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# STATE OF MAINE

## REVENUE & EXPENDITURE PROJECTION



**GENERAL FUND AND HIGHWAY FUND**

**FISCAL YEARS 2000 - 2001**

**Submitted by the  
Bureau of the Budget  
December 11, 1997**

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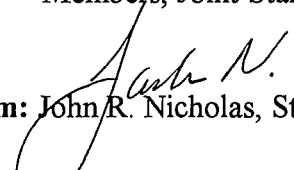


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STATE OF MAINE  
**DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES**  
Bureau of the Budget  
State House Station #58  
Augusta, Maine 04333

**Date:** December 11, 1997

**To:** Honorable Angus S. King, Jr. Governor  
Honorable Mark W. Lawrence, President of the Senate  
Honorable Elizabeth H. Mitchell, Speaker of the House  
Honorable Michael H. Michaud, Senate Chair  
Honorable George J. Kerr, House Chair  
Members, Joint Standing Committee on Appropriations and Financial Affairs

**From:**  John R. Nicholas, State Budget Officer

**Subject:** Report on the forecast of revenues and expenditures for the General Fund and the Highway Fund for the FY 98-99 biennium and the FY 2000-2001 biennium in accordance with Title 5, section 1665, subsection 7.

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The Bureau of the Budget is pleased to present its four year budget forecast for the General Fund and the Highway Fund for the FY 98-99 biennium and the FY 2000-2001 biennium in accordance with Title 5, section 1665. This effort was initiated and passed into law by the 117th Legislature as fulfillment of one of the recommendations of the Special Commission on Governmental Restructuring to provide a platform for long term financial planning.

The report that was due September 30, 1997 but was postponed in order to benefit from the Revenue Reprojection due December 1, 1997 from the Revenue Forecasting Committee. That delay will allow the forecast to be based on the current structure of State revenues and expenditures for both the General fund and the Highway Fund using the programmatic and budgetary effects of the First Regular Session and the First Special Session of the 118th Legislature and the most current revenue projections. As such, this effort should provide an objective view of revenue and expenditure trends over the long term as a basis for fiscal planning and decision making.

JRN/da

cc: Janet Waldron, Commissioner, Department of Administrative and Financial Services

DEC 19 1997



**STATE OF MAINE REVENUE AND EXPENDITURE PROJECTION  
GENERAL FUND AND HIGHWAY FUND  
FISCAL YEARS 1998 - 2001**

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# **MAINE BUDGET FORECAST**

## **FY 98-99 BIENNIUM AND FY 2000-2001 BIENNIUM**

### **I. INTRODUCTION**

Title 5, sections 1664 and 1665 require a four year budget projection for the General Fund and the Highway Fund. This relatively new initiative is in fulfillment of the recommendations of the Special Commission on Governmental Restructuring for the purpose of providing a basis for longer term budget planning for the State's two undedicated funds. This budget approach also provides a means of comparing the structure of current expenditures and current revenues projected forward on a consistent trend basis for both funds. It shows the capacity of the State's General Fund and Highway Fund resources to support the current level of State government services projected forward.

The last such report was issued on January 10, 1997 as a supplement to the State of Maine Budget Document for 1998-1999, as required by Title 5, section 1664. That report provided a four year budget forecast for fiscal years 1997-98, 1998-99, 1999-2000 and 2000-2001 based on the Governor's budget recommendations for the FY 98-99 biennium with respect to both revenues and expenditures for the General Fund and the Highway Fund. This report updates that budget forecast by using the budgetary and programmatic effects resulting from actions of the First Regular Session and the First Special Session of the 118th Legislature. The expected outcome, as in previous reports, is an objective presentation of the General Fund and the Highway Fund budgets for FY 2000 and FY 2001 based on financial and program information contained in legislation enacted and signed into law for the FY 98-99 biennium.

The projected revenues and expenditures for the General Fund and the Highway Fund are based on current law and current program trends, as required by statute. With respect to revenues, the General Fund and Highway Fund represent the most current projections of the Revenue Forecasting Committee, as required by Public Law 1997, chapter 157. These base level projections from the Revenue Forecasting Committee are reflected in the accompanying revenue forecast charts. These base revenue projections have been updated for both the General Fund and the Highway Fund to include revenue adjustments for the FY 98-99 biennium from the First Regular Session and the First Special Session of the 118th Legislature. The final revenue projections for the FY 2000-2001 biennium, as presented in the revenue forecast charts, reflect the current forecast of the Revenue Forecasting Committee including revenue adjustments resulting from approved legislation from the First Regular Session and the First Special Session of the 118th Legislature.

In order to provide the most accurate expenditure position from currently available budget information, the projection used the FY 98 work program by expenditure category, as reflected in approved appropriations and allocations for FY 98. These dollars were adjusted for the effect of one-time and phased-in actions expected to occur in FY 99. More detailed projections on a department or program basis were made where appropriate to reflect specific trends in those areas. Other base level projections were developed using net inflationary growth referred to in the



report as Consumer Price Index (CPI) trends. The Federal government follows the yearly changes in the cost of living through the CPI. The CPI measures the monthly and yearly changes in the prices of selected consumer items in different product, service and commodity areas by expressing the percent change in terms of a base year.

This report augments the CPI data by using the CPI in composite form, where appropriate, by applying the specific CPI changes to each All Other expenditure category in the base FY 98 year, or by using inflationary trends as CPI changes. Personal Services projections for the FY 2000-2001 biennium are based on merit growth for salaries and wages and net growth for state employee benefits based on historical trends. These projections result in growth estimates applicable to Personal Services of 2.19% for FY 99, 3.05% for FY 2000 and 2.87% for FY 2001 for the General Fund and 2.2% for FY 99, 3.13% for FY 2000 and 2.95% for FY 2001 for the Highway Fund. The projection for Personal Services does not anticipate future salary adjustments beyond the June 30, 1999 term of the current collective bargaining agreements. All Other projections for the FY 2000-2001 biennium reflect a weighted average percentage change for each fiscal year resulting from the conversion of CPI growth to each expenditure category. These projections result in growth estimates related to All Other of 2.3% for FY 99, 2.3% for FY 2000 and 2.31% for FY 2001 for the General Fund and 1.82% for FY 99, 1.62% for FY 2000 and 1.66% for FY 2001 for the Highway Fund.

This projection does not predict unbalanced budgets for the General Fund or the Highway Fund for the FY 2000-2001 biennium. The Governor and the Legislature must make decisions to maintain a balance between resources and appropriations or allocations for both funds for the FY 2000-2001 biennium.

## II. GENERAL FUND

### **A. BUDGET STATUS FY 98-2001**

<b>GENERAL FUND STATUS</b>						
	<b>FY 98-99 BIENNIUM</b>			<b>FY 2000-2001 BIENNIUM</b>		
	<b>FY 98</b>	<b>FY 99</b>	<b>TOTAL</b>	<b>FY 00</b>	<b>FY 01</b>	<b>TOTAL</b>
<b>BALANCE</b>	15,668,061		15,668,061	18,893,962		18,893,962
<b>ADJUSTMENTS</b>	4,530,877	233,464	4,764,341			
<b>REVENUE</b>	1,888,508,330	1,939,919,324	3,828,427,654	2,060,205,862	2,135,893,089	4,196,098,951
<b>TOTAL RESOURCES</b>	1,908,707,268	1,940,152,788	3,848,860,056	2,079,099,824	2,135,893,089	4,214,992,913
<b>APPROPRIATIONS</b>	1,829,940,095	1,988,700,595	3,818,640,690	2,108,337,653	2,210,790,734	4,319,128,387
<b>LESS TRANSFER TO RAINY DAY FUND</b>	11,325,404		11,325,404			
<b>PROJECTED BALANCE</b>	<b>67,441,769</b>	<b>(48,547,807)</b>	<b>18,893,962</b>	<b>(29,237,829)</b>	<b>(74,897,645)</b>	<b>(104,135,474)</b>

During the First Regular Session and First Special Session of the 118th Legislature, adjustments were made to FY 97 that resulted in a budgeted General Fund balance of \$15,668,061 carrying into the FY 98-99 biennium. With appropriations of \$3.819 billion, and with revenue, adjustments and beginning balance totaling \$3.849 billion, the projected General Fund balance going into the FY 2000-2001 biennium is \$18,893,962.

The structure of the General Fund budget for FY 99, influenced by the phase out of the hospital tax, reflects a "built in" gap of \$48.5 million of appropriations greater than available resources.

Projections for the FY 2000-2001 biennium include General Fund revenue of \$4.196 billion. Appropriations are projected to be \$4.319 billion for the biennium. The projected structural gap between resources and appropriations is \$104.1 million.

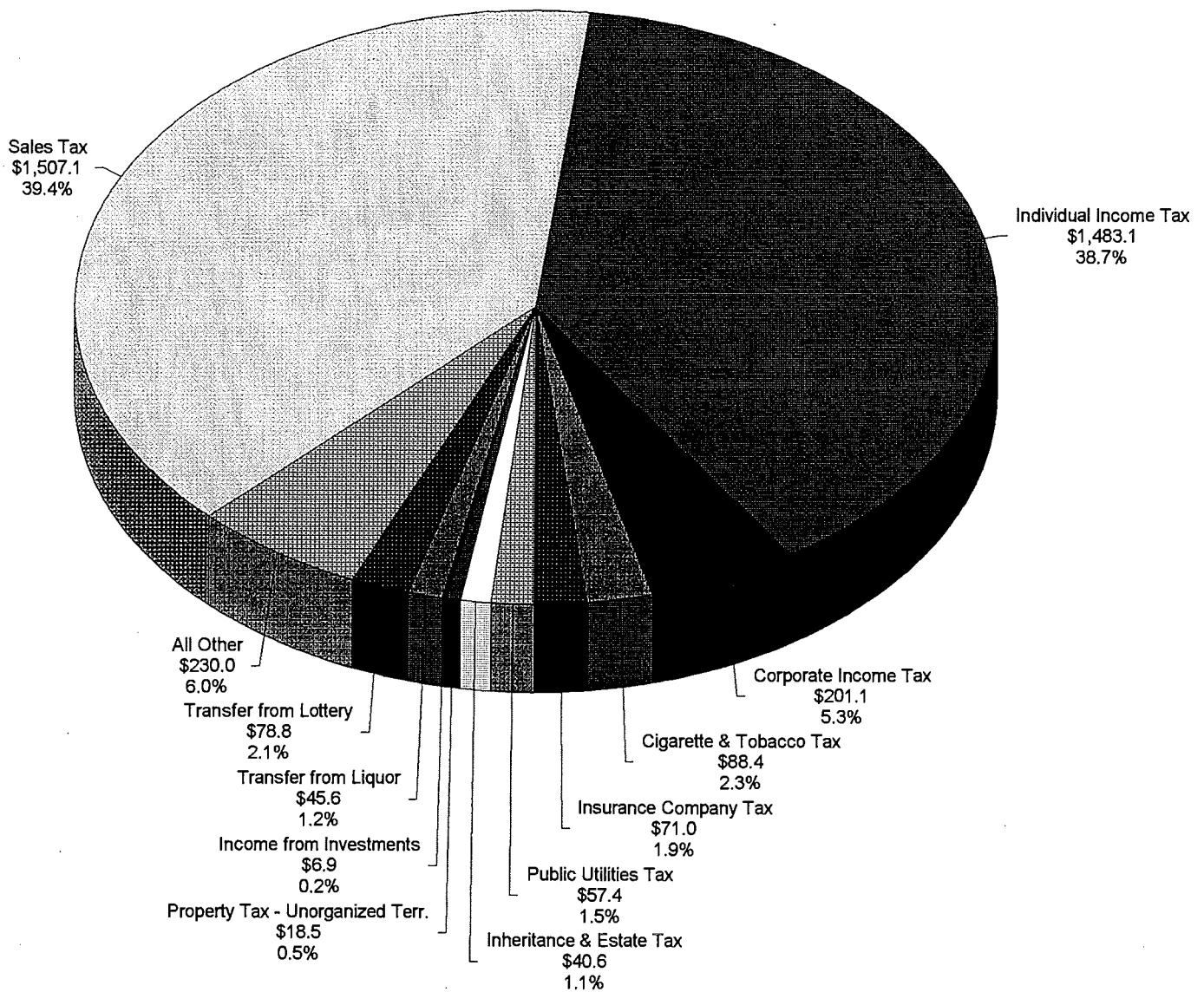
B. REVENUE FORECAST CHARTS

**GENERAL FUND REVENUE FORECAST CHARTS**

SOURCE	FY 98	FY 99	% CHANGE	BIENNIUM	FY 00	% CHANGE	FY 01	% CHANGE	BIENNIUM	% CHANGE
Sales and Use Tax	738,672,845	768,467,655	4.03%	1,507,140,500	799,206,361	4.00%	831,174,616	4.00%	1,630,380,977	8.18%
Individual Income Tax	724,428,622	758,621,653	4.72%	1,483,050,275	846,041,723	11.52%	885,408,553	4.65%	1,731,450,276	16.75%
Corporate Income Tax	102,264,365	98,833,622	-3.35%	201,097,987	101,758,336	2.96%	105,535,000	3.71%	207,293,336	3.08%
Cigarette & Tobacco Tax	44,890,210	43,503,205	-3.09%	88,393,415	42,159,825	-3.09%	40,858,660	-3.09%	83,018,485	-6.08%
Insurance Company Tax	35,663,000	35,312,000	-0.98%	70,975,000	34,964,000	-0.99%	34,619,000	-0.99%	69,583,000	-1.96%
Public Utilities Tax	28,475,000	28,925,000	1.58%	57,400,000	29,375,000	1.56%	29,750,000	1.28%	59,125,000	3.01%
Inheritance & Estate Tax	25,287,840	15,356,915	-39.27%	40,644,755	15,711,717	2.31%	16,007,902	1.89%	31,719,619	-21.96%
Property Tax - Unorg. Terr.	8,776,866	9,695,799	10.47%	18,472,665	9,325,325	-3.82%	9,637,655	3.35%	18,962,980	2.65%
Income from Investments	6,276,409	638,240	-89.83%	6,914,649	838,240	31.34%	1,038,240	23.86%	1,876,480	-72.86%
Transfer from Liquor	21,199,678	24,397,879	15.09%	45,597,557	24,397,879		24,397,879		48,795,758	7.01%
Transfer from Lottery	37,637,870	41,112,981	9.23%	78,750,851	41,112,981		41,112,981		82,225,962	4.41%
All Other	114,935,625	115,054,375	0.10%	229,990,000	115,314,475	0.23%	116,352,603	0.90%	231,667,078	0.73%
<b>TOTAL REVENUE</b>	<b>1,888,508,330</b>	<b>1,939,919,324</b>	<b>2.72%</b>	<b>3,828,427,654</b>	<b>2,060,205,862</b>	<b>6.20%</b>	<b>2,135,893,089</b>	<b>3.67%</b>	<b>4,196,098,951</b>	<b>9.60%</b>

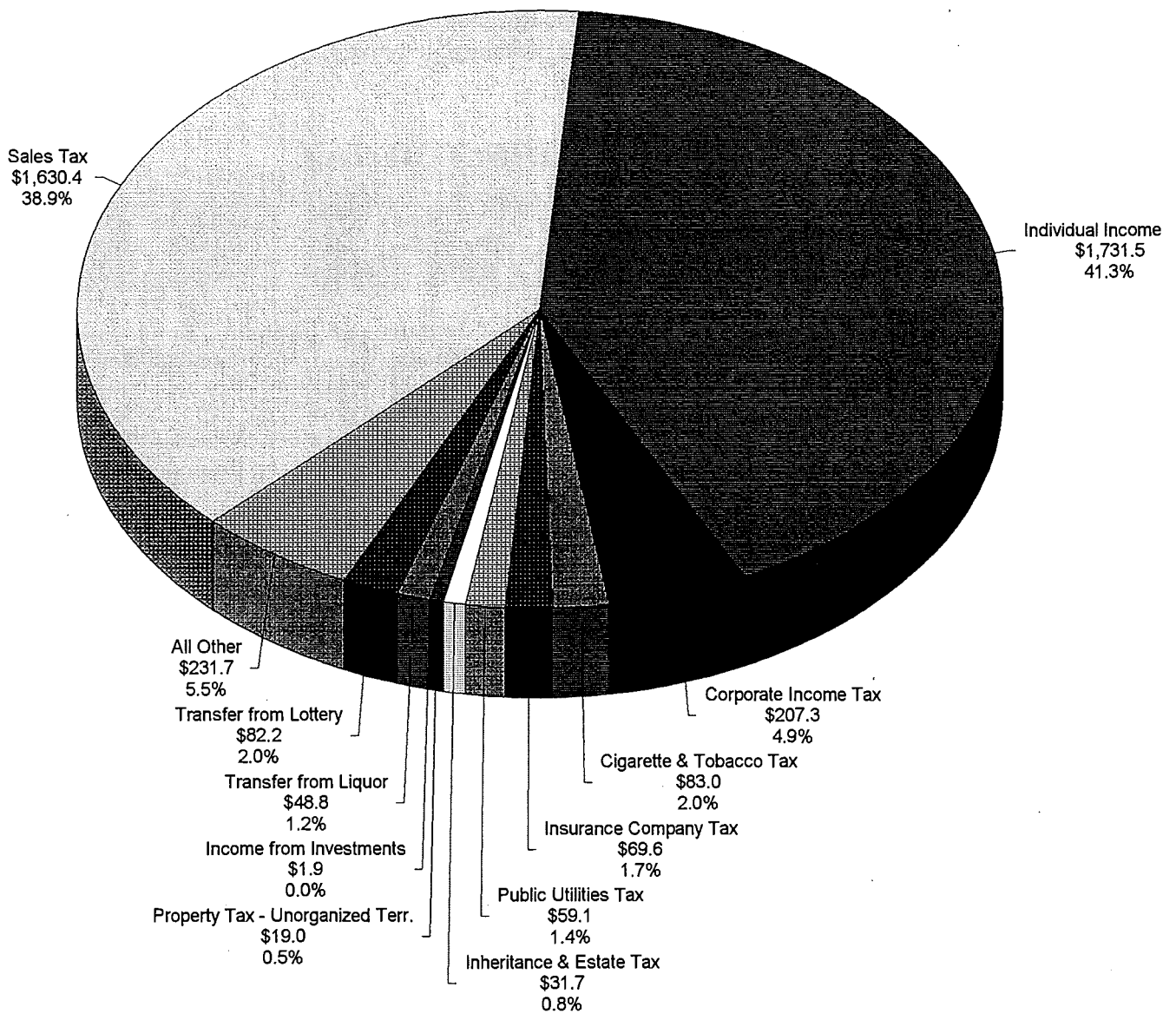
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# FY98/99 GENERAL FUND REVENUES APPROVED



Dollars in millions

# FY00-01 GENERAL FUND REVENUES PROJECTED



Dollars in millions

## C. REVENUE FORECAST NARRATIVE

### SALES AND USE TAX

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
738,673	768,468	4.03%	1,507,141	799,206	4.00%	831,175	4.00%	1,630,381	8.18%

Sales and Use tax revenues for the General Fund continue to show modest growth of 4% per year in line with the overall growth of the Maine economy and growth in personal income consistent with the most recent forecast of the Revenue Forecasting Committee. It is expected that the New England economy will be one of the slowest growing regional economies in the United States. As a result, the Maine economy is expected to grow at a very modest rate over the next several years. Sales Tax revenues generated from automobile and transportation related sales contribute more than 20% of total sales and use tax receipts. These sales are not expected to grow significantly over the next several years, thus contributing to the modest growth in Sales and Use Tax revenue. The only adjustment to the base level projection of the Revenue Forecasting Committee is the modest impact in Sales and Use Tax from the Cigarette Tax increase contained in Public Law 1997, chapter 560.

### INDIVIDUAL INCOME TAX

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
724,429	758,622	4.72%	1,483,050	846,042	11.52%	885,409	4.65%	1,731,450	16.75%

Individual Income Tax revenues have realized modest growth over the past biennium. Employment growth and personal income growth, which strongly influence Individual Income Tax revenues are expected to increase approximately 1.2% and 5.3%, respectively, during the FY 2000-2001 biennium. Despite continued low unemployment in the State of Maine, employment and personal income growth are expected to follow modest, upward trends consistent with current forecasts. The most significant adjustment to the base level projection of the Revenue Forecasting Committee is the repeal of the individual income tax cap through Public Law 1997, chapter 24, Part C, section 10. Additional adjustment in the FY 2000-2001 biennium reflects the increase in the personal exemption, as provided for in Public Law 1997, chapter 24, Part E, section 2, which was treated as a \$3 million appropriation in FY 98 and FY 99 and the effect of the credit against employee withholding taxes related to investments in shipbuilding facilities amounting to \$2,372,000 in FY 2000 and \$2,847,000 in FY 2001 as reflected in Public Law 1997, chapter 449. In FY 98 and FY 99, Individual Income Tax revenues accruing to the General Fund will not exceed the official forecast of January, 1997 of \$724,428,622 in FY 98 and \$758,621,653 in FY 99 in accordance with Public Law 1997, chapter 24, Part E. Individual Income Tax revenues in excess of these amounts must be transferred to the Tax Relief Fund established in Part E, section 1 of PL 1997, chapter 24. The projections for FY 2000 and FY 2001 assume that all Individual Income Tax revenues will accrue to the General Fund.

### CORPORATE INCOME TAX

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
102,264	98,834	-3.35%	201,098	101,758	2.96%	105,535	3.71%	207,293	3.08%

The Corporate Income Tax has realized very strong growth over the FY 96-97 biennium. While that growth may likely continue through the FY 99 base year, this revenue line has historically been very difficult to predict with much accuracy. Unlike other revenue lines, the Corporate Income Tax does not clearly reflect current economic conditions. The major influence on Corporate Income Tax receipts is the business profits. The cyclical nature of certain industries, the Investment Tax Credit and operating loss carry back have made accurate revenue projections difficult to achieve. Public Law 1997, chapter 24, Part C, section 11 repealed the Investment Tax Credit providing more certainty to future revenue forecasts. This change in the Corporate Income Tax represents the most significant adjustment in the base level projection of the Revenue Forecasting Committee.

## CIGARETTE AND TOBACCO TAX

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
44,890	43,503	-3.09%	88,393	42,160	-3.09%	40,859	-3.09%	83,018	-6.08%

Revenues derived from the sale of cigarettes and tobacco products have continued to decline at a historical rate of approximately 3% per year. The base level forecast for the FY 2000-2001 biennium is based on the assumption that this rate of decrease will continue. The Cigarette and Tobacco Tax revenue forecast for the FY 98-99 biennium and the FY 2000-2001 biennium does not include the Cigarette Tax increase implemented in Public Law 1997, chapter 560. These incremental revenues will be deposited in an Other Special Revenue Fund account entitled "Tobacco Tax Relief Fund". All revenues from the Cigarette Tax in excess of the base level projection of the Revenue Forecasting Committee for the FY 98-99 biennium and the FY 2000-2001 biennium will accrue to the Tobacco Tax Relief Fund in accordance with Public Law 1997, chapter 560.

The major contributor to this decline is the change in societal values and governmental policy regarding the use and consumption of cigarette and tobacco products. The policy of promoting the negative health effects of smoking and the encouragement of non smoking habits should result in a continuation in the decline of this revenue source.

## INSURANCE COMPANY TAX

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
35,663	35,312	-0.98%	70,975	34,964	-0.99%	34,619	-0.99%	69,583	-1.96%

Revenue from insurance companies is associated with the gross value of insurance policies issued. As business within the state grows, the amount of insurance coverage also expands. Although it would be expected that this revenue source would increase at a rate consistent to the overall growth of the Maine economy, the emphasis on lower workers' compensation premium costs and the expansion of HMOs, appears to be negatively affecting this revenue source. As a consequence, the base level projection assumes a decline of 1% per year into the FY 2000-2001 biennium.

## ALL OTHER REVENUES

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
114,936	115,054	0.10%	229,990	115,314	0.23%	116,353	0.90%	231,667	0.73%

The remaining General Fund revenues are not expected to grow in the FY 2000-2001 biennium consistent with the base level forecast of the Revenue Forecasting Committee. The only significant adjustments in the base revenue projections reflect increased authority in FY 99 for the Department of Administrative and Financial Services to increase the profit to the General Fund from the sale of liquor in accordance with Public Law 1997, chapter 24, Part L, the repeal of the Dairy Farm Stabilization Tax effective November 1, 1998, as provided for in Public Law 1997, chapter 348, and adjustment in Judicial fine collections on a continuing basis consistent with Public Law 1997, chapter 24, Part II.



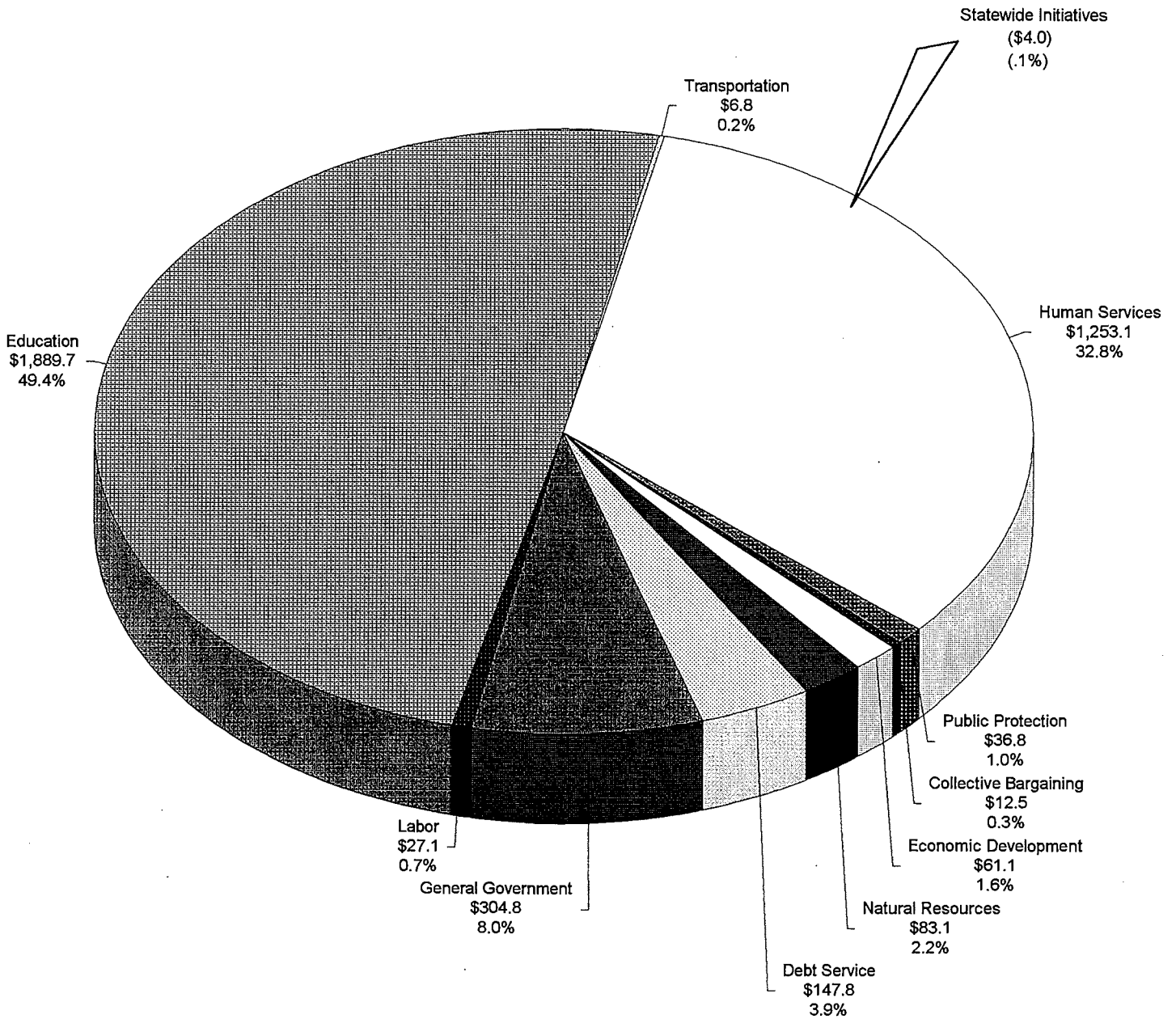
D. EXPENDITURE FORECAST CHART

**GENERAL FUND EXPENDITURE FORECAST CHART**

MAJOR PROGRAM CATEGORIES POLICY AREA / AGENCY / PROGRAM	FY 98	FY 99	% CHANGE	BIENNIUM	FY 00	% CHANGE	FY 01	% CHANGE	BIENNIUM	% CHANGE
CAPITAL CONSTRUCTION - REPAIRS	7,172,486	3,854,831	-46.26%	11,027,317	14,760,000	282.90%	14,760,000		29,520,000	167.70%
PERSONAL PROPERTY TAX ON MACHINERY AND EQUIP	13,802,963	20,290,696	47.00%	34,093,659	26,114,794	28.70%	26,891,550	2.97%	53,006,344	55.47%
MAINE RESIDENTS PROPERTY TAX PROGRAM	2,159,292	10,040,063	364.97%	12,199,355	16,342,333	62.77%	16,688,736	2.12%	33,031,069	170.76%
DEBT SERVICE	75,624,172	72,159,914	-4.58%	147,784,086	72,816,851	0.91%	75,711,562	3.98%	148,528,413	0.50%
OTHER AGENCIES AND PROGRAMS	120,749,910	126,757,291	4.98%	247,507,201	130,240,806	2.75%	135,052,764	3.69%	265,293,570	7.19%
<b>TOTAL POLICY AREA 00 - GENERAL GOVERNMENT</b>	<b>219,508,823</b>	<b>233,102,795</b>	<b>6.19%</b>	<b>452,611,618</b>	<b>260,274,784</b>	<b>11.66%</b>	<b>269,104,612</b>	<b>3.39%</b>	<b>529,379,396</b>	<b>16.96%</b>
<b>TOTAL POLICY AREA 01 - ECONOMIC DEVELOPMENT</b>	<b>31,265,608</b>	<b>29,790,919</b>	<b>-4.72%</b>	<b>61,056,527</b>	<b>29,522,034</b>	<b>-0.90%</b>	<b>30,363,096</b>	<b>2.85%</b>	<b>59,885,130</b>	<b>-1.92%</b>
GENERAL PURPOSE AID TO LOCAL SCHOOLS	558,311,371	574,971,849	2.98%	1,133,283,220	604,210,238	5.09%	635,680,749	5.21%	1,239,890,987	9.41%
TEACHER RETIREMENT	151,539,355	160,982,218	6.23%	312,521,573	173,414,530	7.72%	186,304,618	7.43%	359,719,148	15.10%
PRE-SCHOOL HANDICAPPED	7,257,253	7,258,423	0.02%	14,515,676	10,020,605	38.05%	12,603,400	25.77%	22,624,005	55.86%
OTHER AGENCIES AND PROGRAMS	211,587,258	217,781,117	2.93%	429,368,375	223,954,962	2.83%	229,985,122	2.69%	453,940,084	5.72%
<b>TOTAL POLICY AREA 02 - EDUCATION</b>	<b>928,695,237</b>	<b>960,993,607</b>	<b>3.48%</b>	<b>1,889,688,844</b>	<b>1,011,600,335</b>	<b>5.27%</b>	<b>1,064,573,889</b>	<b>5.24%</b>	<b>2,076,174,224</b>	<b>9.87%</b>
CORRECTIONS	70,674,550	75,134,647	6.31%	145,809,197	76,238,787	1.47%	78,367,571	2.79%	154,606,358	6.03%
MEDICAL CARE	102,429,817	192,420,112	87.86%	294,849,929	207,428,881	7.80%	223,608,333	7.80%	431,037,214	46.19%
NURSING FACILITIES	67,354,972	75,442,772	12.01%	142,797,744	79,969,338	6.00%	84,767,499	6.00%	164,736,837	15.36%
CHILD WELFARE - FOSTER CARE	34,498,618	39,118,530	13.39%	73,617,148	45,108,244	15.31%	51,552,469	14.29%	96,660,713	31.30%
COMMUNITY MENTAL HEALTH	27,504,047	28,084,787	2.11%	55,588,834	28,582,298	1.77%	29,420,523	2.93%	58,002,821	4.34%
COMMUNITY MENTAL RETARDATION	18,115,396	19,098,139	5.42%	37,213,535	19,008,657	-0.47%	19,464,018	2.40%	38,472,675	3.38%
OTHER AGENCIES AND PROGRAMS	248,992,186	254,247,054	2.11%	503,239,240	262,996,778	3.44%	270,189,395	2.73%	533,186,173	5.95%
<b>TOTAL POLICY AREA 03 - HUMAN SERVICES</b>	<b>569,569,586</b>	<b>683,546,041</b>	<b>20.01%</b>	<b>1,253,115,627</b>	<b>719,332,983</b>	<b>5.24%</b>	<b>757,369,808</b>	<b>5.29%</b>	<b>1,476,702,791</b>	<b>17.84%</b>
<b>TOTAL POLICY AREA 04 - LABOR</b>	<b>13,490,704</b>	<b>13,599,735</b>	<b>0.81%</b>	<b>27,090,439</b>	<b>14,169,735</b>	<b>4.19%</b>	<b>14,551,942</b>	<b>2.70%</b>	<b>28,721,677</b>	<b>6.02%</b>
<b>TOTAL POLICY AREA 05 - NATURAL RESOURCES</b>	<b>41,136,451</b>	<b>41,939,364</b>	<b>1.95%</b>	<b>83,075,815</b>	<b>42,192,415</b>	<b>0.60%</b>	<b>42,867,495</b>	<b>1.60%</b>	<b>85,059,910</b>	<b>2.39%</b>
<b>TOTAL POLICY AREA 06 - PUBLIC PROTECTION</b>	<b>18,559,546</b>	<b>18,256,291</b>	<b>-1.63%</b>	<b>36,815,837</b>	<b>19,488,390</b>	<b>6.75%</b>	<b>20,009,120</b>	<b>2.67%</b>	<b>39,497,510</b>	<b>7.28%</b>
<b>TOTAL POLICY AREA 07 - TRANSPORTATION</b>	<b>3,474,587</b>	<b>3,328,428</b>	<b>-4.21%</b>	<b>6,803,015</b>	<b>3,416,221</b>	<b>2.64%</b>	<b>3,493,245</b>	<b>2.25%</b>	<b>6,909,466</b>	<b>1.56%</b>
<u>OTHER STATEWIDE INITIATIVES</u>										
COLLECTIVE BARGAINING	4,239,553	8,225,598	94.02%	12,465,151	8,340,756	1.40%	8,457,527	1.40%	16,798,283	34.76%
HEALTH INSURANCE		(2,832,183)		(2,832,183)						
WORKERS' COMPENSATION		(250,000)		(250,000)						
TECHNOLOGY INITIATIVES		(1,000,000)		(1,000,000)						
<b>GRAND TOTAL GENERAL FUND EXPENDITURES</b>	<b>1,829,940,095</b>	<b>1,988,700,595</b>	<b>8.68%</b>	<b>3,818,640,690</b>	<b>2,108,337,653</b>	<b>6.02%</b>	<b>2,210,790,734</b>	<b>4.86%</b>	<b>4,319,128,387</b>	<b>13.11%</b>

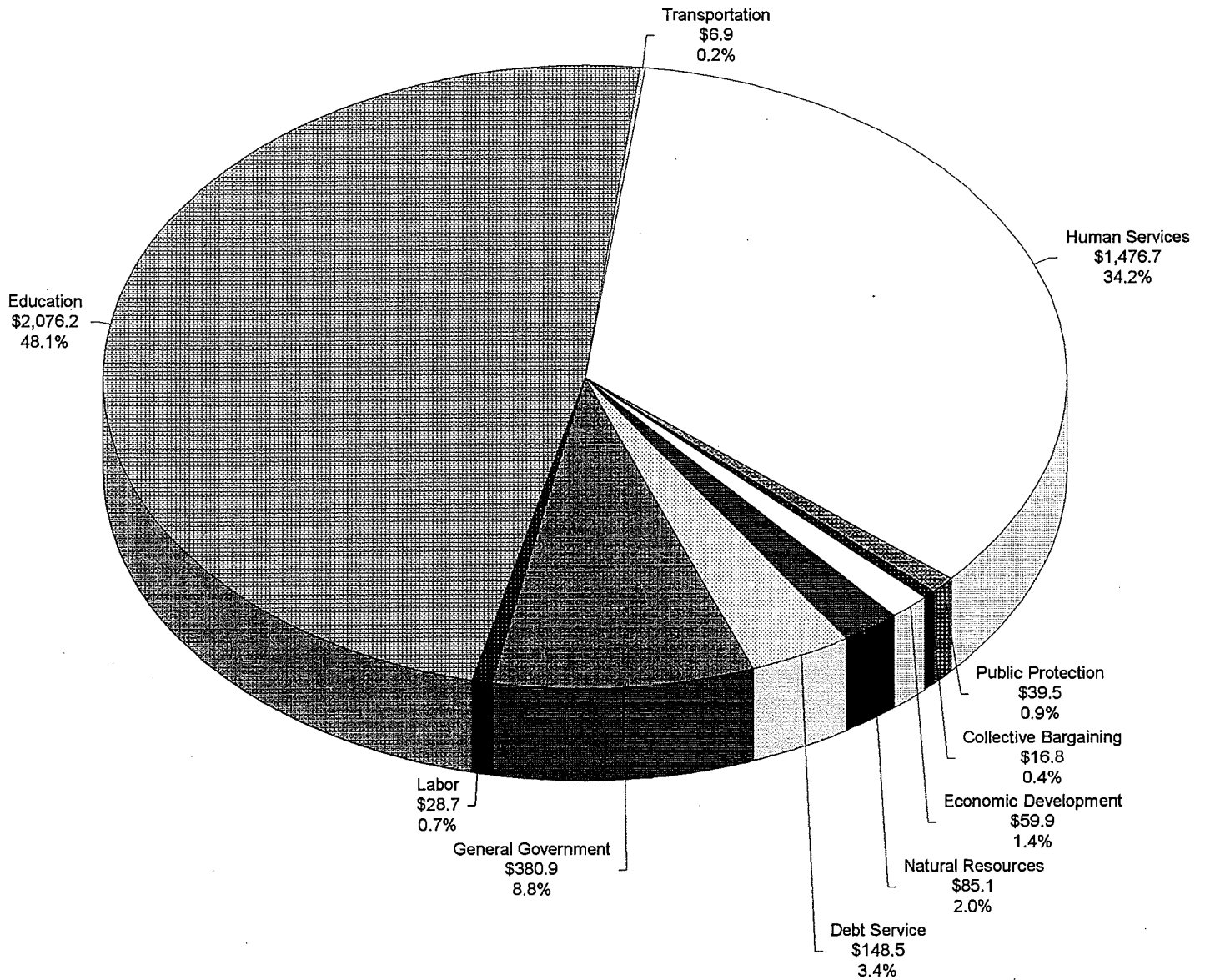
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# FY98/99 GENERAL FUND APPROPRIATIONS APPROVED



Dollars in millions

# FY00-01 GENERAL FUND APPROPRIATIONS PROJECTED



Dollars in millions

## E. EXPENDITURE FORECAST NARRATIVE

### CAPITAL CONSTRUCTION AND REPAIRS

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
7,172	3,855	-46.26%	11,027	14,760	282.90%	14,760	0.00%	29,520	167.70%

Funding for capital construction repairs and improvements has not fully addressed the major infrastructure needs of the state for the FY 98-99 biennium. The level of funding of \$11 million in the FY 98-99 biennium is approximately \$5.5 million below the projected need forecast on May 31, 1996. The forecast for the FY 2000-2001 biennium increases funding to \$14.8 million in each fiscal year to the level of infrastructure need based on 1.5% of assessed value.

### PERSONAL PROPERTY TAX ON MACHINERY AND EQUIPMENT

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
13,803	20,291	47.00%	34,094	26,115	28.70%	26,892	2.97%	53,006	55.47%

Public Law 1995, chapter 395 authorized the reimbursement of property tax paid on qualified property placed in service after April 1, 1995. This initiative required an initial General Fund appropriation of \$4.8 million in FY 97. The anticipated cost of the program will grow from the \$4.8 million level in FY 97 to over \$26 million in FY 2001. This program will continue to grow until the 12th or 13th year of the program, at which time it is expected to be at a level of approximately \$75 million per year. A major change in this program for the FY 98-99 biennium is the exclusion of certain utilities, construction in progress, reimbursement on certain business property, office furniture and fixtures and precludes the "sequential dip" among Business Equipment Tax Reimbursement and Investment Tax Credit.

### MAINE RESIDENTS PROPERTY TAX PROGRAM

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
2,159	10,040	364.97%	12,199	16,342	62.77%	16,689	2.12%	33,031	170.76%

The Maine Residents Property Tax Program had two major budget revisions which impacted the expenditure growth rate between each fiscal year and the projected expenditure for the next fiscal year. Public Law 1997, chapter 1, Part E, section 14 permitted the carrying of an unexpended balance at the end of fiscal year 1996-97 to fiscal year 1997-98. This action resulted in a deappropriation in fiscal year 1997-98 in the amount of \$7.4 million which makes the total obligation for fiscal year 1997-98 \$9.6 million. Public Law 1997, chapter 557 made changes in the eligibility requirements and maximum payments from the program. These changes resulted in an increased program obligation of \$5.1 million in fiscal year 1997-98 and \$5.8 million in fiscal year 1998-99. Resources were made available from projected surplus revenues for the fiscal year ending June 30, 1997. As a result of the changes made by the First Special Session of the 118th Legislature, the total budget requirements for the Maine Residents Property Tax Program is \$14.7 million in fiscal year 1997-98 and \$15.8 million in fiscal year 1998-99.

## DEBT SERVICE

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
75,624	72,160	-4.58%	147,784	72,817	0.91%	75,712	3.98%	148,528	0.50%

The budgeted General Fund debt service for the FY 98-99 biennium is \$147.8 million which is a significant reduction from the previous biennium which was \$172.7 million.

The FY 2000-2001 biennium assumes authorization of \$50 million in borrowing in each of the fiscal years 1997-98, 1998-99 and 1999-2000, and that bonds issued also would be \$50 million in FY 98, \$50 million in FY 99 and \$50.0 million in FY 2000. These appropriated funds will be supplemented, if needed, by transfers from debt service earnings of up to \$3.6 million in FY 98, \$3.2 million in FY 99, and \$2.0 million in each year of the FY 2000-2001 biennium. For all bonds issued in the future, a 5.25% interest rate is assumed. This is higher than the rate at which previous bonds were issued, but is considered prudent.

It should be noted that the bond issue of May 1997 was lower than those of the recent past. It is assumed that bond issues in future years will be of amounts more typical of those in the past. In addition, it is probable that the State will not issue Tax Anticipation bonds during FY 98 which will reduce both Debt Service expense and revenue from Debt Service earnings.

## GENERAL PURPOSE AID TO LOCAL SCHOOLS

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
558,311	574,972	2.98%	1,133,283	604,210	5.09%	635,681	5.21%	1,239,891	9.41%

General Purpose Aid to Local Schools is budgeted at the maximum allowable growth of 5% as provided for in Title 20-A section 15605. According to this section of the statute, the recommended funding level of the Commissioner of Education may not exceed 105% of the funding level in effect for the fiscal year in progress.

The expenditure forecast for the FY 2000-2001 biennium assumes 5% growth each fiscal year from the FY 99 base as a result of the following factors: the cumulative gap between the State's share of the base year expenditures and actual funding is estimated to be \$138 million through FY 98; 132 units will receive less funding in FY 98 than in FY 97, affecting approximately 62,970 pupils, compared to 53 units, affecting approximately 10,763 pupils, if FY 98 was funded at 105% of FY 97. The hardship cushion of approximately \$3 million received in each year of the FY 98-99 biennium is not reflected in the forecast for the FY 2000-2001 biennium.

The maximum debt service limit for school construction was established at \$69 million for FY 99. Public Law 1997, chapter 469 increased the maximum debt service limit for FY 2000 to \$72 million, established the limit for FY 2001 at \$74 million, and specified that the state share of the school construction debt service costs must be supported by General Fund appropriations beginning in FY 2000. This results in a shift of funds from the foundation allocation to debt service of approximately \$1.4 million for FY 99, and additional appropriations over the 5% growth budgeted for GPA for FY 2000 and FY 2001 of approximately \$3.6 million and \$5 million respectively.

## TEACHER RETIREMENT

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
151,539	160,982	6.23%	312,522	173,415	7.72%	186,305	7.43%	359,719	15.10%

The forecast for Teacher Retirement assumes that salary growth will continue at its current annual growth rate of 6% absent sharing of the normal cost proposed for the FY 98-99 biennium. The normal cost rate for the teacher group is 7.25% with trend growth of 3.16% each fiscal year. Unfunded liability continues the current growth trend consistent with the amortization table of 6.16% each fiscal year. Maine State Retirement administration at the rate of 20% expenditures are forecast for the FY 2000-2001 biennium at 2.7% CPI growth trend.

Public Law 1997, chapter 24 appropriated from the General Fund an amount necessary to support the cost of retiree health separately from Teacher Retirement beginning with the FY 98-99 biennium. These expenditures are forecast for the FY 2000-2001 biennium at a 9% growth trend plus a 3% volume growth per Maine State Retirement System trends, and are included in the amounts above.

## PRE-SCHOOL HANDICAPPED

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
7,257	7,258	0.02%	14,516	10,021	38.05%	12,603	25.77%	22,624	55.86%

The Department of Education has indicated a need to increase the General Fund portion of this program which was established to provide free and appropriate education for handicapped children from birth to five years of age. The expected need for this program is estimated at \$2.8 million for FY 98 and \$5.3 million for FY 99 based on the current program structure. These requests are due to an increase in the child count at the rate of 20%, as well as an increase in the number of children with multiple disabling conditions who are entering the system in need of higher levels of service than required in prior years. The child count is expected to continue to grow at a rate of 15%.

## CORRECTIONS

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
70,675	75,135	6.31%	145,809	76,239	1.47%	78,368	2.79%	154,606	6.03%

The Department of Corrections spending pattern increased in several areas. It should be noted that the rate of increase from FY 99 to FY 2000 appears low due to the presence of an extra payroll in FY 99.

Community Based Corrections - The Department of Corrections must reimburse each county quarterly for time served at that county's correctional facility for persons convicted of certain crimes as outlined in Title 34-A, section 1210. The Commissioner of Corrections annually sets the reimbursement amount for each county based on criteria set forth in the statute. While the FY 97 appropriation was consistent with the law, FY 98 and FY 99 provided for funding up to the appropriated amount which level funded the program at the FY 97 level. FY 2000 and FY 2001 estimates are back to full reimbursement under the law.

New initiatives for FY 98 result in increased spending from the FY 97 level. Additional funding is provided for opening the Northern Maine Juvenile Detention Center, an alternative to the current system of housing females at the Charleston Correctional Facility, a mental health stabilization unit at the Maine State Prison, crisis intervention, increased security at the Warren Correctional Facility, intensive supervision services for juveniles at high risk for detention or incarceration and a reception and diagnostic unit at the Maine Youth Center.

These proposals are phased in during FY 98 and fully funded in FY 99. Increases from FY 99 to FY 2000 and FY 2001 are consistent with normal CPI increases as is the rest of the department.

## MEDICAL CARE

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
102,430	192,420	87.86%	294,850	207,429	7.80%	223,608	7.80%	431,037	46.19%

Reflecting the recent trend toward moderation in the growth of medical spending, the Department estimates growth of 7.8 percent per year for the Medical Assistance Program (MAP) account in the next biennium. This growth rate follows the national trend of 7.5% to 8.2% as projected by the Congressional Budget Office, the Federal Office of Management and Budget and the Urban Institute. This estimate reflects the inclusion of the state boarding home account in the MAP account. As in the current biennium, the moderation in growth is expected to be driven by reduced utilization of inpatient hospital services. The State's ongoing implementation and expansion of managed care will also help limit unnecessary utilization of acute care services. In addition, the Department anticipates system development initiatives such as the Maine Point of Purchase System (MEPOP), the Maine Medicaid Decision Support System (MMDSS), and the remaining upgrades to the Maine Medicaid Information System (MMIS) are expected to be fully operational in the FY 2000-2001 biennium. Such systems will enable the Department to better manage and target existing resources.

The Department's estimates assume a constant caseload of Medicaid eligible individuals over the forecast period. While this assumption is supported by recent trends, it is susceptible to changes in overall state economic conditions.

## NURSING FACILITIES

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
67,355	75,443	12.01%	142,798	79,969	6.00%	84,767	6.00%	164,737	15.36%

The Department estimates recent spending reductions in the Nursing Facilities account will level off in the current biennium, with growth in the next biennium slightly under national trends. Previous year spending reductions have resulted from the ongoing implementation of the Department's initiative to develop and offer individuals alternatives to costly nursing home care. As a result, state nursing home spending has dropped from a high of \$88 million in 1994 (General Fund spending) to \$73 million by 1997. During the current biennium, the Department will continue its efforts to use savings from this initiative to increase the availability of lower cost options to nursing homes. As the Department gets closer to its planning targets for the development of nursing home alternatives, the savings available in the Nursing Facilities account will diminish. Other Factors such as recent legislative changes in nursing home eligibility standards, combined with demographic factors such as a general aging of the population, will serve to create upward pressure on nursing home spending.

## CHILD WELFARE - FOSTER CARE

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
34,499	39,119	13.39%	73,617	45,108	15.31%	51,552	14.29%	96,661	31.30%

Child Welfare and Foster Care provides care to children who have been brought into the care or custody of the State to protect them from abuse and neglect. The children are provided appropriate living arrangements and services until they can be reunited with their families or adopted by another family or have reached maturity. The Bureau of Child and Family Services projects the Child Welfare and Foster Care Programs will undergo a steady increase through FY 2001.



The Bureau projects costs to increase by \$17 million from FY 98 to FY 2001. The causes for this increase include:

1. Increases in the number of children in custody are projected to increase by approximately 3 1/2% per year because of the Bureau's new initiative to reduce unassigned investigations. The cost of the initiative is projected to be \$1,003,961 in FY 98 and \$1,264,777 in FY 99.

2. Annual increases in the cost of residential living reflect inflationary rate changes of 3%.

3. The increase in client population is projected to increase approximately 7% per year. Most of this increase results from additional children coming into custody. However, 30% of the increase is because children are remaining in custody longer. Those remaining in care for two years or longer has increased from 925 in FY 94 to 1,338 in FY 96, a 45% increase. The total population of children in care increased 19% during the same period.

Length of time in care	1994	1995	Yr. to Yr. % Chg.	1996	Yr. to Yr. % Chg.	% Chg. From 1994
Less Than One Year	595	580	-2.52%	661	13.97%	11.09%
One to Two Years	652	544	-16.56%	578	6.25%	-11.35%
Two Years or More	925	1,188	28.43%	1,338	12.63%	44.65%
<b>TOTAL</b>	<b>2,172</b>	<b>2,312</b>	<b>6.45%</b>	<b>2,577</b>	<b>11%</b>	<b>18.65%</b>

## COMMUNITY MENTAL HEALTH

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
27,504	28,085	2.11%	55,589	28,582	1.77%	29,421	2.93%	58,003	4.34%

Development of community service capacity and individualized service packages for long term psychiatric patients continue to be priorities for the Department of Mental Health, Mental Retardation, and Substance Abuse Services. Current considerations of the Department entail the consolidation of crisis intervention services across all Department service populations, and the development of the capacity for involuntary hospitalizations within the community. The Department's plan for regional reorganization has had a positive impact on management of adult community mental health services, placing management and accountability at a local level rather than the former practice of managing the adult system from Augusta. Development of local service networks is under way to assist system management. The development of Quality Improvement Councils has created a mechanism to provide input from local constituents in decision making.

The Augusta Mental Health Institute (AMHI) Consent Decree and the City of Portland Consent Decree continue as priorities for the Department. Significant progress has been made to individualize services, with the goal of significant enhancement of opportunities for services and supports to be packaged around individual needs. Changes in Medicaid rules pertaining to community support services for persons with serious mental illness have created greater options for services to be based on individual needs. Consideration is under way for a managed care approach to funding and administering Medicaid reimbursable services. This will be a greater opportunity to design financing for mental health services to facilitate an individualized approach.

## COMMUNITY MENTAL RETARDATION

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
18,115	19,098	5.42%	37,214	19,009	-0.47%	19,464	2.40%	38,473	3.38%

Community Mental Retardation provides services for persons with mental retardation in Maine who clearly need services and are not Medicaid eligible nor Medicaid reimbursable. Examples of these services are supported living, supported employment, respite care, family support services and transportation services. General Fund support for this program has remained relatively constant over the past few years. Community contracts have remained virtually flat funded, with the exception of services mandated by the Community Consent Decree which include crisis services, liaison professionals, residential services, day and supported employment services, respite care, family support services and transportation services. Future funding for community mental retardation services are expected to remain relatively consistent to existing services. Most of these programs need to remain consistent in order to provide security and continuity to the people these programs serve.

After October 1, 1997, recently passed Federal legislation may allow supported employment to become a Medicaid funded program for individuals not previously eligible for such funds. This may allow the Department to utilize funds more effectively.

## REMAINDER OF POLICY AREAS EXHIBIT NORMAL GROWTH PATTERNS

For those policy areas where programs were not identified as showing abnormal growth patterns and for the remainder of the programs in the other policy areas, expenditure growth over the FY 2000-2001 biennium is expected to closely follow projected Consumer Price Index (CPI) or departmental trends. With the base year (FY 99) adjusted for one-time appropriations, there are not any significant budget changes anticipated.

**HIGHWAY FUND STATUS FY 98-2001**

**A. BUDGET STATUS**

<b>HIGHWAY FUND STATUS</b>						
	<b>FY98-99 BIENNIUM</b>			<b>FY00-01 BIENNIUM</b>		
	<b>FY 98</b>	<b>FY 99</b>	<b>BIENNIUM</b>	<b>FY 00</b>	<b>FY 01</b>	<b>BIENNIUM</b>
<b>BALANCE</b>	1,680,818		1,680,818	16,746		16,746
<b>REVENUE</b>	216,193,165	218,730,420	434,923,585	224,949,089	226,913,849	451,862,938
<b>TOTAL RESOURCES</b>	217,873,983	218,730,420	436,604,403	224,965,835	226,913,849	451,879,684
<b>ALLOCATIONS</b>	218,449,354	218,138,303	436,587,657	242,746,164	250,192,433	492,938,597
<b>PROJECTED BALANCE</b>	(575,371)	592,117	16,746	(17,780,329)	(23,278,584)	(41,058,913)

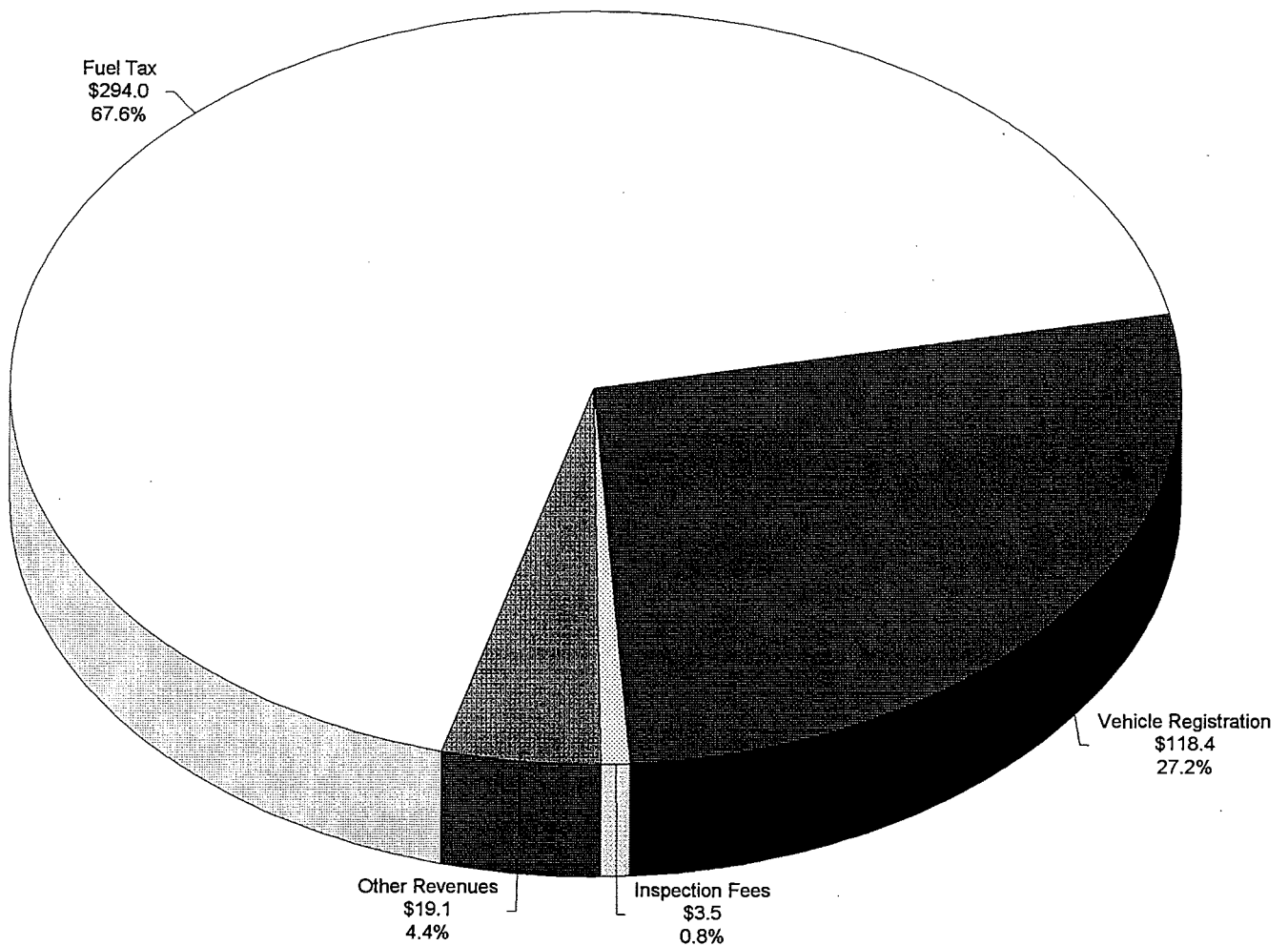
The Highway Fund budget approved by the First Regular Session of the 118th Legislature for the FY 98-99 biennium consists of allocations of \$436.6 million and projects \$434.9 million in revenue. At the end of the FY 98-99 biennium, the projected Highway Fund balance is \$16,746. The projected FY 2000-2001 biennium consists of allocations of \$492.9 million and projects \$451.9 million in revenue. The projected structural gap for the FY 2000-2001 biennium is \$41.1 million. This structural gap does assume the bonding of \$41 million over the FY 2000-2001 biennium for highway and bridge infrastructure needs.

The most significant aspect of the budget proposal for the FY 98-99 biennium is the request of General Fund bonding for bridges and Highway Fund bonding for highway infrastructure improvements, the Collector Road Demonstration Award Project, and for a portion of the Local Road Assistance program. The Department of Transportation is anticipating the continued support for the maintenance and improvements of the State's bridge and highway infrastructure and the continued funding of the Local Road Assistance program at the statutorily defined funding level.

**B. REVENUE FORECAST CHARTS**

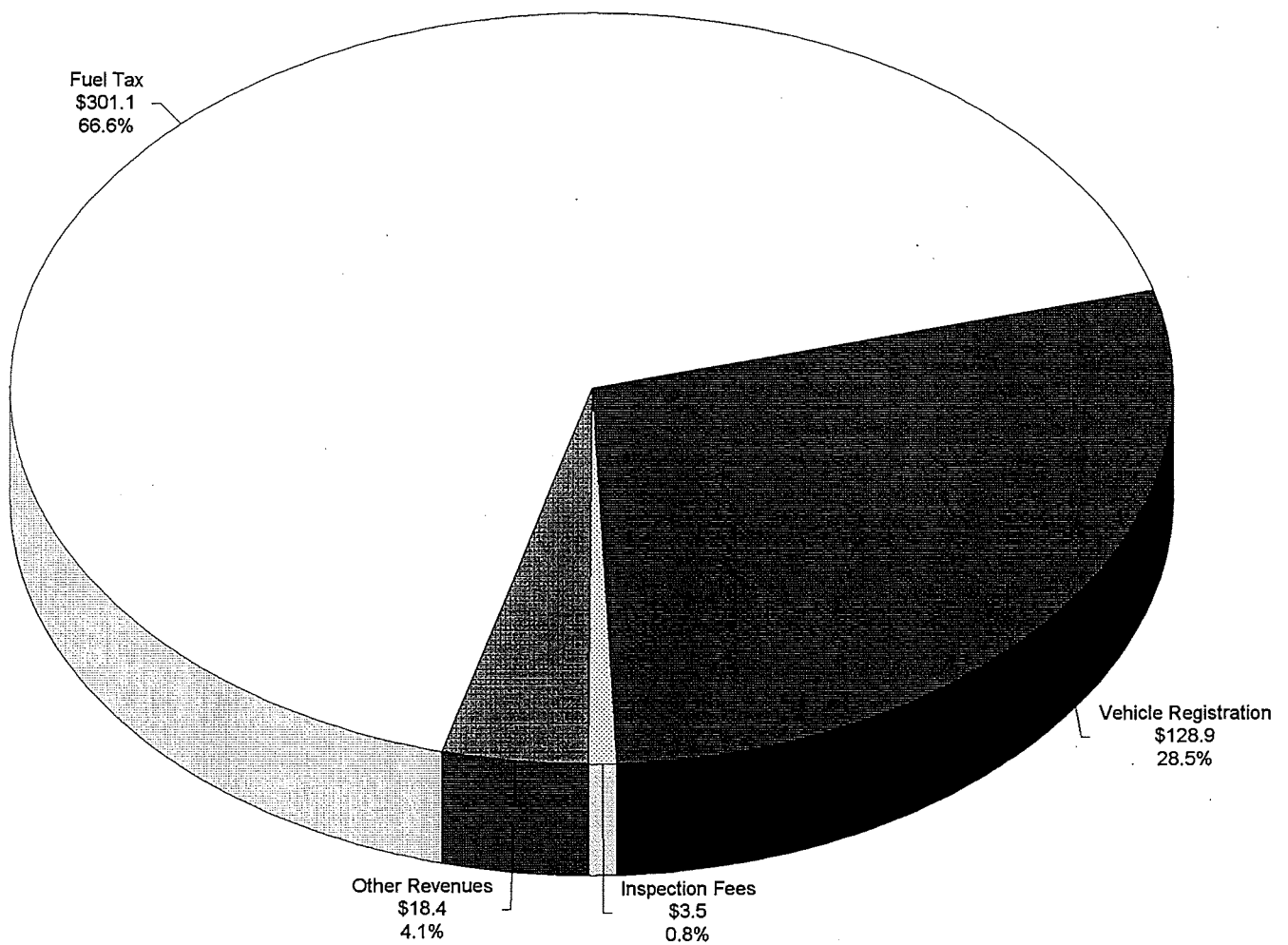
<b>HIGHWAY FUND REVENUE FORECAST CHARTS</b>										
<b>SOURCE</b>	<b>FY 98</b>	<b>FY 99</b>	<b>% CHANGE</b>	<b>BIENNIUM</b>	<b>FY 00</b>	<b>% CHANGE</b>	<b>FY 01</b>	<b>% CHANGE</b>	<b>BIENNIUM</b>	<b>% CHANGE</b>
<b>Fuel Tax</b>	146,135,554	147,860,834	1.18%	293,996,388	149,635,164	1.20%	151,430,786	1.20%	301,065,950	2.40%
<b>Motor Vehicle Registrations &amp; Fees</b>	58,909,665	59,448,808	0.92%	118,358,473	64,339,693	8.23%	64,530,631	0.30%	128,870,324	8.88%
<b>Inspection Fees</b>	1,740,312	1,740,312	0.00%	3,480,624	1,740,312		1,740,312		3,480,624	
<b>Other Revenues</b>	9,407,634	9,680,466	2.90%	19,088,100	9,233,920	-4.61%	9,212,120	-0.24%	18,446,040	-3.36%
<b>TOTAL HIGHWAY FUND REVENUES</b>	<b>216,193,165</b>	<b>218,730,420</b>	<b>1.17%</b>	<b>434,923,585</b>	<b>224,949,089</b>	<b>2.84%</b>	<b>226,913,849</b>	<b>0.87%</b>	<b>451,862,938</b>	<b>3.89%</b>

# FY98/99 HIGHWAY FUND REVENUES APPROVED



Dollars in millions

# FY00-01 HIGHWAY FUND REVENUES PROJECTED



## C. REVENUE FORECAST NARRATIVE

### FUEL TAX

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
146,136	147,861	1.18%	293,996	149,635	1.20%	151,431	1.20%	301,066	2.40%

Revenues derived from the sale of gasoline and special fuels is expected to grow at an annual rate of approximately 1.2% consistent with historical trends.. Conservation and increased fuel prices have contributed to this slow rate of growth in fuel consumption. Businesses also have had to locate more efficient methods of manufacturing and transportation of goods in order to maintain profitability in the face of slow economic growth and increased competition.

### MOTOR VEHICLE REGISTRATION FEES

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
58,910	59,449	0.92%	118,358	64,340	8.23%	64,531	0.30%	128,870	8.88%

Motor Vehicle Registration Fees have stabilized after the one-time increase in the FY 94-95 biennium due to the change in driver license renewals from four years to six years. Beginning in FY 2000 individuals who renewed their licenses in 1994 will renew their licenses which will stabilize this revenue line on a six year cycle. A positive effect on this line reflects Maine's participation in the International Registration Program. Maine joined the program in late FY 93 with revenues derived from this program difficult to anticipate. Revenues from this program have been realized in FY 97 and will continue in subsequent fiscal years contributing to the growth in this revenue source in the FY 2000-2001 biennium. The most significant adjustment to the base level projection of the Revenue Forecasting Committee reflects a title fee enacted in Public Law 1997, chapter 25, Part Q.

### INSPECTION FEES

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
1,740	1,740	0.00%	3,481	1,740	0.00%	1,740	0.00%	3,481	0.00%

Revenues from Inspection Fees are not expected to grow in the FY 2000-2001 biennium consistent with the base level projection of the Revenue Forecasting Committee.

### OTHER REVENUES

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
9,408	9,680	2.90%	19,088	9,234	-4.61%	9,212	-0.24%	18,446	0.00%

Other revenues within the Highway Fund have remained static over time and are not expected to grow in the FY 2000-2001 biennium consistent with the base level projection of the Revenue Forecasting Committee. Only marginal adjustments to these base revenue projections have occurred as a result of actions by the First Regular Session and First Special Session of the 118th Legislature.

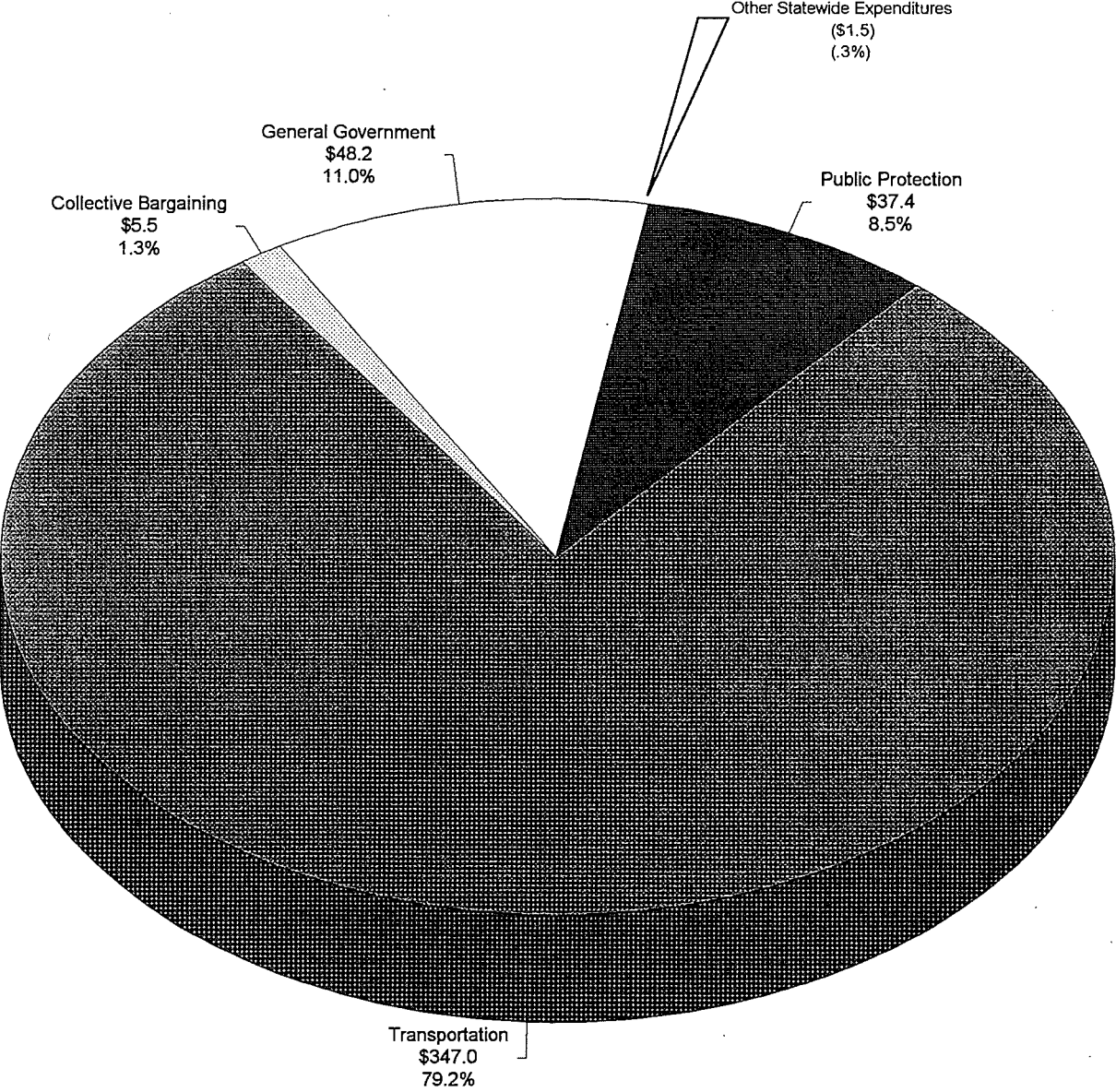
D. EXPENDITURE FORECAST CHART

**HIGHWAY FUND EXPENDITURE FORECAST CHART**

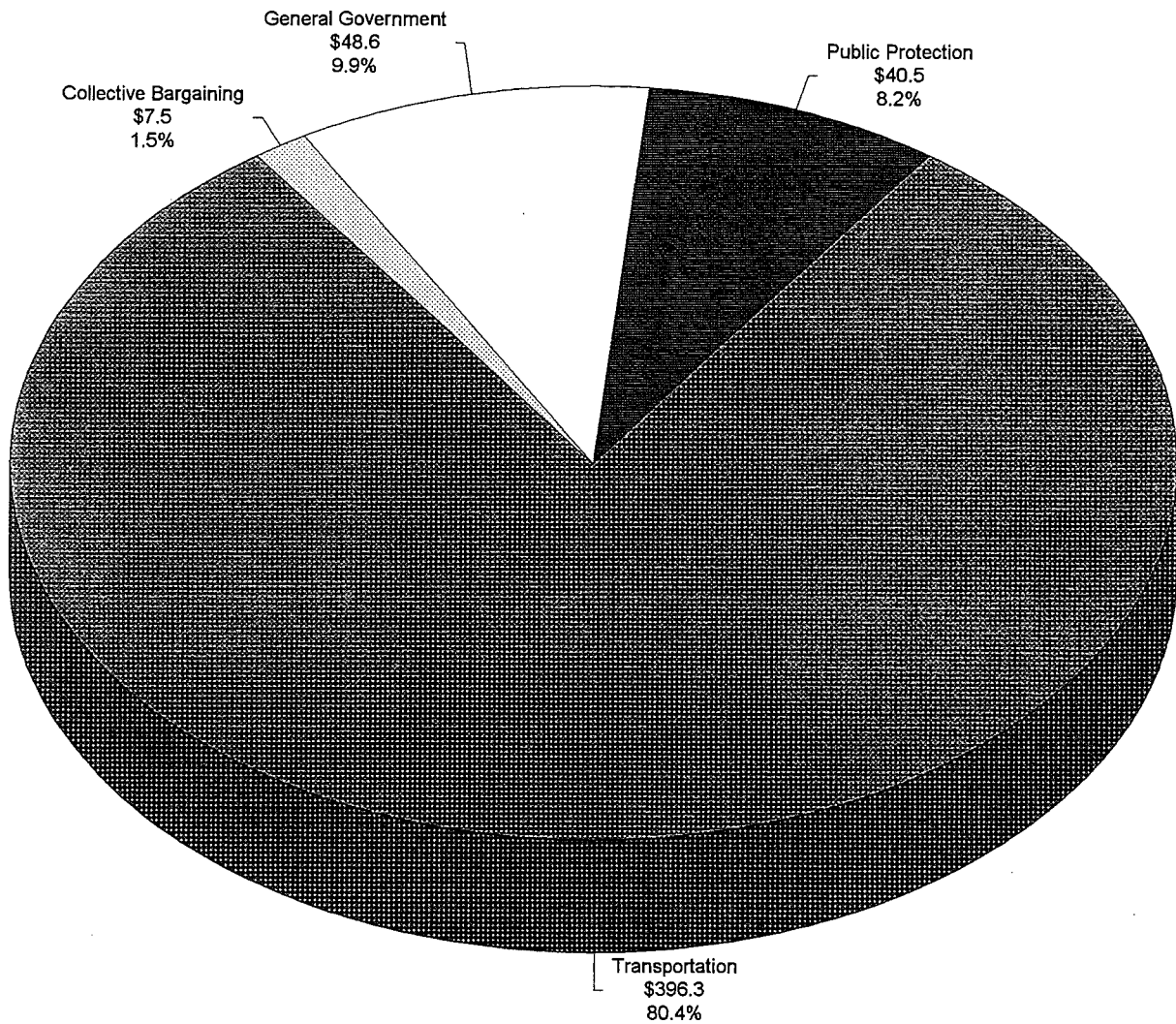
MAJOR PROGRAM CATEGORIES POLICY AREA / AGENCY / PROGRAM	FY 98	FY 99	% CHANGE	BIENNIUM	FY 00	% CHANGE	FY 01	% CHANGE	BIENNIUM	% CHANGE
TOTAL POLICY AREA 00 - GENERAL GOVERNMENT	23,917,589	24,330,078	1.72%	48,247,667	23,984,003	-1.42%	24,635,579	2.72%	48,619,582	0.77%
STATE POLICE	16,441,437	15,711,416	-4.44%	32,152,853	17,252,801	9.81%	17,697,785	2.58%	34,950,586	8.70%
OTHER AGENCIES AND PROGRAMS	2,638,427	2,575,982	-2.37%	5,214,409	2,742,618	6.47%	2,822,034	2.90%	5,564,652	6.72%
TOTAL POLICY AREA 06 - PUBLIC PROTECTION	19,079,864	18,287,398	-4.15%	37,367,262	19,995,419	9.34%	20,519,819	2.62%	40,515,238	8.42%
TOTAL POLICY AREA 07 - TRANSPORTATION	173,661,336	173,372,987	-0.17%	347,034,323	195,050,087	12.50%	201,268,347	3.19%	396,318,434	14.20%
<u>OTHER STATEWIDE INITIATIVES</u>										
COLLECTIVE BARGAINING	1,790,565	3,665,340	104.70%	5,455,905	3,716,655	1.40%	3,768,688	1.40%	7,485,343	37.20%
HEALTH INSURANCE		(1,500,000)		(1,500,000)						
WORKERS' COMPENSATION		(17,500)		(17,500)						
<b>TOTAL HIGHWAY FUND EXPENDITURES</b>	<b>218,449,354</b>	<b>218,138,303</b>	<b>-0.14%</b>	<b>436,587,657</b>	<b>242,746,164</b>	<b>11.28%</b>	<b>250,192,433</b>	<b>3.07%</b>	<b>492,938,597</b>	<b>12.91%</b>



# FY98/99 HIGHWAY FUND ALLOCATIONS APPROVED



# FY00-01 HIGHWAY FUND ALLOCATIONS PROJECTED



Dollars in millions

## E. EXPENDITURE FORECAST NARRATIVE

### STATE POLICE

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
16	16	-4.44%	32	17	9.81%	18	2.58%	35	8.70%

Public Law 1997, chapter 25 eliminated the statutory provision requiring a 50/50 allocation of funds between the General Fund and the Highway Fund for the State Police. Future appropriation and allocation of funds for State Police operations will be consistent to the operations of the State Police as determined by the Commissioner of Public Safety. Fiscal years 1997-98 and 1998-99 allocates resources based upon a 60/40 Highway Fund/General Fund ratio. This ratio is continued for the next biennium. The projection for the FY 2000-2001 biennium assumes a continuation of the capital replacement program for vehicles at the FY 98 level.

### TRANSPORTATION

FY 98 (000)	FY 99 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 00 (000)	YR % CHANGE	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	BIEN % CHANGE
174	173	-0.17%	347	195	12.50%	201	3.19%	396	14.20%

The Department of Transportation, through the proposed use of general bond issues, funded a large share of the infrastructure needs of local bridges and local road assistance. As a result of this funding approach, it is estimated that funding for the Department of Transportation will need to increase by more than 14% over the current biennium in order to ensure that infrastructure needs and statutory requirements are minimally met.

#### **IV. SUMMARY**

This report provides a summary and detailed projection of revenues, appropriations and allocations for the General Fund and the Highway Fund for the FY 98-99 biennium and the FY 2000-2001 biennium. The purpose is not to predict a shortfall or unbalanced budget in the respective funds for the FY 2000-2001 biennium.

The forecasts of revenues, appropriations and allocations contained in this report, when constructed under current law and current trends, result in a projected "Structural Gap" of \$104,135,474 in the General Fund and \$41,058,913 in the Highway Fund for the FY 2000-2001 biennium. The base level revenue projections for the General Fund and the Highway Fund include the December, 1997 reprojection of the Revenue Forecasting Committee. Any revenue reprojections that may be forthcoming from the Revenue Forecasting Committee when it reviews the status of General Fund and Highway Fund revenues in January, 1998 will be reflected in the four year budget forecast due on May 30, 1998.

The Governor and the Legislature must make the decisions necessary to provide for a balanced budget for the General Fund and the Highway Fund in the FY 2000-2001 biennium. Perhaps this report will serve as an objective source of initial budget and program information, in summary form, to facilitate that decision making process.