539,124	41.3%	104,391,604
Cigarette and Tobacco Tax	7,696,606	9,676,940	(1,980,334)	(20.5%)	34,487,999	34,616,683	(128,684)	(0.4%)	96,919,864
Public Utilities Tax	17,633	-	17,633	-	(132,367)	(150,000)	17,633	11.8%	28,050,000
Insurance Companies Tax	5,770,783	4,262,627	1,508,156	35.4%	7,568,233	5,948,807	1,619,426	27.2%	65,848,416
Estate Tax	2,662,268	2,654,711	7,557	0.3%	4,539,143	5,434,796	(895,653)	(16.5%)	31,941,909
Property Tax - Unorg Territory	9,638,377	9,722,362	(83,985)	(0.9%)	9,638,377	9,722,362	(83,985)	(0.9%)	10,580,086
Income from Investments	374,766	139,595	235,171	168.5%	1,162,148	303,303	858,845	283.2%	1,020,345
Transfer to Municipal Revenue Sharing	(9,231,235)	(9,258,294)	27,059	0.3%	(32,614,796)	(30,828,574)	(1,786,222)	(5.8%)	(112,894,875)
Transfer from Liquor Commission	(126)	-	(126)	-	17,984	-	17,984	-	-
Transfer from Lottery Commission	3,919,435	4,522,047	(602,612)	(13.3%)	16,847,266	17,264,691	(417,425)	(2.4%)	52,074,827
Other Revenues	13,366,233	12,888,941	477,292	3.7%	110,982,477	106,977,996	4,004,481	3.7%	264,442,965
<b>Total Collected</b>	<b>215,219,343</b>	<b>216,144,100</b>	<b>(924,757)</b>	<b>(0.4%)</b>	<b>792,002,268</b>	<b>753,771,805</b>	<b>38,230,463</b>	<b>5.1%</b>	<b>2,651,608,498</b>

NOTES: (1) Included in the above is \$9,231,235 for the month and \$32,614,796 year to date, that was set aside for Revenue Sharing with cities and towns.

(2) Figures reflect estimates of the Maine State Revenue Forecasting Committee approved in February 2004, as updated for laws enacted by the 121st Second Regular and Second Special Sessions

(3) This report has been prepared from preliminary month end figures and is subject to change

# STATE OF MAINE

Undedicated Revenues - General Fund

For the Fourth Month Ended October 31, 2004 and 2003

For the Fiscal Years Ending June 30, 2005 and 2004

Comparison to Prior Year

EXHIBIT II

	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)
Sales and Use Tax	85,814,162	83,820,881	1,993,281	2.4%	263,639,501	262,479,453	1,160,048	0.4%
Service Provider Tax	4,583,937	-	4,583,937	-	10,980,788	-	10,980,788	-
Individual Income Tax	83,726,670	92,060,779	(8,334,108)	(9.1%)	325,394,638	313,481,485	11,913,153	3.8%
Corporate Income Tax	6,879,835	6,521,532	358,303	5.5%	39,490,877	27,301,436	12,189,441	44.6%
Cigarette and Tobacco Tax	7,696,606	7,613,525	83,080	1.1%	34,487,999	34,941,346	(453,347)	(1.3%)
Public Utilities Tax	17,633	-	17,633	-	(132,367)	(293,688)	161,321	54.9%
Insurance Companies Tax	5,770,783	6,349,632	(578,850)	(9.1%)	7,568,233	8,390,042	(821,810)	(9.8%)
Estate Tax	2,662,268	3,498,333	(836,066)	(23.9%)	4,539,143	4,502,779	36,364	0.8%
Property Tax - Unorg Territory	9,638,377	8,937,092	701,285	7.8%	9,638,377	8,937,092	701,285	7.8%
Income from Investments	374,766	169,321	205,445	121.3%	1,162,148	699,675	462,473	66.1%
Transfer to Municipal Revenue Sharing	(9,231,235)	(9,302,563)	71,328	0.8%	(32,614,796)	(30,766,381)	(1,848,415)	(6.0%)
Transfer from Liquor Commission	(126)	2,247,217	(2,247,343)	(100.0%)	17,984	10,181,350	(10,163,366)	(99.8%)
Transfer from Lottery Commission	3,919,435	3,260,661	658,774	20.2%	16,847,266	13,646,557	3,200,709	23.5%
Other Revenues	13,366,233	11,588,849	1,777,383	15.3%	110,982,477	59,770,476	51,212,001	85.7%
Total Collected	215,219,343	216,765,260	(1,545,917)	(0.7%)	792,002,268	713,271,622	78,730,646	11.0%

STATE OF MAINE  
Undedicated Revenues - General Fund  
For the Fourth Month Ended October 31, 2004  
For the Fiscal Year Ending June 30, 2005  
Comparison to Budget

EXHIBIT III

Detail of Other Revenues	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2005
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	
0100's All Others	2,967,094	1,722,407	1,244,687	72 3%	11,043,705	6,426,433	4,617,272	71 8%	23,300,764
0300's Aeronautical Gas Tax	184,654	103,535	81,119	78 3%	550,900	430,130	120,770	28 1%	1,097,216
0400's Alcohol Excise Tax	980,837	1,010,650	(29,813)	(2 9%)	4,916,463	4,827,950	88,513	1 8%	12,172,929
0700's Corporation Taxes	85,239	68,013	17,226	25 3%	478,503	339,061	139,442	41 1%	5,451,707
1000's Banking Taxes	1,672,330	1,314,416	357,914	27 2%	5,584,310	4,632,664	951,646	20 5%	15,423,000
1100's Alcoholic Beverages	207,340	252,902	(45,562)	(18 0%)	855,220	983,978	(128,758)	(13 1%)	3,190,044
1200's Amusements Tax	2,400	2,500	(100)	(4 0%)	2,400	(3,500)	5,900	168 6%	4,000
1300's Harness Racing/Parimutuels/Slots	103,532	78,000	25,532	32 7%	334,713	257,959	76,754	29 8%	3,185,074
1400's Business Taxes	156,948	227,665	(70,717)	(31 1%)	1,249,710	1,475,071	(225,361)	(15 3%)	6,515,191
1500's Motor Vehicle Licenses	345,607	292,332	53,275	18 2%	1,673,669	1,543,353	130,316	8 4%	4,374,115
1700's Inland Fisheries & Wildlife	1,281,961	1,205,421	76,540	6 3%	6,159,487	5,372,727	786,760	14 6%	16,102,032
1900's Hospital Excise & Other	32,268	33,890	(1,622)	(4 8%)	137,423	141,090	(3,667)	(2 6%)	564,415
2000's Fines, Forfeits & Penalties	2,102,682	2,913,715	(811,033)	(27 8%)	11,309,209	11,619,633	(310,424)	(2 7%)	35,368,943
2200's Federal Revenues	2,057,338	1,877,274	180,064	9 6%	8,023,036	7,432,550	590,486	7 9%	22,366,198
2300's County Revenues	-	-	-	-	-	-	-	-	-
2400's Revenues from Cities & Towns	650	-	650	-	12,800	-	12,800	-	5,174,709
2500's Revenues from Private Sources	271,957	157,622	114,335	72 5%	762,825	682,103	80,722	11 8%	2,307,000
2600's Current Service Charges	1,584,689	3,151,373	(1,566,684)	(49 7%)	60,486,399	61,693,705	(1,207,306)	(2 0%)	85,720,158
2700's Transfers from Other Funds	(737,089)	(1,524,674)	787,585	51 7%	(2,672,164)	(880,511)	(1,791,653)	(203 5%)	22,063,870
2800's Sales of Property & Equipment	65,796	1,900	63,896	3362 9%	73,870	3,600	70,270	1951 9%	61,600
Total Other Revenues	13,366,233	12,888,941	477,292	3.7%	110,982,477	106,977,996	4,004,481	3.7%	264,442,965

NOTE: This report has been prepared from preliminary month end figures and is subject to change

# STATE OF MAINE

Undedicated Revenues - General Fund  
For the Fourth Month Ended October 31, 2004 and 2003  
For the Fiscal Years Ending June 30, 2005 and 2004  
Comparison to Prior Year

EXHIBIT IV

Detail of Other Revenues	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)
0100's All Others	2,967,094	2,704,509	262,585	9.7%	11,043,705	8,986,110	2,057,595	22.9%
0300's Aeronautical Gas Tax	184,654	113,360	71,294	62.9%	550,900	545,090	5,811	1.1%
0400's Alcohol Excise Tax	980,837	1,002,847	(22,010)	(2.2%)	4,916,463	4,857,426	59,037	1.2%
0700's Corporation Taxes	85,239	78,350	6,889	8.8%	478,503	369,808	108,695	29.4%
1000's Banking Taxes	1,572,330	872,670	799,660	91.6%	5,584,310	3,090,920	2,493,390	80.7%
1100's Alcoholic Beverages	207,340	321,826	(114,486)	(35.6%)	855,220	971,846	(116,626)	(12.0%)
1200's Amusements Tax	2,400	500	1,900	380.0%	2,400	500	1,900	380.0%
1300's Harness Racing/Parimutuels/Slots	103,532	78,122	25,410	32.5%	334,713	360,968	(26,256)	(7.3%)
1400's Business Taxes	156,948	185,555	(28,607)	(15.4%)	1,249,710	1,139,655	110,055	9.7%
1500's Motor Vehicle Licenses	345,607	364,704	(19,097)	(5.2%)	1,673,669	1,519,700	153,969	10.1%
1700's Inland Fisheries & Wildlife	1,281,961	1,142,178	139,783	12.2%	6,159,487	6,925,760	(766,272)	(11.1%)
1900's Amnesty, Hosp Excise & Other	32,268	36,298	(4,030)	(11.1%)	137,423	182,709	(45,286)	(24.8%)
2000's Fines, Forfeits & Penalties	2,102,682	2,843,805	(741,124)	(26.1%)	11,309,209	14,877,235	(3,568,026)	(24.0%)
2200's Federal Revenues	2,057,338	247,502	1,809,836	731.2%	8,023,036	3,950,575	4,072,461	103.1%
2300's County Revenues	-	-	-	-	-	-	-	-
2400's Revenues from Cities & Towns	650	-	650	-	12,800	-	12,800	-
2500's Revenues from Private Sources	271,957	127,854	144,103	112.7%	762,825	568,086	194,739	34.3%
2600's Current Service Charges	1,584,689	1,929,148	(344,459)	(17.9%)	60,486,399	11,183,643	49,302,756	440.8%
2700's Transfers from Other Funds	(737,089)	(470,209)	(266,881)	(56.8%)	(2,672,164)	228,285	(2,900,449)	(1270.5%)
2800's Sales of Property & Equipment	65,796	9,829	55,967	569.4%	73,870	12,161	61,709	507.4%
Total Other Revenues	13,366,233	11,588,849	1,777,383	15.3%	110,982,477	59,770,476	51,212,001	85.7%

NOTE: This report has been prepared from preliminary month end figures and is subject to change

# STATE OF MAINE

Undedicated Revenues - Highway Fund  
For the Fourth Month Ended October 31, 2004  
For the Fiscal Year Ending June 30, 2005  
Comparison to Budget

Exhibit V

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2005
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	
Fuel Taxes	19,372,019	18,865,461	506,558	2.7%	61,369,502	58,507,331	2,862,171	4.9%	218,638,488
Motor Vehicle Registration & Fees	5,686,897	5,239,524	447,373	8.5%	25,803,240	23,179,800	2,623,440	11.3%	78,693,539
Inspection Fees	329,310	258,739	70,571	27.3%	1,363,513	1,226,737	136,776	11.1%	3,470,359
Fines, Forfeits & Penalties	276,863	178,927	97,936	54.7%	582,047	705,025	(122,978)	(17.4%)	2,165,359
Earnings on Investments	75,376	89,000	(13,624)	(15.3%)	218,417	269,000	(50,583)	(18.8%)	1,026,195
All Other	758,814	456,249	302,565	66.3%	2,379,810	2,056,839	322,971	15.7%	13,443,932
Total Revenue	26,499,278	25,087,900	1,411,378	5.6%	91,716,528	85,944,732	5,771,796	6.7%	317,437,872

## NOTE:

This report has been prepared from preliminary month end figures and is subject to change

# STATE OF MAINE

Undedicated Revenues - Highway Fund

For the Fourth Month Ended October 31, 2004 and 2003

For the Fiscal Years Ending June 30, 2005 and 2004

Comparison to Prior Year

Exhibit VI

	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)
Fuel Taxes	19,372,019	18,530,531	841,489	4.5%	61,369,502	57,323,019	4,046,483	7.1%
Motor Vehicle Registration & Fees	5,686,897	5,967,463	(280,567)	(4.7%)	25,803,240	25,621,199	182,041	0.7%
Inspection Fees	329,310	362,818	(33,508)	(9.2%)	1,363,513	1,658,464	(294,951)	(17.8%)
Fines, Forfeits & Penalties	276,863	155,113	121,750	78.5%	582,047	651,711	(69,664)	(10.7%)
Earnings on Investments	75,376	51,867	23,509	45.3%	218,417	163,087	55,330	33.9%
All Other	758,814	700,088	58,726	8.4%	2,379,810	2,395,961	(16,151)	(0.7%)
Total Revenue	26,499,278	25,767,880	731,398	2.8%	91,716,528	87,813,441	3,903,087	4.4%

NOTE: This report has been prepared from preliminary month end figures and is subject to change





# **Economic Assumptions**

# **Assumptions Used in Sales & Excise Model**

- (1) Total Personal Income
- (2) Inflation (CPI-U)
- (3) Total Employment Growth
  - (a) Growth by Sector

# **Assumptions Used in Individual Income Tax Model**

- (4) Total Personal Income
  - (a) Growth by Component
- (5) Inflation (CPI-U)
- (6) Total Employment Growth
- (7) Unemployment Rate
- (8) 3-Month Treasury Bill Rate
- (9) 10-Year Treasury Note Rate

# **Assumptions Used in Corporate Income Tax Model**

- (10) Inflation (CPI-U)
- (11) Total Employment Growth
  - (a) Growth by Sector



## U.S. Macro Outlook

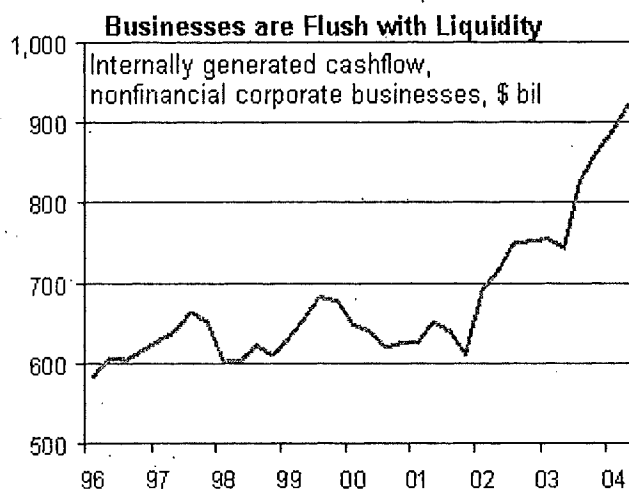


By Mark Zandi in West Chester  
November 17, 2004

View Economy.com's U.S. macro forecast [here](#).

The economic recovery has finally evolved into an economic expansion. It has been a long and generally difficult three years since the end of the last recession, but real GDP, incomes, profits, and even employment are now near or above their pre-recession peaks. The economy's prospects through 2005 are upbeat. As long as energy prices moderate a bit further, real GDP growth next year should at least match the economy's potential of just over 3%.

Behind this optimism are flush businesses. Businesses have been the principal beneficiaries of the robust productivity gains of recent years, as these gains have outpaced the growth in labor compensation, and unit labor costs have fallen. Profitability has also received a lift from falling interest payments and a weaker dollar. Corporate balance sheets are about as solid as they get. Outside of the airline industry and sundry small parts of manufacturing, debt loads are low, liquidity is high, and corporate bankruptcies are rare.



Businesses are putting their financial wherewithal to increasing use. Investment spending is rising at a double-digit pace, inventories are being built, and hiring is becoming more aggressive. All of this should be enough to maintain sturdy growth even as fiscal and monetary stimulus fade.

**Policy stimulus.** Fiscal policy is no longer providing much economic stimulus. The last of the tax cuts end with the expiration of big businesses' accelerated depreciation allowances at the end of this year. Personal income tax bills are already on the rise. Federal spending growth is also slowing from the double-digit pace that has prevailed throughout the recovery. Defense and homeland security spending continue to ramp up, but growth in other outlays is moderating.

While monetary policy remains stimulatory, it is increasingly less so. The Federal Reserve is engaged in a series of tightening moves that began this past June. The real federal funds rate target is no longer negative for the first time since in the immediate wake of 9/11.

Policymakers have signaled their intent to continue tightening policy as long as the economy continues to expand at above its potential. According to their all-but explicit script, they will raise the funds rate target

in 25 basis point increments at each FOMC meeting until they reach the neutral funds rate. Judging by statements from various FOMC members, the neutral funds rate is deemed to be somewhere between 3.5% and 5%. It will take at least all of 2005 and a healthy part of 2006 to move the current funds rate target to its estimated neutral rate.

**China threat.** A threat to this sanguine outlook is posed by the U.S. economy's increasingly unhealthy and inherently unstable relationship with China. This troubled relationship is evident in the ballooning trade deficit between the U.S. and China. Since China entered into the WTO in early 2002, the deficit has soared, nearly doubling to almost \$150 billion annually. As recently as a decade ago, trade between the U.S. and China was in balance.

The Chinese are taking their dollars earned in trade and primarily using them to purchase U.S. Treasury bonds. Chinese net purchases of Treasury bonds have gone from nothing in mid-2001 to as much as \$60 billion a year since then.

The Bank of Japan is also a big buyer of U.S. bonds, as it is flush with dollars from their interventions to keep the yen from appreciating against the dollar and Chinese yuan. A stronger yen, they feel, would undermine their fragile recovery from a decade of economic malaise.

Such voracious buying of U.S. bonds has weighed on U.S. interest rates. The low rates are in turn fueling vehicle sales, the U.S. housing boom, and a mortgage borrowing binge that is providing cash for a wide range of spending. An increasing share of this spending is for foreign produced goods, putting more pressure on the trade deficit, and putting more dollars in the hands of overseas investors. The dollars are used to purchase more U.S. bonds, and the self-reinforcing process begins anew.

All of this is creating increasing economic problems for the Chinese as well, as their economy threatens to overheat. Officially measured inflation has ramped up to over 5% and the actual rate is thought to be double that. Given the rigorously imposed requirement that all foreign money entering China be converted in yuan, the widening trade gap with the U.S. has caused money supply, credit growth, and thus inflation to soar.

Chinese authorities recognize the risks and have imposed credit controls in an effort to rein in the credit growth and inflation. These efforts, while working initially, appear to be failing as borrowers are finding alternative, higher-cost sources of credit. The Chinese economy has re-accelerated. Other policy options to slow growth, such as their more recent hike in interest rates, will eventually prove as ineffective. The only solution is a substantial revaluation of the yuan.

The expiration of the apparel quotas at the start of 2005 provides the Chinese with a convenient political window for such a move. With pressure on the president to re-impose quotas on the Chinese sure to be very intense, as tens of thousands of U.S. apparel and textile jobs hang in the balance, the Chinese may offer to revalue as the quid pro quo for not taking such a step, or at least doing so for only a brief period of time.

The impact of a Chinese revaluation on U.S. inflation could be substantial. Not only will the Chinese revalue, but so too will a number of other Asian nations that either peg or closely manage their currencies to the dollar. Over one-fifth of all U.S. imports come from these nations, more than from Canada, and the share is rising quickly. If these nations closely followed the Chinese lead, a 25% revaluation of the yuan would result in an approximately 5% decline in the broad trade-weighted dollar.

The impact on U.S. inflation would be magnified if large U.S. retailers such as Wal-Mart were forced to abandon their everyday low-pricing policies. Retailers may have little choice but to pass through their higher costs to U.S. consumers given what otherwise would be an overwhelming hit to their margins. U.S. manufacturers would, of course, also take the opportunity to pressure retailers to pass along higher prices for their wares.

**Outlook.** The relationship between China and the U.S. is increasingly a problem for both economies. It will change, most likely sometime next year when the Chinese revalue their currency and take a step

toward a freely-floating currency.

For the U.S. this implies higher inflation and interest rates. At the very least, this will be a painful adjustment for the parts of the U.S. economy that have thrived on low interest rates, most notably vehicles and housing. It is conceivable, however, that the rest of the economy will not adjust as gracefully as anticipated. Moreover, the longer the Chinese wait to become more fully integrated into the global financial system, the greater the risks to the entire global economy.

**This analysis can be found on The Dismal Scientist at:**

<http://www.economy.com/dismal/pro/article.asp?cid=10020>



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## Economy.com's Macro Outlook

**Forecast Date: 11/08/2004**

An "F" after a date denotes a forecast data point.

	Units	04Q3	04Q4 F	05Q1 F		2003	2004 F	2005 F
<b>Composition of Economic Activity-SAAR</b>								
Gross Domestic Product	bcw\$	10883.4	10999.1	11089.8		10381.3	10841.2	11207.5
Change	%AR	3.7	4.3	3.3		3.0	4.4	3.4
<b>Personal Expenditures</b>								
Consumption	bcw\$	7658.9	7717.3	7768.0		7355.5	7622.9	7850.5
Change	%AR	4.6	3.1	2.7		3.3	3.6	3.0
Durables	bcw\$	1117.3	1110.7	1103.3		1030.6	1094.6	1106.6
Change	%AR	16.8	-2.3	-2.6		7.4	6.2	1.1
Motor Vehicles	bcw\$	477.5	465.9	454.6		452.1	462.4	450.8
Change	%AR	27.2	-9.4	-9.3		5.5	2.3	-2.5
Nondurables	bcw\$	2209.3	2223.3	2236.1		2112.4	2202.0	2255.2
Change	%AR	4.0	2.6	2.3		3.7	4.2	2.4
Services	bcw\$	4348.4	4393.7	4439.0		4220.3	4338.5	4499.2
Change	%AR	2.7	4.2	4.2		2.2	2.8	3.7
<b>Investment</b>								
Fixed Investment	bcw\$	1815.1	1854.4	1875.8		1627.3	1792.3	1888.7
Change	%AR	8.5	9.0	4.7		5.1	10.1	5.4
Nonresidential	bcw\$	1241.7	1286.0	1318.4		1110.8	1227.2	1349.2
Change	%AR	11.7	15.1	10.4		3.3	10.5	9.9
Structures	bcw\$	242.6	246.2	254.0		237.4	242.1	265.3
Change	%AR	1.4	6.2	13.2		-5.6	1.9	9.6
Equipment	bcw\$	1009.9	1049.0	1073.6		879.2	994.5	1093.1
Change	%AR	14.9	16.4	9.7		6.4	13.1	9.9
Residential	bcw\$	567.9	561.9	551.0		511.2	559.0	533.1
Change	%AR	3.1	-4.2	-7.6		8.8	9.3	-4.6
Single Family	bcw\$	309.0	303.0	292.8		274.2	304.2	277.0
Change	%AR	4.4	-7.6	-12.8		11.3	11.0	-9.0
Multifamily	bcw\$	33.6	32.8	32.4		32.1	33.0	31.5
Change	%AR	4.9	-8.8	-5.6		3.5	2.8	-4.6
Other	bcw\$	225.1	226.0	225.9		204.8	221.6	224.8
Change	%AR	0.7	1.5	-0.0		6.3	8.2	1.5
Inventory Change	bcw\$	48.1	57.4	53.0		-0.7	51.6	50.3
NonFarm	bcw\$	47.8	56.6	52.1		-1.0	49.4	49.4
Farm	bcw\$	1.1	0.8	0.9		0.3	2.5	1.0
<b>Trade</b>								
Net Exports	bcw\$	-598.0	-600.2	-591.4		-518.5	-582.2	-584.0

Exports	bcw\$	1128.8	1163.0	1195.8		1031.8	1125.5	1240.6
Change	%AR	5.1	12.7	11.8		1.9	9.1	10.2
Merchandise	bcw\$	793.2	817.3	842.1		721.7	789.0	875.6
Change	%AR	7.8	12.7	12.7		2.2	9.3	11.0
Services	bcw\$	335.5	345.7	353.7		309.9	336.3	365.0
Change	%AR	-0.9	12.7	9.7		1.4	8.6	8.5
Imports	bcw\$	1726.8	1763.2	1787.3		1550.3	1707.6	1824.6
Change	%AR	7.7	8.7	5.6		4.4	10.2	6.8
Merchandise	bcw\$	1463.5	1493.5	1512.8		1307.3	1447.1	1543.9
Change	%AR	7.5	8.4	5.3		4.7	10.7	6.7
Services	bcw\$	264.4	269.7	274.4		243.3	261.4	280.7
Change	%AR	8.7	8.3	7.1		3.1	7.4	7.4
<b>Government</b>								
Expenditures and Investment	bcw\$	1953.1	1963.0	1977.0		1909.4	1949.6	1994.5
Change	%AR	1.4	2.0	2.9		2.8	2.1	2.3
Federal Defense	bcw\$	490.6	500.3	510.5		451.8	487.1	517.8
Change	%AR	9.3	8.1	8.4		9.0	7.8	6.3
Federal Nondefense	bcw\$	235.1	236.5	238.2		237.6	236.2	240.7
Change	%AR	-4.7	2.5	2.9		2.4	-0.6	1.9
<b>Government Balance</b>								
MTPA Basis	b\$	-472.5	-382.4	-356.6		-364.6	-407.2	-317.2
Unified Budget	b\$ FY	-412.6	-402.4	-378.3		-374.8	-412.6	-413.3
<b>Consumers</b>								
Personal Saving Rate	%AR	0.4	0.2	0.7		1.4	0.7	1.4
Retail Sales & Food Services	b\$	4058.3	4081.6	4096.0		3756.3	4020.3	4149.8
Change	%AR	5.7	2.3	1.4		5.4	7.0	3.2
Vehicle Sales	m	17.1	16.4	16.0		16.6	16.6	15.8
Housing Starts	m	1.97	1.95	1.88		1.85	1.95	1.73
<b>Producers</b>								
Industrial Production	1992=100	116.6	117.9	118.9		111.2	116.2	120.1
Change	%AR	2.9	4.5	3.5		0.3	4.5	3.3
Manufacturing Capacity Utilization	%	75.7	76.1	76.3		72.8	75.4	76.4
<b>Labor Markets</b>								
Total Employment	m	131.5	132.2	132.8		129.9	131.3	133.6
Change	%AR	1.2	2.1	1.8		-0.3	1.1	1.8
Unemployment Rate	%	5.4	5.4	5.5		6.0	5.5	5.4
<b>Prices</b>								
Consumer Price Index	1982=100	189.5	190.8	191.6		184.0	188.8	192.8
Change	%AR	1.9	2.9	1.5		2.3	2.7	2.1
Producer Price Index	1982=100	147.7	151.5	153.6		138.1	146.9	154.7
Change	%AR	4.2	10.5	5.7		5.3	6.4	5.3
West Texas Intermediate	\$/Bbl	43.9	48.3	45.9		31.1	41.4	42.3
<b>Financial Markets</b>								



Federal Funds	%	1.43	1.93	2.45		1.13	1.34	2.97
Prime Rate	%	4.42	4.93	5.45		4.12	4.34	5.97
10 Year Treasury	%	4.30	4.32	4.74		4.01	4.31	5.04
Fish Broad Index	Jan 97=100	115.1	115.2	116.7		119.3	114.9	114.8
Change	%AR	-3.4	0.6	5.3		-5.9	-3.7	-0.1

	Units	04Q1	04Q2	04Q3	04Q4 F	05Q1 F	05Q2 F	05Q3 F	05Q4 F
<b>Contribution to Real GDP</b>									
Personal Consumption Expenditure	%AR	3.0	1.1	3.3	1.6	1.9	1.9	2.2	2.2
Gross Private Domestic Investment	%AR	0.7	2.2	1.4	1.6	0.8	0.4	0.3	0.1
Inventories	%AR	1.2	0.8	-0.5	0.4	-0.2	-0.1	-0.0	-0.1
Net Exports	%AR	-0.9	-1.2	-0.7	-0.1	0.4	0.2	0.2	0.2
Exports	%AR	0.8	0.7	0.5	1.3	1.2	1.1	1.1	1.0
Imports	%AR	1.6	1.9	1.2	1.4	0.9	1.0	0.9	0.8
Government	%AR	0.5	0.4	0.3	0.4	0.5	0.4	0.4	0.4
Total	%AR	4.5	3.3	3.7	3.9	3.4	2.8	3.1	2.8

This analysis can be found on The Dismal Scientist at:

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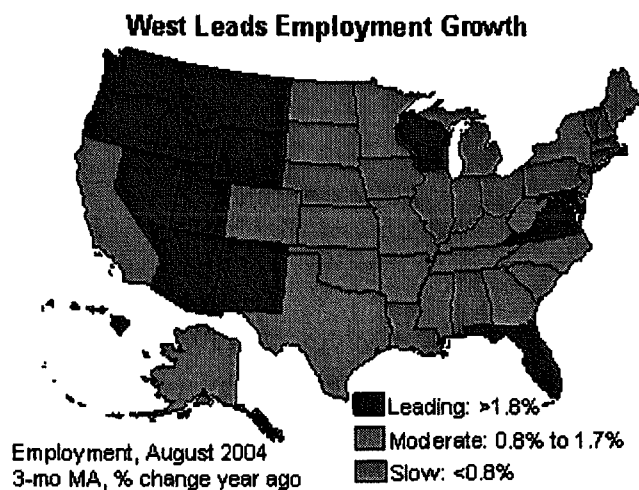
## Economy.com's U.S. Regional Outlook



By Steve Cochrane in West Chester  
October 13, 2004

View Economy.com's Regional Forecast [here](#).

The Midwest has been the most vulnerable to the slowdown in the U.S. economy during the summer months. It is the only region in which the number of employed has fallen in recent months. This is ironic, however, since the Midwest's manufacturing payrolls were largely stable through August, while they fell during the July and August months in each of the other three regions. The losses in the Midwest were concentrated in government payrolls, the result of unusual volatility that may disappear with revisions. Private payrolls continued to expand in the Midwest through August, although it still ranked the lowest for job growth.

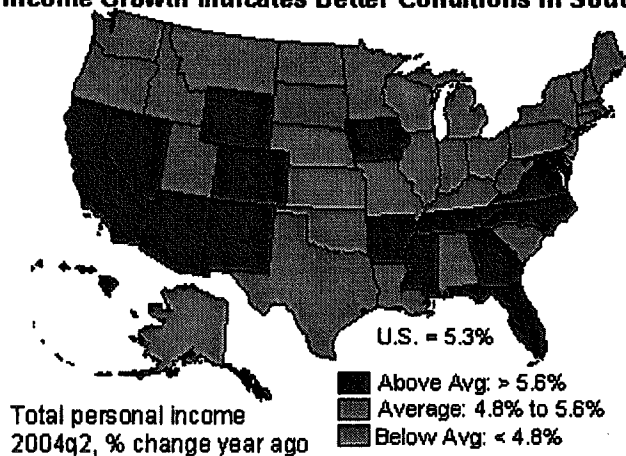


Remaining pockets of weakness are concentrated in southern New England. This is particularly true for Connecticut, where employment has held steady over the past year but has yet to turn up. The West's lead in job growth is expanding as the region's newfound strength now reaches into the Pacific Northwest, where strong rebounds are seen both in Oregon and Washington. This has happened so quickly that Washington's payroll employment now is expected to achieve a new peak by the end of this year as hiring in the aircraft industry has turned positive once again.

Florida's economy remains a leader, although the four hurricanes that hit the state this season will cause some disruption. Near-term losses in tourism and agriculture, however, will be about offset by gains in construction and other relief activities, and the rebuilding that will take place through most of 2005 will provide a temporary boost to both employment and income growth for the state. The greater Washington D.C. area also remains one of the job growth leaders and is one of the few regions to continue to add to payrolls right through the summer months.

Patterns of income growth illustrate more strength in the South than is evident from employment patterns. Using this measure, the region's strength extends beyond Florida and the Washington suburbs to include North Carolina and Georgia as well as Tennessee, Mississippi and Arkansas. Improvements in technology producing industries, financial services, and transportation and distribution industries support these areas.

## Income Growth Indicates Better Conditions in South



The Northeast's income growth also indicates some improvement, particularly in Connecticut, where income growth over the year through the second quarter was slightly above the U.S. average. The financial services and gaming industries each contribute to this trend. Thus, there is some potential that a share of the estimated upward revision of 236,000 jobs to U.S. payrolls as of March 2004 will be allocated to Connecticut when final revisions are released this coming March.

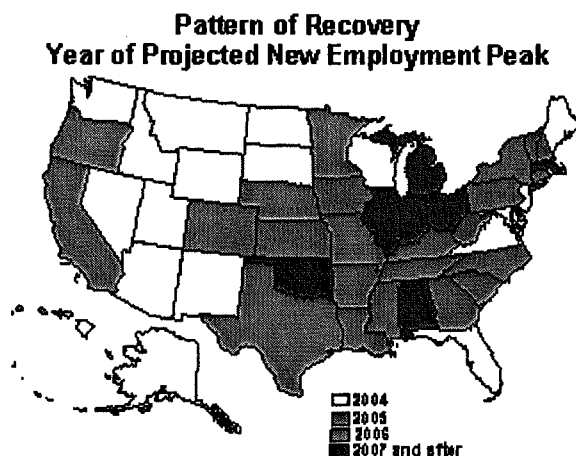
The Pacific Northwest's turnaround appears less robust when income is considered. Indeed, Washington State ranked 46th among the states through the second quarter. Wage growth in both the technology-based and aerospace industries is considerably slower now than five years ago, so the jobs rebound that is occurring now has a milder multiplier effect than what might be expected.

Finally, California's income growth ranks higher than average, showing more strength in the economy than is implied by employment trends. Further, this holds true when isolating the analysis to wage and salary income, and is logical considering where the state's economic strengths currently lie—construction, aerospace, some tech-based manufacturing industries, financial services and professional services.

It is the Midwest that remains solidly lagging as measured by both employment and income, making it clear that this region is by far the worst performing region in the U.S. Wisconsin's 48th ranking belies remarkably strong job growth. But more importantly, every Midwest state aside from Iowa ranks well below average. Michigan, Nebraska and Ohio trail all other states.

The weakness is most prevalent among auto manufacturing-intensive economies, due to the persistent loss of market share among domestic automakers. While auto sales remain elevated, they remain so largely due to increased incentives, making cost cutting ever more compelling among the Big Three in the region. Easing of pressures on commodity pricing also generates some downside potential for Midwest agricultural economies. Yet, improving export markets and continued strength in domestic business investment spending lend support to the Midwest's agricultural equipment and industrial equipment makers.

While the pace of economic performance across most regions has been tempered by high oil prices and uncertain consumer demand, the near-term outlook remains positive with expectations for stable investment spending and improving export demand. The pattern of industry performance at this stage of the business cycle will shape the near-term regional outlook.



The pace of business investment growth is slowing and industries driven by investment spending are likely near their peak growth rates. These include computer equipment and components, software and industrial equipment. Midwest industrial centers and centers of IT producing industries will see stable moderate growth, but an acceleration of growth is unlikely unless export markets expand quicker than expected.

The business cycle, however, is still improving for the defense and commercial aerospace industries, transportation/warehousing and financial services, particularly for commercial and industrial lending. Aerospace will support Seattle, southern California, Ft. Worth, St. Louis, central Florida, Washington D.C., southern New England and Cincinnati. Transport will support Kansas City, Indianapolis, Memphis, and similar trucking, rail and transport centers. New York, Chicago, Charlotte and San Francisco will get a boost from financial services.

Considerable risks, however, loom over the near-term horizon. Elevated oil prices, the related risk to the airline industry, and rising interest rates pose the greatest near-term risks. The industrial economies of the Midwest and Southeast have the highest exposure to rising energy costs, along with the heating oil-dependent northern New England economy. Energy producing regions will benefit.

US Airways' Pittsburgh hub is at considerable risk should the airline be liquidated. High interest rates pose multiple risks—high-priced housing markets on the West Coast and in New England could falter; the auto industry in the Midwest and Southeast will see lighter demand; weaker consumer loan demand will offset some of the renewed strength of commercial lending, although credit card lending could support centers of this industry such as Wilmington, DE.

This analysis can be found on The Dismal Scientist at:  
<http://www.economy.com/dismal/pro/article.asp?cid=9405>



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## US Regional Forecast - State Employment Growth

- Printer-friendly Format
- Latest Forecast Analysis

Forecast Date: 11/16/2004

\*An "F" after a date denotes a forecast data point.

	Annualized % Change						% Change		
	03Q3	03Q4	04Q1	04Q2	04Q3	04Q4F	2003	2004F	2005F
<b>New England</b>	-0.4	-0.2	-1.1	1.6	1.0	1.7	-1.2	0.1	1.5
Connecticut	-1.1	0.0	-0.1	1.1	-0.5	1.2	-1.3	-0.1	0.9
Maine	1.7	1.0	-0.4	1.1	2.4	1.9	-0.1	0.9	1.7
Massachusetts	-1.6	-0.9	-2.0	1.5	1.2	1.9	-1.9	-0.4	1.6
New Hampshire	2.7	1.7	-2.6	4.9	1.9	2.4	-0.2	1.3	2.3
Rhode Island	1.8	-0.0	2.1	-0.2	1.9	1.2	0.9	1.1	1.7
Vermont	1.6	-0.1	0.5	2.2	0.0	1.5	-0.2	0.8	1.2
<b>Middle Atlantic</b>	0.0	0.5	0.2	2.3	0.8	1.6	-0.5	0.7	1.5
New Jersey	2.0	1.2	0.6	3.1	1.7	2.1	-0.1	1.5	2.1
New York	-0.3	1.1	0.4	1.5	-0.0	1.6	-0.6	0.6	1.3
Pennsylvania	-0.8	-0.8	-0.4	2.9	1.3	1.3	-0.7	0.4	1.4
<b>South Atlantic</b>	1.5	1.2	1.6	2.7	1.3	2.7	0.3	1.6	2.3
Delaware	1.1	1.7	-0.5	2.9	2.3	2.7	-0.1	1.4	1.9
District of Columbia	-1.9	1.7	3.2	0.3	1.1	0.4	0.0	1.0	0.9
Florida	2.4	2.6	1.4	3.4	0.6	5.2	1.5	2.2	3.6
Georgia	1.5	1.5	1.0	-0.6	1.4	2.3	-0.2	0.8	1.8
Maryland	0.5	0.3	0.8	4.4	2.5	0.9	0.2	1.6	2.0
North Carolina	2.3	-0.8	-0.0	3.6	2.2	2.0	-0.8	1.1	2.0
South Carolina	0.7	0.5	2.3	2.7	-0.3	2.5	0.4	1.3	1.4
Virginia	1.2	1.6	4.5	2.9	0.9	0.9	0.2	2.3	1.7
West Virginia	-0.7	-2.5	0.4	2.4	5.1	1.7	-0.9	0.7	1.8
<b>East North Central</b>	0.1	-0.8	-0.4	1.3	-0.1	1.2	-0.8	0.0	1.3
Illinois	-0.2	0.8	-2.1	1.5	0.7	1.9	-1.1	0.0	1.6
Indiana	1.4	-0.4	1.2	0.7	0.4	0.8	-0.1	0.6	1.2
Michigan	-1.3	-0.4	-2.6	1.2	-2.3	1.2	-1.4	-1.0	1.0
Ohio	-0.0	-2.4	1.0	0.1	-0.6	0.4	-0.9	-0.3	0.9
Wisconsin	1.5	-1.5	2.3	3.9	2.5	1.8	-0.0	1.6	2.1
<b>West North Central</b>	0.4	0.5	-0.0	2.7	0.4	1.6	-0.5	0.8	1.5
Iowa	0.5	1.9	0.5	-0.3	1.0	1.0	-0.5	0.6	1.0
Kansas	-0.3	0.7	-0.0	1.8	2.2	1.6	-1.7	0.7	1.8

Minnesota	1.1	-0.1	-0.0	2.4	0.4	1.4	-0.0	0.7	1.4
Missouri	-0.6	0.4	0.2	5.8	-0.9	2.1	-0.7	1.1	1.7
Nebraska	0.4	0.4	-1.2	1.3	1.5	1.7	-0.2	0.2	1.7
North Dakota	1.6	0.3	-0.9	1.8	-0.4	1.7	0.8	0.5	1.0
South Dakota	3.0	-1.1	0.2	2.6	0.3	1.7	0.3	0.8	1.5
<b>East South Central</b>	0.5	1.0	1.0	0.4	0.9	1.9	-0.3	0.8	1.4
Alabama	-0.3	0.1	1.0	0.5	1.0	2.0	-0.4	0.5	1.0
Kentucky	-0.3	1.5	0.9	-0.1	2.2	2.2	-0.4	0.8	1.8
Mississippi	1.5	1.4	-0.1	1.4	0.8	2.2	-0.6	0.8	1.6
Tennessee	1.2	1.2	1.4	0.2	0.0	1.7	0.1	0.9	1.3
<b>West South Central</b>	-1.2	1.3	0.9	1.8	0.5	2.2	-0.6	0.8	1.8
Arkansas	0.7	1.1	-0.4	1.5	2.0	2.3	-0.3	0.8	2.0
Louisiana	-1.7	1.6	1.4	0.1	-0.4	1.7	0.3	0.5	1.1
Oklahoma	-3.4	1.5	1.1	3.5	0.2	1.5	-2.4	0.6	1.5
Texas	-0.9	1.2	1.0	2.0	0.6	2.3	-0.5	0.9	2.0
<b>Mountain</b>	1.8	2.1	1.2	3.4	3.0	2.7	0.5	2.1	2.7
Arizona	2.7	3.1	2.6	1.9	2.0	3.0	1.0	2.4	2.5
Colorado	-0.2	0.8	-2.8	5.3	2.0	2.9	-1.5	0.7	3.1
Idaho	0.7	0.2	4.1	4.7	2.7	3.3	0.6	2.5	2.4
Montana	0.7	-0.6	2.3	3.8	1.3	2.7	0.9	1.7	1.9
Nevada	5.6	4.6	4.2	4.3	4.7	2.3	3.4	4.2	3.1
New Mexico	1.7	2.0	1.3	3.1	2.2	2.2	1.2	1.9	2.5
Utah	1.6	2.2	1.3	1.4	6.7	2.3	0.0	2.1	2.5
Wyoming	2.7	3.5	0.0	1.1	4.2	2.8	0.9	2.0	1.2
<b>Pacific</b>	0.5	1.1	0.7	2.1	1.0	2.0	-0.2	1.0	1.8
Alaska	1.0	1.3	4.8	-1.1	0.4	3.0	1.5	1.5	1.4
California	0.2	0.9	0.4	1.6	0.5	1.6	-0.3	0.7	1.6
Hawaii	1.4	4.5	0.7	1.9	4.4	3.0	2.0	2.3	2.4
Oregon	1.5	1.1	0.7	5.7	1.8	2.5	-0.6	1.8	2.6
Washington	0.9	1.6	1.9	3.1	2.2	3.7	0.2	1.9	2.6
<b>United States</b>	-0.2	0.6	1.1	2.3	1.2	2.1	-0.3	1.1	1.8

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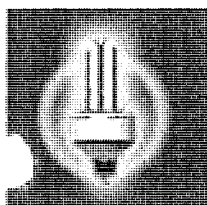

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## Heating Fuel Prices

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**For Immediate Release**

**Contact: Beth Nagusky 287-4315**

**November 15, 2004**

### Maine Heating Fuel Prices Drop Again Slightly

Augusta ---The Maine State Planning Office (SPO) survey of home heating oil prices found the current statewide average price for No. 2 heating oil to be \$1.96 per gallon, a \$0.02 decrease since last week but \$0.66 higher than last year at this time. The kerosene price average of \$2.24 per gallon is down \$0.02 since last week but \$0.72 higher than last November. Within the SPO sample, the lowest actual heating oil price this week was \$1.80 per gallon in the southwestern region and the high-end price of \$2.06 per gallon was found in the eastern region. The eastern region also had the highest price averages for heating oil, at \$2.01 per gallon and for kerosene, at \$2.31 per gallon. This week's propane price survey found the statewide average to be unchanged since last week at \$2.01 per gallon, a \$0.43 increase over last year at this time. This average price for propane represents the price per gallon for a 600 gallon domestic heating application and is not representative of smaller volumes purchased for other uses such as cooking. The table below provides current Maine cash prices in dollars rounded to the nearest penny.

As of November 15, 2004

H EATING OIL	Statewide	Southwest	Central	Eastern	Western	Northern
Average	1.96	1.93	1.95	2.01	1.97	1.97
High	2.06	1.97	1.99	2.06	2.02	2.049
Low	1.80	1.80	1.88	1.87	1.90	1.90
KEROSENE	2.24	2.22	2.20	2.31	2.22	2.27
PROPANE	2.01					

In light of high heating fuel prices, Governor Baldacci launched **Operation Keep ME Warm**, an initiative to help some of Maine's most vulnerable citizens prepare for the cold winter months. **Operation Keep ME Warm** is a first of its kind, public-private partnership that matches volunteers with Mainers who have pre-qualified for weatherization assistance. Volunteers will install energy conservation measures in 3,000 homes during the week of

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8, 2004](#)

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1, 2004](#)

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December 4-12. The Maine Commission for Community Service is coordinating the volunteer effort. The weather- ization kits will reduce energy usage and energy bills, and will make these homes less drafty and more comfortable this winter. Operation Keep ME Warm will rely on state resources, private donations, and volunteers from National service programs like AmeriCorps , Senior Corps, and VISTA to install weatherization kits in homes that elect to participate. Members of Maine 's National Guard have also been asked to participate.

To participate in ***Operation Keep ME Warm*** , to donate goods and services, or for more information, visit [www.volunteermaine.org](http://www.volunteermaine.org) or call 1-800-452-8735.

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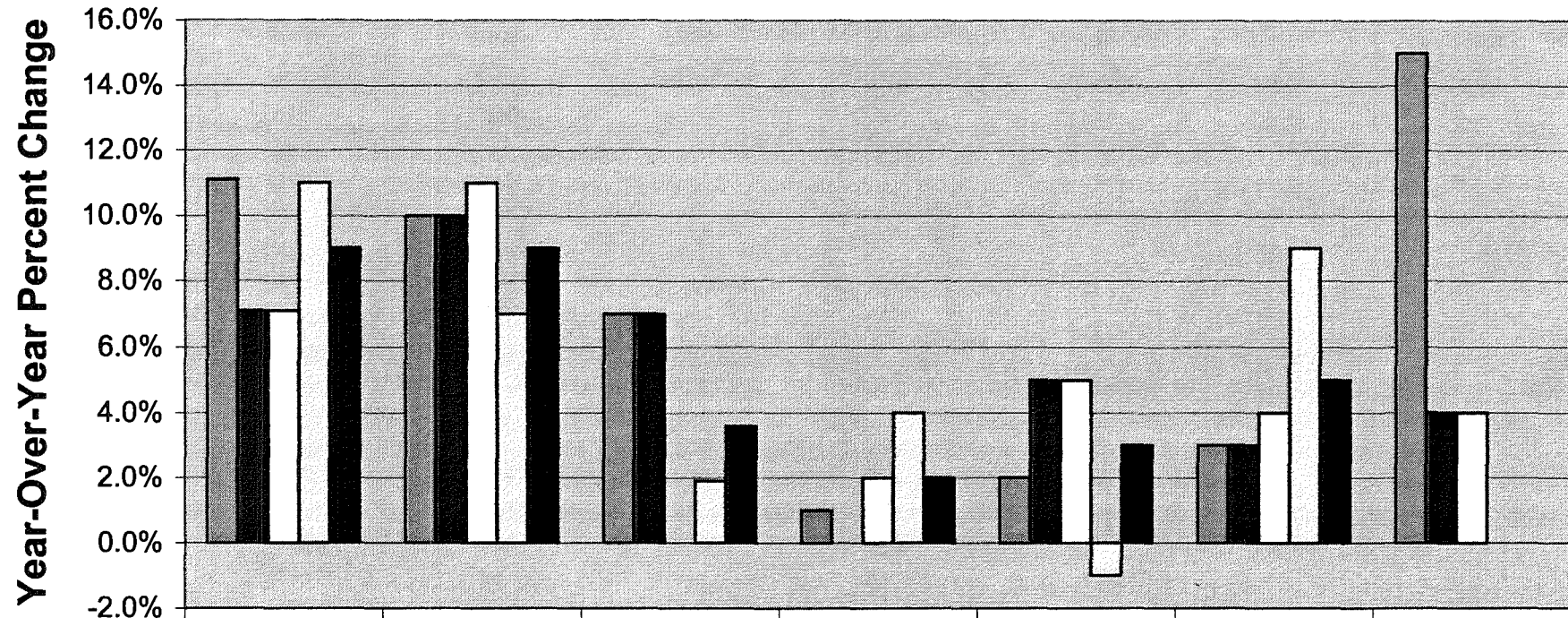




## **Sales & Use Tax**



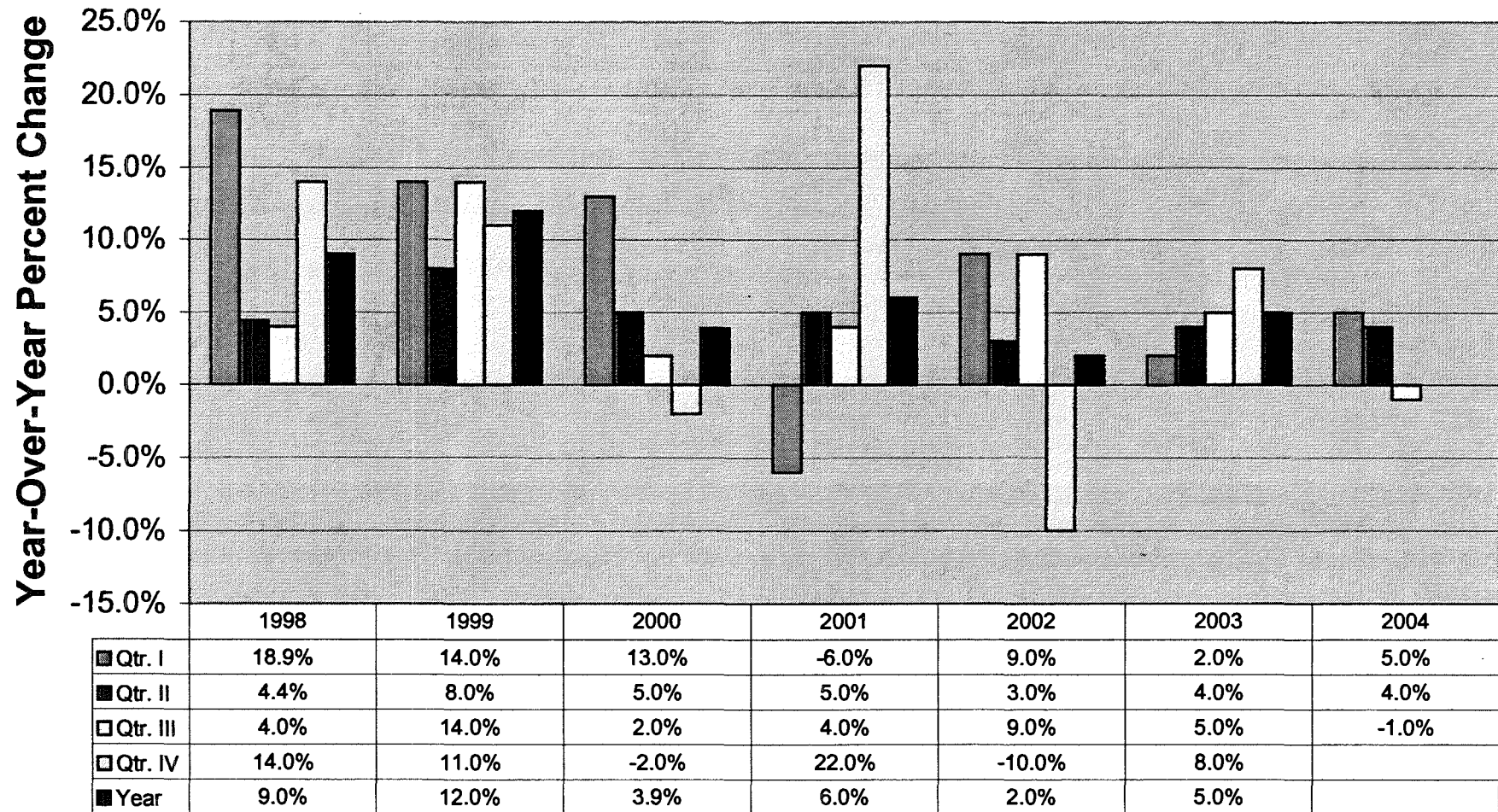
## Total Taxable Sales



	1998	1999	2000	2001	2002	2003	2004
■ Qtr. I	11.1%	10.0%	7.0%	1.0%	2.0%	3.0%	15.0%
■ Qtr. II	7.1%	10.0%	7.0%	0.0%	5.0%	3.0%	4.0%
□ Qtr. III	7.1%	11.0%	0.0%	2.0%	5.0%	4.0%	4.0%
□ Qtr. IV	11.0%	7.0%	1.9%	4.0%	-1.0%	9.0%	
■ Year	9.0%	9.0%	3.6%	2.0%	3.0%	5.0%	

**Quarter & Calendar Year**

# Auto/Transportation Taxable Sales

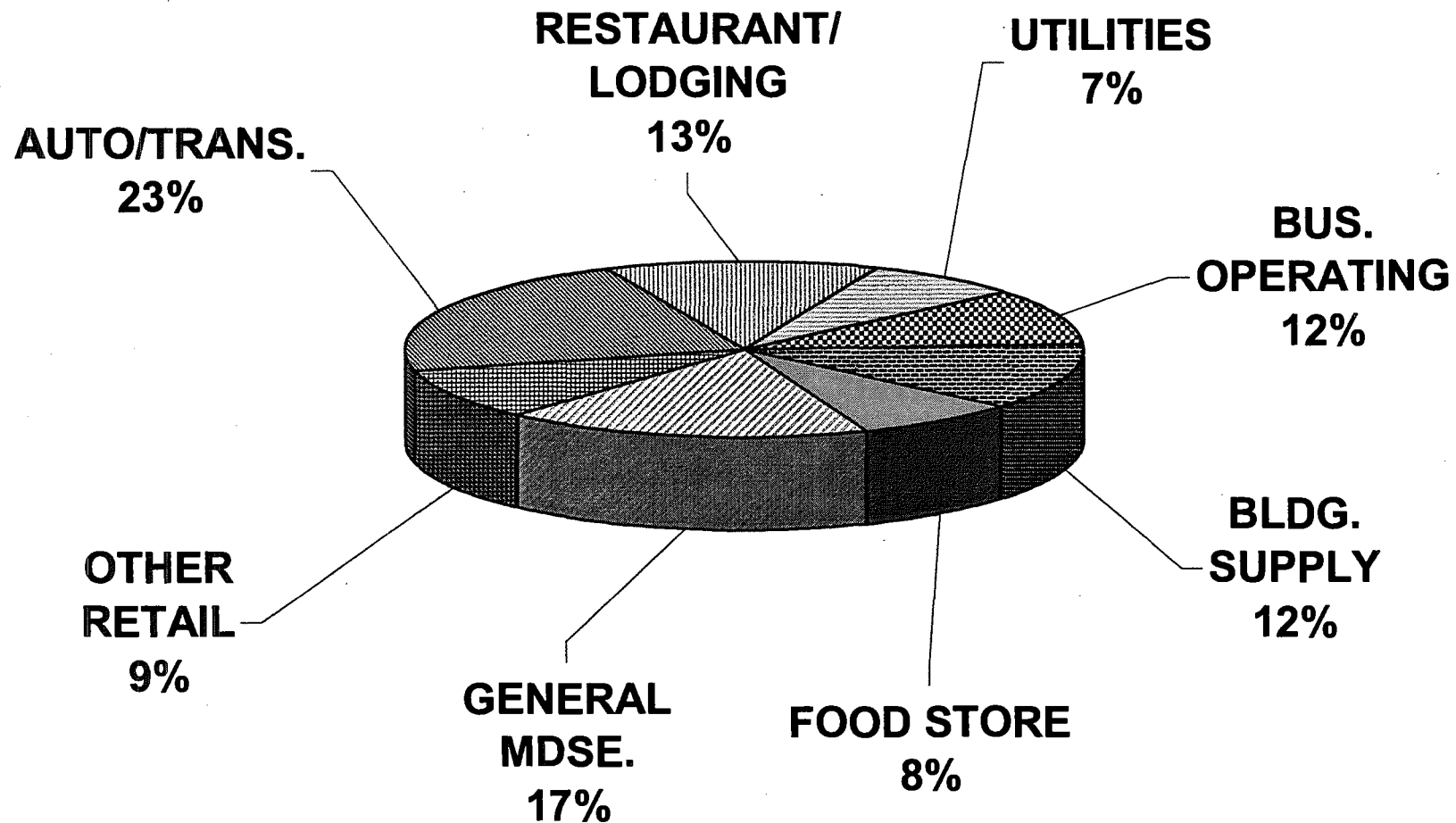


**Quarter & Calendar Year**

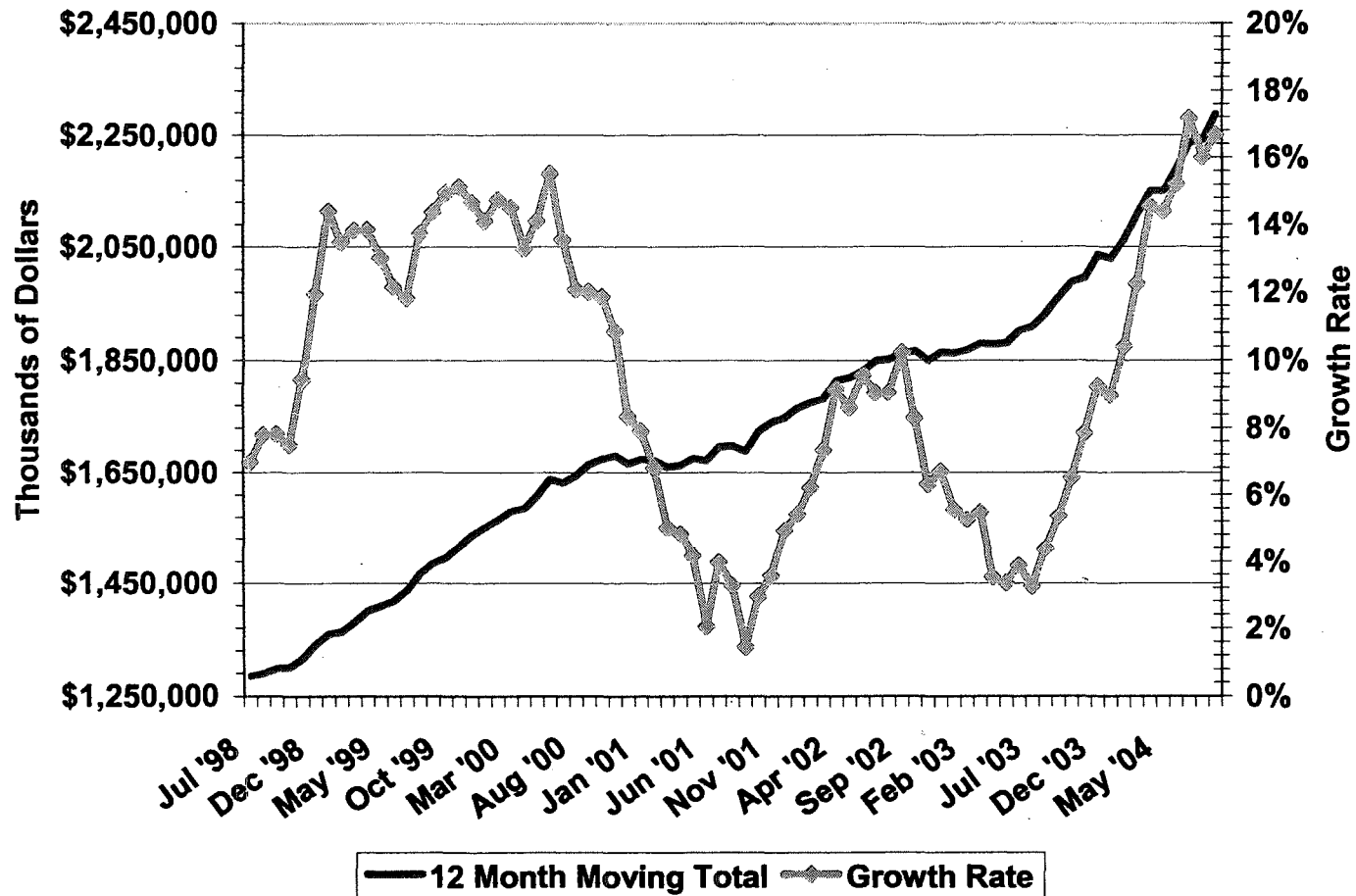
**Maine Revenue Services  
Taxable Sales by Sector  
In Thousands of Dollars**

	Sept '04	% Ch.	Sept '03	% Ch.	Sept '02	Average Last 3 Mos. Vs. Last Yr. % Change	Moving Total Last 12 Mos. Vs. Prior % Change	YTD Growth CY'04 vs. '03 Thru. Sept. % Change
Building Supply	\$244,027	23%	\$198,192	17%	\$169,698	16%	17%	17%
Food Store	\$124,333	7%	\$115,965	7%	\$108,356	2%	3%	3%
General Merchandise	\$266,853	10%	\$243,468	-1%	\$246,184	2%	7%	6%
Other Retail	\$159,784	11%	\$144,563	7%	\$134,984	2%	8%	7%
Auto/Transportation	\$361,360	14%	\$316,983	5%	\$300,601	-1%	4%	3%
Restaurant/lodging	\$256,084	21%	\$211,398	-6%	\$225,116	4%	6%	6%
Consumer Sales	\$1,412,441	15%	\$1,230,568	4%	\$1,184,938	4%	7%	6%
Business Operating	\$183,487	19%	\$153,924	7%	\$144,275	10%	10%	11%
Total	\$1,595,929	15%	\$1,384,493	4%	\$1,329,213	4%	7%	7%

## ***2003 Maine Taxable Sales by Sector***

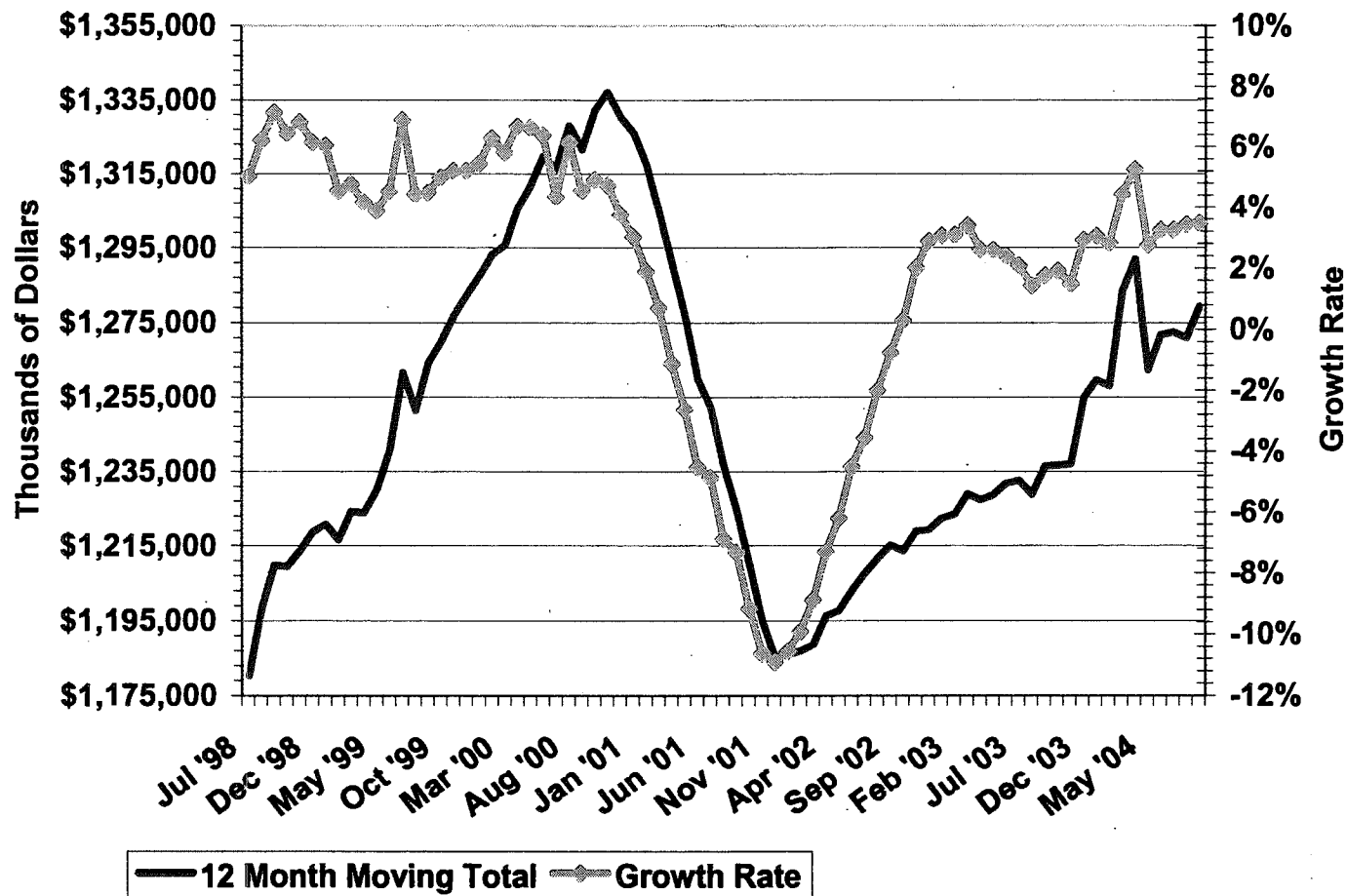


## ***Building Supply Taxable Sales July 1998 to Date***

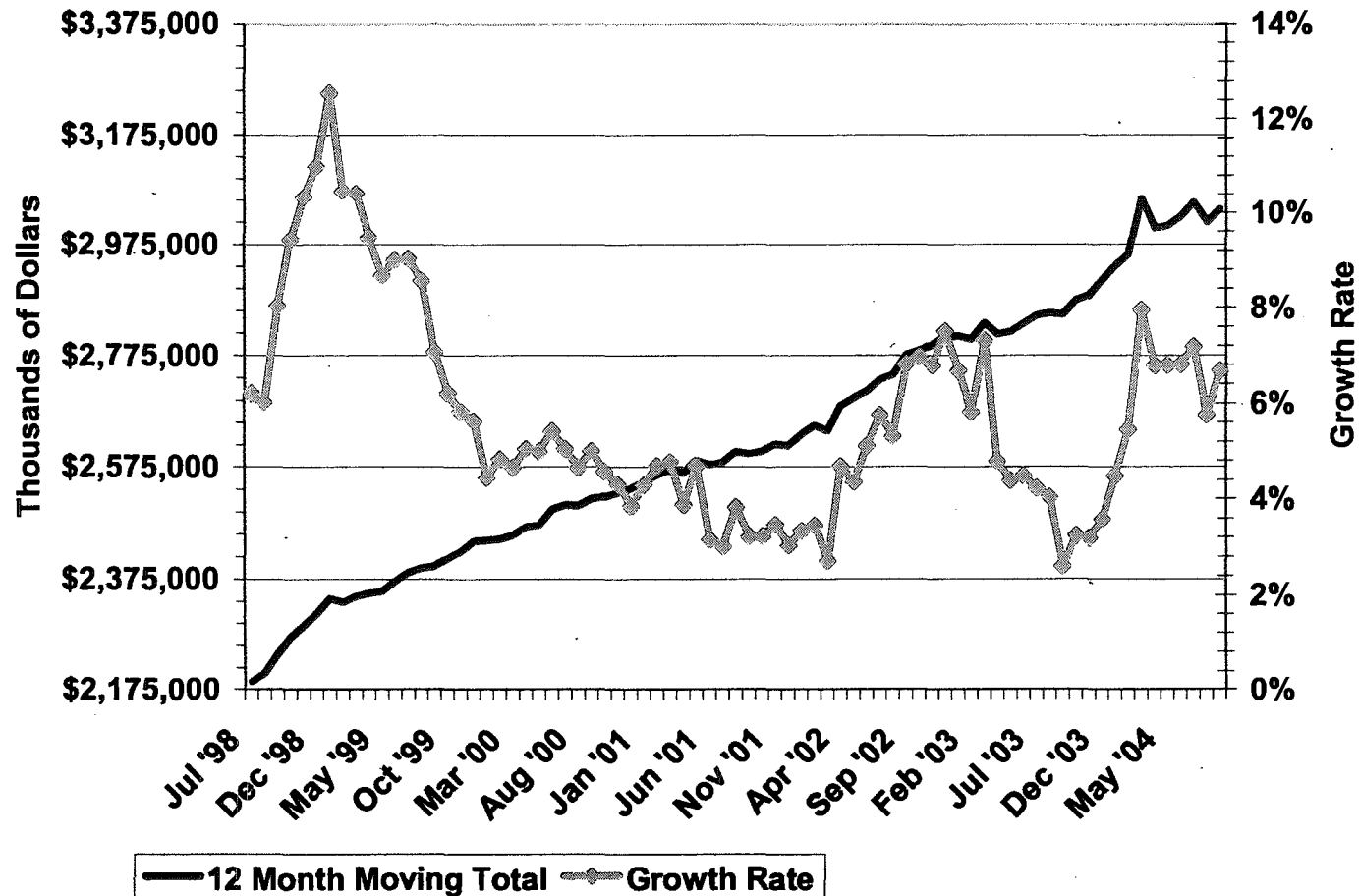




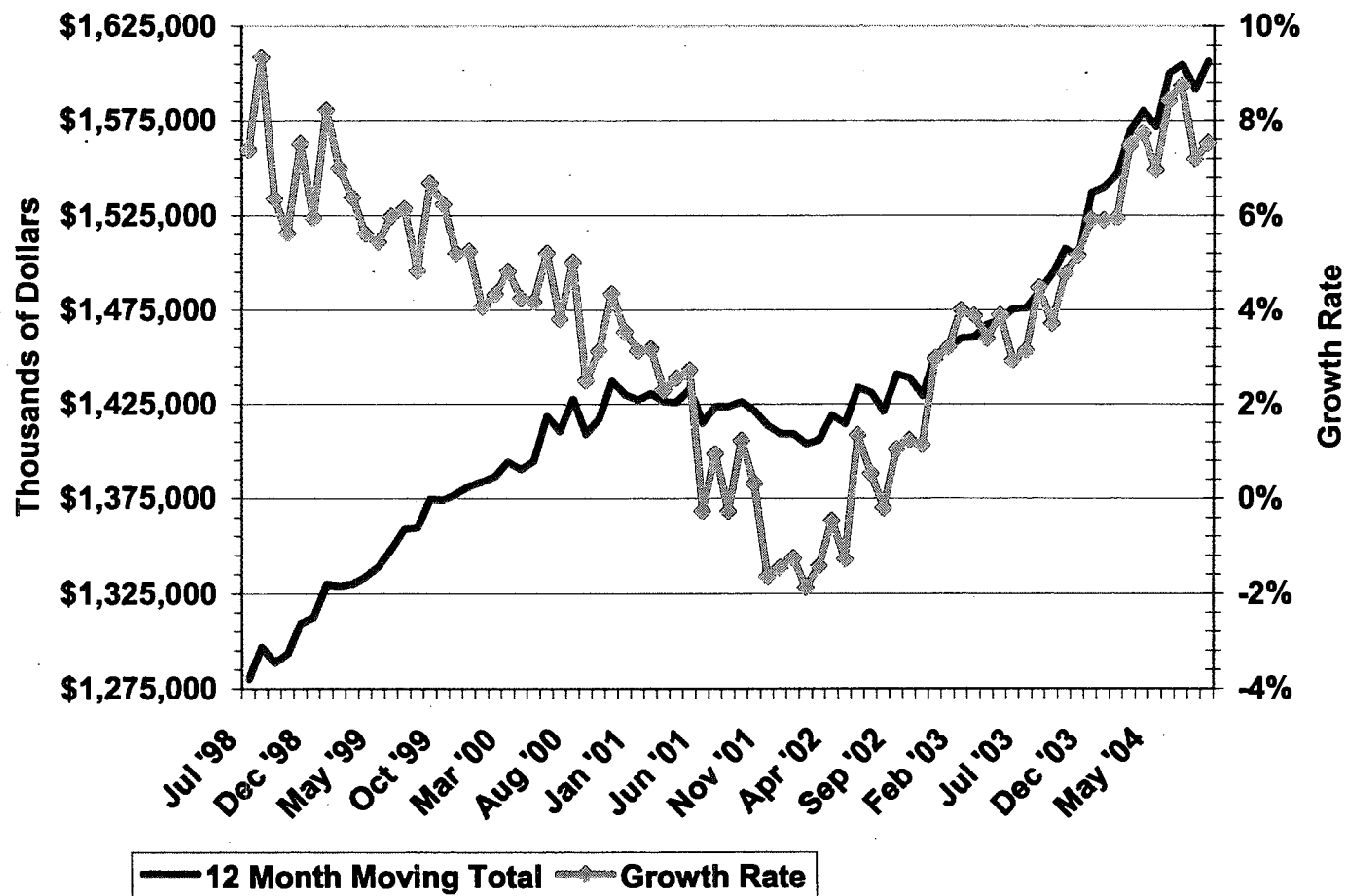
## Food Store Taxable Sales July 1998 to Date



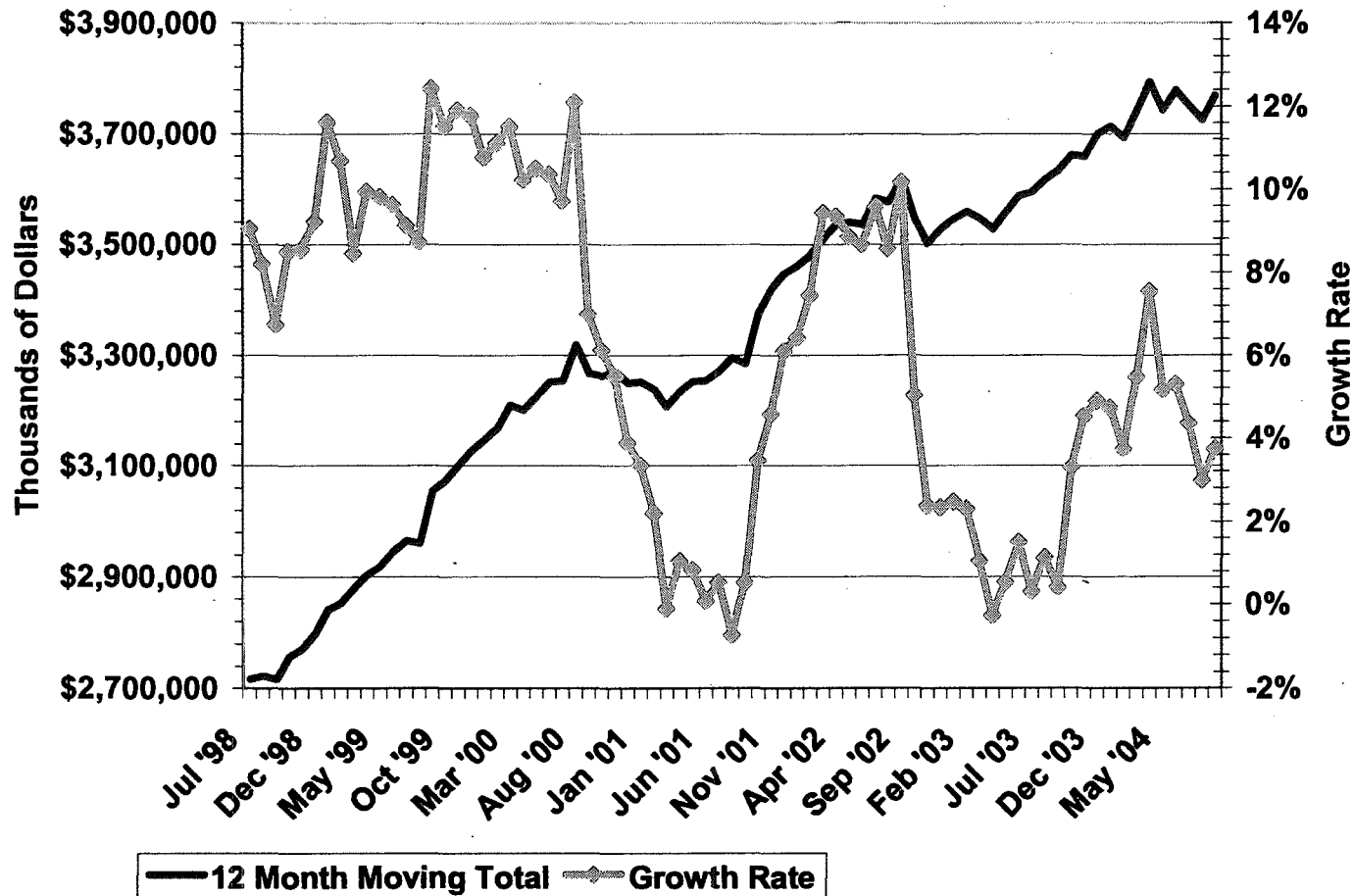
# General Merchandise Taxable Sales July 1998 to Date



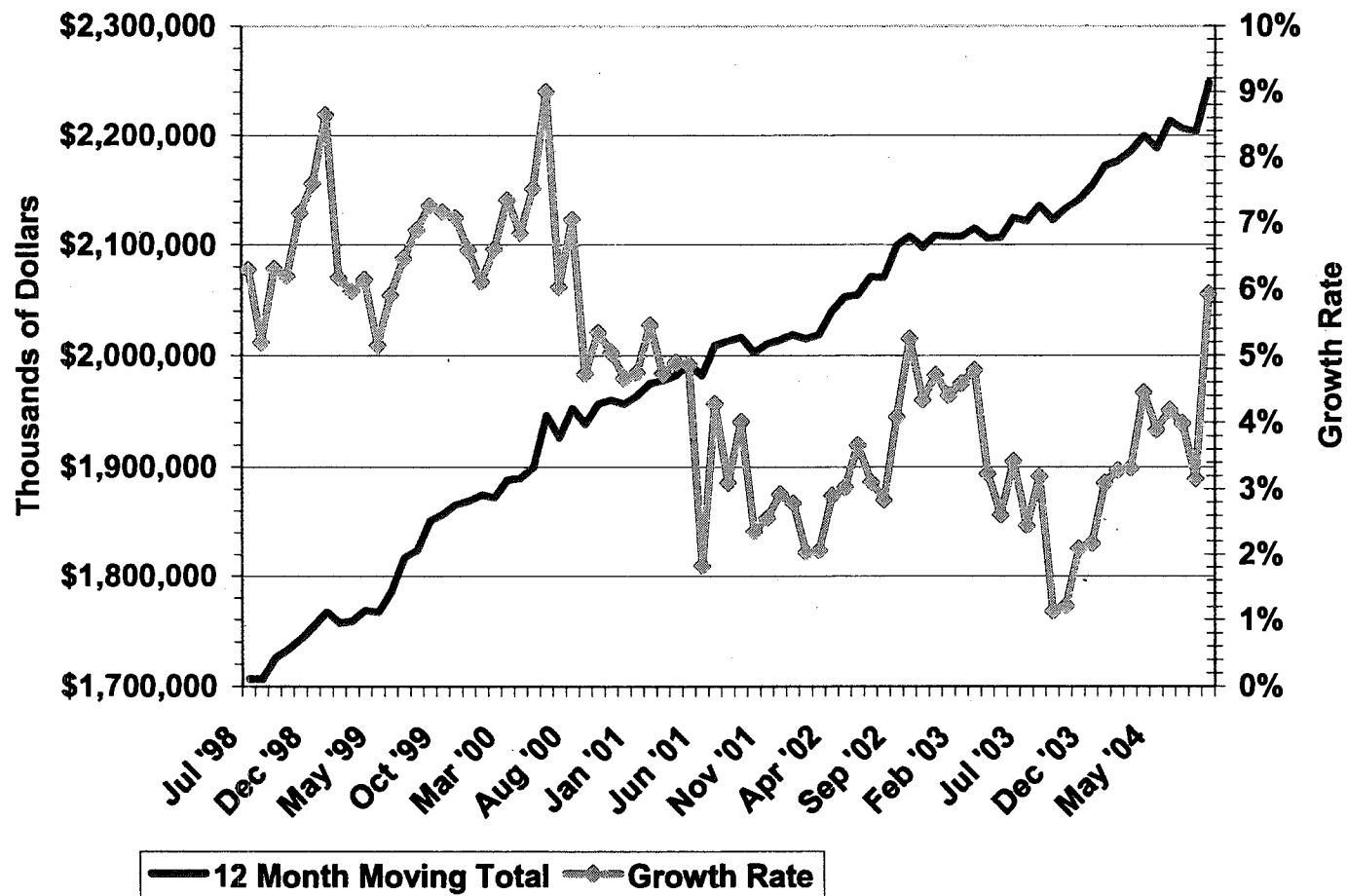
## Other Retail Taxable Sales July 1998 to Date



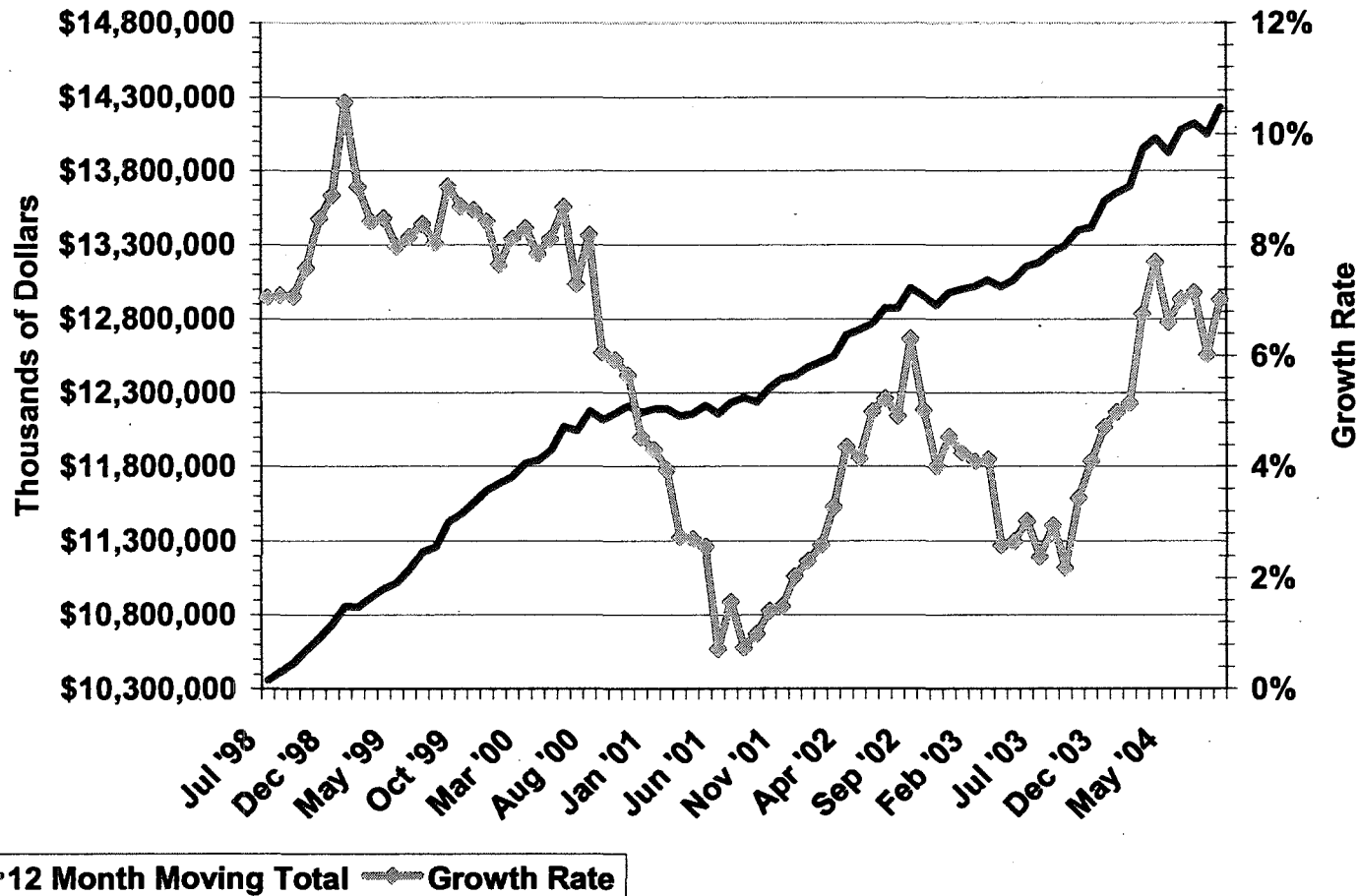
## Auto/Transportation Taxable Sales July 1998 to Date



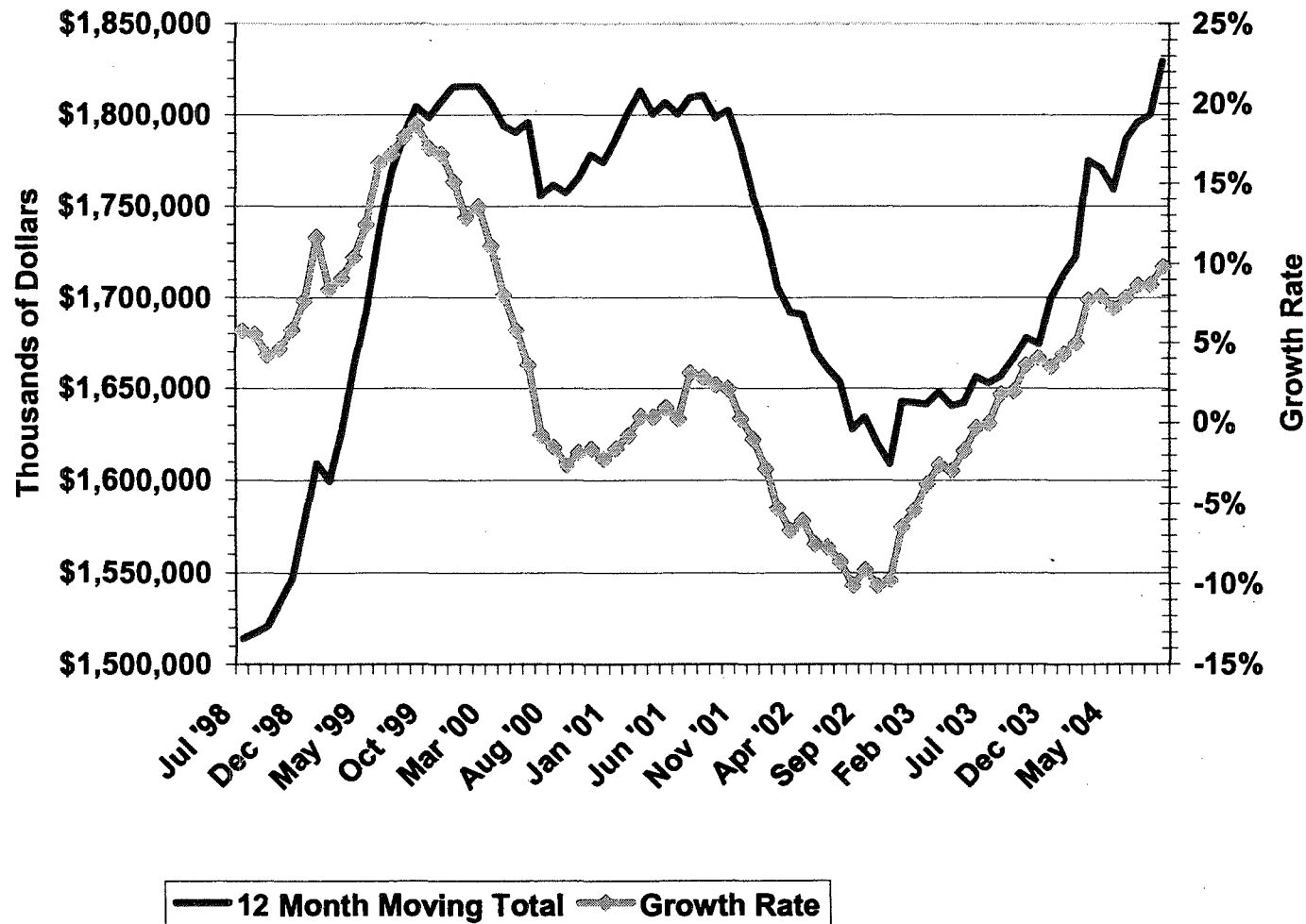
## Restaurant/Lodging Taxable Sales July 1998 to Date



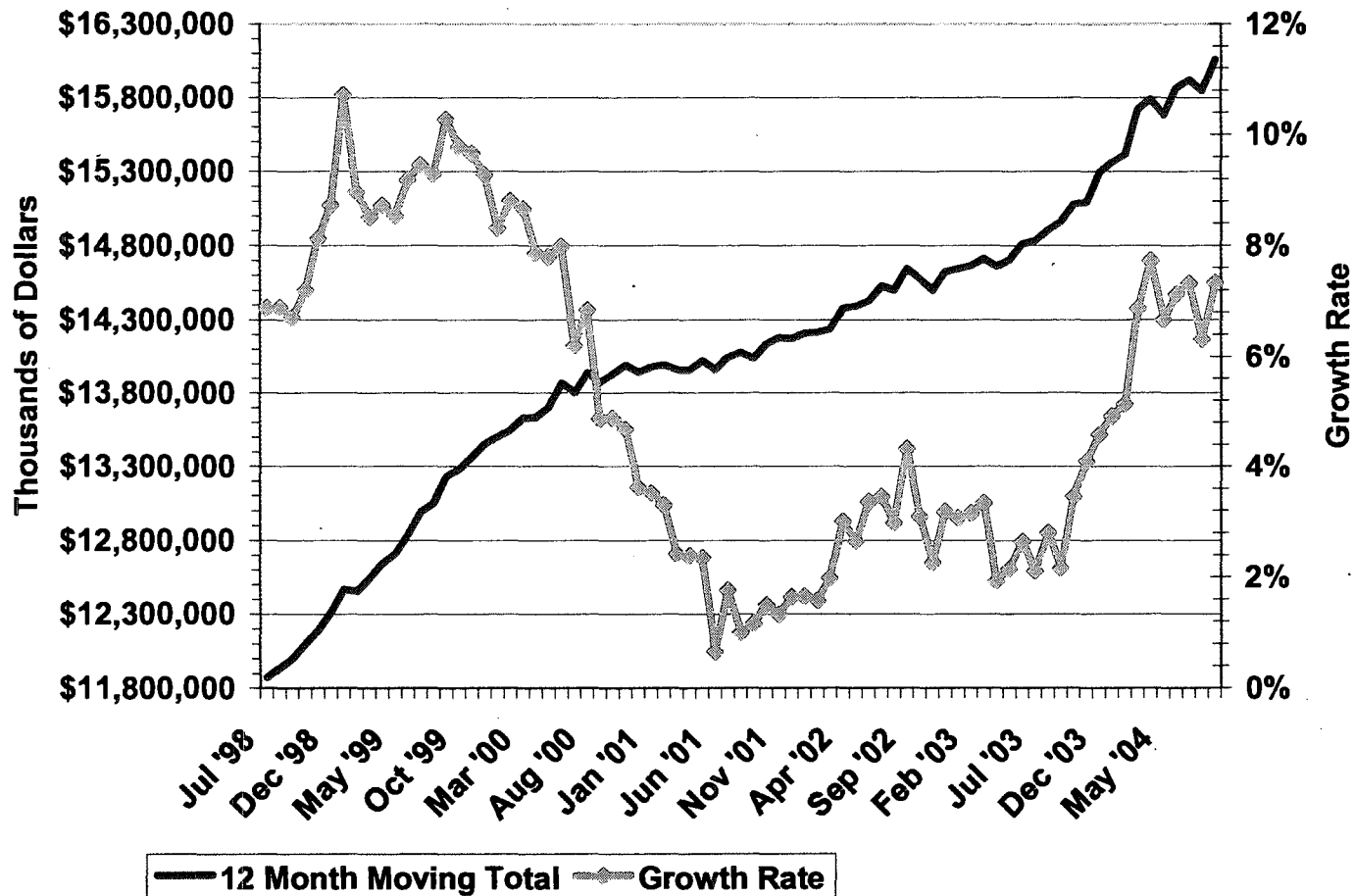
# Total Consumer Taxable Sales July 1998 to Date



## ***Business Operating Taxable Sales July 1998 to Date***

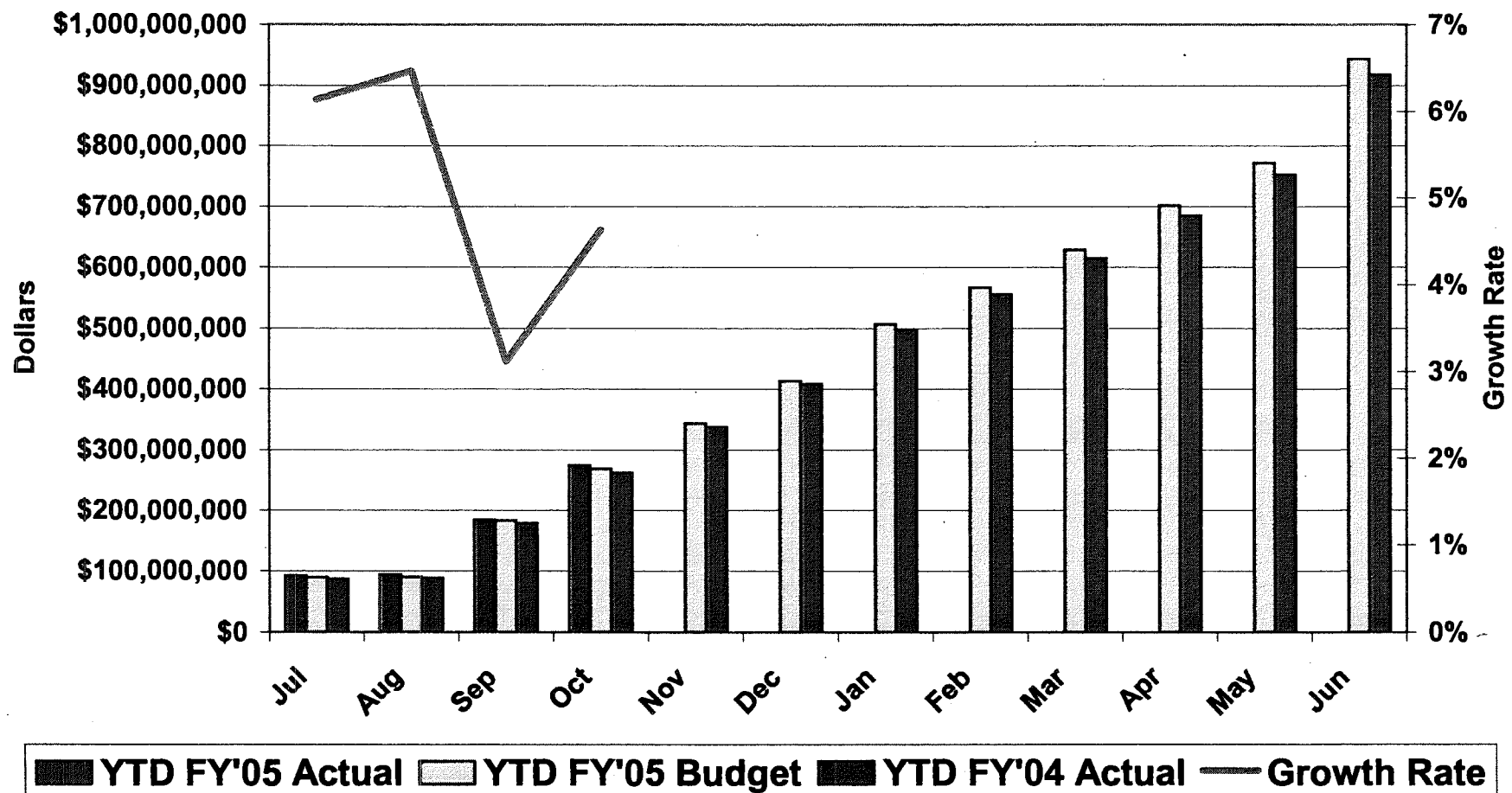


## Total Taxable Sales July 1998 to Date





# ***Sales & Service Provider Tax Revenue FY'05 Actual, Budget & FY'04 Actual***



Maine Revenue Services  
Sales & Use Tax and General Fund Service Provider Tax Revenue

Month	FY'05 Actual	FY'05 Budget	FY'04 Actual	FY'03 Actual	FY'05 Actual vs. Budget	FY'05 Budget vs. FY'04 Actual	FY'05 Actual vs. FY'04 Actual	FY'04 Actual vs. FY'03 Actual
Jul	\$91,816,108	\$89,034,278	\$86,508,519	\$82,777,437	3.1%	2.9%	6.1%	4.5%
Aug	\$1,718,008	\$545,315	\$1,346,518	(\$158,083)	215.0%	-59.5%	27.6%	-951.8%
Sep	\$90,688,073	\$93,309,981	\$90,803,534	\$85,080,291	-2.8%	2.8%	-0.1%	6.7%
Oct	\$90,398,099	\$86,020,177	\$83,820,881	\$79,478,504	5.1%	2.6%	7.8%	5.5%
Nov	\$0	\$74,334,492	\$74,982,218	\$69,672,169	-100.0%	-0.9%	-100.0%	7.6%
Dec	\$0	\$70,192,616	\$70,728,225	\$62,847,522	-100.0%	-0.8%	-100.0%	12.5%
Jan	\$0	\$93,217,575	\$89,659,263	\$82,697,288	-100.0%	4.0%	-100.0%	8.4%
Feb	\$0	\$60,024,152	\$57,598,238	\$55,341,288	-100.0%	4.2%	-100.0%	4.1%
Mar	\$0	\$61,772,320	\$59,286,767	\$53,469,265	-100.0%	4.2%	-100.0%	10.9%
Apr	\$0	\$73,230,116	\$70,353,678	\$64,219,064	-100.0%	4.1%	-100.0%	9.6%
May	\$0	\$70,275,710	\$67,500,062	\$63,963,049	-100.0%	4.1%	-100.0%	5.5%
Jun	\$0	\$170,835,331	\$164,655,339	\$158,099,007	-100.0%	3.8%	-100.0%	4.1%
Total	\$274,620,288	\$942,792,063	\$917,243,242	\$857,486,801	-70.9%	2.8%	-70.1%	7.0%
YTD Oct	\$274,620,288	\$268,909,751	\$262,479,452	\$247,178,149	2.1%	2.4%	4.6%	6.2%

**Sales & Use Tax: Baseline Forecast FY05 - FY09**

	FY02	FY03	Biennium	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium
Actuals & February, 2004 Forecast /1	\$836,134,084	\$857,486,801	\$1,693,620,885	\$917,243,245	\$942,792,063	\$1,860,035,308	\$986,819,271	\$1,033,491,907	\$2,020,311,178	\$0	\$0	\$0
Growth Rate		2.6%		7.0%	2.8%	9.8%	4.7%	4.7%	8.6%			
Technical Adjustments to Prior Forecast /2	\$0	\$0	\$0	\$0	\$3,927,937	\$3,927,937	\$6,150,029	\$6,439,080	\$12,589,109	\$0	\$0	\$0
Economic Assumptions /3	\$0	\$0	\$0	\$0	\$14,690,000	\$14,690,000	\$10,750,700	\$5,509,013	\$16,259,713	\$1,088,760,000	\$1,135,080,000	\$2,223,840,000
Total Adjustments to Prior Forecast	\$0	\$0	\$0	\$0	\$18,617,937	\$18,617,937	\$16,900,729	\$11,948,093	\$28,848,822	\$1,088,760,000	\$1,135,080,000	\$2,223,840,000
New Forecast	\$836,134,084	\$857,486,801	\$1,693,620,885	\$917,243,245	\$961,410,000	\$1,878,653,245	\$1,003,720,000	\$1,045,440,000	\$2,049,160,000	\$1,088,760,000	\$1,135,080,000	\$2,223,840,000
Growth Rate	2.2%	2.6%	1.7%	7.0%	4.8%	10.9%	4.4%	4.2%	9.1%	4.1%	4.3%	8.5%

1/ February, 2004 forecast with FY02, FY03, and FY04 actuals.

2/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions. Examples of technical changes may be new data, model updates and changes, and court cases that affect revenues.

3/ This line shows the incremental change in baseline revenues as a result of the new economic forecast released by the Consensus Economic Forecasting Committee.

**Maine Revenue Services****Model Sales Tax Revenue for Selected Categories from the Fall 2004 Forecast**

(millions of dollars)

<b>Fiscal Years</b>	<b>2004</b>	<b>2005</b>		<b>2006</b>		<b>2007</b>		<b>2008</b>		<b>2009</b>	
<b>Personal Consumption</b>											
<b>Total motor vehicles</b>	<b>\$177.5</b>	<b>\$192.5</b>	<b>8.5%</b>	<b>\$205.8</b>	<b>6.9%</b>	<b>\$219.9</b>	<b>6.9%</b>	<b>\$234.9</b>	<b>6.8%</b>	<b>\$250.8</b>	<b>6.8%</b>
<b>New autos</b>	<b>\$78.3</b>	<b>\$84.91</b>	<b>8.5%</b>	<b>\$90.8</b>	<b>6.9%</b>	<b>\$97.0</b>	<b>6.9%</b>	<b>\$103.6</b>	<b>6.8%</b>	<b>\$110.6</b>	<b>6.8%</b>
<b>Used Autos</b>	<b>\$44.3</b>	<b>\$48.04</b>	<b>8.5%</b>	<b>\$51.4</b>	<b>6.9%</b>	<b>\$54.9</b>	<b>6.9%</b>	<b>\$58.6</b>	<b>6.8%</b>	<b>\$62.6</b>	<b>6.8%</b>
<b>Other motor vehicles</b>	<b>\$54.9</b>	<b>\$59.56</b>	<b>8.5%</b>	<b>\$63.7</b>	<b>6.9%</b>	<b>\$68.0</b>	<b>6.8%</b>	<b>\$72.7</b>	<b>6.8%</b>	<b>\$77.6</b>	<b>6.8%</b>
<b>Restaurants</b>	<b>\$115.0</b>	<b>\$119.35</b>	<b>3.8%</b>	<b>\$123.0</b>	<b>3.1%</b>	<b>\$126.7</b>	<b>3.0%</b>	<b>\$130.5</b>	<b>3.0%</b>	<b>\$134.4</b>	<b>3.0%</b>
<b>Lodging</b>	<b>\$34.7</b>	<b>\$38.02</b>	<b>9.7%</b>	<b>\$41.0</b>	<b>7.9%</b>	<b>\$44.2</b>	<b>7.8%</b>	<b>\$47.7</b>	<b>7.8%</b>	<b>\$51.4</b>	<b>7.8%</b>
<b>Shoes</b>	<b>\$8.6</b>	<b>\$8.87</b>	<b>3.3%</b>	<b>\$9.1</b>	<b>2.5%</b>	<b>\$9.3</b>	<b>2.5%</b>	<b>\$9.6</b>	<b>2.5%</b>	<b>\$9.8</b>	<b>2.5%</b>
<b>Women's clothing</b>	<b>\$30.6</b>	<b>\$32.27</b>	<b>5.5%</b>	<b>\$33.7</b>	<b>4.5%</b>	<b>\$35.2</b>	<b>4.4%</b>	<b>\$36.7</b>	<b>4.4%</b>	<b>\$38.3</b>	<b>4.4%</b>
<b>Men's clothing</b>	<b>\$18.6</b>	<b>\$19.6</b>	<b>5.5%</b>	<b>\$20.5</b>	<b>4.4%</b>	<b>\$21.4</b>	<b>4.4%</b>	<b>\$22.3</b>	<b>4.3%</b>	<b>\$23.3</b>	<b>4.3%</b>
<b>Jewelry and watches</b>	<b>\$9.8</b>	<b>\$10.5</b>	<b>7.3%</b>	<b>\$11.1</b>	<b>5.8%</b>	<b>\$11.8</b>	<b>5.9%</b>	<b>\$12.4</b>	<b>5.7%</b>	<b>\$13.2</b>	<b>5.8%</b>
<b>Toilet articles and preps</b>	<b>\$13.0</b>	<b>\$14.2</b>	<b>8.9%</b>	<b>\$15.2</b>	<b>7.3%</b>	<b>\$16.3</b>	<b>7.2%</b>	<b>\$17.4</b>	<b>7.1%</b>	<b>\$18.7</b>	<b>7.2%</b>
<b>Furniture</b>	<b>\$10.3</b>	<b>\$11.0</b>	<b>6.7%</b>	<b>\$11.6</b>	<b>5.5%</b>	<b>\$12.2</b>	<b>5.4%</b>	<b>\$12.9</b>	<b>5.4%</b>	<b>\$13.6</b>	<b>5.4%</b>
<b>Household furnishings</b>	<b>\$11.7</b>	<b>\$12.4</b>	<b>5.8%</b>	<b>\$13.0</b>	<b>4.7%</b>	<b>\$13.6</b>	<b>4.7%</b>	<b>\$14.2</b>	<b>4.6%</b>	<b>\$14.9</b>	<b>4.6%</b>
<b>Drugs</b>	<b>\$14.2</b>	<b>\$14.4</b>	<b>1.8%</b>	<b>\$14.6</b>	<b>1.5%</b>	<b>\$14.9</b>	<b>1.5%</b>	<b>\$15.1</b>	<b>1.4%</b>	<b>\$15.3</b>	<b>1.4%</b>
<b>Personal consumption</b>	<b>\$665.4</b>	<b>\$703.0</b>	<b>5.7%</b>	<b>\$735.7</b>	<b>4.6%</b>	<b>\$769.9</b>	<b>4.7%</b>	<b>\$805.8</b>	<b>4.7%</b>	<b>\$843.4</b>	<b>4.7%</b>
<b>Business Intermediate</b>	<b>\$174.5</b>	<b>\$179.1</b>	<b>2.6%</b>	<b>\$183.6</b>	<b>2.5%</b>	<b>\$188.1</b>	<b>2.4%</b>	<b>\$193.5</b>	<b>2.9%</b>	<b>\$199.4</b>	<b>3.0%</b>
<b>Business Investment</b>	<b>\$71.7</b>	<b>\$74.5</b>	<b>3.9%</b>	<b>\$77.6</b>	<b>4.2%</b>	<b>\$80.4</b>	<b>3.5%</b>	<b>\$83.0</b>	<b>3.3%</b>	<b>\$85.8</b>	<b>3.3%</b>

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**Maine Revenue Services  
Transfers to the Tourism Marketing Promotion Fund  
Fall 2004 Forecast**

**5% of the tax on meals and lodging is dedicated to the Tourism Marketing Promotion Fund.  
Revenue is credited to the fund in July and October of each year based on revenue collected  
in the prior fiscal year after revenue sharing has been deducted.**

<b>Actual FY'04 meals/lodge tax revenue</b>	<b>\$159,203,143</b>	
<b>General Fund portion</b>	<b>\$151,083,783</b>	<b>94.9%</b>
<b>FY'05 Transfer to Tourism - budget</b>	<b>\$7,876,700</b>	
<b>Actual FY'05 transfer</b>	<b>\$7,554,189</b>	<b>5.0%</b>
<b>Variance</b>	<b>(\$322,511)</b>	

	<b>FY'05</b>	<b>FY'06</b>	<b>FY'07</b>	<b>FY'08</b>
<b>Meals and lodging revenue forecast</b>	<b>\$167,250,000</b>	<b>\$174,320,000</b>	<b>\$181,610,000</b>	<b>\$189,200,000</b>
<b>Growth rate</b>	<b>5.1%</b>	<b>4.2%</b>	<b>4.2%</b>	<b>4.2%</b>
<b>General Fund</b>	<b>\$158,720,250</b>	<b>\$165,255,360</b>	<b>\$172,166,280</b>	<b>\$179,361,600</b>
<b>General Fund percentage</b>	<b>94.9%</b>	<b>94.8%</b>	<b>94.8%</b>	<b>94.8%</b>

	<b>FY'06</b>	<b>FY'07</b>	<b>FY'08</b>	<b>FY'09</b>
<b>Fall 2004 forecast</b>				
<b>5% to Tourism Fund</b>	<b>\$7,936,013</b>	<b>\$8,262,768</b>	<b>\$8,608,314</b>	<b>\$8,968,080</b>
<b>Current budget</b>	<b>\$8,247,600</b>	<b>\$8,631,540</b>		
<b>Variance</b>	<b>(\$311,588)</b>	<b>(\$368,772)</b>		

# **Individual Income Tax**



	2000 Preliminary /1			2000 Final /1			Change
	Returns	Dollars		Returns	Dollars		
Wages & Salaries	496,472	\$15,907,655,047		514,529	\$16,666,346,027		4 77%
Taxable Interest	341,325	\$657,989,651		358,462	\$740,760,741		12 58%
Dividends	142,394	\$521,799,796		152,587	\$603,805,789		15 72%
Taxable Pensions	96,851	\$1,357,848,444		100,653	\$1,417,824,372		4 42%
Net Capital Gains	125,629	\$1,860,469,406		135,657	\$2,354,760,996		26 57%
Rent, Royalties, Partnerships, S Corps, etc	59,034	\$753,153,852		67,830	\$984,096,441		30 66%
Unemployment Compensation	30,845	\$70,296,839		31,784	\$73,015,668		3 87%
Federal Adjusted Gross Income	578,720	\$22,594,617,841		604,456	\$24,477,141,373		8 33%
Alternative Minimum Tax	4,999	\$26,226,065		5,942	\$33,557,749		27 96%

	2001 Preliminary /1			2001 Final /1			Change	Change 2000
	Returns	Dollars	Change 2000	Returns	Dollars			
Wages & Salaries	503,458	\$16,696,110,165	4 96%	518,819	\$17,338,131,752		3 85%	4 03%
Taxable Interest	341,433	\$657,640,734	-0 05%	355,529	\$728,316,677		10 75%	-1 68%
Dividends	136,034	\$445,592,772	-14 60%	143,881	\$497,228,048		11 59%	-17 65%
Taxable Pensions	99,415	\$1,401,544,490	3 22%	102,550	\$1,450,598,580		3 50%	2 31%
Net Capital Gains	106,145	\$892,170,606	-52 05%	113,527	\$1,071,519,235		20 10%	-54 50%
Rent, Royalties, Partnerships, S Corps, etc	60,218	\$805,488,714	6 95%	60,218	\$988,083,224		22 67%	0 41%
Unemployment Compensation	37,711	\$86,257,157	22 70%	38,639	\$99,384,658		15 22%	36 11%
Federal Adjusted Gross Income	585,280	\$22,493,034,329	-0 45%	607,164	\$23,805,345,868		5 83%	-2 74%
Alternative Minimum Tax	4,633	\$23,596,077	-10 03%	5,318	\$29,524,115		25 12%	-12 02%

	2002 Preliminary /1			2002 Final /1			Change	Change 2001
	Returns	Dollars	Change 2001	Returns	Dollars			
Wages & Salaries	498,708	\$16,901,491,633	1 23%		\$17,593,251,466		4 09%	1 47%
Taxable Interest	322,828	\$485,853,025	-26 12%		\$543,273,982		11 82%	-25 41%
Dividends	137,228	\$388,677,070	-12 77%		\$438,362,316		12 78%	-11 84%
Taxable Pensions	100,578	\$1,451,956,220	3 60%		\$1,506,879,061		3 78%	3 88%
Net Capital Gains	102,278	\$737,665,287	-17 32%		\$896,232,487		21 50%	-16 36%
Rent, Royalties, Partnerships, S Corps, etc	60,603	\$835,616,605	3 74%		\$1,049,809,892		25 63%	6 25%
Unemployment Compensation	42,593	\$145,439,444	68 61%		\$151,141,895		3 92%	52 08%
Federal Adjusted Gross Income	580,796	\$22,246,559,220	-1 10%		\$23,617,364,010		6 16%	-0 79%
Alternative Minimum Tax	7,222	\$23,088,615	-2 15%		\$27,966,135		21 13%	-5 28%

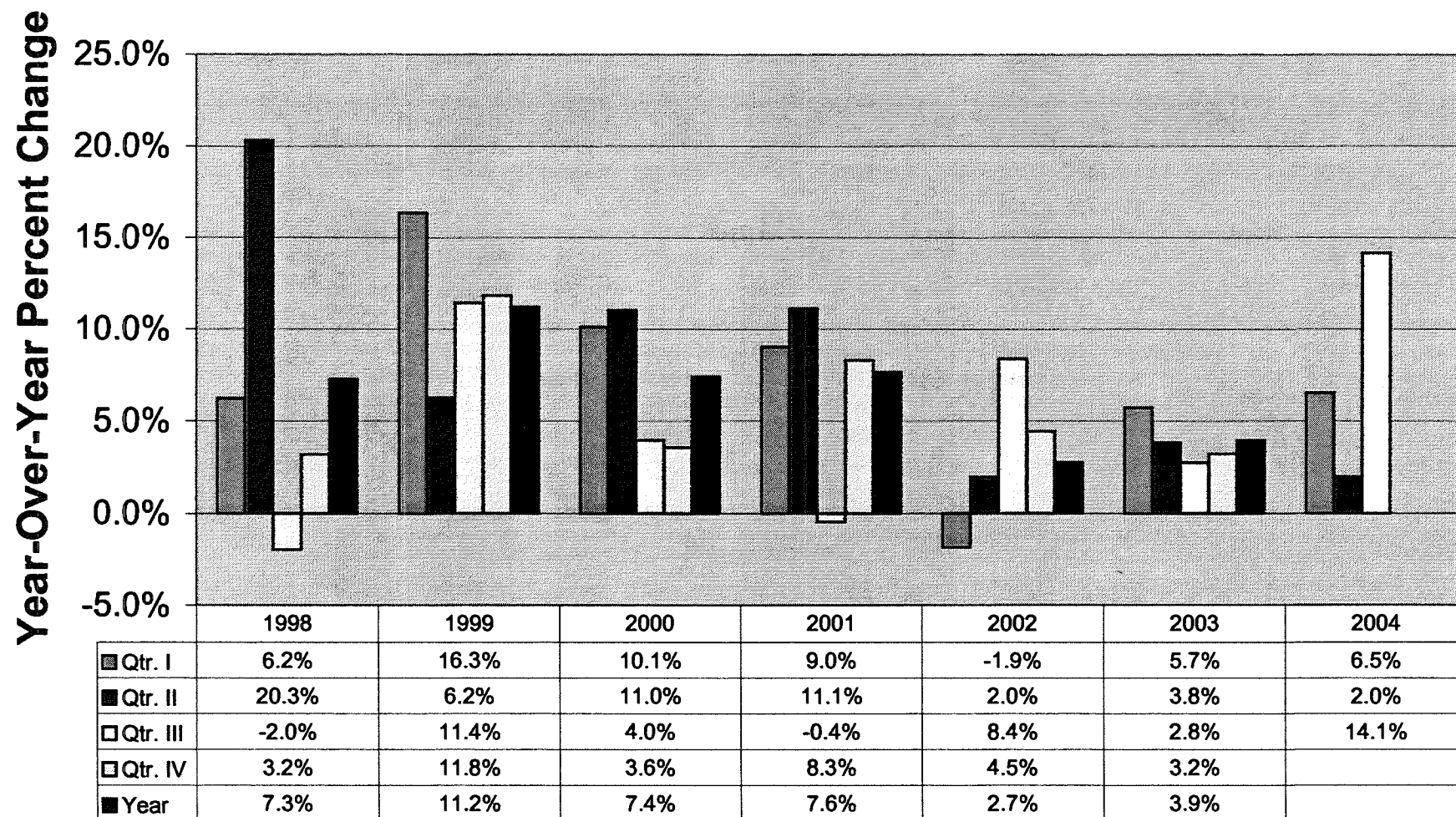
	2003 Preliminary /1			2003 Final /2			Change	Change 2002
	Returns	Dollars	Change 2002	Returns	Dollars			
Wages & Salaries		\$17,452,582,279	3 26%		\$18,145,295,210		3 97%	3 14%
Taxable Interest		\$409,067,783	-15 80%		\$455,221,834		11 28%	-16 21%
Dividends		\$408,182,555	5 02%		\$457,921,978		12 19%	4 46%
Taxable Pensions		\$1,513,312,936	4 23%		\$1,568,417,814		3 64%	4 08%
Net Capital Gains		\$810,743,847	9 91%		\$979,371,771		20 80%	9 28%
Rent, Royalties, Partnerships, S Corps, etc		\$832,084,682	-0 42%		\$1,033,040,404		24 15%	-1 60%
Unemployment Compensation		\$156,046,911	7 29%		\$170,980,499		9 57%	13 13%
Federal Adjusted Gross Income		\$23,037,272,340	3 55%		\$24,419,068,119		6 00%	3 39%
Alternative Minimum Tax		\$29,402,344	27 35%		\$36,201,371		23 12%	29 45%

1/ IMF & IRTF data for returns with Maine address

2/ Estimated

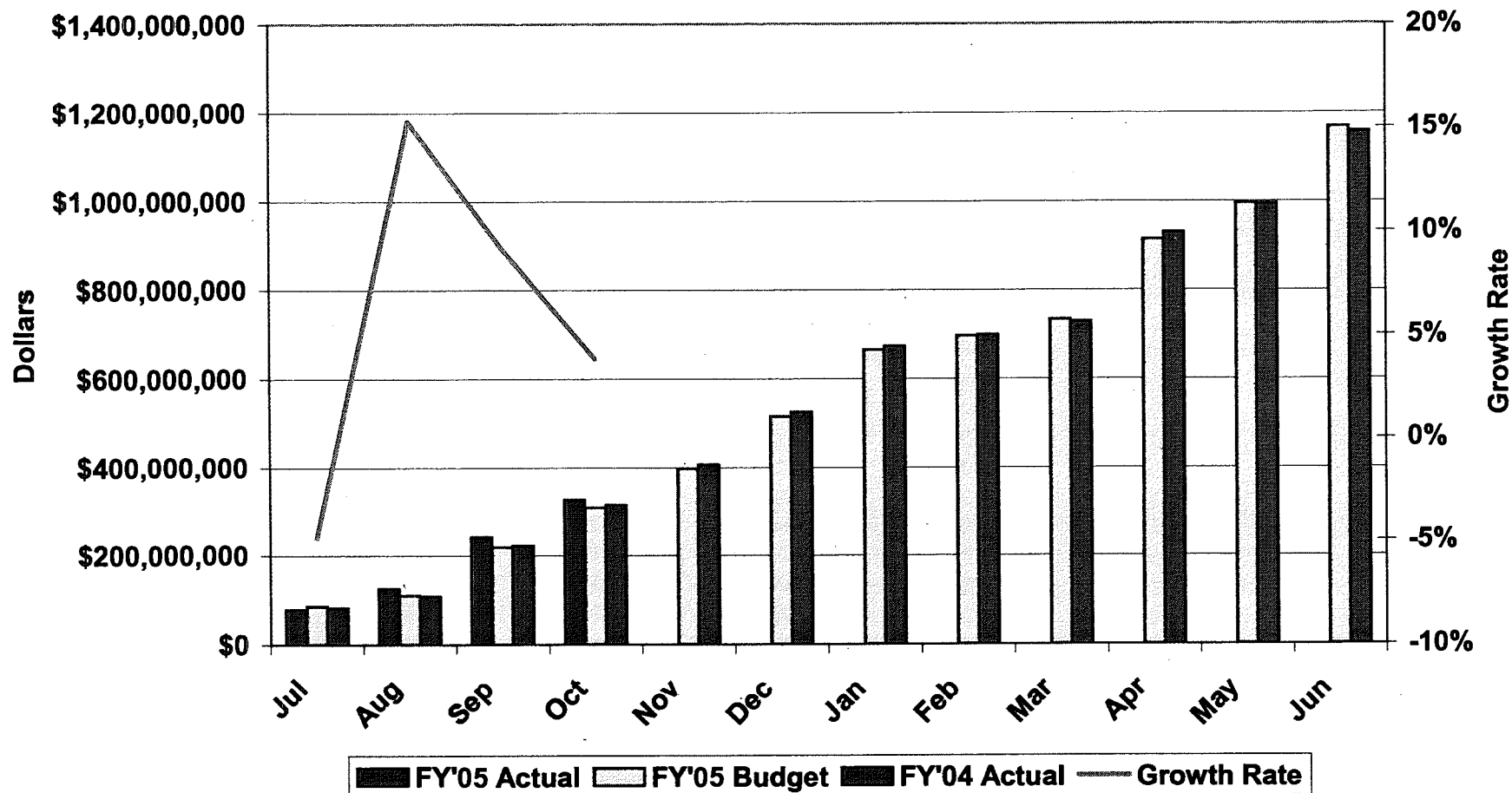


# Individual Income Tax Withholding



**Quarter & Calendar Year**

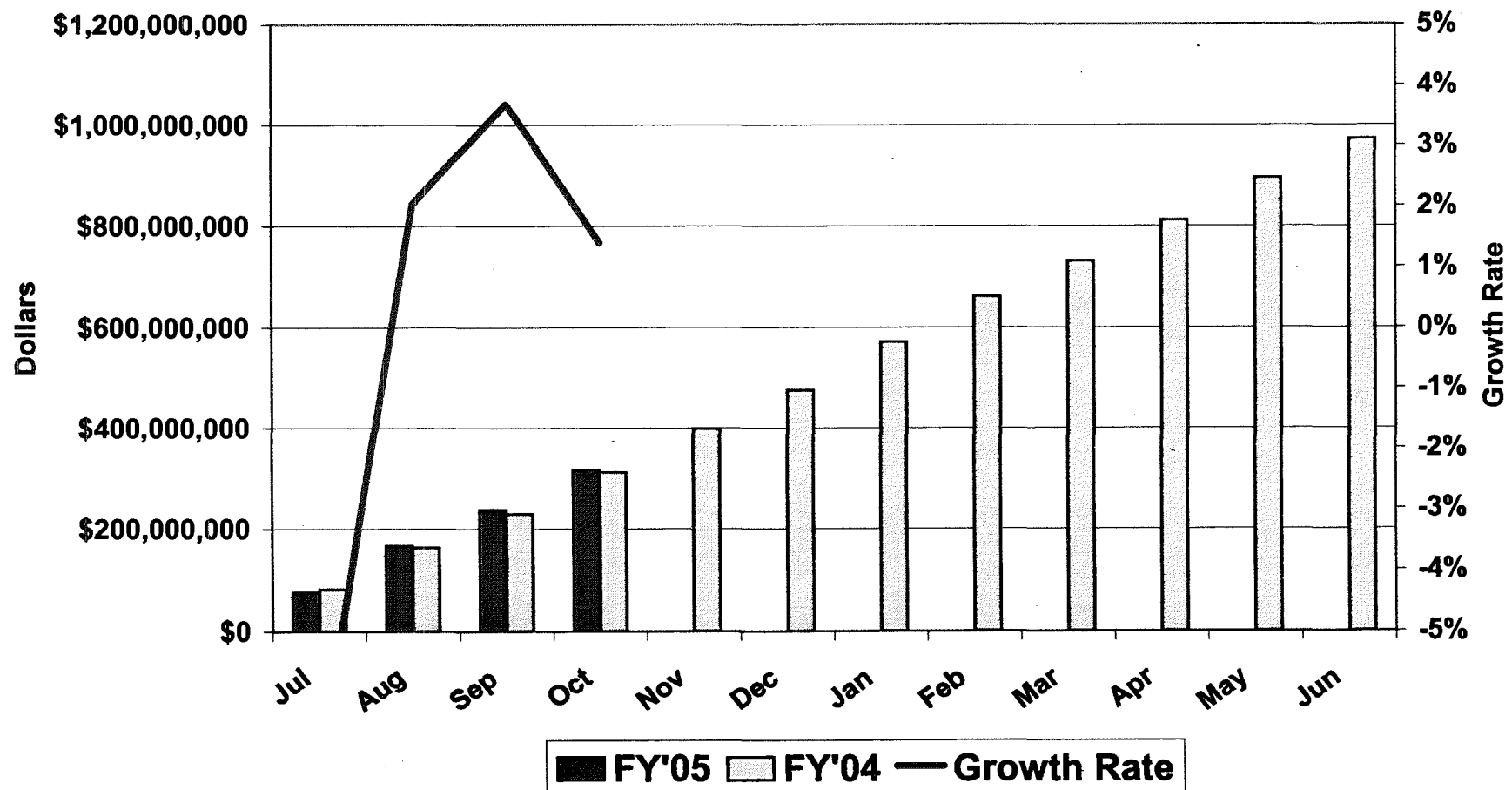
# YTD Individual Income Tax Revenue FY'05 Actual, Budget & FY'04 Actual



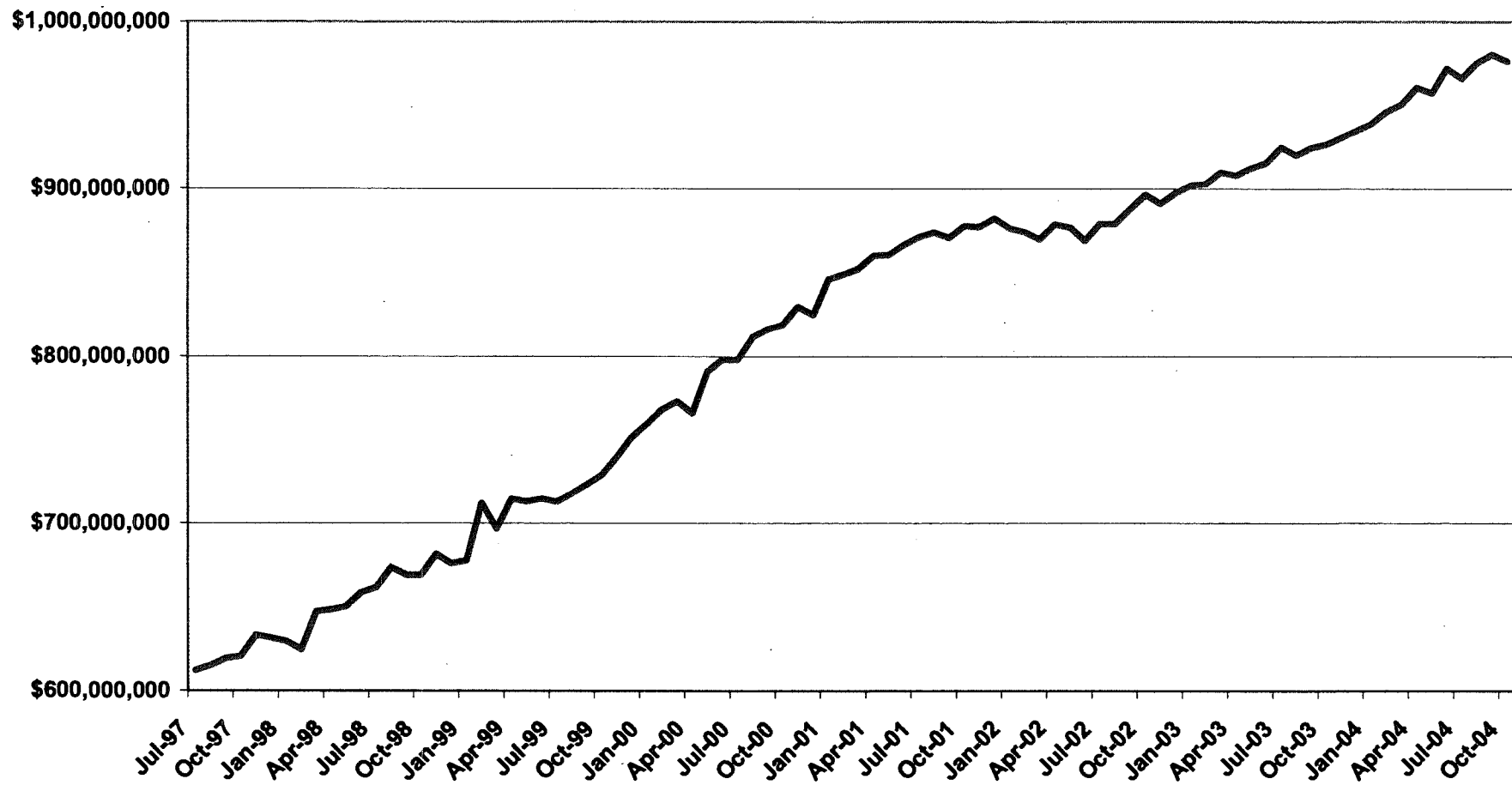
Maine Revenue Services  
Individual Income Tax Revenue

	FY'05 Actual	FY'05 Budget	FY'04 Actual	FY'03 Actual	FY'05 Actual vs. Budget	FY'05 Budget vs. FY'04 Actual	FY'05 Actual vs. FY'04 Actual	FY'04 Actual vs. FY'03 Actual
Jul	\$79,007,870	\$86,525,976	\$83,052,540	\$69,726,689	-8.7%	4.2%	-4.9%	19.1%
Aug	\$46,368,424	\$23,915,444	\$25,716,284	\$34,659,319	93.9%	-7.0%	80.3%	-25.8%
Sep	\$116,291,674	\$108,239,233	\$112,651,883	\$108,179,557	7.4%	-3.9%	3.2%	4.1%
Oct	\$83,726,670	\$88,939,584	\$92,060,779	\$94,322,529	-5.9%	-3.4%	-9.1%	-2.4%
Nov	\$0	\$90,121,409	\$92,846,672	\$85,520,020	-100.0%	-2.9%	-100.0%	8.6%
Dec	\$0	\$117,146,144	\$118,510,420	\$102,691,680	-100.0%	-1.2%	-100.0%	15.4%
Jan	\$0	\$149,837,962	\$147,651,743	\$136,119,438	-100.0%	1.5%	-100.0%	8.5%
Feb	\$0	\$31,563,646	\$26,333,492	\$23,555,164	-100.0%	19.9%	-100.0%	11.8%
Mar	\$0	\$37,246,233	\$30,231,259	\$30,943,003	-100.0%	23.2%	-100.0%	-2.3%
Apr	\$0	\$180,440,194	\$200,394,874	\$156,819,229	-100.0%	-10.0%	-100.0%	27.8%
May	\$0	\$81,330,234	\$64,521,014	\$73,200,655	-100.0%	26.1%	-100.0%	-11.9%
Jun	\$0	\$171,135,235	\$162,744,951	\$155,964,413	-100.0%	5.2%	-100.0%	4.3%
Total	\$325,394,638	\$1,166,441,294	\$1,156,715,911	\$1,071,701,696	-72.1%	0.8%	-71.9%	7.9%
YTD Oct	\$325,394,638	\$307,620,237	\$313,481,486	\$306,888,094	5.8%	-1.9%	3.8%	2.1%

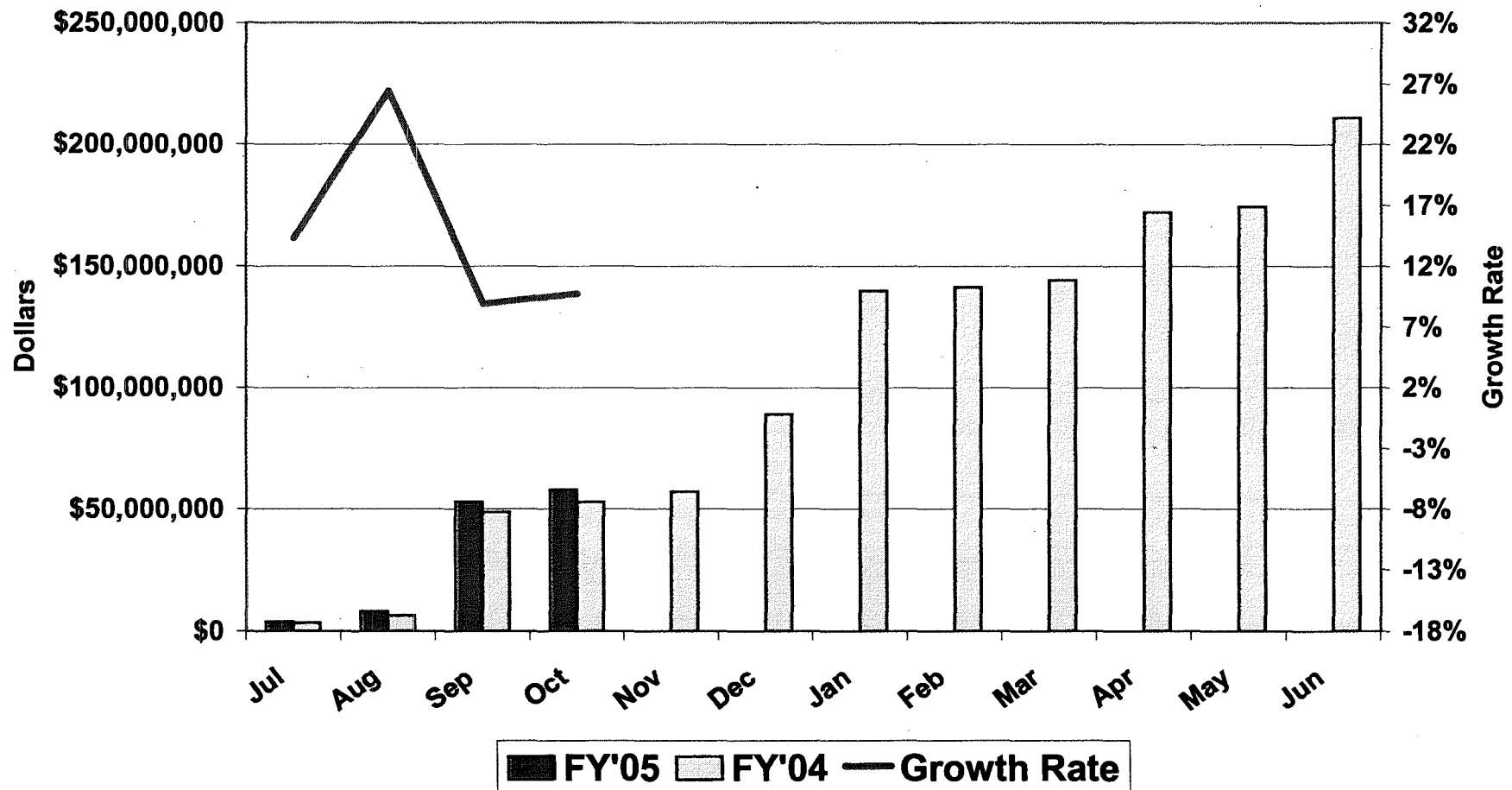
# 1040 Withholding Year-to-Date FY'05 & FY'04



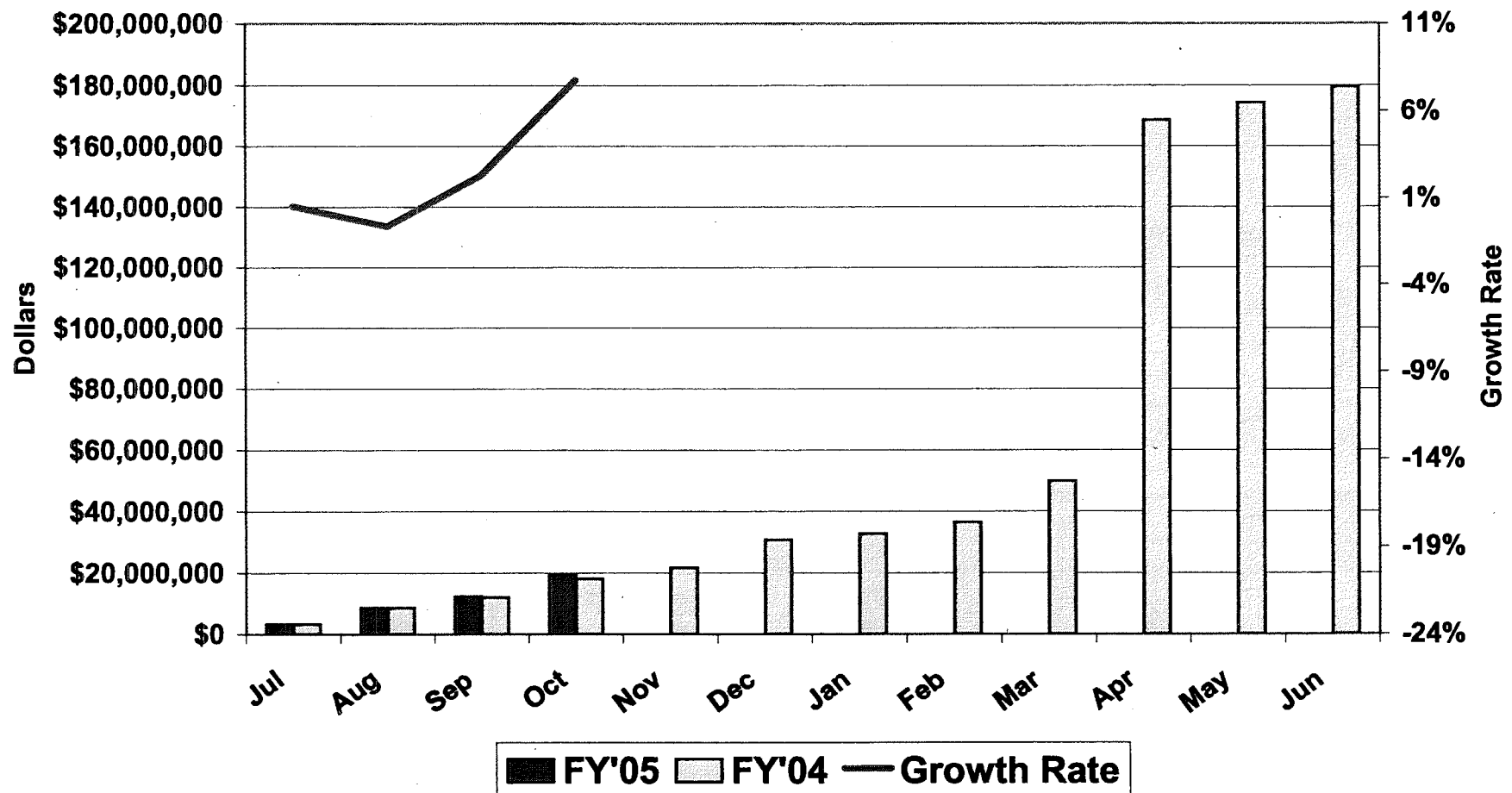
# Withholding Tax Revenue 12 Month Moving Total



# **1040 Estimated Payments Year-to-Date FY'05 & FY'04**



# **1040 Final Payments Year-to-Date FY'05 & FY'04**



# Maine Revenue Services

## Individual Income Tax Withholding, Estimated Payments and Final Payments

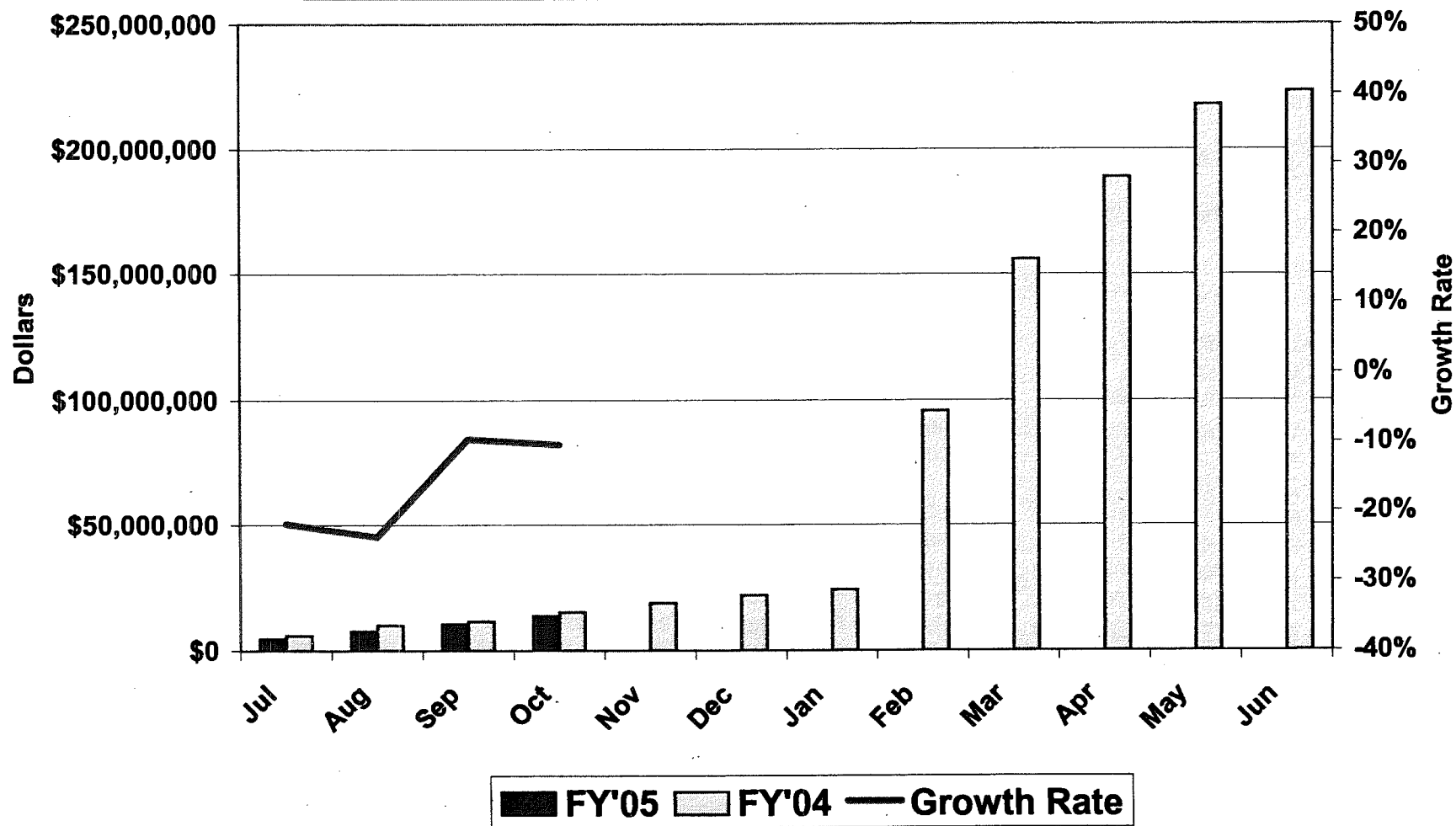
	1040 Withholding			1040 Estimated Payments			1040 Final Payments		
	FY'05	FY'04	Growth Rate	FY'05	FY'04	Growth Rate	FY'05	FY'04	Growth Rate
Jul	\$75,860,067	\$81,694,654	-7.1%	\$3,892,507	\$3,406,891	14.3%	\$3,378,425	\$3,361,303	0.5%
Aug	\$89,961,525	\$80,845,219	11.3%	\$4,187,223	\$2,985,959	40.2%	\$5,231,286	\$5,305,039	-1.4%
Sep	\$71,592,113	\$66,453,554	7.7%	\$44,856,260	\$42,224,742	6.2%	\$3,660,467	\$3,325,857	10.1%
Oct	\$79,165,680	\$83,273,521	-4.9%	\$5,026,638	\$4,210,273	19.4%	\$7,193,943	\$6,068,268	18.6%
Nov	\$0	\$86,090,853	-100.0%	\$0	\$4,407,276	-100.0%	\$0	\$3,541,800	-100.0%
Dec	\$0	\$77,177,033	-100.0%	\$0	\$31,946,048	-100.0%	\$0	\$9,134,928	-100.0%
Jan	\$0	\$95,196,580	-100.0%	\$0	\$50,632,993	-100.0%	\$0	\$2,037,717	-100.0%
Feb	\$0	\$90,043,830	-100.0%	\$0	\$1,451,055	-100.0%	\$0	\$3,669,420	-100.0%
Mar	\$0	\$69,729,015	-100.0%	\$0	\$2,920,478	-100.0%	\$0	\$13,437,582	-100.0%
Apr	\$0	\$80,657,112	-100.0%	\$0	\$27,879,944	-100.0%	\$0	\$118,517,578	-100.0%
May	\$0	\$83,488,909	-100.0%	\$0	\$2,326,002	-100.0%	\$0	\$5,891,683	-100.0%
Jun	\$0	\$77,178,399	-100.0%	\$0	\$36,548,735	-100.0%	\$0	\$5,150,267	-100.0%

### Year-To-Date

	1040 Withholding			1040 Estimated Payments			1040 Final Payments		
	FY'05	FY'04	Growth Rate	FY'05	FY'04	Growth Rate	FY'05	FY'04	Growth Rate
Jul	\$75,860,067	\$81,694,654	-7.1%	\$3,892,507	\$3,406,891	14.3%	\$3,378,425	\$3,361,303	0.5%
Aug	\$165,821,592	\$162,539,873	2.0%	\$8,079,730	\$6,392,850	26.4%	\$8,609,711	\$8,666,342	-0.7%
Sep	\$237,413,705	\$228,993,427	3.7%	\$52,935,990	\$48,617,592	8.9%	\$12,270,178	\$11,992,199	2.3%
Oct	\$316,579,385	\$312,266,948	1.4%	\$57,962,628	\$52,827,865	9.7%	\$19,464,121	\$18,060,467	7.8%
Nov	\$316,579,385	\$398,357,801	-20.5%	\$57,962,628	\$57,235,141	1.3%	\$19,464,121	\$21,602,267	-9.9%
Dec	\$316,579,385	\$475,534,834	-33.4%	\$57,962,628	\$89,181,189	-35.0%	\$19,464,121	\$30,737,195	-36.7%
Jan	\$316,579,385	\$570,731,414	-44.5%	\$57,962,628	\$139,814,182	-58.5%	\$19,464,121	\$32,774,912	-40.6%
Feb	\$316,579,385	\$660,775,244	-52.1%	\$57,962,628	\$141,265,237	-59.0%	\$19,464,121	\$36,444,332	-46.6%
Mar	\$316,579,385	\$730,504,259	-56.7%	\$57,962,628	\$144,185,715	-59.8%	\$19,464,121	\$49,881,914	-61.0%
Apr	\$316,579,385	\$811,161,371	-61.0%	\$57,962,628	\$172,065,659	-66.3%	\$19,464,121	\$168,399,492	-88.4%
May	\$316,579,385	\$894,650,280	-64.6%	\$57,962,628	\$174,391,661	-66.8%	\$19,464,121	\$174,291,175	-88.8%
Jun	\$316,579,385	\$971,828,679	-67.4%	\$57,962,628	\$210,940,396	-72.5%	\$19,464,121	\$179,441,442	-89.2%



# Individual Income Tax Refunds Year-to-Date FY'05 & FY'04



**Maine Revenue Services  
Individual Income Tax Refunds**

	Month		Year-To-Date		Growth Rate
	FY'05	FY'04	FY'05	FY'04	
Jul	\$4,583,354	\$5,867,003	\$4,583,354	\$5,867,003	-22%
Aug	\$2,999,037	\$4,084,763	\$7,582,391	\$9,951,766	-24%
Sep	\$2,737,110	\$1,464,736	\$10,319,501	\$11,416,502	-10%
Oct	\$3,126,619	\$3,594,225	\$13,446,120	\$15,010,727	-10%
Nov	\$0	\$3,666,270	\$13,446,120	\$18,676,997	-28%
Dec	\$0	\$3,011,822	\$13,446,120	\$21,688,819	-38%
Jan	\$0	\$2,328,226	\$13,446,120	\$24,017,045	-44%
Feb	\$0	\$71,664,172	\$13,446,120	\$95,681,217	-86%
Mar	\$0	\$60,190,652	\$13,446,120	\$155,871,869	-91%
Apr	\$0	\$32,903,942	\$13,446,120	\$188,775,811	-93%
May	\$0	\$29,086,403	\$13,446,120	\$217,862,214	-94%
Jun	\$0	\$5,363,370	\$13,446,120	\$223,225,584	-94%

**Individual Income Tax: Baseline Forecast FY05 - FY09**

	FY02	FY03	Biennium	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium
Actuals & February 2004 Forecast /1	\$1,069,834,791	\$1,071,701,694	\$2,141,536,485	\$1,156,715,909	\$1,166,441,294	\$2,323,157,203	\$1,234,170,264	\$1,298,609,002	\$2,532,779,266	\$0	\$0	\$0
Growth Rate		0 2%		7 9%	0 8%	8 5%	5 8%	5 2%	9 0%			
Tax & Rent Claims /2	\$0	\$0	\$0	\$0	(\$24,742,857)	(\$24,742,857)	(\$25,771,408)	(\$27,009,636)	(\$52,781,044)	\$0	\$0	\$0
Individual Income Tax Before T&R Claims	\$1,069,834,791	\$1,071,701,694	\$2,141,536,485	\$1,156,715,909	\$1,191,184,151	\$2,347,900,060	\$1,259,941,672	\$1,325,618,638	\$2,585,560,310	\$0	\$0	\$0
Growth Rate		0 2%		7 9%	3 0%	9 6%	5 8%	5 2%	10 1%			
Technical Adjustments /3	\$0	\$0	\$0	\$0	(\$1,330,000)	(\$1,330,000)	\$1,510,000	\$1,220,000	\$2,730,000	\$0	\$0	\$0
Economic Assumptions /4	\$0	\$0	\$0	\$0	\$30,994,902	\$30,994,902	\$14,288,328	\$7,951,362	\$14,288,328	\$1,399,110,000	\$1,461,530,000	\$2,860,640,000
Total Adjustments to Prior Forecast	\$0	\$0	\$0	\$0	\$29,664,902	\$29,664,902	\$15,798,328	\$9,171,362	\$24,969,690	\$1,399,110,000	\$1,461,530,000	\$2,860,640,000
New Forecast	\$1,069,834,791	\$1,071,701,694	\$2,141,536,485	\$1,156,715,909	\$1,220,849,053	\$2,352,822,105	\$1,275,740,000	\$1,334,790,000	\$2,557,748,956	\$1,399,110,000	\$1,461,530,000	\$2,860,640,000
Growth Rate	-8 4%	0 2%	-4 5%	7 9%	5 5%	9 9%	4 5%	4 6%	8 7%	4 8%	4 5%	11 8%
Tax & Rent Claims <i>(Revised)</i>	\$0	\$0	\$0	\$0	(\$24,742,857)	(\$24,742,857)	(\$28,755,518)	(\$27,386,654)	(\$56,142,172)	(\$28,071,320)	(\$28,773,103)	(\$56,844,423)
Total Individual Income Tax	\$1,069,834,791	\$1,071,701,694	\$2,141,536,485	\$1,156,715,909	\$1,196,106,196	\$2,352,822,105	\$1,246,984,482	\$1,307,403,346	\$2,554,387,828	\$1,371,038,680	\$1,432,756,897	\$2,803,795,577
	-8 4%	0 2%	-4 5%	7 9%	3 4%	9 9%	4 3%	4 8%	8 6%	4 9%	4 5%	9 8%

1/ February 2004 forecast with FY02 FY03 and FY04 actuals

2/ Adjusts for Maine Residents Property Tax Relief Program transfers

3/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions Examples of technical changes may be new data model updates and changes and court cases that affect revenues

4/ This line shows the incremental change in baseline revenues as a result of the new economic forecast released by the Consensus Economic Forecasting Committee

Circuit Breaker Program Cost Analysis \_ November 2004 Forecast

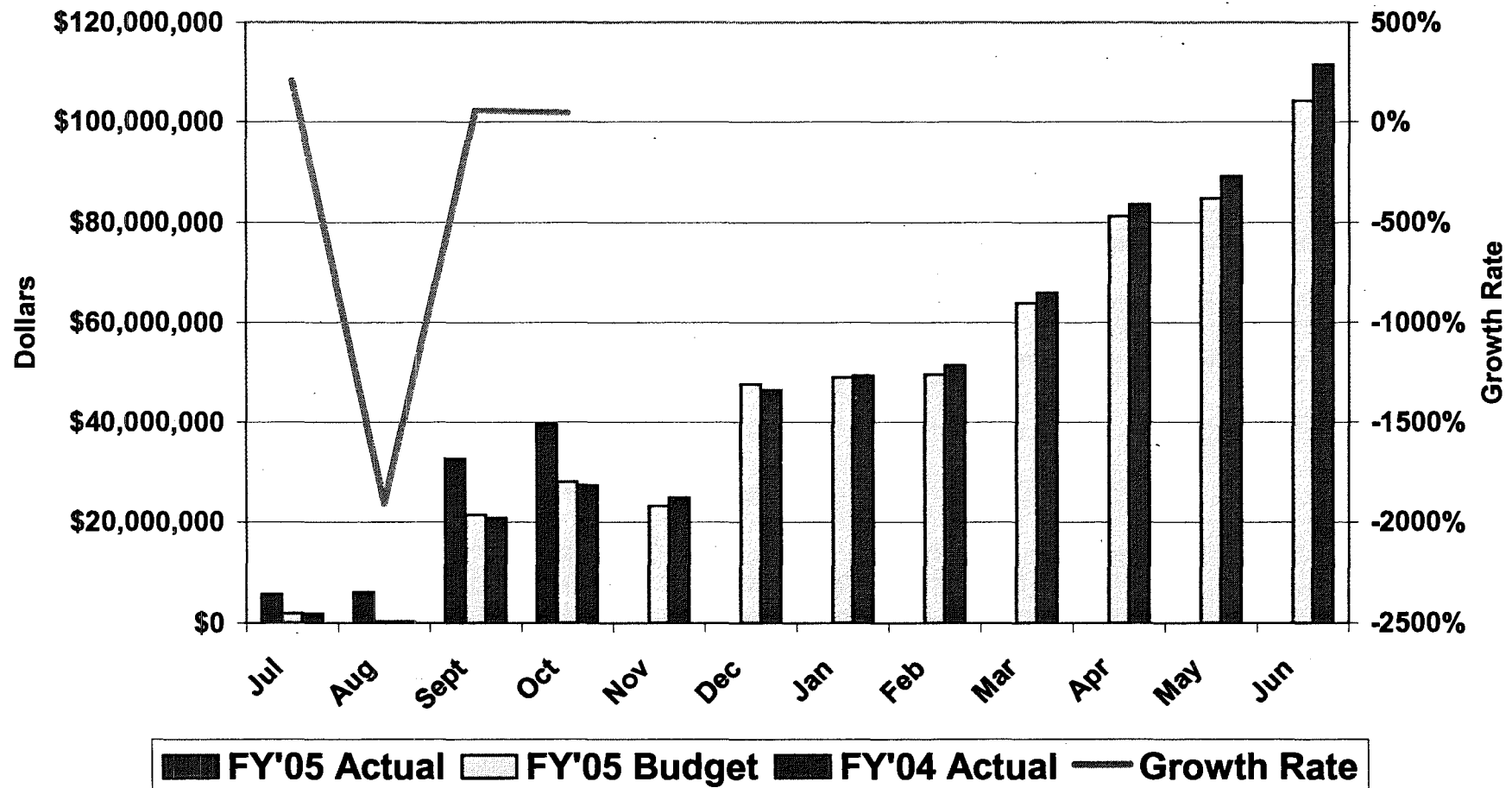
	FY '02	FY '03	FY '04	FY '05	FY '06	FY '07	FY '08	FY '09	Old Forecast
Current Cost of Circuit Breaker Program	\$20,668,005	\$21,634,432	\$24,164,926	\$24,742,854	\$25,771,408	\$27,009,636			
New Forecast Cost _ Circuit Breaker				\$25,874,647	\$27,216,152	\$28,702,423	\$29,419,983	\$30,155,483	
FY '04 Shortfall carried over into FY '05				\$903,000					
Sub Total				\$26,777,647					
P L 673				\$24,742,857					
FY '05 Shortfall carried over into FY '06				(\$2,034,790)	\$2,034,790				
Grand Total	\$20,668,005	\$21,634,432	\$24,164,926	\$24,742,857	\$29,250,942	\$28,702,423	\$29,419,983	\$30,155,483	
Percent change		4 7%	11 7%	2 4%	18 2%	-1 9%	2 5%	2 5%	



# **Corporate Income Tax**



# YTD Corporate Income Tax Revenue FY'05 Actual, Budget & FY'04 Actual

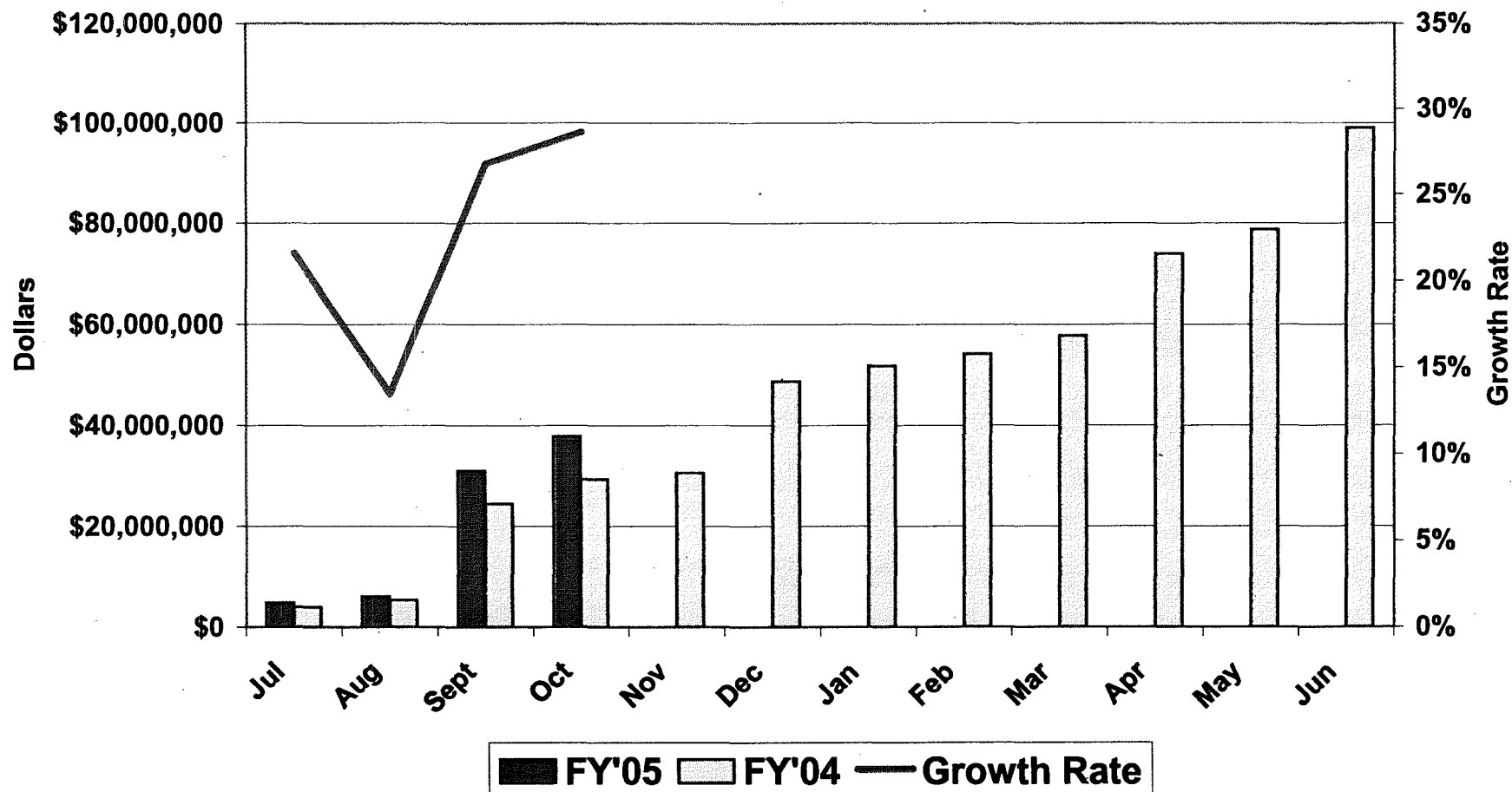




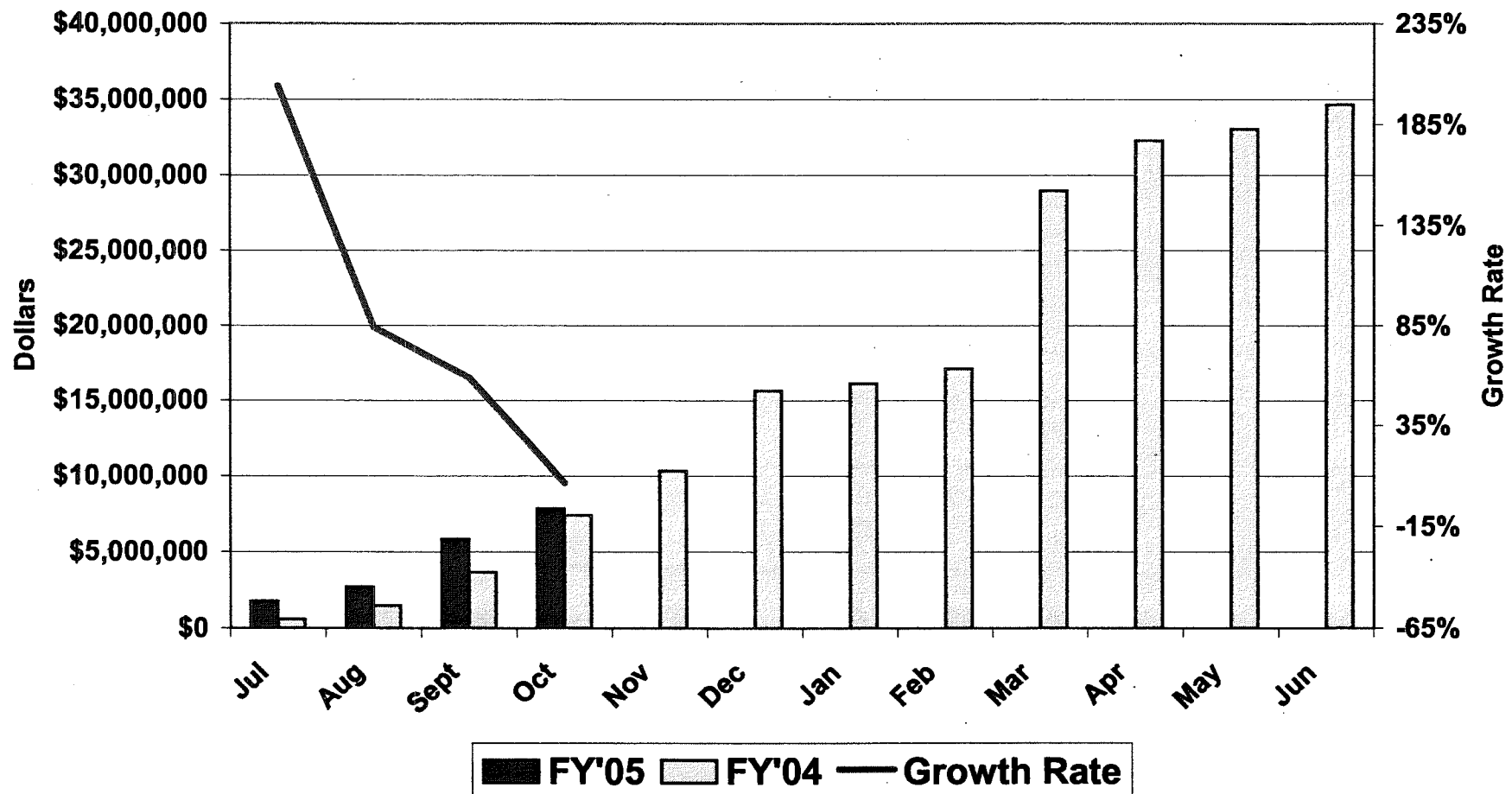
Maine Revenue Services  
Corporate Income Tax Revenue

	FY'05 Actual	FY'05 Budget	FY'04 Actual	FY'03 Actual	FY'05 Actual vs. Budget	FY'05 Budget vs. FY'04 Actual	FY'05 Actual vs. FY'04 Actual	FY'04 Actual vs. FY'03 Actual
Jul	\$5,652,128	\$1,853,147	\$1,844,586	\$3,930,812	205.0%	0.5%	206.4%	-53.1%
Aug	\$383,290	(\$1,551,462)	(\$1,544,295)	\$1,548,950	-124.7%	-0.5%	124.8%	-199.7%
Sept	\$26,575,624	\$21,074,658	\$20,479,613	\$15,092,881	26.1%	2.9%	29.8%	35.7%
Oct	\$6,879,835	\$6,575,410	\$6,521,532	\$2,663,808	4.6%	0.8%	5.5%	144.8%
Nov	\$0	(\$4,778,514)	(\$2,510,512)	\$187,515	-100.0%	90.3%	-100.0%	-1438.8%
Dec	\$0	\$24,575,549	\$21,808,955	\$15,957,743	-100.0%	12.7%	-100.0%	36.7%
Jan	\$0	\$1,321,042	\$2,774,357	\$1,148,689	-100.0%	-52.4%	-100.0%	141.5%
Feb	\$0	\$518,999	\$2,086,831	\$438,595	-100.0%	-75.1%	-100.0%	375.8%
Mar	\$0	\$14,255,561	\$14,454,770	\$12,157,668	-100.0%	-1.4%	-100.0%	18.9%
Apr	\$0	\$17,379,823	\$17,686,082	\$14,923,752	-100.0%	-1.7%	-100.0%	18.5%
May	\$0	\$3,576,212	\$5,571,195	\$3,145,317	-100.0%	-35.8%	-100.0%	77.1%
Jun	\$0	\$19,591,179	\$22,442,938	\$19,992,664	-100.0%	-12.7%	-100.0%	12.3%
Total	\$39,490,877	\$104,391,604	\$111,616,052	\$91,188,394	-62.2%	-6.5%	-64.6%	22.4%
YTD Oct	\$39,490,877	\$27,951,753	\$27,301,436	\$23,236,451	41.3%	2.4%	44.6%	17.5%

# Corporate Estimated Payments Year-to-Date FY'05 & FY'04



## Corporate Final Payments Year-to-Date FY'05 & FY'04



## Maine Revenue Services

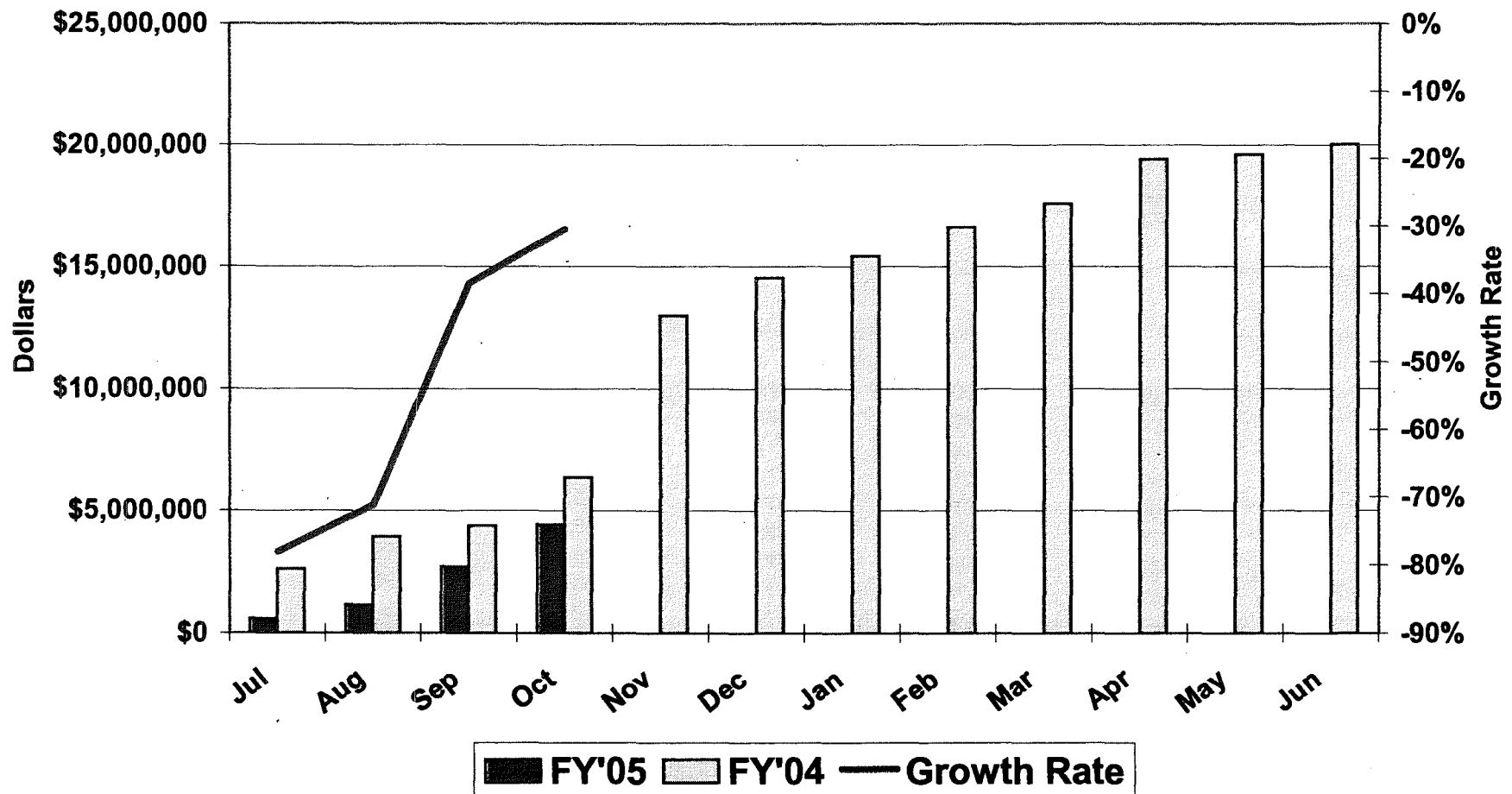
### Corporate Income Tax Estimated Payments

	Month			Year-To-Date		
	FY'05	FY'04	Growth Rate	FY'05	FY'04	Growth Rate
Jul	\$4,736,328	\$3,895,349	21.6%	\$4,736,328	\$3,895,349	21.6%
Aug	\$1,258,467	\$1,387,756	-9.3%	\$5,994,795	\$5,283,105	13.5%
Sept	\$25,021,543	\$19,185,202	30.4%	\$31,016,338	\$24,468,307	26.8%
Oct	\$6,731,932	\$4,879,297	38.0%	\$37,748,270	\$29,347,604	28.6%
Nov	\$0	\$1,234,808	-100.0%	\$37,748,270	\$30,582,412	23.4%
Dec	\$0	\$18,053,335	-100.0%	\$37,748,270	\$48,635,747	-22.4%
Jan	\$0	\$3,121,714	-100.0%	\$37,748,270	\$51,757,461	-27.1%
Feb	\$0	\$2,292,075	-100.0%	\$37,748,270	\$54,049,536	-30.2%
Mar	\$0	\$3,667,218	-100.0%	\$37,748,270	\$57,716,754	-34.6%
Apr	\$0	\$16,210,281	-100.0%	\$37,748,270	\$73,927,035	-48.9%
May	\$0	\$4,807,913	-100.0%	\$37,748,270	\$78,734,948	-52.1%
Jun	\$0	\$20,223,520	-100.0%	\$37,748,270	\$98,958,468	-61.9%

### Corporate Income Tax Final Payments and Back Taxes

	Month			Year-To-Date		
	FY'05	FY'04	Growth Rate	FY'05	FY'04	Growth Rate
Jul	\$1,764,609	\$580,674	203.9%	\$1,764,609	\$580,674	203.9%
Aug	\$936,790	\$886,852	5.6%	\$2,701,399	\$1,467,526	84.1%
Sept	\$3,135,737	\$2,210,849	41.8%	\$5,837,136	\$3,678,375	58.7%
Oct	\$2,006,164	\$3,708,549	-45.9%	\$7,843,300	\$7,386,924	6.2%
Nov	\$0	\$2,935,209	-100.0%	\$7,843,300	\$10,322,133	-24.0%
Dec	\$0	\$5,309,377	-100.0%	\$7,843,300	\$15,631,510	-49.8%
Jan	\$0	\$485,026	-100.0%	\$7,843,300	\$16,116,536	-51.3%
Feb	\$0	\$1,007,792	-100.0%	\$7,843,300	\$17,124,328	-54.2%
Mar	\$0	\$11,845,235	-100.0%	\$7,843,300	\$28,969,563	-72.9%
Apr	\$0	\$3,309,703	-100.0%	\$7,843,300	\$32,279,266	-75.7%
May	\$0	\$757,997	-100.0%	\$7,843,300	\$33,037,263	-76.3%
Jun	\$0	\$1,597,709	-100.0%	\$7,843,300	\$34,634,972	-77.4%

# Corporate Income Tax Refunds Year-to-Date FY'05 & FY'04



**Maine Revenue Services  
Corporate Income Tax Refunds**

	Month		Year-to-Date		Growth Rate
	FY'05	FY'04	FY'05	FY'04	
Jul	\$565,674	\$2,588,881	\$565,674	\$2,588,881	-78%
Aug	\$561,408	\$1,331,611	\$1,127,082	\$3,920,492	-71%
Sep	\$1,559,137	\$450,469	\$2,686,219	\$4,370,961	-39%
Oct	\$1,733,045	\$1,993,169	\$4,419,264	\$6,364,130	-31%
Nov	\$0	\$6,625,278	\$4,419,264	\$12,989,408	-66%
Dec	\$0	\$1,551,384	\$4,419,264	\$14,540,792	-70%
Jan	\$0	\$879,781	\$4,419,264	\$15,420,573	-71%
Feb	\$0	\$1,193,218	\$4,419,264	\$16,613,791	-73%
Mar	\$0	\$979,430	\$4,419,264	\$17,593,221	-75%
Apr	\$0	\$1,833,231	\$4,419,264	\$19,426,452	-77%
May	\$0	\$188,860	\$4,419,264	\$19,615,312	-77%
Jun	\$0	\$424,777	\$4,419,264	\$20,040,089	-78%

**Corporate Income Tax: General Fund Baseline Forecast FY05 - FY09**

	FY02	FY03	Biennium	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium
Actuals & February, 2004 Forecast /1	\$77,366,103	\$91,188,393	\$168,554,496	\$111,616,051	\$104,391,604	\$216,007,655	\$96,655,057	\$94,163,219	\$109,398,084	\$0	\$0	\$0
Growth Rate		17.9%		22.4%	-6.5%	28.2%	-7.4%	-2.6%	-49.4%			
Technical Adjustments to Prior Forecast /2	\$0	\$0	\$0	\$0	\$18,960,000	\$18,960,000	\$16,450,000	\$12,620,000	\$29,070,000	\$93,010,000	\$93,010,000	\$186,020,000
Total Adjustments to Prior Forecast	\$0	\$0	\$0	\$0	\$18,960,000	\$18,960,000	\$16,450,000	\$12,620,000	\$29,070,000	\$93,010,000	\$93,010,000	\$186,020,000
New Forecast	\$77,366,103	\$91,188,393	\$168,554,496	\$111,616,051	\$123,351,604	\$234,967,655	\$113,105,057	\$106,783,219	\$219,888,276	\$93,010,000	\$93,010,000	\$186,020,000
Growth Rate	-19.5%	17.9%	-31.5%	22.4%	10.5%	39.4%	-8.3%	-5.6%	-6.4%	-12.9%	0.0%	-15.4%

1/ February, 2004 forecast with FY02, FY03, FY04 actuals.

2/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions. Examples of technical changes may be new data, model updates and changes, and court cases that affect revenues.

# **Cigarette & Tobacco Taxes**





Maine Revenue Services  
Cigarette and Tobacco Tax  
Fall 2004 Forecast

FY'03	FY'04	FY'05	FY'06	FY'07	FY'08	FY'09
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Cigarette Tax

Actual '03, '04 & current budget	\$94,397,943	\$92,625,638	\$92,700,000	\$91,800,000	\$91,000,000		
Growth rate		-1.9%	0.1%	-1.0%	-0.9%		
Fall 2004 forecast			\$91,800,000	\$90,900,000	\$90,100,000	\$89,300,000	\$88,400,000
Growth rate			-0.9%	-1.0%	-0.9%	-0.9%	-1.0%
Variance			(\$900,000)	(\$900,000)	(\$900,000)		

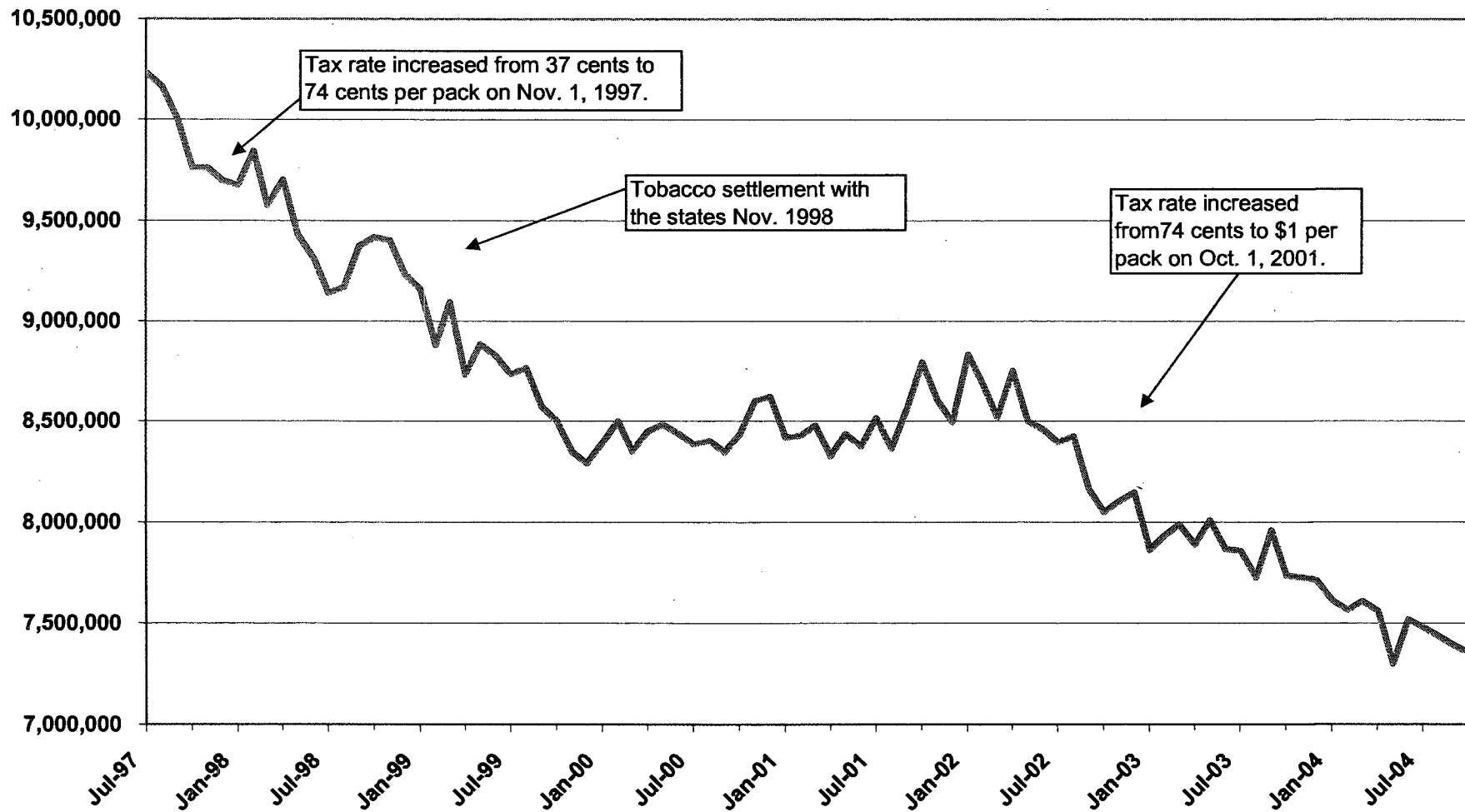
Tobacco Products Tax

Actual '03, '04 & current budget	\$4,016,527	\$3,979,008	\$4,219,864	\$4,325,360	\$4,433,494		
Growth rate		-0.9%	6.1%	2.5%	2.5%		
Fall 2004 forecast			\$4,219,864	\$4,325,360	\$4,433,494	\$4,522,164	\$4,612,607
Growth rate			6.1%	2.5%	2.5%	2.0%	2.0%
Variance			\$0	\$0	\$0		

Total Cigarette & Tobacco Taxes

Actual '02, '03 & current budget	\$98,414,470	\$96,604,646	\$96,919,864	\$96,125,360	\$95,433,494		
Growth rate		-1.8%	0.3%	-0.8%	-0.7%		
Fall 2004 forecast			\$96,019,864	\$95,225,360	\$94,533,494	\$93,822,164	\$93,012,607
Growth rate			-0.6%	-0.8%	-0.7%	-0.8%	-0.9%
Variance			(\$900,000)	(\$900,000)	(\$900,000)		

## Packages of Cigarettes Sold Derived from Revenue 12 Month Moving Average Jul '97 to Date



# **Estate Tax**



**Deaths Occurring in 1999**

Number of Estates with Positive Liability =	300
Total Liability =	\$42.5M
Liability of Top 10 Estates =	\$29.3M 68.9%
Average Liability of Top 5 Estates =	\$5M
Liability of Top 5 Estates =	\$24.9M 58.9%

**Deaths Occurring in 2000**

Number of Estates with Positive Liability =	375
Total Liability =	\$24.2M
Liability of Top 10 Estates =	\$9.2M 38.0%
Average Liability of Top 5 Estates =	\$1.4M
Liability of Top 5 Estates =	\$7M 28.9%

**Deaths Occurring in 2001**

Number of Estates with Positive Liability =	411
Total Liability =	\$25.1M
Liability of Top 10 Estates =	\$9.3M 37.1%
Average Liability of Top 5 Estates =	\$1.4M
Liability of Top 5 Estates =	\$7.2M 28.7%

**Deaths Occurring in 2002**

Number of Estates with Positive Liability =	234
Total Liability =	\$27.0M
Liability of Top 10 Estates =	\$13.2M 48.9%
Average Liability of Top 5 Estates =	\$1.9M
Liability of Top 5 Estates =	\$9.5M 35.2%

**Deaths Occurring in 2003**

Number of Estates with Positive Liability =	425
Total Liability =	\$29.1M
Liability of Top 10 Estates =	\$10.2M 35.1%
Average Liability of Top 5 Estates =	\$1.5M
Liability of Top 5 Estates =	\$7.7M 26.5%

**Estate Tax: General Fund Baseline Forecast FY05 - FY09**

	FY02	FY03	Biennium	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium
Actuals & February, 2004 Forecast /1	\$23,420,240	\$30,520,320	\$53,940,560	\$32,075,501	\$31,941,909	\$64,017,410	\$32,646,239	\$34,585,012	\$67,231,251	\$0	\$0	\$0
Growth Rate		30.3%		5.1%	-0.4%	18.7%	2.2%	5.9%	5.0%			
Technical Adjustments to Prior Forecast /2	\$0	\$0	\$0	\$0	(\$3,012,186)	(\$3,012,186)	(\$2,576,167)	(\$3,000,295)	(\$5,576,462)	\$0	\$0	\$0
Economic Assumptions /3	\$0	\$0	\$0	\$0	\$113,044	\$113,044	\$30,331	\$35,344	\$65,675	\$33,911,834	\$35,361,666	\$69,273,500
Total Adjustments to Prior Forecast	\$0	\$0	\$0	\$0	(\$2,899,142)	(\$2,899,142)	(\$2,545,836)	(\$2,964,951)	(\$5,510,787)	\$33,911,834	\$35,361,666	\$69,273,500
New Forecast	\$23,420,240	\$30,520,320	\$53,940,560	\$32,075,501	\$29,042,767	\$61,118,268	\$30,100,403	\$31,620,061	\$61,720,464	\$33,911,834	\$35,361,666	\$69,273,500
Growth Rate	-23.5%	30.3%		5.1%	-9.5%	13.3%	3.6%	5.0%	1.0%	7.2%	4.3%	12.2%

1/ February, 2004 forecast with FY02, FY03, and FY04 actuals

2/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions. Examples of technical changes may be new data, model updates and changes, and court cases that affect revenues.

3/ This line shows the incremental change in baseline revenues as a result of a new economic forecast.

## **Other Taxes**





11/19/2004

Maine Revenue Services  
Insurance Premiums Tax  
Fall 2004 Forecast

	FY'01	FY'02	FY'03	FY'04	FY'05	FY'06	FY'07	FY'08	FY'09
Actual collections	\$42,462,748	\$54,263,602	\$69,361,339	\$70,015,444					
		27.8%	27.8%	0.9%					
August, 2002 forecast				\$56,027,697	\$58,435,964	\$59,896,863	\$61,394,285		
					4.3%	2.5%	2.5%		
Delay fire tax credit				\$983,000		(\$983,000)			
Contract future annuitizations				\$11,354,750	\$5,845,595	\$3,908,968	\$3,953,860	\$3,953,860	\$3,953,860
Enforcement					\$500,500	\$500,500	\$500,500	\$500,500	\$500,500
Current budget				\$68,365,447	\$64,782,059	\$63,323,331	\$65,848,645		
					-5.2%	-2.3%	4.0%		
Amnesty adjustment				(\$1,218,953)					
Base forecast				\$68,796,491	\$70,172,421	\$71,575,870	\$73,007,387	\$74,467,535	\$75,956,885
Base growth rate					2.0%	2.0%	2.0%	2.0%	2.0%
Delay fire tax credit						(\$983,000)			
Contract future annuitizations					\$5,845,595	\$3,908,968	\$3,953,860		
Enforcement					\$500,500	\$500,500	\$500,500		
Fall 2004 forecast					\$76,518,516	\$75,002,338	\$77,461,747	\$78,921,895	\$80,411,245
Variance					\$11,736,457	\$11,679,006	\$11,613,102		

11/16/2004

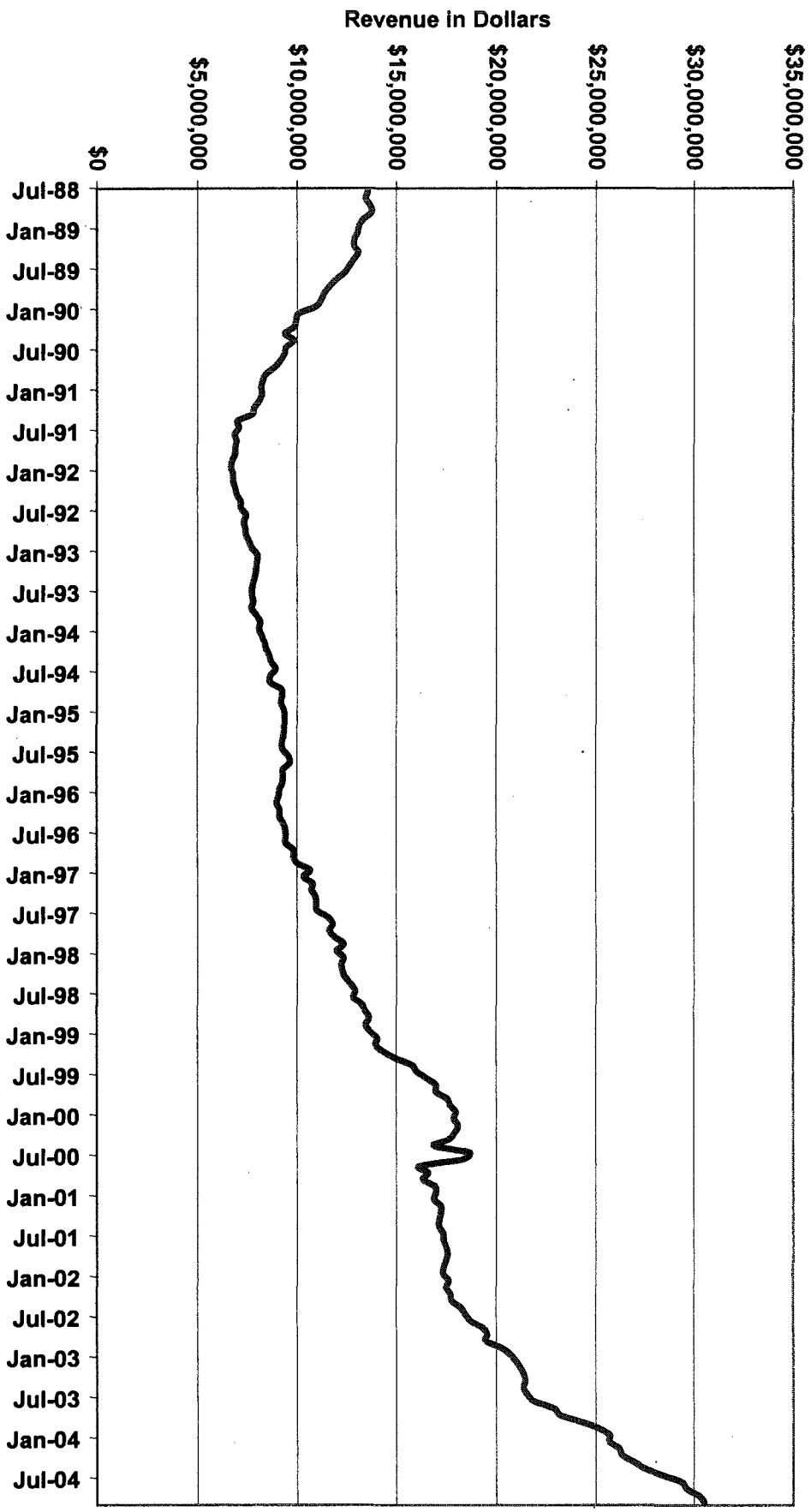
**Maine Revenue Services  
Fall 2004 Forecast**

	FY'02	FY'03	FY'04	FY'05	FY'06	FY'07	FY'08	FY'09
<b>Telecommunications Property Tax</b>								
Actual and current budget	\$30,040,999	\$29,119,156	\$27,779,775	\$27,750,000	\$26,760,000	\$25,875,000		
New forecast				\$26,375,000	\$25,440,000	\$24,495,000	\$23,320,000	\$22,260,000
Variance				(\$1,375,000)	(\$1,320,000)	(\$1,380,000)		
<b>Surplus lines Insurance tax</b>								
Actual and current budget	\$959,183	\$1,682,384	\$2,023,465	\$1,032,935	\$1,058,758	\$1,085,227		
Growth rate		75.4%	20.3%	-49.0%	2.5%	2.5%		
New forecast				\$2,063,934	\$2,105,213	\$2,147,317	\$2,190,264	\$2,234,069
Growth rate				2.0%	2.0%	2.0%	2.0%	2.0%
Variance				\$1,030,999	\$1,046,455	\$1,062,090		
<b>Commercial Forestry Excise Tax</b>								
Actual and current budget	\$3,681,764	\$3,172,724	\$2,907,340	\$3,451,254	\$3,503,023	\$3,555,568		
New forecast				\$3,350,000	\$3,400,000	\$3,450,000	\$3,500,000	\$3,500,000
Variance				(\$101,254)	(\$103,023)	(\$105,568)		
<b>Aeronautical Gas/Jet Fuel Tax</b>								
Actual and current budget	\$845,578	\$768,392	\$1,043,664	\$875,000	\$885,000	\$895,000	\$900,000	\$900,000
<b>Mahogany Quahog Tax - General Fund</b>								
Actual and current budget	\$77,487	\$75,628	\$30,520	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
<b>Railroad Companies Tax - General Fund</b>								
Actual and current budget	\$438,784	\$165,987	\$211,413	\$300,000	\$0	\$0	\$0	\$0

**Maine Revenue Services**  
**Fall 2004 Forecast**

	FY'02	FY'03	FY'04	FY'05	FY'06	FY'07	FY'08	FY'09
<b>Real Estate Transfer Tax - General Fund</b>								
Actual and current budget	\$9,208,923	\$10,770,668	\$22,196,221	\$18,622,132	\$11,344,575	\$11,571,466		
New forecast				\$21,806,346	\$12,004,918	\$11,814,440	\$11,884,726	\$11,955,435
Variance				\$3,184,214	\$660,344	\$242,973		
<b>Real Estate Transfer Tax - H.O.M.E. Fund</b>								
Actual and current budget	\$9,208,498	\$10,758,160	\$6,216,471	\$2,272,132	\$9,967,575	\$10,166,926		
New forecast				\$6,606,346	\$11,804,918	\$11,614,440	\$11,684,726	\$11,755,435
Variance				\$4,334,214	\$1,837,344	\$1,447,513		
<b>Real Estate Transfer Tax - Total</b>								
Actual and current budget	\$18,417,421	\$21,528,828	\$28,412,693	\$20,894,264	\$21,312,149	\$21,738,392		
Growth rate		16.9%	32.0%	-26.5%	2.0%	2.0%		
New forecast				\$28,412,693	\$23,809,836	\$23,428,879	\$23,569,452	\$23,710,869
Growth rate				0.0%	-16.2%	-1.6%	0.6%	0.6%
Variance				\$7,518,429	\$2,497,687	\$1,690,487		

# Real Estate Transfer Tax Revenue 12 Month Moving Total July 1988 to Date



# Highway Fund



## Maine Revenue Services

## Fall 2004 Highway Fund Motor Fuel Tax Revenue Forecast 2005 - 2009

<b>Gasoline Tax Revenue</b>	<b>FY'03</b>	<b>FY'04</b>	<b>FY'05</b>	<b>FY'06</b>	<b>FY'07</b>	<b>FY'08</b>	<b>FY'09</b>
Actual & current budget	\$151,498,395	\$172,209,713	\$176,194,557	\$180,710,552	\$186,102,828		
Growth rate		13.7%	2.3%	2.6%	3.0%		
Tax rate per gallon	\$0.220	\$0.246	\$0.252	\$0.259	\$0.264	\$0.269	\$0.275
Percentage increase in tax rate		11.8%	2.3%	2.8%	2.0%	2.0%	2.0%
Fall 2004 forecast			\$177,972,762	\$183,928,412	\$189,437,483	\$195,091,285	\$200,893,310
Growth rate				3.3%	3.0%	3.0%	3.0%
Variance			\$1,778,205	\$3,217,860	\$3,334,655		

<b>Special Fuel Tax Revenue</b>	<b>FY'03</b>	<b>FY'04</b>	<b>FY'05</b>	<b>FY'06</b>	<b>FY'07</b>	<b>FY'08</b>	<b>FY'09</b>
Actual & current budget	\$36,402,613	\$40,391,248	\$42,443,931	\$45,021,245	\$47,682,953		
Growth rate		11.0%	5.1%	6.1%	5.9%		
Tax rate per gallon	\$0.230	\$0.257	\$0.263	\$0.270	\$0.276	\$0.281	\$0.287
Percentage increase in tax rate		11.8%	2.3%	2.8%	2.0%	2.0%	2.0%
Fall 2004 forecast			\$42,865,967	\$45,732,901	\$48,458,094	\$51,491,431	\$54,736,803
Growth rate				6.7%	6.0%	6.3%	6.3%
Variance			\$422,036	\$711,656	\$775,141		

<b>Total Motor Fuel Tax Revenue</b>	<b>FY'03</b>	<b>FY'04</b>	<b>FY'05</b>	<b>FY'06</b>	<b>FY'07</b>	<b>FY'08</b>	<b>FY'09</b>
Actual & current budget	\$187,901,008	\$212,600,961	\$218,638,488	\$225,731,797	\$233,785,781		
Growth rate		13.1%	2.8%	3.2%	3.6%		
Fall 2004 forecast			\$220,838,729	\$229,661,313	\$237,895,577	\$246,582,716	\$255,630,113
Growth rate				4.0%	3.6%	3.7%	3.7%
Variance			\$2,200,241	\$3,929,516	\$4,109,796		



**Maine Revenue Services**  
**Gasoline Tax Revenue Forecast FY'05 - FY'09**  
**Fall 2004**

		FY'05	FY'06	FY'07	FY'08	FY'09	
Gas tax forecast - Highway Fund		\$177,972,762	\$183,928,412	\$189,437,483	\$195,091,285	\$200,893,310	
Percentage Change			3.3%	3.0%	3.0%	3.0%	
Tax rate in cents per gallon		\$0.252	\$0.259	\$0.264	\$0.269	\$0.275	
Forecasted inflation adjustment			2.8%	2.0%	2.0%	2.0%	
		FY'05	FY'06	FY'07	FY'08	FY'09	
0321 Highway Fund		\$177,972,762	\$183,928,412	\$189,437,483	\$195,091,285	\$200,893,310	97.499%
DIF&W and Snowmobile Fund	0.9045%	\$1,360,368	\$1,706,302	\$1,757,410	\$1,809,860	\$1,863,685	0.9045%
0321 General Fund - DIF&W - 14.93%		\$203,103	\$254,751	\$262,381	\$270,212	\$278,248	
0321 Snowmobile Trail Fund - 85.07%		\$1,157,265	\$1,451,551	\$1,495,028	\$1,539,648	\$1,585,437	
All-terrain Vehicles	0.1525%	\$229,360	\$287,685	\$296,302	\$305,145	\$314,220	0.1525%
0321 DIF&W - Commissioner - 50%		\$114,680	\$143,842	\$148,151	\$152,572	\$157,110	
0321 ATV Fund - 50%		\$114,680	\$143,842	\$148,151	\$152,572	\$157,110	
Motorboats	1.4437%	\$2,171,325	\$2,723,481	\$2,805,055	\$2,888,772	\$2,974,685	1.4437%
Dept. of Marine Resources - 24.6%		\$534,146	\$669,976	\$690,044	\$710,638	\$731,772	
Boating Facilities Fund - 75.4%		\$1,637,179	\$2,053,504	\$2,115,011	\$2,178,134	\$2,242,912	
Total revenue*		\$181,733,815	\$188,645,879	\$194,296,249	\$200,095,062	\$206,045,900	100.000%
		\$150,400,000					

\*Revenue is capped at \$150,400,000 in FY'05 for purposes of calculating the amounts to be distributed to the non-Highway Fund accounts.