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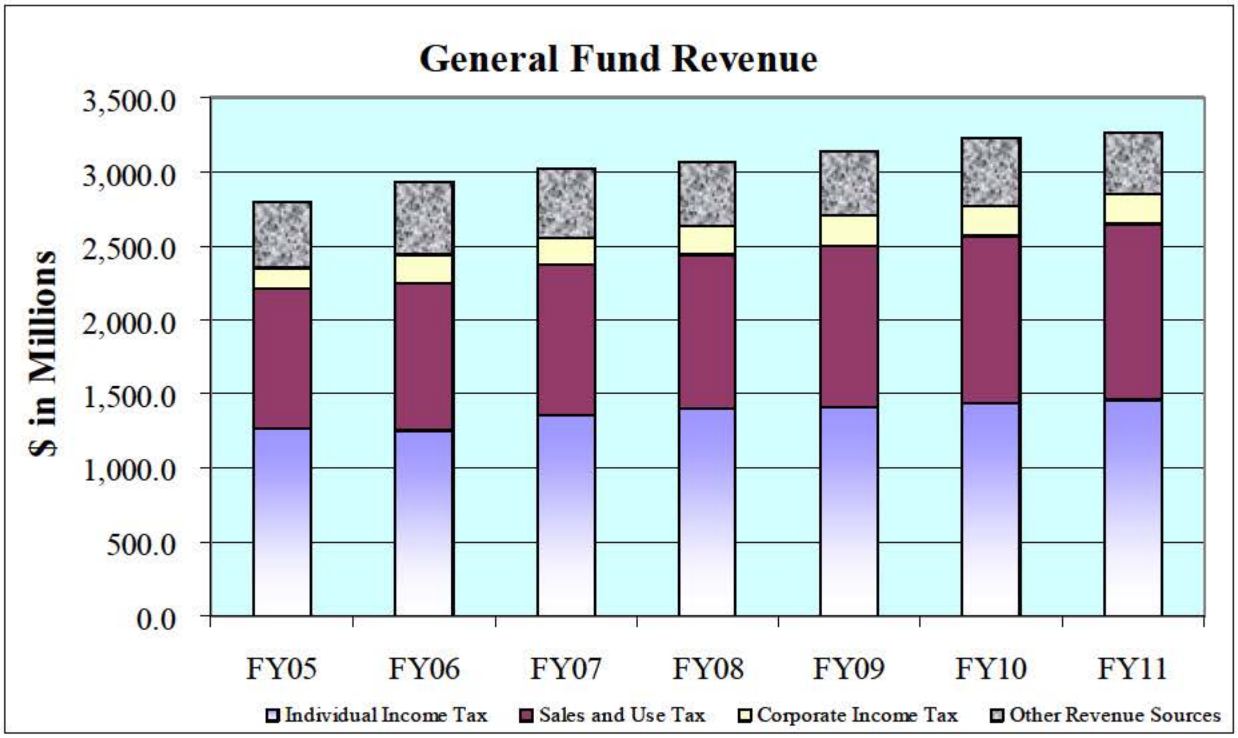
MAINE

REPORT OF THE MAINE STATE REVENUE FORECASTING COMMITTEE

December 2007



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Report of the Maine State Revenue Forecasting Committee
December 2007 Forecast

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I. INTRODUCTION AND BACKGROUND TO REVENUE FORECAST

This report represents the conclusion to the fall forecast for the December 1st 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 also includes forecasts of revenue accruing to the Fund for a Healthy Maine and the dedicated revenue from the Medicaid/MaineCare provider taxes. This forecast updates the revenue forecasts through the fiscal year ending June 30, 2011. This forecast also reflects all legislative changes through the 1st Regular Session of the 123rd Legislature and incorporates the revised economic forecast presented by the Consensus Economic Forecasting Commission (CEFC) for its November 1st reporting deadline. The RFC met on November 19th to deliberate and discuss the recommendations of Maine Revenue Services and other revenue analyses.

A. Economic Forecast Update

The December 2007 revenue update began with the fall economic forecast in October. The Consensus Economic Forecasting Commission (CEFC) met on October 16th to review and update its February 2007 forecast. Based on economic data available through the first nine months of 2007, the commission made slight adjustments to its previous forecast. Table I-A below summarizes the incremental change of the CEFC forecast. The full report of the CEFC is included in Appendix E.

TABLE I-A
Consensus Economic Forecasting Commission
Comparison of February 2007 and November 2007 Economic Forecasts

Calendar Years	2006	2007	2008	2009	2010	2011
• Wage & Salary Employment (Annual Percentage Change)						
> Consensus 2/2007	0.5	0.7	0.8	0.8	0.7	0.6
> Consensus 11/2007	*0.5*	0.5	0.3	0.6	0.7	0.7
Difference		-0.2	-0.5	-0.2	0.0	0.1
• Personal Income (Annual Percentage Change)						
> Consensus 2/2007	5.2	4.3	4.5	4.5	4.3	4.2
> Consensus 11/2007	*3.9*	4.9	4.4	4.5	4.5	4.6
Difference		0.6	-0.1	0.0	0.2	0.4
• Consumer Price Index (Annual Percentage Change)						
> Consensus 2/2007	3.5	2.5	2.2	2.2	2.2	2.2
> Consensus 11/2007	*3.2*	2.8	2.5	2.5	2.5	2.5
Difference		0.3	0.3	0.3	0.3	0.3

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. Based on realizations in tax year 2004, Maine received an opposite surprise in April 2005. It is estimated that net capital gains realizations increased by nearly 43% that year, whereas the RFC had assumed 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 included in Appendix G of this report. Table I-B on page 3 summarizes the current assumptions. The differences from the assumptions included in the March 2007 report are:

- 2005 data have been updated to reflect actual data;
- 2006 projections (note they are still projections due to filing extensions that will change the data) have been increased from 9.9% growth to 24.4% growth as a result of preliminary data from the IRS;
- 2007 projections have been increased from no growth to 10% growth based on the strong performance of the stock market during 2007; and
- Negative annual growth in capital gains realizations beginning in 2008 is increased to a 15% decline each year through 2011.

With the bursting of the stock market "bubble," in 2001 the extent of the Maine resident individual income tax liability derived from net capital gains had dropped from its peak in 2000 of 17.3% to a level more in line with historical patterns before the "bubble," in the range of 6% to 7% of tax liability. The recent double-digit growth in capital gains realizations is estimated to have returned that ratio back to over 10%; peaking in 2007 at 14.3%. Starting with the March 2006 forecast, the RFC has assumed capital gains liability will return to its historical average of approximately 6% of total tax liability for Maine residents by the end of the forecast period (see far right column in Table I-B below). This assumption requires the 15% decline noted above and pulls roughly $30 million per year out of the individual income tax liability. Beginning in 2001, it took only 2 years and a drop of 54.3% in 2001 to get to the longer term assumption. The RFC assumes that this decline will happen gradually over 4 years, thereby reducing the extent of the risk to the forecast by a major downward correction in the markets. This assumption will require adjustment each forecast as new federal data becomes available.

Table I-B
Maine Resident - Net Capital Gains

Tax Year	Capital Gains Realizations ($ Millions)	Capital Gains Realizations Annual % Change	Capital Gains Tax Liability ($ Millions)	Capital Gains Tax Liability Annual % Change	Capital Gains % of Resident Tax Liability
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	$1,069.4	17.7%	$69.4	17.4%	6.8%
2004	$1,526.9	42.8%	$104.9	51.2%	9.2%
2005	$1,960.3	28.4%	$137.0	30.6%	11.3%
2006*	$2,439.4	24.4%	$174.7	27.5%	13.4%
2007*	$2,683.4	10.0%	$194.6	11.4%	14.3%
2008*	$2,280.9	-15.0%	$161.3	-17.1%	11.6%
2009*	$1,938.7	-15.0%	$134.9	-16.4%	9.5%
2010*	$1,647.9	-15.0%	$111.1	-17.6%	7.7%
2011*	$1,400.7	-15.0%	$94.3	-15.2%	6.3%

* Represents 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 Insight's November 2007 forecast of pre-tax corporate profits. Table I-C below presents a comparison of Global Insight's forecasts used in the March 2007 forecast and the current national forecast, which calls for a 4.8% increase in calendar year 2007, then a decline in profitability in calendar year 2008, a rebound in 2009 and then slight declines in 2010 and 2011. The dominant taxpayers in Maine's corporate income tax liability mix have shifted to national retailers and energy companies. As a result, Maine is insulated from significant regional variances in corporate profitability as a result of Maine's method of corporate income taxation. For national companies operating in Maine, the amount of corporate income tax due to Maine is calculated by apportioning total profits earned in the continental United States by the amount of business that they conduct in Maine based on sales, payroll and property. Maine's apportionment formula was modified during the 123rd Legislature, 1st Regular Session to be based solely on sales. This legislative change results in a substantial increase in budgeted revenue within the corporate income tax (also see section on Legislative Changes).

Table I-C
Corporate Profit Growth (Percentage Annual Change)

	2006	2007	2008	2009	2010	2011
March 2007 Forecast	19.4%	3.5%	2.1%	0.1%	-1.1%	-0.2%
December 2007 Forecast	14.3%	4.8%	-2.1%	3.3%	-0.5%	-0.1%

D. Oil Prices

Recent experience in Maine's sales tax collections seems to demonstrate a substantial effect from variations in oil prices. Sales tax collections dropped below budgeted projections at about the same time as energy prices began their steep ascent in the spring of 2005. 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. Relying on Global Insights' November 2007 US economic forecast, the RFC used the assumption that oil prices, which are currently in the $90 per barrel range and had nearly reached the $100 per barrel mark, will average out to $72.15 for calendar year 2007. The assumption is that oil prices will stay in roughly the $75 per barrel range for the remainder of the forecast period. This is roughly $10 per barrel higher than the previous forecast's assumptions.

Table I-D
Oil Price Assumptions
(West Texas Intermediate - Price per barrel – Calendar Year Average)

	2006	2007	2008	2009	2010	2011
March 2007 Forecast	$66.12	$64.44	$64.75	$63.88	$63.39	$61.78
December 2007 Forecast	$66.12	$72.15	$75.66	$74.33	$74.02	$73.42

E. Legislative Changes

The RFC bases the revenue forecast on current law. This forecast includes all legislative changes through the 123rd Legislature's 1st Regular Session. Table I-E on the next page summarizes the adjustments to budgeted revenue from legislative changes during the 1st Regular Session. The table provides total annual changes in each of the major revenue categories. These changes recorded through the fiscal note process were incorporated into budgeted base revenue when signed into law.

The 2 largest changes to revenue were in the Corporate Income Tax with the change of the apportionment formula as noted in the previous section and in Other Revenue with the repeal of the annual transfers to the Fund for the Efficient Delivery of Educational Services. The change in the corporate income tax apportionment formula to be based solely on sales is projected to increase corporate income tax by roughly $10 million per year (see Appendix A for additional detail). This apportionment change had a net negative effect on individual income tax revenue. The repeal of the transfers to the Fund for the Efficient Delivery of Education Services eliminated a negative revenue transfer of $14.9 million in FY08 and $21.5 million in FY09.

As with some previous forecasts, the RFC was forced to make adjustments to offset budgeted revenue recorded through the budget and fiscal note process. The legislative revenue change that is reversed in this forecast was enacted during the 1st Regular Session of the 122nd Legislature in Part GG of PL 2005, c. 12, the General Fund Current Services Budget. At that time, the Legislature approved a change in the policy regarding the treatment of stored value cards also known as gift cards and recorded revenue equal to $5,738,200 in FY07, $15,835,500 in FY08 and $18,210,825 in FY09. This forecast reverses most of this additional revenue (see discussion in Appendix A).

Table I-E
Summary of Legislative Changes - 123rd Legislature, 1st Regular Session
General Fund

	FY07	FY08	FY09	FY10	FY11
Sales Tax	$0	$1,062,256	$3,258,048	$2,610,573	$2,669,366
Individual Income	($109,129)	$2,046,817	$1,614,879	($569,562)	($3,680,938)
Corporate Income	$148,386	$16,842,405	$16,395,494	$16,708,797	$15,932,049
Cigarette Tax	$0	$0	$0	($69,240)	($108,423)
Estate Tax	$0	$285,000	$570,000	$593,750	$618,688
Prop. Tax - UT	$0	$305,768	$321,057	$337,109	$353,965
Investment Earnings	$0	$0	($4,926,253)	$0	$0
Revenue Sharing	($2,002)	$1,604,674	$1,629,127	($974,991)	($775,865)
Other Revenue	$211,770	$27,577,850	$35,317,026	$29,765,640	$30,701,183
Totals	**$211,770**	**$27,577,850**	**$35,317,026**	**$29,765,640**	**$30,701,183**

Highway Fund

	FY07	FY08	FY09	FY09	FY09
Motor Vehicle Reg. & Fees	$0	$382,005	$361,475	$361,475	$361,475
Other Revenue	$0	$5,000	$500	$500	$500
Totals	**$0**	**$387,005**	**$361,975**	**$361,975**	**$361,975**

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 4 corresponding appendices, which provide descriptions of the major revenue categories. Appendix G contains the materials presented by Maine Revenue Services on November 19th to support the forecast recommendations for the major tax categories.

A. General Fund

For the **General Fund,** revenues were revised downward by $95.2 million over the 2008-2009 biennium, led by Sales and Use Tax revenues with downward adjustments of $21 million in FY 2008 and $19.6 million in FY 2009. Exceptionally high oil prices were thought to be a major drag on the economy and a main reason for the drop in this category, with consumer confidence as a contributing factor. Corporate Income Tax was revised downward by $7.5 million in FY 2008 and $7.3 million in FY 2009. Cigarette and Tobacco Tax revenue was reduced by $6.1 million in FY 2008 and $6.4 million in FY 2009. The only major tax line to show improvement in FY 2008 was the Individual Income Tax which was raised by $18,165,000 largely on the basis of a year-to-date positive variance thought to be caused by higher than expected capital gains in 2006 and 2007. However, the RFC continued to assume that capital gains will return to its long-term historical trend of just over 6% of tax liability by the end of the forecast period. This assumption significantly reduces Individual Income Tax revenue growth in FY 2009 through FY 2011 by reducing capital gains liability by roughly $30 million per year.

More than one-half of the downward adjustment to General Fund revenue during the 2008-2009 biennium resulted from non-economic related revenue adjustments. Unclaimed Property Transfers were reduced by $13.1 million in FY 2008 and $15.5 million in FY 2009 because out-of-state corporations have refused to comply with Maine's unclaimed gift card statutes. Although enforcement action is under review by the Attorney General, it is clear that no revenues from this source will be forthcoming until the issue is resolved. The other major non-economic related revenue adjustments were in the Targeted Case Management and DHHS Services Rendered revenue categories collected by the Department of Health and Human Services. These categories were adjusted downward by $10.9 million each year.

Table II-A - General Fund Summary

	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$3,019,595,389	$3,105,693,525	$3,193,917,944	$3,291,745,050	$3,354,444,227
Annual % Growth	3.0%	2.9%	2.8%	3.1%	1.9%
Net Increase (Decrease)		($37,773,087)	($57,388,283)	($85,352,276)	($117,577,887)
Revised Forecast	$3,019,595,389	$3,067,920,438	$3,136,529,661	$3,206,392,774	$3,236,866,340
Annual % Growth	3.0%	1.6%	2.2%	2.2%	1.0%
Summary of Revenue Revisions by Major Revenue Category					
Sales and Use Tax		($21,066,117)	($19,584,072)	($10,640,919)	($5,264,777)
Individual Income Tax		$18,165,000	($338,000)	($32,618,000)	($52,051,000)
Corporate Income Tax		($7,452,405)	($7,281,196)	($10,903,484)	($32,732,049)
Cigarette and Tobacco Tax		($6,068,061)	($6,409,223)	($6,620,207)	($6,751,011)
Estate Tax		$0	($1,715,301)	($2,877,102)	($244,373)
Prop. Tax - Unorganized Territory		$348,000	($300,000)	($300,000)	($300,000)
Income from Investments		($522,429)	($522,429)	($522,429)	($522,429)
Transfer to Municipal Rev. Sharing		$528,030	$1,387,367	$2,816,445	$4,682,487
Other Revenues		($21,705,105)	($22,625,429)	($23,686,580)	($24,394,735)
Total Revisions - Increase (Decrease)		**($37,773,087)**	**($57,388,283)**	**($85,352,276)**	**($117,577,887)**

Appendix A provides additional explanations and detail of the General Fund revenue changes recommended in this forecast.

B. Highway Fund

For the **Highway Fund**, revenues were projected lower by $10.6 million in FY 2008 and $5.5 million in FY 2009. High oil prices, which had been expected to return to more normal (lower) levels sooner than what is now expected, lower Fuel Taxes revenue by decreasing demand for gasoline and diesel fuel. Lower motor vehicle registration fees also contributed to lower revenue projections in FY 2009 and beyond. See Appendix B for additional detail of the Highway Fund revenue changes recommend below.

Table II-B - Highway Fund Summary

	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$330,821,083	$339,283,065	$344,645,761	$347,617,154	$353,213,511
Annual % Growth	1.3%	2.6%	1.6%	0.9%	1.6%
Net Increase (Decrease)		($10,645,188)	($5,471,900)	($3,638,965)	($4,279,731)
Revised Forecast	$330,821,083	$328,637,877	$339,173,861	$343,978,189	$348,933,780
Annual % Growth	1.3%	-0.7%	3.2%	1.4%	1.4%
Summary of Revenue Revisions by Major Revenue Category					
Fuel Taxes		($10,940,953)	($4,665,240)	($2,538,878)	($3,360,750)
Motor Vehicle Registration & Fees		$480,000	($484,115)	($777,542)	($596,436)
Income from Investments		$205,000	$205,000	$205,000	$205,000
Other Revenues		($389,235)	($527,545)	($527,545)	($527,545)
Total Revisions - Increase (Decrease)		**($10,645,188)**	**($5,471,900)**	**($3,638,965)**	**($4,279,731)**

C. Fund for a Healthy Maine (FHM)

The **Fund for a Healthy Maine (FHM)** revenue forecast was revised upward for the 2008-2009 biennium primarily based on increased tobacco settlement payments and improved racino revenue projections. The net result for the 2008-2009 biennium is an upward revision of $1.6 million. See Appendix C for the additional explanations of the changes summarized below.

Table II-C - Fund for a Healthy Maine Summary

	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$50,950,512	$61,193,656	$64,160,177	$69,384,772	$73,292,290
Annual % Growth	8.6%	20.1%	4.8%	8.1%	5.6%
Net Increase (Decrease)		$159,415	$1,466,401	$1,182,733	($3,624,473)
Revised Forecast	$50,950,512	$61,353,071	$65,626,578	$70,567,505	$69,667,817
Annual % Growth	8.6%	20.4%	7.0%	7.5%	-1.3%
Summary of Revenue Revisions by Major Revenue Category					
Base Payments		$152,776	$1,016,647	$947,895	($3,866,136)
Racino Revenue		$16,639	$459,754	$244,838	$251,663
Income from Investments		($10,000)	($10,000)	($10,000)	($10,000)
Total Revisions - Increase (Decrease)		**$159,415**	**$1,466,401**	**$1,182,733**	**($3,624,473)**

D. MaineCare Dedicated Revenue Taxes

In aggregate, **Medicaid/MaineCare Dedicated Revenue Taxes** were revised upward by $5.3 million in the 2008-2009 biennium and by $5.4 million in the 2010-2011 biennium. The increases came after review of recent actual experience. The higher base from this review increased projections for future years assuming the same future growth assumptions. Appendix D provides additional detail of the changes in these revenue sources.

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

	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$125,704,185	$127,070,482	$128,760,211	$130,192,181	$132,267,451
Annual % Growth	6.4%	1.1%	1.3%	1.1%	1.6%
Net Increase (Decrease)		$2,556,670	$2,620,587	$2,686,100	$2,753,252
Revised Forecast	$125,704,185	$129,627,152	$131,380,798	$132,878,281	$135,020,703
Annual % Growth	6.4%	3.1%	1.4%	1.1%	1.6%
Summary of Revenue Revisions by Major Revenue Category					
Nursing Facility Tax		$207,736	$212,928	$218,252	$223,708
Residential Treatment Facilities Tax		($53,127)	($54,455)	($55,816)	($57,212)
Service Provider Tax (PNMIs)		$2,402,061	$2,462,114	$2,523,664	$2,586,756
Total Revisions - Increase (Decrease)		**$2,556,670**	**$2,620,587**	**$2,686,100**	**$2,753,252**

III. CONCLUSIONS

General Fund and Highway Fund downward revisions for the current 2008-2009 biennium are relatively small at 1.5% and 2.4%, respectively. However, any downward revision is difficult for the Legislature particularly after establishing the biennial budget. With the exception of the adjustment to reverse the legislative initiative related to gift cards, the warning signs of the tax adjustments in this forecast were evident in each of the monthly revenue reports since the beginning of the fiscal year if not sooner. The changes to tax receipts are a reflection of a national and state economy that has been significantly impacted by a tightening in credit markets as the correction in the residential housing market continues to unfold, and high volatile energy prices that are putting considerable burden on low and middle income households, particularly here in Maine. Combined, these two factors are limiting household borrowing and drawing disposable income away from taxable goods and services and toward non-taxable energy products. This effect is most notable in the taxes driven by consumption decisions: sales tax, gas tax and the cigarette tax.

As we have warned in previous forecasts, there is a substantial amount of economic risk surrounding this forecast. These are very volatile times and the timing of the CEFC, in late October, may not have fully captured recent events. The RFC found itself, particularly with respect to the Sales Tax estimates, trying to force the tax model outputs to match actual experience. When the CEFC meets in late January for the February 1st economic update, there is a greater downside risk for the underlying economic forecast. Maine, unlike several other states, has not been as severely affected by the sub-prime mortgage crisis. That crisis along with the weakening US dollar and oil prices, now in excess of $90 per barrel, present substantial downside risk to this current forecast, particularly if Maine has a cold winter.

Appendix A - General Fund

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GENERAL FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2007

Source	FY04 Actual	% Chg.	FY05 Actual	% Chg.	FY06 Actual	% Chg.	FY07 Actual	% Chg.	FY07 Budget	FY07 Variance	% Var.
Sales and Use Tax	917,243,245	7.0%	896,576,322	-2.3%	946,174,276	5.5%	971,455,721	2.7%	974,740,367	(3,284,646)	-0.3%
Service Provider Tax	0	N/A	44,645,517	N/A	47,028,430	5.3%	49,400,532	5.0%	48,911,765	488,767	1.0%
Individual Income Tax *	1,156,715,909	7.9%	1,270,225,329	9.8%	1,254,506,663	-1.2%	1,353,934,495	7.9%	1,347,436,142	6,498,353	0.5%
Corporate Income Tax	111,616,051	22.4%	135,862,913	21.7%	188,015,558	38.4%	183,851,533	-2.2%	172,038,386	11,813,147	6.9%
Cigarette and Tobacco Tax	96,604,646	-1.8%	96,350,704	-0.3%	156,951,370	62.9%	158,953,466	1.3%	158,502,981	450,485	0.3%
Public Utilities Tax	27,991,188	-4.4%	25,403,214	-9.2%	20,627,030	-18.8%	16,317,029	-20.9%	16,891,746	(574,717)	-3.4%
Insurance Companies Tax	72,206,153	1.6%	75,669,053	4.8%	76,065,864	0.5%	74,452,542	-2.1%	76,336,389	(1,883,847)	-2.5%
Estate Tax	32,075,501	5.1%	32,255,727	0.6%	75,330,514	133.5%	54,820,038	-27.2%	55,465,498	(645,460)	-1.2%
Prop. Tax - Unorganized Territory	10,709,308	7.8%	10,622,666	-0.8%	11,559,305	8.8%	11,376,293	-1.6%	11,597,312	(221,019)	-1.9%
Income from Investments	2,310,207	-1.5%	5,854,625	153.4%	8,271,869	41.3%	1,215,836	-85.3%	1,517,319	(301,483)	-19.9%
Transfer to Municipal Rev. Sharing	(111,464,335)	-8.2%	(119,712,814)	-7.4%	(124,222,180)	-3.8%	(130,490,756)	-5.0%	(129,699,458)	(791,298)	0.6%
Transfer from Lottery Commission	41,272,645	4.6%	49,328,102	19.5%	50,879,647	3.1%	50,624,741	-0.5%	50,334,250	290,491	0.6%
Other Revenues **	326,259,040	66.2%	267,763,694	-17.9%	220,637,339	-17.6%	223,683,920	1.4%	220,834,877	2,849,043	1.3%
Total - General Fund Revenue	**2,683,539,557**	**12.1%**	**2,790,845,053**	**4.0%**	**2,931,825,687**	**5.1%**	**3,019,595,389**	**3.0%**	**3,004,907,574**	**14,687,815**	**0.5%**
Change in Biennial Totals											
*** Detail of Property Tax Reimbursement Programs Deducted from Individual Income Tax Revenue**											
- Maine Resident Property Tax Program			(26,030,227)	N/A	(42,796,070)	-64.4%	(44,440,759)	-3.8%	(44,957,021)	516,262	-1.1%
- Business Equipment Tax Reimbursement (BETR)			0	N/A	(67,065,810)	N/A	(66,553,092)	0.8%	(67,000,708)	447,616	-0.7%
- Municipal Business Equipment Tax Reimbursement			0	N/A	0	N/A	0	N/A	0	0	N/A
**** Detail of Other Revenues:**											
- Real Estate Transfer Tax	22,196,221	106.1%	24,113,439	8.6%	24,595,580	2.0%	22,206,638	-9.7%	22,309,074	(102,436)	-0.5%
- Milk Handling Fee	0	N/A	0	N/A	1,867,527	N/A	2,561,972	37.2%	2,430,175	131,797	5.4%
- Liquor Sales and Operations	102,182,743	291.9%	49,845,027	-51.2%	2,560,044	-94.9%	4,440,935	73.5%	4,400,000	40,935	0.9%
- Liquor Taxes and Fees	17,485,024	2.0%	17,432,377	-0.3%	18,814,733	7.9%	20,283,406	7.8%	19,964,727	318,679	1.6%
- Finance Industry Fees	9,572,280	3.0%	18,641,800	94.7%	20,471,110	9.8%	22,004,030	7.5%	21,567,380	436,650	2.0%
- Corporation Fees & Licenses	3,600,455	3.4%	5,637,743	56.6%	6,385,451	13.3%	6,639,084	4.0%	5,815,012	824,072	14.2%
- Hunting and Fishing License Fees	16,898,278	21.1%	16,691,165	-1.2%	16,840,079	0.9%	16,401,841	-2.6%	15,705,573	696,268	4.4%
- Boat, ATV and Snowmobile Fees	3,974,546	60.0%	4,148,936	4.4%	3,477,043	-16.2%	4,162,079	19.7%	3,636,271	525,808	14.5%
- Parimutuel and Gaming Revenue	1,036,539	-4.6%	1,362,611	31.5%	5,262,230	286.2%	8,604,917	63.5%	8,389,322	215,595	2.6%
- Fines, Forfeits and Penalties	38,219,275	41.6%	35,506,972	-7.1%	37,781,055	6.4%	41,415,132	9.6%	41,918,483	(503,351)	-1.2%
- Targeted Case Management (HHS)	34,762,095	4.6%	34,518,055	-0.7%	25,687,188	-25.6%	23,550,288	-8.3%	23,609,894	(59,606)	-0.3%
- HHS Services Rendered	9,481,895	89.2%	7,966,194	-16.0%	9,613,394	20.7%	11,125,914	15.7%	11,681,023	(555,109)	-4.8%
- State Cost Allocation Program	10,438,262	-5.0%	12,891,574	23.5%	13,281,561	3.0%	15,428,622	16.2%	14,592,926	835,696	5.7%
- Unclaimed Property Transfer	16,763,948	104.9%	10,000,000	-40.3%	14,880,517	48.8%	10,499,528	-29.4%	13,703,693	(3,204,165)	-23.4%
- Tourism Transfer	(7,213,282)	N/A	(7,554,190)	-4.7%	(7,762,689)	-2.8%	(8,221,338)	-5.9%	(8,221,338)	0	0.0%
- Transfer to Maine Milk Pool	0	N/A	0	N/A	(2,616,160)	N/A	(10,158,802)	-288.3%	(10,997,887)	839,085	-7.6%
- Other Miscellaneous	46,860,761	69.5%	36,561,993	-22.0%	29,498,676	-19.3%	32,739,674	11.0%	30,330,549	2,409,125	7.9%
IF&W Total Revenue ***	21,902,902	24.5%	21,817,659	-0.4%	21,530,955	-1.3%	21,663,828	0.6%	20,764,533	899,295	4.3%

*** 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.

GENERAL FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2007

Source	FY08 Budget	% Chg.	Recom. Chg.	FY08 Revised	% Chg.	FY09 Budget	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Sales and Use Tax	1,006,131,180	3.6%	(21,066,117)	985,065,063	1.4%	1,049,672,596	4.3%	(19,584,072)	1,030,088,524	4.6%
Service Provider Tax	51,181,910	3.6%	0	51,181,910	3.6%	53,452,742	4.4%	0	53,452,742	4.4%
Individual Income Tax *	1,382,788,225	2.1%	18,165,000	1,400,953,225	3.5%	1,413,322,780	2.2%	(338,000)	1,412,984,780	0.9%
Corporate Income Tax	202,052,405	9.9%	(7,452,405)	194,600,000	5.8%	207,265,494	2.6%	(7,281,196)	199,984,298	2.8%
Cigarette and Tobacco Tax	163,774,241	3.0%	(6,068,061)	157,706,180	-0.8%	162,497,725	-0.8%	(6,409,223)	156,088,502	-1.0%
Public Utilities Tax	17,476,987	7.1%	0	17,476,987	7.1%	16,464,397	-5.8%	0	16,464,397	-5.8%
Insurance Companies Tax	76,751,673	3.1%	0	76,751,673	3.1%	77,169,754	0.5%	0	77,169,754	0.5%
Estate Tax	45,258,169	-17.4%	0	45,258,169	-17.4%	52,424,974	15.8%	(1,715,301)	50,709,673	12.0%
Prop. Tax - Unorganized Territory	12,263,986	7.8%	348,000	12,611,986	10.9%	12,653,336	3.2%	(300,000)	12,353,336	-2.1%
Income from Investments	1,424,000	17.1%	(522,429)	901,571	-25.8%	(3,502,253)	-345.9%	(522,429)	(4,024,682)	-546.4%
Transfer to Municipal Rev. Sharing	(134,749,842)	-3.3%	528,030	(134,221,812)	-2.9%	(139,489,447)	-3.5%	1,387,367	(138,102,080)	-2.9%
Transfer from Lottery Commission	49,834,250	-1.6%	0	49,834,250	-1.6%	49,834,250	0.0%	0	49,834,250	0.0%
Other Revenues **	231,506,341	3.5%	(21,705,105)	209,801,236	-6.2%	242,151,596	4.6%	(22,625,429)	219,526,167	4.6%
Total - General Fund Revenue	**3,105,693,525**	**2.9%**	**(37,773,087)**	**3,067,920,438**	**1.6%**	**3,193,917,944**	**2.8%**	**(57,388,283)**	**3,136,529,661**	**2.2%**
Change in Biennial Totals								**(95,161,370)**		
*** Detail of Property Tax Reimbursement Programs Deducted from Individual Income Tax Revenue**										
- Maine Resident Property Tax Program	(46,253,766)	-4.1%	0	(46,253,766)	-4.1%	(47,573,249)	-2.9%	0	(47,573,249)	-2.9%
- BETR - Business Equipment Tax Reimb.	(68,490,826)	-2.9%	0	(68,490,826)	-2.9%	(69,059,334)	-0.8%	0	(69,059,334)	-0.8%
- Municipal Business Equip. Tax Reimb.	0	N/A	0	0	N/A	(11,373,516)	N/A	0	(11,373,516)	N/A
**** Detail of Other Revenues:**										
- Real Estate Transfer Tax	19,565,275	-11.9%	0	19,565,275	-11.9%	20,314,869	3.8%	0	20,314,869	3.8%
- Milk Handling Fee	2,186,383	-14.7%	(1,627,565)	558,818	-78.2%	2,381,714	8.9%	0	2,381,714	326.2%
- Liquor Sales and Operations	4,500,000	1.3%	0	4,500,000	1.3%	4,500,000	0.0%	0	4,500,000	0.0%
- Liquor Taxes and Fees	20,042,626	-1.2%	0	20,042,626	-1.2%	20,122,424	0.4%	0	20,122,424	0.4%
- Finance Industry Fees	20,565,980	-6.5%	1,000,000	21,565,980	-2.0%	20,565,980	0.0%	800,000	21,365,980	-0.9%
- Corporation Fees & Licenses	6,079,012	-8.4%	567,000	6,646,012	0.1%	6,343,012	4.3%	1,124,000	7,467,012	12.4%
- Hunting and Fishing License Fees	16,240,944	-1.0%	0	16,240,944	-1.0%	16,249,867	0.1%	0	16,249,867	0.1%
- Boat, ATV and Snowmobile Fees	3,636,271	-12.6%	0	3,636,271	-12.6%	3,636,271	0.0%	0	3,636,271	0.0%
- Parimutuel and Gaming Revenue	8,241,185	-4.2%	389,991	8,631,176	0.3%	12,273,849	48.9%	550,462	12,824,311	48.6%
- Fines, Forfeits and Penalties	41,112,968	-0.7%	70,000	41,182,968	-0.6%	41,187,968	0.2%	100,000	41,287,968	0.3%
- Targeted Case Management (HHS)	23,609,894	0.3%	(3,564,887)	20,045,007	-14.9%	23,609,894	0.0%	(3,564,887)	20,045,007	0.0%
- HHS Services Rendered	11,674,083	4.9%	(7,310,476)	4,363,607	-60.8%	11,674,083	0.0%	(7,310,476)	4,363,607	0.0%
- State Cost Allocation Program	15,640,940	1.4%	(500,000)	15,140,940	-1.9%	17,566,608	12.3%	0	17,566,608	16.0%
- Unclaimed Property Transfer	22,919,205	118.3%	(13,143,836)	9,775,369	-6.9%	25,295,723	10.4%	(15,520,354)	9,775,369	0.0%
- Tourism Transfer	(8,607,905)	-4.7%	(100,532)	(8,708,437)	-5.9%	(8,999,364)	-4.5%	87,780	(8,911,584)	-2.3%
- Transfer to Maine Milk Pool	(2,156,500)	78.8%	1,809,240	(347,260)	96.6%	(2,338,875)	-8.5%	0	(2,338,875)	-573.5%
- Other Miscellaneous	26,255,980	-19.8%	705,960	26,961,940	-17.6%	27,767,573	5.8%	1,108,046	28,875,619	7.1%
IF&W Total Revenue ***	21,307,749	-1.6%	(9,129)	21,298,620	-1.7%	21,322,884	0.1%	(1,877)	21,321,007	0.1%

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

GENERAL FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2007

Source	FY10 Projection	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Projection	% Chg.	Recom. Chg.	FY11 Revised	% Chg.
Sales and Use Tax	1,090,008,927	3.8%	(10,640,919)	1,079,368,008	4.8%	1,134,849,421	4.1%	(5,264,777)	1,129,584,645	4.7%
Service Provider Tax	55,590,852	4.0%	0	55,590,852	4.0%	57,814,486	4.0%	0	57,814,486	4.0%
Individual Income Tax *	1,464,804,735	3.6%	(32,618,000)	1,432,186,735	1.4%	1,513,103,033	3.3%	(52,051,000)	1,461,052,033	2.0%
Corporate Income Tax	215,078,797	3.8%	(10,903,484)	204,175,313	2.1%	236,932,049	10.2%	(32,732,049)	204,200,000	0.0%
Cigarette and Tobacco Tax	160,974,240	-0.9%	(6,620,207)	154,354,033	-1.1%	159,533,127	-0.9%	(6,751,011)	152,782,116	-1.0%
Public Utilities Tax	15,451,807	-6.2%	0	15,451,807	-6.2%	15,251,807	-1.3%	0	15,251,807	-1.3%
Insurance Companies Tax	77,594,734	0.6%	0	77,594,734	0.6%	78,021,464	0.5%	0	78,021,464	0.5%
Estate Tax	57,446,350	9.6%	(2,877,102)	54,569,248	7.6%	5,389,708	-90.6%	(244,373)	5,145,335	-90.6%
Prop. Tax - Unorganized Territory	13,039,356	3.1%	(300,000)	12,739,356	3.1%	13,437,280	3.1%	(300,000)	13,137,280	3.1%
Income from Investments	1,424,000	140.7%	(522,429)	901,571	122.4%	1,424,000	0.0%	(522,429)	901,571	0.0%
Transfer to Municipal Rev. Sharing	(148,045,130)	-6.1%	2,816,445	(145,228,685)	-5.2%	(154,449,623)	-4.3%	4,682,487	(149,767,136)	-3.1%
Transfer from Lottery Commission	49,834,250	0.0%	0	49,834,250	0.0%	49,834,250	0.0%	0	49,834,250	0.0%
Other Revenues **	238,542,132	-1.5%	(23,686,580)	214,855,552	-2.1%	243,303,225	2.0%	(24,394,735)	218,908,490	1.9%
Total - General Fund Revenue	**3,291,745,050**	**3.1%**	**(85,352,276)**	**3,206,392,774**	**2.2%**	**3,354,444,227**	**1.9%**	**(117,577,887)**	**3,236,866,340**	**1.0%**
Change in Biennial Totals								**(202,930,163)**		
*** Detail of Property Tax Reimbursement Programs Deducted from Individual Income Tax Revenue**										
- Maine Resident Property Tax Program	(48,073,804)	-1.1%	0	(48,073,804)	-1.1%	(50,473,026)	-5.0%	0	(50,473,026)	-5.0%
- BETR - Business Equipment Tax Reimb.	(65,653,487)	4.9%	0	(65,653,487)	4.9%	(60,047,934)	8.5%	0	(60,047,934)	8.5%
- Municipal Business Equip. Tax Reimb.	(21,538,412)	-89.4%	0	(21,538,412)	-89.4%	(27,486,069)	-27.6%	0	(27,486,069)	-27.6%
**** Detail of Other Revenues:**										
- Real Estate Transfer Tax	16,907,180	-16.8%	0	16,907,180	-16.8%	18,867,770	11.6%	0	18,867,770	11.6%
- Milk Handling Fee	2,381,714	0.0%	0	2,381,714	0.0%	2,381,714	0.0%	0	2,381,714	0.0%
- Liquor Sales and Operations	4,500,000	0.0%	0	4,500,000	0.0%	4,500,000	0.0%	0	4,500,000	0.0%
- Liquor Taxes and Fees	20,203,342	0.4%	0	20,203,342	0.4%	20,285,996	0.4%	0	20,285,996	0.4%
- Finance Industry Fees	20,565,980	0.0%	800,000	21,365,980	0.0%	20,565,980	0.0%	800,000	21,365,980	0.0%
- Corporation Fees & Licenses	6,343,012	0.0%	1,681,000	8,024,012	7.5%	6,343,012	0.0%	2,248,000	8,591,012	7.1%
- Hunting and Fishing License Fees	16,249,867	0.0%	0	16,249,867	0.0%	16,249,867	0.0%	0	16,249,867	0.0%
- Boat, ATV and Snowmobile Fees	3,636,271	0.0%	0	3,636,271	0.0%	3,636,271	0.0%	0	3,636,271	0.0%
- Parimutuel and Gaming Revenue	13,406,703	9.2%	167,921	13,574,624	5.9%	13,978,541	4.3%	179,414	14,157,955	4.3%
- Fines, Forfeits and Penalties	41,201,968	0.0%	150,000	41,351,968	0.2%	41,206,968	0.0%	200,000	41,406,968	0.1%
- Targeted Case Management (HHS)	23,609,894	0.0%	(3,564,887)	20,045,007	0.0%	23,609,894	0.0%	(3,564,887)	20,045,007	0.0%
- HHS Services Rendered	11,674,083	0.0%	(7,310,476)	4,363,607	0.0%	11,674,083	0.0%	(7,310,476)	4,363,607	0.0%
- State Cost Allocation Program	16,442,672	-6.4%	0	16,442,672	-6.4%	17,447,328	6.1%	0	17,447,328	6.1%
- Unclaimed Property Transfer	26,558,879	5.0%	(16,783,510)	9,775,369	0.0%	27,885,143	5.0%	(18,109,774)	9,775,369	0.0%
- Tourism Transfer	(9,418,380)	-4.7%	52,699	(9,365,681)	-5.1%	(9,847,824)	-4.6%	36,024	(9,811,800)	-4.8%
- Transfer to Maine Milk Pool	(2,338,875)	0.0%	0	(2,338,875)	0.0%	(2,338,875)	0.0%	0	(2,338,875)	0.0%
- Other Miscellaneous	26,617,822	-4.1%	1,120,673	27,738,495	-3.9%	26,857,357	0.9%	1,126,964	27,984,321	0.9%
IF&W Total Revenue ***	21,328,954	0.0%	750	21,329,704	0.0%	21,335,119	0.0%	41	21,335,160	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.

General Fund - Sales and Use Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$917,243,245	$896,576,322	$946,174,276	$971,455,721	$1,006,131,180	$1,049,672,596	$1,090,008,927	$1,134,849,421
Annual % Growth	7.0%	-2.3%	5.5%	2.7%	3.6%	4.3%	3.8%	4.1%
Net Increase (Decrease)					($21,066,117)	($19,584,072)	($10,640,919)	($5,264,777)
Revised Forecast	$917,243,245	$896,576,322	$946,174,276	$971,455,721	$985,065,063	$1,030,088,524	$1,079,368,008	$1,129,584,644
Annual % Growth	7.0%	-2.3%	5.5%	2.7%	1.4%	4.6%	4.8%	4.7%

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 category were moved to the Service Provider Tax (see next page in Appendix for this revenue category). This change accounts for the negative growth in FY05.

Revenue Source Forecast Factors and Trends:

Sales and Use Tax is one of the major revenue sources tied to economic activity with projections developed using Maine Revenue Services tax models with input from the economic variables forecast by the Consensus 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 $15.0 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 calendar year 2005, taxable sales were up 2% over the previous year. The strongest growth was in the other retail category, up 6%, followed by the business operating, food store and building supplies sectors, all up 5%. The general merchandise sector was down 1%, auto/transportation sales were down 2%, and restaurant and lodging sales were up 3%. See Appendix G for more detail on taxable sales growth.

Forecast Recommended Changes:

The forecast was updated with the sales tax micro-simulation model which incorporates the October 2006 economic forecast from the Consensus Economic Forecasting Commission.

General Fund - Individual Income Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$1,156,715,909	$1,270,225,329	$1,254,506,663	$1,353,934,495	$1,382,788,225	$1,413,322,780	$1,464,804,735	$1,513,103,033
Annual % Growth	7.9%	9.8%	-1.2%	7.9%	2.1%	2.2%	3.6%	3.3%
Net Increase (Decrease)					$18,165,000	($338,000)	($32,618,000)	($52,051,000)
Revised Forecast	$1,156,715,909	$1,270,225,329	$1,254,506,663	$1,353,934,495	$1,400,953,225	$1,412,984,780	$1,432,186,735	$1,461,052,033
Annual % Growth	7.9%	9.8%	-1.2%	7.9%	3.5%	0.9%	1.4%	2.0%

Revenue Source Summary:

This category includes all revenue from individual income tax including penalties and interest associated with the collection of individual income tax. It also includes income tax on fiduciaries and income tax from Partnerships, Limited Liability Corpora

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 above reflect net amounts after the transfers for these tax reimbursement programs, but do not reflect the transfer to the Local Government Fund 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 interest deduction.

A major variable that is not included in the consensus economic forecast is net capital gains realizations. This variable has produced some significant volatility in the individual income tax collections. A detailed discussion is included in the body of the report.

Current Year Variance - Individual Income Tax collections have dropped below projections in recent months. This category was adjusted upward by $71.8 million in the December 2005 revenue forecast. The current year variance through January is $18.5 million (-2.4% of budget), excluding the variances associated with the BETR and Circuit Breaker programs. Estimated payments were under budget in December and January resulting in a negative variance of $11.8 million (-6.8%) through January. Refunds have surged ahead of projections very early in the processing season, accounting for $6.1 million of the negative variance. Fiscal year-to-date withholding payments were up 4.1% over FY05 amounts and have been tracking very close to revised projections (less than -0.1% variance through January).

Forecast Recommended Changes:

The individual income tax forecast is adjusted to account for stronger than expected BETR reimbursement and the new economic forecast. A technical adjustment was also made to reflect a change in the timing of the bonus depreciation recapture, increasing the estimate in later fiscal years at the expense of earlier fiscal years. Overall this line is performing very close to the December forecast.

General Fund - Corporate Income Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$111,616,051	$135,862,913	$188,015,558	$183,851,533	$202,052,405	$207,265,494	$215,078,797	$236,932,049
Annual % Growth	22.4%	21.7%	38.4%	-2.2%	9.9%	2.6%	3.8%	10.2%
Net Increase (Decrease)					($7,452,405)	($7,281,196)	($10,903,484)	($32,732,049)
Revised Forecast	$111,616,051	$135,862,913	$188,015,558	$183,851,533	$194,600,000	$199,984,298	$204,175,313	$204,200,000
Annual % Growth	22.4%	21.7%	38.4%	-2.2%	5.8%	2.8%	2.1%	0.0%

Revenue Source Summary:

This revenue is derived by a corporate income tax 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. A small portion of this revenue line includes taxes received from financial institutions through the Franchise Tax.

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 a forecast of corporate pre-tax profits from Global Insight.

Forecast Recommended Changes:

Consistent with most national forecasts, the Revenue Forecasting Committee is forecasting much slower growth in corporate receipts beyond FY08. As with individual income tax, the forecast for corporate income tax also reflects a technical adjustment to adjust the assumptions regarding the timing of the bonus depreciation recapture, increasing the estimate in later fiscal years at the expense of earlier fiscal years. The relatively large adjustment in FY11 corrects for an error made in presenting changes made during the March forecast.

General Fund - Cigarette and Tobacco Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$96,604,646	$96,350,704	$156,951,370	$158,953,466	$163,774,241	$162,497,725	$160,974,240	$159,533,127
Annual % Growth	-1.8%	-0.3%	62.9%	1.3%	3.0%	-0.8%	-0.9%	-0.9%
Net Increase (Decrease)					($6,068,061)	($6,409,223)	($6,620,207)	($6,751,011)
Revised Forecast	$96,604,646	$96,350,704	$156,951,370	$158,953,466	$157,706,180	$156,088,502	$154,354,033	$152,782,116
Annual % Growth	-1.8%	-0.3%	62.9%	1.3%	-0.8%	-1.0%	-1.1%	-1.0%

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.

Forecast Recommended Changes:

The forecast for this line was reduced by approximately $6.5 million per year to reflect a sudden change in cigarette stamp sales beginning in early 2007. Since the start of the 2007 calendar year cigarette stamp sales have been declining at an annual rate of 7%, well below the traditional trend of 1% to 2% per year. The December forecast takes this recent escalation in reduced sales into account and makes a positive adjustment for stronger receipts from the sale of other tobacco products.

General Fund - Estate Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$32,075,501	$32,255,727	$75,330,514	$54,820,038	$45,258,169	$52,424,974	$57,446,350	$5,389,708
Annual % Growth	5.1%	0.6%	133.5%	-27.2%	-17.4%	15.8%	9.6%	-90.6%
Net Increase (Decrease)					$0	($1,715,301)	($2,877,102)	($244,373)
Revised Forecast	$32,075,501	$32,255,727	$75,330,514	$54,820,038	$45,258,169	$50,709,673	$54,569,248	$5,145,335
Annual % Growth	5.1%	0.6%	133.5%	-27.2%	-17.4%	12.0%	7.6%	-90.6%

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. Actual FY 06 revenue was over budget by $5.2M and significantly over FY 05 amounts. This significant growth is due to an unexpected increase in the number moderately sized estate tax payments.

Forecast Recommended Changes: The forecast for the 20008-2009 and 2010-2011 biennia are based on a forecast of the growth in household net worth from Global Insight. The on-going correction in the residential housing market is projected to reduce household net worth and therefore the forecast of estate tax receipts.

General Fund - Property Tax - Unorganized Territory

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$10,709,308	$10,622,666	$11,559,305	$11,376,293	$12,263,986	$12,653,336	$13,039,356	$13,437,280
Annual % Growth	7.8%	-0.8%	8.8%	-1.6%	7.8%	3.2%	3.1%	3.1%
Net Increase (Decrease)					$348,000	($300,000)	($300,000)	($300,000)
Revised Forecast	$10,709,308	$10,622,666	$11,559,305	$11,376,293	$12,611,986	$12,353,336	$12,739,356	$13,137,280
Annual % Growth	7.8%	-0.8%	8.8%	-1.6%	10.9%	-2.1%	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:

From FY05 to FY06, actual expenditures increased by 8.8% as a result of an unexpected increase in fuel costs for schools and buses in the unorganized territory. The projections of expenditures for FY08 and beyond represent an annual increase of approximately 3% based on projected tuition increases for students attending other district schools outside of the unorganized territory.

Forecast Recommended Changes:

The core expenditure estimates are being revised to reflect a deferral of education expendtiures from FY07 to FY08 of $348,000. Education expenditures are also being adjusted at this time to reflect the projected closing of the Benedicta School, which reduce expenditures and the related General Fund transfers by $300,000 annually beginning in FY 09.

General Fund - Income from Investments

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$2,310,207	$5,854,625	$8,271,869	$1,215,836	$1,424,000	($3,502,253)	$1,424,000	$1,424,000
Annual % Growth	-1.5%	153.4%	41.3%	-85.3%	17.1%	-345.9%	-140.7%	0.0%
Net Increase (Decrease)					($522,429)	($522,429)	($522,429)	($522,429)
Revised Forecast	$2,310,207	$5,854,625	$8,271,869	$1,215,836	$901,571	($4,024,682)	$901,571	$901,571
Annual % Growth	-1.5%	153.4%	41.3%	-85.3%	-25.8%	-546.4%	-122.4%	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.

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 - After a period of rising interest rates based on Federal Reserve Board monetary policy that tightened the money supply and helped improve earnings in FY05 and FY06, a recent loosening of the the money supply in response to a slower economy has lowered expectations for the earnings rate in the Cash Pool.

Budget - In FY07 cash flow softened, in part because collections of MaineCare interim payments at DHHS were below anticipation, contributing to lower balances in General Fund cash. Revenue shortfalls in several areas are lowering investable cash balances in FY08 which will hurt earnings. In FY09 teacher retirement payments are being made at the beginning of the fiscal year, greatly reducing available cash.

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. A new policy to restrict certain outside agency funds from benefitting from the distribution of float earnings will increase the credit to the General Fund. The freezing of a $20,000,000 investment in commercial paper has meant a loss of earnings in FY08 for this non-performing asset.

TAN Amounts - See below for assumptions. With no Tax Anticipation Note (TAN) being issued in FY07, a reduced cash position has meant higher internal borrowing within the Treasurer's Cash Pool. No TANs are assumed to be issued in the foreseeable future.

Historical Data and Assumptions

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
TAN								
Current Forecast	$275,000,000	$190,000,000	$123,625,000	$0	$0	$0	$0	$0
Revised Forecast					$0	$0	$0	$0
Pool Earnings Rate								
Current Forecast	1.32%	2.39%	4.51%	5.88%	5.50%	5.50%	5.50%	5.50%
Revised Forecast					4.50%	4.50%	4.50%	4.50%

Forecast Recommended Changes:

Lower projected cash balances, an expected enlargement of cash flow borrowing needs and lower interest rates on short-term investments will reduce general fund earnings from earlier projections. A reduction of income from investments of $522,429 annually beginning in FY09 has been accepted by the Revenue Forecasting Committee.

General Fund - Transfer to Municipal Revenue Sharing

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	($111,464,335)	($119,712,814)	($124,222,180)	($130,490,756)	($134,749,842)	($139,489,447)	($148,045,130)	($154,449,623)
Annual % Growth	-8.2%	-7.4%	-3.8%	-5.0%	-3.3%	-3.5%	-6.1%	-4.3%
Net Increase (Decrease)					$528,030	$1,387,367	$2,816,445	$4,682,487
Revised Forecast	($111,464,335)	($119,712,814)	($124,222,180)	($130,490,756)	($134,221,812)	($138,102,080)	($145,228,685)	($149,767,136)
Annual % Growth	-8.2%	-7.4%	-3.8%	-5.0%	-2.9%	-2.9%	-5.2%	-3.1%

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 General Fund portion of the service provider tax and the sales and use taxes are transferred. The amounts transferred are 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 inverse determined by these major tax sources. The 123rd Legislature delayed by an additional 2 years, the increase in the percentage of the major taxes that gets transferred each month. This increase was also delayed by the 121st and the 122nd Legislatures. The percentage is now schedule to increase from 5.1% to 5.2% on July 1, 2009.

Forecast Recommended Changes:

The increase of revenue or the reduction in the transfer results in the inverse relationship to the overall downward revision in the taxes included in the revenue sharing base.

General Fund - Milk Handling Fee

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$0	$0	$1,867,527	$2,561,972	$2,186,383	$2,381,714	$2,381,714	$2,381,714
Annual % Growth	N/A	N/A	N/A	37.2%	-14.7%	8.9%	0.0%	0.0%
Net Increase (Decrease)					($1,627,565)	$0	$0	$0
Revised Forecast	$0	$0	$1,867,527	$2,561,972	$558,818	$2,381,714	$2,381,714	$2,381,714
Annual % Growth	N/A	N/A	N/A	37.2%	-78.2%	326.2%	0.0%	0.0%

Revenue Source Summary:

PL 2005, c. 396 imposed a fee on the handling of packaged milk for retail sale in the State. The fee rate is determined monthly in relation to the price of milk. The fee ranges from $0.00 per gallon when the price of milk is $18.50 per hundredweight or more to $0.12 per gallon when the price of milk is below $16.00 per hundredweight. Budgeted revenue for the Milk Handling Fee is calculated on a monthly basis by first determining what the corresponding fee is for the monthly price of milk as established by federal order. Once the correct milk handling fee has been determined, that fee is multiplied by the estimated number of gallons that will be sold based on previous years' consumption patterns. There is no fee on the handling in this state of packaged milk for sale in containers that were less than one quart or 20 or more quarts in volume, or packaged milk that is sold to an institution that is owned or operated by the State or Federal Government.

Revenue Source Forecast Factors and Trends:

The price of milk is relatively volatile and is difficult to accurately predict on a long-term basis. Since the amount of the Milk Handling Fee at any one time is based on the price of milk, long term revenue forecasts will be subject to frequent change.

Forecast Recommended Changes:

The short-term forecast of milk prices has been revised resulting in a downward revision to the estimates in FY 08 only.

General Fund - Finance Industry Fees

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$9,572,280	$18,641,800	$20,471,110	$22,004,030	$20,565,980	$20,565,980	$20,565,980	$20,565,980
Annual % Growth	3.0%	94.7%	9.8%	7.5%	-6.5%	0.0%		
Net Increase (Decrease)					$1,000,000	$800,000	$800,000	$800,000
Revised Forecast	$9,572,280	$18,641,800	$20,471,110	$22,004,030	$21,565,980	$21,365,980	$21,365,980	$21,365,980
Annual % Growth	3.0%	94.7%	9.8%	7.5%	-2.0%	-0.9%	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, agents, investment advisers, and investment adviser representatives. The $30 annual renewal fee for agents 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, which include: agent initial license fees, broker-dealer fees, investment adviser fees, investment adviser representative initial fees, securities registration and exemption fees, and federal-covered securities notice filing fees, accrue to the General Fund. The revenue collected from the securities registration filing fee now accounts for more than 90% of this revenue source.

Revenue Source Forecast Factors and Trends:

PL 2003, c. 673, Part RRR, increased the fee for most security registration filings from $500 to $1,000 effective August 1, 2004.

PL 2005, c. 12, Part KKKK increased initial and renewal license fees for broker-dealers from $200 to $250, renewal license fees for investment advisers from $100 to $200, and initial license fees for agents and investment adviser representatives from $40 to $50 effective June 29, 2005. 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 establishes the fees. With the exception of the investment advisor representative annual renewal fee, which was lowered to $30 effective December 31, 2005, the fees have been set at the same level that existed under the prior securities act.

Forecast Recommended Changes:

The forecast has been updated to reflect FY 07 actual revenue, and FY08 collections through October 2007. The forecast increases the revenue estimated to be collected from the securities registration fee by $800,000 per year (from $19 million to $19.8 million) and from agent initial license fees by $200,000 but in FY 08 only. Excluding the one-time FY 08 adjustment for agent initial license fees, FY08 forecast levels are assumed to be maintained throughout the forecast period.

General Fund - Corporation Fees and Licenses

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$3,600,455	$5,637,743	$6,385,451	$6,639,084	$6,079,012	$6,343,012	$6,343,012	$6,343,012
Annual % Growth	3.4%	56.6%	13.3%	4.0%	-8.4%	4.3%	0.0%	0.0%
Net Increase (Decrease)					$567,000	$1,124,000	$1,681,000	$2,248,000
Revised Forecast	$3,600,455	$5,637,743	$6,385,451	$6,639,084	$6,646,012	$7,467,012	$8,024,012	$8,591,012
Annual % Growth			13.3%	4.0%	0.1%	12.4%	7.5%	7.1%

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. Most recently, the relatively large amount of revenue collected in this category for FY06 seems to have been the end result of timing issues emanating from significant fee increases that took effect in FY05; it is expected that significant timing issues will be largely absent in future revenue collections. With the positive variance at the close of FY07 of $824,072, a 14.2% variance and positive revenue variances through the 1st Quarter of FY08, the growth trend appears to be in excess of what was previously projected.

Forecast Recommended Changes:

In response to recent trends in the Registration of Foreign Corporations line (RSC # 0735), Annual License Fees Foreign Corporations (RSC #0737) and Assumed Name (RSC # 0740), the increases above are recommended to reflect revised projections of growth in this category.

General Fund - Pari-mutuel and Gaming Revenue

	FY04 Actual	FY05 Actual	FY06 Actual	FY06 Actual	FY08	FY09	FY10	FY11
Current Forecast	$1,036,539	$1,362,611	$5,262,230	$8,604,917	$8,241,185	$12,273,849	$13,406,703	$13,978,541
Annual % Growth	-4.6%	31.5%	286.2%	63.5%	-4.2%	48.9%	9.2%	4.3%
Net Increase (Decrease)					$389,991	$550,462	$167,921	$179,414
Revised Forecast	$1,036,539	$1,362,611	$5,262,230	$8,604,917	$8,631,176	$12,824,311	$13,574,624	$14,157,955
Annual % Growth	-4.6%	31.5%	286.2%	63.5%	0.3%	48.6%	5.9%	4.3%

Revenue Source Summary:

For pari-mutuel 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 that 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 gross slot income (the amount collected from slot machine players) is distributed to the General Fund as well as 3% of the net slot machine 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 pari-mutuel 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. Through February, FY07 pari-mutuel revenue has been running about 11% ahead of budgeted revenue, which was revised downward in the December 2006 revenue forecast.

The forecasting of gaming revenue has been significantly hampered by changing timelines in the opening of a slot machine facility in Bangor. Recently, Penn National, the licensed slot machine operator, opened 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 August of 2008.

For this forecast, the Revenue Forecasting Committee has 16 months of actual data from which the Revenue Forecasting Committee has revised the spreadsheet that calculates the revenue from the racino initiative to provide more detailed assumptions based on actual experience. Actual receipts continue to surpass expectations, particularly during the winter months. A mild winter may have contributed to enhanced revenue from this source as other normal winter activities were curtailed and there were few bad travel days that kept people away from the facility.

Forecast Recommended Changes:

The attached spreadsheet details the assumptions that produce the revised estimate for revenue from the slot machine facility in Bangor. FY008 revenue amounts were adjusted to reflect actual revenue through October. There were 2 changes to the assumptions that produced this revenue revision. The date of the opening of the new facility was moved up one month sooner, opening is now projected to be at the beginning of July 2008. The other change was the payout percentage was reduced when the new facility opens to the change in the mix of machines to lower denomination slot machines that have a lower payback percentage.

Revenue Forecasting Committee - December 2007 - Racino Revenue

GENERAL FUND REVENUE	2006-07 Actual	2007-08	2008-09	2009-10	2010-11
May 2007 Forecast - Revised General Fund Revenue		$7,359,185	$11,391,849	$12,506,703	$13,078,541
Incremental Effect of December 2007 Forecast		$389,991	$550,462	$167,921	$179,414
December 2007 Forecast - Revised General Fund Revenue	$7,703,401	$7,749,176	$11,942,311	$12,674,624	$13,257,955

FUND FOR A HEALTHY MAINE REVENUE	2006-07 Actual	2007-08	2008-09	2009-10	2010-11
May 2007 Forecast - Fund for a Healthy Maine Revenue		$3,817,151	$5,977,215	$6,365,775	$6,543,225
Incremental Effect of December 2007 Forecast		$16,639	$459,754	$244,838	$251,663
December 2007 Forecast - Fund for a Healthy Maine Revenue	$3,538,805	$3,833,790	$6,436,969	$6,610,613	$6,794,888

Detail of Current Revenue Forecast - Distribution of Total Slot Income

			2006-07 Actual	2007-08	2008-09	2009-10	2010-11
Gross Slot Income (Coin/Voucher In)	A		$610,387,395	$600,503,913	$953,625,000	$979,350,000	$1,006,650,000
Player's Share (Payback Value)	B		$568,895,474	$556,160,978	$879,719,063	$903,450,375	$928,634,625
General Fund - Administration (1% of Gross Slot Income)	C	1.0%	$6,103,874	$6,005,039	$9,536,250	$9,793,500	$10,066,500
"Net Slot Machine Income" (=A-B-C)			$35,388,046	$38,337,895	$64,369,688	$66,106,125	$67,948,875
Licensees' Share of "Net Slot Machine Income"		**61.0%**	**$21,586,708**	**$23,386,116**	**$39,265,509**	**$40,324,736**	**$41,448,814**

Distribution of State Share of "Net Slot Machine Income"	39.0%	2006-07 Actual	2007-08	2008-09	2009-10	2010-11
General Fund (other)	3.0%	$1,061,641.39	$1,150,137	$1,931,091	$1,983,184	$2,038,466
General Fund (After 48 months - November 2009)	1.0%	$0.00	$0	$0	$424,440	$679,489
Fund for Healthy Maine	10.0%	$3,538,804.64	$3,833,790	$6,436,969	$6,610,613	$6,794,888
University of Maine Scholarship Fund	2.0%	$707,760.93	$766,758	$1,287,394	$1,322,123	$1,358,978
Maine Community College System - Scholarship Funds	1.0%	$353,880.46	$383,379	$643,697	$661,061	$679,489
Resident Municipalities	1.0%	$353,880.46	$383,379	$643,697	$661,061	$679,489
Purse Supplements	10.0%	$3,538,804.64	$3,833,790	$6,436,969	$6,610,613	$6,794,888
Sire Stakes Fund	3.0%	$1,061,641.39	$1,150,137	$1,931,091	$1,983,184	$2,038,466
Fund to Encourage Racing at Commercial Tracks	4.0%	$1,415,521.86	$1,533,516	$2,574,788	$2,644,245	$2,717,955
Fund to Stabilize Off-Track Betting (48 months - until Oct 2009)	2.0%	$707,760.93	$766,758	$1,287,394	$473,243	$0
Fund to Stabilize Off-Track Betting (after 48 months - Nov 2009)	1.0%	$0.00	$0	$0	$424,440	$679,489
Agricultural Fair Support Fund	3.0%	$1,061,641.39	$1,150,137	$1,931,091	$1,983,184	$2,038,466

Revenue Summary	2006-07 Actual	2007-08	2008-09	2009-10	2010-11
General Fund					
General Fund Administration	$6,103,874.00	$6,005,039	$9,536,250	$9,793,500	$10,066,500
General Fund (Other)	$1,061,641.39	$1,150,137	$1,931,091	$2,407,624	$2,717,955
Licensing revenue	$504,897.00	$582,000	$461,500	$461,500	$461,500
Reimbursement - Background Checks	$32,988.52	$12,000	$13,470	$12,000	$12,000
Subtotal - General Fund	**$7,703,400.91**	**$7,749,176**	**$11,942,311**	**$12,674,624**	**$13,257,955**
Fund for Healthy Maine	**$3,538,804.64**	**$3,833,790**	**$6,436,969**	**$6,610,613**	**$6,794,888**
Other Special Revenue Funds					
Harness Racing Commission	$7,785,370.21	$8,434,338	$14,161,333	$14,118,909	$14,269,264
HRC - Subtotal	$7,785,370.21	$8,434,338	$14,161,333	$14,118,909	$14,269,264
PUS- host municipalities	$25,000.00	$25,000	$25,000	$25,000	$25,000
University of Maine Scholarship Fund	$707,760.93	$766,758	$1,287,394	$1,322,123	$1,358,978
Maine Community College System Scholarships	$353,880.46	$383,379	$643,697	$661,061	$679,489
Resident Municipalities	$353,880.46	$383,379	$643,697	$661,061	$679,489
Subtotal - Other Special Revenue Funds	**$9,225,892.06**	**$9,992,854**	**$16,761,121**	**$16,788,154**	**$17,012,220**

Details and Assumptions

Number of Machines	2006-07 Actual	2007-08	2008-09	2009-10	2010-11
July	475	479	1,000	1,000	1,000
August	475	479	1,000	1,000	1,000
September	475	479	1,000	1,000	1,000
October	475	479	1,000	1,000	1,000
November	475	479	1,000	1,000	1,000
December	477	479	1,000	1,000	1,000
January	479	479	1,000	1,000	1,000
February	479	479	1,000	1,000	1,000
March	479	479	1,000	1,000	1,000
April	479	479	1,000	1,000	1,000
May	479	479	1,000	1,000	1,000
June	479	479	1,000	1,000	1,000

Payback % Average for Month	2006-07 Actual	2007-08	2008-09	2009-10	2010-11
July	93.22%	92.98%	92.25%	92.25%	92.25%
August	93.32%	92.83%	92.25%	92.25%	92.25%
September	93.23%	92.71%	92.25%	92.25%	92.25%
October	93.51%	92.74%	92.25%	92.25%	92.25%
November	93.45%	92.50%	92.25%	92.25%	92.25%
December	93.46%	92.50%	92.25%	92.25%	92.25%
January	93.50%	92.50%	92.25%	92.25%	92.25%
February	93.32%	92.50%	92.25%	92.25%	92.25%
March	93.24%	92.50%	92.25%	92.25%	92.25%
April	92.44%	92.50%	92.25%	92.25%	92.25%
May	93.09%	92.50%	92.25%	92.25%	92.25%
June	92.56%	92.50%	92.25%	92.25%	92.25%

Average Total Slot Income Per Machine Per Day	2006-07 Actual	2007-08	2008-09	2009-10	2010-11
Average for the Fiscal Year	**$3,516.43**	**$3,422**	**$2,625**	**$2,696**	**$2,771**
July	3,488.74	3,815.32	$2,775	$2,850	$2,950
August	3,434.83	3,668.08	$2,775	$2,850	$2,950
September	3,473.46	3,671.65	$2,775	$2,850	$2,950
October	3,698.23	3,609.82	$2,775	$2,850	$2,950
November	3,722.67	$3,500	$2,600	$2,650	$2,700
December	3,187.07	$3,100	$2,425	$2,475	$2,550
January	3,439.92	$3,100	$2,425	$2,475	$2,550
February	3,645.10	$3,100	$2,425	$2,475	$2,550
March	3,727.29	$3,200	$2,425	$2,475	$2,550
April	3,570.05	$3,300	$2,500	$2,600	$2,650
May	3,533.61	$3,500	$2,800	$2,900	$2,950
June	3,276.16	$3,500	$2,800	$2,900	$2,950

General Fund - Fines, Forfeits and Penalties

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$38,219,275	$35,506,972	$37,781,055	$41,415,132	$41,112,968	$41,187,968	$41,201,968	$41,206,968
Annual % Growth		-7.1%	6.4%	9.6%	-0.7%	0.2%	0.0%	0.0%
Net Increase (Decrease)					$70,000	$100,000	$150,000	$200,000
Revised Forecast	$38,219,275	$35,506,972	$37,781,055	$41,415,132	$41,182,968	$41,287,968	$41,351,968	$41,406,968
Annual % Growth		-7.1%	6.4%	9.6%	-0.6%	0.3%	0.2%	0.1%

Revenue Source Summary:

Revenue derived from fines, forfeitures and penalties is primarily collected through the efforts of the Violations Bureau and the courts within the Judicial Department. There is also fine revenue collected by the Department Environmental Protection, the Department of Inland Fisheries and Wildlife, the Department of Agriculture and other miscellaneous agencies. 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 Branch.

In FY06, computer conversion problems and slowed collection efforts by the Judicial Department resulted in a revenue shortfall of ($2,761,941) for fines, forfeits and penalties even after a downward adjustment of ($2,500,000). In FY07, the Judicial Branch revenue collections continued to run behind and finished the year with a negative variance of ($1,049,426).

Forecast Recommended Changes:

There are no adjustments to Judicial fine revenue at this time. The Judicial Branch continues to have difficulty in properly recording fines and scheduling cases. At this time, it is too difficult to discern any change in trends.

JUDICIAL DEPT.	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$31,067,886	$31,924,868	$34,742,819	$38,439,059	$38,814,645	$38,814,645	$38,814,645	$38,814,645
Annual % Growth		2.8%	8.8%	10.6%	1.0%	0.0%	0.0%	0.0%
Net Increase (Decrease)					$0	$0	$0	$0
Revised Forecast	$31,067,886	$31,924,868	$34,742,819	$38,439,059	$38,814,645	$38,814,645	$38,814,645	$38,814,645
Annual % Growth		2.8%	8.8%	10.6%	1.0%	0.0%	0.0%	0.0%

The projected revenue estimates for fines collected by other state agencies other than the Judicial Department has been adjusted in this forecast for fine revenue collected the Deparment of Environmental Protection and the Secretary of State.

OTHER DEPT'S.	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$7,151,389	$3,582,103	$3,038,236	$2,976,073	$2,298,323	$2,373,323	$2,387,323	$2,392,323
Annual % Growth		-49.9%	-15.2%	-2.0%	-22.8%	3.3%	0.6%	0.2%
Net Increase (Decrease)					$70,000	$100,000	$150,000	$200,000
Revised Forecast	$7,151,389	$3,582,103	$3,038,236	$2,976,073	$2,368,323	$2,473,323	$2,537,323	$2,592,323
Annual % Growth		-49.9%	-15.2%	-2.0%	-20.4%	4.4%	2.6%	2.2%

General Fund - Targeted Case Management (HHS)

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$34,762,095	$34,518,055	$25,687,188	$23,550,288	$23,609,894	$23,609,894	$23,609,894	$23,609,894
Annual % Growth	4.6%	-0.7%	-25.6%	-8.3%	0.3%	0.0%	0.0%	0.0%
Net Increase (Decrease)				$0	($3,564,887)	($3,564,887)	($3,564,887)	($3,564,887)
Revised Forecast	$34,762,095	$34,518,055	$25,687,188	$23,550,288	$20,045,007	$20,045,007	$20,045,007	$20,045,007
Annual % Growth	4.6%	-0.7%	-25.6%	-8.3%	-14.9%	0.0%	0.0%	0.0%

Revenue Source Summary:

This revenue source reflects Medicaid reimbursement for case management services provided by the Department of Health and Human Services' Office of Elder Services, Office of Children and Family Services, and the Maine Center for Disease Control and Prevention, as well as 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 disruption in the payment of all Medicaid claims including these for Targeted Case Management Services (i.e., services provided). The decline in revenue from this source in recent years is attributed to a decline in caseload in the individual revenue line projections for case management services provided by the Office of Children and Family Services and in case management provided by adult mental health caseworkers and case management for persons with mental retardation..

Forecast Recommended Changes:

Estimates are updated to reflect FY07 actual revenue and FY08 revenue through October 2007. It is further assumed revenue from this source will be maintained at the FY08 revised level for the forecast period. The forecast does not reflect a potential impact that may arise as a result of a TCM audit being conducted by the federal Department of Health and Human Services, Office of the Inspector General (OIG).

General Fund - HHS Services Rendered

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$9,481,895	$7,966,194	$9,613,394	$11,125,914	$11,674,083	$11,674,083	$11,674,083	$11,674,083
Annual % Growth	89.2%	-16.0%	20.7%	15.7%	4.9%	0.0%	0.0%	0.0%
Net Increase (Decrease)					($7,310,476)	($7,310,476)	($7,310,476)	($7,310,476)
Revised Forecast	$9,481,895	$7,966,194	$9,613,394	$11,125,914	$4,363,607	$4,363,607	$4,363,607	$4,363,607
Annual % Growth	89.2%	-16.0%	20.7%	15.7%	-60.8%	0.0%	0.0%	0.0%

Revenue Source Summary:

This revenue category includes reimbursement for services provided within several DHHS programs. 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 (FTS) 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.

This revenue category also reflects Medicaid reimbursement for the administrative costs associated with the portion of the Department and Health and Human Service'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. The federal approval and implementation of a new administrative cost allocation plan has also been a major factor affecting this revenue source.

Forecast Recommended Changes:

Estimates are updated to reflect FY07 actual revenue and FY08 revenue through October 2007. The forecast assumes a significant decrease in FY 08 revenue from this source primarily the result of a decrease in federal reimbursement for the current fiscal year under the Department's newly approved cost allocation plan. This reduced level of federal cost allocation plan revenue is assumed to continue for the forecast period. As the Department gains additional experience in implementing its new cost allocation plan, this assumption may need to be revisited in subsequent forecasts.

General Fund - State Cost Allocation Program (STA-CAP)

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$10,438,262	$12,891,574	$13,281,561	$15,428,622	$15,640,940	$17,566,608	$16,442,672	$17,447,328
Annual % Growth	-5.0%	23.5%	3.0%	16.2%	1.4%	12.3%	-6.4%	6.1%
Net Increase (Decrease)					($500,000)	$0	$0	$0
Revised Forecast	$10,438,262	$12,891,574	$13,281,561	$15,428,622	$15,140,940	$17,566,608	$16,442,672	$17,447,328
Annual % Growth	-5.0%	23.5%	3.0%	16.2%	-1.9%	16.0%	-6.4%	6.1%

Revenue Source Summary:

The State Cost Allocation Plan (STA-CAP) 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 agency.

The indirect cost rate is assessed against operating expenditures and the assessed amount is transferred monthly to the General Fund (GF). 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 STA-CAP 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 FY06, the STA-CAP revenue category had a net positive variance of $1,744,339 (+15.1%). The actual variance was $2,244,339 because the State Controller transferred $500,000 from the GF STA-CAP account to the Office of Information Sertvices account to pay for certain services associated with the upgrade to the MFASIS accounting system. This positive variance appears to be the result of not taking into consideration the actual FY05 revenue amount and a slight decrease in the ratio of GF to Non-GF expenditures. IN FY07, STA-CAP revenue once again was well ahead of budget with a positive $835,696 (5.7%).

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:

Despite the recent positive variances, current year collections have been below projections. Revenue was adjusted downward in the current fiscal year only to reflect this recent experience.

General Fund - Unclaimed Property Transfer

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$16,763,948	$10,000,000	$14,880,517	$10,499,528	$22,919,205	$25,295,723	$26,558,879	$27,885,143
Annual % Growth		-40.3%	48.8%	-29.4%	118.3%	10.4%		
Net Increase (Decrease)					($13,143,836)	($15,520,354)	($16,783,510)	($18,109,774)
Revised Forecast	$16,763,948	$10,000,000	$14,880,517	$10,499,528	$9,775,369	$9,775,369	$9,775,369	$9,775,369
Annual % Growth		-40.3%	48.8%	-29.4%	-6.9%	0.0%	0.0%	0.0%

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 Fund.

Revenue Source Forecast Factors and Trends:

Out-of-State corporations doing business in Maine were required for the first time to report and transfer dormant gift card balances to Maine on May 1, 2007. No corporations reported or transferred balances related to gift cards. The State Treasurer sent 44 demand letters to national retailers doing business in Maine. None paid and many responded with legal briefs challenging Maine's law. Enforcement options are under review by the Attorney General. Even if enforcement action is taken and ultimately successful it is unlikely that revenue from this source will be received in the current biennium. Without gift card revenue from out-of-state corporations, core revenue from unclaimed property is expected to be near the $10,000,000 level.

Forecast Recommended Changes:

Given the uncertainty of the probability and timing of successful enforcement action by the Attorney General related to gift cards, projections of revenue transferred from the Unclaimed Property Fund to the General Fund is reduced to $9,775,369 for the remainder of the forecast period beginning in FY08.

General Fund - Transfers to Maine Milk Pool

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$0	$0	($2,616,160)	($10,158,802)	($2,156,500)	($2,338,875)	($2,338,875)	($2,338,875)
Annual % Growth	N/A	N/A	N/A	288.3%	-78.8%	8.5%	0.0%	0.0%
Net Increase (Decrease)					$1,809,240	$0	$0	$0
Revised Forecast	$0	$0	($2,616,160)	($10,158,802)	($347,260)	($2,338,875)	($2,338,875)	($2,338,875)
Annual % Growth	N/A	N/A	N/A	288.3%	-96.6%	573.5%	0.0%	0.0%

Revenue Source Summary:

Current law (7 MRSA §3153-D) requires the Administrator of the Maine Milk Pool to certify monthly amounts of General Fund undedicated revenue that must be transferred to the Maine Milk Pool. The certified amounts are based on a complicated series of factors which include milk production rates and milk prices. Milk prices are generally determined by the availability of milk supply which in turn is affected by weather conditions and the level of federal support programs. There is an inverse relationship between milk prices and the amounts transferred to the Maine Milk Pool for redistribution to milk producers (Maine's dairy farmers). As milk prices fall, the amount of the transfers certified by the Administrator of the Maine Milk Pool will increase.

Current law requires the Administrator of the Maine Milk Pool to establish the level of support payments to milk producers from the Maine Milk Pool through a determination of the most recent milk production ranges and milk costs. Budgeted transfers to the Maine Milk Pool are calculated on a monthly basis by first estimating the farmer price which is the sum of the monthly Milk Income Loss Contract payment, the monthly Boston Blend Price (expressed in hundredweight) and the average premium. The farmer price is then compared to the target price which corresponds to an individual farmer's tier (small, medium or large); if the tier target price is greater than the the farmer price then the payment to that farmer will equal the difference between the two multiplied by that month's production in terms of hundredweight; the total of estimated payments to each farmer is the budgeted monthly transfer to the Maine Milk Pool. The establishment of the amount of support payments from the Maine Milk Pool dictates the amounts of undedicated revenue that must be transferred from the General Fund to the Maine Milk Pool.

Revenue Source Forecast Factors and Trends:

Previous forecasts for these transfers to the Maine Milk Pool have not made adequate use of updated forecasts regarding milk price and production levels that determine the amounts to be transferred from the General Fund to the Maine Milk Pool. The decisions of the Maine Milk Commission have also increased the amounts to be transferred and distributed.

Forecast Recommended Changes:

The short-term adjustment reflects a more recent forecast of milk prices.

General Fund - Other Miscellaneous

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$46,860,796	$36,562,039	$29,498,834	$30,226,623	$23,790,034	$23,936,477	$23,827,915	$23,890,956
Annual % Growth	69.5%	-22.0%	-19.3%	2.5%	-21.3%	0.6%	-0.5%	0.3%
Net Increase (Decrease)					$705,960	$1,108,046	$1,120,673	$1,126,964
Revised Forecast	$46,860,796	$36,562,039	$29,498,834	$30,226,623	$24,495,994	$25,044,523	$24,948,588	$25,017,920
Annual % Growth	69.5%	-22.0%	-19.3%	2.5%	-19.0%	2.2%	-0.4%	0.3%

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 the General Fund Summary Table.

Summary of Revenue Adjustments to December 2007 Forecast:

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

Attorney General - Administration - Attorney General (2623 & 2690)

FY08	FY09	FY10	FY11
$6,462	$0	$0	$0

Adjusts the categorization of a particular revenue between 2 revenue source codes to more correctly identify the revenue and recognizes a positive variance projected for the current fiscal year.

Health and Human Services (BDS) - Office of Management and Budget/Office of Substance Abuse (1448)

FY08	FY09	FY10	FY11
($4,425)	($4,425)	($4,425)	($4,425)

Moves revenue between programs and reduces the amount budgeted based on updated information.

Health and Human Services (DHS) - Foster Care/Child Welfare Services (2520)

FY08	FY09	FY10	FY11
($430,096)	$0	$0	$0

Adjusts estimates of child support payments in FY 08 from non-custodial parents for the care of children in State care based on collections to date. The Department has not fully implemented the PL 2007 c. 240 initiative that was budgeted to generate $528,000 per year for the biennium but still expects to do so for FY 09 and beyond.

Health and Human Services (DHS) - Division of Licensing and Regulatory Services Program 0140/Z036 (1440)

FY08	FY09	FY10	FY11
$29,870	$29,870	$29,870	$29,870

Adjusts revenue from hospital license fees based on collections to date.

Health and Human Services (DHS) - Foster Care 0137 (2543)

FY08	FY09	FY10	FY11
$1,251,216	$1,251,216	$1,251,216	$1,251,216

Adjusts revenue estimates based on collections through October 2007 for Old Age Supplemental Insurance payments that DHHS receives for costs incurred by the State on behalf of children in state care.

Health and Human Services (DHS) - Bureau of Child and Family Services - Central 0307 (2637)

FY08	FY09	FY10	FY11
($18,895)	($18,895)	($18,895)	($18,895)

Adjusts revenue estimates from fees charged for child protective background checks based on experience to date.

Health and Human Services (DHS) - Bureau of Health 0143 (1474)

FY08	FY09	FY10	FY11
($48,043)	($46,843)	($46,843)	($46,843)

Adjusts revenue from health inspection licensing fees based on experience to date.

Inland Fisheries and Wildlife - Administrative Services - Tax on Internal Engine Combustion Fuel (0321)

FY08	FY09	FY10	FY11
($9,129)	($1,877)	$750	$41

The General Fund share of gas tax revenue accruing to the IF&W reflects adjustments consistent with the assumptions for the revision to Highway Fund gas tax estimates.

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

FY08	FY09	FY10	FY11
$9,000	$9,000	$9,000	$9,000

Adjusts the General Fund and Highway Fund share of proceeds from the sale of state police vehicles. A corresponding negative adjustment is made in the Highway Fund.

Secretary of State - Bureau of Administrative Services and Corporations (2630, 2632 & 2637)

FY08	FY09	FY10	FY11
($80,000)	($110,000)	($100,000)	($93,000)

Reflects revised projections of growth for these fees related to filings of corporations.

Appendix B - Highway Fund

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HIGHWAY FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2007

Source	FY04 Actual	% Chg.	FY05 Actual	% Chg.	FY06 Actual	% Chg.	FY07 Actual	% Chg.	FY07 Budget	FY07 Variance	% Chg.
Fuel Taxes	212,600,843	13.1%	220,484,728	3.7%	221,575,309	0.5%	226,824,018	2.4%	227,484,941	(660,923)	-0.3%
Motor Vehicle Registration & Fees	82,577,755	-0.5%	84,645,422	2.5%	87,658,962	3.6%	87,291,874	-0.4%	86,476,317	815,557	0.9%
Inspection Fees	4,708,196	12.9%	4,260,059	-9.5%	4,373,692	2.7%	4,342,519	-0.7%	4,379,756	(37,237)	-0.9%
Fines, Forfeits and Penalties	1,918,703	-24.2%	1,518,580	-20.9%	1,809,813	19.2%	1,668,000	-7.8%	2,018,239	(350,239)	-17.4%
Income from Investments	720,046	-46.2%	1,440,739	100.1%	1,833,806	27.3%	1,105,987	-39.7%	795,000	310,987	39.1%
Other Revenues	9,502,442	2.5%	13,728,627	44.5%	9,294,574	-32.3%	9,588,686	3.2%	9,603,076	(14,390)	-0.1%
Total - Highway Fund Revenue	**312,027,986**	**8.3%**	**326,078,155**	**4.5%**	**326,546,157**	**0.1%**	**330,821,083**	**1.3%**	**330,757,329**	**63,754**	**0.0%**

HIGHWAY FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2007

Source	FY08 Budget	% Chg.	Recom. Chg.	FY08 Revised	% Chg.	FY09 Budget	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Fuel Taxes	234,550,398	3.4%	(10,940,953)	223,609,445	-1.4%	239,785,366	2.2%	(4,665,240)	235,120,126	5.1%
Motor Vehicle Registration & Fees	87,290,064	0.0%	480,000	87,770,064	0.5%	87,151,082	-0.2%	(484,115)	86,666,967	-1.3%
Inspection Fees	4,433,458	2.1%	0	4,433,458	2.1%	4,489,821	1.3%	0	4,489,821	1.3%
Fines, Forfeits and Penalties	2,018,239	21.0%	0	2,018,239	21.0%	2,018,239	0.0%	0	2,018,239	0.0%
Income from Investments	795,000	-28.1%	205,000	1,000,000	-9.6%	795,000	0.0%	205,000	1,000,000	0.0%
Other Revenues	10,195,906	6.3%	(389,235)	9,806,671	2.3%	10,406,253	2.1%	(527,545)	9,878,708	0.7%
Total - Highway Fund Revenue	**339,283,065**	**2.6%**	**(10,645,188)**	**328,637,877**	**-0.7%**	**344,645,761**	**1.6%**	**(5,471,900)**	**339,173,861**	**3.2%**
Change in Biennial Totals								**(16,117,088)**		

HIGHWAY FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2007

Source	FY10 Projection	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Projection	% Chg.	Recom. Chg.	FY11 Revised	% Chg.
Fuel Taxes	245,067,959	2.2%	(2,538,878)	242,529,081	3.2%	250,278,802	2.1%	(3,360,750)	246,918,052	1.8%
Motor Vehicle Registration & Fees	84,795,455	-2.7%	(777,542)	84,017,913	-3.1%	85,136,239	0.4%	(596,436)	84,539,803	0.6%
Inspection Fees	4,496,057	0.1%	0	4,496,057	0.1%	4,502,326	0.1%	0	4,502,326	0.1%
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	795,000	0.0%	205,000	1,000,000	0.0%	795,000	0.0%	205,000	1,000,000	0.0%
Other Revenues	10,444,444	0.4%	(527,545)	9,916,899	0.4%	10,482,905	0.4%	(527,545)	9,955,360	0.4%
Total - Highway Fund Revenue	**347,617,154**	**0.9%**	**(3,638,965)**	**343,978,189**	**1.4%**	**353,213,511**	**1.6%**	**(4,279,731)**	**348,933,780**	**1.4%**
Change in Biennial Totals								**(7,918,696)**		

Highway Fund - Fuel Taxes

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$212,600,843	$220,484,728	$221,575,309	$226,824,018	$234,550,398	$239,785,366	$245,067,959	$250,278,802
Annual % Growth	13.1%	3.7%	0.5%	2.4%	3.4%	2.2%	2.2%	2.1%
Net Increase (Decrease)					($10,940,953)	($4,665,240)	($2,538,878)	($3,360,750)
Revised Forecast	$212,600,843	$220,484,728	$221,575,309	$226,824,018	$223,609,445	$235,120,126	$242,529,081	$246,918,052
Annual % Growth	13.1%	3.7%	0.5%	2.4%	-1.4%	5.1%	3.2%	1.8%

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 FY06 with fuel prices at very high levels, fuel taxes were under budget by $5.2 million, a -2.3% variance. Through the first quarter of FY07, fuel taxes continued to run under budget and were $2.9 million under (a -6.6% variance) despite an improvement in gasoline prices.

Forecast Recommended Changes:

In its November 2007 report, the Consensus Economic Forecasting Commission (CEFC) made the following changes in its Consumer Price Index estimates: increased calendar year 2007 from 2.1% to 2.8%, increased calendar year 2008 from 2.2% to 2.5%, and increased calendar years 2009, 2010, and 2011 from 2.1% to 2.5%. The effect of the CEFC adjustments to the Consumer Price Index estimations had a small positve impact on the forecast, but the impact current and forecasted high motor fuel prices resulted in a decline in projected fuel tax revenue.

Actual and Projected Tax Rates

	7/1/2003 Act.	7/1/2004 Act.	7/1/2005 Act.	7/1/2006 Act.	7/1/2007 Act.	7/1/2008	7/1/2009	7/1/2010
Gasoline Tax								
Current Forecast	$0.246	$0.252	$0.259	$0.268	$0.276	$0.282	$0.288	$0.294
Revised Forecast						**$0.284**	**$0.291**	**$0.298**
Special Fuel Tax								
Current Forecast	$0.257	$0.263	$0.270	$0.279	$0.288	$0.294	$0.301	$0.307
Revised Forecast						**$0.296**	**$0.304**	**$0.311**

Highway Fund - Motor Vehicle Registration and Fees

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$82,577,755	$84,645,422	$87,658,962	$87,291,874	$87,290,064	$87,151,082	$84,795,455	$85,136,239
Annual % Growth	-0.5%	2.5%	3.6%	-0.4%	0.0%	-0.2%	-2.7%	0.4%
Net Increase (Decrease)					$480,000	($1,234,115)	($1,527,542)	($1,346,436)
Revised Forecast	$82,577,755	$84,645,422	$87,658,962	$87,291,874	$87,770,064	$85,916,967	$83,267,913	$83,789,803
Annual % Growth	-0.5%	2.5%	3.6%	-0.4%	0.5%	-2.1%	-3.1%	0.6%

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, in FY07, actual revenue from Motor Vehicle Registration and Fees exceeded budgeted amount by $815,557 which is much less of a variance than the previous two fiscal years.

Forecast Recommended Changes:

The following reprojections are recommended for the current forecast period:

-Motor Vehicle Registrations (RSC 1501) - $500,000 in FY08, ($250,000) in FY09, ($250,000) in FY10 and ($250,000) in FY11. FY08 represents a $750,000 one-time upward revision from revenue expected to be collected from the Unified Carrier Registration Agreement (an interstate agreement governing fees paid by motor carriers, brokers and freight forwarders and leasing companies) replaces revenue from for-hire motor carriers under the Single State Registration System. This revenue gain is offset by ($250,000) from a decline in motor vehicle and long term trailer registrations and is expected to continue through FY11.

-Title Law (RSC 1504) - FY08 no change, ($964,115) in FY09, ($1,257,542) in FY10 and ($1,076,436) in FY11. These decreases represent the decline in the number of title issuances. In FY08, there was a one-time buyout of 42,039 trailers in the first 6 months representing $966,897.

-Fees Temp Dealers Plates (RSC 1507) - ($20,000) downward revision is projected for each year of FY08, FY09, FY10 and FY11 to reflect current trends.

Highway Fund - Income From Investments

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$720,046	$1,440,739	$1,833,806	$1,105,987	$795,000	$795,000	$795,000	$795,000
Annual % Growth	-46.2%	100.1%	27.3%	-39.7%	-28.1%	0.0%	0.0%	0.0%
Net Increase (Decrease)					$205,000	$205,000	$205,000	$205,000
Revised Forecast	$720,046	$1,440,739	$1,833,806	$1,105,987	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Annual % Growth	-46.2%	100.1%	27.3%	-39.7%	-9.6%	0.0%	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 near historic lows and slow economic recovery limited revenue growth and reduced earnings early in this decade. FY05 and FY06 saw interest rates rise as the Feds tightened the money supply, helping to improve earnings. The recent lowering of interest rates by the Feds will reduce earnings on the Highway Fund. High fuel prices have reduced fuel consumption and hurt gas tax revenue.

Budget - Highway Fund balances normally carried forward have been partially spent down in recent years. Despite this and the fact that revenues are not expected to meet earlier projections, cash flow in the Highway Fund has improved, offsetting the factors that would have reduced earnings.

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. A new policy to restrict distribution of float earnings to only the General Fund is reducing the return to the Highway Fund.

Assumptions								
	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Balances								
Current Forecast	$53,718,303	$57,959,816	$40,104,073	$18,562,445	$14,454,550	$14,454,550	$14,454,550	$14,454,550
Revised Forecast					$22,222,222	$22,222,222	$22,222,222	$22,222,222
Pool Earnings Rate								
Current Forecast	1.32%	2.39%	4.51%	5.88%	5.50%	5.50%	5.50%	5.50%
Revised Forecast					4.50%	4.50%	4.50%	4.50%

Forecast Recommended Changes:

Although interest rates on short-term investments are lower and Highway Fund revenues are anticipated to not meet earlier projections, cash flow in the Highway Fund has improved enough to cause the Revenue Forecasting Committee to raise the earnings forecast by $205,000 annually beginning in fiscal year 2007-08.

Highway Fund - Other Revenue

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$9,502,442	$13,817,473	$9,294,574	$9,588,686	$10,195,906	$10,406,253	$10,444,444	$10,482,905
Annual % Growth	2.5%	45.4%	-32.7%	3.2%	6.3%	2.1%	0.4%	0.4%
Net Increase (Decrease)					($389,235)	($527,545)	($527,545)	($527,545)
Revised Forecast	$9,502,442	$13,817,473	$9,294,574	$9,588,686	$9,806,671	$9,878,708	$10,443,944	$10,482,405
Annual % Growth	2.5%	45.4%	-32.7%	3.2%	2.3%	0.7%	5.7%	0.4%

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:

Revenue Source	Department	Revenue Source Code
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.

Summary of Revenue Adjustments to December 2007 Forecast

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

Administrative and Financial Services - Highway Fund STA-CAP Reimbursement (2637)

FY08	FY09	FY10	FY11
($380,235)	($518,545)	($518,545)	($518,545)

The increase to the amount of Highway Fund STA-CAP reimbursement reflects changes in Highway Fund allocations upon which budgeted allocations are based. These changes are consistent with, but are the inverse to, changes in General Fund STA-CAP revenue adjustments.

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

FY08	FY09	FY10	FY11
($9,000)	($9,000)	($9,000)	($9,000)

Reflects an increase of General Fund revenue and a decrease of Highway Fund revenue to reflect the proper percentage share for each fund of the proceeds from the sale of autos.

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

Source	FY04 Actual	% Chg.	FY05 Actual	% Chg.	FY06 Actual	% Chg.	FY07 Actual	% Chg.	FY07 Budget	FY07 Variance	% Chg.
Initial Payments	0	-100.0%	0	N/A	0	N/A	0	N/A	0	0	N/A
Base Payments	48,952,964	24.4%	49,033,129	0.2%	45,011,759	-8.2%	47,113,687	4.7%	46,749,694	363,993	0.8%
Racino Revenue **	0	N/A	0	N/A	1,771,173	N/A	3,538,805	99.8%	3,570,300	(31,495)	-0.9%
Income from Investments	54,830	-92.0%	91,444	66.8%	124,780	36.5%	297,803	138.7%	90,000	207,803	230.9%
Attorney General Reimbursements and Other Income	0	N/A	220	N/A	39	-82.2%	217	453.5%	0	217	N/A
Total - Tobacco Settlement Revenue	**49,007,794**	**-13.2%**	**49,124,793**	**0.2%**	**46,907,751**	**-4.5%**	**50,950,512**	**8.6%**	**50,409,994**	**540,518**	**1.1%**
Change in Biennial Totals											

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

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

Source	FY08 Budget	% Chg.	Recom. Chg.	FY08 Revised	% Chg.	FY09 Budget	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Initial Payments	0	N/A	0	0	N/A	0	N/A	0	0	N/A
Base Payments	57,286,505	33.2%	152,776	57,439,281	22.9%	58,092,962	1.4%	1,016,647	59,109,609	2.9%
Racino Revenue **	3,817,151	23.2%	16,639	3,833,790	7.4%	5,977,215	56.6%	459,754	6,436,969	67.9%
Income from Investments	90,000	28.6%	(10,000)	80,000	-11.1%	90,000	0.0%	(10,000)	80,000	0.0%
Attorney General Reimbursements and Other Income	0	N/A	0	0	N/A	0	N/A	0	0	N/A
Total - Tobacco Settlement Revenue	**61,193,656**	**32.5%**	**159,415**	**61,353,071**	**21.7%**	**64,160,177**	**4.8%**	**1,466,401**	**65,626,578**	**7.0%**
Change in Biennial Totals								**1,625,816**		

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

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

Source	FY10 Projection	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Projection	% Chg.	Recom. Chg.	FY11 Revised	% Chg.
Initial Payments	0	N/A	0	0	N/A	0	N/A	0	0	N/A
Base Payments	62,928,997	8.3%	947,895	63,876,892	8.1%	66,659,065	5.9%	(3,866,136)	62,792,929	-1.7%
Racino Revenue **	6,365,775	6.5%	244,838	6,610,613	2.7%	6,543,225	2.8%	251,663	6,794,888	2.8%
Income from Investments	90,000	0.0%	(10,000)	80,000	0.0%	90,000	0.0%	(10,000)	80,000	0.0%
Attorney General Reimbursements and Other Income	0	N/A	0	0	N/A	0	N/A	0	0	N/A
Total - Tobacco Settlement Revenue	**69,384,772**	**8.1%**	**1,182,733**	**70,567,505**	**7.5%**	**73,292,290**	**5.6%**	**(3,624,473)**	**69,667,817**	**-1.3%**
Change in Biennial Totals								**(2,441,740)**		

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

Fund for a Healthy Maine - Base Payments

	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$49,033,349	$45,011,759	$46,629,371	$57,286,505	$58,092,962	$62,928,997	$66,659,065
Annual % Growth	0.2%	-8.2%	3.6%	22.9%	1.4%		
Net Increase (Decrease)				$152,776	$1,016,647	$947,895	($3,866,136)
Revised Forecast	$49,033,349	$45,011,759	$46,629,371	$57,439,281	$59,109,609	$63,876,892	$62,792,929
Annual % Growth	0.2%	-8.2%	3.6%	23.2%	2.9%	8.1%	-1.7%

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 and continue for 10 years.

Revenue Source Forecast Factors and Trends:

Because some states have securitized their TSPs, financial markets are interested in forecasting future payments. Global Insights has forecast these future TSPs using econometric models. The most recent model forecast from Global Insights (August 2007) projects a modest increase over the previous forecast (see table below). Under the MSA, there are numerous adjustments that affect the annual TSPs. These include the inflation adjustment and the volume adjustment. These adjustments are made at the national level.

Another adjustment, the NPM Adjustment, if applicable, reduces payments by participating manufacturers (PMs) for a given sales year related to market share losses by PMs to non-participating manufacturers (NPMs). Under the MSA, if a state has diligently enforced its Qualifying Statute the NPM adjustment is not applied to that state's payment. Beginning in 2006, the PMs asserted they were entitled to have the NPM adjustment applied to specified MSA payments. Certain PMs placed in a disputed payments account the amounts they argue they are entitled to according to the NPM adjustment. This disputed amount was held back from payments received by the State in April 2006 and in April 2007. The amount placed in the disputed payments account from the April 2006 payment was less than estimated in the previous forecast, in part because one PM paid in full without placing any money in the disputed payments account. The same manufacturer made its full MSA payment in April 2007. Whether the PMs are entitled to the NPM adjustment is disputed by the States and is in the complex process of being resolved for each contested year.

Forecast Recommended Changes:

Based on Global Insights' latest modeling and changes in the estimated pattern of withholding related to the NPM adjustment proceedings, the net effect is an increase in the forecast for tobacco settlement payments in each year of the forecast period with the exception of FY11 (see table below). The projections of the amount of net withholding is increased in FY08, but are decreased in FY 09 and beyond. The increased projections of net withholding in FY11 reflect the payment of the disputed amount by one PM in April 2007, thus reducing the projections of the recovery in FY11. The revenue estimates for FY08 do not reflect the risk that the PM that did not withhold its disputed payments in April 2006 and April 2007 could withhold additional amounts from future

Summary of Recommended Changes	FY07	FY08	FY09	FY10	FY11
Change from Global Insight's Economic Modeling of TSP's	$0	$368,670	$373,105	$377,084	$381,289
Change of Estimated Net Withholding from Legal Proceedin	$0	($215,894)	$643,542	$570,811	($4,247,425)
Total Recommended Changes	$0	$152,776	$1,016,647	$947,895	($3,866,136)

Fund for a Healthy Maine - Racino Revenue

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$0	$0	$1,771,173	$3,538,805	$3,817,151	$5,977,215	$6,365,775	$6,543,225
Annual % Growth	N/A	N/A	N/A	99.8%	7.9%	56.6%	6.5%	2.8%
Net Increase (Decrease)					$16,639	$459,754	$244,838	$251,663
Revised Forecast	$0	$0	$1,771,173	$3,538,805	$3,833,790	$6,436,969	$6,610,613	$6,794,888
Annual % Growth	N/A	N/A	N/A	99.8%	8.3%	67.9%	2.7%	2.8%

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 and detailed spreadsheet under the General Fund - Parimutuel and Gaming Revenue category.

Forecast Recommended Changes:

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

Fund for a Healthy Maine - Income from Investments

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$54,830	$91,444	$124,780	$297,803	$90,000	$90,000	$90,000	$90,000
Annual % Growth	-92.0%	66.8%	36.5%	138.7%	-69.8%	0.0%	0.0%	0.0%
Net Increase (Decrease)					($10,000)	($10,000)	($10,000)	($10,000)
Revised Forecast	$54,830	$91,444	$124,780	$297,803	$80,000	$80,000	$80,000	$80,000
Annual % Growth	-92.0%	66.8%	36.5%	138.7%	-73.1%	0.0%	0.0%	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 Funds 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 also includes interest on settlement payments paid by contractors/providers of FHM services. 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 December payments 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, with most of the interest earned in the final quarter of the state fiscal year when the TSP's are received. Recent and additional projected drops in interest rates are expected to lower

Forecast Recommended Changes:

Lower interest rates on short-term investments will reduce earnings to the Fund for a Healthy Maine. The Revenue Forecasting Committee has lowered earnings by $10,000 beginning in FY 08 and running through the forecast period.

Appendix D
Medicaid/MaineCare Dedicated Revenue Taxes

Table of Contents

MEDICAID/MAINECARE DEDICATED REVENUE TAXES
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2007

Source	FY04 Actual	% Chg.	FY05 Actual **	% Chg.	FY06 Actual ***	% Chg.	FY07 Actual	% Chg.	FY07 Budget	FY07 Variance	% Chg.
Nursing Facility Tax	30,501,448	38.3%	29,241,327	-4.1%	31,397,376	7.4%	30,061,513	-4.3%	29,858,844	202,668	0.7%
Residential Treatment Facility (ICFs/MR) Tax	1,617,662	3.4%	1,958,739	21.1%	1,868,534	-4.6%	1,880,205	0.6%	1,932,036	(51,831)	-2.7%
Hospital Tax *	16,383,319	N/A	48,907,135	198.5%	54,050,888	10.5%	59,807,056	10.6%	59,481,377	325,679	0.5%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	0	N/A	15,430,099	N/A	30,779,242	99.5%	33,955,412	10.3%	34,149,711	(194,299)	-0.6%
Total - Health Care Provider Taxes	**48,502,429**	**105.4%**	**95,537,301**	**97.0%**	**118,096,040**	**23.6%**	**125,704,185**	**6.4%**	**125,421,968**	**282,217**	**0.2%**
Change in Biennial Totals											

* 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.
***The MaineCare service provider tax was expanded in FY06 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).

MEDICAID/MAINECARE DEDICATED REVENUE TAXES

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2007

Source	FY08 Budget	% Chg.	Recom. Chg.	FY08 Revised	% Chg.	FY09 Budget	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Nursing Facility Tax	30,605,315	1.8%	207,736	30,813,051	2.5%	31,370,449	2.5%	212,928	31,583,377	2.5%
Residential Treatment Facility (ICFs/MR) Tax	1,980,337	5.3%	(53,127)	1,927,210	2.5%	2,029,845	2.5%	(54,455)	1,975,390	2.5%
Hospital Tax *	59,481,377	-0.5%	0	59,481,377	-0.5%	59,481,377	0.0%	0	59,481,377	0.0%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	35,003,453	3.1%	2,402,061	37,405,514	10.2%	35,878,540	2.5%	2,462,114	38,340,654	2.5%
Total - Health Care Provider Taxes	**127,070,482**	**1.1%**	**2,556,670**	**129,627,152**	**3.1%**	**128,760,211**	**1.3%**	**2,620,587**	**131,380,798**	**1.4%**
Change in Biennial Totals								**5,177,257**		

* 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.

***The MaineCare service provider tax was expanded in FY06 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).

MEDICAID/MAINECARE DEDICATED REVENUE TAXES

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2007

Source	FY10 Forecast	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Forecast	% Chg.	Recom. Chg.	FY11 Revised	% Chg.
Nursing Facility Tax	32,154,709	2.5%	218,252	32,372,961	2.5%	32,958,577	2.5%	223,708	33,182,285	2.5%
Residential Treatment Facility (ICFs/MR) Tax	2,080,591	2.5%	(55,816)	2,024,775	2.5%	2,132,606	2.5%	(57,212)	2,075,394	2.5%
Hospital Tax *	59,481,377	0.0%	0	59,481,377	0.0%	59,481,377	0.0%	0	59,481,377	0.0%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	36,775,504	2.5%	2,523,664	39,299,168	2.5%	37,694,891	2.5%	2,586,756	40,281,647	2.5%
Total - Health Care Provider Taxes	**130,492,181**	**1.3%**	**2,686,100**	**133,178,281**	**1.4%**	**132,267,451**	**1.4%**	**2,753,252**	**135,020,703**	**1.4%**
Change in Biennial Totals								**5,439,352**		

* 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.

***The MaineCare service provider tax was expanded in FY06 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).

Nursing Facility Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$30,501,448	$29,241,327	$31,397,376	$30,061,513	$30,605,315	$31,370,449	$32,154,709	$32,958,577
Annual % Growth	38.3%	-4.1%	7.4%	-4.3%	1.8%	2.5%	2.5%	2.5%
Net Increase (Decrease)					$207,736	$212,928	$218,252	$223,708
Revised Forecast	$30,501,448	$29,241,327	$31,397,376	$30,061,513	$30,813,051	$31,583,377	$32,372,961	$33,182,285
Annual % Growth	38.3%	-4.1%	7.4%	-4.3%	2.5%	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 FY07 collections. The forecast was not revised to reflect the possible impact of Section 403 of the federal Tax Relief and Health Care Act of 2006 (TRHCA), PL 109-432, that will limit Medicaid provider taxes to 5.5% of the revenues received by the taxpayer effective for fiscal year years beginning after January 1, 2008, and before October 1, 2011. Conformity with this federal change will require a change to Maine statute.

Service Provider Tax (Dedicated Revenue)

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$0	$15,430,099	$30,779,242	$33,955,412	$35,003,454	$35,878,540	$36,775,504	$37,694,891
Annual % Growth	N/A	N/A	99.5%	21.1%	3.1%	2.5%	2.5%	2.5%
Net Increase (Decrease)					$2,402,061	$2,462,114	$2,523,664	$2,586,756
Revised Forecast	$0	$15,430,099	$30,779,242	$33,955,412	$37,405,515	$38,340,654	$39,299,168	$40,281,647
Annual % Growth	N/A	N/A	99.5%	10.3%	10.2%	2.5%	2.5%	2.5%

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.

Forecast Recommended Changes:

The forecast has been updated to reflect actual FY07 collections and FY 08 collections through October 2007. Future year growth assumption are unchanged.

Residential Treatment Facility (ICF's/MR) Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$1,617,662	$1,958,739	$1,868,534	$1,880,205	$1,980,337	$2,029,845	$2,080,591	$2,132,606
Annual % Growth	3.4%	21.1%	-4.6%	0.6%	5.3%	2.5%	2.5%	2.5%
Net Increase (Decrease)					($53,127)	($54,455)	($55,816)	($57,212)
Revised Forecast	$1,617,662	$1,958,739	$1,868,534	$1,880,205	$1,927,210	$1,975,390	$2,024,775	$2,075,394
Annual % Growth	3.4%	21.1%	-4.6%	0.6%	2.5%	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 FY07 collections. The forecast was not revised to reflect the possible impact of Section 403 of the federal Tax Relief and Health Care Act of 2006 (TRHCA), PL 109-432, that will limit Medicaid provider taxes to 5.5% of the revenues received by the taxpayer effective for fiscal year years beginning after January 1, 2008, and before October 1, 2011. Conformity with this federal change will require a change to Maine statute.

APPENDIX E

Consensus Economic Forecasting Commission Report

Report of the
CONSENSUS ECONOMIC FORECASTING COMMISSION
November 1, 2007

Commissioners

Charles Colgan, Chair
Professor of Public Policy and Management
University of Southern Maine

Eleanor Baker
Managing Principal
Baker Newman Noyes, LLC

John Davulis
Chief Economist
Central Maine Power Co.

Michael Donihue
Professor of Economics
Colby College

Charles Lawton
Senior Economist
Planning Decisions, Inc.

Summary

The Maine Consensus Economic Forecasting Commission (CEFC) convened on Tuesday, October 16, to refine its February 2007 forecast. The CEFC expects annual employment growth of 0.3% to 0.7% over the next five years. Compared to their previous forecast, the commission decreased 2007's expected growth by 0.2 percentage points and 2008 by 0.5 percentage points. The continued weakness in the housing and financial sectors and the increase in energy prices are likely to limit future job growth.

The CEFC increased its estimate of 2007 income growth from 4.3% to 4.9% based on information for the first six months of 2007. Future years were adjusted in correspondence with the revisions to employment growth.

In response to higher than expected price increases in the first eight months of 2007 (2.4% compared to the previous forecast of 2.1%), the CEFC increased the inflation forecast, as measured by the Consumer Price Index (CPI), to 2.8% for 2007 and 2.5% for 2008 to 2011. The table below outlines the forecast's major indicators.

Calendar Years	2007	2008	2009	2010	2011
Wage & Salary Employment (Annual Percentage Change)					
CEFC Forecast 2/2007	**0.7**	**0.8**	**0.8**	**0.7**	**0.6**
CEFC Forecast 10/2007	**0.5**	**0.3**	**0.6**	**0.7**	**0.7**
Personal Income (Annual Percentage Change)					
CEFC Forecast 2/2007	**4.3**	**4.5**	**4.5**	**4.3**	**4.2**
CEFC Forecast 10/2007	**4.9**	**4.4**	**4.5**	**4.5**	**4.6**
CPI (Annual Percentage Change)					
CEFC Forecast 2/2007	**2.1**	**2.2**	**2.1**	**2.1**	**2.1**
CEFC Forecast 10/2007	**2.8**	**2.5**	**2.5**	**2.5**	**2.5**

In making these adjustments, the CEFC drew upon information presented by several state agencies. The following sections summarize their reports.

Maine Department of Labor

Labor market indicators show that employment in Maine has grown since last year, although preliminary recent data suggest potential softening in the market. Average residential employment through September rose 2,800 over the first nine months of 2006. Over the same period, non-farm wage and salary jobs increased by 3,100. However, seasonally-adjusted non-farm wage and salary jobs for the third quarter were below the second quarter average. Through the first nine months of 2007, the average unemployment rate was 4.5%. For the same period in 2006, the unemployment rate was also 4.5%. The seasonally-adjusted unemployment rate for both July and August was 4.8%.

The breakdown of non-farm wage and salary jobs by industry reflects the long-term trend of contraction in manufacturing and the short-term impact of a weak housing sector. The fall in home sales and new residential construction reduced employment in construction and financial services. However, an increase in non-building and commercial construction absorbed some of the residential construction jobs.

Education and health services and the professional and business services experienced modest job gains. The Department of Labor noted that these are preliminary figures, subject to revision, but the trends are likely to continue.

The development of a modular construction facility in Brewer by Cianbro Corp. is projected to create 470 jobs by 2009. The commission considered this development in their forecast.

Maine Revenue Services

Retail sales at building supply stores, general merchandise stores, and specialty retail establishments, were weak in August, all well-below August 2006 levels. Restaurant, lodging and automobile sales were up, but overall sales were 2% below August 2006. For the first eight months of 2007, total retails sales have been flat, with gains in restaurant, lodging, and autos countered by losses in building supplies and general merchandise.

General fund revenue for the current fiscal year through September 2007 is 0.8% below projections. Corporate income tax and cigarette and tobacco tax were short by 6.8% and 16%, respectively. Estate tax, which is historically volatile, was also below projections.

Highway fund revenue for the current fiscal year was 6.5% below projections through September 2007. This is largely from fuel taxes being 7.0% below projections in the first three months of the fiscal year.

Growth in individual income tax withholdings for 2007 may be slowing. Compared to the previous year, withholdings grew 3.8% in the first quarter of 2007 and 5.3% in the second (higher growth than in 2006). However, in third quarter, growth slowed to 2.3%, which was a lower year over year increase than in 2006.

Maine State Planning Office

The most recent economic indicators available through the end of September present a similar view of the economy suggested by the labor figures. The year over year retail sales and income indicators are higher than they were in 2006, but more recent data suggests a slowdown in growth. The coincident economic activity index, a broad measure of the state economy that approximates growth in the State Gross Domestic Product, rose 2.0% in the first eight months of 2007. Growth was slower in the last three months than in the first half of the year.

Revised personal income data from the Bureau of Economic Analysis indicate that income is likely to finish 2007 above the January forecast. Total personal income in the first half of 2007 was 4.9% higher than in the first half of 2006. The largest income component, wage and salaries, increased 4.7% over the same time period. Other areas of higher than expected growth included transfer payments and the residence adjustment. Non-farm proprietor’s income was slightly lower than the earnings reported in the first half of 2006.

In the first eight months of 2007 inflation, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), increased 2.4%. This is less than the 3.2% average for 2006, but remains above the CEFC’s January 2.1% forecast. The recent price increase in oil is not currently reflected in consumer prices.

High energy prices and weakness in the housing and financial services sectors are potential areas of concern for future growth. According to the National Association of Realtors, Maine existing home sales were 13% less in the first six months of 2007 than they were in 2006. The number of residential housing permits also dropped, with 18% fewer permits being issued through August 2007 than in the first eight months of 2006. The price of existing single family homes, as measured by the Freddie Mae Conventional Housing Price Index, increased 3.9% in the first six months of 2007 compared to the same period in 2006.

At the national level an increase in the default rate of sub-prime mortgages is reducing the availability of credit and impacting financial institutions outside the housing market. Maine has a similar percentage of outstanding loans that use the sub-prime market as the national rate with 15% (although lower percentage of adjustable-rate mortgages). Continued problems in the sub-prime market are likely to lead to weakness in the housing sector.

In the energy market, the average monthly price of oil increased from $54.51 in January 2007 to $79.91 in September 2007. During the same period, the price of regular gasoline has trended lower. Current retail gasoline prices do not reflect recent oil price increases. The price of home heating oil is starting the winter heating season 20% higher than in October 2006. The Energy Information Agency projects the higher price to be sustained through the winter.

The U.S. foreign exchange rate trended downward over the first eight months of 2007. The Canadian dollar is now trading at parity with the US dollar for the first time since 1976. This is important for Maine because it will encourage Canadian visitors to spend money in Maine while reducing the price of Maine exports compared to other countries in the global market. It may also increase the cost of foreign imports.

Consensus Forecast

The Consensus Economic Forecasting Commission made a number of adjustments to its January 2007 forecast. The commission lowered near-term estimates for wage and salary job growth and increased the estimates for inflation and personal income. The following outlines their discussion while making these changes.

Short- and near-term changes in wage and salary employment are likely to be driven by fallout from the housing sector, both in Maine and nationally. The unwillingness of investors to purchase securities backed by mortgages may limit the credit available for new mortgages. At the same time, falling housing prices may reduce the use of equity credit. However, compared to other areas of the country Maine housing prices might not be considered as significantly overpriced. The draw of Maine for second homes and relocating retirees may sustain housing prices.

Charlie Colgan modeled two forecast scenarios for the New England Economic Partnership. If the housing and financial services sectors recover in early 2008, the forecast shows only a limited short-term impact. The economy would recover jobs in construction and financial sectors (which includes realtors, bankers, mortgage brokers, etc.). If fallout from the housing sector decline is more pervasive, then job growth will be reduced through 2011.

Charles Lawton suggested that any job losses in the financial sector in Maine would likely occur in large blocks rather than gradually, as shown in some models. He added that without advance, inside knowledge, it would be impossible to predict whether that will happen and to incorporate it into the forecast.

The commission reduced its January wage and salary employment growth forecast in 2007, 2008 and 2009 to 0.5%, 0.3% and 0.6% respectively and adjusted it to 0.7% for 2010 and 2011.

Wages and salary income, and transfer payments, exceeded the CEFC’s forecast in the first half of 2007. With the exception of the Global Insight forecast, all the economic models suggested a downward growth trend in later years. Based on that information, the CEFC increased its forecast for 2007 growth in total personal income from 4.3% to 4.9%. It projected annual growth for 2008 to 2011 to be 4.4% to 4.6%.

The softening labor market will hold down growth in the wage and salary income component. Income tax returns suggested that some of the recent income growth has been driven by bonuses and growth at higher income levels. Income growth at lower levels has been modest. The CEFC increased its forecast for wage and salary income to 4.3% for 2007, based on actual data for the first half of 2007, and lowered it to 3.7% in 2008. Growth in wages for the 2009 to 2011 was reduced from the 4.2%-4.0% to 3.8%- 3.9%.

Dividend interest and rent, and transfer payments, are two income components that are likely to sustain growth in coming years. Profits by publicly traded companies in the last year have been strong suggesting continued growth in investment income. The aging of the population likely contributes to the increase in transfer payments, which includes social security payments and Medicare benefits.

High oil prices and a weak dollar increased the inflation forecast. Current retail gasoline prices do not reflect recent price increases in oil. As refiners start to pass the higher prices on to retailers, gasoline prices for consumers and businesses will rise. The extra cost of transportation will also be added to consumer good prices. The depreciation of the U.S. dollar is contributing to the increase in oil prices. Furthermore, if the dollar continues to depreciate, foreign companies will be under pressure to increase prices. So far, most foreign companies have chosen to maintain U.S. market share rather than increase prices. The higher energy prices and a weak dollar added an extra 0.3 points to the January 2007 forecast. In 2007 the Consumer Price Index is forecast to end the year up 2.8% and continue to increase 2.5% through 2011.

Maine Consensus Economic Forecasting Commission

November 2007 Forecast

				History	Forecast					
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
CPI-U* (Annual Change)	1.6%	2.3%	2.7%	3.4%	3.2%	2.8%	2.5%	2.5%	2.5%	2.5%
Maine Unemployment Rate**	4.4%	5.0%	4.6%	4.8%	4.6%	4.6%	4.8%	4.7%	4.6%	4.5%
3-Month Treasury Bill Rate**	1.6%	1.0%	1.4%	3.1%	4.7%	4.7%	4.6%	4.7%	4.7%	4.4%
10-Year Treasury Note Rate**	4.6%	4.0%	4.3%	4.3%	4.8%	4.7%	5.3%	5.7%	5.7%	5.5%
Maine Wage & Salary Employment*	606.5	606.8	611.7	611.7	614.7	618.0	619.9	623.7	628.0	632.3
Natural Resources	2.6	2.5	2.6	2.7	2.8	2.7	2.7	2.7	2.7	2.7
Construction	29.4	30.5	30.8	30.7	31.4	31.6	30.8	30.8	31.2	31.5
Manufacturing	68.0	64.1	63.0	61.4	60.2	59.4	59.1	58.9	58.5	58.2
Trade/Trans./Public Utils.	123.2	123.2	125.2	125.2	125.5	125.4	125.1	125.4	126.1	126.8
Information	11.6	11.4	11.2	11.2	11.2	11.4	11.7	11.8	11.9	12.0
Financial Activities	35.1	35.1	34.9	34.2	33.6	33.9	33.9	34.4	35.0	35.5
Prof. & Business Services	51.4	50.3	49.6	50.3	51.7	53.2	54.0	54.9	55.4	56.5
Education & Heath Services	104.9	107.3	110.9	112.2	114.0	115.4	116.4	116.9	118.5	120.0
Leisure & Hospitality Services	57.3	58.5	58.8	59.2	59.7	60.0	60.5	61.7	62.6	63.1
Other Services	19.8	20.3	20.0	20.0	19.6	19.9	20.3	20.6	20.7	21.0
Government	103.1	103.7	104.7	104.8	105.0	105.1	105.4	105.5	105.4	105.3
Agricultural Employment	18.0	17.8	17.1	16.8	17.1	17.1	17.1	17.1	17.1	17.1
Maine Wage & Salary Employment*	-0.3%	0.0%	0.8%	0.0%	0.5%	0.5%	0.3%	0.6%	0.7%	0.7%
Natural Resources	-3.7%	-3.8%	4.0%	3.8%	3.7%	-2.0%	-0.9%	-0.4%	0.0%	-0.2%
Construction	-1.3%	3.7%	1.0%	-0.3%	2.3%	0.6%	-2.5%	0.0%	1.3%	0.8%
Manufacturing	-8.8%	-5.7%	-1.7%	-2.5%	-2.0%	-1.3%	-0.5%	-0.3%	-0.7%	-0.6%
Trade/Trans./Public Utils.	-0.4%	0.0%	1.6%	0.0%	0.2%	-0.1%	-0.2%	0.2%	0.6%	0.5%
Information	-4.1%	-1.7%	-1.8%	0.0%	0.0%	1.8%	2.6%	0.9%	0.8%	0.4%
Financial Activities	0.0%	0.0%	-0.6%	-2.0%	-1.8%	0.9%	0.0%	1.5%	1.7%	1.4%
Prof. & Business Services	-0.8%	-2.1%	-1.4%	1.4%	2.8%	2.9%	1.5%	1.7%	0.9%	2.0%
Education & Heath Services	4.1%	2.3%	3.4%	1.2%	1.6%	1.2%	0.9%	0.4%	1.4%	1.2%
Leisure & Hospitality Services	1.6%	2.1%	0.5%	0.7%	0.8%	0.5%	0.8%	2.0%	1.5%	0.8%
Other Services	3.7%	2.5%	-1.5%	0.0%	-2.0%	1.5%	2.0%	1.5%	0.2%	1.7%
Government	1.1%	0.6%	1.0%	0.1%	0.2%	0.1%	0.3%	0.0%	0.0%	-0.1%
Agricultural Employment	1.3%	-1.0%	-4.2%	-1.5%	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Personal Income*	35998.8	37532.8	39510.5	40634.0	42199.5	44267.3	46204.0	48271.6	50443.8	52739.0
Wage & Salary Disbursements*	18551.8	19277.0	20211.3	20608.5	21427.3	22337.9	23164.4	24062.0	25006.5	25966.7
Supplements to Wages & Salaries*	4422.5	4711.3	4902.5	5107.0	5286.3	5448.0	5591.5	5777.9	5997.4	6246.3
Non-Farm Proprietors' Income*	2630.8	2704.0	3092.3	3271.5	3395.5	3477.0	3639.3	3833.3	4032.7	4234.3
Farm Proprietors' Income	-36.0	-0.3	14.8	5.0	24.5	25.5	26.5	27.5	28.6	29.7
Dividends, Interest, & Rent*	6089.3	6048.0	6144.8	5928.8	6295.0	6745.7	7258.4	7788.3	8317.9	8839.1
Dividends	1673.7	1878.2	2233.3	2009.1	2200.7	2420.8	2660.4	2907.8	3157.9	3385.3
Interest	3797.6	3623.3	3416.6	3676.3	3895.1	4144.4	4426.2	4709.5	4987.3	5281.6
Rent	618.0	546.5	494.9	243.5	199.1	180.2	171.2	171.2	172.1	172.9
Transfer Payments*	6477.5	7030.8	7488.3	8132.5	8294.0	8799.9	9195.9	9582.2	9984.6	10413.9
Less: Contributions to Social Ins.	2846.5	2936.8	3083.3	3184.0	3334.8	3452.8	3577.6	3735.3	3895.4	4072.7
Residence Adjustment	709.8	698.3	740.0	764.8	812.3	864.2	905.7	948.3	992.9	1039.5
Farm Income	71.0	91.5	105.8	80.5	103.5	107.9	111.9	116.2	120.8	125.4
Personal Income*	2.5%	4.3%	5.3%	2.8%	3.9%	4.9%	4.4%	4.5%	4.5%	4.6%
Wage & Salary Disbursements*	3.2%	3.9%	4.8%	2.0%	4.0%	4.3%	3.7%	3.9%	3.9%	3.8%
Supplements to Wages & Salaries*	9.0%	6.5%	4.1%	4.2%	3.5%	3.1%	2.6%	3.3%	3.8%	4.2%
Non-Farm Proprietors' Income*	-5.0%	2.8%	14.4%	5.8%	3.8%	2.4%	4.7%	5.3%	5.2%	5.0%
Farm Proprietors' Income	N/A	N/A	N/A	-66.1%	390.0%	4.3%	3.7%	3.9%	3.9%	3.8%
Dividends, Interest, & Rent*	-3.9%	-0.7%	1.6%	-3.5%	6.5%	7.2%	7.6%	7.3%	6.8%	6.3%
Dividends	8.8%	12.2%	18.9%	-10.0%	9.5%	10.0%	9.9%	9.3%	8.6%	7.2%
Interest	-6.9%	-4.6%	-5.7%	7.6%	6.0%	6.4%	6.8%	6.4%	5.9%	5.9%
Rent	-14.4%	-11.6%	-9.4%	-50.8%	-18.2%	-9.5%	-5.0%	0.0%	0.5%	0.5%
Transfer Payments*	7.6%	8.5%	6.5%	8.6%	2.0%	6.1%	4.5%	4.2%	4.2%	4.3%
Less: Contributions to Social Ins.	1.2%	3.2%	5.0%	3.3%	4.7%	3.5%	3.6%	4.4%	4.3%	4.5%
Residence Adjustment	-2.3%	-1.6%	6.0%	3.3%	6.2%	6.4%	4.8%	4.7%	4.7%	4.7%
Farm Income	-36.3%	28.9%	15.6%	-23.9%	28.6%	4.3%	3.7%	3.9%	3.9%	3.8%

*CEFC Forecast

**Maine Unemployment Rate, and 3-month Treasury Bill and 10-year Treasury Bond rates from Moody's Economy.com - September 2007
Remaining lines derived from the CEFC forecast by CEFC staff and reviewed by the CEFC.

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 1st 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 1st and March 1st. 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 1st. That process concludes with when the Governor submits his budget proposals to the Legislature by a statutory deadline, the first Friday after the 1st 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 1st. The December 1st 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 1st forecast of the biennium updates the current projections for the upcoming budget biennium and it provides the 1st projections of the following biennium.

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

APPENDIX G

Materials Distributed by Maine Revenue Services on November 19, 2007

Maine Revenue Services
Economic Research Division

Maine Revenue Services' Recommendations to the Revenue Forecasting Committee

	2008	2009	Biennium	2010	2011	Biennium
Sales & Use and Service Provider Taxes	($21,066,117)	($19,584,072)	($40,650,189)	($10,640,919)	($5,264,777)	($15,905,696)
Individual Income Tax (Excluding BETR and T&R)	$18,165,000	($338,000)	$17,827,000	($32,618,000)	($52,051,000)	($84,669,000)
Corporate Income Tax	($7,452,405)	($7,281,196)	($14,733,601)	($10,903,484)	($32,732,049)	($43,635,533)
Cigarette & Tobacco Taxes	($6,068,061)	($6,409,223)	($12,477,284)	($6,620,207)	($6,751,011)	($13,371,218)
Estate Tax	$0	($1,715,301)	($1,715,301)	($2,877,102)	($244,373)	($3,121,475)
Total Adjustments to Current Forecast	($16,421,583)	($35,327,792)	($51,749,375)	($63,659,712)	($97,043,210)	($160,702,922)
General Fund	($15,893,553)	($33,940,426)	($49,833,979)	($60,843,267)	($92,360,723)	($153,203,990)
Local Government Fund	($528,030)	($1,387,367)	($1,915,396)	($2,816,445)	($4,682,487)	($7,498,932)

STATE OF MAINE

Undedicated Revenues - General Fund
For the Twelvth Month Ended June 30, 2007
For the Fiscal Year Ending June 30, 2007
Comparison to Budget

EXHIBIT I

	Month				Year to Date				
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Total Budgeted Fiscal Year Ending 6-30-2007
Sales and Use Tax	175,994,519	172,822,029	3,172,490	1.8%	971,455,721	974,740,367	(3,284,646)	(0.3%)	974,740,367
Service Provider Tax	8,458,522	8,472,167	(13,645)	(0.2%)	49,400,532	48,911,765	488,767	1.0%	48,911,765
Individual Income Tax	184,557,871	174,703,431	9,854,440	5.6%	1,353,934,495	1,347,619,508	6,314,987	0.5%	1,347,619,508
Corporate Income Tax	43,657,636	31,998,947	11,658,689	36.4%	183,851,533	172,078,755	11,772,778	6.8%	172,078,755
Cigarette and Tobacco Tax	13,870,933	14,068,096	(197,163)	(1.4%)	158,953,466	158,502,981	450,485	0.3%	158,502,981
Public Utilities Tax	-	-	-	-	16,317,029	16,891,746	(574,717)	(3.4%)	16,891,746
Insurance Companies Tax	24,230,464	25,876,960	(1,646,496)	(6.4%)	74,452,542	76,336,389	(1,883,847)	(2.5%)	76,336,389
Estate Tax	8,565,760	9,071,874	(506,114)	(5.6%)	54,820,038	55,465,498	(645,460)	(1.2%)	55,465,498
Property Tax - Unorg Territory	972,918	1,446,684	(473,766)	(32.7%)	11,376,293	11,597,312	(221,019)	(1.9%)	11,597,312
Income from Investments	632,836	645,467	(12,631)	(2.0%)	1,215,836	1,517,319	(301,483)	(19.9%)	1,517,319
Transfer to Municipal Revenue Sharing	(21,046,096)	(19,787,822)	(1,258,274)	(6.4%)	(130,490,756)	(129,710,869)	(779,887)	(0.6%)	(129,710,869)
Transfer from Lottery Commission	4,507,956	4,748,329	(240,373)	(5.1%)	50,624,741	50,334,250	290,491	0.6%	50,334,250
Other Revenues	34,340,549	33,507,949	832,600	2.5%	223,683,920	220,713,733	2,970,187	1.3%	220,713,733
Total Collected	478,743,868	457,574,111	21,169,757	4.6%	3,019,595,390	3,004,998,754	14,596,636	0.5%	3,004,998,754

NOTES: (1) Included in the above is $21,046,096 for the month and $130,490,756 year to date, that was set aside for Revenue Sharing with cities and towns. Of this, $ 26,754,358 was transferred to the Disproportionate Tax Burden Fund.

(2) Figures reflect estimates of the Maine State Revenue Forecasting Committee approved in May 2007.

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

STATE OF MAINE
Undedicated Revenues - General Fund
For the Twelvth Month Ended June 30, 2007 and 2006
For the Fiscal Years Ending June 30, 2007 and 2006
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	175,994,519	169,478,364	6,516,155	3.8%	971,455,721	946,174,276	25,281,445	2.7%
Service Provider Tax	8,458,522	8,005,372	453,151	5.7%	49,400,532	47,028,431	2,372,101	5.0%
Individual Income Tax	184,557,871	175,599,236	8,958,636	5.1%	1,353,934,495	1,254,510,746	99,423,749	7.9%
Corporate Income Tax	43,657,636	26,686,857	16,970,779	63.6%	183,851,533	188,015,557	(4,164,024)	(2.2%)
Cigarette and Tobacco Tax	13,870,933	17,003,760	(3,132,827)	(18.4%)	158,953,466	156,951,370	2,002,096	1.3%
Public Utilities Tax	-	(6)	6	100.0%	16,317,029	20,627,030	(4,310,001)	(20.9%)
Insurance Companies Tax	24,230,464	24,148,378	82,086	0.3%	74,452,542	76,065,865	(1,613,323)	(2.1%)
Estate Tax	8,565,760	9,260,089	(694,329)	(7.5%)	54,820,038	75,330,514	(20,510,476)	(27.2%)
Property Tax - Unorg Territory	972,918	1,998,906	(1,025,988)	(51.3%)	11,376,293	11,559,305	(183,012)	(1.6%)
Income from Investments	632,836	2,795,797	(2,162,961)	(77.4%)	1,215,836	8,271,870	(7,056,034)	(85.3%)
Transfer to Municipal Revenue Sharing	(21,046,096)	(19,368,261)	(1,677,835)	(8.7%)	(130,490,756)	(124,222,180)	(6,268,576)	(5.0%)
Transfer from Lottery Commission	4,507,956	3,484,556	1,023,400	29.4%	50,624,741	50,879,646	(254,905)	(0.5%)
Other Revenues	34,340,549	36,156,720	(1,816,171)	(5.0%)	223,683,920	220,633,256	3,050,664	1.4%
Total Collected	478,743,868	455,249,767	23,494,101	5.2%	3,019,595,390	2,931,825,685	87,769,705	3.0%

STATE OF MAINE

Undedicated Revenues - General Fund
For the Twelvth Month Ending June 30, 2007
For the Fiscal Year Ending June 30, 2007
Comparison to Budget

EXHIBIT III

Detail of Other Revenues	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2007
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	
0100's All Others	2,751,867	2,140,101	611,766	28.6%	26,334,802	25,786,038	548,764	2.1%	25,786,038
0300's Aeronautical Gas Tax	21,070	24,425	(3,355)	(13.7%)	251,616	252,461	(845)	(0.3%)	252,461
0400's Alcohol Excise Tax	1,666,951	952,055	714,896	75.1%	16,975,910	16,888,325	87,585	0.5%	16,888,325
0700's Corporation Taxes	2,233,144	1,034,907	1,198,237	115.8%	6,639,084	5,815,012	824,072	14.2%	5,815,012
1000's Banking Taxes	1,504,350	1,479,275	25,075	1.7%	22,004,030	21,567,380	436,650	2.0%	21,567,380
1100's Alcoholic Beverages	660,360	432,477	227,883	52.7%	4,168,026	3,726,402	441,624	11.9%	3,726,402
1200's Amusements Tax	-	-	-	-	2,400	3,000	(600)	(20.0%)	3,000
1300's Harness Racing/Parimutuels/Slots	620,901	765,677	(144,776)	(18.9%)	8,067,031	8,047,822	19,209	0.2%	8,047,822
1400's Business Taxes	915,290	708,232	207,058	29.2%	9,487,632	8,815,658	671,974	7.6%	8,815,658
1500's Motor Vehicle Licenses	603,111	353,604	249,507	70.6%	4,209,505	4,174,090	35,415	0.8%	4,174,090
1700's Inland Fisheries & Wildlife	1,264,724	1,634,941	(370,217)	(22.6%)	16,401,841	15,705,573	696,268	4.4%	15,705,573
1900's Hospital Excise & Other	33,338	60,745	(27,407)	(45.1%)	373,849	418,037	(44,188)	(10.6%)	418,037
2000's Fines, Forfeits & Penalties	4,530,050	4,007,234	522,816	13.0%	41,415,132	41,918,483	(503,351)	(1.2%)	41,918,483
2200's Federal Revenues	1,727,495	1,855,372	(127,877)	(6.9%)	15,310,753	14,711,475	599,278	4.1%	14,711,475
2300's County Revenues	-	-	-	-	-	-	-	-	-
2400's Revenues from Cities & Towns	25,093	15,000	10,093	67.3%	116,311	60,000	56,311	93.9%	60,000
2500's Revenues from Private Sources	66,975	132,679	(65,704)	(49.5%)	6,500,030	6,498,894	1,136	0.0%	6,498,894
2600's Current Service Charges	1,904,890	2,910,033	(1,005,143)	(34.5%)	30,255,673	31,600,161	(1,344,488)	(4.3%)	31,600,161
2700's Transfers from Other Funds	13,734,948	14,980,926	(1,245,978)	(8.3%)	15,051,567	14,599,322	452,245	3.1%	14,599,322
2800's Sales of Property & Equipment	75,992	20,266	55,726	275.0%	118,728	125,600	(6,872)	(5.5%)	125,600
Total Other Revenues	34,340,549	33,507,949	832,600	2.5%	223,683,920	220,713,733	2,970,187	1.3%	220,713,733

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

STATE OF MAINE

EXHIBIT IV

Undedicated Revenues - General Fund
For the Twelvth Month Ending June 30, 2007 and 2006
For the Fiscal Years Ending June 30, 2007 and 2006
Comparison to Prior Year

Detail of Other Revenues	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)
0100's All Others	2,751,867	2,844,500	(92,633)	(3.3%)	26,334,802	28,055,172	(1,720,370)	(6.1%)
0300's Aeronautical Gas Tax	21,070	20,299	771	3.8%	251,616	605,890	(354,274)	(58.5%)
0400's Alcohol Excise Tax	1,666,951	1,769,690	(102,739)	(5.8%)	16,975,910	15,691,844	1,284,066	8.2%
0700's Corporation Taxes	2,233,144	1,452,507	780,638	53.7%	6,639,084	6,385,452	253,632	4.0%
1000's Banking Taxes	1,504,350	1,620,490	(116,140)	(7.2%)	22,004,030	20,471,110	1,532,920	7.5%
1100's Alcoholic Beverages	660,360	596,661	63,699	10.7%	4,168,026	3,743,166	424,860	11.4%
1200's Amusements Tax	-	-	-	-	2,400	2,710	(310)	(11.4%)
1300's Harness Racing/Parimutuels/Slots	620,901	509,106	111,795	22.0%	8,067,031	4,482,192	3,584,839	80.0%
1400's Business Taxes	915,290	1,558,185	(642,895)	(41.3%)	9,487,632	8,777,212	710,420	8.1%
1500's Motor Vehicle Licenses	603,111	274,727	328,383	119.5%	4,209,505	3,454,543	754,962	21.9%
1700's Inland Fisheries & Wildlife	1,264,724	382,485	882,239	230.7%	16,401,841	16,840,080	(438,239)	(2.6%)
1900's Amnesty, Hosp Excise & Other	33,338	40,696	(7,358)	(18.1%)	373,849	383,582	(9,733)	(2.5%)
2000's Fines, Forfeits & Penalties	4,530,050	4,498,530	31,521	0.7%	41,415,132	37,781,055	3,634,077	9.6%
2200's Federal Revenues	1,727,495	2,461,238	(733,742)	(29.8%)	15,310,753	17,987,029	(2,676,276)	(14.9%)
2400's Revenues from Cities & Towns	25,093	17,858	7,235	40.5%	116,311	56,981	59,330	104.1%
2500's Revenues from Private Sources	66,975	(55,158)	122,133	221.4%	6,500,030	5,379,357	1,120,673	20.8%
2600's Current Service Charges	1,904,890	3,289,233	(1,384,344)	(42.1%)	30,255,673	35,196,089	(4,940,416)	(14.0%)
2700's Transfers from Other Funds	13,734,948	14,788,228	(1,053,280)	(7.1%)	15,051,567	15,089,996	(38,429)	(0.3%)
2800's Sales of Property & Equipment	75,992	84,847	(8,855)	(10.4%)	118,728	224,145	(105,416)	(47.0%)
Total Other Revenues	34,340,549	36,154,121	(1,813,572)	(5.0%)	223,683,920	220,607,605	3,076,314	1.4%

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 Twelvth Month Ending June 30, 2007
For the Fiscal Year Ending June 30, 2007
Comparison to Budget

Exhibit V

	Month				Year to Date				
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Total Budgeted Fiscal Year Ending 6-30-2007
Fuel Taxes	42,112,101	41,458,505	653,596	1.6%	226,824,018	227,484,941	(660,923)	(0.3%)	227,484,941
Motor Vehicle Registration & Fees	10,505,943	9,038,912	1,467,031	16.2%	87,291,874	86,476,317	815,557	0.9%	86,476,317
Inspection Fees	395,714	401,975	(6,261)	(1.6%)	4,342,519	4,379,756	(37,237)	(0.9%)	4,379,756
Fines, Forfeits & Penalties	132,048	183,847	(51,799)	(28.2%)	1,668,000	2,018,239	(350,239)	(17.4%)	2,018,239
Earnings on Investments	279,200	58,357	220,843	378.4%	1,105,987	795,000	310,987	39.1%	795,000
All Other	763,126	661,110	102,016	15.4%	9,588,686	9,603,076	(14,390)	(0.1%)	9,603,076
Total Revenue	54,188,132	51,802,706	2,385,426	4.6%	330,821,084	330,757,329	63,755	0.0%	330,757,329

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

STATE OF MAINE

Exhibit VI

Undedicated Revenues - Highway Fund
For the Twelvth Month Ending June 30, 2007 and 2006
For the Fiscal Years Ending June 30, 2007 and 2006
Comparison to Prior Year

	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	42,112,101	39,690,501	2,421,600	6.1%	226,824,018	221,575,309	5,248,709	2.4%
Motor Vehicle Registration & Fees	10,505,943	8,858,626	1,647,317	18.6%	87,291,874	87,658,962	(367,088)	(0.4%)
Inspection Fees	395,714	437,239	(41,525)	(9.5%)	4,342,519	4,373,692	(31,173)	(0.7%)
Fines, Forfeits & Penalties	132,048	158,555	(26,507)	c	1,668,000	1,809,813	(141,813)	(7.8%)
Earnings on Investments	279,200	393,313	(114,113)	(29.0%)	1,105,987	1,833,807	(727,820)	(39.7%)
All Other	763,126	621,130	141,996	22.9%	9,588,686	9,294,574	294,112	3.2%
Total Revenue	54,188,132	50,159,364	4,028,769	8.0%	330,821,084	326,546,157	4,274,927	1.3%

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

STATE OF MAINE EXHIBIT I

Undedicated Revenues - General Fund
For the Fourth Month Ended October 31, 2007
For the Fiscal Year Ending June 30, 2008
Comparison to Budget

	Month				Year to Date				Total Budgeted
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Fiscal Year Ending 6-30-2008
Sales and Use Tax	93,166,456	96,122,662	(2,956,206)	(3.1%)	285,976,994	291,800,356	(5,823,362)	(2.0%)	1,006,131,180
Service Provider Tax	4,649,708	4,416,546	233,162	5.3%	13,170,645	12,926,571	244,074	1.9%	51,181,910
Individual Income Tax	93,194,975	88,266,953	4,928,022	5.6%	358,449,231	346,226,910	12,222,321	3.5%	1,382,788,225
Corporate Income Tax	7,301,509	6,000,000	1,301,509	21.7%	51,324,087	59,750,000	(8,425,913)	(14.1%)	202,052,405
Cigarette and Tobacco Tax	13,646,477	13,012,321	634,156	4.9%	56,062,626	58,611,322	(2,548,696)	(4.3%)	163,774,241
Public Utilities Tax	-	-	-	-	347,980	-	347,980	-	17,476,987
Insurance Companies Tax	7,646,114	6,054,696	1,591,418	26.3%	9,549,032	6,736,660	2,812,372	41.7%	76,751,673
Estate Tax	2,353,464	3,800,000	(1,446,536)	(38.1%)	3,893,925	7,300,000	(3,406,075)	(46.7%)	45,258,169
Property Tax - Unorg Territory	10,238,664	10,403,375	(164,711)	(1.6%)	10,238,664	10,403,375	(164,711)	(1.6%)	12,263,986
Income from Investments	391,643	400,000	(8,357)	(2.1%)	1,346,310	1,300,000	46,310	3.6%	4,500,000
Transfer to Municipal Revenue Sharing	(10,113,945)	(9,935,114)	(178,831)	(1.8%)	(36,154,969)	(36,245,896)	90,927	0.3%	(134,749,842)
Transfer from Liquor Commission	450	-	450	-	5,700	-	5,700	-	0
Transfer from Lottery Commission	4,205,747	3,833,400	372,347	9.7%	17,752,016	16,291,962	1,460,054	9.0%	49,834,250
Other Revenues	13,264,581	15,663,157	(2,398,576)	(15.3%)	64,081,148	64,131,581	(50,433)	(0.1%)	228,430,341
Total Collected	239,945,843	238,037,996	1,907,847	0.8%	836,043,390	839,232,841	(3,189,451)	(0.4%)	3,105,693,525

NOTES: (1) Included in the above is $10,113,945 for the month and $36,154,969 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 July 2007, as adjusted for laws passed by the 122nd Legislature, 2nd Session.

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

STATE OF MAINE

EXHIBIT II

Undedicated Revenues - General Fund
For the Fourth Month Ended October 31, 2007 and 2006
For the Fiscal Years Ending June 30, 2008 and 2007
Comparison to Prior Year

	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	93,166,456	92,591,083	575,373	0.6%	285,976,994	282,648,871	3,328,124	1.2%
Service Provider Tax	4,649,708	4,246,679	403,029	9.5%	13,170,645	12,429,394	741,251	6.0%
Individual Income Tax	93,194,975	84,923,088	8,271,887	9.7%	358,449,231	334,376,933	24,072,298	7.2%
Corporate Income Tax	7,301,509	5,870,974	1,430,535	24.4%	51,324,087	55,643,960	(4,319,873)	(7.8%)
Cigarette and Tobacco Tax	13,646,477	12,885,675	760,802	5.9%	56,062,626	57,919,919	(1,857,293)	(3.2%)
Public Utilities Tax	-	(116,564)	116,564	100.0%	347,980	(116,564)	464,544	398.5%
Insurance Companies Tax	7,646,114	5,650,709	1,995,405	35.3%	9,549,032	6,201,248	3,347,783	54.0%
Estate Tax	2,353,464	3,663,543	(1,310,079)	(35.8%)	3,893,925	17,410,928	(13,517,003)	(77.6%)
Property Tax - Unorg Territory	10,238,664	10,403,375	(164,711)	(1.6%)	10,238,664	10,403,375	(164,711)	(1.6%)
Income from Investments	391,643	441,788	(50,145)	(11.4%)	1,346,310	1,683,273	(336,963)	(20.0%)
Transfer to Municipal Revenue Sharing	(10,113,945)	(9,569,223)	(544,722)	(5.7%)	(36,154,969)	(34,940,057)	(1,214,912)	(3.5%)
Transfer from Liquor Commission	450	-	450	-	5,700	8,821	(3,121)	(35.4%)
Transfer from Lottery Commission	4,205,747	4,259,312	(53,565)	(1.3%)	17,752,016	17,908,342	(156,327)	(0.9%)
Other Revenues	13,264,581	11,645,600	1,618,981	13.9%	64,081,148	64,439,856	(358,708)	(0.6%)
Total Collected	239,945,843	226,896,039	13,049,804	5.8%	836,043,390	826,018,299	10,025,091	1.2%

EXHIBIT III

STATE OF MAINE

Undedicated Revenues - General Fund
For the Fourth Month Ended October 31, 2007
For the Fiscal Year Ending June 30, 2008
Comparison to Budget

Detail of Other Revenues	Month Actual	Month Budget	Month Variance Over/(under)	Month Percent Over/(under)	Year to Date Actual	Year to Date Budget	Year to Date Variance Over/(under)	Year to Date Percent Over/(under)	Total Budgeted Fiscal Year Ending 6-30-2008
0100's All Others	1,965,069	2,370,081	(405,012)	(17.1%)	9,267,361	9,286,157	(18,796)	(0.2%)	23,155,009
0300's Aeronautical Gas Tax	21,857	23,934	(2,077)	(8.7%)	93,236	104,858	(11,622)	(11.1%)	260,806
0400's Alcohol Excise Tax	1,475,085	1,285,431	189,654	14.8%	6,754,560	6,560,505	194,055	3.0%	16,965,964
0700's Corporation Taxes	107,069	79,013	28,056	35.5%	696,600	381,059	315,541	82.8%	6,079,012
1000's Banking Taxes	1,635,800	1,659,889	(24,089)	(1.5%)	7,160,550	6,639,556	520,994	7.8%	20,565,980
1100's Alcoholic Beverages	294,505	352,027	(57,522)	(16.3%)	1,238,620	1,151,588	87,032	7.6%	3,726,662
1200's Amusements Tax	2,400	18,082	(15,682)	(86.7%)	2,400	18,832	(16,432)	(87.3%)	163,492
1300's Harness Racing/Parimutuels/Slots	665,669	730,049	(64,380)	(8.8%)	2,792,612	2,793,692	(1,080)	(0.0%)	7,899,685
1400's Business Taxes	678,213	605,361	72,852	12.0%	2,063,464	2,425,948	(362,484)	(14.9%)	8,570,678
1500's Motor Vehicle Licenses	381,981	321,235	60,746	18.9%	1,395,697	1,304,361	91,336	7.0%	4,700,336
1700's Inland Fisheries & Wildlife	262,448	1,235,330	(972,882)	(78.8%)	6,664,024	3,795,622	2,868,402	75.6%	16,240,944
1900's Hospital Excise & Other	22,845	38,175	(15,330)	(40.2%)	94,099	109,197	(15,098)	(13.8%)	418,202
2000's Fines, Forfeits & Penalties	4,940,868	3,276,040	1,664,828	50.8%	15,978,859	13,950,398	2,028,461	14.5%	41,112,968
2200's Federal Revenues	771,980	1,310,057	(538,077)	(41.1%)	2,524,598	4,979,497	(2,454,899)	(49.3%)	14,719,851
2300's County Revenues	-	-	-	-	-	-	-	-	-
2400's Revenues from Cities & Towns	4,634	-	4,634	-	77,244	15,000	62,244	415.0%	60,000
2500's Revenues from Private Sources	467,660	198,988	268,672	135.0%	1,152,195	885,341	266,854	30.1%	7,126,894
2600's Current Service Charges	1,636,938	4,009,342	(2,372,404)	(59.2%)	10,110,973	12,835,247	(2,724,274)	(21.2%)	31,562,444
2700's Transfers from Other Funds	(2,080,715)	(1,849,877)	(230,838)	(12.5%)	(4,027,466)	(3,218,777)	(808,689)	(25.1%)	24,980,414
2800's Sales of Property & Equipment	10,274	-	10,274	-	41,522	113,500	(71,978)	(63.4%)	121,000
Total Other Revenues	13,264,581	15,663,157	(2,398,576)	(15.3%)	64,081,148	64,131,581	(50,433)	(0.1%)	228,430,341

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

STATE OF MAINE

EXHIBIT IV

Undedicated Revenues - General Fund
For the Fourth Month Ended October 31, 2007 and 2006
For the Fiscal Years Ending June 30, 2008 and 2007
Comparison to Prior Year

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	1,965,069	2,548,774	(583,705)	(22.9%)	9,267,361	10,140,422	(873,062)	(8.6%)
0300's Aeronautical Gas Tax	21,857	21,157	700	3.3%	93,236	92,692	544	0.6%
0400's Alcohol Excise Tax	1,475,085	1,281,233	193,852	15.1%	6,754,560	6,664,557	90,003	1.4%
0700's Corporation Taxes	107,069	91,218	15,851	17.4%	696,600	855,293	(158,693)	(18.6%)
1000's Banking Taxes	1,635,800	1,625,450	10,350	0.6%	7,160,550	6,741,650	418,900	6.2%
1100's Alcoholic Beverages	294,505	433,039	(138,534)	(32.0%)	1,238,620	1,131,275	107,346	9.5%
1200's Amusements Tax	2,400	2,300	100	4.3%	2,400	2,300	100	4.3%
1300's Harness Racing/Parimutuels/Slots	665,669	651,599	14,071	2.2%	2,792,612	2,718,874	73,738	2.7%
1400's Business Taxes	678,213	580,193	98,020	16.9%	2,063,464	2,762,775	(699,311)	(25.3%)
1500's Motor Vehicle Licenses	381,981	274,029	107,952	39.4%	1,395,697	1,149,994	245,703	21.4%
1700's Inland Fisheries & Wildlife	262,448	699,520	(437,072)	(62.5%)	6,664,024	6,875,963	(211,939)	(3.1%)
1900's Amnesty, Hosp Excise & Other	22,845	31,478	(8,633)	(27.4%)	94,099	95,078	(979)	(1.0%)
2000's Fines, Forfeits & Penalties	4,940,868	3,272,522	1,668,346	51.0%	15,978,859	13,187,225	2,791,635	21.2%
2200's Federal Revenues	771,980	1,219,636	(447,656)	(36.7%)	2,524,598	4,631,487	(2,106,889)	(45.5%)
2300's County Revenues	-	-	-	-	-	-	-	-
2400's Revenues from Cities & Towns	4,634	13,853	(9,218)	(66.5%)	77,244	35,604	41,640	117.0%
2500's Revenues from Private Sources	467,660	168,206	299,454	178.0%	1,152,195	723,977	428,218	59.1%
2600's Current Service Charges	1,636,938	2,104,380	(467,442)	(22.2%)	10,110,973	10,954,147	(843,173)	(7.7%)
2700's Transfers from Other Funds	(2,080,715)	(3,377,584)	1,296,868	38.4%	(4,027,466)	(4,340,385)	312,920	7.2%
2800's Sales of Property & Equipment	10,274	4,598	5,676	123.4%	41,522	16,929	24,593	145.3%
Total Other Revenues	13,264,581	11,645,600	1,618,981	13.9%	64,081,148	64,439,856	(358,707)	(0.6%)

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, 2007
For the Fiscal Year Ending June 30, 2008
Comparison to Budget

Exhibit V

	Month				Year to Date				
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Total Budgeted Fiscal Year Ending 6-30-2008
Fuel Taxes	19,176,343	20,371,628	(1,195,285)	(5.9%)	59,311,064	63,529,150	(4,218,086)	(6.6%)	234,550,398
Motor Vehicle Registration & Fees	7,537,506	7,992,362	(454,856)	(5.7%)	27,586,598	28,729,028	(1,142,430)	(4.0%)	87,290,064
Inspection Fees	250,461	329,557	(79,096)	(24.0%)	1,429,011	1,547,368	(118,357)	(7.6%)	4,433,458
Fines, Forfeits & Penalties	-	161,661	(161,661)	(100.0%)	433,829	675,359	(241,530)	(35.8%)	2,018,239
Earnings on Investments	120,888	85,000	35,888	42.2%	442,950	300,000	142,950	47.7%	795,000
All Other	1,440,557	537,895	902,662	167.8%	3,008,994	2,799,058	209,936	7.5%	10,195,906
Total Revenue	28,525,755	29,478,103	(952,348)	(3.2%)	92,212,446	97,579,963	(5,367,517)	(5.5%)	339,283,065

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, 2007 and 2006
For the Fiscal Years Ending June 30, 2008 and 2007
Comparison to Prior Year

Exhibit VI

	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)
Fuel Taxes	19,176,343	19,502,611	(326,268)	(1.7%)	59,311,064	60,588,921	(1,277,857)	(2.1%)
Motor Vehicle Registration & Fees	7,537,506	7,525,644	11,862	0.2%	27,586,598	27,830,481	(243,883)	(0.9%)
Inspection Fees	250,461	313,911	(63,450)	(20.2%)	1,429,011	1,470,739	(41,728)	(2.8%)
Fines, Forfeits & Penalties	-	163,597	(163,597)	(100.0%)	433,829	617,071	(183,242)	(29.7%)
Earnings on Investments	120,888	80,106	40,782	50.9%	442,950	291,312	151,638	52.1%
All Other	1,440,557	500,451	940,106	187.9%	3,008,994	2,561,204	447,790	17.5%
Total Revenue	28,525,755	28,086,320	439,435	1.6%	92,212,446	93,359,728	(1,147,282)	(1.2%)

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 – Nov. 2007)

(5) Forecast of new passenger car & light truck registrations in Maine (Global Insight – Fall 07)

(6) Forecast of average price of new vehicle (Global Insight – Nov. 2007)

Assumptions Used in Individual Income Tax Model

(7) Total Personal Income
    (a) Growth by Component

(8) Inflation (CPI-U)

(9) Total Employment Growth

(10) Unemployment Rate

(11) 3-Month Treasury Bill Rate

(12) 10-Year Treasury Note Rate

Assumptions Used in Corporate Income Tax Model

(13) Inflation (CPI-U)

(11) Total Employment Growth
    (a) Growth by Sector

(12) Forecast of Before-Tax Corporate Book Profits (Global Insight – Nov. 2007)

U.S. Macro Outlook: Still Moving, but Vulnerable

By Mark Zandi in West Chester
November 7, 2007

View Moody's Economy.com Macro Forecast here.

- Fallout from the subprime financial shock has been surprisingly modest so far.
- Solid business balance sheets and a falling dollar are holding the expansion together.
- The financial turmoil isn't over, however; moreover $100 oil, if sustained, will be a problem.
- Policymakers have more work to do.

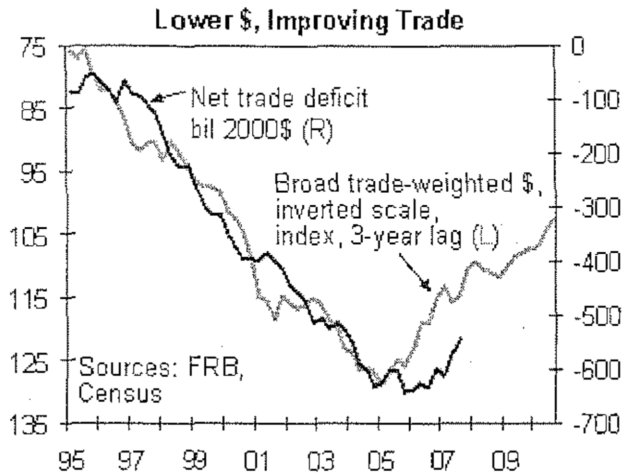
The economy remains surprisingly resilient to the ongoing subprime financial shock. Growth is slowing, but the sturdy 166,000 October payroll job gain suggests threats to the expansion are receding. Recession odds have fallen to less than one in three, from a peak above 40% during the height of the financial turmoil.

Recent confidence surveys indicate that businesses are nervous, and hiring less aggressively (see chart). Yet aside from those in housing-related sectors they aren't worried enough to lay off workers. Investment is also sturdy, particularly in commercial structures such as office buildings and hotels. Businesses are loath to cut expansion plans given record profit margins and healthy balance sheets. Earnings growth has slowed sharply, but at least so far, firms are gracefully weathering the financial turmoil.

Falling $

The economy is also receiving a lift from the quickly narrowing trade deficit. Import growth has slowed, but most of the improvement in the trade balance comes from exports, which are increasing at a robust double-digit pace. Big export gains are occurring most notably in aerospace, technology, and agriculture.

Unusually strong and broad-based growth overseas is helping, but the weaker U.S. dollar is even more important (see chart). The broad trade-weighted dollar is down some 20% from its peak early in the decade. Against the euro, the dollar is at a record low of $1.45; a British pound fetches more than $2, and the Canadian loonie is worth more than a U.S. dollar for the first time in 35 years. Given the long lags between dollar moves and their impact on trade, the benefits of the currently lower dollar will extend through the remainder of the decade.



Concern that the falling dollar will fan inflation is overdone. Overseas producers and U.S. retailers are shouldering most of the financial burden, and up to half the cost of imported goods is in transportation, storage and marketing, which are unaffected by the dollar's moves. Chances that the dollar's decline will become a rout, as investors sell dollar assets en masse, are even more remote. There is just as much evidence that investors are coming to view the extraordinarily cheap dollar as a buying opportunity.

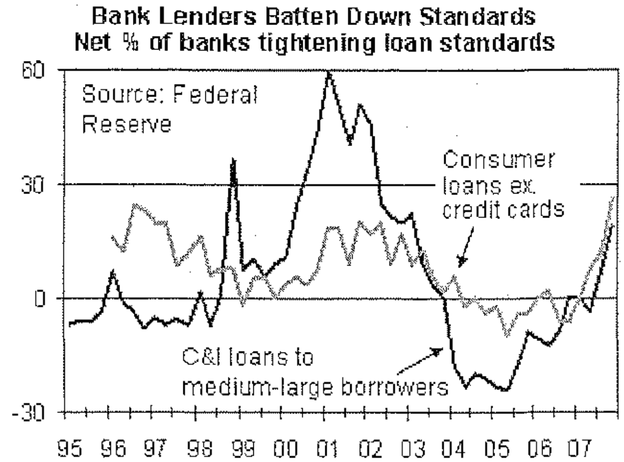
Financial storms continue

There remains much to worry about, however. The subprime financial shock continues to reverberate throughout financial markets. Commercial paper markets remain fragile, the Libor market is unsettled, and bond issuance in the mortgage securities and high-yield corporate market is far from normal.

Global investors are correctly fearful that there are more losses to come in the U.S. residential mortgage market, and that financial institutions have still not fully accounted for the losses to date. Commercial bank credit-default swap spreads—a measure of the cost of insuring against losses on bank-issued securities—have ballooned in recent days and are about five times as wide as prior to the crisis.

Of most concern is the self-reinforcing quality of the financial crisis. With investors shunning mortgage securities, credit-starved mortgage lenders have no choice but to tighten their underwriting standards. This in turn undermines housing demand and lowers home prices, igniting more mortgage defaults as borrowers facing payment resets are unable to refinance their loans. Investor confidence is further undermined, and the negative cycle is renewed.

Credit tightening is not simply confined to mortgages. According to the Federal Reserve's October survey of senior loan officers at major commercial banks, a net 19% of lenders said they were raising standards on loans to large and medium-sized commercial and industrial borrowers (see chart). As recently as the April survey, more banks were easing C&I loan standards than tightening. Banks are similarly raising standards for commercial mortgage loans and consumer loans other than credit cards.



Credit could flow even less freely if the banking system is unable to manage the losses that are coming from exposure to housing and mortgage markets. The threats to business investment and hiring, consumer spending, and thus the economic expansion remain substantial.

The $100 barrel

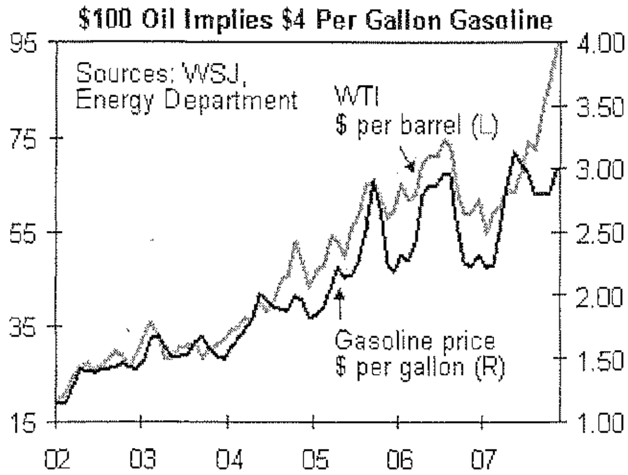
There is also the specter of $100 oil. Crude prices have risen nearly fivefold in five years, and while the fallout to date has been modest, this will not be the case much longer.

The recent spurt in oil prices is aggravated by the falling dollar and heightened financial speculation. Since oil is priced in dollars, a falling dollar means that global demand and supply can only balance if the dollar price of oil rises. Of the $30 per barrel increase in the cost of West Texas Intermediate crude during the past year, approximately half is due to the slumping dollar.

The other half of the increase in price is due to financial speculation. Investors have flocked to oil and other commodity markets as stocks and bonds have become more volatile and risky. Investors are also playing on the wafer-thin margin between global oil production and demand, and betting that geopolitical strife will lead to price spikes.

Pain at the pump

So far there has been no discernible economic damage from higher oil prices, thanks to a seasonal lull in demand for gasoline and home heating fuel. This is changing fast, however. Winter is approaching in the Northeast, the principal consuming region for heating oil. Still more disconcerting would be the prospect of oil staying at $100 per barrel as refiners gear up for the 2008 driving season. U.S. gasoline prices could conceivably rise near $4 per gallon (see chart). This would put an overwhelming strain on household finances as negative housing wealth effects are at their most intense and the job market is at its weakest.



The ill effects of the subprime financial shock will become more pronounced in coming months. Real GDP growth, which expanded nearly 4% in the third quarter (annualized), will be less than half that in the current quarter and well into 2008. Growth during this period will fall short of the economy's estimated potential of 2.75%; unemployment is thus expected to rise over 5% by next summer. Job growth, which has averaged 125,000 jobs per month since the beginning of the year, will average closer to 85,000 jobs per month in the coming year.

One misstep away

The economy will avoid recession, but it will be especially vulnerable through next spring. If the financial turmoil boils over again; if oil prices don't recede from $100 per barrel; or if anything else doesn't go exactly right, then the expansion will unravel.

It is also likely that policymakers will have to do more to forestall a downturn. While the baseline outlook is for a 4.5% federal funds rate target through 2008, odds are very high that more monetary easing will be necessary. Congress and the administration will also likely have to interject more forcefully in the mortgage market to ensure that the looming surge in foreclosures doesn't overwhelm the housing and financial markets and the broader economy.

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

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Last updated on: 10/10/2007

U.S. Macro Outlook

	Units	06Q4	07Q1	07Q2	07Q3E	07Q4F	08Q1F	08Q2F	2006	2007E	2008F
Composition of Economic Activity, SAAR											
Gross Domestic Product	bcw$	11,395.5	11,412.6	11,520.1	11,609.7	11,652.2	11,708.5	11,776.0	11,319.4	11,548.7	11,819.2
Change	%AR	*2.1*	*0.6*	*3.8*	*3.1*	*1.5*	*1.9*	*2.3*	*2.9*	*2.0*	*2.3*
Personal Expenditures											
Consumption	bcw$	8,141.2	8,215.7	8,244.3	8,304.5	8,333.8	8,362.2	8,397.0	8,044.0	8,274.6	8,417.4
Change	%AR	*3.9*	*3.7*	*1.4*	*3.0*	*1.4*	*1.4*	*1.7*	*3.1*	*2.9*	*1.7*
Durables	bcw$	1,197.6	1,223.2	1,228.4	1,231.7	1,230.6	1,230.7	1,233.6	1,180.5	1,228.5	1,237.1
Change	%AR	*3.9*	*8.8*	*1.7*	*1.1*	*-0.3*	*0.0*	*1.0*	*3.8*	*4.1*	*0.7*
Motor Vehicles	bcw$	439.6	451.5	448.2	441.1	437.8	435.7	434.9	437.3	444.7	435.3
Change	%AR	*0.1*	*11.3*	*-2.9*	*-6.2*	*-2.9*	*-2.0*	*-0.7*	*-3.1*	*1.7*	*-2.1*
Nondurables	bcw$	2,368.8	2,386.6	2,383.8	2,397.1	2,401.6	2,405.0	2,410.4	2,337.6	2,392.3	2,413.5
Change	%AR	*4.3*	*3.0*	*-0.5*	*2.3*	*0.8*	*0.6*	*0.9*	*3.7*	*2.3*	*0.9*
Services	bcw$	4,595.5	4,630.7	4,656.7	4,700.2	4,726.1	4,751.0	4,777.4	4,545.5	4,678.4	4,791.3
Change	%AR	*3.7*	*3.1*	*2.3*	*3.8*	*2.2*	*2.1*	*2.2*	*2.7*	*2.9*	*2.4*
Investment											
Fixed Investment	bcw$	1,835.5	1,815.2	1,829.3	1,836.0	1,831.5	1,834.8	1,840.6	1,874.7	1,828.0	1,852.2
Change	%AR	*-7.1*	*-4.4*	*3.2*	*1.5*	*-1.0*	*0.7*	*1.3*	*2.4*	*-2.5*	*1.3*
Nonresidential	bcw$	1,314.7	1,321.7	1,356.6	1,386.2	1,403.2	1,418.8	1,433.2	1,306.7	1,367.0	1,438.2
Change	%AR	*-1.4*	*2.1*	*11.0*	*9.0*	*5.0*	*4.5*	*4.1*	*6.6*	*4.6*	*5.2*
Structures	bcw$	278.3	282.7	299.5	307.6	317.4	325.7	331.4	268.6	301.8	330.9
Change	%AR	*7.4*	*6.5*	*26.1*	*11.3*	*13.3*	*10.9*	*7.2*	*8.4*	*12.3*	*9.6*
Equipment	bcw$	1,044.4	1,045.2	1,057.4	1,069.4	1,076.6	1,083.9	1,092.6	1,050.6	1,062.2	1,098.1
Change	%AR	*-4.9*	*0.3*	*4.7*	*4.6*	*2.7*	*2.7*	*3.3*	*5.9*	*1.1*	*3.4*
Residential	bcw$	529.4	506.3	490.6	467.7	446.3	434.0	425.3	569.5	477.7	432.0
Change	%AR	*-17.2*	*-16.3*	*-11.9*	*-17.4*	*-17.2*	*-10.6*	*-7.7*	*-4.6*	*-16.1*	*-9.6*
Single Family	bcw$	262.4	240.2	231.2	213.7	198.3	189.1	181.9	302.7	220.8	186.3
Change	%AR	*-34.0*	*-29.8*	*-14.2*	*-27.0*	*-25.9*	*-17.3*	*-14.3*	*-7.8*	*-27.0*	*-15.7*
Multifamily	bcw$	39.7	38.4	36.7	35.3	33.6	31.8	30.7	39.1	36.0	31.7
Change	%AR	*13.1*	*-12.5*	*-16.6*	*-14.2*	*-18.5*	*-19.3*	*-13.8*	*3.4*	*-7.9*	*-11.8*
Other	bcw$	228.4	229.4	224.5	220.5	216.1	214.7	214.4	227.9	222.6	215.6
Change	%AR	*4.7*	*1.8*	*-8.3*	*-7.0*	*-7.6*	*-2.6*	*-0.7*	*-1.1*	*-2.3*	*-3.2*
Inventory Change	bcw$	17.4	0.1	5.8	18.4	22.8	27.4	33.9	40.3	11.8	33.8
NonFarm	bcw$	13.6	-5.8	1.3	17.4	21.8	26.4	32.9	41.7	8.7	32.8
Farm	bcw$	3.8	5.0	3.6	1.0	1.0	1.0	1.0	-1.0	2.7	1.0
Trade											
Net Exports	bcw$	-597.3	-612.1	-573.9	-569.8	-568.4	-560.6	-554.2	-624.4	-581.0	-549.0

Exports	bcw$	1,350.9	1,354.7	1,379.5	1,403.2	1,427.1	1,452.3	1,479.0	1,304.1	1,391.1	1,494.9
Change	%AR	*14.3*	*1.1*	*7.5*	*7.0*	*7.0*	*7.3*	*7.6*	*8.4*	*6.7*	*7.5*
Merchandise	bcw$	955.4	957.6	973.1	988.5	1,004.9	1,022.4	1,041.0	927.4	981.0	1,052.8
Change	%AR	*9.6*	*0.9*	*6.6*	*6.5*	*6.8*	*7.1*	*7.5*	*9.9*	*5.8*	*7.3*
Services	bcw$	395.6	397.2	406.5	414.7	422.1	429.9	438.0	377.1	410.1	442.1
Change	%AR	*26.1*	*1.6*	*9.7*	*8.4*	*7.4*	*7.6*	*7.7*	*4.8*	*8.8*	*7.8*
Imports	bcw$	1,948.2	1,966.8	1,953.4	1,973.0	1,995.4	2,012.9	2,033.3	1,928.6	1,972.2	2,043.9
Change	%AR	*1.6*	*3.9*	*-2.7*	*4.1*	*4.6*	*3.5*	*4.1*	*5.9*	*2.3*	*3.6*
Merchandise	bcw$	1,658.7	1,675.7	1,663.4	1,678.4	1,697.7	1,712.0	1,728.9	1,646.9	1,678.8	1,737.6
Change	%AR	*-0.6*	*4.2*	*-2.9*	*3.7*	*4.7*	*3.4*	*4.0*	*6.0*	*1.9*	*3.5*
Services	bcw$	291.4	293.1	291.8	294.6	297.8	300.9	304.4	283.8	294.3	306.4
Change	%AR	*14.3*	*2.4*	*-1.7*	*3.9*	*4.4*	*4.2*	*4.7*	*5.2*	*3.7*	*4.1*
Government											
Expenditrues and Investment	bcw$	1,997.2	1,994.7	2,014.8	2,020.7	2,032.7	2,045.0	2,058.9	1,981.4	2,015.7	2,065.0
Change	%AR	*3.5*	*-0.5*	*4.1*	*1.2*	*2.4*	*2.4*	*2.7*	*1.8*	*1.7*	*2.4*
Federal Defense	bcw$	505.7	491.5	501.7	501.3	501.8	502.7	504.8	491.5	499.1	505.9
Change	%AR	*16.9*	*-10.8*	*8.6*	*-0.3*	*0.4*	*0.7*	*1.7*	*1.9*	*1.5*	*1.4*
Federal Nondefense	bcw$	246.1	248.3	248.9	249.5	251.1	253.4	255.3	250.7	249.5	256.2
Change	%AR	*-10.0*	*3.7*	*0.9*	*0.9*	*2.7*	*3.6*	*3.2*	*2.8*	*-0.5*	*2.7*
Government Balance											
NIPA Basis	b$	-181.5	-218.5	-192.7	-154.7	-193.3	-267.0	-329.8	-220.1	-189.8	-340.7
Unified Budget	b$ FY	-209.2	-203.7	-162.7	-150.4	-155.8	-16.8	-111.3	-1,326.2	-1,085.2	-967.0
Consumers											
Personal Saving Rate	%AR	0.4	1.0	0.6	0.7	1.2	1.9	2.4	0.4	0.9	2.5
Retail Sales & Food Services	b$	4,370.2	4,437.5	4,496.3	4,543.5	4,571.5	4,590.9	4,625.0	4,336.4	4,512.2	4,646.3
Change	%AR	*1.1*	*6.3*	*5.4*	*4.3*	*2.5*	*1.7*	*3.0*	*6.1*	*4.1*	*3.0*
Vehicle Sales	m	16.3	16.4	16.0	15.9	15.9	15.8	15.8	16.5	16.1	15.9
Housing Starts	m	1.6	1.5	1.5	1.3	1.2	1.1	1.1	1.8	1.3	1.1
Producers											
Industrial Production	1992=100	111.9	112.2	113.2	114.2	114.6	115.1	115.6	111.2	113.6	115.9
Change	%AR	*-1.5*	*1.1*	*3.5*	*3.5*	*1.6*	*1.7*	*1.7*	*4.0*	*2.1*	*2.1*
Manufacturing Capacity Utilization	%	79.9	79.6	80.1	80.4	80.3	80.2	80.0	80.2	80.1	80.0
Labor Markets											
Total Employment	m	137.0	137.4	137.9	138.2	138.4	138.6	138.8	136.2	138.0	139.0
Change	%AR	*1.5*	*1.5*	*1.2*	*0.9*	*0.7*	*0.6*	*0.7*	*1.9*	*1.3*	*0.7*
Unemployment Rate	%	4.5	4.5	4.5	4.6	4.8	4.9	5.0	4.6	4.6	5.0
Prices											
Consumer Price Index	1982=100	202.2	204.1	207.1	208.4	209.1	210.0	210.8	201.6	207.2	211.4
Change	%AR	*-2.1*	*3.8*	*6.0*	*2.7*	*1.3*	*1.6*	*1.7*	*3.2*	*2.8*	*2.0*
Producer Price Index	1982=100	164.1	166.7	172.8	175.8	177.2	177.2	177.2	164.8	173.1	177.5
Change	%AR	*-6.0*	*6.4*	*15.5*	*7.1*	*3.1*	*0.1*	*-0.1*	*4.7*	*5.1*	*2.5*
West Texas Intermediate	$/Bbl	60.1	58.1	65.0	75.5	70.9	63.2	58.5	66.1	67.4	58.1
Financial Markets											
Federal Funds	%	5.2	5.3	5.3	5.1	4.6	4.5	4.5	5.0	5.0	4.5
Prime Rate	%	8.3	8.3	8.3	8.2	7.6	7.5	7.5	8.0	8.1	7.5
10-Year Treasury	%	4.6	4.7	4.8	4.7	4.8	5.1	5.2	4.8	4.8	5.3
FRB Broad Index	Jan 97=100	107.4	107.2	104.6	102.7	102.5	102.3	101.9	108.5	104.2	101.6
Change	%AR	*-2.3*	*-0.7*	*-9.2*	*-7.2*	*-0.6*	*-0.9*	*-1.4*	*-2.0*	*-3.9*	*-2.5*

Contribution to Real GDP

	Units	06Q4	07Q1	07Q2	07Q3E	07Q4F	08Q1F	08Q2F
Personal Consumption Expenditure	%AR	2.75	2.60	1.03	2.12	1.02	0.98	1.20
Gross Private Domestic Investment	%AR	- 1.23	- 0.72	0.51	0.24	- 0.16	0.11	0.20
Inventories	%AR	- 1.31	- 0.61	0.21	0.45	0.15	0.16	0.23
Net Exports	%AR	1.30	- 0.52	1.37	0.15	0.05	0.27	0.22
Exports	%AR	1.58	0.13	0.89	0.84	0.83	0.88	0.93
Imports	%AR	0.28	0.65	- 0.48	0.69	0.78	0.61	0.71
Government	%AR	0.61	- 0.09	0.72	0.21	0.42	0.43	0.48
Total	%AR	2.09	0.60	3.82	3.15	1.47	1.95	2.32

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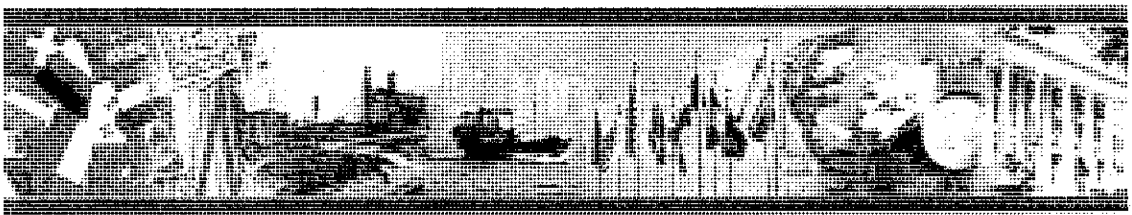


Global Insight Report: U.S. Economy (U.S. Economy)

Report printed on 09 November 2007

CONTENTS

Forecast Flash

The Last Hurrah?

The backward-looking evidence may suggest that the economy is doing just fine, but the storm clouds are gathering. Growth in the third quarter was robust, spurred by soaring exports, and the fourth quarter did begin with a solid increase in payroll employment in October. But the danger is that this good news will represent the "last hurrah" for an expansion that is about to slow sharply.

Major Headwinds for the Economy. The economy is now facing a potential double shock. The first shock is from housing and the credit crunch. Housing remains in free fall, and the Fed's latest bank survey shows credit also tightening in commercial real estate and consumer loans. On top of the housing and credit problems, the economy is now facing a second shock from oil, where prices are approaching $100/barrel, squeezing consumer spending power as gasoline and heating oil both rise above $3/gallon.

Growth to Slow in the Fourth Quarter. Third-quarter GDP growth may have beaten our expectations, at 3.9% (and it is likely to be revised up yet higher), but the threat from the double shock means that we have become more pessimistic about the immediate outlook. The period of greatest risk lies in the current quarter and the first half of 2008. Over that period, we expect growth to run at an annual average rate of just 1.2%, revised down from 1.5% in our October forecast. And we have raised the odds that the economy slips into recession from 30% to 35%.

Housing Plunges, Consumption Growth Slows. All housing indicators are pointing steeply down, and we expect housing starts to drop to a low of just below 1.0 million units in the first quarter of 2008. And as slower employment growth, falling home prices, tighter credit availability, and higher energy prices squeeze the consumer, we see consumer spending growth running at less than 2% annualized over the next three quarters. In turn, slower growth in final demand will make businesses more cautious about capital spending.

Oil Is a Key Risk. Our baseline forecast assumes that the current oil price has overshot the fundamentals of demand and supply, and that there is a major speculative/geopolitical risk component, which will come out of the price. We assume that oil will slide back down to $75/barrel by the second quarter of 2008. A key downside risk to economic growth would arise if this does not materialize.

Export Surge Supports Growth. Falling interest rates and slowing U.S. growth are giving the rest of the world "dollar indigestion," and the greenback is hitting new lows. This is bad news for U.S. consumers, but it is dramatically improving the competitiveness of U.S. producers. Strong improvements in foreign trade are a crucial part of the story for 2008—and a key reason why our baseline shows just weak growth, rather than a recession. We expect domestic spending growth of just 1.2% in 2008, but GDP growth is much stronger than that, at 1.9%, helped by export growth of almost 10%.

Inflation Becomes More Comfortable. Headline inflation figures will look nasty over the next couple of months, with CPI inflation spiking above 4% year-on-year as higher energy prices feed through. The key question is whether this will spark a broader outbreak of inflation, but we do not think the economy is strong enough to allow that. We expect core PCE inflation to average 1.8% in 2008, which is right where it stands now (September).

Federal Reserve Expected to Loosen Further. The Fed shifted into neutral after its interest rate cut on October 31. We believe that GDP growth will be weak enough to persuade the Fed to reduce rates again, although perhaps not as soon as its December meeting. We assume one more 25-basis-point cut in the federal funds rate, to 4.25%, in January 2008.

by Nigel Gault

A Quick Look at the Numbers

(Annual rates)

	Quarterly			**Annual**					
	07:3	**07:4**	**08:1**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Real GDP (Percent change)	3.9	1.3	0.7	2.9	2.1	1.9	2.9	2.9	2.8
Federal Funds Rate (Percent)	5.07	4.59	4.33	4.96	5.04	4.27	4.57	4.75	4.75
Ten-Year Treasury Yield (Percent)	4.73	4.48	4.41	4.79	4.68	4.53	5.02	5.27	5.27
Oil Prices, WTI (Dollars/barrel)	75.19	90.38	80.00	66.12	72.15	75.66	74.33	74.02	73.42
Consumer Price Index (Percent change)	1.9	4.3	0.8	3.2	2.9	2.0	1.6	1.9	1.8
Housing Starts (Millions)	1.30	1.16	0.97	1.81	1.35	1.02	1.30	1.55	1.72
Consumer Sentiment (Univ. of Michigan)	86	79	84	87	86	86	88	90	91
Unemployment Rate (Percent)	4.6	4.8	4.9	4.6	4.6	5.0	5.0	4.8	4.6

Forecast Summary

Executive Summary, November 2007

- We expect GDP growth to slip to an average of just 1.2% over the next three quarters.
- Housing and the credit crunch, plus oil near $100/barrel, threaten a "double shock" to the economy.
- The housing downturn has much further to go, and a slowdown in consumer spending growth is under way. If oil stays near $100, the outlook will worsen.
- The export outlook still looks good, and must remain so if the economy is to avoid recession.
- The Fed cut the federal funds rate to 4.5%, but has now moved to a neutral stance. We believe it has more work to do.

The Forecast in Brief

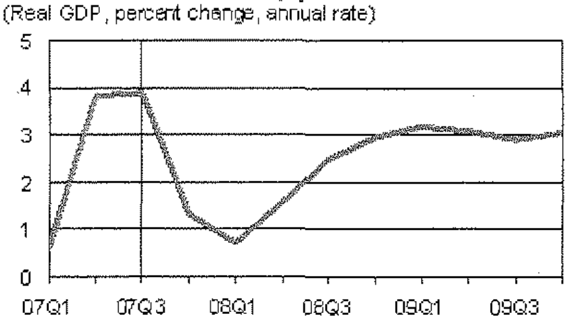
The backward-looking evidence may suggest that the economy is doing just fine, but the **storm clouds are gathering**. GDP growth was robust in the third quarter, spurred by soaring exports, and the fourth quarter opened with a solid October increase in payroll employment. But the danger is that this good news represents the "last hurrah" for an expansion that is about to cool abruptly.

The economy now faces a **potential double shock**. The first shock is from housing and the credit crunch. Housing remains in free fall, and the Federal Reserve's latest bank survey shows credit also tightening in commercial real estate and consumer loans. Looming is a second shock from oil, where prices are approaching $100/barrel. Our baseline forecast assumes that the oil price has overshot, and will slide back down to $75/barrel by the second quarter of 2008. Already-high recession risks would rise sharply if this retreat does not materialize.

Third-quarter GDP growth may have beaten our expectations, at 3.9% (and it is likely to be revised yet higher), but the threat from the double shock means that we have become more pessimistic about the immediate outlook. The period of greatest risk lies in the current quarter and the first half of 2008. Over that period, we expect growth to run at just 1.2% (annual rate), revised down from 1.5% in our October forecast. And **we have raised the odds that the economy slips into recession**,from 30% to 35%.

Growth Will Slow Sharply

(Real GDP, percent change, annual rate)

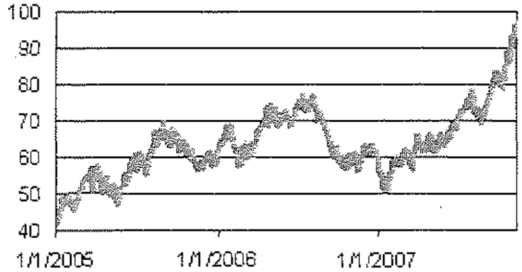


Growth dips to 1.3% in the fourth quarter, as the decline in residential construction accelerates and consumer spending growth slows. GDP growth remains in the 1–2% range until the third quarter of 2008 (the first quarter of 2007 is the weakest, at 0.7%). The average growth rate for 2008 comes in at 1.9%, which does not look shockingly low, but it is heavily "back-loaded," and the major risks lie just ahead.

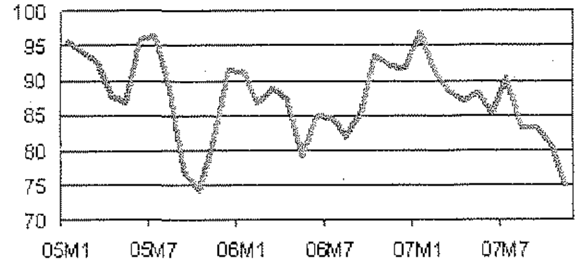
Housing remains the biggest drag on growth. Existing and new home sales are falling faster, inventories of homes for sale keep climbing, and builder sentiment has now dropped below its all-time low. The dramatic tightening of conditions in the mortgage market (not confined to the subprime sector) means that on the supply side of the housing market, foreclosures are rising, while on the demand side, there are fewer qualified buyers. Further steep declines are likely in existing and new home sales and housing starts over the next few months. For example, we expect housing starts to fall another 25% (from 1.30 million to 0.97 million) between the third quarter of 2007 and the first quarter of 2008. On an annual basis, starts should drop to a low of 1.02 million in 2008. Home prices will react more slowly than starts, but are heading lower too. We expect an unprecedented decline in national nominal home prices during 2007, of 1.9% for the OFHEO index on a fourth quarter-to-fourth quarter basis, followed by a deeper 7.4% decline in 2008.

The housing downturn will spill over to the **consumer sector**. Slower employment growth, falling house prices, tighter credit availability, and a renewed surge in gasoline and heating oil prices (above $3/gallon) are increasing consumer caution. We see spending growth slowing to 1.9% in the fourth quarter, and averaging less than 2.0% in the first half of 2008.

As Oil Nears $100/Barrel...
(West Texas Intermediate spot price)



...Consumer Sentiment Is Wilting
(Reuters/Michigan Index)



Employment growth is slowing, although the deterioration has been gradual. We do believe, however, that employers are becoming more cautious about hiring—after a long period when hiring was surprisingly strong relative to the growth of output—which will weaken a key support for consumer spending. We expect payroll employment gains to slip to an average 75,000 per month over the next six months.

Consumers are also facing **declining home prices**, which are removing the fuel that has allowed spending growth to outpace real income gains. Indeed, 2007 is likely to be the first year since 2002 in which consumer spending growth falls short of income growth (at 2.9% versus 3.5%). Next year, we see consumer spending growth slipping to 2.0%, well below the 3.1% gain in incomes. Light-vehicle sales fall to 15.7 million units in 2008, their worst year since 1998.

Slower growth in consumer and housing demand will make businesses more cautious about capital spending. Businesses are still flush with cash—but if their end-markets are not growing, there is no need to spend. **Equipment spending** has struggled this year, although it is now showing some improvement after a weak first half. We do not think this improvement will last. Equipment spending growth is running around a 5.8% average pace in the second half of 2007, but should slow to just 2.0% in the first half of 2008. The incentive to spend will be greatest for businesses who are selling into export rather than domestic markets.

Nonresidential construction boosted GDP growth in the first half of 2007. Although the decline in home-building and the recent sharp tightening in credit conditions will begin to weigh on commercial construction, that impact will come through only with a lag. Thus, nonresidential construction spending should increase a very strong 12.1% this year and then just 0.6% in 2008, before falling 4.0% in 2009. Spending declines in all four quarters of 2008.

Growth in the economy has had a very beneficial impact on the **federal budget deficit**. The deficit narrowed—again—in fiscal year 2007, hitting $163 billion (1.2% of GDP). Sharp revenue gains, fueled by surging profits and bonuses, have driven the improvement, but the good news is now coming to an end. We expect faster spending growth and slower revenue growth to raise the deficit to $266 billion in fiscal year 2008.

Robust global growth and a weakening dollar are supporting U.S. growth. Growth in Asia still looks solid, although there are signs that European growth is losing steam, partly because U.S. goods are gaining at Europe's expense as the dollar slides. Falling interest rates and slowing U.S. growth are giving the rest of the world "dollar indigestion," and the **greenback is hitting new lows.** This is bad news for U.S. consumers, but it is dramatically improving the competitiveness of U.S. producers. Strong improvements in foreign trade are a crucial part of the story for 2008—and a key reason why our baseline shows just weak U.S. growth, rather than a recession. We expect domestic spending growth of just 1.2% in 2008, but GDP growth is much stronger than that, at 1.9%, helped by export growth of almost 10.0%.

The **current-account deficit** is likely to have peaked at $811 billion (6.1% of GDP) in 2006. This year should see the first narrowing of the gap (to $774 billion) since the recession year of 2001, as exports gain on imports, in both real and nominal terms.

Headline **inflation** figures will look nasty over the next couple of months, with CPI inflation spiking above 4% year-on-year as higher energy prices feed through. The key question is whether this will spark a broader outbreak of inflation—but we do not think the economy is strong enough to allow that. Increasing slack in product and labor markets should offset the pressure from high energy prices and the weakening dollar. We expect **core PCE inflation** to average 1.8% in 2008, which is right where it was in September. That would keep it within the Fed's 1–2% comfort zone.

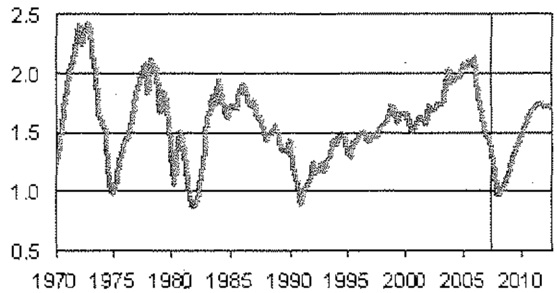
The **Federal Reserve** probably has more work to do, even though it shifted into neutral after its interest rate cut on October 31. We believe that GDP growth will be weak enough to persuade the Fed to reduce rates again, although perhaps not as soon as its December meeting. The more hawkish elements on the Fed will be reluctant to cut rates amid an energy-related surge in headline inflation. Global Insight assumes one more 25-basis-point cut in the federal funds rate, to 4.25%, in January 2008. Faster growth in late 2008 and early 2009 forces the Fed to partially reverse its cuts in 2009, taking the funds rate back up to 4.75%.

The Double-Shock Economy Is Here

For the past two years, as part of our Top-10 Predictions, Global Insight has been saying that it would take at least two shocks to bring a resilient U.S. economy to its knees. Unfortunately, that may be precisely the situation we find ourselves in now. Not only is the housing downturn bad and getting worse, but if oil prices stay at current levels for long or keep rising, a fragile and vulnerable expansion could come to an untimely end. Even assuming oil prices ease in the next few months, the outlook for 2008 is weaker and the risks of a recession are greater now than they were just a month ago. With inflation not a serious threat and the economic risks overwhelmingly on the downside, the Federal Reserve will cut rates—the only question is when and by how much.

Shock One: Housing and the Credit Crunch. As large financial institution after large financial institution reports significant subprime-related losses, it has become quite clear that—at best—we are only about halfway through the current financial crisis. To put things in perspective, Global Insight has estimated that roughly $600 billion in securitized subprime loans reside somewhere in the U.S. financial system. If the losses on these securities amount to 10–20% of the total, then the write-downs on portfolios will have to be in the $ 60–120 billion range. This is equivalent to around 6–12% of U.S. bank capital—not a trivial amount, but not a disaster either. However, only about $50 billion in losses has been realized so far. This means that we can expect more bad news in the weeks and months ahead. The good news/bad news is that both the financial markets and the Fed are more aware of the problem now than they were three or four months ago—and hopefully better prepared.

Biggest Slump in Housing Starts Since 1970s
(Million units)



Nevertheless, the implications for the U.S. housing market are even more dire than before—if that's possible. We now expect housing starts to fall below 1 millions units in the first two quarters of next year. The peak-to-trough drop in starts will be the steepest since the 1974–75 recession. The drop in residential fixed investment as a share of GDP, from 6.2% in 2005 to 3.5% next year, is likely to be even more pronounced—and the most precipitous since the Second World War. Likewise, the expected cumulative 11% drop in house prices by mid-2009 will be the first since the 1930s.

By itself, shock one is set to push real GDP growth down to levels not seen since 2002—when the economy expanded at an anemic 1.6% rate.

Shock Two: Record High Oil Prices. The seemingly inexorable rise in oil prices is due to both fundamental and "temporary" factors. According to Global Insight's Energy Group, market fundamentals support a price of $75–80 per barrel. However, because inventories are low and energy demand in many parts of the emerging world is very strong (thanks to robust growth and pervasive fuel subsidies), market conditions remain extremely tight. This means that any geopolitical or weather-related event will be magnified. Unfortunately, there has been no shortage of such events: threats by Turkey to invade Kurdish rebel strongholds in northern Iraq, anxiety over the declaration of martial law in Pakistan, the bombing of a pipeline in Yemen, bad weather in the North Sea and the Gulf of Mexico, and on and on.

Speculation is another factor that is also at play in oil and other commodity markets. There is still a lot of liquidity in many parts of the world (especially Asia and the Middle East). Some analysts have speculated that this is the cause of the latest global "bubble" in oil, gold, silver, and other commodities.

Global Insight projects that oil prices will fall into the range supported by fundamentals early next year. However, if oil prices stay in the neighborhood of $100/barrel or rise even higher (either because of speculation or geopolitical events), then a recession may be unavoidable.

The Outlook Keeps Weakening and the Risks of Recession Keep Rising. Compared with last month, Global Insight has lowered the 2008 growth rate from 2.0% to 1.9% and raised the recession probability from 30% to 35%.

The third quarter's 3.9% growth rate (which Global Insight expects will be revised upward) and October's robust employment report are likely to have been the last good economic news for some time. We now expect very weak growth this quarter and through the first half of next year, with the nadir occurring in the first quarter of 2008, when we only predict a paltry growth rate of 0.7%. This will increase the vulnerability of the economy to further bad news on oil.

An economy growing at 3.0–3.5% is much better able to absorb any shock (including higher oil prices) than an economy growing only 1.0–1.5% or even less. If oil prices remain at current levels for an extended period of time, the economy will likely suffer much weaker growth and possibly a mild recession. If oil prices climb above $100/barrel and keep rising, then the downturn could be more pronounced.

The Fed Will Cut Rates—But When and How Much? While some analysts have started to fret about the possible inflationary threats from $100/barrel oil, paradoxically, the squeeze from oil is more deflationary than inflationary. So far, there has been very little spillover from oil prices to other parts of the economy. Ultimately, the Federal Reserve is most concerned about core inflation and its key drivers—especially wage inflation. Not only is core PCE inflation now within the Fed's comfort zone, but recent data on the employment cost index and unit labor costs suggest that wage inflation is not a problem. Moreover, as the economy weakens, disinflationary forces will strengthen.

Global Insight predicts that the Fed will lower the federal funds rate either at the December or January FOMC meetings. However, if the economic engine starts to sputter, then the Fed will undoubtedly cut some more.

Key Forecast Assumptions

Oil Price Projection Raised Temporarily. Oil prices have reached close to $100 per barrel, pushed up in part by the declining dollar. Our forecast assumes that oil has overshot its supply/demand fundamentals. We still expect to see prices soften later this year, but have raised our fourth-quarter price assumption to $90.38/barrel (West Texas Intermediate), up from $77.00 in the October forecast. We now expect $75.66/barrel in 2008 (up from $74.25). Thereafter, prices should remain in the low $70s for the next 10 years. Higher oil prices mean higher gasoline prices, and we have raised the average retail gasoline price to $3.01/gallon in the fourth quarter, up from $2.77 in the October forecast.

Natural Gas Prices to Rise. As winter demand kicks in, we expect natural gas prices to reach $8.32 per million Btu (Henry Hub cash price) in the first quarter of 2008, up from $6.18 in the third quarter. That would put the first-quarter price 17.3% above its year-earlier level. We expect the price to run within the $8–9 range over the rest of the decade.

Federal Reserve Expected to Loosen Further. We assume that the Fed will cut the target federal funds rate by 25 basis points at its January 2008 meeting, taking the rate down to 4.25%, where it stays throughout 2008.

Dollar Decline to Continue. Slower U.S. growth and falling interest rates are a recipe for a weaker dollar. The dollar dropped about 5% against major currencies during 2006 (fourth quarter-to-fourth quarter basis), and should fall about 11% over the course of this year. We have assumed end-2007 values of $1.46/euro, 111 yen/dollar, and C$0.94/dollar, which imply little change from early-November values. We expect a further decline against the euro and the yen in 2008. We expect China to allow the pace of renminbi revaluation to accelerate, helping to cool the country's rapidly expanding economy. We assume that the Chinese currency will appreciate 9.3% against the dollar over the next 12 months.

Foreign Growth Is Cooling. We project GDP growth in the United States' major-currency trading partners at 2.6% in 2007, down from 2.8% in 2006, then sliding further to 2.3% in 2008.

Productivity Growth Has Slowed. We expect productivity gains to average just 1.4% for 2007 and 1.6% for 2008. Average productivity growth over the next 10 years (2007–17) is projected at 2.0%, below the 2.5% average since 1997.

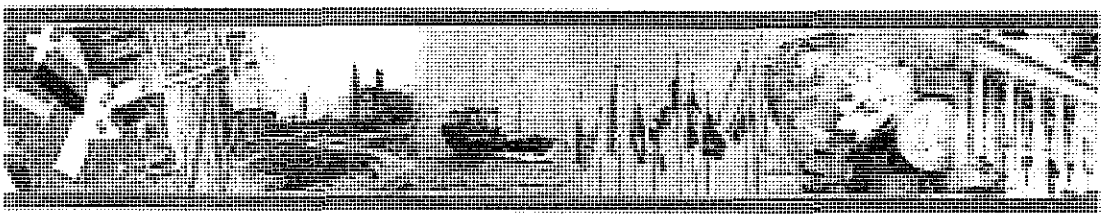
Tax Burden to Rise. The forecast assumes that Congress will not allow all of the Bush administration's personal tax reductions to expire as scheduled at the end of 2010. But we expect some increase in the income-tax burden, whether through the capricious impact of the Alternative Minimum Tax (AMT) or through some kind of tax reform that raises a similar amount of revenues. We do not anticipate any major tax initiatives before the 2008 presidential elections, though, and assume that temporary "fixes" will prevent the AMT from kicking in violently under this Congress.

Defense Spending Growth Quickens. Spending for the wars in Iraq and Afghanistan continues to climb. We expect real federal defense purchases to rise 3.1% in calendar 2007 and 4.2% in calendar 2008 (up from 1.9% growth in 2006). Overall federal purchases will rise 1.9% in 2007, down from 2.2% growth in 2006.

by Nariman Behravesh and Nigel Gault

GLOBAL INSIGHT

www.globalinsight.com



Global Insight Report: Maine (U.S. Regional)

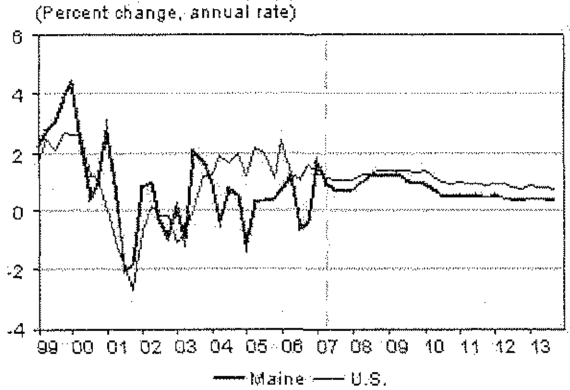
Report printed on 18 November 2007

CONTENTS

Outlook

Employment in 2007: Maine's employment performance for all of 2007 will remain consistent with its July year-over-year (y/y) growth rate of 0.7%. Financial activities and manufacturing will continue to struggle, posting losses of 1.1% and 1.4%, respectively. We expect manufacturing to register another positive growth rate in real gross state product (1.2%), indicating that productivity gains continue to accompany job losses. Meanwhile, the damaging effects of high business operating costs will not abate any time soon, and financial firms will become increasingly more willing to leave the state. Professional and business services (up 2.5%) as well as education and health services (up 2.0%) will continue to be at the forefront of the state's rather disappointing employment growth. The professional and business services industry in Maine is largely following the national trend of strong growth in the industry, but it provides only a small boost to the overall economy because of its small size. Health services will be the strongest performer in 2007 as demand for services continues to grow and the state government pours large sums of money into the system.

Total Employment
(Percent change, annual rate)



Employment Through the Next Five Years: Over the next five years, Maine's total employment growth will improve relative to its current state, expanding at a slow, but steady, annual average pace of 0.8%. Professional and business services and education and health services will lead the state's economic development once again, growing at 3.0% and 1.2%, respectively. Nevertheless, the health-care employment growth rate will gradually slow down as the size of the system ultimately reaches its equilibrium. Part of this slowdown may be attributable to industry-wide budget cuts and financial constraints aimed at controlling the rapidly rising costs of health care. On a positive note for the economy, employment in leisure and hospitality services is expected to grow at an annual average rate of 1.1% over the next five years. As many of Maine's *traditional industries* (manufacturing, logging, and fishing) decline in importance, the state is relying more and more on its landscapes to attract tourists.

Economic Key Indicators

	2003	2004	2005	2006	2007	2008	2009	2010
Real Gross State Product (2000$ mil.)	37,340.0	38,862.0	39,312.0	40,046.5	40,472.4	41,090.6	42,189.2	43,258.0
Real Gross State Product (% Change)	1.7	4.1	1.2	1.9	1.1	1.5	2.7	2.5
Total Employment ('000)	606.7	611.7	611.8	614.5	617.8	617.4	623.1	628.8
Total Employment (% Change)	0.0	0.8	0.0	0.4	0.5	-0.1	0.9	0.9
Manufacturing Employment ('000)	64.1	63.0	61.4	60.1	59.4	58.4	57.8	58.0
Nonmanufacturing Employment ('000)	542.6	548.7	550.4	554.4	558.4	559.0	565.3	570.9
Population ('000)	1,307.8	1,314.3	1,318.6	1,322.2	1,326.9	1,331.4	1,335.7	1,339.6
Population (% Change)	0.7	0.5	0.3	0.3	0.4	0.3	0.3	0.3
Unemployment Rate (%)	5.0	4.6	4.8	4.6	4.6	4.9	4.8	4.7
Personal Income (% Change)	4.3	5.3	2.8	3.9	5.2	3.9	4.4	4.8
U.S. ECONOMY								
Real Gross Domestic Product (% Change)	2.5	3.6	3.1	2.9	2.1	1.9	2.9	2.9
Employment (% Change)	-0.3	1.1	1.7	1.9	1.3	0.8	1.2	1.3

Download this table in Microsoft Excel format

Heating oil prices continue to climb

By The Associated Press wire report
November 14, 2007 09:31 AM

AUGUSTA - Heating oil prices in Maine rose by 2 cents a gallon on average last week as crude oil prices continue to hover at more than $90 a barrel.

The average price for heating oil was $3.11 a gallon on Tuesday, or 92 cents higher than a year ago, according to a weekly heating fuel price survey by the Maine Office of Energy Independence and Security.

The average price ranged from $3.06 a gallon in southern Maine to $3.15 in the eastern region.

Kerosene was averaging $3.51 gallon, which is 11 cents higher than a week ago and 89 cents higher than last year at this time.

Reader comments

ScottTopsum of Topsham, ME
Nov 14, 2007 11:32 AM

reader,

That is 90 minutes of run time for the burner. Burners do not run continuously. A typical house (obviously there is a wide range of difference in house sizes, insulation, etc, making the *typical* house rather an academic concept)in this climate uses approximately five gallons of heating oil a day.

Disillusioned Voter of Millinocket, ME
Nov 14, 2007 11:30 AM

Brian,
Good for you, I just paid $302.00 for 100gal. Ouch!

Anyone know how many BTU's I'd get if I dropped a NIMBY into my woodstove?

Sales & Use Tax

Maine Revenue Services
Taxable Sales by Sector
In Thousands of Dollars

	Sept. '07	% Ch.	Sept. '06	% Ch.	Sept. '05	Average Last 3 Mos. Vs. Last Yr. % Change	Moving Total Last 12 Mos. Vs. Prior % Change	YTD Growth CY'07 vs. '06 Thru. Sept. % Change
Building Supply	$242,622	-2%	$247,697	-5%	$260,286	-1%	-5%	-5%
Food Store	$133,006	2%	$130,864	0%	$130,313	5%	3%	3%
General Merchandise	$267,129	-1%	$269,437	4%	$259,142	2%	2%	2%
Other Retail	$185,393	-2%	$188,505	5%	$179,992	-4%	-2%	-2%
Auto/Transportation	$305,304	-6%	$325,040	2%	$319,489	0%	1%	0%
Restaurant/lodging	$284,454	4%	$273,261	6%	$257,074	5%	5%	5%
Consumer Sales	$1,417,909	-1%	$1,434,804	2%	$1,406,296	1%	1%	1%
Business Operating	$200,237	7%	$187,956	-2%	$192,636	2%	3%	3%
Total	$1,618,146	0%	$1,622,760	1%	$1,598,932	1%	1%	1%

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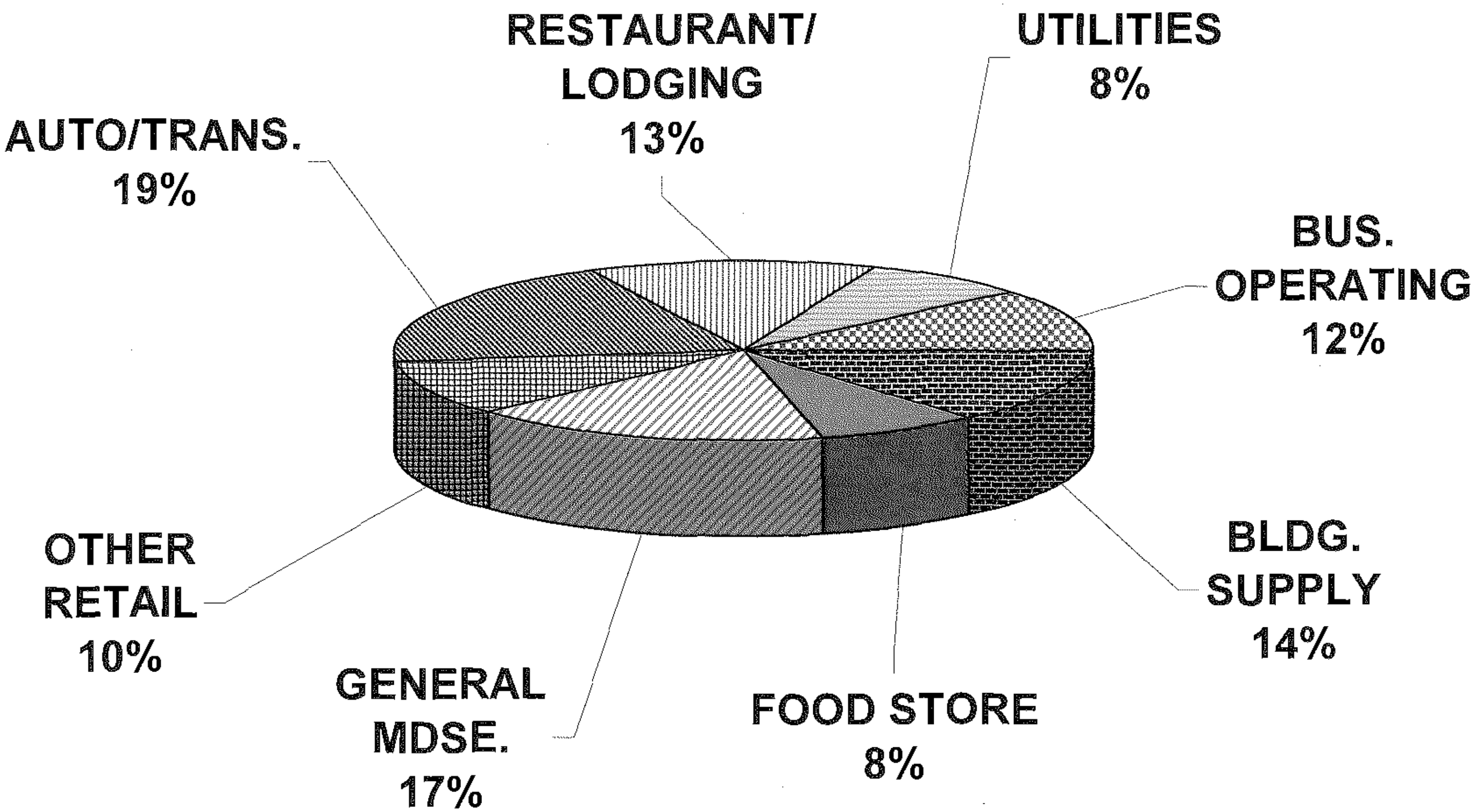
2006 Maine Taxable Sales by Sector



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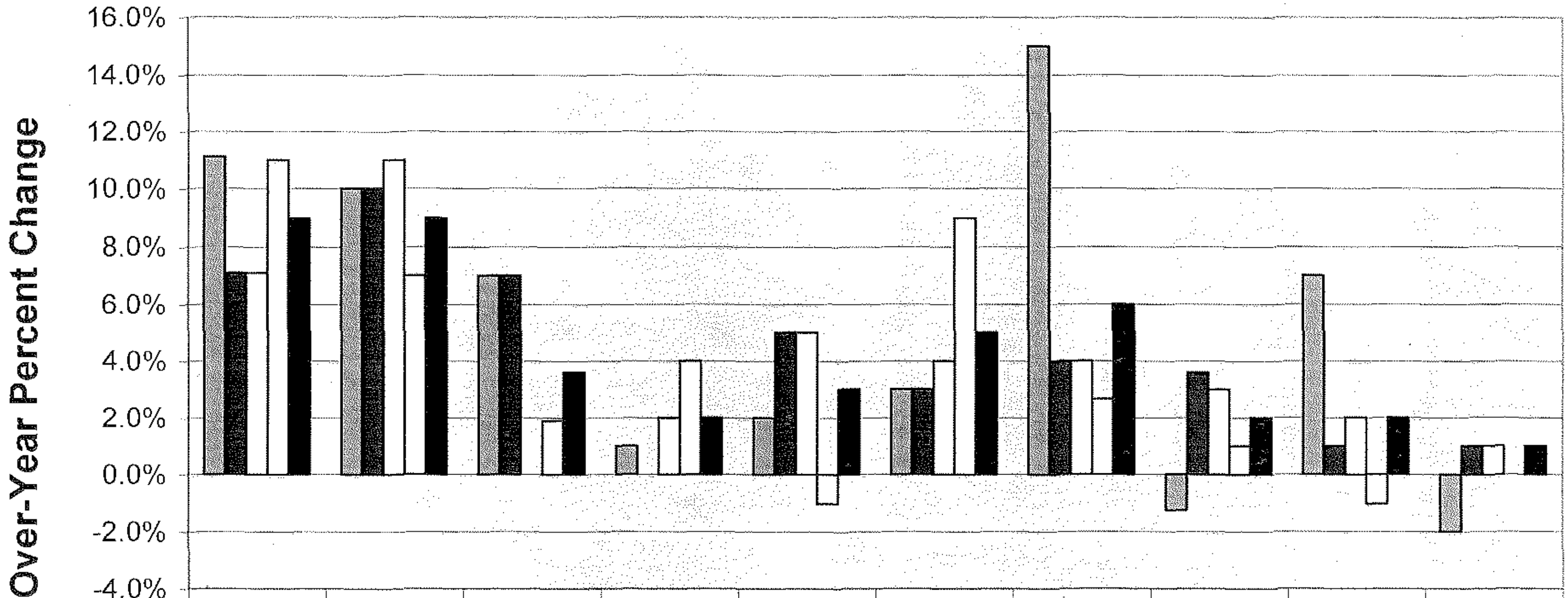
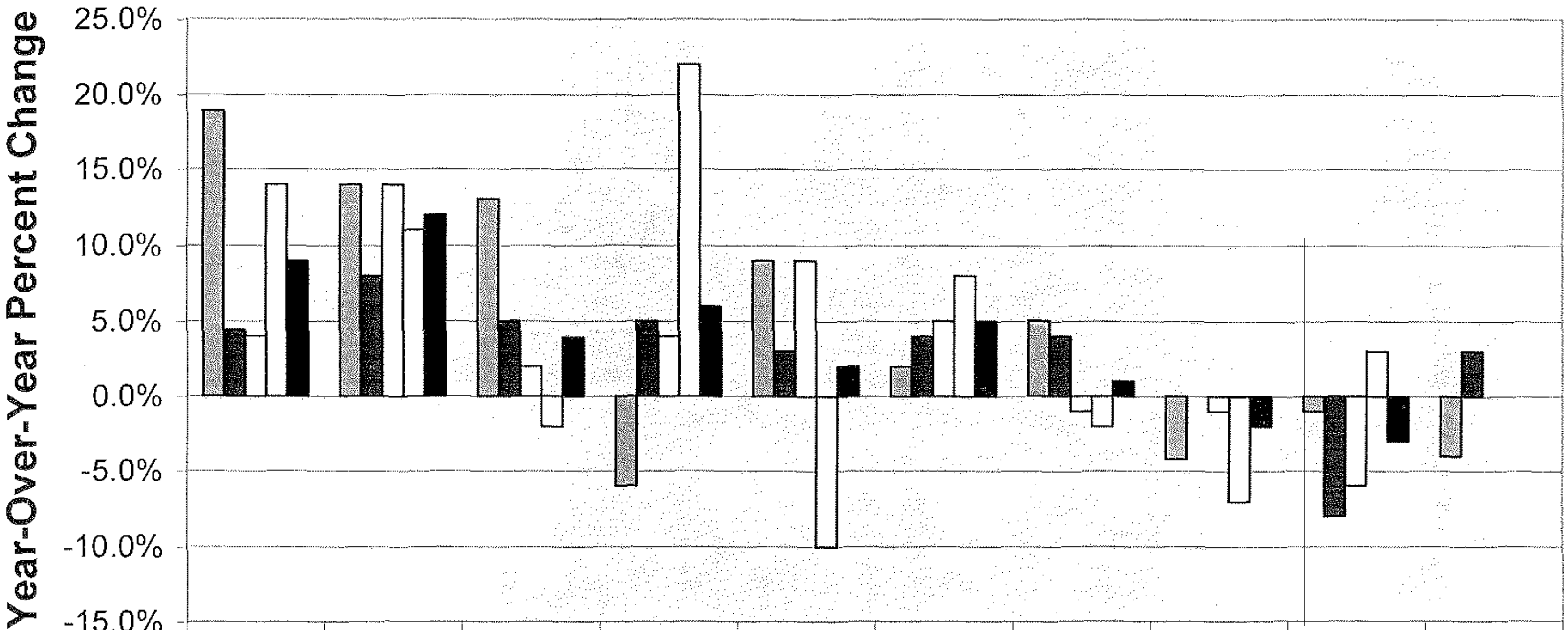
Total Taxable Sales



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Qtr. I	11.1%	10.0%	7.0%	1.0%	2.0%	3.0%	15.0%	-1.2%	7.0%	-2.0%
Qtr. II	7.1%	10.0%	7.0%	0.0%	5.0%	3.0%	4.0%	3.6%	1.0%	1.0%
Qtr. III	7.1%	11.0%	0.0%	2.0%	5.0%	4.0%	4.0%	3.0%	2.0%	1.0%
Qtr. IV	11.0%	7.0%	1.9%	4.0%	-1.0%	9.0%	2.7%	1.0%	-1.0%	0.0%
Year	9.0%	9.0%	3.6%	2.0%	3.0%	5.0%	6.0%	2.0%	2.0%	1.0%

Quarter & Calendar Year

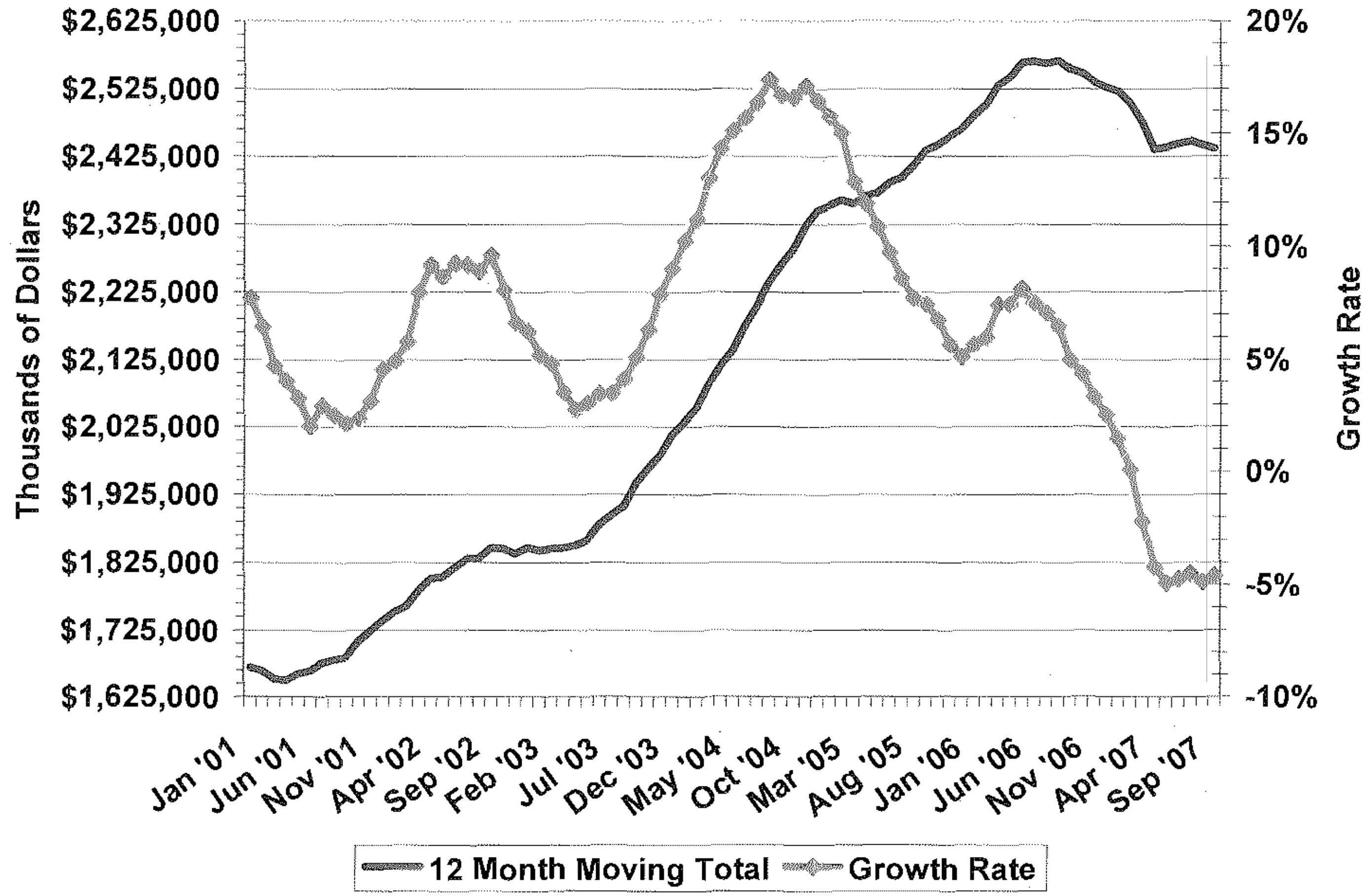
Auto/Transportation Taxable Sales



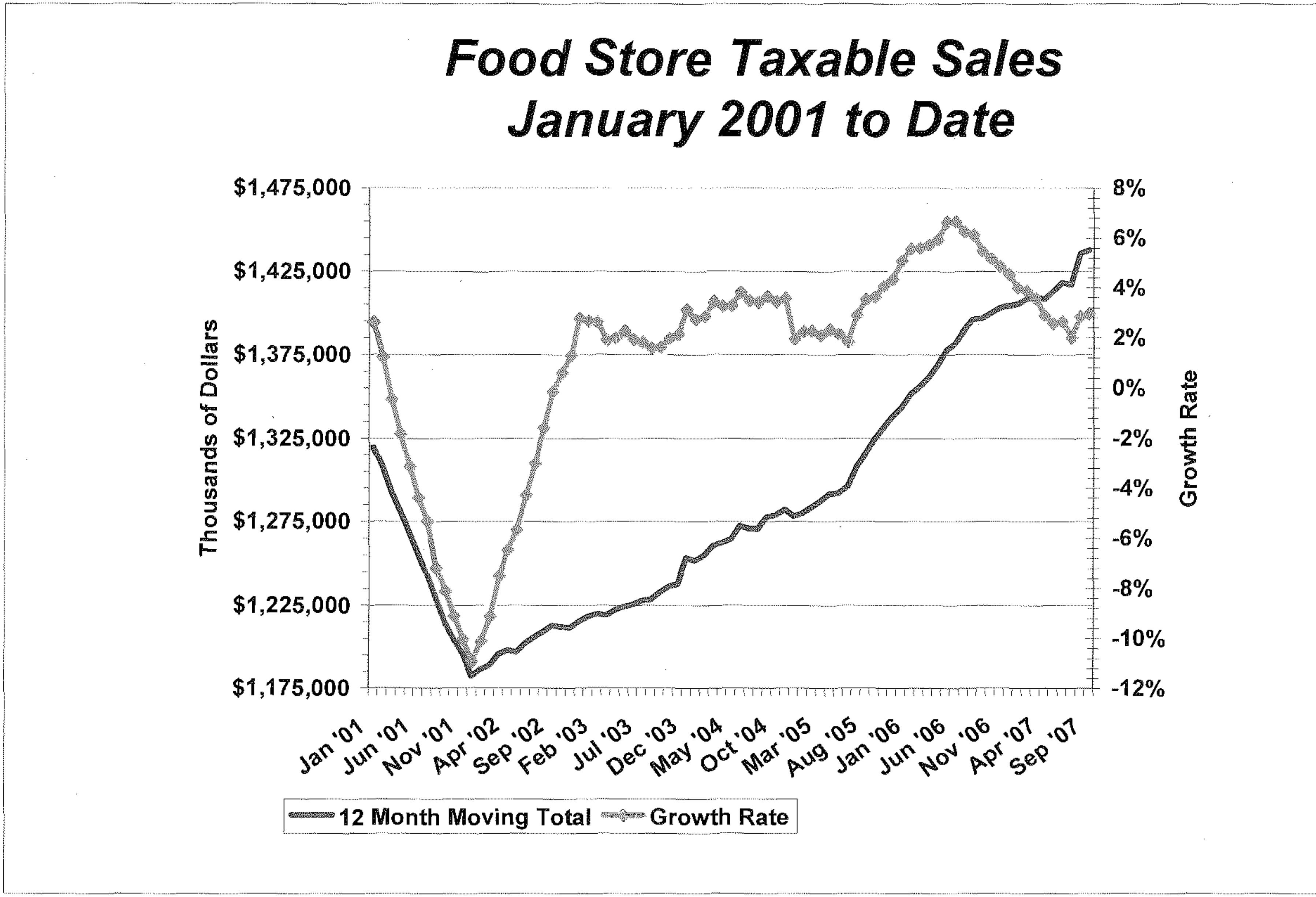
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Qtr. I	18.9%	14.0%	13.0%	-6.0%	9.0%	2.0%	5.0%	-4.2%	-1.0%	-4.0%
Qtr. II	4.4%	8.0%	5.0%	5.0%	3.0%	4.0%	4.0%	0.0%	-8.0%	3.0%
Qtr. III	4.0%	14.0%	2.0%	4.0%	9.0%	5.0%	-1.0%	-1.0%	-6.0%	0.0%
Qtr. IV	14.0%	11.0%	-2.0%	22.0%	-10.0%	8.0%	-2.0%	-7.0%	3.0%	0.0%
Year	9.0%	12.0%	3.9%	6.0%	2.0%	5.0%	1.0%	-2.0%	-3.0%	0.0%

Quarter & Calendar Year

Building Supply Taxable Sales
January 2001 to Date



Maine Revenue Services Economic Research Division 11/14/2007



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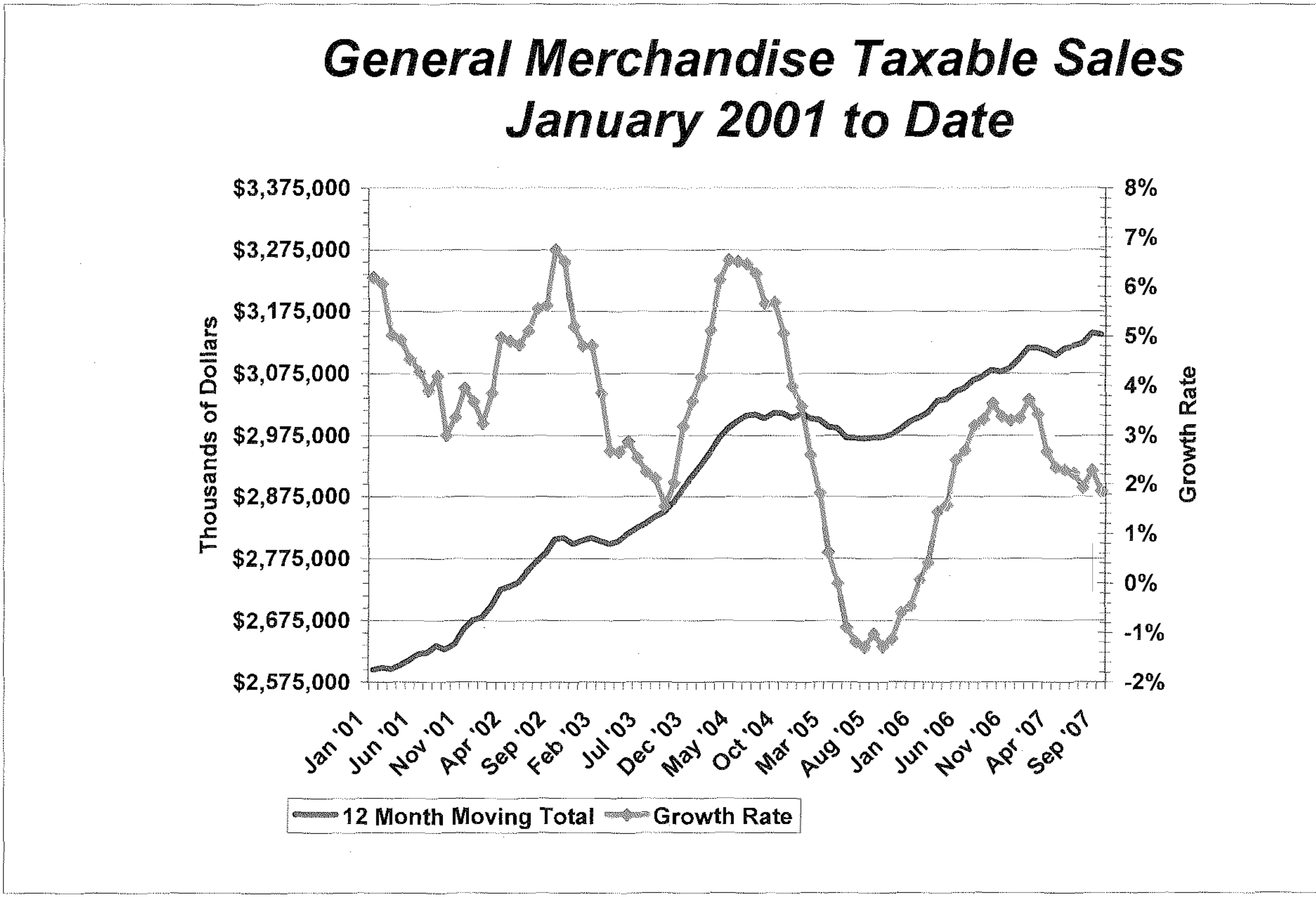

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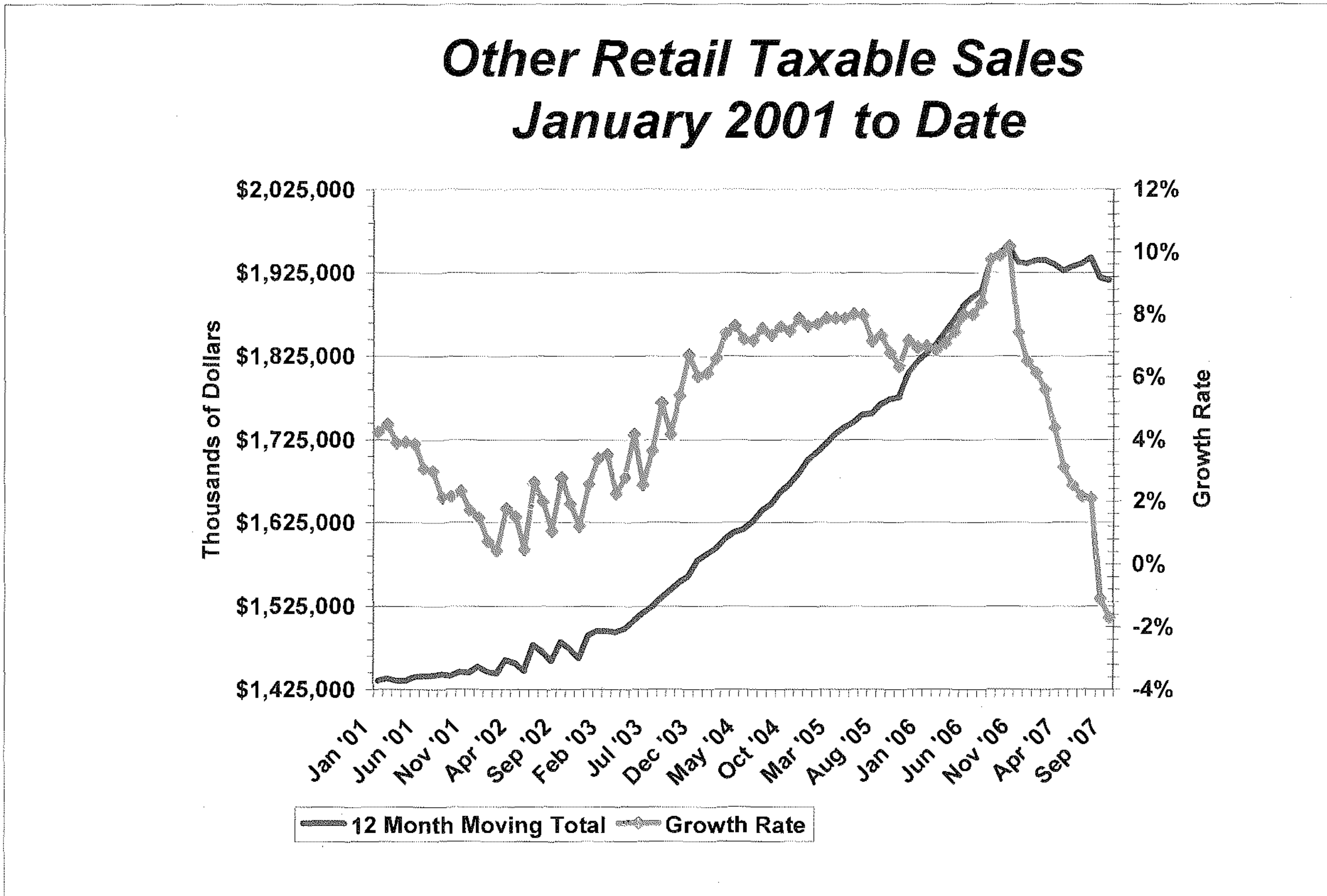
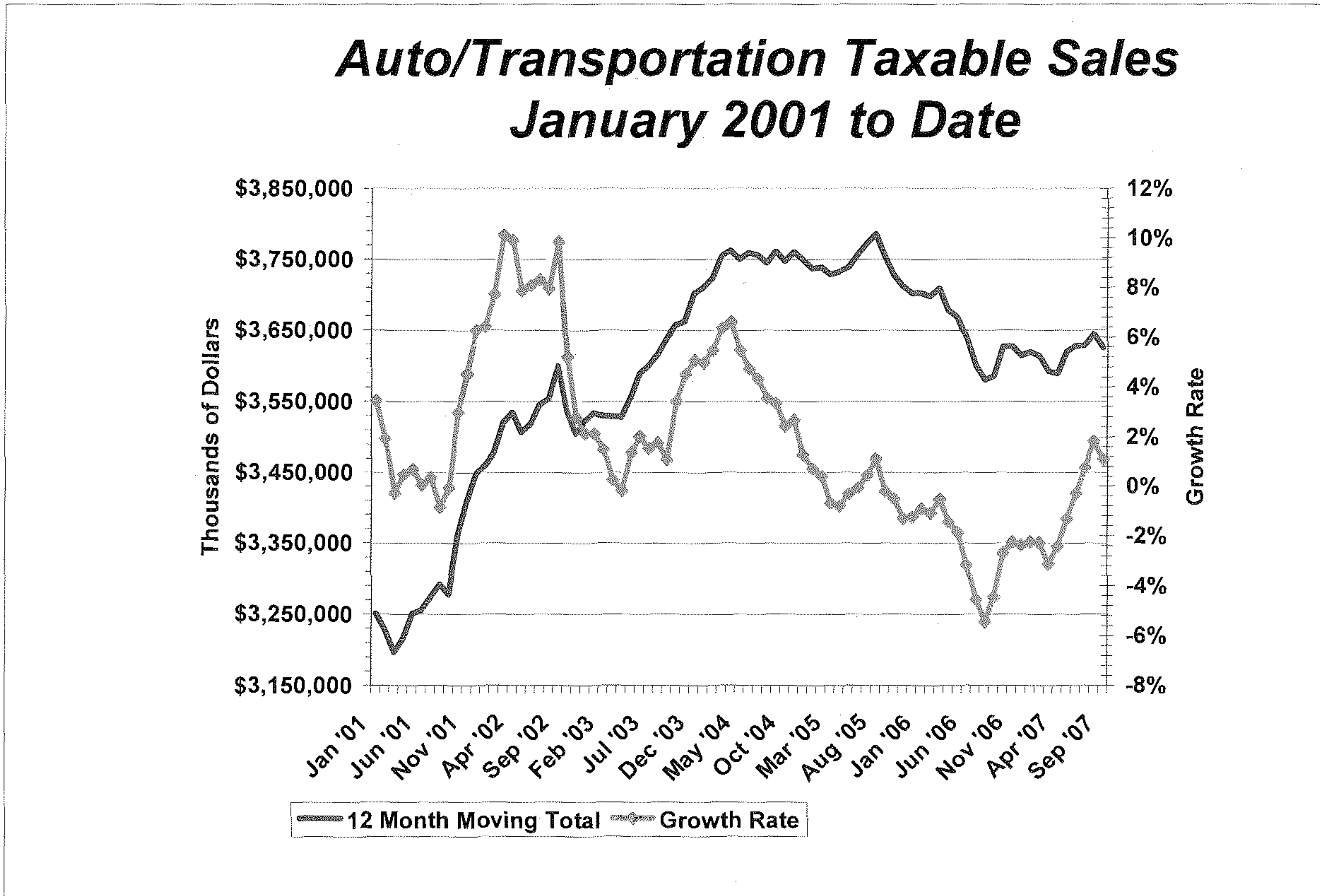


Maine Revenue Services Economic Research Division 11/14/2007



Maine Revenue Services Economic Research Division 11/14/2007

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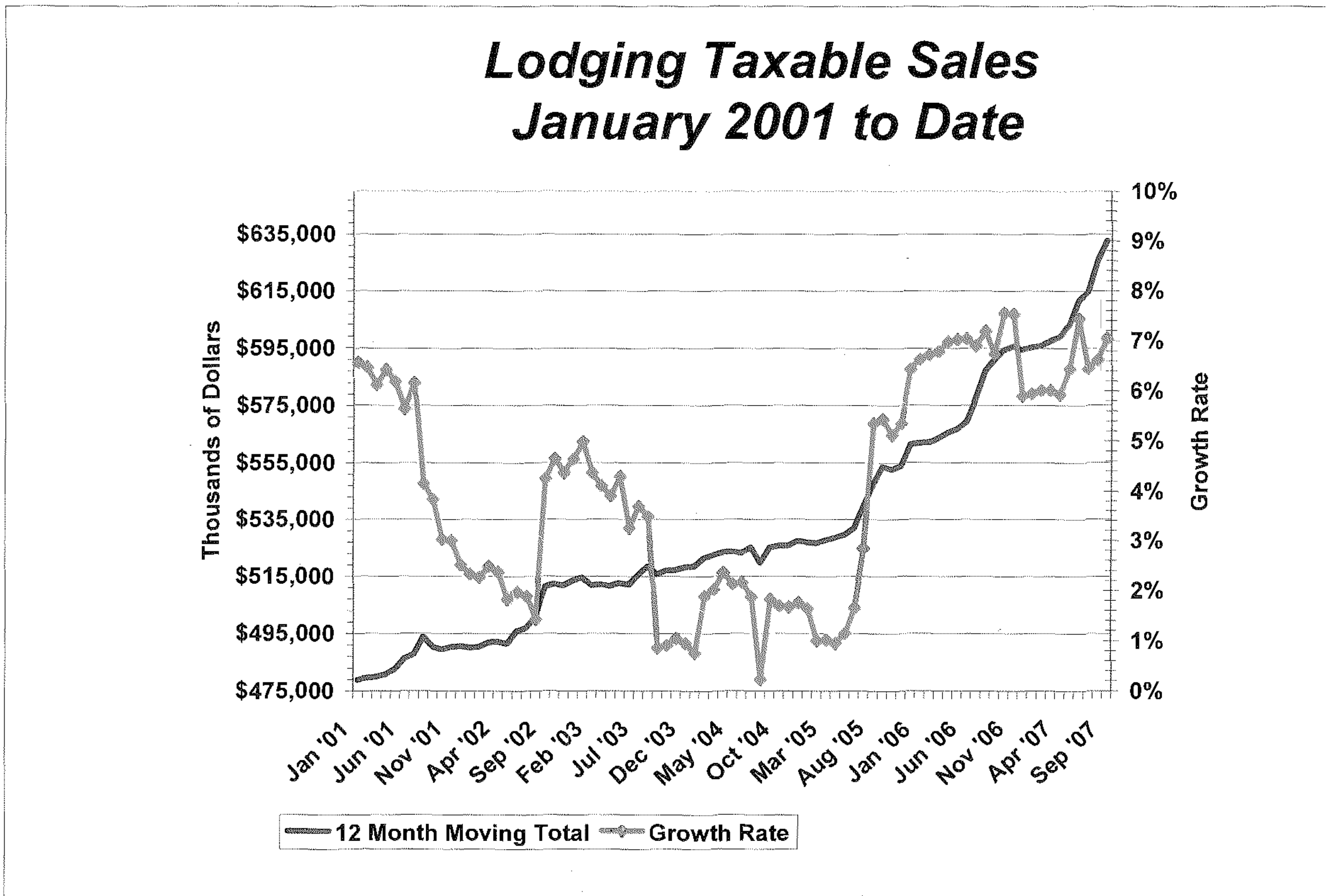
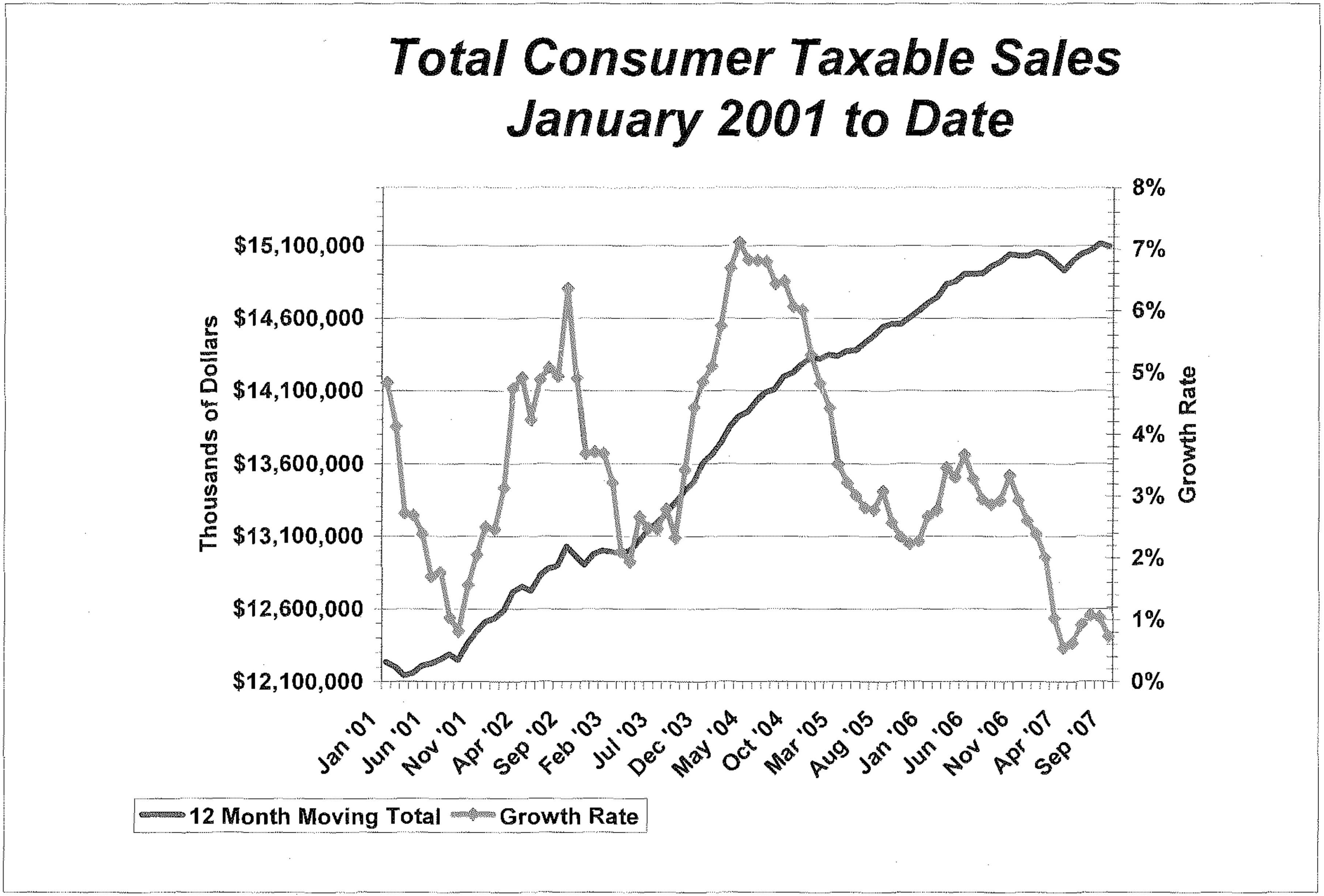
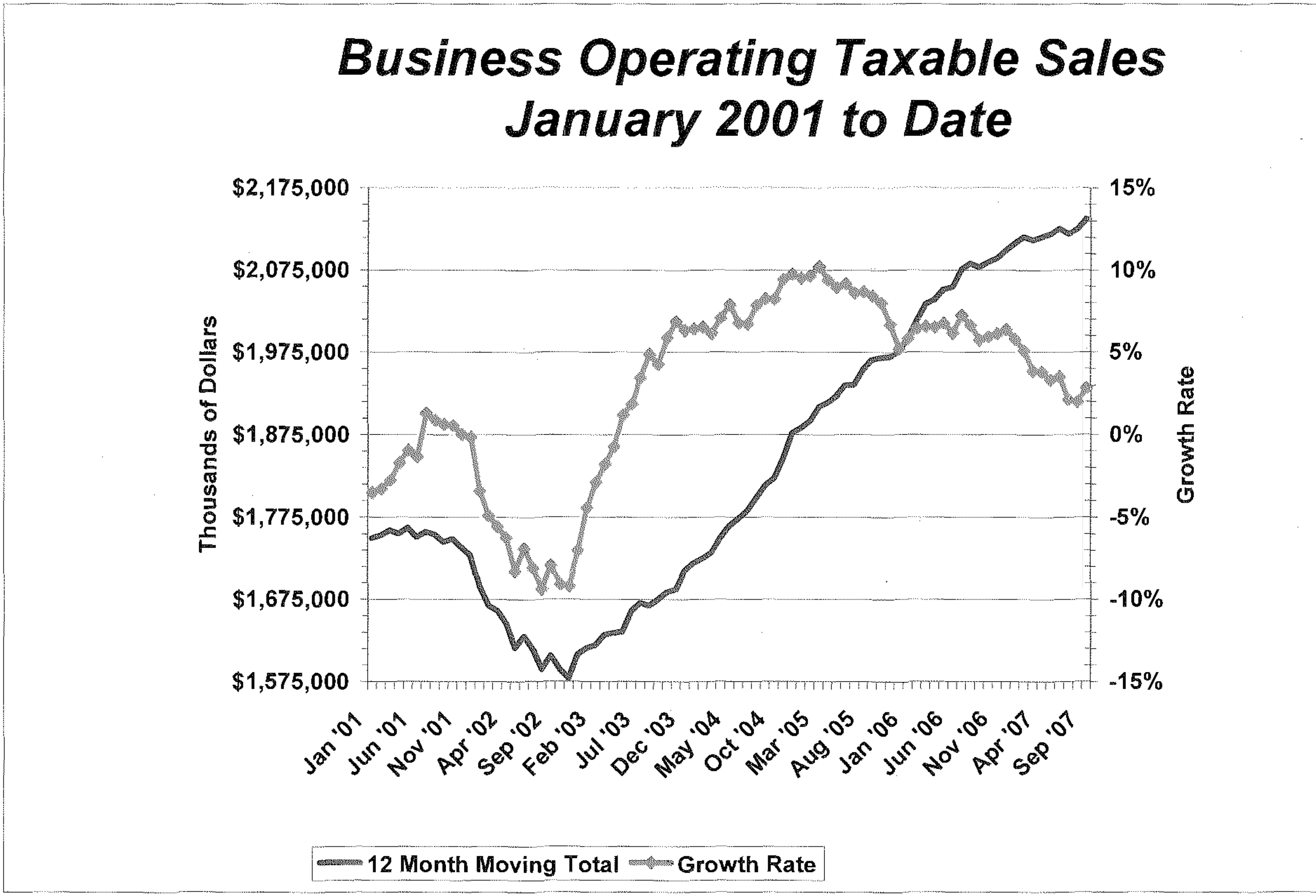


Maine Revenue Services Economic Research Division 11/14/2007

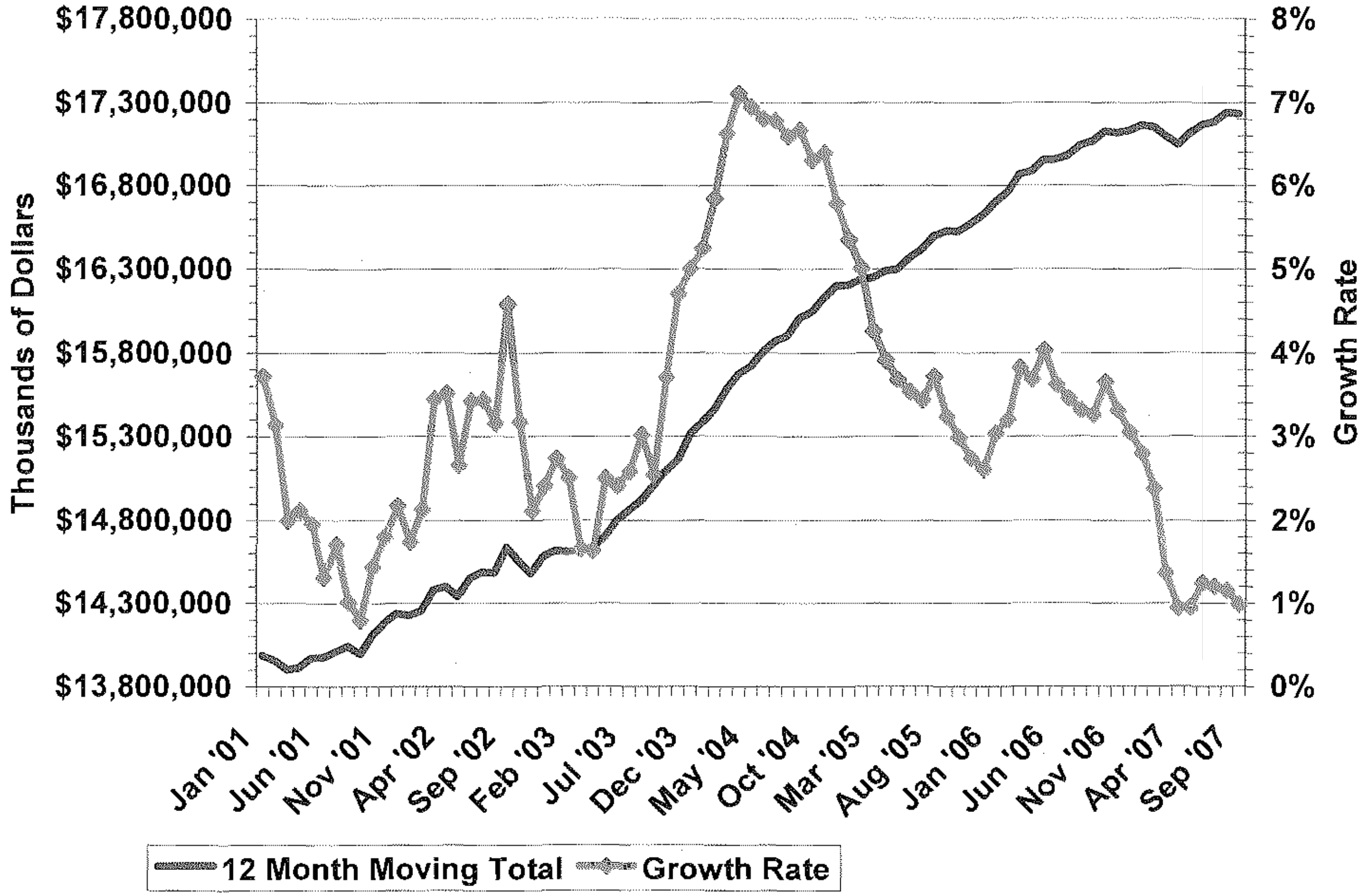


Maine Revenue Services Economic Research Division 11/14/2007



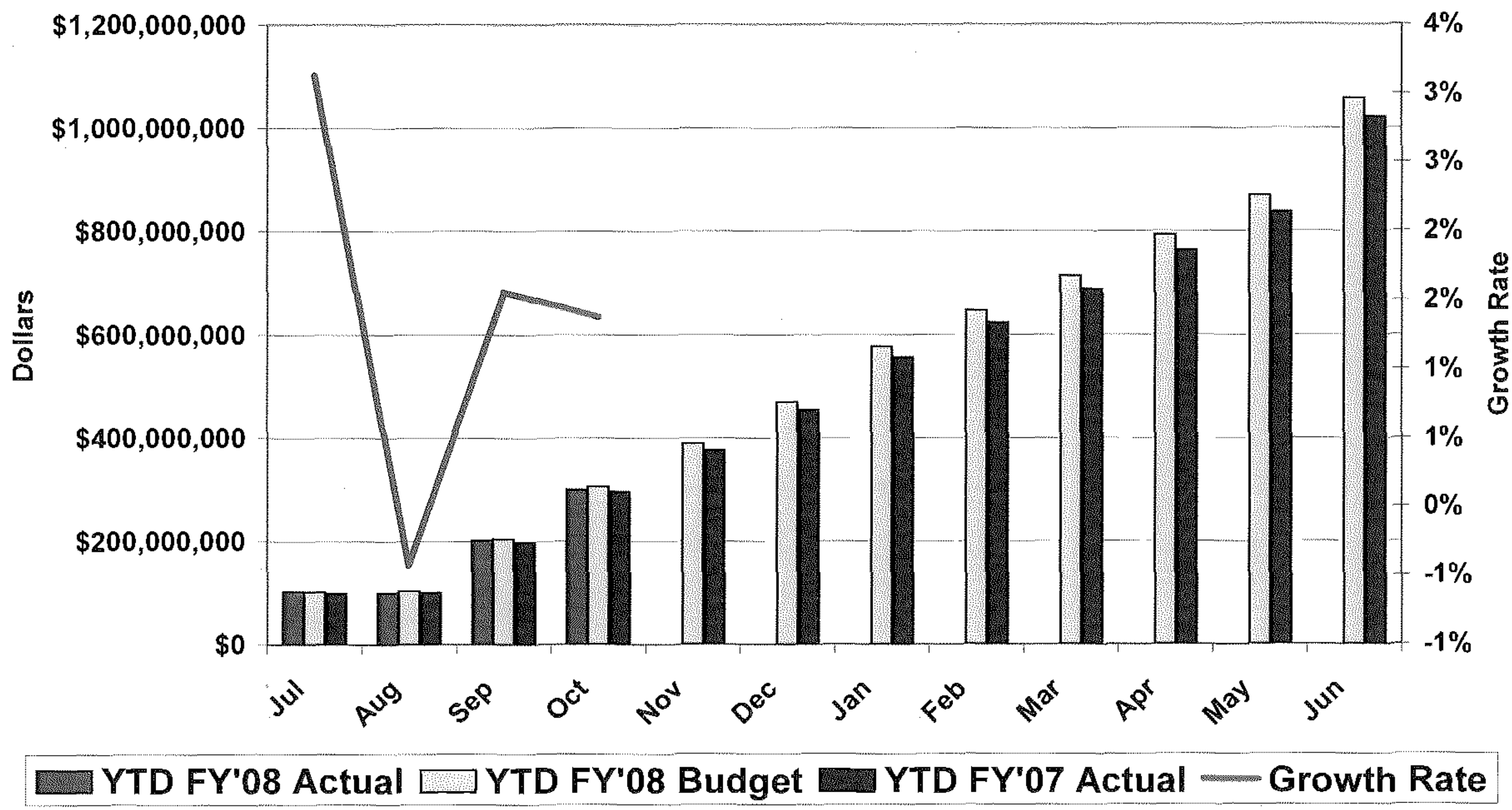
Maine Revenue Services Economic Research Division 11/14/2007

Total Taxable Sales
January 2001 to Date



Maine Revenue Services Economic Research Division 11/14/2007

Sales & Service Provider Tax Revenue
FY'08 Actual, Budget & FY'07 Actual

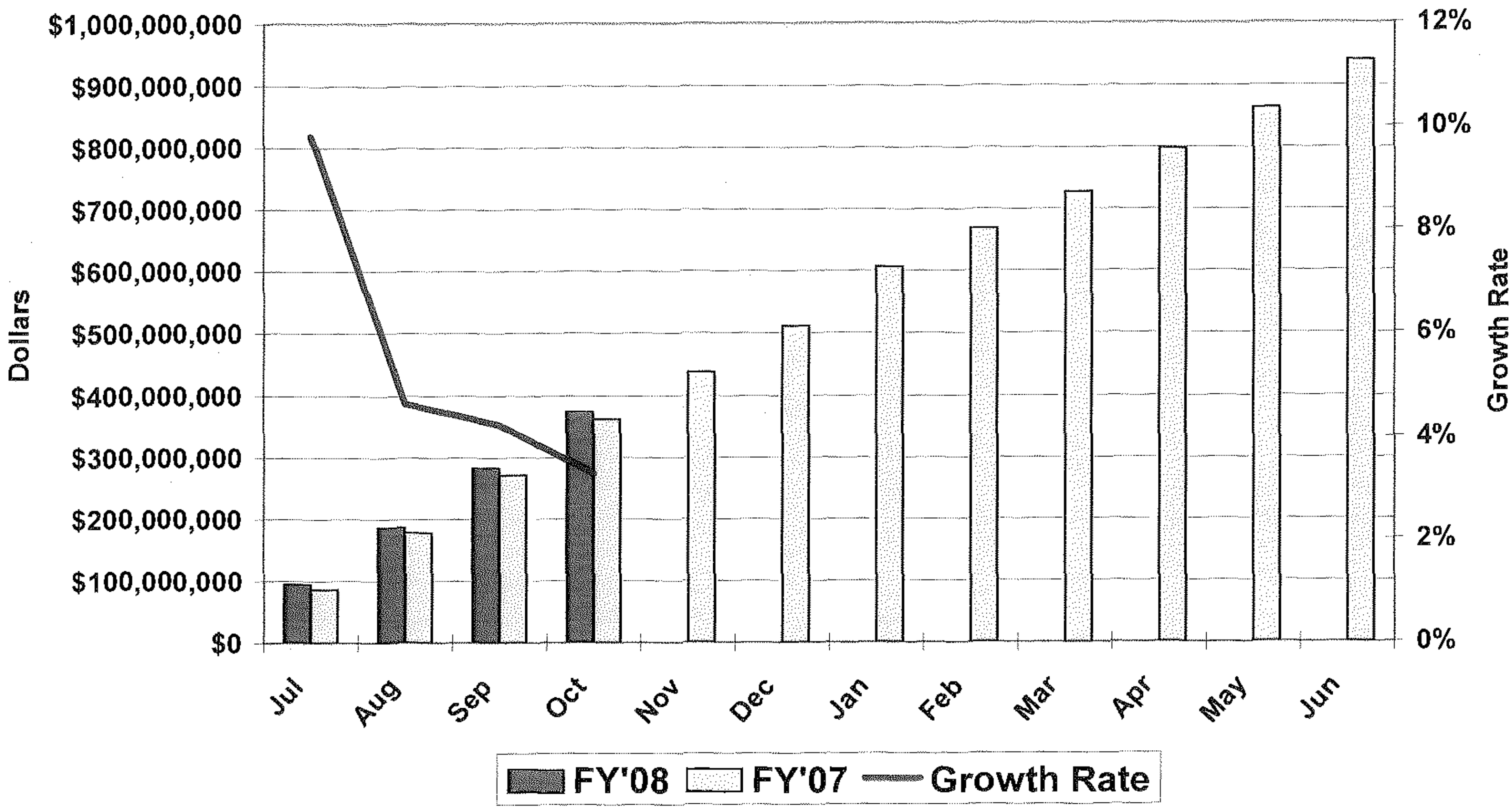


Maine Revenue Services Economic Research Division 11/9/2007

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

Month	FY'08 Actual	FY'08 Budget	FY'07 Actual	FY'06 Actual	FY'08 Actual vs. Budget	FY'08 Budget vs. FY'07 Actual	FY'08 Actual vs. FY'07 Actual	FY'07 Actual vs. FY'06 Actual
Jul	$100,695,273	$100,565,422	$97,636,332	$95,563,538	0.1%	3.0%	3.1%	2.2%
Aug	($2,248,640)	$1,269,990	$1,233,000	$1,369,702	-277.1%	3.0%	-282.4%	-10.0%
Sep	$102,884,842	$102,352,306	$99,371,172	$94,871,741	0.5%	3.0%	3.5%	4.7%
Oct	$97,816,164	$100,539,208	$96,837,762	$93,595,668	-2.7%	3.8%	1.0%	3.5%
Nov	$0	$83,816,339	$80,635,458	$75,709,519	-100.0%	3.9%	-100.0%	6.5%
Dec	$0	$81,483,080	$78,390,770	$76,227,244	-100.0%	3.9%	-100.0%	2.8%
Jan	$0	$106,684,127	$102,401,069	$99,141,063	-100.0%	4.2%	-100.0%	3.3%
Feb	$0	$69,476,061	$66,603,722	$62,521,542	-100.0%	4.3%	-100.0%	6.5%
Mar	$0	$67,506,768	$64,710,220	$65,274,214	-100.0%	4.3%	-100.0%	-0.9%
Apr	$0	$78,308,601	$75,102,886	$73,697,434	-100.0%	4.3%	-100.0%	1.9%
May	$0	$76,623,468	$73,480,822	$77,747,307	-100.0%	4.3%	-100.0%	-5.5%
Jun	$0	$188,687,720	$184,453,041	$177,483,736	-100.0%	2.3%	-100.0%	3.9%
Total	$299,147,639	$1,057,313,090	$1,020,856,254	$993,202,708	-71.7%	3.6%	-70.7%	2.8%
YTD Oct	$299,147,639	$304,726,926	$295,078,266	$285,400,649	-1.8%	3.3%	1.4%	3.4%

Sales Tax Cash Receipts
Year-to-Date FY'08 & FY'07



Maine Revenue Services Economic Research Division 11/1/2007

Maine Revenue Services
Sales Tax Cash Receipts

	FY'08	FY'07	YTD FY'08	YTD FY'07	Growth Rate	YTD Growth Rate
Jul	$94,490,211	$86,034,835	$94,490,211	$86,034,835	9.8%	9.8%
Aug	$91,648,120	$91,832,520	$186,138,331	$177,867,355	-0.2%	4.7%
Sep	$96,721,370	$93,495,551	$282,859,701	$271,362,906	3.5%	4.2%
Oct	$90,525,216	$90,134,771	$373,384,917	$361,497,677	0.4%	3.3%
Nov	$0	$75,501,328	$373,384,917	$436,999,005	-100.0%	-14.6%
Dec	$0	$73,900,046	$373,384,917	$510,899,051	-100.0%	-26.9%
Jan	$0	$94,949,605	$373,384,917	$605,848,656	-100.0%	-38.4%
Feb	$0	$62,068,877	$373,384,917	$667,917,533	-100.0%	-44.1%
Mar	$0	$59,532,642	$373,384,917	$727,450,175	-100.0%	-48.7%
Apr	$0	$70,396,653	$373,384,917	$797,846,828	-100.0%	-53.2%
May	$0	$64,987,419	$373,384,917	$862,834,247	-100.0%	-56.7%
Jun	$0	$77,587,405	$373,384,917	$940,421,652	-100.0%	-60.3%

Maine Revenue Services Economic Research Division. 11/1/2007

11/16/2007

Maine Revenue Services
Model Sales Tax Revenue for Selected Categories from the November 2007 Forecast
(millions of dollars)

Fiscal Years	2007	2008		2009		2010		2011	
Personal Consumption									
Total motor vehicles	$138.8	$138.8	0.0%	$145.0	4.5%	$154.6	6.6%	$166.6	7.8%
New autos	$61.20	$61.2	0.0%	$64.0	4.5%	$68.2	6.6%	$73.5	7.8%
Used Autos	$34.62	$34.6	0.0%	$36.2	4.5%	$38.6	6.6%	$41.6	7.8%
Other motor vehicles	$42.93	$42.9	0.0%	$44.9	4.5%	$47.8	6.6%	$51.6	7.8%
Restaurants	$132.29	$133.5	0.9%	$138.7	3.8%	$143.6	3.5%	$147.9	3.0%
Lodging	$41.77	$44.5	6.5%	$48.6	9.2%	$52.9	9.0%	$57.4	8.4%
Shoes	$10.82	$10.9	0.4%	$11.2	3.3%	$11.6	3.0%	$11.8	2.4%
Women's clothing	$40.53	$41.6	2.5%	$43.8	5.4%	$46.0	5.1%	$48.1	4.5%
Men's clothing	$24.7	$25.3	2.5%	$26.6	5.4%	$28.0	5.1%	$29.3	4.6%
Jewelry and watches	$13.5	$14.0	4.1%	$15.0	7.0%	$16.0	6.7%	$17.0	6.1%
Toilet articles and preps	$18.5	$19.6	5.7%	$21.3	8.5%	$23.0	8.2%	$24.8	7.7%
Furniture	$17.1	$17.7	3.7%	$18.9	6.5%	$20.1	6.3%	$21.2	5.7%
Drugs	$17.3	$17.2	-0.8%	$17.6	2.2%	$17.9	1.8%	$18.1	1.3%
Personal consumption	$745.2	$758.4	1.8%	$794.5	4.7%	$833.8	4.9%	$873.8	4.8%
Business Intermediate	$195.4	$201.9	3.3%	$207.5	2.8%	$214.2	3.3%	$221.5	3.4%
Business Investment	$80.3	$83.7	4.2%	$86.7	3.6%	$89.8	3.5%	$93.1	3.8%

Maine Revenue Services
Transfers to the Tourism Marketing Promotion Fund
Fall 2007 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'07 meals/lodge tax revenue	$183,528,705	
General Fund portion	$174,168,741	94.9%
FY'08 Transfer to Tourism - budget	$8,607,905	
Actual FY'08 transfer	$8,708,437	5.0%
Variance	$100,533	

	FY'08	FY'09	FY'10	FY'11
Meals and lodging revenue forecast	$187,810,000	$197,380,000	$207,000,000	$216,110,000
Growth rate	2.3%	5.1%	4.9%	4.4%
General Fund	$178,231,690	$187,313,620	$196,236,000	$204,872,280
General Fund percentage	94.9%	94.9%	94.8%	94.8%

Fall 2007 forecast	FY'09	FY'10	FY'11	FY'12
5% to Tourism Fund	$8,911,585	$9,365,681	$9,811,800	$10,243,614
Current budget	$8,999,364	$9,418,380	$9,847,824	
Variance	($87,780)	($52,699)	($36,024)	

Sales & Use and Service Provider Taxes: Baseline Forecast FY08 - FY11

	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium
Actuals & February, 2007 Forecast /1	$917,243,245	$941,221,839	$1,858,465,084	$993,202,707	$1,020,856,253	$2,014,058,960	$1,057,313,090	$1,103,125,338	$2,160,438,428	$1,145,599,779	$1,192,663,907	$2,338,263,686
Growth Rate	7.0%	2.6%	9.7%	5.5%	2.8%	8.4%	3.6%	4.3%	7.3%	3.9%	4.1%	8.2%
Technical Adjustments to Prior Forecast /2	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Economic Assumptions /3	$0	$0	$0	$0	$0	$0	($14,044,078)	($13,056,048)	($27,100,126)	($7,093,946)	($3,509,851)	($10,603,797)
Total Adjustments to Prior Forecast	$0	$0	$0	$0	$0	$0	($14,044,078)	($13,056,048)	($27,100,126)	($7,093,946)	($3,509,851)	($10,603,797)
New Forecast	$917,243,245	$941,221,839	$1,858,465,084	$993,202,707	$1,020,856,253	$2,014,058,960	$1,043,269,012	$1,090,069,290	$2,133,338,302	$1,138,505,833	$1,189,154,056	$2,327,659,889
Growth Rate	7.0%	2.6%	9.7%	5.5%	2.8%	8.4%	2.2%	4.5%	5.9%	4.4%	4.4%	9.1%

1/ February, 2007 forecast with FY04, FY05, FY06, and FY07 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.

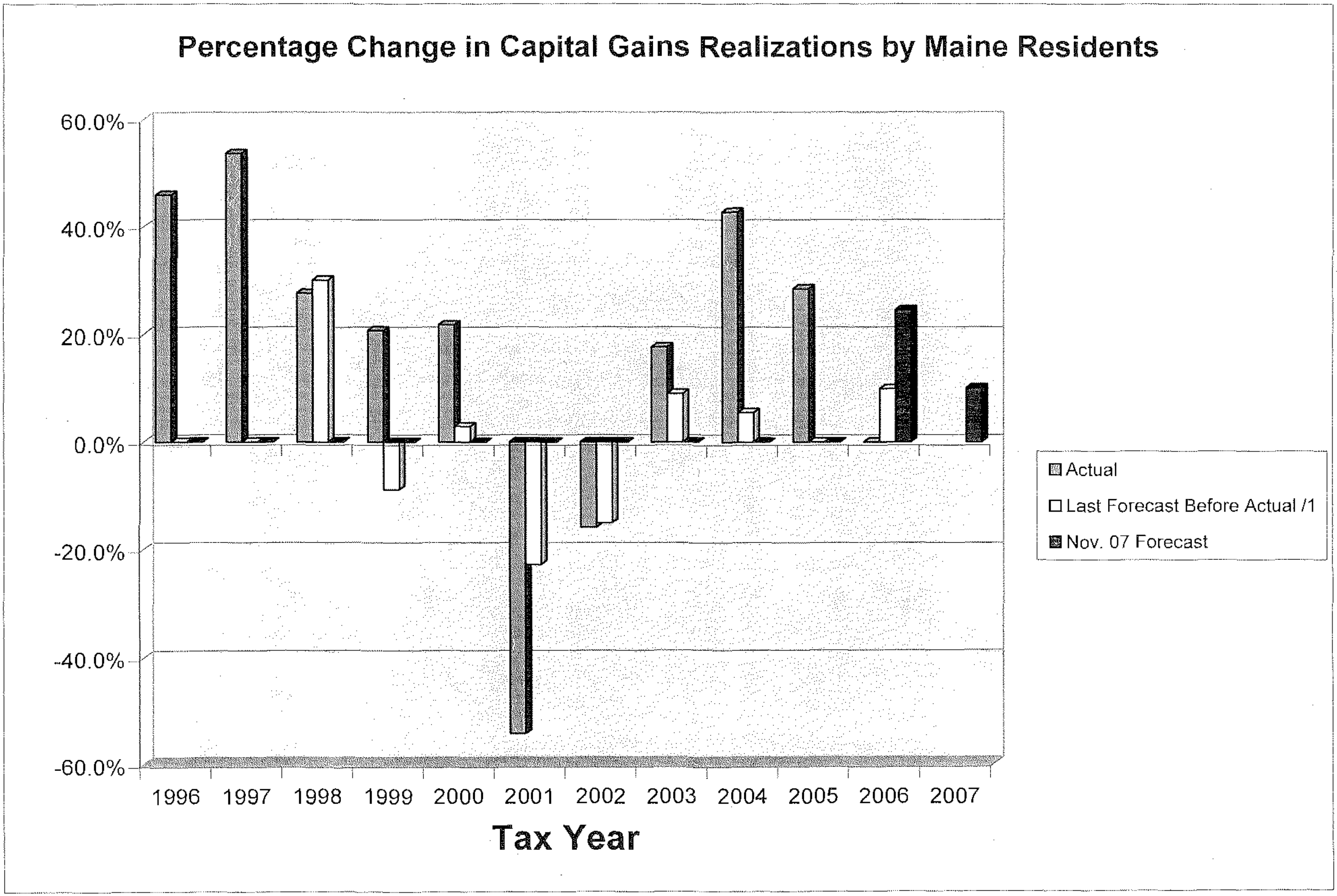
3/ This line shows the incremental change in baseline revenues as a result of the new economic forecast released by the Consensus Economic Forecasting Committee. In addition, Global Insight's November 2007 forecast is used to estimate the impact of energy prices on sales tax receipts and to target automobile sales growth.

Maine Revenue Services
Economic Research Division

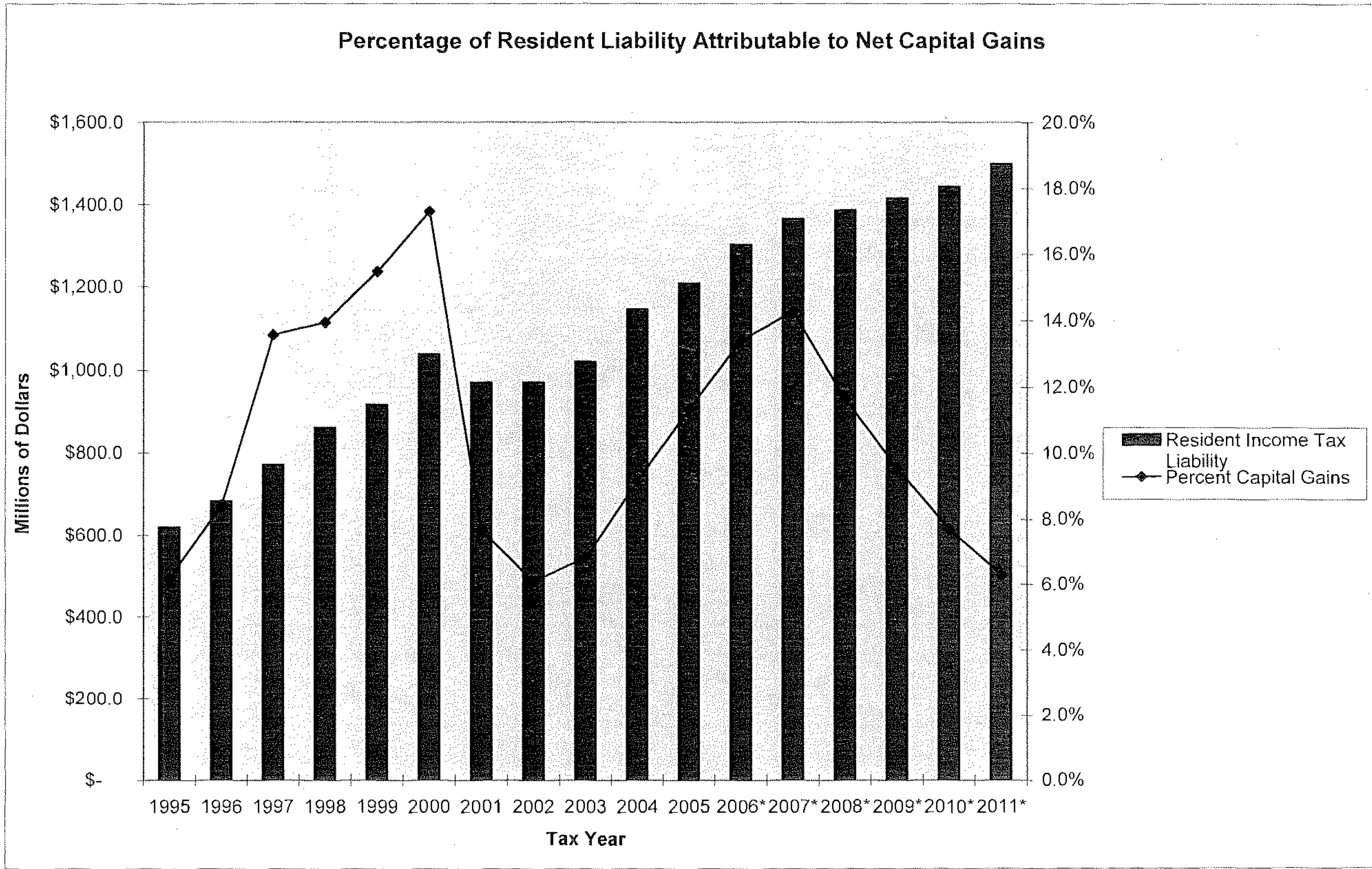
18-Nov-07

Monthly Distribution of MRS Recommendation v. Model

	FY07	FY08 - R		FY08 - M	
July	$97.636	$100.695	3.1%	$100.695	3.1%
Aug	$1.233	-$2.249	-282.4%	-$2.249	-282.4%
Sep	$99.371	$102.885	3.5%	$102.885	3.5%
Oct	$96.838	$97.816	1.0%	$97.816	1.0%
Nov	$80.635	$81.442	1.0%	$82.248	2.0%
Dec	$78.391	$79.175	1.0%	$79.959	2.0%
Jan	$102.401	$103.425	1.0%	$104.449	2.0%
Feb	$66.604	$67.569	1.5%	$67.936	2.0%
Mar	$64.710	$65.806	1.7%	$66.502	2.8%
Apr	$75.103	$76.479	1.8%	$77.356	3.0%
May	$73.481	$74.833	1.8%	$75.685	3.0%
Jun	$84.527	$86.295	2.1%	$87.063	3.0%
Accrual	$99.926	$102.075	2.2%	$102.924	3.0%
Total	$1,020.856	$1,036.247	1.5%	$1,043.269	2.2%

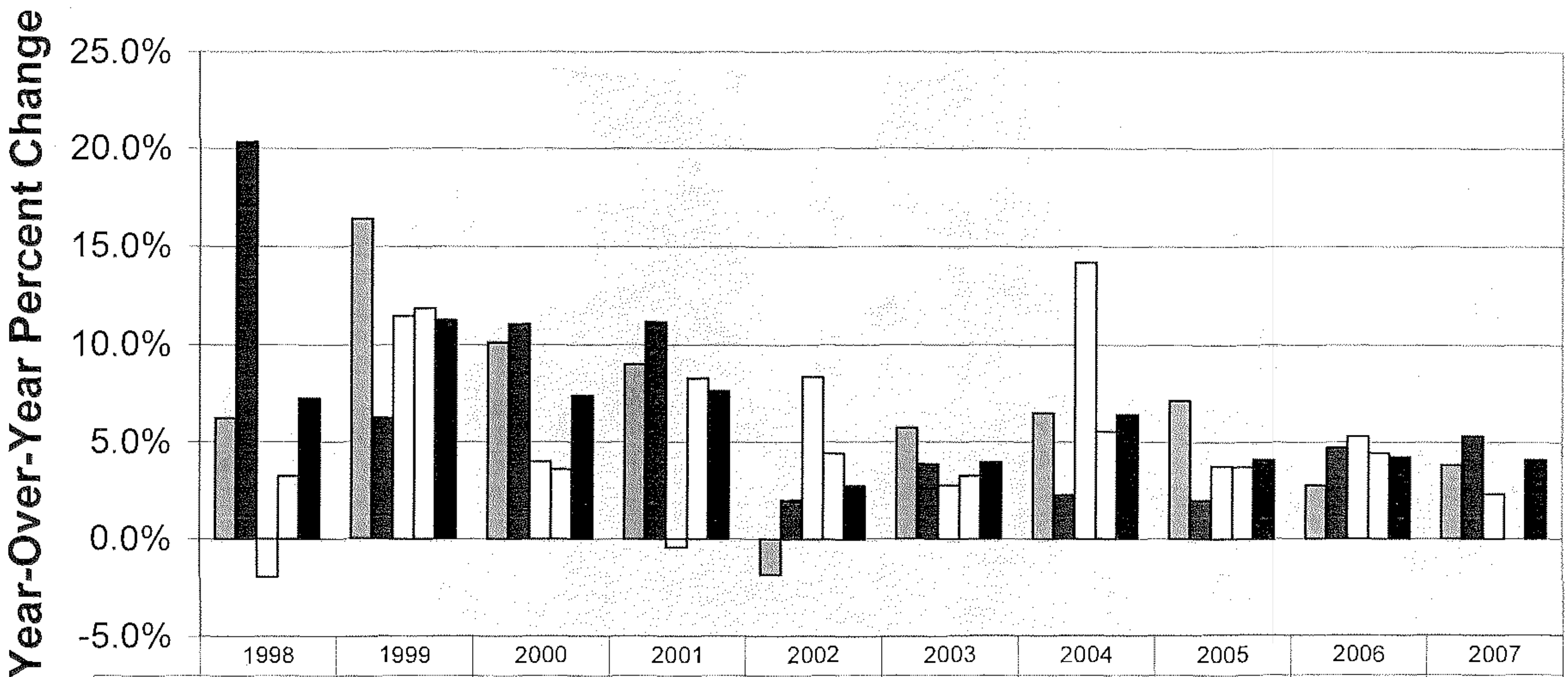


1/ Represents last forecast prior to receipt of tax year return.



* Signifies a forecasted value.

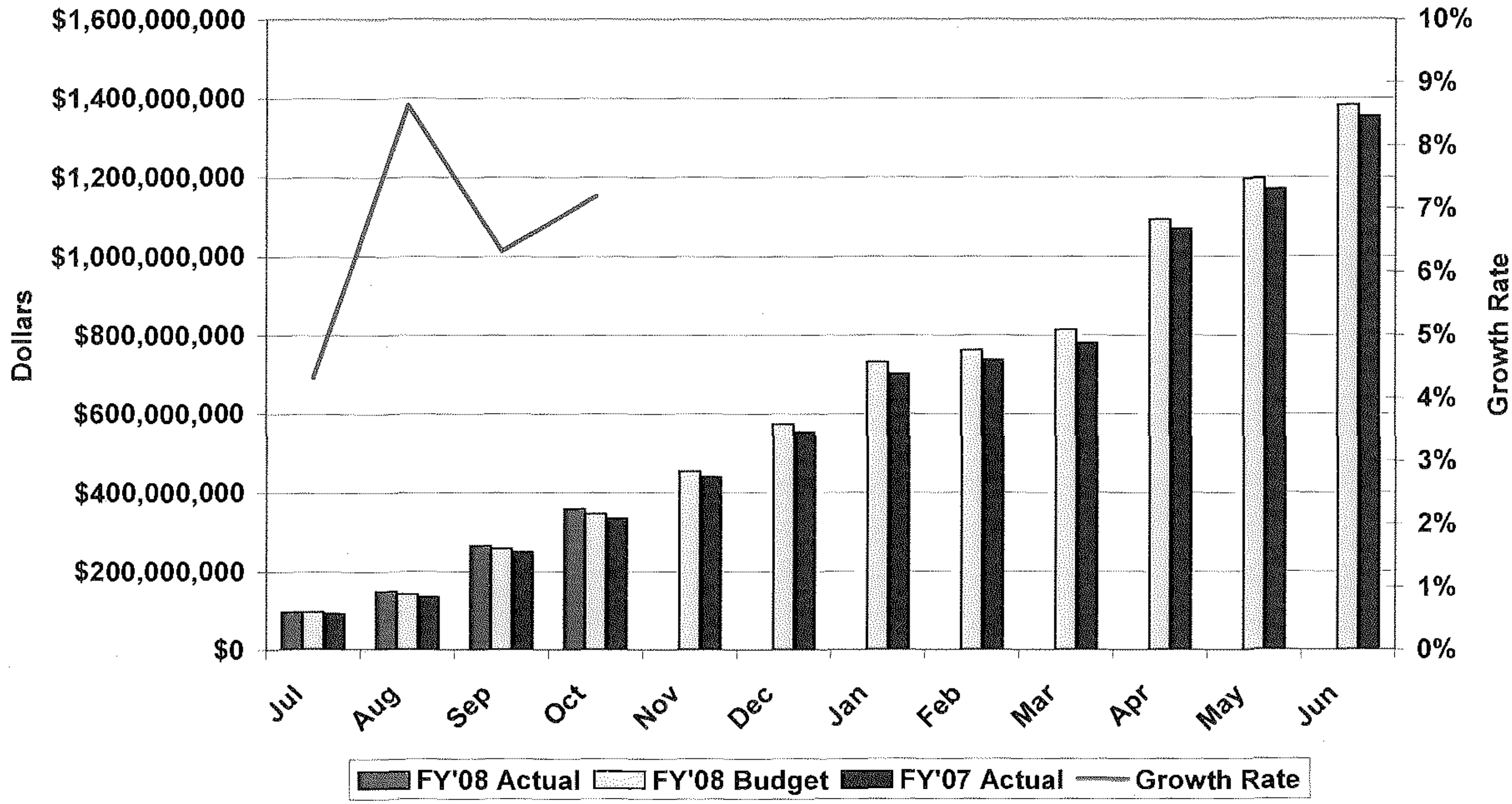
Individual Income Tax Withholding



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Qtr. I	6.2%	16.3%	10.1%	9.0%	-1.9%	5.7%	6.5%	7.1%	2.7%	3.8%
Qtr. II	20.3%	6.2%	11.0%	11.1%	2.0%	3.8%	2.2%	2.0%	4.7%	5.3%
Qtr. III	-2.0%	11.4%	4.0%	-0.4%	8.4%	2.8%	14.1%	3.7%	5.3%	2.3%
Qtr. IV	3.2%	11.8%	3.6%	8.3%	4.5%	3.2%	5.5%	3.7%	4.4%	0.0%
Year	7.3%	11.2%	7.4%	7.6%	2.7%	3.9%	6.4%	4.1%	4.2%	4.1%

Quarter & Calendar Year

YTD Individual Income Tax Revenue
FY'08 Actual, Budget & FY'07 Actual

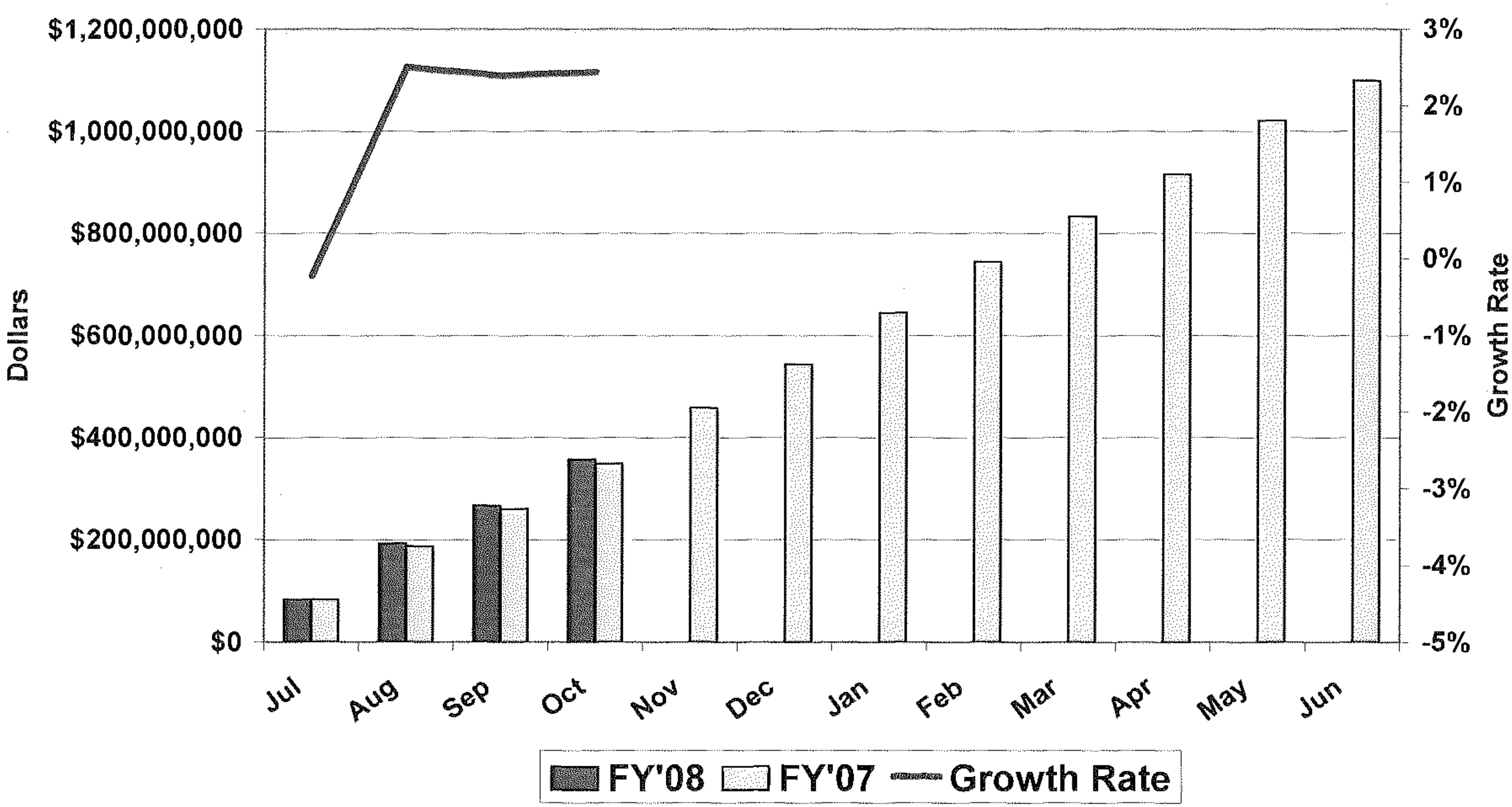


Maine Revenue Services Economic Research Division 11/9/2007

Maine Revenue Services
Individual Income Tax Revenue

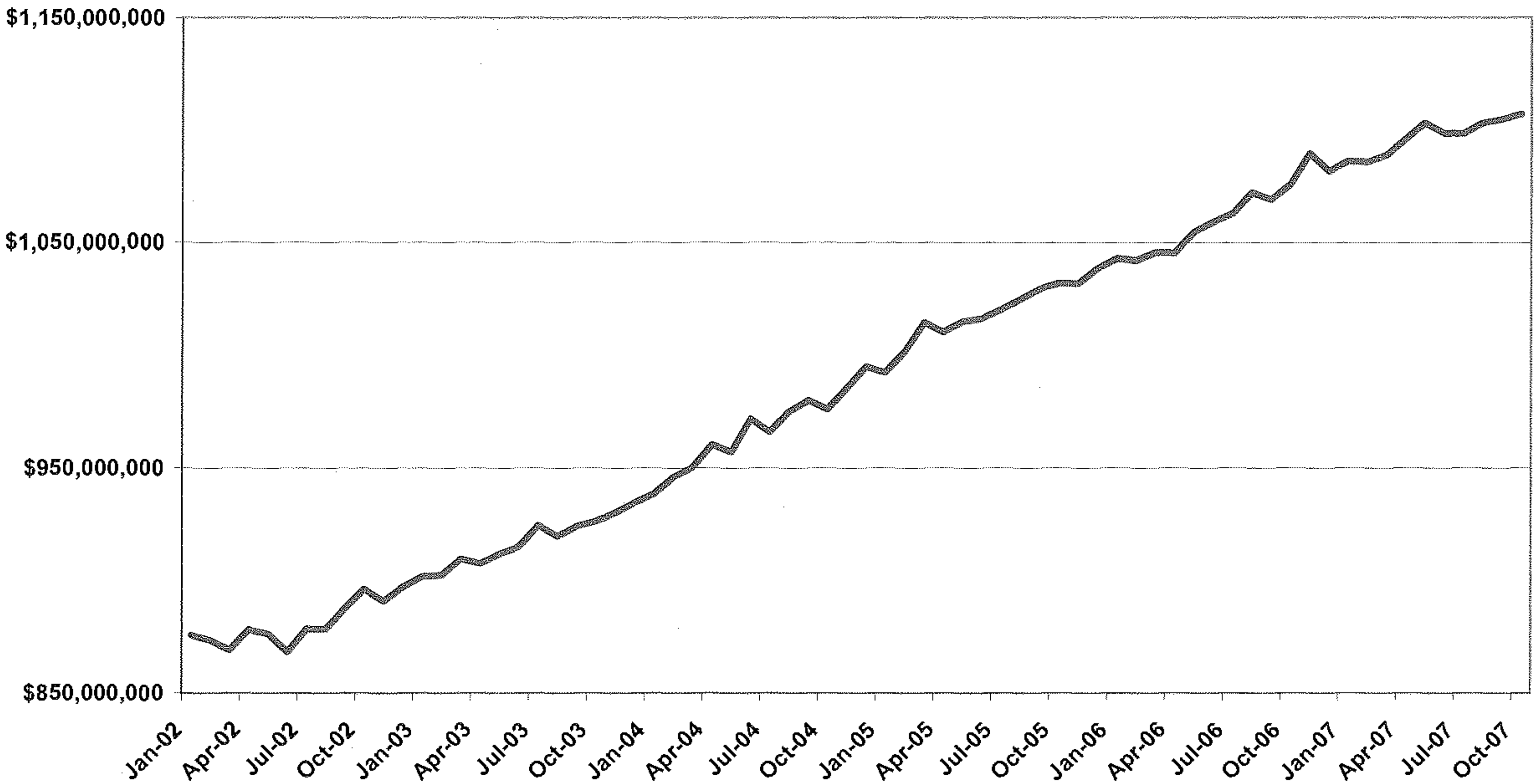
	FY'08 Actual	FY'08 Budget	FY'07 Actual	FY'06 Actual	FY'08 Actual vs. Budget	FY'08 Budget vs. FY'07 Actual	FY'08 Actual vs. FY'07 Actual	FY'07 Actual vs. FY'06 Actual
Jul	$94,757,222	$95,118,505	$90,829,254	$81,512,002	-0.4%	4.7%	4.3%	11.4%
Aug	$52,138,736	$46,146,425	$44,386,435	$41,008,817	13.0%	4.0%	17.5%	8.2%
Sep	$118,358,298	$116,695,027	$114,238,155	$125,826,676	1.4%	2.2%	3.6%	-9.2%
Oct	$93,194,975	$88,266,953	$84,923,088	$63,159,155	5.6%	3.9%	9.7%	34.5%
Nov	$0	$107,698,641	$104,500,615	$88,172,229	-100.0%	3.1%	-100.0%	18.5%
Dec	$0	$118,533,989	$113,280,029	$123,612,742	-100.0%	4.6%	-100.0%	-8.4%
Jan	$0	$158,076,003	$148,537,510	$131,958,647	-100.0%	6.4%	-100.0%	12.6%
Feb	$0	$30,173,157	$34,907,426	$21,631,009	-100.0%	-13.6%	-100.0%	61.4%
Mar	$0	$53,062,845	$44,066,066	$53,241,988	-100.0%	20.4%	-100.0%	-17.2%
Apr	$0	$278,967,465	$288,532,021	$251,414,316	-100.0%	-3.3%	-100.0%	14.8%
May	$0	$103,143,425	$101,176,024	$97,373,930	-100.0%	1.9%	-100.0%	3.9%
Jun	$0	$186,905,790	$184,557,871	$175,595,152	-100.0%	1.3%	-100.0%	5.1%
Total	$358,449,231	$1,382,788,225	$1,353,934,494	$1,254,506,663	-74.1%	2.1%	-73.5%	7.9%
YTD Oct	$358,449,231	$346,226,910	$334,376,932	$311,506,650	3.5%	3.5%	7.2%	7.3%

1040 Withholding
Year-to-Date FY'08 & FY'07



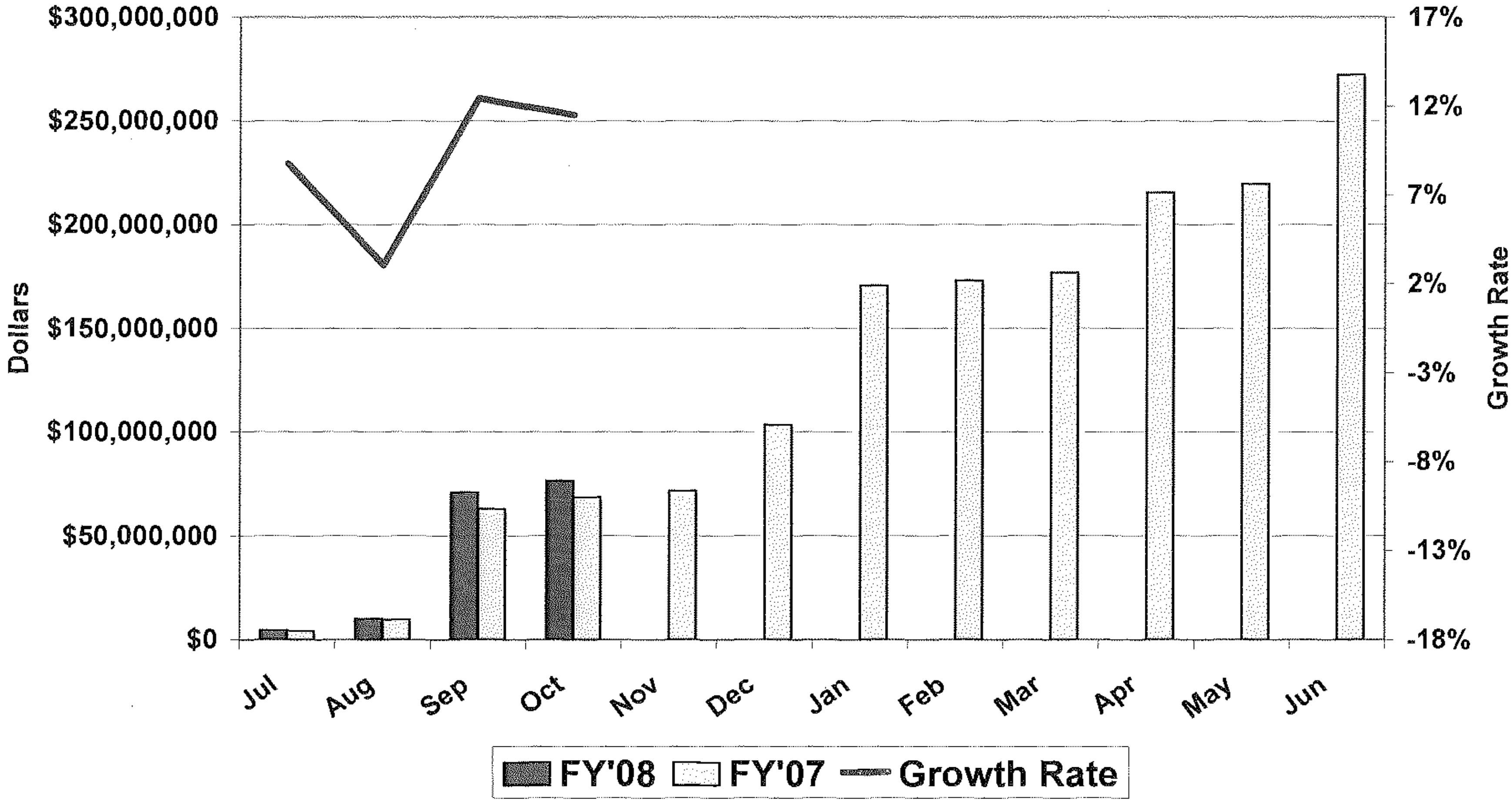
Maine Revenue Services Economic Research Division 11/1/2007

Withholding Tax Revenue
12 Month Moving Total



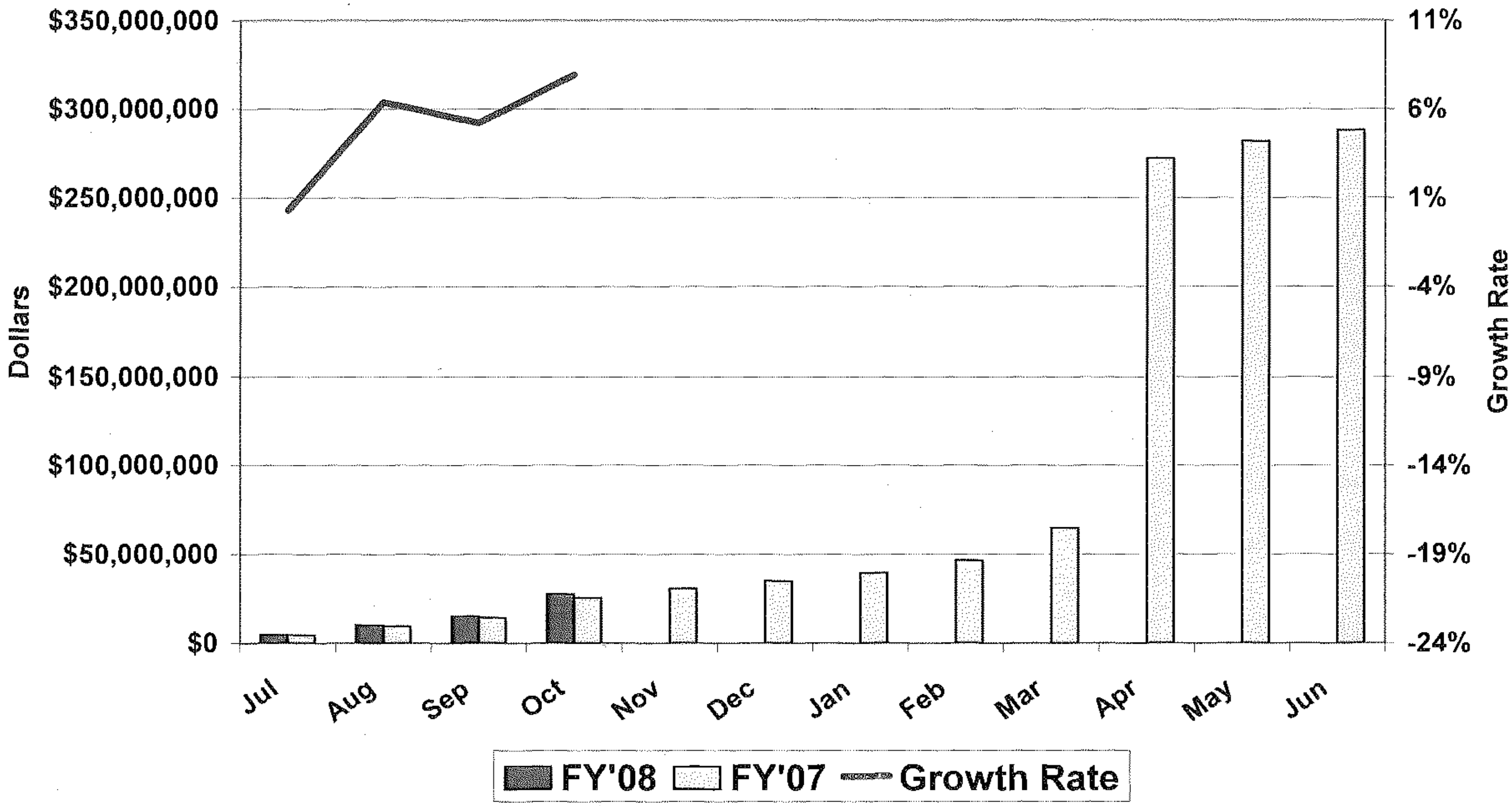
Maine Revenue Services Research Division 11/1/2007

1040 Estimated Payments
Year-to-Date FY'08 & FY'07



Maine Revenue Services Economic Research Division 11/1/2007

1040 Final Payments
Year-to-Date FY'08 & FY'07



Maine Revenue Services Economic Research Division 11/1/2007

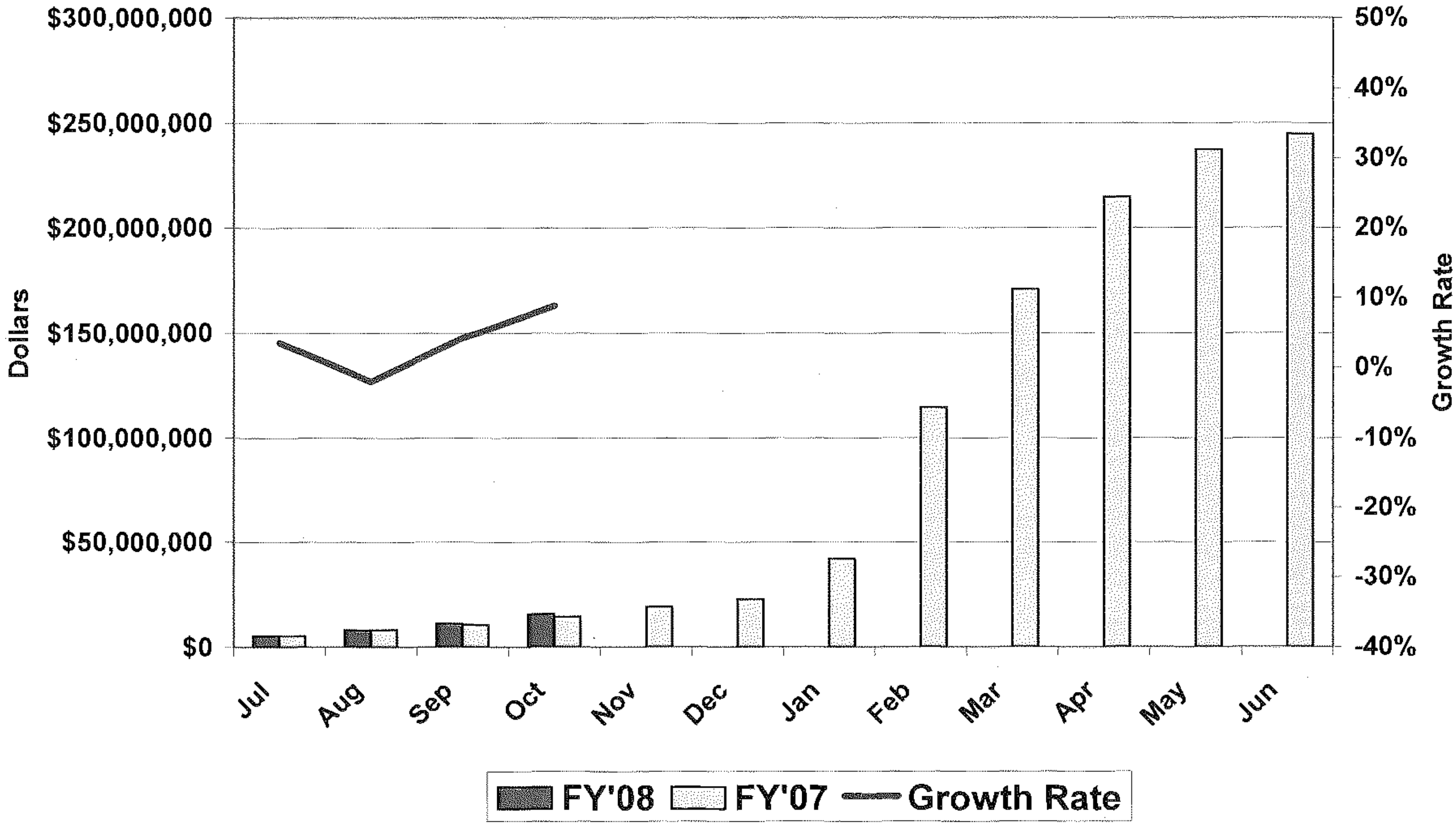
Maine Revenue Services
Individual Income Tax Withholding, Estimated Payments and Final Payments

	1040 Withholding			1040 Estimated Payments			1040 Final Payments		
	FY'08	FY'07	Growth Rate	FY'08	FY'07	Growth Rate	FY'08	FY'07	Growth Rate
Jul	$83,412,245	$83,598,836	-0.2%	$4,562,923	$4,195,018	8.8%	$4,658,736	$4,644,833	0.3%
Aug	$108,802,415	$103,918,897	4.7%	$5,493,361	$5,563,522	-1.3%	$5,614,350	$5,011,255	12.0%
Sep	$74,628,128	$73,091,168	2.1%	$60,753,488	$53,220,634	14.2%	$4,872,685	$4,739,993	2.8%
Oct	$90,467,876	$88,194,143	2.6%	$5,536,440	$5,486,161	0.9%	$12,490,097	$11,206,338	11.5%
Nov	$0	$109,277,581	-100.0%	$0	$3,162,695	-100.0%	$0	$4,997,795	-100.0%
Dec	$0	$85,386,090	-100.0%	$0	$31,807,698	-100.0%	$0	$4,167,038	-100.0%
Jan	$0	$101,417,190	-100.0%	$0	$67,083,876	-100.0%	$0	$4,490,473	-100.0%
Feb	$0	$98,195,645	-100.0%	$0	$2,420,345	-100.0%	$0	$7,162,915	-100.0%
Mar	$0	$89,124,176	-100.0%	$0	$3,799,113	-100.0%	$0	$18,164,822	-100.0%
Apr	$0	$83,223,876	-100.0%	$0	$38,482,232	-100.0%	$0	$207,511,031	-100.0%
May	$0	$105,017,024	-100.0%	$0	$4,293,354	-100.0%	$0	$9,759,859	-100.0%
Jun	$0	$78,209,603	-100.0%	$0	$52,824,632	-100.0%	$0	$6,225,441	-100.0%

Year-To-Date

	1040 Withholding			1040 Estimated Payments			1040 Final Payments		
	FY'08	FY'07	Growth Rate	FY'08	FY'07	Growth Rate	FY'08	FY'07	Growth Rate
Jul	$83,412,245	$83,598,836	-0.2%	$4,562,923	$4,195,018	8.8%	$4,658,736	$4,644,833	0.3%
Aug	$192,214,660	$187,517,733	2.5%	$10,056,284	$9,758,540	3.1%	$10,273,086	$9,656,088	6.4%
Sep	$266,842,788	$260,608,901	2.4%	$70,809,772	$62,979,174	12.4%	$15,145,771	$14,396,081	5.2%
Oct	$357,310,664	$348,803,044	2.4%	$76,346,212	$68,465,335	11.5%	$27,635,868	$25,602,419	7.9%
Nov	$357,310,664	$458,080,625	-22.0%	$76,346,212	$71,628,030	6.6%	$27,635,868	$30,600,214	-9.7%
Dec	$357,310,664	$543,466,715	-34.3%	$76,346,212	$103,435,728	-26.2%	$27,635,868	$34,767,252	-20.5%
Jan	$357,310,664	$644,883,905	-44.6%	$76,346,212	$170,519,604	-55.2%	$27,635,868	$39,257,725	-29.6%
Feb	$357,310,664	$743,079,550	-51.9%	$76,346,212	$172,939,949	-55.9%	$27,635,868	$46,420,640	-40.5%
Mar	$357,310,664	$832,203,726	-57.1%	$76,346,212	$176,739,062	-56.8%	$27,635,868	$64,585,462	-57.2%
Apr	$357,310,664	$915,427,602	-61.0%	$76,346,212	$215,221,294	-64.5%	$27,635,868	$272,096,493	-89.8%
May	$357,310,664	$1,020,444,626	-65.0%	$76,346,212	$219,514,648	-65.2%	$27,635,868	$281,856,352	-90.2%
Jun	$357,310,664	$1,098,654,229	-67.5%	$76,346,212	$272,339,280	-72.0%	$27,635,868	$288,081,793	-90.4%

Individual Income Tax Refunds
Year-to-Date FY'08 & FY'07



Maine Revenue Services Economic Research Division 11/9/2007

Maine Revenue Services
Individual Income Tax Refunds

	Month		Year-To-Date		
	FY'08	FY'07	FY'08	FY'07	Growth Rate
Jul	$5,429,237	$5,243,096	$5,429,237	$5,243,096	4%
Aug	$2,590,045	$2,938,773	$8,019,282	$8,181,869	-2%
Sep	$3,086,309	$2,475,143	$11,105,591	$10,657,012	4%
Oct	$4,677,166	$3,842,940	$15,782,757	$14,499,952	9%
Nov	$0	$4,617,990	$15,782,757	$19,117,942	-17%
Dec	$0	$3,576,620	$15,782,757	$22,694,562	-30%
Jan	$0	$19,292,729	$15,782,757	$41,987,291	-62%
Feb	$0	$72,372,030	$15,782,757	$114,359,321	-86%
Mar	$0	$56,234,371	$15,782,757	$170,593,692	-91%
Apr	$0	$44,204,662	$15,782,757	$214,798,354	-93%
May	$0	$22,544,930	$15,782,757	$237,343,284	-93%
Jun	$0	$7,498,402	$15,782,757	$244,841,686	-94%

Maine Revenue Services Economic Research Division. 11/9/2007

Individual Income Tax: Baseline Forecast FY08 - FY11

	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium
Actuals & February, 2007 Forecast /1	**$1,156,715,909**	**$1,270,225,329**	**$2,426,941,238**	**$1,254,510,746**	**$1,353,934,495**	**$2,608,445,241**	**$1,382,788,225**	**$1,413,322,780**	**$2,796,111,005**	**$1,464,804,735**	**$1,513,103,033**	**$2,977,907,768**
Growth Rate	7.9%	9.8%	13.3%	-1.2%	7.9%	7.5%	2.1%	2.2%	7.2%	3.6%	3.3%	6.5%
Personal Property Tax Exemption /2	$0	$0	$0	$0	$0	$0	$0	$11,373,516	$11,373,516	$21,538,412	$27,486,069	
BETR Reimbursement /2	$0	$0	$0	$67,065,810	$66,553,092	$133,618,902	$68,490,826	$69,059,334	$137,550,160	$65,653,487	$60,047,934	$125,701,421
Tax & Rent Claims /2	$0	$26,030,227	$26,030,227	$42,796,070	$44,440,759	$87,236,829	$46,253,766	$47,573,249	$93,827,015	$48,073,804	$50,473,026	$98,546,830
Individual Income Tax Before T&R Claims	$1,156,715,909	$1,296,255,556	$2,452,971,465	$1,364,372,626	$1,464,928,346	$2,829,300,972	$1,497,532,817	$1,541,328,879	$3,038,861,696	$1,600,070,438	$1,651,110,062	$3,251,180,500
Growth Rate	7.9%	12.1%	14.5%	5.3%	7.4%	15.3%	2.2%	2.9%	7.4%	3.8%	3.2%	7.0%
Technical Adjustments /3							$0	$0	$0	$0	$0	$0
Economic Assumptions /4							$18,165,000	($338,000)	$17,827,000	($32,618,000)	($52,051,000)	($84,669,000)
Total Adjustments to Prior Forecast							$18,165,000	($338,000)	$17,827,000	($32,618,000)	($52,051,000)	($84,669,000)
New Forecast	**$1,156,715,909**	**$1,296,255,556**	**$2,426,941,238**	**$1,364,372,626**	**$1,464,928,346**	**$2,608,445,241**	**$1,515,697,817**	**$1,540,990,879**	**$2,813,938,005**	**$1,567,452,438**	**$1,599,059,062**	**$2,893,238,768**
Growth Rate	7.9%	9.8%	13.3%	5.3%	7.4%	7.5%	3.5%	1.7%	7.9%	1.7%	2.0%	2.8%
Personal Property Tax Exemption	$0	$0	$0	$0	$0	$0	$0	($11,373,516)	($11,373,516)	($21,538,412)	($27,486,069)	($49,024,481)
Tax & Rent Claims	$0	$26,030,227	26,030,227	($42,796,070)	($44,440,759)	($87,236,829)	($46,253,766)	($47,573,249)	($93,827,015)	($48,073,804)	($50,473,026)	($98,546,830)
BETR Reimbursement	$0	$0	$0	($67,065,810)	($66,553,092)	($133,618,902)	($68,490,826)	($69,059,334)	($137,550,160)	($65,653,487)	($60,047,934)	($125,701,421)
Total Individual Income Tax	**$ 1,156,715,909**	**$1,270,225,329**	**$2,426,941,238**	**$1,254,510,746**	**$1,353,934,495**	**$2,608,445,241**	**$1,400,953,225**	**$1,412,984,780**	**$2,813,938,005**	**$1,432,186,735**	**$1,461,052,033**	**$2,893,238,768**
				-1.2%	7.9%	7.5%	3.5%	0.9%	7.9%	1.4%	2.0%	2.8%

1/ February, 2007 forecast with FY04, FY05, FY06, and FY07 actuals.

2/ Adjusts for Maine Residents Property Tax Relief Program, BETR transfers and reimbursement to municipalities for Business Equipment Property Tax Exemption.

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

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

Maine Revenue Services
Research Division

18-Nov-07

Corporate Income Tax

Corporate Income Tax: General Fund Baseline Forecast FY08 - FY11

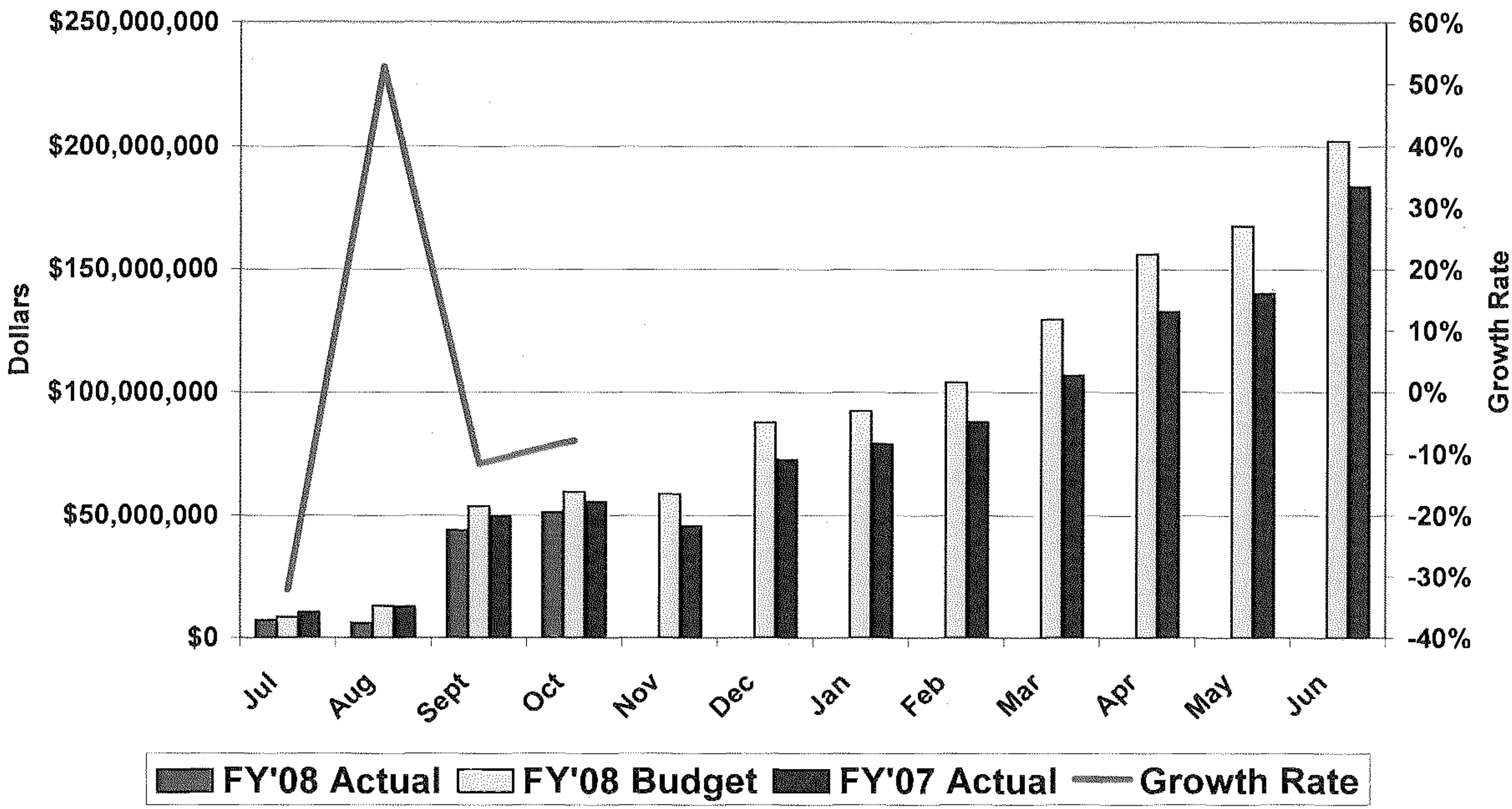
	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium
Actuals & February, 2007 Forecast /1	**$111,616,051**	**$135,862,913**	**$247,478,964**	**$188,015,557**	**$183,851,533**	**$371,867,090**	**$202,052,405**	**$207,265,494**	**$409,317,899**	**$215,078,797**	**$236,932,049**	**$452,010,846**
Growth Rate	22.4%	21.7%	46.8%	38.4%	-2.2%	50.3%	9.9%	2.6%	10.1%	3.8%	10.2%	10.4%
Technical Adjustments to Prior Forecast /2	$0	$0	$0	$0	$0	$0	($22,405)	$11,044,506	$11,022,101	$3,911,203	($17,942,049)	($14,030,846)
Economic Forecast /3	$0	$0	$0	$0	$0	$0	($7,430,000)	($18,325,702)	($25,755,702)	($14,814,687)	($14,790,000)	($29,604,687)
Total Adjustments to Prior Forecast	$0	$0	$0	$0	$0	$0	($7,452,405)	($7,281,196)	($14,733,601)	($10,903,484)	($32,732,049)	($43,635,533)
New Forecast	**$111,616,051**	**$135,862,913**	**$247,478,964**	**$188,015,557**	**$183,851,533**	**$371,867,090**	**$194,600,000**	**$199,984,298**	**$394,584,298**	**$204,175,313**	**$204,200,000**	**$408,375,313**
Growth Rate	22.4%	21.7%	46.8%	38.4%	-2.2%	50.3%	5.8%	2.8%	6.1%	2.1%	0.0%	3.5%

1/ February, 2007 forecast with FY04, FY05, FY06 and FY07 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. The new economic forecast is a combination of the CEFC forecast and Global Insight's November 2007 forecast of Corporate. pre-tax profits.

YTD Corporate Income Tax Revenue
FY'08 Actual, Budget & FY'07 Actual



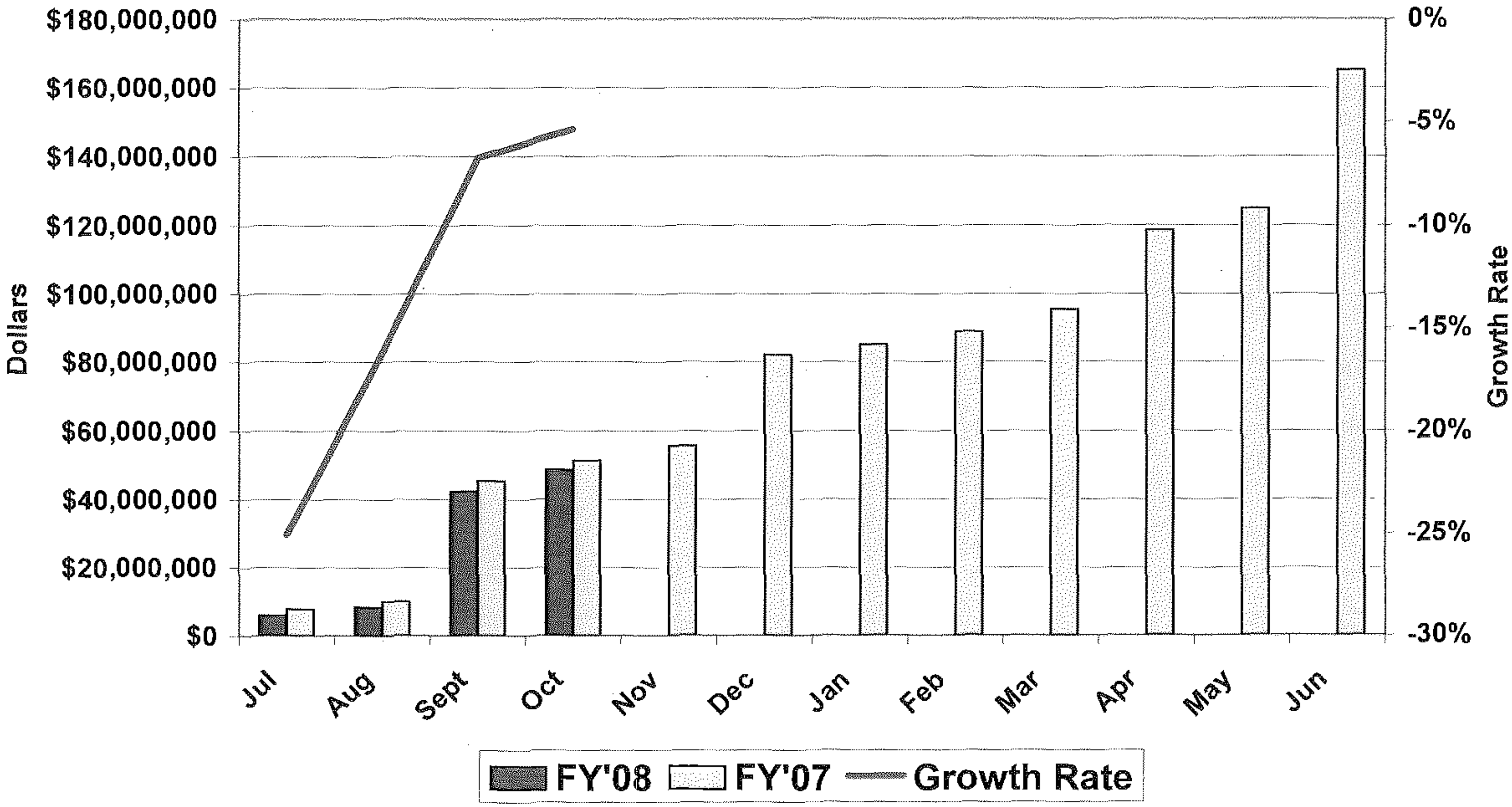
Maine Revenue Services Economic Research Division 11/9/2007

Maine Revenue Services
Corporate Income Tax Revenue

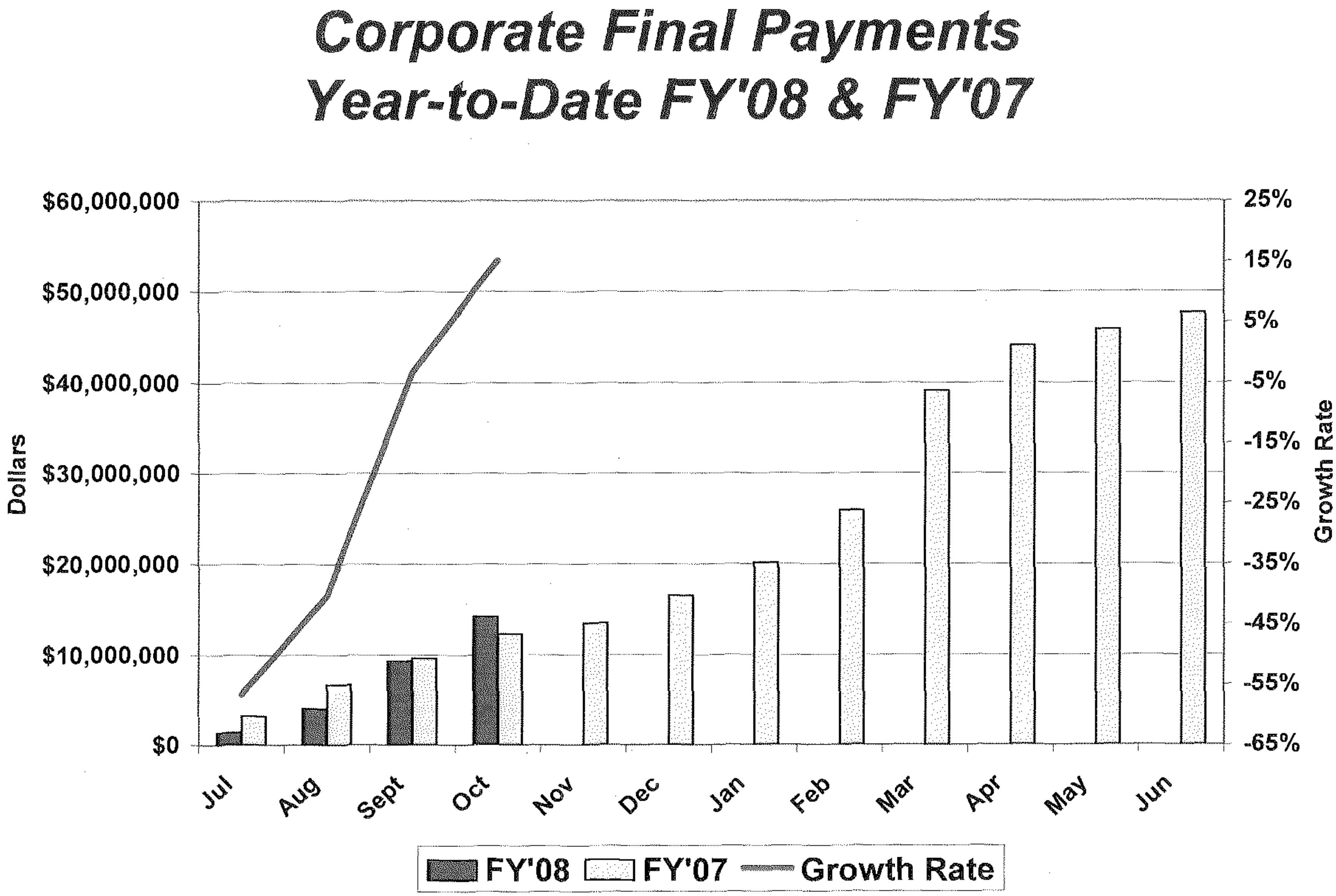
	FY'08 Actual	FY'08 Budget	FY'07 Actual	FY'06 Actual	FY'08 Actual vs. Budget	FY'08 Budget vs. FY'07 Actual	FY'08 Actual vs. FY'07 Actual	FY'07 Actual vs. FY'06 Actual
Jul	$7,127,701	$8,500,000	$10,487,769	$6,572,991	-16.1%	-19.0%	-32.0%	59.6%
Aug	($1,099,888)	$4,500,000	$2,275,148	$1,350,981	-124.4%	-97.8%	148.3%	68.4%
Sept	$37,994,766	$40,750,000	$37,010,069	$33,014,931	-6.8%	10.1%	2.7%	12.1%
Oct	$7,301,509	$6,000,000	$5,870,974	$10,678,165	21.7%	2.2%	24.4%	-45.0%
Nov	$0	($1,000,000)	($10,030,546)	$2,120,808	-100.0%	-90.0%	-100.0%	-573.0%
Dec	$0	$29,000,000	$27,088,753	$37,029,667	-100.0%	7.1%	-100.0%	-26.8%
Jan	$0	$4,600,000	$6,378,309	$4,128,062	-100.0%	-27.9%	-100.0%	54.5%
Feb	$0	$11,400,000	$8,781,686	$4,578,212	-100.0%	29.8%	-100.0%	91.8%
Mar	$0	$25,900,000	$18,679,646	$23,021,793	-100.0%	38.7%	-100.0%	-18.9%
Apr	$0	$26,500,000	$26,196,013	$25,605,958	-100.0%	1.2%	-100.0%	2.3%
May	$0	$11,450,000	$7,456,077	$13,227,133	-100.0%	53.6%	-100.0%	-43.6%
Jun	$0	$34,452,405	$43,657,636	$26,686,857	-100.0%	-21.1%	-100.0%	63.6%
Total	$51,324,088	$202,052,405	$183,851,534	$188,015,558	-74.6%	9.9%	-72.1%	-2.2%
YTD Oct	$51,324,088	$59,750,000	$55,643,960	$51,617,068	-14.1%	7.4%	-7.8%	7.8%

Maine Revenue Services Economic Research Division. 11/9/2007

Corporate Estimated Payments
Year-to-Date FY'08 & FY'07



Maine Revenue Services Economic Research Division 11/1/2007



Maine Revenue Services Economic Research Division 11/1/2007

Maine Revenue Services

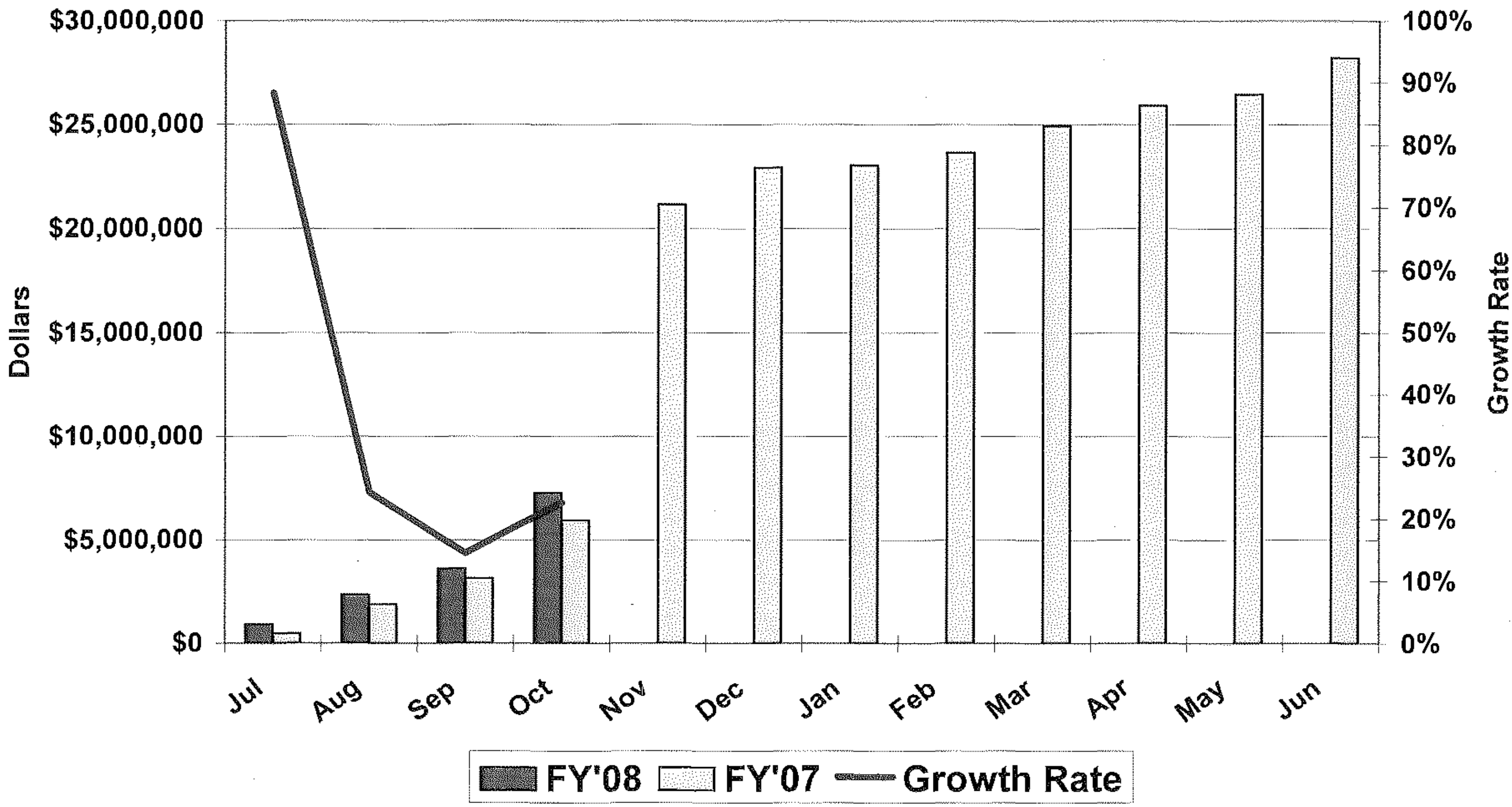
Corporate Income Tax Estimated Payments

	Month FY'08	FY'07	Growth Rate	Year-To-Date FY'08	FY'07	Growth Rate
Jul	$5,855,003	$7,811,556	-25.0%	$5,855,003	$7,811,556	-25.0%
Aug	$2,514,546	$2,177,546	15.5%	$8,369,549	$9,989,102	-16.2%
Sept	$33,935,035	$35,371,060	-4.1%	$42,304,584	$45,360,162	-6.7%
Oct	$6,298,149	$5,995,458	5.0%	$48,602,733	$51,355,620	-5.4%
Nov	$0	$4,144,731	-100.0%	$48,602,733	$55,500,351	-12.4%
Dec	$0	$26,392,168	-100.0%	$48,602,733	$81,892,519	-40.7%
Jan	$0	$2,983,632	-100.0%	$48,602,733	$84,876,151	-42.7%
Feb	$0	$3,866,056	-100.0%	$48,602,733	$88,742,207	-45.2%
Mar	$0	$6,645,505	-100.0%	$48,602,733	$95,387,712	-49.0%
Apr	$0	$23,121,430	-100.0%	$48,602,733	$118,509,142	-59.0%
May	$0	$6,477,116	-100.0%	$48,602,733	$124,986,258	-61.1%
Jun	$0	$40,150,304	-100.0%	$48,602,733	$165,136,562	-70.6%

Corporate Income Tax Final Payments and Back Taxes

	Month FY'08	FY'07	Growth Rate	Year-To-Date FY'08	FY'07	Growth Rate
Jul	$1,369,073	$3,161,870	-56.7%	$1,369,073	$3,161,870	-56.7%
Aug	$2,602,227	$3,481,527	-25.3%	$3,971,300	$6,643,397	-40.2%
Sept	$5,309,590	$2,952,262	79.8%	$9,280,890	$9,595,659	-3.3%
Oct	$4,897,473	$2,711,038	80.6%	$14,178,363	$12,306,697	15.2%
Nov	$0	$1,166,671	-100.0%	$14,178,363	$13,473,368	5.2%
Dec	$0	$3,049,466	-100.0%	$14,178,363	$16,522,834	-14.2%
Jan	$0	$3,586,116	-100.0%	$14,178,363	$20,108,950	-29.5%
Feb	$0	$5,724,264	-100.0%	$14,178,363	$25,833,214	-45.1%
Mar	$0	$13,287,329	-100.0%	$14,178,363	$39,120,543	-63.8%
Apr	$0	$4,911,244	-100.0%	$14,178,363	$44,031,787	-67.8%
May	$0	$1,792,525	-100.0%	$14,178,363	$45,824,312	-69.1%
Jun	$0	$1,842,077	-100.0%	$14,178,363	$47,666,389	-70.3%

Corporate Income Tax Refunds
Year-to-Date FY'08 & FY'07



Maine Revenue Services Economic Research Division 11/9/2007

Maine Revenue Services
Corporate Income Tax Refunds

	Month		Year-to-Date		
	FY'08	FY'07	FY'08	FY'07	Growth Rate
Jul	$914,990	$485,759	$914,990	$485,759	88%
Aug	$1,441,893	$1,408,865	$2,356,883	$1,894,624	24%
Sep	$1,258,085	$1,259,661	$3,614,968	$3,154,285	15%
Oct	$3,663,219	$2,778,200	$7,278,187	$5,932,485	23%
Nov	$0	$15,223,033	$7,278,187	$21,155,518	-66%
Dec	$0	$1,751,386	$7,278,187	$22,906,904	-68%
Jan	$0	$111,394	$7,278,187	$23,018,298	-68%
Feb	$0	$624,722	$7,278,187	$23,643,020	-69%
Mar	$0	$1,275,305	$7,278,187	$24,918,325	-71%
Apr	$0	$1,001,089	$7,278,187	$25,919,414	-72%
May	$0	$520,740	$7,278,187	$26,440,154	-72%
Jun	$0	$1,759,292	$7,278,187	$28,199,446	-74%

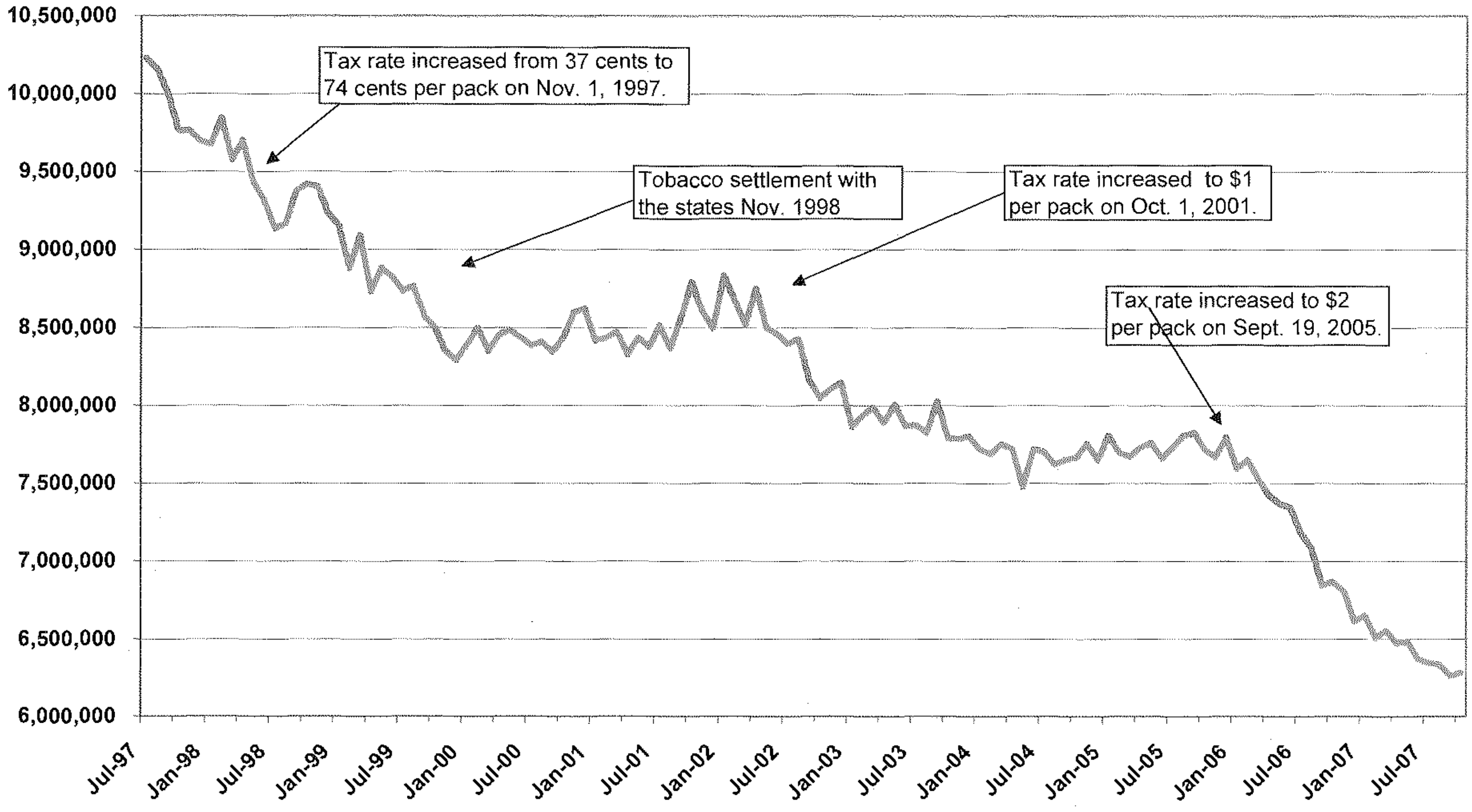
Cigarette & Tobacco Taxes

11/9/2007

Maine Revenue Services
Cigarette and Tobacco Tax
Fall 2007 Forecast

	FY'06	FY'07	FY'08	FY'09	FY'10	FY'11
Cigarette Tax						
Actual '06 - '07 & current budget	$151,497,467	$152,957,212	$158,100,000	$156,710,000	$155,134,958	$153,612,319
Growth rate		1.0%	3.4%	-0.9%	-1.0%	-1.0%
Fall 2007 forecast			$151,590,000	$149,850,000	$148,060,000	$146,400,000
Growth rate			-0.9%	-1.1%	-1.2%	-1.1%
Variance			($6,510,000)	($6,860,000)	($7,074,958)	($7,212,319)
Tobacco Products Tax						
Actual '06 - '07 & current budget	$5,453,903	$5,996,254	$5,674,241	$5,787,725	$5,839,282	$5,920,808
Growth rate		9.9%	-5.4%	2.0%		
Fall 2007 forecast			$6,116,179	$6,238,503	$6,363,273	$6,490,538
Growth rate			2.0%	2.0%	2.0%	2.0%
Variance			$441,939	$450,777	$523,991	$569,731
Total Cigarette & Tobacco Taxes						
Actual '06 - '07 & current budget	$156,951,370	$158,953,466	$163,774,241	$162,497,725	$160,974,240	$159,533,127
Growth rate		1.3%				
Fall 2007 forecast			$157,706,179	$156,088,503	$154,423,273	$152,890,538
Growth rate			-0.8%	-1.0%	-1.1%	-1.0%
Variance			($6,068,061)	($6,409,223)	($6,550,967)	($6,642,588)

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



Maine Revenue Services Economic Research Division 11/9/2007

Estate Tax

Estate Tax: General Fund Baseline Forecast FY08 - FY11

	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium
Actuals & February, 2007 Forecast /1	**$32,075,501**	**$32,255,727**	**$64,331,228**	**$75,330,514**	**$54,820,038**	**$130,150,552**	**$44,973,169**	**$51,854,974**	**$96,828,143**	**$56,852,600**	**$4,771,020**	**$61,623,620**
Growth Rate	5.1%	0.6%	19.3%	133.5%	-27.2%	102.3%	-18.0%	15.3%	-25.6%			
Technical Adjustments to Prior Forecast /2	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Economic Assumptions /3	$0	$0	$0	$0	$0	$0	$0	($1,715,301)	($1,715,301)	($2,877,102)	($244,373)	($3,121,475)
Total Adjustments to Prior Forecast	$0	$0	$0	$0	$0	$0	$0	($1,715,301)	($1,715,301)	($2,877,102)	($244,373)	($3,121,475)
New Forecast	**$32,075,501**	**$32,255,727**	**$64,331,228**	**$75,330,514**	**$54,820,038**	**$130,150,552**	**$44,973,169**	**$50,139,673**	**$95,112,842**	**$53,975,498**	**$4,526,647**	**$58,502,145**
Growth Rate	5.1%	0.6%	19.3%	133.5%	-27.2%	102.3%	-18.0%	11.5%	-26.9%	7.7%	-91.6%	-38.5%

1/ February, 2007 forecast with FY04, FY05, FY06 and FY07 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. The new economic forecast is Global Insight's November, 2007 forecast of Household Net Worth.

Highway Fund

Maine Revenue Services

November 2007 Highway Fund Motor Fuel Tax Revenue Forecast 2008 - 2011

Gasoline Tax Revenue	FY'05	FY'06	FY'07	FY'08	FY'09	FY'10	FY'11
Actual & current budget	$175,084,215	$176,769,409	$181,018,162	$188,200,398	$192,685,366	$197,067,959	$201,518,802
Growth rate		1.0%	2.4%	4.0%	2.4%	2.3%	2.3%
Tax rate per gallon	$0.252	$0.259	$0.268	$0.276	$0.282	$0.288	$0.294
Percentage increase in tax rate		2.8%	3.5%	3.0%	2.2%	2.1%	2.1%
November 2007 forecast				$181,609,445	$191,330,126	$197,609,081	$201,548,052
Growth rate				0.3%	5.4%	3.3%	2.0%
Tax rate per gallon				$0.276	$0.284	$0.291	$0.298
Percentage increase in tax rate				3.1%	2.8%	2.5%	2.5%
Variance				($6,590,953)	($1,355,240)	$541,122	$29,250

Special Fuel Tax Revenue	FY'05	FY'06	FY'07	FY'08	FY'09	FY'10	FY'11
Actual & current budget	$45,400,514	$44,805,900	$45,805,856	$46,350,000	$47,100,000	$48,000,000	$48,760,000
Growth rate		-1.3%	2.2%	1.2%	1.6%	1.9%	1.6%
Tax rate per gallon	$0.263	$0.270	$0.279	$0.288	$0.294	$0.301	$0.307
Percentage increase in tax rate			3.4%	3.2%	2.1%	2.4%	2.0%
November 2007 forecast				$42,000,000	$43,790,000	$44,920,000	$45,370,000
Growth rate				-8.3%	4.3%	2.6%	1.0%
Tax rate per gallon				$0.288	$0.296	$0.304	$0.311
Percentage increase in tax rate				3.2%	2.8%	2.5%	2.5%
Variance				($4,350,000)	($3,310,000)	($3,080,000)	($3,390,000)

Total Motor Fuel Tax Revenue	FY'05	FY'06	FY'07	FY'08	FY'09	FY'10	FY'11
Actual & current budget	$220,484,728	$221,575,309	$226,824,018	$234,550,398	$239,785,366	$245,067,959	$250,278,802
Growth rate		0.5%	2.4%	3.4%	2.2%	2.2%	2.1%
November 2007 forecast				$223,609,445	$235,120,126	$242,529,081	$246,918,052
Growth rate				-1.4%	5.1%	3.2%	1.8%
Variance				($10,940,953)	($4,665,240)	($2,538,878)	($3,360,750)
Biennium					($15,606,193)		($5,899,628)

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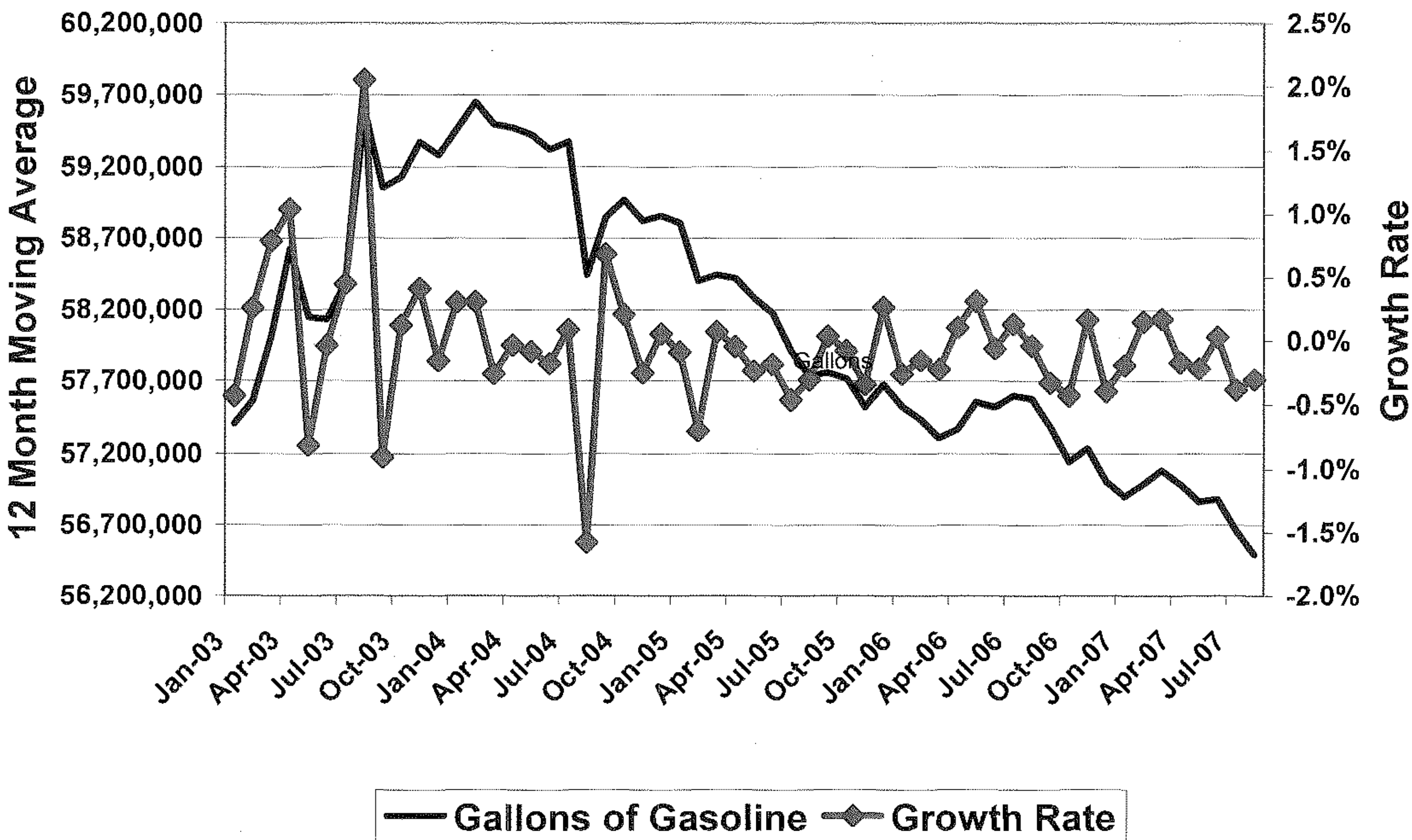
Maine Revenue Services
Gasoline Tax Revenue Forecast FY'08 - FY'11
November 2007

	FY'08	FY'09	FY'10	FY'11
Gas tax forecast - Highway Fund	$181,609,445	$191,330,126	$197,609,081	$201,548,052
Percentage Change		5.4%	3.3%	2.0%
Tax rate in cents per gallon	$0.276	$0.284	$0.291	$0.298
Forecasted inflation adjustment		2.8%	2.5%	2.5%

		FY'08	FY'09	FY'10	FY'11		
Net to the Highway Fund		$181,609,445	$191,330,126	$197,609,081	$201,548,052		
Transfer $100,000 to STAR Fund		($100,000)	($100,000)	($100,000)	($100,000)		
Gross to the Highway Fund		$181,709,445	$191,430,126	$197,709,081	$201,648,052	97.499%	
DIF&W and Snowmobile Fund	0.9045%	$1,685,717	$1,775,895	$1,834,145	$1,870,687	0.9045%	
General Fund - DIF&W - 14.93%		$251,677	$265,141	$273,838	$279,294		14.930%
Snowmobile Trail Fund - 85.07%		$1,434,039	$1,510,754	$1,560,307	$1,591,393		85.070%
All-terrain Vehicles	0.1525%	$284,214	$299,419	$309,240	$315,401	0.1525%	
ATV Enforcement Fund- 50%		$142,107	$149,709	$154,620	$157,700		50.000%
ATV Recreational Fund - 50%		$142,107	$149,709	$154,620	$157,700		50.000%
Motorboats	1.4437%	$2,690,624	$2,834,561	$2,927,535	$2,985,860	1.4437%	
Dept. of Marine Resources - 24.6%		$661,893	$697,302	$720,174	$734,522		24.600%
Boating Facilities Fund - 75.4%		$2,028,730	$2,137,259	$2,207,361	$2,251,339		75.400%
Total revenue		$186,370,000	$196,340,000	$202,780,000	$206,820,000	100.000%	
			5.3%	3.3%	2.0%		

Gallons of Gasoline Derived from Revenue Before Refunds



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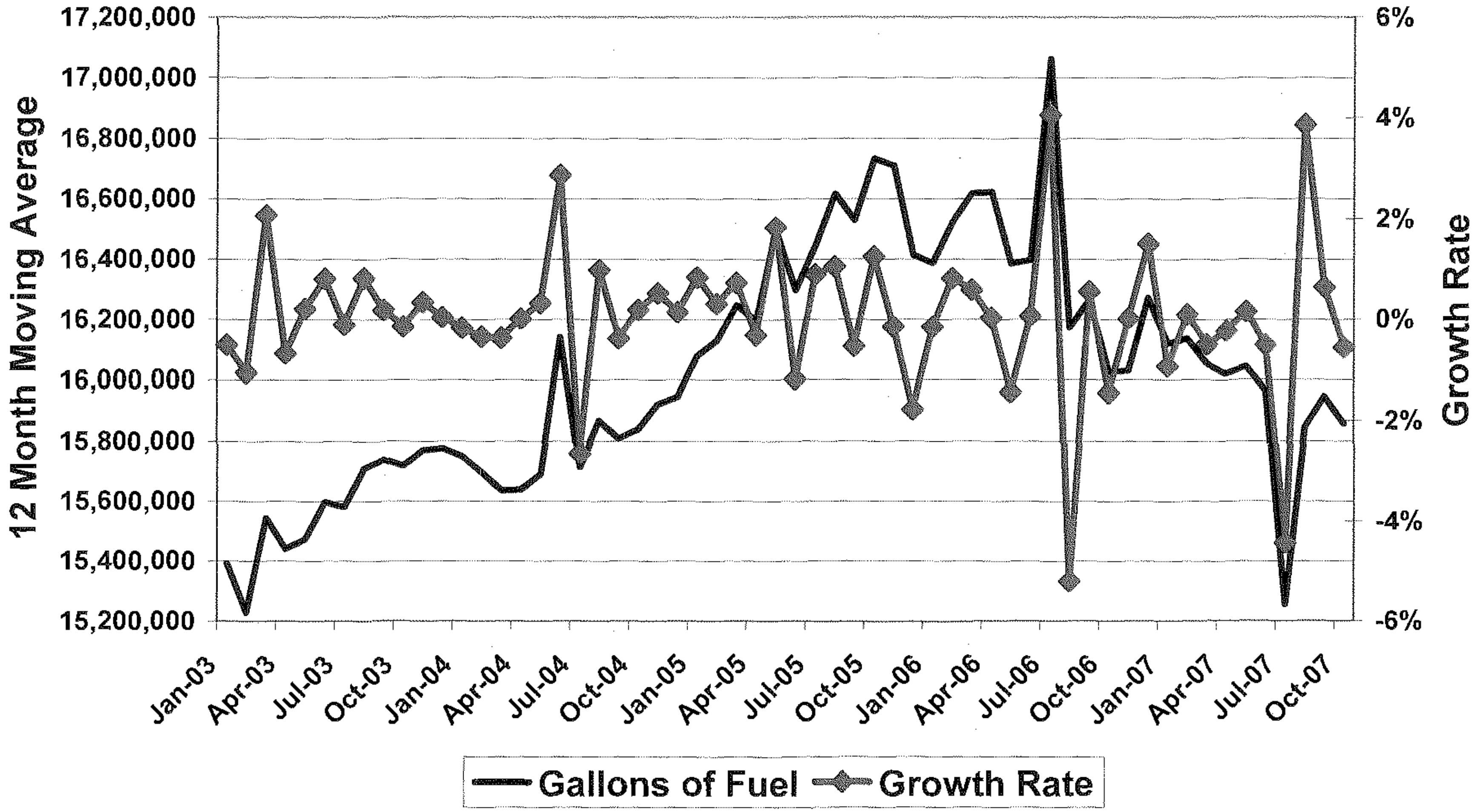
Gallons of Special Fuel Derived from Revenue Before Refunds



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