

# MAINE STATE LEGISLATURE

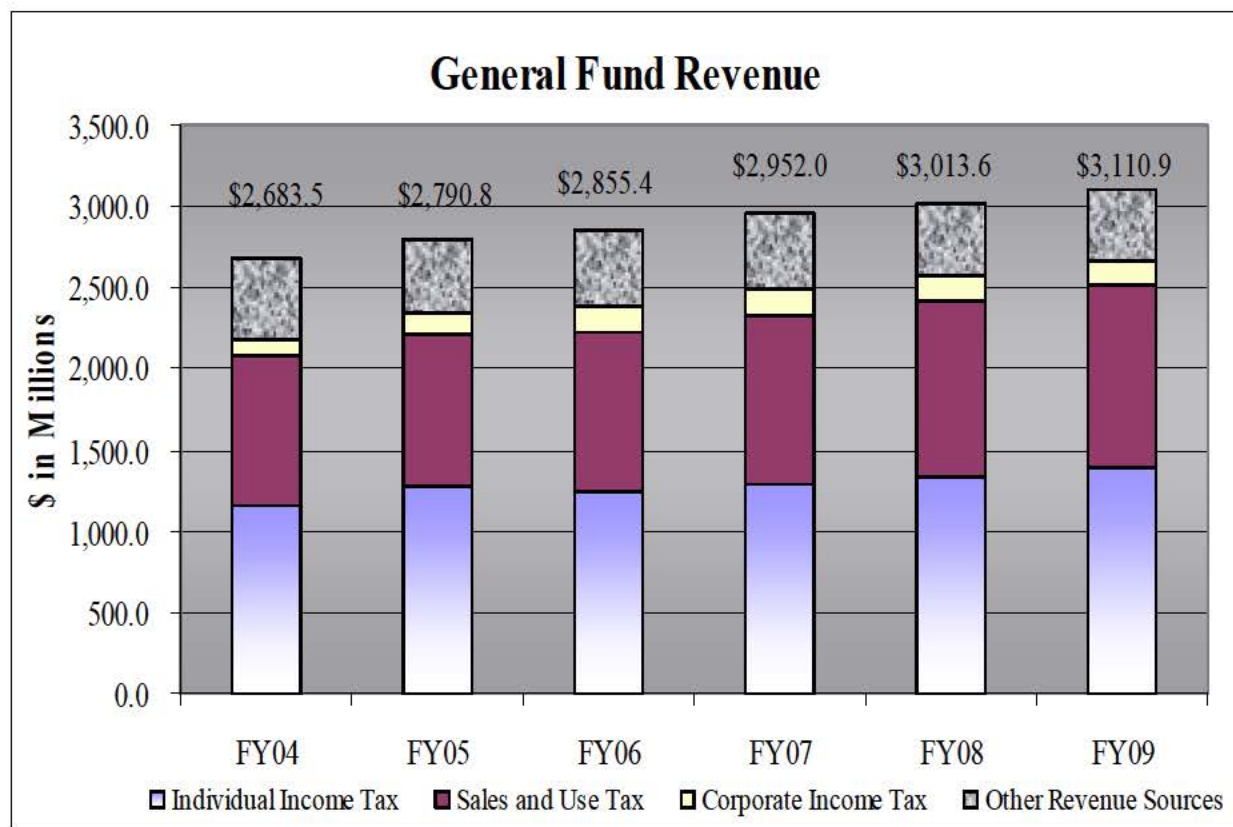
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# REPORT OF THE MAINE STATE REVENUE FORECASTING COMMITTEE

December 2005



**Jerome Gerard, Chair**  
**Acting State Tax Assessor**

**Dr. James Breece**  
**University of Maine System**

**Marc Cyr**  
**Office of Fiscal & Program Review**

**Ryan Low**  
**State Budget Officer**

**Grant Pennoyer, Director**  
**Office of Fiscal & Program Review**

**Catherine Reilly**  
**State Economist**



## STATE OF MAINE REVENUE FORECASTING COMMITTEE

### Members:

Jerome Gerard, Chair, Acting State Tax Assessor  
James Breece, University of Maine System  
Marc Cyr, Principal Analyst, Office of Fiscal and Program Review  
Ryan Low, State Budget Officer  
Grant Pennoyer, Director, Office of Fiscal and Program Review  
Catherine Reilly, State Economist

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December 15, 2005

TO: Governor John Baldacci  
Members, Joint Standing Committee on Appropriations and Financial Affairs  
Members, Joint Standing Committee on Taxation  
Members, Joint Standing Committee on Transportation

FROM: Jerome Gerard, Chair, Revenue Forecasting Committee

RE: **Final Report of the December 2005 Revenue Forecast**

Enclosed is the Revenue Forecasting Committee's Final Report of the December 2005 Revenue Forecast. This report contains substantial detail about the forecast process and the component elements of the forecast. The Revenue Forecasting Committee continues to work on improvements to the information presented with its forecasts. For this forecast, in particular, this detail is available so that policy makers can better understand the updated forecast and the risks associated with it.

As noted in our summary letter of November 30, 2005, *the committee wants to emphasize that capital gains income is highly discretionary and therefore volatile. Combined with a very uncertain global economic and geo-political environment there is a risk that individual income tax revenues can plummet quickly and deeply as they did in April of 2002. The committee will closely monitor the final individual income tax estimated payment due January 15<sup>th</sup> to determine if this key assumption needs to be revised as soon as this coming March.*

The General Fund forecast amounts in this report differ slightly from the tables that accompanied the November 30<sup>th</sup> summary letter. The General Fund total is \$2,100,500 higher in FY08 due to an inadvertent omission of a recommended change. The corrected General Fund tables are included in this report.

We hope that you find this report useful. Please feel free to contact me or any other member of the committee should you have any questions.

Attachment

cc: Members, Revenue Forecasting Committee  
Members, Consensus Economic Forecasting Commission  
Jane Lincoln, Governor's Office  
Rebecca Wyke, Commissioner - DAFS  
Millie MacFarland, Clerk of the House  
Joy O'Brien, Secretary of the Senate  
David Boulter, Executive Director, Legislative Council  
Legislative Staff Office Directors

# **Report of the Maine State Revenue Forecasting Committee December 2005 Forecast**

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## **I. INTRODUCTION AND BACKGROUND TO REVENUE FORECAST**

This report represents the conclusion to the fall forecast for the December 1<sup>st</sup> statutory reporting deadline of the Revenue Forecasting Committee (RFC). A description of the revenue forecasting process is provided in Appendix F. This report and appendices provide a description of all the key elements of the General Fund and Highway Fund revenue forecasts. In addition to the statutorily required updates of General Fund and Highway Fund, the RFC has included forecasts of revenue accruing to the Fund for a Healthy Maine and the dedicated revenue from the Medicaid/MaineCare provider taxes. This updated forecast revises the forecast that was updated in March 2005 and incorporates all enacted legislative changes affecting revenue during the 122<sup>nd</sup> Legislature to date. The revenue forecasts in this report provide projections through the fiscal year ending June 30, 2009 (FY09).

The RFC met on November 21<sup>st</sup> for an all day meeting to deliberate and discuss the recommendations of Maine Revenue Services and other revenue analyses. Of note for this fall update is the recent upgrade to the econometric tax models. This forecast is the first after an upgrade to Maine Revenue Services' tax models, which allowed the Maine Revenue Services and the RFC the opportunity to add additional economic and demographic variables to improve the models ability to capture recent events, such as the rise in oil prices. This forecast is based on the first upgrade to Maine Revenue Services' models since their original implementation in 1999. This upgrade provided the opportunity to add variables to better capture the effect of assumed changes in certain demographic and economic variables. This update delayed the fall forecast and tightened some time frames for the analysis, but the addition of variables such as oil prices should improve the accuracy of the forecast by helping to explain the dampening effect of higher oil prices on consumer spending in Maine. Another improvement for this forecast was the addition of analyses and written summaries of the major revenue categories of all revenue forecast by the RFC.

### **A. Economic Forecast Update**

The December 2005 revenue update began with the fall economic forecast in October. The Consensus Economic Forecasting Commission (CEFC) met to review and update its forecast of February 2005. In the intervening period, the Base Realignment and Closure (BRAC) Commission deliberations added a great deal of uncertainty to the economic forecast. Maine was at risk for some substantial closures and realignments that would have had a significant economic disruption. By mid-September, it was clear that Maine had dodged a major "economic bullet." The CEFC's updated forecast increases estimates of many of the non-wage components of Personal Income for each year of the forecast, but reduces the assumptions of employment growth and increases the estimates of inflation. The table that follows summarizes the incremental changes of the major economic variables forecast by the CEFC. The full report of the CEFC is included in Appendix E. This forecast was then used by Maine Revenue Services to project the major tax lines driven by economic factors.

**TABLE I-A**  
**Consensus Economic Forecasting Commission**  
**Comparison of February and November Economic Forecasts**

<b>Calendar Years</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>• Wage &amp; Salary Employment (Annual Percentage Change)</b>					
> Consensus 2/2005	1.7	1.5	1.1	1.3	1.3
> Consensus 11/2005	0.8	0.9	0.7	0.8	0.8
<b>Difference</b>	<b>-0.9</b>	<b>-0.6</b>	<b>-0.4</b>	<b>-0.5</b>	<b>-0.5</b>
<b>• Personal Income (Annual Percentage Change)</b>					
> Consensus 2/2005	4.0	4.0	4.0	4.0	4.0
> Consensus 11/2005	5.5	5.5	5.0	5.0	5.0
<b>Difference</b>	<b>1.5</b>	<b>1.5</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>
<b>• Consumer Price Index (Annual Percentage Change)</b>					
> Consensus 2/2005	2.0	2.0	2.0	2.0	2.0
> Consensus 11/2005	3.2	2.8	2.5	2.2	2.2
<b>Difference</b>	<b>1.2</b>	<b>0.8</b>	<b>0.5</b>	<b>0.2</b>	<b>0.2</b>

## **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 54.3%, resulting in a very unpleasant April surprise in 2002. In tax year 2004, Maine received an opposite surprise in April 2005. It is estimated that net capital gains realizations increased by 60% that year, whereas the RFC had assumed that they would grow by only 5.5%.

The RFC and Maine Revenue Services, like their counterparts in other states and the federal government, 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 is provided to the Legislature through the RFC and is typically included in the RFC's December report. This year, due to a delay in Maine's processing of the federal tax data, that report is not available for this report. The RFC will include that report in its March 2006 report. The other aspect of capital gains realizations that makes it so difficult, particularly in Maine, is the fact that these gains are very discretionary and concentrated in the top 4% or 25,000 of Maine's individual income tax filers. That top 4% accounts for approximately 40% of total individual income tax liability.

The RFC struggled once again with this vexing variable in this forecast. The approach that the RFC used for this forecast was to adjust this variable so that over the course of the forecast period, the percentage of resident tax liability returns to a longer term average, factoring out the

recent “tech bubble.” With the bursting of the “bubble,” the extent of the Maine resident individual income tax liability derived from net capital gains had dropped down from its peak in 2000 of 17.5% to a level more in line with historical patterns before the “bubble,” in the range of 6% to 7% of tax liability. The table below shows the recent history and the assumptions in this forecast which reduce resident capital gains realizations by modest amounts each year, dropping the percentage of tax liability from net capital gains from 10.9% in tax year 2005 to 7.4% in tax year 2009. This results in a decrease in net capital gains realizations each year of the forecast.

**TABLE I-B**  
**Maine Resident - Net Capital Gains**

<b>Tax Year</b>	<b>Capital Gains Realizations (\$ Millions)</b>	<b>Capital Gains Realizations Annual % Change</b>	<b>Capital Gains Tax Liability (\$ Millions)</b>	<b>Capital Gains Tax Liability Annual % Change</b>	<b>Capital Gains % of Resident Tax Liability</b>
1995	\$551.7		\$38.3		6.2%
1996	\$799.7	45.0%	\$57.3	49.6%	8.4%
1997	\$1,218.7	52.4%	\$104.5	82.4%	13.6%
1998	\$1,551.0	27.3%	\$120.0	14.8%	13.9%
1999	\$1,867.2	20.4%	\$141.7	18.1%	15.5%
2000	\$2,360.4	26.4%	\$179.6	26.7%	17.3%
2001	\$1,079.3	-54.3%	\$74.1	-58.7%	7.6%
2002	\$908.8	-15.8%	\$59.1	-20.3%	6.1%
2003*	\$1,079.0	18.7%	\$70.9	19.9%	7.0%
2004*	\$1,726.4	60.0%	\$120.7	70.4%	10.8%
2005*	\$1,821.8	5.5%	\$128.4	6.4%	10.9%
2006*	\$1,776.2	-2.5%	\$122.8	-4.3%	10.0%
2007*	\$1,698.1	-4.4%	\$116.9	-4.8%	9.2%
2008*	\$1,599.6	-5.8%	\$111.0	-5.1%	8.4%
2009*	\$1,487.6	-7.0%	\$100.7	-9.2%	7.4%

*\* Represent Projections*

### **C. Corporate Profits**

A major variable of the tax models that drives the corporate income tax forecast is corporate profitability. Again, this forecast is not part of the CEFC economic forecast. The RFC used Global Insights’ November 2005 forecast of after-tax corporate profits. That national forecast calls for 33% growth in calendar year 2005 and relatively flat growth thereafter. Maine is insulated from significant regional variances in corporate profitability as a result of Maine’s method of corporate income taxation.

## **D. Oil Prices**

The recent experience in Maine's sales tax collections seemed to demonstrate a substantial effect from variations in oil prices. Sales tax collections dropped below budgeted projections at about the same time as the heating oil season began in the fall of 2004. With the recent tax model updates, Maine Revenue Services has added this variable to the sales and excise tax model so that the model might better capture the effect that oil and fuel price changes have on taxable sales and fuel purchases. Again, relying on Global Insights' November 2005 US economic forecast, the RFC used the assumption that oil prices, which are currently in the \$60 per barrel range would fall to approximately \$45 per barrel by calendar year 2008. This is consistent with the assumptions of the CEFC.

## **E. Legislative Changes**

The RFC bases the revenue forecast on current law. The current forecast prior to revisions includes all legislative changes to date. The 122<sup>nd</sup> Legislature during its 1<sup>st</sup> Regular and 1<sup>st</sup> Special Session enacted many changes to General Fund and Highway Fund revenue. The table below summarizes these legislative changes to revenue. The RFC as part of its analysis of the various categories of revenue implicitly reviews the revenue derived from these legislative changes. The Committee did make some small adjustments to the amounts budgeted for General Fund revenue from enacted legislative changes. Some of the changes, the increase in the cigarette tax in particular, have just recently become effective and have no historical track record to evaluate the accuracy of the changes scored through the fiscal note process.

The major reductions to General Fund revenue were related to the Circuit Breaker (Tax and Rent Refund) program and the Business Equipment Tax Reimbursement (BETR) program. The Circuit Breaker program was shifted to a reduction of individual income tax revenue in FY05 by the 121<sup>st</sup> Legislature and the BETR program was shifted from appropriations to individual income tax revenue reductions by the 122<sup>nd</sup> Legislature effective for FY06. The shift of the BETR program decreased individual income tax revenue by more than \$70 million annually. The other major reduction to individual income tax revenue, which is reflect in the table below and was incorporated into the March 2005 forecast, was the expansion of the Circuit Breaker program during the 122<sup>nd</sup> Legislature's property tax reform effort that concluded in January 2005. That expansion reduced individual income tax revenue by \$17 million to \$20 million annually.

**TABLE I-E**  
**Summary of 122nd Legislature's Changes Through 2nd Special Session**  
**General Fund**

	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
<b>Sales Tax</b>	\$0	\$6,539,385	\$7,649,983	\$8,669,458	\$10,261,295
<b>Service Provider</b>	\$0	\$485,667	\$721,562	\$750,425	\$780,442
<b>Individual Income</b>	(\$1,428,540)	(\$81,871,833)	(\$67,130,918)	(\$70,856,896)	(\$76,934,094)
<b>Corporate Income</b>	(\$50,957)	\$5,772,501	\$5,847,756	\$7,000,993	\$7,487,440
<b>Cigarette Tax</b>	\$0	\$52,012,965	\$70,933,388	\$70,574,574	\$70,185,513
<b>Estate Tax</b>	\$0	\$502,800	\$407,000	\$417,290	\$428,095
<b>Prop. Tax - UT</b>	\$0	\$412,600	\$437,356	\$463,597	\$491,413
<b>Revenue Sharing</b>	\$75,454	\$5,888,989	\$5,169,227	\$2,820,539	\$3,036,087
<b>Lottery Transfer</b>	\$0	\$500,000	\$500,000	\$0	\$0
<b>Other Revenue</b>	\$9,033,928	\$29,405,972	\$32,995,263	\$11,273,950	\$7,431,079
<b>Totals</b>	<b>\$7,629,885</b>	<b>\$19,649,046</b>	<b>\$57,530,617</b>	<b>\$31,113,930</b>	<b>\$23,167,270</b>

**Highway Fund**

	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
<b>Fuel Taxes</b>	\$0	(\$702,708)	(\$903,612)	(\$933,346)	(\$964,179)
<b>Other Revenue</b>	\$0	\$1,200	\$4,800	\$4,800	\$4,800
<b>Totals</b>	<b>\$0</b>	<b>(\$701,508)</b>	<b>(\$898,812)</b>	<b>(\$928,546)</b>	<b>(\$959,379)</b>

**F. Historical Setting – Some Uncertainty Cleared But Still Future Risks**

For some, the revisions to the General Fund revenue in this forecast may seem substantial. However, it is important to remember that both the CEFC and the RFC were facing a great deal of uncertainty during the intervening period after the March 2005 forecast, the potential effects of the BRAC recommendations were the most substantial. Despite the positive variances that were obvious from the April 2005 pleasant surprise, the RFC, which met in June 2005 to update its forecast at the call of the State Budget Officer, was only comfortable updating its forecast of FY05 with just one month remaining. The major outstanding questions in June included: (1) the outcome of the BRAC Commission's recommendations which raised some serious concerns about future revenues, which were stressed in the June 2005 Report, (2) uncertainty about income tax collections which were surging ahead of estimates, and (3) a sales tax line that was showing some significant weakening, which seemed to coincide with the rise of oil and gas prices. After September 2005 with the BRAC uncertainty gone and a better, albeit still incomplete, understanding of the surge in individual income tax receipts, the CEFC and RFC are now projecting an improved economic and revenue picture.

However, the RFC cautions that there are still some areas of high risk in this forecast, particularly surrounding the positive forecasts of Individual Income and Corporate Income Taxes.

## **II. OVERVIEW OF REVENUE PROJECTIONS**

This section provides a summary of the revenue projections in this forecast. These summaries are supplemented by additional detail in the 4 appendices, which provide summaries of the major categories in each of the funds. In addition, Appendix G contains the materials presented by Maine Revenue Services on November 21, 2005 to support the forecast recommendations.

### **A. General Fund**

For the General Fund, this forecast results in a substantial upward revision of \$164.4 million for the 2006-2007 biennium (\$112.1 million in FY06 and \$52.3 million in FY07). The upward revision for the 2008-2009 biennium is \$96.3 million, decreasing the 2008-2009 structural gap. Table A below provides a summary of the changes for each of the major revenue categories (additional detail of the General Fund changes is provided in Appendix A). Positive variances that were recognized only for FY05 in the June 2005 Revision, the increased Personal Income forecast by the CEFC, improved forecasts for corporate profitability and changes in assumptions related to capital gains outweighed the decrease in the taxable sales projections that were constrained by higher fuel and energy prices. The recent Estate Tax experience has also increased budgeted revenue in the short-term as the forecast recognizes some very substantial one-time estate tax payments, one in excess of \$17 million. The much smaller revision for the 2008-2009 biennium reflects the committee's view that the estimated level of capital gains realizations in 2004 is not sustainable and therefore is "one-time" revenue. The new forecast assumes that capital gains realizations will decrease steadily between 2006 and 2009 so that by 2009 capital gains will be at a level consistent with history.

Table II-A shows that the previous forecast had reflected negative growth between FY05 and FY06, largely the result of some substantial one-time revenue increases enacted by the 121<sup>st</sup> Legislature. The short-term increases from the Estate Tax and the other net positive adjustments reverse that negative growth. The revised forecast for General Fund revenue projects modest growth throughout the forecast period.

**Table II-A  
General Fund Summary**

	<b>FY05 Actual</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
Current Forecast	\$2,790,845,053	\$2,743,294,742	\$2,899,720,412	\$2,963,928,357	\$3,064,285,562
Annual % Growth		-1.7%	5.7%	2.2%	3.4%
Net Increase (Decrease)		\$112,125,896	\$52,295,464	\$51,724,793	\$46,644,239
Revised Forecast	\$2,790,845,053	\$2,855,420,638	\$2,952,015,876	\$3,015,653,150	\$3,110,929,801
Annual % Growth		2.3%	3.4%	2.2%	3.2%
<b>Summary of Revenue Revisions by Major Revenue Category</b>					
Sales and Use Tax		(\$27,756,805)	(\$19,743,205)	(\$16,388,578)	(\$16,597,272)
Service Provider Tax		(\$2,793,002)	(\$2,904,968)	(\$2,768,515)	(\$2,627,700)
Individual Income Tax		\$71,793,623	\$40,746,720	\$22,235,382	\$12,703,998
Corporate Income Tax		\$46,342,442	\$46,349,025	\$57,959,007	\$57,502,560
Cigarette and Tobacco Tax		\$0	\$0	\$0	\$0
Public Utilities Tax		(\$4,000,000)	(\$4,000,000)	(\$4,000,000)	(\$4,000,000)
Insurance Companies Tax		\$0	\$0	\$0	\$0
Estate Tax		\$33,476,590	\$6,125,184	\$7,333,247	\$10,739,190
Prop. Tax - Unorganized Territory		\$175,163	\$177,889	\$183,092	\$189,992
Income from Investments		(\$1,760,484)	(\$268,476)	(\$1,224,726)	(\$1,224,726)
Transfer to Municipal Rev. Sharing		(\$4,466,900)	(\$3,286,825)	(\$3,173,939)	(\$2,651,042)
Transfer from Lottery Commission		(\$3,000,000)	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)

## **B. Highway Fund**

For the Highway Fund, this forecast increases 2006-2007 budgeted revenue by \$8.3 million (\$6.1 million in FY06 and \$2.2 million in FY07). However, the projections for the 2008-2009 biennium decrease revenue by \$4.2 million, thereby increasing the Highway Fund 2008-2009 structural gap. Some unusual gas tax audits and an increase in the estimates for certain motor vehicle registration and fee revenues offset the dampening effect of higher fuel prices. Table II-B below provides a summary of the changes for the major categories of Highway Fund revenue (see Appendix B for additional detail of the Highway Fund revenue revisions).

**Table II-B  
Highway Fund Summary**

	<b>FY05 Actual</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
Current Forecast	\$326,078,155	\$329,339,672	\$338,925,419	\$347,529,520	\$356,799,825
Annual % Growth		1.0%	2.9%	2.5%	2.7%
Net Increase (Decrease)		\$6,013,207	\$2,074,313	(\$1,011,622)	(\$3,337,810)
Revised Forecast	\$326,078,155	\$335,352,879	\$340,999,732	\$346,517,898	\$353,462,015
Annual % Growth		2.8%	1.7%	1.6%	2.0%
<b>Summary of Revenue Revisions by Major Revenue Category</b>					
Fuel Taxes		\$1,964,108	(\$2,036,676)	(\$3,244,611)	(\$5,570,799)
Motor Vehicle Registration & Fees		\$4,082,000	\$4,082,000	\$2,082,000	\$2,082,000



Income from Investments	\$43,522	\$243,522	\$243,522	\$243,522
Other Revenues	(\$76,423)	(\$214,533)	(\$92,533)	(\$92,533)

### C. Fund for a Healthy Maine (FHM)

The Fund for a Healthy Maine (FHM) was revised downward for the 2006-2007 biennium, based on an assumed delay in the receipt of tobacco settlement payments pending the outcome of “significant factor proceedings” under the Master Settlement Agreement. The FHM is also adversely affected by the delay of assumed start-up of the permanent slot machine facility in Bangor. The net result for the 2006-2007 biennium revenue forecast for the Fund for a Healthy Maine is a downward revision of \$20.4 million (\$5.4 million in FY06 and \$15.0 million in FY07). The projections for the 2008-2009 biennium are revised upward and assume that the State will prevail in the significant factor proceedings. Growth is also expected in the 2008-2009 biennium in tobacco settlement payments from the addition of the 10 annual “Strategic Contributions Payments” that begin in FY08.

**Table II-C**  
**Fund for a Healthy Maine Summary**

	<b>FY05 Actual</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
Current Forecast	\$49,124,793	\$48,784,525	\$59,424,155	\$72,014,299	\$73,141,825
Annual % Growth		-0.7%	21.8%	21.2%	1.6%
Net Increase (Decrease)		(\$5,430,903)	(\$15,014,476)	\$4,490,415	\$5,292,483
Revised Forecast	\$49,124,793	\$43,353,622	\$44,409,679	\$76,504,714	\$78,434,308
Annual % Growth		-11.7%	2.4%	72.3%	2.5%
<b>Summary of Revenue Revisions by Major Revenue Category</b>					
Base Payments		(\$7,086,863)	(\$7,720,092)	\$9,943,662	\$9,850,203
Racino Revenue		\$1,675,960	(\$7,274,384)	(\$5,453,247)	(\$4,557,720)
Income from Investments		(\$20,000)	(\$20,000)	\$0	\$0

### D. MaineCare Dedicated Revenue Taxes

In aggregate, the forecast for MaineCare dedicated revenue taxes was revised upward for the forecast period. This revision was driven primarily by an upward adjustment in nursing facility tax revenue based on actual FY05 revenue and FY06 collections to date. The revised forecast also assumes upward adjustments in residential treatment facility tax revenue and in the dedicated revenue portion of the service provider tax (i.e., that portion of the tax applied to private non-medical institution (PNMI), community support, day habilitation, personal support and residential training services). The positive aggregate adjustment in the MaineCare tax forecast is offset slightly by a downward revision in hospital tax revenue based on actual experience.



**Table II-D**  
**Medicaid/MaineCare Dedicated Revenue Taxes Summary**

	<b>FY05 Actual</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
Current Forecast	\$95,537,301	\$114,168,542	\$117,015,487	\$118,542,747	\$120,108,188
Annual % Growth		19.5%	2.5%	1.3%	1.3%
Net Increase (Decrease)		\$2,530,547	\$3,127,415	\$2,929,495	\$2,726,627
Revised Forecast	\$95,537,301	\$116,699,089	\$120,142,902	\$121,472,242	\$122,834,815
Annual % Growth		22.2%	3.0%	1.1%	1.1%
<b>Summary of Revenue Revisions by Major Revenue Category</b>					
Nursing Facility Tax		\$2,025,876	\$2,076,523	\$2,128,436	\$2,181,647
Residential Treatment Facilities Tax		\$535,816	\$549,211	\$562,942	\$577,015
Hospital Tax		(\$623,782)	(\$105,771)	(\$105,771)	(\$105,771)
Service Provider Tax (PNMIs)		\$592,637	\$607,452	\$343,889	\$73,736

### III. CONCLUSIONS

Armed with the new models and a better understanding of the causes of the FY05 revenue variances and cleared of the economic fog that surrounded the outcome of the BRAC recommendations, the RFC now projects general improvement in the revenue forecast. The only exception in the short-term is the Fund for a Healthy Maine. Tobacco Settlement Payments (TSP's) are subject to significant factor proceedings, which are assumed to delay a substantial portion of the TSP's reduction until after the 2006-2007 biennium. The Highway Fund revenue forecast calls for a reduction in the 2008-2009 biennium primarily the effect of the new models and oil prices.

Although the RFC forecast for the General Fund projects significant improvement over the previous forecast, the RFC remains cautious about the unpredictable nature of income from net capital gains. The significant lag in historical data (Federal tax data is often not finalized until a year or more after the close of a tax year) creates great uncertainty. The RFC is assuming that the positive unexplained variance in April individual income tax was related to a 60% increase in net capital gains income in tax year 2004. We will not be able to verify that until late fall of 2006 when all income tax filing extensions have run their course. In Maine, the decisions of a relatively small number of taxpayers can substantially affect individual income tax revenue. The percentage of income tax liability of this higher income group has been increasing in recent years and as a result can create significant volatility in the individual income tax. In addition to the volatility related to capital gains, the very uncertain global economic and geo-political environment adds the potential for significant "shocks" to the forecast that could significantly affect revenue.

The RFC will be closely monitoring the economic situation and the final estimated income tax payments due January 15<sup>th</sup> to determine if the RFC's key assumptions about capital gains growth are consistent with taxpayer expectations in these final payments. While these estimate payments will provide some guidance as to the accuracy of the capital gains forecast, there is still

the potential for some wide swings in the final payments due in April, after the RFC March update.

# Appendix A - General Fund

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# GENERAL FUND REVENUE

## REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2005

Source	FY01 Actual	% Chg.	FY02 Actual	% Chg.	FY03 Actual	% Chg.	FY04 Actual	% Chg.	FY05 Actual	% Chg.	FY05 Budget	FY05 Variance	% Var.
Sales and Use Tax	817,781,460	-3.5%	836,134,084	2.2%	857,486,801	4.9%	917,243,245	7.0%	896,576,322	-2.3%	899,710,000	(3,133,678)	-0.3%
Service Provider Tax	0	0.0%	0	0.0%	0	0.0%	0	0.0%	44,645,517	N/A	44,200,000	445,517	1.0%
Individual Income Tax *	1,167,749,567	8.7%	1,069,834,791	-8.4%	1,071,701,694	-8.2%	1,156,715,909	7.9%	1,270,225,329	9.8%	1,259,880,674	10,344,655	0.8%
Corporate Income Tax	96,102,796	-36.0%	77,366,103	-19.5%	91,188,393	-5.1%	111,616,051	22.4%	135,862,913	21.7%	123,300,647	12,562,266	10.2%
Cigarette and Tobacco Tax	77,501,831	-1.1%	97,599,599	25.9%	98,414,470	27.0%	96,604,646	-1.8%	96,350,704	-0.3%	96,019,864	330,840	0.3%
Public Utilities Tax	29,776,778	88.6%	30,479,783	2.4%	29,285,143	-1.7%	27,991,188	-4.4%	25,403,214	-9.2%	25,300,000	103,214	0.4%
Insurance Companies Tax	43,576,501	2.1%	55,244,333	26.8%	71,078,089	63.1%	72,206,153	1.6%	75,669,053	4.8%	69,615,872	6,053,181	8.7%
Estate Tax	30,616,759	-47.9%	23,420,240	-23.5%	30,520,320	-0.3%	32,075,501	5.1%	32,255,727	0.6%	31,542,767	712,960	2.3%
Prop. Tax - Unorganized Territory	9,808,431	5.1%	10,333,984	5.4%	9,930,103	1.2%	10,709,308	7.8%	10,622,666	-0.8%	10,580,086	42,580	0.4%
Income from Investments	16,365,950	-19.4%	3,829,583	-76.6%	2,345,855	-85.7%	2,310,207	-1.5%	5,854,625	153.4%	4,896,463	958,162	19.6%
Transfer to Municipal Rev. Sharing	(106,163,291)	0.5%	(101,150,084)	-4.7%	(103,039,221)	-2.9%	(111,464,335)	8.2%	(119,712,814)	7.4%	(118,681,657)	(1,031,157)	0.9%
Transfer from Lottery Commission	35,483,595	-7.0%	39,317,891	10.8%	39,442,111	11.2%	41,272,645	4.6%	49,328,102	19.5%	50,292,750	(964,648)	-1.9%
Other Revenues **	172,027,974	4.0%	189,498,487	10.2%	196,336,434	14.1%	326,259,040	66.2%	267,763,694	-17.9%	264,281,977	3,481,717	1.3%
Total - General Fund Revenue	2,390,628,351	-0.2%	2,331,908,795	-2.5%	2,394,690,190	0.2%	2,683,539,557	12.1%	2,790,845,053	4.0%	2,760,939,443	29,905,610	1.1%

### \* Detail of Property Tax Reimbursement Programs Deducted from Individual Income Tax Revenue

- Maine Resident Property Tax Program									(26,030,227)	N/A	(26,127,647)	97,420	-0.4%
- Business Equipment Tax Reimbursement (BETR)									0	N/A	0	0	0.0%

### \*\* Detail of Other Revenues:

- Real Estate Transfer Tax	9,048,762	-2.9%	9,208,923	1.8%	10,770,668	19.0%	22,196,221	106.1%	24,113,439	8.6%	23,306,346	807,093	3.5%
- Commercial Forestry Excise Tax	2,943,380	-4.4%	3,681,764	25.1%	3,172,724	7.8%	2,907,340	-8.4%	2,890,635	-0.6%	3,005,149	(114,514)	-3.8%
- Liquor Sales and Operations	24,231,271	4.3%	25,168,524	3.9%	26,073,276	7.6%	102,182,743	291.9%	49,845,027	-51.2%	50,000,000	(154,973)	-0.3%
- Liquor Taxes and Fees	15,925,822	-0.5%	16,528,396	3.8%	17,141,878	7.6%	17,485,024	2.0%	17,432,377	-0.3%	17,431,231	1,146	0.0%
- Finance Industry Fees	9,811,430	12.5%	9,356,930	-4.6%	9,293,280	-5.3%	9,572,280	3.0%	18,641,800	94.7%	16,563,440	2,078,360	12.5%
- Corporation Fees & Licenses	3,313,312	5.9%	3,390,039	2.3%	3,482,107	5.1%	3,600,455	3.4%	5,637,743	56.6%	5,451,707	186,036	3.4%
- Hunting and Fishing License Fees	13,681,818	-2.5%	14,857,760	8.6%	13,958,510	2.0%	16,898,278	21.1%	16,691,165	-1.2%	16,138,609	552,556	3.4%
- Boat, ATV and Snowmobile Fees	2,143,124	-3.6%	2,169,025	1.2%	2,483,836	15.9%	3,974,511	60.0%	4,148,890	4.4%	4,239,724	(90,834)	-2.1%
- Parimutuel and Gaming Revenue	1,094,337	1.2%	1,105,430	1.0%	1,086,936	-0.7%	1,036,539	-4.6%	1,362,611	31.5%	1,214,900	147,711	12.2%
- Fines, Forfeits and Penalties	26,525,142	1.4%	26,588,960	0.2%	26,991,935	1.8%	38,219,275	41.6%	35,506,972	-7.1%	35,415,714	91,258	0.3%
- Targeted Case Management (HHS)	26,098,790	30.4%	34,085,690	30.6%	33,235,104	27.3%	34,762,095	4.6%	34,518,055	-0.7%	34,009,373	508,682	1.5%
- HHS Services Rendered	4,023,508	-17.8%	4,604,354	14.4%	4,774,087	18.7%	8,892,183	86.3%	7,210,878	-18.9%	7,359,189	(148,311)	-2.0%
- State Cost Allocation Program	6,044,287	-23.4%	10,231,443	69.3%	10,986,971	81.8%	10,438,262	-5.0%	12,891,574	23.5%	10,692,505	2,199,069	20.6%
- Unclaimed Property Transfer	2,550,000	-75.0%	7,841,073	207.5%	8,180,260	220.8%	16,763,948	104.9%	10,000,000	-40.3%	10,000,000	0	0.0%
- Tourism Transfer	0	0.0%	0	0.0%	0	0.0%	(7,213,282)	N/A	(7,554,190)	4.7%	(7,554,189)	(1)	0.0%
- Clean Elections Fund Transfer	(2,274,557)	-9.8%	(1,999,993)	-12.1%	(2,302,904)	1.2%	(2,247,659)	-2.4%	(2,232,650)	-0.7%	(2,250,000)	17,350	-0.8%
- Other Miscellaneous	26,867,549	49.2%	22,680,169	-15.6%	27,007,764	0.5%	46,790,827	73.2%	36,659,221	-21.7%	39,258,279	(2,599,058)	-6.6%
IF&W Total Revenue ***	16,619,119	-3.0%	17,895,675	7.7%	17,595,575	5.9%	21,902,902	24.5%	21,817,659	-0.4%	21,478,863	338,796	1.6%

\*\*\* 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: 12/01/2005

# GENERAL FUND REVENUE

## REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2005

Source	FY06 Budget	% Chg.	Recom. Chg.	FY06 Revised	% Chg.	FY07 Budget	% Chg.	Recom. Chg.	FY07 Revised	% Chg.
Sales and Use Tax	961,457,885	7.2%	(27,756,805)	933,701,080	4.1%	1,001,994,812	4.2%	(19,743,205)	982,251,607	5.2%
Service Provider Tax	49,287,167	10.4%	(2,793,002)	46,494,165	4.1%	51,816,733	5.1%	(2,904,968)	48,911,765	5.2%
Individual Income Tax *	1,167,504,222	-8.1%	71,793,623	1,239,297,845	-2.4%	1,251,380,952	7.2%	40,746,720	1,292,127,672	4.3%
Corporate Income Tax	118,877,558	-12.5%	46,342,442	165,220,000	21.6%	112,630,975	-5.3%	46,349,025	158,980,000	-3.8%
Cigarette and Tobacco Tax	147,238,325	52.8%	0	147,238,325	52.8%	165,466,882	12.4%	0	165,466,882	12.4%
Public Utilities Tax	25,440,000	0.1%	(4,000,000)	21,440,000	-15.6%	24,495,000	-3.7%	(4,000,000)	20,495,000	-4.4%
Insurance Companies Tax	77,141,931	1.9%	0	77,141,931	1.9%	79,644,425	3.2%	0	79,644,425	3.2%
Estate Tax	30,603,203	-5.1%	33,476,590	64,079,793	98.7%	32,027,061	4.7%	6,125,184	38,152,245	-40.5%
Prop. Tax - Unorganized Territory	11,103,313	4.5%	175,163	11,278,476	6.2%	11,419,423	2.8%	177,889	11,597,312	2.8%
Income from Investments	6,046,546	3.3%	(1,760,484)	4,286,062	-26.8%	6,046,546	0.0%	(268,476)	5,778,070	34.8%
Transfer to Municipal Rev. Sharing	(117,153,468)	-2.1%	(4,466,900)	(121,620,368)	1.6%	(123,308,998)	5.3%	(3,286,825)	(126,595,823)	4.1%
Transfer from Lottery Commission	53,334,250	8.1%	(3,000,000)	50,334,250	2.0%	53,334,250	0.0%	(3,000,000)	50,334,250	0.0%
Other Revenues **	212,413,810	-20.7%	4,115,269	216,529,079	-19.1%	232,772,351	9.6%	(7,899,880)	224,872,471	3.9%
Total - General Fund Revenue	2,743,294,742	-1.7%	112,125,896	2,855,420,638	2.3%	2,899,720,412	5.7%	52,295,464	2,952,015,876	3.4%
Change in Biennial Totals								164,421,360		

### \* Detail of Property Tax Reimbursement Programs Deducted from Individual Income Tax Revenue

- Maine Resident Property Tax Program	(44,720,507)	71.8%	0	(44,720,507)	71.8%	(46,493,783)	4.0%	0	(46,493,783)	4.0%
- BETR - Business Equipment Tax Reimb.	(73,463,191)	N/A	0	(73,463,191)	N/A	(68,146,508)	-7.2%	0	(68,146,508)	-7.2%

### \* Detail of Other Revenues:

- Real-Estate Transfer Tax	19,504,918	-19.1%	0	19,504,918	-19.1%	19,314,440	-1.0%	0	19,314,440	-1.0%
- Commercial Forestry Excise Tax	3,400,000	17.6%	(400,000)	3,000,000	3.8%	3,450,000	1.5%	0	3,450,000	15.0%
- Liquor Sales and Operations	0	-100.0%	1,500,000	1,500,000	-97.0%	0	0.0%	1,500,000	1,500,000	0.0%
- Liquor Taxes and Fees	18,428,497	5.7%	7,900	18,436,397	5.8%	19,341,802	5.0%	(433,600)	18,908,202	2.6%
- Banking Fees/Assessments	17,912,310	-3.9%	2,000,000	19,912,310	6.8%	17,912,310	0.0%	2,000,000	19,912,310	0.0%
- Corporation Fees & Licenses	5,453,707	-3.3%	75,000	5,528,707	-1.9%	5,455,707	0.0%	75,000	5,530,707	0.0%
- Hunting and Fishing License Fees	16,144,351	-3.3%	0	16,144,351	-3.3%	16,300,487	1.0%	0	16,300,487	1.0%
- Boat, ATV and Snowmobile Fees	3,870,938	-6.7%	0	3,870,938	-6.7%	3,870,938	0.0%	0	3,870,938	0.0%
- Parimutuel and Gaming Revenue	1,602,450	17.6%	2,512,364	4,114,814	202.0%	14,064,339	777.7%	(9,381,699)	4,682,640	13.8%
- Fines, Forfeits and Penalties	43,042,996	21.2%	0	43,042,996	21.2%	44,705,883	3.9%	0	44,705,883	3.9%
- Targeted Case Management (HHS)	34,907,681	1.1%	0	34,907,681	1.1%	35,115,597	0.6%	155,445	35,271,042	1.0%
- HHS Services Rendered	5,170,048	-28.3%	475,617	5,645,665	-21.7%	4,834,179	-6.5%	5,392	4,839,571	-14.3%
- State Cost Allocation Program	9,537,222	-26.0%	1,000,000	10,537,222	-18.3%	9,721,512	1.9%	1,000,000	10,721,512	1.7%
- Unclaimed Property Transfer	9,550,000	-4.5%	0	9,550,000	-4.5%	13,678,320	43.2%	0	13,678,320	43.2%
- Tourism Transfer	(7,936,013)	5.1%	173,324	(7,762,689)	2.8%	(8,446,366)	6.4%	208,605	(8,237,761)	6.1%
- Clean Elections Fund Transfer	(4,250,000)	90.4%	0	(4,250,000)	90.4%	(250,000)	-94.1%	0	(250,000)	-94.1%
- Other Miscellaneous	36,074,705	-1.6%	(3,228,936)	32,845,769	-10.4%	33,703,203	-6.6%	(3,029,023)	30,674,180	-6.6%
IF&W Total Revenue ***	21,215,562	-2.8%	(23,371)	21,192,191	-2.9%	21,392,254	0.8%	(27,147)	21,365,107	0.8%

\*\*\* 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: 12/01/2005



# GENERAL FUND REVENUE

## REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2005

Source	FY08 Projection	% Chg.	Recom. Chg.	FY08 Revised	% Chg.	FY09 Projection	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Sales and Use Tax	1,044,229,458	4.2%	(16,388,578)	1,027,840,880	4.6%	1,090,041,295	4.4%	(16,597,272)	1,073,444,023	4.4%
Service Provider Tax	53,950,425	4.1%	(2,768,515)	51,181,910	4.6%	56,080,442	3.9%	(2,627,700)	53,452,742	4.4%
Individual Income Tax *	1,312,517,606	4.9%	22,235,382	1,334,752,988	3.3%	1,371,909,934	4.5%	12,703,998	1,384,613,932	3.7%
Corporate Income Tax	100,010,993	-11.2%	57,959,007	157,970,000	-0.6%	100,497,440	0.5%	57,502,560	158,000,000	0.0%
Cigarette and Tobacco Tax	164,396,738	-0.6%	0	164,396,738	-0.6%	163,198,120	-0.7%	0	163,198,120	-0.7%
Public Utilities Tax	23,320,000	-4.8%	(4,000,000)	19,320,000	-5.7%	22,260,000	-4.5%	(4,000,000)	18,260,000	-5.5%
Insurance Companies Tax	81,149,288	1.9%	0	81,149,288	1.9%	82,684,299	1.9%	0	82,684,299	1.9%
Estate Tax	34,329,124	7.2%	7,333,247	41,662,371	9.2%	35,789,761	4.3%	10,739,190	46,528,951	11.7%
Prop. Tax - Unorganized Territory	11,775,126	3.1%	183,092	11,958,218	3.1%	12,142,287	3.1%	189,992	12,332,279	3.1%
Income from Investments	6,046,546	0.0%	(1,224,726)	4,821,820	-16.5%	6,046,546	0.0%	(1,224,726)	4,821,820	0.0%
Transfer to Municipal Rev. Sharing	(130,556,841)	5.9%	(3,173,939)	(133,730,780)	5.6%	(136,163,514)	4.3%	(2,651,042)	(138,814,556)	3.8%
Transfer from Lottery Commission	52,834,250	-0.9%	(3,000,000)	49,834,250	-1.0%	52,834,250	0.0%	(3,000,000)	49,834,250	0.0%
Other Revenues **	209,925,644	-9.8%	(5,430,177)	204,495,467	-9.1%	206,964,702	-1.4%	(4,390,761)	202,573,941	-0.9%
Total - General Fund Revenue	2,963,928,357	2.2%	51,724,793	3,015,653,150	2.2%	3,064,285,562	3.4%	46,644,239	3,110,929,801	3.2%
Change in Biennial Totals								98,369,032		

### \* Detail of Property Tax Reimbursement Programs Deducted from Individual Income Tax Revenue

- Maine Resident Property Tax Program	(48,875,193)	5.1%	0	(48,875,193)	5.1%	(51,874,912)	6.1%	0	(51,874,912)	6.1%
- BETR - Business Equipment Tax Reimb.	(77,707,000)	14.0%	0	(77,707,000)	14.0%	(79,646,983)	2.5%	0	(79,646,983)	2.5%

### \* Detail of Other Revenues:

- Real Estate Transfer Tax	11,884,726	-38.5%	0	11,884,726	-38.5%	11,955,435	0.6%	0	11,955,435	0.6%
- Commercial Forestry Excise Tax	3,500,000	1.4%	0	3,500,000	1.4%	3,500,000	0.0%	0	3,500,000	0.0%
- Liquor Sales and Operations	0	0.0%	1,500,000	1,500,000	0.0%	0	0.0%	1,500,000	1,500,000	0.0%
- Liquor Taxes and Fees	19,721,023	2.0%	(460,770)	19,260,253	1.9%	20,113,522	2.0%	(488,483)	19,625,039	1.9%
- Banking Fees/Assessments	17,910,910	0.0%	2,000,000	19,910,910	0.0%	17,910,910	0.0%	2,000,000	19,910,910	0.0%
- Corporation Fees & Licenses	5,455,707	0.0%	75,000	5,530,707	0.0%	5,455,707	0.0%	75,000	5,530,707	0.0%
- Hunting and Fishing License Fees	16,300,487	0.0%	0	16,300,487	0.0%	16,300,487	0.0%	0	16,300,487	0.0%
- Boat, ATV and Snowmobile Fees	3,870,938	0.0%	0	3,870,938	0.0%	3,870,938	0.0%	0	3,870,938	0.0%
- Parimutuel and Gaming Revenue	14,243,305	1.3%	(6,961,721)	7,281,584	55.5%	14,455,619	1.5%	(5,850,036)	8,605,583	18.2%
- Fines, Forfeits and Penalties	42,015,208	-6.0%	0	42,015,208	-6.0%	42,020,208	0.0%	0	42,020,208	0.0%
- Targeted Case Management (HHS)	35,578,738	1.3%	208,134	35,786,872	1.5%	36,051,143	1.3%	210,913	36,262,056	1.3%
- HHS Services Rendered	4,834,179	0.0%	7,126	4,841,305	0.0%	4,834,179	0.0%	7,126	4,841,305	0.0%
- State Cost Allocation Program	9,721,512	0.0%	1,000,000	10,721,512	0.0%	9,721,512	0.0%	1,000,000	10,721,512	0.0%
- Unclaimed Property Transfer	22,835,500	66.9%	0	22,835,500	66.9%	25,210,825	10.4%	0	25,210,825	10.4%
- Tourism Transfer	(8,833,189)	4.6%	157,469	(8,675,720)	5.3%	(9,262,985)	4.9%	117,078	(9,145,907)	5.4%
- Clean Elections Fund Transfer	(2,250,000)	800.0%	0	(2,250,000)	800.0%	(2,250,000)	0.0%	0	(2,250,000)	0.0%
- Other Miscellaneous	13,136,600	-61.0%	(2,955,415)	10,181,185	-66.8%	7,077,202	-46.1%	(2,962,359)	4,114,843	-59.6%
IF&W Total Revenue ***	21,399,544	0.0%	(26,336)	21,373,208	0.0%	21,407,537	0.0%	(26,380)	21,381,157	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: 12/01/2005

## General Fund - Sales and Use Tax

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$857,486,801	\$917,243,245	\$896,576,322	\$961,457,885	\$1,001,994,812	\$1,044,229,458	\$1,090,041,295
Annual % Growth		7.0%	-2.3%	7.2%	4.2%	4.2%	4.4%
Net Increase (Decrease)				(\$27,756,805)	(\$19,743,205)	(\$16,388,578)	(\$16,597,272)
Revised Forecast	\$857,486,801	\$917,243,245	\$896,576,322	\$933,701,080	\$982,251,607	\$1,027,840,880	\$1,073,444,023
Annual % Growth		7.0%	-2.3%	4.1%	5.2%	4.6%	4.4%

### Revenue Source Summary:

The sales tax is imposed at the rate of 5% of the sale price on retail sales of tangible personal property and taxable services; at 7% on temporary rentals of living quarters in hotels, rooming houses, tourist and trailer camps, the sale of liquor by the drink and prepared food; and at 10% on the short-term rental of automobiles. The tax is also imposed on casual sales of motor vehicles, camper trailers, truck campers, livestock trailers, special mobile equipment, boats and aircraft. Sales of new manufactured housing (mobile homes and modular homes) are subject to the 5% tax, usually at 50% of the selling price. Many exemptions and exclusions exist, including grocery staples.

The use tax is imposed at the same rate as the sales tax on the sale price of tangible personal property and taxable services purchased at retail sale beyond the collection jurisdiction of the State for use, storage or other consumption in Maine, unless substantial (12 months) use was made of the property elsewhere before it was brought to Maine. An exception is made for motor vehicles registered as automobiles that were purchased and actually used in another state before being brought to Maine, if the purchaser was a resident of the other state at the time of purchase. The use tax does not apply to purchases on which Maine sales tax has been paid, and credit is allowed for sales or use tax paid in another jurisdiction up to the amount of the Maine tax.

Beginning in FY05, certain services previously included in this line were moved to the Service Provider Tax (see next section in this Appendix for this revenue category). This change accounts for the negative growth in FY05. With the Service Provider Taxes included the growth would have been 2.6%.

### Revenue Source Forecast Factors and Trends:

Sales and Use Tax is one of the major revenue sources tied to economic activity and as such projections are developed using Maine Revenue Services tax models with input from the economic variables forecast by the Concensus Economic Forecasting Commission (CEFC). Sales and Use Tax projections in the tax models are derived primarily from aggregate Personal Income growth assumptions. Total employment growth is used to predict business purchases. Inflation projections are also used for those elements of the sales and excise tax models that are based on units sold in order to produce an inflation adjusted dollar value.

Sales and Use Tax revenue has been under budget consistently since the beginning of the heating season late last fall. The Committee made a late adjustment in June 2005 revising the forecast for this line downward by \$11.0 million. Sales and Use Tax revenue was under budget after this revision by \$3.1 million (-0.3%). The growth of this revenue line, which had been very strong after the FY02 (4.9% growth in FY03 and 7.0% growth in FY04), dropped to 2.6% in FY05 (after adjusting and adding back in the components that were separated into the Service Provider Tax).

Taxable Sales Trends - For the year ending in September, taxable sales were up 3% over the previous year. The strongest growth was in the business operating sector, up 8%, followed by building supplies, up 7%, and other retail, up 6%. Food store sales were up 3%, the general merchandise sector was down 1%, auto/transportation sales were down 1%, and restaurant and lodging sales were up 3%. See Appendix G for more detail on taxable sales growth.

Presented below are some of the recent legislative changes enacted by the 122nd Legislature that have been factored into the current baseline. These changes are sizeable but represent less than 1% of the forecast for this line.

<b>Legislative Changes</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
Casual rental of living quarters	\$0	\$3,869,300	\$4,739,193	\$6,221,629	\$7,778,201
Delay exemption for broadcast equipment	\$0	\$753,140	\$493,587	\$0	\$0
Agricultural exemptions	\$0	\$337,553	\$351,056	\$365,097	\$379,701
Contractor set-off payments	\$0	\$300,000	\$300,000	\$300,000	\$300,000
Cigarette/Other Tobacco tax increase	\$0	\$1,279,392	\$1,766,147	\$1,782,732	\$1,803,393
<b>TOTAL</b>	<b>\$0</b>	<b>\$6,539,385</b>	<b>\$7,649,983</b>	<b>\$8,669,458</b>	<b>\$10,261,295</b>

**Forecast Recommended Changes:**

The upgraded tax models have added an additional variable to capture the effect of higher energy prices. With that additional variable the models now seem to be closer to actual in the historical data and provide the RFC with a better projection of taxable sales. The economic forecast and the projections of oil prices (see background section of report) inputted into the model move a portion of income to the purchase of tax exempt fuel and results in a reduction of the forecast throughout the forecast period.

## General Fund - Service Provider Tax

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$0	\$0	\$44,645,517	\$49,287,167	\$51,816,733	\$53,950,425	\$56,080,442
Annual % Growth		N/A	N/A	10.4%	5.1%	4.1%	3.9%
Net Increase (Decrease)				(\$2,793,002)	(\$2,904,968)	(\$2,768,515)	(\$2,627,700)
Revised Forecast	\$0	\$0	\$44,645,517	\$46,494,165	\$48,911,765	\$51,181,910	\$53,452,742
Annual % Growth		N/A	N/A	4.1%	5.2%	4.6%	4.4%

### Revenue Source Summary:

Description of Revenue Source: The Service Provider tax is imposed on a number of services and the revenue generated is either credited to the General Fund or to dedicated accounts within the Department of Health and Human Services. Revenue derived by the 5% Service Provider Tax on the value of extended cable and satellite television services, fabrication services, the rental of video media and video equipment, the rental of furniture, audio media and audio equipment pursuant to a rental-purchase agreement as defined in Title 9-A, section 11-105, telecommunications services and the installation, maintenance or repair of telecommunications equipment accrues to the General Fund. See separate discussion of dedicated revenue pieces that accrue to the Department of Health and Human Services.

### Revenue Source Forecast Factors and Trends:

This revenue category was previously included within Sales and Use Tax category. Beginning in FY05 (all of it?), the taxable services were separated from the Sales and Use Tax.

This major revenue source is tied to economic factors and is projected using Maine Revenue Services tax models. This tax was recently separated out of the Sales and Use Tax line and has only a short history with which to generate a trend. After the June 2005 RFC adjustment downward of \$2,500,000 in FY05, this revenue line was very close to budget in FY05 with a positive \$0.5 million variance (+1.0%). The forecasting of this line uses the sales and excise tax model with the same variables as the Sales and Use Tax. There was only one recent legislative change that affected this line (see below).

Legislative Changes	FY05	FY06	FY07	FY08	FY09
Satellite Television Taxable Service		\$485,667	\$721,562	\$750,425	\$780,442

### Forecast Recommended Changes:

The tax model have adjusted this category downward in a similar fashion as the Sales and Use Tax. The effect of adding oil prices to the model has resulted in a decrease in taxable purchases and the increase in tax-exempt purchases.

## General Fund - Individual Income Tax

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$1,071,701,694	\$1,156,715,909	\$1,270,225,329	\$1,167,504,222	\$1,251,380,952	\$1,312,517,606	\$1,371,909,934
Annual % Growth		7.9%	9.8%	-8.1%	7.2%	4.9%	4.5%
Net Increase (Decrease)				\$71,793,623	\$40,746,720	\$22,235,382	\$12,703,998
Revised Forecast	\$1,071,701,694	\$1,156,715,909	\$1,270,225,329	\$1,239,297,845	\$1,292,127,672	\$1,334,752,988	\$1,384,613,932
Annual % Growth		7.9%	9.8%	-2.4%	4.3%	3.3%	3.7%

### Revenue Source Summary:

Individual income tax collections reflect revenue from a tax on the Maine taxable income of every resident individual, estate and trust of this state. Maine taxable income is based on federal adjusted gross income with several Maine specific adjustments. Nonresident individuals, estates and trusts are subject to tax on income derived from sources within this State. Tax rates are progressive from 2% to 8.5%. For nonresident individuals, the rate is determined based on taxable income from all sources and applied to Maine sourced income to determine the tax. Tax rates for fiduciaries are the same as those for single individuals. Withholding of Maine income tax from wages is required of every employer who maintains an office or transacts business in Maine and who makes payment of any wages subject to Maine income tax, whether or not the employee is a Maine resident. Every person who maintains an office or who transacts business in Maine and who makes payment of any other items of income which constitute Maine taxable income is also required to withhold Maine income tax from such payments if federal withholding is required.

Income from Partnerships, Limited Liability Corporations and S Corporations are reported proportionately on the owners' individual income tax returns.

Beginning in FY05, Individual Income Tax revenue was reduced by the amount of the payments under the Maine Residents Property Tax Program (Tax and Rent Refund or Circuit Breaker). Amounts necessary for the benefit payments are transferred from Individual Income Tax revenue to a reserve account for payment. Beginning in FY06, a similar arrangement was established for the Business Equipment Tax Reimbursement (BETR) program. Estimates of these transfers and the effect that they have on the forecast of Individual Income are detailed in separate sections. The amounts reflected in the tables above and below are prior to the deduction for state-municipal revenue sharing.

### Revenue Source Forecast Factors and Trends:

The individual income tax simulation model is the most complicated and involves the input of multiple economic variables. The individual components of Personal Income, which include salaries and wages; dividend interest and rents; proprietor's income; supplements to wages and salaries; and transfer payments are fed into the model. Other factors include: inflation projections that drive statutory indexing provisions (tax brackets and standard deduction amounts); total employment growth and unemployment rate affecting assumed number of tax filings; and the 3-month and 10-year Treasury Rates that drive interest earnings assumptions and the mortgage deduction.

A major variable that is forecast by the RFC is net capital gains realizations. See discussion in the background section of the report.

FY05 Variance explanation..... Individual Income Tax collections exceeded budgeted amounts by \$10.3M in FY 05. During the the first 4 months of FY 06 fiscal year-to-date estimated payments were up 13% and final payments were up 32%. Fiscal year-to-date withholding payments were up 5% over FY 05 amounts. BEA estimate revisions; The U.S. Bureau of Economic Analysis' recent upward revision of historical data resulted in an increase in the current personal income forecast as reflected in the October 2005 Censensus Economic Forecasting Commission report and has a direct effect on Individual Income Tax collections projected during this 4-year forecast period. capital gains (see separate discussion)

The major legislative changes that affected this revenue line are included below. These amounts do not include the effects of the transfer of individual income tax revenue to the Business Equipment Tax Reimbursement (BETR) program or the Maine Resident Property Tax Program (Tax and Rent Refund or Circuit Breaker).

<b>Legislative Changes *</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
Impact of circuit breaker/homestead changes	\$0	\$761,939	\$738,506	\$755,926	\$772,470
Conformity to IRC as of 1/7/05	\$0	(\$6,847,750)	(\$14,183,399)	(\$8,752,763)	\$209,975
Non-conformity on student loan interest	\$0	\$202,207	\$303,310	\$0	\$0
Child care credit reduction	\$0	\$145,000	\$435,000	\$0	\$0
Non-conformity - Section 179 expensing	\$0	\$2,560,000	\$6,502,400	\$2,252,974	(\$3,777,158)
Non-conformity - marriage penalty	\$0	\$6,128,000	\$15,584,000	\$16,158,789	\$16,292,184
Non-conformity - deduction of State tax	\$2,130,000	\$945,000	\$0	\$0	\$0
Delay educational attainment credit	\$0	\$1,076,759	\$6,735,043	\$12,966,489	\$7,683,816
Contractor set-off payments	\$0	\$350,000	\$350,000	\$350,000	\$350,000
Partnership interest sourced to Maine	\$0	\$1,334,375	\$1,860,469	\$1,953,493	\$2,051,167
Nonresident gambling income	\$0	\$13,850	\$83,658	\$185,226	\$364,037
<b>Total Legislative Changes</b>	<b>\$2,130,000</b>	<b>\$6,669,380</b>	<b>\$18,408,987</b>	<b>\$25,870,134</b>	<b>\$23,946,491</b>

\* The amounts reflected in the table above represent gross collections prior to the deduction for state-municipal revenue sharing and the deductions for the cost of the BETR and Circuit Breaker programs.

#### **Forecast Recommended Changes:**

After rerunning the model with the changes in the Bureau of Economic Analysis (BEA) revisions to Personal Income, the model was much closer to projections. The other factor capital gains was (see discussion in body of the report).

**General Fund - Individual Income Tax (Maine Residents Property Tax Program)  
aka "Tax and Rent Refund" or "Circuit Breaker" Program**

	<b>FY03 Actual</b>	<b>FY04 Actual</b>	<b>FY05 Actual</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
Current Forecast	\$0	\$0	(\$26,030,227)	(\$44,328,964)	(\$46,095,820)	(\$48,440,012)	(\$51,389,085)
Annual % Growth		N/A	N/A	70.3%	4.0%	5.1%	6.1%
Net Increase (Decrease)				\$0	\$0	\$0	\$0
Revised Forecast	\$0	\$0	(\$26,030,227)	(\$44,328,964)	(\$46,095,820)	(\$48,440,012)	(\$51,389,085)
Annual % Growth		N/A	N/A	70.3%	4.0%	5.1%	6.1%

**Revenue Source Summary:**

Beginning with FY05, taxpayer reimbursement under the Maine Residents' Property Tax Reimbursement (Tax and Rent Refund or "Circuit Breaker") program is accounted for as a deduction from the individual income tax line rather than an expenditure from General Fund appropriations for that purpose. The program expansion (PL 2005, c. 2) is reflected beginning in fiscal year 2005-06 and includes: an increase in the maximum payment from \$1,000 to \$2,000, the elimination of income thresholds, the establishment of maximum property taxes used to calculate benefits (\$3,000 single/\$4,000 multiple member household) and an increase in the % of rent constituting property taxes from 18% to 20%. It also extended the close of the application period from 12/31 to 5/31. The amounts reflected in the table above represent gross program costs prior to the adjustment for state-municipal revenue sharing.

**Revenue Source Forecast Factors and Trends:**

FY05 program costs were just under budget, resulting in a positive revenue variance. For the 1st 4 months of FY06, the program expenditures been under budget. This is still thought to be a timing issue that will balance out over the next couple of months. The timing of payments may be affected by the program expansion. This component of individual income tax is forecast using a combination of the income tax and property tax modules within the tax models. It is driven by economic forecast, particularly the income components, and a forecast of residential property values based on recent trends in each

<b>Legislative Changes</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
Program expansion (LD 1, PL 2005, c. 2)	\$0	(\$17,504,355)	(\$17,791,360)	(\$19,455,210)	(\$21,719,429)
FY 05 shortfall moved from FY 06	(\$2,034,790)	\$2,034,790	\$0	\$0	\$0
Changed definition of "income"	\$0	\$391,543	\$397,963	\$435,180	\$485,827
<b>Total</b>	<b>(\$2,034,790)</b>	<b>(\$15,078,022)</b>	<b>(\$17,393,397)</b>	<b>(\$19,020,030)</b>	<b>(\$21,233,602)</b>

**Forecast Recommended Changes:**

Although the program expenditures have been running below budget for the first 4 months of FY06, the major expansion of this program during the 122nd Legislature makes its difficult to gauge this program so early in the filing period. The RFC will revisit this program in the March 2006 forecast after more information on the effect of the program expansion are available.



## General Fund - Individual Income Tax - Business Equipment Tax Reimbursement (BETR)

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$0	\$0	\$0	(\$73,463,191)	(\$68,146,508)	(\$77,707,000)	(\$79,646,983)
Annual % Growth		N/A	N/A	N/A	-7.2%	14.0%	2.5%
Net Increase (Decrease)				\$0	\$0	\$0	\$0
Revised Forecast	\$0	\$0	\$0	(\$73,463,191)	(\$68,146,508)	(\$77,707,000)	(\$79,646,983)
Annual % Growth		N/A	N/A	N/A	-7.2%	14.0%	2.5%

### Revenue Source Summary:

Beginning with FY06, taxpayer reimbursement under the Business Equipment Tax Reimbursement (BETR) program is accounted for as a deduction from the individual income tax line rather than an expenditure from General Fund appropriations for that purpose. Certain persons and property such as office furniture, lamps and lighting fixtures and gambling machines or devices are not eligible for reimbursement (see 36 MRSA Chapter 915 for specific exclusions). Retail property will also be excluded for property tax years beginning after April 1, 2006. BETR reimbursement is 100% of the property taxes paid on eligible property, except that for claims filed for the application period that begins on August 1, 2006 the reimbursement is 90% of the taxes. Eligible property is subject to reimbursement for up to 12 property tax years, but the 12 years must be reduced by one year for each year during which a taxpayer included the same property in its investment credit base. The amounts reflected in the table above represent gross program costs prior to the adjustment for state-municipal revenue sharing.

### Revenue Source Forecast Factors and Trends:

BETR expenditures are forecast off model. New business investment in equipment is the primary driving force in the expenditures of this program. The program was expected to grow on a compounded basis as new investment was layered on to previously eligible equipment during the first 12 years of the program. After the 12th year, the property eligible in the first year is dropped from the program so that the growth of the program will slow dramatically. FY08 is the first year when business equipment in the program for 12 years will drop out. The increase in FY08 in the table above reflects the one-time reduction in FY07 at 90% reimbursement instead of 100%. See table of Legislative Changes below.

The program's expenditures have been below expectations for the first 4 months of FY06. This is also thought to be a timing issue as the expenditures are beginning to catch up to expectations.

Legislative Changes	FY05	FY06	FY07	FY08	FY09
Convert BETR to income tax offset	\$0	(\$73,463,191)	(\$75,718,341)	(\$77,707,000)	(\$79,744,000)
Limit reimbursement to 90%	\$0	\$0	\$7,571,833	\$0	\$0
Exclude certain retail property	\$0	\$0	\$0	\$0	\$97,017
<b>Total</b>	<b>\$0</b>	<b>(\$73,463,191)</b>	<b>(\$68,146,508)</b>	<b>(\$77,707,000)</b>	<b>(\$79,646,983)</b>

### Forecast Recommended Changes:

Despite some lags in payments that have resulted in the program expenditures' running below budget for the first 4 months of FY06, this is thought to be a timing issue that will balance out over the next few months. No changes to the forecast are recommended at this time.

## General Fund - Corporate Income Tax

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$91,188,393	\$111,616,051	\$135,862,913	\$118,877,558	\$112,630,975	\$100,010,993	\$100,497,440
Annual % Growth		22.4%	21.7%	-12.5%	-5.3%	-11.2%	0.5%
Net Increase (Decrease)				\$46,342,442	\$46,349,025	\$57,959,007	\$57,502,560
Revised Forecast	\$91,188,393	\$111,616,051	\$135,862,913	\$165,220,000	\$158,980,000	\$157,970,000	\$158,000,000
Annual % Growth		22.4%	21.7%	21.6%	-3.8%	-0.6%	0.0%

### Revenue Source Summary:

This revenue is derived by a corporate income tax is imposed on all corporations subject to federal income tax and having nexus with Maine, with the exception of financial institutions subject to the franchise tax and insurance companies subject to the premium tax. The tax is levied on Maine net income which is federal taxable income as modified by Maine law. In the case of a corporation doing business both within and outside of the State, Maine net income is determined by apportioning the modified federal taxable income according to a formula using payroll, property and sales. Tax rates are progressive from 3.5% to 8.93%. The amounts reflected in the table above are prior to the deduction for state-municipal revenue sharing.

### Revenue Source Forecast Factors and Trends:

Revenue projections are driven by the corporate income tax model with assumptions for inflation (CPI-U), total employment growth and growth by sector. The model also relies on forecasts of corporate profitability. The recommended revisions result from new data, model changes and court cases that were not considered during the prior forecast. Corporate Income Tax revenue was over budget in FY05 by \$12.6M, and through October 2005, the FY06 positive year-to-date revenue variance is \$17.3M and reflects an increase in both estimated and final payments.

Legislative Changes	FY05	FY06	FY07	FY08	FY09
Conformity to IRC as of 1/7/05	(\$740,957)	(\$2,015,099)	(\$1,832,644)	(\$1,381,215)	(\$1,178,488)
Non-conformity - US production	\$690,000	\$2,097,600	\$3,100,400	\$4,602,208	\$5,015,928
Contractor set-off payments	0	\$350,000	\$350,000	\$350,000	\$350,000
Multistate corporation treatment of income	0	\$5,340,000	\$4,230,000	\$3,430,000	\$3,300,000
<b>Total</b>	<b>(\$50,957)</b>	<b>\$5,772,501</b>	<b>\$5,847,756</b>	<b>\$7,000,993</b>	<b>\$7,487,440</b>

### Forecast Recommended Changes:

The sustained increase in corporate income tax receipts combined with independent forecasts that corporate profits will continue to grow, albeit at lower rates, results in a significant increase in the forecast of corporate income revenues. The forecast assumes a higher level of receipts with little or no growth in future years. This is consistent with the corporate profits forecast and Maine's recent non-conformity with various federal tax provisions (e.g., bonus depreciation).

## General Fund - Cigarette and Tobacco Tax

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$98,414,470	\$96,604,646	\$96,350,704	\$147,238,325	\$165,466,882	\$164,396,738	\$163,198,120
Annual % Growth		-1.8%	-0.3%	52.8%	12.4%	-0.6%	-0.7%
Net Increase (Decrease)				\$0	\$0	\$0	\$0
Revised Forecast	\$98,414,470	\$96,604,646	\$96,350,704	\$147,238,325	\$165,466,882	\$164,396,738	\$163,198,120
Annual % Growth		-1.8%	-0.3%	52.8%	12.4%	-0.6%	-0.7%

### Revenue Source Summary:

This revenue category includes revenue from the cigarette tax and tobacco products tax. The cigarette tax is imposed on all cigarettes held in this State for retail sale and a tax on the wholesale price of other tobacco products. The rate of the cigarette tax was 50 mills per cigarette or \$1.00 per pack before September 19, 2005. Beginning September 19, 2005 the cigarette tax rate was increased to \$2.00 per pack. On October 1, 2005 the rate of tax on smokeless tobacco products was increased from 62% of the wholesale price to 78% and the tax on cigars, pipe tobacco and other tobacco intended for smoking was increased from 16% of the wholesale price to 20%.

### Revenue Source Forecast Factors and Trends:

The cigarette tax forecast is developed using Maine Revenue Services Sales and Excise Tax model.

This category was very close to budget in FY05 with a modest positive variance of \$330,840 or +0.3%. The significant increase in these taxes during the last legislative session (see amounts below) added a lot of potential uncertainty into the forecast. The assumptions about price elasticity associated with these tax changes and the effect on the volume attempted to factor in behavior related to this tax change. It is still too early in the fiscal year to determine whether the assumptions will hold up. The variances through the first 4 months of FY06 have been up and down. October was under budget by \$3.3 million, but for the fiscal year-to-date this category was over budget by \$1.4 million (+3.4%).

Legislative Changes:	FY05	FY06	FY07	FY08	FY09
Increase cigarette tax by \$1	\$0	\$51,341,668	\$69,990,814	\$69,613,147	\$69,204,859
Increase other tobacco taxes	\$0	\$671,297	\$942,574	\$961,427	\$980,654
<b>Total Legislative Changes</b>	<b>\$0</b>	<b>\$52,012,965</b>	<b>\$70,933,388</b>	<b>\$70,574,574</b>	<b>\$70,185,513</b>

### Forecast Recommended Changes:

The RFC is not recommended a change at this time. Due to the timing of the tax change, the RFC has little history with which to judge whether the estimated effects and the assumed elasticity of the tax change is accurately capturing the actual performance. The RFC will revisit this category in March with a few more months of data.

## General Fund - Public Utilities Tax

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$29,285,143	\$27,991,188	\$25,403,214	\$25,440,000	\$24,495,000	\$23,320,000	\$22,260,000
Annual % Growth		-4.4%	-9.2%	0.1%	-3.7%	-4.8%	-4.5%
Net Increase (Decrease)				(\$4,000,000)	(\$4,000,000)	(\$4,000,000)	(\$4,000,000)
Revised Forecast	\$29,285,143	\$27,991,188	\$25,403,214	\$21,440,000	\$20,495,000	\$19,320,000	\$18,260,000
Annual % Growth		-4.4%	-9.2%	-15.6%	-4.4%	-5.7%	-5.5%

### Revenue Source Summary:

This revenue is derived primarily by the state tax on Telecommunications Personal Property Tax. This property is exempt from ordinary local property taxation. The tax is assessed on May 30th of each year and must be paid by August 15th of that year. The tax rate decreased to 26 mills for taxes assessed in 2004 and will decrease one additional mill each year until 2010 when it reaches 20 mills. FY05 amounts include a small amount of revenue, \$398,316, from the Railroad Tax. Beginning in FY06, 100% of the Railroad Tax accrues as dedicated revenue to the Department of Transportation.

### Revenue Source Forecast Factors and Trends:

The Telecommunications Personal Property Tax base has been eroding - Changes in the competitive nature of the market for telecommunications services have resulted in an erosion of revenue from this tax.

### Forecast Recommended Changes:

The RFC is recommending a downward adjustment of \$4 million annually beginning in FY06 and will be taking a closer look at this line prior to the March meeting of the Revenue Forecasting Committee.

## General Fund - Insurance Company Tax

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$71,078,089	\$72,206,153	\$75,669,053	\$77,141,931	\$79,644,425	\$81,149,288	\$82,684,299
Annual % Growth		1.6%	4.8%	1.9%	3.2%	1.9%	1.9%
Net Increase (Decrease)				\$0	\$0	\$0	\$0
Revised Forecast	\$71,078,089	\$72,206,153	\$75,669,053	\$77,141,931	\$79,644,425	\$81,149,288	\$82,684,299
Annual % Growth		1.6%	4.8%	1.9%	3.2%	1.9%	1.9%

### Revenue Source Summary:

This revenue is derived primarily by the state tax on every insurance company or association organized under the laws of this State at the rate of 2% of gross direct premiums, (1% of long-term health care premiums) including annuity considerations, on all policies written in Maine, less allowed deductions. The tax on insurance placed in the surplus lines insurance market is 3%. The tax on qualified group disability plans is 2.55% for large domestic insurers and 1% for all other insurers. Every non-resident insurance company authorized to do business in this State is liable for a tax on all policies written in Maine at the Maine rate or the rate at which a Maine company would be taxed in the state or Canadian province where the non-resident company is domiciled, whichever is greater. Reduced rates are provided for captive insurers.

### Revenue Source Forecast Factors and Trends:

This tax is forecast off model. Estimates are made based on historical trends and input from various sources.

Since the tax is based on premiums, the RFC must analyze those factors that affects premiums: insurance companies' investment earnings and payments on insured losses. Any significant increases in premiums may also affect demand, as purchasers react by increasing deductibles or dropping coverage for certain property.

The revenue category has been running under budget for the first 4 months of FY06. For the fiscal year-to-date, this category is under budget by \$1.4 million (-15.0%).

There were no legislative changes during 122nd Legislature that directly affecting this revenue category. FY06 is affected by a change in a \$983,000 credit for a surcharge on Fire Insurance Premiums that was delayed until FY06.

### Forecast Recommended Changes:

The RFC is not recommending any changes in this forecast at this time since there appears to be no reason to deviate from the current assumptions of very modest growth in this revenue category of approximately 2% per year. Although this revenue category is running under budget in FY06, approximately 78% of the revenue from this tax is received from mid-March through the end of the fiscal year. The RFC will try to gather more information from the insurance industry and revisit this as part of the March forecast.

## Estate Tax

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$30,520,320	\$32,075,501	\$32,255,727	\$30,603,203	\$32,027,061	\$34,329,124	\$35,789,761
Annual % Growth		5.1%	0.6%	-5.1%	4.7%	7.2%	4.3%
Net Increase (Decrease)				\$33,476,590	\$6,125,184	\$7,333,247	\$10,739,190
Revised Forecast	\$30,520,320	\$32,075,501	\$32,255,727	\$64,079,793	\$38,152,245	\$41,662,371	\$46,528,951
Annual % Growth		5.1%	0.6%	98.7%	-40.5%	9.2%	11.7%

### Revenue Source Summary:

This revenue is derived primarily by the state tax imposed upon the transfer of the estate of every person who was a Maine resident at the time of death. For deaths occurring before January 1, 2002 the tax is equal to the amount by which the credit allowed against the federal estate tax for state death taxes exceeds the amount of such taxes actually paid to other states, provided that the allowance for such taxes may not exceed that percentage of the federal tax credit which the other states' portion of the estate is to the total estate. Beginning in 2002, the federal estate tax and the federal credit for state death taxes are being phased out. The federal credit was reduced to 75% in 2002, 50% in 2003, 25% in 2004 and completely eliminated beginning in 2005. For deaths occurring after 2002, the Maine estate tax is equal to the tax that would be owed using the formula for calculating the federal credit for state death taxes in effect on December 31, 2002 (exclusive of any reduction in the maximum credit amount) and based on the unified credit amount as of December 31, 2000.

A similar tax is imposed on real and tangible personal property having Maine situs passing by reason of the death of a person not a Maine resident, at the same percentage of the federal allowance for state death taxes that the value of the property taxable in Maine bears to the total estate.

### Revenue Source Forecast Factors and Trends:

The estate tax is forecast using Maine Revenue Services tax models. The models are supplemented with a look at actual tax file data through queries of the data base to pick out the unusual large returns. The proposed revisions are a combination of technical adjustments related to new data, model changes and court cases and upward revisions based on economic assumptions. The FY 06 revision also includes a one-time upward projection due to a positive year-to-date variance attributable to two very large estimated estate tax payments (\$17.7M and \$5.9M).

Presented below are the recent legislative changes affecting the Estate Tax.

Legislative Changes	FY05	FY06	FY07	FY08	FY09
Nonresident estates - pass-thru entities	\$0	\$696,000	\$705,800	\$716,090	\$726,895
Estate tax on "QTIP's"	\$0	(\$193,200)	(\$298,800)	(\$298,800)	(\$298,800)
Total	\$0	\$502,800	\$407,000	\$417,290	\$428,095

### Forecast Recommended Changes:

This forecast recommends that the unusual tax payments received in the first 4 months of FY06 be recognized as a one-time revenue variance. After backing these out, the models project a higher level on on-going revenue as a result of FY05 receipts being over budget and the stronger CEFC forecast of personal income growth. This forecast increases the estate tax revenue line by \$33.5M in FY06, \$6.1M in FY07, \$7.3M in FY 08 and \$10.7M in FY09.

## General Fund - Property Tax - Unorganized Territory

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$9,930,103	\$10,709,308	\$10,622,666	\$11,103,313	\$11,419,423	\$11,775,126	\$12,142,287
Annual % Growth		7.8%	-0.8%	4.5%	2.8%	3.1%	3.1%
Net Increase (Decrease)				\$175,163	\$177,889	\$183,092	\$189,992
Revised Forecast	\$9,930,103	\$10,709,308	\$10,622,666	\$11,278,476	\$11,597,312	\$11,958,218	\$12,332,279
Annual % Growth		7.8%	-0.8%	6.2%	2.8%	3.1%	3.1%

### Revenue Source Summary:

Pursuant to 36 MRSA, chapter 115, unorganized territory taxes are transferred to the General Fund each year as reimbursement for the General Fund costs of the municipal cost component. The municipal cost component is the cost of funding services in the Unorganized Territory Tax District that would not be borne by the state if it were a municipality. Examples of services funded from the General Fund are land use regulation, property tax assessment, education, forest fire protection and general assistance. The transfer is based on actual qualifying General Fund expenditures with the exception of the Land Use Regulation Commission, the transfer for which is based on a percentage of General Fund appropriations to the commission. The General Fund transfers occur twice per year. The first transfer occurs on October 31st and is based on 90% of the total transfer of the prior fiscal year. The final transfer occurs at the close of the fiscal year and transfers the net amount required to equal the General Fund share of the municipal cost component for that fiscal year.

### Revenue Source Forecast Factors and Trends:

The current forecast is based on a projection of General Fund expenditures and appropriations that determine the transfers to the General Fund. Recent legislative changes (see below) have been layered onto the previous revenue forecast. However, in recording the legislative changes, the revenue from PL 2005, chapter 12, Part U, which increased the assessment based on appropriations to the Land Use Regulation Commission, was not reflected in this revenue line. It was reflected in error in the "Other Miscellaneous" revenue category.

Legislative Changes:	FY06	FY07	FY08	FY09
Education Targeted Fund & Tuition Rates	\$412,600	\$437,356	\$463,597	\$491,413
* LURC Appropriation - 10% to 18%	\$175,163	\$177,889	\$183,092	\$189,992

\* Note: This amount was included in error in the "Other Miscellaneous" revenue category

### Forecast Recommended Changes:

The cores assumptions in the previous revenue forecast still seem to be valid. The only recommended changes in this revenue line reflect the correction of the classification of the LURC legislative change. An equal and offsetting change is being made to the "Other - Miscellaneous" revenue line to reflect the proper classification.



## General Fund - Income from Investments

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$2,345,855	\$2,310,207	\$5,854,625	\$6,046,546	\$6,046,546	\$6,046,546	\$6,046,546
Annual % Growth		-1.5%	153.4%	3.3%	0.0%	0.0%	0.0%
Net Increase (Decrease)				(\$1,760,484)	(\$268,476)	(\$1,224,726)	(\$1,224,726)
Revised Forecast	\$2,345,855	\$2,310,207	\$5,854,625	\$4,286,062	\$5,778,070	\$4,821,820	\$4,821,820
Annual % Growth		-1.5%	153.4%	-26.8%	34.8%	-16.5%	0.0%

### Revenue Source Summary:

This category represents the Treasurer of State's investment of excess money in the state treasury that is not needed to meet current obligations (see 5 MRSA section 135). The Treasurer of State is authorized to invest these funds in bonds, notes, certificates of indebtedness or other obligations specified in statute. Earnings on these investments are credited to the General Fund unless specifically designated otherwise. Occasionally, there are credits to this revenue category for small miscellaneous items collected by the state. These items are generally insignificant and unpredictable. Therefore, while they are reflected in actual revenue for FY05, nothing is budgeted for them in FY06 or beyond.

### Revenue Source Forecast Factors and Trends:

The major factors that affect earnings are the rates of return on investments and the balances of cash available for investment. These factors are heavily influenced by the economy, the budget, the reliance on Tax Anticipation Notes (TAN's) and the Treasurer's investment policies.

**Economy** - Interest rates have been near historic lows for several years based on Federal Reserve Board monetary policy. As the Fed's tightened the money supply, interest rates rose and earnings improved in FY05. Economy.com predicts rates peaking in calendar year 2006.

**Budget** - Decisions were made to use the Rainy Day Fund and other reserves to fund ongoing programs. This reduced earnings early in this decade. A recent decision to borrow \$42,500,000 from Other Special Revenue has an adverse effect on balances in FY06, but positive revenue variances are offsetting this effect and balances available to invest are keeping pace with budgeted amounts despite a TAN issue in FY06 below the assumed amount.

**TAN Amounts** - See below for assumptions. With the improvement in General Fund cash balances as noted above, the Tax Anticipation Note (TAN) was

**Investment Policy** - The Treasurer's investment policy (type of investment vehicle purchased, liquidity to meet daily needs, selection criteria for specific investments, etc.) affects the rate of return on the pool. No change in policy is expected.

### Forecast Recommended Changes:

With the upward revenue revisions in this forecast and the new appropriations limitation law, the expectation is that earnings will continue to improve over the course of the 2006-2007 biennium. The full impact of this general improvement on the structural gap beyond the current biennium will not be reflected until subsequent budget decisions are made on the use of the new resources.

Historical Data and Assumptions							
	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
<b>TAN</b>							
Current Forecast	\$250,000,000	\$275,000,000	\$190,000,000	\$190,000,000	\$190,000,000	\$190,000,000	\$190,000,000
Revised Forecast				\$123,625,000	\$125,000,000	\$125,000,000	\$125,000,000
<b>Pool Earnings Rate</b>							
Current Forecast	2.06%	1.32%	2.39%	4.00%	4.00%	4.00%	4.00%
Revised Forecast				4.00%	4.50%	4.50%	4.50%

## General Fund - Transfer to Municipal Revenue Sharing

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	(\$103,039,221)	(\$111,464,335)	(\$119,712,814)	(\$117,153,468)	(\$123,308,998)	(\$130,556,841)	(\$136,163,514)
Annual % Growth		8.2%	7.4%	-2.1%	5.3%	5.9%	4.3%
Net Increase (Decrease)				(\$4,466,900)	(\$3,286,827)	(\$3,173,939)	(\$2,651,042)
Revised Forecast	(\$103,039,221)	(\$111,464,335)	(\$119,712,814)	(\$121,620,368)	(\$126,595,825)	(\$133,730,780)	(\$138,814,556)
Annual % Growth		8.2%	7.4%	1.6%	4.1%	5.6%	3.8%

### Revenue Source Summary:

These amounts above represent transfers made on the last day of each month from the General Fund to the Local Government Fund or the Disproportionate Tax Burden Fund. Amounts equal to 5.1%, increasing to 5.2% on July 1, 2007, of the taxes collected and credited to the General Fund under, the individual income tax, the corporate income tax, the franchise tax on financial institutions, the service provider tax and the sales and use taxes are transferred. The amounts transferred are ultimately distributed to municipalities each month based on a formula.

### Revenue Source Forecast Factors and Trends:

See discussion of Individual Income Tax, Sales and Use Tax, Corporate Income Tax and Service Provider Tax for trends. The monthly transfers are determined by these major tax sources. Presented below are the total impact of legislative changes. Unlike the other write-ups revenue sharing is summarized by the 4 major tax sources that determine the revenue sharing amounts. The 122nd Legislature did delay by an additional 2 years, the increase in the percentage of the major taxes that gets transferred each month. This increase was also delayed for 2 years by the 121st Legislature. The percentage is now schedule to increase from 5.1% to 5.2% on July 1, 2007.

Legislative Changes Linked to Revenue Category	FY05	FY06	FY07	FY08	FY09
Sales and Use Tax	\$0	\$621,410	\$604,196	(\$450,812)	(\$533,587)
Service Provider Tax	\$0	\$24,033	\$14,295	(\$39,022)	(\$40,583)
Individual Income Tax	\$72,855	\$5,424,839	\$4,742,189	\$3,684,559	\$4,000,573
Corporate Income Tax	\$2,599	(\$181,293)	(\$191,453)	(\$364,052)	(\$389,347)
<b>Totals</b>	<b>\$75,454</b>	<b>\$5,888,989</b>	<b>\$5,169,227</b>	<b>\$2,830,673</b>	<b>\$3,037,056</b>

### Forecast Recommended Changes:

See discussion of Individual Income Tax, Sales and Use Tax, Corporate Income Tax and Service Provider Tax for trends. The monthly transfers are determined by these major tax sources.

### General Fund - Transfer from Lottery Commission

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$39,442,111	\$41,272,645	\$49,328,102	\$53,334,250	\$53,334,250	\$52,834,250	\$52,834,520
Annual % Growth		4.6%	19.5%	8.1%	0.0%	-0.9%	0.0%
Net Increase (Decrease)				(\$3,000,000)	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)
Revised Forecast	\$39,442,111	\$41,272,645	\$49,328,102	\$50,334,250	\$50,334,250	\$49,834,250	\$49,834,520
Annual % Growth		4.6%	19.5%	2.0%	0.0%	-1.0%	0.0%

#### Revenue Source Summary:

Description of Revenue Source: Revenue from the sales of lottery tickets, net of the costs of administering the lottery and the set aside of funds for prizes, is transferred to the State as General Fund revenue. In addition to its own instant ticket games, the Maine Lottery participates with the New Hampshire and Vermont lotteries as a member of the Tri-State Lottery to offer Tri-State Pick 3 and Pick 4, Triple Play and Megabucks. Maine is also one of 29 jurisdictions participating in Powerball. Pursuant to Title 12 M.R.S.A, Chapter 714, the Maine Lottery also administers a wildlife lottery game to raise funds for the Maine Outdoor Heritage Fund. Maine Law (Title 8 M.R.S.A., §387) requires that at least 45% of sales must be returned to the players in the form of prizes.

#### Revenue Source Forecast Factors and Trends:

Description of Factors Affecting Revenue Source: Lottery revenues are considered to be the result of discretionary spending by Maine's citizens; this type of discretionary spending tends to fairly predictable. Most recently, in the early fall of 2004, Powerball was added as an additional game offered by the Maine State Lottery. Initial revenue projections for Powerball estimated approximately \$12,000,000 in additional General Fund revenue for FY05; however, actual revenue from the Powerball game for FY05 came in at approximately \$10,000,000 for a revenue shortfall of \$2,000,000.

#### Forecast Recommended Changes:

The Bureau of Alcoholic Beverages and Lottery Operations now believes that annual revenue from Powerball will now come in at about the \$10,000,000 range for FY06 through FY09 and in view of that and overall trends is recommending that overall Lottery revenue projections be lowered by \$3,000,000 for each of these years.

## General Fund - Real Estate Transfer Tax

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$10,770,668	\$22,196,221	\$24,113,439	\$19,504,918	\$19,314,440	\$11,884,726	\$11,955,435
Annual % Growth		106.1%	8.6%	-19.1%	-1.0%	-38.5%	0.6%
Net Increase (Decrease)				\$0	\$0	\$0	\$0
Revised Forecast	\$10,770,668	\$22,196,221	\$24,113,439	\$19,504,918	\$19,314,440	\$11,884,726	\$11,955,435
Annual % Growth		106.1%	8.6%	-19.1%	-1.0%	-38.5%	0.6%

### Revenue Source Summary:

A tax is imposed on each deed that transfers title to real property in the state or on the transfer of a controlling interest in an entity with a fee interest in real property in the state at the rate of \$2.20 for each \$500 or fractional part of the value of the real property. There are certain exemptions. Of the total tax, ½ is imposed on the grantor and ½ is imposed on the grantee. Ninety percent of the tax collected during the previous month is forwarded by each Registrar of Deeds to the State Tax Assessor. The remaining 10% is retained by the county and accounted for as reimbursement for services rendered in collecting the tax. Of the 90% that is forwarded to the State, ½ of the revenue attributable to the transfer of title to real property is credited to the Maine State Housing Authority's Housing Opportunities for Maine (H.O.M.E.) Fund, an Other Special Revenue program established by 30-A M.R.S.A. §4853. Of the remaining revenue, 2.5%, reduced by federal funding for community forestry, but not more than \$200,000, is transferred to the Community Forestry Fund.

The remainder is credited to the General Fund. In fiscal years 2004, 2005, 2006 and 2007 \$7,500,000 of the portion that would ordinarily be credited to the H.O.M.E. Fund is credited to the General Fund. Beginning July 1, 2002, transfers of controlling interests are subject to the same tax. After the deduction of 10% county share, the remaining 90% of proceeds from the tax on the transfers of controlling interests accrues to the General Fund.

### Revenue Source Forecast Factors and Trends:

Real estate market has been growing very fast throughout most of FY05. In the June 2005 forecast, this line was revised downward by \$1,000,000 for FY05 based on 2 months of negative variances. However, the positive variance at the end of FY05 nearly completely reversed that revision, coming in ahead of the revised forecast by \$807,093. The trend through the early part of FY06 shows continued growth in this revenue above budgeted estimates. The assumptions in the December 2004 forecast assume that the market will slow significantly in FY06. The 38.5% decline from FY07 to FY08 reflects the ending of the General Fund retention of \$7,500,000 of the H.O.M.E. Fund's share.

### Forecast Recommended Changes:

The RFC has not recommended a change at this time. The forecast assumes a slowing in the real estate market, hence the 19.1% decline from FY05 to FY06. Early indicators, particularly Massachusetts's recent experience, indicate a market turn around. Interest rates have been rising and prices are high in many areas. The RFC will revisit this line in March, when we will have a few more months of data.

## General Fund - Commercial Forestry Excise Tax

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$3,172,724	\$2,907,340	\$2,890,635	\$3,400,000	\$3,450,000	\$3,500,000	\$3,500,000
Annual % Growth		-8.4%	-0.6%	17.6%	1.5%	1.4%	0.0%
Net Increase (Decrease)				(\$400,000)	\$0	\$0	\$0
Revised Forecast			\$2,890,635	\$3,000,000	\$3,450,000	\$3,500,000	\$3,500,000
Annual % Growth				3.8%	15.0%	1.4%	0.0%

### Revenue Source Summary:

The Commercial Forestry Excise 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. That information includes the current fiscal year's appropriations and allocations for and anticipated revenues from forest fire protection. It also includes the preceding fiscal year's actual expenditures and revenues from forest fire protection.

### Revenue Source Forecast Factors and Trends:

The Commercial Forestry Excise Tax assessment for a particular fiscal year is directly affected by the recent level of forest fire occurrence. As a result, the appropriate budgeted revenue amount can be most effectively adjusted on a year-to-year basis. The most recent 3 year average for fire suppression costs has been lower than usual.

### Forecast Recommended Changes:

Based on the most recent trends, the Department of Conservation has estimated that the budgeted amount for FY06 will be lower than currently budgeted on a one-time basis by \$400,000. The department is also not estimating any change from the budgeted revenue amounts for FY07, FY08 and FY09 due to scheduled capital purchases and uncertainty about future energy costs.

## General Fund - Liquor Sales and Operations

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$26,073,276	\$102,182,743	\$49,845,027	\$0	\$0	\$0	\$0
Annual % Growth		291.9%	-51.2%	-100.0%	#DIV/0!	#DIV/0!	#DIV/0!
Net Increase (Decrease)				\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Revised Forecast	\$26,073,276	\$102,182,743	\$49,845,027	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Annual % Growth				-97.0%	0.0%	0.0%	0.0%

### Revenue Source Summary:

In July 2004, the State signed a ten year lease with a private entity for the sale and distribution of spirits subject to price regulation by the Bureau of Alcoholic Beverages and Lottery Operations. Throughout the term the private entity is guaranteed a gross profit baseline percentage of 36.8%. Revenue sharing with the state is determined on a calendar year basis when aggregate sales exceed 36.8% at which time an amount equal to 50% of the gross profit overage is deposited in the General Fund.

### Revenue Source Forecast Factors and Trends:

As a result of the aforementioned 10 year lease with the private entity, the State collected one-time payments from the private entity in the amounts of \$75,000,000 in FY04 and \$50,000,000 in FY05; these payments were budgeted as revenue amounts for the respective fiscal years and were deposited as revenue accordingly. As a result of the lease agreement and the one-time payments, the State had been foregoing budgeted revenue from Liquor Sales and Operations for the duration of the lease which includes FY06 through FY09.

### Forecast Recommended Changes:

Recent financial statements obtained from the lessee indicates that the State's share of revenue sharing will now yield \$1,500,000 in annual revenue for the forecast period.

## General Fund - Liquor Taxes and Fees

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$17,141,878	\$17,485,024	\$17,432,377	\$18,428,497	\$19,341,802	\$19,721,023	\$20,113,522
Annual % Growth		2.0%	-0.3%	5.7%	5.0%	2.0%	2.0%
Net Increase (Decrease)				\$7,900	(\$433,600)	(\$460,770)	(\$488,483)
Revised Forecast	\$17,141,878	\$17,485,024	\$17,432,377	\$18,436,397	\$18,908,202	\$19,260,253	\$19,625,039
Annual % Growth				5.8%	2.6%	1.9%	1.9%

### Revenue Source Summary:

Description of Revenue Source: This revenue category is comprised of two principal revenue sources: taxes on alcoholic beverages and fees levied entities that are involved in the production, retailing and wholesaling of alcoholic beverages. The overwhelming majority of taxation and licensing revenue is collected by for the General Fund by the Liquor Enforcement program within the Department of Public

### Revenue Source Forecast Factors and Trends:

The collection of revenue derived from the various taxes on alcoholic beverages is based on trends of the consumption of alcoholic beverages; variations in this trend are generally tied to shifts in public taste for certain types of alcoholic beverages and tend to take place gradually over a number of years. Revenue that is collected from the wide variety of licensing fees appears to be fairly stable and is somewhat limited by various statutory requirements. Most recently, PL 2005, c. 457, Part XX established that, as of October 1, 2005, flavored malt beverages would be no longer be taxed as malt beverages and instead would be taxed at the higher rate established for low-alcohol spirits. These revenue impact of these changes are reflected in the following table:

<i>Revenue Changes</i>	FY06	FY07	FY08	FY09
Increase in sale of Class III licenses (wine)	\$22,600	\$22,600	\$22,600	\$22,600
Increase in sale of Class IV licenses (malt)	\$53,600	\$53,600	\$53,600	\$53,600
Increase in sale of Certificates of Approval	\$50,400	\$50,400	\$50,400	\$50,400
Decrease in Malt Premium Tax	(\$110,924)	(\$228,000)	(\$232,560)	(\$237,211)
Increase in Low-alcohol Premium Tax (net)	\$660,924	\$1,358,500	\$1,385,670	\$1,413,383
Total	\$676,600	\$1,257,100	\$1,279,710	\$1,302,772

In the first quarter of FY06, net alcohol tax collections are over budget by \$65,059 and net liscensing revenue is over budget by \$82,040.

### Forecast Recommended Changes:

Primarily due to adjustments provided by the Department of Public Safety regarding revenue that will be collected from the taxation of flavored malt beverages, it is recommended that revenue in this category be forecast to show a relatively small net increase for FY06 and more significant net decreases for FY07, FY08 and FY09.



## General Fund - Finance Industry Fees

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$9,293,280	\$9,572,280	\$18,641,800	\$17,912,310	\$17,912,310	\$17,910,910	\$17,910,910
Annual % Growth		3.0%	94.7%	-3.9%	0.0%	0.0%	0.0%
Net Increase (Decrease)				\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Revised Forecast	\$9,293,280	\$9,572,280	\$18,641,800	\$19,912,310	\$19,912,310	\$19,910,910	\$19,910,910
Annual % Growth		3.0%	94.7%	6.8%	0.0%	0.0%	0.0%

### Revenue Source Summary:

Securities Act Fees - 32 M.R.S.A. c. 135 (§16302, 16305 & §16410) The Maine Office of Securities within the Department of Professional and Financial Regulation oversees the registration of securities and the licensing of broker-dealers, sales representatives and investment advisers. The \$30 annual renewal fee for sales representatives and investment adviser representatives accrues as dedicated revenue to fund the operations of the Maine Office of Securities. The remainder of the fees collected by the Office, sales representatives initial license fees, broker-dealer fees, investment adviser fees, investment adviser representative initial fees, securities registration fees, and Federal covered securities notice filing fees accrue to the General Fund.

### Revenue Source Forecast Factors and Trends:

PL 2003, c. 673, Part RRR, increased the filing fee for registration statements for securities offered for sale from \$500 to \$1,000 effective August 1, 2004.

PL 2005, c. 12, Part KKKK increased initial licensing fees for broker dealers from \$200 to \$250, sales representatives from \$40 to \$50, and investment adviser representatives from \$40 to \$50; and renewal fees for broker dealers from \$200 to \$250, and investment advisers from \$100 to \$200. PL 2005, c.65, repealed the Revised Maine Securities Act (32 MRSA, c.105) replacing it with the Maine Uniform Securities Act (32 MRSA, c.135) and replaced these statutorily defined fees with upper limits within which the Office will establish the fees. This forecast assumes the Office will establish fees consistent with the PL 2005, c. 12 determined amounts.

### Forecast Recommended Changes:

Assumes revenue collections from the filing fee for registration of securities offered will increase above budgeted levels. The increase is based on the pattern of revenue collection in recent years and the amount of current year collections to date.

## General Fund - Corporation Fees and Licenses

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$3,482,107	\$3,600,455	\$5,637,743	\$5,453,707	\$5,455,707	\$5,455,707	\$5,455,707
Annual % Growth		3.4%	56.6%	-3.3%	0.0%	0.0%	0.0%
Net Increase (Decrease)				\$75,000	\$75,000	\$75,000	\$75,000
Revised Forecast	\$3,482,107	\$3,600,455	\$5,637,743	\$5,528,707	\$5,530,707	\$5,530,707	\$5,530,707
Annual % Growth				-1.9%	0.0%	0.0%	0.0%

### Revenue Source Summary:

The Bureau of Corporations, Elections and Commissions within the Department of the Secretary of State collects filing fees from business corporations, non-profit corporations, limited partnerships, limited liability companies and limited liability partnerships

### Revenue Source Forecast Factors and Trends:

Revenue from corporation licenses and fees is usually dependent on healthy economic trends and the perception that it is advantageous to a corporation to be licensed in the State of Maine. If the filing requirements are perceived to be unfavorable or that the established license fee is viewed as excessive, it could be that a significant number of corporations would chose not to be licensed in Maine. However, at the present time, revenue in this category generally corresponds to budgeted amounts.

### Forecast Recommended Changes:

In response to recent trends in the Registration of Foreign Corporations line (RSC # 0737), it is recommended that annual budgeted revenue be increased by \$75,000 beginning in FY06.

## General Fund - Hunting and Fishing License Fees

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$13,958,510	\$16,898,278	\$16,691,165	\$16,144,351	\$16,300,487	\$16,300,487	\$16,300,487
Annual % Growth		21.1%	-1.2%	-3.3%	1.0%	0.0%	0.0%
Net Increase (Decrease)				\$0	\$0	\$0	\$0
Revised Forecast	\$13,958,510	\$16,898,278	\$16,691,165	\$16,144,351	\$16,300,487	\$16,300,487	\$16,300,487
Annual % Growth				-3.3%	1.0%	0.0%	0.0%

### Revenue Source Summary:

The Department of Inland Fisheries and Wildlife collects a wide variety of hunting and fishing related licensing fees. Revenue collected by the department from fishing and hunting licenses is deposited into the General Fund. Article IX, section 21 of the Maine Constitution requires that the amount of funds appropriated to the department in any fiscal year may not be less than the total amount of revenues collected by the department in that same fiscal year.

### Revenue Source Forecast Factors and Trends:

Description of Factors Affecting Revenue Source: Occasional natural phenomena such as adverse weather trends will negatively affect the timely collection of budgeted revenues. In addition, in recent years, the timely distribution of recorded fishing and hunting license fee revenue to the appropriate revenue source code has often been delayed by the implementation of the department's new automated licensing system. Aside from customary start-up difficulties, full and effective implementation of the system has been delayed by the gradual increase in the number of municipalities which have decided to become part of the automated system in their role as licensing agents for the department. Most recently, PL 2005, c. 12, Part III increased most fishing and hunting license fees to produce revenue increases of \$1,085,801 in FY06 and \$1,741,937 for each of FY07, FY08 and FY09.

### Forecast Recommended Changes:

No changes are recommended for this revenue category.

## General Fund - Boat, ATV and Snowmobile Fees

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$2,483,836	\$3,974,511	\$4,148,890	\$3,870,938	\$3,870,938	\$3,870,938	\$3,870,938
Annual % Growth		60.0%	4.4%	-6.7%	0.0%	0.0%	0.0%
Net Increase (Decrease)							
Revised Forecast	\$2,483,836	\$3,974,511	\$4,148,890	\$3,870,938	\$3,870,938	\$3,870,938	\$3,870,938
Annual % Growth				-6.7%	0.0%	0.0%	0.0%

### Revenue Source Summary:

The Department of Inland Fisheries and Wildlife collects a large number of registration fees pertaining to boats, ATVs and snowmobiles. Revenue collected by the department from boat, ATV and snowmobile registration is deposited into the General Fund. Article IX, section 21 of the Maine Constitution requires that the amount of funds appropriated to the department in any fiscal year may not be less than the total amount of revenues collected by the department in that same fiscal year.

### Revenue Source Forecast Factors and Trends:

Occasional natural phenomena such as adverse weather trends will negatively affect the timely collection of budgeted revenues. In addition, in recent years, the timely distribution of recorded boat, ATV and snowmobile registration fee revenue to the appropriate revenue source code has often been delayed by the implementation of the department's new automated licensing system. Aside from customary start-up difficulties, full and effective implementation of the system has been delayed by the gradual increase in the number of municipalities which have decided to become part of the automated system in their role as licensing agents for the department. Most recently, PL 2005, c. 12, Part III increased most boat, ATV and snowmobile registration fees to produce revenue increases of \$1,052,569 for each of FY06 through FY09.

### Forecast Recommended Changes:

No changes are recommended for this revenue category.

## General Fund - Parimutuel and Gaming Revenue

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$1,086,936	\$1,036,539	\$1,362,611	\$1,602,450	\$14,064,339	\$14,243,305	\$14,455,619
Annual % Growth		-4.6%	31.5%	17.6%	777.7%	1.3%	1.5%
Net Increase (Decrease)				\$2,512,364	(\$9,381,699)	(\$6,961,721)	(\$5,850,036)
Revised Forecast	\$1,086,936	\$1,036,539	\$1,362,611	\$4,114,814	\$4,682,640	\$7,281,584	\$8,605,583
Annual % Growth				202.0%	13.8%	55.5%	18.2%

### Revenue Source Summary:

For parimutuel revenue, the State collects a commission on live harness racing, race track simulcasting and off-track betting on horse racing. The commission for intrastate pools is 18% on regular wagers and 26% on exotic wagers. The commission on interstate common pools is the amount established by the State where the wager is pooled. Amounts collected as commissions are distributed among the General Fund and several dedicated funds or retained by or returned to race tracks and off-track betting facilities.

Gaming revenue is collected from slot machines which are currently authorized to be located on the premises of one commercial racetrack in Bangor and from various licensing and registration fees that are levied upon the private entities that own and operate the slot machines. Under current law (8 MRSA § 1036), 1% of the total slot income (the amount collected from slot machine players) is distributed to the General Fund as well as 3% of the gross slot income (the amount that is distributed to the owner and various governmental purposes after paybacks to the winning players).

### Revenue Source Forecast Factors and Trends:

To a certain extent, the collection of budgeted parimutuel revenue is dependent on favorable weather and overall economic conditions; protracted periods of inclement weather and poor economic trends will adversely effect both the attendance at commercial racetracks and the availability of discretionary resources to make wagers. Recent trends in the collection of parimutuel revenue do not show any significant variance between budgeted and actual revenue. The collection of previously budgeted gaming revenue has been significantly hampered by changing timelines in the opening of a slot machine facility in Bangor. Currently, Penn National, the licensed slot machine operator, will be opening a temporary facility in early November of 2005 with 475 registered slot machines. In addition, the best available information appears to indicate that Penn National will be opening a larger, permanent facility with 1,000 registered slot machines in November of 2008.

### Forecast Recommended Changes:

Most recently, gaming revenue collected for the General Fund has consisted of certain license fees and reimbursements in FY05 and FY06 year-to-date. The suggested re-forecast of gaming revenue for FY06, FY07, FY08 and FY09 is based on the following factors:

- the opening of the temporary facility in November 2005 with 475 machines;
- an increase in the number of licensed distributors from one to three;
- based on the most recent estimate from the Director of the Gambling Control Board, a decrease in the assumption of gross monthly revenue per registered machine from \$52,380 to approximately \$45,000;
- the opening of the permanent facility in November 2007 with 1,000 machines; and
- the proper inclusion of a one-time reimbursement for the costs of background checks in FY06.

In addition, current law (8 MRSA § 1018) requires that the Gambling Control Board establish certain renewal license fees by rule. These fees have not yet been established; therefore, additional unbudgeted revenue from renewal license fees will be collected during the current forecast period.

Detail which further explains these factors is available in the next 2 pages.

## Revenue Forecasting Committee - December 2005 - Racino Revenue

<b>GENERAL FUND REVENUE</b>	<b>2004-05*</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
March 2005 Forecast - General Fund Revenue	\$200,000	\$635,366	\$12,936,139	\$13,243,305	\$13,455,619
Incremental Effect of December 2005 Forecast		\$2,351,248	(\$9,381,699)	(\$6,961,721)	(\$5,850,036)
December 2005 Forecast - Revised General Fund Revenue	\$401,115	\$2,986,614	\$3,554,440	\$6,281,584	\$7,605,583

<b>FUND FOR A HEALTHY MAINE REVENUE</b>	<b>2004-05*</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
March 2005 Forecast - Fund for a Healthy Maine Revenue	\$0	\$0	\$9,893,520	\$10,091,340	\$10,293,120
Incremental Effect of December 2005 Forecast	\$0	\$1,675,960	(\$7,274,384)	(\$5,453,247)	(\$4,557,720)
December 2005 - Fund for a Healthy Maine Revenue	\$0	\$1,675,960	\$2,619,136	\$4,638,093	\$5,735,400

### Detail of Current Revenue Forecast - Distribution of Total Slot Income

		<b>2004-05*</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
Total Slot Income		\$0	\$167,596,031	\$261,913,575	\$463,809,325	\$573,540,000
Player's Share (Payback Value)	89.0%	\$0	\$149,160,468	\$233,103,082	\$412,790,299	\$510,450,600
Net After Player's Prize		\$0	\$18,435,563	\$28,810,493	\$51,019,026	\$63,089,400
General Fund - Administration	1.0%	\$0	\$1,675,960	\$2,619,136	\$4,638,093	\$5,735,400
Gross Slot Income	10.0%	\$0	\$16,759,603	\$26,191,358	\$46,380,933	\$57,354,000

Licenseses	61.0%	\$0	\$10,223,358	\$15,976,728	\$28,292,369	\$34,985,940
General Fund (other)	3.0%	\$0	\$502,788	\$785,741	\$1,391,428	\$1,720,620
Fund for Healthy Maine	10.0%	\$0	\$1,675,960	\$2,619,136	\$4,638,093	\$5,735,400
University of Maine Scholarship Fund (FAME)	2.0%	\$0	\$335,192	\$523,827	\$927,619	\$1,147,080
Maine Community College System - Scholarship Funds	1.0%	\$0	\$167,596	\$261,914	\$463,809	\$573,540
Resident Municipalities	1.0%	\$0	\$167,596	\$261,914	\$463,809	\$573,540
Purse Supplements	10.0%	\$0	\$1,675,960	\$2,619,136	\$4,638,093	\$5,735,400
Sire Stakes Fund	3.0%	\$0	\$502,788	\$785,741	\$1,391,428	\$1,720,620
Fund to Encourage Racing at Commercial Tracks	4.0%	\$0	\$670,384	\$1,047,654	\$1,855,237	\$2,294,160
Fund to Stabilize Off-Track betting	2.0%	\$0	\$335,192	\$523,827	\$927,619	\$1,147,080
Agricultural Fair Support Fund	3.0%	\$0	\$502,788	\$785,741	\$1,391,428	\$1,720,620

<b>Revenue Summary</b>	<b>2004-05*</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
<b>General Fund</b>					
One-time Reimbursement - Background Checks	\$1,475	\$161,116	\$0	\$0	\$0
General Fund Administration	\$0	\$1,675,960	\$2,619,136	\$4,638,093	\$5,735,400
General Fund (Other)	\$0	\$502,788	\$785,741	\$1,391,428	\$1,720,620
Licensing revenue	\$399,640	\$646,750	\$149,563	\$252,063	\$149,563
<b>Subtotal - General Fund</b>	<b>\$401,115</b>	<b>\$2,986,614</b>	<b>\$3,554,440</b>	<b>\$6,281,584</b>	<b>\$7,605,583</b>
<b>Fund for Healthy Maine</b>	<b>\$0</b>	<b>\$1,675,960</b>	<b>\$2,619,136</b>	<b>\$4,638,093</b>	<b>\$5,735,400</b>
<b>Other Special Revenue Funds</b>					
Harness Racing Commission	\$0	\$3,687,112	\$5,762,099	\$10,203,805	\$12,617,880
HRC - Subtotal	\$0	\$3,687,112	\$5,762,099	\$10,203,805	\$12,617,880
PUS- host municipalities	\$0	\$25,000	\$25,000	\$25,000	\$25,000
University of Maine Scholarship Fund (FAME)	\$0	\$335,192	\$523,827	\$927,619	\$1,147,080
Resident Municipalities	\$0	\$167,596	\$261,914	\$463,809	\$573,540
<b>Subtotal - Other Special Revenue Funds</b>	<b>\$0</b>	<b>\$4,382,496</b>	<b>\$6,834,754</b>	<b>\$12,084,042</b>	<b>\$14,937,040</b>

**Details and Assumptions**

<b>Licensing and Application Revenues:</b>		<b>#</b>	<b>Fee</b>	<b>2004-05*</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
Slot Machine Operator- Initial Application Fee		1	\$200,000	\$200,000	\$75,000	\$75,000	\$75,000	\$75,000
Slot Machine Operator- Annual Renewal Fee			\$75,000	\$0	\$75,000	\$75,000	\$75,000	\$75,000
Transfer of Operator Renewal Fee to host municipality				\$0	(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)
Slot Machine Distributor - Initial Application Fee		3	\$200,000	\$199,640	\$400,000	\$0	\$0	\$0
Slot Machine Distributor - Annual Renewal Fee			TBD	\$0	\$0	\$0	\$0	\$0
Slot Machines - Initial Registration Fee			\$100	\$0	\$47,500	\$0	\$52,500	\$0
Slot Machines - Annual Renewal Fee			TBD	\$0	\$0	\$0	\$0	\$0
Gambling Services Vendors		4	\$2,000	\$0	\$8,000	\$8,000	\$8,000	\$8,000
Employees of Gambling Vendors			\$250	\$0	\$66,250	\$16,563	\$66,563	\$16,563
<b>Total License Fees</b>				<b>\$399,640</b>	<b>\$646,750</b>	<b>\$149,563</b>	<b>\$252,063</b>	<b>\$149,563</b>
Licensee Background Check Cost Reimbursement (one-time)				\$1,475	\$161,116	\$0	\$0	\$0

<b>Slot Machine Income</b>	<b>2004-05*</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
July	\$0	\$0	\$22,367,275	\$22,809,025	\$48,980,000
August	\$0	\$0	\$22,367,275	\$22,809,025	\$48,980,000
September	\$0	\$0	\$21,645,750	\$22,073,250	\$47,400,000
October	\$0	\$0	\$22,367,275	\$22,809,025	\$48,980,000
November	\$0	\$19,093,219	\$21,645,750	\$46,470,000	\$47,400,000
December	\$0	\$21,214,688	\$21,645,750	\$46,470,000	\$47,400,000
January	\$0	\$21,921,844	\$22,367,275	\$48,019,000	\$48,980,000
February	\$0	\$19,800,375	\$20,202,700	\$44,921,000	\$44,240,000
March	\$0	\$21,214,688	\$21,645,750	\$46,470,000	\$47,400,000
April	\$0	\$21,214,688	\$21,645,750	\$46,470,000	\$47,400,000
May	\$0	\$21,921,844	\$22,367,275	\$48,019,000	\$48,980,000
June	\$0	\$21,214,688	\$21,645,750	\$46,470,000	\$47,400,000
Total slot income	\$0	\$167,596,031	\$261,913,575	\$463,809,325	\$573,540,000
Total slot income per machine per month	\$0	\$1,489	\$1,519	\$1,549	\$1,580
Assumed machine revenue per day at 90% payout	100.00%	\$1,500	Income growth per machine assumed to be 2% per year		
1% reduction of player share reduces total gross by .75%	1% 99.25%	\$1,489			

<b>Number of Machines</b>	<b>2004-05*</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
July	0	0	475	475	1,000
August	0	0	475	475	1,000
September	0	0	475	475	1,000
October	0	0	475	475	1,000
November	0	475	475	1,000	1,000
December	0	475	475	1,000	1,000
January	0	475	475	1,000	1,000
February	0	475	475	1,000	1,000
March	0	475	475	1,000	1,000
April	0	475	475	1,000	1,000
May	0	475	475	1,000	1,000
June	0	475	475	1,000	1,000

\* Figures provided for FY 2004-05 reflect actual revenue collected.



## General Fund - Fines, Forfeits and Penalties

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$26,991,935	\$38,219,275	\$35,506,972	\$43,042,996	\$44,705,883	\$42,015,208	\$42,020,208
Annual % Growth		41.6%	-7.1%	21.2%	3.9%	-6.0%	0.0%
Net Increase (Decrease)				\$0	\$0	\$0	\$0
Revised Forecast	\$26,991,935	\$38,219,275	\$35,506,972	\$43,042,996	\$44,705,883	\$42,015,208	\$42,020,208
Annual % Growth		41.6%	-7.1%	21.2%	3.9%	-6.0%	0.0%

### Revenue Source Summary:

Revenue derived from fines, forfeitures and penalties is collected primarily through the efforts of the Violations Bureau within the Judicial Department. These funds statutorily accrue to the state's General Fund as undedicated revenue. There are some instances where fines, forfeitures and penalties are credited to other funds, such as fines from certain traffic infractions against motor carriers credited to the Highway Fund. There are other situations where funds are statutorily dedicated for other specific purposes.

### Revenue Source Forecast Factors and Trends:

The major factors that affect this revenue source are the number of violators being prosecuted by law enforcement, the ability of violators to pay fines and the collection effort implemented by the judicial system. Historically, this revenue source has relied on beefed-up law enforcement, accelerated fine collections and increased fines as ways to generate additional revenue to the General Fund. PL 2005, chapter 12, chapter 457 and chapter 386 required 60 additional aircraft speed details, accelerated fine collection, seat belt enforcement fines and increased fines for assault, driving to endanger and certain drug offenses, resulting in additional revenues of \$5,258,007 in fiscal year 2005-06, \$6,239,659 in fiscal year 2006-07 and \$3,539,659 in fiscal year 2007-08 and 2008-09. In the first quarter of fiscal year 2005-06, there is a revenue shortfall of \$1.9 million. Approximately \$1.5 million is attributable to conversion problems in a new computer system; the remaining \$400,000 is revenue received during September but accounted for in October.

Legislative Changes:	FY06	FY07	FY08	FY09
60 additional aircraft speed details	\$300,000	\$300,000	\$300,000	\$300,000
Accelerated collection of fines w/Sec. State	\$700,000	\$800,000	\$0	\$0
Accelerated collection of overdue fines	\$1,100,000	\$1,900,000	\$0	\$0
Fill vacant positions to generate add. Rev.	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Increased fines for assault	\$593,154	\$593,154	\$593,154	\$593,154
Increased fines for driving to endanger	\$43,970	\$43,970	\$43,970	\$43,970
Increased fines for Drug Offenses	\$898,178	\$979,830	\$979,830	\$979,830
Seat belt enforcement fines	\$122,705	\$122,705	\$122,705	\$122,705
<b>Total</b>	<b>\$5,258,007</b>	<b>\$6,239,659</b>	<b>\$3,539,659</b>	<b>\$3,539,659</b>

### Forecast Recommended Changes:

No change is recommended at this time.

### General Fund - Targeted Case Management (HHS)

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$33,235,104	\$34,762,095	\$34,518,055	\$34,907,681	\$35,115,597	\$35,578,738	\$36,051,143
Annual % Growth		4.6%	-0.7%	1.1%	0.6%	1.3%	1.3%
Net Increase (Decrease)				\$0	\$155,445	\$208,134	\$210,913
Revised Forecast	\$33,235,104	\$34,762,095	\$34,518,055	\$34,907,681	\$35,271,042	\$35,786,872	\$36,262,056
Annual % Growth		4.6%	-0.7%	1.1%	1.0%	1.5%	1.3%

#### Revenue Source Summary:

This revenue source is Medicaid reimbursement for case management services provided by the Bureau of Elder and Adult Services, the Bureau of Child and Family Services, and the Bureau of Health within the Department of Health and Human Services. It also includes reimbursement for services provided by adult mental health caseworkers and case management for persons with mental retardation.

#### Revenue Source Forecast Factors and Trends:

Major factors include: the volume and timeliness of claims submitted and paid by Medicaid for these services; the rates billed and allowable for these services, and the prevailing federal match rate for these services. Ongoing implementation issues with the new Medicaid claims processing system (MECMS) has resulted in a delay in the payment of all Medicaid claims including these for Targeted Case Management Services (i.e., services provided). Estimates for the forecast period assume these issues will be resolved and that 12 months of claims will be paid each year.

#### Forecast Recommended Changes:

Notwithstanding the delay in billing resulting from the MECMS implementation problems, the forecast assumes revenue from this source will meet budgeted levels for 2006 and beyond. Any further delay in billing for these services could jeopardize this assumption. The forecast does not reflect the impact of a TCM audit being conducted by the federal Department of Health and Human Services, Office of the Inspector General (OIG) that may result in a disallowance of prior year MaineCare TCM funding and a reduction in TCM rates/revenues for the forecast period. The forecast also reflects where applicable the impact of the soon to be released new Federal Medical Assistance Percentage (FMAP) for federal fiscal year 2007.

## General Fund - HHS Services Rendered

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$4,774,087	\$8,892,183	\$7,210,878	\$5,170,048	\$4,834,179	\$4,834,179	\$4,834,179
Annual % Growth		86.3%	-18.9%	-28.3%	-6.5%	0.0%	0.0%
Net Increase (Decrease)				\$475,617	\$5,392	\$7,126	\$0
Revised Forecast	\$4,774,087	\$8,892,183	\$7,210,878	\$5,645,665	\$4,839,571	\$4,841,305	\$4,834,179
Annual % Growth		86.3%	-18.9%	-21.7%	-14.3%	0.0%	-0.1%

### Revenue Source Summary:

This revenue category includes reimbursement for services provided within several DHHS programs, the vast majority of these revenue comes from Medicaid billings. These revenues have historically included reimbursement for room and board at the Aroostook Residential Center, an ICF/MR facility in Presque Isle, reimbursement for residents' day programming at the Center, reimbursement for room and board at Freeport Towne Square and the Pineland Center. These revenues also include reimbursement for day habilitation provided at FTS for residents of FTS and Medicaid reimbursement for day habilitation services provided by Freeport Towne Square to people who do not reside there, revenue generated by the Elizabeth Levinson Center from the School Nutrition Program through the Department of Education and reimbursement for room and board at the Elizabeth Levinson Center, an ICF/MR facility in Bangor. Medicaid reimbursement for the administrative costs associated with the portion of the department's operations that involve the Medicaid program. The vast majority of this revenue is based on the 50% administrative match rate and represents the federal Medicaid program's "share" of these costs, based on an approved cost allocation plan.

### Revenue Source Forecast Factors and Trends:

Major factors include: the volume and timeliness of claims submitted and paid by Medicaid for these services; the rates billed and allowable for these services, and the prevailing federal match rate for these services. Ongoing implementation issues with the new Medicaid claims processing system has resulted in a delay in the payment of all Medicaid claims including these services. Consistent with the enacted closure and sale of the Freeport Towne Square facility (PL 2005, c.457, Pt. NN), the estimates for the forecast period assumes revenue from the Freeport Towne Square source (2629) will be reduced and then eliminated for 2007 and beyond.

### Forecast Recommended Changes:

Reflects additional revenue in 2006 resulting from a delay in the transition of the Freeport Towne Square to a private provider. Also reflects additional revenue collected in 2006 for "back-billing" for the Aroostook Residential Center. The forecast also reflects where applicable the impact of the soon to be released new Federal Medical Assistance Percentage (FMAP) for federal fiscal year 2007.

## General Fund - State Cost Allocation Program (STACAP)

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$10,986,971	\$10,438,262	\$12,891,574	\$9,537,222	\$9,721,512	\$9,721,512	\$9,721,512
Annual % Growth		-5.0%	23.5%	-26.0%	1.9%	0.0%	0.0%
Net Increase (Decrease)				\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Revised Forecast	\$10,986,971	\$10,438,262	\$12,891,574	\$10,537,222	\$10,721,512	\$10,721,512	\$10,721,512
Annual % Growth		-5.0%	23.5%	-18.3%	1.7%	0.0%	0.0%

### Revenue Source Summary:

The State Cost Allocation Plan (STACAP) distributes central service overhead costs to all programs within the MFASIS accounting system. Central services are provided by those administrative units that mainly provide services to departments and agencies and not to the general public. Examples of central services include building use and maintenance, equipment use, Capitol Security, accounting, budgeting, accounts payable, payroll, human resources, employee relations, purchasing, auditing, cash management, records storage, etc. The allowable overhead costs are allocated to all applicable agencies and programs and an individual indirect cost rate is calculated for each. The indirect cost rate is assessed against operating expenditures and the assessed amount is transferred monthly to the General Fund. The allocation is based on all fund types but is assessed only on non-General Fund operating expenditures. The assessment is applied to expenditures in most character and object codes. No STACAP charges are applied to expenditures for grants to governments, individuals, private or public agencies, for pensions or workers compensation benefits or for capital equipment or improvements.

### Revenue Source Forecast Factors and Trends:

In FY05, the STACAP revenue category had a substantial positive variance of \$2,199,069 (+20.6%). This positive variance was the result of the following:

- >The expenditure base increased by \$133M
- >The percentage of non-general fund expenditures has increased by 2%
- >And, there has been no negative effect from the carry-forward calculation

Within this category is a reimbursement to the Highway Fund for Highway Fund expenditures that qualify for reimbursement as central administrative costs. The budgeted revenue is based on Highway Fund allocations to the Building and Grounds Operations program within the Department of Administrative and Financial Services.

### Forecast Recommended Changes:

Due to the uncertainty of both future expenditures and the effect of the carry-forward calculation, the Committee recommends that the projections of the annual transfer amounts in this category be increased by \$1,000,000. This includes an adjustment based on changes in Highway Fund allocations to the Building and Grounds Operations program. An equal offsetting reduction is made to Highway Fund revenue (see Highway Fund - Other Revenue).

## General Fund - Unclaimed Property Transfer

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$8,180,260	\$16,763,948	\$10,000,000	\$9,550,000	\$13,678,320	\$22,835,500	\$25,210,825
Annual % Growth		104.9%	-40.3%	-4.5%	43.2%	66.9%	10.4%
Net Increase (Decrease)				\$0	\$0	\$0	\$0
Revised Forecast	\$8,180,260	\$16,763,948	\$10,000,000	\$9,550,000	\$13,678,320	\$22,835,500	\$25,210,825
Annual % Growth		104.9%	-40.3%	-4.5%	43.2%	66.9%	10.4%

### Revenue Source Summary:

This revenue source reflects an annual transfer to the General Fund from the Unclaimed Property Fund pursuant to 33 MRSA section 1964. The Office of the Treasurer of State must transfer any funds in excess of \$500,000 to the General Fund from the Unclaimed Property Fund at the end of each year. The Unclaimed Property Fund receives money and other assets under the Uniform Unclaimed Property Act from entities who cannot locate the owners. After distributing proceeds to found owners through the Treasurer's search and outreach efforts, remaining unclaimed property, including proceeds from any sale of assets, becomes available for transfer to the General

### Revenue Source Forecast Factors and Trends:

The core amount of unclaimed property transferred to the General Fund annually seems to be approximately \$7,000,000. Recent legislative initiatives have added to that core amount. The 122nd Legislature, based on the Treasurer of State's recommendations, changed the period of abandonment and liquidating assets as ways to generate additional revenue to the General Fund. PL 2005, chapter 12, Part GG reduced the period for the presumption of abandonment of gift obligations from 3 to 2 years and added store value cards to the unclaimed property laws. The legislation also authorized the sale of unclaimed shares of stock. The effect of these changes is summarized

Legislative Changes:	FY06	FY07	FY08	FY09
Gift Cards/Stored-value Cards	\$0	\$5,728,320	\$15,835,500	\$18,210,825
Liquidate Shares of Stock	\$2,550,000	\$950,000	\$0	\$0

### Forecast Recommended Changes:

At this time, the Committee sees no reason to change the projections for this annual transfer.

## Tourism Transfer

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$0	(\$7,213,282)	(\$7,554,190)	(\$7,936,013)	(\$8,446,366)	(\$8,833,189)	(\$9,262,985)
Annual % Growth		N/A	4.7%	5.1%	6.4%	4.6%	4.9%
Net Increase (Decrease)				\$173,324	\$208,605	\$157,469	\$117,078
Revised Forecast	\$0	(\$7,213,282)	(\$7,554,190)	(\$7,762,689)	(\$8,237,761)	(\$8,675,720)	(\$9,145,907)
Annual % Growth		N/A	4.7%	2.8%	6.1%	5.3%	5.4%

### Revenue Source Summary:

The amounts above reflect transfers to the Tourism Marketing Promotion Fund within the Department of Economic and Community Development, Office of Tourism. Beginning July 1, 2003 and every July 1st thereafter, the State Controller transfers to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the 7% tax imposed on tangible personal property and taxable services pursuant to Title 36, section 1811, for the first 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund as described by Title 30-A, section 5681, subsection 5. Beginning on October 1, 2003 and every October 1st thereafter, the State Controller transfers to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the 7% tax imposed on tangible personal property and taxable services pursuant to Title 36, section 1811, for the last 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund. The tax amount may not consider any accruals.

The amount transferred from General Fund sales and use tax revenues does not affect the calculation for the transfer to the Local Government Fund.

### Revenue Source Forecast Factors and Trends:

This transfer is driven by the revenue forecast of the meals and lodging. Given the detail available for the 7% tax portion of the Sales and Use Tax, the Sales Tax model is targeted for this category.

Legislative Changes	FY06	FY07	FY08	FY09
Casual rental of living quarters	\$0	(\$183,598)	(\$224,875)	(\$294,905)

### Forecast Recommended Changes:

The FY06 recommended change is based on actual data from FY05 that is transferred in FY06. The remaining upward recommendations reflect the adjustments forecast by the sales tax model.

## General Fund - Clean Elections Fund Transfer

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	(\$2,302,904)	(\$2,247,659)	(\$2,232,650)	(\$4,250,000)	(\$250,000)	(\$2,250,000)	(\$2,250,000)
Annual % Growth		-2.4%	-0.7%	90.4%	-94.1%	800.0%	0.0%
Net Increase (Decrease)				\$0	\$0	\$0	\$0
Revised Forecast	(\$2,302,904)	(\$2,247,659)	(\$2,232,650)	(\$4,250,000)	(\$250,000)	(\$2,250,000)	(\$2,250,000)
Annual % Growth				90.4%	-94.1%	800.0%	0.0%

### Revenue Source Summary:

The Maine Clean Election Fund is established to finance the election campaigns of certified Maine Clean Election Act candidates running for Governor, State Senator and State Representative and to pay administrative and enforcement costs of the Commission on Governmental Ethics and Election Practices. Under the provisions of current law (21-A MRSA § 1124), two million dollars of General Fund tax revenue must be transferred to the fund by the State Controller on or before January 1st of each year, beginning January 1, 1999. In addition, a tax checkoff program allows residents of the State to designate whether they want \$3 to be paid into the Clean Elections Fund from their tax return.

### Revenue Source Forecast Factors and Trends:

In recent years, because of significant budget shortfalls, the Legislature has authorized a number of transfers from the Clean Elections Fund to the General Fund; these transfers have depleted the resources of the Clean Elections Fund to the point where adequate funding has not existed for projected costs of certified Clean Election candidates. To help address the shortfall of funds experienced by the Clean Elections Fund, current law (21-A MRSA § 1124) allows the commission to ask for certain advances of the annual \$2,000,000 transfer from General Fund revenue. The current schedule of allowable advances is as follows:

- up to \$2,000,000 of the amount that would be received for 2007 may be transferred no later than February 28, 2006; and
- up to \$2,000,000 of the amount that would be received for 2008 may be transferred no later than July 31, 2006.

Currently, the budgeted transfer amounts from the General Fund to the Clean Election Fund reflect the commission's assessment that the first allowable advance will need to be utilized to fund the costs of the statewide general election in November of 2006: (\$4,250,000) in fiscal year 2005-06, (\$250,000) in fiscal year 2006-07 and (\$2,250,000) in each of fiscal years 2007-08 and 2008-09. According to the Executive Director of the Maine Commission on Governmental Ethics and Election Practices, there is a chance that the commission may need a portion of the second allowable advance if there are more than 3 certified Clean Election gubernatorial candidates for the 2006 general election; however, the final number of candidates and the need to utilize a portion of the second allowable advance will not be known until after January 1, 2006. Absent the possible use of a portion of the second allowable advance, any additional transfers of General Fund revenue to the Maine Clean Election Fund would require legislative approval.

### Forecast Recommended Changes:

No changes are recommended for this revenue category.



## General Fund - Other Miscellaneous

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$27,007,764	\$46,790,827	\$36,659,221	\$36,074,705	\$33,703,203	\$13,136,600	\$7,077,202
Annual % Growth		73.2%	-21.7%	-1.6%	-6.6%	-61.0%	-46.1%
Net Increase (Decrease)				(\$3,228,936)	(\$3,029,023)	(\$2,955,415)	(\$2,962,359)
Revised Forecast	\$27,007,764	\$46,790,827	\$36,659,221	\$32,845,769	\$30,674,180	\$10,181,185	\$4,114,843
Annual % Growth		73.2%	-21.7%	-10.4%	-6.6%	-66.8%	-59.6%

### Revenue Source Summary:

This group reflects all the other General Fund revenue sources collected by the various departments and agencies that are not otherwise classified in this report.

### Summary of Revenue Adjustments

Presented below are the adjustments made to the various revenue sources in this category with a brief description of the reason for the

Admin and Financial Services - Office of State Controller - Revenue from Cities and Towns (2451)				
	FY06	FY07	FY08	FY09
	(\$2,695,750)	(\$2,763,144)	(\$2,763,144)	(\$2,763,144)
This adjustment reflects the writing off of the intergovernmental transfers for the Mayo and Cary Hospitals. Federal Government would not approve reimbursement of these intergovernmental transfers.				

Admin and Financial Services - Maine Revenue Services - Aeronautical Fuel Tax				
	FY06	FY07	FY08	FY09
	(\$110,729)	\$0	\$0	\$0
Adjusts revenue in FY06 to correct the transferred amounts in PL 2005, c. 457, Part GGG, which did not take into account the June 2005 RFC revision to the Aeronautical Fuel Tax.				

Admin and Financial Services - Maine Revenue Services - Hospital Excise Tax				
	FY06	FY07	FY08	FY09
	(\$241,080)	\$0	\$0	\$0
Eliminates budgeted revenue related to an offer in compromise that has been settled so that no additional revenue will be generated for this repealed tax.				

**Conservation - Land Use Regulation Commission - Miscellaneous Services and Fees (2637)**

<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
(\$175,163)	(\$177,889)	(\$183,092)	(\$189,992)

This change corrects the classification of a legislative change in PL 2005, c. 12, Part U. The revenue increase in this section should have been included in Property Tax - Unorganized Territory rather than under Miscellaneous Services and Fees under the Maine Land Use Regulation Commission. An equal offsetting adjustment has been made in Property Tax - Unorganized Territory.

**Corrections - Maine State Prison - Service Fees for Federal Prisoners (2296)**

<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
(\$182,843)	(\$182,843)	(\$182,843)	(\$182,843)

This adjustment revised downward the estimate of the number of prisoner increased in PL 2005, c. 673.

**Inland Fisheries & Wildlife - Administrative Services - IF&W - Rent of Buildings (2602)**

<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)

This change reflects the elimination of budgeted revenue in a line in which no revenue has been collected in recent years.

**Inland Fisheries & Wildlife - Administrative Services - IF&W - Sale of Maps (2657)**

<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)

This change reflects the elimination of budgeted revenue in a line in which no revenue has been collected in recent years.

**Inland Fisheries & Wildlife - Administrative Services - IF&W - Sale of Mailing Lists (2669)**

<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)

This adjustment reflects a downward trend in the collection of revenue from the sale of maps.

**Inland Fisheries & Wildlife - Administrative Services - IF&W - Services & Fees Charged to Other Departments (2691)**

<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)

This change reflects the elimination of budgeted revenue in a line in which no revenue has been collected in recent years.

**Inland Fisheries and Wildlife - Gas Tax (0321)**

<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
\$629	(\$3,147)	(\$2,336)	(\$2,380)

Adjusts the General Fund share of the Gas Tax based on the Highway Fund Gas Tax projection changes.

**Public Safety - State Police - Sale of Autos (2821)**

<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
\$0	(\$78,000)	\$0	\$0

This adjustment reflects the intent of the State Police to use current vehicles for a longer period than originally anticipated, thereby decreasing the number of patrol vehicles that will be available for sale in FY07.

**Secretary of State - Bureau of Administrative Services & Corporations - Receiving Filing Record Deeds (2630)**

<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
\$150,000	\$150,000	\$150,000	\$150,000

This adjustment reflects the anticipated increase in the number of certain corporate filings.

**Secretary of State - Bureau of Administrative Services & Corporations - Filing Fees (2636)**

<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
\$50,000	\$50,000	\$50,000	\$50,000

This adjustment reflects the anticipated increase in the number of certain corporate filings.

# **Appendix B - Highway Fund**

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# HIGHWAY FUND REVENUE

## REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2005

Source	FY01 Actual	% Chg.	FY02 Actual	% Chg.	FY03 Actual	% Chg.	FY04 Actual	% Chg.	FY05 Actual	% Chg.	FY05 Budget	FY05 Variance	% Variance
Fuel Taxes	182,502,097	4.5%	184,732,999	1.2%	187,901,008	1.7%	212,600,843	13.1%	220,484,728	3.7%	220,838,729	(354,001)	-0.2%
Motor Vehicle Registration & Fees	76,317,758	3.0%	83,285,014	9.1%	83,032,421	-0.3%	82,577,755	-0.5%	84,645,422	2.5%	81,378,234	3,267,188	4.0%
Inspection Fees	2,491,237	-5.1%	3,412,662	37.0%	4,169,773	22.2%	4,708,196	12.9%	4,260,059	-9.5%	4,281,459	(21,400)	-0.5%
Fines, Forfeits and Penalties	2,097,609	-2.2%	1,958,350	-6.6%	2,531,692	29.3%	1,918,703	-24.2%	1,518,580	-20.9%	1,890,359	(371,779)	-19.7%
Income from Investments	4,241,955	6.1%	2,857,209	-32.6%	1,338,794	-53.1%	720,046	-46.2%	1,440,739	100.1%	1,059,903	380,836	35.9%
Other Revenues	5,467,245	1.6%	5,737,781	4.9%	9,272,396	61.6%	9,502,442	2.5%	13,728,627	44.5%	13,817,473	(88,846)	-0.6%
Total - Highway Fund Revenue	273,117,902	3.9%	281,984,017	3.2%	288,246,084	2.2%	312,027,986	8.3%	326,078,155	4.5%	323,266,157	2,811,998	0.9%

Updated: 11/29/2005

# HIGHWAY FUND REVENUE

## REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2005

Source	FY06 Budget	% Chg.	Recom. Chg.	FY06 Revised	% Chg.	FY07 Budget	% Chg.	Recom. Chg.	FY07 Revised	% Chg.
Fuel Taxes	228,958,605	3.8%	1,964,108	230,922,713	4.7%	236,991,965	3.5%	(2,036,676)	234,955,289	1.7%
Motor Vehicle Registration & Fees	83,090,358	-1.8%	4,082,000	87,172,358	3.0%	84,296,117	1.5%	4,082,000	88,378,117	1.4%
Inspection Fees	4,397,970	3.2%	0	4,397,970	3.2%	4,414,756	0.4%	0	4,414,756	0.4%
Fines, Forfeits and Penalties	1,973,665	30.0%	0	1,973,665	30.0%	2,018,239	2.3%	0	2,018,239	2.3%
Income from Investments	1,556,478	8.0%	43,522	1,600,000	11.1%	1,556,478	0.0%	243,522	1,800,000	12.5%
Other Revenues	9,362,596	-31.8%	(76,423)	9,286,173	-32.4%	9,647,864	3.0%	(214,533)	9,433,331	1.6%
Total - Highway Fund Revenue	329,339,672	1.0%	6,013,207	335,352,879	2.8%	338,925,419	2.9%	2,074,313	340,999,732	1.7%
Change in Biennial Totals								8,087,520		

Updated: 11/29/2005



# HIGHWAY FUND REVENUE

## REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2005

Source	FY08 Projection	% Chg.	Recom. Chg.	FY08 Revised	% Chg.	FY09 Projection	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Fuel Taxes	245,649,370	3.7%	(3,244,611)	242,404,759	3.2%	254,665,934	3.7%	(5,570,799)	249,095,135	2.8%
Motor Vehicle Registration & Fees	84,123,259	-0.2%	2,082,000	86,205,259	-2.5%	84,254,347	0.2%	2,082,000	86,336,347	0.2%
Inspection Fees	4,468,458	1.2%	0	4,468,458	1.2%	4,524,821	1.3%	0	4,524,821	1.3%
Fines, Forfeits and Penalties	2,018,239	0.0%	0	2,018,239	0.0%	2,018,239	0.0%	0	2,018,239	0.0%
Income from Investments	1,556,478	0.0%	243,522	1,800,000	0.0%	1,556,478	0.0%	243,522	1,800,000	0.0%
Other Revenues	9,713,716	0.7%	(92,533)	9,621,183	2.0%	9,780,006	0.7%	(92,533)	9,687,473	0.7%
Total - Highway Fund Revenue	347,529,520	2.5%	(1,011,622)	346,517,898	1.6%	356,799,825	2.7%	(3,337,810)	353,462,015	2.0%
Change in Biennial Totals								(4,349,432)		

Updated: 11/29/2005

## Highway Fund - Fuel Taxes

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$187,901,008	\$212,600,843	\$220,484,728	\$228,958,605	\$236,991,965	\$245,649,370	\$254,665,934
Annual % Growth		13.1%	3.7%	3.8%	3.5%	3.7%	3.7%
Net Increase (Decrease)				\$1,964,108	(\$2,036,676)	(\$3,244,611)	(\$5,570,799)
Revised Forecast	\$187,901,008	\$212,600,843	\$220,484,728	\$230,922,713	\$234,955,289	\$242,404,759	\$249,095,135
Annual % Growth		13.1%	3.7%	4.7%	1.7%	3.2%	2.8%

### Revenue Source Summary:

An excise tax is imposed upon internal combustion engine fuel sold or used within this State. Beginning July 1, 2003, the rate is indexed annually for inflation. Refund of the gasoline tax paid (less 1¢ per gallon) is provided for fuel used in commercial motor boats, tractors used for agricultural purposes, vehicles used on rail and tracks or in stationary engines or in mechanical or industrial arts. Fuel used for these purposes is subject to the 5% use tax if the gasoline tax is refunded. Full refund is provided for certain common carrier passenger service vehicles.

### Revenue Source Forecast Factors and Trends:

The collection of budgeted fuel taxes is somewhat dependent on a fairly strong economy and reasonable retail prices for gasoline. In recent years, fuel taxes were over budget by \$2.1 million in FY 04 and under budget by \$0.4 million in FY 05. The impact of the hurricane-related upsurge in gasoline prices during the fall of 2005 has not yet been fully determined. As of September, year-to-date revenue in this category was under budget by \$1.2 million.

Legislative Changes:	FY06	FY07	FY08	FY09
Gas Tax Exemption for State Employees	\$ (602,708)	\$ (803,612)	\$ (833,346)	\$ (864,179)
Dedicate Portion of Gas Tax to Star Transportation Fund	\$ (100,000)	\$ (100,000)	\$ (100,000)	\$ (100,000)
<b>Total</b>	<b>\$ (702,708)</b>	<b>\$ (903,612)</b>	<b>\$ (933,346)</b>	<b>\$ (964,179)</b>

### Forecast Recommended Changes:

In its October 2005 report, the Consensus Economic Forecasting Commission increased its CPI estimates. These have affected the projections for tax rates as indicated below. Despite the increase in rates from the changes in CPI assumptions, the targeting of the model to adjust for the lower base actual collections (the Gas Tax portion was under budget in FY05 by \$2,888,547 and overall FY05 collections in this category came in \$354,001 (0.2%) under budget) and adding oil prices to the model more than offset the increase from rates. The FY06 model forecast for gasoline tax revenue was adjusted upward by \$3.6 million to account for unanticipated audit revenue that is expected later this fiscal year.

Actual and Projected Tax Rates							
	7/1/2002 Act.	7/1/2003 Act.	7/1/2004 Act.	7/1/2005 Act.	7/1/2006	7/1/2007	7/1/2008
<b>Gasoline Tax</b>							
Current Forecast	\$0.220	\$0.246	\$0.252	\$0.259	\$0.264	\$0.269	\$0.275
Revised Forecast					<b>\$0.267</b>	<b>\$0.274</b>	<b>\$0.281</b>
<b>Special Fuel Tax</b>							
Current Forecast	\$0.230	\$0.257	\$0.263	\$0.270	\$0.276	\$0.281	\$0.287
Revised Forecast					<b>\$0.279</b>	<b>\$0.287</b>	<b>\$0.294</b>

## Highway Fund - Motor Vehicle Registration and Fees

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$83,032,421	\$82,577,755	\$84,645,422	\$83,090,358	\$84,296,117	\$84,123,259	\$84,254,347
Annual % Growth		-0.5%	2.5%	-1.8%	1.5%	-0.2%	0.2%
Net Increase (Decrease)				\$4,082,000	\$4,082,000	\$2,082,000	\$2,082,000
Revised Forecast	\$83,032,421	\$82,577,755	\$84,645,422	\$87,172,358	\$88,378,117	\$86,205,259	\$86,336,347
Annual % Growth		-0.5%	2.5%	3.0%	1.4%	-2.5%	0.2%

### Revenue Source Summary:

The Secretary of State oversees the administration of the various motor vehicle registrations and operator's licenses. All fees collected by the Secretary of State from motor vehicle registration and operator's license accrue to the Highway Fund, except that a portion of the fees and contributions collected for Conservation plates, lobster plates, Black Bear plates and University of Maine System plates accrue as dedicated revenue to be used for special purposes and a portion of excise taxes on nonresident fees accrues to the General Fund.

### Revenue Source Forecast Factors and Trends:

The collection of budgeted motor vehicle registrations and fee revenue assumes a relatively predictable pattern of the applicable sales and use of the revenue sources in this category. The largest element within this revenue category is Registration - Motor Vehicles (RSC # 1501) which is comprised of registrations for commercial vehicles, long-term trailers, passenger vehicles, trailers and decal stamps. Most recently, collections for RSC 1501 has been over budgeted numbers of \$58,843,542 in FY 04 and \$60,711,119 in FY 05 by \$2,376,345 and \$1,978,001, respectively. Currently budgeted totals for RSC 1501 are \$58,864,032, \$59,430,843, \$59,727,973 and \$60,026,589 in FY 06, FY 07, FY 08 and FY 09, respectively. Other major revenue source codes that have been consistently over budget in recent years include License Restoration Fees (RSC #1503), Title Law (RSC #1504) Initial Plate Fees (RSC #1505) and Registration Plate Equipment and Production program (RSC #1520).

Overall, actual revenue from Motor Vehicle Registration and Fees has exceeded budgeted amounts in recent years as follows:

	Budgeted	Actual	Variance	% Variance
FY04	\$79,605,062	\$82,577,755	\$2,972,693	3.7%
FY05	\$81,378,234	\$84,645,422	\$3,267,188	4.0%

### Forecast Recommended Changes:

The following annual increases are recommended for the current forecast period:

- Motor Vehicle Registrations (RSC 1501) - \$3,500,000 in FY06 and FY07, but \$1,500,000 in FY08 and FY09;
- Title Law (RSC 1504) - \$421,000; and
- Initial Plate Fees (RSC 1505) - \$161,000.

The reduction in FY08 and FY09 represents the potential effect of competition on the revenue from certain commercial vehicle and trailer fees.

## Highway Fund - Inspection Fees

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$4,169,773	\$4,708,196	\$4,260,059	\$4,397,970	\$4,414,756	\$4,468,458	\$4,524,821
Annual % Growth		12.9%	-9.5%	3.2%	0.4%	1.2%	1.3%
Net Increase (Decrease)				\$0	\$0	\$0	\$0
Revised Forecast	\$4,169,773	\$4,708,196	\$4,260,059	\$4,397,970	\$4,414,756	\$4,468,458	\$4,524,821
Annual % Growth		12.9%	-9.5%	3.2%	0.4%	1.2%	1.3%

### Revenue Source Summary:

Motor Vehicle Inspection fees are collected for the Highway Fund by the Department of Public Safety and are comprised primarily of the State's share of the various inspection and licensing fees that are charged for the motor vehicle inspection process.

### Revenue Source Forecast Factors and Trends:

Variances in the collection of budgeted revenue from motor vehicle inspection fees are usually tied to timing issues relating to the collection and recording of this revenue. The delay in the timely collection and recording of motor vehicle inspection revenue frequently occurs on a monthly basis and can thus extend from the end of one fiscal year to the beginning of the next.

Most recently, the collection of motor vehicle inspection fee revenue has often reflected the adverse effects of the timing issue:

	Budgeted	Actual	Variance
FY 2002-03	\$3,683,907	\$4,169,773	\$485,866
FY 2003-04	\$3,461,771	\$4,708,196	\$1,246,425
FY 2004-05	\$4,281,459	\$4,260,059	(\$21,400)

### Forecast Recommended Changes:

No changes are recommended for this revenue category.

## Highway Fund - Fines, Forfeits and Penalties

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$2,531,692	\$1,918,703	\$1,518,620	\$1,973,665	\$2,018,239	\$2,018,239	\$2,018,239
Annual % Growth		-24.2%	-20.9%	30.0%	2.3%	0.0%	0.0%
Net Increase (Decrease)				\$0	\$0	\$0	\$0
Revised Forecast	\$2,531,692	\$1,918,703	\$1,518,620	\$1,973,665	\$2,018,239	\$2,018,239	\$2,018,239
Annual % Growth		-24.2%	-20.9%	30.0%	2.3%	0.0%	0.0%

### Revenue Source Summary:

This revenue category includes revenue, collected primarily by the Judicial System for the Highway Fund, related to fines and penalties emanating from certain traffic infractions.

### Revenue Source Forecast Factors and Trends:

To some extent, variations in the collection of fine revenue for the Highway Fund are subject to timing issues as to when the revenue is collected and recorded. According to the Judicial Department, a concerted effort is being undertaken at the present time within the department to "catch-up" with revenue that has been collected but not properly recorded. Recent revenue collections have mostly been lower than budgeted amounts:

	Budgeted	Actual	Variance
FY 2003-04	\$2,122,901	\$1,917,903	(\$204,998)
FY 2004-05	\$1,890,359	\$1,518,620	(\$371,739)
FY 2005-06 1st Qt	\$437,684	\$504,750	\$67,066

### Forecast Recommended Changes:

No changes are recommended for this revenue category.

## Highway Fund - Income From Investments

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$1,338,794	\$720,046	\$1,440,739	\$1,556,478	\$1,556,478	\$1,556,478	\$1,556,478
Annual % Growth		-46.2%	100.1%	8.0%	0.0%	0.0%	0.0%
Net Increase (Decrease)				\$43,522	\$243,522	\$243,522	\$243,522
Revised Forecast	\$1,338,794	\$720,046	\$1,440,739	\$1,600,000	\$1,800,000	\$1,800,000	\$1,800,000
Annual % Growth		-46.2%	100.1%	11.1%	12.5%	0.0%	0.0%

### Revenue Source Summary:

Pursuant to 5 MRSA section 135, the Treasurer of State invests excess money in the state treasury that is not needed to meet current obligations. The Treasurer of State is authorized to invest these funds in bonds, notes, certificates of indebtedness or other obligations specified in statute. Earnings on investment of Highway Fund balances are credited back to the Highway Fund.

### Revenue Source Forecast Factors and Trends:

The major factors that affect earnings are the rates of return on investments and the balances of cash available for investment. These factors are heavily influenced by the economy, the budget and the Treasurer's investment policies.

**Economy** - Interest rates have been near historic lows for several years as the Federal Reserve Board has initiated and maintained a loose monetary policy to help foster economic growth and recovery. Slow economic recovery has limited revenue growth. These trends reduced earnings early in this decade. FY 05 saw interest rates rise as the Feds tightened the money supply, helping to improve earnings. Economy.com predicts rates peaking in calendar 2006.

**Budget** - Highway Fund balances normally carried forward have been partially used to fund expenditures in recent years. The recommended estimates are based on a further erosion of those balances down to an yearly average of \$40,000,000 in available balances invested.

**Investment Policy** - The Treasurer's investment policy (type of investment vehicle purchased, liquidity to meet daily needs, selection criteria for specific investments, etc.) affects the rate of return on the pool. No change in policy is expected.

### Forecast Recommended Changes:

Based on assumptions for balances and earnings rates, the estimates for earnings have been revised upward for each year.

Assumptions							
	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
<b>Balances</b>							
Current Forecast	\$63,307,527	\$53,718,303	\$57,959,816	\$38,900,000	\$38,900,000	\$38,900,000	\$38,900,000
Revised Forecast				\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000
<b>Pool Earnings Rate</b>							
Current Forecast	2.06%	1.32%	2.39%	4.00%	4.00%	4.00%	4.00%
Revised Forecast				4.00%	4.50%	4.50%	4.50%

## Highway Fund - Other Revenue

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$9,272,396	\$9,502,442	\$13,817,473	\$9,362,596	\$9,647,864	\$9,713,716	\$9,780,006
Annual % Growth		2.5%	45.4%	-32.2%	3.0%	0.7%	0.7%
Net Increase (Decrease)				(\$76,423)	(\$214,533)	(\$92,533)	(\$92,533)
Revised Forecast	\$9,272,396	\$9,502,442	\$13,817,473	\$9,286,173	\$9,433,331	\$9,621,183	\$9,687,473
Annual % Growth		2.5%	45.4%	-32.8%	1.6%	2.0%	0.7%

### Revenue Source Summary:

The Other Revenue category is comprised of miscellaneous revenue collected by the Departments of Transportation, Secretary of State, Public Safety and Administrative and Financial Services. Major revenue sources within this category are shown in the table below:

<u>Revenue Source</u>	<u>Department</u>	<u>Revenue Source Code</u>
Reimbursements from the Maine Turnpike Authority	Public Safety	2693
Sale of Autos	Public Safety	2821
Recovered Cost	Public Safety	2690
Highway Fund StaCap Reimbursement	DAFS	2737
Miscellaneous Services & Fees	Sec of State	2637
Services and Fees Charged to Other Departments	Sec of State	2691
Contributions From Other Special Revenue	Sec of State	2719

### Revenue Source Forecast Factors and Trends:

For the most part, revenue trends in this category are based simply on previous experience and are not tied to overall economic factors. The comparatively large amount of revenue collected in this category for FY05 is due to the one-time payment of \$5,000,000 from the Maine Turnpike Authority to the Highway Fund for the purchase of the Payne River Bridge. Most recently, revenue for the 1st quarter of FY06 is \$337,107 over budget.

### Forecast Recommended Changes:

On a one-time basis, it is recommended that revenue from the Sale of Autos (RSC 2821) be decreased by \$122,000 in fiscal year 2006-07. This adjustment reflects the intent of the State Police to use current vehicles for a longer period than originally anticipated, thereby decreasing the number of patrol vehicles that will be available for sale in fiscal year 2006-07.

The amount of the Highway Fund STA-CAP reimbursement is being adjusted to reflect changes in Highway Fund allocations upon which budgeted revenues are based.





# **Appendix C - Fund for a Healthy Maine**

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**FUND FOR A HEALTHY MAINE REVENUE  
(TOBACCO SETTLEMENT REVENUE)  
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2005**

Source	FY00 Actual	FY01 Actual	% Chg.	FY02 Actual	% Chg.	FY03 Actual *	% Chg.	FY04 Actual	% Chg.	FY05 Actual	% Chg.	FY05 Budget	FY05 Variance	% Variance
Initial Payments	35,541,456	16,839,539	-52.6%	16,236,644	-3.6%	16,458,172	1.4%	0	-100.0%	0	0.0%	0	0	0.0%
Base Payments	27,422,283	30,926,515	12.8%	40,055,643	29.5%	39,348,861	-1.8%	48,952,964	24.4%	49,033,349	0.2%	48,491,906	541,443	1.1%
Attorney General Reimbursements	212,904	53,226	-75.0%	25,475	-52.1%	0	-100.0%	0	0.0%	0	0.0%	0	0	0.0%
Racino Revenue **	0	0	0.0%	0	0.0%	0	0.0%	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%	54,830	-92.0%	91,444	66.8%	45,000	46,444	103.2%
Total - Tobacco Settlement Revenue	64,780,943	51,425,207	-20.6%	57,551,760	11.9%	56,488,789	-1.8%	49,007,794	-13.2%	49,124,793	0.2%	48,536,906	587,887	1.2%

\* 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.

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

Revised: 11/29/2005

**FUND FOR A HEALTHY MAINE REVENUE  
(TOBACCO SETTLEMENT REVENUE)  
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2005**

Source	FY06 Budget	% Chg.	Recom. Chg.	FY06 Revised	% Chg.	FY07 Budget	% Chg.	Recom. Chg.	FY07 Revised	% Chg.
Initial Payments	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%
Base Payments	48,739,525	-0.6%	(7,086,863)	41,652,662	-15.1%	49,485,635	1.5%	(7,720,092)	41,765,543	0.3%
Attorney General Reimbursements	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%
Racino Revenue **	0	0.0%	1,675,960	1,675,960	0.0%	9,893,520	N/A	(7,274,384)	2,619,136	N/A
Income from Investments	45,000	-50.8%	(20,000)	25,000	-72.7%	45,000	0.0%	(20,000)	25,000	0.0%
Total - Tobacco Settlement Revenue	48,784,525	-0.7%	(5,430,903)	43,353,622	-11.7%	59,424,155	21.8%	(15,014,476)	44,409,679	2.4%
Change in Biennial Totals								(20,445,379)		

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

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**FUND FOR A HEALTHY MAINE REVENUE  
(TOBACCO SETTLEMENT REVENUE)  
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2005**

Source	FY08 Forecast		Recom. Chg.	FY08 Revised		FY09 Forecast		Recom. Chg.	FY09 Revised	
		% Chg.			% Chg.		% Chg.			% Chg.
Initial Payments	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%
Base Payments	61,877,959	25.0%	9,943,662	71,821,621	72.0%	62,803,705	1.5%	9,850,203	72,653,908	1.2%
Attorney General Reimbursements	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%
Racino Revenue **	10,091,340	2.0%	(5,453,247)	4,638,093	77.1%	10,293,120	2.0%	(4,557,720)	5,735,400	23.7%
Income from Investments	45,000	0.0%	0	45,000	80.0%	45,000	0.0%	0	45,000	0.0%
Total - Tobacco Settlement Revenue	72,014,299	21.2%	4,490,415	76,504,714	72.3%	73,141,825	1.6%	5,292,483	78,434,308	2.5%
	0								9,782,898	

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

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## Fund for a Healthy Maine - Base Payments

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$39,348,861	\$48,952,964	\$49,033,349	\$48,739,525	\$49,485,635	\$61,877,959	\$62,803,705
Annual % Growth		24.4%	0.2%	-0.6%	1.5%	25.0%	1.5%
Net Increase (Decrease)				(\$7,086,863)	(\$7,720,092)	\$9,943,662	\$9,850,203
Revised Forecast	\$39,348,861	\$48,952,964	\$49,033,349	\$41,652,662	\$41,765,543	\$71,821,621	\$72,653,908
Annual % Growth		24.4%	0.2%	-15.1%	0.3%	72.0%	1.2%

### Revenue Source Summary:

This revenue category within the Fund for a Healthy Maine represents the on-going Tobacco Settlement Payments (TSP) from tobacco manufacturers under the Master Settlement Agreement (MSA). This category does not include the initial payments that were approximately \$16 million per year. Those initial payments were separated out, but are not a factor in the current forecast because they ended in FY03. This category does include the other TSP's including the "Strategic Contribution Payments" that will begin in April, 2008

### Revenue Source Forecast Factors and Trends:

Under the MSA, there are numerous adjustments that affect the annual payment. These include the inflation adjustment and volume adjustments. These adjustments are national and are forecast by the markets. Global Insights uses econometric models to project the TSP's. The most recent model outputs project an increase over the previous forecast, a little over \$1 million per year.

This year the participating manufacturers have entered into significant factor proceedings under the MSA. This year was the first opportunity for the participating manufacturers to enter into these proceeding. The significant factor proceedings review the change in the market share of the participating manufacturers compared to non-participating manufacturers (NPM). As a result of these proceedings, the participating manufacturer will likely withhold a percentage of their TSP's throughout the course of the proceedings.

### Forecast Recommended Changes:

Provided below are the components of the proposed changes to the estimates of the base payments under the MSA for the revenue forecast period. The first change reflects the change in Global Insights' model runs factoring in all the adjustments. The second change reflects the withholding of the contested TSP's from participating manufacturers as a result of the significant factor proceedings. The assumption on these contested payments is that they will be released to Maine after the conclusion of the proceedings. The final change is an adjustment for a payment received that represents a prior year liability under the MSA.

Summary of Recommended Changes	FY06	FY07	FY08	FY09
Change from Economic Modeling	\$1,159,851	\$1,077,446	\$1,146,124	\$1,052,665
Contested NPM Adjustments	(\$8,797,538)	(\$8,797,538)	\$8,797,538	\$8,797,538
Receipt from Prior Year	\$550,824	\$0	\$0	\$0
<b>Total Recommended Changes</b>	<b>(\$7,086,863)</b>	<b>(\$7,720,092)</b>	<b>\$9,943,662</b>	<b>\$9,850,203</b>

### Fund for a Healthy Maine - Racino Revenue

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$0	\$0	\$0	\$0	\$9,893,520	\$10,091,340	\$10,293,120
Annual % Growth		N/A	N/A	N/A	N/A	2.0%	2.0%
Net Increase (Decrease)				\$1,675,960	(\$7,274,384)	(\$5,453,247)	(\$4,557,720)
Revised Forecast	\$0	\$0	\$0	\$1,675,960	\$2,619,136	\$4,638,093	\$5,735,400
Annual % Growth		N/A	N/A	N/A	56.3%	77.1%	23.7%

**Revenue Source Summary:**

This revenue category includes the Fund for a Healthy Maine's share of the gaming revenue from slot machines operated associated with the commercial race track in Bangor. For a more detail description of this source, see the General Fund description under category of "General Fund - Parimutuel and Gaming Revenue." Pursuant to 8 MRSA, §1036, the Fund for a Healthy Maine receives 10% of the "Gross Slot Income."

**Revenue Source Forecast Factors and Trends:**

See description under the General Fund - Parimutuel and Gaming Revenue category.

**Forecast Recommended Changes:**

The changes recommended here reflect an update of the assumptions about the start date of the temporary slot machine facility at the commercial race track at Bangor and the permanent slot machine facility and the total number of machines that will be licensed to operate. Again, see General Fund - Parimutuel and Gaming Revenue for a more complete discussion.

### Fund for a Healthy Maine - Income from Investments

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$681,756	\$54,830	\$91,444	\$45,000	\$45,000	\$45,000	\$45,000
Annual % Growth		-92.0%	66.8%	-50.8%	0.0%	0.0%	0.0%
Net Increase (Decrease)				(\$20,000)	(\$20,000)	\$0	\$0
Revised Forecast	\$681,756	\$54,830	\$91,444	\$25,000	\$25,000	\$45,000	\$45,000
Annual % Growth		-92.0%	66.8%	-72.7%	0.0%	80.0%	0.0%

#### Revenue Source Summary:

This revenue category reflects the cash pool earnings on the balances in the Fund for a Healthy Maine (FHM), the Other Special Revenue account in the Department of Administrative and Financial Services, where tobacco settlement payments (TSP's) are deposited along with the Fund for a Healthy Maine's share of revenue from slot machines operated at commercial race tracks, "Racino" revenue. It does not reflect interest earnings on the balances in the accounts to which Fund for a Healthy Maine resources are transferred for expenditure.

#### Revenue Source Forecast Factors and Trends:

With the ending of the initial payments, which came in December, and the reduction of balances in the Fund for a Healthy Maine, FHM programs have been relying on cash advances from the General Fund pursuant to 22 MRSA §1511, sub-§9 to operate until the TSP's are received in April of each year. The FHM balances available to earn interest in the cash pool have significantly decreased.

#### Forecast Recommended Changes:

Based on the recommendation that the estimates of the TSP's be reduced to reflect a delay in payments, the Income from Investment amounts in FY06 and FY07 have been reduced to reflect a further erosion of the balance in the FHM account in DAFS. No adjustments have been made to FY08 and FY09 based on the assumption that the contested TSP's will be restored.



# **Appendix D**

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

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**MEDICAID/MAINECARE DEDICATED REVENUE TAXES**  
**REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2005**

Source	FY03 Actual	FY04 Actual	% Chg.	FY05 Actual **	% Chg.	FY05 Budget**	FY05 Variance	% Variance
Nursing Facility Tax	22,048,469	30,501,448	38.3%	29,241,327	-4.1%	29,705,745	(464,418)	-1.6%
Residential Treatment Facility (ICFs/MR) Tax	1,565,094	1,617,662	3.4%	1,958,739	21.1%	1,808,886	149,853	8.3%
Hospital Tax *	0	16,383,319	N/A	48,907,135	198.5%	48,210,520	696,615	1.4%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	0	0	N/A	15,430,099	N/A	15,131,785	298,314	2.0%
Total - Health Care Provider Taxes	23,613,563	48,502,429	105.4%	95,537,301	97.0%	94,856,936	680,365	0.7%

\* 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: 11/29/2005

## MEDICAID/MAINECARE DEDICATED REVENUE TAXES

### REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2005

Source	FY06 Budget	% Chg.	Recom. Chg.	FY06 Revised	% Chg.	FY07 Budget	% Chg.	Recom. Chg.	FY07 Revised	% Chg.
Nursing Facility Tax	30,374,124	3.9%	2,025,876	32,400,000	10.8%	31,133,477	2.5%	2,076,523	33,210,000	2.5%
Residential Treatment Facility (ICFs/MR) Tax	1,469,400	-25.0%	535,816	2,005,216	2.4%	1,506,135	2.5%	549,211	2,055,346	2.5%
Hospital Tax *	54,296,200	11.0%	(623,782)	53,672,418	9.7%	55,925,086	3.0%	(105,771)	55,819,315	4.0%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	28,028,818	81.7%	592,637	28,621,455	85.5%	28,450,789	1.5%	607,452	29,058,241	1.5%
Total - Health Care Provider Taxes	114,168,542	19.5%	2,530,547	116,699,089	22.2%	117,015,487	2.5%	3,127,415	120,142,902	3.0%
Change in Biennial Totals						0		\$5,657,962		

\* 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.

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**MEDICAID/MAINECARE DEDICATED REVENUE TAXES**  
**REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2005**

Source	FY08 Forecast	% Chg.	Recom. Chg.	FY08 Revised	% Chg.	FY09 Forecast	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Nursing Facility Tax	31,911,814	2.5%	2,128,436	34,040,250	2.5%	32,709,609	2.5%	2,181,647	34,891,256	2.5%
Residential Treatment Facility (ICFs/MR) Tax	1,543,788	2.5%	562,942	2,106,730	2.5%	1,582,383	2.5%	577,015	2,159,398	2.5%
Hospital Tax *	55,925,086	0.0%	(105,771)	55,819,315	0.0%	55,925,086	0.0%	(105,771)	55,819,315	0.0%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	29,162,059	2.5%	343,889	29,505,947	1.5%	29,891,110	2.5%	73,736	29,964,846	1.6%
Total - Health Care Provider Taxes	118,542,747	1.3%	2,929,495	121,472,242	1.1%	120,108,188	1.3%	2,726,627	122,834,815	1.1%
Change in Biennial Totals								\$5,656,123		

\* 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: 11/29/2005

## Nursing Facility Tax

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$22,048,469	\$30,501,448	\$29,241,327	\$30,374,124	\$31,133,477	\$31,911,814	\$32,709,609
Annual % Growth				3.9%	2.5%	2.5%	2.5%
Net Increase (Decrease)				\$2,025,876	\$2,076,523	\$2,128,436	\$2,181,647
Revised Forecast	\$22,048,469	\$30,501,448	\$29,241,327	\$32,400,000	\$33,210,000	\$34,040,250	\$34,891,256
Annual % Growth				10.8%	2.5%	2.5%	2.5%

### Revenue Source Summary:

Effective July 1, 2001, PL 2001, c. 714, established a new tax on nursing homes equal to 6% of each facility's annual net operating revenue. Nursing home tax revenue accrues to Other Special Revenue funds. The nursing home tax is dedicated to support nursing home and other long-term care programs, with a part of the proceeds of the tax used to replace reductions in General Fund appropriations for these purposes.

### Revenue Source Forecast Factors and Trends:

Given this tax is based on nursing home net operating revenue, the amount of the tax collected is driven primarily by reimbursements from Medicaid, the largest payer for nursing home services, with reimbursements from other payers (i.e., Medicare, private insurance, and self payers) accounting for the remaining revenue. Medicaid reimbursements to these facilities are driven by Medicaid reimbursement rates and the volume of services.

### Forecast Recommended Changes:

The forecast has been updated to reflect actual 2005 revenue and 2006 collections to date.

### Residential Treatment Facility (ICF's/MR) Tax

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$1,565,094	\$1,617,662	\$1,958,739	\$1,469,400	\$1,506,135	\$1,543,788	\$1,582,383
Annual % Growth				-25.0%	2.5%	2.5%	2.5%
Net Increase (Decrease)				\$535,816	\$549,211	\$562,942	\$577,015
Revised Forecast	\$1,565,094	\$1,617,662	\$1,958,739	\$2,005,216	\$2,055,346	\$2,106,730	\$2,159,398
Annual % Growth				2.4%	2.5%	2.5%	2.5%

#### Revenue Source Summary:

Effective July 1, 2001, PL 2001, c. 714, established a new tax on residential treatment facilities (also known as intermediate care facilities for the mentally retarded or ICF's/MR) equal to 6% of each facility's annual gross patient services revenue. Residential treatment facility tax revenue accrues to Other Special Revenue funds and is dedicated for behavioral and developmental services, with a part of the proceeds of the tax used to replace reductions in General Fund appropriations for these services.

#### Revenue Source Forecast Factors and Trends:

Given this tax is based on residential treatment facility gross patient services revenue, the amount of the tax collected is driven by reimbursements from Medicaid, which accounts for almost all of the revenue for these facilities. Medicaid reimbursements to these facilities are driven by Medicaid reimbursement rates and the volume of services.

#### Forecast Recommended Changes:

The forecast has been updated to reflect actual 2005 revenue and 2006 collections to date.

## Hospital Tax

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$0	\$16,383,319	\$48,907,135	\$54,296,200	\$55,925,086	\$55,925,086	\$55,925,086
Annual % Growth				11.0%	3.0%	0.0%	0.0%
Net Increase (Decrease)				(\$623,782)	(\$105,771)	(\$105,771)	(\$105,771)
Revised Forecast	\$0	\$16,383,319	\$48,907,135	\$53,672,418	\$55,819,315	\$55,819,315	\$55,819,315
Annual % Growth				9.7%	4.0%	0.0%	0.0%

### Revenue Source Summary:

For fiscal years beginning on or after July 1, 2003, a hospital tax was imposed equal to .74% of each hospital's annual net operating revenue. For fiscal years beginning on or after July 1, 2004, the hospital tax imposed was increased to 2.23% of each hospital's net operating revenue. While the hospital tax is dedicated to support hospital and other MaineCare programs, a portion of the proceeds replaces reductions in General Fund appropriations for these purposes. This hospital tax was added in PL 2003, c. 513 and amended in PL 2003, c. 673, and is distinct from the hospital assessment repealed in 1998 and the one-time hospital assessment in effect for 2003.

### Revenue Source Forecast Factors and Trends:

The hospital tax rate was increased to 2.23 % for 2005. The tax base was originally fixed after 2005, but PL 2005, c. 12, allowed for growth in the tax base through 2007. The tax base and rate is then fixed thereafter.

### Forecast Recommended Changes:

The forecast has been updated to reflect actual 2005 revenue and 2006 collections to date.



### Service Provider Tax (Dedicated Revenue)

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$15,430,099	\$15,430,099	\$15,430,099	\$28,028,818	\$28,450,789	\$29,162,059	\$29,891,110
Annual % Growth				81.7%	1.5%	2.5%	2.5%
Net Increase (Decrease)				\$592,637	\$607,452	\$343,889	\$73,736
Revised Forecast	\$15,430,099	\$15,430,099	\$15,430,099	\$28,621,455	\$29,058,241	\$29,505,948	\$29,964,846
Annual % Growth				85.5%	1.5%	1.5%	1.6%

#### Revenue Source Summary:

Enacted in PL 2003, c. 673, Part V, effective July 1, 2004, revenue from this tax on private non-medical institution (PNMI) services accrues to Other Special Revenue fund accounts in the Department of Health and Human Services and is used to fund MaineCare services, with a part of the proceeds of the tax used to replace General Fund appropriations for these purposes. (Note: revenue from services subject to this tax that were formerly taxed under the sales and use tax, accrue to the general fund - see general fund description). MaineCare-related services subject to this tax have been expanded to include: community support services (effective 6/29/05), day habilitation services (effective 7/1/05), personal support services (effective 7/1/05) and residential training services (effective 7/1/05).

#### Revenue Source Forecast Factors and Trends:

Revenue from this tax is dependent on the volume of payments in a given year for the services (mostly MaineCare) subject to the tax. The PNMI portion of the tax was first in effect for state fiscal year 2005, with actual revenue reflecting approx. 11 months of collections. The forecast for the PNMI tax is based on a full 12 months of services for state fiscal year 2006 trended forward for future years at 2.5%. The forecast for the other MaineCare-related services added for 2006 is based on enacted amounts that were based on estimated MaineCare service volume.

#### Forecast Recommended Changes:

The forecast for PNMI service provider tax revenue has been updated to reflect actual 2005 collections (adjusted to reflect 12 months of collections) and current 2006 experience to date. No change has been made for the other new services added to the tax for 2006 and





## **REVENUE FORECASTING COMMITTEE**

### **Appendix E**

### **Consensus Economic Forecasting Commission Report**



**Report of the  
MAINE CONSENSUS ECONOMIC FORECASTING COMMISSION  
October 17, 2005**

**Commissioners present:**

Charlie Colgan, Muskie School, USM, Chair  
Michael Donihue, Colby College  
John Davulis, CMP  
Charles Lawton, Planning Decisions

**Staff Support present:**

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

The Commission met on October 13, 2005 to discuss whether their January 2005 forecast should be revised before the Revenue Forecasting Committee meets in November. The Commission made substantial changes to the previous 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 Partnership, Global Insight, Inc., and Colby College. The table below summarizes those changes for wage and salary employment growth, personal income growth, and the US Consumer Price Index.

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
• <b>W&amp;S Employment (Annual Percentage Change)</b>					
> Consensus 1/2005	1.7	1.5	1.1	1.3	1.3
> Consensus 10/2005	0.8	0.9	0.7	0.8	0.8
• <b>Personal Income (Annual Percentage Change)</b>					
> Consensus 1/2005	4.0	4.0	4.0	4.0	4.0
> Consensus 10/2005	5.5	5.5	5.0	5.0	5.0
• <b>CPI (Annual Percentage Change)</b>					
> Consensus 1/2005	2.0	2.0	2.0	2.0	2.0
> Consensus 10/2005	3.2	2.8	2.5	2.2	2.2

Four 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, a Global Insight (GI) forecast, and a forecast generated by Colby College using its own model. The four underlying employment forecasts differed significantly only for the years 2006 and 2007, with the SPO forecast showing much stronger employment growth than the others in 2006, and the Global Insight forecast showing stronger growth than the others in 2007.

The Commission concluded the most reasonable forecast would call for employment growth slightly slower than the GI, NEEP, and Colby forecasts, and personal income growth approximating the GI forecast.

In terms of personal income, the SPO forecast showed significantly stronger growth for 2005 and 2006 than the other forecasts, while the Colby forecast showed much weaker growth than the others for those years (the NEEP forecast was discounted since it was run before historical personal income data was published in late September). The final Consensus forecast conforms very closely with the mid-range GI forecast.

The current Consensus employment forecast was adjusted downward significantly from the January forecast largely because employment growth through 2004 and the first two-thirds of 2005 was much weaker than expected, and all of the models consulted projected a continuation of this general trend.

The current personal income forecast was adjusted upward by 1 to 1.5 percentage points each year over the forecast horizon, resulting largely from the effects on the models of recent upward revisions to the historical data published by the US Bureau of Economic Analysis.

The table on the following page shows the Commission's complete forecast.

Maine Consensus Economic Forecasting Commission  
Forecast of October 2005

	HISTORY							FORECAST				
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CPI-u (Ann. Growth Rate)	1.6%	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.2%	2.8%	2.5%	2.2%	2.2%
Me. Unemployment Rate	4.4%	4.1%	3.4%	4.0%	4.4%	5.0%	4.6%	4.7%	4.7%	4.8%	4.6%	4.4%
3-Month Treasury Bill Rate	4.9%	4.8%	6.0%	3.5%	1.6%	1.0%	1.4%	3.1%	4.5%	4.5%	4.4%	4.4%
10-Year Treasury Note Rate	5.3%	5.6%	6.0%	5.0%	4.6%	4.0%	4.3%	4.4%	5.8%	5.8%	5.6%	5.8%
Maine Agricultural Empl.(1,000's)	18.0	13.0	19.8	17.1	18.8	18.1	14.0	18.6	17.0	17.0	17.0	17.0
	Employment Levels (1,000's)											
Maine Wage & Salary Employment	569.1	586.3	603.5	608.2	606.4	608.7	613.6	618.5	624.0	628.4	633.6	638.8
Natural Resources	2.7	2.7	2.7	2.7	2.6	2.5	2.6	2.6	2.7	2.7	2.7	2.7
Construction	25	27.8	29.2	29.9	29.4	30.5	31.0	31.5	30.5	30.2	30.4	30.8
Manufacturing	81.1	80.6	79.5	74.7	68.0	64.1	63.1	62.0	61.6	61.0	60.3	59.9
Trade/Transp//Publ. Utils.	115.9	119.5	122.7	123.6	123.3	123.2	125.7	126.7	127.7	128.0	127.8	128.1
Information	11.1	11.7	12.1	12.1	11.6	11.3	11.6	12.0	12.2	12.3	12.5	12.5
Financial Activities	31.2	32.8	34.1	35.1	35.1	35.1	34.9	34.3	34.6	34.8	35.2	35.5
Prof. & Business Services	46.6	48.3	51.8	51.8	51.4	50.3	49.6	49.8	50.5	51.3	52.3	53.1
Education & Health Services	90	94.2	97.5	100.8	104.9	107.3	111.2	113.6	116.2	118.3	120.8	123.2
Leisure & Hospitality Services	53.2	54.3	55.9	56.5	57.3	58.5	59.3	60.6	61.9	63.2	64.5	65.7
Other Services	17.7	18	18.3	19.1	19.8	20.3	20.0	20.0	20.3	20.6	20.8	21.0
Government	94.6	96.7	99.5	102.0	103.1	103.7	104.9	105.4	105.8	106.0	106.3	106.5
	Annual Growth Rates											
Maine Wage & Salary Employment	-	3.0%	2.9%	0.8%	-0.3%	0.1%	1.1%	0.8%	0.9%	0.7%	0.8%	0.8%
Natural Resources	-	0.0%	0.0%	-1.4%	-1.9%	-2.6%	3.0%	-0.7%	3.9%	-0.1%	0.0%	0.0%
Construction	-	11.2%	5.2%	2.1%	-1.4%	3.5%	1.8%	1.5%	-3.1%	-1.0%	0.7%	0.7%
Manufacturing	-	-0.8%	-1.3%	-6.1%	-8.9%	-5.8%	-1.6%	-1.7%	-0.6%	-1.0%	-1.1%	-0.7%
Trade/Transp//Publ. Utils.	-	3.1%	2.7%	0.8%	-0.3%	-0.1%	2.0%	0.8%	0.8%	0.2%	-0.2%	0.2%
Information	-	5.4%	3.6%	0.2%	-4.7%	-2.0%	2.2%	3.5%	1.7%	0.8%	1.6%	0.0%
Financial Activities	-	5.1%	3.9%	3.0%	0.0%	-0.1%	-0.5%	-1.7%	0.9%	0.6%	1.1%	0.9%
Prof. & Business Services	-	3.6%	7.3%	0.0%	-0.9%	-2.1%	-1.3%	0.3%	1.4%	1.6%	1.9%	1.5%
Education & Health Services	-	4.7%	3.5%	3.4%	4.2%	2.3%	3.6%	2.2%	2.3%	1.8%	2.1%	2.0%
Leisure & Hospitality Services	-	2.1%	2.9%	1.0%	1.5%	2.0%	1.4%	2.2%	2.2%	2.1%	2.1%	1.9%
Other Services	-	1.7%	1.9%	4.1%	3.5%	2.5%	-1.4%	0.2%	1.4%	1.4%	0.9%	1.2%
Government	-	2.2%	2.9%	2.5%	1.0%	0.7%	1.1%	0.5%	0.4%	0.2%	0.3%	0.2%
	Million \$ - at Seas. Adjusted Annual Rates											
Personal Income	29709.75	31016.25	33173.25	35107	35964.5	37251.25	39481.8	41662.1	43934.3	46113.7	48404.0	50809.5
Wage and salary disbursements	15204	16234.0	17194.8	17982.8	18551.8	19249.8	20191.5	21140.5	22155.2	23174.4	24240.4	25355.5
Supplements to Wages & Salaries	3359.75	3554	3772.75	4058.5	4422.5	4630.75	5036.0	5368.4	5733.4	6111.8	6515.2	6945.2
Non-farm Proprietors' Income	2,131	2227.5	2347.0	2768.3	2630.8	2773.3	3027.8	3270.0	3538.1	3757.5	3982.9	4221.9
Farm Proprietors' Income	55.5	77.0	57.0	27.5	-59.8	-23.3	-26.3	41.4	43.0	44.8	46.6	48.5
Dividends, interest, and rent	5745	5618.5	6178.5	6338.3	6089.3	5834.0	6078.0	6333.3	6624.6	6783.6	6966.8	7147.9
Transfer payments	5122	5279.3	5588.3	6017.8	6477.3	7021.5	7499.0	7978.9	8473.6	8982.0	9521.0	10092.2
less: Personal contrib. for social insur.	2418	2554.8	2665.8	2811.8	2857.5	2941.0	3079.3	3242.5	3414.3	3557.7	3721.4	3892.5
Adjustment for residence	511	580.3	700.5	726.5	710.3	705.8	755.5	772.1	780.6	817.3	852.4	890.8
Farm Income	138	153.8	145.8	111.5	46.5	68.5	72.0	83.3	87.9	92.3	96.9	101.7
	Annual Growth Rates											
Personal Income	-	4.4%	7.0%	5.8%	2.4%	3.6%	6.0%	5.5%	5.5%	5.0%	5.0%	5.0%
Wage and salary disbursements	-	6.8%	5.9%	4.6%	3.2%	3.8%	4.9%	4.7%	4.8%	4.6%	4.6%	4.6%
Supplements to Wages & Salaries	-	5.8%	6.2%	7.6%	9.0%	4.7%	8.8%	6.6%	6.8%	6.6%	6.6%	6.6%
Non-farm Proprietors' Income	-	4.5%	5.4%	17.9%	-5.0%	5.4%	9.2%	8.0%	8.2%	6.2%	6.0%	6.0%
Farm Proprietors' Income	-	38.7%	-26.0%	-51.8%	Not Available - negative base values				3.9%	4.2%	4.0%	4.1%
Dividends, interest, and rent	-	-2.2%	10.0%	2.6%	-3.9%	-4.2%	4.2%	4.2%	4.6%	2.4%	2.7%	2.6%
Transfer payments	-	3.1%	5.9%	7.7%	7.6%	8.4%	6.8%	6.4%	6.2%	6.0%	6.0%	6.0%
less: Personal contrib. for social insur.	-	5.7%	4.3%	5.5%	1.6%	2.9%	4.7%	5.3%	5.3%	4.2%	4.6%	4.6%
Adjustment for residence	-	13.5%	20.7%	3.7%	-2.2%	-0.6%	7.0%	2.2%	1.1%	4.7%	4.3%	4.5%
Farm Income	-	11.4%	-5.2%	-23.5%	-58.3%	47.3%	5.1%	15.7%	5.5%	5.0%	5.0%	5.0%

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3 month T-bill and 10yr Treas. Note rates are from Economy.com - Aug. 2005

In deliberating its October 2005 forecast, the Commission considered the following:

1) The State Planning Office reported that the Maine economy had grown very slowly through the summer, with some improvements only in the real estate and construction sectors.

US real Gross Domestic Product growth through the first half-year was solid, though somewhat slower than during the previous year. National job growth has been slow.

Personal income growth in the second quarter in Maine was 1.3%, while the nation's income grew 1.5%; this is the latest published data. Maine's growth rate for the quarter was 47<sup>th</sup> among the 50 states. Similarly, in Maine, the Coincident Economic Index (a surrogate for gross state product growth) for the June through August period grew at an annual rate of 0.9% over the previous 3-month period, for a ranking of 41<sup>st</sup> among the 50 states.

The Maine Department of Labor reported that wage and salary employment for the first 8 months of the year was up only 0.8% over the same period of last year. Most of the job growth was in education and health services (2,300), leisure and hospitality (1,000), construction (900), and the trade-transportation-utilities group (900). The largest declines were in manufacturing (-1,800) and financial services (-300). The State's seasonally adjusted unemployment rate rose from 4.6% in December to 5% in August, while the national rate fell from 5.4% to 4.9%. Prior to August, Maine's unemployment rate had been below the national average for nearly seven years.

While housing unit permits had faltered a bit earlier in the year, permits for the June through August period were up 8.8% over the same period of last year. The value of residential construction contracts also increased fairly strongly through those summer months, gaining 9.4% over the summer of 2004. Conversely, unit sales of pre-owned homes (seasonally adjusted) declined by about 1% from the first quarter. Home sale prices continued to rise rapidly in the second quarter, however, increasing at an annual rate of 14.1%.

While economic growth clearly has been slower this year than last, there are yet a few positives such as significant improvements in the housing permit and residential construction numbers. The timing of the scheduled closing of Brunswick Naval Air Station is unclear, but it may effect the last year of the forecast horizon, depending on precisely how the closure is to be carried out, but not sooner. In the near-term, stronger broad-based growth in the Maine economy appears unlikely while gasoline and other energy prices continue to place a drag on growth.

2. Maine Revenue Services (MRS) reported that General Fund revenues through the first 3 months of the fiscal year were \$51.5 million over budget, but several special factors indicate that this overstates the apparent health of the economy. Individual income tax revenues were \$33.8 million over budget, but Revenue Services economists reported that much of this was due to timing issues involving slow refunds for the circuit breaker and BETR programs. Adjusting for these factors would leave a surplus of roughly \$6 million. Sales tax revenues were \$5.7 million (3%) under budget. Exceptionally high home heating fuel prices this winter are expected to contribute further to the shortfall through the winter. Corporate income tax revenues were \$12.2 million (42.6%) over budget, and MRS economists noted that corporate profits have been very strong nationwide. Also, the estate tax was 12.5 million over budget, but this was largely due to one estate.



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

- a. The rebuilding efforts resulting from hurricanes Katrina and Rita should provide significant national economic stimulus next year.
- b. US monetary and fiscal policies are still stimulative, which is helping to maintain strong consumer spending.

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.
- b. World oil prices have been volatile and extremely high in recent months, and currently topping \$60 per barrel. While the national forecasts studied suggest prices will fall somewhat, to the \$40 to \$45 per barrel range over the next couple years, this level is still well above the norm of the past few years.
- c. Increasing current account deficits may cause a sharp drop in the value of the dollar as foreign creditors worry about repayment of their debt; the result would likely be a sharp rise in US short and long term interest rates to compensate foreign creditors for their risks. The rise in interest rates would reduce borrowing and economic activity in the US, particularly in the housing sector.
- d. The current level of housing activity is already slowing due to rising interest rates, and this will likely continue through the forecast period.
- e. The Base Realignment and Closure Commission (BRAC) has determined that Brunswick Naval Air Station will be closed. This will have serious negative impacts on the economies of Cumberland and Sagadahoc counties, and hence the state as a whole, but closure will likely not begin until 2009.





## **REVENUE FORECASTING COMMITTEE**

### **Appendix F**

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



## **APPENDIX F**

### **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.





## **REVENUE FORECASTING COMMITTEE**

### **Appendix G**

#### **Maine Revenue Services Materials Presented to the Revenue Forecasting Committee**

**November 21, 2005**

**Maine Revenue Services  
Economic Research Division**



**STATE OF MAINE**  
Undedicated Revenues - General Fund  
For the Twelfth Month Ended June 30, 2005  
For the Fiscal Year Ended 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	160,791,481	163,925,160	(3,133,679)	(1.9%)	896,576,322	899,710,000	(3,133,678)	(0.3%)	899,710,000
Service Provider Tax	7,959,314	7,513,799	445,515	5.9%	44,645,517	44,200,000	445,517	1.0%	44,200,000
Individual Income Tax	172,564,907	162,941,572	9,623,335	5.9%	1,270,225,329	1,259,880,674	10,344,655	0.8%	1,259,880,674
Corporate Income Tax	31,311,776	20,440,222	10,871,554	53.2%	135,862,913	123,300,647	12,562,266	10.2%	123,300,647
Cigarette and Tobacco Tax	9,016,258	7,636,092	1,380,166	18.1%	96,350,704	96,019,864	330,840	0.3%	96,019,864
Public Utilities Tax	(10,914)	-	(10,914)	-	25,403,214	25,300,000	103,214	0.4%	25,300,000
Insurance Companies Tax	25,644,701	19,559,602	6,085,099	31.1%	75,669,053	69,615,872	6,053,181	8.7%	69,615,872
Estate Tax	6,925,114	6,212,159	712,955	11.5%	32,255,727	31,542,767	712,960	2.3%	31,542,767
Property Tax - Unorg Territory	984,289	857,724	126,565	14.8%	10,622,666	10,580,086	42,580	0.4%	10,580,086
Income from Investments	1,632,752	996,574	636,178	63.8%	5,854,625	4,896,463	958,162	19.6%	4,896,463
Transfer to Municipal Revenue Sharing	(19,004,001)	(18,095,861)	(908,140)	(5.0%)	(119,712,814)	(118,681,657)	(1,031,157)	(0.9%)	(118,681,657)
Transfer from Liquor Commission	(1,756)	-	(1,756)	-	21,467	-	21,467	-	-
Transfer from Lottery Commission	3,631,568	4,284,408	(652,840)	(15.2%)	49,328,102	50,292,750	(964,648)	(1.9%)	50,292,750
Other Revenues	40,794,893	34,680,238	6,114,655	17.6%	267,742,227	264,281,977	3,460,250	1.3%	264,281,977
<b>Total Collected</b>	<b>442,240,382</b>	<b>410,951,689</b>	<b>31,288,693</b>	<b>7.6%</b>	<b>2,790,645,053</b>	<b>2,760,939,443</b>	<b>29,705,610</b>	<b>1.1%</b>	<b>2,760,939,443</b>

NOTES: (1) Included in the above is \$19,004,001 for the month and \$119,712,814 year to date, that was set aside for Revenue Sharing with cities and towns. Of this, \$7,838,456 was transferred to the Disproportionate Tax Burden Fund.

(2) Figures reflect estimates of the Maine State Revenue Forecasting Committee approved in May 2005, as adjusted for laws passed by the 122nd Legislature, 1st Session.

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

# STATE OF MAINE

Undedicated Revenues - Highway Fund  
For the Twelfth Month Ended June 30, 2005  
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	39,256,910	40,189,730	(932,820)	(2.3%)	220,484,728	220,838,729	(354,001)	(0.2%)	220,838,729
Motor Vehicle Registration & Fees	9,437,708	8,961,045	476,663	5.3%	84,645,422	81,378,234	3,267,188	4.0%	81,378,234
Inspection Fees	440,496	211,060	229,436	108.7%	4,260,059	4,281,459	(21,400)	(0.5%)	4,281,459
Fines, Forfeits & Penalties	145,516	198,110	(52,594)	(26.5%)	1,518,580	1,890,359	(371,779)	(19.7%)	1,890,359
Earnings on Investments	347,464	242,779	104,685	43.1%	1,440,739	1,059,903	380,836	35.9%	1,059,903
All Other	5,619,299	5,671,574	(52,275)	(0.9%)	13,728,627	13,817,473	(88,846)	(0.6%)	13,817,473
Total Revenue	55,247,393	55,474,298	(226,905)	(0.4%)	326,078,155	323,266,157	2,811,998	0.9%	323,266,157

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, 2005  
For the Fiscal Year Ending June 30, 2006  
Comparison to Budget

EXHIBIT I

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2006
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	
Sales and Use Tax	89,222,693	91,576,885	(2,354,192)	(2.6%)	274,608,095	282,669,526	(8,061,431)	(2.9%)	961,457,885
Service Provider Tax	4,372,975	5,249,588	(876,613)	(16.7%)	10,792,553	11,244,065	(451,512)	(4.0%)	49,287,167
Individual Income Tax	63,159,155	69,590,430	(6,431,276)	(9.2%)	311,506,650	284,173,760	27,332,890	9.6%	1,167,504,222
Corporate Income Tax	10,678,165	5,579,550	5,098,615	91.4%	51,617,069	34,295,369	17,321,700	50.5%	118,877,558
Cigarette and Tobacco Tax	12,254,792	15,578,686	(3,323,894)	(21.3%)	44,109,349	42,668,025	1,441,324	3.4%	147,238,325
Public Utilities Tax	-	-	-	-	-	-	-	-	25,440,000
Insurance Companies Tax	6,191,506	6,504,179	(312,673)	(4.8%)	7,274,839	8,558,718	(1,283,879)	(15.0%)	77,141,931
Estate Tax	20,576,304	2,613,640	17,962,664	687.3%	34,887,347	4,466,803	30,420,544	681.0%	30,603,203
Property Tax - Unorg Territory	9,560,399	9,522,077	38,322	0.4%	9,560,399	9,522,077	38,322	0.4%	11,103,313
Income from Investments	603,940	702,149	(98,209)	(14.0%)	1,903,497	1,898,790	4,707	0.2%	6,046,546
Transfer to Municipal Revenue Sharing	(8,539,082)	(8,771,819)	232,737	2.7%	(33,074,743)	(31,238,657)	(1,836,086)	(5.9%)	(117,153,468)
Transfer from Liquor Commission	2,700	-	2,700	-	3,450	-	3,450	-	-
Transfer from Lottery Commission	5,144,772	5,128,301	16,471	0.3%	16,808,624	18,461,864	(1,653,240)	(9.0%)	53,334,250
Other Revenues	19,010,274	19,451,331	(441,057)	(2.3%)	61,517,005	63,804,387	(2,287,382)	(3.6%)	212,413,810
<b>Total Collected</b>	<b>232,238,592</b>	<b>222,724,997</b>	<b>9,513,595</b>	<b>4.3%</b>	<b>791,514,133</b>	<b>730,524,727</b>	<b>60,989,406</b>	<b>8.3%</b>	<b>2,743,294,742</b>

NOTES: (1) Included in the above is \$8,539,082 for the month and \$33,074,743 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 May 2005, as adjusted for laws passed by the 122nd Legislature, 1st Session.

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

# STATE MAINE

Undedicated Revenues - General Fund  
For the Fourth Month Ended October 31, 2005 and 2004  
For the Fiscal Years Ending June 30, 2006 and 2005  
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	89,222,693	85,814,162	3,408,531	4.0%	274,608,095	263,639,501	10,968,594	4.2%
Service Provider Tax	4,372,975	4,583,937	(210,963)	(4.6%)	10,792,553	10,980,788	(188,235)	(1.7%)
Individual Income Tax	63,159,155	83,726,670	(20,567,516)	(24.6%)	311,506,650	325,394,638	(13,887,988)	(4.3%)
Corporate Income Tax	10,678,165	6,879,835	3,798,330	55.2%	51,617,069	39,490,877	12,126,191	30.7%
Cigarette and Tobacco Tax	12,254,792	7,696,606	4,558,187	59.2%	44,109,349	34,487,999	9,621,350	27.9%
Public Utilities Tax	-	17,633	(17,633)	(100.0%)	-	(132,367)	132,367	100.0%
Insurance Companies Tax	6,191,506	5,770,783	420,723	7.3%	7,274,839	7,568,233	(293,394)	(3.9%)
Estate Tax	20,576,304	2,662,268	17,914,036	672.9%	34,887,347	4,539,143	30,348,204	668.6%
Property Tax - Unorg Territory	9,560,399	9,638,377	(77,978)	(0.8%)	9,560,399	9,638,377	(77,978)	(0.8%)
Income from Investments	603,940	374,766	229,174	61.2%	1,903,497	1,162,148	741,349	63.8%
Transfer to Municipal Revenue Sharing	(8,539,082)	(9,231,235)	692,152	7.5%	(33,074,743)	(32,614,796)	(459,947)	(1.4%)
Transfer from Liquor Commission	2,700	(126)	2,826	2238.3%	3,450	17,984	(14,534)	(80.8%)
Transfer from Lottery Commission	5,144,772	3,919,435	1,225,337	31.3%	16,808,624	16,847,266	(38,642)	(0.2%)
Other Revenues	19,010,274	13,366,233	5,644,041	42.2%	61,517,005	110,982,477	(49,465,472)	(44.6%)
Total Collected	232,238,592	215,219,343	17,019,249	7.9%	791,514,133	792,002,268	(488,135)	(0.1%)

STATE OF MAINE  
Undedicated Revenues - General Fund  
For the Fourth Month Ended October 31, 2005  
For the Fiscal Year Ending June 30, 2006  
Comparison to Budget

EXHIBIT III

Detail of Other Revenues	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2006
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	
0100's All Others	3,541,418	2,516,945	1,024,473	40.7%	12,214,890	8,904,089	3,310,801	37.2%	24,156,844
0300's Aeronautical Gas Tax	21,673	30,454	(8,781)	(28.8%)	451,546	403,476	48,070	11.9%	667,916
0400's Alcohol Excise Tax	1,267,327	1,259,625	7,702	0.6%	5,758,359	5,685,597	72,762	1.3%	15,489,207
0700's Corporation Taxes	146,151	68,013	78,138	114.9%	821,378	339,061	482,317	142.3%	5,453,707
1000's Banking Taxes	1,542,010	1,458,450	83,560	5.7%	6,316,610	5,833,801	482,809	8.3%	17,912,310
1100's Alcoholic Beverages	201,750	236,263	(34,513)	(14.6%)	952,590	938,373	14,217	1.5%	3,072,530
1200's Amusements Tax	2,670	2,000	670	33.5%	2,670	2,000	670	33.5%	4,000
1300's Harness Racing/Parimutuels/Slots	77,692	98,500	(20,808)	(21.1%)	345,790	397,607	(51,817)	(13.0%)	1,128,200
1400's Business Taxes	733,087	423,338	309,749	73.2%	2,343,752	2,209,355	134,397	6.1%	7,596,455
1500's Motor Vehicle Licenses	540,600	338,992	201,608	59.5%	1,281,396	1,313,568	(32,172)	(2.4%)	3,961,713
1700's Inland Fisheries & Wildlife	(828,967)	1,233,114	(2,062,081)	(167.2%)	5,661,918	5,649,957	11,961	0.2%	16,144,351
1900's Hospital Excise & Other	24,790	49,298	(24,508)	(49.7%)	88,915	198,772	(109,857)	(55.3%)	661,116
2000's Fines, Forfeits & Penalties	2,662,750	3,352,165	(689,415)	(20.6%)	10,746,767	13,169,432	(2,422,665)	(18.4%)	43,042,996
2200's Federal Revenues	1,201,547	2,018,074	(816,527)	(40.5%)	2,841,307	8,071,220	(5,229,913)	(64.8%)	24,108,314
2300's County Revenues	-	-	-	-	-	-	-	-	-
2400's Revenues from Cities & Towns	6,796	-	6,796	-	15,222	-	15,222	-	2,695,750
2500's Revenues from Private Sources	376,819	266,410	110,409	41.4%	933,672	837,019	96,653	11.5%	2,551,906
2600's Current Service Charges	9,304,290	7,969,576	1,334,714	16.7%	13,985,304	16,368,761	(2,383,457)	(14.6%)	36,429,557
2700's Transfers from Other Funds	(1,828,586)	(1,871,786)	43,200	2.3%	(3,263,645)	(6,521,301)	3,257,656	50.0%	7,214,338
2800's Sales of Property & Equipment	16,457	1,900	14,557	766.2%	18,565	3,600	14,965	415.7%	122,600
Total Other Revenues	19,010,274	19,451,331	(441,057)	(2.3%)	61,517,005	63,804,387	(2,287,382)	(3.6%)	212,413,810

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, 2005 and 2004  
For the Fiscal Years Ending June 30, 2006 and 2005  
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	3,541,418	2,967,094	574,325	19.4%	12,214,890	11,043,705	1,171,186	10.6%
0300's Aeronautical Gas Tax	21,673	184,654	(162,981)	(88.3%)	451,546	550,900	(99,354)	(18.0%)
0400's Alcohol Excise Tax	1,267,327	980,837	286,490	29.2%	5,758,359	4,916,463	841,896	17.1%
0700's Corporation Taxes	146,151	85,239	60,913	71.5%	821,378	478,503	342,875	71.7%
1000's Banking Taxes	1,542,010	1,672,330	(130,320)	(7.8%)	6,316,610	5,584,310	732,300	13.1%
1100's Alcoholic Beverages	201,750	207,340	(5,590)	(2.7%)	952,590	855,220	97,370	11.4%
1200's Amusements Tax	2,670	2,400	270	11.3%	2,670	2,400	270	11.3%
1300's Harness Racing/Parimutuels/Slots	77,692	103,532	(25,840)	(25.0%)	345,790	334,713	11,077	3.3%
1400's Business Taxes	733,087	156,948	576,138	367.1%	2,343,752	1,249,710	1,094,041	87.5%
1500's Motor Vehicle Licenses	540,600	345,607	194,993	56.4%	1,281,396	1,673,669	(392,273)	(23.4%)
1700's Inland Fisheries & Wildlife	(828,967)	1,281,961	(2,110,928)	(164.7%)	5,661,918	6,159,487	(497,570)	(8.1%)
1900's Amnesty, Hosp Excise & Other	24,790	32,268	(7,478)	(23.2%)	88,915	137,423	(48,508)	(35.3%)
2000's Fines, Forfeits & Penalties	2,662,750	2,102,682	560,069	26.6%	10,746,767	11,309,209	(562,442)	(5.0%)
2200's Federal Revenues	1,201,547	2,057,338	(855,791)	(41.6%)	2,841,307	8,023,036	(5,181,729)	(64.6%)
2300's County Revenues	-	-	-	-	-	-	-	-
2400's Revenues from Cities & Towns	6,796	650	6,146	945.5%	15,222	12,800	2,422	18.9%
2500's Revenues from Private Sources	376,819	271,957	104,862	38.6%	933,672	762,825	170,847	22.4%
2600's Current Service Charges	9,304,290	1,584,689	7,719,601	487.1%	13,985,304	60,486,399	(46,501,095)	(76.9%)
2700's Transfers from Other Funds	(1,828,586)	(737,089)	(1,091,497)	(148.1%)	(3,263,645)	(2,672,164)	(591,482)	(22.1%)
2800's Sales of Property & Equipment	16,457	65,796	(49,339)	(75.0%)	18,565	73,870	(55,305)	(74.9%)
<b>Total Other Revenues</b>	<b>19,010,274</b>	<b>13,366,233</b>	<b>5,644,041</b>	<b>42.2%</b>	<b>61,517,005</b>	<b>110,982,477</b>	<b>(49,465,472)</b>	<b>(44.6%)</b>

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, 2005  
For the Fiscal Year Ending June 30, 2006  
Comparison to Budget

Exhibit V

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2006
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	
Fuel Taxes	20,369,042	19,682,296	686,746	3.5%	60,740,819	61,293,879	(553,060)	(0.9%)	228,958,605
Motor Vehicle Registration & Fees	6,686,047	5,649,486	1,036,561	18.3%	28,086,927	25,628,650	2,458,277	9.6%	83,090,358
Inspection Fees	320,879	340,065	(19,186)	(5.6%)	1,477,440	1,601,265	(123,825)	(7.7%)	4,397,970
Fines, Forfeits & Penalties	130,347	157,257	(26,910)	(17.1%)	635,117	594,941	40,176	6.8%	1,973,665
Earnings on Investments	177,248	125,000	52,248	41.8%	593,315	500,000	93,315	18.7%	1,556,478
All Other	304,746	691,752	(387,006)	(55.9%)	2,458,127	2,508,031	(49,904)	(2.0%)	9,362,596
<b>Total Revenue</b>	<b>27,988,308</b>	<b>26,645,856</b>	<b>1,342,452</b>	<b>5.0%</b>	<b>93,991,745</b>	<b>92,126,766</b>	<b>1,864,979</b>	<b>2.0%</b>	<b>329,339,672</b>

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, 2005 and 2004  
For the Fiscal Years Ending June 30, 2006 and 2005  
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	20,369,042	19,372,019	997,023	5.1%	60,740,819	61,369,502	(628,683)	(1.0%)
Motor Vehicle Registration & Fees	6,686,047	5,686,897	999,150	17.6%	28,086,927	25,803,240	2,283,687	8.9%
Inspection Fees	320,879	329,310	(8,431)	(2.6%)	1,477,440	1,363,513	113,927	8.4%
Fines, Forfeits & Penalties	130,347	276,863	(146,516)	(52.9%)	635,117	582,047	53,071	9.1%
Earnings on Investments	177,248	75,376	101,872	135.2%	593,315	218,417	374,898	171.6%
All Other	304,746	758,814	(454,068)	(59.8%)	2,458,127	2,379,810	78,318	3.3%
<b>Total Revenue</b>	<b>27,988,308</b>	<b>26,499,278</b>	<b>1,489,031</b>	<b>5.6%</b>	<b>93,991,745</b>	<b>91,716,528</b>	<b>2,275,217</b>	<b>2.5%</b>

## NOTE:

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

## **Economic Assumptions**

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

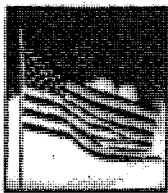
- (1) Total Personal Income
- (2) Inflation (CPI-U)
- (3) Total Employment Growth
  - (a) Growth by Sector
- (4) Forecast of CPI for Energy Prices (Global Insight – Oct. 2005)

## **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
- (12) Forecast of After-Tax Corporate Profits (Global Insight)



# U.S. EXECUTIVE SUMMARY

NOVEMBER 2005

## A Resilient Economy

- The U.S. economy appears resilient in the face of the hurricane shocks, but we still expect that high energy prices will dampen growth in the fourth quarter. That should be offset by faster growth in the first half of 2006 as reconstruction activity accelerates.
- The worst appears over for gasoline, where prices should fall back to around \$2.25/gallon by year-end. But the consumer has yet to see the worst for heating costs; consumer natural gas prices are likely to be up about 50% this winter.
- Real consumer spending growth should be close to zero in the fourth quarter—mainly due to a plunge in auto sales. Other holiday spending is likely to be tepid in the face of high energy costs, but not disastrously weak.
- Higher energy costs have sent CPI inflation temporarily above 4.0% (year-over-year), and we expect them to push core CPI inflation towards 2.5%.
- Inflation risks are keeping the Federal Reserve on its steady tightening path. We expect the federal funds rate to reach 4.75% by March 2006—followed by an

extended pause. The risks are that the Fed will have to do more rather than less.

- Beneath the hurricane-induced swings, the underlying trend remains for slower economic growth, as the housing market cools and consumer spending growth eases. We expect GDP growth of 3.6% in 2005, followed by 3.4% in 2006 and 3.1% in 2007.

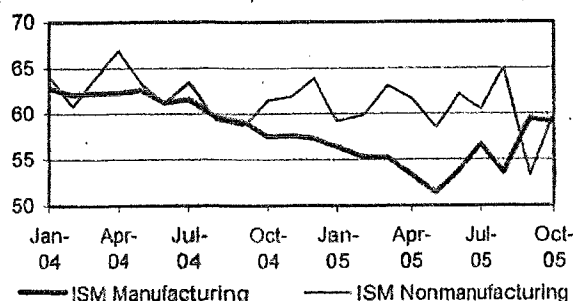
### The Forecast in Brief

The predominant picture emerging from the incoming data is of a resilient economy coping well with the hurricane shocks—although high energy costs are clearly hurting businesses and consumers. Indeed, lofty energy costs may have depressed the October payroll employment count (just 56,000 jobs added), and amplified an autos-led downturn in consumer spending. We still anticipate that the storms will put a dent in fourth-quarter GDP growth as energy costs squeeze spending power, but also that growth should pick up in the first half of 2006 as reconstruction activity accelerates and energy production recovers.

The economy was carrying plenty of momentum when Katrina and Rita hit the Gulf Coast. Third-quarter GDP

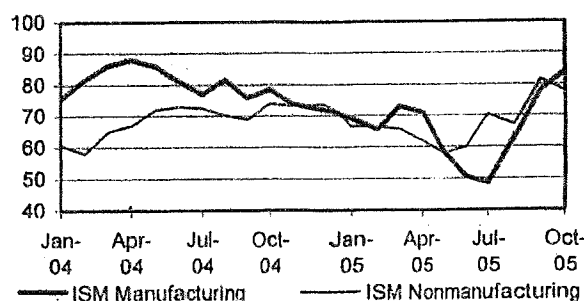
### Business Sentiment Robust Despite Hurricanes...

(Overall Index, above 50 expansion, below 50 contraction)



### ...But Inflation Reports Are Worse

(Prices-paid index, above 50 increase, below 50 decrease)



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growth of 3.8% was strong, and would surely have exceeded 4.0% but for the hurricanes. The ISM business confidence surveys are giving bullish signals, although they continue to emphasize the squeeze from high energy costs.

Businesses now seem a bit bolder about passing on their energy cost increases than earlier in the year, so it is welcome news that some energy prices have eased. The retreat of gasoline prices has come faster than we anticipated, and retail prices should now fall back to around \$2.25 by year-end. This will give consumers some needed relief, since the impact on winter heating bills from higher home heating oil and natural gas prices has yet to arrive—and will be large. Over the fourth quarter of 2005 and the first quarter of 2006, we project that consumer energy prices will average about 20% higher than a year earlier, led by a 47% surge in natural gas prices. Energy costs will absorb 5.9% of disposable income over the winter months, up 0.7 percentage point from a year earlier.

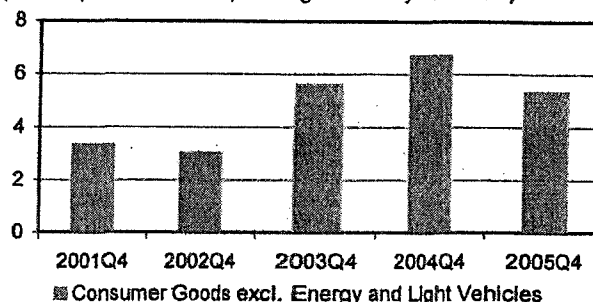
Apparently, consumers foresee the looming winter heating shock, as consumer sentiment remained weak in October despite falling gasoline prices. Real consumer spending fell in both August and September, pulled downward by autos. Indeed, vehicle sales plunged even lower in October, as high gasoline prices deepened the payback for the successful “employee discount programs.” We expect real consumption to slow to almost zero (0.1%) growth in the fourth quarter, although holiday sales will not be as bad as that looks, since vehicles take the biggest hit. Excluding light vehicles, real spending growth will reach 2.7%—tepid, but not disastrous.

Retailers usually judge the holiday season by year-on-year (y/y) nominal sales growth. On that basis, we expect consumer spending (excluding autos and energy) to rise 5.4% y/y in the fourth quarter, more than a percentage point below the 6.7% rate in 2004, but roughly in line with 2003, and well above the depressed 2001 and 2002 growth rate rates of close to 3.0%.

GDP growth slows along with consumer spending in the fourth quarter, but only to 3.0%, as hurricane repairs and rebuilding gather pace, while auto inventories start to pile up again. By the first quarter of 2006, the positive stimulus from reconstruction combines with a recovery in energy

### Less Buoyant Holiday Spending Anticipated This Year

(Fourth-quarter nominal spending versus a year earlier)



production to pull GDP growth back to almost 4%. Thereafter, a gradual slowdown sets in, as the housing market cools in the face of overextended prices and higher interest rates. Although we expect an extra 150,000 housing starts over the next three years because of the hurricanes, starts should nevertheless fall back from their 2005 peak of more than 2 million units. Rapid price gains have made houses less affordable for the average buyer. Indeed, anecdotal reports and recent declines in new home sales suggest that some of the heat is beginning to leave the market.

In addition, consumer spending growth will be on a slowing trend. The personal saving rate has fallen below zero—for only the second time since World War II. This suggests that some rebuilding of savings is likely, especially if the home-equity pump from the housing market loses force, as we assume.

In the business sector, corporations still have plenty of cash to fuel an expected double-digit jump in business equipment spending this year, and nearly the same next year. Still lagging behind, nonresidential construction spending should finally rebound during 2006, helped by post-hurricane rebuilding. Drilling activity will be boosted next year by still-high energy prices.

The hurricanes will bring to an end, at least temporarily, the improvement in federal government finances. Global Insight has added \$110 billion to federal spending over the next 3–4 years to cover hurricane-related costs. We expect the budget deficit to widen to \$365 billion in fiscal 2006, from \$319 billion in fiscal 2005.

Export growth should reach the high single digits during the rest of 2005 and into 2006. There have been recent signs of economic improvement in the Eurozone and Japan, but not enough to keep U.S. export growth at the second quarter's double-digit pace. The dollar has appreciated this year based on a rising interest-rate differential in favor of U.S. assets, but we still believe its long-term path is downward, due to the large and still-widening trade gap. The current-account deficit is likely to exceed \$900 billion (6.8% of GDP) in 2006.

The post-hurricane surge in energy prices sent CPI inflation soaring to 4.7% y/y in September, but there will be better news for October and November now that gasoline prices have fallen. The key question is what will happen to "core" inflation (excluding food and energy). We expect to see a rise in core inflation as higher energy costs are passed through, with the core rate creeping up from 2.2% in 2005 to 2.4% in 2006. This suggests that more Federal Reserve tightening is required.

Recent signals from the Fed continue to emphasize upside inflationary risks, rather than downside growth risks. As a result, the Fed will likely keep hiking interest rates a quarter percentage point at a time, reaching a 4.75% federal funds rate at the end of March 2006, before taking an extended pause.

Ten-year bond yields have moved above 4.5% on inflation nerves and the continued hawkish tone from the Federal Reserve. We continue to see yields heading above 5.0% during 2006.

### **Changing of the Guard at the Fed: Expect Continuity and Some "Evolutionary" Changes**

On October 24, President Bush appointed Ben Bernanke to succeed Alan Greenspan as chairman of the Board of Governors of the Federal Reserve System. The stock market reacted enthusiastically, while the bond and forex markets sold off briefly. Interestingly, the financial market reaction was considerably more positive than when Greenspan was appointed to the job by President Reagan in the summer of 1987.

Bernanke went out of his way to reassure financial markets, and the public at large, that they could expect a continua-

tion of the policies that have earned Greenspan's Fed such high marks over the past two decades. But he is also likely to steer the Fed gradually in two directions: greater transparency (where some progress has already been made) and more explicit inflation targets.

**Next Chairman Will Inherit a Stronger Institution, But with Diminished Control Over Monetary Policy.** The good news for the incoming chairman is that the Federal Reserve is in a stronger position now than when Greenspan took over, and in a much stronger position than when Paul Volcker took the helm in 1979. The Fed has established itself as rigorous inflation fighter, as have many other central banks around the world. Moreover, the Fed has also been particularly adept at crisis management since 1987.

The current crop of Fed governors and district bank presidents is especially strong, many with top academic and business backgrounds, and a few with extensive Fed experience. Bernanke, who (by virtue of his nearly three years as a governor) is well known, well respected, and well liked by the other members of the Federal Open Market Committee (FOMC) and the Fed staff, will have little trouble fitting in as the new chairman.

Ironically, though, even as the Federal Reserve and other central banks have gained respect as the guardians against inflation, their power over monetary policy is being eroded. First, financial markets (especially the bond market "vigilantes") have done some of the heavy lifting for central banks—sometimes pre-empting rate hikes. Second, financial deregulation and the globalization of capital markets have made it more difficult for the Fed (and other monetary authorities) to move long-term interest rates. Greenspan has referred to this as the bond market "conundrum." Thus, the role of the Fed chairman may well be less important (and less iconic) now than it was 20 years ago.

**Bernanke and Greenspan: Many Similarities, Some Differences.** In many ways, the incoming and outgoing chairmen of the Fed have common views of the economy and monetary policy. Both are "big idea" people who are not afraid to question the conventional wisdom. Greenspan was an early convert to the "new economy" and was quick to recognize the productivity boom of the 1990s. Bernanke both expressed concerns about deflation in late 2002 and

reassured markets that the Fed could deal with it using unconventional methods (including dropping cash from helicopters, which earned him the nick-name "Helicopter Ben"). More recently, he suggested that a global "savings glut" might explain Greenspan's bond market conundrum. The current chairman has accepted this hypothesis, and his recent testimony to the Joint Economic Committee referred to relatively low global investment rates as part of the explanation for low long-term bond yields in the major economies.

With respect to monetary policy, both men believe that the Fed should be flexible, activist, and gradualist. Importantly, both believe that the Fed should not take pre-emptive actions against asset bubbles, but should be aggressive in damage control after the bubbles have burst.

But there are also significant differences. Bernanke has much stronger academic credentials, but no business or Wall Street experience, compared with Greenspan. Bernanke has been almost evangelical on the issue of transparency, whereas Greenspan has been a master of Delphic pronouncements.

Perhaps the biggest difference of opinion between the two is over inflation targeting. Bernanke has long been a strong advocate of explicit inflation targeting, while Greenspan believes that such a move would limit the flexibility of the Fed. Other members of the FOMC have varied opinions on the matter, with Governor Kohn clearly supporting the Greenspan position.

**Inflation Targeting a la Bernanke: "Constrained Discretion," More Transparency, and Less Emphasis on Personality.** The Reserve Bank of New Zealand was the first central bank to adopt inflation targeting in 1989. Many others have since followed suit (including the Bank of Canada, the Bank of England, the Reserve Bank of Australia, the Bank of Sweden, and the European Central Bank)—but not the U.S. Federal Reserve. The popularity of this rule-based monetary policy is, in part, a reaction to the high inflation rates of the 1970 and 1980s, and also because of frustrations associated with targeting other economic aggregates such as the money supply and nominal GDP. Inflation targeting usually consists of announcing an inflation goal (typically around 2%) and, equally important,

being transparent about how the goal will be achieved. Most central banks also announce a band around the target, giving themselves a little more flexibility.

Countries whose central banks have engaged in inflation targeting have seen their inflation rates drop markedly over the past 15 years. But whether this drop is due to the better conduct of monetary policy or because of global disinflationary forces has been the subject of much debate. Central banks that have not adopted explicit inflation targets—notably the Fed—have had equal success in taming inflation. The conventional wisdom holds that the Fed has a "comfort zone" of 1–2% for the core inflation rate.

In his extensive writing on this subject, Ben Bernanke has emphasized a number of additional benefits that can come from using more explicit inflation targets: 1) the recent success of the Fed in reducing inflation will become institutionalized; 2) a more transparent monetary policy will reduce market uncertainty; and 3) policy will become "less personalized." Bernanke is far from doctrinaire on this topic and has repeatedly emphasized the need for "constrained discretion," and has compared such a flexible approach to inflation targeting as a "snug-fitting garment, but not a straight jacket."

While explicit inflation targeting by the Fed is unlikely (given that it would require an act of Congress), Chairman Bernanke is likely to encourage the FOMC to be more open about its (implicit) inflation targets and more transparent about how it chooses to achieve those targets.

**Meanwhile, the Fed Will Keep Raising Rates, Even After Bernanke Takes the Helm.** Given the strength of the economy and increasing concerns (as expressed by many members of the FOMC) that core inflation is set to rise above the upper limit of the Fed's comfort zone in the next few quarters, Global Insight now believes that the Fed will hike interest rates in each of the next three meetings, including the first meeting to be chaired by Bernanke on March 28. There is even a chance that the Fed may raise the federal funds rate as high as 5%, before taking a breather.

Two months after Greenspan began his long tenure as Fed chairman, he had to deal with his first crisis—the stock market meltdown in October 1987. Hopefully, Bernanke will enjoy a longer honeymoon. There is a risk, though, that



the housing market may suffer a more serious downward adjustment than the Fed is now projecting, leading to a deceleration in consumer spending that would take the wind out of the sails of the economy very quickly.

### Key Forecast Assumptions: Hurricane Destruction

- We have incorporated the Bureau of Economic Analysis' (BEA) estimates of the damage from Katrina and Rita. These imply \$76 billion in damage to the stock of private capital. This exceeds the \$60 billion that we had assumed last month, and is equivalent to 0.7% of GDP. We assume that U.S. private insurers will cover about \$35 billion in damage.
- We assume another \$10 billion in damage from Hurricane Wilma in October (\$8 billion covered by private insurers).
- We assume \$110 billion in federal government spending in response to the storms, spread over several years. This represents \$80 billion in spending by FEMA (including \$20 billion in flood insurance) and \$30 billion in funding for infrastructure rebuilding. We have not assumed offsetting spending cuts.
- We have assumed an extra 150,000 housing starts over the next three to four years to replace units destroyed or rendered uninhabitable.
- We include a sharp hit to corporate profits in the third quarter of 2005 due to destruction of corporate capital and insurance payouts. The BEA estimates the negative impact at an annualized \$151 billion. This is a one-time effect—so profits will bounce back sharply in the fourth quarter.

### Key Forecast Assumptions: Energy Prices

**Oil and Gasoline Prices to Slip Lower.** We assume a West Texas Intermediate price in the \$61–62/barrel range for rest of 2005, falling back gradually to \$55 by the fourth quarter of 2006. We assume that prices will return to the \$40s during 2007 (dropping to \$42.50 by 2010). Today's high prices will lead to improvements in energy efficiency, restraining demand, and to increased exploration and development, producing extra supply. Neither mechanism works

quickly, but they will eventually bring prices down. We assume the retail gasoline price will retreat to around \$2.25/gallon by year-end, as margins over crude oil prices return to more-normal levels.

**But Natural Gas Prices to Stay Very High.** The hurricanes were a greater shock for natural gas than for crude oil. We assume that the Henry Hub price for natural gas will average \$11.99 per million Btu in the first quarter of 2006, 87% higher than a year earlier.

### Other Key Forecast Assumptions

**Fed Keeps Going.** We assume that three more 25-basis-point hikes take the federal funds rate to 4.75% as of March 28, 2006, followed by an extended pause.

**Dollar on a Declining Trend.** Although the worsening U.S. current-account deficit implies that downside risks predominate for the greenback, it has strengthened against most currencies since the beginning of the year. We expect the dollar to slide against the euro and yen over the rest of 2005, though, anticipating rates of \$1.21/euro, 111 yen/dollar, and C\$1.17/dollar at year-end. We anticipate further dollar declines against these major currencies, averaging 7% during 2006 and 5% during 2007. China began the process of renminbi revaluation with a small 2.1% move in July; we expect its future moves to be incremental. Over the next 12 months, the Chinese currency should appreciate another 5% against the dollar.

**Tax Burden to Rise.** The forecast assumes that Congress will not allow all of the Bush personal tax reductions to expire as scheduled. But we are also assuming that Congress will tinker enough to raise federal personal income tax receipts, little by little, back toward their historical average of 8.2% of GDP. We assume that the president and Congress will prevent the individual Alternative Minimum Tax from kicking in as strongly as it would do under current law, but that they will broaden the income tax base in order to make up the revenues. This may involve limiting or eliminating deductions for state and local taxes. The President's Tax Reform Panel has also suggested scaling back the mortgage interest deduction, but we assume that this will prove politically impossible.

*by Nariman Behraves and Nigel Gault*

## Risks and Alternatives

The U.S. economy showed solid third-quarter growth despite the hit from hurricanes Katrina and Rita. The storms will take a bite off fourth-quarter growth, but will spur 2006 growth as reconstruction spending seeps into the economy. Afterward, we expect the U.S. economy to downshift and begin growing at its “trend” rate. But what is the trend growth rate of the U.S. economy? The answer mainly depends on its rate of productivity growth.

After several outstanding years, productivity growth has slowed, but will register a still-lively 2.5–3.0% rate in 2005. Can the U.S. economy sustain productivity growth rates this high for a long period of time? Many economists in academia believe that it can, and that the productivity boom may last another decade, if not longer. The optimistic scenario incorporates this view.

This alternative forecast also assumes no serious negative repercussions from the weaker dollar, and focuses on the momentum being created by the investment recovery. As the decade-long expansion of the 1990s showed, once an economy gets up a head of steam, it is difficult to slow it down. Indeed, the optimistic scenario resembles the late 1990s, when it seemed that the good times would last forever.

The pessimistic scenario focuses on the upward pressures on global commodity prices—notably for energy—and the downward trend in the dollar, with their negative implications for inflation, bond yields, and domestic demand. The simulation also includes a housing bubble that ends inauspiciously. This alternative forecast resembles the late 1970s, when it seemed the bad times would never end. Indeed, as the 1970s demonstrated, economic malaise is difficult to shake as well.

**Everything Goes Right (20% Probability).** Six assumptions distinguish the optimistic scenario from the baseline forecast. First, total factor productivity, a concept that roughly measures how innovations augment economic growth, is stronger. Underlying this assumption is the view that the information-driven technology boom, which appears to have accelerated in recent years, continues. Productivity is a panacea. It eliminates economic headaches such as inflation, budget deficits, and sluggish

growth. In the optimistic scenario, it is the main reason why economic growth and employment gains are higher and inflation and budget deficits are lower than in the baseline. It is also one reason why the dollar is stronger. In conjunction with productivity gains, the stronger currency will help contain inflation.

Second, foreign economic growth is stronger. Although it can have a few side effects, such as commodity price inflation, foreign economic growth is also potent medicine. A stronger world economy boosts U.S. exports and strengthens domestic manufacturing. In this scenario, both developing and industrialized economies grow faster than in the baseline. As a result, exports grow faster in every year but two during the forecast period, despite a stronger dollar.

Third, business investment is stronger. Today’s level of business spending is below average by historical standards. In 2004, business fixed investment accounted for 10.2% of GDP, a full percentage point below the average over the past 25 years despite strong fundamentals—an economy growing faster than trend, low interest rates, and a generous accelerated depreciation allowance that expired on December 31, 2004. In this scenario, business spending (particularly on equipment and software) is much higher than in the baseline throughout the forecast period. By 2010, for example, it accounts for 12.0% of GDP, compared with 11.2% in the baseline.

Fourth, the federal government budget deficit in the optimistic scenario is lower than in the baseline. As the U.S. economy performs better, tax revenues increase and federal transfer payments decrease, leading to smaller deficits. Also contributing to a smaller deficit are lower interest rates, which result in lower federal interest payments.

Fifth, housing starts are stronger. The main factors driving starts up in the optimistic scenario are better job growth, lower interest rates, higher consumer confidence, and lower long-term mortgage rates.

Finally, the optimistic scenario assumes that energy prices are lower than in the baseline. Oil prices run about \$5/barrel lower than in the baseline, and the producer price index for gas fuels about 7.5% lower.

These assumptions produce a rosier outlook, with the U.S. economy growing 0.9 percentage point faster than in the baseline during both 2006 and 2007. Although economic growth and labor markets are stronger, inflation is lower because of the stronger dollar and the higher productivity gains. The lower inflation rate allows the Federal Reserve to keep the federal funds rate below the baseline value. Since productivity growth is stronger, potential GDP is higher and remains so throughout the forecast period. Job growth is also stronger. Nonfarm employment is 972,300 higher than in the baseline at the end of 2006 and 1.62 million higher at the end of 2007. Because job growth is strong, the unemployment rate stays below its baseline rate over the forecast period.

**Stagflation (25% Probability).** After a quarter-century of declining inflation, signs of a reacceleration are emerging. A doubling of oil prices, anemic domestic capacity expansion, a falling dollar, two-and-a-half years of accommodative monetary policy, and loose fiscal policy may have produced the conditions for a serious acceleration of inflation. The Federal Reserve is counting on continuing strong productivity gains, together with its “measured” tightening, to keep inflation at bay—but perhaps this is too sanguine a view.

The pessimistic alternative assumes that there is less spare capacity than thought, both globally and in the U.S. economy. Rapid technological advances and high oil prices may have rendered obsolete much of the idled capacity that theoretically remains on the books. It assumes that the dollar weakens quickly as foreign investors take fright at the spiraling trade deficit, and thus lose confidence in the dollar. Interest rates rise as foreign investors diversify away from the dollar, and the federal deficit widens relative to the baseline. The falling dollar adds to the upward pressure on inflation.

In the baseline forecast, core inflation stays under 2.9% over the forecast period, allowing the Fed to slow the pace of interest rate hikes. In the pessimistic alternative, though, core inflation keeps gathering momentum, reaching 3.5% by the first quarter of 2006. The Fed responds by accelerating the pace of tightening. Despite the more aggressive stance, both the stock and bond markets slip on signs that the Fed may have let inflation build up an unstoppable

momentum. The Fed cannot permit this acceleration to continue, and so it continues hiking interest rates. The federal funds rate averages 6.11% in the fourth quarter of 2006, compared with 4.75% in the baseline.

This simulation also has a housing price bubble that ends inauspiciously. The average price of existing single-family homes rises more than 15% above the baseline average by the first quarter of 2006, but then the bubble bursts. By early 2007, the average price tumbles more than 20% below its year-earlier value, and then stays below its baseline value throughout the forecast period. Housing starts tumble to 1.565 million units in 2007, compared with 1.838 million in the baseline forecast. Real spending on residential construction falls 7.2% in 2006 and 18.2% in 2007, compared with declines of 3.2% and 5.2% in the baseline.

Between the higher interest rates and persistently high energy prices, consumer confidence suffers. Consumers rein in discretionary spending and the U.S. economy slows. Core inflation stabilizes—but fails to retreat sufficiently, worrying the Federal Reserve. At the same time, hiring falters, causing the unemployment rate to climb. The Fed, forced to choose between fighting inflation and encouraging economic and employment growth, focuses on the long-term consequences of its policy and chooses to battle inflation—and, in fact, inflation eventually tapers off. Debt-laden consumers retrench further. Finally, early in 2008, with the unemployment rate near 6.00% and the federal funds rate at 7.75%, the Fed decides to hold. With the weaker dollar boosting trade, GDP growth begins to accelerate, bringing the unemployment rate down. As investment activity picks up, potential output increases relative to actual output, easing the upward pressure on prices.

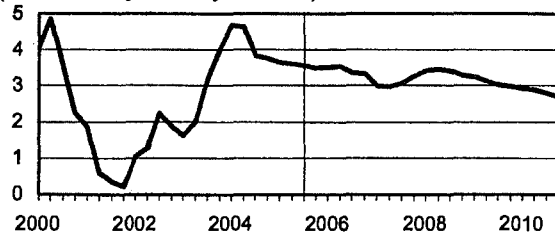
The economy does not sink into recession in the pessimistic alternative, but merely fails to come as close to its potential as in the baseline, with GDP growth coming in 0.6 percentage point below the baseline rate in 2006 and 1.8 percentage points below the baseline in 2007. Production shifts from satisfying domestic demand to serving foreign demand, which responds strongly to the weaker dollar. The ground lost relative to the baseline is never made up, though, and real GDP is more than 5.0% below its baseline level at the end of 2015.

*by Patrick Newport and Marina Hess*

## Forecast at a Glance

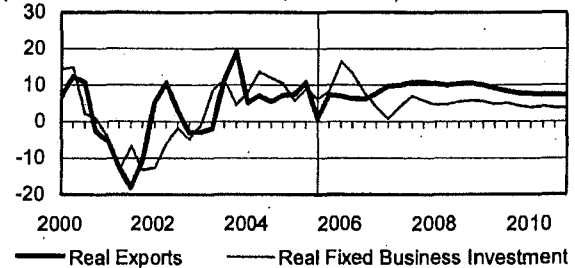
## GDP Growth to Gradually Ease

(Percent change from a year earlier)



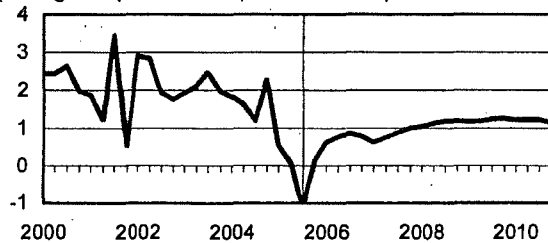
## Exports and Business Investment Support Growth

(Billions of chained 2000 dollars, annual rate)



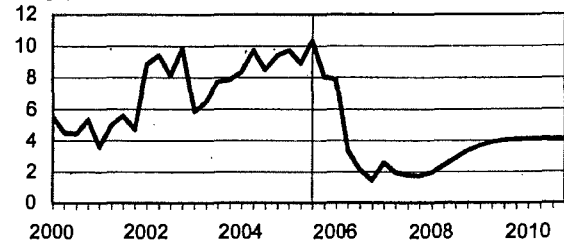
## Saving Rate Will Rise, Slowing Consumption Growth

(Saving as a percent of disposable income)



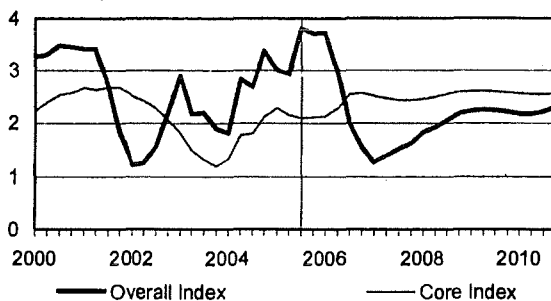
## House Price Inflation Expected to Slow

(Average price, existing single-family homes, year/year percent change)



## Core Inflation at 2%-Plus

(Consumer prices, percent change from a year earlier)



## The Fed Keeps Tightening

(Percent)

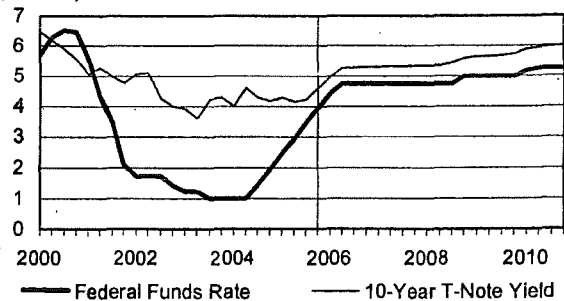


TABLE 1  
Monthly Economic Indicators

	Sep. 2004	Oct. 2004	Mar. 2005	Apr. 2005	May. 2005	Jun. 2005	Jul. 2005	Aug. 2005	Sep. 2005	Oct. 2005	2002	2003	2004
<b>Industrial Markets</b>													
Industrial Prod. (2002=100.0)	108.0	106.9	108.2	108.3	108.7	109.0	109.1	109.8	109.0		100.0	100.5	105.4
Percent Change	-0.4	0.8	-0.3	0.0	0.4	0.3	0.1	0.6	-0.7		0.1	0.5	4.8
Percent Change Year Earlier	5.0	5.8	4.3	3.5	3.0	3.9	3.2	3.1	2.8				
Capacity Utilization, Manufacturing (%)	77.5	78.1	78.5	78.4	78.6	78.7	78.6	78.9	78.2		73.3	73.7	77.1
Unemployment Rate (%)	5.4	5.5	5.2	5.2	5.1	5.0	5.0	4.9	5.1	5.0	5.8	6.0	5.5
Payroll Employment (Mil.)	131.880	132.162	132.995	133.287	133.413	133.588	133.865	134.013	134.005	134.061	130.345	129.999	131.475
Change (Mil.)	0.130	0.282	0.122	0.292	0.126	0.175	0.277	0.148	-0.008	0.056	-1.487	-0.347	1.476
Leading Indicator (1992=1.000)	1.352	1.352	1.362	1.363	1.365	1.380	1.378	1.377	1.368		1.186	1.246	1.342
Percent Change	0.1	0.0	-0.7	0.1	0.1	1.1	-0.1	-0.1	-0.7		5.0	5.1	7.7
New Orders, Mfg. (Bil. \$)	364.4	366.8	376.1	378.0	391.7	395.3	385.6	396.8	390.0		318.2	329.4	380.0
Percent Change	-0.9	0.7	0.3	0.0	4.2	0.9	-2.5	2.9	-1.7		-2.5	3.5	9.3
Inv. Chg., Mfg. & Trade (Bil. \$)	-1.9	5.4	5.0	3.3	1.8	-0.5	-5.5	5.6			2.5	17.6	89.8
Merchandise Trade Bal. (Bil. \$)	-54.3	-58.2	-57.8	-61.1	-59.4	-62.5	-81.5	-62.3			-488.3	-532.4	-650.9
<b>Consumer Markets</b>													
Disposable Income (Bil. 2000\$)	8003	8043	8106	8111	8122	8153	8164	8045	8123		7562	7742	8004
Percent Change	0.0	0.5	0.0	0.1	0.1	0.4	0.1	-1.5	1.0		3.1	2.4	3.4
Personal Income (Bil. \$)	9759	9858	10122	10191	10214	10259	10298	10204	10377		8882	9169	9713
Percent Change	0.2	1.0	0.5	0.7	0.2	0.4	0.4	-0.9	1.7		1.8	3.2	5.9
Personal Saving Rate (%)	1.0	1.1	0.4	0.2	0.3	-0.3	-1.2	-1.8	-0.4		2.4	2.1	1.7
Consumer Expenditures (Bil. \$)	8295	8371	8583	8647	8647	8737	8858	8809	8853		7351	7710	8214
Percent Change	0.5	0.9	0.5	0.7	0.0	1.0	1.4	-0.5	0.5		4.2	4.9	6.5
Retail Sales (Bil. \$)	329.9	332.3	340.1	346.1	344.9	351.3	357.3	350.6	351.5		3474.4	3623.8	3887.5
Percent Change	1.7	0.7	0.3	1.8	-0.3	1.9	1.7	-1.9	0.2		2.5	4.3	7.3
Non-Auto. Retail Sales (Bil. \$)	253.7	257.3	264.1	268.2	268.3	271.0	272.4	275.2	278.1		2653.5	2778.5	3007.8
Percent Change	0.8	1.4	0.3	1.6	0.0	1.0	0.5	1.0	1.1		3.3	4.7	8.3
New Light-Vehicle Sales (Mil.)	17.4	18.9	16.8	17.2	16.6	17.8	20.7	16.8	16.3		14.7	16.8	16.6
Domestic	14.1	13.3	13.4	13.6	13.2	14.3	17.0	13.4	13.0	11.4	13.5	13.3	13.5
Imports	3.3	3.7	3.4	3.6	3.4	3.5	3.6	3.4	3.3	3.3	3.3	3.3	3.4
Housing Starts (Mil.)	1.912	2.062	1.833	2.027	2.041	2.085	2.062	2.038	2.108		1.710	1.854	1.950
New Home Sales (Mil.)	1.223	1.306	1.307	1.269	1.293	1.298	1.354	1.197	1.222		0.978	1.091	1.200
Existing Home Sales (Mil.)	6.790	6.840	6.870	7.180	7.140	7.350	7.150	7.280	7.280		5.653	6.170	6.723
Chg. Consumer Install. Credit (Bil. \$)	13.3	18.1	6.4	6.0	0.0	15.0	10.0	7.9	-0.1		86.7	89.8	91.0
<b>Prices and Wages</b>													
CPI, All Urban Consumers	1.896	1.907	1.932	1.942	1.941	1.941	1.951	1.961	1.985		1.798	1.840	1.889
Percent Change Year Earlier	2.5	3.2	3.2	3.5	2.8	2.5	3.1	3.6	4.7		1.6	2.3	2.7
Core Cons. Price Defl. (2000=100.0)	107.5	107.8	108.8	108.9	109.1	109.2	109.3	109.4	109.6		103.7	105.1	107.2
Percent Change Year Earlier	2.0	2.1	2.1	2.0	2.0	1.9	1.9	2.0	2.0		1.8	1.3	2.0
PPI, Finished Goods	1.489	1.511	1.537	1.544	1.537	1.535	1.551	1.560	1.589		1.369	1.433	1.485
Percent Change Year Earlier	3.3	4.4	5.0	4.7	3.6	3.6	4.6	5.1	6.7		-1.3	3.2	3.6
PPI, Industrial Commodities (NSA)	1.491	1.518	1.556	1.572	1.563	1.564	1.589	1.603	1.655		1.324	1.391	1.476
Percent Change Year Earlier	7.2	9.1	8.6	8.6	6.7	6.2	7.2	7.4	11.0		-2.4	5.1	6.1
Avg. Private Hourly Earnings (\$)	15.77	15.81	15.95	16.00	16.03	16.07	16.14	16.17	16.19	16.27	14.94	15.34	15.67
Percent Change Year Earlier	2.4	2.6	2.6	2.7	2.6	2.7	2.8	2.7	2.7	2.9	2.9	2.7	2.1
West Texas Int. Crude Oil (\$/bbl.)	45.95	53.13	54.22	53.04	49.83	56.31	58.70	64.97	65.57	62.37	26.10	31.14	41.45
Percent Change Year Earlier	37.3	7.6	-4.9	5.0	18.1	9.1	3.8	-2.8	9.8	29.8	0.7	19.3	33.1
<b>Financial Markets</b>													
Federal Funds Rate (%)	1.61	1.76	2.63	2.79	3.00	3.04	3.26	3.50	3.62	3.78	1.67	1.13	1.35
3-Month T-Bill Rate (%)	1.65	1.76	2.74	2.78	2.84	2.97	3.22	3.44	3.42	3.71	1.60	1.01	1.37
Commercial Bank Prime Rate (%)	4.58	4.75	5.58	5.75	5.98	6.01	6.25	6.44	6.59	6.75	4.88	4.12	4.34
Moody's Aaa Corp. Bond Yield (%)	5.46	5.47	5.40	5.33	5.15	4.96	5.06	5.09	5.13	5.35	6.49	5.67	5.63
10-Year Treasury Note Yield (%)	4.13	4.10	4.50	4.34	4.14	4.00	4.18	4.26	4.20	4.46	4.61	4.02	4.27
Conv. Mortgage Rate, FHLMC (%)	5.75	5.72	5.93	5.86	5.72	5.58	5.70	5.82	5.77	6.07	6.54	5.82	5.84
M1 Money Supply (Bil. \$)	1359	1360	1379	1361	1373	1374	1354	1371	1363		1196	1274	1345
Percent Change	0.3	0.1	0.5	-1.3	0.9	0.1	-1.5	1.2	-0.6		3.1	6.8	5.1
M2 Money Supply (Bil. \$)	6341	6369	6485	6482	6483	6516	6525	6554	6588		5615	6005	6277
Percent Change	0.6	0.4	0.3	0.0	0.0	0.5	0.1	0.4	0.5		6.3	4.8	5.5
Trade-Weighted US\$, 18 Countries													
Morgan Guaranty Index (1990=100.0)	93.5	92.0	88.5	89.5	90.0	91.0	91.5	90.4	90.3		104.4	97.5	92.6
Percent Change	-0.4	-1.6	-0.8	1.1	0.5	1.1	0.6	-1.3	0.0		-0.4	-6.7	-5.0
Percent Change Year Earlier	-3.6	-3.0	-4.9	-4.6	-5.8	-3.5	-2.3	-3.7	-3.4				
Real Morgan Guaranty Index	92.8	91.2	88.4	89.3	90.1	91.1	91.7	90.4	90.1		106.2	98.3	92.3
Percent Change	-0.6	-1.7	-1.3	1.0	0.9	1.2	0.7	-1.5	-0.3		-0.1	-7.5	-6.1
Percent Change Year Earlier	-5.4	-5.3	-5.0	-4.5	-5.2	-3.3	-1.5	-3.2	-2.9				

TABLE 2

## Summary of the U.S. Economy

	2005:2	2005:3	2005:4	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4	2008:1	2008:2
<b>Composition of Real GDP, Percent Change, Annual Rate</b>													
Gross Domestic Product	3.3	3.8	3.0	3.9	3.4	3.1	2.9	2.6	3.3	3.4	3.7	3.2	3.5
Final Sales of Domestic Product	5.6	4.4	1.3	3.7	3.6	3.1	2.9	2.5	3.2	3.4	3.6	3.1	3.4
Total Consumption	3.4	3.9	0.1	3.3	4.0	4.1	3.7	2.9	3.1	3.0	3.3	2.9	3.2
Durables	7.9	10.8	-17.1	2.1	7.2	8.4	7.5	5.2	5.0	4.3	4.6	3.4	4.8
Nondurables	3.6	2.6	2.3	4.2	4.0	3.7	3.3	2.7	3.4	3.2	3.3	2.9	3.3
Services	2.3	3.2	2.7	3.0	3.3	3.4	3.2	2.6	2.5	2.7	3.0	2.8	2.9
Nonresidential Fixed Investment	8.8	6.2	8.2	16.4	13.2	7.7	3.9	0.7	4.1	6.9	5.8	4.6	4.7
Equipment & Software	10.9	8.9	8.8	11.1	9.3	8.6	7.5	3.8	6.2	7.2	7.3	7.3	6.6
Information Processing Equipment	14.5	13.3	11.4	14.6	13.3	11.9	10.7	8.4	9.5	9.1	9.3	9.4	9.4
Computers & Peripherals	31.7	12.5	23.9	32.1	24.6	24.1	22.4	22.4	22.9	22.3	21.5	21.3	21.7
Communications Equipment	-0.8	34.2	10.8	13.9	12.5	11.3	11.6	8.6	6.5	7.3	7.7	7.7	6.3
Industrial Equipment	-18.9	20.5	4.6	5.8	2.5	5.4	8.7	4.1	2.0	2.1	4.7	5.3	4.4
Transportation equipment	27.4	-0.2	8.3	12.4	7.2	5.4	2.5	-10.2	2.7	9.4	6.1	6.5	3.1
Aircraft	46.2	-56.4	239.4	-7.9	1.2	5.5	2.7	7.2	13.0	11.4	14.8	15.0	8.5
Other Equipment	18.6	-3.2	5.4	5.5	6.5	5.3	4.4	3.7	4.3	4.5	5.1	4.1	3.7
Structures	2.7	-1.4	6.5	33.0	24.5	5.4	-5.6	-7.2	-1.9	6.1	1.4	-3.2	-0.9
Commercial & Health Care	0.5	-4.4	1.9	9.0	9.8	6.9	11.6	0.0	12.4	11.4	12.6	1.1	-1.1
Manufacturing	-2.9	-11.6	33.7	13.7	-16.4	36.5	10.7	9.1	3.8	16.6	15.2	12.4	15.4
Power & Communication	-22.8	-5.9	-12.2	79.9	-14.8	16.8	12.1	15.3	7.2	5.3	2.5	-0.3	1.1
Mining & Petroleum	40.9	16.7	14.2	83.9	96.1	-4.1	-34.7	-37.4	-31.0	-3.6	-23.7	-23.3	-12.7
Other	-8.2	-9.7	9.5	27.3	5.4	3.5	2.4	10.7	2.9	2.4	1.4	0.1	2.5
Residential Fixed Investment	10.8	4.8	5.6	-4.4	-11.3	-12.4	-7.7	-3.6	-1.5	-2.0	0.7	-0.2	-0.7
Exports	10.7	0.7	7.3	6.9	6.3	6.1	7.6	9.7	9.9	10.8	10.9	10.4	9.9
Imports	-0.2	0.0	9.7	5.9	4.9	4.8	5.0	4.6	4.1	5.0	5.2	4.5	4.4
Federal Government	2.4	7.7	6.3	1.5	1.1	0.2	0.6	0.0	1.0	0.7	1.1	0.9	1.1
State & Local Government	2.6	0.6	3.2	1.4	1.7	2.9	2.8	2.8	2.3	1.5	1.5	0.9	1.9
<b>Billions of Dollars</b>													
Real GDP	11089.2	11193.2	11277.4	11385.3	11481.4	11568.5	11652.5	11726.1	11822.1	11922.6	12032.1	12126.7	12230.9
Nominal GDP	12378.0	12589.6	12778.2	12999.0	13176.1	13329.8	13486.8	13644.4	13823.0	14006.6	14206.5	14403.5	14606.3
<b>Prices &amp; Wages, Percent Change, Annual Rate</b>													
GDP Deflator	2.6	3.1	2.8	3.1	2.1	1.6	1.8	2.1	2.0	1.9	2.0	2.4	2.2
Consumer Prices	4.2	5.1	3.2	2.4	1.2	1.2	1.3	1.4	1.7	1.7	1.8	2.2	2.1
Producer Prices, Finished Goods	3.1	7.5	16.0	1.9	-4.3	-1.5	-1.6	-2.1	-0.5	-0.5	-0.2	0.6	0.4
Employment Cost Index - Total Comp.	2.5	3.2	4.2	4.0	4.1	4.1	4.1	3.7	3.9	3.8	4.2	4.1	3.8
<b>Other Key Measures</b>													
Oil - WTI (\$ per barrel)	53.11	63.21	61.50	60.75	60.08	58.00	55.00	52.00	50.00	48.00	46.00	46.00	45.00
Productivity (%ch., saar)	2.4	3.9	1.9	2.4	1.9	1.8	1.6	1.5	2.3	2.4	2.6	2.1	2.6
Total Industrial Production (%ch., saar)	1.4	1.3	-0.8	6.8	3.3	3.2	2.7	1.4	2.3	2.9	3.5	3.5	3.4
Factory Operating Rate	78.1	78.2	78.5	79.2	79.4	79.2	79.0	78.6	78.6	78.7	78.9	79.0	79.1
Nonfarm Inven. Chg. (Bil. 2000 \$)	3.4	-9.8	35.2	35.6	31.2	30.0	30.2	31.9	34.5	37.1	42.7	45.9	47.4
Consumer Sentiment Index	90.2	87.5	78.0	85.8	90.6	94.8	96.1	98.3	95.9	95.8	95.9	95.4	95.7
Light Vehicle Sales (Mil. units, saar)	17.21	17.92	15.73	16.14	16.38	16.72	16.73	16.85	16.89	17.05	17.14	17.13	17.16
Housing Starts (Mil. units, saar)	2.044	2.069	2.047	1.967	1.861	1.833	1.829	1.830	1.839	1.839	1.844	1.833	1.820
Exist. House Sales (Total, Mil. saar)	7.223	7.237	7.004	6.696	6.399	6.161	6.045	5.980	6.014	5.873	5.905	5.851	5.868
Unemployment Rate (%)	5.1	5.0	5.0	4.9	4.8	4.8	4.8	4.9	4.9	4.9	4.8	4.8	4.7
Payroll Employment (%ch., saar)	1.9	1.6	0.9	1.8	1.7	1.5	1.5	1.3	1.4	1.3	1.4	1.2	1.3
Federal Surplus (Unified, nsr, bil. \$)	45.2	-69.2	-106.0	-123.6	-26.2	-109.2	-81.3	-73.4	-72.8	-74.3	-75.4	-70.8	-66.3
Current Account Balance (Bil. \$)	-782.6	-793.6	-856.4	-876.6	-903.2	-914.7	-915.0	-904.1	-894.3	-888.0	-883.5	-878.0	-864.8
<b>Financial Markets, NSA</b>													
Federal Funds Rate (%)	2.94	3.46	3.96	4.42	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75
3-Month Treasury Bill Rate (%)	2.86	3.35	3.88	4.29	4.59	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60
10-Year Treasury Note Yield (%)	4.16	4.21	4.60	4.98	5.26	5.28	5.30	5.30	5.32	5.33	5.34	5.35	5.35
30-Year Fixed Mortgage Rate (%)	5.74	5.75	6.19	6.57	6.84	6.87	6.88	6.89	6.91	6.91	6.93	6.93	6.94
S&P 500 Stock Index	1182	1224	1221	1254	1268	1276	1277	1281	1285	1294	1309	1337	1369
(Four-Quarter % change)	5.2	10.9	5.1	5.2	7.3	4.3	4.6	2.1	1.3	1.4	2.5	4.4	6.5
Exchange Rate, Major Trading Partners	0.822	0.833	0.840	0.824	0.811	0.795	0.781	0.769	0.758	0.750	0.742	0.732	0.728
(% change, annual rate)	11.6	5.6	3.2	-7.4	-5.9	-7.6	-7.0	-6.1	-5.6	-4.4	-4.2	-5.2	-2.2
<b>Incomes</b>													
Personal Income (% ch., saar)	6.0	2.8	7.8	7.6	6.7	6.5	5.7	5.7	5.7	5.8	5.9	6.2	5.9
Real Disposable Income (%ch., saar)	1.5	-0.9	5.3	5.3	4.7	4.5	3.5	2.4	3.7	3.7	3.9	3.2	3.7
Saving Rate (%)	0.1	-1.1	0.1	0.6	0.8	0.9	0.8	0.6	0.8	0.9	1.0	1.0	1.1
After-Tax Profits (Billions of \$)	1040	998	1148	1131	1094	1081	1070	1059	1079	1089	1098	1094	1107
(Four-quarter % change)	31.6	31.5	38.1	11.3	5.2	8.3	-6.8	-6.3	-1.4	0.7	2.7	3.3	2.6

TABLE 3  
Summary of the U.S. Economy

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Composition of Real GDP, Percent Change</b>													
Gross Domestic Product	4.2	4.4	3.7	0.8	1.6	2.7	4.2	3.6	3.4	3.1	3.4	3.1	2.8
Final Sales of Domestic Product	4.2	4.5	3.8	1.6	1.2	2.7	3.9	3.9	3.3	3.0	3.3	3.1	2.9
Total Consumption	5.0	5.1	4.7	2.5	2.7	2.9	3.9	3.5	3.0	3.3	3.1	3.0	2.9
Durables	11.3	11.7	7.3	4.3	7.1	6.6	8.0	4.6	1.5	5.9	4.3	4.5	4.4
Nondurables	4.0	4.8	3.8	2.0	2.5	3.2	4.7	4.1	3.5	3.2	3.2	3.1	2.9
Services	4.2	4.0	4.5	2.4	1.9	2.0	3.0	2.9	3.1	2.9	2.8	2.8	2.7
Nonresidential Fixed Investment	11.1	9.2	8.7	-4.2	-9.2	1.3	9.4	8.8	10.6	4.6	5.3	5.2	4.2
Equipment & Software	13.3	12.7	9.4	-4.9	-6.2	3.2	11.9	10.9	9.5	6.5	6.9	6.2	5.1
Information Processing Equipment	21.9	21.2	17.4	-1.8	-4.7	5.1	13.6	13.5	13.0	9.9	9.4	9.6	8.6
Computers & Peripherals	44.3	41.0	21.1	2.0	5.0	12.7	27.6	31.7	25.0	22.7	21.5	20.4	19.2
Communications Equipment	15.9	19.2	30.0	-7.6	-21.1	-0.9	15.8	10.4	13.9	8.6	7.0	5.4	4.5
Industrial Equipment	3.6	-0.2	7.7	-8.5	-7.7	0.3	3.4	6.9	4.9	4.0	3.8	1.7	0.5
Transportation equipment	7.0	15.3	-4.1	-11.2	-11.8	-2.3	12.7	12.9	8.3	0.9	5.7	4.4	2.1
Aircraft	33.7	44.0	2.8	2.8	-28.6	-5.4	-10.2	-15.7	14.2	7.8	11.8	7.0	6.0
Other Equipment	8.8	0.8	3.6	-3.3	-3.1	6.3	14.8	5.9	5.2	4.5	4.0	2.2	1.5
Structures	5.1	-0.4	6.8	-2.3	-17.1	-4.2	2.2	1.8	13.6	-0.5	0.3	2.4	1.5
Commercial & Health Care	5.8	3.2	6.3	-5.3	-15.7	-6.4	2.2	-0.4	5.4	8.1	4.6	0.7	0.4
Manufacturing	3.4	-22.5	-6.1	-10.3	-41.6	-7.4	4.8	16.6	8.5	10.9	14.0	18.8	11.4
Power & Communication	15.3	17.4	14.7	3.0	-2.4	-14.1	-11.7	-8.4	9.9	9.1	2.3	2.2	2.2
Mining & Petroleum	-7.8	-8.8	27.8	17.8	-23.3	17.4	18.4	16.2	33.1	-22.2	-16.3	-6.0	-9.1
Other	5.4	0.8	2.9	-4.7	-16.0	-4.1	0.5	-5.7	7.8	4.8	1.9	5.4	5.3
Residential Fixed Investment	7.6	6.0	0.8	0.4	4.8	8.4	10.3	7.0	-3.2	-5.2	-0.8	-2.0	0.1
Exports	2.4	4.3	8.7	-5.4	-2.3	1.8	8.4	6.8	6.3	8.9	10.4	9.6	7.7
Imports	11.6	11.5	13.1	-2.7	3.4	4.6	10.7	5.9	5.1	4.7	4.8	5.3	5.0
Federal Government	-1.1	2.2	0.9	3.9	7.0	6.9	5.2	2.9	2.9	0.6	0.9	0.7	1.1
State & Local Government	3.8	4.7	2.7	3.2	3.1	0.6	0.4	1.7	2.1	2.4	1.4	1.5	1.2
<b>Billions of Dollars</b>													
Real GDP	9086.9	9470.4	9817.0	9890.7	10048.9	10320.6	10755.7	11139.8	11521.9	11875.7	12278.3	12657.8	13015.2
Nominal GDP	8747.0	9268.4	9817.0	10128.0	10469.6	10971.3	11734.3	12486.2	13247.9	13920.1	14704.5	15516.6	16318.3
<b>Prices &amp; Wages, Percent Change</b>													
GDP Deflator	1.1	1.4	2.2	2.4	1.7	2.0	2.6	2.8	2.6	1.9	2.2	2.4	2.3
Consumer Prices	1.5	2.2	3.4	2.8	1.8	2.3	2.7	3.4	2.6	1.5	2.0	2.2	2.2
Producer Prices, Finished Goods	-0.9	1.8	3.8	1.9	-1.3	3.2	3.6	5.3	3.3	-1.5	0.2	0.7	0.8
Employment Cost Index - Total Comp.	3.5	3.2	4.5	4.1	3.6	4.0	3.9	3.1	3.9	3.9	4.0	3.9	3.8
<b>Other Key Measures</b>													
Oil - WTI (\$ per barrel)	14.39	19.27	30.35	25.96	26.11	31.12	41.47	58.92	58.46	49.00	45.25	43.88	42.50
Productivity (%ch.)	2.7	2.8	2.6	2.6	4.0	3.8	3.4	2.7	2.3	1.9	2.4	2.4	2.6
Total Industrial Production (%ch.)	5.8	4.5	4.3	-3.6	-0.3	0.0	4.1	2.7	3.0	2.5	3.3	3.5	2.8
Factory Operating Rate	81.8	81.1	80.6	74.5	73.5	73.7	76.7	78.2	79.2	78.7	79.2	79.7	79.3
Nonfarm Inven. Chg. (Bil. 2000 \$)	71.2	71.5	57.8	-31.8	15.2	15.4	49.9	22.7	31.7	36.6	47.3	48.9	43.7
Consumer Sentiment Index	104.6	105.8	107.6	89.2	89.6	87.6	95.2	87.4	91.9	96.0	95.3	94.4	92.4
Light Vehicle Sales (Mil. units)	15.51	16.89	17.34	17.12	16.82	16.64	16.87	16.84	16.49	16.98	17.20	17.37	17.52
Housing Starts (Mil. units)	1.621	1.647	1.573	1.601	1.710	1.854	1.950	2.061	1.873	1.838	1.813	1.739	1.714
Exist. House Sales (Total, Mil. units)		5.167	5.182	5.319	5.653	6.170	6.723	7.075	6.325	5.943	5.829	5.771	5.939
Unemployment Rate (%)	4.5	4.2	4.0	4.8	5.8	6.0	5.5	5.1	4.8	4.9	4.7	4.6	4.7
Payroll Employment (%ch.)	2.6	2.4	2.2	0.0	-1.1	-0.3	1.1	1.6	1.6	1.4	1.3	1.0	0.7
Federal Surplus (Unified, FY, bil. \$)	69.2	124.4	236.9	127.3	-157.8	-377.1	-412.8	-318.6	-365.1	-301.7	-281.9	-240.4	-218.3
Current Account Balance (Bil. \$)	-214.1	-300.1	-416.0	-389.5	-475.2	-519.7	-668.1	-806.8	-902.4	-892.5	-862.8	-837.5	-833.6
<b>Financial Markets, NSA</b>													
Federal Funds Rate (%)	5.35	4.97	6.24	3.89	1.67	1.13	1.35	3.21	4.67	4.75	4.81	5.00	5.2
3-Month Treasury Bill Rate (%)	4.79	4.63	5.81	3.43	1.61	1.01	1.36	3.15	4.52	4.60	4.67	4.86	5.00
10-Year Treasury Note Yield (%)	5.26	5.64	6.03	5.02	4.61	4.02	4.27	4.32	5.20	5.32	5.43	5.67	5.95
30-Year Fixed Mortgage Rate (%)	6.94	7.43	8.06	6.97	6.54	5.82	5.84	5.86	6.79	6.91	7.02	7.27	7.54
S&P 500 Stock Index	1084	1326	1427	1192	996	964	1131	1205	1269	1292	1381	1468	1568
(Percent change)	24.2	22.3	7.6	-16.4	-16.5	-3.2	17.3	6.6	5.3	1.8	6.9	6.3	6.8
Exchange Rate, Major Trading Partners	0.969	0.953	1.000	1.060	1.044	0.916	0.840	0.824	0.803	0.755	0.728	0.743	0.750
(Percent change)	4.8	-1.6	4.9	6.0	-1.5	-12.2	-8.2	-2.0	-2.5	-6.0	-3.5	2.0	1.0
<b>Incomes</b>													
Personal Income (% ch.)	7.3	5.1	8.0	3.5	1.8	3.2	5.9	5.7	6.5	5.9	5.9	5.9	5.6
Real Disposable Income (%ch.)	5.8	3.0	4.8	1.9	3.1	2.4	3.4	1.7	3.9	3.5	3.6	3.2	3.0
Saving Rate (%)	4.3	2.4	2.4	1.8	2.4	2.1	1.7	-0.1	0.8	0.8	1.1	1.2	1.2
After-Tax Profits (Billions of \$)	470	517	508	504	576	705	788	1050	1094	1081	1107	1109	1110
(Percent change)	-14.9	10.1	-1.7	-0.9	14.3	22.4	11.8	33.3	4.1	-1.2	2.4	0.2	0.1

TABLE 4

## Alternative Scenarios of the U.S. Economy

	2005:3	2005:4	2006:1	2006:2	2006:3	2006:4	2004	2005	2006	2007	2008	2009	2010
<b>Everything Goes Right (Prob. = 20%)</b>													
<b>Composition of Real GDP, Percent Change, Annual Rate</b>													
Gross Domestic Product	3.8	3.6	5.2	4.8	4.2	4.1	4.2	3.6	4.3	4.0	3.9	3.4	3.0
Total Consumption	3.9	0.4	4.2	5.1	5.0	4.7	3.9	3.5	3.7	4.2	3.7	3.4	3.2
Nonresidential Fixed Investment	6.2	9.1	16.7	16.8	12.3	10.3	9.4	8.6	12.5	9.7	7.6	6.5	4.8
Residential Fixed Investment	4.8	11.6	4.6	-1.3	-4.9	-2.7	10.3	7.4	3.4	-1.9	-0.5	-3.0	-0.4
Exports	0.7	7.1	7.1	6.8	6.1	7.3	8.4	6.8	6.3	8.8	10.7	10.2	8.4
Imports	0.0	11.3	7.9	9.3	9.0	8.7	10.7	6.0	7.4	7.5	5.8	5.9	5.2
Federal Government	7.7	6.3	1.5	1.1	0.2	0.6	5.2	2.9	2.9	0.6	0.9	0.7	1.1
State & Local Government	0.6	3.2	1.5	2.0	3.3	3.4	0.4	1.7	2.2	2.9	1.7	1.6	1.3
<b>Prices &amp; Wages, Percent Change, Annual Rate</b>													
Consumer Prices	5.1	2.4	1.5	0.8	0.8	1.0	2.7	3.3	2.0	1.1	1.6	1.9	1.8
Producer Prices, Finished Goods	7.6	13.3	0.2	-4.8	-1.6	-1.9	3.6	5.2	2.2	-1.8	-0.2	0.3	0.3
Employment Cost Index - Total Comp.	3.2	4.0	3.9	3.9	3.9	3.9	3.9	3.1	3.7	3.9	4.0	3.9	3.8
<b>Other Key Measures</b>													
Oil - WTI (\$ per barrel)	63.21	58.31	55.50	54.85	52.79	49.80	41.47	56.12	53.23	43.78	39.97	38.59	37.22
Productivity (%ch., saar)	3.9	2.6	3.3	2.7	2.2	2.0	3.4	2.8	2.8	2.1	2.6	2.7	3.0
Manufacturing Production (%ch., saar)	1.3	-0.7	8.0	4.3	4.1	3.5	4.1	2.7	3.6	3.0	3.5	3.6	2.9
Nonfarm Inven. Chg. (Bil. 2000 \$)	-9.8	39.9	49.1	52.3	55.5	59.2	49.9	23.8	54.0	57.9	56.7	56.5	50.1
Consumer Sentiment Index	87.5	79.3	89.7	96.0	100.9	102.8	95.2	87.8	97.3	102.7	102.2	100.0	96.8
Light Vehicle Sales (Mil. units, saar)	17.92	15.78	16.37	16.87	17.40	17.51	16.87	16.85	17.04	17.88	18.19	18.31	18.38
Housing Starts (Mil. units, saar)	2.069	2.113	2.100	2.054	2.051	2.055	1.950	2.077	2.065	2.080	2.016	1.904	1.855
Unemployment Rate (%)	5.0	5.0	4.8	4.6	4.5	4.4	5.5	5.1	4.6	4.2	4.0	3.9	4.1
Payroll Employment (%ch., saar)	1.6	1.0	2.6	2.6	2.1	2.1	1.1	1.6	2.0	2.0	1.6	1.0	0.6
Federal Surplus (Unified, FY, bil. \$)	-69.2	-104.9	-119.1	-17.6	-97.2	-68.4	-412.8	-318.6	-338.7	-224.2	-186.4	-139.8	-127.4
<b>Financial Markets, NSA</b>													
Federal Funds Rate (%)	3.46	3.96	4.25	4.25	4.25	4.25	1.35	3.21	4.25	4.25	4.31	4.50	4.73
10-Year Treasury Note Yield (%)	4.21	4.59	4.85	4.90	4.92	4.93	4.27	4.32	4.90	4.93	4.99	5.19	5.47
<b>Incomes</b>													
Personal Income (% ch., saar)	2.8	7.9	8.2	7.3	6.9	6.3	5.9	5.7	6.9	6.4	6.0	5.7	5.3
After-Tax Profits (Four-qr.% change)	31.5	38.4	13.4	9.3	13.7	-1.6	11.8	33.3	8.4	-0.7	0.4	-1.7	-1.6
<b>Stagflation (Prob. = 25%)</b>													
<b>Composition of Real GDP, Percent Change, Annual Rate</b>													
Gross Domestic Product	3.8	2.6	3.2	2.8	1.6	1.7	4.2	3.5	2.8	1.3	2.6	2.9	2.2
Total Consumption	3.9	-0.7	2.2	3.4	1.8	1.7	3.9	3.4	2.1	1.2	1.7	2.3	2.5
Nonresidential Fixed Investment	6.2	7.1	14.4	11.8	6.8	1.5	9.4	8.5	9.3	0.9	2.3	5.3	4.3
Residential Fixed Investment	4.8	5.4	-7.1	-19.2	-20.7	-15.9	10.3	7.0	-7.2	-18.2	-4.4	5.1	2.4
Exports	0.7	7.5	7.9	7.9	7.9	8.6	8.4	6.8	7.1	9.1	8.8	6.4	6.0
Imports	0.0	7.8	1.7	2.1	1.0	-0.8	10.7	5.8	2.3	-1.5	0.5	6.1	5.7
Federal Government	7.7	6.3	1.5	1.1	0.2	0.6	5.2	2.9	2.9	0.6	0.9	0.7	1.1
State & Local Government	0.6	3.2	1.4	1.8	2.9	2.5	0.4	1.7	2.1	2.0	0.8	1.5	1.2
<b>Prices &amp; Wages, Percent Change, Annual Rate</b>													
Consumer Prices	5.1	4.3	5.4	3.0	1.8	2.7	2.7	3.4	4.0	2.5	2.9	3.5	3.3
Producer Prices, Finished Goods	7.5	18.7	7.7	-1.1	-0.5	0.7	3.6	5.5	6.1	0.2	1.3	2.3	1.9
Employment Cost Index - Total Comp.	3.2	4.2	4.3	4.3	4.4	4.5	3.9	3.1	4.1	4.3	4.2	4.4	4.5
<b>Other Key Measures</b>													
Oil - WTI (\$ per barrel)	63.21	65.75	73.34	77.54	75.44	73.68	41.47	57.98	75.00	64.90	55.82	54.46	53.08
Productivity (%ch., saar)	3.9	1.5	1.8	1.6	1.0	1.0	3.4	2.7	1.8	1.1	2.3	1.9	1.7
Manufacturing Production (%ch., saar)	1.3	-0.8	6.8	2.5	1.6	2.0	4.1	2.7	2.6	0.5	2.3	2.7	1.0
Nonfarm Inven. Chg. (Bil. 2000 \$)	-9.8	30.9	22.1	12.6	8.1	2.4	49.9	21.6	11.3	-7.2	26.3	49.5	32.0
Consumer Sentiment Index	87.5	75.2	79.4	83.9	88.5	88.0	95.2	86.7	85.0	84.9	85.8	89.4	87.2
Light Vehicle Sales (Mil. units, saar)	17.92	15.62	15.76	15.74	15.82	15.41	16.87	16.82	15.88	15.05	15.27	15.99	16.15
Housing Starts (Mil. units, saar)	2.069	2.029	1.885	1.722	1.674	1.645	1.950	2.056	1.732	1.565	1.631	1.681	1.660
Unemployment Rate (%)	5.0	5.0	5.0	5.0	5.1	5.2	5.5	5.1	5.0	5.7	5.9	5.5	5.5
Payroll Employment (%ch., saar)	1.6	0.8	1.6	1.5	0.9	0.9	1.1	1.6	1.3	0.5	0.6	1.1	0.8
Federal Surplus (Unified, FY, bil. \$)	-69.2	-106.6	-125.1	-31.8	-121.4	-97.3	-412.8	-318.6	-384.9	-421.3	-492.3	-439.5	-405.9
<b>Financial Markets, NSA</b>													
Federal Funds Rate (%)	3.46	3.96	4.75	5.64	6.00	6.11	1.35	3.21	5.63	7.05	7.40	6.44	6.19
10-Year Treasury Note Yield (%)	4.21	4.81	6.15	7.50	8.08	8.35	4.27	4.37	7.52	7.47	5.48	5.93	6.65
<b>Incomes</b>													
Personal Income (% ch., saar)	2.8	7.4	7.6	7.1	6.7	5.8	5.9	5.7	6.5	5.9	6.1	6.8	6.5
After-Tax Profits (Four-qr.% change)	31.5	38.0	11.1	1.5	-0.4	-15.3	11.8	33.2	-1.2	-8.7	11.2	5.8	-1.4



# 42 STATE LONG-TERM TABLES New England

Global Insight, Inc. - Regional Services Group  
**Short-Term Outlook for Maine**  
Fall 2005 Long-Term Forecast

	2004:4	2005:1	2005:2	2005:3	2005:4	2006:1	2006:2	2003	2004	2005	2006	2007
<b>Establishment Employment (Place of Work, Thousands)</b>												
Total Non-Agricultural	615.6	618.5	618.4	618.4	620.0	622.3	624.4	606.7	613.6	618.3	624.9	631.5
Pct. Ch. Ann. Rate	-0.9	0.6	1.2	0.0	1.0	1.5	1.3	0.1	1.1	0.8	1.1	1.0
Manufacturing	63.0	62.4	62.1	61.8	61.7	61.4	61.1	64.1	63.0	62.0	60.8	59.5
Pct. Ch. Ann. Rate	-0.5	-4.1	-1.8	-1.9	-0.6	-1.7	-2.1	-5.8	-1.6	-1.7	-1.9	-2.1
Durables	34.0	33.4	33.0	32.8	32.8	32.8	32.8	33.8	33.7	33.0	32.6	31.9
Wood Products	6.9	6.8	6.8	6.9	6.9	7.0	7.2	6.6	6.8	6.8	7.2	7.1
Machinery												
Comp. & Elec. Prod.	3.5	3.4	3.5	3.5	3.6	3.5	3.4	4.0	3.6	3.5	3.3	3.0
Transportation Equip.	10.0	9.7	9.7	9.5	9.4	9.4	9.3	10.1	10.0	9.6	9.2	9.0
Nondurables	29.0	28.9	29.1	28.9	28.8	28.6	28.3	30.2	29.3	28.9	28.2	27.7
<b>Food Manufacturing</b>												
Non-Manufacturing	552.6	554.1	556.3	556.6	558.3	560.9	563.3	542.7	550.6	556.3	564.1	571.9
Pct. Ch. Ann. Rate	1.1	1.1	1.6	0.2	1.2	1.9	1.7	0.8	1.5	1.0	1.4	1.4
Construction & Mining	33.4	34.3	34.6	34.0	34.1	34.4	34.5	33.0	33.6	34.3	34.4	34.5
Pct. Ch. Ann. Rate	0.8	11.7	2.6	-6.2	1.5	2.5	2.0	3.0	1.9	1.9	0.3	0.4
Trade, Trans., & Utilities	126.2	126.6	126.6	126.5	126.8	127.3	127.7	123.2	125.7	126.6	128.1	130.2
Pct. Ch. Ann. Rate	1.3	1.3	0.0	-0.1	0.8	1.6	1.4	-0.1	2.1	0.7	1.2	1.7
Wholesale Trade	21.2	21.2	21.0	21.0	21.0	21.1	21.3	21.1	21.4	21.1	21.3	21.4
Retail Trade	88.3	88.7	88.8	88.9	89.1	89.4	89.7	85.5	87.6	88.9	90.1	92.1
Trans. & Warehousing	14.7	14.9	15.0	14.8	14.8	14.9	15.0	14.6	14.7	14.9	15.0	15.1
Utilities	1.9	1.8	1.8	1.8	1.8	1.8	1.8	2.0	1.9	1.8	1.8	1.6
Information	11.7	11.8	11.9	11.9	11.9	11.9	11.9	11.3	11.6	11.9	12.0	12.1
Pct. Ch. Ann. Rate	1.1	1.4	3.7	-0.4	1.4	-1.0	0.9	-2.0	2.2	2.2	0.9	1.5
Financial Activities	34.3	34.6	34.4	34.6	34.6	34.5	34.3	35.1	34.9	34.5	34.3	34.5
Pct. Ch. Ann. Rate	-5.4	2.6	-2.2	2.2	0.2	-0.5	-2.7	-0.1	-0.6	-1.1	-0.6	0.5
Finance & Insurance	27.2	27.3	27.0	27.2	27.1	27.1	26.9	28.2	27.8	27.2	26.9	27.0
Real Estate & Rental	7.1	7.2	7.4	7.4	7.4	7.4	7.4	6.8	7.1	7.4	7.4	7.4
Prof. & Business Svcs.	49.4	49.4	50.0	49.7	50.2	50.8	51.3	50.3	49.6	49.8	51.4	53.1
Pct. Ch. Ann. Rate	-1.5	0.1	4.4	-1.8	3.7	5.2	4.0	-2.1	-1.3	0.4	3.2	3.2
Prof. Scientific, & Tech	22.4	22.4	22.7	22.7	23.0	23.3	23.6	22.2	22.5	22.7	23.7	24.6
Management	5.8	5.8	5.9	5.8	5.8	5.8	5.8	6.0	5.8	5.9	5.8	5.9
Admin & Waste Svcs	21.2	21.1	21.3	21.2	21.4	21.7	21.9	22.1	21.3	21.3	21.9	22.6
Educ & Health Services	112.1	112.5	113.3	113.5	113.9	114.8	115.6	107.3	111.1	113.3	115.8	117.6
Pct. Ch. Ann. Rate	2.3	1.6	2.8	0.8	1.3	3.0	2.9	2.3	3.5	2.0	2.1	1.6
Educational Services	18.6	18.7	18.8	18.9	18.9	18.9	18.9	17.9	18.4	18.8	18.9	18.8
Health Care	93.5	93.8	94.5	94.6	95.0	95.8	96.7	89.4	92.7	94.5	96.9	98.8
Leisure & Hospitality	60.3	60.2	60.3	60.1	60.2	60.4	60.8	58.4	59.3	60.2	60.9	61.7
Pct. Ch. Ann. Rate	7.1	-0.4	0.3	-0.8	0.5	1.6	2.3	2.0	1.4	1.6	1.2	1.3
Arts, Entertainment, & Rec	8.2	8.3	8.3	8.2	8.2	8.3	8.2	7.6	7.8	8.3	8.3	8.5
Accom & Food Svcs	52.0	51.9	52.0	51.9	52.0	52.2	52.5	50.9	51.5	51.9	52.6	53.2
Other Services	20.0	19.9	20.0	20.0	20.0	20.0	20.0	20.3	20.0	20.0	20.0	20.2
Pct. Ch. Ann. Rate	0.0	-1.9	1.6	-0.3	0.0	0.1	0.5	2.5	-1.4	0.0	0.3	0.8
Government	105.2	104.8	105.4	106.3	106.6	106.9	107.2	103.7	104.8	105.8	107.3	108.0
Pct. Ch. Ann. Rate	0.2	-1.5	2.4	3.4	1.3	1.0	1.0	0.7	1.1	0.9	1.4	0.7
Federal	14.5	14.4	14.3	14.3	14.3	14.3	14.3	14.1	14.3	14.3	14.2	14.1
State & Local	90.6	90.4	91.1	92.0	92.3	92.6	92.9	89.7	90.5	91.5	93.0	93.9
<b>Resident Employment &amp; Unemployment (Thousands)</b>												
Total Employment	669.9	669.5	673.2	675.6	676.7	679.4	681.6	659.6	667.2	673.7	682.3	689.5
Pct. Ch. Ann. Rate	1.1	-0.3	2.2	1.5	0.6	1.6	1.3	0.8	1.2	1.0	1.3	1.1
Labor Force	702.6	701.3	707.2	709.4	710.9	713.1	715.3	694.3	699.3	707.2	716.1	723.9
Labor Force Partic Rate	65.3	65.0	65.4	65.5	65.5	65.6	65.7	65.4	65.2	65.4	65.7	66.0
Number Unemployed	32.7	31.9	34.0	33.8	34.2	33.7	33.7	34.7	32.1	33.5	33.8	34.4
Unemployment Rate	4.7	4.5	4.8	4.8	4.8	4.7	4.7	5.0	4.6	4.7	4.7	4.8
<b>Other Economic Indicators</b>												
CPI (Ann. Pct. Ch.)	4.0	2.8	4.9	5.7	5.5	2.8	-0.3	3.9	3.4	3.7	2.9	1.5
Retail Sales (Bil \$)	18.9	19.1	19.6	19.9	20.0	20.2	20.3	17.2	18.5	19.7	20.5	21.4
New Car Regis. (Ths.)	58.3	56.8	59.1	61.7	54.0	55.1	56.1	62.2	62.8	57.9	56.5	58.4
Mfg. Ship. (Bil \$2\$)	10.4	10.4	10.4	10.4	10.4	10.5	10.6	10.0	10.2	10.4	10.5	10.6

Global Insight, Inc. - Regional Services Group  
**Long-Term Outlook for Maine**  
Fall 2005 Long-Term Forecast

	2008	2009	2010	2011	2012	2013	Average Annual Growth					
							2000-2005	2005-2010	2010-2015	2015-2020	2020-2025	2025-2035
<b>Establishment Employment (Place of Work, Thousands)</b>												
Total Non-Agricultural	637.7	641.3	643.9	645.4	647.4	650.6	0.5	0.8	0.5	0.8	0.9	0.7
Pct. Ch. Ann. Rate	1.0	0.8	0.4	0.2	0.3	0.5						
Manufacturing	58.6	57.8	57.2	56.9	56.7	56.5	-4.9	-1.6	-0.3	-0.6	-0.6	-0.4
Pct. Ch. Ann. Rate	-1.6	-1.4	-1.0	-0.5	-0.5	-0.4						
Durables	31.4	31.0	30.9	31.0	31.0	31.2	-4.1	-1.3	0.4	-0.2	-0.3	0.0
Wood Products	6.7	6.4	6.3	6.3	6.3	6.2	-2.7	-1.7	0.3	-0.4	-0.9	-0.3
Machinery												
Comp. & Elec. Prod.	2.9	2.9	2.6	2.8	2.8	2.8	-12.3	-4.1	-0.5	-0.3	0.4	0.8
Transportation Equip.	8.9	8.8	8.8	8.8	8.8	8.8	-0.5	-1.7	-0.1	0.2	1.3	1.1
Nondurables	27.2	26.7	28.3	26.0	25.6	25.3	-5.7	-1.9	-1.3	-1.2	-1.1	-1.0
Food Manufacturing												
Non-Manufacturing	579.1	583.5	586.6	588.5	590.8	594.1	1.2	1.1	0.5	1.0	1.0	0.8
Pct. Ch. Ann. Rate	1.3	0.8	0.5	0.3	0.4	0.6						
Construction & Mining	35.0	35.0	34.0	34.0	34.0	34.0	1.4	0.1	0.7	2.1	2.1	1.9
Pct. Ch. Ann. Rate	0.7	-0.6	-0.5	-0.1	-0.1	0.6						
Trade, Trans., & Utilities	131.4	131.7	131.8	131.2	130.8	130.9	0.6	0.8	-0.1	0.1	0.1	0.0
Pct. Ch. Ann. Rate	0.9	0.3	-0.1	-0.3	-0.3	0.1						
Wholesale Trade	21.5	21.6	21.8	21.8	21.9	22.1	1.5	0.7	0.6	1.1	0.9	0.7
Retail Trade	92.9	93.1	92.8	92.3	91.7	91.6	0.8	0.9	-0.4	-0.3	-0.2	-0.3
Trans. & Warehousing	15.3	15.4	15.6	15.7	15.8	15.9	-0.8	0.9	0.9	0.8	0.7	0.7
Utilities	1.6	1.5	1.5	1.4	1.4	1.3	-4.5	-4.2	-3.4	-3.1	-3.2	-3.0
Information	12.3	12.4	12.5	12.6	12.8	12.9	-0.5	1.1	0.7	1.1	1.3	0.8
Pct. Ch. Ann. Rate	1.0	1.3	1.0	0.8	0.9	0.8						
Financial Activities	34.8	35.1	35.6	35.9	35.8	35.9	0.3	0.6	0.3	0.2	0.1	0.0
Pct. Ch. Ann. Rate	1.0	0.9	1.5	0.7	-0.1	0.1						
Finance & Insurance	27.3	27.5	28.0	28.2	28.2	28.3	-0.3	0.6	0.4	0.2	0.0	-0.1
Real Estate & Rental	7.5	7.6	7.6	7.6	7.6	7.6	2.6	0.7	-0.1	0.3	0.6	0.3
Prof. & Business Svcs.	55.1	56.5	57.4	58.6	60.0	61.7	-0.8	2.9	2.8	2.6	2.5	2.5
Pct. Ch. Ann. Rate	3.9	2.5	1.7	2.1	2.3	2.9						
Prof. Scientific, & Tech	25.3	25.9	26.2	26.6	27.2	27.9	0.4	2.9	2.6	3.7	3.7	3.6
Management	5.9	6.0	6.0	5.9	5.9	5.9	-0.7	0.3	-0.1	0.6	0.5	0.5
Admin & Waste Svcs	23.9	24.7	25.3	26.0	28.9	27.9	-2.0	3.5	3.6	1.9	1.6	1.4
Educ & Health Services	119.4	120.2	120.4	120.6	120.9	121.4	3.1	1.2	0.3	1.5	1.8	1.1
Pct. Ch. Ann. Rate	1.5	0.7	0.2	0.1	0.3	0.4						
Educational Services	18.9	18.9	18.8	18.7	18.4	18.0	3.7	0.0	-1.4	0.7	1.1	0.5
Health Care	100.5	101.3	101.6	101.9	102.6	103.3	2.9	1.5	0.6	1.7	1.9	1.2
Leisure & Hospitality	62.3	62.9	63.3	63.4	63.4	63.4	1.5	1.0	0.1	0.3	0.1	-0.6
Pct. Ch. Ann. Rate	0.9	1.1	0.5	0.2	0.0	0.0						
Arts, Entertainmt, & Rec	8.8	9.0	9.1	9.2	9.2	9.2	3.7	2.0	0.3	2.1	1.7	0.3
Accom & Food Svcs	53.5	53.9	54.2	54.2	54.3	54.2	1.2	0.8	0.0	0.0	-0.2	-0.8
Other Services	20.3	20.4	20.5	20.5	20.6	20.6	1.7	0.5	0.2	0.6	0.6	0.5
Pct. Ch. Ann. Rate	0.5	0.5	0.5	0.3	0.2	0.1						
Government	108.9	109.7	110.8	111.3	112.1	112.9	1.2	0.9	0.7	0.7	0.6	0.6
Pct. Ch. Ann. Rate	0.8	0.8	1.0	0.4	0.8	0.7						
Federal	14.0	13.9	14.1	13.6	13.4	13.3	0.0	-0.3	-1.6	-0.9	-1.8	-1.4
State & Local	94.9	95.8	96.8	97.7	98.7	99.8	1.4	1.1	1.0	0.9	0.9	0.8
<b>Resident Employment &amp; Unemployment (Thousands)</b>												
Total Employment	697.3	704.3	710.2	715.1	719.0	722.6	0.7	1.1	0.5	0.3	0.3	0.6
Pct. Ch. Ann. Rate	1.1	1.0	0.8	0.7	0.5	0.5						
Labor Force	731.6	739.0	745.7	751.6	756.1	759.8	1.0	1.1	0.5	0.3	0.3	0.6
Labor Force Partic Rate	66.3	66.7	67.0	67.2	67.3	67.4	-0.3	0.5	0.1	0.0	0.0	0.3
Number Unemployed	34.3	34.6	35.5	36.4	37.1	37.2	7.6	1.2	0.3	0.1	0.7	0.9
Unemployment Rate	4.7	4.7	4.8	4.8	4.9	4.9	6.6	0.1	-0.2	-0.2	0.4	0.4
<b>Other Economic Indicators</b>												
CPI (Ann. Pct. Ch.)	1.9	2.3	2.3	2.7	2.8	2.8	3.4	2.2	2.7	2.9	2.9	2.9
Retail Sales (Bil \$)	22.3	23.4	24.5	25.6	26.8	28.0	5.2	4.4	4.8	5.3	5.3	5.1
New Car Regis. (Ths.)	59.3	59.9	60.5	61.1	61.5	61.8	-1.2	0.9	0.7	1.0	1.8	1.3
Mfg. Ship. (Bil \$2\$)	10.8	11.0	11.2	11.5	11.8	12.1	-3.7	1.5	2.8	2.7	3.0	3.2

# 44 STATE LONG-TERM TABLES New England

Global Insight, Inc. - Regional Services Group  
Short-Term Outlook for Maine  
Fall 2005 Long-Term Forecast

	2004:4	2005:1	2005:2	2005:3	2005:4	2006:1	2006:2	2003	2004	2005	2006	2007
<b>Personal Income (Billions \$)</b>												
Total Personal Income	40.6	40.7	41.2	41.7	42.3	42.9	43.8	37.3	39.5	41.5	43.8	45.9
Pct. Ch. Ann. Rate	10.4	0.8	5.3	4.9	5.5	6.4	5.9	3.6	6.0	5.1	5.6	4.9
Real Personal Income	37.1	37.0	37.2	37.3	37.4	37.6	38.2	35.3	36.5	37.2	38.3	39.5
Pct. Ch. Ann. Rate	7.0	-1.5	1.9	1.1	1.4	3.9	5.0	1.6	3.3	2.1	3.0	3.0
Real Disposable Income	36.5	36.2	36.7	33.2	33.3	33.6	34.0	33.4	35.5	34.8	34.1	35.0
Real Per Capita Income (Ths)	28.1	28.0	28.1	28.2	28.2	28.5	28.8	26.9	27.7	28.1	28.9	29.6
Avg. Household Income (Ths)	73.0	72.9	75.1	75.9	76.8	77.7	78.6	68.6	71.5	75.2	78.9	81.8
Avg. Annual Wage (Ths)	32.7	32.6	32.9	33.1	33.5	33.8	34.1	30.9	32.0	33.0	34.3	35.6
<b>By Place of Work</b>												
Wages and Salaries	20.7	20.7	20.9	21.1	21.4	21.7	21.9	19.2	20.2	21.0	22.1	23.1
Manufacturing	2.6	2.7	2.7	2.7	2.7	2.7	2.8	2.6	2.6	2.7	2.8	2.8
Construction & Mining	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.1	1.1	1.1	1.2	1.2
Trade, Trans., & Utilities	3.6	3.6	3.7	3.7	3.7	3.8	3.8	3.4	3.5	3.7	3.9	4.1
Information	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.5	0.5	0.5
Financial Activities	1.5	1.5	1.5	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.6	1.7
Prof. & Business Svcs.	2.2	2.1	2.1	2.1	2.2	2.2	2.3	1.9	2.0	2.1	2.3	2.5
Educ & Health Services	3.6	3.6	3.7	3.7	3.8	3.8	3.9	3.2	3.5	3.7	3.9	4.2
Leisure & Hospitality	0.9	0.9	1.0	1.0	1.0	1.0	1.0	0.9	0.9	1.0	1.0	1.1
Other Services	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.6
Government	3.5	3.5	3.5	3.6	3.6	3.7	3.7	3.3	3.5	3.6	3.7	3.8
Other Labor Income	5.2	5.3	5.4	5.4	5.5	5.5	5.6	4.6	5.0	5.4	5.6	5.8
Less: Social Insurance	3.1	3.2	3.2	3.2	3.1	3.1	3.2	2.9	3.1	3.1	3.2	3.4
<b>By Place of Residence</b>												
Residence Adjustment	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.9
Property Income	6.4	6.0	6.1	6.2	6.2	6.3	6.4	5.8	6.1	6.1	6.4	6.8
Proprietor's Income	3.0	3.1	3.2	3.2	3.3	3.3	3.4	2.8	3.0	3.2	3.4	3.6
Farm Proprietor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Business Proprietor	3.1	3.2	3.2	3.2	3.3	3.3	3.4	2.8	3.0	3.2	3.4	3.6
Transfer Payments	7.7	7.9	8.0	8.1	8.2	8.4	8.5	7.0	7.5	8.1	8.6	9.1
<b>Real Gross State Product, NAICS Based (Billions 2000\$)</b>												
Total GSP	40.0	40.3	40.5	40.7	41.0	41.3	41.6	38.1	39.6	40.6	41.7	42.9
Pct. Ch. Ann. Rate	3.0	2.3	2.1	2.3	2.5	3.0	3.3	2.7	3.9	2.6	2.7	2.8
Agriculture	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.5	0.6	0.6
Manufacturing	5.2	5.2	5.2	5.2	5.2	5.2	5.2	4.9	5.1	5.2	5.2	5.3
Mining	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.6	1.7	1.7	1.7
Trade, Trans., & Util.	8.3	8.3	8.4	8.4	8.5	8.5	8.6	7.8	8.2	8.4	8.7	8.9
Information	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.2	1.3	1.4	1.4	1.5
Financial Activities	8.0	8.0	8.0	8.1	8.2	8.2	8.3	7.6	7.9	8.1	8.3	8.6
Prof. & Business Svcs.	3.2	3.2	3.2	3.2	3.3	3.3	3.3	3.0	3.1	3.2	3.3	3.5
Educ & Health Services	4.2	4.3	4.3	4.3	4.4	4.4	4.5	4.0	4.2	4.3	4.5	4.7
Leisure & Hospitality	1.5	1.5	1.5	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.6	1.6
Other Services	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.9	0.9	0.9
State & Local Govt.	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.7	3.8	3.9	4.0	4.1
Federal Govt.	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.1	1.2	1.2	1.2	1.2
<b>Housing</b>												
Total Housing Starts (Ths.)	9.2	8.1	6.9	7.3	6.8	6.8	6.9	7.5	8.1	7.3	6.8	6.7
Single-Family (Ths.)	8.7	7.6	6.1	6.8	6.6	6.6	6.6	7.1	7.7	6.8	6.6	6.4
Multi-Family (Ths.)	0.5	0.5	0.8	0.5	0.2	0.2	0.3	0.4	0.4	0.5	0.3	0.3
New Median Price (\$)	175473	181326	172373	159421	182470	181181	179794	140355	164657	173698	182694	185815
Unit Sales, Existing (Ths.)	33.4	34.3	33.6	34.4	33.5	32.2	30.0	33.4	33.3	34.0	30.0	28.5
Existing Median Price (\$)	147472	151698	161568	159767	155546	155978	158631	126304	141236	157150	158675	162665
<b>Resident Population (Thousands, July 1)</b>												
Total Population	1320.0	1321.4	1322.8	1324.1	1325.5	1326.9	1328.2	1309.2	1317.3	1322.8	1328.2	1333.5
Pct. Ch. Ann. Rate	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.9	0.6	0.4	0.4	0.4
Under 14 years	224.9	224.3	223.7	223.2	222.7	222.3	221.9	230.2	226.2	223.7	221.9	220.4
15 to 24 years	181.5	182.0	182.6	182.7	182.8	182.9	182.9	177.6	180.4	182.6	182.9	182.3
25 to 44 years	346.7	347.8	346.9	346.4	346.0	345.7	345.5	355.1	350.4	346.9	345.5	345.2
45 to 64 years	373.3	374.7	376.1	377.2	378.2	379.1	379.9	358.2	370.5	376.1	379.9	382.7
65 years and over	191.6	192.6	193.5	194.6	195.7	196.9	198.0	188.2	189.8	193.5	198.0	203.0
Net Migration	1.0	1.0	1.0	1.0	1.0	1.0	1.1	8.3	5.2	4.1	4.1	3.9
Households	550.8	551.9	553.0	553.7	555.1	556.7	558.6	540.2	549.6	553.0	558.6	564.8

Fall 2005

Global Insight, Inc. - Regional Services Group  
**Long-Term Outlook for Maine**  
Fall 2005 Long-Term Forecast

	2008	2009	2010	2011	2012	2013	Average Annual Growth					
	2000-2005	2005-2010	2010-2015	2015-2020	2020-2025	2025-2035						
Personal Income (Billions \$)												
Total Personal Income	48.2	50.4	52.7	55.1	57.8	60.5	4.6	4.9	4.8	5.4	5.6	5.3
Pct. Ch. Ann. Rate	4.9	4.6	4.6	4.8	4.7	4.8						
Real Personal Income	40.6	41.6	42.6	43.4	44.3	45.3	2.3	2.7	2.2	2.8	2.8	2.4
Pct. Ch. Ann. Rate	2.9	2.3	2.3	2.0	2.1	2.2						
Real Disposable Income	36.0	38.8	37.5	38.2	38.9	39.7	3.9	1.5	2.1	2.7	2.7	2.3
Real Per Capita Income (Ths)	30.4	31.0	31.8	32.2	32.7	33.4	1.6	2.4	2.0	2.5	2.6	2.3
Avg. Household Income (Ths)	84.9	88.0	91.2	94.6	98.4	102.4	3.3	3.9	4.0	4.7	5.0	4.7
Avg. Annual Wage (Ths)	37.0	38.5	39.9	41.4	42.9	44.4	3.5	3.9	3.6	4.0	4.1	4.1
By Place of Work												
Wages and Salaries	24.3	25.3	26.3	27.3	28.4	29.5	4.1	4.6	4.0	4.9	5.0	4.8
Manufacturing	3.0	3.1	3.2	3.3	3.5	3.6	-1.6	3.6	4.5	4.8	4.8	4.9
Construction & Mining	1.3	1.3	1.3	1.4	1.4	1.4	4.1	3.4	3.3	5.2	5.3	4.9
Trade, Trans., & Utilities	4.3	4.5	4.6	4.8	5.0	5.1	4.4	4.7	3.6	4.3	4.4	4.2
Information	0.5	0.5	0.6	0.6	0.6	0.6	1.5	4.2	3.5	4.1	4.3	3.8
Financial Activities	1.8	1.9	2.0	2.1	2.2	2.3	4.9	5.2	4.3	4.5	4.4	4.2
Prof & Business Svcs.	2.7	2.8	3.0	3.2	3.4	3.6	4.3	7.2	6.7	7.0	6.9	6.8
Educ & Health Services	4.4	4.8	4.8	5.0	5.2	5.4	7.0	5.4	4.1	5.8	6.1	5.3
Leisure & Hospitality	1.1	1.2	1.2	1.3	1.3	1.4	5.4	5.2	3.8	4.6	4.4	3.6
Other Services	0.7	0.7	0.7	0.7	0.8	0.8	5.7	4.6	3.8	4.8	4.7	4.6
Government	4.0	4.1	4.2	4.3	4.5	4.6	4.7	3.4	2.7	3.2	3.1	3.0
Other Labor Income	6.0	8.0	6.0	7.0	7.0	7.0	7.4	3.7	4.4	4.9	4.7	3.6
Less: Social Insurance	3.6	3.8	3.9	4.1	4.3	4.6	3.4	4.7	5.0	6.4	6.1	5.8
By Place of Residence												
Residence Adjustment	0.9	1.0	1.0	1.1	1.1	1.1	2.9	4.6	4.4	5.1	5.6	5.1
Property Income	7.1	7.5	7.9	8.3	8.7	9.2	-0.1	5.2	5.3	5.9	6.1	5.8
Proprietor's Income	3.8	4.0	4.3	4.5	4.8	5.0	6.0	5.7	5.9	6.2	6.0	5.7
Farm Proprietor	0.0	0.0	0.0	0.0	0.0	0.0	-42.1	48.0	-0.9	0.1	-1.5	-4.4
Business Proprietor	3.8	4.0	4.2	4.5	4.7	5.0	6.5	5.6	6.0	6.3	6.1	5.7
Transfer Payments	9.6	10.1	10.7	11.4	12.0	12.8	7.6	5.9	6.1	6.6	6.9	6.6
Real Gross State Product, NAICS Based (Billions 2000\$)												
Total GSP	44.2	45.3	46.4	47.5	48.7	49.9	2.6	2.7	2.6	2.6	2.5	2.3
Pct. Ch. Ann. Rate	3.0	2.5	2.5	2.4	2.4	2.6						
Agriculture	0.6	0.8	0.6	0.6	0.6	0.6	-3.3	1.5	1.3	1.2	1.1	1.0
Manufacturing	5.3	5.4	5.5	5.5	5.6	5.7	-0.7	0.9	1.6	1.4	1.3	1.4
Mining	0.0	0.0	0.0	0.0	0.0	0.0	4.6	0.6	0.2	0.0	-0.1	-0.3
Construction	1.8	1.8	1.8	1.9	1.9	2.0	0.3	2.2	2.5	3.1	2.9	2.5
Trade, Trans., & Util.	9.2	9.5	9.7	9.9	10.1	10.4	5.1	2.9	2.4	2.4	2.3	2.1
Information	1.5	1.8	1.6	1.6	1.7	1.7	6.9	3.3	3.0	3.0	2.8	2.6
Financial Activities	8.9	9.1	9.4	9.7	9.9	10.2	3.2	3.1	2.9	2.8	2.5	2.3
Prof. & Business Svcs.	3.7	3.8	3.9	4.1	4.2	4.4	2.5	4.2	3.9	3.9	3.7	3.4
Educ & Health Svcs.	4.8	5.0	5.1	5.3	5.4	5.6	3.4	3.4	2.9	3.2	3.1	2.6
Leisure & Hospitality	1.7	1.7	1.8	1.8	1.8	1.9	2.7	2.5	2.2	2.2	2.1	1.9
Other Services	0.9	0.9	1.0	1.0	1.0	1.0	1.9	2.2	1.9	1.9	1.7	1.5
State & Local Govt.	4.0	4.0	5.0	5.0	5.0	5.0	2.6	3.4	3.3	3.1	2.8	2.6
Federal Govt.	1.2	1.2	1.2	1.2	1.2	1.2	1.9	0.1	-0.4	-0.5	-0.8	-0.8
Housing												
Total Housing Starts (Ths.)	6.5	6.2	6.1	6.0	5.8	5.8	3.6	-3.6	-0.6	-1.3	-0.9	-1.1
Single-Family (Ths.)	6.2	5.9	5.8	5.8	5.6	5.5	3.1	-3.0	-0.7	-1.5	-1.0	-1.2
Multi-Family (Ths.)	0.3	0.3	0.3	0.2	0.2	0.3	11.4	-13.1	0.8	3.6	0.3	0.5
New Median Price (\$)	191259	198239	205790	215191	225694	237095	8.8	3.4	4.9	UN	UN	UN
Unit Sales, Existing (Ths.)	27.8	27.5	28.1	28.6	28.4	28.6	3.8	-3.7	1.2	UN	UN	UN
Existing Median Price (\$)	167783	174369	181368	188734	196856	205385	10.5	2.9	4.2	UN	UN	UN
Resident Population (Thousands, July 1)												
Total Population	1338.3	1342.8	1346.2	1349.6	1353.0	1356.1	0.7	0.4	0.2	0.2	0.2	0.2
Pct. Ch. Ann. Rate	0.4	0.3	0.3	0.3	0.3	0.2						
Under 14 years	219.1	217.9	216.8	215.8	214.8	213.9	-1.9	-0.6	-0.4	-0.4	-0.4	-0.4
15 to 24 years	180.9	178.9	178.4	173.9	171.5	169.1	2.7	-0.7	-1.4	-1.0	-0.6	-0.4
25 to 44 years	345.6	346.5	347.6	348.9	350.4	351.9	-1.4	0.0	0.4	0.2	0.0	-0.1
45 to 64 years	384.5	385.6	386.0	385.8	384.8	383.5	3.5	0.5	-0.3	-0.6	-0.6	-0.2
65 years and over	208.0	214.0	219.0	225.0	231.0	238.0	1.0	2.5	2.7	2.5	2.0	1.4
Net Migration	4.0	3.0	3.0	3.0	3.0	3.0	-13.9	-7.0	-2.7	3.9	3.4	2.6
Households	571.0	577.0	582.0	587.0	591.0	595.0	1.3	1.0	0.8	0.7	0.6	0.6



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



By Mark Zandi in West Chester  
November 9, 2005

View Economy.com's U.S. Macro Forecast [here](#).

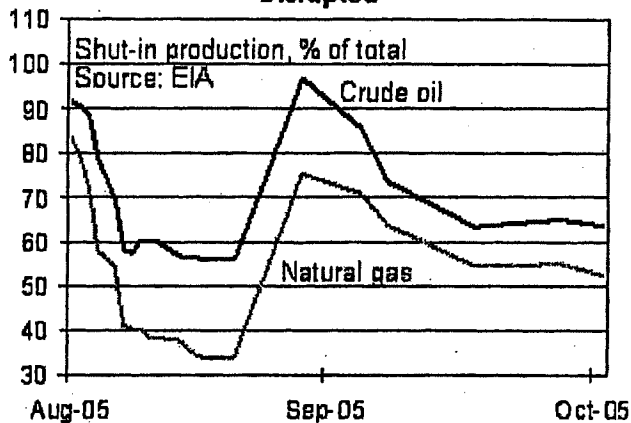
- The fourth quarter is shaping up to be on the weak side, with real GDP growth expected to post a below trend gain near 3%.
- The economy is suffering the ill effects of the hurricane-induced surge in energy prices.
- Growth early next year is expected to reaccelerate, with real GDP rebounding closer to 4%.
- Fueling this revival will be stalwart business investment and hiring, inventory rebuilding, post-hurricane rebuilding, and moderating energy prices.

The current quarter is shaping up to be on the soft side, with real GDP growth expected to post a below trend gain of near 3%. The underlying economy appears to be sturdy, however, and growth is expected to reaccelerate early next year with real GDP expanding by closer to 4% during the first half of next year.

The weaker fourth quarter reflects the ill effects of Hurricanes Katrina, Rita and Wilma. The direct impact of the storms was largely felt in September, but the sizable indirect impacts are being felt now. Most notable, businesses appeared to pause in their hiring in October to assess the economic fallout from the storms. Payrolls grew by only 56,000 jobs during the month, with the poor job growth occurring outside the devastated Gulf Coast. Given the low level of unemployment insurance claims outside of the Gulf, suggesting that businesses were not laying off workers, the poor payroll gain likely reflects a lack of new hiring.

The hurricane-induced surge in energy prices is also taking a toll. While gasoline prices have receded from the record \$3 peak reached in the immediate wake of Katrina, they remain high at just under \$2.50. Moreover, home heating prices have yet to come down from their record highs. Higher energy-related material and shipping costs are also cutting into profit margins for manufacturers and retailers. Energy production in the Gulf is still far from being fully operational, and with cold weather fast approaching, the potential for further price spikes remains high (see chart).

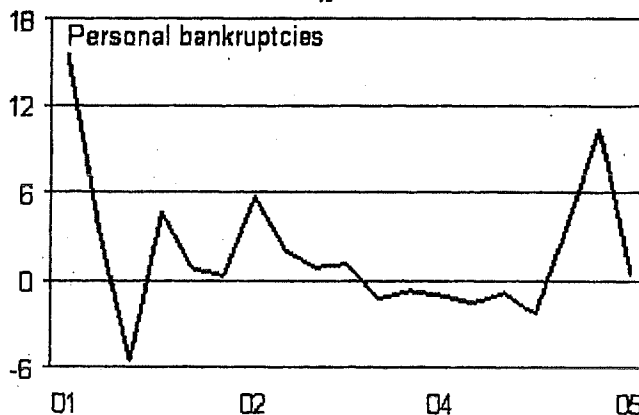
### Energy Production in the Gulf Remains Severely Disrupted



**Consumer stall.** The hit to households' real incomes from surging energy prices has been substantial. Consumer spending on energy in the fourth quarter is expected to run at close to \$550 billion annualized. This is up from less than \$500 billion in the third quarter and \$450 billion in last year's fourth quarter. With consumers having to spend more to fill their gasoline tanks and heat their homes, they have less to spend on everything else.

Households are also grappling with large changes to the personal bankruptcy laws and an increase in minimum credit card payments. The key change in the new bankruptcy law, which took effect in early October, is that filers now have to pass an income test before filing for Chapter 7, a liquidation, instead of Chapter 13, a workout. Under previous law, there was no such test and some two-thirds of filers chose a 7 filing. Under current law, it is expected that some two-thirds of filers will have to file a 13. Bankruptcies soared in the weeks leading up to this change, as those who thought they may file soon did so before the change in law (see chart).

### Increase Due to Change in Law



Many of the same households struggling with the new bankruptcy law are also facing a possible doubling in their credit card payments. Under new regulatory guidelines that must be implemented by year's end, card lenders are raising borrowers' minimum payments so that they at least cover the interest due in order that principal amounts don't rise. For the hardest-pressed borrowers, this means

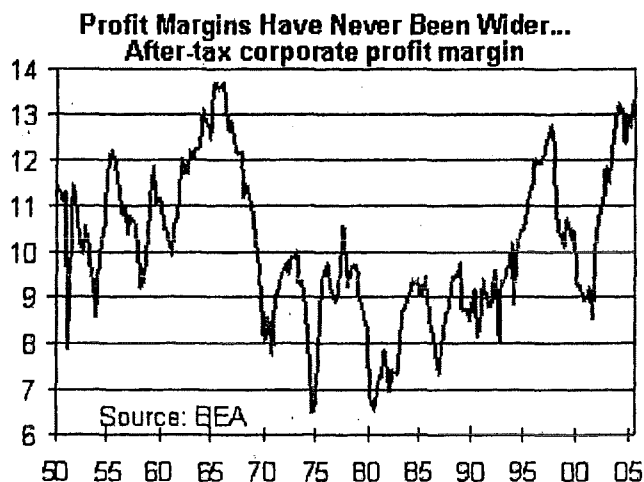
minimums are rising from 2% of outstanding balances to as much as 4% of balances.

Consumer confidence has fallen sharply in response to all of this. All three surveys of confidence, including the Conference Board, University of Michigan, and ABC/Washington Post polls are back just above the recession lows hit earlier in the decade.

With flagging real incomes and confidence, real consumer spending is set to fall in the current quarter for the first time since the 9/11-impacted fourth quarter of 2001. Vehicle sales have been particularly hard hit as there is likely now some payback from the employee discount supported sales earlier this summer. The widespread belief that higher gasoline prices are here to stay, their recent decline notwithstanding, is likely also weighing on sales and, certainly, the types of vehicles being purchased. Holiday sales growth is also expected to fall short of the gains recorded last year and the holiday season before.

**Economic revival.** While the fourth quarter is lining up to be a bit disappointing, the U.S. economy is expected to experience a revival beginning early next year. Fueling this revival will be stalwart business investment and hiring, inventory rebuilding, post-hurricane rebuilding, and moderating energy prices.

Businesses are expected to look through the current pause in consumer spending, viewing it as a temporary reaction to the hurricanes and resulting spike in energy prices. Businesses have substantial financial firepower ready to put to use through increased investment and hiring. With a few exceptions, including the airlines, domestic auto manufacturers, and sundry nondurable manufacturers competing head on with China, profit margins have never been wider and balance sheets stronger (see chart).



Inventory rebuilding by an array of manufacturers, wholesalers and retailers is also expected to provide a boost to growth in coming months. Real inventories fell sharply last quarter and even if businesses simply hold inventories in line with sales, this would imply a pickup in production. Indeed, strong readings from the ISM and various other manufacturing surveys suggest that this inventory-induced

revival is already under way.

Rebuilding in the Gulf is also expected to get under way in earnest early next year. Government aid and insurance money should start flowing more smoothly in coming months, prompting construction of homes, business structures, and public infrastructure..Labor shortages and surging building material costs will limit this activity, but it will not short-circuit it.

The economic headwind from rising energy prices is also expected to turn into a tailwind early next year as prices moderate. The currently higher prices are prompting slower energy demand growth and a significant increase in energy exploration and development, which are expected to result in some spare production capacity next spring. The currently hefty risk premium in energy prices should then narrow.

**Outlook.** Rebounding growth and a job market that is already near capacity (given the current 5% unemployment rate) will stimulate accelerating inflation, a further tightening in monetary policy, and higher long-term interest rates. Core CPI inflation is expected to rise from 2% currently to just under 3% one year from now. The federal funds rate is expected to peak at 4.75% this spring, and 10-year Treasury yields are projected to top out at over 5.50% by early summer.

Whether this outlook unfolds is largely dependent on energy prices and the housing market. A surge in energy prices this winter back closer to where they were in the immediate wake of Katrina would undermine the economy's good performance. A recession would still be unlikely, but conditions would become quickly more difficult.

Just how the housing market responds to rising interest rates will also significantly shape the near-term outlook. Housing demand is expected to weaken in an orderly way during the year, with slowly declining home sales, a moderation in house price growth, and ultimately less homebuilding. If the market remains resilient to rising rates, however, then even more monetary tightening will be required to slow growth and rein in inflation. The eventual adjustment in the housing market and broader economy will be more painful, probably by late next year or even in 2007. If the market succumbs quickly to rising rates, however, then inflation will not accelerate as much as anticipated and less monetary tightening will be required. All of this will be a challenging test for the new Fed chairman.

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

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**Forecast Date: 11/07/2005**

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

	Units	05Q3	05Q4 F	06Q1 F	06Q2 F	06Q3 F		2004	2005 F	2006 F
<b>Composition of Economic Activity-SAAR</b>										
Gross Domestic Product	bcw\$	11193.2	11273.6	11390.2	11507.5	11614.0		10755.7	11138.8	11552.9
Change	%AR	3.8	2.9	4.2	4.2	3.8		4.2	3.6	3.7
<b>Personal Expenditures</b>										
Consumption	bcw\$	7904.7	7898.0	7964.8	8027.4	8090.7		7588.6	7849.3	8059.4
Change	%AR	3.9	-0.3	3.4	3.2	3.2		3.9	3.4	2.7
Durables	bcw\$	1173.5	1130.0	1141.6	1147.2	1154.2		1089.9	1142.4	1150.2
Change	%AR	10.8	-14.0	4.2	1.9	2.5		6.0	4.8	0.7
Motor Vehicles	bcw\$	482.5	432.3	438.2	440.2	443.7		457.0	458.3	441.4
Change	%AR	17.6	-35.5	5.5	1.8	3.2		1.6	0.3	-3.7
Nondurables	bcw\$	2300.6	2312.5	2326.1	2339.9	2353.7		2200.3	2291.2	2346.8
Change	%AR	2.6	2.1	2.4	2.4	2.4		4.7	4.1	2.4
Services	bcw\$	4452.5	4477.3	4518.9	4562.2	4604.6		4310.9	4434.8	4584.3
Change	%AR	3.2	2.2	3.8	3.9	3.8		3.0	2.9	3.4
<b>Investment</b>										
Fixed Investment	bcw\$	1911.0	1927.7	1951.1	1981.8	2003.4		1755.1	1891.4	1987.8
Change	%AR	5.7	3.5	5.0	6.4	4.4		9.7	7.8	5.1
Nonresidential	bcw\$	1298.4	1314.0	1336.2	1358.9	1377.2		1186.7	1285.9	1367.2
Change	%AR	6.2	4.9	6.9	7.0	5.5		9.4	8.4	6.3
Structures	bcw\$	251.8	248.9	255.2	261.2	263.7		248.4	251.1	261.7
Change	%AR	-1.5	-4.5	10.5	9.8	3.9		2.2	1.1	4.2
Equipment	bcw\$	1063.3	1081.8	1097.8	1114.4	1130.1		947.6	1050.1	1122.2
Change	%AR	8.9	7.2	6.0	6.2	5.8		11.9	10.8	6.9
Residential	bcw\$	606.3	607.4	608.7	616.7	620.0		561.8	599.3	614.4
Change	%AR	4.8	0.7	0.8	5.4	2.2		10.3	6.7	2.5
Single Family	bcw\$	327.5	327.2	326.7	331.2	333.5		307.6	324.6	329.8
Change	%AR	5.3	-0.3	-0.6	5.6	2.9		12.8	5.6	1.6
Multifamily	bcw\$	38.2	38.3	38.9	40.0	40.7		33.2	38.0	39.9
Change	%AR	2.1	0.5	7.2	11.0	8.1		4.2	14.5	5.0
Other	bcw\$	240.4	241.8	242.9	245.3	245.5		220.8	236.4	244.4
Change	%AR	4.8	2.3	1.8	4.1	0.2		7.7	7.1	3.4
Inventory Change	bcw\$	-16.6	32.5	38.0	48.8	58.7		52.0	18.1	51.2
NonFarm	bcw\$	-9.8	31.5	37.0	47.8	57.7		49.9	21.7	50.2

Farm	bcw\$	-5.9	1.0	1.0	1.0	1.0		2.3	-2.8	1.0
<b>Trade</b>										
Net Exports	bcw\$	-611.8	-609.0	-605.3	-605.8	-603.9		-601.3	-620.1	-604.2
Exports	bcw\$	1197.6	1218.9	1243.6	1267.4	1287.5		1117.9	1194.3	1276.4
Change	%AR	0.7	7.3	8.4	7.9	6.5		8.4	6.8	6.9
Merchandise	bcw\$	847.3	863.6	883.6	903.1	919.1		783.5	840.7	909.8
Change	%AR	2.8	8.0	9.5	9.1	7.3		8.9	7.3	8.2
Services	bcw\$	350.4	355.2	360.0	364.3	368.4		334.1	353.5	366.6
Change	%AR	-4.0	5.6	5.5	4.9	4.5		7.4	5.8	3.7
Imports	bcw\$	1809.4	1827.8	1848.9	1873.1	1891.3		1719.2	1814.4	1880.6
Change	%AR	-0.0	4.1	4.7	5.4	3.9		10.7	5.5	3.6
Merchandise	bcw\$	1537.2	1550.2	1567.4	1587.8	1602.4		1452.7	1539.4	1593.5
Change	%AR	1.1	3.4	4.5	5.3	3.7		11.0	6.0	3.5
Services	bcw\$	273.6	277.7	281.5	285.3	288.9		267.1	275.9	287.0
Change	%AR	-5.7	6.0	5.7	5.6	5.1		9.6	3.3	4.0
<b>Government</b>										
Expenditures and Investment	bcw\$	1999.9	2018.4	2035.5	2049.2	2059.0		1952.3	1993.6	2052.6
Change	%AR	3.2	3.8	3.4	2.7	1.9		2.2	2.1	3.0
Federal Defense	bcw\$	503.9	506.1	508.7	510.9	513.1		481.3	497.3	511.5
Change	%AR	10.3	1.8	2.1	1.8	1.7		7.0	3.3	2.9
Federal Nondefense	bcw\$	245.8	258.0	266.5	270.7	270.1		242.2	248.1	269.2
Change	%AR	2.7	21.5	13.8	6.5	-0.9		1.8	2.4	8.5
<b>Government Balance</b>										
NIPA Basis	b\$	-307.7	-341.6	-348.2	-332.4	-311.1		-406.5	-308.3	-319.5
Unified Budget	b\$ FY	-318.6	-338.7	-286.8	-353.8	-377.2		-412.3	-318.6	-377.2
<b>Consumers</b>										
Personal Saving Rate	%AR	-1.1	0.3	0.5	0.7	0.9		1.7	-0.1	0.7
Retail Sales & Food Services	b\$	4237.5	4187.2	4254.7	4313.8	4372.1		3887.5	4164.4	4341.2
Change	%AR	6.7	-4.7	6.6	5.7	5.5		7.3	7.1	4.2
Vehicle Sales	m	17.9	15.7	16.0	16.2	16.2		16.9	16.8	16.2
Housing Starts	m	2.07	2.00	1.97	1.99	1.92		1.95	2.05	1.92
<b>Producers</b>										
Industrial Production	1992=100	119.0	119.7	120.5	121.5	122.4		115.5	118.9	121.9
Change	%AR	1.3	2.5	2.6	3.3	3.0		4.1	2.9	2.5
Manufacturing Capacity Utilization	%	77.7	77.9	78.2	78.5	78.8		76.1	77.6	78.6
<b>Labor Markets</b>										
Total Employment	m	134.0	134.2	135.0	135.8	136.5		131.5	133.6	136.1

Change	%AR	1.6	0.7	2.5	2.4	2.1		1.1	1.6	1.9
Unemployment Rate	%	5.0	5.3	5.1	4.9	4.9		5.5	5.2	4.9
<b>Prices</b>										
Consumer Price Index	1982=100	196.6	198.1	199.5	200.8	202.2		188.9	195.2	201.5
Change	%AR	5.1	3.2	2.8	2.6	2.8		2.7	3.4	3.2
Producer Price Index	1982=100	158.5	160.2	161.1	161.7	162.2		146.7	156.3	162.0
Change	%AR	10.8	4.5	2.2	1.4	1.4		6.2	6.6	3.7
West Texas Intermediate	\$/Bbl	63.1	64.0	61.5	56.4	52.1		41.4	57.5	55.0
<b>Financial Markets</b>										
Federal Funds	%	3.46	3.96	4.42	4.75	4.75		1.35	3.21	4.67
Prime Rate	%	6.43	6.96	7.42	7.75	7.75		4.34	6.18	7.67
10-Year Treasury	%	4.21	4.27	4.79	5.23	5.51		4.27	4.23	5.25
FRB Broad Index	Jan 97=100	111.2	110.2	109.7	109.7	109.5		113.6	110.3	109.4
Change	%AR	2.0	-3.6	-1.8	-0.1	-0.6		-4.6	-2.8	-0.9

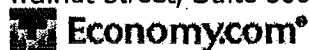
	Units	04Q1	04Q2	04Q3	04Q4	05Q1	05Q2	05Q3	05Q4 F
<b>Contribution to Real GDP</b>									
Personal Consumption Expenditure	%AR	3.3	1.4	3.1	3.1	2.5	2.4	2.8	-0.2
Gross Private Domestic Investment	%AR	1.1	2.3	1.4	1.2	1.2	1.6	1.0	0.6
Inventories	%AR	0.5	0.9	-0.6	-0.0	0.3	-2.3	-0.6	1.8
Net Exports	%AR	-1.3	-1.5	-0.2	-1.1	-0.4	1.2	0.1	0.1
Exports	%AR	0.5	0.7	0.6	0.7	0.8	1.1	0.1	0.8
Imports	%AR	1.8	2.2	0.8	1.8	1.2	-0.0	-0.0	0.7
Government	%AR	0.6	0.4	0.3	0.2	0.3	0.5	0.6	0.7
Total	%AR	4.2	3.5	4.0	3.3	3.9	3.3	3.9	2.9

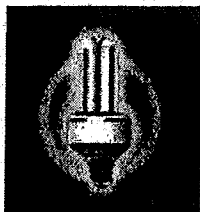
This analysis can be found on The Dismal Scientist at:  
<http://www.economy.com/dismal/pro/data/outlook.asp?type=1>

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MaineEnergyInfo.com  
A project of the Maine Energy Resources Council

## Heating Fuel Prices

### For Immediate Release

Contact: Beth Nagusky 287-4315

November 16, 2005

#### #2 Heating Fuel and Kerosene Prices Continue to Decline

Augusta--- The Office of Energy Independence and Security (OEIS) survey of home heating oil prices found the current statewide average cash price for No. 2 heating oil to be \$2.34 per gallon, down \$0.04 since last week but \$0.38 higher than last year at this time. Within the OEIS sample, this week the lowest actual heating oil price of \$2.20 per gallon was found in the southwest and western regions while the high-end price of \$2.45 per gallon was found in the central and eastern regions. The statewide kerosene price average of \$2.75 per gallon is also down \$0.04 since last week but \$0.51 higher than last year at this time. The northern and central regions had the highest price averages for kerosene at \$2.79 per gallon. The table below provides current Maine cash prices in dollars rounded to the nearest penny.

As of November 14, 2005

#### HEATING OIL

	Statewide	Southwest	Central	Eastern	Western	Northern
Average	2.34	2.30	2.36	2.37	2.33	2.37
High	2.45	2.40	2.45	2.45	2.38	2.43
Low	2.20	2.20	2.28	2.35	2.20	2.35
KEROSENE	2.75	2.73	2.79	2.77	2.72	2.79
PROPANE	2.30					
B-5 Bio-heat	2.399					

This week's propane price survey found the statewide average to be up \$0.04 since last week at \$2.30 per gallon. This is \$0.29 higher than last year at this time. This average price for propane represents the price per gallon for a 600-800 gallon domestic heating application. U.S. propane inventories continue to grow at a robust pace while East Coast

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7, 2005

October  
31, 2005

October  
24, 2005

October  
17, 2005

October  
11, 2005

October 3,  
2005

September  
28, 2005

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June 29,  
2005

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March 29,  
2005

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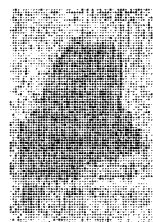
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# U.S. Census Bureau News

U.S. Department of Commerce • Washington, D.C. 20233

FOR IMMEDIATE RELEASE  
TUESDAY, NOVEMBER 15, 2005, AT 8:30 A.M. EST

Scott Scheleur / Judy Ross Davis  
Service Sector Statistics Division  
(301) 763-2713

CB05-159

## ADVANCE MONTHLY SALES FOR RETAIL AND FOOD SERVICES October 2005

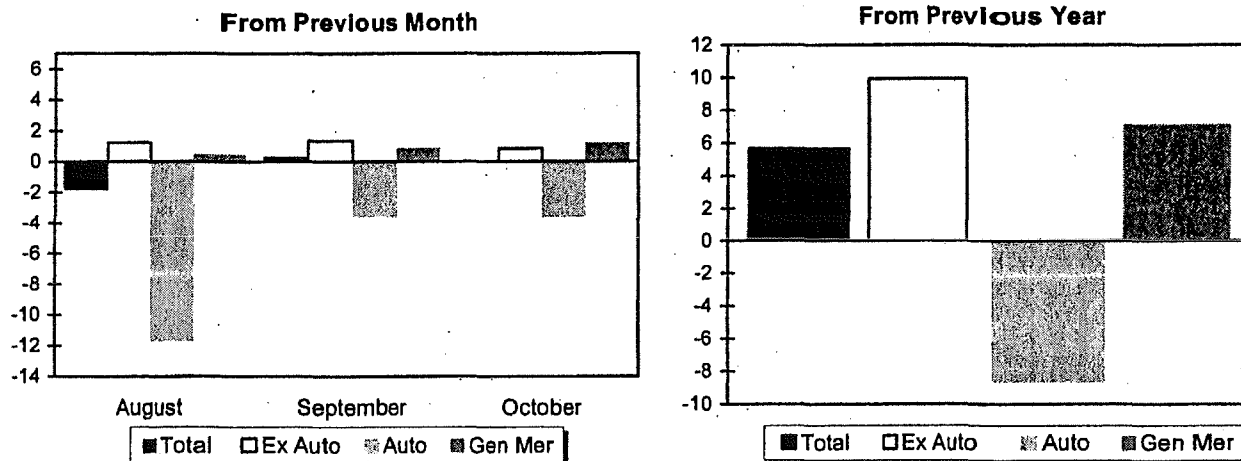
The U.S. Census Bureau announced today that advance estimates of U.S. retail and food services sales for October, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$351.6 billion, a decrease of 0.1 percent ( $\pm 0.7\%$ )\* from the previous month, but up 5.7 percent ( $\pm 0.5\%$ ) from October 2004. Total sales for the August through October 2005 period were up 6.8 percent ( $\pm 0.5\%$ ) from the same period a year ago. The August to September 2005 percent change was revised from +0.2 percent ( $\pm 0.7\%$ )\* to +0.3 percent ( $\pm 0.2\%$ ).

Retail trade sales were down 0.2 percent ( $\pm 0.8\%$ )\* from September, but were up 5.5 percent ( $\pm 0.8\%$ ) above last year. Gasoline station sales were up 27.1 percent ( $\pm 3.3\%$ ) from October 2004 and sales of building material and garden equipment and supplies dealers were up 13.1 percent ( $\pm 2.0\%$ ) from last year.

*The advance estimates are based on a subsample of the Census Bureau's full retail and food services sample. A stratified random sampling method is used to select approximately 5,000 retail and food services firms whose sales are then weighted and benchmarked to represent the complete universe of over three million retail and food services firms. Responding firms account for approximately 65% of the MARTS dollar volume estimate. For an explanation of the measures of sampling variability included in this report, please see the Reliability of Estimates section on the last page of this publication.*

### Percent Change in Retail and Food Services Sales

(Estimates adjusted for seasonal variation and holiday and trading-day differences, but not for price changes)



The Advance Monthly Sales for Retail and Food Services for November is scheduled to be released December 13, 2005 at 8:30 a.m. EST.

For information, visit the Census Bureau's Web site at <<http://www.census.gov/retail>>. This report is also available the day of issue through the Department of Commerce's STAT-USA (202-482-1986).

\* The 90 percent confidence interval includes zero. The Census Bureau does not have sufficient statistical evidence to conclude that the actual change is different from zero.

**Table 1. Estimated Monthly Sales for Retail and Food Services, by Kind of Business**

Estimated monthly sales estimates are shown in millions of dollars and are based on data from the Advance Monthly Retail Trade Survey, Monthly Retail Trade Survey, and administrative records.)

NAICS <sup>1</sup> code	Kind of Business	Not Adjusted							Adjusted <sup>2</sup>				
		10 Month Total		2005			2004		2005			2004	
		2005	% Chg. 2004	Oct. <sup>3</sup> (a)	Sept. (p)	Aug. (r)	Oct.	Sept.	Oct. <sup>3</sup> (a)	Sept. (p)	Aug. (r)	Oct. (r)	Sept. (r)
	<b>Retail &amp; food services,</b>												
	total .....	3,414,166	7.4	343,963	342,347	364,805	326,699	319,134	351,561	351,777	350,742	332,693	329,676
	Total (excl. motor vehicle & parts) ...	2,640,329	8.3	279,803	270,851	281,065	255,412	243,939	281,860	279,462	275,739	256,411	253,770
	Retail .....	3,076,414	7.5	309,066	308,630	329,580	292,750	287,953	317,010	317,547	316,807	300,390	297,797
	GAFO <sup>4</sup> .....	(*)	(*)	(*)	82,400	89,201	82,355	77,389	(*)	89,883	89,148	85,236	84,572
441	<b>Motor vehicle &amp; parts dealers .....</b>	773,827	4.4	64,160	71,496	83,740	70,287	75,195	69,701	72,315	75,003	76,282	76,106
4411, 4412	Auto & other motor veh. dealers ..	713,023	4.1	58,022	65,443	77,115	64,802	69,591	63,551	66,238	69,914	70,603	70,608
44111	New car dealers .....	(*)	(*)	(*)	53,941	63,587	54,522	59,517	(NA)	(NA)	(NA)	(NA)	(NA)
4413	Auto parts, acc. & tire stores .....	(*)	(*)	(*)	6,053	6,625	5,685	5,604	(NA)	(NA)	(NA)	(NA)	(NA)
442	<b>Furniture &amp; home furn. stores .....</b>	87,757	5.2	9,438	9,271	9,622	8,699	8,413	9,466	9,403	9,252	8,682	8,611
4421	Furniture stores .....	(*)	(*)	(*)	5,088	5,209	4,756	4,587	(NA)	(NA)	(NA)	(NA)	(NA)
4422	Home furnishings stores .....	(*)	(*)	(*)	4,183	4,413	3,943	3,826	(NA)	(NA)	(NA)	(NA)	(NA)
443	<b>Electronics &amp; appliance stores .....</b>	76,884	5.9	7,718	7,789	8,354	7,250	7,293	8,503	8,467	8,374	7,931	7,955
44311, 13	Appl., T.V. & camera .....	(*)	(*)	(*)	6,242	6,734	5,746	5,712	(*)	6,905	6,795	6,377	6,382
44312	Computer & software stores .....	(*)	(*)	(*)	1,557	1,620	1,504	1,581	(*)	1,562	1,579	1,554	1,573
444	<b>Building material &amp; garden eq. &amp; supplies dealers .....</b>	278,866	9.6	29,408	28,685	29,642	25,775	26,028	28,906	28,298	27,826	25,550	25,769
4441	Building mat. & sup. dealers .....	(*)	(*)	(*)	26,146	26,854	23,246	23,664	(*)	25,068	24,814	22,503	22,764
445	<b>Food &amp; beverage stores .....</b>	429,375	4.8	44,006	43,494	44,103	41,835	41,016	44,492	44,169	43,895	41,919	41,812
4451	Grocery stores .....	385,682	4.4	39,358	38,968	39,519	37,857	36,989	39,715	39,481	39,283	37,657	37,590
4453	Beer, wine & liquor stores .....	(*)	(*)	(*)	2,850	2,853	2,712	2,599	(*)	2,882	2,856	2,701	2,668
446	<b>Health &amp; personal care stores .....</b>	179,083	6.2	18,258	17,813	18,342	17,016	16,537	18,555	18,478	18,269	17,293	17,226
4461	Pharmacies & drug stores .....	(*)	(*)	(*)	15,189	15,623	14,862	14,227	(*)	15,724	15,654	14,810	14,758
447	<b>Gasoline stations .....</b>	323,284	21.7	37,163	37,237	37,184	29,329	27,083	35,768	36,047	34,303	28,147	26,526
448	<b>Clothing &amp; clothing accessories stores .....</b>	152,788	5.8	16,673	15,015	16,751	15,558	14,209	17,212	16,693	16,748	16,154	15,852
44811	Men's clothing stores .....	(*)	(*)	(*)	722	842	811	707	(*)	808	831	804	793
44812	Women's clothing stores .....	(*)	(*)	(*)	2,988	2,891	3,011	2,795	(*)	3,139	3,119	3,005	2,939
44814	Family clothing stores .....	(*)	(*)	(*)	5,674	6,475	6,084	5,360	(NA)	(NA)	(NA)	(NA)	(NA)
4482	Shoe stores .....	(*)	(*)	(*)	1,672	2,383	1,894	1,793	(*)	2,053	2,021	1,994	1,972
451	<b>Sporting goods, hobby, book &amp; music stores .....</b>	61,591	1.4	5,921	6,338	7,389	5,978	6,246	6,782	6,743	6,810	6,709	6,716
452	<b>General merchandise stores .....</b>	415,198	6.3	44,578	40,656	43,461	41,707	38,074	45,556	45,027	44,651	42,529	42,196
4521	Department stores (ex. L.D.) .....	162,600	-0.4	17,407	15,468	17,155	17,447	16,006	17,904	17,641	17,743	18,004	18,042
4521	Department stores (incl. L.D.) <sup>5</sup> .....	(*)	(*)	(*)	15,619	17,317	17,854	16,199	(*)	(NA)	(NA)	(NA)	(NA)
4529	Other general merch. stores .....	(*)	(*)	(*)	25,188	26,306	24,260	22,068	(*)	27,386	26,908	24,525	24,154
45291	Warehouse clubs & supercenters .....	(*)	(*)	(*)	22,003	23,069	21,013	19,108	(*)	23,890	23,468	21,225	20,883
45299	All oth. gen. merch. stores .....	(*)	(*)	(*)	3,185	3,237	3,247	2,960	(*)	3,498	3,440	3,300	3,271
453	<b>Miscellaneous store retailers .....</b>	91,963	5.8	9,267	9,518	9,768	8,997	8,777	9,508	9,611	9,395	9,088	9,009
454	<b>Nonstore retailers .....</b>	205,798	11.8	22,476	21,308	21,224	20,319	19,082	22,561	22,296	22,281	20,106	20,019
4541	Elect. shopping & m/o houses ....	(*)	(*)	(*)	13,270	13,801	12,516	11,926	(*)	13,837	13,912	12,579	12,501
722	<b>Food services &amp; drinking places ...</b>	337,742	6.8	34,897	33,717	35,225	32,949	31,181	34,551	34,230	33,935	32,303	32,079

(\*) Advance estimates are not available for this kind of business.

(NA) Not available. (a) Advance estimate. (p) Preliminary estimate. (r) Revised estimate.

(1) For a full description of the NAICS codes used in this table, see <http://www.census.gov/epcd/www/naics.html>

(2) Estimates are concurrently adjusted for seasonal variation and for holiday and trading day differences, but not for price changes. Concurrent seasonal adjustment uses all available unadjusted estimates as input to the X-12 ARIMA program. The factors derived from the program are used in calculating all seasonally adjusted estimates shown in this table. Year-to-date seasonally adjusted sales estimates are not tabulated. Adjustment factors and explanatory material can be found on the Internet at <http://www.census.gov/mrts/www/mrts.html>

(3) Advance estimates are based on early reports obtained from a small sample of firms selected from the larger Monthly Retail Trade Survey (MRTS) sample. All other estimates are from the MRTS sample

(4) GAFO represents firms which specialize in department store types of merchandise and is comprised of furniture & home furnishings (442), electronics & appliances (443), clothing & accessories (448), sporting goods, hobby, book, and music (451), general merchandise (452), office supply, stationery, and gift stores (4532).

(5) Estimates include data for leased departments operated within department stores. Data for this line are not included in broader kind-of-business totals.

Note: Table 3 provides estimated measures of sampling variability. Additional information on confidentiality protection, sampling error, nonsampling error, sample design, and definitions may be found at <http://www.census.gov/mrts/www/mrts.html>

**Table 2. Estimated Change in Monthly Sales for Retail and Food Services, by Kind of Business**

(Estimates are shown as percents and are based on data from the Advance Monthly Retail Trade Survey, Monthly Retail Trade Survey, and administrative records.)

NAICS code	Kind of Business	Percent Change <sup>1</sup>					
		Oct. 2005 Advance from –		Sept. 2005 Preliminary from –		Aug. 2005 through Oct. 2005 from –	
		Sept. 2005 (p)	Oct. 2004 (r)	Aug. 2005 (r)	Sept. 2004 (r)	May 2005 through Jul. 2005	Aug. 2004 through Oct. 2004
	<b>Retail &amp; food services, total .....</b>	-0.1	5.7	0.3	6.6	0.1	6.8
	Total (excl. motor vehicle & parts) ...	0.9	9.9	1.4	10.1	3.1	9.9
	Retail .....	-0.2	5.5	0.2	6.6	-0.1	6.8
441	<b>Motor vehicle &amp; parts dealers .....</b>	-3.6	-8.6	-3.6	-5.0	-10.3	-3.6
4411, 4412	Auto & other motor veh. dealers ..	-4.1	-10.0	-3.9	-6.1	-11.3	-4.6
442	<b>Furniture &amp; home furn. stores .....</b>	0.7	9.0	1.6	9.2	3.9	8.3
443	<b>Electronics &amp; appliance stores .....</b>	0.4	7.2	1.1	6.4	1.7	6.7
444	<b>Building material &amp; garden eq. &amp; supplies dealers.....</b>	2.1	13.1	1.7	9.8	3.1	10.7
445	<b>Food &amp; beverage stores.....</b>	0.7	6.1	0.6	5.6	1.8	5.8
4451	Grocery stores .....	0.6	5.5	0.5	5.0	1.7	5.2
446	<b>Health &amp; personal care stores .....</b>	0.4	7.3	1.1	7.3	1.5	6.9
447	<b>Gasoline stations .....</b>	-0.8	27.1	5.1	35.9	11.9	30.7
448	<b>Clothing &amp; clothing accessories stores .....</b>	3.1	6.5	-0.3	5.3	1.2	6.3
451	<b>Sporting goods, hobby, book &amp; music stores.....</b>	0.6	1.1	-1.0	0.4	-0.4	0.8
452	<b>General merchandise stores.....</b>	1.2	7.1	0.8	6.7	1.7	6.9
4521	Department stores (ex. L.D.).....	1.5	-0.6	-0.6	-2.2	-0.8	-1.1
453	<b>Miscellaneous store retailers .....</b>	-1.1	4.6	2.3	6.7	-0.6	5.6
454	<b>Nonstore retailers .....</b>	1.2	12.2	0.1	11.4	4.4	12.3
722	<b>Food services &amp; drinking places ....</b>	0.9	7.0	0.9	6.7	1.6	7.1

(p) Preliminary estimates. (r) Revised estimates.

(1) Estimates shown in this table are derived from adjusted estimates provided in Table 1 of this report.

Note: Table 3 provides estimated measures of sampling variability. Additional information on confidentiality protection, sampling error, nonsampling error, sample design, and definitions may be found at <http://www.census.gov/mrts/www/mrts.html>.

Source: U.S. Census Bureau

### Survey Description

The U.S. Census Bureau conducts the Advance Monthly Retail Trade and Food Services Survey (MARTS) to provide an early estimate of monthly sales by kind of business for retail and food service firms located in the United States. Each month, questionnaires are mailed to a probability sample of approximately 5,000 employer firms selected from the larger Monthly Retail Trade Survey (MRTS). Firms responding to MARTS account for approximately 65% of the total national sales estimate. Advance sales estimates are computed using a link relative estimator. The change in sales from the previous month is estimated using only units that have reported data for both the current and

previous month. There is no imputation or adjustment for nonrespondents in MARTS. The total sales estimate is derived by multiplying this ratio by the preliminary sales estimate for the previous month (derived from the larger MRTS sample). Detailed industry estimates are summed to derive total estimates at broad industry levels. The monthly estimates are adjusted using annual survey estimates and for seasonal variation and holiday and trading-day differences. Additional information on MARTS and MRTS can be found on the Census Bureau website at: <http://www.census.gov/mrts/www/mrts.html>.

Official Business

Penalty for Private Use, \$300

## Reliability of Estimates

Because the estimates presented in this report are based on a sample survey, they contain sampling error and nonsampling error.

Sampling error is the difference between the estimate and the result that would be obtained from a complete enumeration of the sampling frame conducted under the same survey conditions. This error occurs because only a subset of the entire sampling frame is measured in a sample survey. Standard errors and coefficients of variation (CV), as given in Table 3 of this report, are estimated measures of sampling variation.

The margin of sampling error, as used on page 1, gives a range about the estimate which is a 90 percent confidence interval. If, for example, the percent change estimate is +1.2 percent and its estimated standard error is 0.9 percent, then the margin of sampling error is  $\pm 1.65 \times 0.9$  percent or  $\pm 1.5$  percent, and the 90 percent confidence interval is -0.3 percent to +2.7 percent. If the interval contains 0, then one does not have sufficient statistical evidence to conclude at the 90

percent confidence level that the change is different from zero and therefore the change is not statistically significant. Estimated changes shown in the text are statistically significant unless otherwise noted. For a monthly total, the median estimated coefficient of variation is given. The resulting confidence interval is the estimated value  $\pm 1.65 \times CV \times$  (the estimated monthly total). The Census Bureau recommends that individuals using estimates in this report incorporate this information into their analyses, as sampling error could affect the conclusions drawn from the estimates.

Nonsampling error encompasses all other factors that contribute to the total error of a sample survey estimate. This type of error can occur because of nonresponse, insufficient coverage of the universe of retail businesses, mistakes in the recording and coding of data, and other errors of collection, response, coverage, or processing. Although nonsampling error is not measured directly, the Census Bureau employs quality control procedures throughout the process to minimize this type of error.

**Table 3. Estimated Measures of Sampling Variability and Revision to Advance Estimates**

(Estimates are shown as percents and are based on data from the Advance Monthly Retail Trade Survey and Monthly Retail Trade Survey)

NAICS Code	Kind of Business	Median CV <sup>(1)</sup> for Current Mo. (%)	Median standard error <sup>(1)</sup> for Percent change			Revision for month- to-month change <sup>(2)</sup>	
			Previous Mo. to Current Mo.	Previous Qtr. to Current Qtr.	Current Mo. to same Mo. Last Yr.	Average revision	Median absolute revision
	Retail & food services,						
	total .....	0.8	0.4	0.2	0.5	0.2	0.1
	Total (excl. motor vehicle & parts) ..	0.6	0.3	0.2	0.4	0.2	0.2
	Retail .....	0.7	0.5	0.2	0.5	0.1	0.1
441	Motor vehicle & parts dealers .....	2.1	1.4	0.6	1.6	0.1	0.4
4411, 4412	Auto & other motor veh. dealers ..	2.2	1.5	0.7	1.8	0.1	0.4
442	Furniture & home furn. stores .....	3.9	1.5	1.0	2.0	0.2	0.5
443	Electronics & appliance stores .....	2.1	0.6	0.4	0.9	0.3	0.3
444	Building material & garden eq. & ...						
	supplies dealers .....	2.1	0.9	0.6	1.2	0.4	0.4
445	Food & beverage stores .....	0.9	0.2	0.2	0.5	0.0	0.1
4451	Grocery stores .....	0.9	0.2	0.2	0.4	0.0	0.1
446	Health & personal care stores .....	3.0	0.5	0.4	0.8	0.1	0.1
447	Gasoline stations .....	1.7	0.6	0.5	2.0	0.4	0.3
448	Clothing & clothing accessories						
	stores .....	1.5	0.6	0.5	0.8	-0.1	0.2
451	Sporting goods, hobby, book &						
	music stores .....	2.7	1.6	1.2	1.9	-0.1	0.5
452	General merchandise stores .....	0.3	0.0	0.1	0.3	0.0	0.1
4521	Department stores (ex. L.D.) .....	0.0	0.0	0.0	0.0	0.0	0.1
453	Miscellaneous store retailers .....	4.1	3.5	1.8	4.0	0.0	0.4
454	Nonstore retailers .....	4.4	2.0	0.9	2.4	0.1	0.7
722	Food services & drinking places ..	3.0	0.6	0.7	1.5	0.2	0.1

(1) Estimated measures of sampling variability are based on estimates not adjusted for seasonal variation or holiday or trading-day differences. Medians are based on estimates for the most recent 12 months.

(2) These columns provide measures of the difference between the advance-to-preliminary and preliminary-to-final estimates of month-to-month change for the same pair of months as measured by the Advance sample and MRTS sample. The average and median differences are based on estimates for the most recent 12 months.

Note: Additional information on confidentiality protection, sampling error, nonsampling error, sample design, and definitions may be found at <http://www.census.gov/mrts/www/mrts.html>

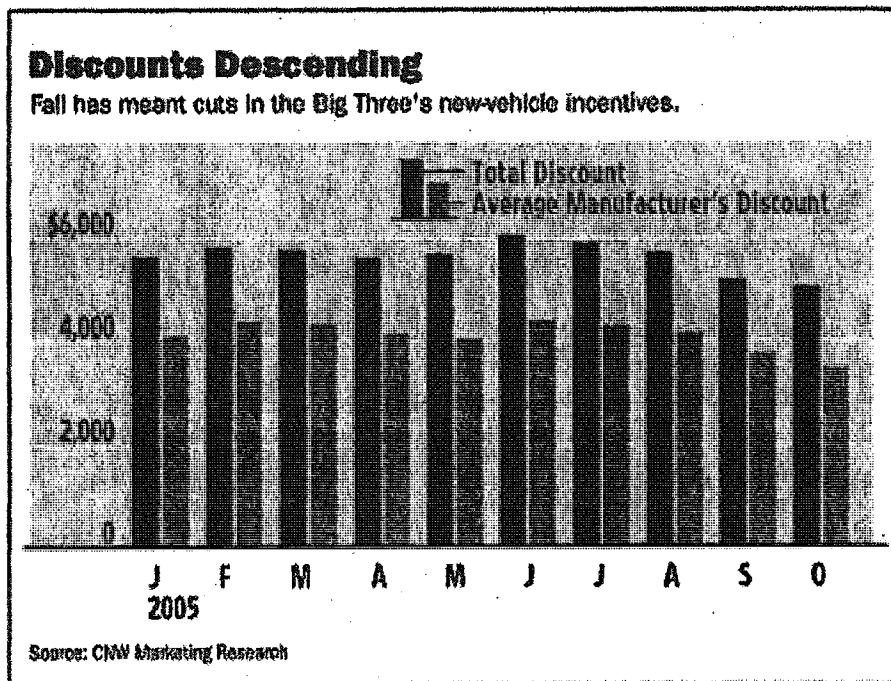




models after announcing its October results. Ford will likely follow suit.

"It's a long-term strategy" to rebuild resale values and brand image, says Tom Libby, an industry analyst at the Power Information Network. But he wonders what will happen if GM has a few more months like October: "Who's going to win, the long-term people or the short-term people?"

- Send comments about Eyes on the Road to [joseph.white@wsj.com](mailto:joseph.white@wsj.com)<sup>1</sup>.



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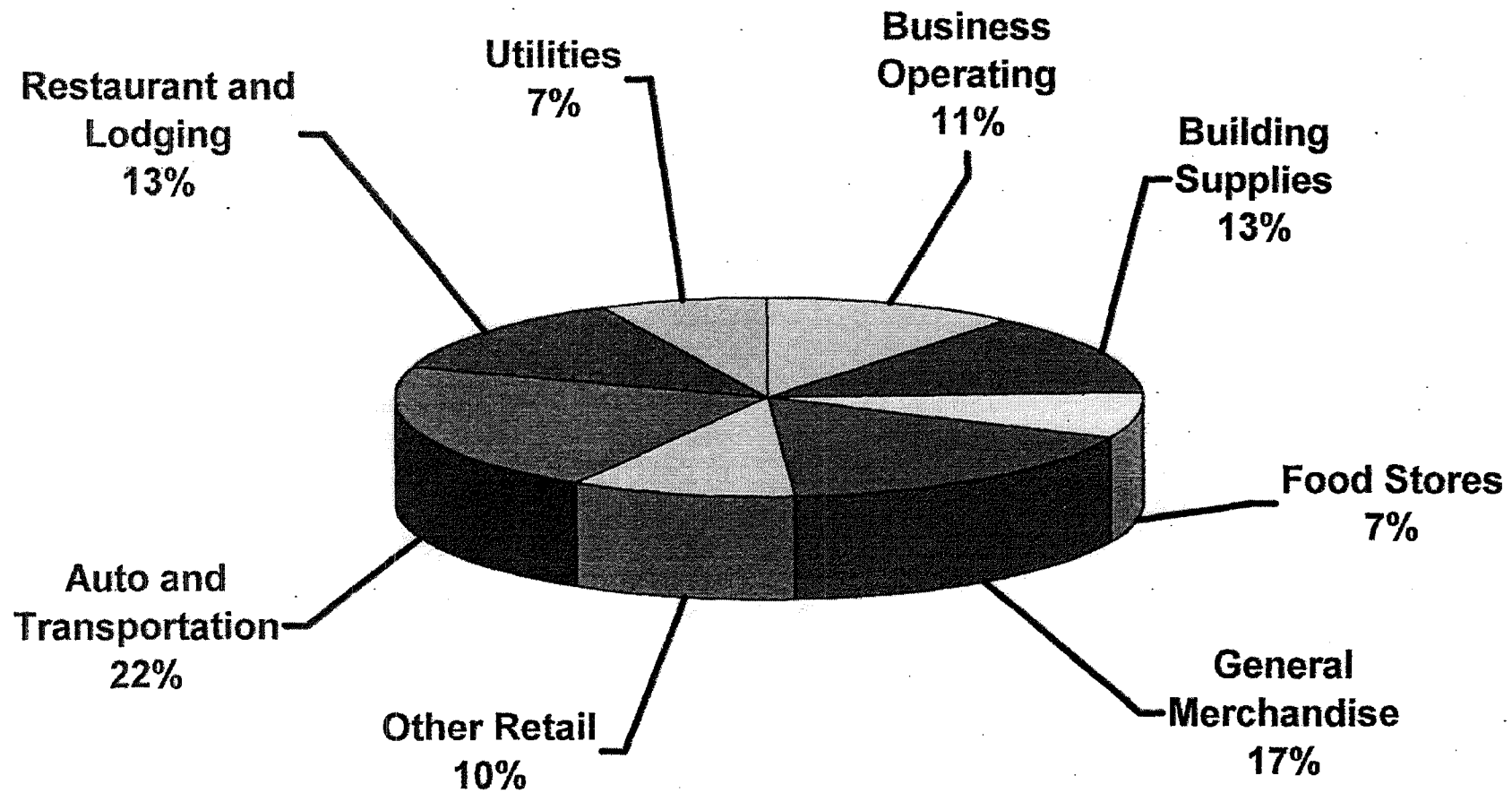
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## **Sales & Use Tax**

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

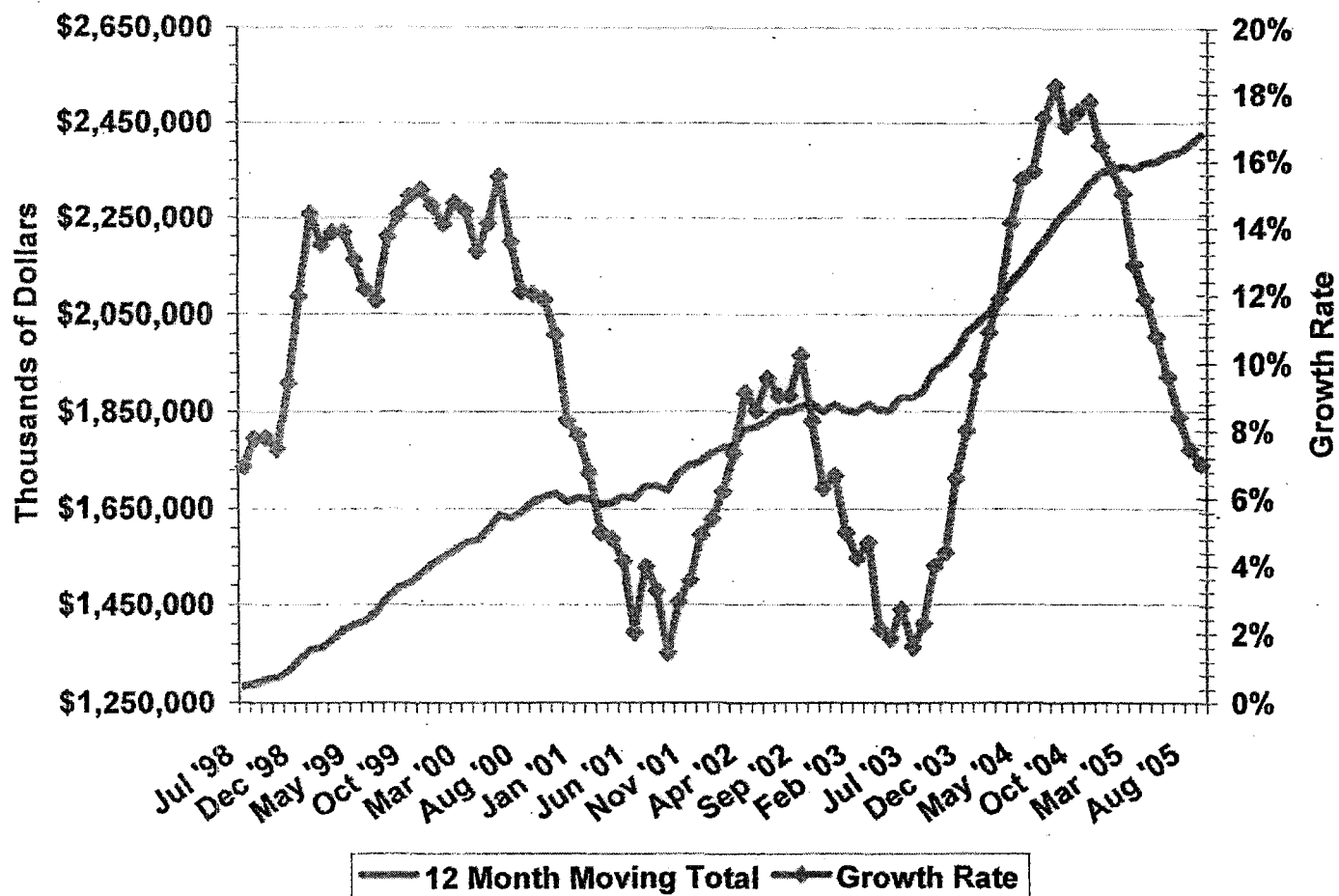
	Sept. '05	% Ch.	Sept. '04	% Ch.	Sept. '03	Average Last 3 Mos. Vs. Last Yr. % Change	Moving Total Last 12 Mos. Vs. Prior % Change	YTD Growth CY'05 vs. '04 Thru. Sep. % Change
Building Supply	\$256,546	8%	\$238,037	13%	\$211,420	6%	7%	5%
Food Store	\$128,358	5%	\$121,696	6%	\$114,665	7%	3%	4%
General Merchandise	\$262,806	2%	\$257,622	3%	\$248,996	1%	-1%	-2%
Other Retail	\$177,581	2%	\$174,473	9%	\$160,523	3%	6%	6%
Auto/Transportation	\$315,038	-11%	\$355,614	6%	\$335,338	-1%	-1%	0%
Restaurant/lodging	\$250,022	3%	\$243,269	7%	\$228,289	3%	3%	3%
Consumer Sales	\$1,390,351	0%	\$1,390,710	7%	\$1,299,231	2%	2%	2%
Business Operating	\$193,230	7%	\$180,345	8%	\$166,856	7%	8%	7%
<b>Total</b>	<b>\$1,583,581</b>	<b>1%</b>	<b>\$1,571,055</b>	<b>7%</b>	<b>\$1,466,087</b>	<b>3%</b>	<b>3%</b>	<b>2%</b>

## 2004 Maine Taxable Sales by Product Group

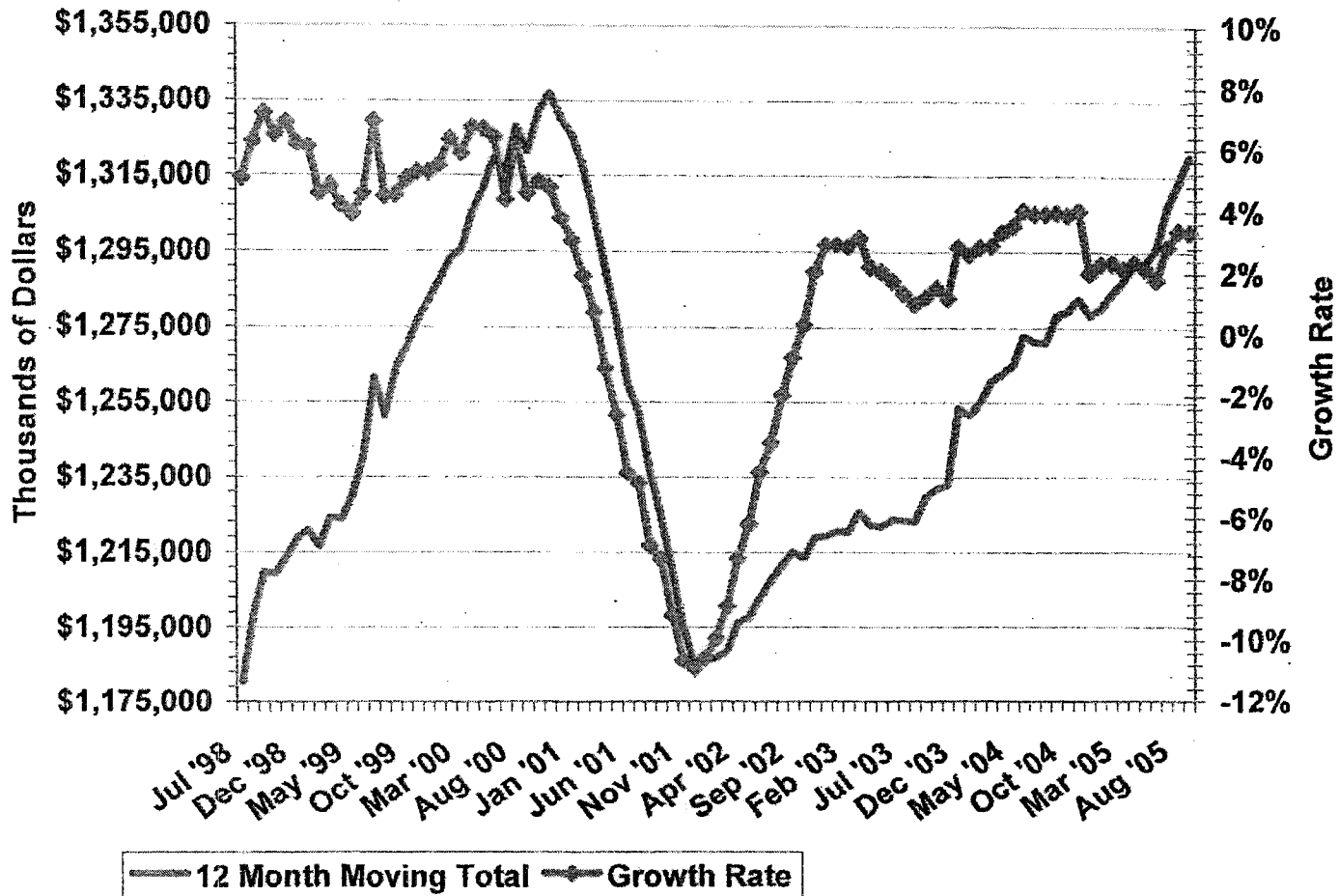


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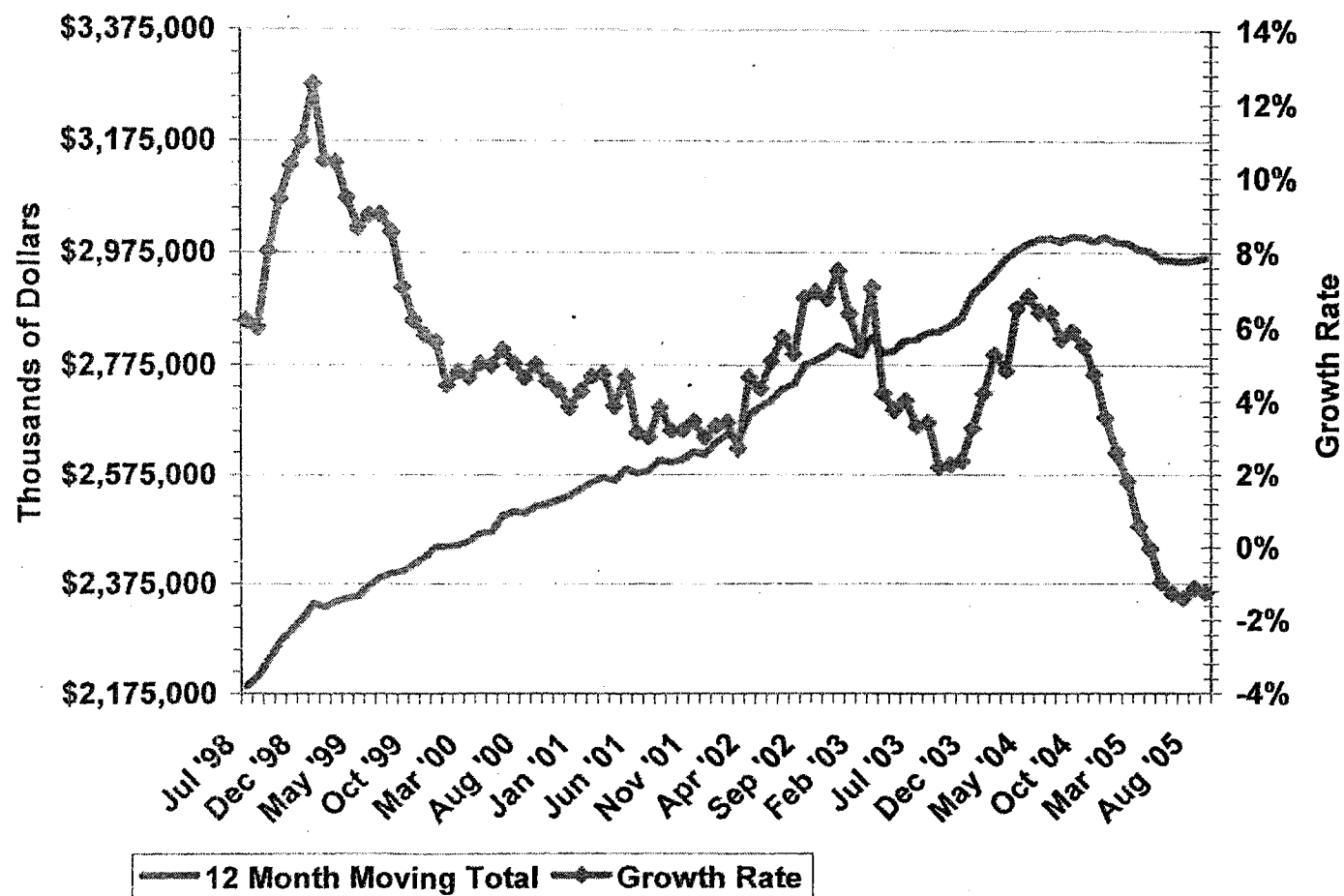
# ***Building Supply Taxable Sales July 1998 to Date***



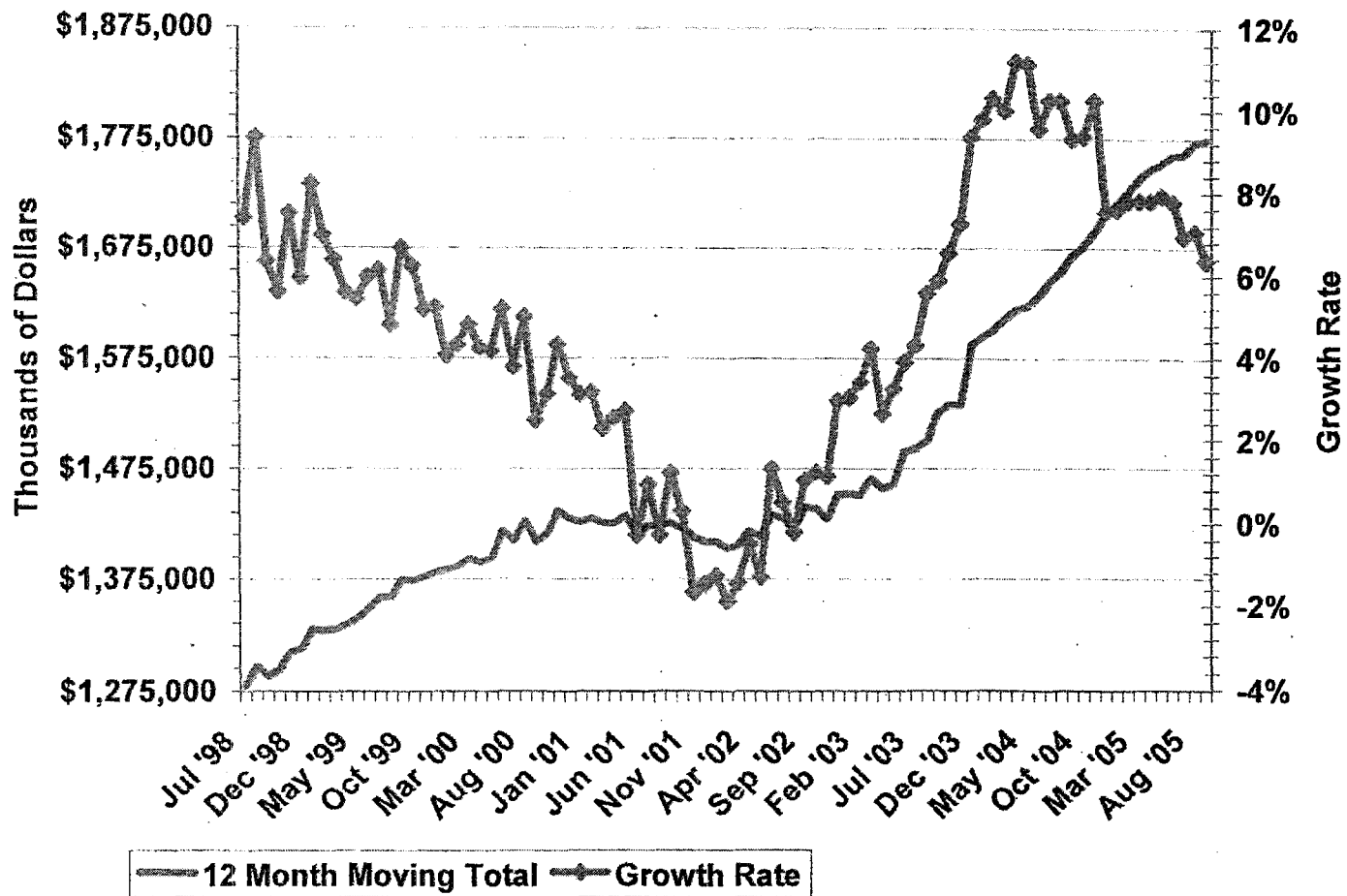
# Food Store Taxable Sales July 1998 to Date



## General Merchandise Taxable Sales July 1998 to Date

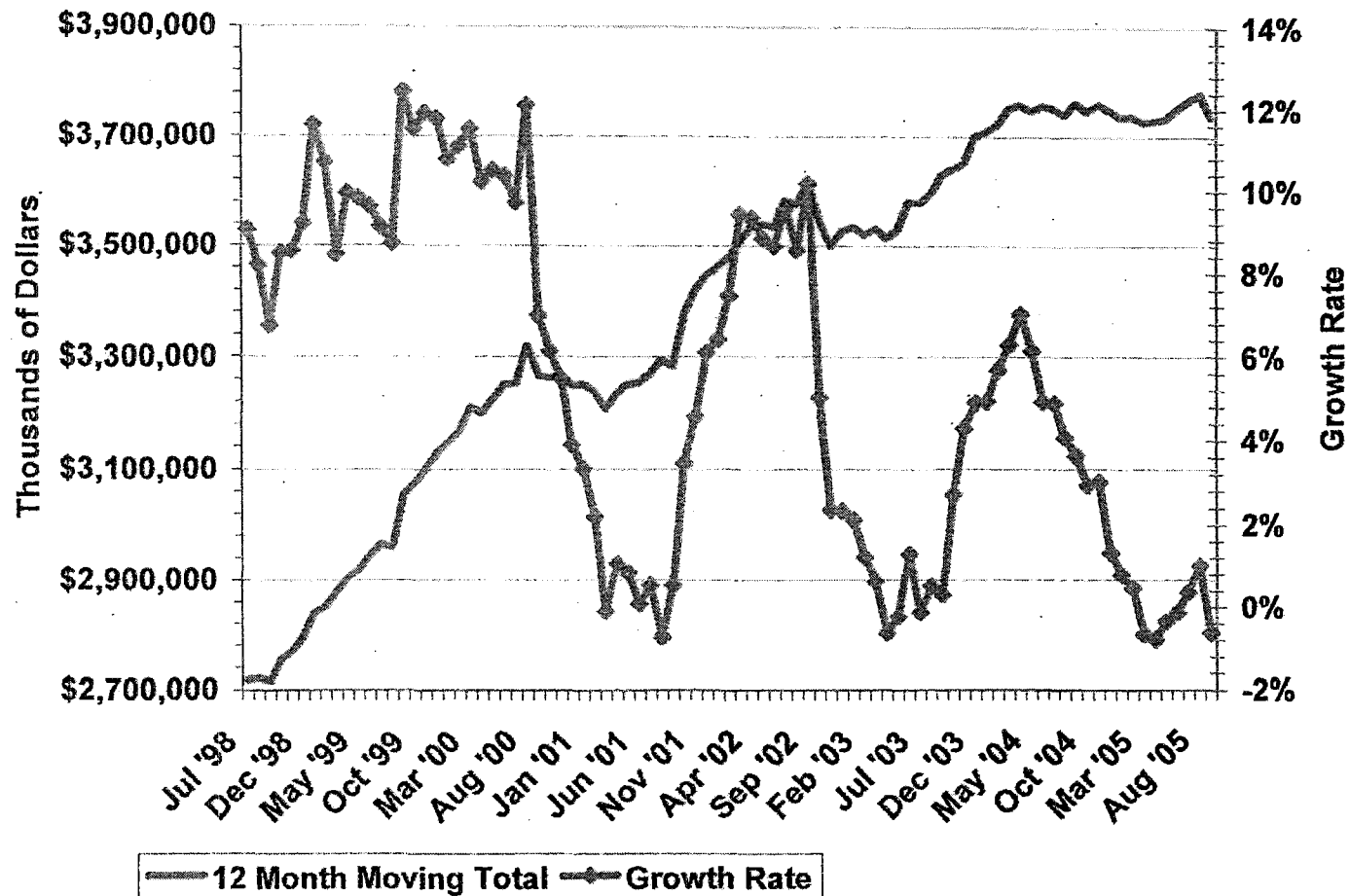


## Other Retail Taxable Sales July 1998 to Date

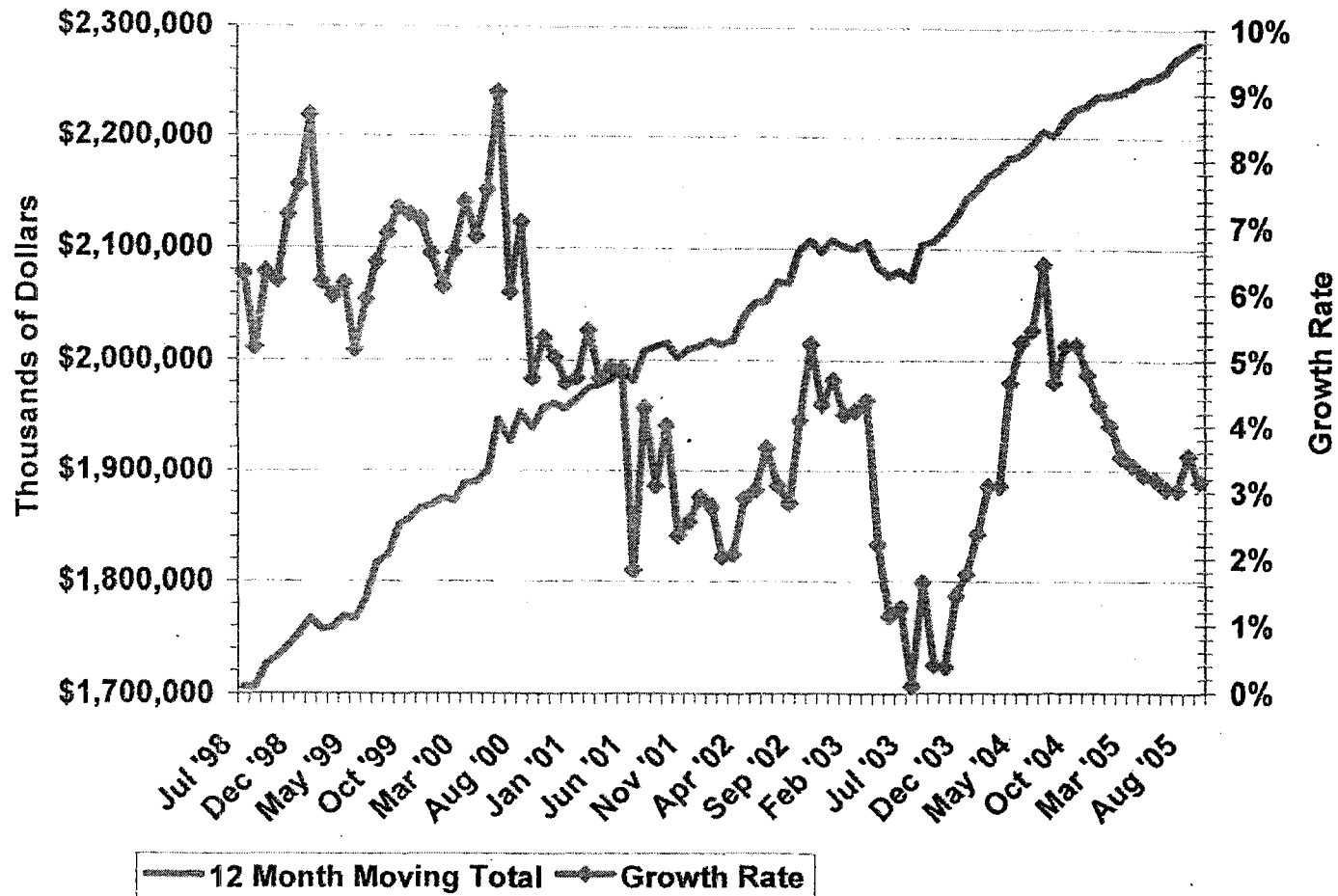




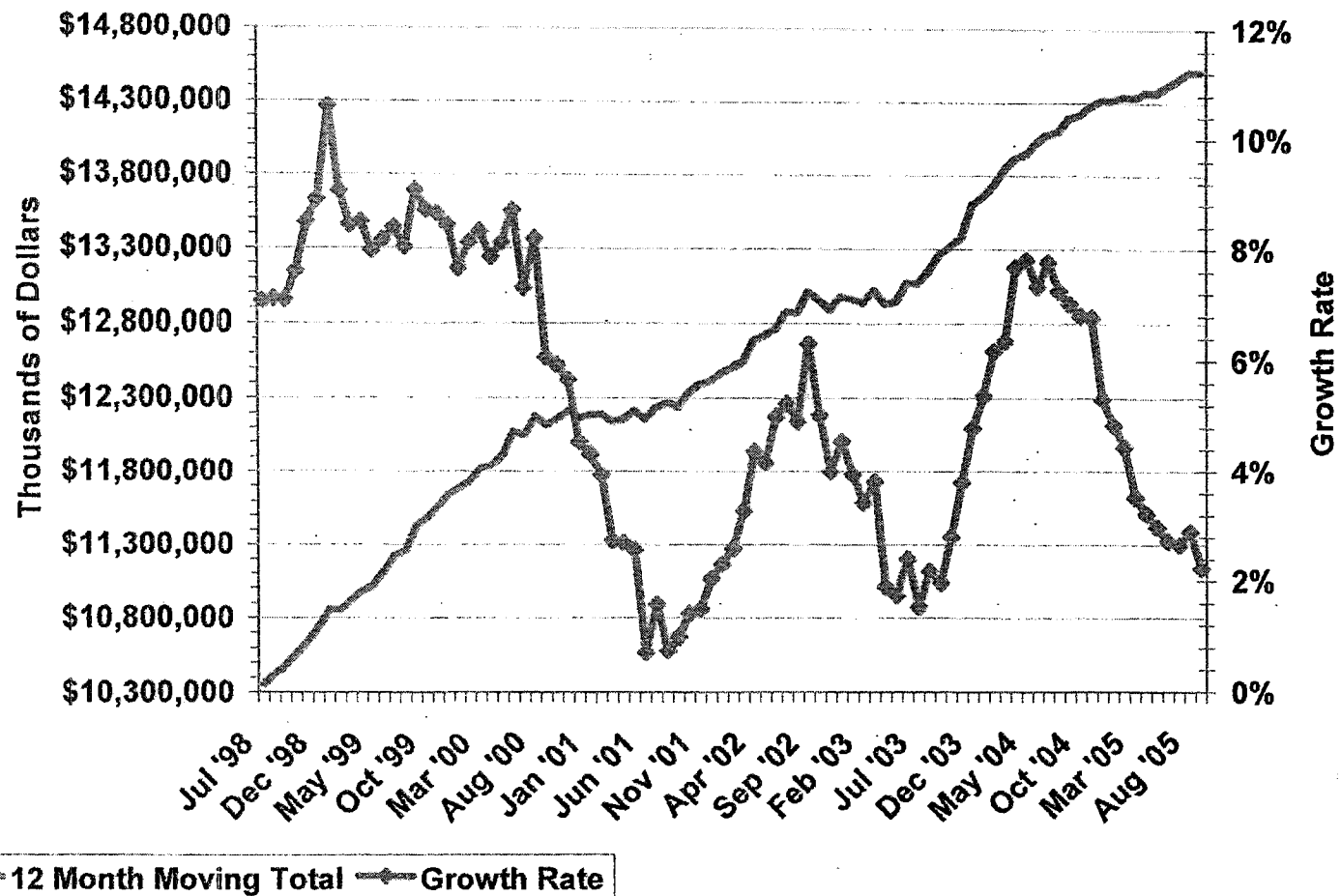
# Auto/Transportation Taxable Sales July 1998 to Date



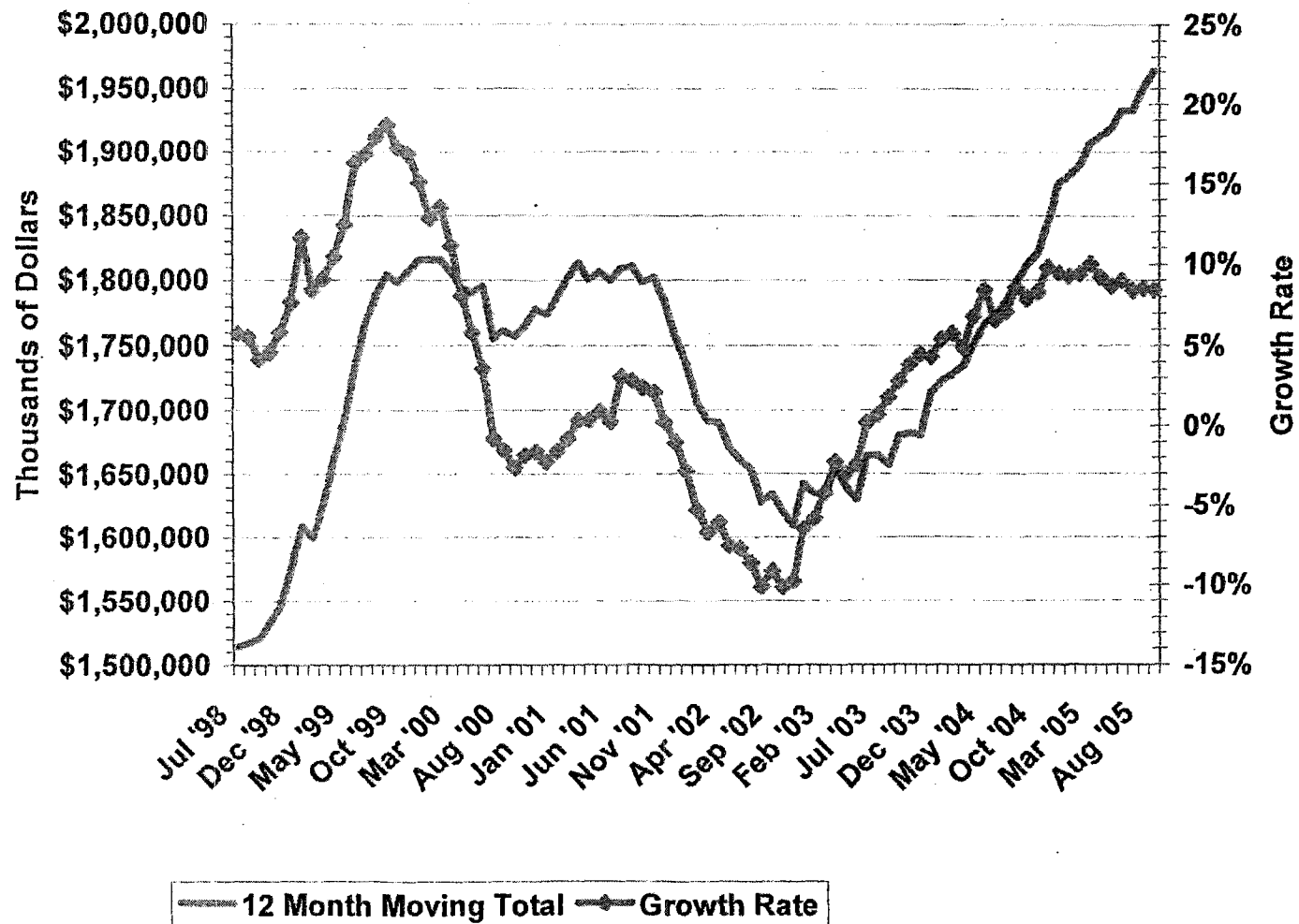
## Restaurant/Lodging Taxable Sales July 1998 to Date



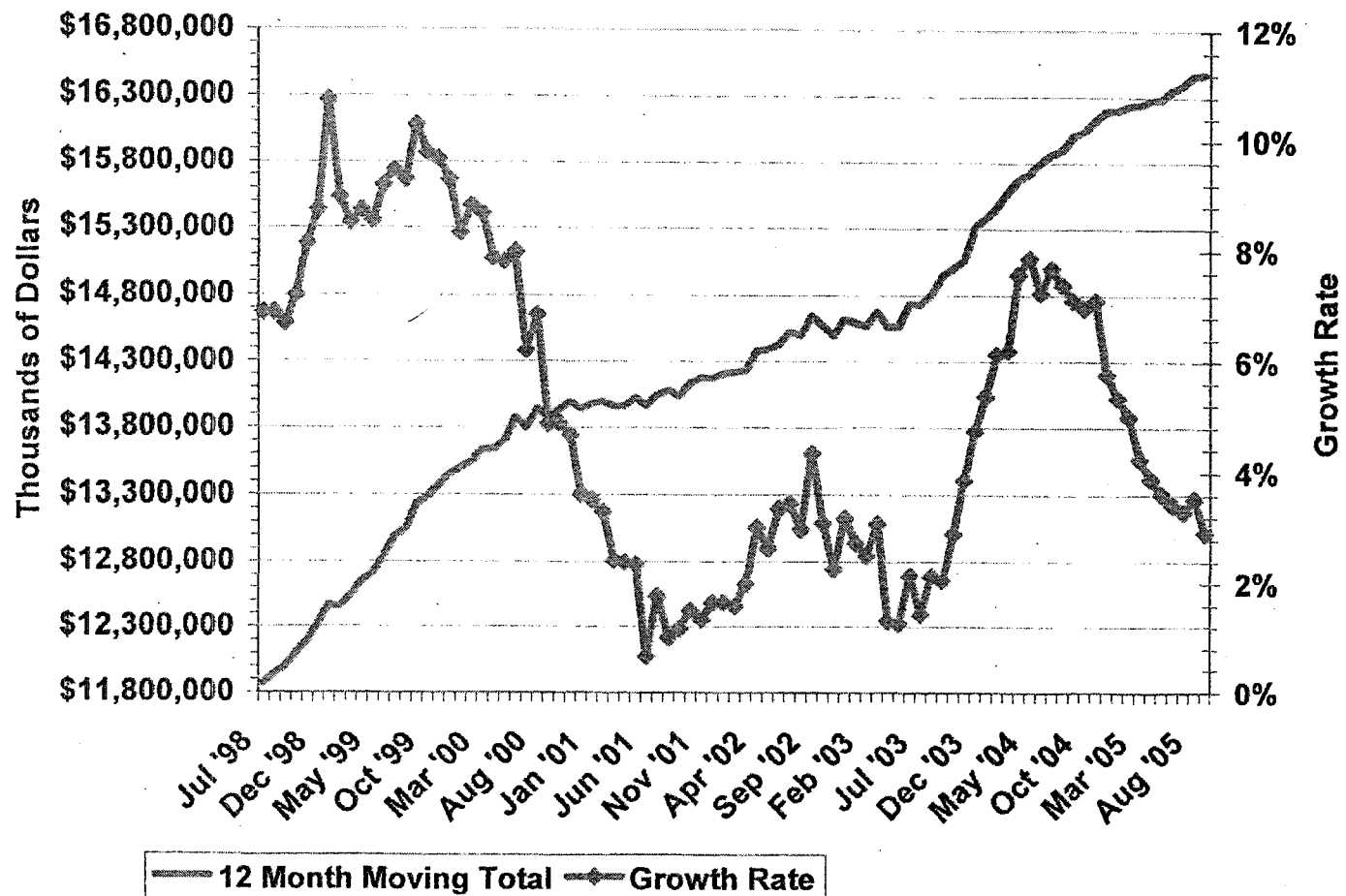
## Total Consumer Taxable Sales July 1998 to Date



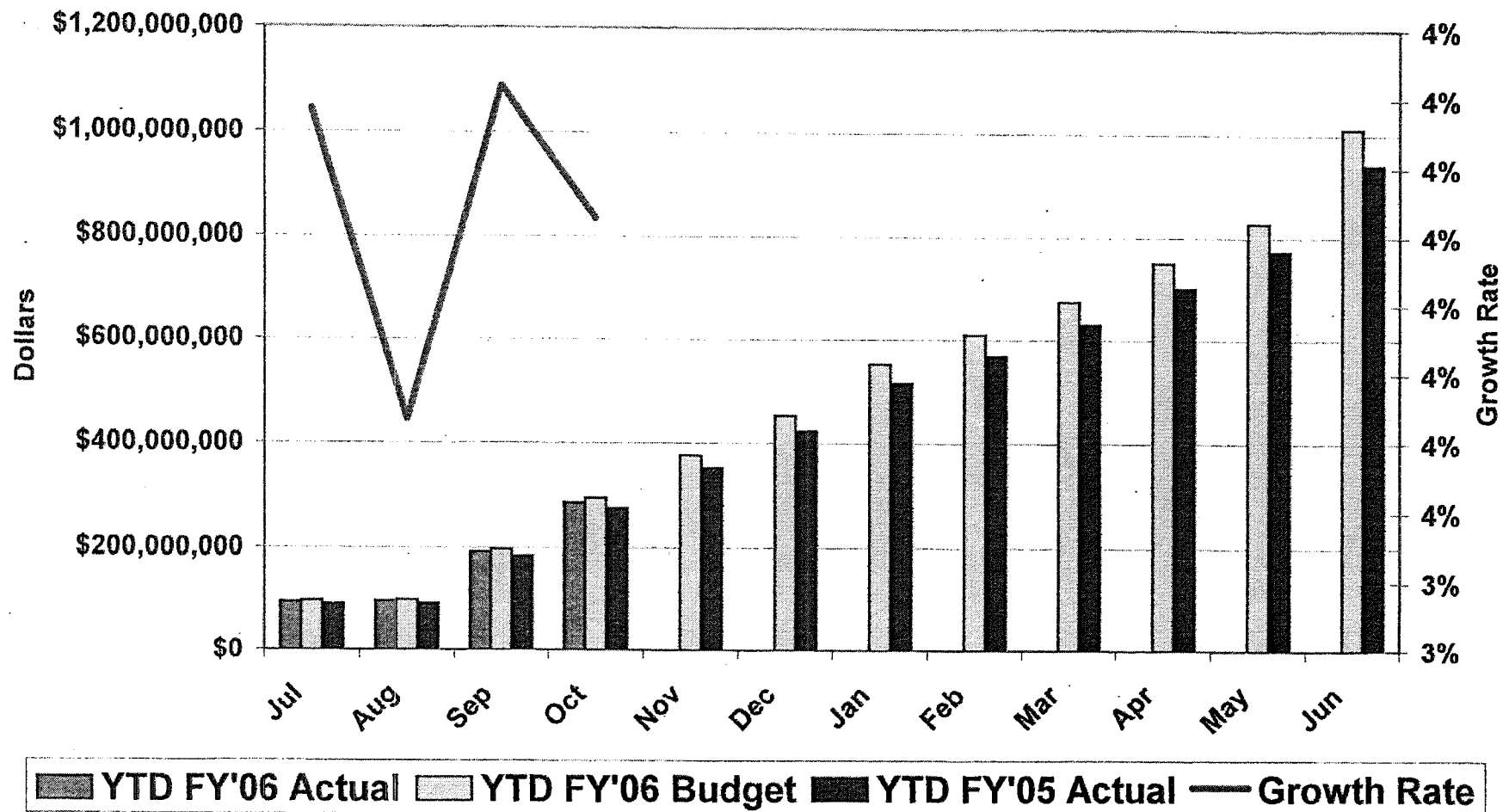
## Business Operating Taxable Sales July 1998 to Date



## Total Taxable Sales July 1998 to Date



# Sales & Service Provider Tax Revenue FY'06 Actual, Budget & FY'05 Actual



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

Month	FY'06 Actual	FY'06 Budget	FY'05 Actual	FY'04 Actual	FY'06 Actual vs. Budget	FY'06 Budget vs. FY'05 Actual	FY'06 Actual vs. FY'05 Actual	FY'05 Actual vs. FY'04 Actual
Jul	\$95,563,538	\$98,193,577	\$91,816,108	\$86,508,519	-2.7%	6.9%	4.1%	6.1%
Aug	\$1,369,702	\$1,837,339	\$1,718,008	\$1,346,518	-25.5%	6.9%	-20.3%	27.6%
Sep	\$94,871,741	\$97,056,202	\$90,688,073	\$90,803,534	-2.3%	7.0%	4.6%	-0.1%
Oct	\$93,595,668	\$96,826,473	\$90,398,099	\$83,820,881	-3.3%	7.1%	3.5%	7.8%
Nov	\$0	\$81,973,944	\$76,527,267	\$74,982,218	-100.0%	7.1%	-100.0%	2.1%
Dec	\$0	\$77,696,241	\$72,527,980	\$70,728,225	-100.0%	7.1%	-100.0%	2.5%
Jan	\$0	\$99,123,673	\$92,560,936	\$89,659,263	-100.0%	7.1%	-100.0%	3.2%
Feb	\$0	\$57,112,785	\$53,292,504	\$57,598,238	-100.0%	7.2%	-100.0%	-7.5%
Mar	\$0	\$64,710,492	\$60,385,181	\$59,286,767	-100.0%	7.2%	-100.0%	1.9%
Apr	\$0	\$76,320,641	\$71,238,466	\$70,353,678	-100.0%	7.1%	-100.0%	1.3%
May	\$0	\$76,409,444	\$71,318,421	\$67,500,062	-100.0%	7.1%	-100.0%	5.7%
Jun	\$0	\$183,484,241	\$168,750,795	\$164,655,339	-100.0%	8.7%	-100.0%	2.5%
Total	\$285,400,649	\$1,010,745,052	\$941,221,838	\$917,243,242	-71.8%	7.4%	-69.7%	2.6%
YTD Oct	\$285,400,649	\$293,913,591	\$274,620,288	\$262,479,452	-2.9%	7.0%	3.9%	4.6%

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

	FY02	FY03	Biennium	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium
Actuals & February, 2005 Forecast /1	\$836,134,084	\$857,486,801	\$1,693,620,885	\$917,243,245	\$941,221,839	\$1,858,465,084	\$1,010,745,052	\$1,053,811,545	\$2,064,556,597	\$1,098,179,883	\$1,146,121,737	\$2,244,301,620
Growth Rate		2.6%		7.0%	2.6%	9.7%	7.4%	4.3%	11.1%	4.2%	4.4%	8.7%
Technical Adjustments to Prior Forecast /2	\$0	\$0	\$0	\$0	\$0	\$0	(\$36,690,000)	(\$45,660,000)	(\$82,350,000)	(\$52,650,000)	(\$62,510,000)	(\$115,160,000)
Economic Assumptions /3	\$0	\$0	\$0	\$0	\$0	\$0	\$8,140,193	\$23,011,827	\$29,152,020	\$33,492,907	\$43,285,028	\$76,777,935
Total Adjustments to Prior Forecast	\$0	\$0	\$0	\$0	\$0	\$0	(\$30,549,807)	(\$22,648,173)	(\$53,197,980)	(\$19,157,093)	(\$19,224,972)	(\$38,382,065)
New Forecast	\$836,134,084	\$857,486,801	\$1,693,620,885	\$917,243,245	\$941,221,839	\$1,858,465,084	\$980,195,245	\$1,031,163,372	\$2,011,358,617	\$1,079,022,790	\$1,126,896,765	\$2,205,919,555
Growth Rate	2.2%	2.6%	1.7%	7.0%	2.6%	9.7%	4.1%	5.2%	8.2%	4.6%	4.4%	9.7%

1/ February, 2005 forecast with FY02, FY03, FY04 and FY05 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.



11/15/2005

**Maine Revenue Services**

**Model Sales Tax Revenue for Selected Categories from the Fall 2005 Forecast**

(millions of dollars)

<b>Fiscal Years</b>	<b>2005</b>	<b>2006</b>		<b>2007</b>		<b>2008</b>		<b>2009</b>	
<b>Personal Consumption</b>									
Total motor vehicles	\$148.1	\$149.5	1.0%	\$154.3	3.2%	\$159.8	3.6%	\$164.7	3.0%
New autos	\$65.32	\$65.8	0.7%	\$67.6	2.8%	\$69.7	3.1%	\$71.5	2.6%
Used Autos	\$36.96	\$37.5	1.4%	\$38.9	3.8%	\$40.5	4.2%	\$42.0	3.6%
Other motor vehicles	\$45.82	\$46.3	1.1%	\$47.9	3.3%	\$49.6	3.7%	\$51.2	3.2%
Restaurants	\$118.49	\$122.5	3.4%	\$128.6	5.0%	\$135.0	5.0%	\$141.2	4.6%
Lodging	\$35.63	\$37.4	5.0%	\$39.3	5.0%	\$41.2	5.0%	\$43.3	5.0%
Shoes	\$9.93	\$10.2	2.7%	\$10.6	4.3%	\$11.1	4.3%	\$11.5	4.0%
Women's clothing	\$36.08	\$38.0	5.3%	\$40.6	6.8%	\$43.3	6.8%	\$46.1	6.3%
Men's clothing	\$21.9	\$23.1	5.3%	\$24.7	6.8%	\$26.4	6.8%	\$28.0	6.3%
Jewelry and watches	\$11.7	\$12.6	7.3%	\$13.7	8.7%	\$14.8	8.6%	\$16.0	8.0%
Toilet articles and preps	\$15.8	\$17.2	9.1%	\$19.1	10.6%	\$21.0	10.3%	\$23.1	9.8%
Furniture	\$15.0	\$16.0	6.7%	\$17.3	8.1%	\$18.7	8.0%	\$20.1	7.6%
Household furnishings	\$7.3	\$7.7	5.5%	\$8.3	7.0%	\$8.8	7.0%	\$9.4	6.5%
Drugs	\$16.2	\$16.4	1.2%	\$16.8	2.9%	\$17.4	3.1%	\$17.8	2.6%
Personal consumption	\$683.3	\$711.2	4.1%	\$750.7	5.6%	\$789.5	5.2%	\$827.4	4.8%
Business Intermediate	\$183.1	\$189.9	3.7%	\$194.3	2.3%	\$198.6	2.2%	\$203.7	2.6%
Business Investment	\$74.9	\$77.3	3.2%	\$80.7	4.3%	\$83.9	4.0%	\$87.2	3.9%

CS

**Maine Revenue Services  
Transfers to the Tourism Marketing Promotion Fund  
Fall 2005 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.

Actual FY'05 meals/lodge tax revenue	\$163,597,235	
General Fund portion	\$155,253,776	94.9%
FY'06 Transfer to Tourism - budget	\$7,936,013	
Actual FY'06 transfer	\$7,762,689	5.0%
Variance	(\$173,324)	

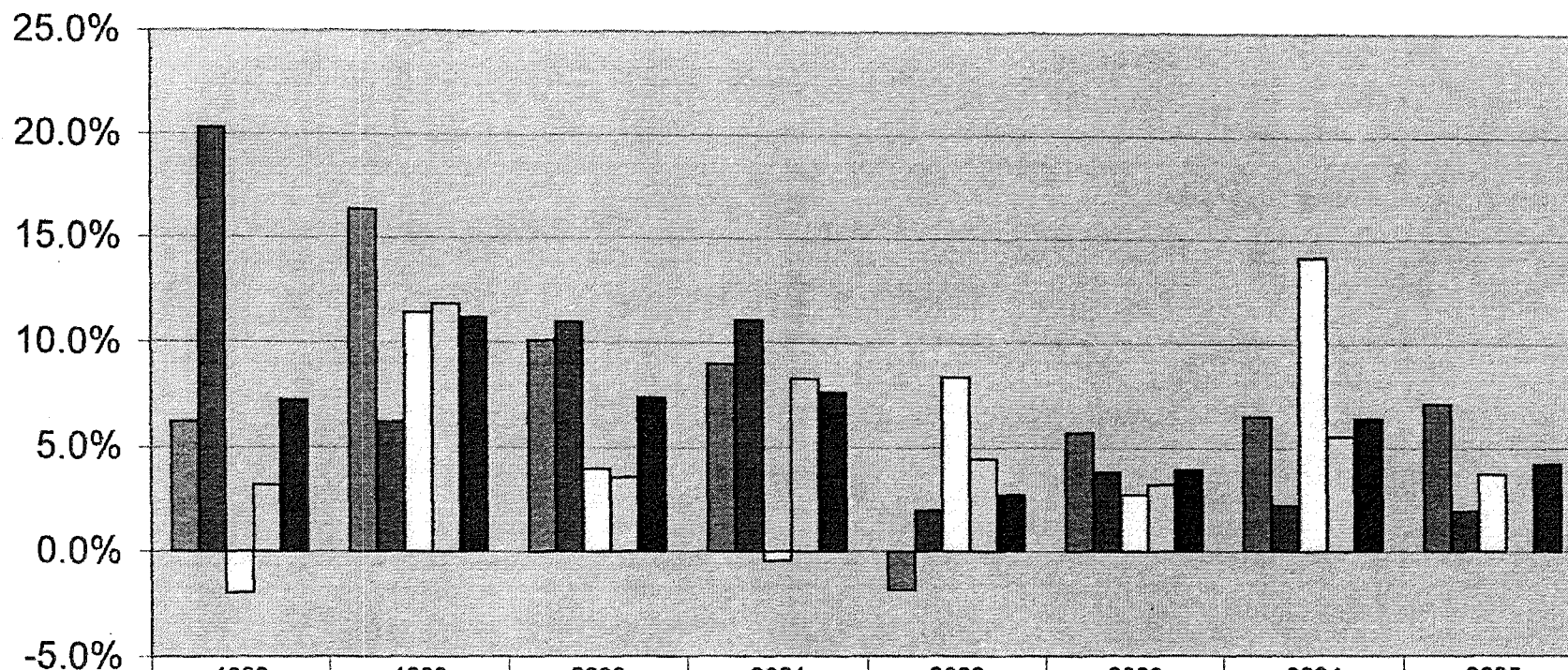
	FY'06	FY'07	FY'08
Meals and lodging revenue forecast	\$173,609,294	\$182,839,199	\$192,951,624
Growth rate	6.1%	5.3%	5.5%
General Fund	\$164,755,220	\$173,514,400	\$182,918,140
General Fund percentage	94.9%	94.9%	94.8%

	FY'07	FY'08	FY'09
Fall 2005 forecast			
5% to Tourism Fund	\$8,237,761	\$8,675,720	\$9,145,907
Current budget	\$8,446,366	\$8,833,189	\$9,262,985
Variance	(\$208,605)	(\$157,469)	(\$117,078)

# **Individual Income Tax**

# Individual Income Tax Withholding

Year-Over-Year Percent Change



	1998	1999	2000	2001	2002	2003	2004	2005
■ Qtr. I	6.2%	16.3%	10.1%	9.0%	-1.9%	5.7%	6.5%	7.1%
■ Qtr. II	20.3%	6.2%	11.0%	11.1%	2.0%	3.8%	2.2%	2.0%
□ Qtr. III	-2.0%	11.4%	4.0%	-0.4%	8.4%	2.8%	14.1%	3.7%
□ Qtr. IV	3.2%	11.8%	3.6%	8.3%	4.5%	3.2%	5.5%	
■ Year	7.3%	11.2%	7.4%	7.6%	2.7%	3.9%	6.4%	4.2%

Quarter & Calendar Year

**Taxpayers that Filed Electronically for Tax Years 2003 and 2004**

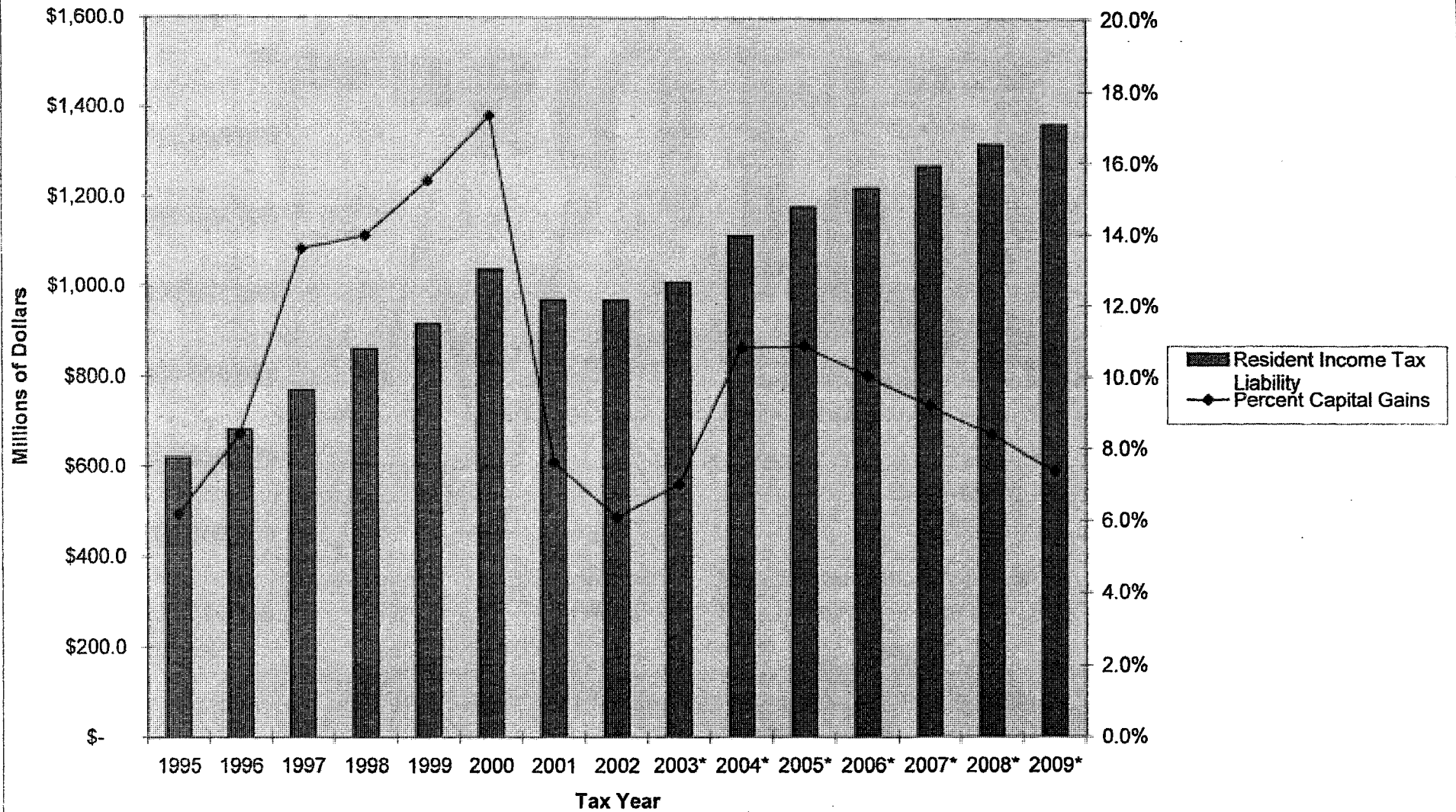
<u>Federal AGI (TY2003)</u>	<u>Returns</u>	<u>Ordinary Dividends</u>		<u>Difference</u>	<u>Percent Change</u>
		<u>2003</u>	<u>2004</u>		
- Infinity < \$0	172	\$ 259,265	\$ 279,029	\$ 19,764	7.6%
\$0 <= \$10,000	863	\$ 1,234,784	\$ 1,451,411	\$ 216,627	17.5%
\$10,000 <= \$20,000	1,650	\$ 2,878,084	\$ 3,166,767	\$ 288,683	10.0%
\$20,000 <= \$30,000	1,687	\$ 2,651,967	\$ 3,011,067	\$ 359,100	13.5%
\$30,000 <= \$50,000	3,302	\$ 4,702,180	\$ 5,426,236	\$ 724,056	15.4%
\$50,000 <= \$75,000	3,786	\$ 4,979,087	\$ 5,747,276	\$ 768,189	15.4%
\$75,000 <= \$100,000	2,517	\$ 3,360,541	\$ 3,986,653	\$ 626,112	18.6%
\$100,000 <= \$200,000	2,104	\$ 5,133,313	\$ 6,151,536	\$ 1,018,223	19.8%
<u>\$200,000 or More</u>	<u>407</u>	<u>\$ 4,511,286</u>	<u>\$ 5,080,572</u>	<u>\$ 569,286</u>	<u>12.6%</u>
Total	16,488	\$ 29,710,507	\$ 34,300,547	\$ 4,590,040	15.4%

<u>Federal AGI (TY2003)</u>	<u>Returns</u>	<u>Net Capital Gains</u>		<u>Difference</u>	<u>Percent Change</u>
		<u>2003</u>	<u>2004</u>		
- Infinity < \$0	192	\$ (32,371)	\$ 711,140	\$ 743,511	-2296.8%
\$0 <= \$10,000	777	\$ (936,290)	\$ 1,650,389	\$ 2,586,679	-276.3%
\$10,000 <= \$20,000	1,167	\$ (689,080)	\$ 1,954,801	\$ 2,643,881	-383.7%
\$20,000 <= \$30,000	1,138	\$ (284,223)	\$ 2,373,532	\$ 2,657,755	-935.1%
\$30,000 <= \$50,000	2,081	\$ 637,941	\$ 4,203,826	\$ 3,565,885	559.0%
\$50,000 <= \$75,000	2,168	\$ 2,134,902	\$ 6,112,963	\$ 3,978,061	186.3%
\$75,000 <= \$100,000	1,386	\$ 2,512,440	\$ 4,395,398	\$ 1,882,958	74.9%
\$100,000 <= \$200,000	1,384	\$ 8,687,218	\$ 7,769,572	\$ (917,646)	-10.6%
<u>\$200,000 or More</u>	<u>315</u>	<u>\$ 18,029,460</u>	<u>\$ 19,132,779</u>	<u>\$ 1,103,319</u>	<u>6.1%</u>
Total	10,608	\$ 30,059,997	\$ 48,304,400	\$ 18,244,403	60.7%

## Average Liability

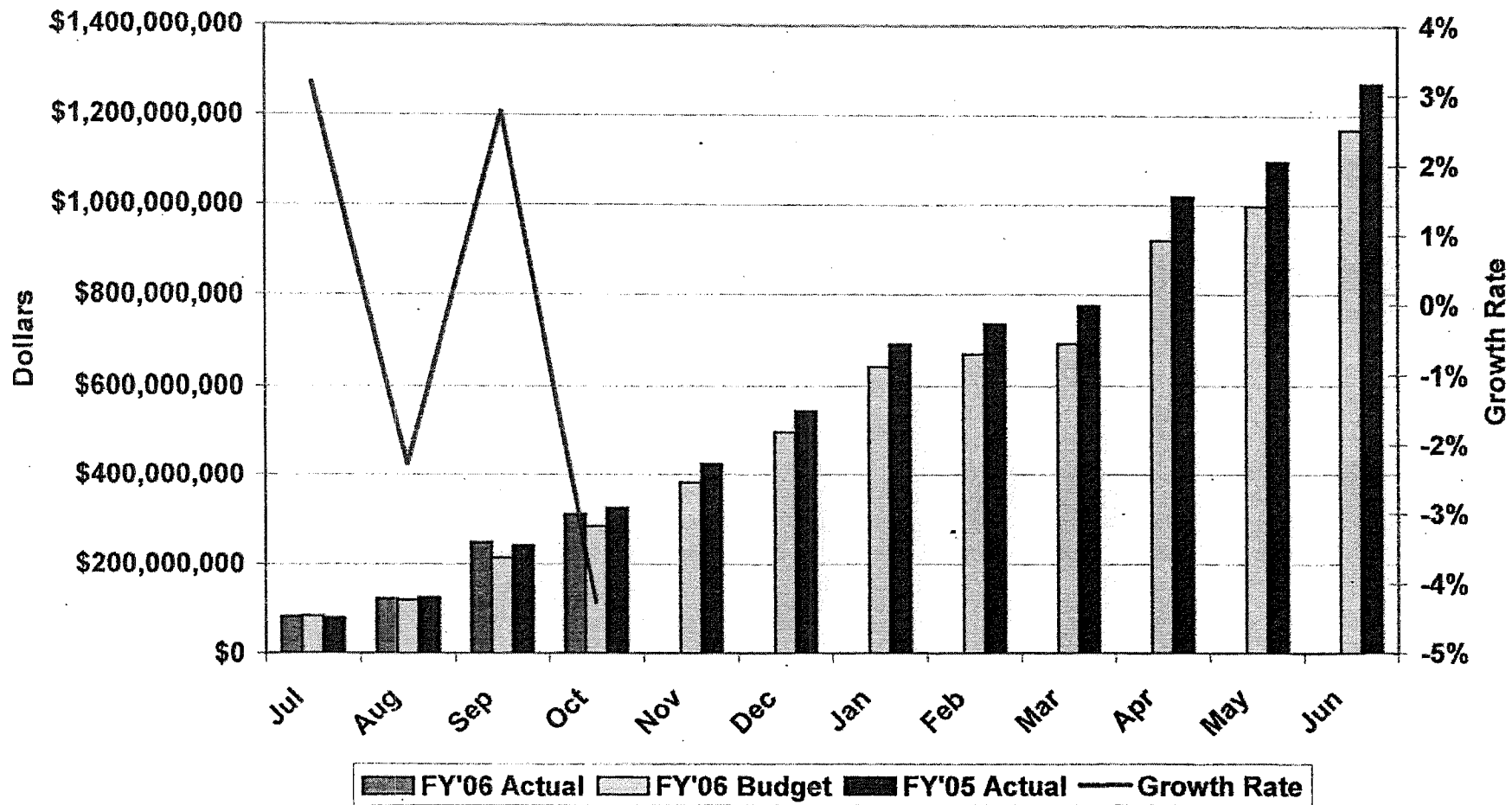
	1995	1996		1997		1998		1999		2000		2001		2002		2003		2004	
	\$11	\$13	16.64%	\$13	-1.61%	\$16	24.31%	\$32	*****	\$19	-41.11%	\$22	19.23%	\$2	-90.22%	\$3	22.86%	\$3	8.46%
10th percentile	\$22	\$24	9.67%	\$29	22.68%	\$32	11.02%	\$34	5.82%	\$37	7.74%	\$34	-7.91%	\$24	-30.74%	\$24	1.34%	\$26	8.70%
20th percentile	\$62	\$68	9.51%	\$83	21.02%	\$89	7.62%	\$94	5.66%	\$101	6.96%	\$97	-3.41%	\$97	0.04%	\$100	3.35%	\$107	6.49%
30th percentile	\$156	\$169	8.80%	\$198	16.98%	\$214	7.75%	\$221	3.36%	\$236	6.73%	\$236	0.26%	\$262	10.90%	\$270	3.04%	\$286	5.99%
40th percentile	\$321	\$345	7.54%	\$391	13.45%	\$416	6.34%	\$435	4.61%	\$462	6.17%	\$468	1.26%	\$510	8.99%	\$528	3.56%	\$553	4.64%
50th percentile	\$544	\$587	7.83%	\$657	11.93%	\$698	6.26%	\$727	4.06%	\$778	7.02%	\$795	2.19%	\$855	7.55%	\$887	3.77%	\$930	4.86%
60th percentile	\$863	\$928	7.46%	\$1,025	10.44%	\$1,082	5.58%	\$1,123	3.78%	\$1,183	5.33%	\$1,220	3.20%	\$1,296	6.22%	\$1,349	4.06%	\$1,414	4.81%
70th percentile	\$1,320	\$1,406	6.51%	\$1,541	9.61%	\$1,614	4.70%	\$1,675	3.77%	\$1,761	5.19%	\$1,808	2.66%	\$1,913	5.81%	\$2,002	4.62%	\$2,104	5.12%
80th percentile	\$2,072	\$2,209	6.64%	\$2,422	9.62%	\$2,546	5.12%	\$2,656	4.32%	\$2,814	5.96%	\$2,851	1.30%	\$3,017	5.83%	\$3,175	5.24%	\$3,355	5.66%
90th percentile	\$6,235	\$6,841	9.72%	\$7,695	12.48%	\$8,398	9.14%	\$9,042	7.67%	\$10,101	11.71%	\$8,938	-11.51%	\$8,587	-3.93%	\$9,110	6.08%	\$10,101	10.88%
Returns in Each Decile	56,443	56,684		56,648		57,445		58,853		60,161		60,356		60,729		61,420		61,886	
	\$1,161	\$1,259	8.48%	\$1,405	11.62%	\$1,510	7.47%	\$1,604	6.18%	\$1,739	8.41%	\$1,647	-5.27%	\$1,656	0.57%	\$1,745	5.34%	\$1,888	8.20%
	\$2,966	\$3,048	6.37%	\$3,328	9.17%	\$3,514	5.60%	\$3,698	5.24%	\$3,920	5.99%	\$3,928	0.20%	\$4,120	4.90%	\$4,349	5.57%	\$4,587	5.46%
	\$3,297	\$3,535	7.19%	\$3,852	8.97%	\$4,077	5.85%	\$4,284	5.08%	\$4,550	6.22%	\$4,512	-0.85%	\$4,679	3.71%	\$4,965	6.10%	\$5,296	6.67%
	\$3,940	\$4,218	7.05%	\$4,616	9.43%	\$4,912	6.41%	\$5,205	5.97%	\$5,568	6.96%	\$5,378	-3.41%	\$5,610	4.31%	\$5,984	6.67%	\$6,443	7.67%
	\$5,165	\$5,602	8.46%	\$6,184	10.38%	\$6,620	7.05%	\$7,173	8.35%	\$7,784	8.52%	\$7,306	-6.14%	\$7,670	4.99%	\$8,234	7.35%	\$8,937	8.54%
	\$15,905	\$17,801	11.92%	\$20,493	15.12%	\$22,867	11.58%	\$24,848	8.66%	\$28,680	15.42%	\$23,570	-17.82%	\$20,858	-11.51%	\$22,016	5.55%	\$25,241	14.65%
	11,289	11,337		11,330		11,489		11,771		12,033		12,071		12,146		12,284		12,377	

# Percentage of Resident Liability Attributable to Net Capital Gains



\* Signifies a forecasted value.

# YTD Individual Income Tax Revenue FY'06 Actual, Budget & FY'05 Actual

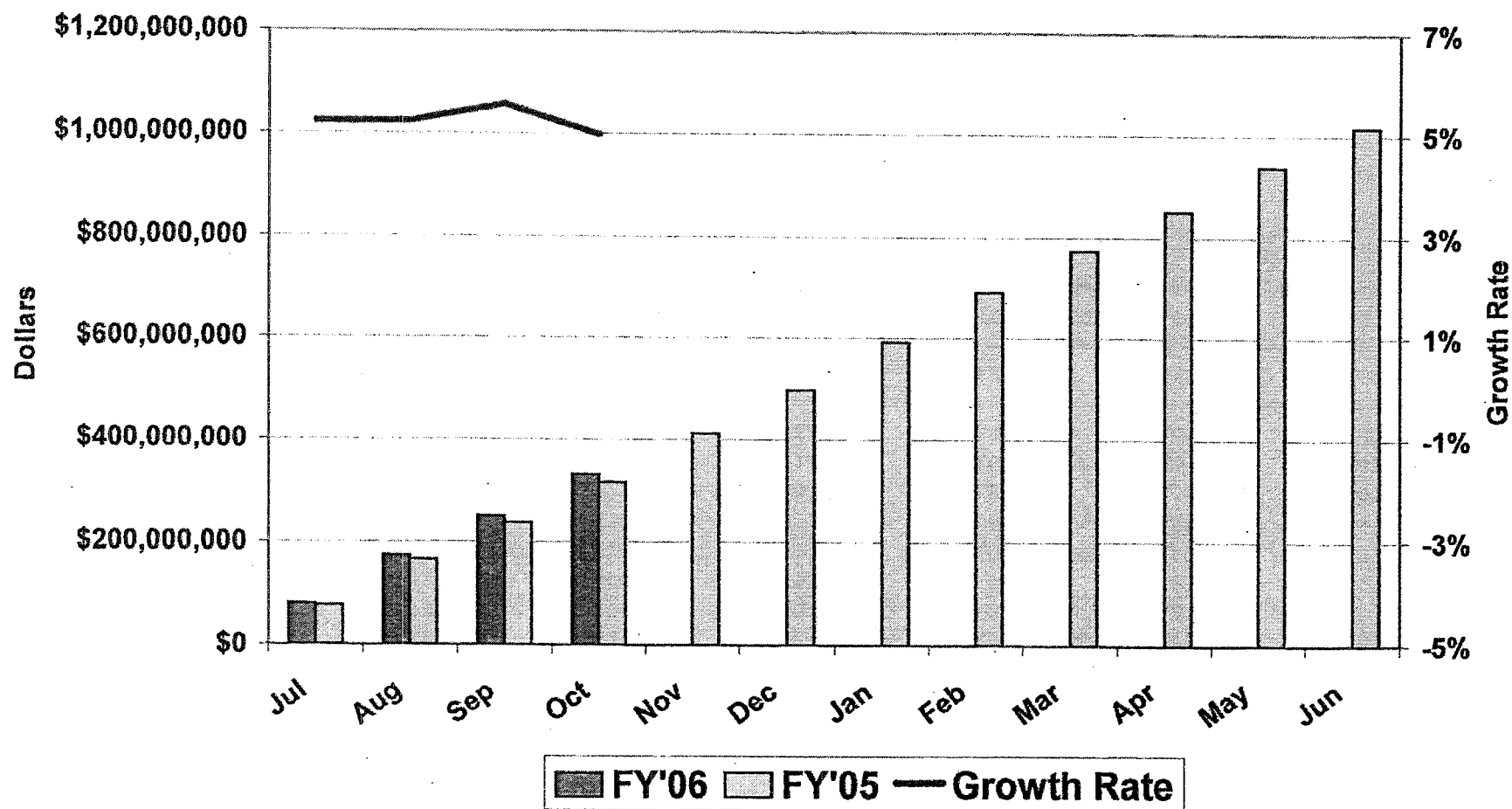




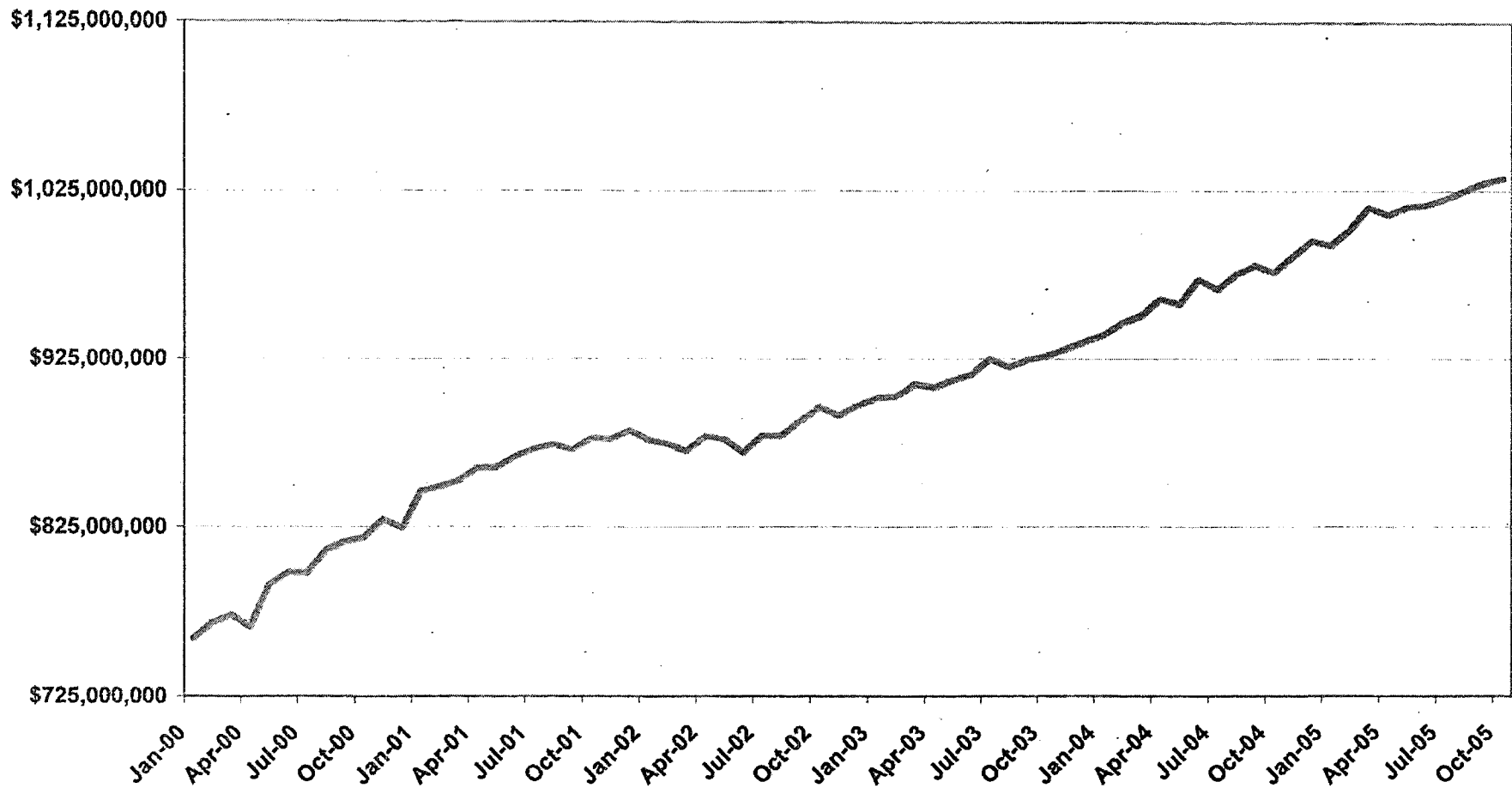
Maine Revenue Services  
Individual Income Tax Revenue

	FY'06 Actual	FY'06 Budget	FY'05 Actual	FY'04 Actual	FY'06 Actual vs. Budget	FY'06 Budget vs. FY'05 Actual	FY'06 Actual vs. FY'05 Actual	FY'05 Actual vs. FY'04 Actual
Jul	\$81,512,002	\$83,347,930	\$79,007,870	\$83,052,540	-2.2%	5.5%	3.2%	-4.9%
Aug	\$41,008,817	\$35,856,141	\$46,368,424	\$25,716,284	14.4%	-22.7%	-11.6%	80.3%
Sep	\$125,826,676	\$95,379,259	\$116,291,674	\$112,651,883	31.9%	-18.0%	8.2%	3.2%
Oct	\$63,159,155	\$69,590,430	\$83,726,670	\$92,060,779	-9.2%	-16.9%	-24.6%	-9.1%
Nov	\$0	\$97,462,591	\$99,127,735	\$92,846,672	-100.0%	-1.7%	-100.0%	6.8%
Dec	\$0	\$114,292,964	\$119,454,517	\$118,510,420	-100.0%	-4.3%	-100.0%	0.8%
Jan	\$0	\$145,489,701	\$148,098,576	\$147,651,743	-100.0%	-1.8%	-100.0%	0.3%
Feb	\$0	\$27,652,026	\$42,476,859	\$26,333,492	-100.0%	-34.9%	-100.0%	61.3%
Mar	\$0	\$23,182,120	\$41,279,330	\$30,231,259	-100.0%	-43.8%	-100.0%	36.5%
Apr	\$0	\$228,886,211	\$242,229,663	\$200,394,874	-100.0%	-5.5%	-100.0%	20.9%
May	\$0	\$76,531,057	\$79,599,103	\$64,521,014	-100.0%	-3.9%	-100.0%	23.4%
Jun	\$0	\$169,833,792	\$172,564,907	\$162,744,951	-100.0%	-1.6%	-100.0%	6.0%
Total	\$311,506,650	\$1,167,504,222	\$1,270,225,328	\$1,156,715,911	-73.3%	-8.1%	-75.5%	9.8%
YTD Oct	\$311,506,650	\$284,173,760	\$325,394,638	\$313,481,486	9.6%	-12.7%	-4.3%	3.8%

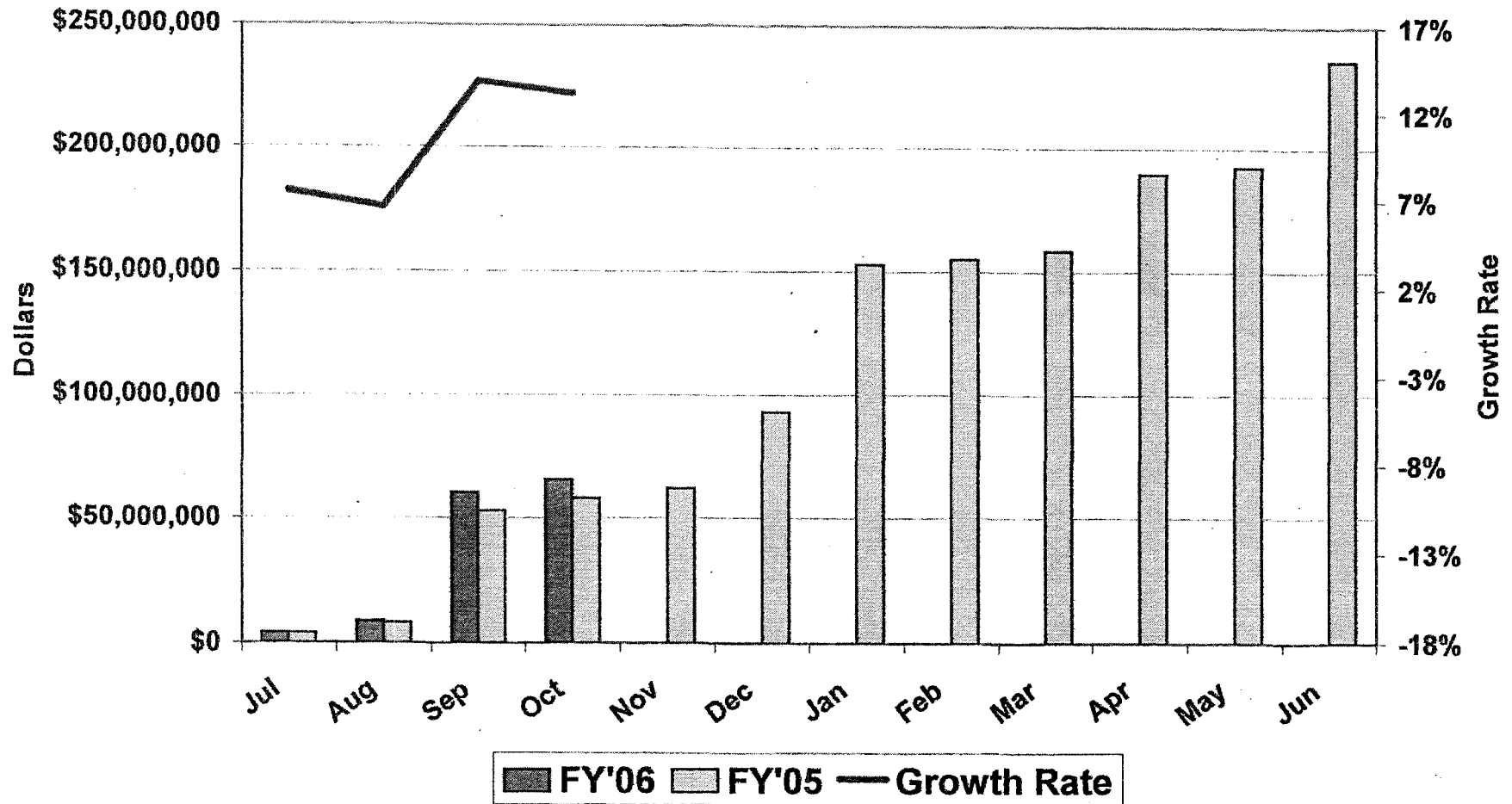
# 1040 Withholding Year-to-Date FY'06 & FY'05



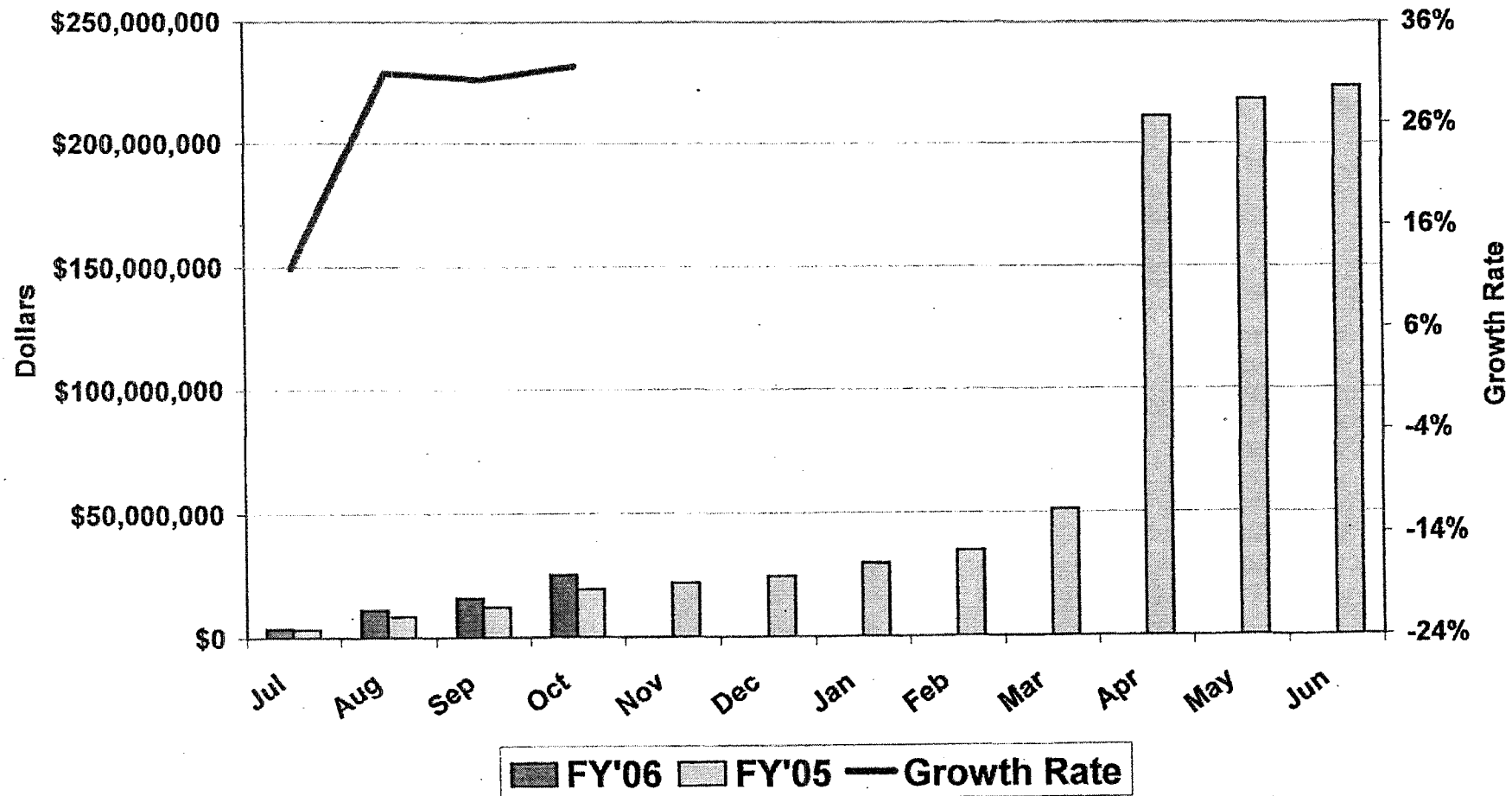
# Withholding Tax Revenue 12 Month Moving Total



# 1040 Estimated Payments Year-to-Date FY'06 & FY'05



# **1040 Final Payments Year-to-Date FY'06 & FY'05**



Maine Revenue Services

Individual Income Tax Withholding, Estimated Payments and Final Payments

1040 Withholding

1040 Estimated Payments

1040 Final Payments

	FY'06	FY'05	Growth Rate	FY'06	FY'05	Growth Rate	FY'06	FY'05	Growth Rate
Jul	\$79,823,176	\$75,860,067	5.2%	\$4,183,949	\$3,892,507	7.5%	\$3,781,077	\$3,378,425	11.9%
Aug	\$94,671,384	\$89,961,525	5.2%	\$4,428,790	\$4,187,223	5.8%	\$7,488,098	\$5,231,286	43.1%
Sep	\$76,131,695	\$71,592,113	6.3%	\$51,617,323	\$44,856,260	15.1%	\$4,711,283	\$3,660,467	28.7%
Oct	\$81,701,685	\$79,165,680	3.2%	\$5,315,815	\$5,026,638	5.8%	\$9,630,450	\$7,193,943	33.9%
Nov	\$0	\$95,453,138	-100.0%	\$0	\$4,137,825	-100.0%	\$0	\$2,617,692	-100.0%
Dec	\$0	\$86,616,071	-100.0%	\$0	\$31,113,174	-100.0%	\$0	\$2,694,751	-100.0%
Jan	\$0	\$92,690,026	-100.0%	\$0	\$59,716,018	-100.0%	\$0	\$4,823,789	-100.0%
Feb	\$0	\$99,249,893	-100.0%	\$0	\$2,097,323	-100.0%	\$0	\$5,077,327	-100.0%
Mar	\$0	\$82,786,247	-100.0%	\$0	\$3,276,025	-100.0%	\$0	\$16,411,959	-100.0%
Apr	\$0	\$76,375,753	-100.0%	\$0	\$31,141,789	-100.0%	\$0	\$159,938,028	-100.0%
May	\$0	\$88,215,506	-100.0%	\$0	\$3,064,178	-100.0%	\$0	\$7,051,302	-100.0%
Jun	\$0	\$78,471,043	-100.0%	\$0	\$43,667,263	-100.0%	\$0	\$5,240,913	-100.0%

Year-To-Date

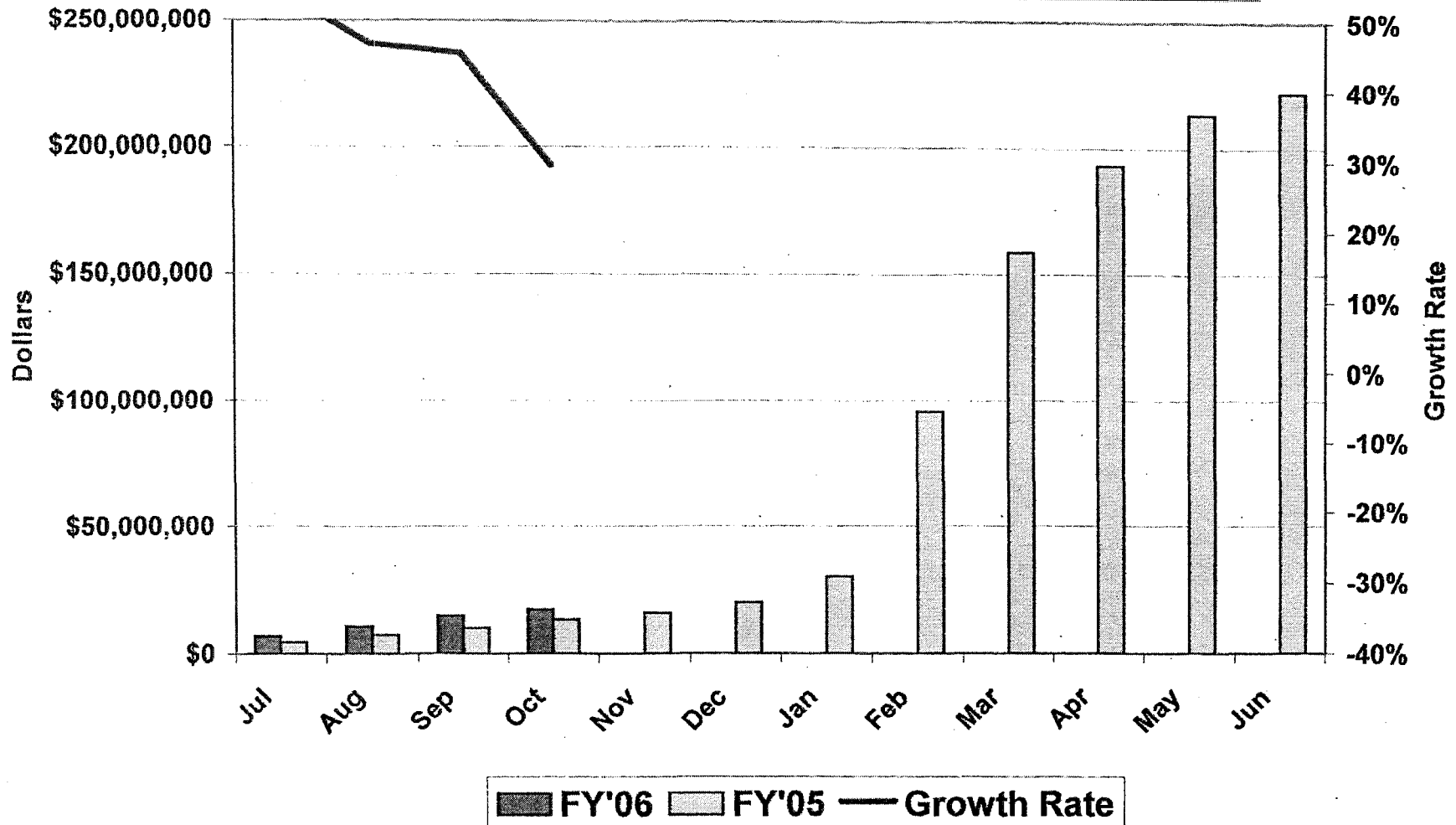
1040 Withholding

1040 Estimated Payments

1040 Final Payments

	FY'06	FY'05	Growth Rate	FY'06	FY'05	Growth Rate	FY'06	FY'05	Growth Rate
Jul	\$79,823,176	\$75,860,067	5.2%	\$4,183,949	\$3,892,507	7.5%	\$3,781,077	\$3,378,425	11.9%
Aug	\$174,494,560	\$165,821,592	5.2%	\$8,612,739	\$8,079,730	6.6%	\$11,269,175	\$8,609,711	30.9%
Sep	\$250,626,255	\$237,413,705	5.6%	\$60,230,062	\$52,935,990	13.8%	\$15,980,458	\$12,270,178	30.2%
Oct	\$332,327,940	\$316,579,385	5.0%	\$65,545,877	\$57,962,628	13.1%	\$25,610,908	\$19,464,121	31.6%
Nov	\$332,327,940	\$412,032,523	-19.3%	\$65,545,877	\$62,100,453	5.5%	\$25,610,908	\$22,081,813	16.0%
Dec	\$332,327,940	\$498,648,594	-33.4%	\$65,545,877	\$93,213,627	-29.7%	\$25,610,908	\$24,776,564	3.4%
Jan	\$332,327,940	\$591,338,620	-43.8%	\$65,545,877	\$152,929,645	-57.1%	\$25,610,908	\$29,600,353	-13.5%
Feb	\$332,327,940	\$690,588,513	-51.9%	\$65,545,877	\$155,026,968	-57.7%	\$25,610,908	\$34,677,680	-26.1%
Mar	\$332,327,940	\$773,374,760	-57.0%	\$65,545,877	\$158,302,993	-58.6%	\$25,610,908	\$51,089,639	-49.9%
Apr	\$332,327,940	\$849,750,513	-60.9%	\$65,545,877	\$189,444,782	-65.4%	\$25,610,908	\$211,027,667	-87.9%
May	\$332,327,940	\$937,966,019	-64.6%	\$65,545,877	\$192,508,960	-66.0%	\$25,610,908	\$218,078,969	-88.3%
Jun	\$332,327,940	\$1,016,437,062	-67.3%	\$65,545,877	\$236,176,223	-72.2%	\$25,610,908	\$223,319,882	-88.5%

# Individual Income Tax Refunds Year-to-Date FY'06 & FY'05



Maine Revenue Services  
Individual Income Tax Refunds

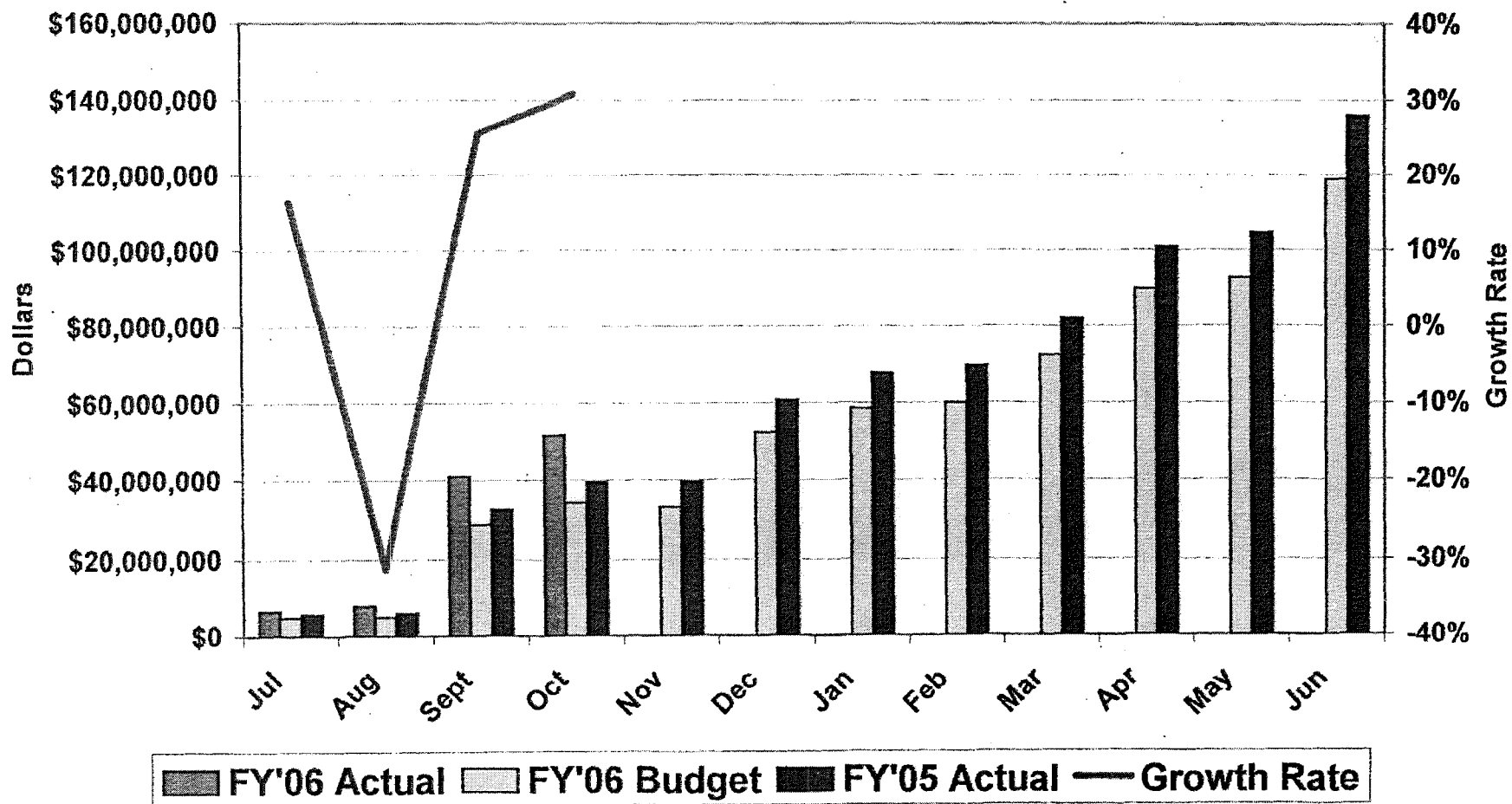
	Month	Year-To-Date			
	FY'06	FY'05	FY'06	FY'05	Growth Rate
Jul	\$7,075,872	\$4,583,354	\$7,075,872	\$4,583,354	54%
Aug	\$4,041,598	\$2,999,037	\$11,117,470	\$7,582,391	47%
Sep	\$3,876,243	\$2,737,110	\$14,993,713	\$10,319,501	45%
Oct	\$2,401,833	\$3,126,619	\$17,395,546	\$13,446,120	29%
Nov	\$0	\$2,612,597	\$17,395,546	\$16,058,717	8%
Dec	\$0	\$4,020,831	\$17,395,546	\$20,079,548	-13%
Jan	\$0	\$10,003,650	\$17,395,546	\$30,083,198	-42%
Feb	\$0	\$65,483,750	\$17,395,546	\$95,566,948	-82%
Mar	\$0	\$63,007,750	\$17,395,546	\$158,574,698	-89%
Apr	\$0	\$34,534,428	\$17,395,546	\$193,109,126	-91%
May	\$0	\$20,294,585	\$17,395,546	\$213,403,711	-92%
Jun	\$0	\$8,385,145	\$17,395,546	\$221,788,856	-92%

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# **Corporate Income Tax**

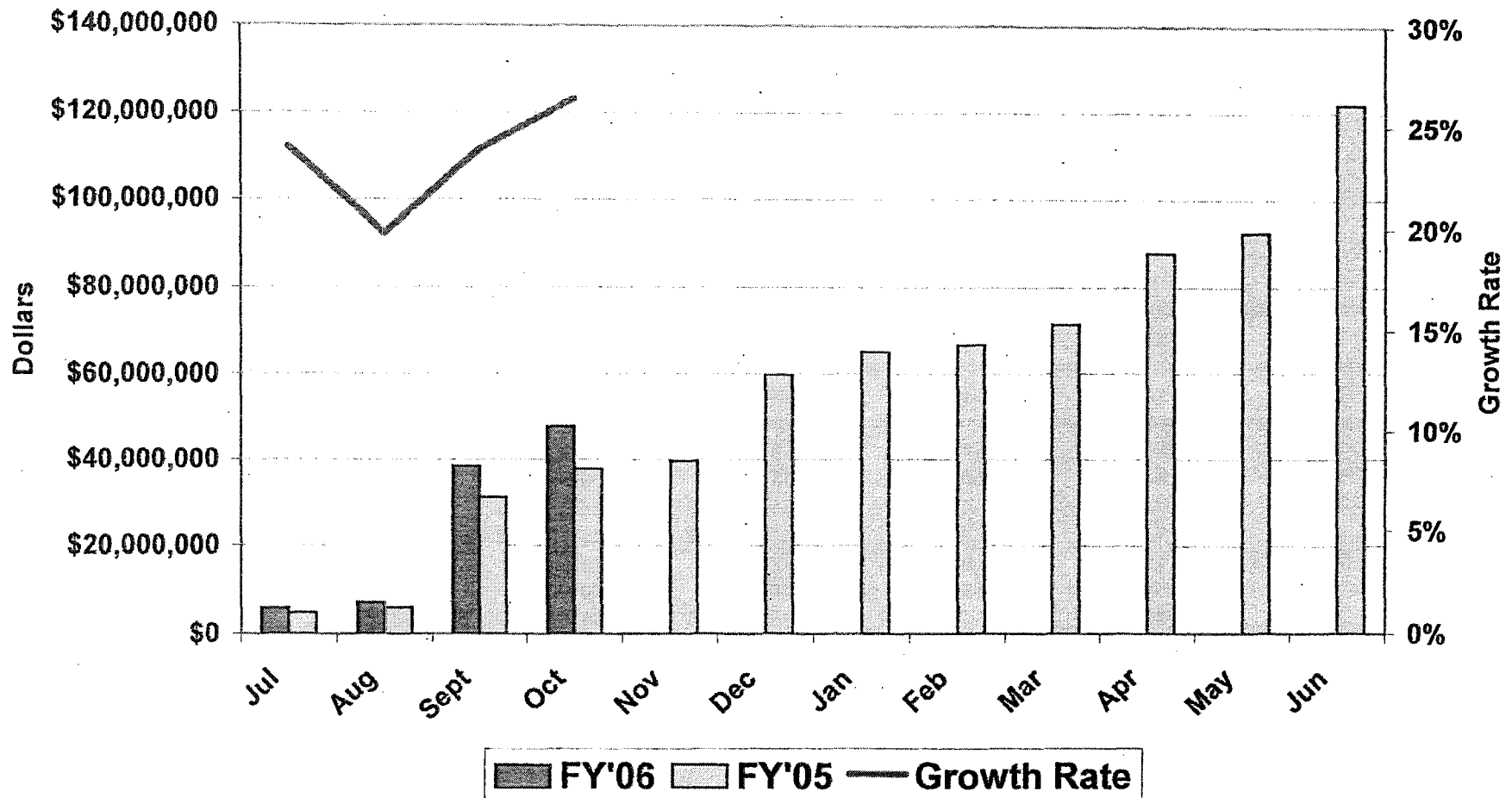
# YTD Corporate Income Tax Revenue FY'06 Actual, Budget & FY'05 Actual



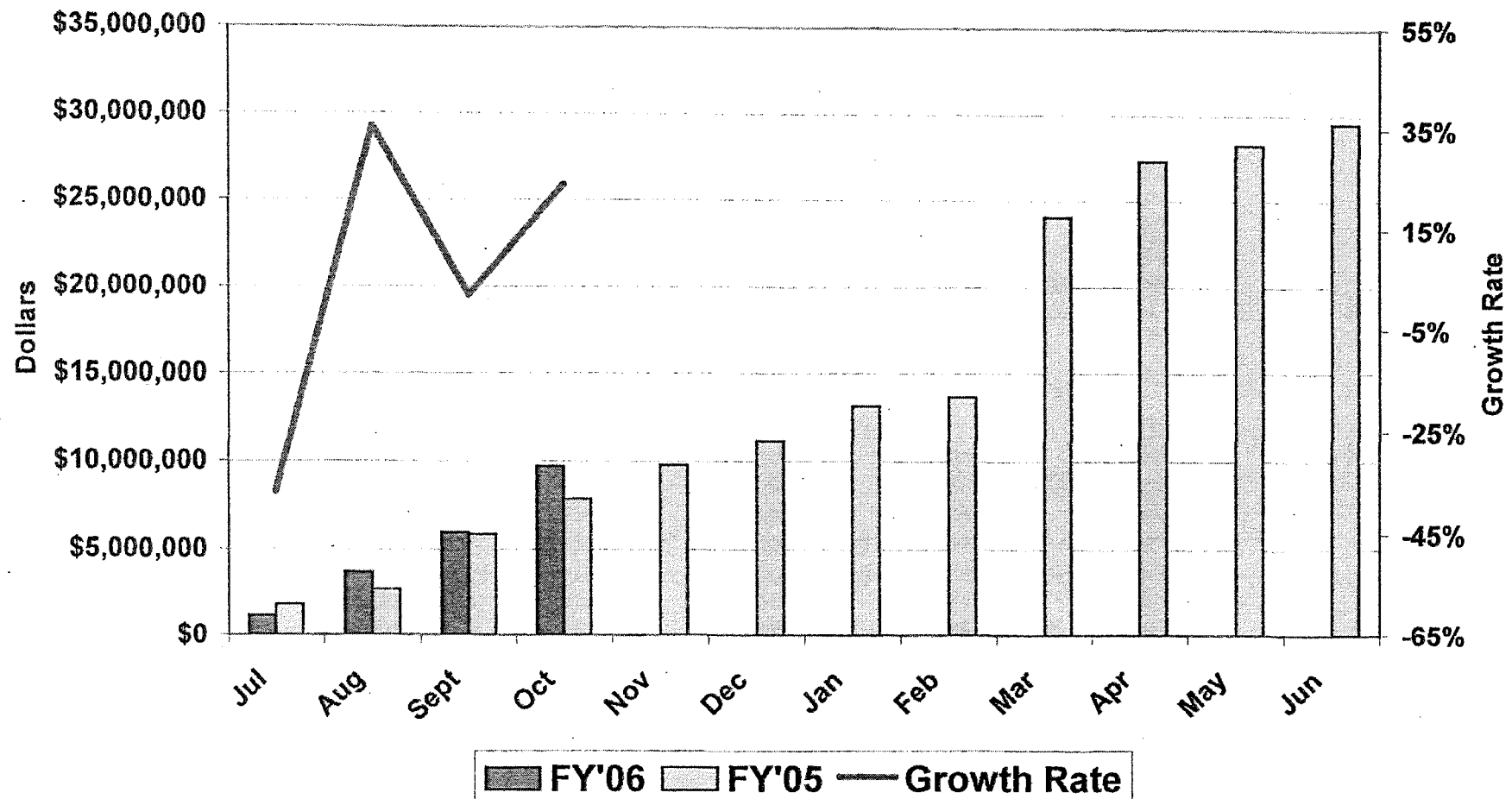
Maine Revenue Services  
Corporate Income Tax Revenue

	FY'06 Actual	FY'06 Budget	FY'05 Actual	FY'04 Actual	FY'06 Actual vs. Budget	FY'06 Budget vs. FY'05 Actual	FY'06 Actual vs. FY'05 Actual	FY'05 Actual vs. FY'04 Actual
Jul	\$6,572,991	\$4,853,185	\$5,652,128	\$1,844,586	35.4%	-14.1%	16.3%	206.4%
Aug	\$1,350,981	\$134,913	\$383,290	(\$1,544,295)	901.4%	64.8%	-252.5%	-124.8%
Sept	\$33,014,931	\$23,727,721	\$26,575,624	\$20,479,613	39.1%	-10.7%	24.2%	29.8%
Oct	\$10,678,165	\$5,579,550	\$6,879,835	\$6,521,532	91.4%	-18.9%	55.2%	5.5%
Nov	\$0	(\$1,190,482)	\$91,650	(\$2,510,512)	-100.0%	-1398.9%	-100.0%	-103.7%
Dec	\$0	\$19,126,250	\$21,142,998	\$21,808,955	-100.0%	-9.5%	-100.0%	-3.1%
Jan	\$0	\$6,235,814	\$7,037,070	\$2,774,357	-100.0%	-11.4%	-100.0%	153.6%
Feb	\$0	\$1,464,122	\$1,897,822	\$2,086,831	-100.0%	-22.9%	-100.0%	-9.1%
Mar	\$0	\$12,362,383	\$12,229,975	\$14,454,770	-100.0%	1.1%	-100.0%	-15.4%
Apr	\$0	\$17,348,414	\$18,746,782	\$17,686,082	-100.0%	-7.5%	-100.0%	6.0%
May	\$0	\$2,947,178	\$3,913,964	\$5,571,195	-100.0%	-24.7%	-100.0%	-29.7%
Jun	\$0	\$26,288,510	\$31,311,776	\$22,442,938	-100.0%	-16.0%	-100.0%	39.5%
Total	\$51,617,068	\$118,877,558	\$135,862,914	\$111,616,052	-56.6%	-12.5%	-62.0%	21.7%
YTD Oct	\$51,617,068	\$34,295,369	\$39,490,877	\$27,301,436	50.5%	-13.2%	30.7%	44.6%

# Corporate Estimated Payments Year-to-Date FY'06 & FY'05



# Corporate Final Payments Year-to-Date FY'06 & FY'05



# Maine Revenue Services

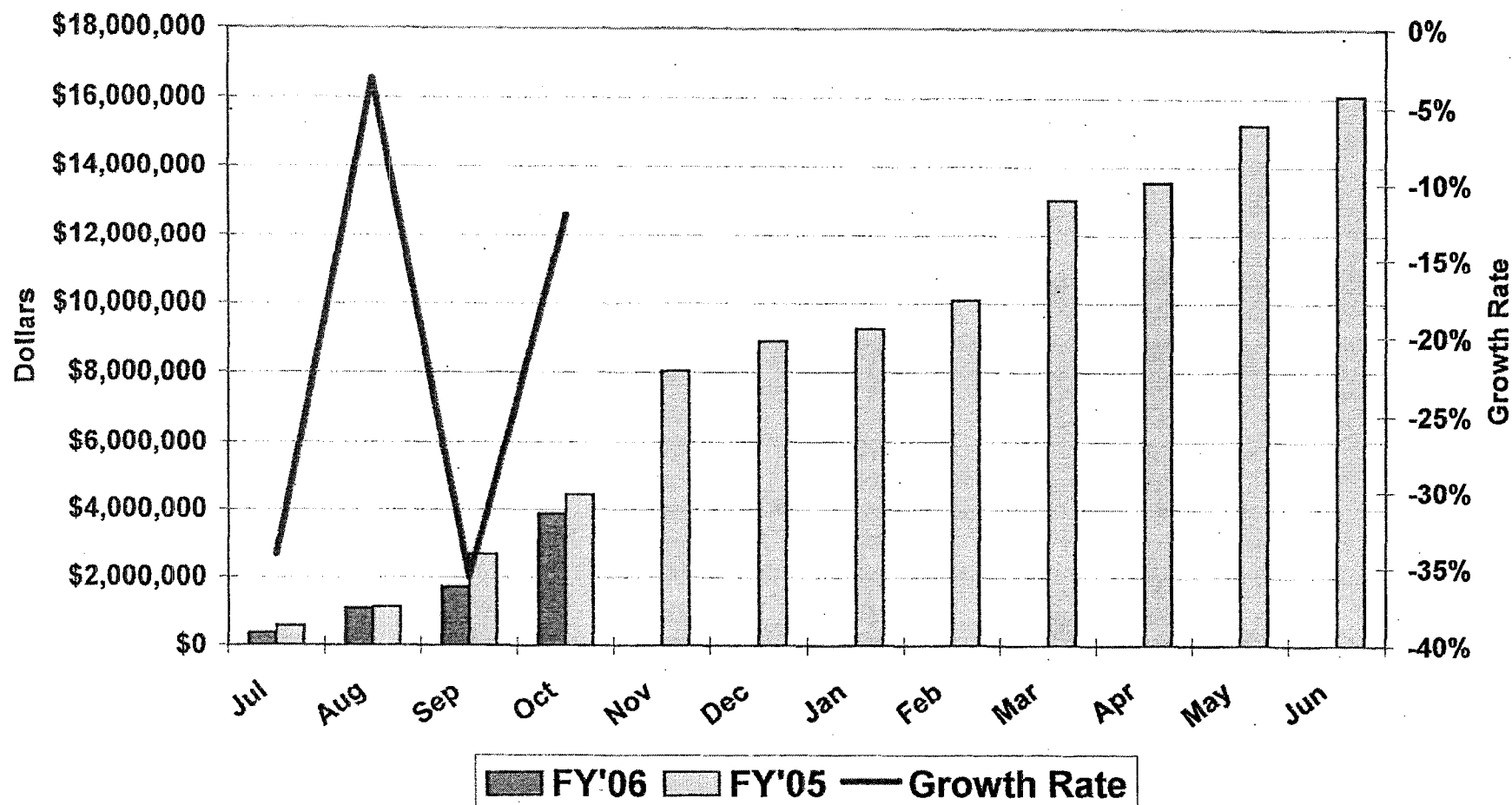
## Corporate Income Tax Estimated Payments

	Month			Year-To-Date		
	FY'06	FY'05	Growth Rate	FY'06	FY'05	Growth Rate
Jul	\$5,871,828	\$4,736,328	24.0%	\$5,871,828	\$4,736,328	24.0%
Aug	\$1,309,795	\$1,258,467	4.1%	\$7,181,623	\$5,994,795	19.8%
Sept	\$31,230,893	\$25,021,543	24.8%	\$38,412,516	\$31,016,338	23.8%
Oct	\$9,293,911	\$6,731,932	38.1%	\$47,706,427	\$37,748,270	26.4%
Nov	\$0	\$1,876,569	-100.0%	\$47,706,427	\$39,624,839	20.4%
Dec	\$0	\$20,093,667	-100.0%	\$47,706,427	\$59,718,506	-20.1%
Jan	\$0	\$5,437,253	-100.0%	\$47,706,427	\$65,155,759	-26.8%
Feb	\$0	\$1,573,196	-100.0%	\$47,706,427	\$66,728,955	-28.5%
Mar	\$0	\$4,736,531	-100.0%	\$47,706,427	\$71,465,486	-33.2%
Apr	\$0	\$16,338,927	-100.0%	\$47,706,427	\$87,804,413	-45.7%
May	\$0	\$4,789,059	-100.0%	\$47,706,427	\$92,593,472	-48.5%
Jun	\$0	\$29,466,862	-100.0%	\$47,706,427	\$122,060,334	-60.9%

## Corporate Income Tax Final Payments and Back Taxes

	Month			Year-To-Date		
	FY'06	FY'05	Growth Rate	FY'06	FY'05	Growth Rate
Jul	\$1,115,193	\$1,764,609	-36.8%	\$1,115,193	\$1,764,609	-36.8%
Aug	\$2,538,795	\$936,790	171.0%	\$3,653,988	\$2,701,399	35.3%
Sept	\$2,296,797	\$3,135,737	-26.8%	\$5,950,785	\$5,837,136	1.9%
Oct	\$3,755,665	\$2,006,164	87.2%	\$9,706,450	\$7,843,300	23.8%
Nov	\$0	\$1,931,876	-100.0%	\$9,706,450	\$9,775,176	-0.7%
Dec	\$0	\$1,379,519	-100.0%	\$9,706,450	\$11,154,695	-13.0%
Jan	\$0	\$1,974,888	-100.0%	\$9,706,450	\$13,129,583	-26.1%
Feb	\$0	\$538,429	-100.0%	\$9,706,450	\$13,668,012	-29.0%
Mar	\$0	\$10,412,720	-100.0%	\$9,706,450	\$24,080,732	-59.7%
Apr	\$0	\$3,211,907	-100.0%	\$9,706,450	\$27,292,639	-64.4%
May	\$0	\$972,145	-100.0%	\$9,706,450	\$28,264,784	-65.7%
Jun	\$0	\$1,250,566	-100.0%	\$9,706,450	\$29,515,350	-67.1%

# Corporate Income Tax Refunds Year-to-Date FY'06 & FY'05



**Maine Revenue Services  
Corporate Income Tax Refunds**

	Month		Year-to-Date		Growth Rate
	FY'06	FY'05	FY'06	FY'05	
Jul	\$373,068	\$565,674	\$373,068	\$565,674	-34%
Aug	\$717,461	\$561,408	\$1,090,529	\$1,127,082	-3%
Sep	\$640,530	\$1,559,137	\$1,731,059	\$2,686,219	-36%
Oct	\$2,154,964	\$1,733,045	\$3,886,023	\$4,419,264	-12%
Nov	\$0	\$3,616,086	\$3,886,023	\$8,035,350	-52%
Dec	\$0	\$845,103	\$3,886,023	\$8,880,453	-56%
Jan	\$0	\$371,777	\$3,886,023	\$9,252,230	-58%
Feb	\$0	\$824,061	\$3,886,023	\$10,076,291	-61%
Mar	\$0	\$2,944,669	\$3,886,023	\$13,020,960	-70%
Apr	\$0	\$525,379	\$3,886,023	\$13,546,339	-71%
May	\$0	\$1,694,068	\$3,886,023	\$15,240,407	-75%
Jun	\$0	\$835,823	\$3,886,023	\$16,076,230	-76%

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

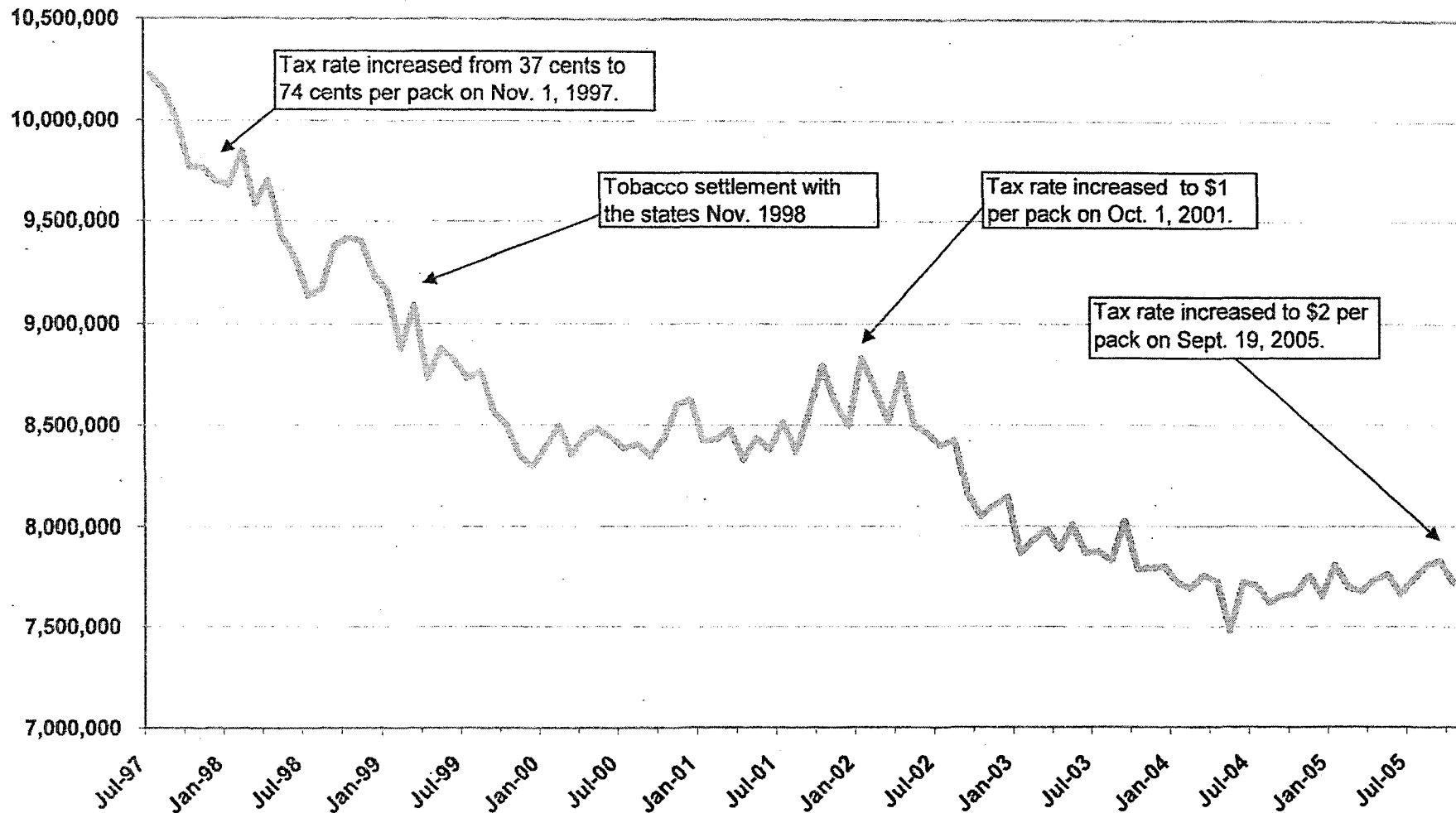
	FY02	FY03	Biennium	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium
Actuals & February, 2005 Forecast /1	\$77,366,103	\$91,188,393	\$168,554,496	\$111,616,051	\$135,862,913	\$247,478,964	\$118,877,558	\$112,630,975	\$231,508,533	\$100,010,993	\$100,497,440	\$200,508,433
Growth Rate		17.9%		22.4%	21.7%	46.8%	-12.5%	-5.3%	-6.5%	-11.2%	0.5%	-13.4%
Technical Adjustments to Prior Forecast /2	\$0	\$0	\$0	\$0	\$0	\$0	\$46,342,442	\$46,349,025	\$92,691,467	\$57,959,007	\$57,502,560	\$115,461,567
Total Adjustments to Prior Forecast	\$0	\$0	\$0	\$0	\$0	\$0	\$46,342,442	\$46,349,025	\$92,691,467	\$57,959,007	\$57,502,560	\$115,461,567
New Forecast	\$77,366,103	\$91,188,393	\$168,554,496	\$111,616,051	\$135,862,913	\$247,478,964	\$165,220,000	\$158,980,000	\$324,200,000	\$157,970,000	\$158,000,000	\$315,970,000
Growth Rate	-19.5%	17.9%	-31.5%	22.4%	21.7%	46.8%	21.6%	-3.8%	31.0%	-0.6%	0.0%	-2.5%

1/ February, 2005 forecast with FY02, FY03, FY04, FY05 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 revenue

# **Cigarette & Tobacco Taxes**

## 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 =	233
Total Liability =	\$27.2M
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 =	481
Total Liability =	\$31.9
Liability of Top 10 Estates =	\$9.2M 28.8%
Average Liability of Top 5 Estates =	\$1.5M
Liability of Top 5 Estates =	\$7.7M 24.1%

**Deaths Occurring in 2004**

Number of Estates with Positive Liability =	418
Total Liability =	\$39.4M
Liability of Top 10 Estates =	\$14.9M 37.8%
Average Liability of Top 5 Estates =	\$2.3M
Liability of Top 5 Estates =	\$11.7M 29.7%

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

	FY02	FY03	Biennium	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium
Actuals & February, 2005 Forecast /1	\$23,420,240	\$30,520,320	\$53,940,560	\$32,075,501	\$32,255,727	\$64,331,228	\$30,603,203	\$32,027,061	\$62,630,264	\$34,329,124	\$35,789,761	\$70,118,885
Growth Rate		30.3%		5.1%	0.6%	19.3%	-5.1%	4.7%	-2.6%	7.2%	4.3%	12.0%
Technical Adjustments to Prior Forecast /2	\$0	\$0	\$0	\$0	\$0	\$0	\$32,713,074	\$4,246,197	\$36,959,271	\$4,585,174	\$6,240,086	\$10,825,260
Economic Assumptions /3	\$0	\$0	\$0	\$0	\$0	\$0	\$763,516	\$1,878,987	\$2,642,503	\$2,748,073	\$4,499,104	\$7,247,177
<b>Total Adjustments to Prior Forecast</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$33,476,590</b>	<b>\$8,125,184</b>	<b>\$39,601,774</b>	<b>\$7,333,247</b>	<b>\$10,739,190</b>	<b>\$18,072,437</b>
<b>New Forecast</b>	<b>\$23,420,240</b>	<b>\$30,520,320</b>	<b>\$53,940,560</b>	<b>\$32,075,501</b>	<b>\$32,255,727</b>	<b>\$64,331,228</b>	<b>\$64,079,793</b>	<b>\$38,152,245</b>	<b>\$102,232,038</b>	<b>\$41,662,371</b>	<b>\$46,528,951</b>	<b>\$88,191,322</b>
Growth Rate	-23.5%	30.3%		5.1%	0.6%	19.3%	98.7%	-40.5%	58.9%	9.2%	11.7%	-13.7%

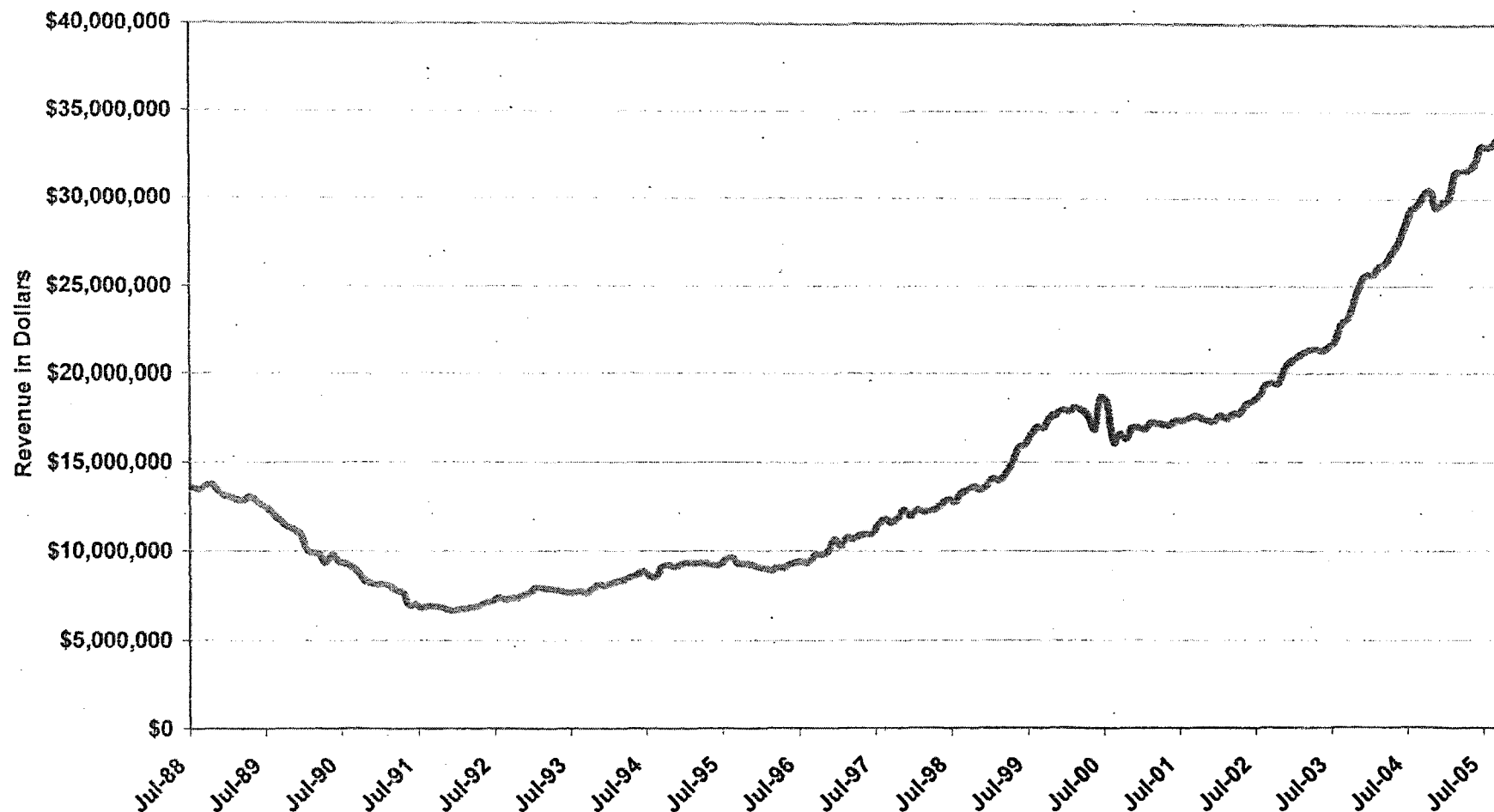
1/ February, 2005 forecast with FY02, FY03, FY04, and FY05 actuals.

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**

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





**Maine Revenue Services  
Miscellaneous Revenue Adjustments**

	<b>FY'06</b>	
	<b>General Fund</b>	<b>Other Special Revenue</b>
<b>0331 Aero fuel tax</b>	<b>(\$102,910)</b>	
<b>0332 Aero refunds</b>	<b>(\$7,819)</b>	
<b>Total Aero fuels</b>	<b>(\$110,729)</b>	
 <b>1913 Hospital tax</b>	 <b>(\$241,080)</b>	
 <b>2716 Transfer to Tourism</b>	 <b>\$173,324</b>	 <b>(\$173,324)</b>

## **Highway Fund**

11/15/2005

Maine Revenue Services

Fall 2005 Highway Fund Motor Fuel Tax Revenue Forecast 2006 - 2009

Gasoline Tax Revenue	FY'03	FY'04	FY'05	FY'06	FY'07	FY'08	FY'09
Actual & current budget	\$151,498,395	\$172,209,713	\$175,084,215	\$183,225,704	\$188,533,871	\$194,157,939	\$199,929,131
Growth rate		13.7%	1.7%	4.7%	2.9%	3.0%	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 2005 forecast				\$184,282,713	\$187,065,289	\$193,304,759	\$199,075,135
Growth rate				5.3%	1.5%	3.3%	3.0%
Tax rate per gallon			\$0.252	\$0.259	\$0.267	\$0.274	\$0.281
Percentage increase in tax rate				2.8%	3.1%	2.6%	2.6%
Variance				\$1,057,009	(\$1,468,582)	(\$853,180)	(\$853,996)

Special Fuel Tax Revenue	FY'03	FY'04	FY'05	FY'06	FY'07	FY'08	FY'09
Actual & current budget	\$36,402,613	\$40,391,248	\$45,400,514	\$45,732,901	\$48,458,094	\$51,491,431	\$54,736,803
Growth rate		11.0%	12.4%	0.7%	6.0%	6.3%	6.3%
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 2005 forecast				\$46,640,000	\$47,890,000	\$49,100,000	\$50,020,000
Growth rate				2.7%	2.7%	2.5%	1.9%
Tax rate per gallon			\$0.263	\$0.270	\$0.279	\$0.287	\$0.294
Percentage increase in tax rate				2.6%	3.3%	2.9%	2.4%
Variance				\$907,099	(\$568,094)	(\$2,391,431)	(\$4,716,803)

Total Motor Fuel Tax Revenue	FY'03	FY'04	FY'05	FY'06	FY'07	FY'08	FY'09
Actual & current budget	\$187,901,008	\$212,600,961	\$220,484,728	\$228,958,605	\$236,991,965	\$245,649,370	\$254,665,934
Growth rate		13.1%	3.7%	3.8%	3.5%	3.7%	3.7%
Fall 2005 forecast				\$230,922,713	\$234,955,289	\$242,404,759	\$249,095,135
Growth rate				4.7%	1.7%	3.2%	2.8%
Variance				\$1,964,108	(\$2,036,676)	(\$3,244,611)	(\$5,570,799)
Biennium					(\$72,568)		(\$8,815,410)

## Maine Revenue Services

## Gasoline Tax Revenue Forecast FY'06 - FY'09

Fall 2005

		FY'06	FY'07	FY'08	FY'09		
Gas tax forecast - Highway Fund		\$184,282,713	\$187,065,289	\$193,304,759	\$199,075,135		
Percentage Change			1.5%	3.3%	3.0%		
Tax rate in cents per gallon		\$0.259	\$0.267	\$0.274	\$0.281		
Forecasted inflation adjustment			3.1%	2.6%	2.6%		
		FY'06	FY'07	FY'08	FY'09		
Net to the Highway Fund		\$184,282,713	\$187,065,289	\$193,304,759	\$199,075,135		
Transfer \$100,000 to STAR Fund		(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)		
Gross to the Highway Fund		\$184,382,713	\$187,165,289	\$193,404,759	\$199,175,135	97.499%	
DIF&W and Snowmobile Fund	0.9045%	\$1,710,517	\$1,736,330	\$1,794,214	\$1,847,746	0.9045%	
General Fund - DIF&W - 14.93%		\$255,380	\$259,234	\$267,876	\$275,868		14.930%
Snowmobile Trail Fund - 85.07%		\$1,455,136	\$1,477,096	\$1,526,338	\$1,571,877		85.070%
All-terrain Vehicles	0.1525%	\$288,396	\$292,748	\$302,507	\$311,533	0.1525%	
ATV Enforcement Fund- 50%		\$144,198	\$146,374	\$151,254	\$155,766		50.000%
ATV Recreational Fund - 50%		\$144,198	\$146,374	\$151,254	\$155,766		50.000%
Motorboats	1.4437%	\$2,730,208	\$2,771,410	\$2,863,800	\$2,949,243	1.4437%	
Dept. of Marine Resources - 24.6%		\$671,631	\$681,767	\$704,495	\$725,514		24.600%
Boating Facilities Fund - 75.4%		\$2,058,576	\$2,089,643	\$2,159,305	\$2,223,729		75.400%
Total revenue		\$189,111,833	\$191,965,777	\$198,365,280	\$204,283,656	100.000%	