

# MAINE STATE LEGISLATURE

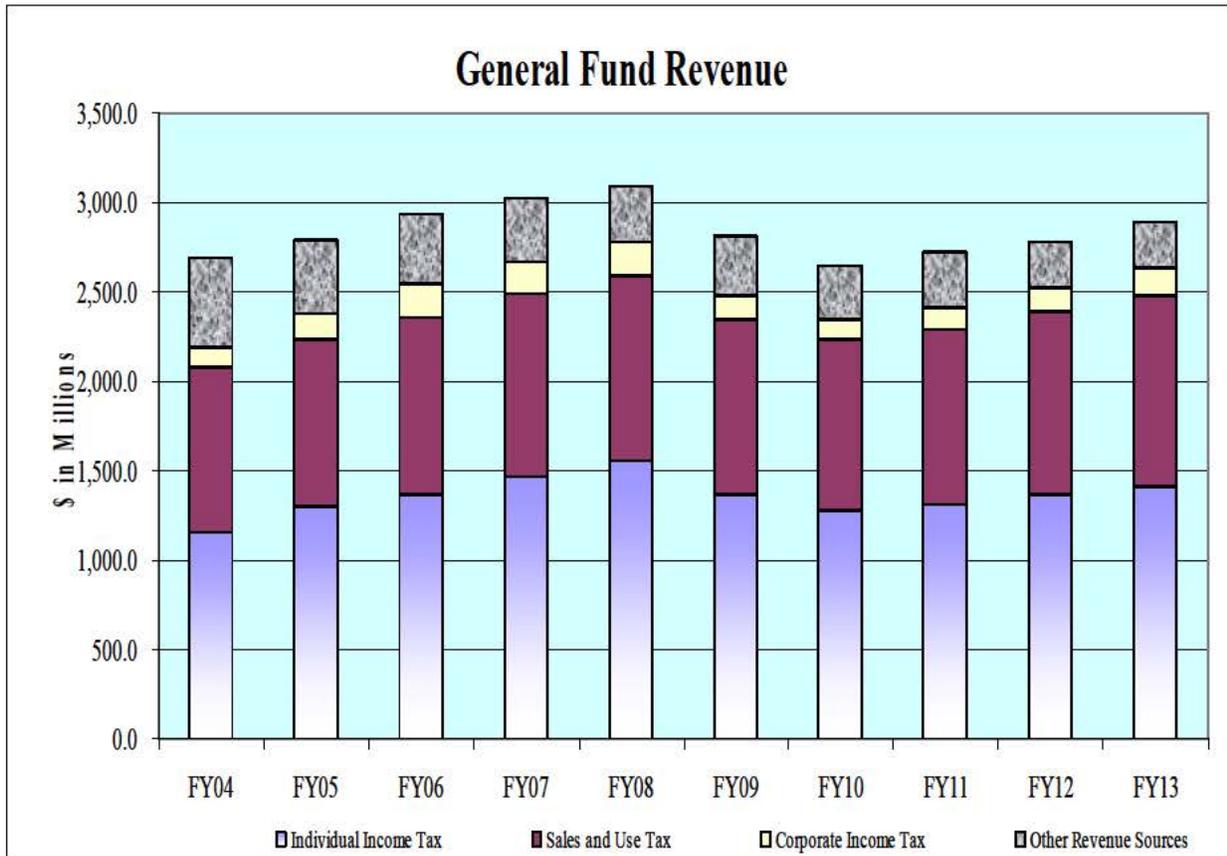
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# REPORT OF THE MAINE STATE REVENUE FORECASTING COMMITTEE

December 2009



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# Report of the Maine State Revenue Forecasting Committee December 2009 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 current revenue forecasts through the fiscal year ending June 30, 2013. This forecast also reflects all legislative changes through the 1<sup>st</sup> Regular Session of the 124<sup>th</sup> Legislature and the effect of a People's Veto petition with a sufficient number of valid signatures to require a vote on the June 2010 referendum to decide the outcome of the Tax Reform Package, PL 2009, c. 382 enacted during the 1<sup>st</sup> Regular Session. The RFC met on November 20<sup>th</sup> to deliberate and discuss the recommendations of the Maine Revenue Services and the results of staff reviews of the other revenue categories not covered by Maine Revenue Services.

This forecast represents yet another significant downward revision in a series that has ratcheted down economic and revenue forecasts based on successively more pessimistic views of the national economy. The last 3 economic and revenue forecasts, including this December 2009 forecast, have been so significant that they have lowered General Fund revenue projections for the 2010-2011 biennium by a total of \$1.15 billion, more than 18%. It now appears that the uncertainty and variability in the economic forecasts have lessened significantly. The hope is that this forecast is the last in the series of downward revisions. While the economic outlook has stabilized, the RFC remains concerned about the potential for a minor economic shock to cause the consumer to overreact and drive the economy lower.

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

The December 2009 revenue update began with the fall economic forecast due on November 1<sup>st</sup>. The Consensus Economic Forecasting Commission (CEFC) met on October 26<sup>th</sup> to review and update its April 2009 forecast. Based on the findings at that meeting, the CEFC released a summary report by the November 1<sup>st</sup> deadline, but needed another meeting on November 2<sup>nd</sup> to review and complete the detailed forecast of the components of Personal Income. After that meeting, the CEFC released its full report, which is included in Appendix E. Table I-A on the next page provides a summary of the changes to the major components compared to the previous forecast. The table also includes the changes in some of the major components of the Personal Income.

This CEFC forecast projects continued declines in employment levels through the middle of 2010 before employment growth begins again. This forecast actually shows some improvement in the employment picture compared with the April 2009 forecast. The declines in calendar years 2009 and 2010 are less severe. The rebound beginning in the 2<sup>nd</sup> half of 2010 and 2011 is less than previously forecast. The number of jobs lost over the course of this recession from the peak in January 2008 to the projected low point in the middle of 2010 will be roughly 31,000, almost 8,000 less than previously projected in the April 2009 forecast.

The estimate for the annual change in the Consumer Price Index was modified for 2009 showing less of a decline or deflation, a 0.5% decline compared with the 1.4% decline projected in the April 2009 forecast. The only other change in the inflation forecast is a slightly lower increase in consumer prices during 2011.

**Table I-A**  
**Consensus Economic Forecasting Commission**  
**Comparison of April 2009 and November 2009 Economic Forecasts**

<b>Calendar Years</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>• Wage &amp; Salary Employment (Annual Percentage Change)</b>						
> Consensus 4/2009	-0.3%	-3.8%	-1.6%	1.4%	2.2%	2.0%
> Consensus 11/2009	-0.3%	-2.9%	-1.2%	1.2%	2.2%	2.0%
<b>Difference</b>	<b>0.0%</b>	<b>0.9%</b>	<b>0.4%</b>	<b>-0.2%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>• Personal Income (Annual Percentage Change)</b>						
> Consensus 4/2009	4.2%	1.0%	1.2%	2.8%	4.0%	4.7%
> Consensus 11/2009	4.0%	-0.6%	1.2%	3.2%	4.4%	4.8%
<b>Difference</b>	<b>-0.2%</b>	<b>-1.6%</b>	<b>0.0%</b>	<b>0.4%</b>	<b>0.4%</b>	<b>0.1%</b>
<b>Major Components of Personal Income:</b>						
Wage and Salary Disbursements						
> Consensus 4/2009	3.6%	-1.3%	-0.4%	2.1%	4.3%	4.9%
> Consensus 11/2009	3.2%	-4.7%	-0.4%	2.5%	3.9%	4.9%
<b>Difference</b>	<b>-0.4%</b>	<b>-3.4%</b>	<b>0.0%</b>	<b>0.4%</b>	<b>-0.4%</b>	<b>0.0%</b>
Supplements to Wages and Salaries						
> Consensus 4/2009	3.7%	1.9%	1.3%	2.7%	4.0%	5.4%
> Consensus 11/2009	3.1%	0.5%	3.1%	3.3%	4.0%	5.2%
<b>Difference</b>	<b>-0.6%</b>	<b>-1.4%</b>	<b>1.8%</b>	<b>0.6%</b>	<b>0.0%</b>	<b>-0.2%</b>
Non-Farm Proprietors' Income						
> Consensus 4/2009	-1.4%	-2.2%	1.6%	4.6%	4.8%	4.2%
> Consensus 11/2009	-2.8%	-6.1%	0.9%	4.6%	5.0%	4.5%
<b>Difference</b>	<b>-1.4%</b>	<b>-3.9%</b>	<b>-0.7%</b>	<b>0.0%</b>	<b>0.2%</b>	<b>0.3%</b>
Dividends, Interest and Rent						
> Consensus 4/2009	4.3%	-1.0%	1.0%	3.0%	3.0%	4.0%
> Consensus 11/2009	1.9%	-3.5%	1.5%	3.9%	6.0%	7.0%
<b>Difference</b>	<b>-2.4%</b>	<b>-2.5%</b>	<b>0.5%</b>	<b>0.9%</b>	<b>3.0%</b>	<b>3.0%</b>
Transfer Payments						
> Consensus 4/2009	8.0%	8.7%	4.7%	4.0%	4.5%	5.4%
> Consensus 11/2009	11.8%	13.5%	3.6%	4.0%	4.7%	3.7%
<b>Difference</b>	<b>3.8%</b>	<b>4.8%</b>	<b>-1.1%</b>	<b>0.0%</b>	<b>0.2%</b>	<b>-1.7%</b>
<b>• Consumer Price Index (Annual Percentage Change)</b>						
> Consensus 4/2009	3.8	-1.4	1.7	2.3	2.1	2.0
> Consensus 11/2009	3.8	-0.5	1.7	2.0	2.1	2.0
<b>Difference</b>	<b>0.0</b>	<b>0.9</b>	<b>0.0</b>	<b>-0.3</b>	<b>0.0</b>	<b>0.0</b>

The most significant story in this forecast, because of its significant and direct effect on the revenue forecast, is the short-term adjustment to Personal Income. The Bureau of Economic Analysis, U.S. Department of Commerce released a significant revision to Personal Income estimates in mid-October. That revision (typically revised once a year) significantly reduced growth in Personal Income in 2009 with the largest decline in the Wage and Salary Disbursements component. That component is now projected to decline by 4.7% in 2009

compared to only a 1.3% decline in the April 2009 forecast. The October revision by the Bureau of Economic Analysis also first recognizes the extent of the decline in wages and salaries in the first quarter of 2009. Wages and salaries were previously estimated to have declined at an annual rate of 1.7% in that quarter, but the new estimate pegged the decline at 16%. Although future year's growth rates were not significantly adjusted, it was the size of the 2009 adjustments that lowered the forecast for each year of the forecast period.

## B. Capital Gains Forecast

A major variable that is not included in the economic forecast of the CEFC is a projection of net capital gains. This variable introduced significant volatility into the forecast of individual income tax collections, particularly during and since Maine's exceptional capital gains growth during the stock market "bubble" of the late 1990's. Maine data is not captured at the state level and may only be accessed through federal tax data and may lag 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, which is included in Appendix G. Table I-B below summarizes some recent history and the current projections.

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

<u>Tax Year</u>	<u>Capital Gains Realizations (\$ Millions)</u>	<u>Capital Gains Realizations Annual % Change</u>	<u>Capital Gains Tax Liability (\$ Millions)</u>	<u>Capital Gains Tax Liability Annual % Change</u>	<u>Capital Gains % of Resident Tax Liability</u>	<u>Resident Income Tax Liability</u>
1995	\$551.7		\$38.3		6.2%	\$620.1
1996	\$799.7	45.0%	\$57.3	49.6%	8.4%	\$682.2
1997	\$1,218.7	52.4%	\$104.5	82.4%	13.6%	\$771.1
1998	\$1,551.0	27.3%	\$120.0	14.8%	13.9%	\$861.4
1999	\$1,867.2	20.4%	\$141.7	18.1%	15.5%	\$916.7
2000	\$2,360.4	26.4%	\$179.6	26.7%	17.3%	\$1,038.8
2001	\$1,079.3	-54.3%	\$74.1	-58.7%	7.6%	\$970.9
2002	\$908.8	-15.8%	\$59.1	-20.3%	6.1%	\$971.7
2003	\$1,069.4	17.7%	\$69.4	17.4%	6.8%	\$1,020.8
2004	\$1,526.9	42.8%	\$104.9	51.2%	9.2%	\$1,146.0
2005	\$1,960.3	28.4%	\$137.0	30.6%	11.3%	\$1,208.7
2006	\$2,280.2	16.3%	\$162.5	18.6%	12.6%	\$1,289.1
2007	\$2,470.3	8.3%	\$177.9	9.5%	13.0%	\$1,369.6
2008*	\$1,010.3	-59.1%	\$64.1	-64.0%	5.0%	\$1,268.8
2009*	\$959.8	-5.0%	\$60.6	-5.5%	5.3%	\$1,148.6
2010*	\$1,027.0	7.0%	\$65.2	7.7%	5.6%	\$1,168.5
2011*	\$1,098.9	7.0%	\$69.7	7.0%	5.8%	\$1,211.5
2012*	\$1,176.0	7.0%	\$75.5	8.2%	6.1%	\$1,245.8
2013*	\$1,258.2	7.0%	\$81.8	8.4%	6.2%	\$1,309.5

\* Represents Projections

The major differences from the assumptions included in the May 2009 forecast are:

- The actual capital gains realizations in tax year 2007 turned out to be \$153.4 million less than projections based on updated final tax return information;
- 2008 projections of net capital gain realizations are now assumed to decline by 59.1% compared with the 70% reduction assumed in the May 2009 based on a portion of federal tax returns filed with the IRS for the 2008 tax year;
- Projections for 2010 through 2013 assume 7% annual growth in order to return the percentage of tax liability from capital gains to its long-term average at around 6% of total tax liability.

### C. Corporate Profits

Corporate profitability is a major variable of the tax models that drives the corporate income tax forecast. As with capital gains, this variable is not part of the CEFC economic forecast. The RFC used Economy.com's October 2009 forecast of pre-tax corporate profits. 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.

Table I-C below presents a comparison of the last forecasts used in the May 2009 forecast and the current national forecast. Based on updated information, corporate profitability declined much more significantly in 2008 than previously estimated. Projections for 2009 are similar to the May 2009 forecast, but 2010 projections now assume a recovery in profitability of around 3% instead of a continued decline of 3%. Limited information on actual state tax filings for the 2008 tax year also influenced this forecast.

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

	2008	2009	2010	2011	2012	2013
May 2009 Forecast - Economy.com	-9.2%	-10.2%	-3.0%	7.4%	12.7%	11.4%
Dec 2009 Forecast - Economy.com	-17.6%	-9.4%	3.1%	7.8%	12.6%	6.7%

### D. Oil Prices

Recent experience in Maine's sales tax collections seems to demonstrate a substantial effect from variations in oil prices, which is most noticeable during the winter months. Sales tax collections dropped below budgeted projections at about the same time as energy prices began their steep ascent in the spring of 2005 and summer of 2008. Maine Revenue Services has added an energy price index 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. The price of oil is the most dominant of these indices and is discussed more fully here. Other indices are detailed in Appendix G.

Relying on Economy.com’s October 2009 US economic forecast, the RFC used the assumption that oil prices, which are currently in the \$70 per barrel range, will steadily increase to approximately \$90 per barrel by calendar year 2013. The spike in the summer and early fall of 2008 above the \$140 per barrel mark averaged out to \$100.85 for calendar year 2008. For 2009 on, the forecast reflects higher oil prices for each year of the forecast period.

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

	2008	2009	2010	2011	2012	2013
May 2009 Forecast - Economy.com	\$100.85	\$49.00	\$65.75	\$81.83	\$82.35	\$74.62
Dec 2009 Forecast - Economy.com	\$100.85	\$61.00	\$75.90	\$87.50	\$89.40	\$90.20

### **E. Legislative Changes**

The RFC bases the revenue forecast on current law. Therefore, this forecast incorporates all revenue adjustments recognized through the fiscal note process enacted into law through the 1<sup>st</sup> Regular Session of the 124<sup>th</sup> Legislature. The table on the next page summarizes the revenue adjustments by enacted legislation, segregating them into those adjustments enacted in advance of the May 2009 forecast that were already factored into the baseline before the May 2009 forecast changes and those enacted afterwards. The table also details the effect of the Tax Reform Package that was enacted as PL 2009, c. 382 during the 1<sup>st</sup> Regular Session, but was suspended pending the outcome of a People’s Veto referendum in June 2010. The significant tax changes and revenue effects of that Tax Reform Package are not included in the revenue estimates of this forecast because they are contingent on the June 2010 referendum outcome.

The 124<sup>th</sup> Legislature also enacted a law expanding Pine Tree Development Zone (PTDZ) benefits. This law, PL 2009, c. 461, includes a provision that directs revenue projections to identify and exclude from General Fund projections any net positive revenues that accrue to the State that would not have been collected but for the availability of the PTDZ benefits. The RFC and the CEFC discussed the implementation of this provision at a joint meeting in July 2009 and determined that the CEFC would need to establish 2 separate economic forecasts with one establishing a level of economic activity assuming no PTDZ benefits were available. At the time of the update of the economic forecast on November 1<sup>st</sup> the CEFC was unable to establish a separate forecast. While historical data was available about the PTDZ law, the CEFC was unable to extrapolate that historical data into a separate projection (Appendix H includes the memo from the CEFC on this issue). Without the separate economic forecast to set aside the PTDZ-related revenue, it is uncertain how Maine Revenue Services will be able to implement the requirements of the new law.

**Table I-E  
Summary of Legislative Changes**

**124th Legislature, 1st Regular Session Included in May 2009 Forecast**

<b>General Fund</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
Individual Income	\$5,905,000	\$216,200	(\$275,152)	(\$266,158)	(\$256,804)
Public Utilities Tax	\$795,030	\$0	\$0	\$0	\$0
Investment Earnings	\$338,393	\$0	\$0	\$0	\$0
Revenue Sharing	(\$301,155)	(\$11,242)	\$14,308	\$13,840	\$13,354
Other Revenue	\$50,000	\$0	\$0	\$0	\$0
<b>Totals</b>	<b>\$6,787,268</b>	<b>\$204,958</b>	<b>(\$260,844)</b>	<b>(\$252,318)</b>	<b>(\$243,450)</b>

**124th Legislature, 1st Regular Session Included after the May 2009 Forecast**

<b>General Fund</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
Sales and Use Tax	\$0	\$5,390,904	\$3,122,508	\$1,549,847	\$116,243
Individual Income Tax	\$0	\$23,377,296	\$27,494,915	\$21,713,305	\$17,722,524
Corporate Income Tax	\$0	\$10,117,500	\$7,861,665	\$5,989,201	\$2,333,152
Cigarette and Tobacco Tax	\$0	\$1,573,684	\$1,835,413	\$1,896,975	\$1,885,780
Estate Tax	\$0	\$1,702,888	\$29,623,160	\$37,328,353	\$42,374,930
Other Taxes and Fees	\$0	\$5,696,271	\$4,857,372	\$1,037,722	\$291,839
Fines, Forfeits and Penalties	\$0	\$16,902	\$120,666	\$136,054	\$154,554
Investment Earnings	\$0	\$899,000	\$899,000	\$899,000	\$899,000
Tax Relief Programs	\$0	\$15,102,001	\$14,881,650	(\$1,045,747)	(\$1,075,138)
Revenue Sharing	\$20,127,230	\$16,248,647	\$22,858,611	(\$907,334)	(\$63,507)
Other Revenue	\$2,102,535	\$2,953,633	\$12,556,089	(\$647,464)	(\$738,145)
<b>Totals</b>	<b>\$22,229,765</b>	<b>\$83,078,726</b>	<b>\$126,111,049</b>	<b>\$67,949,912</b>	<b>\$63,901,232</b>
<b>Highway Fund</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
Fuel Taxes	\$0	\$6,024,482	\$8,699,798	\$8,684,536	\$8,702,574
Motor Vehicle Reg. & Fees	\$0	\$447,500	\$455,000	\$454,125	\$454,125
Other Revenue	\$0	(\$400,000)	(\$400,000)	(\$400,000)	(\$400,000)
<b>Totals</b>	<b>\$0</b>	<b>\$6,071,982</b>	<b>\$8,754,798</b>	<b>\$8,738,661</b>	<b>\$8,756,699</b>

**124th Legislature, 1st Regular Session Enacted Revenue Excluded from Forecast \***

<b>General Fund</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
Sales and Use Tax	\$0	\$42,812,462	\$86,671,532	\$90,077,867	\$94,426,433
Individual Income Tax	\$0	(\$34,486,519)	(\$88,945,520)	(\$92,166,864)	(\$84,842,105)
Tax Relief Programs	\$0	\$0	(\$808,753)	\$0	\$0
Revenue Sharing	\$0	(\$416,297)	\$113,700	\$104,451	(\$479,215)
Other Revenue	\$0	\$0	(\$2,861,732)	(\$4,312,287)	(\$4,346,929)
<b>Totals</b>	<b>\$0</b>	<b>\$7,909,646</b>	<b>(\$5,830,773)</b>	<b>(\$6,296,833)</b>	<b>\$4,758,184</b>

\* Excludes PL 2009, c. 382, the Tax Reform Package, that is subject to a People's Veto referendum in June 2010.

## 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 adjustments made to the major revenue categories. Appendix G contains the materials presented by Maine Revenue Services on November 20<sup>th</sup> to support the forecast recommendations for the major tax categories.

### A. General Fund

The RFC revised the General Fund revenue forecast downward for FY10 by \$209.4 million and downward for FY11 by \$174.3 million, a total reduction of \$383.7 million over the 2010-2011 biennium. The reduction to FY10 results in a decline in revenue of \$164.1 million compared to the actual revenues received in the prior year. Although modest growth year-over-year is projected after FY10, that growth is now coming off a much lower revenue base in FY10 such that General Fund revenue will not recover to its former peak in FY08 within the forecast period. Although Personal Income growth rates in the revised economic forecast actually are higher than in the April economic forecast for calendar year 2010 and thereafter, the drop in calendar year 2009 produces significant enough reductions in the base to drive the forecast downward by \$164.8 million in FY12 and \$147.0 million in FY13. ***With these changes General Fund revenue in FY13 is now projected to be almost \$200 million below its peak in FY08 and almost \$43 million below what was received in FY06.***

After netting out the offsetting General Fund revenue effect of reduced Transfers for Municipal Revenue Sharing, net downward revisions from Sales and Use Tax, Individual Income Tax and Corporate Income Tax still represent nearly 107% of the total 2010-2011 biennium revisions in this forecast. Revenue sharing was reduced by \$21.3 million during the 2010-2011 biennium and by \$11.2 million (10%) in FY10.

The other components of this General Fund revenue forecast produce a net upward revision totaling \$26.2 million during the 2010-2011 biennium. Within the other revenue sources, some elements were revised downward, such as Judicial Branch revenue, Corporation Fees and Licenses, Income from Investments and Unclaimed Property Transfer. However, the significant changes in MaineCare Targeted Case Management revenue, Transfers to Tax Relief Program, Tobacco Products Tax revenue, Milk Handling Fee and Racino Revenue more than offset these relatively small adjustments in this “other” group. Targeted Case Management (DHHS) revenue alone was increased by \$15.1 million for the biennium largely due to the rescission of certain federal rules that had limited billing for these services. The other significant upward revision was in Transfers to Tax Relief Programs, revised upward by \$11.3 million for the current biennium.

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

## General Fund Summary

	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$2,811,368,295	\$2,856,672,022	\$2,897,906,844	\$2,939,347,762	\$3,035,880,679
Annual % Growth	-9.0%	1.6%	1.4%	1.4%	3.3%
Net Increase (Decrease)		(\$209,427,300)	(\$174,192,413)	(\$164,752,815)	(\$146,876,612)
Revised Forecast	\$2,811,368,295	\$2,647,244,722	\$2,723,714,431	\$2,774,594,947	\$2,889,004,067
Annual % Growth	-9.0%	-5.8%	2.9%	1.9%	4.1%
<b>Summary of Revenue Revisions by Major Revenue Category</b>					
Sales and Use Tax		(\$41,299,662)	(\$37,565,833)	(\$30,155,311)	(\$19,060,080)
Individual Income Tax		(\$166,824,369)	(\$134,262,023)	(\$133,555,147)	(\$126,200,720)
Corporate Income Tax		(\$26,651,578)	(\$24,548,643)	(\$25,203,429)	(\$26,818,783)
Cigarette and Tobacco Tax		\$2,258,197	\$2,039,384	\$1,542,892	\$1,588,486
Estate Tax		(\$531,543)	(\$206,299)	(\$850,026)	(\$1,142,098)
Other Taxes and Fees		\$3,761,155	(\$1,317,879)	(\$1,020,112)	(\$700,777)
Fines, Forfeits and Penalties		(\$11,358,009)	(\$13,137,358)	(\$13,137,358)	(\$13,137,358)
Income from Investments		(\$1,140,326)	(\$169,053)	(\$169,053)	(\$169,053)
Transfer to Tax Relief Programs		\$4,893,636	\$6,415,208	\$9,076,107	\$10,838,630
Transfer to Municipal Rev. Sharing		\$11,204,406	\$10,092,712	\$9,493,987	\$8,741,870
Other Revenues		\$16,260,793	\$18,467,371	\$19,224,635	\$19,183,271
<b>Total Revisions - Increase (Decrease)</b>		<b>(\$209,427,300)</b>	<b>(\$174,192,413)</b>	<b>(\$164,752,815)</b>	<b>(\$146,876,612)</b>

<b>Other Taxes and Fees Detail:</b>					
- Corporation Fees & Licenses		(\$1,508,672)	(\$2,080,672)	(\$2,080,672)	(\$2,080,672)
- Milk Handling Fee		\$4,446,976	(\$365,632)	(\$319,928)	(\$319,928)
- Parimutuel and Gaming Revenue		\$996,605	\$1,237,119	\$1,491,364	\$1,810,699
- Other Miscellaneous Taxes and Fees		(\$173,754)	(\$108,694)	(\$110,876)	(\$110,876)
<b>Other Revenue Detail:</b>					
- Targeted Case Management (HHS)		\$6,633,983	\$8,457,415	\$7,892,788	\$7,892,788
- Unclaimed Property Transfer		(\$2,150,000)	(\$2,150,000)	(\$2,150,000)	(\$2,150,000)
- Tourism Transfer		\$168,568	\$266,039	\$166,590	\$106,414
- Transfer to Maine Milk Pool		\$0	\$0	\$1,695,144	\$1,695,144
- Transfer to STAR Transportation Fund		(\$80,342)	\$114,934	\$108,820	\$127,632
- Other Miscellaneous Revenue		\$11,688,584	\$11,778,983	\$11,511,293	\$11,511,293

### B. Highway Fund

Highway Fund revenue estimates were revised downward by \$14.3 million for the 2010-2011 biennium, \$7.3 million in FY10 and \$7.1 million in FY11. The forecast for the 2012-2013 biennium was lowered by \$16.4 million. While there was generally weak performance across the board resulting in downward revisions in all major categories, the largest downward revision was in the Fuel Taxes category. The significant changes to the calendar year 2009 Personal Income growth in the economic forecast resulted in a tax model forecast that would have revised revenue downward in the Fuel Taxes category alone by \$16.6 million for the current biennium.

The changes to the Consumer Price Index were not a significant factor in this forecast with no changes to fuel tax rates until FY13 and even then only a \$0.001 change. However, the RFC chose not to revise Fuel Taxes to this extent based on recent performance. While special fuel (primarily diesel fuel) consumption has been declining consistent with the forecast, gasoline consumption has been increasing. As a result, the RFC left the gasoline tax projections unchanged and only revised the estimates for special fuels. Even so, the changes to special fuel revised the 2010-2011 biennium estimates for the Fuel Tax category downward by \$9.8 million.

While the other revenue categories are not projected using the tax models and the economic forecast, the economy has affected all of the categories from motor vehicle fees to requests for motor vehicle and driver records. The “cash for clunkers” program provided a temporary boost to automobile sales early in the current fiscal year, but it was only able to keep collections close to the May 2009 forecast. Without that stimulus, future projections are expected to be below projections. The largest downward revision, other than fuel taxes, was the adjustment made to revenue from the long-term trailer program. This program has had significant volatility over the years and appears to be very susceptible to economic downturns. The revenue from this program was revised downward by \$1.2 million annually in each year of the forecast.

### Highway Fund Summary

	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$324,242,149	\$312,741,439	\$308,694,108	\$314,447,011	\$320,266,617
Annual % Growth	-1.2%	-3.5%	-1.3%	1.9%	1.9%
Net Increase (Decrease)		(\$7,253,264)	(\$7,067,777)	(\$7,590,576)	(\$8,811,576)
Revised Forecast	\$324,242,149	\$305,488,175	\$301,626,331	\$306,856,435	\$311,455,041
Annual % Growth	-1.2%	-5.8%	-1.3%	1.7%	1.5%
<b>Summary of Revenue Revisions by Major Revenue Category</b>					
Fuel Taxes		(\$5,013,500)	(\$4,819,250)	(\$5,540,750)	(\$6,761,750)
Motor Vehicle Registration & Fees		(\$1,630,701)	(\$1,544,383)	(\$1,264,107)	(\$1,264,107)
Inspection Fees		(\$110,887)	(\$110,887)	(\$165,887)	(\$165,887)
Fines, Forfeits and Penalties		(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)
Income from Investments		(\$58,615)	(\$153,696)	(\$153,696)	(\$153,696)
Other Revenues		(\$389,561)	(\$389,561)	(\$416,136)	(\$416,136)
<b>Total Revisions - Increase (Decrease)</b>		<b>(\$7,253,264)</b>	<b>(\$7,067,777)</b>	<b>(\$7,590,576)</b>	<b>(\$8,811,576)</b>

See Appendix B for additional detail of the Highway Fund revenue changes recommended in the table on the previous page.

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

Fund for a Healthy Maine (FHM) revenue was revised upward in each year of the forecast. The current biennium is revised upward by \$0.7 million. Net downward reductions for tobacco settlement payments were more than offset by sizeable increases in the former, very conservative projections of revenue from slot machine revenue from Hollywood Slots in Bangor, referred to as Racino Revenue.

Estimates for payments under the Master Settlement Agreement (MSA) were revised downward largely due to the underlying assumptions for the volume adjustment under the agreement that adjusts the amount of payments based on a comparison of the total volume of cigarettes sold in a given payment year versus the volume sold in 1997 by the Original Participating Manufacturers to the MSA. The volume adjustment was revised significantly downward in the May 2009 forecast due to the federal cigarette tax increase. The split between Base Payments and the Strategic Contribution payments that began in FY08 is being adjusted to reflect better estimates of their respective shares of the total.

Beginning in FY06, total payments under the MSA have been affected by legal proceedings under the MSA regarding certain disputed payments by the participating manufacturers. At that time, some participating manufacturers chose to withhold, or place into an escrow account, the portion of their payment amounts that was the subject of these disputes. The estimated amount of withholding has been reduced producing an increase to the revenue estimates in FY10 that partially offsets the effect of the other forecast adjustments. This forecast still assumes that Altria/Philip Morris, consistent with past practice, still makes its full payments under the MSA and will not withhold or place into escrow disputed payments as other participating manufacturers have done. While there have been no indications of any change in policy, this key assumption introduces substantial risk to the forecast as a decision by Altria/Philip Morris to withhold this coming April would result in a reduction in total payments of an estimated \$1.7 million.

See Appendix C for the additional explanations of the changes summarized below.

### **Fund for a Healthy Maine Summary**

	<b>FY09 Actual</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
Current Forecast	\$68,409,736	\$59,654,050	\$57,094,004	\$62,802,729	\$62,590,944
Annual % Growth	10.3%	-12.8%	-4.3%	10.0%	-0.3%
Net Increase (Decrease)		\$521,643	\$222,282	\$1,156,892	\$864,774
Revised Forecast	\$68,409,736	\$60,175,693	\$57,316,286	\$63,959,621	\$63,455,718
Annual % Growth	10.3%	-12.0%	-4.8%	11.6%	-0.8%
<b>Summary of Revenue Revisions by Major Revenue Category</b>					
Tobacco Settlement Payments:					
- Base Payments		(\$540,163)	(\$867,377)	(\$111,090)	(\$469,991)
- Strategic Contribution Payments		\$383,708	\$316,672	\$340,096	\$216,940
Racino Revenue		\$685,860	\$791,908	\$941,504	\$1,129,067
Income from Investments		(\$7,762)	(\$18,921)	(\$13,618)	(\$11,242)
Total Revisions - Increase (Decrease)		<b>\$521,643</b>	<b>\$222,282</b>	<b>\$1,156,892</b>	<b>\$864,774</b>

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

Medicaid/MaineCare Dedicated Revenue Taxes are revised downward by \$2.4 million in FY10 and by \$3.3 million in FY 11. The revised estimates include a negative adjustment in hospital tax revenue to reflect actual and expected billings through FY10 for November and May. Future year hospital tax revenue estimates are revised based on the FY10 changes and the continued “no growth” assumption based on the statutorily fixed hospital tax base year. The negative

adjustment in this revenue category also reflects PL 2009, c. 213 changes to MaineCare private non-medical institution (PNMI) policy that are intended to produce General Fund savings but are also assumed to decrease service provider tax (PNMI) dedicated revenue during the forecast period.

See Appendix D for more information on the changes summarized below.

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

	<b>FY09 Actual</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
Current Forecast	\$138,029,363	\$140,725,802	\$140,821,696	\$140,919,988	\$141,020,738
	6.0%	2.0%	0.1%	0.1%	0.1%
Net Increase (Decrease)		(\$2,398,548)	(\$3,265,891)	(\$3,364,183)	(\$3,464,933)
Revised Forecast	\$138,029,363	\$138,327,254	\$137,555,805	\$137,555,805	\$137,555,805
Annual % Growth	6.0%	0.2%	-0.6%	0.0%	0.0%
<b>Summary of Revenue Revisions by Major Revenue Category</b>					
Hospital Tax		(\$862,348)	(\$862,348)	(\$862,348)	(\$862,348)
Service Provider Tax (PNMIs)		(\$1,536,200)	(\$2,403,543)	(\$2,501,835)	(\$2,602,585)
<b>Total Revisions - Increase (Decrease)</b>		<b>(\$2,398,548)</b>	<b>(\$3,265,891)</b>	<b>(\$3,364,183)</b>	<b>(\$3,464,933)</b>

### **III. CONCLUSIONS**

*As with prior revenue forecasts in this recession, the RFC feels the need to express concern regarding the difficulty forecasting economic variables in this extremely volatile economic environment. While the national economic forecasts have stabilized, underlying these forecasts is an assumption that the federal government will implement a new federal stimulus, although not necessarily in the same form as the last package, that will contain continued support for state and local governments. Without that additional stimulus, there would be greater negative effects on employment and incomes. Also, the dramatic effect of the current recession on the consumer has produced the only period of substantial and sustained declines in taxable sales on record. We are in uncharted waters with regard to consumers' reactions to this recession and have concerns that the tax models may still not be capable of adequately capturing consumer behavior. While there is some hope that the economic picture has stabilized and a bottom to the current recession is in sight, this economy and the consumer psyche seem very susceptible to turning minor economic disappointments into major factors.*



# **APPENDIX A**

## **General Fund**

## GENERAL FUND REVENUE

### REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2009

Source	FY05 Actual	% Chg.	FY06 Actual	% Chg.	FY07 Actual	% Chg.	FY08 Actual	% Chg.	FY09 Actual	% Chg.	FY09 Budget	FY09 Variance	% Var.
Sales and Use Tax	896,576,322	-2.3%	946,174,276	5.5%	971,455,721	2.7%	983,057,278	1.2%	921,823,720	-6.2%	929,698,051	(7,874,331)	-0.8%
Service Provider Tax	44,645,517	N/A	47,028,430	5.3%	49,400,532	5.0%	52,100,664	5.5%	52,812,595	1.4%	53,452,742	(640,147)	-1.2%
Individual Income Tax	1,296,255,557	12.1%	1,364,368,543	5.3%	1,464,928,346	7.4%	1,558,032,961	6.4%	1,365,437,729	-12.4%	1,407,015,385	(41,577,656)	-3.0%
Corporate Income Tax	135,862,913	21.7%	188,015,558	38.4%	183,851,533	-2.2%	184,514,568	0.4%	143,085,966	-22.5%	148,940,000	(5,854,034)	-3.9%
Cigarette and Tobacco Tax	96,350,704	-0.3%	156,951,370	62.9%	158,953,466	1.3%	150,499,432	-5.3%	144,424,712	-4.0%	143,213,844	1,210,868	0.8%
Insurance Companies Tax	75,669,053	4.8%	76,065,864	0.5%	74,452,542	-2.1%	72,292,532	-2.9%	79,770,431	10.3%	71,978,985	7,791,446	10.8%
Estate Tax	32,255,727	0.6%	75,330,514	133.5%	54,820,038	-27.2%	39,890,577	-27.2%	31,819,188	-20.2%	34,335,010	(2,515,822)	-7.3%
Other Taxes and Fees *	137,247,024	8.7%	142,539,230	3.9%	143,921,436	1.0%	140,215,511	-2.6%	148,909,575	6.2%	146,706,453	2,203,122	1.5%
Fines, Forfeits and Penalties	35,506,972	-7.1%	37,781,055	6.4%	41,415,132	9.6%	44,465,534	7.4%	44,024,462	-1.0%	44,106,626	(82,164)	-0.2%
Income from Investments	5,854,625	153.4%	8,271,869	41.3%	1,215,836	-85.3%	1,074,143	-11.7%	1,100,129	2.4%	1,154,221	(54,092)	-4.7%
Transfer from Lottery Commission	49,328,102	19.5%	50,879,647	3.1%	50,624,741	-0.5%	49,491,086	-2.2%	49,839,434	0.7%	49,549,250	290,184	0.6%
Transfers to Tax Relief Programs *	(26,030,227)	N/A	(109,861,880)	-322.1%	(110,993,852)	-1.0%	(114,564,757)	-3.2%	(122,931,820)	-7.3%	(125,032,395)	2,100,575	-1.7%
Transfer to Municipal Rev. Sharing	(119,712,814)	-7.4%	(124,222,180)	-3.8%	(130,490,756)	-5.0%	(135,820,175)	-4.1%	(102,160,745)	24.8%	(103,412,337)	1,251,592	-1.2%
Other Revenue *	131,035,578	-34.6%	72,503,389	-44.7%	66,040,674	-8.9%	62,569,638	-5.3%	53,412,918	-14.6%	53,057,313	355,605	0.7%
<b>Total - General Fund Revenue</b>	<b>2,790,845,053</b>	<b>4.0%</b>	<b>2,931,825,687</b>	<b>5.1%</b>	<b>3,019,595,389</b>	<b>3.0%</b>	<b>3,087,818,992</b>	<b>2.3%</b>	<b>2,811,368,295</b>	<b>-9.0%</b>	<b>2,854,763,148</b>	<b>(43,394,853)</b>	<b>-1.5%</b>

\* Additional detail provided on pages 4, 5 and 6

## GENERAL FUND REVENUE

### REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2009

Source	FY10 Budget	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Budget	% Chg.	Recom. Chg.	FY11 Revised	% Chg.
Sales and Use Tax	938,953,932	1.9%	(41,299,662)	897,654,270	-2.6%	959,337,673	2.2%	(37,565,833)	921,771,840	2.7%
Service Provider Tax	55,590,852	5.3%	0	55,590,852	5.3%	57,814,486	4.0%	0	57,814,486	4.0%
Individual Income Tax	1,444,804,369	5.8%	(166,824,369)	1,277,980,000	-6.4%	1,448,302,023	0.2%	(134,262,023)	1,314,040,000	2.8%
Corporate Income Tax	144,697,500	1.1%	(26,651,578)	118,045,922	-17.5%	143,656,978	-0.7%	(24,548,643)	119,108,335	0.9%
Cigarette and Tobacco Tax	137,881,705	-4.5%	2,258,197	140,139,902	-3.0%	135,705,195	-1.6%	2,039,384	137,744,579	-1.7%
Insurance Companies Tax	71,985,000	-9.8%	0	71,985,000	-9.8%	71,990,000	0.0%	0	71,990,000	0.0%
Estate Tax	30,124,796	-5.3%	(531,543)	29,593,253	-7.0%	31,945,303	6.0%	(206,299)	31,739,004	7.3%
Other Taxes and Fees *	143,490,376	-3.6%	3,761,155	147,251,531	-1.1%	143,536,292	0.0%	(1,317,879)	142,218,413	-3.4%
Fines, Forfeits and Penalties	43,559,855	-1.1%	(11,358,009)	32,201,846	-26.9%	43,713,619	0.4%	(13,137,358)	30,576,261	-5.0%
Income from Investments	947,908	-13.8%	(1,140,326)	(192,418)	-117.5%	1,021,543	7.8%	(169,053)	852,490	543.0%
Transfer from Lottery Commission	49,534,250	-0.6%	0	49,534,250	-0.6%	50,534,250	2.0%	0	50,534,250	2.0%
Transfers to Tax Relief Programs *	(116,953,498)	4.9%	4,893,636	(112,059,862)	8.8%	(119,003,153)	-1.8%	6,415,208	(112,587,945)	-0.5%
Transfer to Municipal Rev. Sharing	(112,092,834)	-9.7%	11,204,406	(100,888,428)	1.2%	(107,495,522)	4.1%	10,092,712	(97,402,810)	3.5%
Other Revenue *	24,147,811	-54.8%	16,260,793	40,408,604	-24.3%	36,848,157	52.6%	18,467,371	55,315,528	36.9%
<b>Total - General Fund Revenue</b>	<b>2,856,672,022</b>	<b>1.6%</b>	<b>(209,427,300)</b>	<b>2,647,244,722</b>	<b>-5.8%</b>	<b>2,897,906,844</b>	<b>1.4%</b>	<b>(174,192,413)</b>	<b>2,723,714,431</b>	<b>2.9%</b>
								<b>(383,619,713)</b>		

\* Additional detail provided on pages 4, 5 and 6

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## GENERAL FUND REVENUE

### REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2009

Source	FY12 Budget	% Chg.	Recom. Chg.	FY12 Revised	% Chg.	FY13 Budget	% Chg.	Recom. Chg.	FY13 Revised	% Chg.
Sales and Use Tax	994,669,738	3.7%	(30,155,311)	964,514,427	4.6%	1,032,883,930	3.8%	(19,060,080)	1,013,823,850	5.1%
Service Provider Tax	59,555,680	3.0%	0	59,555,680	3.0%	61,840,807	3.8%	0	61,840,807	3.8%
Individual Income Tax	1,496,355,147	3.3%	(133,555,147)	1,362,800,000	3.7%	1,533,800,720	2.5%	(126,200,720)	1,407,600,000	3.3%
Corporate Income Tax	157,294,573	9.5%	(25,203,429)	132,091,144	10.9%	176,081,775	11.9%	(26,818,783)	149,262,992	13.0%
Cigarette and Tobacco Tax	133,358,152	-1.7%	1,542,892	134,901,044	-2.1%	130,991,901	-1.8%	1,588,486	132,580,387	-1.7%
Insurance Companies Tax	71,990,000	0.0%	0	71,990,000	0.0%	71,990,000	0.0%	0	71,990,000	0.0%
Estate Tax	37,328,353	16.9%	(850,026)	36,478,327	14.9%	42,374,930	13.5%	(1,142,098)	41,232,832	13.0%
Other Taxes and Fees *	142,163,024	-1.0%	(1,020,112)	141,142,912	-0.8%	143,613,842	1.0%	(700,777)	142,913,065	1.3%
Fines, Forfeits and Penalties	43,729,007	0.0%	(13,137,358)	30,591,649	0.1%	43,747,507	0.0%	(13,137,358)	30,610,149	0.1%
Income from Investments	1,021,543	0.0%	(169,053)	852,490	0.0%	1,021,543	0.0%	(169,053)	852,490	0.0%
Transfer from Lottery Commission	50,534,250	0.0%	0	50,534,250	0.0%	50,534,250	0.0%	0	50,534,250	0.0%
Transfers to Tax Relief Programs *	(136,561,084)	-14.8%	9,076,107	(127,484,977)	-13.2%	(135,520,928)	0.8%	10,838,630	(124,682,298)	2.2%
Transfer to Municipal Rev. Sharing	(137,620,227)	-28.0%	9,493,987	(128,126,240)	-31.5%	(142,972,404)	-3.9%	8,741,870	(134,230,534)	-4.8%
Other Revenue *	25,529,606	-30.7%	19,224,635	44,754,241	-19.1%	25,492,806	-0.1%	19,183,271	44,676,077	-0.2%
<b>Total - General Fund Revenue</b>	<b>2,939,347,762</b>	<b>1.4%</b>	<b>(164,752,815)</b>	<b>2,774,594,947</b>	<b>1.9%</b>	<b>3,035,880,679</b>	<b>3.3%</b>	<b>(146,876,612)</b>	<b>2,889,004,067</b>	<b>4.1%</b>
								<b>(311,629,427)</b>		

\* Additional detail provided on pages 4, 5 and 6

# GENERAL FUND REVENUE

## REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2009

Source	FY05 Actual	% Chg.	FY06 Actual	% Chg.	FY07 Actual	% Chg.	FY08 Actual	% Chg.	FY09 Actual	% Chg.	FY09 Budget	FY09 Variance	% Var.
<b>Detail of Other Taxes and Fees:</b>													
- Prop. Tax - Unorganized Territory	10,622,666	-0.8%	11,559,305	8.8%	11,376,293	-1.6%	12,217,081	7.4%	12,633,755	3.4%	12,969,540	(335,785)	-2.6%
- Real Estate Transfer Tax	24,113,439	8.6%	24,595,580	2.0%	22,206,638	-9.7%	17,465,240	-21.4%	17,184,746	-1.6%	17,663,662	(478,916)	-2.7%
- Liquor Taxes and Fees	17,432,377	-0.3%	18,814,733	7.9%	20,283,406	7.8%	20,673,308	1.9%	20,844,377	0.8%	20,268,674	575,703	2.8%
- Corporation Fees & Licenses	6,884,833	52.1%	7,710,325	12.0%	7,935,294	2.9%	7,969,156	0.4%	7,931,072	-0.5%	8,451,771	(520,699)	-6.2%
- Public Utilities Tax	25,403,214	-9.2%	20,627,030	-18.8%	16,317,029	-20.9%	16,858,472	3.3%	19,536,483	15.9%	18,405,029	1,131,454	6.1%
- Finance Industry Fees	18,641,800	94.7%	20,471,110	9.8%	22,004,030	7.5%	23,638,820	7.4%	23,901,210	1.1%	22,983,550	917,660	4.0%
- Milk Handling Fee	0	N/A	1,867,527	N/A	2,561,972	37.2%	631,997	-75.3%	6,605,226	945.1%	6,610,817	(5,591)	-0.1%
- Parimutuel and Gaming Revenue	1,362,611	31.5%	5,262,230	286.2%	8,607,317	63.6%	8,384,464	-2.6%	8,730,346	4.1%	8,500,624	229,722	2.7%
- Boat, ATV and Snowmobile Fees	4,148,936	4.4%	3,477,043	-16.2%	4,162,079	19.7%	4,295,524	3.2%	4,262,523	-0.8%	3,711,323	551,200	14.9%
- Hunting and Fishing License Fees	16,691,165	-1.2%	16,840,079	0.9%	16,401,841	-2.6%	15,683,316	-4.4%	15,378,849	-1.9%	15,999,867	(621,018)	-3.9%
- Other Miscellaneous Taxes and Fees	11,945,985	0.3%	11,314,268	-5.3%	12,065,538	6.6%	12,398,134	2.8%	11,900,988	-4.0%	11,141,596	759,392	6.8%
Subtotal - Other Taxes and Fees	137,247,024	8.7%	142,539,230	3.9%	143,921,436	1.0%	140,215,511	-2.6%	148,909,575	6.2%	146,706,453	2,203,122	1.5%
<b>Detail of Other Revenue:</b>													
- Liquor Sales and Operations	49,845,027	-51.2%	2,560,044	-94.9%	4,440,935	73.5%	5,561,666	25.2%	6,220,864	11.9%	6,218,031	2,833	0.0%
- Targeted Case Management (HHS)	34,518,055	-0.7%	25,687,188	-25.6%	12,834,382	-50.0%	12,157,093	-5.3%	13,946,371	14.7%	14,491,922	(545,551)	-3.8%
- State Cost Allocation Program	12,891,574	23.5%	13,281,561	3.0%	15,428,622	16.2%	16,289,386	5.6%	16,104,670	-1.1%	16,298,039	(193,369)	-1.2%
- Unclaimed Property Transfer	10,000,000	-40.3%	14,880,517	48.8%	10,499,528	-29.4%	11,114,735	5.9%	13,212,409	18.9%	11,683,420	1,528,989	13.1%
- Tourism Transfer	(7,554,190)	-4.7%	(7,762,689)	-2.8%	(8,221,338)	-5.9%	(8,708,437)	-5.9%	(9,068,407)	-4.1%	(9,068,407)	0	0.0%
- Transfer to Maine Milk Pool	0	N/A	(2,616,160)	N/A	(10,158,802)	-288.3%	(1,078,425)	89.4%	(11,810,960)	-995.2%	(11,811,000)	40	0.0%
- Transfer to STAR Transportation Fund	0	N/A	0	N/A	0	N/A	0	N/A	0	N/A	0	0	N/A
- Other Miscellaneous Revenue	31,335,111	-28.0%	26,472,928	-15.5%	41,217,346	55.7%	27,233,620	-33.9%	24,807,971	-8.9%	25,245,308	(437,337)	-1.7%
Subtotal - Other Revenue	131,035,578	-34.6%	72,503,389	-44.7%	66,040,674	-8.9%	62,569,638	-5.3%	53,412,918	-14.6%	53,057,313	355,605	0.7%
<b>Detail of Transfers to Tax Relief Programs:</b>													
- Maine Resident Property Tax Program	(26,030,227)	N/A	(42,796,070)	-64.4%	(44,440,759)	-3.8%	(46,689,380)	-5.1%	(48,751,672)	-4.4%	(48,202,400)	(549,272)	98.8%
- BETR - Business Equipment Tax Reimb.	0	N/A	(67,065,810)	N/A	(66,553,092)	0.8%	(67,875,376)	-2.0%	(66,009,487)	2.7%	(68,559,334)	2,549,847	103.8%
- BETE - Municipal Bus. Equip. Tax Reimb.	0	N/A	0	N/A	0	N/A	0	N/A	(8,170,661)	N/A	(8,270,661)	100,000	N/A
Subtotal - Tax Relief Transfers	(26,030,227)	N/A	(109,861,880)	-322.1%	(110,993,852)	-1.0%	(114,564,757)	-3.2%	(122,931,820)	-7.3%	(125,032,395)	2,100,575	101.8%
IF&W Total Revenue ***	21,817,659	-0.4%	21,530,955	-1.3%	21,663,828	0.6%	20,965,692	-3.2%	20,579,500	-1.8%	21,015,834	(436,334)	-102.1%

\*\*\* 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 2009

Source	FY10 Budget	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Budget	% Chg.	Recom. Chg.	FY11 Revised	% Chg.
<b>* Detail of Other Taxes and Fees:</b>										
- Prop. Tax - Unorganized Territory	14,758,721	16.8%	0	14,758,721	16.8%	13,528,060	-8.3%	0	13,528,060	-8.3%
- Real Estate Transfer Tax	13,148,078	-23.5%	0	13,148,078	-23.5%	14,922,365	13.5%	0	14,922,365	13.5%
- Liquor Taxes and Fees	21,161,411	1.5%	0	21,161,411	1.5%	21,253,693	0.4%	0	21,253,693	0.4%
- Corporation Fees & Licenses	9,013,771	13.7%	(1,508,672)	7,505,099	-5.4%	9,585,771	6.3%	(2,080,672)	7,505,099	0.0%
- Public Utilities Tax	16,996,988	-13.0%	0	16,996,988	-13.0%	16,775,988	-1.3%	0	16,775,988	-1.3%
- Finance Industry Fees	22,365,980	-6.4%	0	22,365,980	-6.4%	22,365,980	0.0%	0	22,365,980	0.0%
- Milk Handling Fee	4,753,210	-28.0%	4,446,976	9,200,186	39.3%	3,062,164	-35.6%	(365,632)	2,696,532	-70.7%
- Parimutuel and Gaming Revenue	8,303,351	-4.9%	996,605	9,299,956	6.5%	8,472,875	2.0%	1,237,119	9,709,994	4.4%
- Boat, ATV and Snowmobile Fees	4,098,040	-3.9%	0	4,098,040	-3.9%	4,500,295	9.8%	0	4,500,295	9.8%
- Hunting and Fishing License Fees	17,042,965	10.8%	0	17,042,965	10.8%	17,420,998	2.2%	0	17,420,998	2.2%
- Other Miscellaneous Taxes and Fees	11,847,861	-0.4%	(173,754)	11,674,107	-1.9%	11,648,103	-1.7%	(108,694)	11,539,409	-1.2%
Subtotal - Other Taxes and Fees	143,490,376	-3.6%	3,761,155	147,251,531	-1.1%	143,536,292	0.0%	(1,317,879)	142,218,413	-3.4%
<b>** Detail of Other Revenue:</b>										
- Liquor Sales and Operations	7,364,611	18.4%	0	7,364,611	18.4%	7,391,759	0.4%	0	7,391,759	0.4%
- Targeted Case Management (HHS)	13,396,993	-3.9%	6,633,983	20,030,976	43.6%	9,640,280	-28.0%	8,457,415	18,097,695	-9.7%
- State Cost Allocation Program	15,599,389	-3.1%	0	15,599,389	-3.1%	16,533,703	6.0%	0	16,533,703	6.0%
- Unclaimed Property Transfer	4,483,420	-66.1%	(2,150,000)	2,333,420	-82.3%	4,483,420	0.0%	(2,150,000)	2,333,420	0.0%
- Tourism Transfer	(9,190,591)	-1.3%	168,568	(9,022,023)	0.5%	(9,245,439)	-0.6%	266,039	(8,979,400)	0.5%
- Transfer to Maine Milk Pool	(13,349,600)	-13.0%	0	(13,349,600)	-13.0%	0	100.0%	0	0	100.0%
- Transfer to STAR Transportation Fund	(3,054,519)	N/A	(80,342)	(3,134,861)	N/A	(3,061,703)	-0.2%	114,934	(2,946,769)	6.0%
- Other Miscellaneous Revenue	8,898,108	-64.1%	11,688,584	20,586,692	-17.0%	11,106,137	24.8%	11,778,983	22,885,120	11.2%
Subtotal - Other Revenue	24,147,811	-54.8%	16,260,793	40,408,604	-24.3%	36,848,157	52.6%	18,467,371	55,315,528	36.9%
<b>Detail of Transfers to Tax Relief Programs:</b>										
- Maine Resident Property Tax Program	(41,326,948)	15.2%	826,948	(40,500,000)	16.9%	(42,973,944)	-4.0%	(526,056)	(43,500,000)	-7.4%
- BETR - Business Equipment Tax Reimb.	(59,088,138)	10.5%	2,500,000	(56,588,138)	14.3%	(54,043,140)	8.5%	2,500,000	(51,543,140)	8.9%
- BETE - Municipal Bus. Equip. Tax Reimb.	(16,538,412)	-102.4%	1,566,688	(14,971,724)	-83.2%	(21,986,069)	-32.9%	4,441,264	(17,544,805)	-17.2%
Subtotal - Tax Relief Transfers	(116,953,498)	4.9%	4,893,636	(112,059,862)	8.8%	(119,003,153)	-1.8%	6,415,208	(112,587,945)	-0.5%
IF&W Total Revenue ***	22,303,940	8.4%	(114,023)	22,189,917	7.8%	23,175,138	3.9%	(114,023)	23,061,115	3.9%

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

# GENERAL FUND REVENUE

## REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2009

Source	FY12 Budget	% Chg.	Recom. Chg.	FY12 Revised	% Chg.	FY13 Budget	% Chg.	Recom. Chg.	FY13 Revised	% Chg.
<b>* Detail of Other Taxes and Fees:</b>										
- Prop. Tax - Unorganized Territory	13,992,181	3.4%	0	13,992,181	3.4%	14,473,531	3.4%	0	14,473,531	3.4%
- Real Estate Transfer Tax	13,723,377	-8.0%	0	13,723,377	-8.0%	15,245,148	11.1%	0	15,245,148	11.1%
- Liquor Taxes and Fees	21,218,857	-0.2%	0	21,218,857	-0.2%	21,252,566	0.2%	0	21,252,566	0.2%
- Corporation Fees & Licenses	9,585,771	0.0%	(2,080,672)	7,505,099	0.0%	9,585,771	0.0%	(2,080,672)	7,505,099	0.0%
- Public Utilities Tax	16,014,397	-4.5%	0	16,014,397	-4.5%	15,251,807	-4.8%	0	15,251,807	-4.8%
- Finance Industry Fees	22,365,980	0.0%	0	22,365,980	0.0%	22,365,980	0.0%	0	22,365,980	0.0%
- Milk Handling Fee	3,062,164	0.0%	(319,928)	2,742,236	1.7%	3,062,164	0.0%	(319,928)	2,742,236	0.0%
- Parimutuel and Gaming Revenue	8,632,853	1.9%	1,491,364	10,124,217	4.3%	8,796,031	1.9%	1,810,699	10,606,730	4.8%
- Boat, ATV and Snowmobile Fees	4,500,295	0.0%	0	4,500,295	0.0%	4,500,295	0.0%	0	4,500,295	0.0%
- Hunting and Fishing License Fees	17,420,998	0.0%	0	17,420,998	0.0%	17,420,998	0.0%	0	17,420,998	0.0%
- Other Miscellaneous Taxes and Fees	11,646,151	0.0%	(110,876)	11,535,275	0.0%	11,659,551	0.1%	(110,876)	11,548,675	0.1%
Subtotal - Other Taxes and Fees	142,163,024		(1,020,112)	141,142,912	-0.8%	143,613,842	1.0%	(700,777)	142,913,065	1.3%
<b>** Detail of Other Revenue:</b>										
- Liquor Sales and Operations	7,691,759	4.1%	0	7,691,759	4.1%	7,891,759	2.6%	0	7,891,759	2.6%
- Targeted Case Management (HHS)	8,958,630	-7.1%	7,892,788	16,851,418	-6.9%	8,958,630	0.0%	7,892,788	16,851,418	0.0%
- State Cost Allocation Program	16,533,703	0.0%	0	16,533,703	0.0%	16,533,703	0.0%	0	16,533,703	0.0%
- Unclaimed Property Transfer	4,483,420	0.0%	(2,150,000)	2,333,420	0.0%	4,483,420	0.0%	(2,150,000)	2,333,420	0.0%
- Tourism Transfer	(9,266,165)	-0.2%	166,590	(9,099,575)	-1.3%	(9,498,589)	-2.5%	106,414	(9,392,175)	-3.2%
- Transfer to Maine Milk Pool	(11,117,700)	N/A	1,695,144	(9,422,556)	N/A	(11,117,700)	0.0%	1,695,144	(9,422,556)	0.0%
- Transfer to STAR Transportation Fund	(3,079,163)	-0.6%	108,820	(2,970,343)	-0.8%	(3,127,679)	-1.6%	127,632	(3,000,047)	-1.0%
- Other Miscellaneous Revenue	11,325,122	2.0%	11,511,293	22,836,415	-0.2%	11,369,262	0.4%	11,511,293	22,880,555	0.2%
Subtotal - Other Revenue	25,529,606	-30.7%	19,224,635	44,754,241	-19.1%	25,492,806	-0.1%	19,183,271	44,676,077	-0.2%
<b>Detail of Transfers to Tax Relief Programs:</b>										
- Maine Resident Property Tax Program	(53,713,747)	-25.0%	(2,286,253)	(56,000,000)	-28.7%	(55,287,538)	-2.9%	(2,412,462)	(57,700,000)	-3.0%
- BETR - Business Equipment Tax Reimb.	(54,552,995)	-0.9%	2,500,000	(52,052,995)	-1.0%	(49,282,583)	9.7%	2,500,000	(46,782,583)	10.1%
- BETE - Municipal Bus. Equip. Tax Reimb.	(28,294,342)	-28.7%	8,862,360	(19,431,982)	-10.8%	(30,950,807)	-9.4%	10,751,092	(20,199,715)	-4.0%
Subtotal - Tax Relief Transfers	(136,561,084)	-14.8%	9,076,107	(127,484,977)	-13.2%	(135,520,928)	0.8%	10,838,630	(124,682,298)	2.2%
IF&W Total Revenue ***	23,177,596	0.0%	(114,023)	23,063,573	0.0%	23,184,469	0.0%	(114,023)	23,070,446	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

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$2,931,825,687	\$3,019,595,389	\$3,087,818,992	\$2,811,368,295	\$2,856,672,022	\$2,897,906,844	\$2,939,347,762	\$3,035,880,679
Annual % Growth		3.0%	2.3%	-9.0%	1.6%	1.4%	1.4%	3.3%
Net Increase (Decrease)					(\$209,427,300)	(\$174,192,413)	(\$164,752,815)	(\$146,876,612)
Revised Forecast	\$2,931,825,687	\$3,019,595,389	\$3,087,818,992	\$2,811,368,295	\$2,647,244,722	\$2,723,714,431	\$2,774,594,947	\$2,889,004,067
Annual % Growth		3.0%	2.3%	-9.0%	-5.8%	2.9%	1.9%	4.1%

### General Fund - Sales and Use Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$946,174,276	\$971,455,721	\$983,057,278	\$921,823,720	\$938,953,932	\$959,337,673	\$994,669,738	\$1,032,883,930
Annual % Growth		2.7%	1.2%	-6.2%	1.9%	2.2%	3.7%	3.8%
Net Increase (Decrease)					(\$41,299,662)	(\$37,565,833)	(\$30,155,311)	(\$19,060,080)
Revised Forecast	\$946,174,276	\$971,455,721	\$983,057,278	\$921,823,720	\$897,654,270	\$921,771,840	\$964,514,427	\$1,013,823,850
Annual % Growth		2.7%	1.2%	-6.2%	-2.6%	2.7%	4.6%	5.1%

#### Summary of Recommended Changes:

Sales and Use Tax projections are affected primarily by the economic forecast of aggregate Personal Income. The downward adjustments to the projected growth rates for aggregate Personal Income were significant in the short-term, the decline of the growth in calendar year 2009 from positive 1.0% to -0.6% drove the projections down significantly. The tax model includes other variables to help capture the effects of oil price increases and changes in savings rates, but the impact from the changes in these variables was insignificant compared to the Personal Income changes. The other downward force to the forecast was "technical" adjustments that target the tax models to the most recent actual experience, FY09. The declines in taxable sales during the last 2 months of FY09 resulted in a negative variance of \$7.8 million or (0.8%) and produced a lower base for projections in FY10 on.

Impact of Technical Adjustments					(\$22,624,784)	(\$24,452,159)	(\$25,332,437)	(\$26,295,069)
Impact of Economic Assumptions					(\$18,674,878)	(\$13,113,674)	(\$4,822,874)	\$7,234,989

Despite the significant reductions calculated based on the changes to the underlying economic variables, adjusting for FY09 actual experience and constraining growth of certain sectors in the model, most notably automobile sales, the sales tax model had difficulty achieving the reduction in taxable sales experienced in the first 4 months of FY10. The recent, sustained declines in taxable sales are unprecedented and reflects a reaction by consumers that is not adequately captured by the tax models. The RFC will be watching the performance of taxable sales carefully and explore other additional forecasting techniques to supplement the tax models.

### General Fund - Service Provider Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$47,028,430	\$49,400,532	\$52,100,664	\$52,812,595	\$55,590,852	\$57,814,486	\$59,555,680	\$61,840,807
Annual % Growth		5.0%	5.5%	1.4%	5.3%	4.0%	3.0%	3.8%
Net Increase (Decrease)					\$0	\$0	\$0	\$0
Revised Forecast	\$47,028,430	\$49,400,532	\$52,100,664	\$52,812,595	\$55,590,852	\$57,814,486	\$59,555,680	\$61,840,807
Annual % Growth		5.0%	5.5%	1.4%	5.3%	4.0%	3.0%	3.8%

#### Summary of Recommended Changes:

No changes are recommended at this time. The Sales and Excise Tax model does not distinguish between Sales and Use Tax and the Service Provider Tax. Variances in the Service Provider Tax have been small, therefore all tax model forecast changes have been assigned to the Sales and Use Tax.

## General Fund - Individual Income Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$1,364,368,543	\$1,464,928,346	\$1,558,032,961	\$1,365,437,729	\$1,444,804,369	\$1,448,302,023	\$1,496,355,147	\$1,533,800,720
Annual % Growth		7.4%	6.4%	-12.4%	5.8%	0.2%	3.3%	2.5%
Net Increase (Decrease)					(\$166,824,369)	(\$134,262,023)	(\$133,555,147)	(\$126,200,720)
Revised Forecast	\$1,364,368,543	\$1,464,928,346	\$1,558,032,961	\$1,365,437,729	\$1,277,980,000	\$1,314,040,000	\$1,362,800,000	\$1,407,600,000
Annual % Growth		7.4%	6.4%	-12.4%	-6.4%	2.8%	3.7%	3.3%

### Summary of Recommended Changes:

Individual Income Tax is projected using the income tax component within the tax models. The projections are driven by changes in the economic forecast of Personal Income components (see Table I-A on page 2). The adjustment in this category are driven by the significant calendar year 2009 downgrades to the growth rates of the components of Personal Income that most significantly affect the Individual Income Tax projections, including: Wage and Salary Disbursements; Non-Farm Proprietors' Income; and Dividends, Interest and Rent. Even though the adjustments to growth rates after 2009 were modest, the decline in that current year drop the base so significantly that all years in the forecast period reflects similar declines. Changes in assumptions regarding capital gains realizations also play a major role in this forecast for this category (see discussion and Table I-B on page 3 of the report and Appendix G).

The forecast of the Consumer Price Index (CPI) also affects the estimates of the Individual Income Tax as a result of indexing of tax brackets. The only significant change in the CPI forecast (see Table I-A page 2) was the change for calendar year 2009, which projects less of a decline in CPI.

Impact of Technical Adjustments					(\$33,291,000)	(\$50,032,000)	(\$46,461,000)	(\$43,035,000)
Impact of Economic Assumptions					(\$133,533,369)	(\$84,230,023)	(\$87,094,147)	(\$73,165,720)

Presented above is the break out of the recommended changes between the impact of the economic assumptions including capital gains and the technical adjustments. The technical adjustments in this forecast include an update of tax year 2008 based on updated federal Internal Revenue Service data. The estimated tax liability for that tax year is lower than previously estimated based on more preliminary data. Tax year 2008 data is still preliminary due to extensions.

## General Fund - Corporate Income Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$188,015,558	\$183,851,533	\$184,514,568	\$143,085,966	\$144,697,500	\$143,656,978	\$157,294,573	\$176,081,775
Annual % Growth		-2.2%	0.4%	-22.5%	1.1%	-0.7%	9.5%	11.9%
Net Increase (Decrease)					(\$26,651,578)	(\$24,548,643)	(\$25,203,429)	(\$26,818,783)
Revised Forecast	\$188,015,558	\$183,851,533	\$184,514,568	\$143,085,966	\$118,045,922	\$119,108,335	\$132,091,144	\$149,262,992
Annual % Growth		-2.2%	0.4%	-22.5%	-17.5%	0.9%	10.9%	13.0%

### Summary of Recommended Changes:

Corporate Income Tax is projected using the income tax component within the tax model. The projections are driven by changes in the economic forecast of Wage and Salary Employment and corporate profitability (not forecast by the CEFC, see Table I-C on page 4). Profitability in 2008 declined much more than previously projected dropping the base year for the forecast period significantly.

Impact of Technical Adjustments					(\$4,797,500)	(\$4,736,278)	(\$5,215,161)	(\$5,475,919)
Impact of Economic Assumptions					(\$21,854,078)	(\$19,812,365)	(\$19,988,269)	(\$21,342,864)

Presented above is the break out of the recommended changes between the impact of the economic assumptions and the technical adjustments. The technical adjustments in this forecast include an update of tax year 2008.

### General Fund - Cigarette and Tobacco Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$156,951,370	\$158,953,466	\$150,499,432	\$144,242,712	\$137,881,705	\$135,705,195	\$133,358,152	\$130,991,901
Annual % Growth		1.3%	-5.3%	-4.2%	-4.4%	-1.6%	-1.7%	-1.8%
Net Increase (Decrease)					\$2,258,197	\$2,039,384	\$1,542,892	\$1,588,486
Revised Forecast	\$156,951,370	\$158,953,466	\$150,499,432	\$144,242,712	\$140,139,902	\$137,744,579	\$134,901,044	\$132,580,387
Annual % Growth		1.3%	-5.3%	-4.2%	-2.8%	-1.7%	-2.1%	-1.7%

#### Summary of Recommended Changes:

Cigarette and Tobacco Products Tax is projected using the sales and excise tax component of the tax model. The adjustments in this category reflect changes to the collections in tobacco products tax and not the cigarette tax. Collections from the tobacco products tax were stronger than expected following the change in the tax rate on smokeless tobacco from 78% of the wholesale sales price to \$2.02 per ounce or portion of an ounce.

### General Fund - Insurance Companies Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$76,065,864	\$74,452,542	\$72,292,532	\$79,770,431	\$71,985,000	\$71,990,000	\$71,990,000	\$71,990,000
Annual % Growth		-2.1%	-2.9%	10.3%	-9.8%	0.0%	0.0%	0.0%
Net Increase (Decrease)					\$0	\$0	\$0	\$0
Revised Forecast	\$76,065,864	\$74,452,542	\$72,292,532	\$79,770,431	\$71,985,000	\$71,990,000	\$71,990,000	\$71,990,000
Annual % Growth		-2.1%	-2.9%	10.3%	-9.8%	0.0%	0.0%	0.0%

#### Summary of Recommended Changes:

No change is recommended in this category at this time, despite ending FY09 with a positive variance of \$7.8 million (10.8%). This was based on current economic conditions and the fact that most of the revenue from this tax is collected in the last 4 months of the fiscal year.

### General Fund - Estate Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$75,330,514	\$54,820,038	\$39,890,577	\$31,819,188	\$30,124,796	\$31,945,303	\$37,328,353	\$42,374,930
Annual % Growth		-27.2%	-27.2%	-20.2%	-5.3%	6.0%	16.9%	13.5%
Net Increase (Decrease)					(\$531,543)	(\$206,299)	(\$850,026)	(\$1,142,098)
Revised Forecast	\$75,330,514	\$54,820,038	\$39,890,577	\$31,819,188	\$29,593,253	\$31,739,004	\$36,478,327	\$41,232,832
Annual % Growth		-27.2%	-27.2%	-20.2%	-7.0%	7.3%	14.9%	13.0%

#### Summary of Recommended Changes:

The estate tax is forecasted using the estate tax model and primarily affected by the forecast of household net worth. Household net worth is projected to increase starting in 2010 as the economy recovers. Stock market growth and a recovery in the residential housing market are the key areas that are expected to impact estate tax receipts in FY11 and on.

### General Fund - Other Taxes and Fees

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$142,539,230	\$143,921,436	\$140,215,511	\$148,909,575	\$143,490,376	\$143,536,292	\$142,163,024	\$143,613,842
Annual % Growth		1.0%	-2.6%	6.2%	-3.6%	0.0%	-1.0%	1.0%
Net Increase (Decrease)					\$3,761,155	(\$1,317,879)	(\$1,020,112)	(\$700,777)
Revised Forecast	\$142,539,230	\$143,921,436	\$140,215,511	\$148,909,575	\$147,251,531	\$142,218,413	\$141,142,912	\$142,913,065
Annual % Growth		1.0%	-2.6%	6.2%	-1.1%	-3.4%	-0.8%	1.3%

**Summary of Recommended Changes:**

Additional detail of the components of the "Other Taxes and Fees" category is provided later in this appendix.

### General Fund - Fines, Forfeits and Penalties

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$37,781,055	\$41,415,132	\$44,465,534	\$44,024,462	\$43,559,855	\$43,713,619	\$43,729,007	\$43,747,507
Annual % Growth		9.6%	7.4%	-1.0%	-1.1%	0.4%	0.0%	0.0%
Net Increase (Decrease)					(\$11,358,009)	(\$13,137,358)	(\$13,137,358)	(\$13,137,358)
Revised Forecast	\$37,781,055	\$41,415,132	\$44,465,534	\$44,024,462	\$32,201,846	\$30,576,261	\$30,591,649	\$30,610,149
Annual % Growth		9.6%	7.4%	-1.0%	-26.9%	-5.0%	0.1%	0.1%

**Summary of Recommended Changes:**

Adjustments realign existing budgeted revenue within revenue categories to more accurately reflect filing fee revenue and surcharge transfers. It also reflects a net revenue decrease of over \$2.4 M per year. Criminal filings, which make up 80% of Judicial Branch revenue, are trending down by almost 8% in the first quarter of FY10. This decrease is partially offset by an increase in fine revenue from reducing the backlog of cases in the Violations Bureau and an increase in the Violations Bureau late fee from \$25 to \$50. See Other Miscellaneous revenue for the offset.

### General Fund - Income from Investments

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$8,271,869	\$1,215,836	\$1,074,143	\$1,100,129	\$947,908	\$1,021,543	\$1,021,543	\$1,021,543
Annual % Growth		-85.3%	-11.7%	2.4%	-13.8%	7.8%	0.0%	0.0%
Net Increase (Decrease)					(\$1,140,326)	(\$169,053)	(\$169,053)	(\$169,053)
Revised Forecast	\$8,271,869	\$1,215,836	\$1,074,143	\$1,100,129	(\$192,418)	\$852,490	\$852,490	\$852,490
Annual % Growth		-85.3%	-11.7%	2.4%	-117.5%	543.0%	0.0%	0.0%

**Summary of Recommended Changes:**

General Fund cash balances have dropped as revenue has continued to be less than anticipated. Investment earnings on available cash balances are being further eroded and are now expected to be negative in FY10 as extensive internal cash flow borrowing costs will continue through the end of the fiscal year. Subsequent fiscal years are also revised downward based on lower cash balances, but not as low as FY10.

### General Fund - Transfer from Lottery Commission

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$50,879,647	\$50,624,741	\$49,491,086	\$49,839,434	\$49,534,250	\$50,534,250	\$50,534,250	\$50,534,250
Annual % Growth		-0.5%	-2.2%	0.7%	-0.6%	2.0%	0.0%	0.0%
Net Increase (Decrease)					\$0	\$0	\$0	\$0
Revised Forecast	\$50,879,647	\$50,624,741	\$49,491,086	\$49,839,434	\$49,534,250	\$50,534,250	\$50,534,250	\$50,534,250
Annual % Growth		-0.5%	-2.2%	0.7%	-0.6%	2.0%	0.0%	0.0%

#### Summary of Recommended Changes:

No changes are recommended in this forecast. Lottery revenue remains close to budget through October with no indications of any future significant variations from projections.

### General Fund - Transfers to Tax Relief Programs

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	(\$124,222,180)	(\$130,490,756)	(\$135,820,175)	(\$122,931,820)	(\$116,953,498)	(\$119,003,153)	(\$136,561,084)	(\$135,520,928)
Annual % Growth		-5.0%	-4.1%	9.5%	4.9%	-1.8%	-14.8%	0.8%
Net Increase (Decrease)					\$4,893,636	\$6,415,208	\$9,076,107	\$10,838,630
Revised Forecast	(\$124,222,180)	(\$130,490,756)	(\$135,820,175)	(\$122,931,820)	(\$112,059,862)	(\$112,587,945)	(\$127,484,977)	(\$124,682,298)
Annual % Growth		-5.0%	-4.1%	9.5%	8.8%	-0.5%	-13.2%	2.2%

#### Summary of Recommended Changes:

Additional descriptions of the components of the "Transfers to Tax Relief Programs" category are provided later in this appendix.

### General Fund - Transfer to Municipal Revenue Sharing

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	(\$124,222,180)	(\$130,490,756)	(\$135,820,175)	(\$102,160,745)	(\$112,092,834)	(\$104,495,522)	(\$137,620,227)	(\$142,972,404)
Annual % Growth		-5.0%	-4.1%	24.8%	-9.7%	6.8%	-31.7%	-3.9%
Net Increase (Decrease)					\$11,204,406	\$10,092,712	\$9,493,987	\$8,741,870
Revised Forecast	(\$124,222,180)	(\$130,490,756)	(\$135,820,175)	(\$102,160,745)	(\$100,888,428)	(\$94,402,810)	(\$128,126,240)	(\$134,230,534)
Annual % Growth		-5.0%	-4.1%	24.8%	1.2%	6.4%	-35.7%	-4.8%

#### Summary of Recommended Changes:

These transfers are calculated based on the changes in the Individual Income Tax, Corporate Income Tax, Sales and Use Tax and the Service Provider Tax. The revised amount of revenue from these sources is multiplied by 5% to determine the total amount to be transferred. With the recent changes to the timing of the monthly transfers (see PL 2009, c. 213, Part S), an additional calculation is required to determine June's share of the total, because 5% of the June tax revenue amounts are transferred in the next fiscal year. The calculation of this "lag effect" in this forecast was based on FY09 actual tax collections compared to the total for that fiscal year. That same percentage was applied to each fiscal year.

## General Fund - Other Revenue

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$72,503,389	\$66,040,674	\$62,569,638	\$53,412,918	\$24,147,811	\$36,848,157	\$25,529,606	\$25,492,806
Annual % Growth		-8.9%	-5.3%	-14.6%	-54.8%	52.6%	-30.7%	-0.1%
Net Increase (Decrease)					\$16,260,793	\$18,467,371	\$19,224,635	\$19,183,271
Revised Forecast	\$72,503,389	\$66,040,674	\$62,569,638	\$53,412,918	\$40,408,604	\$55,315,528	\$44,754,241	\$44,676,077
Annual % Growth		-8.9%	-5.3%	-14.6%	-24.3%	36.9%	-19.1%	-0.2%

### Summary of Recommended Changes:

Additional descriptions of the components of the "Other Revenue" category are provided later in this appendix. The significant upward adjustments are largely due to the changes in the accounting for certain Judicial Department revenue previously recorded as Miscellaneous Fines.

## General Fund - Detail of Other Taxes and Fees

### Property Tax - Unorganized Territory

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$11,559,305	\$11,376,293	\$12,217,081	\$12,633,755	\$14,758,721	\$13,528,060	\$14,758,721	\$13,528,060
Annual % Growth		-1.6%	7.4%	3.4%	16.8%	-8.3%	9.1%	-8.3%
Net Increase (Decrease)					\$0	\$0	\$0	\$0
Revised Forecast	\$11,559,305	\$11,376,293	\$12,217,081	\$12,633,755	\$14,758,721	\$13,528,060	\$14,758,721	\$13,528,060
Annual % Growth		-1.6%	7.4%	3.4%	16.8%	-8.3%	9.1%	-8.3%

### Summary of Recommended Changes:

No changes are recommended in this forecast.

### Real Estate Transfer Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$24,595,580	\$22,206,638	\$17,465,240	\$17,184,746	\$13,148,078	\$14,922,365	\$13,723,377	\$15,245,148
Annual % Growth		-9.7%	-21.4%	-1.6%	-23.5%	13.5%	-8.0%	11.1%
Net Increase (Decrease)					\$0	\$0	\$0	\$0
Revised Forecast	\$24,595,580	\$22,206,638	\$17,465,240	\$17,184,746	\$13,148,078	\$14,922,365	\$13,723,377	\$15,245,148
Annual % Growth		-9.7%	-21.4%	-1.6%	-23.5%	13.5%	-8.0%	11.1%

### Summary of Recommended Changes:

No changes are recommended in this forecast.

## Liquor Taxes and Fees

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$18,814,733	\$20,283,406	\$20,673,308	\$20,844,377	\$21,161,411	\$21,253,693	\$21,218,857	\$21,252,566
Annual % Growth		7.8%	1.9%	0.8%	1.5%	0.4%	-0.2%	0.2%
Net Increase (Decrease)					\$0	\$0	\$0	\$0
Revised Forecast	\$18,814,733	\$20,283,406	\$20,673,308	\$20,844,377	\$21,161,411	\$21,253,693	\$21,218,857	\$21,252,566
Annual % Growth		7.8%	1.9%	0.8%	1.5%	0.4%	-0.2%	0.2%

### Summary of Recommended Changes:

No changes are recommended in this forecast.

## Corporate Fees and Licenses

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$7,710,325	\$7,935,294	\$7,969,156	\$7,931,072	\$9,013,771	\$9,585,771	\$9,585,771	\$9,585,771
Annual % Growth		2.9%	0.4%	-0.5%	13.7%	6.3%	0.0%	0.0%
Net Increase (Decrease)					(\$1,508,672)	(\$2,080,672)	(\$2,080,672)	(\$2,080,672)
Revised Forecast	\$7,710,325	\$7,935,294	\$7,969,156	\$7,931,072	\$7,505,099	\$7,505,099	\$7,505,099	\$7,505,099
Annual % Growth		2.9%	0.4%	-0.5%	-5.4%	0.0%	0.0%	0.0%

### Summary of Recommended Changes:

The majority of this adjustment is attributed to annual report fees, which were down 8% at the end of FY09, and domestic entity filing fees, which were down 29% through the month of October 2009. These trends are expected to continue as a result of poor economic conditions. No growth is projected from FY10 levels.

## Public Utilities Taxes

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$20,627,030	\$16,317,029	\$16,858,472	\$19,536,483	\$16,996,988	\$16,775,988	\$16,014,397	\$15,251,807
Annual % Growth		-20.9%	3.3%	15.9%	-13.0%	-1.3%	-4.5%	-4.8%
Net Increase (Decrease)					\$0	\$0	\$0	\$0
Revised Forecast	\$20,627,030	\$16,317,029	\$16,858,472	\$19,536,483	\$16,996,988	\$16,775,988	\$16,014,397	\$15,251,807
Annual % Growth		-20.9%	3.3%	15.9%	-13.0%	-1.3%	-4.5%	-4.8%

### Summary of Recommended Changes:

No changes are recommended in this forecast.

## Finance Industry Fees

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$20,471,110	\$22,004,030	\$23,638,820	\$23,901,210	\$22,365,980	\$22,365,980	\$22,365,980	\$22,365,980
Annual % Growth		7.5%	7.4%	1.1%	-6.4%	0.0%	0.0%	0.0%
Net Increase (Decrease)					\$0	\$0	\$0	\$0
Revised Forecast	\$20,471,110	\$22,004,030	\$23,638,820	\$23,901,210	\$22,365,980	\$22,365,980	\$22,365,980	\$22,365,980
Annual % Growth		7.5%	7.4%	1.1%	-6.4%	0.0%	0.0%	0.0%

### Summary of Recommended Changes:

No changes are recommended in this forecast.

### Milk Handling Fee

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$1,867,527	\$2,561,972	\$631,997	\$6,605,226	\$4,753,210	\$3,062,164	\$3,062,164	\$3,062,164
Annual % Growth		37.2%	-75.3%	945.1%	-28.0%	-35.6%	0.0%	0.0%
Net Increase (Decrease)					\$4,446,976	(\$365,632)	(\$319,928)	(\$319,928)
Revised Forecast	\$1,867,527	\$2,561,972	\$631,997	\$6,605,226	\$9,200,186	\$2,696,532	\$2,742,236	\$2,742,236
Annual % Growth		37.2%	-75.3%	945.1%	39.3%	-70.7%	1.7%	0.0%

#### Summary of Recommended Changes:

These adjustments are based upon the latest milk pricing forecast prepared by Agrimark. Milk prices are now projected to fall lower in the short term than previously projected resulting in an increase in revenue. The long-term forecast projects milk prices increasing above previously projected levels.

### Parimutuel and Gaming Revenue

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$5,262,230	\$8,607,317	\$8,384,464	\$8,730,346	\$8,303,351	\$8,472,875	\$8,632,853	\$8,796,031
Annual % Growth		63.6%	-2.6%	4.1%	-4.9%	2.0%	1.9%	1.9%
Net Increase (Decrease)					\$996,605	\$1,237,119	\$1,491,364	\$1,810,699
Revised Forecast	\$5,262,230	\$8,607,317	\$8,384,464	\$8,730,346	\$9,299,956	\$9,709,994	\$10,124,217	\$10,606,730
Annual % Growth		63.6%	-2.6%	4.1%	6.5%	4.4%	4.3%	4.8%

#### Summary of Recommended Changes:

The forecast for revenues from the slot machine facility in Bangor has been revised upward based upon a review of actual performance through October 2009. Estimates for average total slot income per machine per day have been revised upward significantly based upon current activity as well as growth estimates provided by Penn National Gaming.

### Boat, ATV and Snowmobile Fees

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$3,477,043	\$4,162,079	\$4,295,524	\$4,262,523	\$4,098,040	\$4,500,295	\$4,500,295	\$4,500,295
Annual % Growth		19.7%	3.2%	-0.8%	-3.9%	9.8%	0.0%	0.0%
Net Increase (Decrease)					\$0	\$0	\$0	\$0
Revised Forecast	\$3,477,043	\$4,162,079	\$4,295,524	\$4,262,523	\$4,098,040	\$4,500,295	\$4,500,295	\$4,500,295
Annual % Growth		19.7%	3.2%	-0.8%	-3.9%	9.8%	0.0%	0.0%

#### Summary of Recommended Changes:

Although this category and other Inland Fisheries and Wildlife revenue has been falling under budget for the first 4 months of FY10, the monthly distribution did not adequately account for recently enacted fee increases that take effect January 1, 2010. Therefore, no changes are recommended at this time.

## Hunting and Fishing License Fees

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$16,840,079	\$16,401,841	\$15,683,316	\$15,378,849	\$17,042,965	\$17,420,998	\$17,420,998	\$17,420,998
Annual % Growth		-2.6%	-4.4%	-1.9%	10.8%	2.2%	0.0%	0.0%
Net Increase (Decrease)					\$0	\$0	\$0	\$0
Revised Forecast	\$16,840,079	\$16,401,841	\$15,683,316	\$15,378,849	\$17,042,965	\$17,420,998	\$17,420,998	\$17,420,998
Annual % Growth		-2.6%	-4.4%	-1.9%	10.8%	2.2%	0.0%	0.0%

### Summary of Recommended Changes:

Although this category and other Inland Fisheries and Wildlife revenue has been falling under budget for the first 4 months of FY10, the monthly distribution did not adequately account for recently enacted fee increases that take effect January 1, 2010. Therefore, no changes are recommended at this time.

## Other Miscellaneous Taxes and Fees

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$11,314,268	\$12,065,538	\$12,398,134	\$11,900,988	\$11,847,861	\$11,648,103	\$11,646,151	\$11,659,551
Annual % Growth		6.6%	2.8%	-4.0%	-0.4%	-1.7%	0.0%	0.1%
Net Increase (Decrease)					(\$173,754)	(\$108,694)	(\$110,876)	(\$110,876)
Revised Forecast	\$11,314,268	\$12,065,538	\$12,398,134	\$11,900,988	\$11,674,107	\$11,539,409	\$11,535,275	\$11,548,675
Annual % Growth		6.6%	2.8%	-4.0%	-1.9%	-1.2%	0.0%	0.1%

### Summary of Recommended Changes:

#### Health and Human Services - Division of Licensing and Regulatory Services - License Application Fees (1446)

FY10	FY11	FY12	FY13
(\$62,560)	\$0	\$0	\$0

One-time adjustment based on the number of facilities currently in each licensing category (i.e. home child care, child care centers, and nursery schools).

#### Marine Resources - Office of the Commissioner - Various Fishing License Fees

FY10	FY11	FY12	FY13
(\$78,600)	(\$76,100)	(\$37,500)	(\$37,500)

The major contributor to this downward revision is Lobster and Crab Fishing Licenses, which is the result of concerted efforts to reduce new entry into these fisheries. Other fishing license fee revenue categories have been reduced as a result of fisheries conservation efforts and the prevalence of red tide.

#### Secretary of State - Corporations and Elections - Justice of the Peace Fees (1916)

FY10	FY11	FY12	FY13
(\$32,594)	(\$32,594)	(\$73,376)	(\$73,376)

Revenue related to notary public renewal fees have been reduced as a result of the slow economy.

**General Fund - Detail of Other Revenue**

**Liquor Sales and Operations**

	<b>FY06 Actual</b>	<b>FY07 Actual</b>	<b>FY08 Actual</b>	<b>FY09 Actual</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
Current Forecast	\$2,560,044	\$4,440,935	\$5,561,666	\$6,220,864	\$7,364,611	\$7,391,759	\$7,691,759	\$7,891,759
Annual % Growth		73.5%	25.2%	11.9%	18.4%	0.4%	4.1%	2.6%
Net Increase (Decrease)					\$0	\$0	\$0	\$0
Revised Forecast	\$2,560,044	\$4,440,935	\$5,561,666	\$6,220,864	\$7,364,611	\$7,391,759	\$7,691,759	\$7,891,759
Annual % Growth		73.5%	25.2%	11.9%	18.4%	0.4%	4.1%	2.6%

**Summary of Recommended Changes:**

No changes are recommended in this forecast.

**Targeted Case Management (HHS)**

	<b>FY06 Actual</b>	<b>FY07 Actual</b>	<b>FY08 Actual</b>	<b>FY09 Actual</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
Current Forecast	\$25,687,188	\$12,834,382	\$12,157,093	\$13,946,371	\$13,396,993	\$9,640,280	\$8,958,630	\$8,958,630
Annual % Growth		-50.0%	-5.3%	14.7%	-3.9%	-28.0%	-7.1%	0.0%
Net Increase (Decrease)					\$6,633,983	\$8,457,415	\$7,892,788	\$7,892,788
Revised Forecast	\$25,687,188	\$12,834,382	\$12,157,093	\$13,946,371	\$20,030,976	\$18,097,695	\$16,851,418	\$16,851,418
Annual % Growth		-50.0%	-5.3%	14.7%	43.6%	-9.7%	-6.9%	0.0%

**Summary of Recommended Changes:**

Forecast modified to reflect actual collections through October 2009 and the revised assumption of continued revenue collections from child welfare targeted case management services given the rescission of federal Medicaid regulations that would have limited such collections.

**State Cost Allocation Program**

	<b>FY06 Actual</b>	<b>FY07 Actual</b>	<b>FY08 Actual</b>	<b>FY09 Actual</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
Current Forecast	\$13,281,561	\$15,428,622	\$16,289,386	\$16,104,670	\$15,599,389	\$16,533,703	\$16,533,703	\$16,533,703
Annual % Growth		16.2%	5.6%	-1.1%	-3.1%	6.0%	0.0%	0.0%
Net Increase (Decrease)					\$0	\$0	\$0	\$0
Revised Forecast	\$13,281,561	\$15,428,622	\$16,289,386	\$16,104,670	\$15,599,389	\$16,533,703	\$16,533,703	\$16,533,703
Annual % Growth		16.2%	5.6%	-1.1%	-3.1%	6.0%	0.0%	0.0%

**Summary of Recommended Changes:**

No changes are recommended in this forecast.

## Unclaimed Property Transfer

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$14,880,517	\$10,499,528	\$11,114,735	\$13,212,409	\$4,483,420	\$4,483,420	\$4,483,420	\$4,483,420
Annual % Growth		-29.4%	5.9%	18.9%	-66.1%	0.0%	0.0%	0.0%
Net Increase (Decrease)					(\$2,150,000)	(\$2,150,000)	(\$2,150,000)	(\$2,150,000)
Revised Forecast	\$14,880,517	\$10,499,528	\$11,114,735	\$13,212,409	\$2,333,420	\$2,333,420	\$2,333,420	\$2,333,420
Annual % Growth		-29.4%	5.9%	18.9%	-82.3%	0.0%	0.0%	0.0%

### Summary of Recommended Changes:

A struggling economy may have reduced the amount of money expected to be transferred to the General Fund in several ways. 1) The value of gift cards going unredeemed at businesses is down. 2) The value of uncashed State of Maine checks is lower, perhaps partly due to the increased use of electronic funds transfers as well as the economy. 3) The portfolio of unclaimed stock turned over to the Treasurer has dropped in market value, resulting in lower revenue when the stock is sold. 4) Owners of unclaimed property have raised the amount of money claimed from the Treasurer. 5) Cash pool earnings on smaller program balances are lowered. The aggregate recommended reduction from these categories of \$2,150,000 in FY 2010 is continued in subsequent years.

## Tourism Transfer

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	(\$7,762,689)	(\$8,221,338)	(\$8,708,437)	(\$9,068,407)	(\$9,190,591)	(\$9,245,439)	(\$9,266,165)	(\$9,498,589)
Annual % Growth		-5.9%	-5.9%	-4.1%	-1.3%	-0.6%	-0.2%	-2.5%
Net Increase (Decrease)					\$168,568	\$266,039	\$166,590	\$106,414
Revised Forecast	(\$7,762,689)	(\$8,221,338)	(\$8,708,437)	(\$9,068,407)	(\$9,022,023)	(\$8,979,400)	(\$9,099,575)	(\$9,392,175)
Annual % Growth		-5.9%	-5.9%	-4.1%	0.5%	0.5%	-1.3%	-3.2%

### Summary of Recommended Changes:

The estimates for this transfer react to changes in the Sales and Use Tax, in particular the 7% portion of this tax, which is also referred to as the meals and lodging tax. The reductions to the meals and lodging tax collections as part of the Sales and Use Tax collections inversely affect the estimates for these transfers. The effect is also lagged by one year.

## Transfer to Maine Milk Pool

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	(\$2,616,160)	(\$10,158,802)	(\$1,078,425)	(\$11,810,960)	(\$13,349,600)	\$0	(\$11,117,700)	(\$11,117,700)
Annual % Growth		-288.3%	89.4%	-995.2%	-13.0%	100.0%	N/A	0.0%
Net Increase (Decrease)					\$0	\$0	\$1,695,144	\$1,695,144
Revised Forecast	(\$2,616,160)	(\$10,158,802)	(\$1,078,425)	(\$11,810,960)	(\$13,349,600)	\$0	(\$9,422,556)	(\$9,422,556)
Annual % Growth		-288.3%	89.4%	-995.2%	-13.0%	100.0%	N/A	0.0%

### Summary of Recommended Changes:

These adjustments are based upon the latest milk pricing forecast prepared by Agrimark. A statutory upper limit on the distributions was set for the 2010-2011 biennium resulting in no change in the current biennium,

**Transfer to STAR Transportation Fund**

	<b>FY06 Actual</b>	<b>FY07 Actual</b>	<b>FY08 Actual</b>	<b>FY09 Actual</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
Current Forecast	\$0	\$0	\$0	\$0	(\$3,054,519)	(\$3,061,703)	(\$3,079,163)	(\$3,127,679)
Annual % Growth		N/A	N/A	N/A	N/A	-0.2%	-0.6%	-1.6%
Net Increase (Decrease)					(\$80,342)	\$114,934	\$108,820	\$127,632
Revised Forecast	\$0	\$0	\$0	\$0	(\$3,134,861)	(\$2,946,769)	(\$2,970,343)	(\$3,000,047)
Annual % Growth		N/A	N/A	N/A	N/A	6.0%	-0.8%	-1.0%

**Summary of Recommended Changes:**

These transfers are calculated based on the collections of 50% of the sales tax collections for short-term automobile rentals and as a result are derived from the sales tax model outputs based on the economic forecast. The transfers lag collections by one year. FY10 transfers are increased (decreasing General Fund revenue projections) as a result of actual collections in FY09. FY11 and thereafter reflect the downward revisions of projected sales tax collections.

**Other Miscellaneous Revenue**

	<b>FY06 Actual</b>	<b>FY07 Actual</b>	<b>FY08 Actual</b>	<b>FY09 Actual</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
Current Forecast	\$26,472,928	\$41,217,346	\$27,233,620	\$24,807,971	\$8,898,108	\$11,106,137	\$11,325,122	\$11,369,262
Annual % Growth		55.7%	-33.9%	-8.9%	-64.1%	24.8%	2.0%	0.4%
Net Increase (Decrease)					\$11,688,584	\$11,778,983	\$11,511,293	\$11,511,293
Revised Forecast	\$26,472,928	\$41,217,346	\$27,233,620	\$24,807,971	\$20,586,692	\$22,885,120	\$22,836,415	\$22,880,555
Annual % Growth		55.7%	-33.9%	-8.9%	-17.0%	11.2%	-0.2%	0.2%

**Summary of Recommended Changes:**

**Health and Human Services - Miscellaneous Fees (2634 & 2637)**

<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
\$43,211	\$23,610	\$23,610	\$23,610

Adjusts revenue from fees charged to residents of the Elizabeth Levinson Center, which the State closed in March 2009. There were unanticipated MaineCare claims for dates of service prior to March of 2009 that were received in the current year but are not assumed to be ongoing. Also adjusts revenue received by DHHS for fingerprint checks performed on prospective foster parent candidates. This revenue had not been budgeted, but is anticipated to be about \$23,610 annually.

**Health and Human Services - Cost Allocation (2698)**

<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
\$1,384,793	\$1,384,793	\$1,384,793	\$1,384,793

This revenue source reflects revenues resulting from allocating eligible personnel administrative expenditures to the federal MaineCare program and receiving federal matching funds. The revised forecast reflects revenue that was not budgeted because of assumptions regarding treatment of such revenue after the recent federal approval of the DHHS's cost allocation plan.

**Conservation - Parks and Lands - Park Fees (2610)**

<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
\$10,000	\$122,000	\$0	\$0

Reflects a one-time adjustment related to increased usage stirred by the anniversary of the parks.

<b>Corrections</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
	(\$138,000)	(\$138,000)	(\$145,500)	(\$145,500)
Reflects a \$115,000 downward revision in revenue received by Long Creek Youth Development Center due to a decline in the number of federal juveniles residing at the facility. It also includes a downward revision of \$5,000 at Charleston Correctional Facility and \$18,000 at the Maine State Prison as a result of a decline in the number of work release job opportunities which results in a decrease in room and board revenue paid by inmates.				
<b>Judicial Department - Filing Fees and Miscellaneous Fees (2632, 2637 and 2685)</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
	\$10,635,798	\$10,635,798	\$10,635,798	\$10,635,798
Reflects a change in accounting for certain fees collected by the Judicial Department that were previously recorded as Miscellaneous Fines.				
<b>Secretary of State - Bureau of Administrative Services and Corporations - Filing Fees and Other Miscellaneous Fees (2632 and 2637)</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
	(\$247,218)	(\$249,218)	(\$387,408)	(\$387,408)
The forecast has been adjusted downward based upon current trends in revenue collections.				

## General Fund - Detail of Transfers to Tax Relief Programs

### Maine Residents Property Tax Program

	<b>FY06 Actual</b>	<b>FY07 Actual</b>	<b>FY08 Actual</b>	<b>FY09 Actual</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
Current Forecast	(\$42,796,070)	(\$44,440,759)	(\$46,689,380)	(\$48,751,672)	(\$41,326,948)	(\$42,973,944)	(\$53,713,747)	(\$55,287,538)
Annual % Growth		-3.8%	-5.1%	-4.4%	15.2%	-4.0%	-25.0%	-2.9%
Net Increase (Decrease)					\$826,948	(\$526,056)	(\$2,286,253)	(\$2,412,462)
Revised Forecast	(\$42,796,070)	(\$44,440,759)	(\$46,689,380)	(\$48,751,672)	(\$40,500,000)	(\$43,500,000)	(\$56,000,000)	(\$57,700,000)
Annual % Growth		-3.8%	-5.1%	-4.4%	16.9%	-7.4%	-28.7%	-3.0%

#### Summary of Recommended Changes:

Refunds to eligible Maine residents for burdensome property taxes is expected to increase starting in FY11 because of a combination of lower incomes caused by the recession and subsequent slow recovery, and an anticipated increase in local property taxes. The annual amount of refunds increases dramatically in FY12 because of the interaction of the tax and rent program with the reduced Homestead Exemption benefit effective April 1, 2010.

### BETR - Business Equipment Tax Reimbursement

	<b>FY06 Actual</b>	<b>FY07 Actual</b>	<b>FY08 Actual</b>	<b>FY09 Actual</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
Current Forecast	(\$67,065,810)	(\$66,553,092)	(\$67,875,376)	(\$66,009,487)	(\$59,088,138)	(\$54,043,140)	(\$54,552,995)	(\$49,282,583)
Annual % Growth		0.8%	-2.0%	2.7%	10.5%	8.5%	-0.9%	9.7%
Net Increase (Decrease)					\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000
Revised Forecast	(\$67,065,810)	(\$66,553,092)	(\$67,875,376)	(\$66,009,487)	(\$56,588,138)	(\$51,543,140)	(\$52,052,995)	(\$46,782,583)
Annual % Growth		0.8%	-2.0%	2.7%	14.3%	8.9%	-1.0%	10.1%

#### Summary of Recommended Changes:

Refunds to businesses for qualified property taxes paid at the local level are expected to be slightly below the May, 2009 forecast. The recession and slightly lower effective property tax rates are the reason for the adjustment. Refunds are reduced by 10% during the FY10-11 biennium per the biennial budget.

**BETE - Municipal Business Equipment Tax Reimbursement**

	<b>FY06 Actual</b>	<b>FY07 Actual</b>	<b>FY08 Actual</b>	<b>FY09 Actual</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
Current Forecast	\$0	\$0	\$0	(\$8,170,661)	(\$16,538,412)	(\$21,986,069)	(\$28,294,342)	(\$30,950,807)
Annual % Growth		N/A	N/A	N/A	-102.4%	-32.9%	-28.7%	-9.4%
Net Increase (Decrease)					\$1,566,688	\$4,441,264	\$8,862,360	\$10,751,092
Revised Forecast	\$0	\$0	\$0	(\$8,170,661)	(\$14,971,724)	(\$17,544,805)	(\$19,431,982)	(\$20,199,715)
Annual % Growth		N/A	N/A	N/A	-83.2%	-17.2%	-10.8%	-4.0%

**Summary of Recommended Changes:**

Based on actual data from the municipalities for the first year of the program, the baseline forecast for the BETE program was reduced. In addition, the new economic forecast assumes lower levels of investment in eligible property compared to the original forecast developed before the start of the current recession.



## **APPENDIX B**

### **Highway Fund**

**HIGHWAY FUND REVENUE**  
**REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2009**

Source	FY05 Actual	% Chg.	FY06 Actual	% Chg.	FY07 Actual	% Chg.	FY08 Actual	% Chg.	FY09 Actual	% Chg.	FY 09 Budget	FY 09 Variance	% Var.
Fuel Taxes	220,484,728	3.7%	221,575,309	0.5%	226,824,018	2.4%	225,235,339	-0.7%	216,215,544	-4.0%	217,243,255	(1,027,711)	-0.5%
Motor Vehicle Registration & Fees	84,645,422	2.5%	87,658,962	3.6%	87,291,874	-0.4%	86,094,837	-1.4%	91,886,824	6.7%	92,254,651	(367,827)	-0.4%
Inspection Fees	4,260,059	-9.5%	4,373,692	2.7%	4,342,519	-0.7%	4,193,874	-3.4%	4,057,978	-3.2%	3,996,421	61,557	1.5%
Fines, Forfeits and Penalties	1,518,580	-20.9%	1,809,813	19.2%	1,668,000	-7.8%	1,747,986	4.8%	1,785,197	2.1%	1,795,049	(9,852)	-0.5%
Income from Investments	1,440,739	100.1%	1,833,806	27.3%	1,105,987	-39.7%	1,152,491	4.2%	480,419	-58.3%	458,392	22,027	4.8%
Other Revenues	13,728,627	44.5%	9,294,574	-32.3%	9,588,686	3.2%	9,712,051	1.3%	9,816,188	1.1%	9,401,872	414,316	4.4%
<b>Total - Highway Fund Revenue</b>	<b>326,078,155</b>	<b>4.5%</b>	<b>326,546,157</b>	<b>0.1%</b>	<b>330,821,083</b>	<b>1.3%</b>	<b>328,136,579</b>	<b>-0.8%</b>	<b>324,242,149</b>	<b>-1.2%</b>	<b>325,149,640</b>	<b>(907,491)</b>	<b>-0.3%</b>

**HIGHWAY FUND REVENUE**  
**REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2009**

Source	FY10 Budget	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Budget	% Chg.	Recom. Chg.	FY11 Revised	% Chg.
Fuel Taxes	220,305,526	1.9%	(5,013,500)	215,292,026	-0.4%	214,525,466	-2.6%	(4,819,250)	209,706,216	-2.6%
Motor Vehicle Registration & Fees	77,674,394	-15.5%	(1,630,701)	76,043,693	-17.2%	79,263,797	2.0%	(1,544,383)	77,719,414	2.2%
Inspection Fees	4,157,802	2.5%	(110,887)	4,046,915	-0.3%	4,158,186	0.0%	(110,887)	4,047,299	0.0%
Fines, Forfeits and Penalties	1,795,049	0.6%	(50,000)	1,745,049	-2.2%	1,795,049	0.0%	(50,000)	1,745,049	0.0%
Income from Investments	203,237	-57.7%	(58,615)	144,622	-69.9%	232,833	14.6%	(153,696)	79,137	-45.3%
Other Revenues	8,605,431	-12.3%	(389,561)	8,215,870	-16.3%	8,718,777	1.3%	(389,561)	8,329,216	1.4%
<b>Total - Highway Fund Revenue</b>	<b>312,741,439</b>	<b>-3.5%</b>	<b>(7,253,264)</b>	<b>305,488,175</b>	<b>-5.8%</b>	<b>308,694,108</b>	<b>-1.3%</b>	<b>(7,067,777)</b>	<b>301,626,331</b>	<b>-1.3%</b>
<b>Change in Biennial Totals</b>								<b>(14,321,041)</b>		

**HIGHWAY FUND REVENUE**  
**REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2009**

Source	FY12 Budget	% Chg.	Recom. Chg.	FY12 Revised	% Chg.	FY13 Budget	% Chg.	Recom. Chg.	FY13 Revised	% Chg.
Fuel Taxes	216,610,867	1.0%	(5,540,750)	211,070,117	0.7%	222,080,128	2.5%	(6,761,750)	215,318,378	2.0%
Motor Vehicle Registration & Fees	82,834,833	4.5%	(1,264,107)	81,570,726	5.0%	83,180,178	0.4%	(1,264,107)	81,916,071	0.4%
Inspection Fees	4,206,458	1.2%	(165,887)	4,040,571	-0.2%	4,206,458	0.0%	(165,887)	4,040,571	0.0%
Fines, Forfeits and Penalties	1,795,049	0.0%	(50,000)	1,745,049	0.0%	1,795,049	0.0%	(50,000)	1,745,049	0.0%
Income from Investments	232,833	0.0%	(153,696)	79,137	0.0%	232,833	0.0%	(153,696)	79,137	0.0%
Other Revenues	8,766,971	0.6%	(416,136)	8,350,835	0.3%	8,771,971	0.1%	(416,136)	8,355,835	0.1%
<b>Total - Highway Fund Revenue</b>	<b>314,447,011</b>	<b>1.9%</b>	<b>(7,590,576)</b>	<b>306,856,435</b>	<b>1.7%</b>	<b>320,266,617</b>	<b>1.9%</b>	<b>(8,811,576)</b>	<b>311,455,041</b>	<b>1.5%</b>
<b>Change in Biennial Totals</b>								<b>(16,402,152)</b>		

## Highway Fund

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$326,546,157	\$330,821,083	\$328,136,579	\$324,242,149	\$312,741,439	\$308,694,108	\$314,447,011	\$320,266,617
Annual % Growth		1.3%	-0.8%	-1.2%	-3.5%	-1.3%	1.9%	1.9%
Net Increase (Decrease)					(\$7,253,264)	(\$7,067,777)	(\$7,590,576)	(\$8,811,576)
Revised Forecast	\$326,546,157	\$330,821,083	\$328,136,579	\$324,242,149	\$305,488,175	\$301,626,331	\$306,856,435	\$311,455,041
Annual % Growth		1.3%	-0.8%	-1.2%	-5.8%	-1.3%	1.7%	1.5%

### Highway Fund - Fuel Taxes

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$221,575,309	\$226,824,018	\$225,235,339	\$216,215,544	\$220,305,526	\$214,525,466	\$216,610,867	\$222,080,128
Annual % Growth		2.4%	-0.7%	-4.0%	1.9%	-2.6%	1.0%	2.5%
Net Increase (Decrease)					(\$5,013,500)	(\$4,819,250)	(\$5,540,750)	(\$6,761,750)
Revised Forecast	\$221,575,309	\$226,824,018	\$225,235,339	\$216,215,544	\$215,292,026	\$209,706,216	\$211,070,117	\$215,318,378
Annual % Growth		2.4%	-0.7%	-4.0%	-0.4%	-2.6%	0.7%	2.0%

#### Summary of Recommended Changes:

The downward adjustment to Special Fuel Tax results from significant changes to the calendar year 2009 Personal Income growth in the economic forecast as well as reductions in consumption of special fuel, especially diesel. Since consumption of gasoline has increased, no changes were made to Gasoline Tax component in this forecast period.

#### Actual and Projected Tax Rates

	7/1/2006 Act.	7/1/2007 Act.	7/1/2008 Act.	7/1/2009 Act.	7/1/2010	7/1/2011	7/1/2012
<b>Gasoline Tax</b>							
Current Forecast	\$0.268	\$0.276	\$0.284	\$0.295	<b>\$0.295</b>	<b>\$0.300</b>	<b>\$0.307</b>
Revised Forecast					<b>\$0.295</b>	<b>\$0.300</b>	<b>\$0.307</b>
<b>Special Fuel Tax</b>							
Current Forecast	\$0.279	\$0.288	\$0.296	\$0.307	<b>\$0.307</b>	<b>\$0.313</b>	<b>\$0.320</b>
Revised Forecast					<b>\$0.307</b>	<b>\$0.313</b>	<b>\$0.319</b>

### Highway Fund - Motor Vehicle Registration & Fees

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$87,658,962	\$87,291,874	\$86,094,837	\$91,886,824	\$77,674,394	\$79,263,797	\$82,834,833	\$83,180,178
Annual % Growth		-0.4%	-1.4%	6.7%	-15.5%	2.0%	4.5%	0.4%
Net Increase (Decrease)					(\$1,630,701)	(\$1,544,383)	(\$1,264,107)	(\$1,264,107)
Revised Forecast	\$87,658,962	\$87,291,874	\$86,094,837	\$91,886,824	\$76,043,693	\$77,719,414	\$81,570,726	\$81,916,071
Annual % Growth		-0.4%	-1.4%	6.7%	-17.2%	2.2%	5.0%	0.4%

#### Summary of Recommended Changes:

Long-Term Trailer revenues have been adjusted downward by \$1,173,263 in each year of the forecast period. These revenues are expected to be down by 15.9% for FY10 based upon discussions with major customers, most of whom have indicated they will be reducing their fleet of trailers. These revenues have been flat lined in fiscal years 2011, 2012 and 2013. Auto Driver's Licenses have been reduced by \$346,997 in FY10 and \$280,276 in FY11 based upon current trends. These revenues are down 7.5% to date, and are projected to be down 9.5% at the end of FY10. These two years are also the low years in the 6 year license renewal cycle.

### Highway Fund - Inspection Fees

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$4,373,692	\$4,342,519	\$4,193,874	\$4,057,978	\$4,157,802	\$4,158,186	\$4,206,458	\$4,206,458
Annual % Growth		-0.7%	-3.4%	-3.2%	2.5%	0.0%	1.2%	0.0%
Net Increase (Decrease)					(\$110,887)	(\$110,887)	(\$165,887)	(\$165,887)
Revised Forecast	\$4,373,692	\$4,342,519	\$4,193,874	\$4,057,978	\$4,046,915	\$4,047,299	\$4,040,571	\$4,040,571
Annual % Growth		-0.7%	-3.4%	-3.2%	-0.3%	0.0%	-0.2%	0.0%

#### Summary of Recommended Changes:

Permit to Use Highways revenues have been adjusted downward by \$150,887 in each year of the forecast period based upon current trends in revenue collections.

### Highway Fund - Fines, Forfeits and Penalties

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$1,809,813	\$1,668,000	\$1,747,986	\$1,785,197	\$1,795,049	\$1,795,049	\$1,795,049	\$1,795,049
Annual % Growth		-7.8%	4.8%	2.1%	0.6%	0.0%	0.0%	0.0%
Net Increase (Decrease)					(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)
Revised Forecast	\$1,809,813	\$1,668,000	\$1,747,986	\$1,785,197	\$1,745,049	\$1,745,049	\$1,745,049	\$1,745,049
Annual % Growth		-7.8%	4.8%	2.1%	-2.2%	0.0%	0.0%	0.0%

#### Summary of Recommended Changes:

The \$50,000 downward adjustment in each year of the forecast period is attributed to an 8% decline in fine revenue through the month of October which is expected to continue during the forecast period.

### Highway Fund - Income from Investments

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$1,833,806	\$1,105,987	\$1,152,491	\$480,419	\$203,237	\$232,833	\$232,833	\$232,833
Annual % Growth		-39.7%	4.2%	-58.3%	-57.7%	14.6%	0.0%	0.0%
Net Increase (Decrease)					(\$58,615)	(\$153,696)	(\$153,696)	(\$153,696)
Revised Forecast	\$1,833,806	\$1,105,987	\$1,152,491	\$480,419	\$144,622	\$79,137	\$79,137	\$79,137
Annual % Growth		-39.7%	4.2%	-58.3%	-69.9%	-45.3%	0.0%	0.0%

#### Summary of Recommended Changes:

Lower earnings rates than anticipated have resulted in a downward adjustment in each year of the forecast.

## Highway Fund - Other Revenue

	<b>FY06 Actual</b>	<b>FY07 Actual</b>	<b>FY08 Actual</b>	<b>FY09 Actual</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
Current Forecast	\$9,294,574	\$9,588,686	\$9,712,051	\$9,816,188	\$8,605,431	\$8,718,777	\$8,766,971	\$8,771,971
Annual % Growth		3.2%	1.3%	1.1%	-12.3%	1.3%	0.6%	0.1%
Net Increase (Decrease)					(\$389,561)	(\$389,561)	(\$416,136)	(\$416,136)
Revised Forecast	\$9,294,574	\$9,588,686	\$9,712,051	\$9,816,188	\$8,215,870	\$8,329,216	\$8,350,835	\$8,355,835
Annual % Growth		3.2%	1.3%	1.1%	-16.3%	1.4%	0.3%	0.1%

### Summary of Recommended Changes:

#### Secretary of State - Bureau of Motor Vehicles - Miscellaneous Services and Fees (2637)

<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
(\$389,561)	(\$389,561)	(\$391,136)	(\$391,136)

Reflects a downward adjustment based on recent revenue experience. The bulk of the adjustment is related to reductions in the number of requests for driving records.

#### Transportation - Administration - Sales of Plans and Specifications (2656)

<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
\$10,000	\$10,000	\$10,000	\$10,000

Reflects revised projections based on recent experience.

#### Transportation - Administration - Miscellaneous Income (2686)

<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
(\$10,000)	(\$10,000)	(\$35,000)	(\$35,000)

Reflects adjustments to eliminate revenue in this revenue source throughout the forecast period.



## **APPENDIX C**

### **Fund for a Healthy Maine**

**FUND FOR A HEALTHY MAINE REVENUE  
(TOBACCO SETTLEMENT REVENUE)  
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2009**

Source	FY05 Actual	% Chg.	FY06 Actual	% Chg.	FY07 Actual	% Chg.	FY08 Actual	% Chg.	FY09 Actual	% Chg.	FY09 Budget	FY 09 Variance	% Var.
Tobacco Settlement Payments:													
- Base Payments	49,033,129	0.2%	45,011,759	-8.2%	47,113,687	4.7%	47,679,747	1.2%	52,579,385	10.3%	52,579,383	2	0.0%
- Strategic Contribution Payments							10,539,443	N/A	10,799,369	2.5%	10,799,369	(0)	0.0%
Racino Revenue *	0	N/A	1,771,173	N/A	3,538,805	99.8%	3,735,774	5.6%	4,981,163	33.3%	4,861,020	120,143	2.5%
Income from Investments	91,444	66.8%	124,780	36.5%	297,803	138.7%	64,695	-78.3%	49,819	-23.0%	33,982	15,837	46.6%
Attorney General Reimbursements and Other Income **	220	N/A	39	-82.2%	217	453.5%	25,080	N/A	0	N/A	0	0	N/A
<b>Total - Tobacco Settlement Revenue</b>	<b>49,124,793</b>	<b>0.2%</b>	<b>46,907,751</b>	<b>-4.5%</b>	<b>50,950,512</b>	<b>8.6%</b>	<b>62,044,739</b>	<b>21.8%</b>	<b>68,409,736</b>	<b>10.3%</b>	<b>68,273,754</b>	<b>135,982</b>	<b>0.2%</b>

\* Racino Revenue reflects that portion of the State's share of proceeds from slot machines at commercial race tracks designated for the Fund for a Healthy Maine.

\*\* Beginning in FY10, this category reflects revenue transfers from the Fund for a Healthy Maine to General Fund undedicated revenue to offset revenue reductions from the implementation of PL 2007, c. 467, which limited the sale of certain flavored cigars and cigarettes beginning July 1, 2009.

**FUND FOR A HEALTHY MAINE REVENUE  
(TOBACCO SETTLEMENT REVENUE)  
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2009**

Source	FY10 Budget	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Budget	% Chg.	Recom. Chg.	FY11 Revised	% Chg.
Tobacco Settlement Payments:										
- Base Payments	45,793,485	-12.9%	(540,163)	45,253,322	-13.9%	43,706,590	-4.6%	(867,377)	42,839,213	-5.3%
- Strategic Contribution Payments	9,333,258	-13.6%	383,708	9,716,966	-10.0%	8,910,624	-4.5%	316,672	9,227,296	-5.0%
Racino Revenue *	4,591,063	-7.8%	685,860	5,276,923	5.9%	4,591,063	0.0%	791,908	5,382,971	2.0%
Income from Investments	28,904	-42.0%	(7,762)	21,142	-57.6%	30,874	6.8%	(18,921)	11,953	-43.5%
Attorney General Reimbursements and Other Income **	(92,660)	N/A	0	(92,660)	N/A	(145,147)	56.6%	0	(145,147)	56.6%
<b>Total - Tobacco Settlement Revenue</b>	<b>59,654,050</b>	<b>-12.8%</b>	<b>521,643</b>	<b>60,175,693</b>	<b>-12.0%</b>	<b>57,094,004</b>	<b>-4.3%</b>	<b>222,282</b>	<b>57,316,286</b>	<b>-4.8%</b>
<b>Change in Biennial Totals</b>								<b>743,925</b>		

\* Racino Revenue reflects that portion of the State's share of proceeds from slot machines at commercial race tracks designated for the Fund for a Healthy Maine.

\*\* Beginning in FY10, this category reflects revenue transfers from the Fund for a Healthy Maine to General Fund undedicated revenue to offset revenue reductions from the implementation of PL 2007, c. 467, which limited the sale of certain flavored cigars and cigarettes beginning July 1, 2009.

**FUND FOR A HEALTHY MAINE REVENUE  
(TOBACCO SETTLEMENT REVENUE)  
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2009**

Source	FY12 Budget	% Chg.	Recom. Chg.	FY12 Revised	% Chg.	FY13 Budget	% Chg.	Recom. Chg.	FY13 Revised	% Chg.
Tobacco Settlement Payments:										
- Base Payments	49,239,602	12.7%	(111,090)	49,128,512	14.7%	48,908,436	-0.7%	(469,991)	48,438,445	-1.4%
- Strategic Contribution Payments	9,011,068	1.1%	340,096	9,351,164	1.3%	9,039,755	0.3%	216,940	9,256,695	-1.0%
Racino Revenue *	4,682,884	2.0%	941,504	5,624,388	4.5%	4,776,541	2.0%	1,129,067	5,905,608	5.0%
Income from Investments	30,874	0.0%	(13,618)	17,256	44.4%	30,874	0.0%	(11,242)	19,632	13.8%
Attorney General Reimbursements and Other Income **	(161,699)	11.4%	0	(161,699)	11.4%	(164,662)	1.8%	0	(164,662)	1.8%
<b>Total - Tobacco Settlement Revenue</b>	<b>62,802,729</b>	<b>10.0%</b>	<b>1,156,892</b>	<b>63,959,621</b>	<b>11.6%</b>	<b>62,590,944</b>	<b>-0.3%</b>	<b>864,774</b>	<b>63,455,718</b>	<b>-0.8%</b>
<b>Change in Biennial Totals</b>								<b>2,021,666</b>		

\* Racino Revenue reflects that portion of the State's share of proceeds from slot machines at commercial race tracks designated for the Fund for a Healthy Maine.

\*\* Beginning in FY10, this category reflects revenue transfers from the Fund for a Healthy Maine to General Fund undedicated revenue to offset revenue reductions from the implementation of PL 2007, c. 467, which limited the sale of certain flavored cigars and cigarettes beginning July 1, 2009.

### Fund for a Healthy Maine - Summary

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$46,907,751	\$50,950,512	\$62,014,739	\$68,409,736	\$59,654,050	\$57,094,004	\$62,802,729	\$62,590,944
Annual % Growth		8.6%	21.7%	10.3%	-12.8%	-4.3%	10.0%	-0.3%
Net Increase (Decrease)					\$521,643	\$222,282	\$1,156,892	\$864,774
Revised Forecast	\$46,907,751	\$50,950,512	\$62,014,739	\$68,409,736	\$60,175,693	\$57,316,286	\$63,959,621	\$63,455,718
Annual % Growth		8.6%	21.7%	10.3%	-12.0%	-4.8%	11.6%	-0.8%

### Fund for a Healthy Maine - Tobacco Settlement Payments

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$45,011,759	\$47,113,687	\$58,189,190	\$63,378,754	\$55,126,743	\$52,617,214	\$58,250,670	\$57,948,191
Annual % Growth		4.7%	23.5%	8.9%	-13.0%	-4.6%	10.7%	-0.5%
Net Increase (Decrease)					(\$156,455)	(\$550,705)	\$229,006	(\$253,051)
Revised Forecast	\$45,011,759	\$47,113,687	\$58,189,190	\$63,378,754	\$54,970,288	\$52,066,509	\$58,479,676	\$57,695,140
Annual % Growth		4.7%	23.5%	8.9%	-13.3%	-5.3%	12.3%	-1.3%

**Summary of Recommended Changes:**

Revised to reflect updated projections from Global Insights and the National Association of Attorneys General. It includes updated estimates of the amounts of disputed payments and continues the assumption that Phillip Morris/Altria will not withhold disputed payments.

### Fund for a Healthy Maine - Racino Revenue

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$1,771,173	\$3,538,805	\$3,735,774	\$4,981,163	\$4,591,063	\$4,591,063	\$4,682,884	\$4,776,541
Annual % Growth		99.8%	5.6%	33.3%	-7.8%	0.0%	2.0%	2.0%
Net Increase (Decrease)					\$685,860	\$791,908	\$941,504	\$1,129,067
Revised Forecast	\$1,771,173	\$3,538,805	\$3,735,774	\$4,981,163	\$5,276,923	\$5,382,971	\$5,624,388	\$5,905,608
Annual % Growth		99.8%	5.6%	33.3%	5.9%	2.0%	4.5%	5.0%

**Summary of Recommended Changes:**

Revenue increases in each year of the forecast reflect actual revenue through October, higher growth rates for income and a slight reduction in the payout percentage. The forecast for revenues from the slot machine facility in Bangor has been revised upward based upon a review of actual performance through October 2009. Estimates for average total slot income per machine per day have been revised upward significantly based upon current activity as well as growth estimates provided by Penn National Gaming.

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

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$124,780	\$297,803	\$64,695	\$49,819	\$28,904	\$30,874	\$30,874	\$30,874
Annual % Growth		138.7%	-78.3%	-23.0%	-42.0%	6.8%	0.0%	0.0%
Net Increase (Decrease)					(\$7,762)	(\$18,921)	(\$13,618)	(\$11,242)
Revised Forecast	\$124,780	\$297,803	\$64,695	\$49,819	\$21,142	\$11,953	\$17,256	\$19,632
Annual % Growth		138.7%	-78.3%	-23.0%	-57.6%	-43.5%	44.4%	13.8%

**Summary of Recommended Changes:**

Estimate reflects the effect of a change in the treatment of working capital advances from the General Fund that the Fund for a Healthy Maine is not eligible for interest earnings in the fund when there are outstanding working capital advances from the General Fund.



## **APPENDIX D**

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

**MEDICAID/MAINECARE DEDICATED REVENUE TAXES**  
**REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2009**

Source	FY05 Actual	% Chg.	FY06 Actual	% Chg.	FY07 Actual	% Chg.	FY08 Actual	% Chg.	FY09 Actual	% Chg.	FY09 Budget	FY 09 Variance	% Var.
Nursing Facility Tax*	29,241,327	-4.1%	31,397,376	7.4%	30,061,513	-4.3%	31,343,582	4.3%	28,777,390	-8.2%	30,173,119	(1,395,729)	-4.6%
Residential Treatment Facility (ICFs/MR) Tax*	1,958,739	21.1%	1,868,534	-4.6%	1,880,205	0.6%	1,819,275	-3.2%	1,572,670	-13.6%	1,553,655	19,015	1.2%
Hospital Tax **	48,907,135	198.5%	54,050,888	10.5%	59,807,056	10.6%	60,515,510	1.2%	69,958,821	15.6%	70,897,026	(938,205)	-1.3%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)***	15,430,099	N/A	30,779,242	99.5%	33,955,412	10.3%	36,494,882	7.5%	37,720,482	3.4%	38,008,446	(287,964)	-0.8%
<b>Total - Health Care Provider Taxes</b>	<b>95,537,301</b>	<b>97.0%</b>	<b>118,096,040</b>	<b>23.6%</b>	<b>125,704,185</b>	<b>6.4%</b>	<b>130,173,249</b>	<b>3.6%</b>	<b>138,029,363</b>	<b>6.0%</b>	<b>140,632,246</b>	<b>(2,602,883)</b>	<b>-1.9%</b>
<b>Change in Biennial Totals</b>													

\* The nursing facility and residential treatment facility tax rates were decreased in PL 2007, c. 539, Part X from 6.0% to 5.5% beginning in FY09 consistent with federal law.

\*\* The hospital tax base year was modified again in PL 2007, c. 545, to hospital fiscal years ending during calendar year 2006 beginning in FY 09.

\*\*\* 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 2009**

Source	FY10 Budget	% Chg.	Recom. Chg.*	FY10 Revised	% Chg.	FY11 Budget	% Chg.	Recom. Chg.*	FY11 Revised	% Chg.
Nursing Facility Tax	30,173,119	4.9%	0	30,173,119	4.9%	30,173,119	0.0%	0	30,173,119	0.0%
Residential Treatment Facility (ICFs/MR) Tax	1,553,655	-1.2%	0	1,553,655	-1.2%	1,553,655	0.0%	0	1,553,655	0.0%
Hospital Tax	70,897,026	1.3%	(862,348)	70,034,678	0.1%	70,897,026	0.0%	(862,348)	70,034,678	0.0%
Service Provider Tax - Private Non-Medical Institutions (PNMIs) *	38,102,002	1.0%	(1,536,200)	36,565,802	-3.1%	38,197,896	0.3%	(2,403,543)	35,794,353	-2.1%
<b>Total - Health Care Provider Taxes</b>	<b>140,725,802</b>	<b>2.0%</b>	<b>(2,398,548)</b>	<b>138,327,254</b>	<b>0.2%</b>	<b>140,821,696</b>	<b>0.1%</b>	<b>(3,265,891)</b>	<b>137,555,805</b>	<b>-0.6%</b>
<b>Change in Biennial Totals</b>								<b>(5,664,439)</b>		

\* The recommended change for FY 10 and FY 11 for the Service Provider Tax (PNMIs) reflects the impact on revenues of budget initiatives enacted in PL 2009, c. 213.

**MEDICAID/MAINECARE DEDICATED REVENUE TAXES**  
**REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2009**

Source	FY12 Budget	% Chg.	Recom. Chg.	FY12 Revised	% Chg.	FY13 Budget	% Chg.	Recom. Chg.	FY13 Revised	% Chg.
Nursing Facility Tax	30,173,119	0.0%	0	30,173,119	0.0%	30,173,119	0.0%	0	30,173,119	0.0%
Residential Treatment Facility (ICFs/MR) Tax	1,553,655	0.0%	0	1,553,655	0.0%	1,553,655	0.0%	0	1,553,655	0.0%
Hospital Tax	70,897,026	0.0%	(862,348)	70,034,678	0.0%	70,897,026	0.0%	(862,348)	70,034,678	0.0%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	38,296,188	0.3%	(2,501,835)	35,794,353	0.0%	38,396,938	0.3%	(2,602,585)	35,794,353	0.0%
<b>Total - Health Care Provider Taxes</b>	<b>140,919,988</b>	<b>0.1%</b>	<b>(3,364,183)</b>	<b>137,555,805</b>	<b>0.0%</b>	<b>141,020,738</b>	<b>0.1%</b>	<b>(3,464,933)</b>	<b>137,555,805</b>	<b>0.0%</b>
<b>Change in Biennial Totals</b>								<b>(6,829,117)</b>		

## Medicaid/MaineCare Dedicated Revenue Taxes

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$118,096,040	\$125,704,186	\$130,173,249	\$138,029,363	\$140,725,802	\$140,821,696	\$140,919,988	\$141,020,738
Annual % Growth		6.4%	3.6%	6.0%	2.0%	0.1%	0.1%	0.1%
Net Increase (Decrease)					(\$2,398,548)	(\$3,265,891)	(\$3,364,183)	(\$3,464,933)
Revised Forecast	\$118,096,040	\$125,704,186	\$130,173,249	\$138,029,363	\$138,327,254	\$137,555,805	\$137,555,805	\$137,555,805
Annual % Growth		6.4%	3.6%	6.0%	0.2%	-0.6%	0.0%	0.0%

### Medicaid/MaineCare Dedicated Revenue Taxes - Hospital Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$54,050,888	\$59,807,056	\$60,515,510	\$69,958,821	\$70,897,026	\$70,897,026	\$70,897,026	\$70,897,026
Annual % Growth		10.6%	1.2%	15.6%	1.3%	0.0%	0.0%	0.0%
Net Increase (Decrease)					(\$862,348)	(\$862,348)	(\$862,348)	(\$862,348)
Revised Forecast	\$54,050,888	\$59,807,056	\$60,515,510	\$69,958,821	\$70,034,678	\$70,034,678	\$70,034,678	\$70,034,678
Annual % Growth		10.6%	1.2%	15.6%	0.1%	0.0%	0.0%	0.0%

**Summary of Recommended Changes:**

Reflects actual expected billing through FY10 for November and May. Future years are revised based on FY10 changes with the designed flat growth pattern.

### Medicaid/MaineCare Dedicated Revenue Taxes - Service Provider Tax - Private Non-Medical Institutions (PNMIs)

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$30,779,242	\$33,955,412	\$36,494,882	\$37,720,482	\$38,102,002	\$38,197,896	\$38,296,188	\$38,396,938
Annual % Growth		10.3%	7.5%	3.4%	1.0%	0.3%	0.3%	0.3%
Net Increase (Decrease)					(\$1,536,200)	(\$2,403,543)	(\$2,501,835)	(\$2,602,585)
Revised Forecast	\$30,779,242	\$33,955,412	\$36,494,882	\$37,720,482	\$36,565,802	\$35,794,353	\$35,794,353	\$35,794,353
Annual % Growth		10.3%	7.5%	3.4%	-3.1%	-2.1%	0.0%	0.0%

**Summary of Recommended Changes:**

Reflect the implications on revenue of enacted MaineCare PNMI policy changes.

### Medicaid/MaineCare Dedicated Revenue Taxes - Nursing Facility Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10	FY11	FY12	FY13
Current Forecast	\$31,397,376	\$30,061,513	\$31,343,582	\$28,777,390	\$30,173,119	\$30,173,119	\$30,173,119	\$30,173,119
Annual % Growth		-4.3%	4.3%	-8.2%	4.9%	0.0%	0.0%	0.0%
Net Increase (Decrease)					\$0	\$0	\$0	\$0
Revised Forecast	\$31,397,376	\$30,061,513	\$31,343,582	\$28,777,390	\$30,173,119	\$30,173,119	\$30,173,119	\$30,173,119
Annual % Growth		-4.3%	4.3%	-8.2%	4.9%	0.0%	0.0%	0.0%

**Summary of Recommended Changes:**

No change recommended.

**Medicaid/MaineCare Dedicated Revenue Taxes - Residential Treatment Facility (ICFs/MR) Tax**

	<b>FY06 Actual</b>	<b>FY07 Actual</b>	<b>FY08 Actual</b>	<b>FY09 Actual</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
Current Forecast	\$1,868,534	\$1,880,205	\$1,819,275	\$1,572,670	\$1,553,655	\$1,553,655	\$1,553,655	\$1,553,655
Annual % Growth		0.6%	-3.2%	-13.6%	-1.2%	0.0%	0.0%	0.0%
Net Increase (Decrease)					\$0	\$0	\$0	\$0
Revised Forecast	\$1,868,534	\$1,880,205	\$1,819,275	\$1,572,670	\$1,553,655	\$1,553,655	\$1,553,655	\$1,553,655
Annual % Growth		0.6%	-3.2%	-13.6%	-1.2%	0.0%	0.0%	0.0%

**Summary of Recommended Changes:**

No change recommended.



## **APPENDIX E**

### **Report of the Consensus Economic Forecasting Commission**

**Report of the  
CONSENSUS ECONOMIC FORECASTING COMMISSION  
November 1, 2009**

**Commissioners**

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

John Davulis  
*Senior Project Manager  
GDS Associates, Inc.*

Kathryn Dion  
*President  
Bigelow Investment Advisors, LLC*

Charles Lawton  
*Senior Economist  
Planning Decisions, Inc.*

Catherine Reilly  
*Director of External Affairs  
Maine School of Science and Mathematics*

## Summary

The Maine Consensus Economic Forecasting Commission (CEFC) convened on October 26, 2009 to revise its April 2009 forecast. A follow-up meeting was held November 2, 2009 to provide additional details on the components of personal income. This report provides a summary of the Commission's findings.

The decline in the national and state economic outlook has begun to ease since the CEFC met in March. The U.S. economy grew at 3.5% (preliminary estimate) in the third quarter of 2009, reversing four quarters of decline. Oil prices remain below their mid-2008 peak, and the fall in home sales and prices appear to be leveling off. Consumer sentiment has improved somewhat in recent months. Some states are beginning to see improving economic conditions. However, while there is growing belief that the national recession has now technically ended, economic conditions remain fragile.

The Fall forecast reflects a slowing of the sharp decline in national and state economic activity that began in the fall of 2008. The revised forecast reduces expectations of employment losses compared with the Spring forecast, but continues to expect three more quarters of employment loss. A modest recovery will begin in mid-2010. Sharp declines in wages and salaries and proprietors' income during the first quarter of 2009 will result in a slight decline in personal income over the year, followed by a weak recovery in this measure through 2010. The growth in transfer payments (including unemployment insurance) will offset losses in wage and salary income in 2010, resulting in a small positive change in personal income. Total wages and salaries will continue to decline in early 2010 and begin to grow in the second half of the year, but on a year-over-year basis wages and salaries will decline in 2010.

The commission projects continued losses in Maine non-farm wage and salary employment in 2009 and 2010 (-2.9% and -1.2% respectively, on an annual average year-over-year basis), followed by a recovery period starting in mid-2010. The forecast for personal income growth in 2011 through 2013 has been increased as wage and salary income is expected to begin picking up in 2011. The commission left its forecast largely untouched for the Consumer Price Index (CPI), a measure of household inflation, revising 2009 upwards (from -1.4% to -0.5%) and 2011 downwards (from 2.3% to 2.0%).

The table below provides the forecast's major indicators.

<b>Calendar Years</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Wage &amp; Salary Employment (Annual Percentage Change)</b>					
<b>CEFC Forecast 4/2009</b>	<b>-3.8</b>	<b>-1.6</b>	<b>1.4</b>	<b>2.2</b>	<b>2.0</b>
<b>CEFC Forecast 11/2009</b>	<b>-2.9</b>	<b>-1.2</b>	<b>1.2</b>	<b>2.2</b>	<b>2.0</b>
<b>Personal Income (Annual Percentage Change)</b>					
<b>CEFC Forecast 4/2009</b>	<b>1.0</b>	<b>1.2</b>	<b>2.8</b>	<b>4.0</b>	<b>4.7</b>
<b>CEFC Forecast 11/2009</b>	<b>-0.6</b>	<b>1.2</b>	<b>3.2</b>	<b>4.4</b>	<b>4.8</b>
<b>CPI (Annual Percentage Change)</b>					
<b>CEFC Forecast 4/2009</b>	<b>-1.4</b>	<b>1.7</b>	<b>2.3</b>	<b>2.1</b>	<b>2.0</b>
<b>CEFC Forecast 11/2009</b>	<b>-0.5</b>	<b>1.7</b>	<b>2.0</b>	<b>2.1</b>	<b>2.0</b>

In making these adjustments, the CEFC drew upon information presented by several state agencies, including the Maine Department of Labor, Maine Revenue Services, and the Maine State Planning Office. The following sections summarize their reports.

## **Maine State Planning Office**

The latest economic indicators show that while the recession may be beginning to ease since the CEFC's last meeting in March, economic conditions remain fragile. The Maine Coincident Economic Activity Index, a proxy for State GDP, decreased 4.9% in August 2009 over August 2008. Maine's year-over-year change has been flat or negative since June 2008. Nationally, for the three month period ending in August, the indexes have decreased for 40 states (including Maine).

Total personal income shrank by 0.4% over the first two quarters of 2009 compared to the first two quarters of 2008. Wage and salary income shrank by 3.7%. On October 16, 2009, the Bureau of Economic Analysis released a comprehensive revision of the personal income figures from 1969 to 2008. In some instances the revised figures are noticeably different from previous estimates used by the CEFC.

The Consumer Price Index was 1.3% lower in September 2009 than a year ago. Core inflation, which excludes food and energy, was 1.5% higher in September 2009 than a year ago. The Consumer Price Index for the first half of 2009 was 0.6% lower than the first half of 2008, mostly because of the decline in fuel prices since the mid-2008 spike.

In September 2009, the University of Michigan Consumer Sentiment Survey, a monthly survey that tracks consumer confidence in the U.S., rose to its highest level since the start of 2008. It has increased 30% since February 2009.

The price of oil rose to \$68/barrel in the third quarter of 2009, around half its 2008 peak of nearly \$124/barrel. Prices continue to inch upwards, with West Texas Intermediate currently trading around \$78 (as of 10/19/09).

The price of heating oil remains below levels from the past two years, coming in at \$2.38 per gallon as of October 16, 2009. Heating oil prices in the late summer of 2009 were well below prices for those same months in 2008.

Existing home sales in Maine rose slightly between the first and second quarters of 2009. Compared to the same period last year, sales were down 5.6% in the second quarter of 2009. Building permits for single family homes were down 22.8% in August 2009 compared to August 2008, on a seasonally adjusted basis. Since May 2006, 38 of 40 months have seen negative growth year over year. In July 2009, housing permits authorized in Maine were 8.3% higher than they were in July 2008, the first time year-over-year growth was positive since July 2007.

Home prices in the Portland–South Portland–Biddeford metropolitan area were down 9% in the second quarter of 2009 compared to the same period last year. This makes 13 consecutive quarters where prices have remained flat (< 1% increase) or decreased.

## **Maine Department of Labor**

Since the beginning of the recession, nonfarm wage and salary employment has declined steeply, with around 27,000 jobs lost through September 2009. Maine has generally been tracking with national figures on over-the-month changes, with the particularly large differences in October 2008 and January 2009 due to the seasonal adjustment process.

Overall, Maine's job loss has not been as bad as the U.S. From the start of the recession through September 2009, nonfarm jobs are down 4.4% in Maine compared with 5.2% nationally. Job losses have been widespread across industry sectors, with education and health care the only

sector to actually add jobs throughout the recession. Growth in health care and social assistance jobs have driven growth in that industry, while educational services jobs have remained relatively flat.

The current recession is starting to look like that from the early 1990s in terms of the rate of job loss 21 months into the recession, and it does not appear that job losses have bottomed out yet.

The unemployment rate has been fairly steady for the past few months, despite job losses, and has remained below the national average in 2009. The unemployment rate for Maine was 8.5% in September 2009. The labor force has been basically flat for about four months now. There has been divergence between the establishment-based nonfarm jobs numbers and the household-based resident employed and unemployed numbers. The household series is not reflecting as dramatic a decline in workforce conditions as the establishment series.

Total wages paid were down significantly in the first half of 2009 and came in below 2007 levels (not adjusted for inflation). The decline in wages paid relative to jobs has been greater than during the early 1990s recession. Job losses were the primary factor contributing to the loss in wages, but a reduction of average hours worked also contributed.

The number of initial claims for unemployment insurance (4-week moving average) remains above comparable rates from the past three years. There have been spikes in claims whenever new unemployment programs were established, and the U.S. Senate is currently considering a bill to extend benefits further. If this bill does not pass, there will soon be a large increase in the number of people exhausting their benefits. The total benefits paid from March 2008 to March 2009 are equivalent to the third largest private payroll in the state during that time.

In the past, online job postings and nonfarm jobs have seemed to be related; job postings have begun to pick up in recent months, especially in the health care sector. Whether these job postings will be a good leading indicator remains to be seen.

This past spring was a very difficult time to estimate nonfarm job numbers because of the large number of furloughs, shutdown days, temporary layoffs, and reduced workweeks. These may have run their course, and the number of businesses reporting mass layoffs has diminished in recent months.

## **Maine Revenue Services**

Declines in Maine revenues have continued through September 2009, with total revenues under budget by 7.2% (around \$42.3 million) fiscal year to date. The sales and use tax and individual income tax have seen the most variance from budget. General Fund revenues for the first quarter of fiscal year 2010 were 9.5% lower than for the first quarter of fiscal year 2009.

Taxable sales were down 6.0% in August 2009 compared to August 2008, and are down 8.0% for the 12 months ending August 2009 compared to the previous 12-month period. The only other month since the 1970s that has seen a decline in taxable sales similar to the current situation was January 1992 compared to January 1991. Total taxable sales have been flat or declining since the third quarter of 2008.

Taxable retail sales are weak in nearly all sectors; for August 2009 compared to August 2008, sales were down 18.1% for building supplies, 9.2% for lodging, 8.4% for general merchandise, and 5.1% for restaurants. Auto sales were actually 8.1% higher in August 2009 compared to August 2008 because of increased sales from the Cash for Clunkers program. Since the program has ended, auto sales for September 2009 are expected to be around 15-20% lower than they were in September 2008 based on sample data.

Over the three months making up the summer tourist season (June, July, and August), taxable sales for restaurants were down 4% compared to the same three months in 2008 and lodging sales were down 11%. The weather in June and July was very rainy, but August sales did not see a bump up, despite improvements in the weather.

The sales and use tax revenues are expected to be about \$7 million under budget for October 2009. Individual income tax revenues have been under budget consistently since their precipitous decline in April. Employer tax withholdings are down around 3% for 2009 year-to-date compared to 2008; the only other time withholdings had this type of year-over-year decline was in the early 1990s, but then it never exceeded 3%. Withholdings for October will be under budget again, and each month's withholdings seems to be further off budget.

Corporate income tax revenues seemed to hold up fairly well, but requests for refunds have increased with the October 15 deadline. Substantial sums will be refunded to large corporations over the next few months. The oil companies in particular had a worse year in 2008 than 2007. The real estate transfer tax has been holding up and is running ahead of budget. Transfers to tax relief programs have been less than anticipated at this stage as well.

Overall, there are not yet any signs of a bottom, and other states are seeing similar situations.

### **Consensus Forecast**

The CEFC adjusted its economic forecast according to the latest economic data and the resulting changes in the forecast models. This round of adjustments reflects a slowing of the sharp decline in economic activity that began in the fall of 2008. In considering these changes, the CEFC referred to economic forecasts from Global Insight and Economy.com as well as the forecast for the New England Economic Partnership (NEEP). The comprehensive revisions to personal income made by the Bureau of Economic Activity were also considered. In several cases, the revised personal income data are substantially different from the personal income data upon which the previous economic forecasts were based.

For the first time, the CEFC forecast of annual growth is based on forecasts of change on a quarterly basis for 2009 and 2010, which were then converted to annual year-over-year growth rates for these two years. This was done to allow the Commission to fully examine the question of when the turning point in the economy would be reached and the extent of the change from recession to recovery. The CEFC also seeks to provide more detailed advice on the issue of the timing of changes in the economy to help the Revenue Forecasting Committee translate an economic forecast based on calendar years into a revenue forecast based on fiscal years. It should be noted that there is a greater amount of uncertainty in forecasts of quarterly rates than annual ones, but the importance of identifying the turning point dictates the use of annualized quarterly growth rates. The Commission continued to consider only annual growth rates for 2011-2013.

The revised forecast reduces expectations of employment declines compared with the Spring forecast, but three more quarters of employment loss are still expected, with a modest recovery beginning in mid-2010. The Commission is projecting continued losses in Maine non-farm wage and salary employment in 2009 and 2010 (-2.9% and -1.2% respectively, on an annual average year-over-year basis), followed by a recovery period starting in mid-2010.

The Commission left its forecast largely untouched for the Consumer Price Index (CPI), a measure of household inflation, revising 2009 upwards (from -1.4% to -0.5%) and 2011 downwards (from 2.3% to 2.0%). In previous recessions, income growth has been held up by inflation, but during this recession incomes have not had this boost. For example, there will not be a cost-of-living adjustment for social security this year because of the decline in the CPI.

The CEFC forecasts a -0.6% decline in personal income in 2009 with 1.2% growth in 2010. Steep declines in wages and salaries and proprietors' income during the first quarter of 2009 will result in a slight decline in personal income over the year, followed by a weak recovery through 2010.

The growth in transfer payments (which includes unemployment insurance and medical benefits) will offset losses in wage and salary income in 2010, resulting in a small positive change in personal income even while wage and salary income falls. The forecast for personal income growth in 2011 through 2013 has been increased as wage and salary income is expected to begin picking up in 2011.

The forecast for wage and salary income growth in 2009 was reduced to -4.7% and is projected to be -0.4% in 2010 before rising to 2.5% growth in 2011. The forecast for other labor income has been reduced for 2009 (from 1.9% to 0.5%) but increased for 2010 and 2011 (to 3.1% and 3.3%, respectively, from 1.3% and 2.7%).

Non-farm proprietors' income dropped substantially in the first half of 2009, causing the CEFC to reduce its 2009 forecast from -2.2% to -6.1%. Dividends, interest, and rent also experienced a decline in the first half of 2009, leading to a projected rate of -3.5% for 2009 (down from -1.0% in the previous CEFC forecast). As interest rates rise and the real estate market recovers, the forecast for dividends, interest, and rent is expected to pick up in 2012 and 2013, with growth rates of 6.0% and 7.0%, respectively, revised upwards from 3.0% and 4.0% in the previous forecast.

# Maine Consensus Economic Forecasting Commission

November 2009 Forecast

	Annual History		Annual Forecast				
	2007	2008	2009	2010	2011	2012	2013
<b>CPI-U* (Annual Change)</b>	2.8%	3.8%	-0.5%	1.7%	2.0%	2.1%	2.0%
<b>Maine Unemployment Rate**</b>	4.6%	5.4%	8.4%	9.4%	8.8%	7.0%	5.8%
<b>3-Month Treasury Bill Rate**</b>	4.4%	1.4%	0.2%	0.4%	2.1%	3.8%	4.3%
<b>10-Year Treasury Note Rate**</b>	4.6%	3.7%	3.4%	4.6%	5.4%	5.8%	5.1%
<b>Maine Wage &amp; Salary Employment*</b>	617.8	615.8	597.9	590.7	597.8	611.0	623.2
Natural Resources	2.7	2.5	2.3	2.2	2.2	2.2	2.3
Construction	30.8	29.3	26.0	24.5	24.6	24.9	25.4
Manufacturing	59.1	58.9	53.4	51.8	52.4	52.9	53.0
Trade/Trans./Public Utils.	126.4	124.5	119.0	115.4	115.9	117.6	119.3
Information	11.3	10.8	10.3	10.0	9.9	9.9	9.9
Financial Activities	33.3	32.6	31.7	31.3	31.8	32.4	32.9
Prof. & Business Services	53.6	55.9	55.5	56.0	57.6	60.0	62.0
Education & Health Services	116.1	117.6	119.2	120.5	123.2	127.3	131.7
Leisure & Hospitality Services	60.1	59.7	58.2	58.4	60.3	63.3	65.8
Other Services	19.9	19.9	19.4	18.9	18.9	19.0	19.1
Government	104.3	104.1	102.8	101.6	101.2	101.2	101.7
Agricultural Employment	17.6	17.8	16.5	16.7	16.9	16.9	16.9
<b>Maine Wage &amp; Salary Employment*</b>	0.5%	-0.3%	-2.9%	-1.2%	1.2%	2.2%	2.0%
Natural Resources	-1.8%	-7.1%	-8.5%	-5.4%	1.8%	2.0%	1.0%
Construction	-1.6%	-5.0%	-11.0%	-5.9%	0.2%	1.5%	2.0%
Manufacturing	-1.6%	-0.3%	-9.3%	-2.9%	1.0%	1.0%	0.2%
Trade/Trans./Public Utils.	0.6%	-1.5%	-4.3%	-3.0%	0.4%	1.5%	1.5%
Information	0.7%	-4.3%	-5.2%	-2.9%	-0.2%	0.0%	0.0%
Financial Activities	-1.0%	-2.0%	-2.8%	-1.2%	1.6%	2.0%	1.5%
Prof. & Business Services	3.0%	4.4%	-0.8%	0.9%	2.8%	4.3%	3.3%
Education & Health Services	1.8%	1.4%	1.3%	1.1%	2.2%	3.4%	3.4%
Leisure & Hospitality Services	0.4%	-0.6%	-2.5%	0.3%	3.2%	4.9%	4.0%
Other Services	0.9%	-0.1%	-2.5%	-2.5%	0.1%	0.5%	0.5%
Government	-0.1%	-0.2%	-1.2%	-1.1%	-0.5%	0.0%	0.5%
Agricultural Employment	-2.2%	1.1%	-7.3%	1.2%	1.2%	0.0%	0.0%
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Personal Income*</b>	46,142.1	47,994.1	47,706.2	48,278.6	49,823.6	52,015.8	54,512.6
<b>Wage &amp; Salary Disbursements*</b>	23,039.0	23,783.1	22,665.3	22,574.7	23,139.0	24,041.5	25,219.5
<b>Supplements to Wages &amp; Salaries*</b>	5,641.0	5,817.9	5,846.2	6,027.6	6,226.5	6,475.6	6,812.3
<b>Non-Farm Proprietors' Income*</b>	4,115.6	4,000.5	3,755.9	3,788.0	3,962.2	4,160.3	4,347.5
<b>Farm Proprietors' Income</b>	80.4	66.2	103.4	116.2	123.2	130.1	137.3
<b>Dividends, Interest, &amp; Rent*</b>	7,442.2	7,586.9	7,321.3	7,431.1	7,720.9	8,184.2	8,757.1
Dividends	2,609.9	2,313.1	2,033.5	1,992.6	2,012.5	2,108.6	2,265.9
Interest	4,237.8	4,388.8	4,166.0	4,261.3	4,525.7	4,887.8	5,298.1
Rent	594.5	884.9	1,121.8	1,177.2	1,182.7	1,187.8	1,193.1
<b>Transfer Payments*</b>	8,733.8	9,765.3	11,079.3	11,477.8	11,938.4	12,504.9	12,971.6
<b>Less: Contributions to Social Ins.</b>	3,750.4	3,882.0	3,797.8	3,873.7	4,038.8	4,251.3	4,527.8
<b>Residence Adjustment</b>	840.5	856.3	732.4	737.0	752.0	770.5	795.0
<b>Personal Income*</b>	4.1%	4.0%	-0.6%	1.2%	3.2%	4.4%	4.8%
<b>Wage &amp; Salary Disbursements*</b>	4.3%	3.2%	-4.7%	-0.4%	2.5%	3.9%	4.9%
<b>Supplements to Wages &amp; Salaries*</b>	2.8%	3.1%	0.5%	3.1%	3.3%	4.0%	5.2%
<b>Non-Farm Proprietors' Income*</b>	-2.0%	-2.8%	-6.1%	0.9%	4.6%	5.0%	4.5%
<b>Farm Proprietors' Income</b>	3.2%	-17.7%	56.1%	12.4%	6.0%	5.6%	5.5%
<b>Dividends, Interest, &amp; Rent*</b>	6.9%	1.9%	-3.5%	1.5%	3.9%	6.0%	7.0%
Dividends	10.2%	-11.4%	-12.1%	-2.0%	1.0%	4.8%	7.5%
Interest	6.6%	3.6%	-5.1%	2.3%	6.2%	8.0%	8.4%
Rent	-3.7%	48.8%	26.8%	4.9%	0.5%	0.4%	0.4%
<b>Transfer Payments*</b>	5.7%	11.8%	13.5%	3.6%	4.0%	4.7%	3.7%
<b>Less: Contributions to Social Ins.</b>	4.4%	3.5%	-2.2%	2.0%	4.3%	5.3%	6.5%
<b>Residence Adjustment</b>	4.0%	1.9%	-14.5%	0.6%	2.0%	2.5%	3.2%

\*CEFC Forecast

\*\*Maine Unemployment Rate and 3-month Treasury Bill and 10-year Treasury Bond rates from Moody's Economy.com - October 2009  
Remaining lines derived from the CEFC forecast by CEFC staff and reviewed by the CEFC.

## Maine Consensus Economic Forecasting Commission

November 2009 Forecast

Seasonally adjusted, annualized, quarter-to-quarter growth rates

	Quarterly History		Quarterly Forecast					
	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4
CPI-U (Percent Change)	-2.4%	1.3%	3.3%	1.3%	1.6%	1.1%	1.9%	1.7%
Maine Wage & Salary Employment	604.9	598.4	595.4	592.8	590.9	590.1	590.3	591.3
Maine Wage & Salary Employment (Percent Change)	-1.7%	-4.3%	-2.0%	-1.7%	-1.3%	-0.5%	0.1%	0.7%
Personal Income	47,280.0	47,738.0	47,912.1	47,955.9	48,075.4	48,219.0	48,386.9	48,579.3
Personal Income (Percent Change)	-8.0%	3.9%	1.5%	0.4%	1.0%	1.2%	1.4%	1.6%



## **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 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 (RFC) 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 (CEFC).

In 1995, Public Law 1995, c. 368 enacted in statute the CEFC and the RFC, 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 RFC 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 RFC to review any new data that might become available; and third, the RFC 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.

Public Law 2007, chapter 539, Part Q enacted a change in the mid-session reporting date for the 1<sup>st</sup> Regular Sessions of the Legislature in odd-numbered years, delaying each report date by 2 months so that the RFC report moved from March 1<sup>st</sup> to May 1<sup>st</sup>.

## **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 also has multiple revenue sources, although more limited in number. 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 RFC uses different approaches for evaluating various revenue source forecasts.

In order to ensure that the RFC'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 developed 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 RFC 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 RFC'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 initially by the department or agency responsible

for collecting the particular revenue stream. Its 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 RFC 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 RFC 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 RFC has employed a strategy that has the analysts of the Office of Fiscal and Program Review and the Bureau of the Budget work with the “collecting” agencies to develop the forecast for each of the hundreds of minor revenue sources. This review is particularly concentrated in even-numbered years before the beginning of the 1<sup>st</sup> Regular Session of the Legislature when the biennial budget for the upcoming biennium is first considered. Agencies are required to submit their estimates to the Bureau of the Budget as part of the biennial budget development process in the fall of even-numbered 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 RFC 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 RFC which agencies should develop and present new projections for the RFC'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: one before the start of each regular session of the Legislature on December 1<sup>st</sup> and the other during the regular session, March 1<sup>st</sup> in even-number years for the shorter 2<sup>nd</sup> Regular Session and May 1<sup>st</sup> for the longer 1<sup>st</sup> Regular Session in odd-numbered years. The timing of these reports is based on the schedule of the budget process and the Legislature’s session schedule. The Governor is required to submit a biennial budget during the first regular session of each Legislature. That process begins in even-numbered years with agencies submitting budget requests by September 1<sup>st</sup>. That process concludes when the Governor submits his budget proposals to the Legislature by a statutory deadline, the first Friday after the 1<sup>st</sup> Monday in January (approximately one month later for a newly elected Governor). The revenue forecasting fall forecast begins with the economic forecast by the CEFC that must report by November 1<sup>st</sup>. The December 1<sup>st</sup> deadline of the revenue forecast provides the Governor with an update of the revenue forecast that the Governor must use as the basis for submitting balanced General Fund and Highway Fund budgets. That first forecast of the biennium updates the current projections for the upcoming budget biennium and it provides the first projections of the following biennium.

In December of odd-numbered years, the forecast is updated for the next legislative session (the 2<sup>nd</sup> Regular Session of the Legislature) that begins in January of even-numbered years. The March 1<sup>st</sup> or May 1<sup>st</sup> reporting deadlines, depending on the year, are 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 20, 2009**

Maine Revenue Services  
Economic Research Division

**Maine Revenue Services' Recommendations to the Revenue Forecasting Committee**

	<u>FY2010</u>	<u>FY2011</u>	<u>Biennium</u>	<u>FY2012</u>	<u>FY2013</u>	<u>Biennium</u>
Sales & Use and Service Provider Taxes	(\$41,299,662)	(\$37,565,833)	(\$78,865,495)	(\$30,155,311)	(\$19,060,080)	(\$49,215,391)
Individual Income Tax	(\$166,824,369)	(\$134,262,023)	(\$301,086,392)	(\$133,555,147)	(\$126,200,720)	(\$259,755,867)
Corporate Income Tax	(\$26,651,578)	(\$24,548,643)	(\$51,200,221)	(\$25,203,429)	(\$26,818,783)	(\$52,022,212)
Tax and Rent Program	\$826,948	(\$526,056)	\$300,892	(\$2,286,253)	(\$2,412,462)	(\$4,698,715)
Cigarette & Tobacco Taxes	\$2,258,197	\$2,039,384	\$4,297,581	\$1,542,892	\$1,588,486	\$3,131,378
Estate Tax	(\$531,543)	(\$206,299)	(\$737,842)	(\$850,026)	(\$1,142,098)	(\$1,992,124)
Business Equipment Tax Exemption (BETE)	\$1,566,688	\$4,441,264	\$6,007,952	\$8,862,360	\$10,751,092	\$19,613,452
Business Equipment Tax Reimbursement (BETR)	\$2,500,000	\$2,500,000	\$5,000,000	\$2,500,000	\$2,500,000	\$5,000,000
Transfer to the STAR Fund	(\$80,342)	\$114,934	\$34,592	\$108,820	\$127,632	\$236,452
Transfer to Toursim Marketing Fund	\$168,568	\$266,039	\$434,607	\$166,590	\$106,414	\$273,004
<b>Total Adjustments to Current Forecast</b>	<b>(\$228,067,093)</b>	<b>(\$187,747,233)</b>	<b>(\$415,814,326)</b>	<b>(\$178,869,504)</b>	<b>(\$160,560,519)</b>	<b>(\$339,430,023)</b>
General Fund	(\$216,328,313)	(\$177,928,408)	(\$394,256,720)	(\$169,309,497)	(\$151,835,916)	(\$321,145,413)
Local Government Fund	(\$11,738,780)	(\$9,818,825)	(\$21,557,605)	(\$9,445,694)	(\$8,603,979)	(\$18,049,673)
Highway Fund (Motor Fuel Taxes)	(\$9,351,488)	(\$7,209,201)	(\$16,560,689)	(\$8,706,309)	(\$12,190,999)	(\$20,897,308)

G-1

STATE OF MAINE

Undedicated Revenues - General Fund  
 For the Twelfth Month Ended June 30, 2009  
 For the Fiscal Year Ending June 30, 2009  
 Comparison to Budget

EXHIBIT I

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2009
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	
Sales and Use Tax	160,922,855	165,967,752	(5,044,897)	(3.0%)	921,823,720	929,698,051	(7,874,331)	(0.8%)	929,698,051
Service Provider Tax	8,835,550	8,834,479	1,071	0.0%	52,812,595	53,452,742	(640,147)	(1.2%)	53,452,742
Individual Income Tax	161,437,775	184,921,379	(23,483,604)	(12.7%)	1,242,505,909	1,281,982,990	(39,477,081)	(3.1%)	1,281,982,990
Corporate Income Tax	25,880,194	35,113,923	(9,233,729)	(26.3%)	143,085,966	148,940,000	(5,854,034)	(3.9%)	148,940,000
Cigarette and Tobacco Tax	13,971,628	12,258,301	1,713,327	14.0%	144,424,712	143,213,844	1,210,868	0.8%	143,213,844
Public Utilities Tax	-	-	-	-	19,536,483	18,405,029	1,131,454	6.1%	18,405,029
Insurance Companies Tax	26,316,408	22,973,322	3,343,086	14.6%	79,770,431	71,978,985	7,791,446	10.8%	71,978,985
Estate Tax	7,041,801	8,827,641	(1,785,840)	(20.2%)	31,819,188	34,335,010	(2,515,822)	(7.3%)	34,335,010
Property Tax - Unorg Territory	1,638,382	1,963,261	(324,879)	(16.5%)	12,633,755	12,969,540	(335,785)	(2.6%)	12,969,540
Income from Investments	(10,366)	46,555	(56,921)	(122.3%)	1,100,029	1,154,221	(54,192)	(4.7%)	1,154,221
Transfer to Municipal Revenue Sharing	-	(14,583)	14,583	100.0%	(102,160,745)	(103,412,337)	1,251,592	1.2%	(103,412,337)
Transfer from Lottery Commission	4,365,920	3,811,481	554,439	14.5%	49,839,434	49,549,250	290,184	0.6%	49,549,250
Other Revenues	33,941,679	29,918,611	4,023,068	13.4%	214,176,818	212,495,823	1,680,995	0.8%	212,495,823
<b>Total Collected</b>	<b>444,341,825</b>	<b>474,622,122</b>	<b>(30,280,297)</b>	<b>(6.4%)</b>	<b>2,811,368,295</b>	<b>2,854,763,148</b>	<b>(43,394,853)</b>	<b>(1.5%)</b>	<b>2,854,763,148</b>

NOTES: (1) Included in the above is \$0 for the month and \$102,160,745 year to date, that was set aside for Revenue Sharing with cities and towns.

(2) Figures reflect estimates of the Maine State Revenue Forecasting Committee approved in May 2009.

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

G-2

STATE OF MAINE  
 Undedicated Revenues - General Fund  
 For the Twelfth Month Ending June 30, 2009  
 For the Fiscal Year Ending June 30, 2009  
 Comparison to Budget

EXHIBIT III

Detail of Other Revenues	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2009
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	
0100's All Others	1,561,526	2,837,104	(1,275,578)	(45.0%)	20,936,422	21,414,612	(478,190)	(2.2%)	31,414,612
0300's Aeronautical Gas Tax	21,117	29,841	(8,724)	(29.2%)	246,072	240,131	5,941	2.5%	240,131
0400's Alcohol Excise Tax	1,706,873	957,107	749,766	78.3%	17,437,560	17,048,295	389,265	2.3%	17,048,295
0700's Corporation Taxes	2,466,318	1,316,041	1,150,277	87.4%	6,884,126	7,419,032	(534,906)	(7.2%)	7,419,032
1000's Banking Taxes	2,026,500	1,759,777	266,723	15.2%	23,901,210	22,983,550	917,660	4.0%	22,983,550
1100's Alcoholic Beverages	497,959	233,569	264,390	113.2%	4,696,940	4,070,379	626,561	15.4%	4,070,379
1200's Amusements Tax	-	-	-	-	-	-	-	-	-
1300's Harness Racing/Parimutuels/Slots	707,644	326,533	381,111	116.7%	6,229,033	6,024,674	204,359	2.5%	6,024,674
1400's Business Taxes	2,107,653	1,973,553	134,100	6.8%	12,831,441	12,302,447	528,994	4.3%	12,302,447
1500's Motor Vehicle Licenses	545,246	439,738	105,508	24.0%	4,832,549	4,442,238	390,311	8.8%	4,442,238
1700's Inland Fisheries & Wildlife	2,318,826	1,984,544	334,282	16.8%	15,378,849	15,999,867	(621,018)	(3.9%)	15,999,867
1900's Hospital Excise & Other	27,027	50,567	(23,540)	(46.6%)	318,189	353,920	(35,731)	(10.1%)	353,920
2000's Fines, Forfeits & Penalties	4,617,908	4,476,331	139,577	3.1%	44,024,462	44,106,626	(82,164)	(0.2%)	44,106,626
2200's Federal Revenues	2,782,556	1,503,492	1,279,064	85.1%	12,456,218	13,052,027	(595,809)	(4.6%)	13,052,027
2300's County Revenues	-	-	-	-	-	-	-	-	-
2400's Revenues from Cities & Towns	55,190	57,589	(2,399)	(4.2%)	142,738	137,140	5,598	4.1%	137,140
2500's Revenues from Private Sources	(1,316,095)	271,175	(1,587,270)	(585.3%)	7,526,232	8,122,358	(596,126)	(7.3%)	8,122,358
2600's Current Service Charges	2,814,781	1,992,234	822,547	41.3%	24,652,753	24,102,799	549,954	2.3%	24,102,799
2700's Transfers from Other Funds	10,989,308	9,674,916	1,314,392	13.6%	9,630,976	8,552,978	1,077,998	12.6%	8,552,978
2800's Sales of Property & Equipment	11,342	32,500	(21,158)	(65.1%)	51,047	122,750	(71,703)	(58.4%)	122,750
<b>Total Other Revenues</b>	<b>33,941,679</b>	<b>29,918,611</b>	<b>4,023,068</b>	<b>13.4%</b>	<b>214,176,818</b>	<b>212,495,823</b>	<b>1,680,995</b>	<b>0.8%</b>	<b>212,495,823</b>

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

G-3

STATE OF MAINE

Undedicated Revenues - Highway Fund  
 For the Twelfth Month Ending June 30, 2009  
 For the Fiscal Year Ending June 30, 2009  
 Comparison to Budget

Exhibit V

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2009
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	
Fuel Taxes	37,875,517	39,442,412	(1,566,895)	(4.0%)	216,215,544	217,243,255	(1,027,711)	(0.5%)	217,243,255
Motor Vehicle Registration & Fees	10,574,045	9,945,667	628,378	6.3%	91,886,824	92,254,651	(367,827)	(0.4%)	92,254,651
Inspection Fees	394,193	107,616	286,577	266.3%	4,057,978	3,996,421	61,557	1.5%	3,996,421
Fines, Forfeits & Penalties	163,429	184,762	(21,333)	(11.5%)	1,785,197	1,795,049	(9,852)	(0.5%)	1,795,049
Earnings on Investments	44,994	28,772	16,222	56.4%	480,419	458,392	22,027	4.8%	458,392
All Other	921,360	608,428	312,932	51.4%	9,816,188	9,401,872	414,316	4.4%	9,401,872
<b>Total Revenue</b>	<b>49,973,538</b>	<b>50,317,657</b>	<b>(344,119)</b>	<b>(0.7%)</b>	<b>324,242,149</b>	<b>325,149,640</b>	<b>(907,491)</b>	<b>(0.3%)</b>	<b>325,149,640</b>

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

G-4

STATE OF MAINE

Undedicated Revenues - General Fund  
 For the Fourth Month Ended October 31, 2009  
 For the Fiscal Year Ending June 30, 2010  
 Comparison to Budget

PRELIMINARY AND TENTATIVE  
 FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

EXHIBIT I

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2010
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	
Sales and Use Tax	83,631,635	90,777,923	(7,146,288)	(7.9%)	260,296,612	285,735,407	(25,438,795)	(8.9%)	938,953,932
Service Provider Tax	4,800,201	4,861,374	(61,173)	(1.3%)	14,880,448	14,543,574	336,874	2.3%	55,590,852
Individual Income Tax	105,732,983	124,700,000	(18,967,017)	(15.2%)	386,968,585	445,200,000	(58,231,415)	(13.1%)	1,444,804,369
Corporate Income Tax	(2,898,229)	5,150,000	(8,048,229)	(156.3%)	36,748,258	42,150,000	(5,401,742)	(12.8%)	144,697,500
Cigarette and Tobacco Tax	12,938,590	12,184,499	754,091	6.2%	51,992,381	50,970,344	1,022,037	2.0%	137,881,705
Insurance Companies Tax	7,537,986	6,219,873	1,318,113	21.2%	8,507,673	7,423,704	1,083,969	14.6%	71,985,000
Estate Tax	6,019,156	2,476,952	3,542,204	143.0%	6,827,865	5,355,278	1,472,587	27.5%	30,124,796
Fines, Forfeits and Penalties	2,692,733	3,794,356	(1,101,623)	(29.0%)	12,394,671	15,255,450	(2,860,779)	(18.8%)	43,187,572
Income from Investments	57,111	159,479	(102,368)	(64.2%)	179,542	521,271	(341,729)	(65.6%)	947,908
Transfer from Lottery Commission	4,407,154	4,762,916	(355,762)	(7.5%)	17,497,465	17,146,478	350,987	2.0%	49,534,250
Transfers for Tax Relief Programs	(14,807,961)	(16,970,414)	2,162,453	12.7%	(47,997,410)	(52,909,467)	4,912,057	9.3%	(116,953,498)
Transfer to Municipal Revenue Sharing	(10,585,988)	(12,408,682)	1,822,694	14.7%	(36,268,692)	(40,886,869)	4,618,177	11.3%	(112,092,834)
Other Taxes and Fees	20,190,252	20,840,838	(650,586)	(3.1%)	49,591,062	48,768,877	822,185	1.7%	143,490,376
Other Revenues	(1,899,138)	(1,978,241)	79,103	4.0%	1,286,241	(7,340,365)	8,626,606	117.5%	24,520,094
<b>Total Collected</b>	<b>217,816,486</b>	<b>244,570,873</b>	<b>(26,754,387)</b>	<b>(10.9%)</b>	<b>762,904,700</b>	<b>831,933,682</b>	<b>(69,028,982)</b>	<b>(8.3%)</b>	<b>2,856,672,022</b>

NOTES: (1) Included in the above is \$10,585,988 for the month and \$36,268,692 year to date, that was set aside for Revenue Sharing with cities and towns.

(2) Figures reflect estimates of the Maine State Revenue Forecasting Committee approved in May 2009.

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

STATE OF MAINE  
 Undedicated Revenues - General Fund  
 For the Fourth Month Ended October 31, 2009  
 For the Fiscal Year Ending June 30, 2010  
 Comparison to Budget

PRELIMINARY AND TENTATIVE  
 FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

EXHIBIT III

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2010
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	
<u>Detail of Other Taxes &amp; Fees</u>									
0100's All Others	12,949,808	14,704,289	(1,754,481)	(11.9%)	16,832,839	18,705,049	(1,872,210)	(10.0%)	31,690,912
0300's Gas Tax	23,204	22,284	920	4.1%	95,133	95,265	(132)	(0.1%)	263,089
0400's Alcohol Excise Tax	1,497,857	1,333,750	164,107	12.3%	6,468,106	6,578,029	(109,923)	(1.7%)	17,433,056
0700's Corporation Taxes	142,931	230,250	(87,319)	(37.9%)	897,489	1,181,950	(284,462)	(24.1%)	9,013,771
0800's Public Utilities	1,519	-	1,519	-	(96,175)	-	(96,175)	-	16,996,988
1000's Banking Taxes	1,968,550	1,829,579	138,971	7.6%	7,358,101	7,318,316	39,785	0.5%	22,365,980
1100's Alcoholic Beverages	286,812	375,035	(88,223)	(23.5%)	1,227,666	1,343,616	(115,950)	(8.6%)	4,603,355
1200's Amusements Tax	-	-	-	-	-	-	-	-	-
1300's Harness Racing/Parimutuels/Slots	861,056	611,196	249,860	40.9%	3,262,532	2,626,626	635,906	24.2%	7,934,486
1400's Business Taxes	1,472,009	797,630	674,379	84.5%	6,926,450	3,383,885	3,542,565	104.7%	11,139,884
1500's Motor Vehicle Licenses	352,527	318,189	34,338	10.8%	1,605,604	1,362,441	243,163	17.8%	4,646,488
1700's Inland Fisheries & Wildlife	617,579	597,555	20,024	3.4%	4,943,081	6,092,738	(1,149,657)	(18.9%)	17,042,965
1900's Hospital Excise & Other	16,400	21,081	(4,681)	(22.2%)	70,236	80,962	(10,726)	(13.2%)	359,402
<b>Total Other Taxes &amp; Fees</b>	<b>20,190,252</b>	<b>20,840,838</b>	<b>(650,586)</b>	<b>(3.1%)</b>	<b>49,591,062</b>	<b>48,768,877</b>	<b>822,185</b>	<b>1.7%</b>	<b>143,490,376</b>
<u>Detail of Other Revenues</u>									
2200's Federal Revenues	683,666	320,836	362,830	113.1%	4,769,201	1,283,344	3,485,857	271.6%	3,869,618
2300's County Revenues	-	-	-	-	-	-	-	-	-
2400's Revenues from Cities & Towns	2,473	-	2,473	-	45,706	95,432	(49,726)	(52.1%)	251,789
2500's Revenues from Private Sources	(8,295)	140,830	(149,125)	(105.9%)	427,142	563,320	(136,178)	(24.2%)	9,027,069
2600's Current Service Charges	2,428,740	1,625,936	802,804	49.4%	11,707,879	7,834,096	3,873,783	49.4%	20,529,988
2700's Transfers from Other Funds	(4,991,878)	(4,065,843)	(926,035)	(22.8%)	(15,678,034)	(17,119,057)	1,441,023	8.4%	(9,238,370)
2800's Sales of Property & Equipment	(13,843)	-	(13,843)	-	14,348	2,500	11,848	473.9%	80,000
<b>Total Other Revenues</b>	<b>(1,899,138)</b>	<b>(1,978,241)</b>	<b>79,103</b>	<b>4.0%</b>	<b>1,286,241</b>	<b>(7,340,365)</b>	<b>8,626,606</b>	<b>117.5%</b>	<b>24,520,094</b>

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

Office of the State Controller

G-6

**STATE OF MAINE**

Undedicated Revenues - Highway Fund  
 For the Fourth Month Ended October 31, 2009  
 For the Fiscal Year Ending June 30, 2010  
 Comparison to Budget

**PRELIMINARY AND TENTATIVE**

FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

Exhibit V

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2010
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	
Fuel Taxes	18,805,408	18,895,622	(90,214)	(0.5%)	58,986,344	55,478,325	3,508,019	6.3%	220,305,526
Motor Vehicle Registration & Fees	6,921,197	7,303,016	(381,819)	(5.2%)	25,639,323	26,255,090	(615,767)	(2.3%)	77,674,394
Inspection Fees	203,397	303,666	(100,269)	(33.0%)	1,134,797	1,454,250	(319,453)	(22.0%)	4,196,802
Fines, Forfeits & Penalties	146,251	157,011	(10,760)	(6.9%)	606,947	627,188	(20,241)	(3.2%)	1,795,049
Earnings on Investments	13,139	7,500	5,639	75.2%	51,736	25,000	26,736	106.9%	173,037
All Other	632,542	577,443	55,099	9.5%	2,249,365	2,370,026	(120,661)	(5.1%)	8,596,631
<b>Total Revenue</b>	<b>26,721,934</b>	<b>27,244,258</b>	<b>(522,324)</b>	<b>(1.9%)</b>	<b>88,668,512</b>	<b>86,209,879</b>	<b>2,458,633</b>	<b>2.9%</b>	<b>312,741,439</b>

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

# **Economic Assumptions**

# BROAD VIEW

## Executive Summary

**Recent Performance.** An economic recovery is under way, but it remains tentative and fragile. Real GDP is expanding again, but growth is inconsistent and insufficient for businesses to resume hiring. Employment thus continues to decline, and the unemployment rate will soon reach double digits. The Federal Reserve and fiscal policymakers will likely need to provide further support to ensure that the economy does not stall or fall back into recession next year.

**Growth drivers.** Real GDP expanded by an estimated close to 3% annualized rate in the third quarter, and is on track to grow a bit more slowly in the fourth quarter. Unprecedented monetary and fiscal stimulus and a significant manufacturing inventory swing are supporting this newfound growth.

The Federal Reserve's aggressive efforts have succeeded in lowering borrowing costs and easing the credit crunch. Fixed mortgage rates are a full percentage point lower than they would be if not for the near-zero federal funds rate and the central bank's purchases of Treasury debt and Fannie Mae and Freddie Mac securities, according to Moody's Economy.com calculations. Without the Fed's actions, Freddie Mac's 30-year conforming loan rate would be closer to 6%, rather than the current 5%.

It remains difficult for businesses and households to obtain credit, but steadily less so. Corporate borrowers with solid financials are raising record amounts of cash in the bond market thanks to low investment-grade corporate bond yields. Households are getting new loans more easily, in large part because the federal government has stepped into the void left by nervous and capital-short private lenders.

The fiscal stimulus has succeeded in firming up consumer spending. Expanded unemployment insurance benefits, tax cuts, cash for clunkers, and the first-time homebuyer tax credit have created just enough incentive for households to resume shopping. Consumers remain cautious spenders, but they no longer seem panicked, despite continuing job losses and the very high unemployment rate.

GDP is also receiving a boost from a sharp turnaround in industrial production, powered by a massive inventory swing. Firms have shifted from drawing down stocks to replenishing them, most dramatically in the auto industry. The GM and Chrysler bankruptcies,

combined with cash for clunkers, pushed the days supply of vehicles on dealers' lots to record lows; automakers sharply increased current production in response. The inventory swing has yet to kick in across the entire manufacturing base, but it soon will.

**Business caution.** How gracefully the nascent recovery evolves into a self-sustaining economic expansion depends on whether businesses hire and invest more actively in response to their firmer sales and improved profitability. To date, there is not much evidence that they are. At best, businesses are curtailing layoffs and no longer cutting back on orders for equipment and software.

Businesses' reluctance to expand is clearest with respect to jobs. The economy lost more than 250,000 jobs on net again in September, bringing total losses to nearly 8 million since employment peaked nearly two years ago, after accounting for upcoming revisions to the payroll employment data. For context, the peak-to-trough decline in employment during and after the 2001 recession was about 2 million.

Job losses have moderated since the beginning of the year, when they averaged closer to 700,000 per month, but this is entirely because of fewer layoffs; hiring continues to weaken. Unless hiring revives, job growth will not resume and the unemployment rate will continue to rise, depressing wages and ultimately short-circuiting consumer spending and the recovery itself.

It is possible that firms will resume hiring soon. Historically there has been a lag between when production picks up and when businesses start to hire. But in the past, businesses boosted working hours and brought on more temporary employees during the gap between the increase in production and the increase in hiring of full-time employees. None of that has happened so far; hours worked remain stuck at a record low and temporary service jobs are still declining.

A more worrisome possibility is that firms are so shell-shocked that they will not resume hiring. Smaller businesses are struggling to obtain credit, and larger businesses are nervous about navigating the coming changes to healthcare, financial regulation and energy policy. Businesses may also wonder whether demand for their products will soon fade, given that the recent improvement is supported by monetary and fiscal stimulus and an inventory swing, all of which are temporary.

**More life support.** Indeed, if monetary and fiscal policymakers do nothing more to support the economy, the stimulus effect will soon wane and turn into a drag on the economy by the middle of next year. Policymakers are expected to do more to ensure that the recovery remains intact and a self-sustaining expansion takes root by this time next year.

For the Federal Reserve, this may mean increasing its commitment to purchase Fannie and Freddie mortgage securities. The central bank's commitment is set to end in March, but this seems premature, given the rising number of foreclosures and the possibility that many houses will be dumped onto the market next spring, forcing prices lower again. Without more Fed buying, mortgage rates are likely to rise at just the wrong time for the housing market and the broader economy.

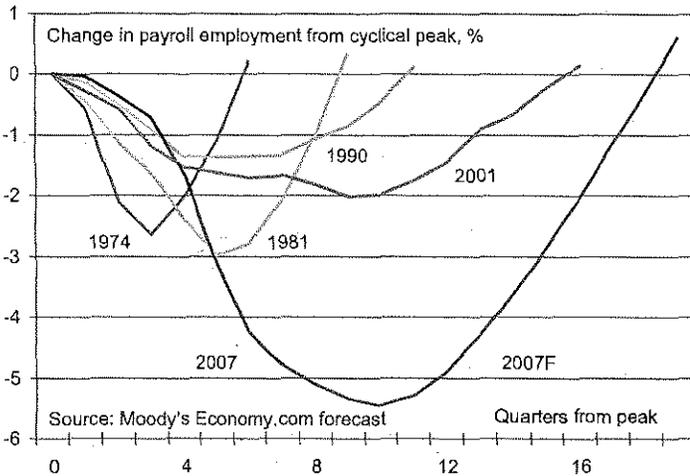
For fiscal policymakers, this means at least extending provisions of the current fiscal stimulus package, such as expanded unemployment insurance benefits, higher conforming loan limits in higher-priced housing markets, accelerated depreciation and net loss carryback provisions for small businesses, and perhaps even the first-time homebuyer tax credit. It may even mean another fiscal stimulus—although it will not be called that for political reasons—including help for state governments, whose fiscal 2011 budget problems will be even more severe than they were this year.

In coming months Congress will also very likely pass three other pieces of legislation with far-reaching economic implications: Healthcare reform, financial regulatory reform, and a bill addressing the expiration of the Bush tax cuts. Policymakers will need to be wary when fashioning this legislation lest they derail the economy's fragile recovery.

**Outlook.** The Great Recession is over, but the economic recovery will be a difficult slog through much of next year. Real GDP is projected to grow just under 3% annualized during the second half of 2009, but by no more than 2% over all of 2010. A high unemployment rate and weak wage growth, the ongoing foreclosure crisis, rising commercial mortgage loan defaults and resulting small bank failures, budget problems at state and local governments, and dysfunctional structured-finance markets that limit credit to consumers and small businesses will all weigh on the recovery.

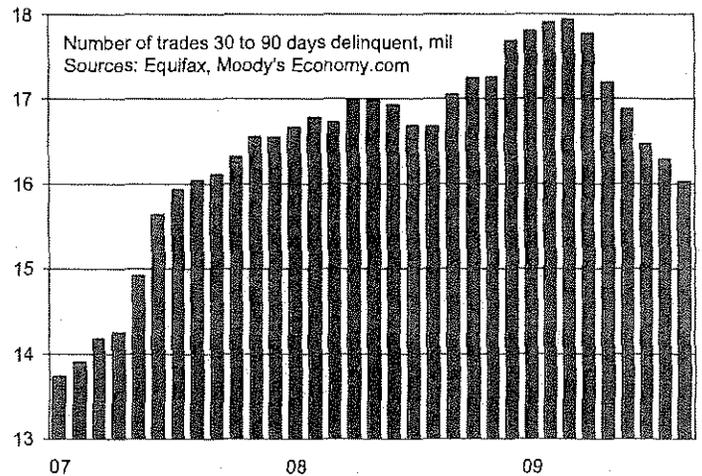
Mark Zandi  
October 2009

### Job Market Will Be Very Slow to Recover



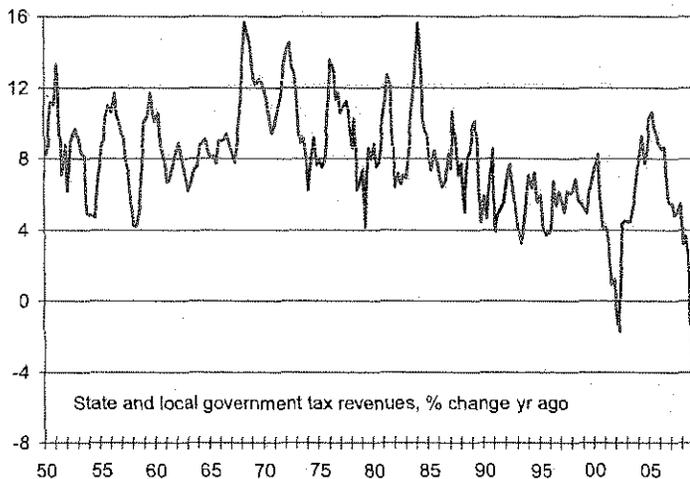
An economic recovery is under way, but it is expected to be a slog. This will be clearest in the job market, as payroll employment is expected to fall by over 8.5 million from its peak in late 2007 to the trough in early 2010. Job growth will remain tepid through most of next year as businesses will lack the confidence and credit needed to hire more aggressively. Even with stronger job growth in 2011 and 2012, employment is not expected to return to its previous peak until late 2012. This will be far and away the worst performance of any post-World War II recovery.

### Households Are Fixing Their Finances



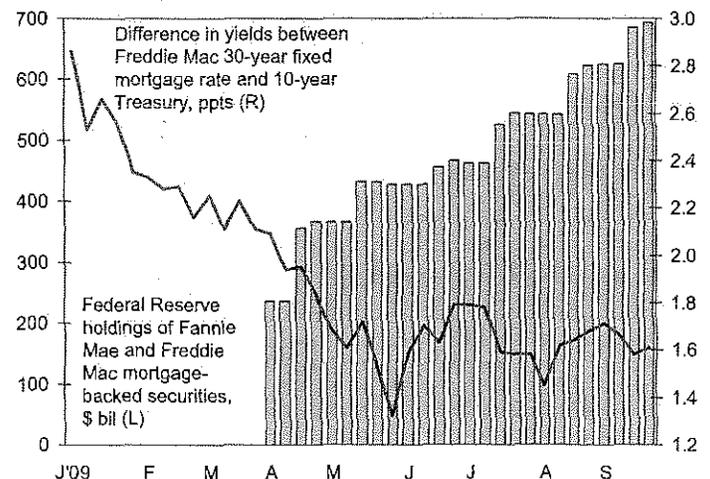
The recovery will find support from improving household finances. Household balance sheets remain in poor shape, particularly among distressed homeowners, but conditions have improved as households are saving more and deleveraging. Total household liabilities have fallen by nearly \$450 billion, or 4%, since peaking one year ago. The number of bank credit cards has plunged from a peak of 425 million to 345 million. Reflective of the better conditions, early-stage delinquency has also started to improve; the number of loans that are 30 to 90 days delinquent has fallen meaningfully since the beginning of the year.

### State and Local Government Revenues Plunge



The recovery faces a number of stiff headwinds, including the ongoing foreclosure crisis, mounting commercial mortgage loan defaults, and persistent fiscal problems at state and local governments. Tax revenues remain under extreme pressure as the weak job market hurts income tax receipts, soft retailing weighs on sales taxes, and the tough housing market hammers capital gains and property tax revenues. States have avoided severe budget cuts due to the financial help they are receiving from the federal government as part of the stimulus. However, without more help, states will be under pressure to cut their spending and raise taxes next year.

### Fed Actions Drive Down Mortgage Rates



To ensure that the recovery does not stall or, even worse, fall back into recession, policymakers will be under pressure to provide more help to the economy. The likelihood is increasing that fiscal policymakers will renew a number of provisions in the current stimulus that will soon expire like extended unemployment insurance benefits and the tax credit for first-time homebuyers. Pressure on the Federal Reserve to add further to its quantitative easing efforts will also intensify early next year, when the bank meets its current commitment. The Fed's actions, including purchases of Fannie Mae and Freddie Mac securities, have pushed fixed mortgage rates down by nearly a full percentage point.

## BROAD VIEW

# Forecast Assumptions

**Monetary policy.** The Federal Reserve remains aggressive in using all of its considerable resources to support the financial system and economy. The effective federal funds rate remains near zero and policy-makers continue to state that it will remain there for an "extended period."

The Fed has also engaged in aggressive forms of credit easing in which it essentially prints money to buy financial securities. It has purchased commercial paper, the debt and mortgage securities guaranteed by Fannie Mae and Freddie Mac, and Treasury securities. The Fed had approximately \$1 trillion of mostly Treasury securities on its balance sheet before it began its buying; now it has close to \$2 trillion worth of a wide range of securities on its balance sheet. This is expected to rise further, peaking near \$3 trillion by spring 2010.

The Fed's unprecedented actions have stabilized the financial system. Interbank lending has returned to normal, and the commercial paper market is functioning well. Residential mortgage rates have also fallen, and yield spreads on various asset-backed securities and corporate bonds have narrowed.

Despite these successes, the financial system remains troubled and the Fed is thus expected to maintain its zero funds rate through this time next year. Private residential and commercial mortgage-backed bond issuance is moribund, and most depository institutions are reluctant to extend credit except to their very best household and corporate borrowers. Policymakers will also be uneasy about raising interest rates as long as the unemployment rate is rising and core inflation is decelerating. Both conditions are likely to continue through at least next spring.

The Fed is expected to slowly begin normalizing interest rates by late 2010 once the financial crisis has completely subsided; the unemployment rate is headed lower, and deflation risks have dissipated. Policymakers will be fearful of keeping rates too low for too long, a mistake the central bank seemingly made coming out of the tech-stock bust. The funds rate is expected to end 2009 at effectively zero and end 2010 at closer to 75 basis points.

**Fiscal policy.** The federal government's fiscal problems remain enormous. The budget deficit has ballooned to near

\$1.6 trillion in the just ended 2009 fiscal year, up from \$475 billion in fiscal 2008. Budget deficits are expected to moderate beginning this fiscal year but remain extraordinarily high, at close to \$1 trillion through fiscal 2012.

This poor budget outlook reflects the expected more than \$2 trillion ultimate price tag to taxpayers of the financial crisis and Great Recession, equal to 14% of GDP. For historical context, the savings and loan crisis in the early 1990s directly cost taxpayers some \$350 billion in today's dollars, \$275 billion in direct costs, and \$75 billion due to the associated recession, equal to almost 6% of GDP at that time.

The budget outlook remains extraordinarily poor even after the costs of the financial crisis abate, as expenditures on Medicare, Medicaid and Social Security are set to balloon. President Obama's first budget proposal does not significantly address the nation's long-term fiscal problems. The Congressional Budget Office projects that the nation's federal debt-to-GDP ratio will rise to over 80% a decade from now under the president's plan; this is double the approximately 40% ratio that prevailed before the current financial crisis. Policymakers are soon expected to pass healthcare reform legislation, but this is not expected to significantly change the budget outlook. The long-term budget outlook will thus remain untenable, which will ultimately force various substantial cuts to entitlement programs and tax increases.

**U.S. dollar.** The U.S. dollar has sagged a bit since the beginning of the year as the flight-to-quality bid for U.S. assets has faded with improving financial conditions and the moderating global recession. Despite the recent decline, the dollar is still almost 10% stronger on a broad, trade-weighted basis compared with its low in the summer of 2009.

The dollar is expected to trend generally lower over the next several years as it is currently an estimated 10% overvalued against the British pound and a more significant 25% against the Chinese yuan. Once the financial crisis completely subsides, the Chinese are expected to resume revaluation of their currency, eventually resulting in a freely floating yuan by the middle of the next decade. Any decline will be modest on a broad trade-weighted basis,

as the dollar is appropriately valued against most of the world's major currencies, including the euro at \$1.40, the Canadian dollar at near \$0.90, and the Japanese currency at ¥90 per dollar.

Concern that the U.S. dollar is at risk of losing its reserve currency status is overdone. The dollar accounts for nearly two-thirds of global reserves; this is unlikely to change much anytime soon since the U.S. remains far and away the global economy's largest and most stable economy and the predominant player in global trade. There are also no good alternatives: Europe's current economic problems rule out the euro, and the IMF's SDRs are nothing more than a unit of account.

**Energy prices.** Oil prices, as measured by a barrel of West Texas Intermediate crude, are trading near \$70. Over the past year, prices have ranged from well below \$50 at the start of 2009 to a record of almost \$150 in summer 2008. Retail gasoline prices have risen to over \$2.5 per gallon, compared with an all-time high of close to \$4. Natural gas prices remain low, particularly compared with oil prices, at around \$3 per million BTU.

Global economic conditions and their impact on demand are driving energy prices. The recent firming in prices reflects growing expectations that the worst of the global downturn is over as the Chinese economy reaccelerates and the U.S. recession has ended. However, until the global expansion begins in earnest, oil prices are not expected to rise much above current levels for very long. Oil prices are expected to average over \$60 per barrel for all of 2009 and \$75 in 2010. Early in the next decade, a barrel of West Texas intermediate is expected to range between \$75 and \$100, consistent with trend global demand and supply fundamentals.

Natural gas prices will have trouble keeping up with oil prices over the next several years as a very substantial glut of gas has developed. Demand has weakened sharply with the recession, and supply has increased substantially in response to the previously very high prices. Natural gas prices are expected to average less than \$4 per million BTU in 2009, around \$4 in 2010, and closer to \$8 in the longer term.

Mark Zandi  
October 2009

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# BROAD VIEW

## Regional Economies

**Recent Performance.** The most stable region of the country today is the farm belt. If recession has already come to an end in any of the states, this has most likely occurred in the Dakotas, Nebraska, Iowa and Montana. They do not account for a large part of the U.S. economy, but they represent the portion of the economy that has not suffered a deep housing downturn. Further, income growth remains vibrant because of the relatively high prices of the region's many farm and mineral commodities. Thus, state fiscal conditions are also the most stable in this area.

The weakest regions are the industrial Midwest and the West. The West still suffers from a housing downturn, as prices have not leveled off yet. The Midwest is working through the restructuring of the auto industry and losses among other durable goods producers. The extreme slackness of the labor markets in these regions is evident in unemployment rates that are among the highest in the nation. Further, labor market slack in these regions is expanding the fastest, as evidenced by a comparison of the number of unemployed with the number of new job openings. While monthly job openings in the Northeast and South are down by about 30%, they are down by close to 45% in the Midwest and West. The number of unemployed is up by about 60% over the year almost everywhere; only the Midwest differs slightly at about 55%. Thus, the somewhat more modest decline in job openings in the Northeast means its unemployment rate may peak the soonest.

**Recovery.** Areas that will be the first to return to positive job growth will be those already mentioned in or near the Plains region that had little or no housing cycle and that stand to benefit from renewed firmness in commodity prices. Other regions with some near-term potential are those with high exposure to rebounding export markets. The weak dollar and accelerating economies in Asia and Latin America generate support for tech-producing areas such as Silicon Valley, Austin, Washington DC, and Boston, among others. Strong global demand for semiconductors and telecommunications equipment and other electronics is an indication of firming global investment spending. Makers of core capital goods in parts of the Midwest and Southeast also stand to benefit as global demand picks up for industrial machinery, electrical equipment, and advanced farm machinery.

As global trade picks up, centers of transport and logistics will also be among the first to benefit. The support to the economy will be modest, however, as there is plenty of capacity to handle any near-term uptick by air, rail or trucking hubs. Nevertheless, Los Angeles, Houston, Miami, Norfolk, New York and northern New Jersey, Chicago, and Kansas City are among the areas with such a specialization, which could drive an increase in hours worked at the least, generating additional local income and ultimately additional employment.

**Housing.** The pace of recovery will be hindered by deeply correcting housing markets in California and the Southwest and in Florida. Although downward pressure on housing prices remains nearly everywhere as the pipeline of mortgages heading toward foreclosure is filling in all regions, the impact is the greatest in these areas, given that they were the most overextended during the boom. Comparing California with Florida, however, illustrates some differences that raise the probability that Florida's housing recovery will lag behind California's, where several factors indicate stronger underlying fundamental demand. California's population growth is stable near 1% per year, while according to estimates from the University of Florida, Florida's population count may actually be falling. The long period of extremely high house prices in California had generated pent-up demand. Affordability was less of an issue in Florida. Finally, California's housing market has much less dependence upon investors or retiree buyers, who may very well have capital tied up in homes elsewhere that they are unable to sell.

Elevated risks for house price declines also remain in the Greater New York area and in the Pacific Northwest, where price downturns have been late in coming and affordability remains poor. The pace of price declines and the timing of a bottom of these markets will depend upon job and income growth. Risks to the labor market in Seattle are to the downside, as profitability in the commercial aerospace industry is poor and future payroll cuts are still possible. Weak income growth in New York has taken the steam out of its housing market, and while employment is falling, its labor market downturn has not been as severe as expected because hiring among wealth management firms has offset some cuts in securities and banking. Risks here remain to the downside.

**Outlook.** The earliest return to growth will appear in the central Plains and the Southeast, excluding Florida. Global demand for commodities, replenishment of inventories, and export trade lend support to these areas, which are experiencing a relatively mild business cycle. Education and healthcare support the Midwest and the Northeast, but within these regions, restructuring of the auto industry and financial services will delay the visible return to growth via new job creation.

**Risks.** A number of uncertainties cloud the near-term outlook. The delay of regulatory reform for financial services may hinder the willingness of the industry to take on new risk or to expand its payrolls. And of course, if there is a change in the regulatory environment that results in more cautious business planning, centers of financial services may face a longer period of slow growth.

More broadly, there is a risk that a number of industries that aggressively expanded across many metro areas, both large and small and in all regions, may pull back to the metro areas where their comparative advantage is the greatest. This has the potential to introduce a return to greater variation of economic performance across the regions of the country. Financial services may very well reconcentrate in places such as New York, San Francisco, Chicago, and other traditional finance centers. Slower consumer spending could mean secondary centers of transport and warehousing never regain their vitality. Retailing, similarly, may no longer be a generator of jobs in many small to midsize areas unless population and demographic trends warrant it.

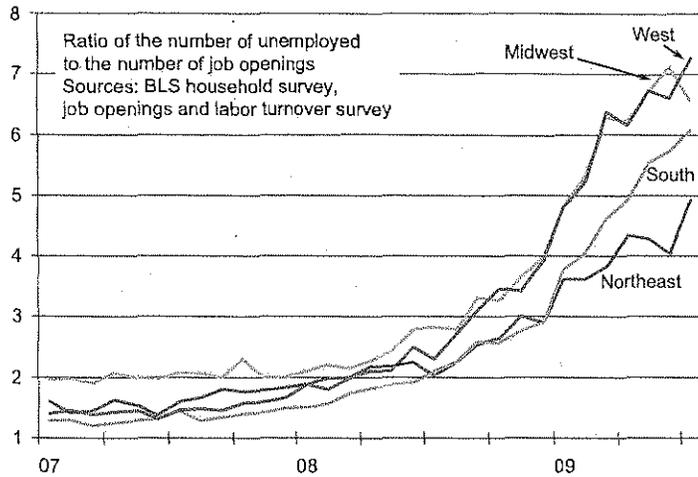
The resurgent growth of China, India, and other developing economies could generate unexpected upside potential, particularly if the dollar falters further in coming quarters. Makers of technology products and services would benefit. But it could extend beyond this over the long term to inject additional comparative advantage to industries such as commercial aerospace in Seattle and its suppliers in Southern California, the Midwest and New England. It also generates upside potential for the many manufacturers in the Midwest and Southeast, where export market penetration rose sharply during the past business cycle.

*Steven G. Cochrane*  
October 2009

# BROAD VIEW

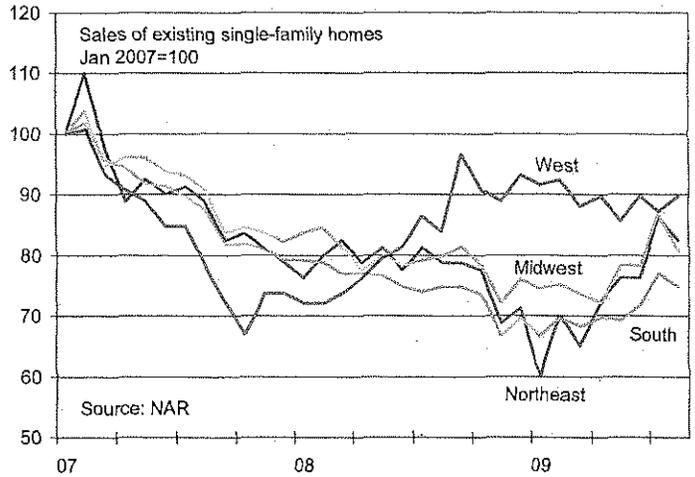
## Regional Economies

### West and Midwest Jobless Rates May Linger Longer



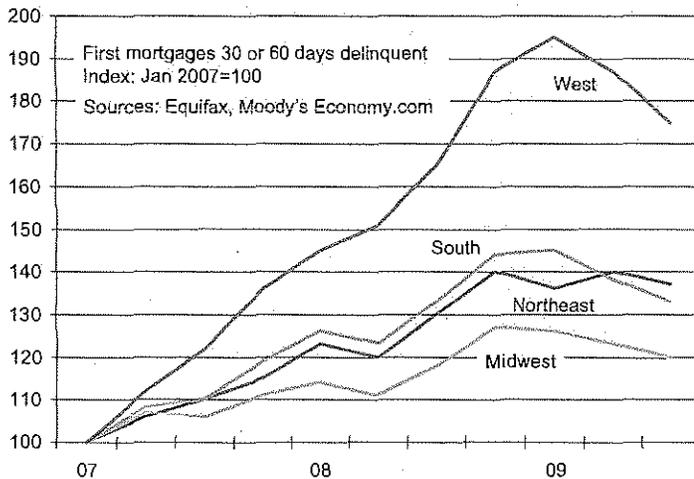
The outlook for unemployment looks grim nearly everywhere as the number of jobless rises and the number of job openings falls. But the spread between the two is by far the greatest in the Midwest and the West, where some of the highest unemployment rates have already been reached. California's 12.2% unemployment rate is a record high for the state. The nation's highest rate of 15.2% is in Michigan. The fact that this is not a record high for the state is testimony to how bad its economy fared during the early 1980s as well. Gaps between local and national unemployment rates will remain wide for longer in much of the West and Midwest.

### Home Sales Have Picked Up in All Regions



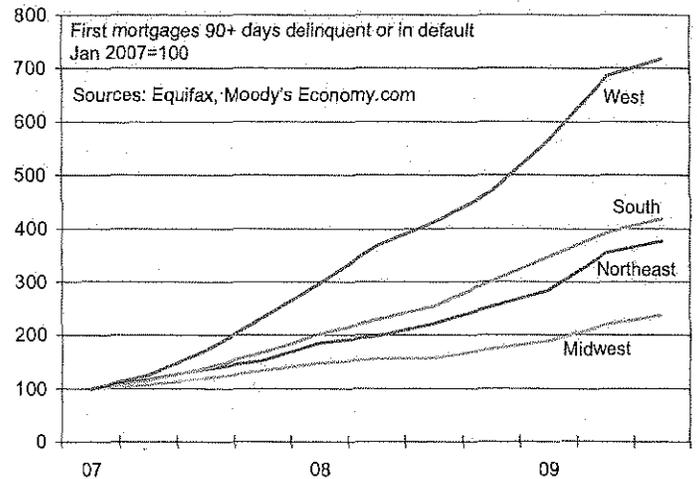
No regional economy will achieve reasonable growth until the housing market stabilizes. Since midyear—earlier in the West, where prices fell very quickly—home sales have been slowly rising. Low prices, ample inventory, low interest rates, and the federal tax credit for first-time homebuyers are working to support housing markets to some degree everywhere. Homebuying will generate some multiplier effects through the regional economies as homes are repaired and furnishings bought. The effect will be moderate compared with the boom years, however, since home improvements will have to be financed with savings rather than equity and credit cards.

### Household Debt Management Improving Fastest in the West...



The worst of the household credit crisis may be over, particularly in the West, where delinquency rates were among the highest. New delinquencies on mortgages are falling, but a bit less rapidly in the South and Midwest. The fact that the Northeast is the outlier is due in part to the late timing of the region's housing cycle, at least around Greater New York. It is also evidence of the region's weak income growth since the beginning of this year because of the restructuring in financial services. The West benefits from the early timing of its housing downturn and the resulting newfound housing affordability.

### ...But Pipeline of Foreclosures Remains Full Everywhere



While early delinquencies are improving, the risk of rising foreclosures in the coming three to six months remains high nearly everywhere. Loans delinquent more than 90 days continued to rise through the third quarter, albeit at a somewhat slower pace. There are plenty of distressed loans that must be worked through before foreclosures will slow and downward price pressures begin to ease. The third quarter slowdown in the West is particularly noteworthy, but the pipeline is still huge in Arizona, California and Nevada. In contrast, there was barely any slowdown in 90+ day defaults in Florida in the third quarter.

↑ **Fiscal stimulus.** The biggest boost to real GDP growth from the policy response out of Washington has passed, but fiscal stimulus could still provide stronger than anticipated support to the economy in the current quarter. The federal government has made approximately one-half of the \$787 billion in fiscal stimulus passed in February available, lending some potential for a big boost to growth over the next several months. Although the government's support to household cash flow has faded, the economy has yet to feel the majority of spending on infrastructure, but it will, with only \$3.1 billion of the \$28.9 billion available having been paid out.

↑ **Inventory cycle.** Industrial production may rebound more rapidly than forecast as the inventory cycle turns from sharply negative to positive for growth. The moderation in the pace of inventory cuts in the second half of 2009 will not be isolated to autos, and could provide a bigger support to GDP growth than expected. The decline in real business inventories over the first six months of 2009 was the steepest in 60 years, setting the stage for a possibly stronger second-half rebound. One important payoff of the rebound in industrial production is that it could ease manufacturing layoffs more quickly than forecast.

↓ **Political will.** Implicit in the forecast is the assumption that policymakers will take the actions necessary to support the economy and ensure that a self-sustaining recovery takes hold, but the risk of a policy misstep exists. Enhanced unemployment insurance benefits are set to expire at the end of December, and the Senate has not approved a bill to extend them. Meanwhile, the Federal Reserve is expected to keep interest rates unchanged until the second half of 2010, but if the central bank succumbs to the pressure to begin exiting, it will increase borrowing costs, which could short-circuit the recovery.

↓ **Spending support.** Consumer spending excluding autos is extremely weak because of all the stresses on household finances. Also, federal programs to stimulate sales of vehicles and homes have either already expired or will expire later this year, removing key supports. While cash for clunkers drove vehicle sales temporarily above an annualized pace of 14 million units, removal of the federal incentive caused sales to retreat to below 10 million, and additional declines cannot be ruled

out. This payback could weigh more than anticipated on real consumption in the fourth quarter, which is already forecast to decline 0.4% at an annualized rate.

↓ **Dollar.** A larger than anticipated depreciation in the U.S. dollar would complicate matters for the global economy and increase the risk that inflationary pressures build more quickly than anticipated. After peaking in the first quarter, the Federal Reserve's broad dollar index has fallen by more than 10% as risk appetites and the global economy have improved. While the weak dollar is a positive for U.S. exporters, it could slow the recovery in other economies. Also, the depreciation in the dollar lends some upside risk to the forecast for subdued near-term inflation. The dollar is expected to fall broadly throughout 2010, but a sharper decline would drive prices for dollar-denominated commodities higher, putting upward pressure on inflation.

↓ **Foreclosures.** Rising foreclosures threaten to overwhelm the Obama administration's mortgage mitigation efforts and could extend the recession. Without further government action, mortgage loan defaults—the first step in the foreclosure process—will reach 4 million this year, or nearly one in 12 first mortgages. Also, there is a risk that the Fed will prematurely end its commitment to purchase Fannie and Freddie mortgage securities, which would drive mortgage rates and foreclosures higher. A larger than expected increase in delinquencies and defaults could lead to a larger than anticipated decline in house prices, while also putting the improvement in financial markets at risk.

↓ **Labor market.** The forecast is for the labor market to bottom in the first half of 2010, with the unemployment rate rising above 10%, but job losses could be even larger than expected. Forward-looking labor market indicators remain weak with initial jobless claims above 500,000, employment in temporary services still declining and hours worked falling to a record low in September. Businesses need to start hiring if the labor market is to improve. However, businesses may be more cautious than anticipated, delaying the recovery. Also, preliminary estimates for the March 2009 benchmark revisions showed that on top of the 7.2 million jobs lost since the beginning of the recession, another million will be tacked on. If the labor market improves more slowly than expected,

the forecast for modest declines in real spending in the fourth quarter of this year and the first quarter of 2010 may be too optimistic.

↓ **Energy prices.** Oil prices could increase more quickly than expected, putting upward pressure on headline inflation and reducing household purchasing power. The price of a barrel of West Texas Intermediate crude has firmed since the beginning of August but has doubled since the end of 2008. Oil is expected to remain near \$70 through the rest of 2009 and average \$75 next year. Market expectations for a stronger recovery combined with a weaker dollar could drive prices higher than expected, raising costs for gasoline and home heating oil, pulling down consumer spending on other items.

↓ **Lending standards.** Lending standards remain extremely tight despite a massive infusion of capital from the government. With consumers' access to credit impaired, a significant rebound in home sales could take longer than anticipated. The economy will remain vulnerable until credit flows more freely between banks and creditworthy borrowers. The forecast assumes a loosening in lending standards, but if this does not materialize, the housing downturn would be extended, perhaps pushing the economy back into recession.

↓ **Deflation.** There is a threat that price corrections will overshoot to the downside, leading from disinflation to deflation. A deflationary cycle is economically debilitating because it feeds on itself; consumers and firms hold off on buying as prices fall, waiting for even lower prices. Because of very weak wage growth and a sizeable output gap, year-over-year growth in the core consumer price index may fall below the forecast nadir of 0.5% in 2010.

↓ **Fiscal conditions.** Washington's eroding fiscal situation threatens long-term economic growth, and there is great risk that budget deficits in the future could be much larger than expected. The stimulus package passed earlier this year was necessary but will result in budget deficits of more than \$1 trillion for the next few years. With costs for Medicare, Medicaid and Social Security set to increase substantially in coming years as baby boomers retire, policymakers will have to make very difficult decisions about long-run taxes and spending.

Ryan Sweet  
October 2009

# FORECAST DETAIL

## National Income and Product Accounts

	Units	08Q3	08Q4	09Q1	09Q2	2004	2005	2006	2007	2008
<b>Composition of Economic Activity, SAAR</b>										
<b>Gross Domestic Product</b>	bcw\$	13,324.6	13,141.9	12,925.4	12,901.5	12,263.8	12,638.4	12,976.3	13,254.0	13,312.2
Change	%AR	-2.7	-5.4	-6.4	-0.7	3.6	3.1	2.7	2.1	0.4
<b>Final Sales</b>	bcw\$	13,354.3	13,193.5	13,055.8	13,077.8	12,198.2	12,588.4	12,917.1	13,234.3	13,341.2
Change	%AR	-2.9	-4.7	-4.1	0.7	3.2	3.2	2.6	2.5	0.8
<b>Final Domestic Sales</b>	bcw\$	13,828.0	13,654.9	13,432.7	13,401.4	12,886.8	13,311.2	13,646.5	13,881.9	13,829.8
Change	%AR	-2.7	-4.9	-6.4	-0.9	3.6	3.3	2.5	1.7	-0.4
<b>Personal Expenditures</b>										
<b>Consumption</b>	bcw\$	9,267.7	9,195.3	9,209.2	9,189.0	8,532.7	8,819.0	9,073.5	9,313.9	9,290.9
Change	%AR	-3.5	-3.1	0.6	-0.9	3.5	3.4	2.9	2.7	-0.2
<b>Durables</b>	bcw\$	1,139.6	1,076.8	1,087.2	1,071.7	1,051.0	1,105.5	1,150.4	1,199.9	1,146.3
Change	%AR	-11.7	-20.3	3.9	-5.6	6.6	5.2	4.1	4.3	-4.5
<b>Motor Vehicles</b>	bcw\$	337.8	306.2	311.2	306.2	411.3	409.6	396.6	402.4	347.5
Change	%AR	-23.7	-32.5	6.7	-6.3	1.5	-0.4	-3.2	1.5	-13.7
<b>Nondurables</b>	bcw\$	2,051.5	2,026.1	2,035.5	2,025.7	1,904.6	1,968.4	2,023.6	2,074.8	2,057.3
Change	%AR	-5.6	-4.9	1.9	-1.9	3.2	3.4	2.8	2.5	-0.8
<b>Services</b>	bcw\$	6,072.4	6,080.4	6,076.0	6,078.8	5,577.6	5,745.1	5,899.7	6,040.8	6,083.1
Change	%AR	-1.3	0.5	-0.3	0.2	2.9	3.0	2.7	2.4	0.7
<b>Investment</b>										
<b>Fixed Investment</b>	bcw\$	2,020.4	1,909.3	1,687.5	1,631.9	1,992.5	2,122.3	2,171.3	2,126.3	2,018.4
Change	%AR	-8.3	-20.2	-39.0	-12.5	7.3	6.5	2.3	-2.1	-5.1
<b>Nonresidential</b>	bcw\$	1,579.2	1,496.1	1,321.2	1,288.4	1,263.0	1,347.3	1,453.9	1,544.3	1,569.7
Change	%AR	-6.1	-19.4	-39.2	-9.6	6.0	6.7	7.9	6.2	1.6
<b>Structures</b>	bcw\$	493.1	484.0	419.4	400.0	346.7	351.8	384.1	441.5	486.8
Change	%AR	-0.1	-7.2	-43.6	-17.3	1.1	1.5	9.2	14.9	10.3
<b>Equipment</b>	bcw\$	1,071.0	993.7	887.5	876.5	917.3	995.6	1,069.6	1,097.0	1,068.6
Change	%AR	-9.4	-25.9	-36.4	-4.9	7.7	8.5	7.4	2.6	-2.6
<b>Residential</b>	bcw\$	443.3	415.0	367.9	344.4	729.5	775.0	718.2	585.0	451.1
Change	%AR	-15.9	-23.2	-38.2	-23.2	9.8	6.2	-7.3	-18.5	-22.9
<b>Single-Family</b>	bcw\$	171.8	149.4	112.9	96.3	406.1	433.5	391.1	283.9	179.7
Change	%AR	-31.9	-42.8	-67.4	-47.1	12.0	6.8	-9.8	-27.4	-36.7
<b>Multifamily</b>	bcw\$	36.6	34.3	31.5	28.1	43.0	47.3	47.6	42.8	36.4
Change	%AR	-9.3	-22.9	-28.9	-36.7	7.8	9.9	0.6	-10.1	-14.8
<b>Other</b>	bcw\$	224.6	221.0	212.9	209.5	271.0	284.4	269.3	248.4	224.7
Change	%AR	-2.3	-6.3	-13.9	-6.2	7.0	4.9	-5.3	-7.8	-9.5
<b>Inventory Change</b>	bcw\$	-29.7	-37.4	-113.9	-160.2	66.3	49.9	59.4	19.5	-25.9
<b>Nonfarm</b>	bcw\$	-24.5	-35.7	-114.9	-163.1	58.3	49.8	63.2	20.4	-20.4
<b>Farm</b>	bcw\$	-5.0	-1.9	0.3	2.2	7.9	0.1	-3.7	-0.8	-5.3
<b>Trade</b>										
<b>Net Exports</b>	bcw\$	-479.2	-470.9	-386.5	-330.4	-688.0	-722.7	-729.2	-647.7	-494.3
<b>Exports</b>	bcw\$	1,655.2	1,568.0	1,434.5	1,419.5	1,222.8	1,305.1	1,422.1	1,546.2	1,629.3
Change	%AR	-3.6	-19.5	-29.9	-4.1	9.5	6.7	9.0	8.7	5.4
<b>Merchandise</b>	bcw\$	1,154.8	1,072.9	956.1	940.7	842.9	906.1	991.4	1,064.8	1,127.5
Change	%AR	-1.7	-25.5	-36.9	-6.3	8.5	7.5	9.4	7.4	5.9
<b>Services</b>	bcw\$	500.4	494.9	477.2	477.4	380.0	398.9	430.6	481.3	501.7
Change	%AR	-7.7	-4.4	-13.5	0.1	11.9	5.0	7.9	11.8	4.2
<b>Imports</b>	bcw\$	2,134.4	2,038.9	1,821.0	1,749.8	1,910.8	2,027.8	2,151.2	2,193.8	2,123.5
Change	%AR	-2.2	-16.7	-36.4	-14.7	11.0	6.1	6.1	2.0	-3.2
<b>Merchandise</b>	bcw\$	1,777.0	1,682.6	1,474.4	1,409.4	1,599.7	1,708.0	1,808.8	1,839.7	1,767.3
Change	%AR	-3.7	-19.6	-41.0	-16.5	11.0	6.8	5.9	1.7	-3.9
<b>Services</b>	bcw\$	357.7	356.9	346.1	339.5	311.0	319.8	342.4	354.2	356.5
Change	%AR	6.1	-0.9	-11.5	-7.5	11.2	2.8	7.1	3.5	0.7
<b>Government</b>										
<b>Expenditures and Investment</b>	bcw\$	2,536.6	2,544.0	2,527.2	2,568.6	2,362.0	2,369.9	2,402.1	2,443.1	2,518.1
Change	%AR	4.8	1.2	-2.6	6.7	1.4	0.3	1.4	1.7	3.1
<b>Federal Defense</b>	bcw\$	675.5	681.7	672.8	695.2	580.4	589.1	598.4	611.5	659.4
Change	%AR	19.8	3.7	-5.1	14.0	5.7	1.5	1.6	2.2	7.8
<b>Federal Nondefense</b>	bcw\$	315.8	325.4	323.4	328.2	284.6	287.2	296.6	294.9	316.4
Change	%AR	0.1	12.7	-2.4	6.1	1.0	0.9	3.2	-0.6	7.3
<b>State &amp; Local</b>	bcw\$	1,547.0	1,539.3	1,533.3	1,548.0	1,497.1	1,493.6	1,507.2	1,536.7	1,543.7
Change	%AR	0.1	-2.0	-1.6	3.9	-0.2	-0.2	0.9	2.0	0.5
<b>Government Balance</b>										
<b>NIPA Basis</b>	b\$	-665.7	-674.1	-969.1	-1,294.5	-379.5	-283.0	-203.8	-236.5	-642.5
<b>Unified Budget</b>	b\$	-168.9	-332.5	-448.9	-304.9	-398.5	-321.8	-209.2	-187.9	-680.5

Units: bcw = billions of chain-weighted 2005 dollars; b05\$ = billions of 2005 dollars; tr05\$ = trillions of 2005 dollars

Units: ths = thousands; m = millions; b = billions; tr = trillions; % = percent change; %YA = percent change year ago; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate

# FORECAST DETAIL

## National Income and Product Accounts

Full forecast detail can be found under the Précis Macro publication at [www.myeconomy.com](http://www.myeconomy.com)

	Units	09Q3	09Q4	10Q1	10Q2	2009	2010	2011	2012	2013
<b>Composition of Economic Activity, SAAR</b>										
<b>Gross Domestic Product</b>	bcw\$	13,002.2	13,081.5	13,118.6	13,177.3	12,977.6	13,225.9	13,737.6	14,459.1	14,973.6
Change	%AR	3.2	2.5	1.1	1.8	-2.5	1.9	3.9	5.3	3.6
<b>Final Sales</b>	bcw\$	13,114.3	13,111.1	13,125.4	13,174.3	13,089.7	13,222.0	13,721.5	14,450.2	14,976.3
Change	%AR	1.1	-0.1	0.4	1.5	-1.9	1.0	3.8	5.3	3.6
<b>Final Domestic Sales</b>	bcw\$	13,445.0	13,447.8	13,464.8	13,514.6	13,431.7	13,558.2	14,023.9	14,726.4	15,260.5
Change	%AR	1.3	0.1	0.5	1.5	-2.9	0.9	3.4	5.0	3.6
<b>Personal Expenditures</b>										
<b>Consumption</b>	bcw\$	9,244.5	9,234.9	9,237.3	9,254.4	9,219.4	9,279.8	9,562.2	10,013.5	10,381.8
Change	%AR	2.4	-0.4	0.1	0.7	-0.8	0.7	3.0	4.7	3.7
Durables	bcw\$	1,102.3	1,095.6	1,097.7	1,098.5	1,089.2	1,104.0	1,156.5	1,238.1	1,275.6
Change	%AR	11.9	-2.4	0.8	0.3	-5.0	1.4	4.7	7.1	3.0
Motor Vehicles	bcw\$	352.3	343.0	342.0	338.9	328.2	341.9	370.9	421.0	436.4
Change	%AR	75.2	-10.1	-1.1	-3.6	-5.5	4.2	8.5	13.5	3.7
Nondurables	bcw\$	2,030.8	2,027.6	2,025.8	2,030.3	2,029.9	2,037.4	2,092.2	2,160.3	2,216.8
Change	%AR	1.0	-0.6	-0.4	0.9	-1.3	0.4	2.7	3.3	2.6
Services	bcw\$	6,098.6	6,098.8	6,101.0	6,112.8	6,088.1	6,125.6	6,300.7	6,602.3	6,876.6
Change	%AR	1.3	0.0	0.1	0.8	0.1	0.6	2.9	4.8	4.2
<b>Investment</b>										
<b>Fixed Investment</b>	bcw\$	1,617.5	1,611.2	1,613.8	1,630.8	1,637.0	1,645.9	1,797.1	2,005.2	2,103.0
Change	%AR	-3.5	-1.6	0.6	4.3	-18.9	0.5	9.2	11.6	4.9
Nonresidential	bcw\$	1,263.9	1,254.6	1,252.1	1,256.3	1,282.0	1,263.7	1,340.1	1,444.5	1,503.2
Change	%AR	-7.4	-2.9	-0.8	1.4	-18.3	-1.4	6.0	7.8	4.1
Structures	bcw\$	379.0	363.3	355.0	353.4	390.4	355.5	384.9	435.0	473.2
Change	%AR	-19.4	-15.6	-8.8	-1.8	-19.8	-8.9	8.3	13.0	8.8
Equipment	bcw\$	873.0	879.4	851.0	890.9	879.1	896.3	943.3	997.6	1,018.1
Change	%AR	-1.6	3.0	2.6	2.7	-17.7	2.0	5.2	5.8	2.1
Residential	bcw\$	354.5	357.4	362.5	375.3	356.0	383.0	457.8	561.5	600.6
Change	%AR	12.2	3.4	5.8	14.9	-21.1	7.6	19.5	22.7	7.0
Single-Family	bcw\$	111.3	117.5	122.5	130.3	109.5	134.5	181.7	266.8	290.8
Change	%AR	78.3	24.2	18.1	28.0	-39.1	22.8	35.1	46.9	9.0
Multifamily	bcw\$	25.0	23.8	24.6	26.2	27.1	26.8	33.0	39.3	42.0
Change	%AR	-36.8	-19.2	14.7	28.5	-25.6	-1.2	23.2	19.1	7.0
Other	bcw\$	207.6	205.6	204.8	208.1	208.9	211.0	232.2	244.2	256.4
Change	%AR	-3.6	-3.8	-1.5	6.7	-7.1	1.0	10.0	5.2	5.0
<b>Inventory Change</b>	bcw\$	-97.1	-14.6	8.2	18.0	-96.5	18.9	31.1	23.9	12.3
Nonfarm	bcw\$	-99.3	-16.8	6.0	15.8	-98.5	16.7	28.9	21.7	10.1
Farm	bcw\$	2.2	2.2	2.2	2.2	1.7	2.2	2.2	2.2	2.2
<b>Trade</b>										
<b>Net Exports</b>	bcw\$	-330.7	-336.7	-339.4	-340.3	-346.1	-336.2	-302.4	-276.1	-284.2
Exports	bcw\$	1,419.3	1,425.7	1,441.5	1,462.5	1,424.8	1,476.9	1,628.1	1,835.2	2,005.1
Change	%AR	-0.1	1.8	4.5	6.0	-12.6	3.7	10.2	12.7	9.3
Merchandise	bcw\$	941.6	948.9	959.5	971.7	946.8	980.2	1,084.3	1,245.1	1,385.8
Change	%AR	0.4	3.1	4.6	5.2	-16.0	3.5	10.6	14.8	11.3
Services	bcw\$	476.3	475.5	480.5	489.4	476.6	495.3	542.4	588.7	617.9
Change	%AR	-0.9	-0.7	4.3	7.6	-5.0	3.9	9.5	8.5	5.0
Imports	bcw\$	1,749.9	1,762.3	1,780.7	1,802.8	1,770.8	1,813.0	1,930.4	2,111.2	2,289.2
Change	%AR	0.0	2.9	4.2	5.0	-16.6	2.4	6.5	9.4	8.4
Merchandise	bcw\$	1,406.7	1,414.7	1,428.7	1,446.5	1,426.3	1,454.5	1,552.5	1,710.2	1,864.7
Change	%AR	-0.8	2.3	4.0	5.1	-19.3	2.0	6.7	10.2	9.0
Services	bcw\$	342.3	346.8	351.2	355.3	343.7	357.6	377.1	400.1	423.6
Change	%AR	3.4	5.3	5.2	4.8	-3.6	4.1	5.4	6.1	5.9
<b>Government</b>										
<b>Expenditures and Investment</b>	bcw\$	2,580.4	2,599.2	2,611.2	2,627.0	2,568.9	2,629.9	2,662.1	2,705.2	2,773.2
Change	%AR	1.9	2.9	1.9	2.4	2.0	2.4	1.2	1.6	2.5
Federal Defense	bcw\$	697.1	701.5	703.5	706.8	691.7	707.4	716.4	726.7	740.2
Change	%AR	1.1	2.6	1.1	1.9	4.9	2.3	1.3	1.4	1.9
Federal Nondefense	bcw\$	330.6	333.5	336.3	340.5	328.9	342.1	356.2	369.9	383.5
Change	%AR	2.9	3.6	3.4	5.1	4.0	4.0	4.1	3.8	3.7
State & Local	bcw\$	1,555.5	1,567.0	1,574.2	1,582.5	1,550.9	1,583.3	1,592.3	1,611.4	1,652.2
Change	%AR	2.0	3.0	1.9	2.1	0.5	2.1	0.6	1.2	2.5
<b>Government Balance</b>										
NIPA Basis	b\$	-1,314.2	-1,338.7	-1,385.1	-1,420.1	-1,229.1	-1,437.4	-1,566.5	-1,687.3	-1,728.7
Unified Budget	b\$	-546.4	-458.5	-549.4	-61.8	-1,632.6	-1,363.3	-860.0	-661.4	-517.9

Units: bcw = billions of chain-weighted 2005 dollars; b05\$ = billions of 2005 dollars; tri05\$ = trillions of 2005 dollars

Units: ths = thousands; m = millions; b = billions; tr = trillions; % = percent change; %YA = percent change year ago; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate

# FORECAST DETAIL

## Consumers

	Units	08Q3	08Q4	09Q1	09Q2	2004	2005	2006	2007	2008
<b>Household Sector</b>										
Median Household Income	\$	51,846	52,022	52,071	52,402	44,334	46,326	48,201	50,233	51,703
Change	%YA	2.6	2.2	1.7	1.3	2.3	4.5	4.0	4.2	2.9
Personal Income, SAAR	tri05\$	11.1	11.2	11.0	11.0	10.2	10.5	11.0	11.3	11.2
Change	%YA	-1.4	-0.6	-2.0	-2.4	3.3	2.5	4.6	2.8	-0.4
Disposable Income, SAAR	tri05\$	9.8	9.9	9.9	10.0	9.2	9.3	9.7	9.9	9.9
Change	%YA	-0.5	0.3	1.0	-0.4	3.4	1.3	4.0	2.2	0.5
Dividends	b\$	673.7	665.2	602.1	532.3	548.3	555.0	702.2	765.1	686.5
Change	%YA	-12.3	-11.0	-15.9	-22.9	29.6	1.2	26.5	9.0	-10.3
Interest	b\$	1,327.8	1,292.9	1,243.4	1,241.1	860.2	987.0	1,127.5	1,266.4	1,308.0
Change	%YA	2.3	-2.3	-4.7	-5.0	-3.3	14.7	14.2	12.3	3.3
Rent	b\$	222.2	236.7	245.9	262.0	198.4	178.2	146.5	144.9	210.4
Change	%YA	47.9	40.9	36.7	29.2	-2.8	-10.2	-17.8	-1.1	45.2
Personal Saving Rate	%	2.2	3.8	3.7	4.9	3.4	1.4	2.4	1.7	2.7
Household Financial Assets	tri\$	45.8	42.0	39.8	42.3	39.2	43.3	48.0	50.7	42.0
Change	%YA	-9.5	-17.2	-20.5	-12.7	11.1	10.3	11.0	5.6	-17.2
Consumer Confidence	1985=100	57.3	40.7	29.9	48.3	96.1	100.3	105.9	103.3	57.9
<b>Consumer Spending, SAAR</b>										
Retail Sales & Food Services	b\$	4,447.2	4,156.7	4,098.7	4,084.5	3,833.1	4,078.2	4,294.5	4,435.8	4,403.9
Change	%YA	0.3	-8.0	-8.9	-9.5	6.1	6.4	5.3	3.3	-0.7
Retail Sales & Food Services less Autos	b\$	3,686.5	3,466.1	3,419.9	3,409.2	2,970.7	3,193.2	3,394.6	3,527.9	3,616.4
Change	%YA	4.6	-3.8	-5.6	-7.6	7.1	7.5	6.3	3.9	2.5
Building Materials, Garden Equip., & Supply	b\$	325.8	307.5	295.1	290.1	297.3	326.8	345.4	335.4	322.4
Change	%YA	-1.9	-6.9	-9.7	-12.0	12.3	10.0	5.7	-2.9	-3.9
General Merchandise	b\$	601.4	593.9	598.1	589.7	495.5	525.3	552.5	577.4	597.1
Change	%YA	4.1	1.3	1.2	-2.1	5.7	6.0	5.2	4.5	3.4
Food & Beverage Stores	b\$	594.4	588.5	586.3	588.0	493.6	514.9	534.3	560.1	587.2
Change	%YA	5.9	2.8	1.4	0.1	3.4	4.3	3.8	4.8	4.8
Clothing & Clothing Accessories	b\$	219.0	206.2	210.9	206.4	189.2	200.6	213.1	221.7	217.8
Change	%YA	-1.0	-7.5	-5.3	-7.6	6.0	6.0	6.2	4.0	-1.7
Food Services & Drinking Places	b\$	456.3	453.2	459.3	458.8	371.0	393.2	418.2	438.1	452.2
Change	%YA	3.5	1.7	3.0	1.2	6.0	6.0	6.4	4.8	3.2
Vehicle Sales, SAAR	m	12.9	10.5	9.5	9.6	16.9	16.9	16.5	16.1	13.2
Car Sales	m	6.7	5.4	4.8	4.9	7.5	7.7	7.8	7.6	6.8
Light Truck Sales	m	6.2	5.1	4.7	4.7	9.3	9.2	8.7	8.5	6.4
<b>Household Financial Obligations</b>										
Total Financial Obligations Ratio	%	18.5	18.5	18.4	18.0	17.9	18.4	18.5	18.7	18.5
Homeowners	%	17.2	17.2	17.0	16.6	16.3	17.0	17.2	17.4	17.2
Renters	%	25.0	25.1	25.2	24.8	25.7	25.3	25.1	25.1	24.9
<b>Consumer Credit Outstanding</b>										
Total	tri\$	2.58	2.56	2.54	2.49	2.19	2.29	2.38	2.52	2.56
Change	%YA	3.5	1.6	-0.5	-3.1	5.6	4.5	4.1	5.6	1.6
Revolving	tri\$	0.98	0.96	0.93	0.91	0.80	0.83	0.87	0.94	0.96
Change	%YA	5.9	1.9	-2.2	-5.7	4.1	3.8	5.0	7.8	1.9
Nonrevolving	tri\$	1.60	1.60	1.60	1.58	1.39	1.46	1.51	1.58	1.60
Change	%YA	2.1	1.4	0.5	-1.6	6.4	4.9	3.6	4.4	1.4

Units: bcw = billions of chain-weighted 2005 dollars; b05\$ = billions of 2005 dollars; tri05\$ = trillions of 2005 dollars

Units: ths = thousands; m = millions; b = billions; tri = trillions; % = percent change; %YA = percent change year ago; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate

# FORECAST DETAIL

## Consumers

Full forecast detail can be found under the Précis Macro publication at [www.myeconomy.com](http://www.myeconomy.com)

	Units	09Q3	09Q4	10Q1	10Q2	2009	2010	2011	2012	2013
<b>Household Sector</b>										
<b>Median Household Income</b>	\$	52,557	52,732	52,922	53,159	52,440	53,322	54,807	56,560	58,207
<i>Change</i>	%YA	1.4	1.4	1.6	1.4	1.4	1.7	2.8	3.2	2.9
<b>Personal Income, SAAR</b>	tri05\$	11.0	10.9	11.0	11.0	11.0	11.0	11.4	11.9	12.4
<i>Change</i>	%YA	-1.6	-2.6	-0.6	-0.1	-2.2	0.5	3.3	4.3	3.8
<b>Disposable Income, SAAR</b>	tri05\$	9.9	9.9	9.9	9.9	9.9	10.0	10.3	10.8	11.2
<i>Change</i>	%YA	0.8	-0.6	-0.5	-1.1	0.2	0.3	3.7	4.4	3.5
<b>Dividends</b>	b\$	500.2	498.4	499.8	502.0	533.3	503.9	521.5	555.7	597.1
<i>Change</i>	%YA	-25.8	-25.1	-17.0	-5.7	-22.3	-5.5	3.5	6.5	7.5
<b>Interest</b>	b\$	1,240.1	1,241.7	1,248.3	1,258.3	1,241.6	1,270.0	1,363.0	1,495.2	1,620.1
<i>Change</i>	%YA	-6.6	-4.0	0.4	1.4	-5.1	2.3	7.3	9.7	8.4
<b>Rent</b>	b\$	280.0	279.0	279.4	279.7	266.7	279.9	281.2	282.4	283.7
<i>Change</i>	%YA	26.0	17.9	13.6	6.8	26.8	4.9	0.5	0.4	0.4
<b>Personal Saving Rate</b>	%	3.3	3.3	3.5	4.0	3.8	4.2	5.3	5.3	5.4
<b>Household Financial Assets</b>	tri\$	44.3	44.3	45.7	46.7	44.3	48.9	53.1	56.9	58.7
<i>Change</i>	%YA	-3.4	5.6	14.9	10.3	5.6	10.3	8.6	7.3	3.0
<b>Consumer Confidence</b>	1985=100	51.7	60.3	68.4	77.5	47.5	78.4	90.9	91.0	90.5
<b>Consumer Spending, SAAR</b>										
<b>Retail Sales &amp; Food Services</b>	b\$	4,197.3	4,158.3	4,180.1	4,207.0	4,134.7	4,253.2	4,539.3	4,875.6	5,118.8
<i>Change</i>	%YA	-5.6	0.0	2.0	3.0	-6.1	2.9	6.7	7.4	5.0
<b>Retail Sales &amp; Food Services less Autos</b>	b\$	3,444.0	3,437.1	3,451.0	3,462.3	3,427.6	3,485.5	3,664.1	3,891.9	4,072.0
<i>Change</i>	%YA	-6.6	-0.8	0.9	1.6	-5.2	1.7	5.1	6.2	4.6
<b>Building Materials, Garden Equip., &amp; Supply</b>	b\$	289.1	295.2	295.0	298.9	292.4	301.2	322.9	348.8	368.2
<i>Change</i>	%YA	-11.3	-4.0	-0.0	3.0	-9.3	3.0	7.2	8.0	5.6
<b>General Merchandise</b>	b\$	593.4	588.8	585.3	584.0	592.5	586.7	609.6	645.2	673.4
<i>Change</i>	%YA	-1.3	-0.9	-2.1	-1.0	-0.8	-1.0	3.9	5.8	4.4
<b>Food &amp; Beverage Stores</b>	b\$	592.8	595.3	592.4	593.5	590.6	596.7	624.6	660.6	686.6
<i>Change</i>	%YA	-0.3	1.2	1.0	0.9	0.6	1.0	4.7	5.8	3.9
<b>Clothing &amp; Clothing Accessories</b>	b\$	208.8	201.5	207.1	205.6	206.9	206.5	214.7	227.7	236.9
<i>Change</i>	%YA	-4.7	-2.3	-1.8	-0.4	-5.0	-0.2	4.0	6.1	4.0
<b>Food Services &amp; Drinking Places</b>	b\$	458.4	457.2	468.6	472.4	458.4	474.7	503.7	545.4	581.2
<i>Change</i>	%YA	0.5	0.9	2.0	3.0	1.4	3.6	6.1	8.3	6.6
<b>Vehicle Sales, SAAR</b>	m	11.5	10.5	10.6	11.0	10.3	11.5	13.9	16.1	16.9
Car Sales	m	5.3	4.9	4.9	5.1	5.0	5.3	6.5	7.5	7.8
Light Truck Sales	m	6.2	5.6	5.7	5.9	5.3	6.1	7.5	8.6	9.0
<b>Household Financial Obligations</b>										
<b>Total Financial Obligations Ratio</b>	%	17.9	18.0	18.1	18.1	18.1	18.1	18.4	18.7	18.9
Homeowners	%	16.5	16.6	16.7	16.8	16.7	16.8	17.2	17.5	17.7
Renters	%	24.5	24.6	24.7	24.6	24.8	24.6	24.6	25.0	25.6
<b>Consumer Credit Outstanding</b>										
<b>Total</b>	tri\$	2.47	2.46	2.45	2.46	2.46	2.51	2.67	2.91	3.07
<i>Change</i>	%YA	-4.1	-3.9	-3.2	-1.4	-3.9	2.0	6.6	8.9	5.4
Revolving	tri\$	0.90	0.88	0.87	0.87	0.88	0.91	1.01	1.15	1.22
<i>Change</i>	%YA	-8.2	-8.2	-6.8	-4.6	-8.2	3.0	11.8	13.5	5.7
Nonrevolving	tri\$	1.58	1.58	1.58	1.59	1.58	1.60	1.66	1.76	1.86
<i>Change</i>	%YA	-1.7	-1.3	-1.1	0.4	-1.3	1.4	3.7	6.1	5.3

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# FORECAST DETAIL

## Money Markets

	Units	08Q3	08Q4	09Q1	09Q2	2004	2005	2006	2007	2008
<b>Monetary Aggregates</b>										
M1	tri\$	1.45	1.60	1.56	1.65	1.38	1.37	1.37	1.37	1.60
Change	%AR	17.6	45.9	-7.8	24.1	5.3	-0.2	-0.6	0.5	16.2
M2	tri\$	7.81	8.15	8.34	8.37	6.41	6.67	7.03	7.44	8.15
Change	%AR	6.8	18.9	9.2	1.7	5.6	4.1	5.4	5.8	9.6
<b>Money Market Rates</b>										
Federal Funds	%	1.94	0.51	0.18	0.18	1.35	3.21	4.96	5.02	1.93
Prime Rate	%	5.00	4.06	3.25	3.25	4.34	6.19	7.96	8.05	5.09
Discount Rate	%	2.25	1.31	0.50	0.50	2.34	4.19	5.96	5.86	2.39
91-day CD	%	3.06	2.82	1.08	0.62	1.56	3.51	5.15	5.27	2.97
91-day CP	%	2.13	1.50	0.39	0.26	1.49	3.36	4.98	4.99	2.12
91-day Eurodollar	%	3.32	3.63	1.67	1.31	1.55	3.50	5.19	5.32	3.30
91-day Libor	%	2.91	2.72	1.24	0.85	1.62	3.56	5.19	5.30	2.91
<b>Mortgage Rates</b>										
<b>Primary Market (FHLMC)</b>										
Fixed: U.S.	%	6.31	5.87	5.06	5.03	5.84	5.86	6.42	6.33	6.04
Northeast	%	6.35	5.92	5.04	5.07	5.84	5.89	6.45	6.37	6.09
Midwest	%	6.34	5.88	5.08	5.07	5.93	5.95	6.49	6.37	6.07
Southeast	%	6.29	5.85	5.09	5.01	5.79	5.80	6.36	6.28	6.01
Southwest	%	6.35	5.87	5.10	5.04	5.84	5.86	6.40	6.33	6.05
West	%	6.29	5.85	5.03	5.00	5.82	5.82	6.39	6.31	6.01
Adjustable: U.S.	%	5.21	5.16	4.87	4.85	3.89	4.48	5.54	5.56	5.18
Northeast	%	5.06	4.94	4.54	4.48	3.88	4.40	5.48	5.63	5.12
Midwest	%	5.32	5.48	4.93	4.99	4.08	4.69	5.55	5.61	5.28
Southeast	%	5.34	5.29	5.12	5.08	3.80	4.41	5.54	5.57	5.25
Southwest	%	5.54	5.45	5.19	5.06	3.89	4.57	5.59	5.59	5.34
West	%	5.09	4.95	4.82	4.84	3.83	4.46	5.55	5.47	5.06
FHFB Composite Rate	%	6.39	6.02	5.15	5.02	5.74	5.91	6.58	6.50	6.14
Fixed	%	6.43	6.02	5.14	5.03	6.01	6.08	6.65	6.52	6.17
Adjustable	%	5.91	5.76	5.43	5.05	5.20	5.54	6.37	6.33	5.76
<b>Adjustable Rates</b>										
11th District Cost of Funds	%	2.72	3.01	2.03	1.60	1.87	2.74	4.02	4.28	3.07
National Cost of Funds	%	3.02	2.90	2.69	2.48	2.14	3.44	3.45	3.78	3.18
National Contract Rate	%	6.35	5.95	5.07	4.95	5.67	5.86	6.53	6.46	6.08
<b>Mortgages, Secondary Market</b>										
Current Coupon GNMA	%	5.51	5.46	4.73	4.35	5.19	5.13	5.70	5.71	5.38
<b>FNMA Commitment:</b>										
Conventional	%	6.06	5.44	4.51	4.71	5.59	5.71	6.31	6.24	5.79
FHA/VA	%	6.24	6.40	5.82	5.69	5.68	5.76	6.35	6.29	6.10
Second	%	5.20	4.59	3.71	3.58	5.27	5.31	6.12	5.99	4.95
<b>Mortgage Spreads</b>										
FHLMC Fixed - 10-yr Treasury	DIFF	2.45	2.62	2.33	1.72	1.57	1.57	1.62	1.70	2.37
FHLMC ARM - 1-yr Treasury	DIFF	3.09	4.16	4.31	4.33	2.01	0.87	0.60	1.04	3.35
FHLMC Fixed - ARM	DIFF	1.10	0.72	0.19	0.19	1.95	1.38	0.88	0.77	0.86
GNMA - 10-yr Treasury	DIFF	1.65	2.21	1.99	1.04	0.92	0.84	0.91	1.08	1.71
11thD COF - Fed Funds	DIFF	0.78	2.51	1.85	1.42	0.52	-0.47	-0.94	-0.74	1.14
11thD COF - 1-yr Treasury	DIFF	0.60	2.02	1.46	1.08	-0.02	-0.88	-0.91	-0.24	1.25

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Units: ths = thousands; m = millions; b = billions; tri = trillions; % = percent change; %YA = percent change year ago; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate

# FORECAST DETAIL

## Money Markets

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	Units	09Q3	09Q4	10Q1	10Q2	2009	2010	2011	2012	2013
<b>Monetary Aggregates</b>										
M1	tri\$	1.66	1.65	1.63	1.63	1.65	1.62	1.66	1.71	1.79
Change	%AR	1.4	-0.9	-4.6	-1.8	3.5	-1.6	2.2	3.2	4.3
M2	tri\$	8.43	8.48	8.50	8.54	8.48	8.65	8.94	9.24	9.63
Change	%AR	3.1	2.2	1.1	1.5	4.0	2.0	3.3	3.4	4.2
<b>Money Market Rates</b>										
Federal Funds	%	0.21	0.18	0.20	0.22	0.19	0.35	2.15	4.01	4.50
Prime Rate	%	3.21	3.18	3.20	3.22	3.22	3.35	5.15	7.01	7.50
Discount Rate	%	0.51	0.64	0.91	1.18	0.54	1.25	3.11	4.97	5.45
91-day CD	%	0.65	0.26	0.18	0.91	0.65	1.07	4.03	6.89	7.58
91-day CP	%	0.31	0.29	0.36	0.67	0.31	0.81	3.10	5.39	5.98
91-day Eurodollar	%	1.19	1.10	0.95	1.17	1.32	1.25	3.08	5.06	5.56
91-day Libor	%	0.42	0.38	0.41	0.48	0.72	0.56	2.20	3.97	4.44
<b>Mortgage Rates</b>										
<b>Primary Market (FHLMC)</b>										
Fixed: U.S.	%	5.17	5.45	5.68	5.96	5.18	6.13	6.95	7.20	6.68
Northeast	%	5.20	5.48	5.73	6.02	5.20	6.19	7.03	7.28	6.76
Midwest	%	5.23	5.51	5.74	6.02	5.22	6.19	7.01	7.26	6.74
Southeast	%	5.13	5.41	5.65	5.93	5.16	6.10	6.93	7.18	6.66
Southwest	%	5.18	5.46	5.69	5.97	5.19	6.14	6.96	7.20	6.69
West	%	5.13	5.42	5.65	5.92	5.15	6.09	6.91	7.17	6.65
Adjustable: U.S.	%	4.71	4.61	4.57	4.51	4.76	4.47	5.56	6.65	6.47
Northeast	%	4.31	4.22	4.19	4.14	4.39	4.10	5.13	6.13	5.97
Midwest	%	4.78	4.69	4.65	4.59	4.85	4.54	5.53	6.55	6.39
Southeast	%	5.03	4.92	4.86	4.82	5.04	4.78	5.92	7.04	6.86
Southwest	%	5.03	4.90	4.83	4.80	5.04	4.76	5.92	7.06	6.88
West	%	4.66	4.56	4.52	4.45	4.72	4.40	5.56	6.73	6.54
FHFB Composite Rate	%	5.16	5.36	5.58	5.76	5.17	5.94	6.68	6.94	6.64
Fixed	%	5.31	5.75	6.03	6.21	5.31	6.38	7.11	7.25	6.79
Adjustable	%	5.06	5.03	5.05	5.02	5.14	4.98	5.99	7.02	7.21
<b>Adjustable Rates</b>										
11th District Cost of Funds	%	1.60	1.60	1.60	1.60	1.71	1.60	1.65	1.71	1.72
National Cost of Funds	%	2.48	2.48	2.48	2.48	2.53	2.48	2.53	2.57	2.59
National Contract Rate	%	4.93	4.86	4.83	4.79	4.95	4.76	5.41	6.06	5.95
<b>Mortgages, Secondary Market</b>										
Current Coupon GNMA	%	4.45	4.74	4.97	5.25	4.57	5.43	6.27	6.54	5.99
<b>FNMA Commitment:</b>										
Conventional	%	4.87	5.21	5.48	5.81	4.83	6.00	6.93	7.22	6.62
FHA/VA	%	5.53	5.83	6.07	6.39	5.72	6.60	7.58	7.88	7.27
Second	%	3.89	4.31	4.60	4.94	3.87	5.18	6.31	6.71	5.93
<b>Mortgage Spreads</b>										
FHLMC Fixed - 10-yr Treasury	DIFF	1.44	1.49	1.45	1.59	1.74	1.57	1.53	1.35	1.54
FHLMC ARM - 1-yr Treasury	DIFF	4.17	4.02	3.70	3.51	4.21	3.38	2.81	2.05	1.28
FHLMC Fixed - ARM	DIFF	0.45	0.84	1.11	1.45	0.42	1.66	1.39	0.55	0.21
GNMA - 10-yr Treasury	DIFF	0.72	0.78	0.74	0.88	1.14	0.87	0.85	0.69	0.85
11thD COF - Fed Funds	DIFF	1.39	1.41	1.39	1.37	1.52	1.25	-0.50	-2.30	-2.78
11thD COF - 1-yr Treasury	DIFF	1.06	1.02	0.73	0.59	1.15	0.51	-1.10	-2.89	-3.47

Units: bcw = billions of chain-weighted 2005 dollars; b05\$ = billions of 2005 dollars; tri05\$ = trillions of 2005 dollars

Units: ths = thousands; m = millions; b = billions; tri = trillions; % = percent change; %YA = percent change year ago; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate

# FORECAST DETAIL

## Financial Markets

	Units	08Q3	08Q4	09Q1	09Q2	2004	2005	2006	2007	2008
<b>Treasury Bill Rates</b>										
91-day T-Bill	%	1.49	0.30	0.21	0.17	1.37	3.15	4.73	4.35	1.37
182-day T-Bill	%	1.82	0.73	0.39	0.32	1.57	3.39	4.80	4.43	1.62
365-day T-Bill	%	2.12	0.99	0.57	0.52	1.89	3.62	4.93	4.52	1.82
<b>Treasury Bill Spreads</b>										
91-day - Fed Funds	DIFF	-0.45	-0.21	0.03	-0.01	0.02	-0.07	-0.24	-0.67	-0.56
T-Bill: 182-day - 91-day	DIFF	0.33	0.43	0.18	0.15	0.20	0.25	0.08	0.08	0.25
T-Bill: 365-day - 182-day	DIFF	0.30	0.26	0.18	0.20	0.31	0.23	0.13	0.09	0.20
<b>Treasury Yield Curve</b>										
91-day T-Bill, EBY	%	1.52	0.30	0.22	0.18	1.40	3.22	4.85	4.46	1.39
182-day T-Bill, EBY	%	1.86	0.74	0.40	0.32	1.61	3.50	4.99	4.59	1.66
365-day T-Bill, EBY	%	3.61	2.39	1.37	1.31	1.80	3.73	5.25	4.86	3.14
Treasury: 1-yr	%	2.12	0.99	0.57	0.52	1.89	3.62	4.93	4.52	1.82
Treasury: 2-yr	%	2.36	1.21	0.91	1.01	2.38	3.85	4.82	4.36	2.00
Treasury: 3-yr	%	2.63	1.48	1.27	1.49	2.78	3.92	4.77	4.34	2.24
Treasury: 5-yr	%	3.11	2.18	1.76	2.23	3.43	4.05	4.74	4.43	2.80
Treasury: 7-yr	%	3.44	2.63	2.23	2.88	3.87	4.15	4.76	4.50	3.17
Treasury: 10-yr	%	3.86	3.25	2.74	3.31	4.27	4.29	4.79	4.63	3.67
Treasury: 30-yr	%	4.45	3.68	3.45	4.17	5.21	5.17	5.00	4.83	4.28
<b>Corporate Rates</b>										
Corporate: Aaa	%	5.65	5.83	5.27	5.51	5.63	5.23	5.59	5.56	5.63
Corporate: Aa	%	6.03	6.45	5.99	6.18	5.91	5.38	5.79	5.90	6.09
Corporate: A	%	6.49	7.33	6.53	6.59	6.08	5.60	6.06	6.09	6.59
Corporate: Baa	%	7.21	8.85	8.22	7.98	6.39	6.06	6.48	6.48	7.45
Utility: Aa	%	6.12	6.58	6.09	6.19	6.04	5.44	5.84	5.94	6.19
Utility: A	%	6.42	7.24	6.37	6.39	6.16	5.65	6.07	6.07	6.53
Utility: Baa	%	7.03	8.57	7.88	7.69	6.40	5.92	6.32	6.33	7.25
<b>Corporate Spreads</b>										
Aa Corp. - 10-yr Treasury	DIFF	2.17	3.20	3.25	2.86	1.64	1.09	1.00	1.27	2.43
Baa Corp. - 10-yr Treasury	DIFF	3.34	5.60	5.48	4.67	2.12	1.77	1.69	1.85	3.78
Corp.: Baa - Aa	DIFF	1.18	2.40	2.23	1.81	0.48	0.69	0.69	0.58	1.35
Aa Utility - 10-yr Treasury	DIFF	2.26	3.33	3.35	2.87	1.77	1.15	1.04	1.31	2.52
Baa Utility - 10-yr Treasury	DIFF	3.17	5.31	5.14	4.38	2.12	1.63	1.53	1.70	3.58
Utility: Baa - Aa	DIFF	0.91	1.99	1.79	1.51	0.35	0.48	0.48	0.39	1.06
<b>Stock Market</b>										
S&P 500	1941=10	1,251.9	909.8	809.3	892.2	1,130.6	1,207.1	1,310.7	1,476.7	1,220.9
Change	%YA	-16.0	-39.1	-40.1	-35.0	17.3	6.8	8.6	12.7	-17.3
Dividend Yield	%	2.3	3.0	3.2	2.5	1.7	1.8	1.9	1.9	2.4
Price/Earnings Ratio	ratio	22.7	19.3	32.1	106.7	22.7	19.8	18.1	18.0	20.6
<b>Exchange Rates</b>										
Japanese Yen	¥/\$	107.6	96.1	93.6	97.4	108.2	110.1	116.3	117.8	103.4
Euro	\$/€	1.50	1.32	1.30	1.36	1.24	1.24	1.26	1.37	1.47
Canadian Dollar	C\$/US\$	1.04	1.21	1.24	1.17	1.30	1.21	1.13	1.07	1.07
<b>International Sector</b>										
FRB 10-Country Index (Nominal)	Jan97=100	97.9	108.4	111.1	107.1	113.6	110.7	108.5	103.4	99.8
Change	%YA	-4.7	9.3	14.2	11.8	-4.6	-2.6	-2.0	-4.7	-3.4
Current Account	b\$	-736.7	-619.5	-417.8	-395.2	-631.1	-748.7	-803.5	-726.6	-706.1
Merchandise Trade	b\$	-884.4	-715.3	-496.1	-461.9	-671.8	-790.9	-847.3	-831.0	-840.3

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# FORECAST DETAIL

## Financial Markets

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	Units	09Q3	09Q4	10Q1	10Q2	2009	2010	2011	2012	2013
<b>Treasury Bill Rates</b>										
91-day T-Bill	%	0.23	0.26	0.30	0.35	0.22	0.45	2.08	3.79	4.27
182-day T-Bill	%	0.35	0.38	0.66	0.74	0.36	0.82	2.38	4.11	4.63
365-day T-Bill	%	0.55	0.58	0.87	1.00	0.55	1.09	2.75	4.60	5.19
<b>Treasury Bill Spreads</b>										
91-day - Fed Funds	DIFF	0.02	0.07	0.09	0.12	0.03	0.09	-0.07	-0.22	-0.23
T-Bill: 182-day - 91-day	DIFF	0.12	0.12	0.36	0.39	0.14	0.37	0.31	0.32	0.36
T-Bill: 365-day - 182-day	DIFF	0.20	0.21	0.20	0.27	0.20	0.27	0.37	0.48	0.56
<b>Treasury Yield Curve</b>										
91-day T-Bill, EBY	%	0.22	0.27	0.64	0.69	0.22	0.79	2.52	4.34	4.85
182-day T-Bill, EBY	%	0.36	0.39	0.71	0.80	0.37	0.89	2.63	4.56	5.14
365-day T-Bill, EBY	%	1.21	1.24	2.17	2.70	1.28	3.08	5.85	7.12	7.67
Treasury: 1-yr	%	0.55	0.58	0.87	1.00	0.55	1.09	2.75	4.60	5.19
Treasury: 2-yr	%	1.15	1.23	1.80	2.11	1.08	2.18	3.47	4.88	5.42
Treasury: 3-yr	%	1.74	1.85	1.95	2.23	1.59	2.30	3.38	4.59	4.78
Treasury: 5-yr	%	2.57	2.66	2.51	2.75	2.31	2.83	3.67	4.63	4.37
Treasury: 7-yr	%	3.26	3.47	3.38	3.56	2.96	3.69	4.51	5.19	4.70
Treasury: 10-yr	%	3.72	3.96	4.23	4.37	3.43	4.56	5.42	5.85	5.15
Treasury: 30-yr	%	4.56	4.81	5.07	5.21	4.25	5.38	6.18	6.55	5.92
<b>Corporate Rates</b>										
Corporate: Aaa	%	5.27	5.53	5.71	5.78	5.40	5.87	6.39	6.70	6.07
Corporate: Aa	%	5.46	5.73	5.92	5.99	5.84	6.07	6.56	6.84	6.21
Corporate: A	%	5.82	6.09	6.29	6.38	6.26	6.46	6.92	7.13	6.49
Corporate: Baa	%	6.67	6.88	6.63	6.40	7.44	6.48	6.68	7.01	6.41
Utility: Aa	%	5.38	5.59	5.74	5.80	5.81	5.87	6.27	6.49	5.98
Utility: A	%	5.74	6.03	6.25	6.34	6.14	6.42	6.91	7.14	6.46
Utility: Baa	%	6.46	6.76	6.98	7.06	7.20	7.15	7.66	7.88	7.15
<b>Corporate Spreads</b>										
Aa Corp. - 10-yr Treasury	DIFF	1.74	1.77	1.69	1.62	2.41	1.51	1.14	0.99	1.06
Baa Corp. - 10-yr Treasury	DIFF	2.94	2.92	2.40	2.03	4.00	1.91	1.26	1.16	1.26
Corp.: Baa - Aa	DIFF	1.20	1.15	0.72	0.41	1.60	0.40	0.11	0.17	0.20
Aa Utility - 10-yr Treasury	DIFF	1.65	1.63	1.51	1.43	2.38	1.31	0.85	0.64	0.84
Baa Utility - 10-yr Treasury	DIFF	2.73	2.80	2.75	2.69	3.76	2.59	2.24	2.03	2.01
Utility: Baa - Aa	DIFF	1.08	1.17	1.23	1.26	1.39	1.28	1.39	1.39	1.17
<b>Stock Market</b>										
S&P 500	1941=10	996.6	1,006.8	1,078.7	1,150.4	926.2	1,151.4	1,238.7	1,304.0	1,380.5
Change	%YA	-20.4	10.7	33.3	28.9	-24.1	24.3	7.6	5.3	5.9
Dividend Yield	%	2.5	2.2	2.1	1.9	2.6	1.9	1.9	2.1	2.1
Price/Earnings Ratio	ratio	111.8	94.0	74.8	56.5	86.1	52.4	22.5	17.1	16.1
<b>Exchange Rates</b>										
Japanese Yen	¥/\$	98.3	101.2	102.4	102.7	97.6	102.4	102.8	100.3	99.0
Euro	\$/€	1.44	1.46	1.49	1.52	1.39	1.53	1.55	1.48	1.47
Canadian Dollar	C\$/US\$	1.10	1.09	1.06	1.05	1.15	1.04	1.01	0.99	0.98
<b>International Sector</b>										
FRB 10-Country Index (Nominal)	Jan97=100	103.7	101.6	101.1	100.7	105.9	100.5	100.7	103.3	103.6
Change	%YA	5.9	-6.3	-9.0	-5.9	6.0	-5.1	0.2	2.6	0.3
Current Account	b\$	-454.1	-486.3	-519.5	-521.9	-438.3	-537.7	-542.4	-518.0	-523.2
Merchandise Trade	b\$	-512.9	-541.7	-576.3	-586.1	-503.2	-606.2	-651.9	-667.9	-687.6

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# FORECAST DETAIL

## Demographics and Labor Markets

	Units	08Q3	08Q4	09Q1	09Q2	2004	2005	2006	2007	2008
<b>Labor Markets</b>										
<b>Total Nonfarm Employment, U.S.</b>	m	137.0	136.7	133.7	132.1	131.4	133.7	136.1	137.6	137.0
Change	%YA	-0.4	-1.6	-3.1	-3.9	1.1	1.7	1.8	1.1	-0.4
Natural Resources and Mining	m	0.8	0.8	0.8	0.7	0.6	0.6	0.7	0.7	0.8
Change	%YA	8.2	7.6	2.3	-4.2	3.2	6.2	9.1	5.8	6.8
Construction	m	7.2	6.9	6.6	6.3	7.0	7.3	7.7	7.6	7.2
Change	%YA	-5.8	-7.9	-11.5	-13.5	3.5	5.2	4.9	-0.8	-5.5
Manufacturing	m	13.4	13.1	12.5	12.0	14.3	14.2	14.2	13.9	13.4
Change	%YA	-3.2	-5.2	-8.9	-11.4	-1.3	-0.6	-0.5	-2.0	-3.3
Trade	m	21.3	21.0	20.7	20.5	20.7	21.0	21.3	21.5	21.3
Change	%YA	-1.2	-2.7	-3.9	-4.2	1.0	1.6	1.0	1.3	-1.0
Transportation and Utilities	m	5.1	5.0	4.9	4.8	4.8	4.9	5.0	5.1	5.1
Change	%YA	-0.7	-2.4	-4.2	-5.7	1.1	2.2	2.0	1.5	-0.6
Information	m	3.0	3.0	2.9	2.9	3.1	3.1	3.0	3.0	3.0
Change	%YA	-1.4	-2.2	-3.6	-5.0	-2.2	-1.8	-0.8	-0.2	-1.2
Financial Activities	m	8.1	8.0	7.9	7.8	8.0	8.2	8.3	8.3	8.1
Change	%YA	-1.9	-2.5	-3.8	-4.8	0.7	1.5	2.2	-0.3	-1.9
Professional and Business Services	m	17.7	17.5	17.0	16.7	16.4	16.9	17.6	17.9	17.8
Change	%YA	-1.1	-3.1	-5.4	-6.5	2.5	3.4	3.7	2.1	-0.9
Education and Health Services	m	18.9	19.0	19.1	19.2	16.9	17.4	17.8	18.3	18.9
Change	%YA	3.0	2.7	2.6	2.2	2.2	2.5	2.6	2.8	2.9
Leisure and Hospitality	m	13.5	13.3	13.2	13.2	12.5	12.8	13.1	13.4	13.5
Change	%YA	0.1	-1.4	-2.2	-2.4	2.6	2.6	2.3	2.4	0.2
Other Services	m	5.5	5.5	5.4	5.4	5.4	5.4	5.4	5.5	5.5
Change	%YA	0.7	0.0	-1.6	-2.2	0.2	-0.3	0.8	1.0	0.6
Government	m	22.5	22.5	22.5	22.6	21.6	21.8	22.0	22.2	22.5
Change	%YA	1.5	0.9	0.6	0.4	0.2	0.9	0.8	1.1	1.2
<b>Northeast</b>	m	25.7	25.5	25.2	25.0	25.0	25.2	25.4	25.7	25.7
Change	%YA	0.2	-0.9	-2.1	-3.0	0.5	0.9	0.9	0.9	0.1
<b>Midwest</b>	m	31.5	31.2	30.6	30.2	31.2	31.4	31.6	31.7	31.5
Change	%YA	-0.8	-1.7	-3.4	-4.4	0.5	0.8	0.7	0.4	-0.7
<b>South</b>	m	49.3	48.9	48.2	47.7	46.6	47.6	48.6	49.4	49.3
Change	%YA	-0.4	-1.4	-2.7	-3.5	1.7	2.2	2.2	1.6	-0.2
<b>West</b>	m	30.3	30.0	29.5	29.1	28.6	29.4	30.1	30.6	30.4
Change	%YA	-0.9	-2.2	-3.7	-4.7	1.7	2.7	2.7	1.4	-0.7
<b>Labor Force, U.S.</b>	m	154.6	154.6	154.0	154.9	147.4	149.3	151.4	153.1	154.3
Change	%YA	1.0	0.7	0.2	0.4	0.6	1.3	1.4	1.1	0.8
<b>Northeast</b>	m	28.3	28.4	28.4	28.5	27.4	27.6	27.9	28.0	28.2
Change	%YA	1.1	1.2	1.0	0.9	0.3	0.8	1.0	0.3	1.0
<b>Midwest</b>	m	34.8	34.8	34.7	34.8	34.2	34.4	34.7	34.9	34.8
Change	%YA	-0.2	-0.2	-0.5	-0.3	0.2	0.6	1.0	0.6	-0.1
<b>South</b>	m	55.0	55.4	55.1	55.2	51.8	52.7	53.6	54.3	54.9
Change	%YA	1.3	1.6	1.0	0.7	1.0	1.8	1.7	1.2	1.2
<b>West</b>	m	36.1	36.3	36.3	36.3	33.5	34.1	34.7	35.3	36.0
Change	%YA	2.0	2.2	1.8	1.1	0.9	1.6	1.8	1.7	2.0
<b>Unemployment Rate, U.S.</b>	%	6.1	6.9	8.1	9.3	5.5	5.1	4.6	4.6	5.8
<b>Northeast</b>	%	3.6	6.2	7.6	8.3	5.0	4.8	4.4	4.5	6.2
<b>Midwest</b>	%	6.2	6.8	8.6	9.7	5.7	5.2	4.9	5.3	6.8
<b>South</b>	%	5.7	6.3	8.0	8.8	5.1	5.1	4.4	4.5	6.3
<b>West</b>	%	6.5	7.2	9.2	10.0	5.6	5.0	4.5	5.0	7.2
<b>Demographics</b>										
<b>Population, U.S.</b>	m	304.8	305.5	306.3	307.0	293.2	295.9	298.7	301.6	304.4
Change	%YA	0.9	0.9	1.0	1.0	0.9	0.9	1.0	1.0	0.9
<b>Northeast</b>	m	55.0	55.0	55.0	55.1	54.5	54.6	54.7	54.9	55.0
Change	%YA	0.3	0.3	0.2	0.2	0.2	0.1	0.2	0.3	0.3
<b>Midwest</b>	m	66.6	66.7	66.7	66.8	65.7	65.9	66.2	66.5	66.7
Change	%YA	0.4	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.3
<b>South</b>	m	112.0	112.3	112.7	113.0	106.5	108.0	109.5	111.0	112.3
Change	%YA	1.2	1.2	1.1	1.1	1.4	1.4	1.5	1.4	1.2
<b>West</b>	m	71.1	71.3	71.5	71.8	67.6	68.5	69.4	70.4	71.3
Change	%YA	1.4	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.3
<b>Households, U.S.</b>	m	114.1	114.4	114.6	114.8	109.9	110.9	111.9	113.0	114.0
Change	%YA	0.9	0.9	0.8	0.8	0.9	0.9	0.9	1.0	0.9
<b>Northeast</b>	m	20.8	20.8	20.8	20.8	20.6	20.7	20.7	20.8	20.8
Change	%YA	0.3	0.3	0.2	0.2	0.2	0.1	0.2	0.3	0.3
<b>Midwest</b>	m	25.6	25.6	25.6	25.7	25.2	25.3	25.4	25.5	25.6
Change	%YA	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
<b>South</b>	m	42.5	42.6	42.7	42.8	40.4	40.9	41.5	42.1	42.6
Change	%YA	1.2	1.2	1.1	1.1	1.4	1.4	1.5	1.4	1.2
<b>West</b>	m	25.3	25.4	25.4	25.5	24.0	24.3	24.7	25.0	25.4
Change	%YA	1.4	1.4	1.3	1.3	1.3	1.4	1.4	1.4	1.4

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# FORECAST DETAIL

## Demographics and Labor Markets

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	Units	09Q3	09Q4	10Q1	10Q2	2009	2010	2011	2012	2013
<b>Labor Markets</b>										
<b>Total Nonfarm Employment, U.S.</b>	m	131.2	130.7	130.4	130.2	131.9	130.4	133.1	137.8	142.4
Change	%YA	-4.2	-3.7	-2.4	-1.5	-3.7	-1.1	2.1	3.5	3.3
Natural Resources and Mining	m	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Change	%YA	-9.6	-11.1	-9.3	-5.1	-5.8	-4.7	1.0	2.0	1.8
Construction	m	6.1	6.1	6.1	6.0	6.3	6.0	6.2	6.6	7.0
Change	%YA	-14.8	-12.1	-8.1	-4.6	-13.0	-3.9	3.2	6.4	5.0
Manufacturing	m	11.8	11.7	11.6	11.5	12.0	11.5	11.6	11.9	12.1
Change	%YA	-12.0	-10.8	-7.2	-4.4	-10.8	-3.9	0.9	2.2	1.9
Trade	m	20.4	20.2	20.1	20.0	20.5	20.1	20.4	20.9	21.4
Change	%YA	-4.2	-3.8	-2.8	-2.3	-4.1	-1.8	1.6	2.3	2.4
Transportation and Utilities	m	4.8	4.7	4.7	4.7	4.8	4.7	4.8	4.8	4.9
Change	%YA	-6.0	-5.2	-3.9	-2.6	-5.3	-2.1	1.3	2.0	2.0
Information	m	2.8	2.8	2.8	2.8	2.9	2.8	2.8	2.9	3.0
Change	%YA	-5.3	-4.8	-3.8	-2.6	-4.7	-2.2	1.1	2.2	2.7
Financial Activities	m	7.7	7.7	7.7	7.6	7.8	7.6	7.7	8.0	8.2
Change	%YA	-5.1	-4.7	-3.2	-2.2	-4.6	-1.7	1.1	3.4	2.8
Professional and Business Services	m	16.6	16.6	16.6	16.5	16.7	16.6	17.1	18.0	18.9
Change	%YA	-6.3	-5.1	-2.8	-1.3	-5.8	-1.0	3.0	5.2	5.0
Education and Health Services	m	19.3	19.3	19.3	19.2	19.2	19.3	19.9	20.6	21.5
Change	%YA	1.9	1.2	0.6	0.2	2.0	0.6	2.9	3.7	4.1
Leisure and Hospitality	m	13.2	13.1	13.1	13.1	13.2	13.2	13.6	14.3	14.9
Change	%YA	-2.1	-1.5	-0.8	-0.6	-2.0	-0.1	3.5	4.7	4.3
Other Services	m	5.4	5.4	5.4	5.4	5.4	5.4	5.5	5.7	5.9
Change	%YA	-2.3	-2.2	-1.4	-1.1	-2.0	-0.6	2.6	3.3	3.4
Government	m	22.4	22.4	22.5	22.7	22.5	22.5	22.7	23.4	24.0
Change	%YA	-0.5	-0.5	-0.4	0.4	-0.0	0.1	0.9	3.0	2.4
Northeast	m	24.9	24.8	24.7	24.6	25.0	24.6	24.9	25.6	26.4
Change	%YA	-3.3	-2.9	-2.2	-1.6	-2.8	-1.4	1.2	2.8	3.0
Midwest	m	30.0	29.9	29.8	29.7	30.2	29.7	30.2	31.2	32.1
Change	%YA	-4.7	-4.3	-2.8	-1.7	-4.2	-1.5	1.7	3.1	2.9
South	m	47.6	47.4	47.3	47.3	47.7	47.4	48.5	50.3	52.2
Change	%YA	-3.5	-3.1	-1.9	-0.9	-3.2	-0.7	2.4	3.8	3.7
West	m	28.9	28.8	28.7	28.7	29.0	28.7	29.3	30.4	31.4
Change	%YA	-4.9	-4.1	-2.6	-1.4	-4.3	-1.1	2.1	3.6	3.4
<b>Labor Force, U.S.</b>										
	m	154.4	154.6	155.0	155.6	154.5	155.7	156.9	158.0	159.2
Change	%YA	-0.2	-0.0	0.6	0.4	0.1	0.8	0.8	0.7	0.8
Northeast	m	28.5	28.5	28.5	28.6	28.4	28.6	28.6	28.6	28.6
Change	%YA	0.6	0.4	0.4	0.3	0.7	0.4	0.3	-0.1	0.0
Midwest	m	34.7	34.7	34.7	34.8	34.7	34.8	35.0	35.0	35.1
Change	%YA	-0.4	-0.3	0.0	0.0	-0.4	0.2	0.5	0.2	0.2
South	m	55.3	55.4	55.6	55.8	55.2	55.9	56.5	57.0	57.6
Change	%YA	0.4	0.1	0.8	1.2	0.6	1.1	1.1	1.0	1.1
West	m	36.3	36.4	36.5	36.6	36.3	36.7	37.2	37.6	38.0
Change	%YA	0.6	0.3	0.6	1.1	0.9	1.1	1.3	1.1	1.1
<b>Unemployment Rate, U.S.</b>										
	%	9.6	9.9	10.1	10.3	9.2	10.2	9.0	7.1	5.9
Northeast	%	8.8	9.1	9.4	9.7	9.1	9.5	7.9	6.2	5.4
Midwest	%	10.1	10.5	10.7	10.9	10.5	10.7	8.8	6.9	5.9
South	%	9.3	9.6	9.8	9.9	9.6	9.8	8.1	6.3	5.5
West	%	10.6	11.0	11.3	11.5	11.0	11.3	9.2	7.1	6.1
<b>Demographics</b>										
<b>Population, U.S.</b>										
	m	307.8	308.6	309.3	310.1	307.4	310.4	313.4	316.5	319.5
Change	%YA	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Northeast	m	55.1	55.1	55.1	55.2	55.1	55.2	55.4	55.5	55.6
Change	%YA	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Midwest	m	66.9	66.9	67.0	67.0	66.9	67.1	67.4	67.7	68.0
Change	%YA	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4
South	m	113.3	113.6	113.9	114.3	113.6	115.0	116.5	118.2	119.9
Change	%YA	1.1	1.1	1.1	1.1	1.1	1.2	1.3	1.4	1.5
West	m	72.0	72.2	72.5	72.7	72.2	73.2	74.2	75.3	76.4
Change	%YA	1.3	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.5
<b>Households, U.S.</b>										
	m	115.1	115.3	115.6	115.8	114.9	116.0	117.3	119.0	120.6
Change	%YA	0.8	0.8	0.9	0.9	0.8	0.9	1.2	1.5	1.4
Northeast	m	20.8	20.9	20.9	20.9	20.9	20.9	21.0	21.1	21.2
Change	%YA	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.5	0.5
Midwest	m	25.7	25.7	25.7	25.8	25.7	25.8	26.1	26.3	26.6
Change	%YA	0.4	0.4	0.4	0.4	0.4	0.4	0.9	1.0	0.9
South	m	42.9	43.0	43.2	43.3	43.0	43.6	44.3	45.2	46.0
Change	%YA	1.0	1.1	1.2	1.2	1.1	1.3	1.7	1.9	1.8
West	m	25.6	25.7	25.8	25.9	25.7	26.1	26.6	27.1	27.6
Change	%YA	1.3	1.3	1.4	1.4	1.3	1.4	1.9	2.1	1.9

Units: bcw = billions of chain-weighted 2005 dollars; b05\$ = billions of 2005 dollars; tri05\$ = trillions of 2005 dollars

Units: ths = thousands; m = millions; b = billions; tri = trillions; % = percent change; %YA = percent change year ago; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate

# FORECAST DETAIL

## Real Estate Markets

	Units	08Q3	08Q4	09Q1	09Q2	2004	2005	2006	2007	2008
<b>Housing, SAAR</b>										
Housing Starts, U.S.	m	0.87	0.66	0.53	0.54	1.95	2.07	1.81	1.34	0.90
Change	%YA	-46.9	-67.0	-58.6	9.7	5.2	6.3	-12.6	-25.9	-32.9
Single-Family	m	0.60	0.46	0.36	0.43	1.60	1.72	1.47	1.04	0.62
Change	%YA	-36.7	-64.5	-63.6	97.9	6.6	7.1	-14.3	-29.7	-40.5
Multifamily	m	0.27	0.20	0.17	0.12	0.35	0.35	0.34	0.31	0.28
Change	%YA	-63.0	-72.0	-46.0	-78.7	-1.0	2.6	-4.5	-9.5	-7.1
<b>Existing-Home Sales, U.S.</b>										
Existing-Home Sales, U.S.	m	4.43	4.23	4.12	4.24	5.91	6.18	5.71	4.96	4.34
Change	%YA	9.9	-16.9	-10.6	12.5	8.6	4.5	-7.6	-13.2	-12.5
Northeast	m	0.56	0.54	0.47	0.52	0.77	0.78	0.72	0.66	0.56
Change	%YA	-3.8	-12.2	-43.2	56.7	9.2	0.7	-7.9	-8.0	-15.7
Midwest	m	1.03	0.98	1.00	1.01	1.37	1.40	1.32	1.20	1.04
Change	%YA	0.9	-17.8	5.83	2.7	8.1	2.5	-5.4	-9.0	-13.7
South	m	1.74	1.58	1.59	1.64	2.32	2.51	2.42	2.13	1.76
Change	%YA	-17.3	-31.2	2.9	11.4	15.6	8.3	-3.5	-11.8	-17.7
West	m	1.02	1.03	1.00	1.00	1.34	1.40	1.17	0.96	0.94
Change	%YA	63.8	5.4	-11.3	-2.1	11.4	4.2	-16.5	-17.8	-1.9
<b>Existing-Condo Sales, U.S.</b>										
Existing-Condo Sales, U.S.	m	0.57	0.51	0.47	0.52	0.81	0.89	0.81	0.71	0.55
Change	%YA	1.89	-39.19	-27.65	50.25	10.98	10.13	-9.94	-11.43	-23.53
<b>New-Home Sales, SAAR</b>										
New-Home Sales, SAAR	ths	0.46	0.39	0.34	0.37	1.20	1.28	1.05	0.77	0.48
Change	%YA	-33.8	-47.8	-43.9	46.2	10.1	6.5	-18.0	-26.7	-37.4
<b>House Prices</b>										
Existing Homes, Median, U.S.	ths\$	195.1	181.5	174.2	170.6	192.7	217.4	221.9	215.6	195.8
Change	%YA	-9.1	-12.3	-14.7	-15.7	8.1	12.8	2.1	-2.9	-9.2
Existing Condos, Median, U.S.	ths\$	206.9	189.3	174.1	173.5	196.3	223.1	222.5	224.6	208.4
Change	%YA	-7.5	-15.7	-21.0	-19.9	16.5	13.7	-0.3	0.9	-7.2
New Homes, Median, U.S.	ths\$	229.7	223.3	207.7	215.8	217.9	234.2	243.0	243.8	230.4
Change	%YA	-5.7	-6.4	-11.7	-7.9	13.7	7.5	3.8	0.3	-5.5
Northeast, Existing Median	ths\$	252.2	239.5	227.1	229.9	234.9	265.9	271.0	270.5	252.7
Change	%YA	-6.5	-10.4	-13.3	-10.6	12.7	13.2	1.9	-0.2	-6.6
Midwest, Existing Median	ths\$	135.3	127.7	120.3	126.0	142.9	151.6	152.1	148.5	135.5
Change	%YA	-9.0	-11.6	-14.0	-9.4	4.8	6.1	0.4	-2.4	-8.8
South, Existing Median	ths\$	161.7	151.9	146.5	148.2	152.4	174.8	182.5	180.5	162.6
Change	%YA	-10.4	-13.4	-14.1	-10.8	9.5	14.6	4.4	-1.1	-9.9
West, Existing Median	ths\$	272.4	246.4	226.3	223.0	295.6	346.8	369.5	365.8	284.6
Change	%YA	-25.9	-29.0	-29.8	-25.0	18.8	17.3	6.6	-1.0	-22.2
Freddie Mac CMHPI, U.S.	1987=100	275.4	274.9	277.3	270.3	234.8	264.0	285.3	291.1	280.5
Change	%YA	-5.0	-5.2	-3.9	-4.5	10.4	12.4	8.1	2.0	-3.6
<b>Affordability Index</b>										
Affordability Index	index	135.9	148.2	163.0	171.4	125.8	113.8	107.9	117.5	136.1
Change	%YA	15.2	18.9	25.8	30.9	-4.9	-9.6	-5.2	8.9	15.9
<b>Rental Vacancy Rate</b>										
Rental Vacancy Rate	%	9.8	10.2	10.0	10.7	10.2	9.9	9.7	9.7	10.0
<b>Mortgage Originations, SAAR</b>										
Total Originations	tri\$	1.52	1.39	1.77	2.05	3.02	3.27	3.00	2.58	1.71
Change	%YA	-33.2	-37.1	-15.6	13.1	-30.9	8.3	-8.3	-13.9	-33.9
Purchase Originations	tri\$	0.86	0.69	0.74	0.65	1.33	1.67	1.55	1.28	0.85
Refi Originations	tri\$	0.66	0.70	1.03	1.40	1.69	1.61	1.45	1.31	0.85
Refi Share	%	37.4	59.1	75.9	67.6	43.5	42.3	43.0	45.7	49.7
<b>ARM Share</b>										
ARM Share	%	8.0	6.4	4.7	7.4	34.3	30.6	21.7	10.4	7.7
<b>Construction Put in Place, SAAR</b>										
Total Private Construction	b\$	763.3	725.8	661.7	637.8	769.7	867.3	915.0	862.5	766.8
Change	%YA	-11.6	-12.5	-17.0	-18.3	14.1	12.7	5.5	-5.7	-11.1
Private residential	b\$	343.5	310.2	262.8	243.7	531.6	610.5	616.7	495.3	351.3
Change	%YA	-28.9	-27.6	-32.3	-32.8	19.4	14.9	1.0	-19.7	-29.1
Single-family	b\$	176.9	149.9	112.5	94.1	376.4	432.4	418.3	306.5	186.7
Change	%YA	-40.9	-42.3	-49.2	-52.6	21.4	14.9	-3.3	-26.7	-39.1
Multifamily	b\$	44.6	41.1	37.5	32.4	39.9	47.3	62.8	49.0	44.1
Change	%YA	-5.2	-9.9	-16.6	-29.3	13.6	18.4	11.7	-7.2	-10.0
Private nonresidential	b\$	419.8	415.6	398.9	394.1	238.1	256.7	298.3	367.2	415.6
Change	%YA	10.2	3.5	-2.4	-5.8	3.8	7.8	16.2	23.1	13.2
Office	b\$	58.1	54.6	48.5	43.3	32.8	37.4	45.7	53.8	56.9
Change	%YA	7.7	-3.9	-15.7	-24.4	7.2	13.9	22.3	17.8	5.7
Commercial	b\$	80.2	73.7	66.0	58.1	63.1	66.6	73.3	85.5	81.6
Change	%YA	-8.9	-16.1	-24.2	-32.0	9.8	5.5	10.1	16.6	-4.5
Manufacturing	b\$	61.4	70.6	80.2	82.7	23.6	29.9	34.9	45.1	60.6
Change	%YA	26.2	32.9	49.6	45.2	10.3	26.6	17.0	29.1	34.5
Lodging	b\$	37.1	34.7	29.9	28.7	12.0	12.7	17.6	27.5	35.4
Change	%YA	26.5	6.7	-8.6	-22.7	20.7	5.7	39.1	55.9	28.7
Educational	b\$	19.1	18.7	17.8	17.3	12.7	12.8	13.9	16.6	18.6
Change	%YA	9.1	6.0	-1.7	-5.5	-5.3	0.8	8.2	20.1	11.7
Healthcare	b\$	39.8	40.5	38.1	39.1	26.2	28.5	32.0	35.6	39.0
Change	%YA	11.3	10.9	3.4	0.9	8.4	8.5	12.5	11.0	9.7
Infrastructure	b\$	105.0	104.1	100.5	108.6	49.6	52.3	62.1	83.5	103.9
Change	%YA	20.2	7.9	-1.5	4.0	-9.3	5.4	18.8	34.5	24.4
Other	b\$	17.1	16.9	16.3	15.0	16.6	15.3	17.1	17.7	17.4
Change	%YA	-6.4	-7.6	-9.5	-15.2	1.4	-7.8	11.7	3.8	-1.6
Public	b\$	168.7	168.1	172.1	180.5	117.9	122.8	130.6	154.7	166.4
Change	%YA	6.0	3.7	6.1	8.3	0.9	4.1	6.4	18.5	7.6
<b>Office Vacancy Rate</b>										
Office Vacancy Rate	%	14.1	14.7	15.5	16.5	16.4	14.6	13.3	12.7	13.9

Units: bkw = billions of chain-weighted 2005 dollars; b05\$ = billions of 2005 dollars; tr05\$ = trillions of 2005 dollars

Units: ths = thousands; m = millions; b = billions; tr = trillions; % = percent change; %YA = percent change year ago; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate

# FORECAST DETAIL

## Real Estate Markets

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	Units	09Q3	09Q4	10Q1	10Q2	2009	2010	2011	2012	2013
<b>Housing, SAAR</b>										
Housing Starts, U.S.	m	0.59	0.60	0.66	0.72	0.56	0.75	1.13	1.75	1.85
Change	%YA	44.1	2.5	53.3	36.0	-37.4	32.6	51.7	54.2	5.9
Single-Family	m	0.46	0.48	0.50	0.54	0.43	0.56	0.86	1.40	1.46
Change	%YA	39.2	12.3	24.5	38.5	-30.2	31.2	53.3	61.5	4.6
Multifamily	m	0.13	0.12	0.16	0.17	0.13	0.18	0.27	0.35	0.39
Change	%YA	63.4	-27.1	218.1	28.5	-53.0	37.4	46.7	30.9	10.8
<b>Existing-Home Sales, U.S.</b>										
Existing-Home Sales, U.S.	m	4.65	4.53	4.82	5.15	4.38	5.16	5.34	5.13	5.21
Change	%YA	44.2	-9.8	28.4	30.6	1.0	17.8	3.4	-3.9	1.6
Northeast	m	0.57	0.55	0.58	0.63	0.53	0.63	0.65	0.62	0.62
Change	%YA	36.3	-13.5	24.8	44.8	-5.5	20.2	3.4	-5.1	0.1
Midwest	m	1.07	1.05	1.11	1.19	1.03	1.19	1.23	1.19	1.20
Change	%YA	30.0	-9.7	27.3	33.0	-0.9	15.6	3.2	-3.5	0.8
South	m	1.89	1.87	1.98	2.11	1.75	2.12	2.20	2.15	2.18
Change	%YA	78.1	-3.7	25.5	29.2	-0.5	21.2	4.1	-2.3	1.1
West	m	1.15	1.15	1.22	1.31	1.07	1.32	1.38	1.37	1.41
Change	%YA	77.2	-1.2	26.5	34.9	13.8	22.7	5.1	-0.8	2.7
<b>Existing-Condo Sales, U.S.</b>										
Existing-Condo Sales, U.S.	m	0.57	0.50	0.51	0.52	0.51	0.52	0.55	0.56	0.58
Change	%YA	49.0	-40.9	8.4	8.1	-7.1	1.1	6.3	0.8	3.6
<b>New-Home Sales, SAAR</b>										
New-Home Sales, SAAR	ths	0.44	0.41	0.44	0.49	0.39	0.52	0.72	1.00	1.10
Change	%YA	96.26	-24.44	32.73	53.69	-18.92	32.13	39.07	40.12	9.31
<b>House Prices</b>										
Existing Homes, Median, U.S.	ths\$	170.68	159.27	150.62	146.94	168.70	147.68	153.35	165.90	179.24
Change	%YA	-12.5	-12.2	-13.6	-13.9	-13.8	-12.5	3.8	8.2	8.0
Existing Condos, Median, U.S.	ths\$	171.17	160.82	153.20	149.76	169.92	150.28	155.82	168.65	179.79
Change	%YA	-17.3	-15.0	-12.0	-13.7	-18.5	-11.6	3.7	8.2	6.6
New Homes, Median, U.S.	ths\$	212.95	208.30	208.70	210.62	211.18	211.79	222.07	233.15	242.96
Change	%YA	-6.9	-6.7	0.5	2.4	-8.3	0.3	4.9	5.0	4.2
Northeast, Existing Median	ths\$	224.66	214.75	206.06	201.88	224.12	202.25	205.79	219.35	235.91
Change	%YA	-10.9	-10.3	-9.3	-12.2	-11.3	-9.8	1.7	6.6	7.5
Midwest, Existing Median	ths\$	120.07	119.07	116.61	115.78	121.35	115.76	117.61	123.39	129.80
Change	%YA	-11.3	-6.8	-3.0	-8.1	-10.4	-4.6	1.6	4.9	5.2
South, Existing Median	ths\$	144.05	139.28	135.13	133.01	144.50	133.09	134.27	140.18	147.41
Change	%YA	-10.9	-8.3	-7.7	-10.3	-11.1	-7.9	0.9	4.1	5.2
West, Existing Median	ths\$	219.79	205.52	194.75	190.55	218.65	192.57	205.14	224.08	240.66
Change	%YA	-19.3	-16.6	-13.9	-14.6	-23.2	-11.9	6.5	9.2	7.4
Freddie Mac CMHPI, U.S.	1987=100	263.1	255.5	248.6	243.1	266.6	241.6	239.0	248.6	261.8
Change	%YA	-4.5	-7.0	-10.4	-10.1	-5.0	-9.4	-1.1	4.0	5.3
<b>Affordability Index</b>										
Affordability Index	index	171.4	172.4	172.8	171.1	169.5	169.6	161.7	157.7	160.1
Change	%YA	26.08	16.4	6.0	-0.1	24.5	0.0	-4.6	-2.5	1.5
<b>Rental Vacancy Rate</b>										
Rental Vacancy Rate	%	10.0	9.8	9.6	9.5	10.1	9.5	9.2	9.2	9.2
<b>Mortgage Originations, SAAR</b>										
Total Originations	tri\$	2.41	1.97	1.86	1.81	2.05	1.76	1.67	1.68	1.87
Change	%YA	58.39	41.09	5.02	-11.93	20.12	-13.35	-5.15	0.13	11.69
Purchase Originations	tri\$	0.68	0.68	0.65	0.68	0.69	0.70	0.82	0.94	1.05
Refi Originations	tri\$	1.73	1.29	1.21	1.13	1.36	1.06	0.85	0.74	0.82
Refi Share	%	71.83	65.63	65.15	62.34	70.24	59.97	50.79	44.16	44.03
<b>ARM Share</b>										
ARM Share	%	7.78	10.66	12.50	16.23	7.63	17.93	20.34	17.58	13.63
<b>Construction Put in Place, SAAR</b>										
Total Private Construction	b\$	637.7	627.1	621.5	623.8	641.1	629.5	695.0	831.3	906.9
Change	%YA	-16.4	-13.6	-6.1	-2.2	-16.4	-1.8	10.4	19.6	9.1
Private residential	b\$	252.6	257.1	262.8	271.9	254.1	276.3	327.8	415.8	444.6
Change	%YA	-26.5	-17.1	-0.0	11.6	-27.7	8.8	18.6	26.8	6.9
Single-family	b\$	105.7	113.0	117.6	124.5	106.3	128.2	171.9	253.0	277.0
Change	%YA	-10.3	-24.7	4.6	32.2	-43.1	20.6	34.1	47.2	9.5
Multifamily	b\$	28.3	25.6	26.6	28.9	30.9	29.5	37.3	44.1	48.9
Change	%YA	-36.6	-37.8	-28.9	-10.9	-29.9	-4.7	26.5	18.3	10.9
Private nonresidential	b\$	385.1	369.9	358.7	351.8	387.0	353.2	367.2	415.5	462.3
Change	%YA	-8.2	-11.0	-10.1	-10.7	-6.9	-8.7	4.0	13.2	11.3
Office	b\$	37.7	35.8	34.3	32.2	41.3	32.6	33.6	38.9	44.6
Change	%YA	-35.2	-34.5	-29.3	-25.6	-27.4	-21.1	2.9	16.1	14.4
Commercial	b\$	56.7	54.5	52.7	51.5	58.8	52.1	56.4	64.2	68.7
Change	%YA	-29.3	-26.0	-20.3	-11.5	-27.9	-11.5	8.2	13.9	7.1
Manufacturing	b\$	83.0	73.9	67.5	64.2	80.0	64.5	68.1	83.4	100.3
Change	%YA	35.2	4.7	-15.8	-22.3	31.9	-19.3	5.5	22.5	20.3
Lodging	b\$	26.0	24.4	23.5	23.8	27.2	24.4	28.9	33.1	36.1
Change	%YA	-29.7	-29.7	-21.2	-17.0	-23.0	-10.4	18.2	14.7	8.9
Educational	b\$	17.5	17.6	17.7	17.8	17.6	17.9	18.5	19.3	20.1
Change	%YA	-8.6	-6.2	-0.9	2.4	-5.6	1.7	3.8	4.2	4.0
Healthcare	b\$	39.4	39.7	40.0	40.2	39.1	40.5	42.2	43.9	45.7
Change	%YA	-1.0	-1.9	4.8	2.8	0.3	3.5	4.3	4.0	4.0
Infrastructure	b\$	107.8	107.1	106.3	105.5	106.0	104.6	102.6	114.2	126.4
Change	%YA	2.7	2.8	5.8	-2.8	2.0	-1.3	-1.9	11.2	10.7
Other	b\$	14.9	14.8	14.6	14.5	15.2	14.5	14.7	16.3	18.4
Change	%YA	-12.8	-12.5	-10.3	-3.6	-12.5	-5.1	2.0	10.8	12.5
Public	b\$	182.1	183.9	185.6	187.2	179.7	188.1	194.9	202.1	209.5
Change	%YA	8.0	9.4	7.9	3.7	8.0	4.7	3.6	3.7	3.7
<b>Office Vacancy Rate</b>										
Office Vacancy Rate	%	17.2	17.8	18.3	18.8	16.7	18.8	18.6	16.6	14.0

Units: bcw = billions of chain-weighted 2005 dollars; b05\$ = billions of 2005 dollars; tri05\$ = trillions of 2005 dollars

Units: ths = thousands; m = millions; b = billions; tri = trillions; % = percent change; %YA = percent change year ago; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate

# FORECAST DETAIL

## Prices

	Units	08Q3	08Q4	09Q1	09Q2	2004	2005	2006	2007	2008
<b>Consumer Prices</b>										
<b>GDP Chain Price Deflator</b>	2005=100	109.1	109.2	109.7	109.7	96.8	100.0	103.3	106.2	108.5
Change	%AR	4.0	0.1	1.9	-0.0	2.8	3.3	3.3	2.9	2.1
<b>Consumer Price Index</b>	1982=100	218.6	213.9	212.6	213.3	188.9	195.3	201.6	207.3	215.2
Change	%AR	6.2	-8.3	-2.4	1.3	2.7	3.4	3.2	2.9	3.8
Less Food & Energy	1982=100	216.5	216.8	217.7	218.9	196.6	200.9	205.9	210.7	215.6
Change	%AR	2.8	0.6	1.5	2.4	1.8	2.2	2.5	2.3	2.3
Shelter	1982=100	247.4	248.3	248.9	249.6	218.8	224.4	232.1	240.6	246.7
Change	%AR	2.3	1.5	0.9	1.2	2.7	2.6	3.4	3.6	2.5
Food	1982=100	216.6	218.9	218.9	217.9	186.2	190.7	195.2	202.9	214.1
Change	%AR	8.5	4.3	0.1	-1.8	3.4	2.4	2.3	4.0	5.5
Food Away From Home	1982=100	217.2	220.0	221.8	223.0	187.5	193.4	199.4	206.7	215.8
Change	%AR	6.1	5.2	3.4	2.2	3.0	3.2	3.1	3.6	4.4
Medical Care	1982=100	364.9	367.3	371.0	374.3	310.1	323.3	336.2	351.1	364.1
Change	%AR	2.2	2.7	4.0	3.6	4.4	4.2	4.0	4.4	3.7
<b>Producers Prices</b>										
<b>All Commodities</b>	1982=100	200.5	178.0	169.5	171.1	146.7	157.4	164.8	172.7	189.6
Change	%AR	9.4	-37.3	-17.8	3.8	6.2	7.3	4.7	4.8	9.8
<b>Finished Goods</b>	1982=100	182.7	173.4	170.6	171.2	148.5	155.8	160.3	166.6	177.3
Change	%AR	9.7	-19.0	-6.2	1.4	3.6	4.9	2.9	3.9	6.4
<b>Intermediate Goods</b>	1982=100	198.8	180.5	170.5	169.2	142.6	154.0	163.9	170.4	188.1
Change	%AR	16.5	-32.0	-20.3	-2.9	6.6	8.0	6.4	4.0	10.4
<b>Crude Goods</b>	1982=100	278.8	190.3	164.3	171.2	159.1	182.4	184.9	207.0	251.3
Change	%AR	-12.1	-78.3	-44.5	17.9	17.6	14.6	1.4	11.9	21.4
<b>Industrial Commodities</b>	1982=100	204.0	180.0	171.0	172.3	147.6	160.2	168.8	175.1	192.3
Change	%AR	9.8	-39.4	-18.6	3.2	6.1	8.6	5.4	3.8	9.8
<b>Ind. Commodities ex Energy</b>	1982=100	186.2	180.3	176.2	175.0	151.5	158.2	166.1	170.9	181.0
Change	%AR	10.6	-12.1	-8.9	-2.7	4.4	4.4	5.0	2.9	6.0
<b>Iron &amp; Steel</b>	1982=100	287.2	213.7	185.6	168.8	162.4	171.1	186.5	201.1	246.4
Change	%AR	31.0	-69.4	-43.1	-31.5	33.7	5.4	9.0	7.8	22.6
<b>Lumber &amp; Wood Products</b>	1982=100	193.6	189.3	183.5	180.6	195.6	196.4	194.4	192.4	191.3
Change	%AR	1.2	-8.5	-11.8	-6.1	10.3	0.4	-1.1	-1.0	-0.6
<b>Construction Equipment</b>	1982=100	186.1	189.0	191.2	191.4	158.5	168.3	175.4	179.6	185.4
Change	%AR	5.2	6.4	4.6	0.4	3.4	6.2	4.3	2.4	3.2
<b>Transportation Equipment</b>	1982=100	157.4	162.7	162.6	162.2	148.6	151.0	152.6	155.1	158.6
Change	%AR	0.3	14.2	-0.2	-0.9	2.0	1.6	1.1	1.6	2.3
<b>Energy Prices</b>										
<b>West Texas Intermediate</b>	\$/Bbl	122.3	59.4	48.1	58.9	41.4	56.5	66.1	72.4	100.8
Change	%AR	-4.5	-94.4	-57.0	124.9	33.1	36.3	17.1	9.5	39.4
<b>PPI - Energy</b>	1982=100	245.6	167.6	144.1	153.2	126.9	156.4	166.7	177.6	214.6
Change	%AR	8.0	-78.3	-45.4	27.6	12.4	23.2	6.6	6.5	20.8
<b>PPI - Coal</b>	1982=100	170.3	170.7	184.4	190.6	109.2	116.8	126.6	130.8	161.7
Change	%AR	14.9	1.0	36.1	14.2	9.3	7.0	8.4	3.3	23.7
<b>PPI - Electric Power</b>	1982=100	182.9	177.0	178.0	178.9	143.2	150.1	162.0	167.3	175.6
Change	%AR	20.4	-12.3	2.4	2.1	1.5	4.8	7.9	3.3	5.0
<b>PPI - Refined Petrol. Products</b>	1982=100	327.8	183.3	137.3	167.4	119.9	165.0	193.2	214.2	271.7
Change	%AR	13.1	-90.2	-68.5	120.9	22.8	37.6	17.1	10.9	26.8
<b>PPI - Utility Natural Gas</b>	1982=100	279.1	240.9	226.3	198.2	189.3	227.9	230.8	228.0	255.5
Change	%AR	20.8	-44.5	-22.1	-41.1	10.7	20.4	1.2	-1.2	12.1

Units: bcw = billions of chain-weighted 2005 dollars; b05\$ = billions of 2005 dollars; m05\$ = trillions of 2005 dollars

Units: ths = thousands; m = millions; b = billions; tr = trillions; % = percent change; %YA = percent change year ago; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate

# FORECAST DETAIL

## Prices

Full forecast detail can be found under the Précis Macro publication at [www.myeconomy.com](http://www.myeconomy.com)

	Units	09Q3	09Q4	10Q1	10Q2	2009	2010	2011	2012	2013
<b>Consumer Prices</b>										
GDP Chain Price Deflator	2005=100	110.2	110.6	110.6	110.8	110.0	110.8	112.2	114.0	115.9
Change	%AR	2.1	1.5	-0.3	0.8	1.4	0.7	1.2	1.6	1.7
Consumer Price Index	1982=100	215.0	215.7	216.6	217.2	214.2	217.8	221.8	226.4	230.9
Change	%AR	3.3	1.3	1.6	1.1	-0.5	1.7	1.8	2.1	2.0
Less Food & Energy	1982=100	219.9	220.2	220.4	220.7	219.2	220.9	223.3	227.4	231.7
Change	%AR	1.8	0.5	0.4	0.5	1.7	0.8	1.1	1.8	1.9
Shelter	1982=100	249.5	249.2	249.0	248.8	249.3	248.6	248.3	250.4	254.8
Change	%AR	-0.3	-0.4	-0.3	-0.4	1.1	-0.3	-0.1	0.8	1.8
Food	1982=100	218.8	219.7	220.7	221.6	218.9	222.2	226.0	230.1	234.3
Change	%AR	1.6	1.7	1.8	1.6	2.2	1.5	1.7	1.8	1.8
Food Away From Home	1982=100	223.9	224.9	225.9	226.8	223.4	227.4	231.3	235.5	239.7
Change	%AR	1.6	1.7	1.8	1.6	3.5	1.8	1.7	1.8	1.8
Medical Care	1982=100	379.0	383.7	388.5	393.2	377.0	395.5	414.0	431.5	448.7
Change	%AR	5.1	5.1	5.1	4.9	3.6	4.9	4.7	4.2	4.0
<b>Producers Prices</b>										
All Commodities	1982=100	174.0	175.6	177.1	177.8	172.5	178.4	182.8	187.0	190.4
Change	%AR	6.8	3.3	3.6	1.6	-9.0	3.4	2.5	2.3	1.8
Finished Goods	1982=100	173.7	174.8	175.9	176.0	172.6	177.1	181.9	187.1	191.6
Change	%AR	5.9	2.6	2.6	0.3	-2.6	2.6	2.7	2.8	2.4
Intermediate Goods	1982=100	171.4	173.1	174.7	175.5	171.1	176.3	180.9	185.4	189.0
Change	%AR	5.1	4.1	3.8	1.8	-9.1	3.0	2.6	2.5	1.9
Crude Goods	1982=100	184.2	193.8	202.1	204.7	178.3	209.5	234.0	250.7	259.7
Change	%AR	34.1	22.4	18.3	5.4	-29.0	17.4	11.7	7.1	3.6
Industrial Commodities	1982=100	176.1	178.4	180.1	180.7	174.4	181.7	186.9	191.2	194.6
Change	%AR	8.9	5.4	4.0	1.2	-9.3	4.2	2.8	2.3	1.8
Ind. Commodities ex Energy	1982=100	174.8	175.6	176.5	177.4	175.4	178.1	183.9	189.9	194.2
Change	%AR	-0.4	1.9	2.0	2.1	-3.1	1.6	3.3	3.2	2.2
Iron & Steel	1982=100	171.0	172.6	174.1	175.0	174.5	176.0	182.0	188.5	194.7
Change	%AR	5.2	3.7	3.5	2.3	-29.2	0.9	3.4	3.6	3.3
Lumber & Wood Products	1982=100	180.0	181.1	181.5	182.1	181.3	182.4	187.0	193.4	198.2
Change	%AR	-1.4	2.4	0.9	1.3	-5.2	0.6	2.5	3.5	2.4
Construction Equipment	1982=100	192.8	193.4	194.0	194.7	192.2	195.2	199.2	203.4	207.6
Change	%AR	3.0	1.4	1.2	1.3	3.7	1.6	2.0	2.1	2.1
Transportation Equipment	1982=100	163.1	163.7	164.4	165.2	162.9	165.6	168.7	172.2	176.1
Change	%AR	2.2	1.5	1.9	1.9	2.7	1.6	1.9	2.1	2.3
<b>Energy Prices</b>										
West Texas Intermediate	\$/Bbl	68.3	68.6	69.4	71.8	61.0	75.9	87.5	89.4	90.2
Change	%AR	80.5	1.4	4.9	14.6	-39.5	24.4	15.4	2.1	0.9
PPI - Energy	1982=100	163.4	169.2	175.2	175.1	157.5	179.6	194.6	203.4	206.6
Change	%AR	29.6	14.9	14.9	-0.2	-26.6	14.0	8.4	4.5	1.6
PPI - Coal	1982=100	203.4	210.6	218.0	217.9	197.2	223.5	242.2	253.1	257.1
Change	%AR	29.6	14.9	14.9	-0.2	22.0	13.3	8.4	4.5	1.6
PPI - Electric Power	1982=100	186.0	178.8	180.6	183.2	180.4	183.9	187.3	190.0	192.1
Change	%AR	16.8	-14.6	4.1	5.8	2.8	1.9	1.8	1.4	1.1
PPI - Refined Petrol. Products	1982=100	187.7	198.4	209.9	209.5	172.7	219.2	250.3	266.4	271.7
Change	%AR	57.9	24.8	25.3	-0.7	-36.4	26.9	14.2	6.4	2.0
PPI - Utility Natural Gas	1982=100	201.6	204.7	209.4	210.0	207.7	212.7	224.0	231.9	239.0
Change	%AR	6.9	6.3	9.6	1.2	-18.7	2.4	5.3	3.5	3.1

Units: bcw = billions of chain-weighted 2005 dollars; b05\$ = billions of 2005 dollars; tri05\$ = trillions of 2005 dollars

Units: ths = thousands; m = millions; b = billions; tr = trillions; % = percent change; %YA = percent change year ago; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate

# FORECAST DETAIL

## Producers

	Units	08Q3	08Q4	09Q1	09Q2	2004	2005	2006	2007	2008
<b>Industrial Production</b>										
All Industries	1997=100	108.1	104.4	99.1	96.4	103.8	107.2	109.7	111.3	108.8
Change	%YA	-3.2	-6.7	-11.6	-13.0	2.5	3.3	2.3	1.5	-2.2
Manufacturing	1997=100	109.9	104.5	98.3	96.2	104.7	109.1	112.1	113.8	110.3
Change	%YA	-3.9	-8.7	-13.9	-14.6	3.1	4.2	2.7	1.5	-3.1
Nondurables	1997=100	102.6	100.0	97.1	97.0	102.0	104.8	105.7	106.7	103.6
Change	%YA	-4.0	-6.3	-8.7	-8.1	1.9	2.8	0.8	1.0	-2.9
Durables	1997=100	116.6	108.1	98.3	94.1	107.0	112.8	117.8	120.2	116.3
Change	%YA	-3.7	-11.1	-19.0	-20.9	4.1	5.5	4.4	2.1	-3.3
Motor Vehicles & Parts	1997=100	82.6	73.4	54.6	52.6	103.7	103.9	100.2	97.4	83.3
Change	%YA	-16.2	-23.3	-41.0	-38.0	0.3	0.2	-3.6	-2.8	-14.5
Capacity Utilization	%	74.6	70.9	66.7	65.5	75.7	78.3	79.2	78.9	75.0
<b>Agriculture</b>										
<b>Prices Received by Farmers</b>										
All Farm Products	90-92=100	156.3	142.3	130.3	131.0	119.2	115.9	116.0	136.9	149.0
Change	%YA	11.1	0.7	-10.5	-13.6	12.0	-2.8	0.1	18.0	8.8
All Crops	90-92=100	177.7	157.7	150.7	154.0	116.9	111.8	119.8	143.0	168.1
Change	%YA	25.7	4.4	-7.4	-11.7	5.5	-4.3	7.2	19.3	17.5
Livestock and Products	90-92=100	136.0	123.3	110.7	112.3	121.8	120.0	112.5	131.8	130.6
Change	%YA	-2.4	-8.0	-15.1	-15.3	18.3	-1.4	-6.2	17.2	-0.9
PPI Farm Products	1982=100	167.5	140.8	133.3	139.0	123.3	118.5	117.0	143.4	161.3
Change	%YA	16.7	-8.0	-19.8	-18.7	10.6	-3.9	-1.2	22.5	12.5
<b>Productivity and Costs</b>										
Compensation per Hour	1992=100	181.8	183.1	180.9	181.1	156.6	162.8	169.0	176.0	181.0
Change	%YA	3.1	2.6	0.9	0.7	3.4	4.0	3.8	4.2	2.8
Output per Hour	1992=100	142.8	143.1	143.2	145.5	134.0	136.2	137.5	140.1	142.6
Change	%YA	1.2	0.9	1.0	1.9	2.8	1.7	0.9	1.9	1.8
Unit Labor Costs	1992=100	127.3	128.0	126.3	124.4	116.8	119.5	122.9	125.7	126.9
Change	%YA	1.9	1.6	-0.1	-1.2	0.5	2.3	2.8	2.3	1.0
Private Industry Wages & Salaries	1989=100	109.1	109.6	109.8	110.0	96.8	99.2	102.1	105.5	108.7
Change	%YA	3.0	2.7	2.0	1.5	2.7	2.5	2.9	3.4	3.0
Compensation-Civilian Workers	1989=100	109.0	109.6	109.9	110.3	95.9	99.0	102.1	105.5	108.6
Change	%YA	2.9	2.6	2.1	1.8	3.8	3.2	3.1	3.4	3.0
<b>Corporate Profits</b>										
Profits with IVA & CCA	b\$	1,454.6	1,123.6	1,182.7	1,226.5	1,246.9	1,456.1	1,608.3	1,541.7	1,360.4
Change	%YA	-5.4	-25.1	-19.0	-12.6	27.5	16.8	10.5	-4.1	-11.8
IV & CC Adjustments	b\$	-122.1	63.6	-63.8	-110.5	17.5	-184.1	-214.4	-232.7	-102.3
After-Tax Profits	b\$	1,271.9	836.8	976.1	1,031.1	923.3	1,227.8	1,349.4	1,322.8	1,170.6
Change	%YA	-3.5	-38.2	-24.8	-19.2	40.0	33.0	9.9	-2.0	-11.5
Cash Flow	b\$	1,369.3	941.4	1,174.4	1,271.3	1,019.3	1,528.2	1,357.8	1,276.8	1,251.3
Change	%YA	8.6	-27.1	-10.8	-7.7	19.0	49.9	-11.2	-6.0	-2.0

Units: bow = billions of chain-weighted 2005 dollars; b05\$ = billions of 2005 dollars; tri05\$ = trillions of 2005 dollars

Units: ths = thousands; m = millions; b = billions; tr = trillions; % = percent change; %YA = percent change year ago; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate

# FORECAST DETAIL

## Producers

Full forecast detail can be found under the Précis Macro publication at [www.myeconomy.com](http://www.myeconomy.com)

	Units	09Q3	09Q4	10Q1	10Q2	2009	2010	2011	2012	2013
<b>Industrial Production</b>										
All Industries	1997=100	97.3	97.9	98.2	98.5	97.7	99.1	102.9	107.1	109.3
Change	%YA	-10.0	-6.3	-0.8	2.2	-10.3	1.5	3.8	4.1	2.1
Manufacturing	1997=100	97.7	98.3	98.7	98.9	97.6	99.6	103.6	108.1	110.3
Change	%YA	-11.1	-5.9	0.4	2.8	-11.5	2.0	4.1	4.3	2.0
Nondurables	1997=100	96.6	96.4	96.5	96.7	96.8	96.9	98.8	101.1	102.4
Change	%YA	-5.9	-3.6	-0.6	-0.3	-6.6	0.1	2.0	2.3	1.3
Durables	1997=100	97.4	98.6	99.3	99.6	97.1	100.6	105.4	110.1	112.7
Change	%YA	-16.5	-8.7	1.0	5.8	-16.5	3.5	4.8	4.4	2.3
Motor Vehicles & Parts	1997=100	56.2	55.6	54.1	55.8	54.7	56.7	62.6	67.1	69.8
Change	%YA	-31.9	-24.3	-0.8	6.1	-34.3	3.7	10.2	7.3	3.9
Capacity Utilization	%	66.3	66.4	66.6	66.6	66.2	67.0	69.2	71.3	71.5
<b>Agriculture</b>										
<b>Prices Received by Farmers</b>										
All Farm Products	90-92=100	128.7	128.5	129.0	129.3	129.6	129.9	133.0	137.0	141.3
Change	%YA	-17.7	-9.7	-1.1	-1.3	-13.0	0.2	2.4	3.0	3.1
All Crops	90-92=100	148.0	148.3	148.2	148.6	150.2	149.5	153.3	157.8	162.7
Change	%YA	-16.7	-5.9	-1.6	-3.5	-10.6	-0.5	2.6	3.0	3.1
Livestock and Products	90-92=100	109.7	109.2	110.0	110.3	110.5	110.7	113.1	116.4	120.0
Change	%YA	-19.4	-11.4	-0.6	-1.8	-15.4	0.2	2.1	3.0	3.1
PPI Farm Products	1982=100	136.8	134.8	136.9	140.6	136.0	138.0	141.1	145.7	149.6
Change	%YA	-18.3	-4.3	2.7	1.2	-15.7	1.5	2.2	3.3	2.7
<b>Productivity and Costs</b>										
Compensation per Hour	1992=100	182.1	183.1	184.0	185.0	181.8	185.5	189.7	192.8	195.2
Change	%YA	0.2	0.0	1.7	2.2	0.4	2.0	2.3	1.7	1.2
Output per Hour	1992=100	147.4	148.9	149.3	149.9	146.3	150.0	151.7	154.2	157.4
Change	%YA	3.2	4.1	4.3	3.0	2.5	2.6	1.2	1.6	2.1
Unit Labor Costs	1992=100	123.6	123.0	123.2	123.4	124.3	123.7	125.0	125.1	124.0
Change	%YA	-2.9	-3.9	-2.5	-0.8	-2.0	-0.5	1.1	0.1	-0.9
Private Industry Wages & Salaries	1989=100	110.5	110.8	111.0	111.1	110.3	111.0	110.6	110.6	111.8
Change	%YA	1.3	1.1	1.1	1.0	1.5	0.7	-0.4	-0.0	1.2
Compensation-Civilian Workers	1989=100	111.2	111.9	112.5	113.0	110.8	113.1	114.8	116.6	119.4
Change	%YA	2.1	2.1	2.3	2.4	2.0	2.1	1.4	1.6	2.3
<b>Corporate Profits</b>										
Profits with IVA & CCA	b\$	1,239.5	1,244.6	1,239.1	1,240.0	1,223.3	1,246.3	1,348.3	1,532.2	1,643.9
Change	%YA	-14.8	10.8	4.8	1.1	-10.1	1.9	8.2	13.6	7.3
IV & CC Adjustments	b\$	-116.2	-118.8	-120.2	-120.5	-102.3	-119.9	-124.0	-125.4	-123.8
After-Tax Profits	b\$	1,045.6	1,051.5	1,048.0	1,048.8	1,026.1	1,053.2	1,136.0	1,281.4	1,367.5
Change	%YA	-17.8	25.7	7.4	1.7	-12.3	2.6	7.9	12.8	6.7
Cash Flow	b\$	1,285.0	1,295.5	1,305.1	1,313.7	1,256.5	1,317.3	1,347.2	1,382.6	1,428.3
Change	%YA	-6.2	37.6	11.1	3.3	0.4	4.8	2.3	2.6	3.3

Units: bcw = billions of chain-weighted 2005 dollars; b05\$ = billions of 2005 dollars; tr05\$ = trillions of 2005 dollars  
 Units: ths = thousands; m = millions; b = billions; tr = trillions; % = percent change; %YA = percent change year ago; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate



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## U.S. Regional Outlook: The Shape of Recovery



By Steve Cochrane in West Chester  
November 18, 2009

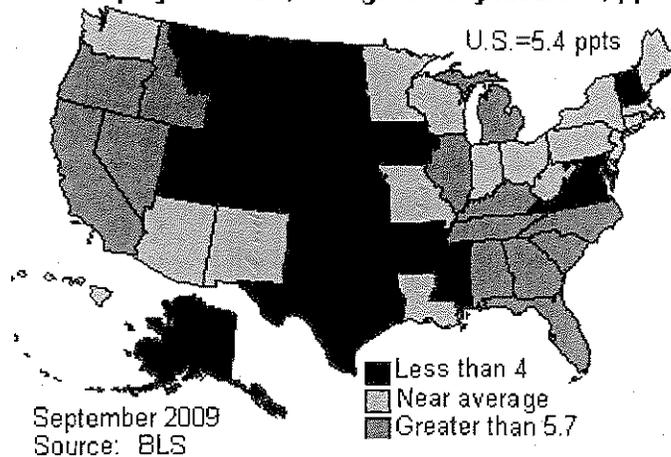
View the [Moody's Economy.com U.S. Regional Forecast](#).

- Job losses are slowing and industrial production is improving, but housing has not stabilized and consumer confidence is tentative.
- High unemployment will weigh on wages and spending in the Southeast and industrial Midwest and on the West Coast.
- Florida could see a sluggish turnaround as population growth slows and investor demand remains weak.
- Financial services will play a smaller role in supporting regional growth than they did during the housing boom years.

The recession's intensity is easing across the U.S. This is clearest in the North Central region from the Mississippi to the northern Rockies, where employment has stabilized, industrial production is rising, and housing markets are improving moderately. The entire central region, extending from Texas to North and South Dakota, is benefiting from a relatively short and shallow recession, a moderate housing cycle, rising energy and commodity prices since early this year, and stable household balance sheets. Much of the rest of the country is still struggling to emerge from the recession. Job losses are slowing, and industrial production is improving nearly everywhere. But housing markets have not definitively stabilized, and consumer confidence remains tentative.

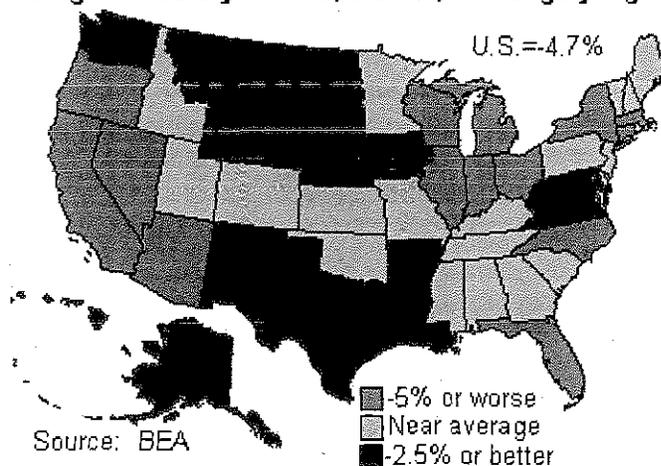
Shifts in unemployment rates indicate how quickly vitality can return to a region once it begins to recover. Where jobless rates have risen the most—on the West Coast and in the Southeast and industrial Midwest—a labor surplus may persist, weighing on wages, household income growth and spending, even as employment begins to rise.

**Housing, Manufacturing, Finance Shaped Recession  
Unemployment rate, change from cyclical low, ppts**



The unemployment rate can be misleading, however, if discouraged workers leave the measured labor force. A deep decline in income during the first half of 2009 distinguishes areas that may lag in recovery, at least during 2010. As of the second quarter of this year, wage and salary income is down over the year by more than 5% in the New York City area, the entire Great Lakes region, California and its three bordering states, as well as in Florida, and North Carolina. At a time when labor markets are weak nearly everywhere, income trends indicate where it may take longer for recovery to revive the labor market.

**Income Trends Highlight Weakness in Northeast  
Wage and salary income, 2009Q2, % change yr ago**



Recent income trends illustrate the factors generating the most important differences across the regions—manufacturing, housing and finance.

**Manufacturing to lift the Southeast**

The sharp downturn in manufacturing was not limited to the industrial Midwest. Ultimately, cutbacks in consumer demand, investment spending and exports knocked the Southeast into recession as well. The turnaround in industrial production is one of the strongest indicators of economic recovery and will

help lift the Southeast out of recession soon to meet export demand and domestic growth.

The Midwest's recovery will be lagged. While workers have been called back to auto production lines in recent weeks, further consolidation is needed for the industry to sustain profitability. Outside auto-intensive areas, however, export and investment demand will help stabilize the rest of the Midwest and Plains states.

Technology-producing areas also stand to gain in the near term. Business investment spending may remain tepid during the coming year, but it did turn positive in the third quarter of 2009 following six consecutive quarters of decline. The turnaround is enough to stimulate tech-producing industries, which will further gain from export demand and from some domestic consumer demand where technology change is evident. Electronics, telecom and software industries in areas such as Silicon Valley, Portland OR, Seattle, Austin TX, Dallas, Boston and Raleigh NC should feel this effect. The exception is likely to be pharmaceuticals, concentrated primarily in the Northeast, which is an industry also experiencing consolidation.

### **Housing uncertainty**

House prices generate the most uncertainty for the regions. The importance of a stable housing market is clear from the recent performance of the central Plains economy. Risks are greatest in four regions: California, because of its sharp downturn in house prices and high rate of foreclosures; Florida, where investor buyers have disappeared; the Northeast, as a result of the sharp downturn in income and the fact that housing affordability remains below 1990s levels; and the Pacific Northwest, where affordability also has not adjusted, and risks to the region's aerospace industry are intensifying.

Upside potential for California's housing market derives from stable population growth with significant pent-up demand due to its long period of low affordability. Further, the California housing market depends to a high degree on endogenous demand, which could improve as the strengthening Asian economy supports the region through its trade and transport links.

At greater risk of a sluggish turnaround is Florida, as population growth slows to near zero, and investor demand remains weak. Further, the construction industry drives Florida's economy to a larger extent—by about 33%—than it does in California.

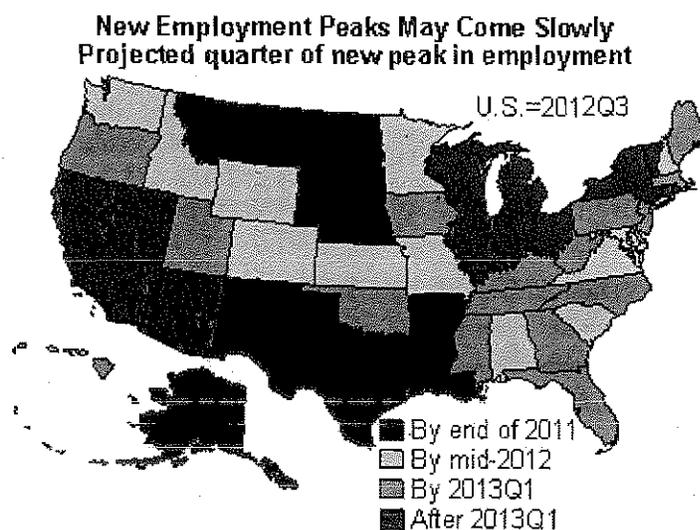
### **A diminished role for finance**

The Northeast, particularly within the commuting shed of New York City, may be one of the last housing markets to stabilize. Its cycle began well after the rest of the nation's, and weak income growth will weigh on demand and prices in the region near term. Even if financial service bonuses rebound in early 2010, the propensity to spend such payouts may be much reduced. More broadly around the country, the finance industry will play a diminished role in supporting most of the regional economies than it did in recent years when it expanded as a result of demand for mortgage finance and of expanded retail and commercial business portfolios of many institutions.

### First the Plains, then the Southeast

Economic recovery has begun in the upper Plains and will soon emerge throughout the central part of the country. The Southeast may next be in line as its manufacturers, export-based producers and transport hubs find renewed footing. The industrial Midwest will ultimately find renewed stability from a significantly smaller domestic auto industry. Its surplus of skilled labor and its auto-related research facilities eventually will form a base from which moderate growth can emerge.

California, the Southwest and Florida will depend heavily upon stabilization in their housing markets. Much will depend upon how quickly foreclosures liquidate the excess supply of homes. California holds an advantage in its demand factors and its administrative process for foreclosures, which moves more quickly than Florida's judicial process. In and around California, links to Asian trade also lend upside potential to the region's recovery. Already, evidence is emerging of an increased flow of exports through West Coast ports. But all U.S. ports at this point are hungry for business, and competition is fierce.



New York faces the greatest near-term risk for two reasons. First, income and employment growth are extremely uncertain in the region as financial services continue to restructure. Second, without clear guidance regarding a new regulatory environment, the financial services industry may expand very cautiously over the coming year.

State fiscal conditions add further risk to regional economies, as revenue is likely to fall through the end of the 2010 calendar year, even as direct federal aid contained in the stimulus program begins to fade. States at greatest risk are those that depend highly upon income taxes, including California, Connecticut, New York and Massachusetts.

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

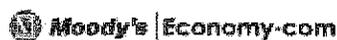
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Last updated on: 11/13/2009

### US Regional Forecast - State Employment Growth

	Annualized % Change						% Change		
	09Q2	09Q3	09Q4E	10Q1F	10Q2F	10Q3F	10Q4F	2008	2009F
<b>United States</b>	-4.5	-2.8	-1.4	-0.7	-0.5	0.6	1.4	-0.4	-3.7
<b>New England</b>	-3.7	-1.5	-2.5	-1.3	-0.8	0.0	0.6	-0.1	-3.2
Connecticut	-4.8	-2.8	-3.0	-1.9	-1.6	0.1	0.8	0.1	-3.7
Maine	-4.3	-2.3	-1.6	-1.0	-0.3	-0.1	0.5	-0.3	-2.9
Massachusetts	-3.0	-0.5	-2.4	-1.2	-0.5	-0.3	0.3	0.2	-3.0
New Hampshire	-4.5	-2.4	-1.4	-0.5	-0.6	1.1	1.7	0.0	-2.2
Rhode Island	-2.9	-2.0	-3.4	-0.7	-0.8	-0.5	0.5	-2.2	-4.0
Vermont	-2.1	-0.7	-2.9	-1.8	-1.7	-0.1	0.2	-0.7	-3.9
<b>Middle Atlantic</b>	-3.8	-0.3	-1.3	-1.1	-1.2	-0.3	0.3	0.3	-2.5
New Jersey	-3.8	-0.9	-1.3	-1.2	-0.9	-0.2	0.6	-0.5	-3.0
New York	-3.1	0.6	-1.6	-1.4	-2.1	-0.3	0.1	0.7	-2.0
Pennsylvania	-4.9	-1.4	-1.0	-0.4	0.2	-0.3	0.2	0.1	-2.8
<b>South Atlantic</b>	-4.1	-2.7	-2.2	-1.0	-0.7	0.1	1.4	-1.3	-4.0
Delaware	-4.8	-3.2	-2.6	-1.9	-2.3	-0.2	0.2	-0.8	-4.5
District of Columbia	-2.6	4.6	-1.5	0.7	2.1	-1.2	-0.1	1.6	0.4
Florida	-4.7	-3.2	-3.5	-2.1	-2.2	-0.2	2.5	-3.2	-4.8
Georgia	-5.7	-5.8	-3.1	-1.2	-0.5	0.5	1.0	-1.0	-5.0
Maryland	-2.4	-0.6	-1.0	0.4	1.1	-0.5	0.7	-0.4	-2.1
North Carolina	-4.8	-2.6	-1.2	-0.4	0.0	0.5	1.2	-0.3	-4.7
South Carolina	-2.4	-1.0	-1.5	-0.7	-0.6	0.7	1.5	-0.9	-3.9
Virginia	-1.9	-2.2	-0.5	-0.5	-0.2	0.2	1.2	-0.1	-2.4
West Virginia	-6.0	-0.8	-3.3	-2.3	-1.7	-1.0	0.1	0.4	-3.0
<b>East North Central</b>	-5.9	-2.3	-2.4	-1.4	-1.5	0.1	0.9	-1.1	-4.9
Illinois	-5.5	-3.4	-2.2	-0.9	-1.6	0.4	1.0	-0.5	-4.4
Indiana	-5.9	-2.1	-2.7	-1.5	-1.0	0.4	1.1	-0.9	-4.7
Michigan	-8.4	-2.8	-3.1	-1.9	-2.2	0.0	0.8	-2.5	-6.9
Ohio	-4.6	-1.3	-2.0	-1.1	-1.2	0.0	0.9	-1.1	-4.5
Wisconsin	-5.6	-1.0	-2.5	-1.9	-1.9	-0.4	0.4	-0.5	-4.0
<b>West North Central</b>	-4.3	-1.6	-1.8	-0.7	-0.5	0.4	1.1	0.2	-2.7
Iowa	-5.0	-1.6	-2.3	-1.3	-0.4	-0.2	0.5	0.3	-2.6
Kansas	-7.6	-3.9	-2.1	-0.7	0.0	0.4	1.1	0.8	-3.0
Minnesota	-4.7	-1.9	-1.8	-0.4	-0.6	0.8	1.5	-0.4	-3.7
Missouri	-3.4	-1.4	-1.8	-1.0	-0.8	0.3	1.0	-0.1	-2.5

Nebraska	-3.0	0.6	-0.9	-0.2	-0.3	0.9	1.2	0.8	-1.7
North Dakota	4.4	-1.4	-1.5	-0.2	0.2	0.4	1.1	2.4	0.5
South Dakota	-4.1	1.0	-1.1	-0.5	-0.4	0.2	0.9	1.2	-1.5
<b>East South Central</b>	-4.1	-2.0	-2.8	-1.0	-0.3	0.4	1.2	-0.6	-4.0
Alabama	-3.8	-2.0	-2.7	-0.1	0.6	0.5	1.6	-0.5	-4.4
Kentucky	-4.7	-2.9	-2.1	-0.7	0.3	0.6	1.2	-0.7	-4.1
Mississippi	-0.3	-3.4	-3.0	-1.7	-1.6	-0.4	0.5	-0.5	-3.0
Tennessee	-5.4	-0.7	-3.2	-1.5	-0.9	0.6	1.3	-0.7	-4.2
<b>West South Central</b>	-4.3	-2.0	-0.9	0.5	0.8	0.9	1.8	1.8	-1.9
Arkansas	-2.4	-0.6	-1.8	-0.8	-0.5	0.6	1.3	0.0	-2.3
Louisiana	-2.3	-2.6	-1.3	-0.7	0.1	0.0	0.9	1.3	-0.8
Oklahoma	-5.9	-2.3	-1.8	-1.0	-0.6	-0.7	0.1	1.7	-2.1
Texas	-4.6	-2.0	-0.5	1.1	1.3	1.4	2.2	2.1	-2.0
<b>Mountain</b>	-6.0	-3.3	-2.1	-0.8	-0.1	0.6	1.4	-0.5	-4.7
Arizona	-6.2	-3.9	-3.3	-1.6	-0.3	0.7	1.3	-2.1	-6.9
Colorado	-6.2	-2.4	-0.7	0.3	0.5	1.3	2.0	0.8	-3.8
Idaho	-4.8	-1.1	-0.5	0.1	0.6	1.3	1.9	-1.1	-4.5
Montana	-3.0	0.7	-0.6	-1.1	-0.4	-0.4	0.5	0.3	-1.5
Nevada	-6.1	-4.8	-3.5	-2.5	-2.0	-0.2	0.4	-2.0	-5.8
New Mexico	-5.6	-3.6	-1.8	0.3	0.7	0.8	2.1	0.4	-2.9
Utah	-6.1	-4.3	-2.9	-0.9	-0.1	0.1	0.8	0.2	-3.7
Wyoming	-9.4	-4.1	-0.7	-0.2	0.5	0.8	1.2	3.3	-2.4
<b>Pacific</b>	-5.3	-3.0	-2.3	-1.1	-0.6	0.5	1.4	-0.8	-4.3
Alaska	-2.1	0.3	-1.4	-0.4	1.0	-0.4	1.0	1.4	-0.1
California	-5.5	-3.3	-2.9	-1.5	-0.9	0.4	1.3	-1.1	-4.6
Hawaii	-3.6	-4.9	-2.3	-1.1	-0.1	-0.2	0.7	-0.9	-3.2
Oregon	-5.7	-2.6	-1.1	-0.2	-0.3	0.9	1.6	-0.6	-5.1
Washington	-4.7	-1.7	-0.5	0.1	0.2	1.0	1.9	0.9	-3.2



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# MAINE

## EMPLOYMENT GROWTH RANK

Best=1 Worst=54

2008-2010

**26**  
3rd quintile

2008-2013

**32**  
3rd quintile

## RISK-ADJUSTED RETURN, '08-13

**0.70%**

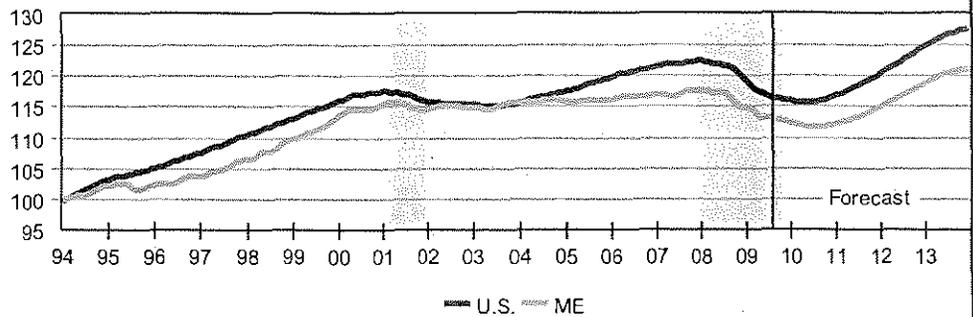
## COST OF DOING BUSINESS

U.S. = 100%  
**109%**

## VITALITY

U.S. = 100%  
**70%**

## RELATIVE EMPLOYMENT PERFORMANCE (1994=100)



2002	2003	2004	2005	2006	2007	2008	INDICATORS	2009	2010	2011	2012	2013
36.7	37.3	38.9	39.0	39.4	39.8	40.3	Gross state product (C\$B)	40.0	40.8	42.4	44.8	46.4
606	607	612	612	615	618	616	Total employment (000)	599	591	598	616	634
-0.3	0.0	0.8	0.0	0.5	0.5	-0.3	% change	-2.8	-1.3	1.3	3.1	2.9
4.3	5.0	4.6	4.8	4.6	4.6	5.4	Unemployment rate	8.4	9.8	8.7	6.9	5.7
2.5	4.3	5.2	2.3	5.0	5.4	4.2	Personal income growth	1.5	1.4	3.2	4.4	5.0
1,294	1,303	1,308	1,311	1,313	1,315	1,316	Population (000)	1,314	1,314	1,316	1,320	1,323
9.3	9.2	4.7	3.2	1.2	-0.4	-1.4	Net migration (000)	-4.0	-2.2	0.4	1.4	2.1
6,421	7,308	8,053	7,810	6,483	5,053	3,099	Single-family permits	2,148	2,343	3,649	5,933	6,038
786	625	718	1,159	810	820	516	Multifamily permits	209	277	413	522	572
342.9	374.4	421.3	469.0	492.0	502.6	501.3	House price index (1980Q1=100)	484.4	458.4	461.2	483.3	509.2
8,323	12,279	9,288	10,076	8,840	7,869	4,539	Mortgage originations (\$M)	5,493	4,650	4,336	4,370	4,713
60.0	62.5	62.0	58.5	57.8	52.3	49.6	New vehicle registrations (000)	39.9	40.9	49.1	55.8	58.1
4,321	4,555	4,370	6,470	1,238	2,152	2,853	Personal bankruptcies	4,245	5,497	6,020	5,485	4,903

## STRENGTHS & WEAKNESSES

### STRENGTHS

- Dominant healthcare provides stability to the labor market.
- Location near Boston provides access to dynamic industries.

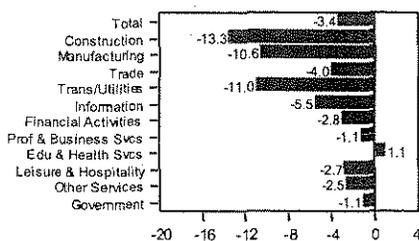
### WEAKNESSES

- High tax burden.
- High dependence on secularly declining manufacturing industries such as paper.
- Brain drain to other northeastern metro areas hinders expansion.

## CURRENT EMPLOYMENT TRENDS

### AUGUST 2009

% change yr ago, 3-mo MA



## FORECAST RISKS

### SHORT TERM

### LONG TERM

#### UPSIDE

- Upgraded transportation linkages with Boston boost growth.
- House prices stabilize, and the pace of foreclosures slows.

#### DOWNSIDE

- Spillover effects from the housing slowdown are more significant than expected.
- State budget cuts limit enrollment at state colleges.

## ANALYSIS

**Recent Performance.** Maine's service sector has held up better than that of the nation over the past few months, helping slow the economy's decline. While still substantial, layoffs in services slowed in the third quarter and are a measurable improvement from the sharp declines seen in late 2008. A number of trouble spots remain, primarily in goods-producing industries. In fact, construction and manufacturing have accounted for half of the decline in nonfarm employment over the past year. While ME's unemployment rate is more than a percentage point below the national average, slack in the labor market is hurting income growth. Slower growth in personal income, particularly wages, is taking a toll on consumer credit conditions. Meanwhile, homebuilding has firmed, but the median house price is declining on a year-ago basis.

**College enrollment.** Employment at colleges and universities has edged higher over the past several quarters, but more difficult times are ahead as state revenues flounder. The number of students at ME community colleges increased by more than 10%, which helped support hiring in education. While a positive, increased enrollment will be considerable strain on state-funded colleges and universities, as public funds are few and far between. Through the second quarter, state tax collections were down 5% on a year-ago basis and larger than any decline seen in the previous recession. Income taxes account for just under half of revenues, which suggests that conditions will not improve rapidly. The labor market will not bottom until mid-2010. This will hurt state revenues and keep the risk of additional cuts in the education budget uncomfortably high.

**Branch offices.** Back-office operations in ME are holding up relatively well because of favorable business costs, and growth should resume in the second half of 2010. As the recession intensified in late 2008 and in the first three months of this year, businesses aggressively cut payrolls. Still, the state's back-office

operations avoided the severe declines seen elsewhere. Only 2% of administrative support jobs in ME were lost, compared with more than 5% nationwide.

Portland's large service industry creates many of the office support jobs in the state, but stand-alone operations such as call centers are located further north, where office rents are lower. ME's cost advantages made it one of the last areas that corporations looked to cut payrolls. Employment in local back-office operations is forecast to remain relatively unchanged next year, as the national recovery gets off to a sluggish start. Risks to the forecast are to the upside as cost-conscious firms may relocate jobs to ME to capitalize on its low business costs. TD Bank has already announced intentions to open a 250-person call center in Auburn.

**Housing subsidy.** The expiration of a federal tax credit for first-time homebuyers could hurt demand more than anticipated in the first half of 2010. The removal of the federal tax credit will soften demand, and house prices are forecast to resume their descent over the next few months. There is some reason for optimism as the tax credit could be extended and possibly increased. If the tax credit is enhanced, Portland and counties along the coast would experience a surge in buyer traffic that would help house prices firm. However, because the state's recovery is going to lag that of the nation, federal housing subsidies will be eliminated before the local housing markets have fully recovered.

**Maine's economy remains on shaky ground, particularly outside of Portland, where goods-producing industries are more prevalent. The surge in college attendance will enable the state to become more service-oriented. However, the jobs will be limited to lower value-added administrative support jobs. Out-migration will be a long-term problem. Overall, ME will be a below-average performer over the forecast horizon.**

*Nathan Topper  
September 2009*

**EMPLOYMENT & INDUSTRY**

**TOP EMPLOYERS**

Hannaford Supermarkets	7,001-8,000
Wal-Mart Stores, Inc.	7,001-8,000
L.L. Bean, Inc.	6,001-7,000
Bath Iron Works Corporation	5,001-6,000
Maine Medical Center	5,001-6,000
Portsmouth Naval Shipyard	3,992
Naval Air Station Brunswick	3,300
Unum Provident	3,100
Shaw's Supermarkets, Inc.	3,001-3,500
Eastern Maine Medical Center	3,001-3,500
TD Banknorth, Inc.	2,501-3,000
Maine General Medical Center Augusta	2,001-2,500
Pratt and Whitney	1,501-2,000
Central Maine Medical Center	1,501-2,000
Bank of America Corporation	1,501-2,000
Verso Paper	1,501-2,000
Home Depot, Inc.	1,501-2,000
S.D. Warren Company	1,201-1,500
Mercy Hospital	1,201-1,500
Rite Aid Corporation	1,201-1,500

Sources: Guide to Military Installations, 2009 and Maine Department of Labor, 2007

**PUBLIC**

Federal	14,508
State	27,933
Local	61,617

2008

**INDUSTRY EMPLOYMENT**

Sector	ME	U.S.
Construction	4.8%	5.3%
Manufacturing	9.6%	9.8%
Durable	53.3%	63.1%
Nondurable	46.7%	36.9%
Transportation/Utilities	3.0%	3.7%
Wholesale Trade	3.4%	4.4%
Retail Trade	13.9%	11.2%
Information	1.8%	2.2%
Financial Activities	5.3%	5.9%
Prof. and Bus. Services	9.1%	13.0%
Educ. and Health Services	19.1%	13.8%
Leisure and Hosp. Services	9.7%	9.8%
Other Services	3.2%	4.0%
Government	16.9%	16.4%

Percent of total employment, 2008

**LOCATION QUOTIENTS**

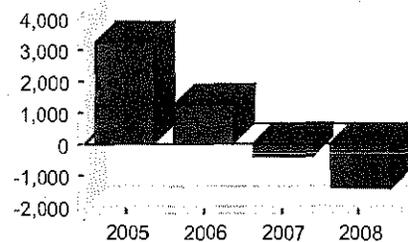
NAICS Industry	Location Quotient
316 Leather & Allied Product Manuf.	13.54
322 Paper Manufacturing	4.16
454 Nonstore Retailers	3.56
321 Wood Product Manufacturing	2.55
487 Scenic & Sightseeing Transportation	2.23

Source: Moody's Economy.com, 2008

**MIGRATION FLOWS**

INTO MAINE	NUMBER OF MIGRANTS
Massachusetts	4,055
New Hampshire	3,315
Florida	2,697
New York	1,573
Connecticut	1,362
California	1,148
Virginia	1,081
Pennsylvania	765
North Carolina	759
New Jersey	681
<b>Total In-migration</b>	<b>26,912</b>
<b>FROM MAINE</b>	
Florida	3,195
New Hampshire	2,776
Massachusetts	2,613
New York	1,250
Virginia	1,139
California	1,128
North Carolina	1,093
Texas	940
Connecticut	753
Pennsylvania	677
<b>Total Out-migration</b>	<b>25,159</b>
<b>Net Migration</b>	<b>1,753</b>

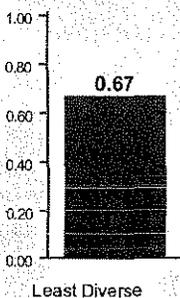
**Net Migration, ME**



Sources: IRS (top), 2007; Census Bureau, 2008

**INDUSTRIAL DIVERSITY**

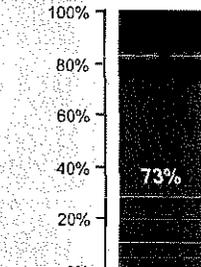
Most Diverse (U.S.)



Least Diverse

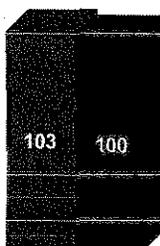
**EMPLOYMENT VOLATILITY**

Due to U.S. fluctuations



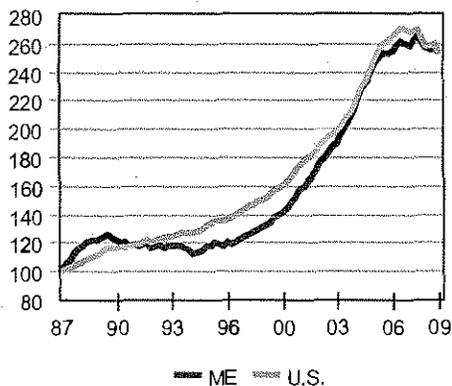
■ Not due to U.S. ■ Due to U.S.

Relative to U.S.



■ ME ■ U.S.

**HOUSE PRICES**



Source: FHFA, 1987Q1=100, NSA

**MERCHANDISE TRADE**

**EXPORTS BY DESTINATION**

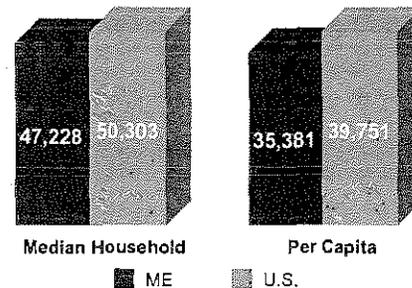
Country	Exports (Millions \$)	Share Total Exports %
World	3,016.4	100.0
Canada	941.6	31.2
Malaysia	764.7	25.4
Saudi Arabia	160.3	5.3
Korea, Republic of	136.6	4.5
China	121.7	4.0

**EXPORTS BY COMMODITY**

Commodity	Exports (Millions \$)	Share Total Exports %
World	3,016.4	100.0
Comp. & elec. prod.	895.1	29.7
Paper	614.7	20.4
Transportation equip.	422.9	14.0
Marine products	157.7	5.2
Forestry products	140.4	4.7

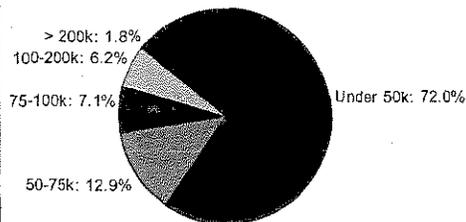
Source: BOC - Foreign Trade Division, 2008

**INCOME**



Sources: Census, 2007 (household); BEA, 2007 (per capita)

**INCOME TAX DISTRIBUTION**



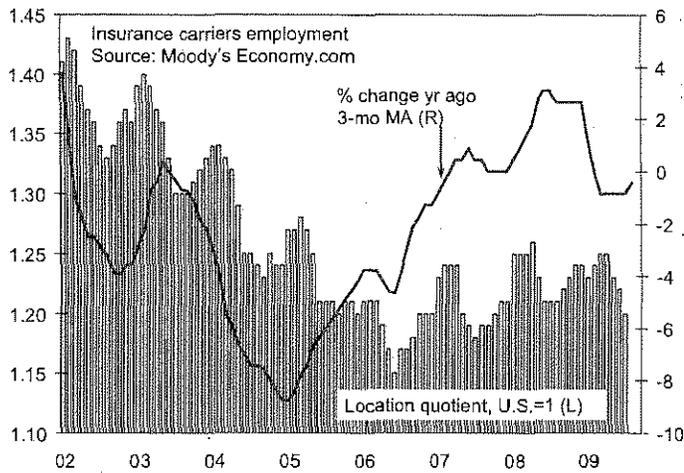
Source: Internal Revenue Service, 2007

**CREDIT QUALITY**

**MOODY'S RATING**

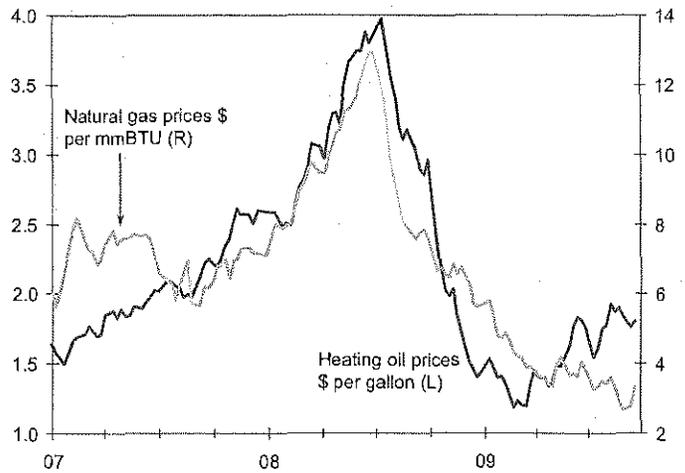
**Aa3**

**Insurance Providers Stabilize Office Demand**



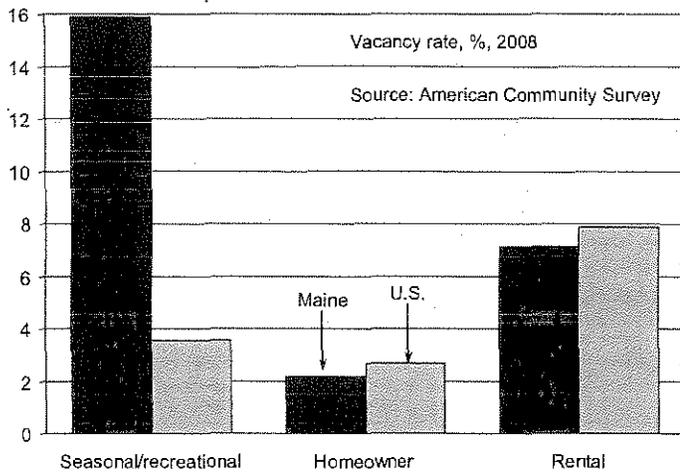
Office-using employment in ME has outperformed the U.S. throughout the recession because of the state's overexposure to insurance. The financial crisis weakened the banking sector because it led to a decline in nonrecurring revenues. Firms and households reduced the amount of debt they were taking on, which hurt business for the banks. However, the insurance industry has been resilient in the face of the financial crisis because of its dependence on recurring revenues from clients with long-term commitments. The bulk of the insurance jobs are in Portland, which has fared better than the rest of the state.

**Dependence on Heating Oil Is a Drag on Consumption**



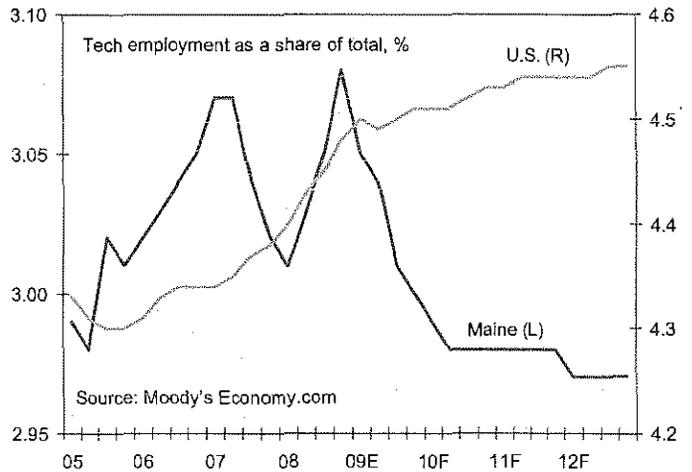
A new liquid natural gas plant in New Brunswick Canada could spark a wave of development focused on more diversified energy sources in ME. Regulatory hurdles and extensive construction lead times ensure that heating oil is ME's primary energy source in the near term. ME consumers will be at a disadvantage this winter compared with regions and states that have alternatives to heating oil. Natural gas prices were cut in half over the last year, while heating oil prices are above last winter's lows. Oil is easier to transport and will experience greater upward price pressure from growth in emerging market economies.

**Vacancy Rate Remains Below Average Despite Investor Class**



ME's balanced market has limited house price declines, protecting homeowners from the massive losses in household wealth seen elsewhere. The homeowner vacancy rate is below the U.S. despite large exposure to second-home owners, a class that has been susceptible to foreclosure. Entering the housing boom, ME was a well-established market for vacation homes. Speculative second-home buyers make up a smaller share of the total vacation home market than nascent areas such as southwest Florida. Therefore, less-leveraged homeowners in ME are not as likely to be underwater on their mortgage.

**No Tech Growth Expected in Maine**



The long-term outlook for growth is muted by the low level of business investment that flows into ME, particularly for new technology start-up firms. Accelerating out-migration and a small base of young college graduates entering the workforce diminish the state's attractiveness to developing industries, evident by the below-average levels of venture capital the state draws. Well-entrenched industries such as back-office operations, healthcare and insurance will be the primary drivers of job growth as the state emerges from recession.

## **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 (Economy.com – October 2009)
- (5) Forecast of new passenger car & light truck registrations in Maine (Economy.com – October 2009)
- (6) Forecast of average price of new vehicle (Economy.com – October 2009)
- (7) Forecast of Personal Savings Rate (Economy.com – October 2009)

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

- (8) Total Personal Income
  - (a) Growth by Component
- (9) Inflation (CPI-U)
- (10) Total Employment Growth
- (11) Unemployment Rate
- (12) 3-Month Treasury Bill Rate
- (13) 10-Year Treasury Note Rate

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

- (14) Inflation (CPI-U)
- (11) Total Employment Growth
  - (a) Growth by Sector
- (12) Forecast of Before-Tax Corporate Book Profits (Economy.com – October 2009)



STATE OF MAINE  
 OFFICE OF THE GOVERNOR  
 22 STATE HOUSE STATION  
 AUGUSTA, MAINE  
 04333-0001

JOHN ELIAS BALDACCI  
 GOVERNOR

JOHN M. KERRY  
 DIRECTOR  
 OFFICE OF ENERGY  
 INDEPENDENCE AND SECURITY

**For Immediate Release  
 November 16, 2009**

**Contact: Jennifer Puser  
 287-6250**

**Heating Oil Prices Remain Stable**

Augusta--- The Governor’s Office of Energy Independence and Security (OEIS) conducted its off season oil survey and has found that the current statewide average cash price for No. 2 heating oil to be at **\$2.56 per gallon**, unchanged from last week.

While market fundamentals, petroleum inventories, and mild weather have stabilized prices in the near term, Maine consumers should be aware that due to a downward shift in the value of the dollar, international speculation and anticipated colder weather in the long term will eventually drive up the price of petroleum-based products,” said OEIS Director John Kerry. “All Maine consumers should prepare for this winter’s heating season by taking steps to weatherize their homes, reduce energy consumption and create an energy budget.”

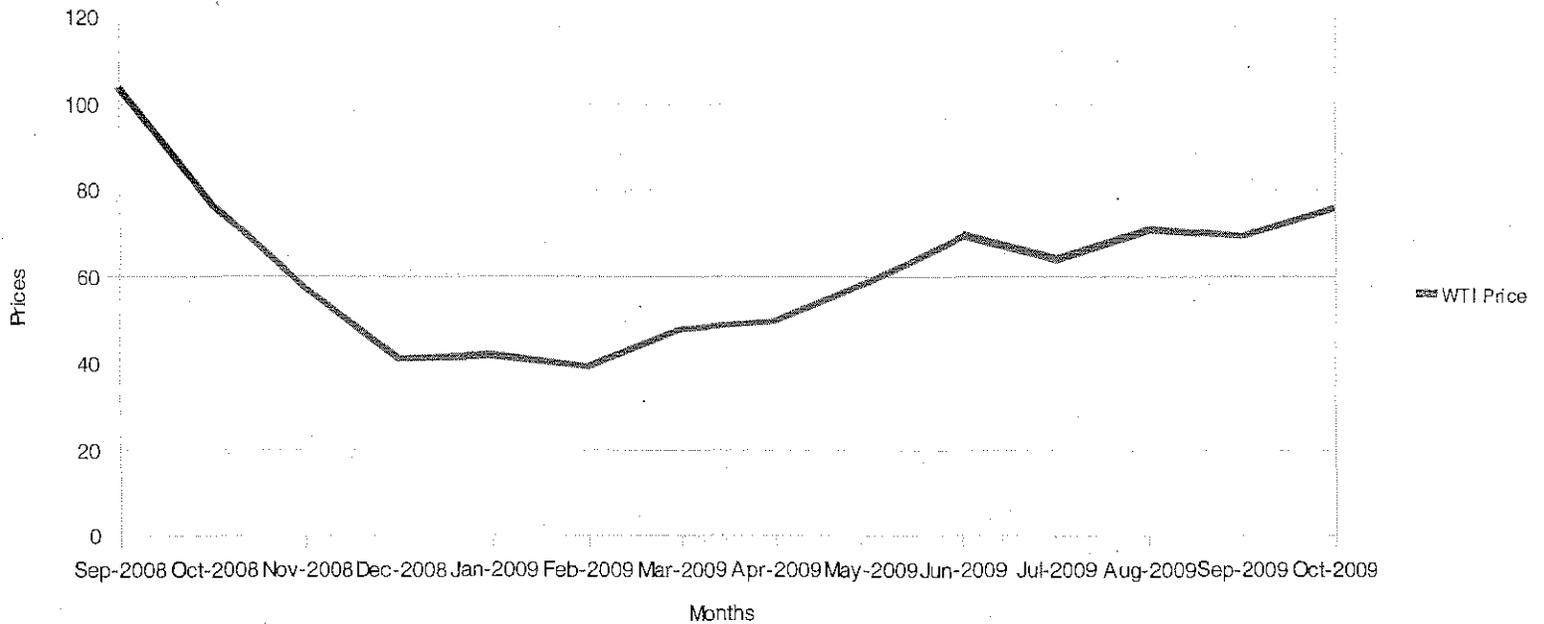
As of November 16th, 2009

Heating Oil	Statewide	Southwest	Central	Eastern	Western	Northern
Average	2.56	2.41	2.61	2.67	2.47	2.77
High	2.85	2.65	2.70	2.85	2.70	2.80
Low	2.22	2.22	2.45	2.49	2.27	2.67
<b>Kerosene</b>	2.95	2.78	3.03	3.06	2.83	3.16
<b>Propane</b>	2.66					

It is important to note that the price for heating oil is a statewide average and that prices in a given geographic region of the state may be considerably higher or lower than the statewide average. Within the OEIS sample, the lowest actual heating oil price of \$2.22 per gallon was found in the Southwestern region. The high-end price of \$2.85 per gallon was found in the Eastern region. The statewide kerosene price average is \$2.95 per gallon at this time. The statewide average for propane based on a use of 600 gallons a year was \$2.66 per gallon. The table above provides current Maine cash prices in dollars rounded to the nearest penny.

At the time of this release the price of WTI crude oil, major driver of refined product prices, including heating oil was \$79.12. Below is a price trend of the price in 2009:

### WTI Spot Price

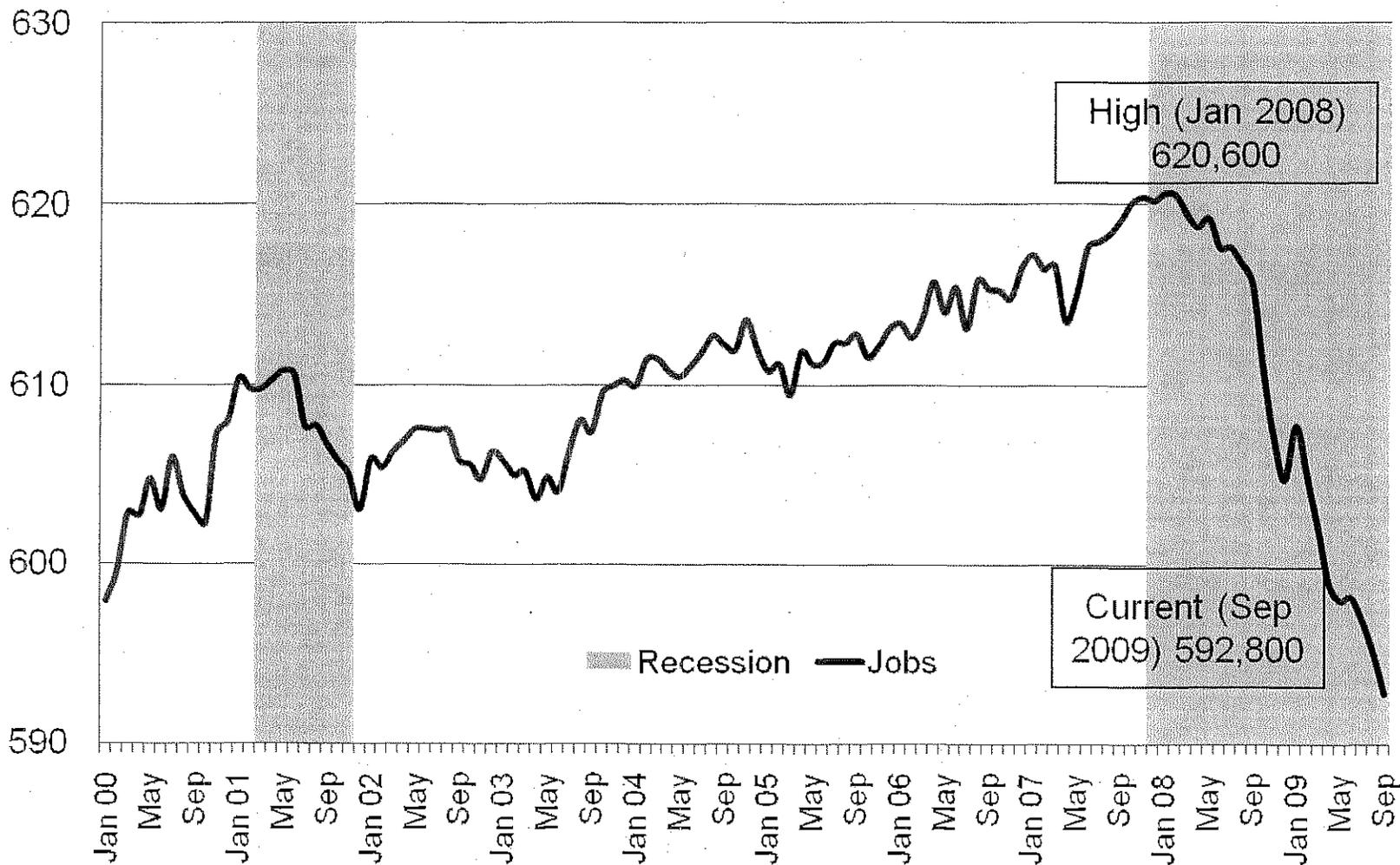


For assistance please contact MaineHousing about their Home Energy Loan Program (HELP) that provides low interest rate loans of up to \$30,000 to low- and moderate-income homeowners to finance a wide variety of energy-related improvements to their homes. For program details and a list of HELP lenders visit MaineHousing's website at [www.mainehousing.org](http://www.mainehousing.org) or call 1-877-544-3271. Many projects funded through this program save more money through the improvements than the loan payments they have to make. Businesses should take advantage of Efficiency Maine's small business loan program to make energy upgrades: [http://www.energymaine.com/business\\_programs.htm](http://www.energymaine.com/business_programs.htm)

The next survey is scheduled for November 23<sup>rd</sup>, 2009.

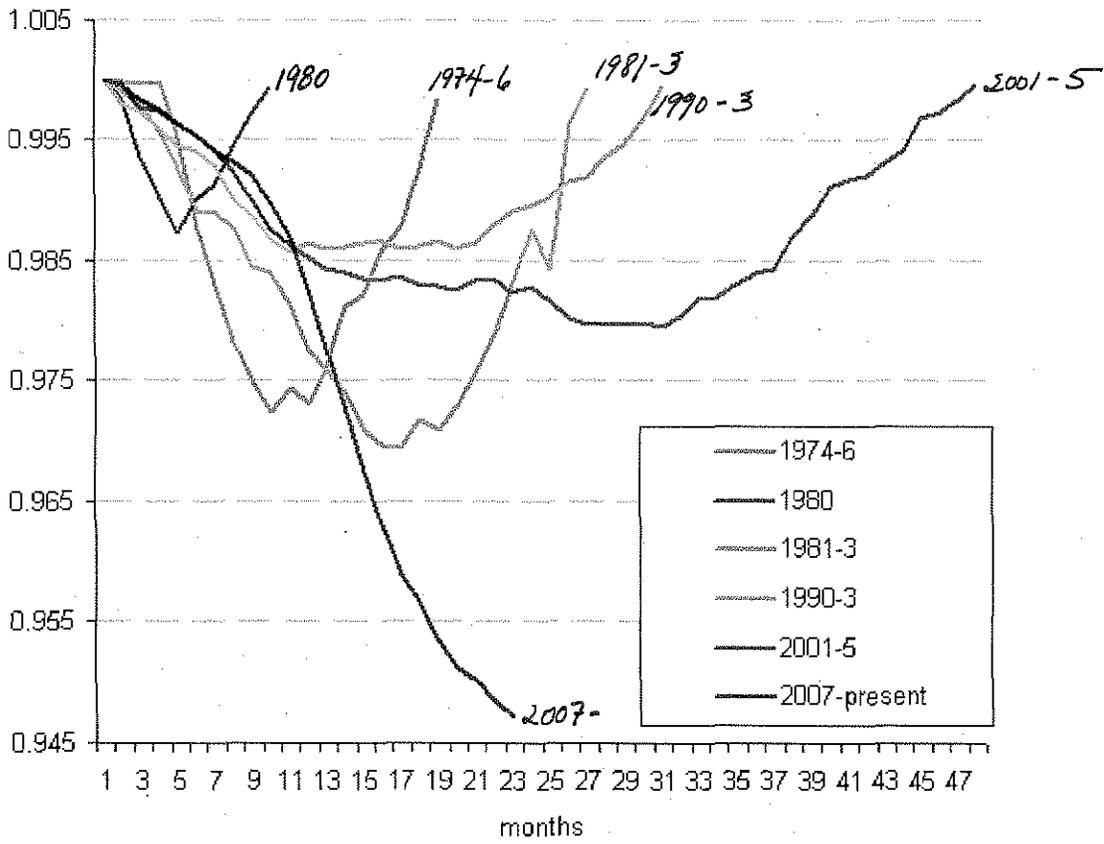
# The number of nonfarm jobs is down to 1999 levels

*(Seasonally adjusted in thousands)*

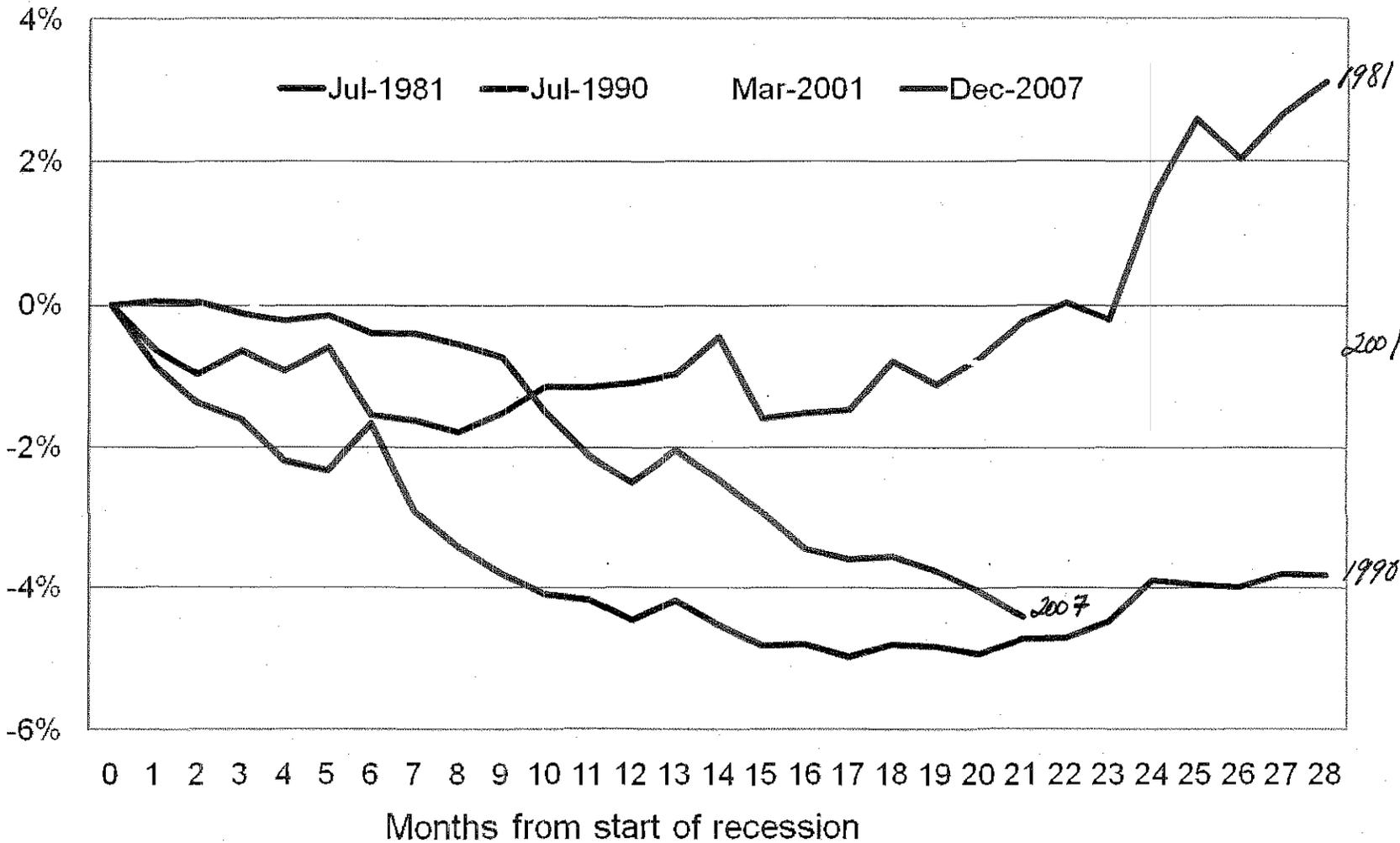


G-45

Job Losses in Recent Recessions, as a Share of Employment



The rate of job loss 21 months from the start of the recession is close to the deep downturn of the early 1990s



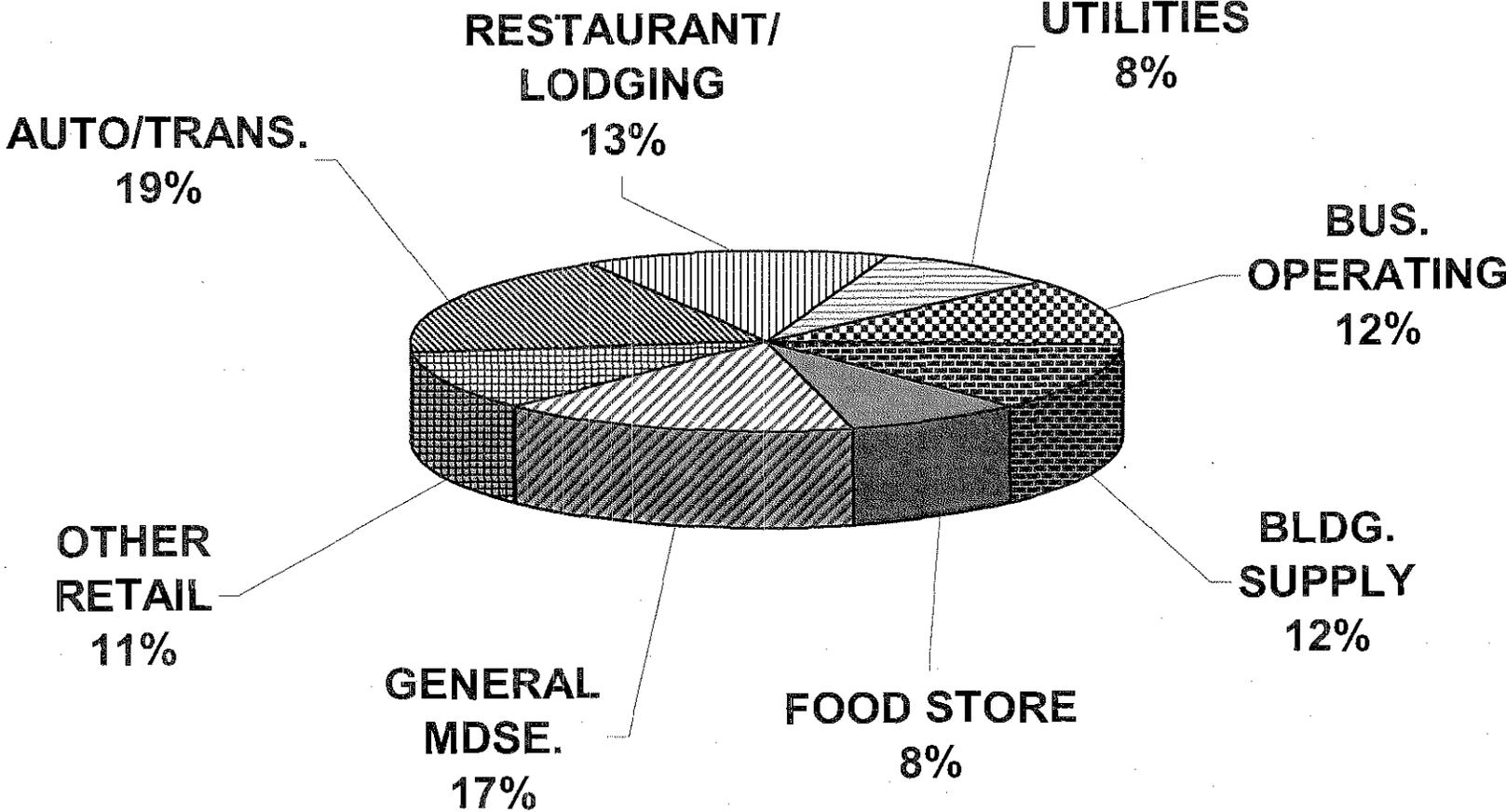
G-47

## **Sales & Use Tax**

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

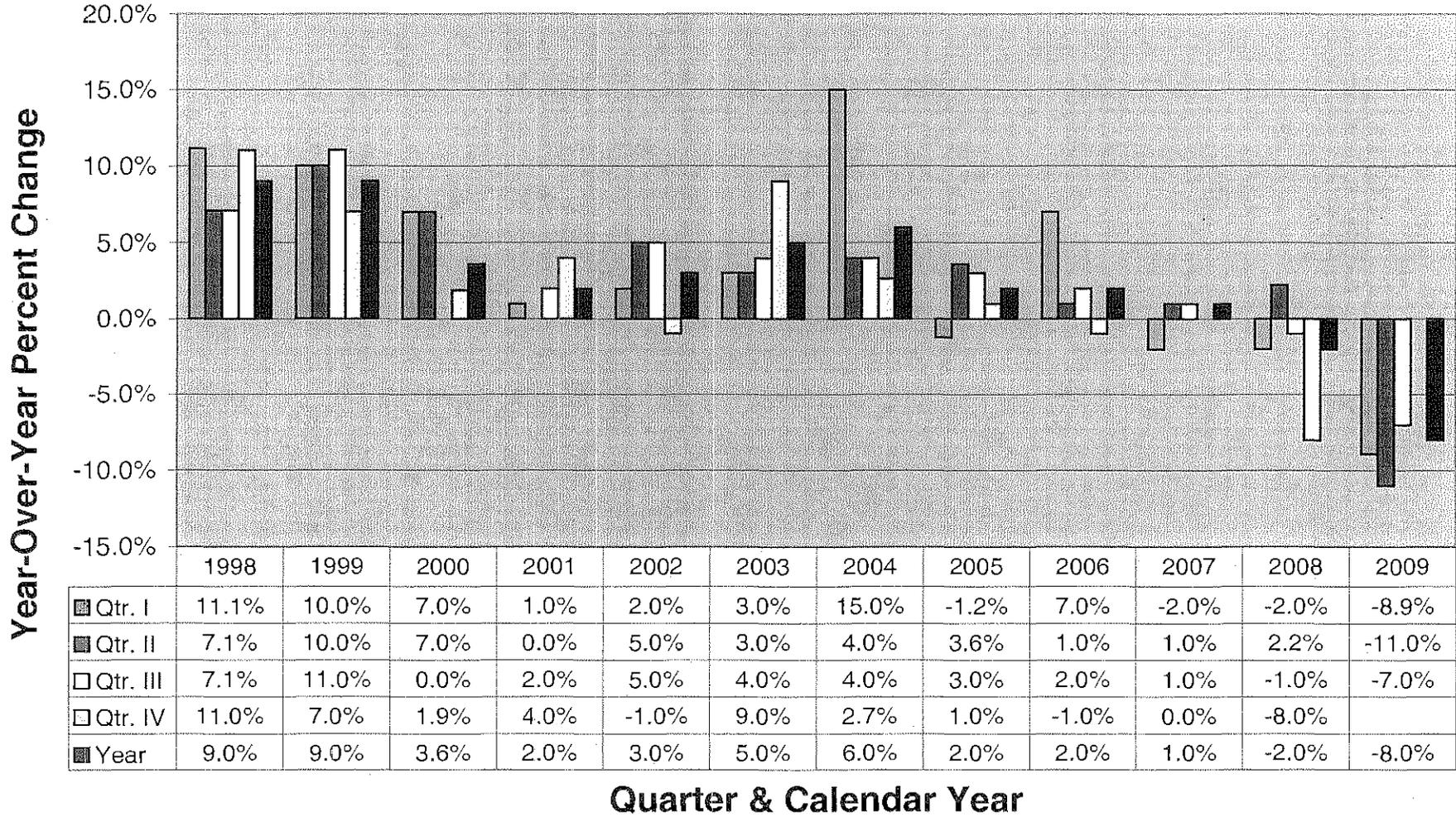
	Sept. '09	% Ch.	Sept. '08	% Ch.	Sept. '07	Average Last 3 Mos. Vs. Last Yr. % Change	Moving Total Last 12 Mos. Vs. Prior % Change	YTD Growth CY'09 vs. '08 Thru. Sept. % Change
Building Supply	\$202,759	-17.4%	\$245,338	0.2%	\$244,734	-18%	-16%	-18%
Food Store	\$140,516	3.7%	\$135,542	0.1%	\$135,443	1%	3%	3%
General Merchandise	\$255,935	-1.7%	\$260,430	-3.6%	\$270,028	-5%	-5%	-5%
Other Retail	\$189,873	-3.2%	\$196,142	3.4%	\$189,697	-4%	-2%	-2%
Auto/Transportation	\$277,876	-10.5%	\$310,316	-0.6%	\$312,312	-2%	-12%	-10%
Restaurant	\$194,105	-0.5%	\$195,004	-3.7%	\$202,535	-3%	-1%	-1%
Lodging	\$81,099	3.0%	\$78,719	-10.3%	\$87,738	-6%	-8%	-8%
Consumer Sales	\$1,342,163	-5.6%	\$1,421,491	-1.5%	\$1,442,486	-6%	-7%	-7%
Business Operating	\$169,090	-18.1%	\$206,424	2.4%	\$201,598	-18%	-16%	-18%
<b>Total</b>	<b>\$1,511,252</b>	<b>-7.2%</b>	<b>\$1,627,915</b>	<b>-1.0%</b>	<b>\$1,644,084</b>	<b>-7%</b>	<b>-8%</b>	<b>-8%</b>

# 2008 Maine Taxable Sales by Sector



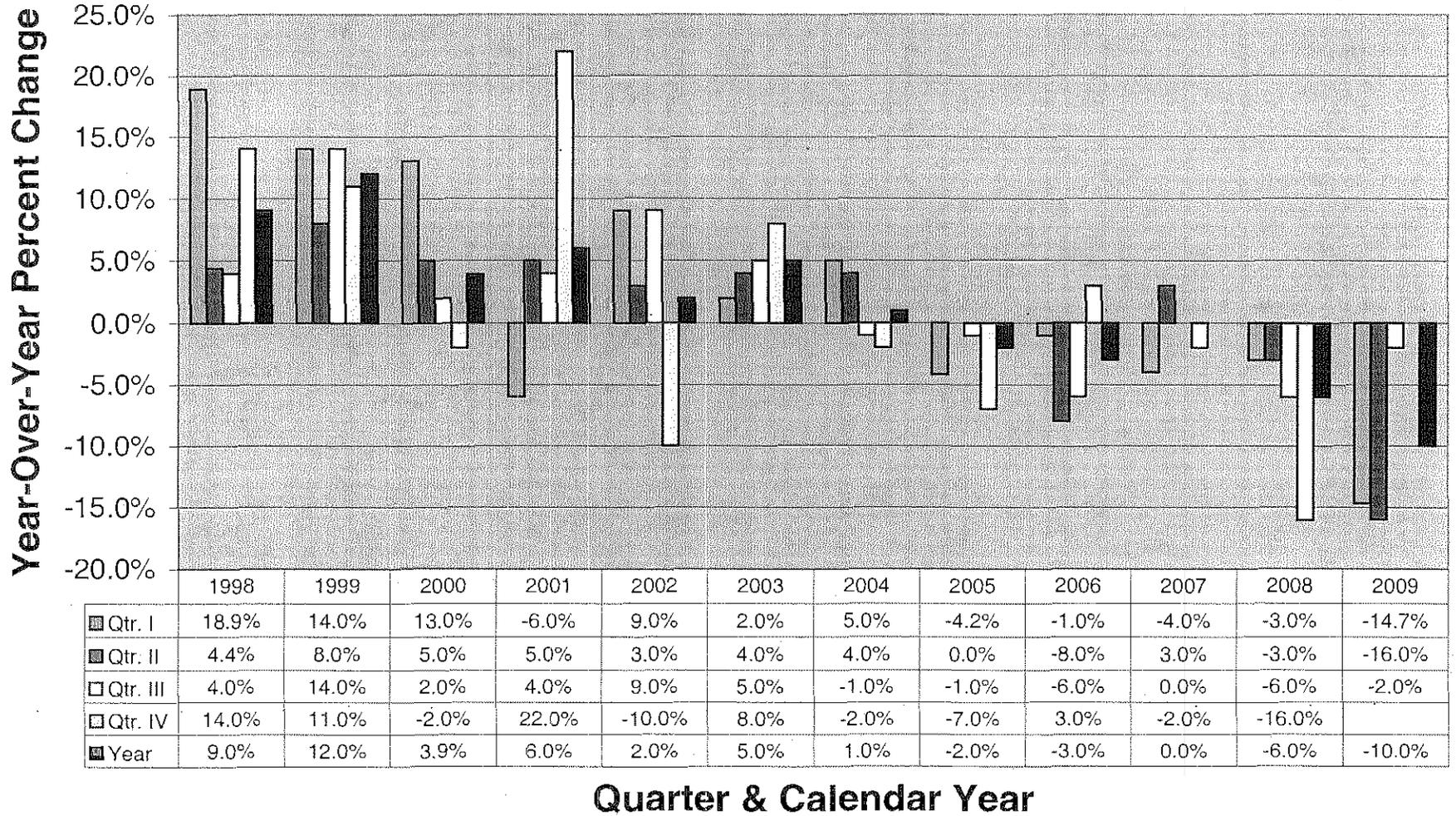
G-50

# Total Taxable Sales

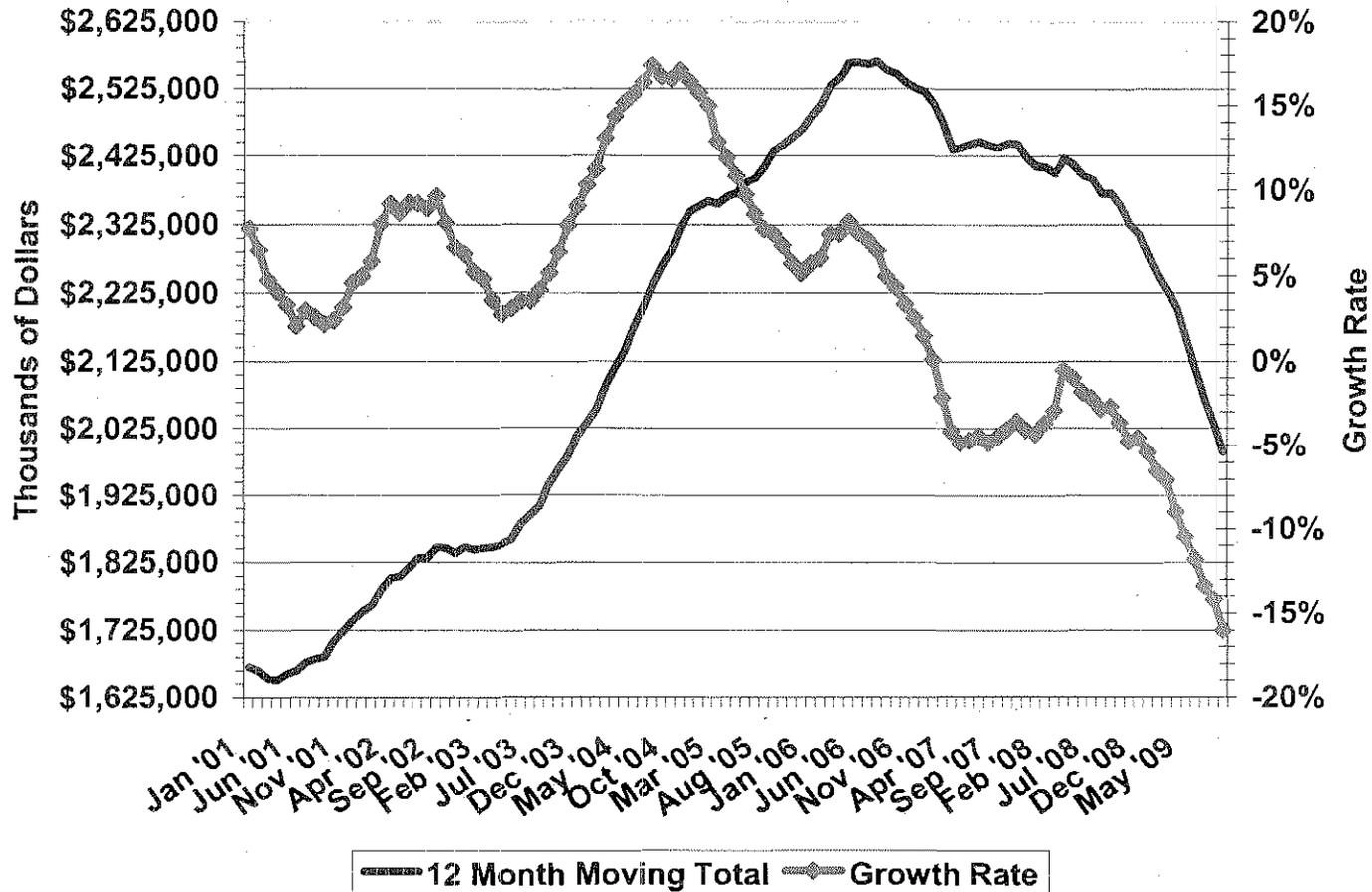


IS - 51

# Auto/Transportation Taxable Sales

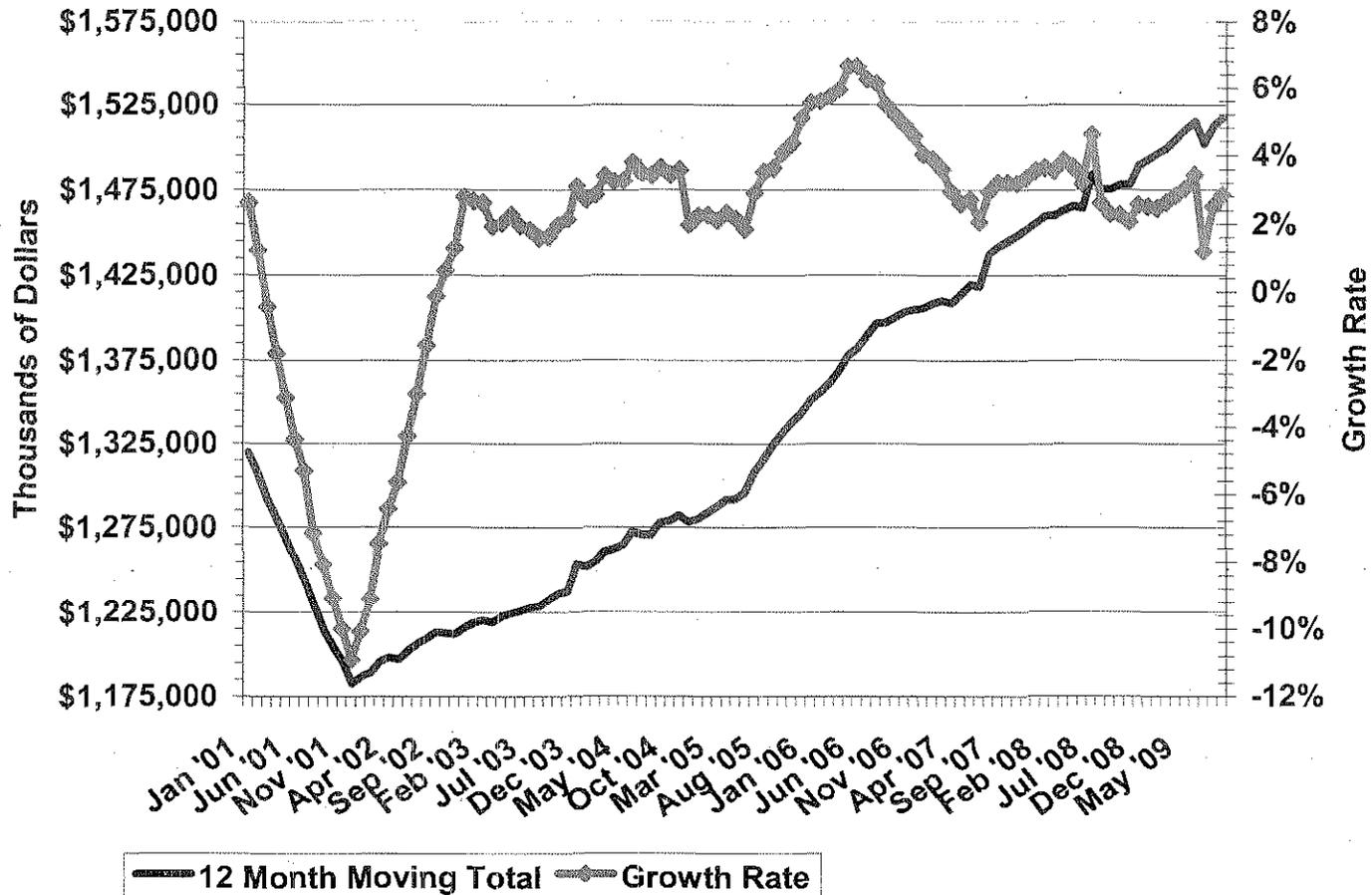


# Building Supply Taxable Sales January 2001 to Date



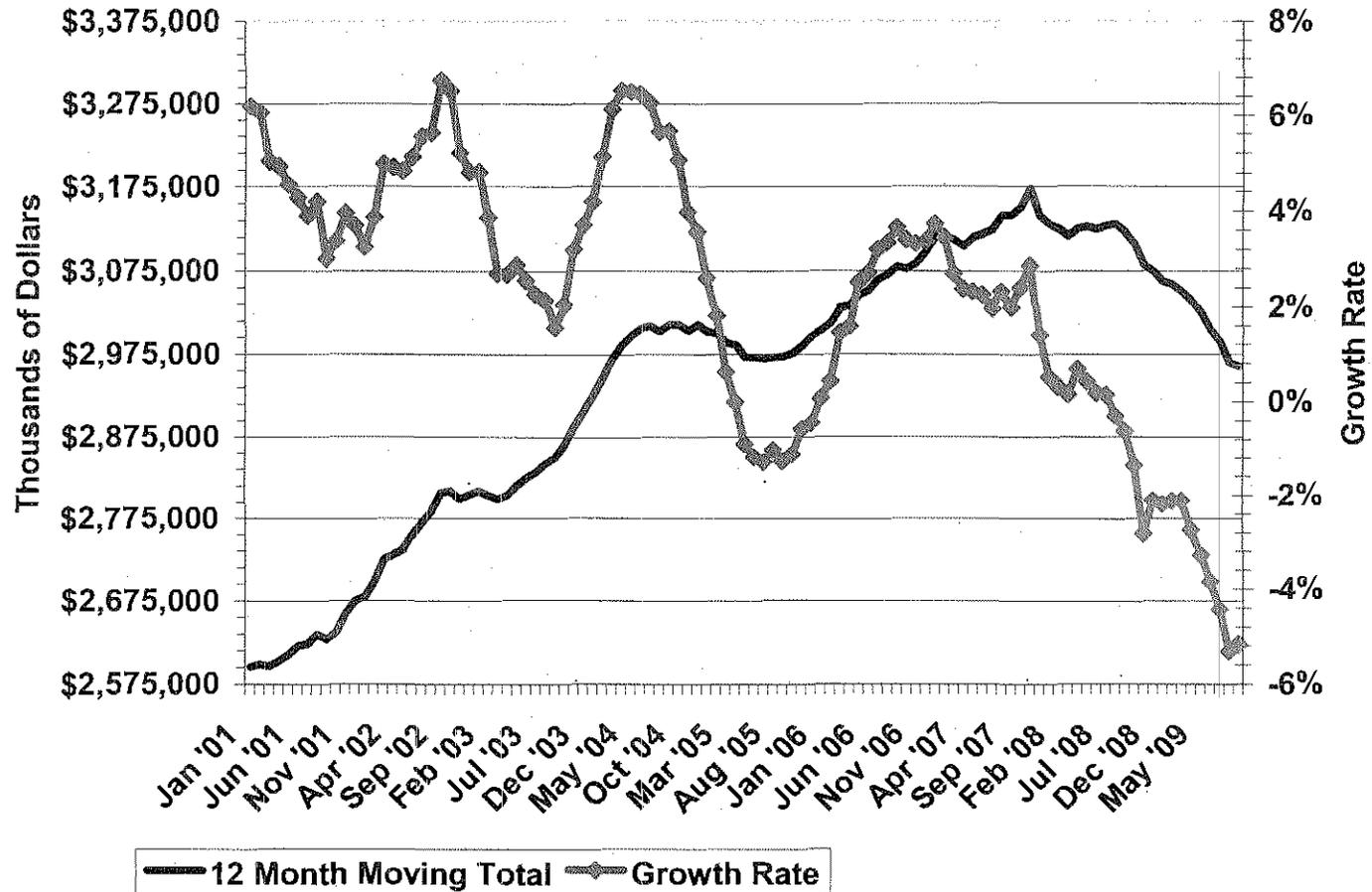
G-53

# Food Store Taxable Sales January 2001 to Date



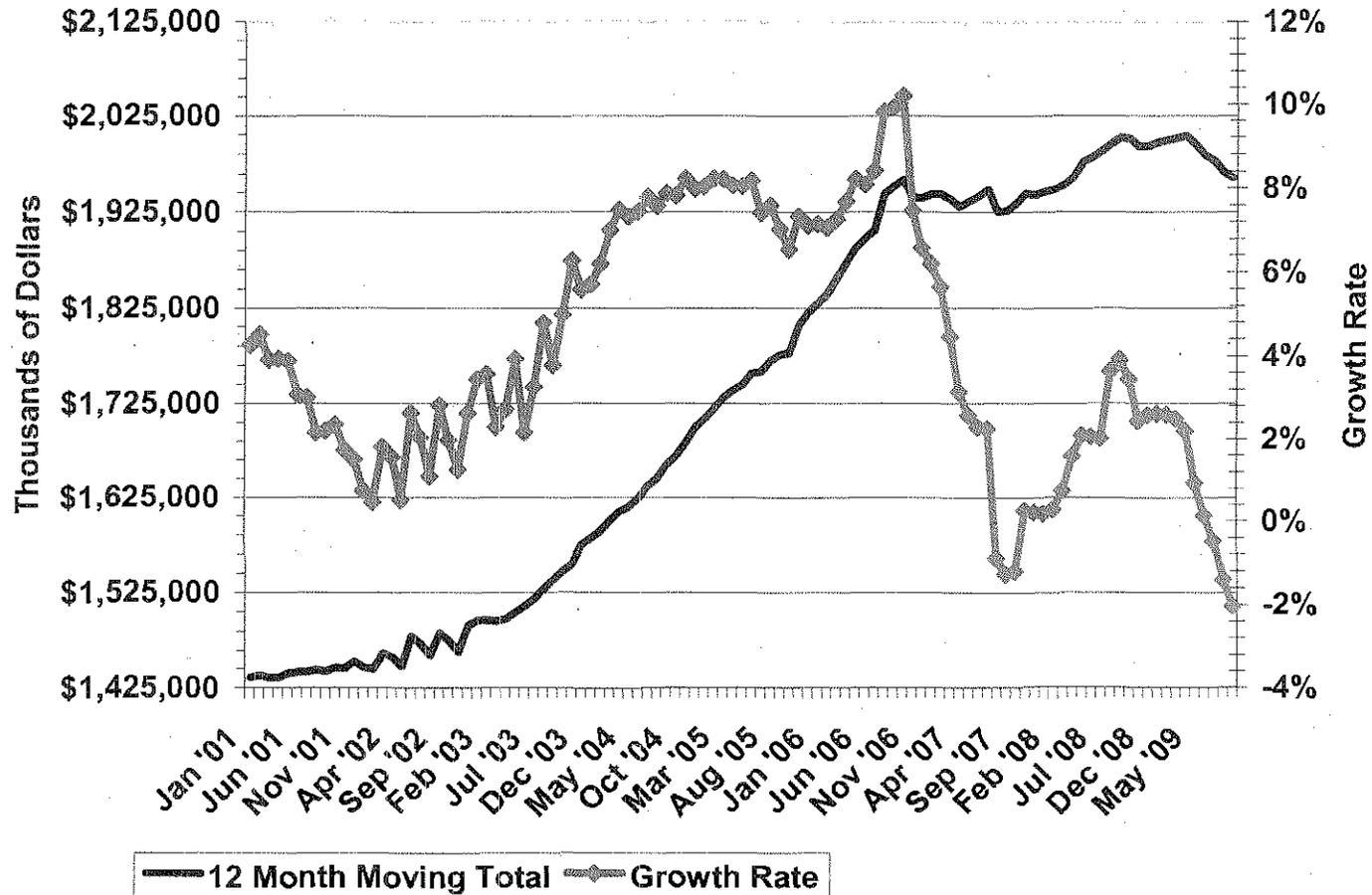
G-54

# General Merchandise Taxable Sales January 2001 to Date



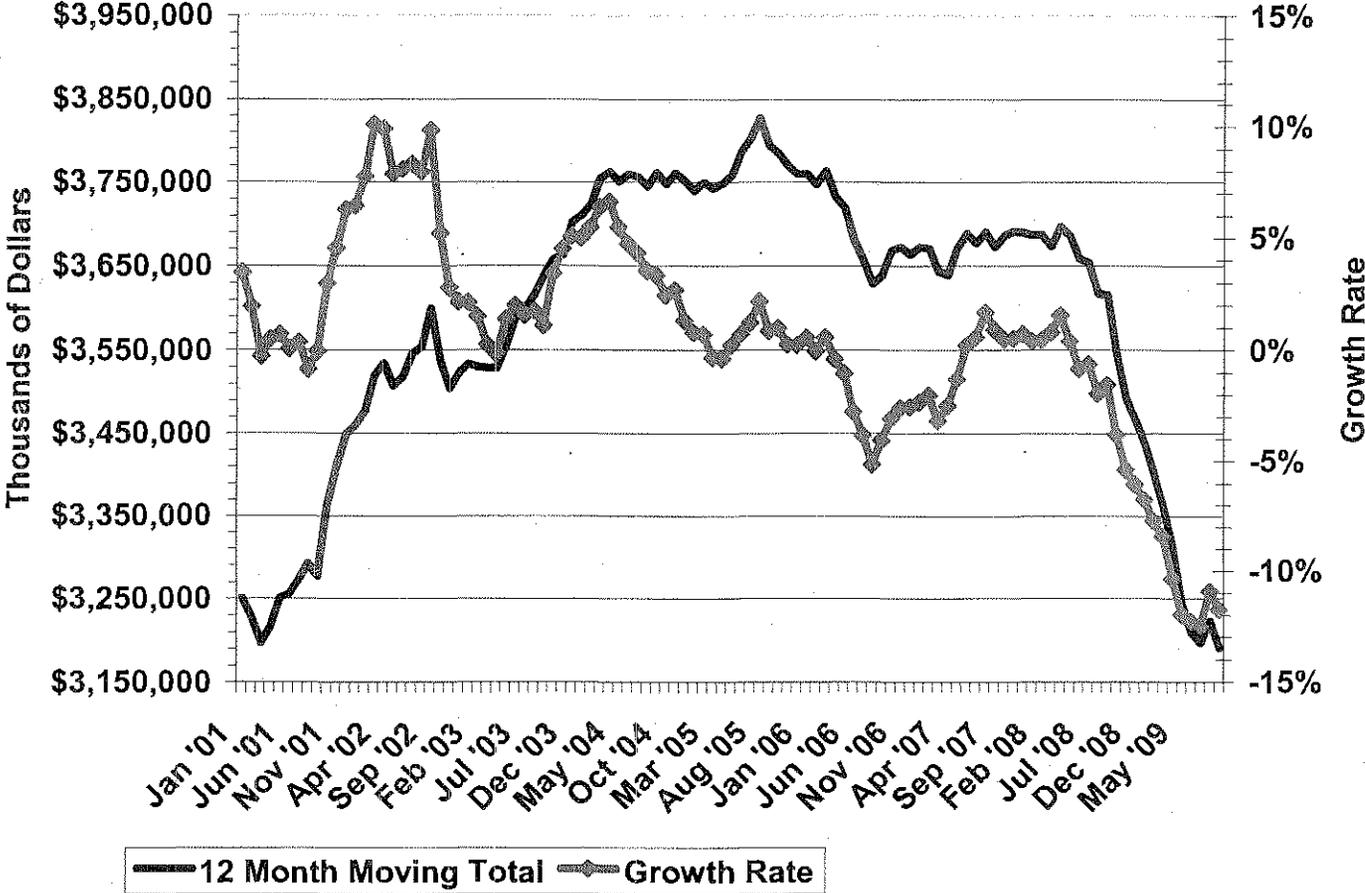
G-55

# Other Retail Taxable Sales January 2001 to Date



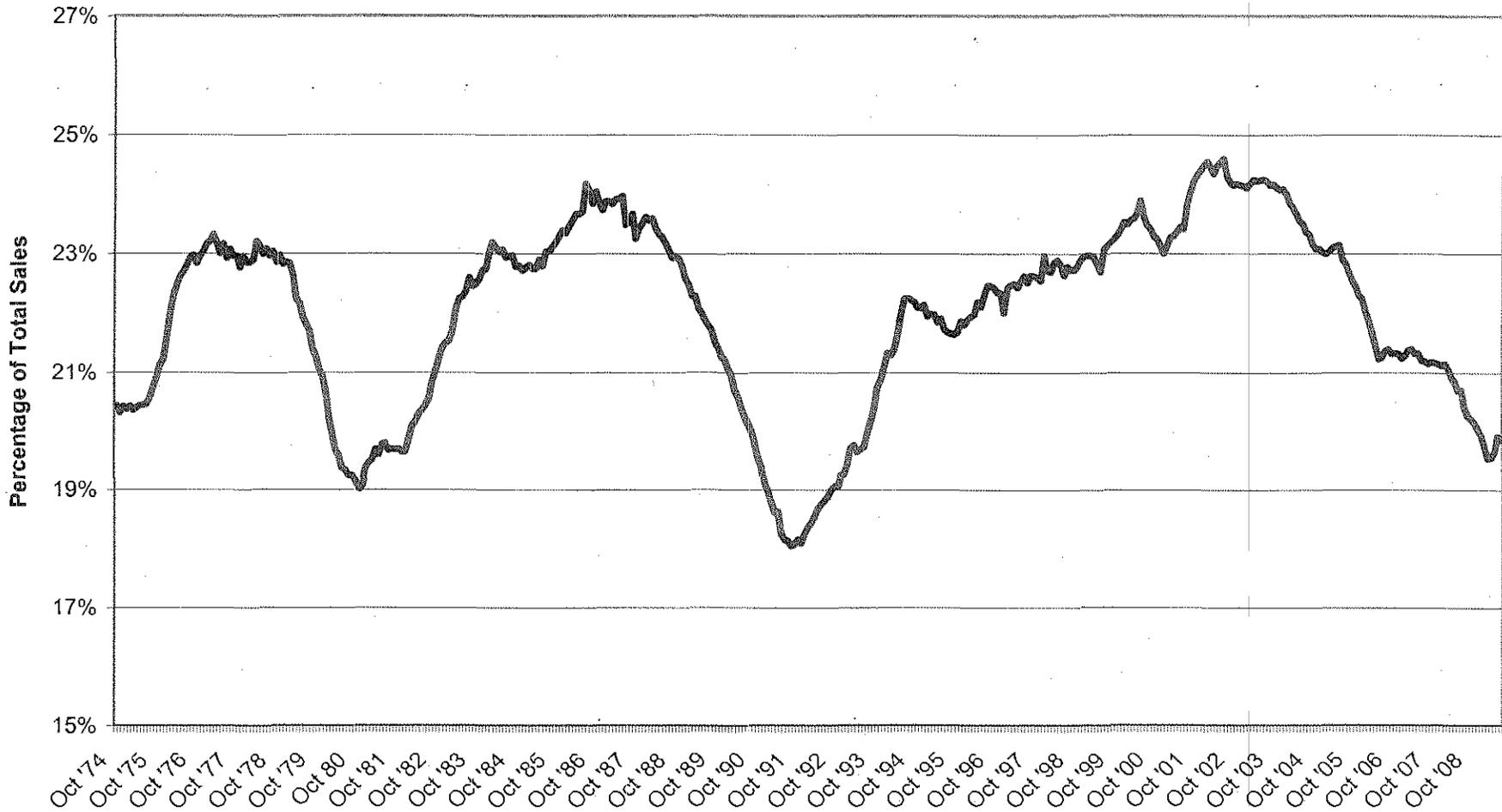
G-56

# Auto/Transportation Taxable Sales January 2001 to Date



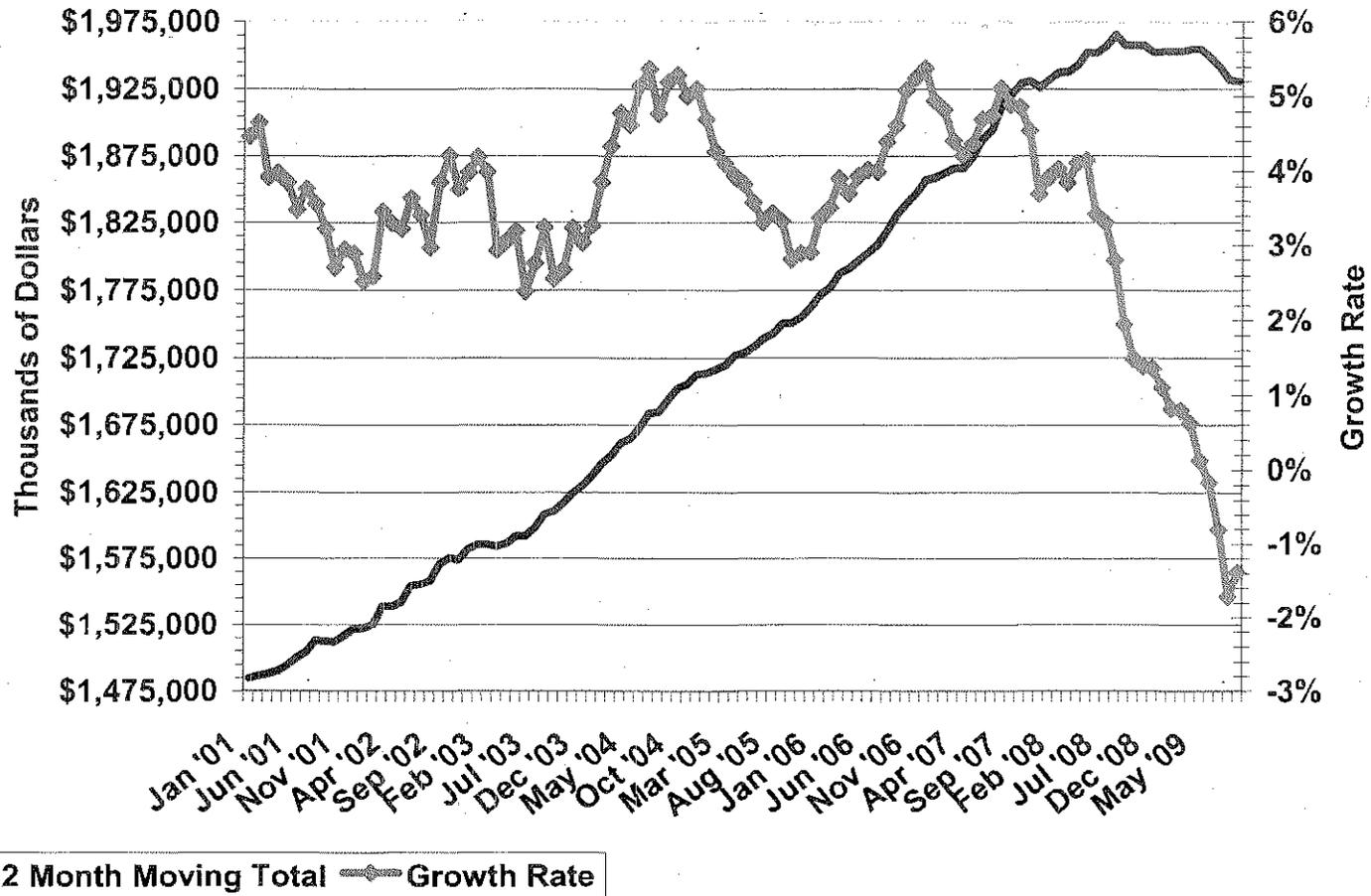
G-57

### Auto/Transportation Sales as Percentage of Total Sales 12 Month Moving Total Dec. 1974 - Date



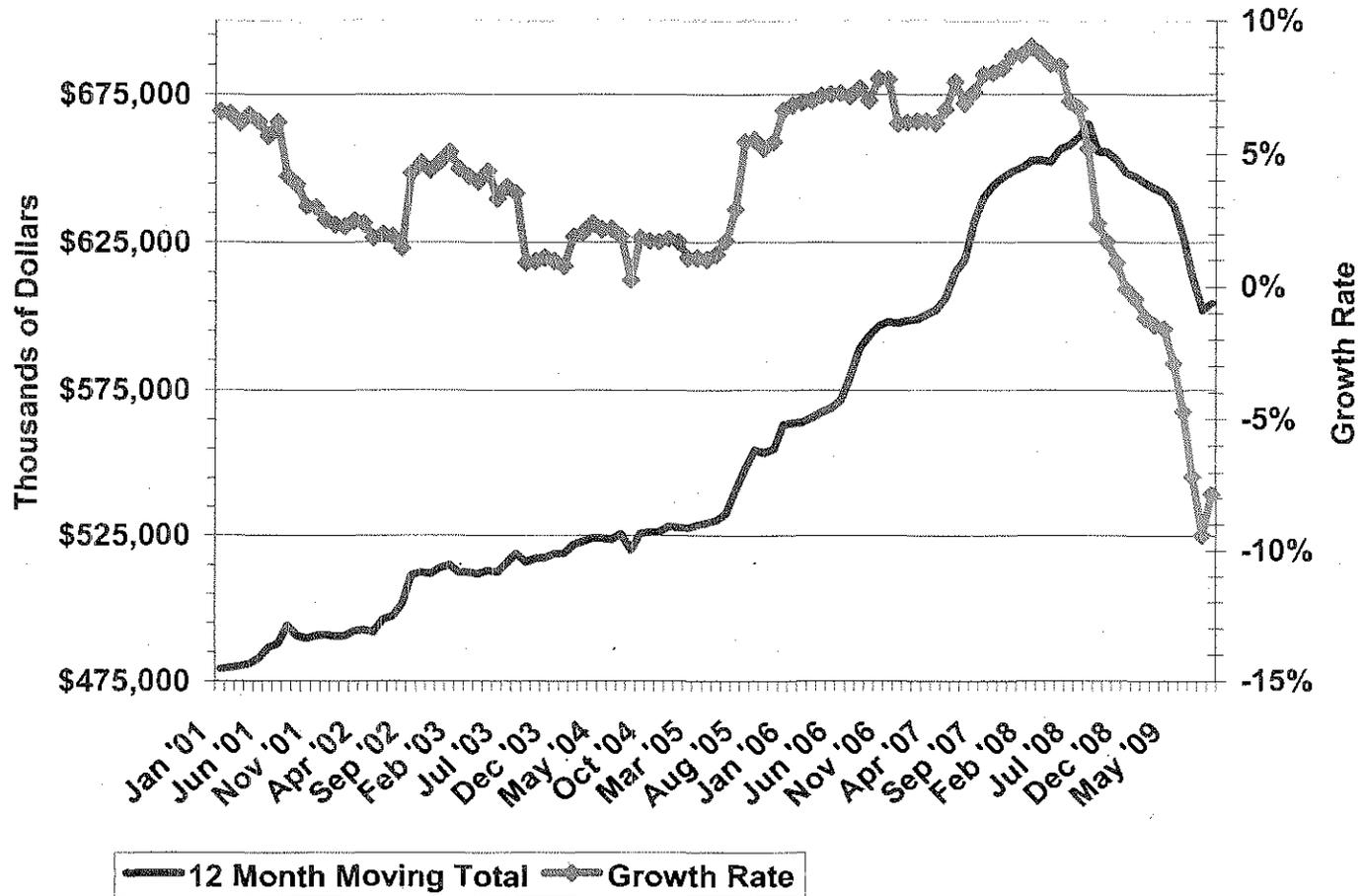
85 - G

# Restaurant Taxable Sales January 2001 to Date

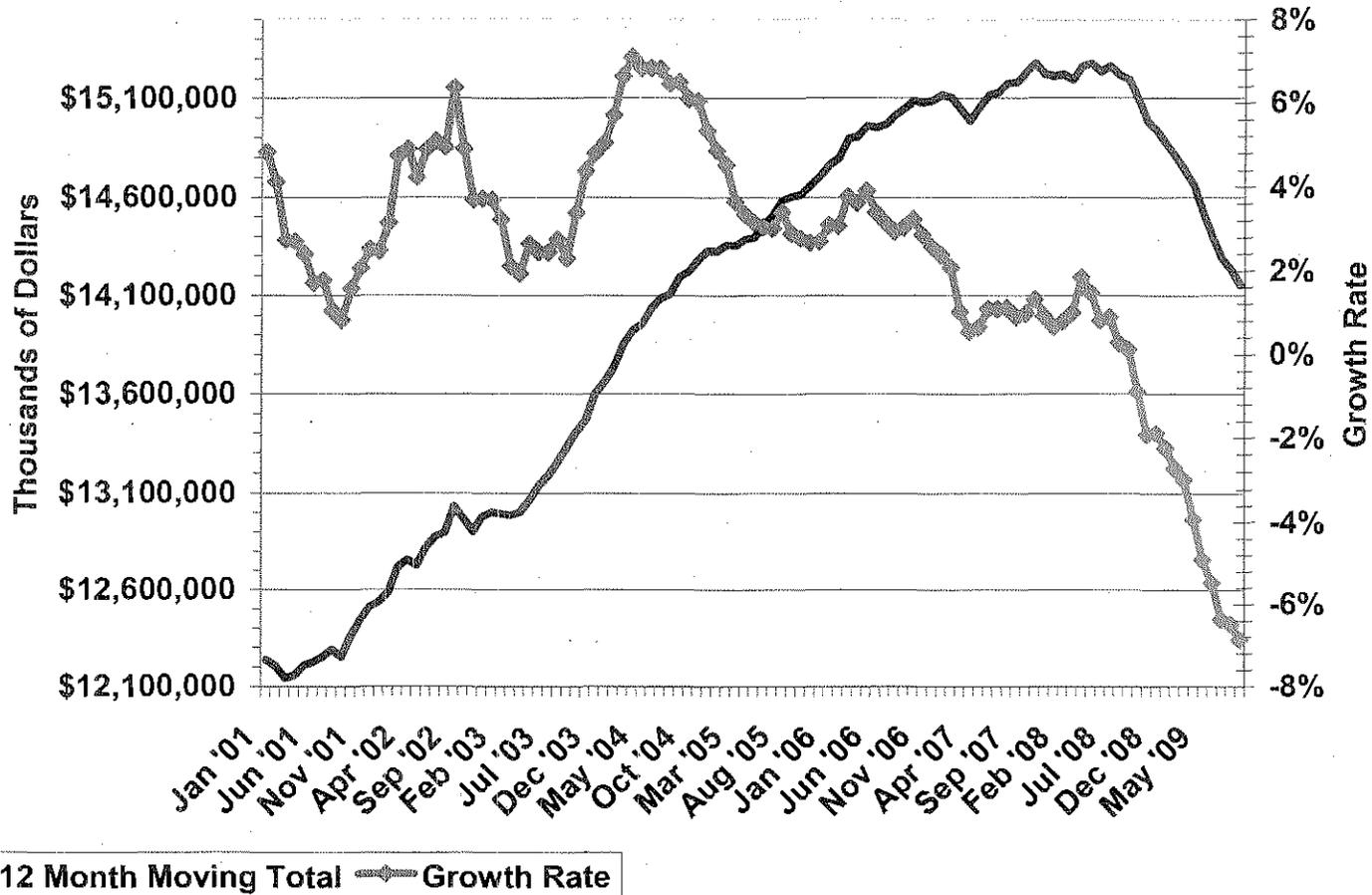


65 - G

# Lodging Taxable Sales January 2001 to Date

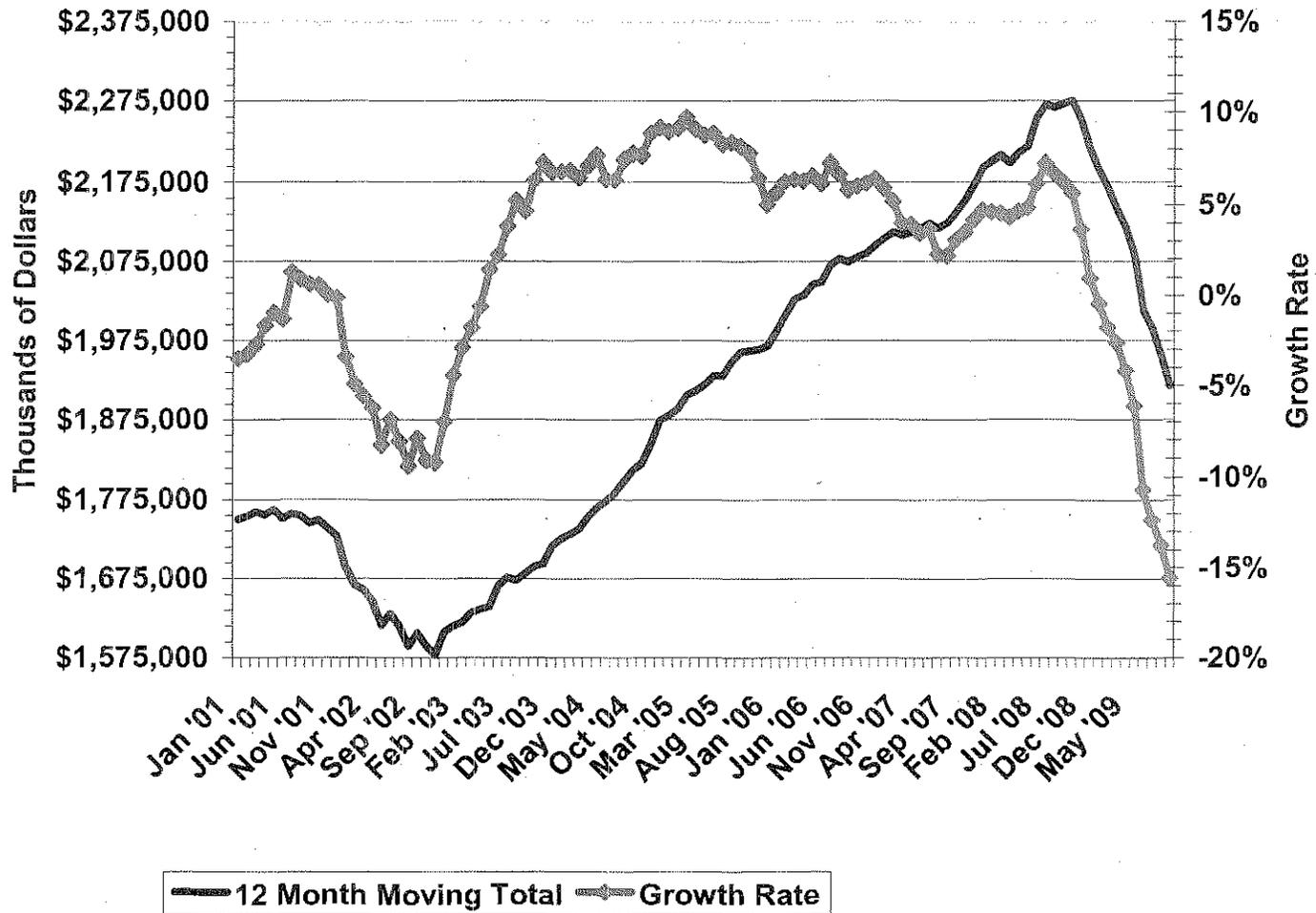


# Total Consumer Taxable Sales January 2001 to Date

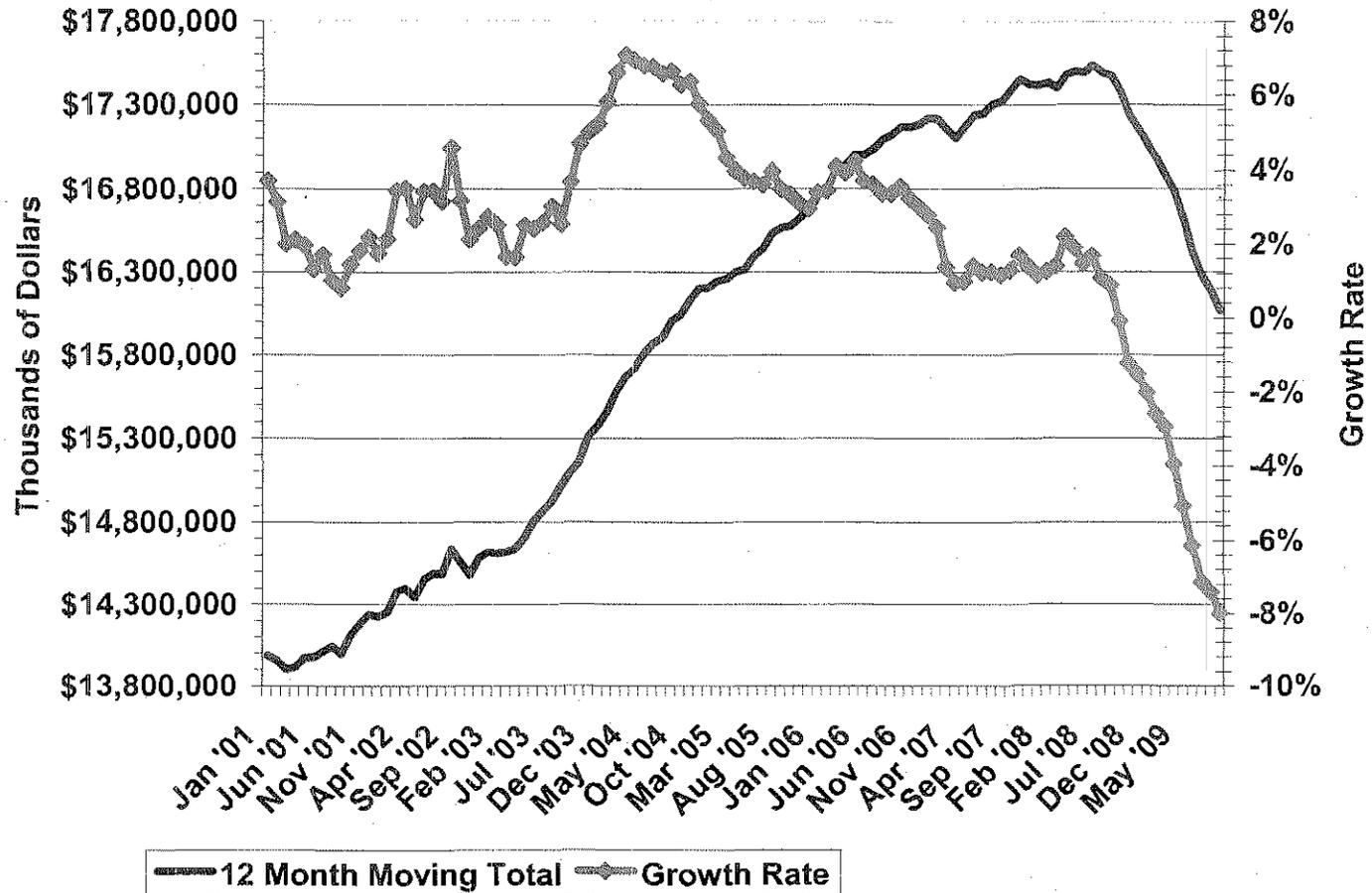


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# Business Operating Taxable Sales January 2001 to Date

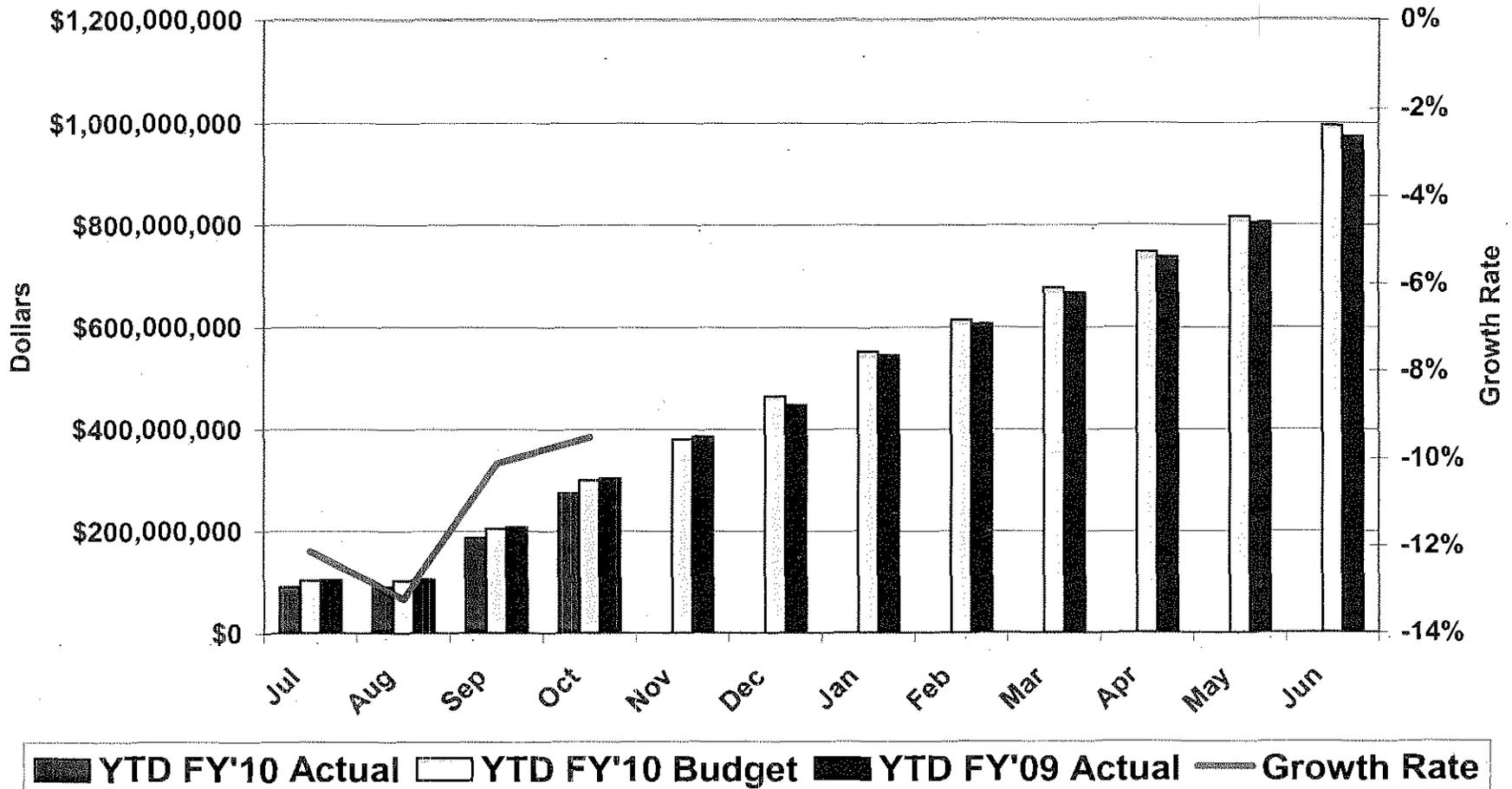


# Total Taxable Sales January 2001 to Date



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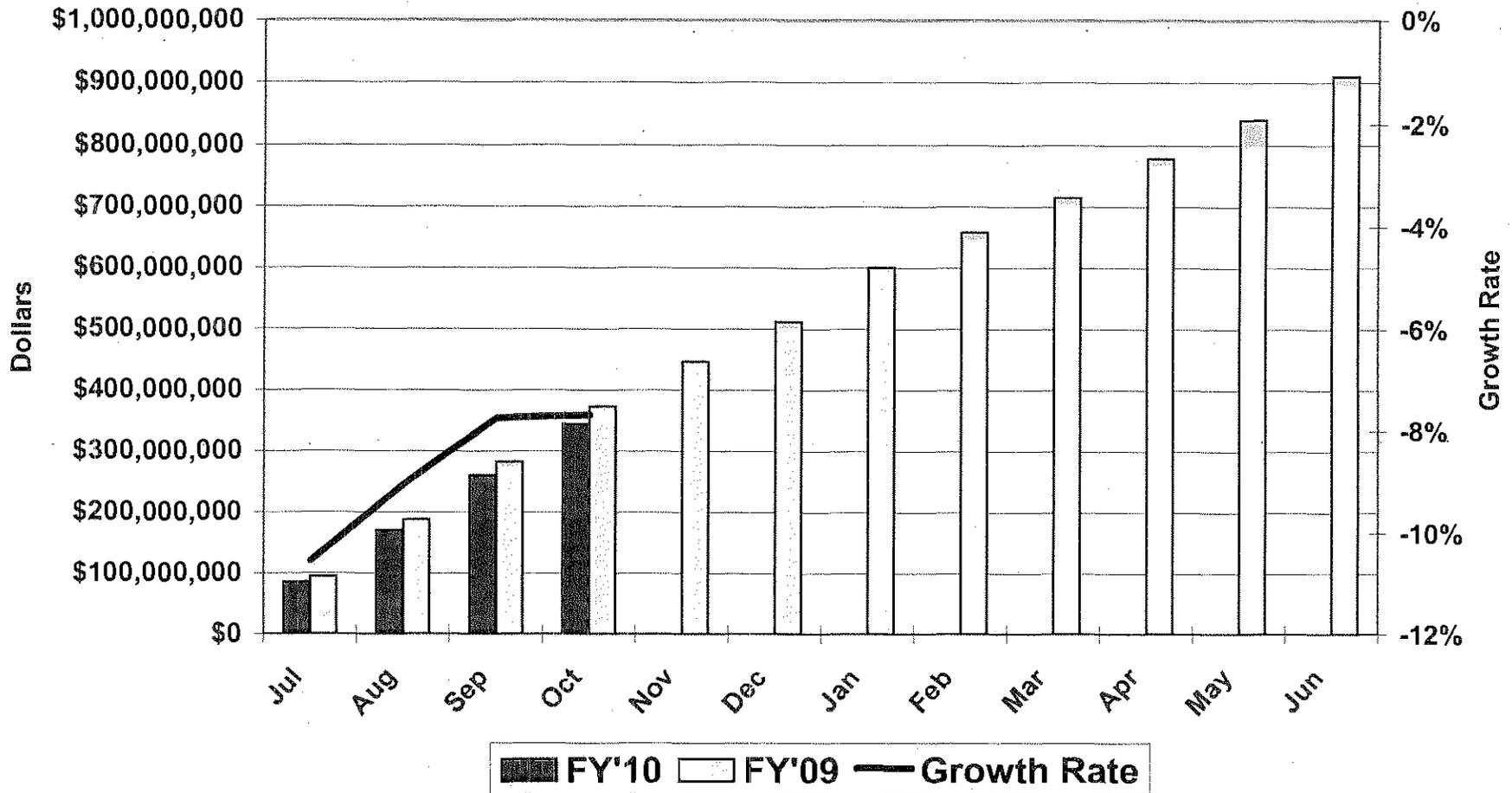
# Sales & Service Provider Tax Revenue FY'10 Actual, Budget & FY'09 Actual



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

Month	FY'10 Actual	FY'10 Budget	FY'09 Actual	FY'08 Actual	FY'10 Actual vs. Budget	FY'10 Budget vs. FY'09 Actual	FY'10 Actual vs. FY'09 Actual	FY'09 Actual vs. FY'08 Actual
Jul	\$90,437,714	\$102,190,694	\$102,939,388	\$100,695,273	-11.5%	-0.7%	-12.1%	2.2%
Aug	\$79,210	(\$359,613)	\$1,373,743	(\$2,248,639)	-122.0%	-126.2%	-94.2%	-161.1%
Sep	\$96,228,300	\$102,808,603	\$103,435,596	\$102,884,842	-6.4%	-0.6%	-7.0%	0.5%
Oct	\$88,431,836	\$95,639,297	\$96,353,116	\$97,816,164	-7.5%	-0.7%	-8.2%	-1.5%
Nov	\$0	\$80,704,251	\$81,320,814	\$83,857,052	-100.0%	-0.8%	-100.0%	-3.0%
Dec	\$0	\$83,074,671	\$61,637,775	\$77,804,104	-100.0%	34.8%	-100.0%	-20.8%
Jan	\$0	\$87,306,289	\$96,871,215	\$100,469,208	-100.0%	-9.9%	-100.0%	-3.6%
Feb	\$0	\$63,120,720	\$62,041,109	\$66,954,262	-100.0%	1.7%	-100.0%	-7.3%
Mar	\$0	\$63,398,495	\$62,314,049	\$67,116,138	-100.0%	1.7%	-100.0%	-7.2%
Apr	\$0	\$69,997,061	\$68,807,350	\$76,125,146	-100.0%	1.7%	-100.0%	-9.6%
May	\$0	\$68,946,765	\$67,783,755	\$75,576,635	-100.0%	1.7%	-100.0%	-10.3%
Jun	\$0	\$177,717,551	\$169,758,405	\$188,107,757	-100.0%	4.7%	-100.0%	-9.8%
<b>Total</b>	<b>\$275,177,060</b>	<b>\$994,544,784</b>	<b>\$974,636,315</b>	<b>\$1,035,157,942</b>	<b>-72.3%</b>	<b>2.0%</b>	<b>-71.8%</b>	<b>-5.8%</b>
<b>YTD Oct</b>	<b>\$275,177,060</b>	<b>\$300,278,981</b>	<b>\$304,101,843</b>	<b>\$299,147,640</b>	<b>-8.4%</b>	<b>-1.3%</b>	<b>-9.5%</b>	<b>1.7%</b>

# Sales Tax Cash Receipts Year-to-Date FY'10 & FY'09



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Maine Revenue Services  
Sales Tax Cash Receipts

	FY'10	FY'09	YTD FY'10	YTD FY'09	Growth Rate	YTD Growth Rate
Jul	\$84,490,717	\$94,480,353	\$84,490,717	\$94,480,353	-10.6%	-10.6%
Aug	\$85,879,571	\$92,867,808	\$170,370,288	\$187,348,161	-7.5%	-9.1%
Sep	\$90,272,558	\$95,234,765	\$260,642,846	\$282,582,926	-5.2%	-7.8%
Oct	\$83,002,752	\$89,753,178	\$343,645,598	\$372,336,104	-7.5%	-7.7%
Nov	\$0	\$73,756,458	\$343,645,598	\$446,092,562	-100.0%	-23.0%
Dec	\$0	\$65,245,049	\$343,645,598	\$511,337,611	-100.0%	-32.8%
Jan	\$0	\$89,286,080	\$343,645,598	\$600,623,691	-100.0%	-42.8%
Feb	\$0	\$56,805,192	\$343,645,598	\$657,428,883	-100.0%	-47.7%
Mar	\$0	\$57,141,982	\$343,645,598	\$714,570,865	-100.0%	-51.9%
Apr	\$0	\$63,313,527	\$343,645,598	\$777,884,392	-100.0%	-55.8%
May	\$0	\$62,013,348	\$343,645,598	\$839,897,740	-100.0%	-59.1%
Jun	\$0	\$69,759,671	\$343,645,598	\$909,657,411	-100.0%	-62.2%

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Economy.com  
April 2009

(2000 = 100)  
CY

	Motor Fuels
2006	1.0000
2007	1.0840
2008	1.2626
2009	0.8024
2010	0.9034
2011	1.0089
2012	1.0376
2013	1.0060

CY Fuel Oil

2006	1.0000
2007	1.0761
2008	1.4888
2009	1.1931
2010	1.2300
2011	1.3132
2012	1.3851
2013	1.4290

CY Natural Gas

2006	1.0000
2007	0.9867
2008	1.1239
2009	1.0321
2010	1.0640
2011	1.1360
2012	1.1981
2013	1.2361

CY Electricity

2006	1.0000
2007	1.0394
2008	1.1059
2009	1.1050
2010	1.1392
2011	1.2163
2012	1.2828
2013	1.3235

Economy.com  
November 2009  
CPI Urban Consumer

CY Motor Fuels

2008	277.9350
2009	187.5375
2010	208.8575
2011	224.9425
2012	235.7450
2013	242.8900

CY Fuel Oil

2008	363.5975
2009	227.0075
2010	231.9125
2011	245.0425
2012	257.3050
2013	267.4200

CY Natural Gas

2008	247.9900
2009	194.7125
2010	195.5750
2011	206.6450
2012	216.9900
2013	225.5200

CY Electricity

2008	187.0900
2009	195.0300
2010	202.7950
2011	214.2825
2012	225.0050
2013	233.8500

Target motor vehicle sales  
 Forecasted Maine sales x average price

Calendar Year	Average price New Vehicle	New Vehicle Registrations	Price x Registrations	Growth Rate
2008	24,871	50,371	1,252,777,141	#REF!
2009	24,314	38,693	940,781,602	-24.9%
2010	24,129	46,434	1,120,405,986	19.1%
2011	24,134	51,834	1,250,952,727	11.7%
2012	24,272	55,726	1,352,581,472	8.1%
2013	24,505	54,521	1,336,037,105	-1.2%

Fiscal Year		April 2009	
2009		1,096,779,372	
2010		1,030,593,794	-6.0%
2011		1,185,679,356	15.0%
2012		1,301,767,099	9.8%
2013		1,344,309,289	3.3%

Target motor vehicle sales  
 Forecasted Maine sales x average price

Calendar Year	Average price New Vehicle	New Vehicle Registrations	Price x Registrations	Growth Rate
2008	24,871	49,632	1,234,407,918	
2009	24,314	39,418	958,401,228	-22.4%
2010	24,129	41,430	999,660,127	4.3%
2011	24,134	49,124	1,185,548,128	18.6%
2012	24,272	55,845	1,355,468,384	14.3%
2013	24,505	58,084	1,423,347,685	5.0%

Fiscal Year		Nov. 2009	
2009		1,096,404,573	
2010		979,030,678	-10.7%
2011		1,092,604,127	11.6%
2012		1,270,508,256	16.3%
2013		1,389,408,034	9.4%

Sales & Use and Service Provider Taxes: Baseline Forecast FY10 - FY13

	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium	FY12	FY13	Biennium
Actuals & May, 2009 Forecast /1	\$993,202,707	\$1,020,856,253	\$2,014,058,960	\$1,035,157,942	\$974,636,315	\$2,009,794,257	\$994,544,784	\$1,017,152,159	\$2,011,696,943	\$1,054,225,418	\$1,094,724,737	\$2,148,950,155
Growth Rate	5.5%	2.8%	8.4%	1.4%	-5.8%	-0.2%	2.0%	2.3%	0.1%	3.6%	3.8%	6.8%
Technical Adjustments to Prior Forecast /2	\$0	\$0	\$0	\$0	\$0	\$0	(\$22,624,784)	(\$24,452,159)	(\$47,076,943)	(\$25,332,437)	(\$26,295,069)	(\$51,627,506)
Economic Assumptions /3	\$0	\$0	\$0	\$0	\$0	\$0	(\$18,674,878)	(\$13,113,674)	(\$31,788,552)	(\$4,822,874)	\$7,234,989	\$2,412,115
Total Adjustments to Prior Forecast	\$0	\$0	\$0	\$0	\$0	\$0	(\$41,299,662)	(\$37,565,833)	(\$78,865,495)	(\$30,155,311)	(\$19,060,080)	(\$49,215,391)
New Forecast	\$993,202,707	\$1,020,856,253	\$2,014,058,960	\$1,035,157,942	\$974,636,315	\$2,009,794,257	\$953,245,122	\$979,586,326	\$1,932,831,448	\$1,024,070,107	\$1,075,664,657	\$2,099,734,764
Growth Rate	5.5%	2.8%	8.4%	1.4%	-5.8%	-0.2%	-2.2%	2.8%	-3.8%	4.5%	5.0%	8.6%

1/ May, 2009 forecast as adjusted by P.L. 2009, Chapter 213, with FY06, FY07, FY08 and FY09 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, Economy.com's October 2009 forecast is used to estimate the impact of energy prices on sales tax receipts and to target automobile sales growth.

**Maine Revenue Services**  
**Model Sales Tax Revenue for Selected Categories from the November 2009 Forecast**  
(millions of dollars)

Fiscal Years	2009	2010		2011		2012		2013	
<b>Personal Consumption</b>									
Total motor vehicles	\$117.1	\$104.9	-10.4%	\$117.1	11.6%	\$136.1	16.3%	\$148.9	9.4%
New autos	\$51.66	\$46.3	-10.4%	\$51.6	11.6%	\$60.1	16.3%	\$65.7	9.4%
Used Autos	\$29.22	\$26.2	-10.4%	\$29.2	11.6%	\$34.0	16.3%	\$37.2	9.4%
Other motor vehicles	\$36.24	\$32.5	-10.5%	\$36.2	11.6%	\$42.1	16.3%	\$46.1	9.4%
Restaurants - consumer	\$137.35	\$136.8	-0.4%	\$138.0	0.9%	\$141.1	2.2%	\$145.7	3.3%
Lodging - consumer	\$42.98	\$42.6	-1.0%	\$43.7	2.6%	\$46.3	6.0%	\$50.3	8.8%
Shoes	\$10.11	\$10.1	0.2%	\$10.2	0.7%	\$10.4	1.9%	\$10.7	2.7%
Women's clothing	\$39.15	\$39.2	0.0%	\$39.7	1.4%	\$41.0	3.3%	\$43.0	4.9%
Men's clothing	\$23.8	\$23.8	0.0%	\$24.1	1.4%	\$24.9	3.3%	\$26.2	4.9%
Jewelry and watches	\$13.3	\$13.3	-0.2%	\$13.6	1.9%	\$14.2	4.4%	\$15.1	6.4%
Toilet articles and preps	\$18.8	\$18.7	-0.3%	\$19.2	2.3%	\$20.2	5.5%	\$21.9	8.1%
Furniture	\$16.8	\$16.8	-0.2%	\$17.1	1.7%	\$17.8	4.2%	\$18.9	6.0%
Drugs	\$15.9	\$15.9	0.4%	\$16.0	0.3%	\$16.1	1.0%	\$16.4	1.5%
Personal consumption	\$708.3	\$694.0	-2.0%	\$713.2	2.8%	\$746.6	4.7%	\$785.5	5.2%
Business Intermediate	\$184.6	\$178.4	-3.4%	\$181.2	1.6%	\$188.3	3.9%	\$196.4	4.3%
Business Investment	\$81.7	\$82.1	0.5%	\$84.7	3.1%	\$88.8	4.8%	\$93.4	5.2%

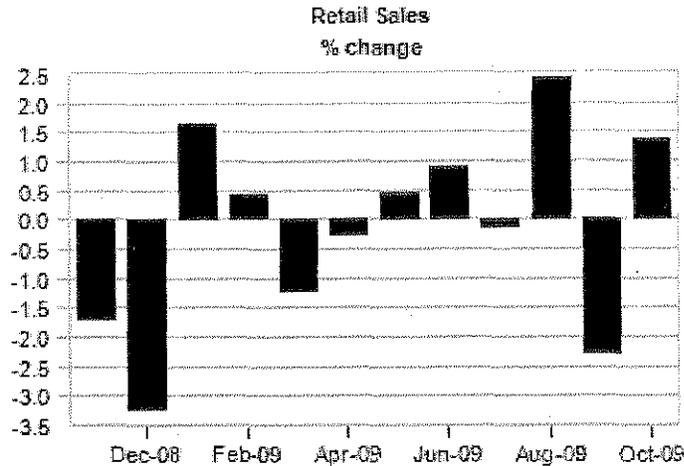


Home > Economic Indicators > United States: Retail Sales

## United States: Retail Sales

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**Actual:** 1.4%  
**Previous: \*\*** -1.5%  
**Moody's Economy.com:** 1.0%  
**Consensus: \*** 0.9%  
**Coverage:** Oct. 2009  
**Next Release:** 12/11/2009  
**Archives:** 11/16/2009  
**Updated:** 11/16/2009 8:30 AM  
**Analysis By:** Scott Hoyt in West Chester



### First Take

Retail sales jumped in October because of a strong gain in auto sales. Sales rose 1.4% in total but only 0.2% excluding autos and 0.3% excluding gas stations as well. Performance varied widely across segments, from sharp declines at building supply and furniture stores to large gains at restaurants and nonstore retailers. There was a large downward revision to September growth, largely from lower auto sales.

National Retail Sales, (M/M % Chg., SA)

	Oct 09	Sep 09	Aug 09	Jul 09	Jun 09	May 09	Apr 09	Mar 09
Retail & Food Services	1.4	-2.3	2.4	-0.1	0.9	0.5	-0.3	-1.2
Ex Autos	0.2	0.4	0.8	-0.5	0.7	0.2	-0.3	-1.1
Ex Auto Ex Gas	0.3	0.3	0.4	-0.3	0.1	-0.2	-0.3	-0.9
Motor Vehicle & Parts Dealers	7.4	-14.3	10.2	1.7	1.8	1.5	0.2	-2.1
Furniture & Home Furnishing Stores	-0.8	0.8	-1.1	0.2	-0.5	-0.5	-0.5	-2.2
Electronic & Appliance Stores	-0.6	0.9	0.9	-1.1	0.5	-1.6	-0.8	-8.5
Building Material Dealers	-2.4	-0.6	-1.8	-1.8	-0.6	0.4	-1.1	-0.6
Food & Beverage Stores	0.1	0.6	0.6	-0.3	0.0	0.4	0.0	0.4
Clothing & Accessories Stores	0.4	0.6	1.5	0.9	-1.3	0.3	-0.7	-3.2
General Merchandise Stores	0.8	0.3	0.9	0.0	-0.1	-0.8	-0.6	-0.8
Food Services & Drinking Places	1.2	0.0	-0.3	-0.4	-0.2	0.1	0.1	-1.0
Gasoline Stations	0.0	0.9	5.0	-1.7	6.5	4.3	-0.6	-2.4
Nonstore Retailers	1.0	0.1	0.6	-0.3	2.3	-0.1	-0.1	-0.9

National Retail Sales, (Year to Year % Chg., SA)

	Oct 09	Sep 09	Aug 09	Jul 09	Jun 09	May 09	Apr 09	Mar 09
--	--------	--------	--------	--------	--------	--------	--------	--------

Retail & Food Services	-1.7	-6.3	-5.5	-8.5	-8.8	-9.8	-10.0	-9.5
Ex Autos	-2.6	-5.3	-6.5	-8.6	-7.6	-7.8	-7.5	-6.2
Ex Auto Ex Gas	-0.8	-1.9	-3.2	-4.5	-3.7	-3.6	-3.2	-1.8
Motor Vehicle & Parts Dealers	2.6	-11.5	-1.0	-7.9	-14.4	-18.6	-21.1	-23.3
Furniture & Home Furnishing Stores	-7.6	-7.2	-11.8	-12.3	-12.8	-14.4	-14.3	-14.2
Electronic & Appliance Stores	-7.0	-8.2	-10.8	-14.3	-12.5	-14.3	-11.0	-9.4
Building Material Dealers	-15.0	-13.5	-14.3	-14.3	-12.4	-11.6	-12.0	-9.6
Food & Beverage Stores	0.5	0.1	-1.1	-1.0	-0.3	0.6	-0.1	0.9
Clothing & Accessories Stores	1.5	-0.4	-5.3	-7.2	-8.2	-7.1	-7.5	-7.0
General Merchandise Stores	1.5	-0.2	-1.3	-3.6	-2.9	-2.6	-0.7	0.6
Food Services & Drinking Places	1.5	-0.7	-0.1	0.0	0.6	1.4	1.7	2.5
Gasoline Stations	-15.0	-25.7	-26.6	-33.1	-31.1	-33.9	-34.9	-34.0
Nonstore Retailers	1.6	-1.8	-2.6	-5.3	-4.5	-6.8	-7.6	-4.3

Purchase: Purchase the complete data from [Moody's Economy.com](http://www.moody.com) Research Store

Source: Census Bureau

## The Numbers

Retail sales soared further than expected in October. However, the gain came

- largely from auto sales, and auto sales were responsible for the large downward revision to September sales.

Vehicle and parts dealer sales jumped 7.4% in October, but that followed a

- 14.3% plunge in September (revised from -10.4%). Sales recovered strongly from their ex-clunker fall.

Among other segments, results were highly variable, but with only slight growth

- in total. Building supply stores led the decline plunging 2.4%. Sporting goods, furniture and appliance stores also posted large declines.

Outside of autos, restaurants led growth, jumping 1.2%. Nonstore retailers and

- warehouse clubs and supercenters also posted strong growth.

Year-over-year declines continue to shrink, as sales were plunging at this time

- last year. Only gas stations and housing related retailers continue to post large year-ago declines. Drug stores lead year-ago growth, but many other segments posted modest growth in October in contrast with a few months ago when few segments were posting growth.

Outside of the large downward revision to autos sales, revisions to September

- data were small in aggregate. Downward revisions to general merchandise, building supply and furniture store sales were largely offset by upward revisions to electronics and appliance and drug store sales.

## Behind the Numbers

After two stronger than expected retail sales reports, the October data were in line with expectations for modest growth outside the very volatile auto segment. Housing related segments posted large declines, as did sporting goods and hobby stores. The latter has been a strong performer in recent months, so the decline should not be taken seriously. Encouragingly, restaurant sales outperformed grocery stores. If sustained, this would suggest less consumer retrenchment.

Autos were the main story driving the large top-line increase. They recovered smartly following the post-clunker retreat in September. Sales are currently above their year-ago level, despite the possibility of some sales loss from clunker sales in August. This is a positive sign, as consumers are unlikely to make major purchases in times of major financial problems. Unfortunately, this positive sign is offset by the continued weakness in sales at housing related retailers. One reason could be the recent firming of home sales has not had time to boost retailer sales. Another is that consumers stretched so much to take advantage of the government incentive to purchase the home, they had nothing left for furniture or improvement. The truth is likely some of both.

Fundamentally, conditions remain poor for consumers, and spending will be limited. Wage income is more than 5% below its year-ago level and is not growing appreciably, although declines have ended. Wealth is substantially below its prior levels, although some of the pressure may have been removed by recent increases in equity and house prices. No further tax cuts or increases in government payments are legislated, although past actions continue to support disposable income. Asset income is still falling, although with the recession over, there are reasons to believe declines may be nearing an end.

Consumers remain financially constrained; they lack the cash to spend aggressively. However, there is also less reason for them to cut spending aggressively than there was six months ago. In this environment, spending will take a firmer tone than late last year or early this year, although consumers will not lead the recovery. Further, easing comparisons ensure improved year-ago results, with reports of growth likely to become more common.

**Maine Revenue Services  
Transfers to the Tourism Marketing Promotion Fund  
November 2009 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'09 meals/lodge tax revenue	\$190,137,464	
General Fund portion	\$180,440,453	94.9%
FY'10 Transfer to Tourism - budget	\$9,190,591	
Actual FY'10 transfer	\$9,022,023	5.0%
Variance	(\$168,568)	

	FY'10	FY'11	FY'12	FY'13
Meals and lodging revenue forecast	\$189,040,000	\$191,570,000	\$197,730,000	\$206,920,000
Growth rate	-0.6%	1.3%	3.2%	4.6%
General Fund	\$179,588,000	\$181,991,500	\$187,843,500	\$196,574,000
General Fund percentage	95.0%	95.0%	95.0%	95.0%

	FY'11	FY'12	FY'13	FY'14
November 2009 forecast 5% to Tourism Fund	\$8,979,400	\$9,099,575	\$9,392,175	\$9,828,700
Current budget	\$9,245,439	\$9,266,165	\$9,498,589	
Variance	(\$266,039)	(\$166,590)	(\$106,414)	

Transfer to the Transit, Aviation and Rail Transportation Fund (STAR Fund).  
50% of the revenue collected from the 10% sales tax on short-term automobile rentals in a fiscal year is transferred to the STAR Fund in the next fiscal year.

	FY'10	FY'11	FY'12	FY'13
Current Budget	\$3,054,519	\$3,061,703	\$3,079,163	\$3,127,679
		0.2%	0.6%	1.6%
Actual FY'10 and new forecast	\$3,134,861	\$2,946,769	\$2,970,343	\$3,000,047
		-6.0%	0.8%	1.0%
Variance	\$80,342	(\$114,934)	(\$108,820)	(\$127,632)

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# **Individual Income Tax**

	2005 Preliminary /1			2005 Final /1			
	Returns	Dollars	Change 2004	Returns	Dollars	Change	Change 2004
Wages & Salaries		\$18,558,232,627	2.97%		\$19,376,933,154	4.41%	2.19%
Taxable Interest		\$453,514,246	22.03%		\$521,692,832	15.03%	20.52%
Dividends		\$532,576,555	10.54%		\$629,869,889	18.27%	12.04%
Taxable Pensions		\$1,708,629,440	-7.47%		\$1,782,004,640	4.29%	7.02%
Net Capital Gains		\$1,233,542,271	10.54%		\$1,940,476,728	57.31%	28.37%
Rent, Royalties, Partnerships, S Corps, etc.		\$1,039,888,483	16.43%		\$1,359,163,586	30.70%	14.09%
Unemployment Compensation		\$108,505,424	-10.55%		\$112,816,736	3.97%	-10.96%
Federal Adjusted Gross Income		\$25,619,938,411	6.28%		\$27,556,864,106	7.56%	5.42%
Alternative Minimum Tax		\$51,102,283	36.84%		\$62,739,619	22.77%	34.29%

	2006 Preliminary /1			2006 Final /1			
	Returns	Dollars	Change 2005	Returns	Dollars	Change	Change 2005
Wages & Salaries		\$19,294,131,834	3.97%		\$20,208,299,248	4.74%	4.29%
Taxable Interest		\$587,874,106	29.63%		\$688,947,874	17.19%	32.06%
Dividends		\$616,403,219	15.74%		\$745,769,827	20.99%	18.40%
Taxable Pensions		\$1,839,404,812	7.65%		\$1,918,152,587	4.28%	7.64%
Net Capital Gains		\$1,610,079,089	30.52%		\$2,257,427,397	40.21%	16.33%
Rent, Royalties, Partnerships, S Corps, etc.		\$1,059,971,678	1.93%		\$1,419,621,120	33.93%	4.45%
Unemployment Compensation		\$100,969,286	-6.95%		\$105,045,412	4.04%	-6.89%
Federal Adjusted Gross Income		\$26,953,297,111	5.20%		\$29,366,848,261	8.95%	6.57%
Alternative Minimum Tax		\$62,440,952	22.19%		\$80,358,289	28.69%	28.08%

	2007 Preliminary /1			2007 Final /1			
	Returns	Dollars	Change 2006	Returns	Dollars	Change	Change 2007
Wages & Salaries		\$20,374,376,272	5.60%		\$21,201,700,884	4.06%	4.92%
Taxable Interest		\$709,005,722	20.61%		\$811,366,829	14.44%	17.77%
Dividends		\$723,149,157	17.32%		\$874,754,447	20.96%	17.30%
Taxable Pensions		\$1,997,380,816	8.59%		\$2,071,220,949	3.70%	7.98%
Net Capital Gains		\$1,746,139,705	8.45%		\$2,445,638,007	40.06%	8.34%
Rent, Royalties, Partnerships, S Corps, etc.		\$994,972,611	-6.13%		\$1,354,052,323	36.09%	-4.62%
Unemployment Compensation		\$108,460,238	7.42%		\$111,918,870	3.19%	6.54%
Federal Adjusted Gross Income		\$28,656,398,717	6.32%		\$30,948,647,227	8.00%	5.39%
Alternative Minimum Tax		\$68,717,151	10.05%		\$89,068,497	29.62%	10.84%

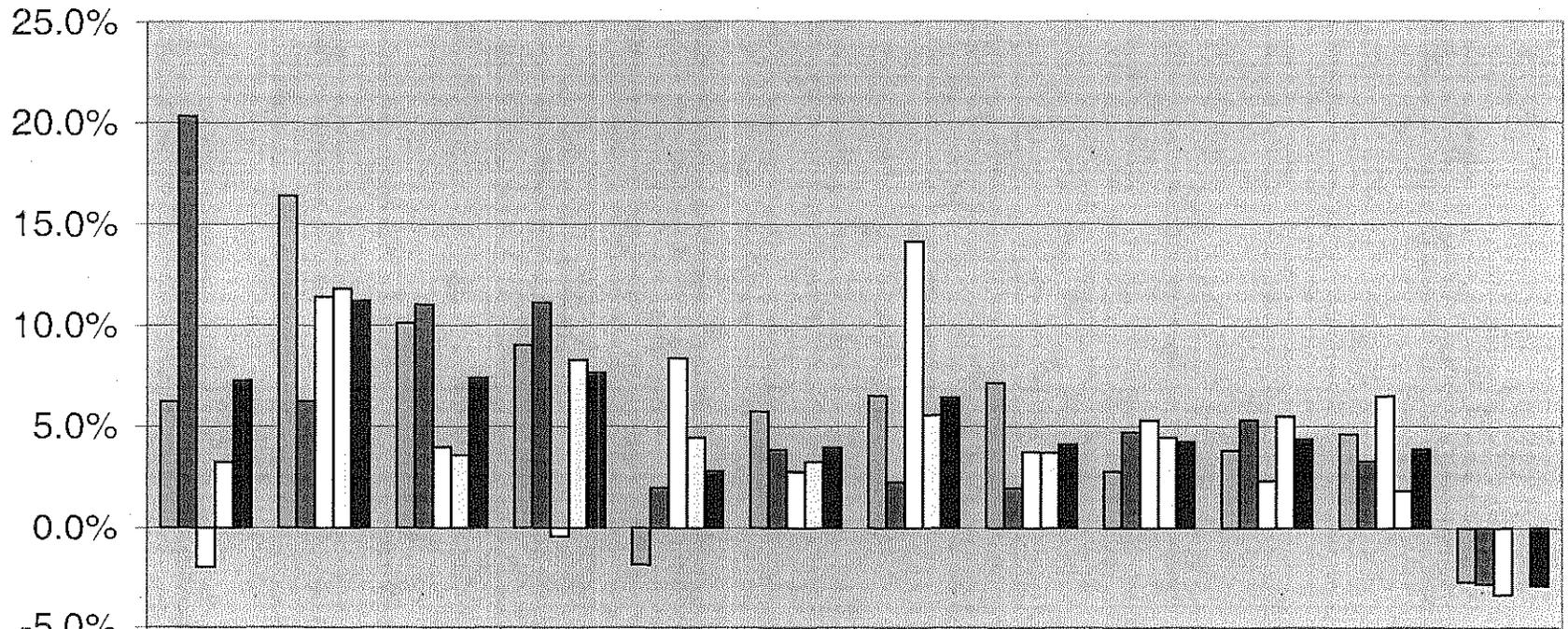
	2008 Preliminary /1			2008 Final /2			Change if use 2001 to blow up 2008	
	Returns	Dollars	Change 2006	Returns	Dollars	Change		Change 2008
Wages & Salaries		\$20,842,162,701	2.30%		\$21,759,079,523	4.40%	2.63%	2.1%
Taxable Interest		\$581,099,050	-18.04%		\$673,000,947	15.82%	-17.05%	-20.7%
Dividends		\$633,514,792	-12.40%		\$766,400,632	20.98%	-12.39%	-19.2%
Taxable Pensions		\$2,034,722,838	1.87%		\$2,115,887,965	3.99%	2.16%	1.7%
Net Capital Gains		\$831,921,801	-52.36%		\$1,165,795,700	40.13%	-52.33%	-59.1%
Rent, Royalties, Partnerships, S Corps, etc.		\$850,193,247	-14.55%		\$1,147,843,802	35.01%	-15.23%	-23.0%
Unemployment Compensation		\$147,768,247	36.24%		\$153,106,998	3.61%	36.80%	52.1%
Federal Adjusted Gross Income		\$27,855,521,253	-2.79%		\$30,216,784,799	8.48%	-2.36%	-4.7%
Alternative Minimum Tax		\$68,099,210	-0.90%		\$87,953,861	29.16%	-1.25%	-4.3%

1/ IMF & IRTF data for returns with Maine address.

2/ Estimated

# Individual Income Tax Withholding

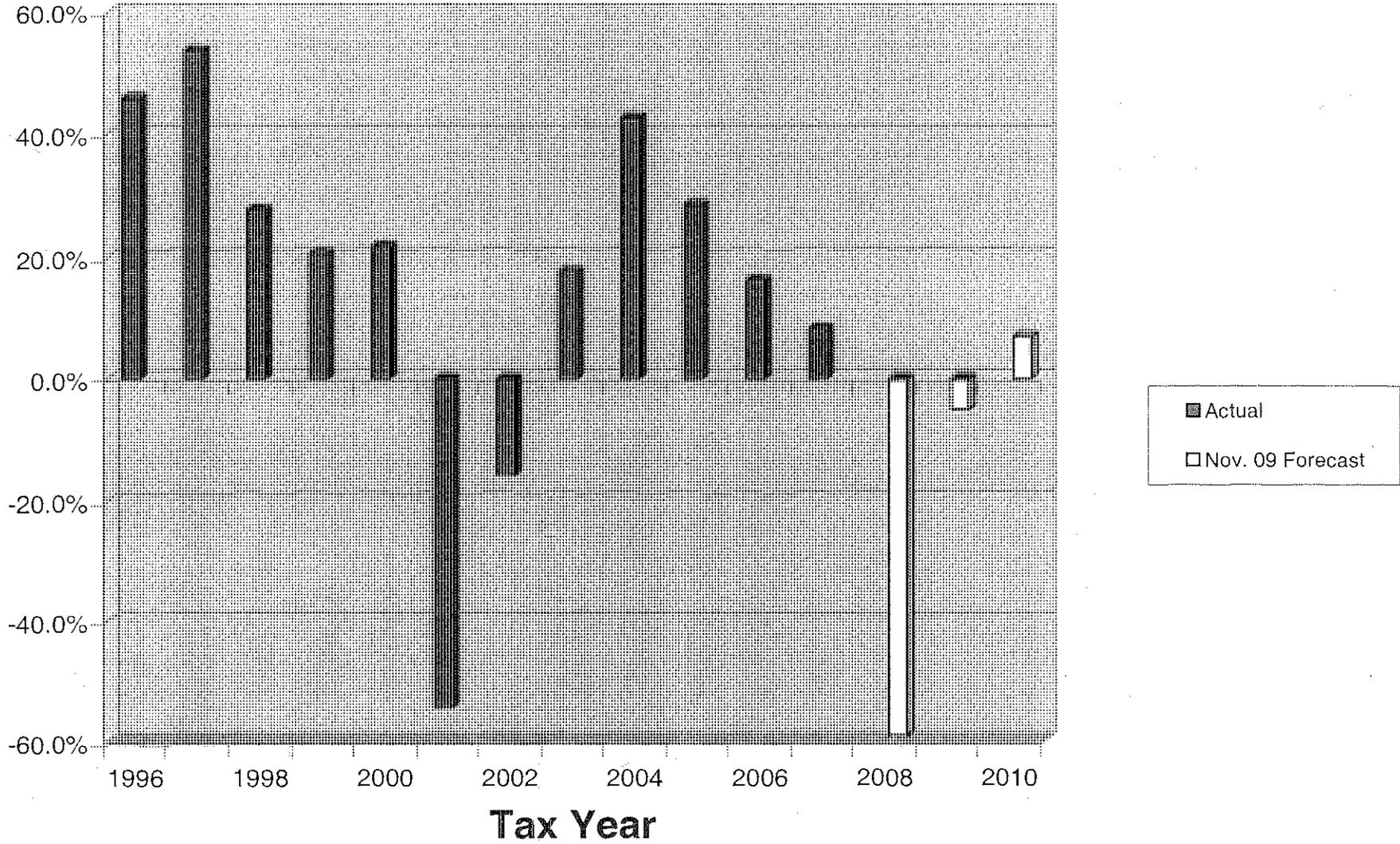
Year-Over-Year Percent Change



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
■ Qtr. I	6.2%	16.3%	10.1%	9.0%	-1.9%	5.7%	6.5%	7.1%	2.7%	3.8%	4.6%	-2.7%
■ Qtr. II	20.3%	6.2%	11.0%	11.1%	2.0%	3.8%	2.2%	2.0%	4.7%	5.3%	3.3%	-2.8%
□ Qtr. III	-2.0%	11.4%	4.0%	-0.4%	8.4%	2.8%	14.1%	3.7%	5.3%	2.3%	6.5%	-3.3%
■ Qtr. IV	3.2%	11.8%	3.6%	8.3%	4.5%	3.2%	5.5%	3.7%	4.4%	5.5%	1.8%	
■ Year	7.3%	11.2%	7.4%	7.6%	2.7%	3.9%	6.4%	4.1%	4.2%	4.4%	3.9%	-2.9%

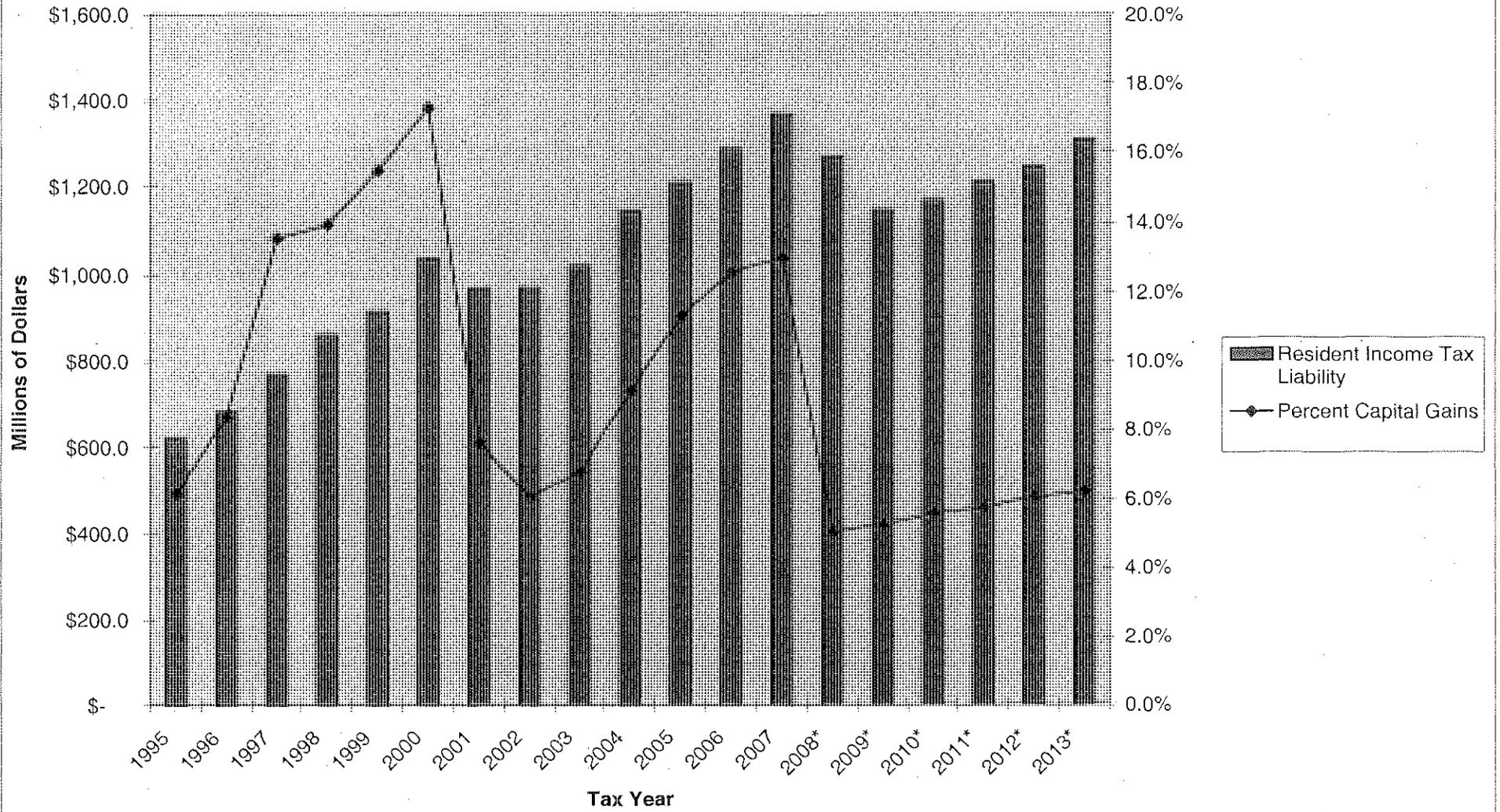
Quarter & Calendar Year

# Percentage Change in Capital Gains Realizations by Maine Residents



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



\* Signifies a forecasted value.

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**Capital Gains and Losses Reported on Maine Individual Income Tax Returns, Tax Year 2007 /1**

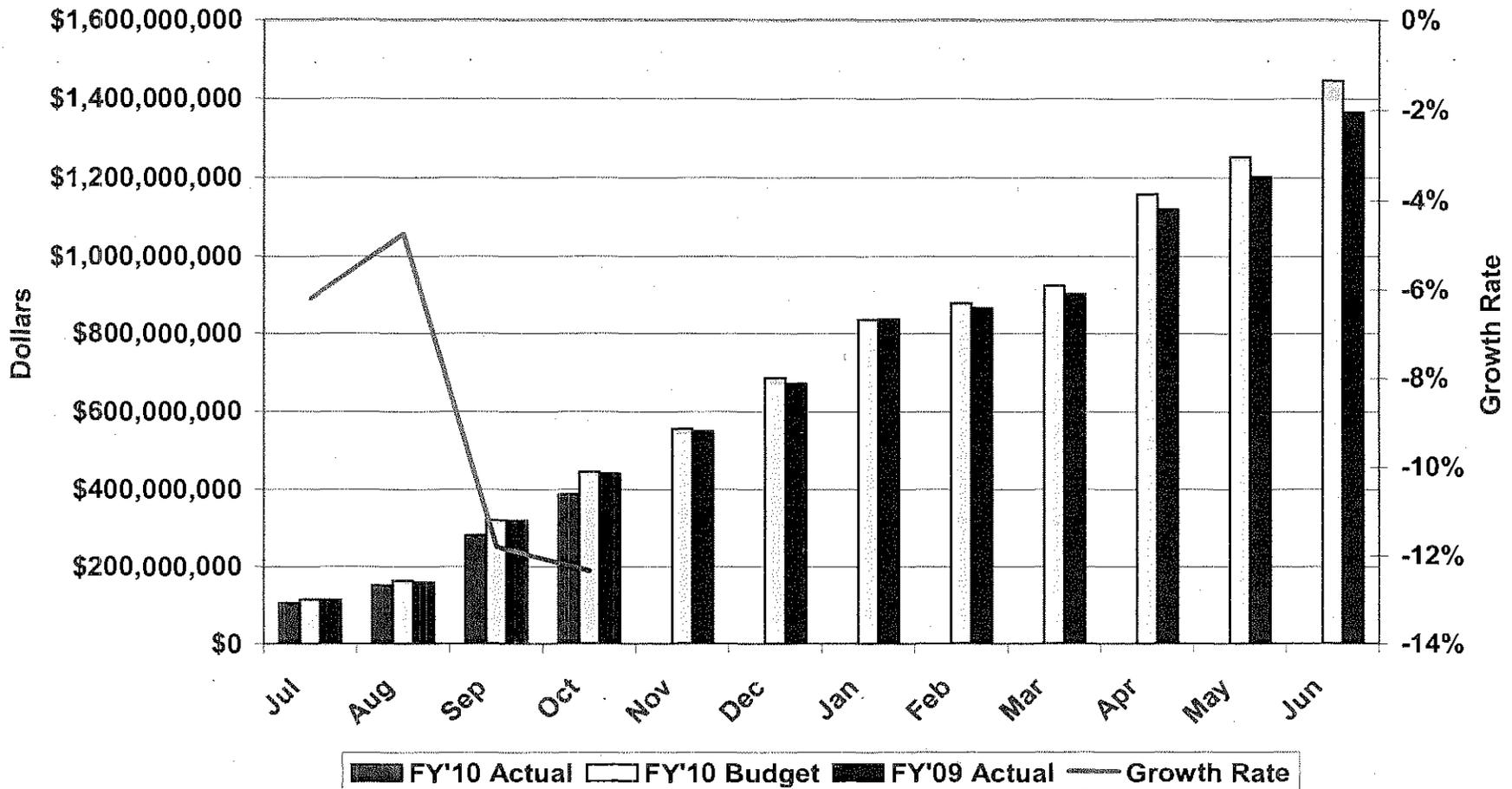
Federal Adjusted Gross Income	Returns with Net Capital Gains			Returns with Net Capital Losses			Returns with Capital Gains/Losses		
	Thousands	(Millions of Dollars)		Thousands	(Millions of Dollars)		Thousands	(Millions of Dollars)	
	Returns	Gains	Revenue	Returns	Losses	Revenue	Returns	Net Gains	Revenue
Less than or Equal to \$0	958	\$21.9	\$0.0	1,567	(\$4.0)	(\$0.0)	2,525	\$17.9	\$0.0
\$0 <= \$10,000	7,487	\$16.7	\$0.2	2,920	(\$5.8)	(\$0.0)	10,407	\$10.9	\$0.2
\$10,000 <= \$20,000	7,872	\$33.7	\$0.7	2,632	(\$5.4)	(\$0.1)	10,504	\$28.3	\$0.5
\$20,000 <= \$30,000	7,236	\$36.7	\$1.2	2,184	(\$4.6)	(\$0.2)	9,420	\$32.1	\$1.0
\$30,000 <= \$50,000	14,350	\$81.7	\$3.9	4,101	(\$8.5)	(\$0.5)	18,451	\$73.2	\$3.3
\$50,000 <= \$75,000	16,978	\$131.0	\$8.4	4,399	(\$8.1)	(\$0.6)	21,377	\$122.9	\$7.7
\$75,000 <= \$100,000	13,008	\$145.3	\$10.5	3,164	(\$5.4)	(\$0.5)	16,172	\$139.9	\$10.0
\$100,000 <= \$200,000	17,578	\$422.9	\$32.1	4,082	(\$7.4)	(\$0.6)	21,660	\$415.5	\$31.5
<u>Greater than \$200,000</u>	<u>8,358</u>	<u>\$1,633.9</u>	<u>\$123.9</u>	<u>1,801</u>	<u>(\$4.2)</u>	<u>(\$0.3)</u>	<u>10,159</u>	<u>\$1,629.7</u>	<u>\$123.6</u>
	93,825	\$2,523.8	\$180.8	26,850	(\$53.4)	(\$2.8)	120,675	\$2,470.4	177.9

Total Resident Tax Returns filed in Tax Year 2007 = 613,055  
 Total Resident Tax Liability in Tax Year = \$1,369.55 Million

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

	Resident Net Gains (\$ Millions)	% Change
1995	\$551.7	
1996	\$799.7	45.0%
1997	\$1,218.7	52.4%
1998	\$1,551.0	27.3%
1999	\$1,867.2	20.4%
2000	\$2,360.4	26.4%
2001	\$1,079.3	-54.3%
2002	\$908.8	-15.8%
2003	\$1,069.7	17.7%
2004	\$1,526.9	42.7%
2005	\$1,960.3	28.4%
2006	\$2,280.1	16.3%
2007	\$2,470.4	8.3%

# ***YTD Individual Income Tax Revenue FY'10 Actual, Budget & FY'09 Actual***

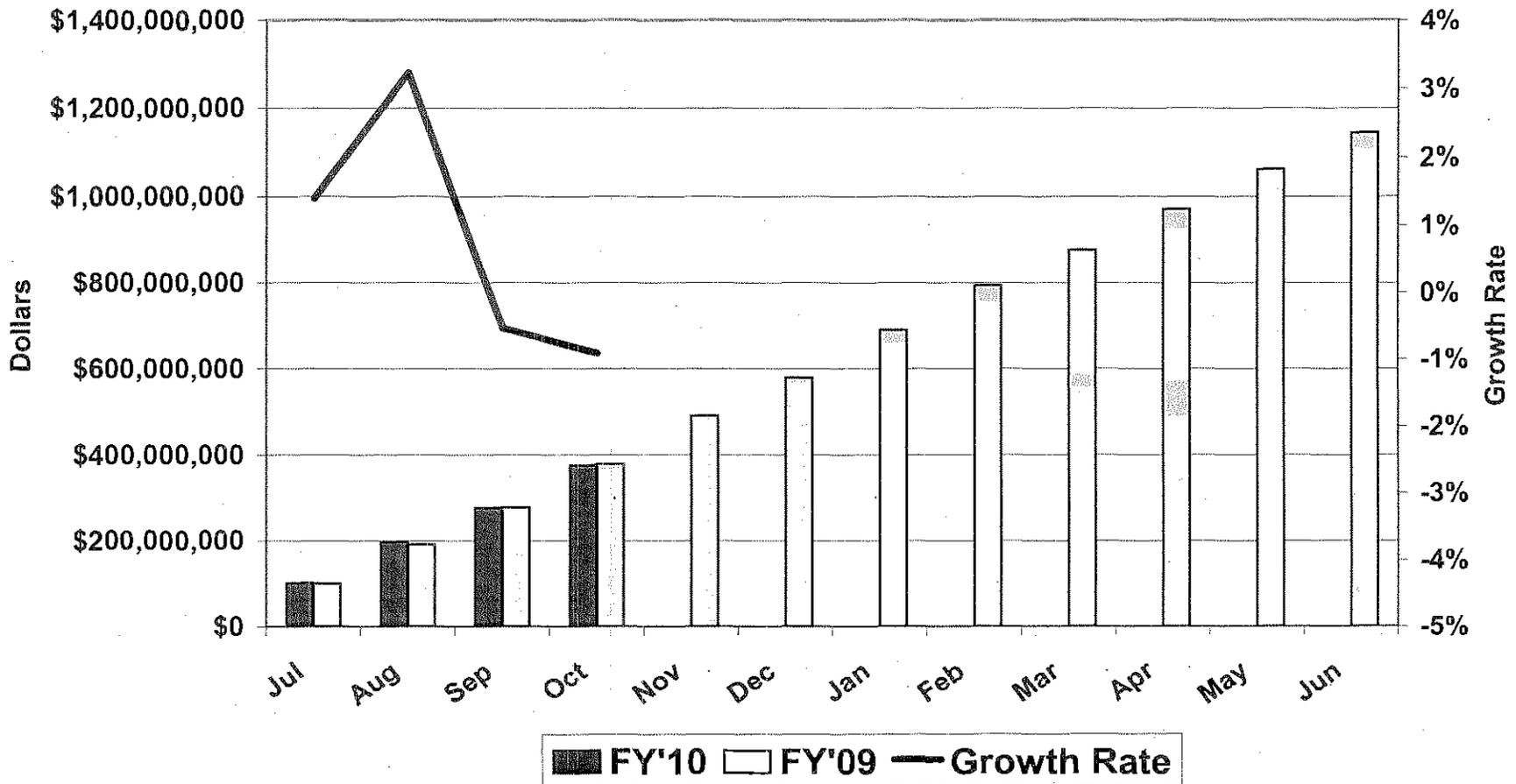


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Maine Revenue Services  
Individual Income Tax Revenue

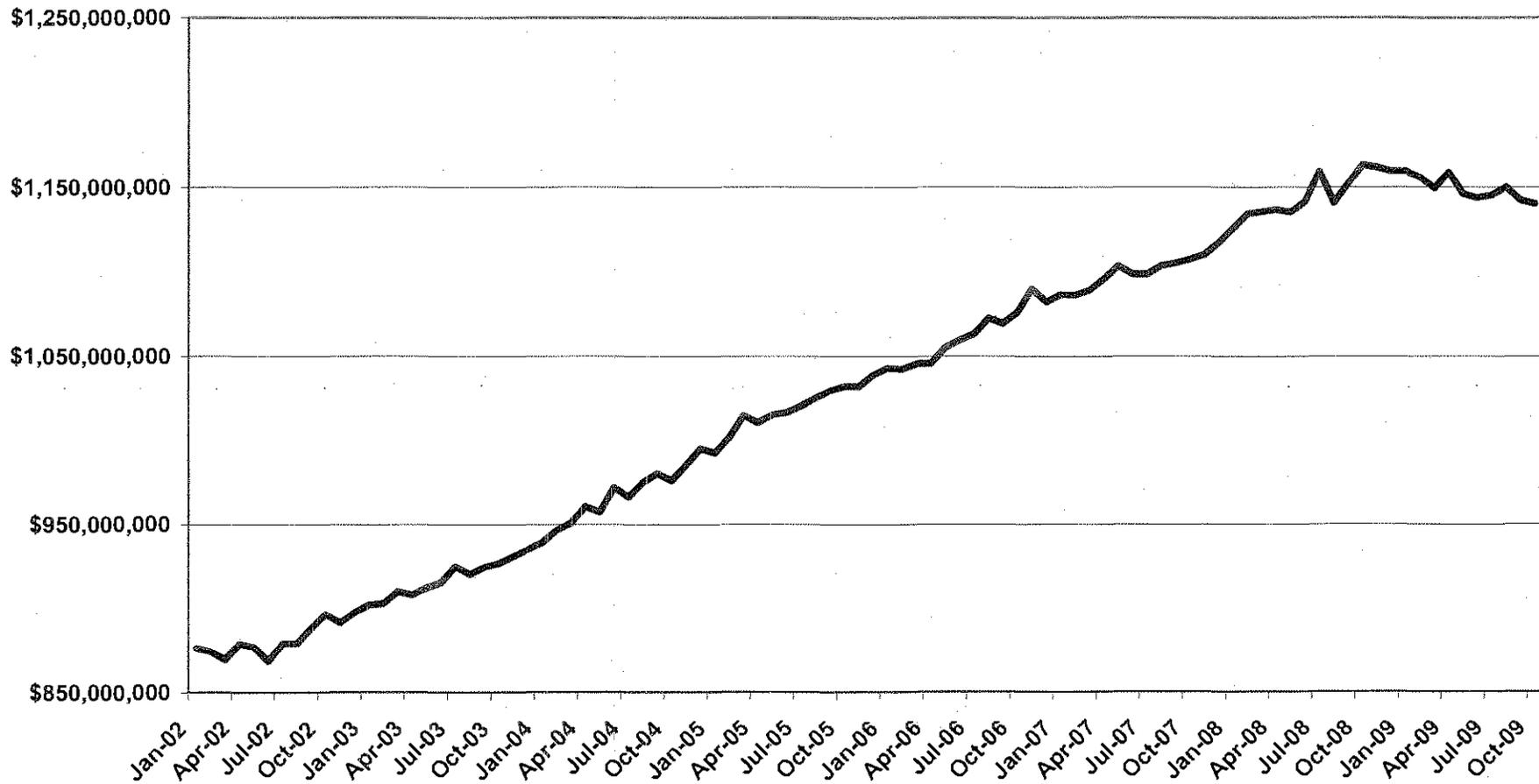
	FY'10 Actual	FY'10 Budget	FY'09 Actual	FY'08 Actual	FY'10 Actual vs. Budget	FY'10 Budget vs. FY'09 Actual	FY'10 Actual vs. FY'09 Actual	FY'09 Actual vs. FY'08 Actual
Jul	\$106,011,021	\$114,900,000	\$113,031,239	\$95,539,505	-7.7%	1.7%	-6.2%	18.3%
Aug	\$45,365,263	\$47,750,000	\$45,901,885	\$63,614,971	-5.0%	4.0%	-1.2%	-27.8%
Sep	\$129,859,317	\$157,850,000	\$159,967,180	\$142,274,584	-17.7%	-1.3%	-18.8%	12.4%
Oct	\$105,732,983	\$124,700,000	\$122,613,654	\$106,275,614	-15.2%	1.7%	-13.8%	15.4%
Nov	\$0	\$110,050,000	\$107,137,039	\$120,004,767	-100.0%	2.7%	-100.0%	-10.7%
Dec	\$0	\$132,000,000	\$123,901,804	\$126,761,390	-100.0%	6.5%	-100.0%	-2.3%
Jan	\$0	\$148,700,000	\$164,474,825	\$168,149,146	-100.0%	-9.6%	-100.0%	-2.2%
Feb	\$0	\$42,700,000	\$29,142,490	\$35,367,858	-100.0%	46.5%	-100.0%	-17.6%
Mar	\$0	\$45,100,000	\$36,021,026	\$67,900,811	-100.0%	25.2%	-100.0%	-47.0%
Apr	\$0	\$234,954,369	\$218,341,426	\$335,154,593	-100.0%	7.6%	-100.0%	-34.9%
May	\$0	\$93,600,000	\$82,135,878	\$105,398,640	-100.0%	14.0%	-100.0%	-22.1%
Jun	\$0	\$192,500,000	\$162,769,283	\$191,591,079	-100.0%	18.3%	-100.0%	-15.0%
<b>Total</b>	<b>\$386,968,584</b>	<b>\$1,444,804,369</b>	<b>\$1,365,437,729</b>	<b>\$1,558,032,958</b>	<b>-73.2%</b>	<b>5.8%</b>	<b>-71.7%</b>	<b>-12.4%</b>
<b>YTD Oct</b>	<b>\$386,968,584</b>	<b>\$445,200,000</b>	<b>\$441,513,958</b>	<b>\$407,704,674</b>	<b>-13.1%</b>	<b>0.8%</b>	<b>-12.4%</b>	<b>8.3%</b>

# 1040 Withholding Year-to-Date FY'10 & FY'09



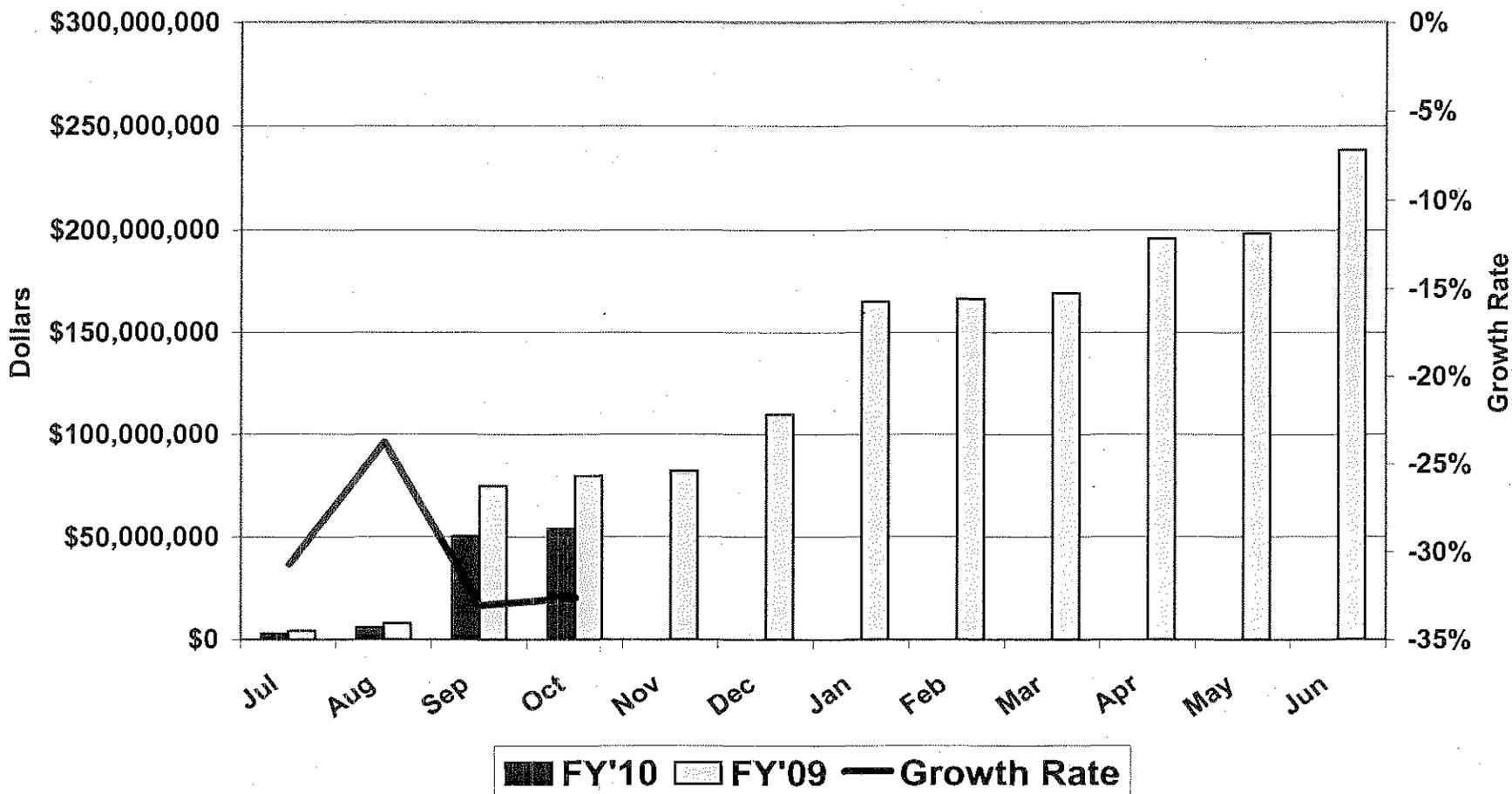
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# ***Withholding Tax Revenue 12 Month Moving Total***



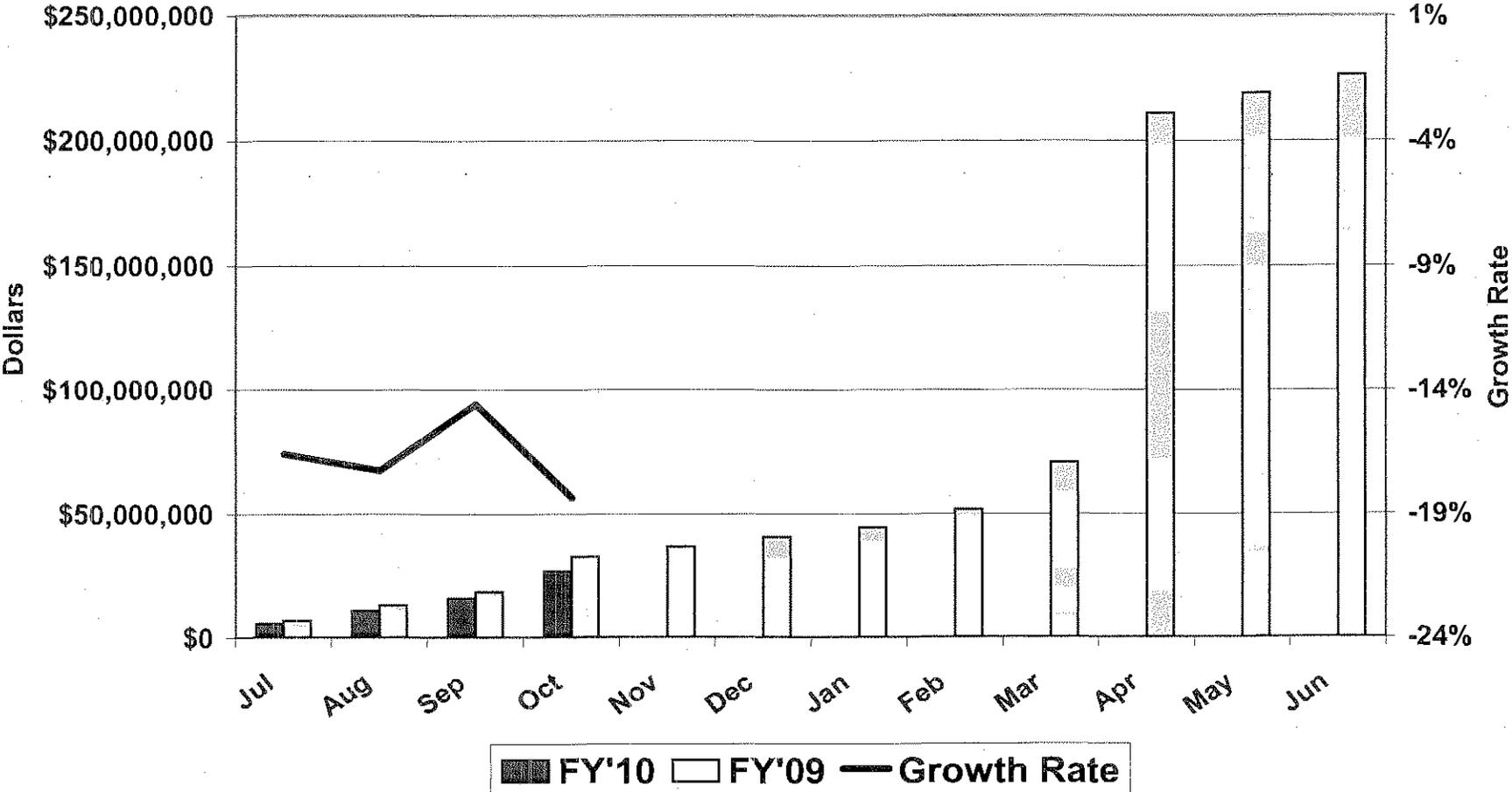
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# 1040 Estimated Payments Year-to-Date FY'10 & FY'09



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# 1040 Final Payments Year-to-Date FY'10 & FY'09



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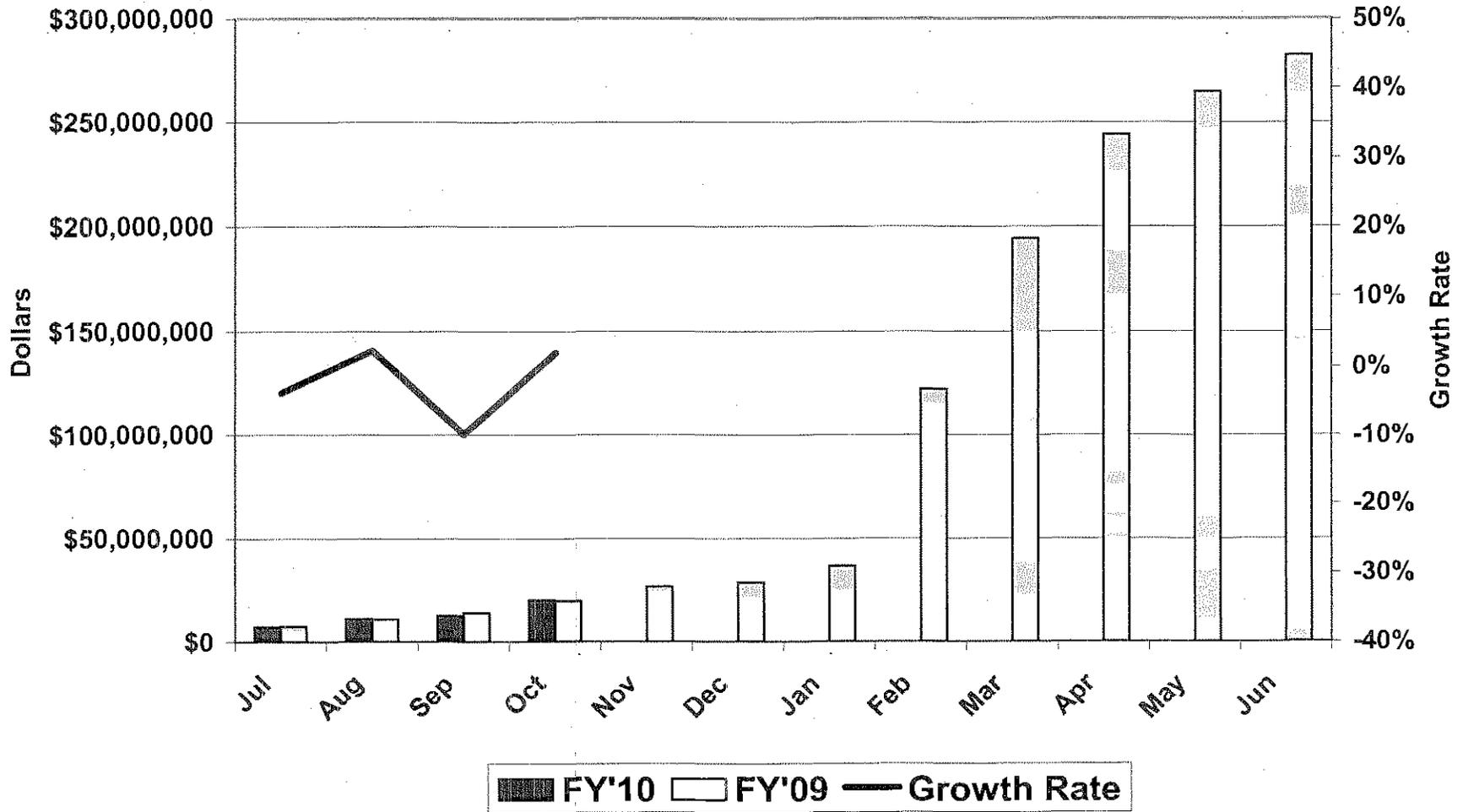
Maine Revenue Services  
Individual Income Tax Withholding, Estimated Payments and Final Payments

	1040 Withholding			1040 Estimated Payments			1040 Final Payments		
	FY'10	FY'09	Growth Rate	FY'10	FY'09	Growth Rate	FY'10	FY'09	Growth Rate
Jul	\$102,392,142	\$100,983,161	1.4%	\$2,956,364	\$4,266,214	-30.7%	\$5,548,425	\$6,651,177	-16.6%
Aug	\$95,050,382	\$90,284,685	5.3%	\$3,087,352	\$3,662,687	-15.7%	\$5,050,296	\$6,158,672	-18.0%
Sep	\$78,207,086	\$85,891,676	-8.9%	\$44,087,371	\$66,964,004	-34.2%	\$5,029,186	\$5,485,836	-8.3%
Oct	\$99,646,470	\$101,632,415	-2.0%	\$3,678,147	\$4,981,764	-26.2%	\$10,989,096	\$14,300,848	-23.2%
Nov	\$0	\$110,658,327	-100.0%	\$0	\$2,346,363	-100.0%	\$0	\$4,166,207	-100.0%
Dec	\$0	\$90,492,288	-100.0%	\$0	\$27,240,521	-100.0%	\$0	\$3,910,214	-100.0%
Jan	\$0	\$109,865,581	-100.0%	\$0	\$55,636,989	-100.0%	\$0	\$3,896,907	-100.0%
Feb	\$0	\$102,994,355	-100.0%	\$0	\$1,507,379	-100.0%	\$0	\$7,244,441	-100.0%
Mar	\$0	\$83,706,830	-100.0%	\$0	\$2,811,750	-100.0%	\$0	\$18,917,813	-100.0%
Apr	\$0	\$94,204,024	-100.0%	\$0	\$26,566,513	-100.0%	\$0	\$140,234,885	-100.0%
May	\$0	\$90,683,694	-100.0%	\$0	\$2,492,141	-100.0%	\$0	\$7,609,884	-100.0%
Jun	\$0	\$82,193,979	-100.0%	\$0	\$40,049,643	-100.0%	\$0	\$7,407,598	-100.0%

Year-To-Date

	1040 Withholding			1040 Estimated Payments			1040 Final Payments		
	FY'10	FY'09	Growth Rate	FY'10	FY'09	Growth Rate	FY'10	FY'09	Growth Rate
Jul	\$102,392,142	\$100,983,161	1.4%	\$2,956,364	\$4,266,214	-30.7%	\$5,548,425	\$6,651,177	-16.6%
Aug	\$197,442,524	\$191,267,846	3.2%	\$6,043,716	\$7,928,901	-23.8%	\$10,598,721	\$12,809,849	-17.3%
Sep	\$275,649,610	\$277,159,522	-0.5%	\$50,131,087	\$74,892,905	-33.1%	\$15,627,907	\$18,295,685	-14.6%
Oct	\$375,296,080	\$378,791,937	-0.9%	\$53,809,234	\$79,874,669	-32.6%	\$26,617,003	\$32,596,533	-18.3%
Nov	\$375,296,080	\$489,450,264	-23.3%	\$53,809,234	\$82,221,032	-34.6%	\$26,617,003	\$36,762,740	-27.6%
Dec	\$375,296,080	\$579,942,552	-35.3%	\$53,809,234	\$109,461,553	-50.8%	\$26,617,003	\$40,672,954	-34.6%
Jan	\$375,296,080	\$689,808,133	-45.6%	\$53,809,234	\$165,098,542	-67.4%	\$26,617,003	\$44,569,861	-40.3%
Feb	\$375,296,080	\$792,802,488	-52.7%	\$53,809,234	\$166,605,921	-67.7%	\$26,617,003	\$51,814,302	-48.6%
Mar	\$375,296,080	\$876,509,318	-57.2%	\$53,809,234	\$169,417,671	-68.2%	\$26,617,003	\$70,732,115	-62.4%
Apr	\$375,296,080	\$970,713,342	-61.3%	\$53,809,234	\$195,984,184	-72.5%	\$26,617,003	\$210,967,000	-87.4%
May	\$375,296,080	\$1,061,397,036	-64.6%	\$53,809,234	\$198,476,325	-72.9%	\$26,617,003	\$218,576,884	-87.8%
Jun	\$375,296,080	\$1,143,591,015	-67.2%	\$53,809,234	\$238,525,968	-77.4%	\$26,617,003	\$225,984,482	-88.2%

# Individual Income Tax Refunds Year-to-Date FY'10 & FY'09



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**Maine Revenue Services  
Individual Income Tax Refunds**

	Month		Year-To-Date		Growth Rate
	FY'10	FY'09	FY'10	FY'09	
Jul	\$7,227,071	\$7,519,593	\$7,227,071	\$7,519,593	-4%
Aug	\$3,891,611	\$3,354,678	\$11,118,682	\$10,874,271	2%
Sep	\$1,694,183	\$3,357,568	\$12,812,865	\$14,231,839	-10%
Oct	\$7,273,889	\$5,472,769	\$20,086,754	\$19,704,608	2%
Nov	\$0	\$7,142,334	\$20,086,754	\$26,846,942	-25%
Dec	\$0	\$1,879,951	\$20,086,754	\$28,726,893	-30%
Jan	\$0	\$7,884,569	\$20,086,754	\$36,611,462	-45%
Feb	\$0	\$85,554,056	\$20,086,754	\$122,165,518	-84%
Mar	\$0	\$72,077,960	\$20,086,754	\$194,243,478	-90%
Apr	\$0	\$49,759,527	\$20,086,754	\$244,003,005	-92%
May	\$0	\$20,763,677	\$20,086,754	\$264,766,682	-92%
Jun	\$0	\$17,679,603	\$20,086,754	\$282,446,285	-93%

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**Individual Income Tax: Baseline Forecast FY10 - FY13**

	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium	FY12	FY13	Biennium
Actuals & May, 2009 Forecast /1	\$1,364,368,543	\$1,464,928,346	\$2,829,296,889	\$1,558,032,664	\$1,365,437,729	\$2,923,470,393	\$1,444,804,369	\$1,448,302,023	\$2,893,106,392	\$1,496,355,147	\$1,533,800,720	\$3,030,155,867
Growth Rate	-1.2%	7.9%	7.5%	6.4%	-12.4%	3.3%	5.8%	0.2%	-1.0%	3.3%	2.5%	4.7%
Technical Adjustments /2	\$0	\$0	\$0	\$0	\$0	\$0	(\$33,291,000)	(\$50,032,000)	(\$83,323,000)	(\$46,461,000)	(\$43,035,000)	(\$89,496,000)
Economic Assumptions /3	\$0	\$0	\$0	\$0	\$0	\$0	(\$133,533,369)	(\$84,230,023)	(\$217,763,392)	(\$87,094,147)	(\$83,165,720)	(\$170,259,867)
Total Adjustments to Prior Forecast	\$0	\$0	\$0	\$0	\$0	\$0	(\$166,824,369)	(\$134,262,023)	(\$301,086,392)	(\$133,555,147)	(\$126,200,720)	(\$259,755,867)
New Forecast	\$1,364,368,543	\$1,464,928,346	\$2,829,296,889	\$1,558,032,664	\$1,365,437,729	\$2,923,470,393	\$1,277,980,000	\$1,314,040,000	\$2,592,020,000	\$1,362,800,000	\$1,407,600,000	\$2,770,400,000
Growth Rate	5.3%	7.4%	7.5%	6.4%	-12.4%	3.3%	-6.4%	2.8%	-11.3%	3.7%	3.3%	6.9%

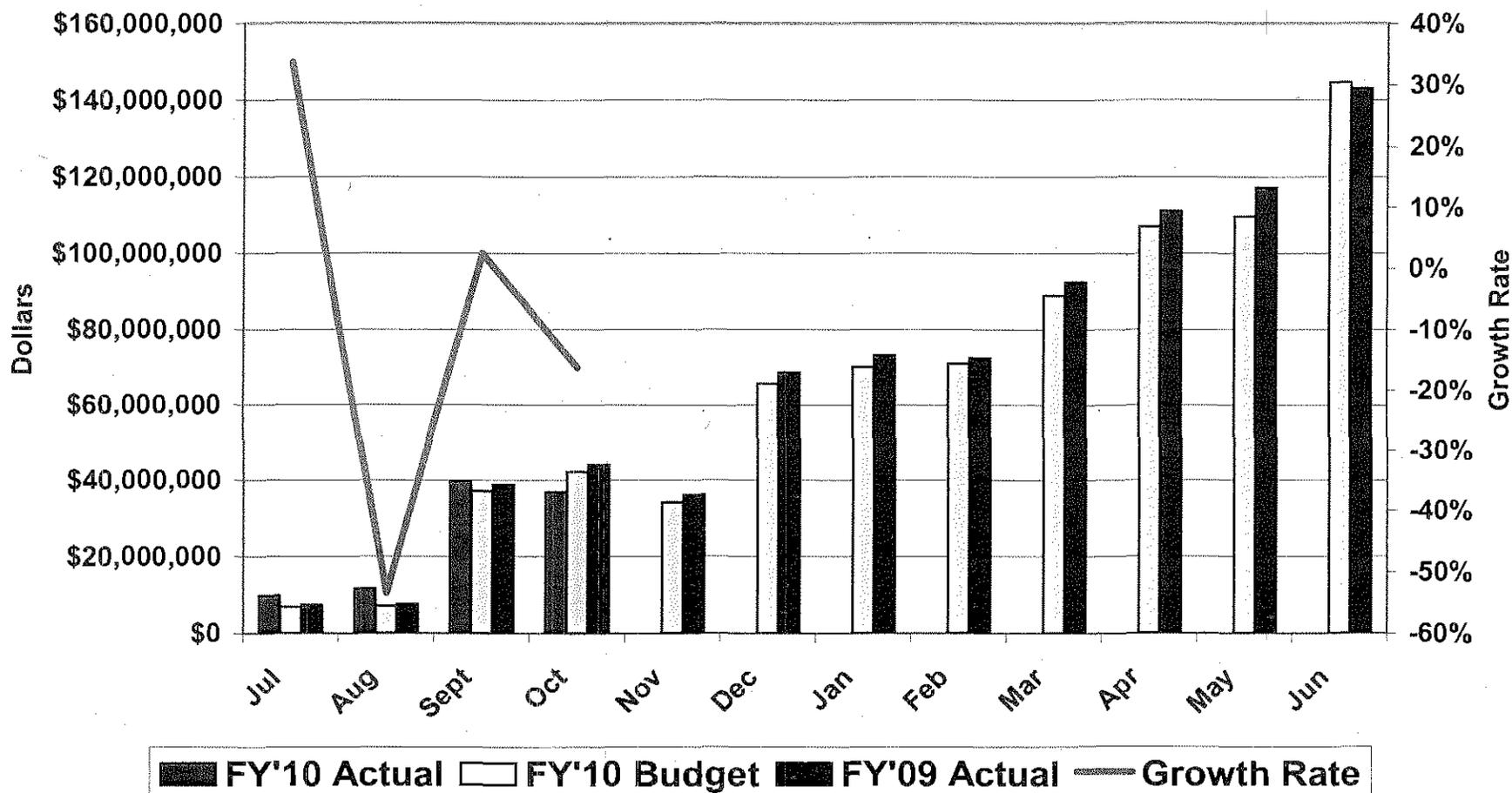
1/ May, 2009 forecast as adjusted by P.L. 2009, Chapter 213, with FY06, FY07, FY08 and FY09 actuals.

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.

# **Corporate Income Tax**

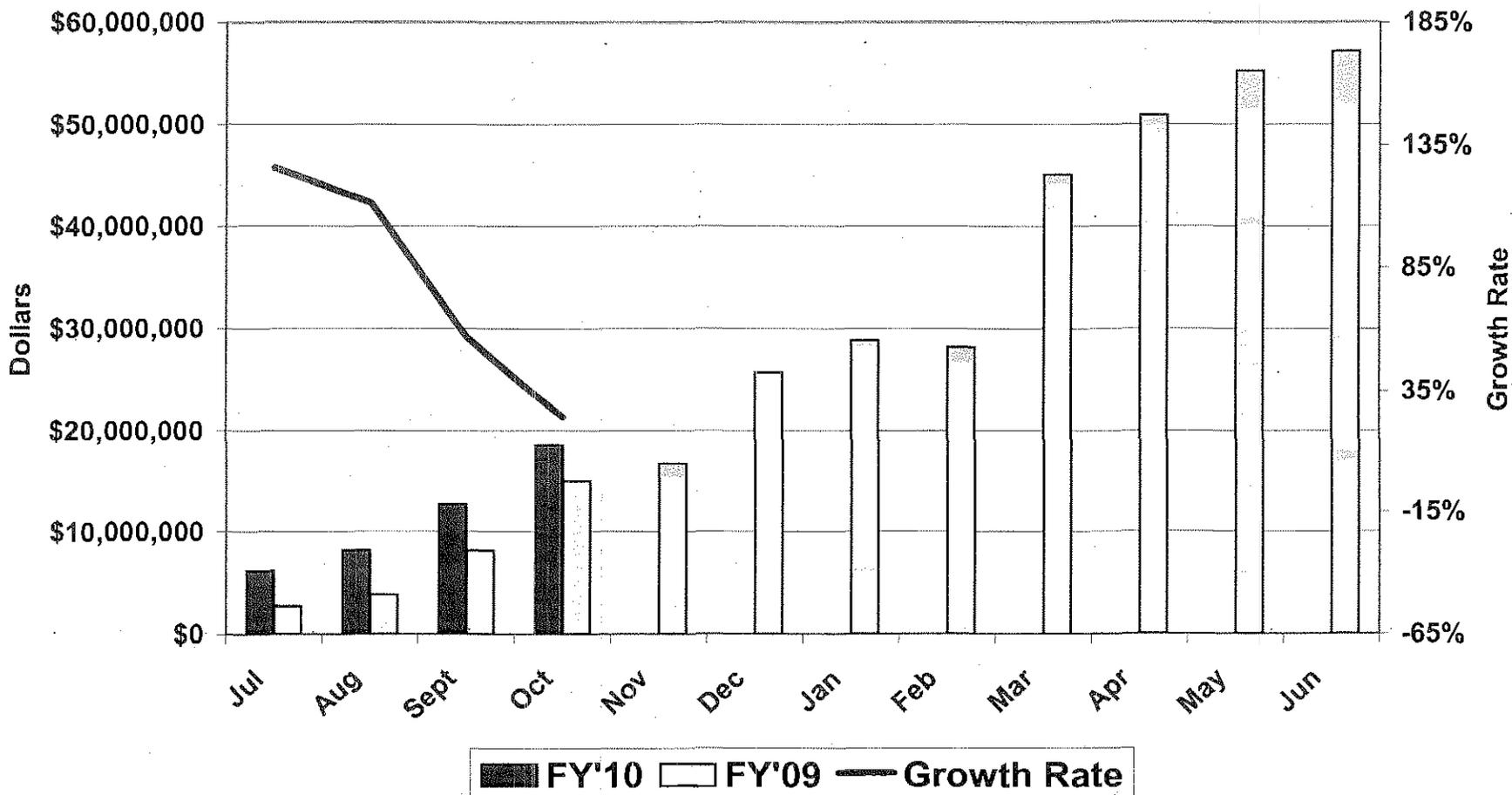
# YTD Corporate Income Tax Revenue FY'10 Actual, Budget & FY'09 Actual



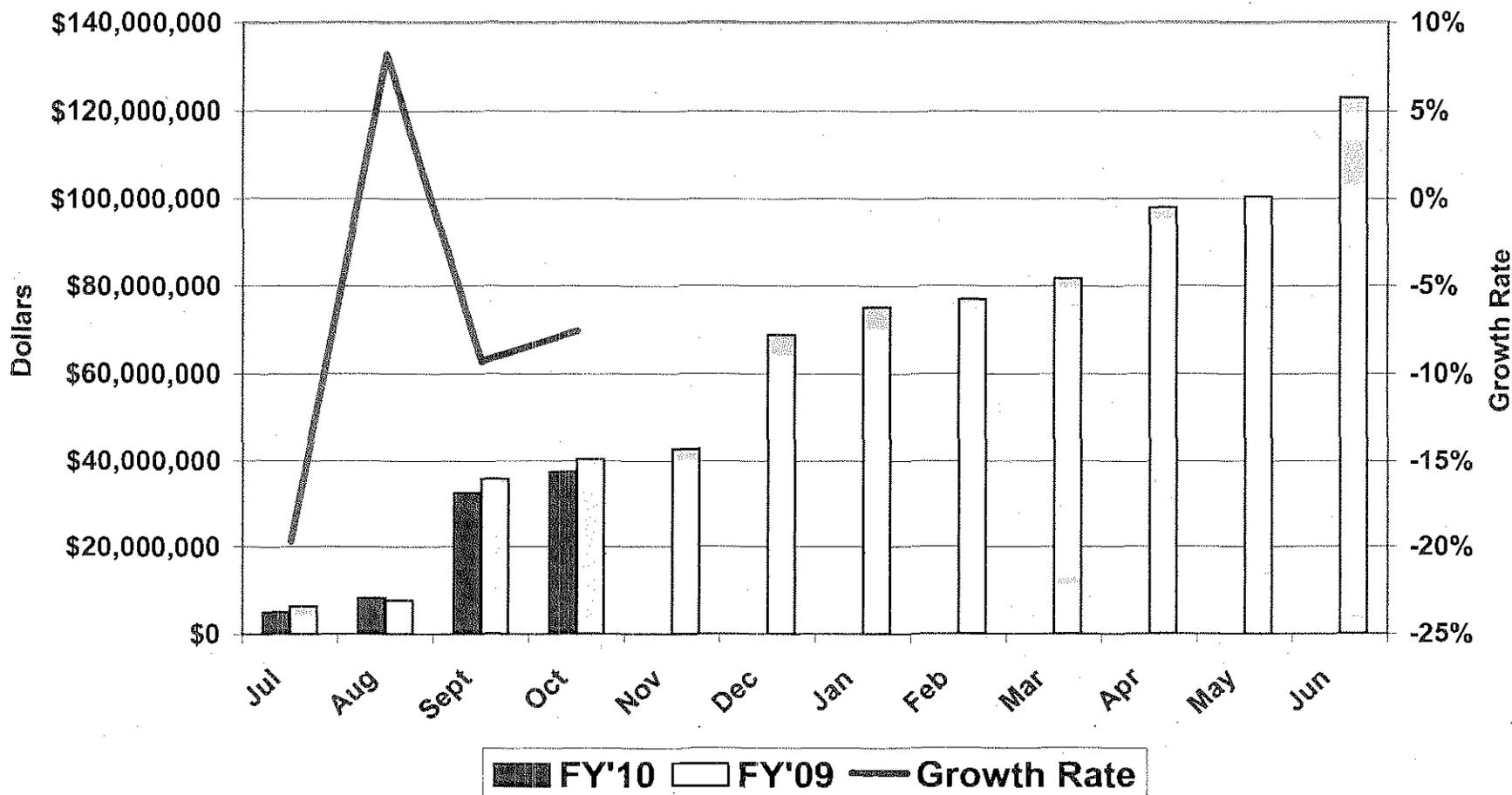
Maine Revenue Services  
Corporate Income Tax Revenue

	FY'10 Actual	FY'10 Budget	FY'09 Actual	FY'08 Actual	FY'10 Actual vs. Budget	FY'10 Budget vs. FY'09 Actual	FY'10 Actual vs. FY'09 Actual	FY'09 Actual vs. FY'08 Actual
Jul	\$9,859,328	\$6,900,000	\$7,378,233	\$7,127,701	42.9%	-6.5%	33.6%	3.5%
Aug	\$1,870,063	\$300,000	\$266,189	(\$1,099,888)	-523.4%	-12.7%	-602.5%	-124.2%
Sept	\$27,917,095	\$29,800,000	\$31,059,014	\$37,994,766	-6.3%	-4.1%	-10.1%	-18.3%
Oct	(\$2,898,229)	\$5,150,000	\$5,221,720	\$7,301,509	-156.3%	-1.4%	-155.5%	-28.5%
Nov	\$0	(\$8,000,000)	(\$7,895,916)	(\$90,558)	-100.0%	1.3%	-100.0%	8619.2%
Dec	\$0	\$31,500,000	\$32,625,706	\$26,768,846	-100.0%	-3.5%	-100.0%	21.9%
Jan	\$0	\$4,400,000	\$4,476,047	\$4,068,428	-100.0%	-1.7%	-100.0%	10.0%
Feb	\$0	\$800,000	(\$750,852)	\$6,460,175	-100.0%	-206.5%	-100.0%	-111.6%
Mar	\$0	\$18,000,000	\$20,033,722	\$26,165,509	-100.0%	-10.2%	-100.0%	-23.4%
Apr	\$0	\$18,000,000	\$18,518,077	\$28,736,923	-100.0%	-2.8%	-100.0%	-35.6%
May	\$0	\$2,700,000	\$6,273,831	\$3,360,696	-100.0%	-57.0%	-100.0%	86.7%
Jun	\$0	\$35,147,500	\$25,880,194	\$37,720,462	-100.0%	35.8%	-100.0%	-31.4%
=====								
Total	\$36,748,257	\$144,697,500	\$143,085,965	\$184,514,569	-74.6%	1.1%	-74.3%	-22.5%
=====								
YTD Oct	\$36,748,257	\$42,150,000	\$43,925,156	\$51,324,088	-12.8%	-4.0%	-16.3%	-14.4%
=====								

# Corporate Final Payments Year-to-Date FY'10 & FY'09



# Corporate Estimated Payments Year-to-Date FY'10 & FY'09



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## Maine Revenue Services

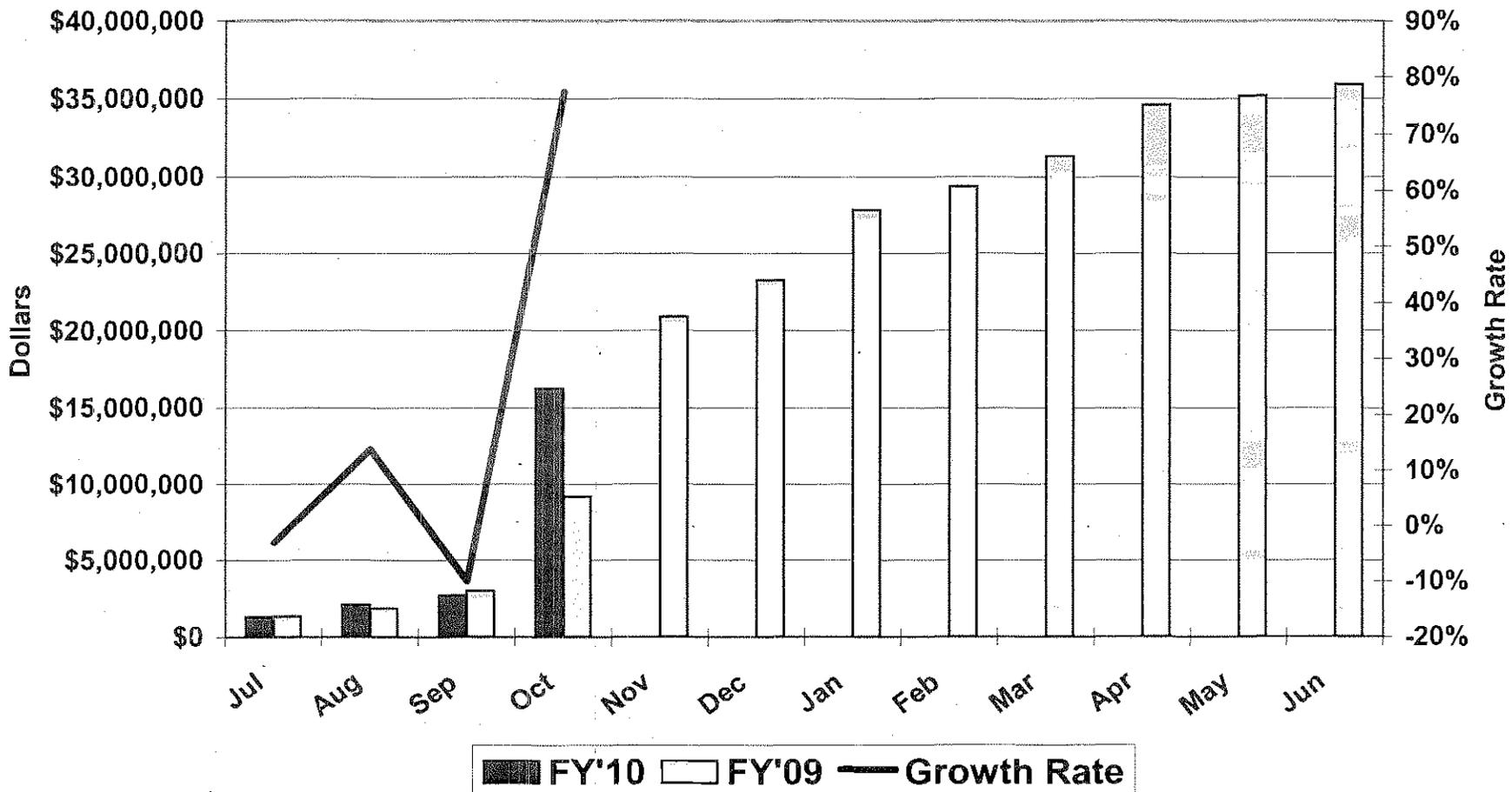
### Corporate Income Tax Estimated Payments

	Month			Year-To-Date		
	FY'10	FY'09	Growth Rate	FY'10	FY'09	Growth Rate
Jul	\$5,042,059	\$6,280,063	-19.7%	\$5,042,059	\$6,280,063	-19.7%
Aug	\$3,149,785	\$1,292,836	143.6%	\$8,191,844	\$7,572,899	8.2%
Sept	\$24,234,237	\$28,193,141	-14.0%	\$32,426,081	\$35,766,040	-9.3%
Oct	\$4,907,850	\$4,632,322	5.9%	\$37,333,931	\$40,398,362	-7.6%
Nov	\$0	\$2,371,818	-100.0%	\$37,333,931	\$42,770,180	-12.7%
Dec	\$0	\$26,025,269	-100.0%	\$37,333,931	\$68,795,449	-45.7%
Jan	\$0	\$6,379,466	-100.0%	\$37,333,931	\$75,174,915	-50.3%
Feb	\$0	\$1,721,649	-100.0%	\$37,333,931	\$76,896,564	-51.4%
Mar	\$0	\$4,816,363	-100.0%	\$37,333,931	\$81,712,927	-54.3%
Apr	\$0	\$16,207,326	-100.0%	\$37,333,931	\$97,920,253	-61.9%
May	\$0	\$2,577,164	-100.0%	\$37,333,931	\$100,497,417	-62.9%
Jun	\$0	\$22,288,120	-100.0%	\$37,333,931	\$122,785,537	-69.6%

### Corporate Income Tax Final Payments and Back Taxes

	Month			Year-To-Date		
	FY'10	FY'09	Growth Rate	FY'10	FY'09	Growth Rate
Jul	\$6,167,583	\$2,732,994	125.7%	\$6,167,583	\$2,732,994	125.7%
Aug	\$1,995,490	\$1,130,075	76.6%	\$8,163,073	\$3,863,069	111.3%
Sept	\$4,541,832	\$4,268,587	6.4%	\$12,704,905	\$8,131,656	56.2%
Oct	\$5,891,348	\$6,879,061	-14.4%	\$18,596,253	\$15,010,717	23.9%
Nov	\$0	\$1,690,554	-100.0%	\$18,596,253	\$16,701,271	11.3%
Dec	\$0	\$9,069,429	-100.0%	\$18,596,253	\$25,770,700	-27.8%
Jan	\$0	\$3,029,749	-100.0%	\$18,596,253	\$28,800,449	-35.4%
Feb	\$0	(\$651,314)	-100.0%	\$18,596,253	\$28,149,135	-33.9%
Mar	\$0	\$16,922,179	-100.0%	\$18,596,253	\$45,071,314	-58.7%
Apr	\$0	\$5,812,417	-100.0%	\$18,596,253	\$50,883,731	-63.5%
May	\$0	\$4,305,955	-100.0%	\$18,596,253	\$55,189,686	-66.3%
Jun	\$0	\$1,885,807	-100.0%	\$18,596,253	\$57,075,493	-67.4%

# Corporate Income Tax Refunds Year-to-Date FY'10 & FY'09



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Maine Revenue Services  
Corporate Income Tax Refunds

	Month		Year-to-Date		Growth Rate
	FY'10	FY'09	FY'10	FY'09	
Jul	\$1,295,880	\$1,337,986	\$1,295,880	\$1,337,986	-3%
Aug	\$815,027	\$519,328	\$2,110,907	\$1,857,314	14%
Sep	\$573,795	\$1,129,090	\$2,684,702	\$2,986,404	-10%
Oct	\$13,579,956	\$6,185,736	\$16,264,658	\$9,172,140	77%
Nov	\$0	\$11,737,666	\$16,264,658	\$20,909,806	-22%
Dec	\$0	\$2,363,156	\$16,264,658	\$23,272,962	-30%
Jan	\$0	\$4,556,629	\$16,264,658	\$27,829,591	-42%
Feb	\$0	\$1,515,159	\$16,264,658	\$29,344,750	-45%
Mar	\$0	\$1,953,826	\$16,264,658	\$31,298,576	-48%
Apr	\$0	\$3,314,813	\$16,264,658	\$34,613,389	-53%
May	\$0	\$555,757	\$16,264,658	\$35,169,146	-54%
Jun	\$0	\$706,279	\$16,264,658	\$35,875,425	-55%

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**Corporate Income Tax: General Fund Baseline Forecast FY10 - FY13**

	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium	FY12	FY13	Biennium
Actuals & May, 2009 Forecast /1	\$188,015,557	\$183,851,533	\$371,867,090	\$184,514,568	\$143,085,966	\$327,600,534	\$144,697,500	\$143,656,978	\$288,354,478	\$157,294,573	\$176,081,775	\$333,376,348
Growth Rate	38.4%	-2.2%	50.3%	0.4%	-22.5%	-11.9%	1.1%	-0.7%	-12.0%	9.5%	11.9%	15.6%
Technical Adjustments to Prior Forecast /2	\$0	\$0	\$0	\$0	\$0	\$0	(\$4,797,500)	(\$4,736,278)	(\$9,533,778)	(\$5,215,161)	(\$5,475,919)	(\$10,691,079)
Economic Forecast /3	\$0	\$0	\$0	\$0	\$0	\$0	(\$21,854,078)	(\$19,812,365)	(\$41,666,443)	(\$19,988,269)	(\$21,342,864)	(\$41,331,132)
Total Adjustments to Prior Forecast		\$0	\$0	\$0	\$0	\$0	(\$26,651,578)	(\$24,548,643)	(\$51,200,221)	(\$25,203,429)	(\$26,818,783)	(\$52,022,212)
New Forecast	\$188,015,557	\$183,851,533	\$371,867,090	\$184,514,568	\$143,085,966	\$327,600,534	\$118,045,922	\$119,108,335	\$237,154,257	\$132,091,144	\$149,262,992	\$281,354,136
Growth Rate	38.4%	-2.2%	50.3%	0.4%	-22.5%	-11.9%	-17.5%	0.9%	-27.6%	10.9%	13.0%	18.6%

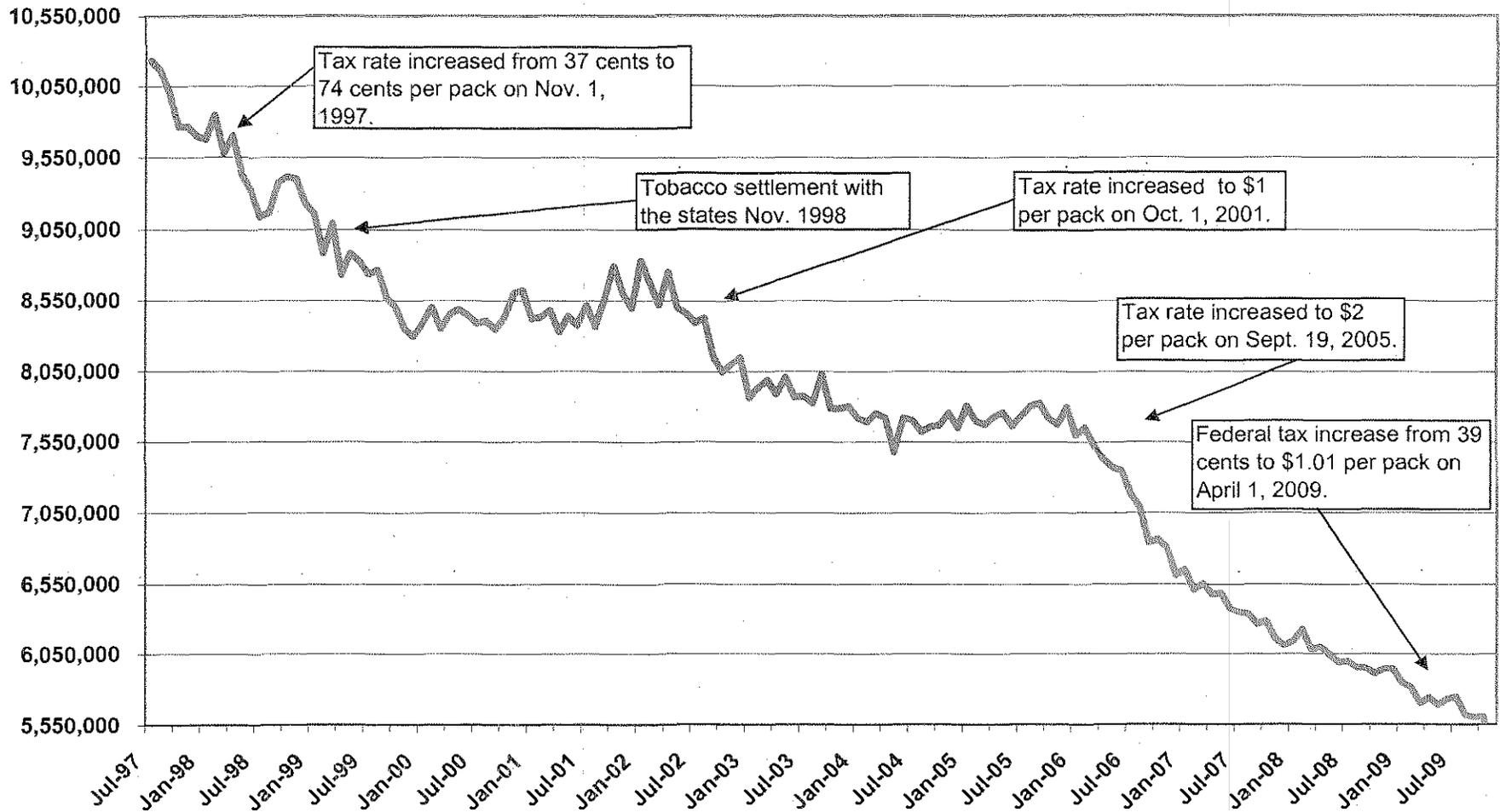
1/ May, 2009 forecast as adjusted by P.L. 2009, Chapter 213, with FY06, FY07, FY08 and FY09 actuals.

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 from Economy.com's October 2009 forecast of Corporate pre-tax profits.

# **Cigarette & Tobacco Taxes**

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



Maine Revenue Services  
Cigarette and Tobacco Tax  
November 2009 Forecast

	FY'08	FY'09	FY'10	FY'11	FY'12	FY'13
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Cigarette Tax

Actual FY'08 - '09 & current budget	\$143,758,002	\$137,572,515	\$129,890,881	\$127,393,068	\$124,446,018	\$122,020,810
Growth rate		-4.3%	-5.6%	-1.9%	-2.3%	-1.9%
November 2009 forecast			\$129,890,881	\$127,393,068	\$124,446,018	\$122,020,810
Growth rate			-5.6%	-1.9%	-2.3%	-1.9%
Variance			\$0	\$0	\$0	\$0

Tobacco Products Tax

Actual FY'08 - '09 & current budget	\$6,741,430	\$6,852,197	\$7,990,824	\$8,312,127	\$8,912,134	\$8,971,091
Growth rate		1.6%	16.6%	4.0%	7.2%	0.7%
November 2009 forecast			\$10,249,021	\$10,351,511	\$10,455,026	\$10,559,577
Growth rate			49.6%	1.0%	1.0%	1.0%
Variance			\$2,258,197	\$2,039,384	\$1,542,892	\$1,588,486

Total Cigarette & Tobacco Taxes

Actual FY'08 - '09 & current budget	\$150,499,432	\$144,424,712	\$137,881,705	\$135,705,195	\$133,358,152	\$130,991,901
Growth rate		-4.0%	-4.5%	-1.6%	-1.7%	-1.8%
November 2009 forecast			\$140,139,902	\$137,744,579	\$134,901,044	\$132,580,387
Growth rate			-3.0%	-1.7%	-2.1%	-1.7%
Variance			\$2,258,197	\$2,039,384	\$1,542,892	\$1,588,486

# **Estate Tax**

Estate Tax: General Fund Baseline Forecast FY10 - FY13

	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium	FY12	FY13	Biennium
Actuals & May, 2009 Forecast /1	\$75,330,514	\$54,820,038	\$130,150,552	\$39,890,577	\$31,819,188	\$71,709,765	\$30,124,796	\$31,945,303	\$62,070,099	\$37,328,353	\$42,374,930	\$79,703,283
Growth Rate	133.5%	-27.2%	102.3%	-27.2%	-20.2%	-44.9%	-5.3%	6.0%	-13.4%	16.9%	13.5%	28.4%
Technical Adjustments to Prior Forecast /2	\$0	\$0	\$0	\$0	\$0	\$0	(\$7,586,958)	(\$7,833,142)	(\$15,420,100)	(\$9,217,252)	(\$10,446,063)	(\$19,663,315)
Economic Assumptions /3	\$0	\$0	\$0	\$0	\$0	\$0	\$7,055,415	\$7,626,843	\$14,682,258	\$8,367,226	\$9,303,965	\$17,671,191
Total Adjustments to Prior Forecast	\$0	\$0	\$0	\$0	\$0	\$0	(\$531,543)	(\$206,299)	(\$737,842)	(\$850,026)	(\$1,142,098)	(\$1,992,124)
New Forecast	\$75,330,514	\$54,820,038	\$130,150,552	\$39,890,577	\$31,819,188	\$71,709,765	\$29,593,253	\$31,739,004	\$61,332,257	\$36,478,327	\$41,232,832	\$77,711,159
Growth Rate	133.5%	-27.2%	102.3%	-27.2%	-20.2%	-44.9%	-7.0%	7.3%	-14.5%	14.9%	13.0%	26.7%

1/ May, 2009 forecast as adjusted by P.L. 2009, Chapter 213, with FY06, FY07, FY08 and FY09 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 Economy.Com's October 2009 forecast of Household Net Worth.

## **Other Taxes**

Property Tax Reimbursement Programs: General Fund Baseline Forecast FY10 - FY13

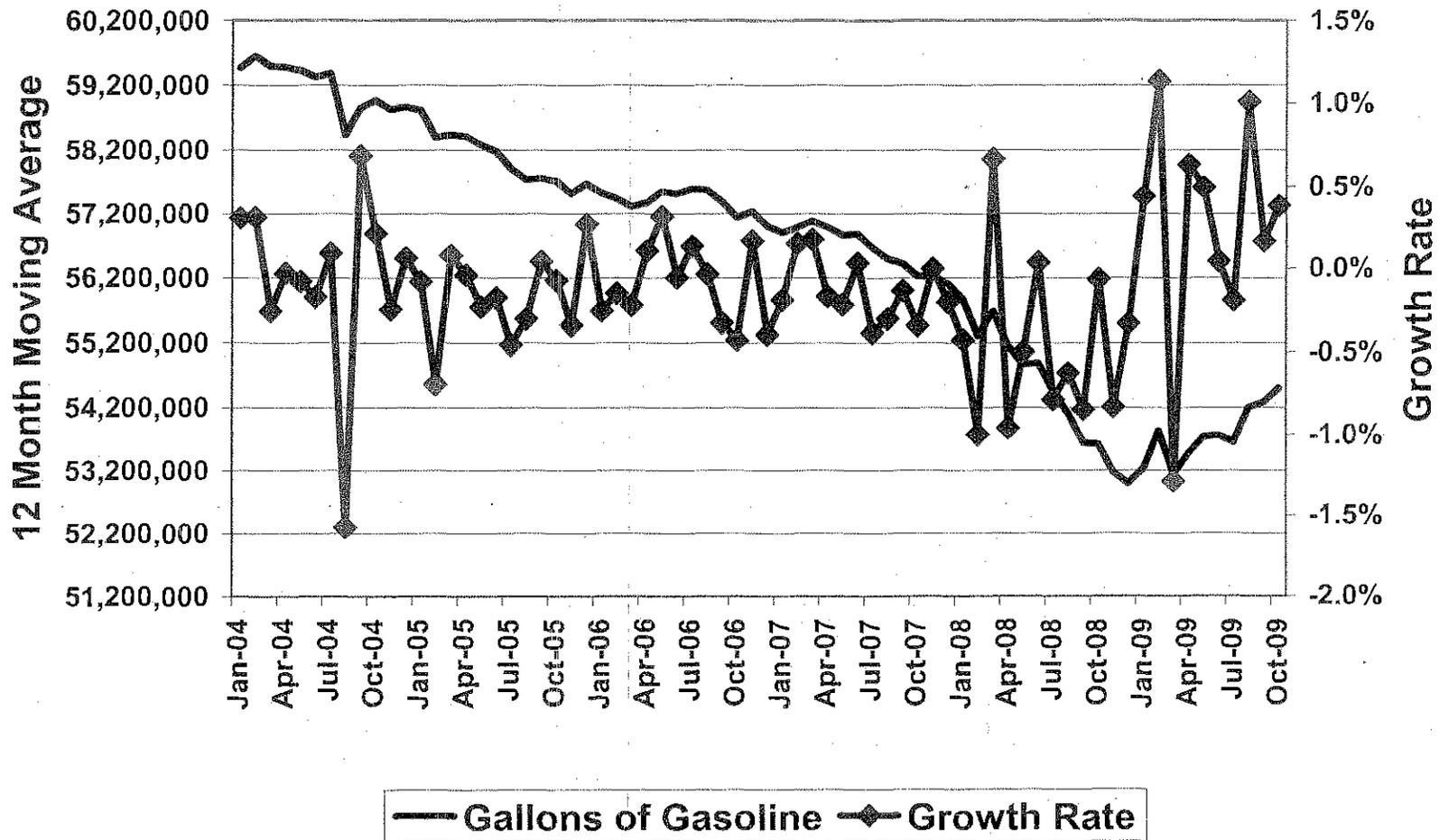
	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium	FY12	FY13	Biennium
Actuals & May, 2009 Forecast /1	-\$109,861,880	-\$110,993,851	-\$220,855,731	-\$114,564,756	-\$122,735,417	-\$237,300,173	-\$116,953,498	-\$119,003,153	-\$235,956,651	-\$136,561,084	-\$135,520,928	-\$272,082,012
Maine Residents Property Tax Program	-\$42,796,070	-\$44,440,759	-\$87,236,829	-\$46,689,380	-\$46,689,380	-\$93,378,760	-\$41,326,948	-\$42,973,944	-\$84,300,892	-\$53,713,747	-\$55,287,538	-\$109,001,285
Business Equipment Tax Reimbursement Program (BETR)	-\$67,065,810	-\$66,553,092	-\$133,618,902	-\$67,875,376	-\$67,875,376	-\$135,750,752	-\$59,088,138	-\$54,043,140	-\$113,131,278	-\$54,552,995	-\$49,282,583	-\$103,835,578
Municipal Personal Property Exemption (BETE)	\$0	\$0	\$0	\$0	-\$8,170,661	-\$8,170,661	-\$16,538,412	-\$21,986,069	-\$38,524,481	-\$28,294,342	-\$30,950,807	-\$59,245,149
Adjustments to Prior Forecast	\$0	\$0	\$0	\$0	\$0	\$0	\$4,893,636	\$6,415,208	\$11,308,844	\$9,076,107	\$10,838,630	\$19,914,737
Maine Residents Property Tax Program	\$0	\$0	\$0	\$0	\$0	\$0	\$826,948	-\$526,056	\$300,892	-\$2,286,253	-\$2,412,462	-\$4,698,715
Business Equipment Tax Reimbursement Program (BETR)	\$0	\$0	\$0	\$0	\$0	\$0	\$2,500,000	\$2,500,000	\$5,000,000	\$2,500,000	\$2,500,000	\$5,000,000
Municipal Personal Property Exemption (BETE)	\$0	\$0	\$0	\$0	\$0	\$0	\$1,566,688	\$4,441,264	\$6,007,952	\$8,862,360	\$10,751,092	\$19,613,452
New Forecast	(\$109,861,880)	(\$110,993,851)	(\$220,855,731)	(\$114,564,756)	(\$122,735,417)	(\$237,300,173)	(\$112,059,862)	(\$112,587,945)	(\$224,647,807)	(\$127,484,977)	(\$124,682,298)	(\$252,167,275)
Growth Rate	322.1%	1.0%	733.0%	3.2%	7.1%	7.4%	-8.7%	0.5%	-5.3%	13.2%	-2.2%	12.3%

1/ May, 2009 forecast as adjusted by P.L. 2009, Chapter 213, with FY06, FY07, FY08 and FY09 actuals.

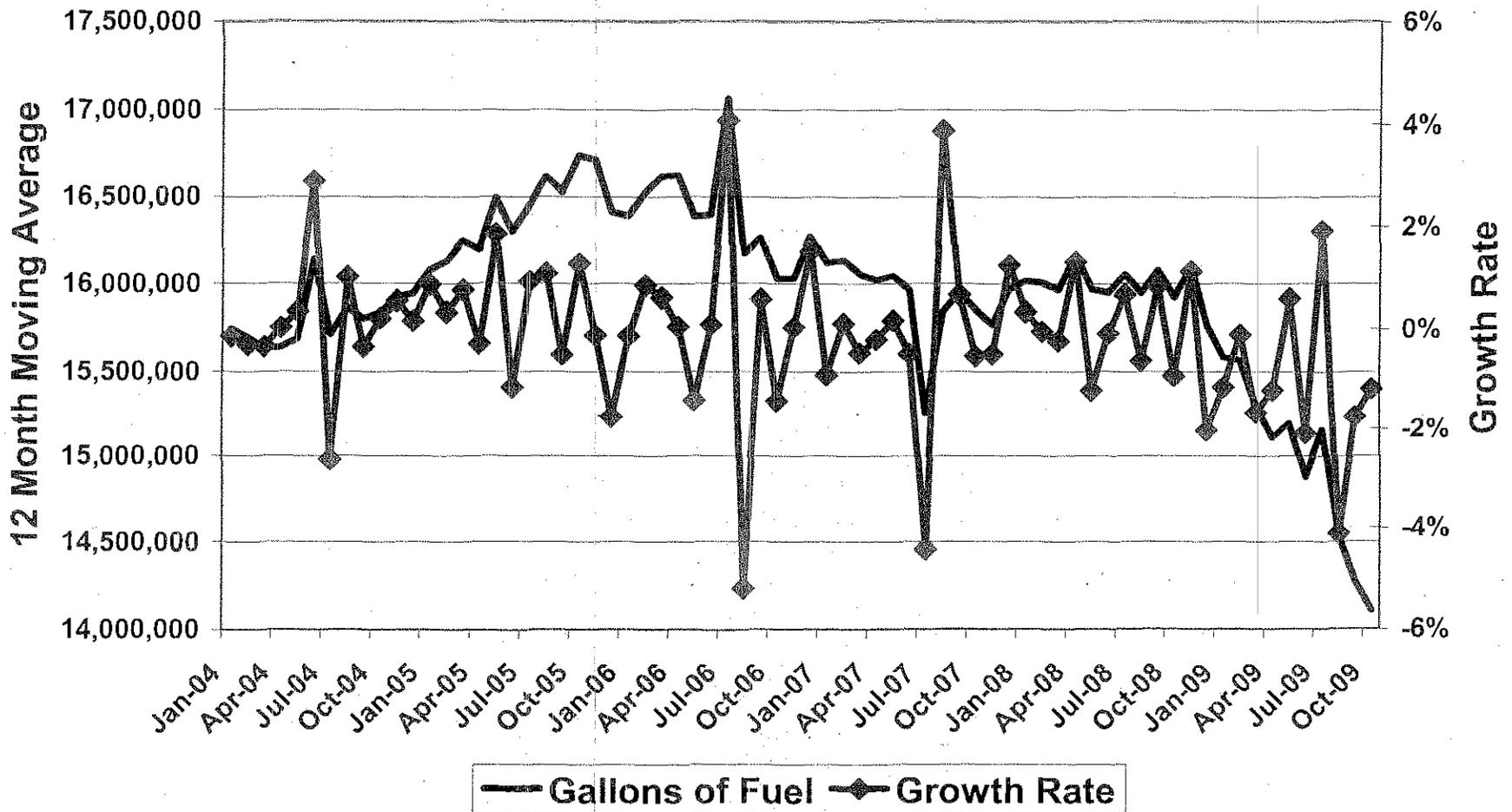
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# Highway Fund

## Gallons of Gasoline Derived from Revenue Before Refunds



# Gallons of Special Fuel Derived from Revenue Before Refunds



Maine Revenue Services  
Highway Fund Motor Fuel Tax Revenue Forecast

<b>Gasoline Tax Revenue</b>	FY'08	FY'09	FY'10	FY'11	FY'12	FY'13
FY'08 & '09 actual & current budget	\$179,096,254	\$174,404,167	\$175,609,526	\$170,874,716	\$172,516,117	\$177,106,628
Growth rate		-2.6%	0.7%	-2.7%	1.0%	2.7%
Tax rate per gallon	\$0.276	\$0.284	\$0.295	\$0.295	\$0.300	\$0.307
Percentage increase in tax rate		2.8%	3.8%	0.0%	1.7%	2.3%
November 2009 forecast			\$171,271,538	\$168,484,765	\$169,350,558	\$171,677,379
Growth rate			-1.8%	-1.6%	0.5%	1.4%
Tax rate per gallon	\$0.276	\$0.284	\$0.295	\$0.295	\$0.300	\$0.306
Percentage increase in tax rate			3.8%	0.0%	1.7%	2.0%
Variance			(\$4,337,988)	(\$2,389,951)	(\$3,165,559)	(\$5,429,249)

<b>Special Fuel Tax Revenue</b>	FY'08	FY'09	FY'10	FY'11	FY'12	FY'13
FY'08 & '09 actual & current budget	\$46,139,086	\$41,811,377	\$44,696,000	\$43,650,750	\$44,094,750	\$44,973,500
Growth rate		-9.4%	6.9%	-2.3%	1.0%	2.0%
Tax rate per gallon	\$0.288	\$0.296	\$0.307	\$0.307	\$0.313	\$0.320
Percentage increase in tax rate		2.8%	3.8%	0.0%	1.7%	2.3%
November 2009 forecast			\$39,682,500	\$38,831,500	\$38,554,000	\$38,211,750
Growth rate			-5.1%	-2.1%	-0.7%	-0.9%
Tax rate per gallon	\$0.288	\$0.296	\$0.307	\$0.307	\$0.313	\$0.319
Percentage increase in tax rate		2.8%	3.8%	0.0%	1.7%	2.0%
Variance			(\$5,013,500)	(\$4,819,250)	(\$5,540,750)	(\$6,761,750)

<b>Total Motor Fuel Tax Revenue</b>	FY'08	FY'09	FY'10	FY'11	FY'12	FY'13
FY'08 & '09 actual & current budget	\$225,235,339	\$216,215,544	\$220,305,526	\$214,525,466	\$216,610,867	\$222,080,128
Growth rate		-4.0%	1.9%	-2.6%	1.0%	2.5%
November 2009 forecast			\$210,954,038	\$207,316,265	\$207,904,558	\$209,889,129
Growth rate			-2.4%	-1.7%	0.3%	1.0%
Variance			(\$9,351,488)	(\$7,209,201)	(\$8,706,309)	(\$12,190,999)
Biennium				(\$16,560,689)		(\$20,897,308)

Maine Revenue Services

Gasoline Tax Revenue Forecast FY'10 - FY'13

November 2009

		FY'10	FY'11	FY'12	FY'13	
Gas tax forecast - Highway Fund		\$171,271,538	\$168,484,785	\$169,350,558	\$171,677,379	
Percentage Change			-1.6%	0.5%	1.4%	
Tax rate in cents per gallon		\$0.295	\$0.295	\$0.300	\$0.306	
Forecasted inflation adjustment			0.0%	1.7%	2.0%	
		FY'10	FY'11	FY'12	FY'13	
Net to the Highway Fund		\$171,271,538	\$168,484,765	\$169,350,558	\$171,677,379	
TransCap Trust Fund - 7.5%	7.500%	\$13,886,881	\$13,660,927	\$13,731,126	\$13,919,788	7.500%
Net before transfer to TransCap Fund		\$185,158,420	\$182,145,892	\$183,081,685	\$185,597,167	
Transfer \$100,000 to STAR Fund		(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	
Gross to the Highway Fund		\$185,258,420	\$182,245,892	\$183,181,685	\$185,697,167	97.499%
DIF&W and Snowmobile Fund	0.9045%	\$1,718,640	\$1,690,691	\$1,699,375	\$1,722,711	0.9045%
General Fund - DIF&W - 14.93%		\$256,593	\$252,420	\$253,717	\$257,201	14.930%
Snowmobile Trail Fund - 85.07%		\$1,462,047	\$1,438,271	\$1,445,658	\$1,465,510	85.070%
All-terrain Vehicles	0.1525%	\$289,765	\$285,053	\$286,517	\$290,452	0.1525%
ATV Enforcement Fund- 50%		\$144,883	\$142,527	\$143,259	\$145,226	50.000%
ATV Recreational Fund - 50%		\$144,883	\$142,527	\$143,259	\$145,226	50.000%
Motorboats	1.4437%	\$2,743,174	\$2,698,564	\$2,712,424	\$2,749,671	1.4437%
Dept. of Marine Resources - 24.6%		\$674,821	\$663,847	\$667,256	\$676,419	24.600%
Boating Facilities Fund - 75.4%		\$2,068,353	\$2,034,717	\$2,045,167	\$2,073,252	75.400%
<b>Total revenue</b>		<b>\$190,010,000</b>	<b>\$186,920,000</b>	<b>\$187,880,000</b>	<b>\$190,460,000</b>	<b>100.000%</b>
			-1.8%	0.5%	1.4%	
<b>Special Fuel Tax Revenue Forecast FY'09 - FY'13</b>						
Net to the Highway Fund		\$39,682,500	\$38,831,500	\$38,554,000	\$38,211,750	
TransCap Trust Fund - 7.5%	7.500%	\$3,217,500	\$3,148,500	\$3,126,000	\$3,098,250	7.500%
<b>Total</b>		<b>\$42,900,000</b>	<b>\$41,980,000</b>	<b>\$41,680,000</b>	<b>\$41,310,000</b>	
			-2.1%	-0.7%	-0.9%	

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## APPENDIX H

**Pine Tree Development Zone Memo  
from CEFC Chair**

November 25, 2009  
Jerome Gerard  
Acting Executive Director  
Maine Revenue Services  
State House 24  
Augusta, Maine 04330

Dear Jerome:

The Consensus Economic Forecasting Commission has been unable to develop a separate forecast of the Maine economy incorporating the effects of the Legislature's recent action to extend the Pine Tree Zone development incentive to most of the state. While information about past use of the Pine Tree Zone incentives is available, the Commission has not been able to develop a method for extrapolating past experience to the entire state, particularly in the extraordinarily difficult forecasting environment in which we are currently operating.

We will continue to examine alternative approaches to the development of a forecast incorporating the Pine Tree Zones that will be sufficiently rigorous to be incorporated with the other forecasting models and methods we use in order to provide the Governor and Legislature with the best information about the Maine economy.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Colgan', with a stylized flourish at the end.

Charles S. Colgan PhD  
Chair, Consensus Economic Forecasting Commission