

MAINE STATE LEGISLATURE

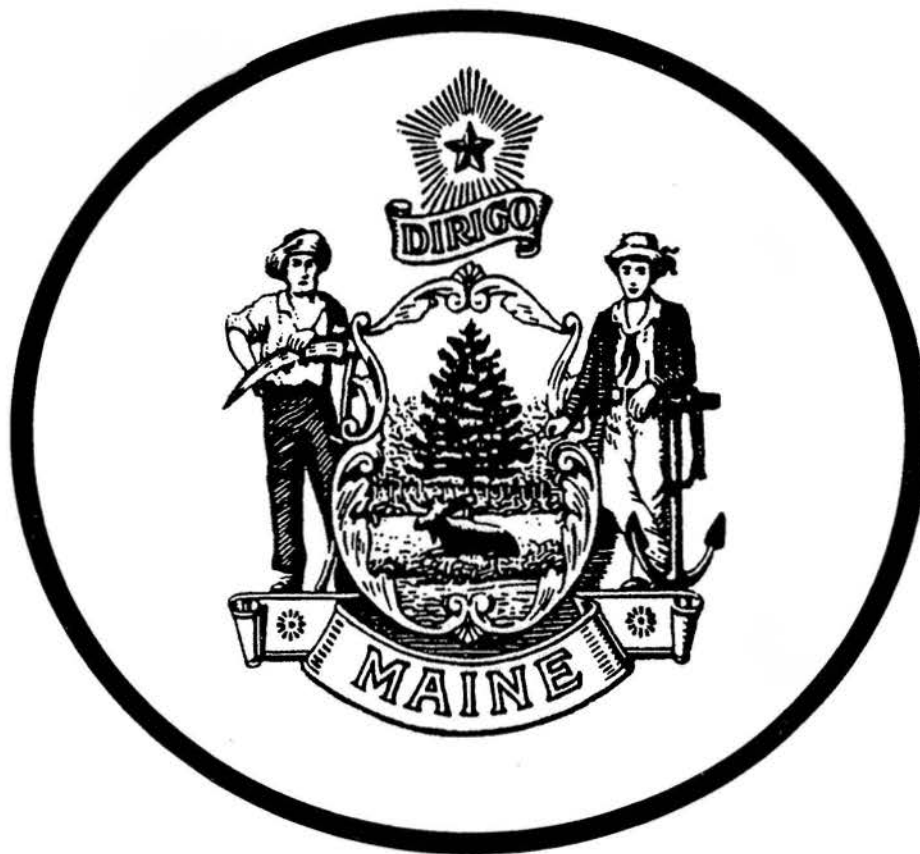
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STATE OF MAINE

REVENUE & EXPENDITURE PROJECTION



GENERAL FUND AND HIGHWAY FUND

FISCAL YEARS 2000 - 2003

**Submitted by the
Bureau of the Budget
September 22, 2000**



STATE OF MAINE

DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES

Bureau of the Budget

State House Station #58

Augusta, Maine 04333

Date: September 22, 2000

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

From: *John R. Nicholas*
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 00-01 biennium and the FY 02-03 biennium in accordance with Title 5, section 1665, subsection 7.

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 00-01 biennium and the FY 02-03 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.

This forecast is based on the current structure of state revenues and expenditures for both the General Fund and the Highway Fund using the results of the First Regular Session of the 119th Legislature, the November 29, 1999 revenue projection of the Revenue Forecasting Committee, the February 22, 2000 revenue reprojection of the Revenue Forecasting Committee and any General Fund and Highway Fund revenue adjustments resulting from actions of the Second Regular Session of the 119th Legislature. On the expenditure side of the equation, the forecast for both the General Fund and the Highway Fund reflects appropriation and allocation actions by both the First and Second Regular Sessions of the 119th Legislature. As such, this product should provide an objective view of revenue and expenditure trends over the long term as a basis for financial planning and decision making with respect to the General Fund and the Highway Fund.

JRN/da

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

**STATE OF MAINE REVENUE AND EXPENDITURE PROJECTION
GENERAL FUND AND HIGHWAY FUND
FISCAL YEARS 2000 - 2003**

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MAINE BUDGET FORECAST

FY 00-01 BIENNIUM AND FY 02-03 BIENNIUM

I. INTRODUCTION

Title 5, sections 1664 and 1665 require a four year budget projection for the General Fund and the Highway Fund. This initiative is in fulfillment of the recommendations of the Special Commission on Governmental Restructuring for the purpose of providing a basis for long 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 November 30, 1999 as an unofficial four year budget forecast for budget decision making purposes during the Second Regular Session of the 119th Legislature. That report provided an updated four year budget forecast for fiscal years 1999-00, 2000-01, 2001-02 and 2002-03 resulting from the actions of the First Regular Session of the 119th Legislature for the FY 00-01 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 Second Regular Session of the 119th Legislature. The expected outcome, as in previous reports, is an objective portrayal of the General Fund and the Highway Fund budgets for FY 02 and FY 03 based on the financial and program information following the Second Regular Session of the 119th Legislature.

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. The base level projections from the Revenue Forecasting Committee as of November 29, 1999 are reflected in the accompanying revenue forecast charts entitled "General Fund Revenue Forecast Charts" and "Highway Fund Revenue Forecast Charts". These base revenue projections have been updated for both the General Fund and the Highway Fund to include the revenue reprojections of the Revenue Forecasting Committee, as of February 22, 2000, and adjustments for the FY 00-01 biennium from the Second Regular Session of the 119th Legislature. These incremental revenues are shown in the charts entitled "General Fund Revenue Forecast Charts" and "Highway Fund Revenue Forecast Charts" in the adjustment columns. The final revenue projections for the FY 00-01 biennium, as presented in the revenue forecast charts, reflect the current forecast of the Revenue Forecasting Committee including adjustments resulting from approved legislation from the Second Regular Session of the 119th Legislature.

In order to provide the most accurate expenditure estimate from currently available budget information, the projection used the FY 01 legislatively approved appropriations and allocations by line category in order to reflect all base year additions (FY 01) and programmatic phase-in for FY 01. These estimates were adjusted for the effect of one-time and phased-in actions expected to occur in FY 01. 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 uses the most recent CPI projection of the Consensus Economic Forecasting Commission of 2.5% in FY 02 and 2.5% in FY 03 as the expected baseline growth in government services and applies those two growth factors to each All Other expenditure category in the base FY 01 year. The decremental effect of the change from the 3% CPI assumption used in the November 30, 1999 forecast and the more recent 2.5% assumption is shown separately in the report on page 3. Growth in Capital Expenditures was not assumed for FY 02 and FY 03.

Personal Services projections for the FY 02-03 biennium are based on merit growth for salaries and wages, continuation of the additional step provided to state employees effective January 1, 2001, and net growth for state employee benefits based on the expected growth trend from FY 01 to FY 02 and FY 03 resulting in weighted average growth for Personal Services of 3.48% for FY 02 and 3.17% for FY 03 for the General Fund and 3.68% for FY 02 and 3.91% for FY 03 for the Highway Fund. The unusual increases forecasted for Personal Services are mostly attributable to anticipated growth in employer health insurance of 13% for state employees and 15.5% for state employee retirees effective each April 1, beginning April 1, 2001. Increases of 28.9% for the Point-of-Service plan and 9.03% for Medicare eligible retirees are reflected in the FY 01 base year as a result of supplemental appropriations and allocations for the state employee health insurance program that were included in Public Law 1999, chapter 731. The projection for Personal Services does not anticipate future salary adjustments through collective bargaining beyond June 30, 2001.

The expenditure forecast is shown in two charts on pages 11 and 12 for the General Fund and on page 29 for the Highway Fund. The first chart reflects the original expenditure forecast of November 30, 1999 with a column each fiscal year reflecting the incremental and decremental adjustments as a result of revised forecast assumptions and action by the Second Regular Session of the 119th Legislature. Page 29 shows the expenditure forecast for the Highway Fund in the same format, showing an adjustment column for incremental and decremental spending as a result of the Second Regular Session of the 119th Legislature.

This projection does not predict unbalanced budgets for the General Fund or the Highway Fund for the FY 02-03 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 02-03 biennium.

II. GENERAL FUND

A. BUDGET STATUS FY 2000-2003

GENERAL FUND STATUS						
	FY 2000-2001 BIENNIUM			FY 2002-2003 BIENNIUM		
	FY 00	FY 01	TOTAL	FY 02	FY 03	TOTAL
Balance	229,220,453		229,220,453	6,392,564		6,392,564
Increase to Balance		5,651,950	5,651,950			
Adjustments To Balance	17,029,105	2,562,907	19,592,012			
Supplemental Adjustments To Balance	15,382,018	(4,058,477)	11,323,541			
TOTAL ADJUSTMENTS TO BALANCE	32,411,123	4,156,380	36,567,503			
Transfer To The Rainy Day Fund	(11,418,672)		(11,418,672)			
Revenue Base	2,313,161,014	2,332,538,529	4,645,699,543	2,449,265,062	2,576,830,405	5,026,095,467
Supplemental Revenue	48,553,269	13,879,080	62,432,349	14,726,006	10,371,210	25,097,216
TOTAL REVENUE	2,361,714,283	2,346,417,609	4,708,131,892	2,463,991,068	2,587,201,615	5,051,192,683
TOTAL RESOURCES	2,611,927,187	2,350,573,989	4,962,501,176	2,470,383,632	2,587,201,615	5,057,585,247
Appropriations Base	2,279,097,949	2,346,982,233	4,626,080,182	2,504,414,831	2,635,747,361	5,140,162,192
Supplemental Appropriations	37,531,249	292,066,643	329,597,892	93,314,491	94,679,559	187,994,050
TOTAL APPROPRIATIONS	2,316,629,198	2,639,048,876	4,955,678,074	2,597,729,322	2,730,426,920	5,328,156,242
Other Adjustments						
Removal Of The Retiree Health Reserve				(7,936,500)	(7,936,500)	(15,873,000)
Change CPI Assumption From 3% To 2.5%				(2,466,091)	(4,935,954)	(7,402,045)
MSRS Retirement Rate Valuation 6/30/00				(10,347,259)	(9,922,224)	(20,269,483)
Reserve For Two Initiated Bills		430,538	430,538			
BALANCE BEFORE HEALTHY ME	295,297,989	(288,905,425)	6,392,564	(106,595,840)	(120,430,627)	(227,026,467)
Fund For A Healthy Maine				(15,000,000)	(15,000,000)	(30,000,000)
PROJECTED BALANCE	295,297,989	(288,905,425)	6,392,564	(91,595,840)	(105,430,627)	(197,026,467)

Adjustments to the FY 00-01 budget during the Second Regular Session of the 119th Legislature included a net increase of \$62.4 million in revenue and \$11.3 million in adjustments to balance. At the close of FY 00 the unappropriated surplus over budget was \$5.7 million which brings total resources for the biennium to \$4,962.5 million. With the approval of \$329.6 million of additional appropriations, the budgeted balance for the FY 00-01 biennium is \$6.4 million.

The projection for the FY 02-03 biennium reflects the fact that with several tax relief proposals being implemented, additional revenue for the biennium is approximately \$25.1 million. Ongoing appropriations increase the forecast for expenditures by \$188.0 million and, when combined with adjustments made to the previous forecast, result in a projected structural imbalance of \$197.0 million.

Subsequent to the four year forecast in November 1999, other adjustments have impacted the projections. The decision to fund a reserve for retiree health has been removed, the CPI assumption for the normal growth areas in the All Other line category has been lowered from 3% to 2.5%, and the most recent actuarial rate valuation from the Maine State Retirement System has significantly impacted employer paid retirement projections. The General Fund Status also reflects two projected balance scenarios for the FY 02 – 03 biennium depending upon whether \$15 million of resources each fiscal year from the Fund for a Healthy Maine are used to fund Medicaid as authorized for FY 01.

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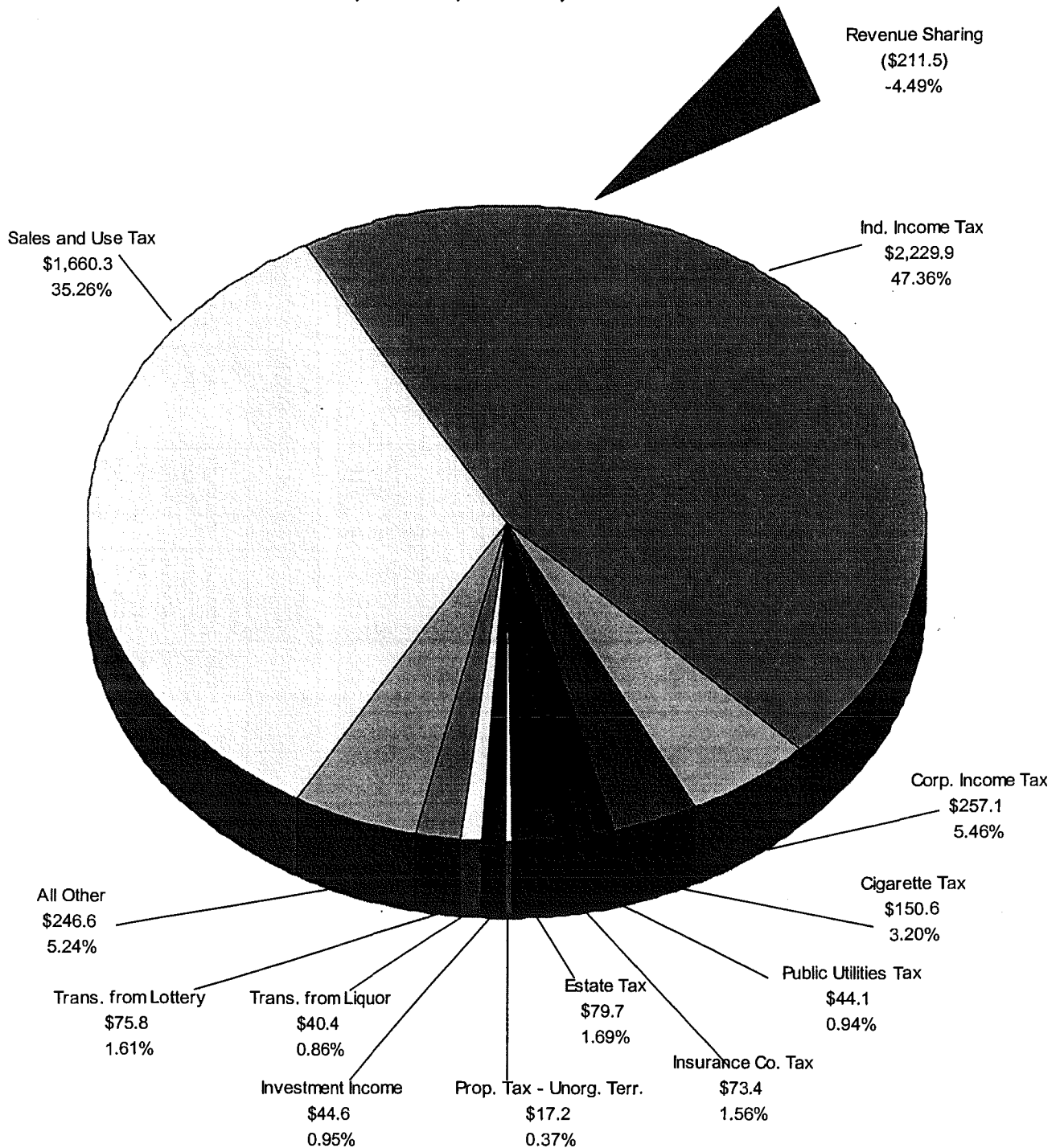
B. REVENUE FORECAST CHARTS

GENERAL FUND REVENUE FORECAST CHARTS												
Showing Yearly Adjustments												
SOURCE	FISCAL YEAR 00			FISCAL YEAR 01			FISCAL YEAR 02			FISCAL YEAR 03		
	ORIG.	ADJ.	BUDGET	ORIG.	ADJ.	BUDGET	ORIG.	ADJ.	BUDGET	ORIG.	ADJ.	BUDGET
Sales and Use Tax	844,900,000	(201,838)	844,698,162	822,700,000	(7,121,897)	815,578,103	863,500,000	(15,881,840)	847,618,160	908,900,000	(16,762,186)	892,137,814
Individual Income Tax	1,065,877,919	32,760,000	1,098,637,919	1,134,598,509	(3,352,929)	1,131,245,580	1,215,164,491	8,564,743	1,223,729,234	1,301,346,551	4,781,697	1,306,128,248
Corporate Income Tax	141,865,645	2,515,000	144,380,645	112,983,316	(241,137)	112,742,179	114,524,136	247,089	114,771,225	115,879,783	232,865	116,112,648
Cigarette & Tobacco Tax	75,569,552	225,000	75,794,552	74,793,880	(2,250)	74,791,630	74,004,878	(2,228)	74,002,650	74,694,033	(2,205)	74,691,828
Public Utilities Tax	29,125,000	(14,400,000)	14,725,000	29,400,000		29,400,000	29,400,000		29,400,000	29,400,000	(1,074,074)	28,325,926
Insurance Company Tax	36,864,080		36,864,080	36,499,839		36,499,839	36,139,241		36,139,241	35,782,248		35,782,248
Inheritance & Estate Tax	23,725,651	23,175,000	46,900,651	25,045,221	7,708,750	32,753,971	25,691,578	8,719,188	34,410,766	26,357,325	9,780,146	36,137,471
Property Tax - Unorg. Ter	8,013,110		8,013,110	8,736,300	477,001	9,213,301	8,356,021	(3,953)	8,352,068	8,561,078	(4,134)	8,556,944
Income from Investments	15,000,000	5,638,000	20,638,000	15,000,000	8,926,086	23,926,086	15,000,000	8,926,086	23,926,086	15,000,000	8,926,086	23,926,086
Trans. to Muni. Rev. Shar	(104,684,821)	(1,788,731)	(106,473,552)	(105,584,372)	546,513	(105,037,859)	(111,852,620)	365,491	(111,487,129)	(118,632,443)	604,052	(118,028,391)
Transfer from Liquor	20,149,531	(207,000)	19,942,531	20,378,439	99,319	20,477,758	20,378,439	115,885	20,494,324	20,378,439	115,032	20,493,471
Transfer from Lottery	37,801,819		37,801,819	37,975,384		37,975,384	37,975,384		37,975,384	37,975,384		37,975,384
All Other	118,953,528	837,838	119,791,366	120,012,013	6,839,624	126,851,637	120,983,514	3,675,545	124,659,059	121,188,007	3,773,931	124,961,938
TOTAL REVENUE	2,313,161,014	48,553,269	2,361,714,283	2,332,538,529	13,879,080	2,346,417,609	2,449,265,062	14,726,006	2,463,991,068	2,576,830,405	10,371,210	2,587,201,615

GENERAL FUND REVENUE FORECAST CHARTS									
Showing Year to Year Percent Changes									
SOURCE	FY 00	FY 01	% CHANGE	BIENNIUM	FY 02	% CHANGE	FY 03	% CHANGE	BIENNIUM
Sales and Use Tax	844,698,162	815,578,103	-3.45%	1,660,276,265	847,618,160	3.93%	892,137,814	5.25%	1,739,755,974
Individual Income Tax	1,098,637,919	1,131,245,580	2.97%	2,229,883,499	1,223,729,234	8.18%	1,306,128,248	6.73%	2,529,857,482
Corporate Income Tax	144,380,645	112,742,179	-21.91%	257,122,824	114,771,225	1.80%	116,112,648	1.17%	230,883,873
Cigarette & Tobacco Tax	75,794,552	74,791,630	-1.32%	150,586,182	74,002,650	-1.05%	74,691,828	0.93%	148,694,478
Public Utilities Tax	14,725,000	29,400,000	99.66%	44,125,000	29,400,000	0.00%	28,325,926	-3.65%	57,725,926
Insurance Company Tax	36,864,080	36,499,839	-0.99%	73,363,919	36,139,241	-0.99%	35,782,248	-0.99%	71,921,489
Inheritance & Estate Tax	46,900,651	32,753,971	-30.16%	79,654,622	34,410,766	5.06%	36,137,471	5.02%	70,548,237
Property Tax - Unorg. Ter	8,013,110	9,213,301	14.98%	17,226,411	8,352,068	-9.35%	8,556,944	2.45%	16,909,012
Income from Investments	20,638,000	23,926,086	15.93%	44,564,086	23,926,086	0.00%	23,926,086	0.00%	47,852,172
Trans. to Muni. Rev. Shar	(106,473,552)	(105,037,859)	-1.35%	(211,511,411)	(111,487,129)	6.14%	(118,028,391)	5.87%	(229,515,520)
Transfer from Liquor	19,942,531	20,477,758	2.68%	40,420,289	20,494,324	0.08%	20,493,471	0.00%	40,987,795
Transfer from Lottery	37,801,819	37,975,384	0.46%	75,777,203	37,975,384	0.00%	37,975,384	0.00%	75,950,768
All Other	119,791,366	126,851,637	5.89%	246,643,003	124,659,059	-1.73%	124,961,938	0.24%	249,620,997
TOTAL REVENUE	2,361,714,283	2,346,417,609	-0.65%	4,708,131,892	2,463,991,068	5.01%	2,587,201,615	5.00%	5,051,192,683

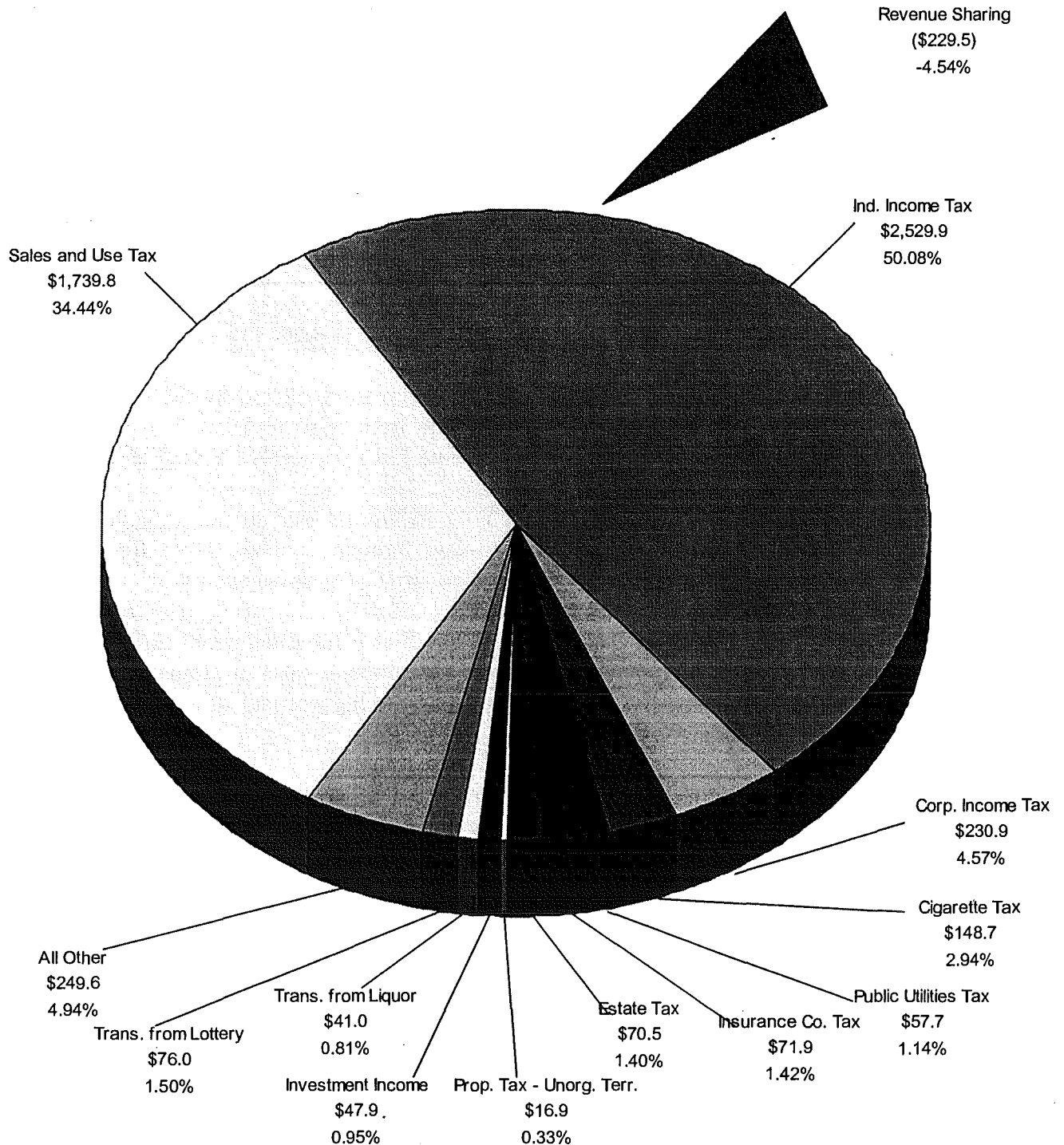
FY 00/01 GENERAL FUND BUDGETED REVENUES

\$4,708,131,892



FY 02/03 GENERAL FUND PROJECTED REVENUES

\$5,501,192,683



CHAPTER REVENUE FORECAST NARRATIVE

SALES TAX

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
844,698	815,578	-3.45%	1,660,276	847,618	3.93%	892,138	5.25%	1,739,756

Effective July 1, 2000, the Sales and Use Tax rate of 5.5% will be reduced to 5%. The estimated reduction in sales tax revenue is approximately \$65 million each fiscal year and is reflected in the accompanying revenue forecasts for FY 01, FY 02 and FY 03. The Sales and Use Tax forecast also reflects the tremendous consumer spending activity through October of 1999 which showed sales tax growth of 7.3% through the first four months of FY 00. The higher baseline activity through FY 99 also was used to estimate the new Maine Revenue Services Sales Tax Model, producing higher growth rates through the forecast period beyond the historical trend of 4% per year. The result is an upward revision in each of the upcoming 4 years that increases from \$31 million in FY 00 to \$61 million in FY 03 prior to any impact of legislation enacted by the Second Regular Session of the 119th Legislature. Repeal of the Snack Tax, effective January 1, 2001, is reflected in the forecast for FY 01, FY 02 and FY 03.

INDIVIDUAL INCOME TAX

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
1,098,638	1,131,246	2.97%	2,229,883	1,223,729	8.18%	1,306,128	6.73%	2,529,857

Current law provides that the personal exemption amount will increase to \$2,850 for tax years beginning on or after January 1, 2000. The estimated reduction in revenue from this provision is approximately \$3.2 million each fiscal year and is reflected in the Individual Income Tax forecast for FY 01, FY 02 and FY 03.

Despite sizable upward revisions through the course of FY 99, Individual Income Tax receipts in FY 99 were 4.3%, or \$41.5 million, above budget. Fiscal year-to-date through October, 1999 figures indicate a continuation of this trend with tax receipts being \$25.9 million, or 10.4%, above budget.

There are two factors resulting in these upward estimates. The first is the exceptional capital gains activity due to strong stock market activity and numerous business and property sales in Maine. The second is the rapid progression of taxpayers through the tax brackets up to the highest rate of 8.5%, and an apparent stronger growth of income in the higher income brackets.

The forecast adjustments for the Individual Income Tax for FY 01, FY 02 and FY 03 reflect changes enacted by the Second Regular Session of the 119th Legislature. The most significant of these are as follows:

- Effective for tax year 2002, the individual income tax brackets are adjusted to offset inflation.
- Effective January 1, 2003, the individual income tax brackets will be indexed for inflation using a formula similar to that used at the federal level.
- Effective for tax years beginning on or after January 1, 2000, the first \$6,000 of Public and private pension will be exempt from the individual income tax. The \$6,000 exemption will be reduced, but not below zero, by the amount of social security benefits received by a taxpayer.

- Effective with the tax year beginning January 1, 2000, individual income taxpayers that are eligible for the earned income tax credit at the federal level will be allowed a nonrefundable state credit equal to 5% of the federal amount.

The underlying economic assumptions of the Consensus Economic Forecasting Committee used to primarily model and drive the Individual Income Tax forecast for the upcoming four years are as follows:

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Maine Wage and Salary Employment	1.1%	1.3%	1.3%	1.3%
Maine Personal Income (nominal)	4.8%	5.0%	5.0%	5.0%
U.S. Consumer Price Index	2.5%	2.5%	2.5%	2.5%

CORPORATE INCOME TAX

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
144,381	112,742	-21.91%	257,123	114,771	1.80%	116,113	1.17%	230,884

Corporate Income Tax receipts during FY 99 were significantly above original budget levels, up 9.8%, or \$12.9 million. While FY 00 year-to-date receipts through October, 1999 were \$6.6 million below the original FY 00 budget, the updated forecast is upward as a result of assumptions for continued strength in corporate net profits before tax. In addition, the year-to-date negative variance for FY 00 is all due to one extremely large refund, which is not expected to be repeated in the future. Strong estimated and final payments suggest that Corporate Income Tax collections will exceed original budget estimates in FY 00. That trend is expected to continue into FY 01, FY 02 and FY 03.

CIGARETTE AND TOBACCO TAX

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
75,795	74,792	-1.32%	150,586	74,003	-1.05%	74,692	0.93%	148,694

Revenues derived from the sale of cigarettes and tobacco products have stabilized over the past biennium. The base level forecast of the Revenue Forecasting Committee as of November 29, 1999 for the FY 02-03 biennium is based on the assumption that cigarette sales will decline at a natural rate of between 1 and 2% per year. The major contributor to this decline is the change in societal values and governmental policy regarding the use and consumption of cigarettes 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 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
36,864	36,500	-0.99%	73,364	36,139	-0.99%	35,782	-0.99%	71,921

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 with 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 of the Revenue Forecasting Committee as of November 29, 1999 assumes a decline of 1% per year into the FY 02-03 biennium.

TRANSFER TO MUNICIPAL REVENUE SHARING

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
(106,474)	(105,038)	2.68%	(211,511)	(111,487)	0.08%	(118,028)	0.00%	(229,516)

The General Fund revenue line entitled "Transfer to Municipal Revenue Sharing" was newly added to the monthly report of General Fund revenue in FY 99. The purpose was to more accurately reflect total revenues accruing to the General Fund from Sales and Use Tax, Individual Income Tax and Corporate Income Tax that are subject to Municipal Revenue Sharing in accordance with Title 30-A, section 5681. That section of statute requires that an amount equal to 5.1% of the latter three tax lines must be transferred to the Local Government Fund (Municipal Revenue Sharing). As a result, this presentation clearly shows the estimated transfers as reductions to General Fund revenue consistent with the forecasts for the top three tax lines. The Transfer to Municipal Revenue Sharing forecast for FY 02 and FY 03 reflects the base level forecast of the Revenue Forecasting Committee as of November 29, 1999, the February 22, 2000 revenue reprojection of the Revenue Forecasting Committee and the changes to the top three tax lines (Individual, Sales and Corporate) as a result of actions of the Second Regular Session of the 119th Legislature.

ALL OTHER REVENUES

The remaining General Fund revenues are expected to grow at a very nominal rate in the FY 02-03 biennium consistent with the base level forecast of the Revenue Forecasting Committee as of November 29, 1999. The only exception to this modest trend is in two revenue lines. The Estate Tax continues to realize large estate settlements and is projected to grow between 2.6% and 3% during the FY 02-03 biennium. A reprojection of the Estate Tax by the Revenue Forecasting Committee on February 22, 2000 is reflected in the forecast adjustments for FY 01, FY 02 and FY 03. The Revenue Forecasting Committee reprojected the Real Estate Transfer Tax up by approximately \$1.7 million each year for FY 01, FY 02 and FY 03. This upward trend reflects the strength of the economy, particularly with respect to real estate transactions. The remaining adjustments are reflected in Other Revenues in the amount of approximately \$6.8 million in FY 01, \$3.7 million in FY 02 and \$3.8 million in FY 03 that were included in Public Law 1999, chapter 731 from the Second Regular Session of the 119th Legislature.

D. EXPENDITURE FORECAST CHART

GENERAL FUND EXPENDITURE FORECAST CHART

Showing Yearly Adjustments

MAJOR PROGRAM CATEGORIES POLICY AREA / AGENCY / PROGRAM	FISCAL YEAR 00			FISCAL YEAR 01			FISCAL YEAR 02			FISCAL YEAR 03		
	ORIG	ADJUST	BUDGET	ORIG	ADJUST	BUDGET	ORIG	ADJUST	BUDGET	ORIG	ADJUST	BUDGET
Capital Construction - Repairs	6,003,800		6,003,800	5,826,400	3,516,000	9,342,400	5,150,000		5,150,000	5,305,000		5,305,000
Building Operations	8,287,230	(11,466)	8,275,764	8,506,401	809,036	9,315,437	8,917,328	858,738	9,776,066	9,241,718	886,201	10,127,919
Personal Property Tax On Machinery And Equip	41,535,747		41,535,747	47,964,096	3,561,747	51,525,843	60,511,723		60,511,723	68,505,311		68,505,311
Maine Residents Property Tax Program	18,293,652	850,000	19,143,652	20,421,242	1,600,050	22,021,292	22,461,718	765,148	23,226,866	22,910,952	971,471	23,882,423
Homestead Property Tax Exemption	41,335,816		41,335,816	44,786,394	(4,084,590)	40,701,804	40,674,013	758,539	41,432,552	41,406,436	1,479,889	42,886,325
Government Facilities Authority				7,271,250		7,271,250	5,290,494	2,162,195	7,452,689	9,236,755	3,722,022	12,958,777
Debt Service	74,334,582		74,334,582	77,942,168	3,651,934	81,594,102	85,772,275	(2,180,000)	83,592,275	91,973,807	(6,440,000)	85,533,807
Other Agencies And Programs	122,305,417	1,223,975	123,529,392	127,735,671	46,857,528	174,593,199	131,630,944	4,178,581	135,809,525	138,229,349	4,273,051	142,502,400
Total Policy Area 00 - General Government	312,096,244	2,062,509	314,158,753	340,453,622	55,911,705	396,365,327	360,408,495	6,543,201	366,951,696	386,809,328	4,892,634	391,701,962
Total Policy Area 01 - Economic Development	43,552,404		43,552,404	45,415,818	27,435,497	72,851,315	47,289,027	1,474,227	48,763,254	48,888,983	1,506,596	50,395,579
General Purpose Aid To Local Schools	622,001,592		622,001,592	641,352,552	22,779,294	664,131,846	687,116,559	19,425,000	706,541,559	723,071,938	20,396,250	743,468,188
Teacher Retirement/Retiree Health	153,476,421	164,862	153,641,283	162,124,134	496,849	162,620,983	174,996,738		174,996,738	185,118,074		185,118,074
Preschool Handicapped	12,223,872		12,223,872	13,714,304		13,714,304	15,322,253		15,322,253	17,199,229		17,199,229
Other Agencies And Programs	274,892,501	249,855	275,142,356	249,632,985	92,636,840	342,269,825	258,119,825	8,545,251	266,665,076	265,903,668	9,204,973	275,108,641
Total Policy Area 02 - Education	1,062,594,386	414,717	1,063,009,103	1,066,823,975	115,912,983	1,182,736,958	1,135,555,375	27,970,251	1,163,525,626	1,191,292,909	29,601,223	1,220,894,132
Corrections	82,871,257	284,974	83,156,231	88,909,630	8,367,278	97,276,908	98,416,275	3,148,767	101,565,042	101,906,541	1,516,694	103,423,235
Medical Care - Payments To Providers	225,322,800	29,782,470	255,105,270	238,198,702	28,729,139	266,927,841	254,816,802	30,734,433	285,551,235	275,711,780	33,254,656	308,966,436
Nursing Facilities	64,971,350		64,971,350	67,914,384	3,236,000	71,150,384	69,951,816	3,316,900	73,268,716	72,050,370	3,399,823	75,450,193
Child Welfare - Foster Care	41,891,311		41,891,311	45,796,935		45,796,935	53,561,760		53,561,760	58,199,768		58,199,768
Community Mental Health	33,036,794	(145,000)	32,891,794	34,281,554	3,132,476	37,414,030	35,556,104	3,226,121	38,782,225	36,713,406	3,312,436	40,025,842
Mental Health Medicaid	23,832,741	912,090	24,744,831	25,190,060	2,445,797	27,635,857	25,945,762	2,517,192	28,462,954	26,724,135	2,580,122	29,304,257
Community Mental Retardation	20,013,432		20,013,432	21,038,881	(1,150,052)	19,888,829	22,076,307	(1,163,889)	20,912,418	22,888,185	(1,187,479)	21,700,706
Mental Retardation Medicaid	49,838,155		49,838,155	52,882,658	3,493,308	56,375,966	54,469,138	3,580,641	58,049,779	56,103,212	3,515,622	59,618,834
Other Agencies And Programs	223,512,534	555,539	224,068,073	225,785,035	13,780,913	239,565,948	236,036,431	9,969,598	246,006,029	244,395,848	10,232,737	254,628,585
Total Policy Area 03 - Human Services	765,290,374	31,390,073	796,680,447	799,997,839	62,034,859	862,032,698	850,830,395	55,329,763	906,160,158	894,693,245	56,624,611	951,317,856
Total Policy Area 04 - Labor	13,680,416	34,052	13,714,468	12,566,418	1,150,525	13,716,943	13,080,525	138,418	13,218,943	13,523,428	140,522	13,663,950
Total Policy Area 05 - Natural Resources	44,638,333	760,910	45,399,243	45,348,547	9,607,654	54,956,201	47,965,239	321,163	48,286,402	49,917,040	330,227	50,247,267
Total Policy Area 06 - Public Protection	21,653,444	1,150,445	22,803,889	20,765,103	2,790,100	23,555,203	22,196,313	1,537,468	23,733,781	23,094,107	1,583,746	24,677,853
Total Policy Area 07 - Transportation	9,491,979		9,491,979	3,558,443	12,600,000	16,158,443	3,674,089		3,674,089	3,787,586		3,787,586
Statewide Collective Bargaining	6,100,369		6,100,369	12,052,468		12,052,468	23,415,373		23,415,373	23,740,735		23,740,735
Health Insurance Increase		1,718,543	1,718,543		4,623,320	4,623,320						
GRAND TOTAL GENERAL FUND EXPENDITURES	2,279,097,949	37,531,249	2,316,629,198	2,346,982,233	292,066,643	2,639,048,876	2,504,414,831	93,314,491	2,597,729,322	2,635,747,361	94,679,559	2,730,426,920

D. EXPENDITURE FORECAST CHART

GENERAL FUND EXPENDITURE FORECAST CHART

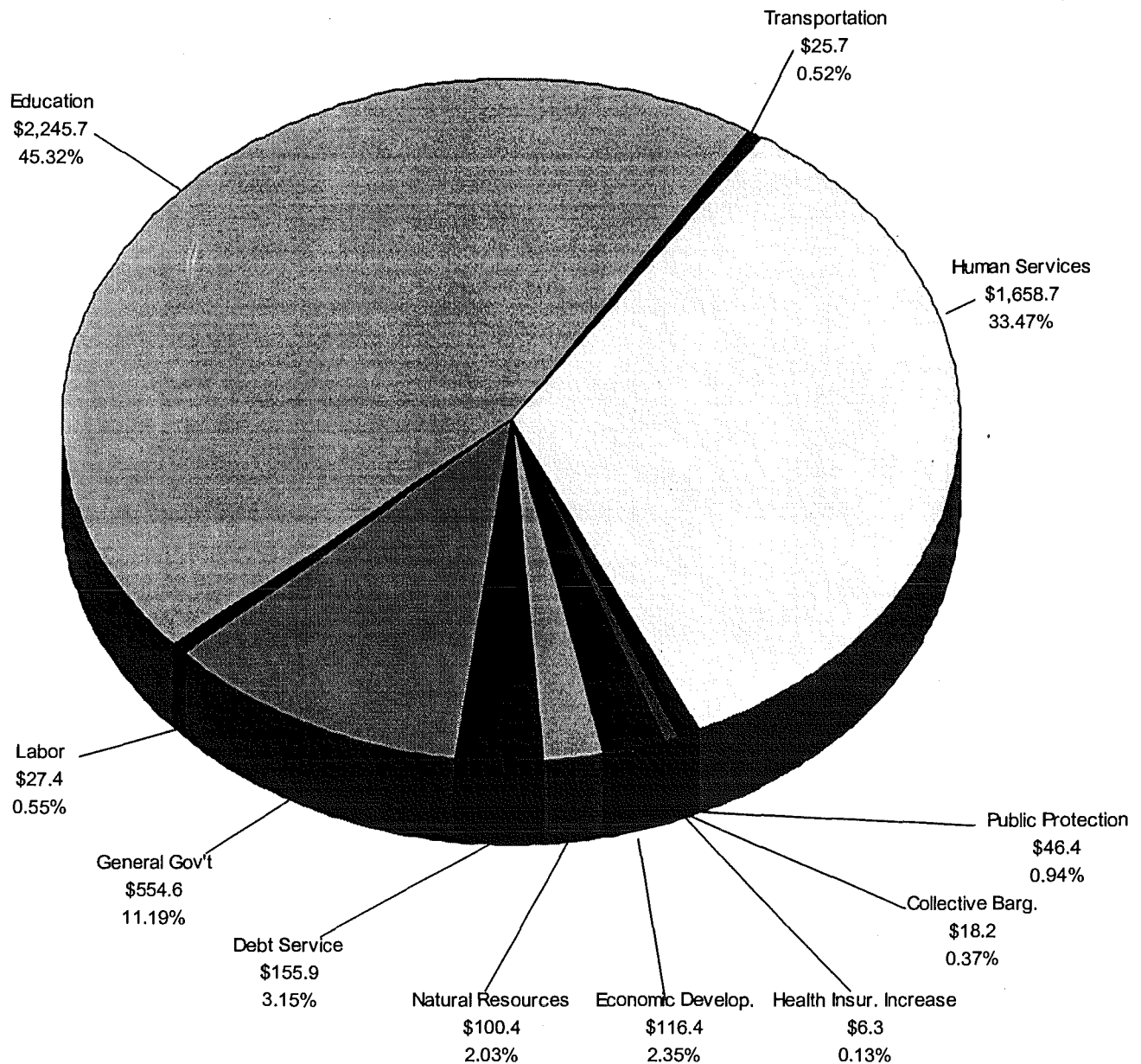
Showing Year to Year Percent Changes

MAJOR PROGRAM CATEGORIES POLICY AREA / AGENCY / PROGRAM	FY 00	FY 01		00-01	FY 02		FY 03		02-03
	BUDGET	BUDGET	% CHANGE	BIENNIAL TOTAL	PROJECTED	% CHANGE	PROJECTED	% CHANGE	BIENNIAL TOTAL
Capital Construction - Repairs	6,003,800	9,342,400	55.61%	15,346,200	5,150,000	-44.87%	5,305,000	3.01%	10,455,000
Building Operations	8,275,764	9,315,437	12.56%	17,591,201	9,776,066	4.94%	10,127,919	3.60%	19,903,985
Personal Property Tax On Machinery And Equip	41,535,747	51,525,843	24.05%	93,061,590	60,511,723	17.44%	68,505,311	13.21%	129,017,034
Maine Residents Property Tax Program	19,143,652	22,021,292	15.03%	41,164,944	23,226,866	5.47%	23,882,423	2.82%	47,109,289
Homestead Property Tax Exemption	41,335,816	40,701,804	-1.53%	82,037,620	41,432,552	1.80%	42,886,325	3.51%	84,318,877
Government Facilities Authority		7,271,250		7,271,250	7,452,689	2.50%	12,958,777	73.88%	20,411,466
Debt Service	74,334,582	81,594,102	9.77%	155,928,684	83,592,275	2.45%	85,533,807	2.32%	169,126,082
Other Agencies And Programs	123,529,392	174,593,199	41.34%	298,122,591	135,809,525	-22.21%	142,502,400	4.93%	278,311,925
Total Policy Area 00 - General Government	314,158,753	396,365,327	26.17%	710,524,080	366,951,696	-7.42%	391,701,962	6.74%	758,653,658
Total Policy Area 01 - Economic Development	43,552,404	72,851,315	67.27%	116,403,719	48,763,254	-33.06%	50,395,579	3.35%	99,158,833
General Purpose Aid To Local Schools	622,001,592	664,131,846	6.77%	1,286,133,438	706,541,559	6.39%	743,468,188	5.23%	1,450,009,747
Teacher Retirement/Retiree Health	153,641,283	162,620,983	5.84%	316,262,266	174,996,738	7.61%	185,118,074	5.78%	360,114,812
Preschool Handicapped	12,223,872	13,714,304	12.19%	25,938,176	15,322,253	11.72%	17,199,229	12.25%	32,521,482
Other Agencies And Programs	275,142,356	342,269,825	24.40%	617,412,181	266,665,076	-22.09%	275,108,641	3.17%	541,773,717
Total Policy Area 02 - Education	1,063,009,103	1,182,736,958	11.26%	2,245,746,061	1,163,525,626	-1.62%	1,220,894,132	4.93%	2,384,419,758
Corrections	83,156,231	97,276,908	16.98%	180,433,139	101,565,042	4.41%	103,423,235	1.83%	204,988,277
Medical Care - Payments To Providers	255,105,270	266,927,841	4.63%	522,033,111	285,551,235	6.98%	308,966,436	8.20%	594,517,671
Nursing Facilities	64,971,350	71,150,384	9.51%	136,121,734	73,268,716	2.98%	75,450,193	2.98%	148,718,909
Child Welfare - Foster Care	41,891,311	45,796,935	9.32%	87,688,246	53,561,760	16.95%	58,199,768	8.66%	111,761,528
Community Mental Health	32,891,794	37,414,030	13.75%	70,305,824	38,782,225	3.66%	40,025,842	3.21%	78,808,067
Mental Health Medicaid	24,744,831	27,635,857	11.68%	52,380,688	28,462,954	2.99%	29,304,257	2.96%	57,767,211
Community Mental Retardation	20,013,432	19,888,829	-0.62%	39,902,261	20,912,418	5.15%	21,700,706	3.77%	42,613,124
Mental Retardation Medicaid	49,838,155	56,375,966	13.12%	106,214,121	58,049,779	2.97%	59,618,834	2.70%	117,668,613
Other Agencies And Programs	224,068,073	239,565,948	6.92%	463,634,021	246,006,029	2.69%	254,628,585	3.51%	500,634,614
Total Policy Area 03 - Human Services	796,680,447	862,032,698	8.20%	1,658,713,145	906,160,158	5.12%	951,317,856	4.98%	1,857,478,014
Total Policy Area 04 - Labor	13,714,468	13,716,943	0.02%	27,431,411	13,218,943	-3.63%	13,663,950	3.37%	26,882,893
Total Policy Area 05 - Natural Resources	45,399,243	54,956,201	21.05%	100,355,444	48,286,402	-12.14%	50,247,267	4.06%	98,533,669
Total Policy Area 06 - Public Protection	22,803,889	23,555,203	3.29%	46,359,092	23,733,781	0.76%	24,677,853	3.98%	48,411,634
Total Policy Area 07 - Transportation	9,491,979	16,158,443	70.23%	25,650,422	3,674,089	-77.26%	3,787,586	3.09%	7,461,675
Statewide Collective Bargaining	6,100,369	12,052,468	97.57%	18,152,837	23,415,373	94.28%	23,740,735	1.39%	47,156,108
Health Insurance Increase	1,718,543	4,623,320	169.03%	6,341,863					
GRAND TOTAL GENERAL FUND EXPENDITURES	2,316,629,198	2,639,048,876	13.92%	4,955,678,074	2,597,729,322	-1.57%	2,730,426,920	5.11%	5,328,156,242

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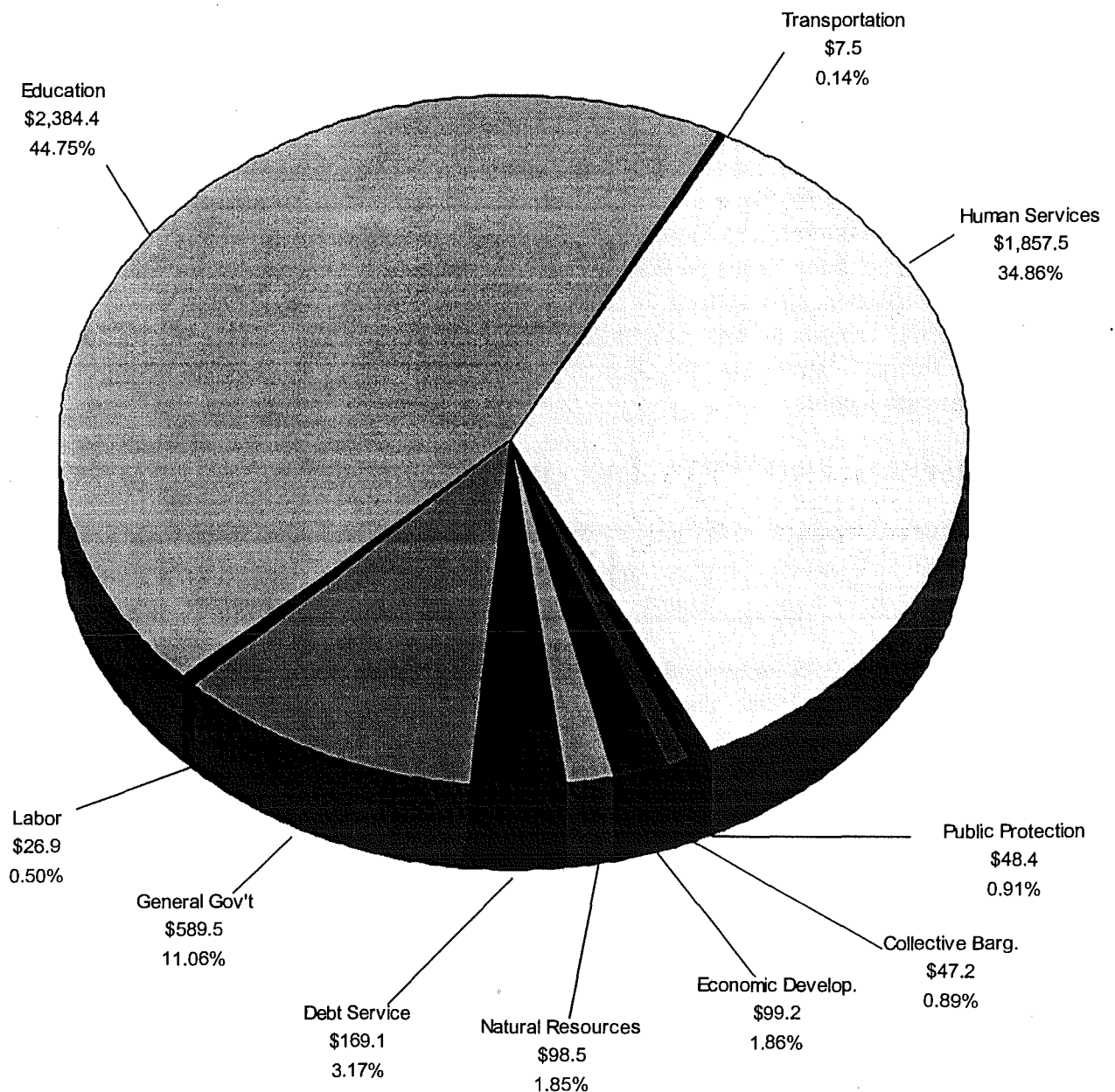
FY 00/01 GENERAL FUND BUDGETED APPROPRIATIONS

\$4,955,678,074



FY 02/03 GENERAL FUND PROJECTED APPROPRIATIONS

\$5,328,156,242



E. EXPENDITURE FORECAST NARRATIVE

CAPITAL CONSTRUCTION

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
6,004	9,342	55.61%	15,346	5,150	-44.87%	5,305	3.01%	10,455

The estimated requirement for the FY 02-03 biennium adjusts for the Capital Construction and Capital Improvements program undertaken through the Governmental Facilities Authority for the correctional facilities; the State Office Building; the State House; the Tyson and Marquardt buildings; the; H-Building; Houlton Barracks; Forestry and Park Facilities; the Bureau of Health Laboratory; and demolition of the Education building.

BUILDING OPERATIONS

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
8,276	9,315	12.56%	17,591	9,776	4.94%	10,128	3.60%	19,904

Building Operations within the Department of Administrative and Financial Services provides maintenance and operation improvements for State of Maine owned space. Funding for State building maintenance is projected to be \$19.9 million in the FY 02-03 biennium. All agencies in the State Office Building have been relocated to the AMHI complex, space on Edison Drive in Augusta or in private lease space. The projection for the FY 02-03 biennium also reflects a continuation of maintenance for the Tyson and Marquardt buildings at the AMHI campus as well as additional maintenance positions and costs transferred from the Augusta Mental Health Institute as the Bureau of General Services assumes facility and grounds management of the east campus.

PERSONAL PROPERTY TAX ON MACHINERY & EQUIPMENT

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
41,536	51,526	24.05%	93,062	60,512	17.44%	68,505	13.21%	129,017

Public Law 1997, chapter 395 authorized the reimbursement of property tax paid on qualified property placed in service after April 1, 1995. The anticipated cost of the program will grow from the initial funding of \$4.8 million in FY 97 to approximately \$68.5 million in FY 03. Much of this growth was anticipated and reflects increased investment in Maine's productive capacity. Based on current projections the program will grow until the 12th program year at which time it is expected to level off at a cost of approximately \$100 million annually. The projection for the FY 02-03 biennium reflects the forecast of program requirements as of June, 2000.

MAINE RESIDENTS PROPERTY TAX PROGRAM

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
19,144	22,021	15.03%	41,165	23,227	5.47%	23,882	2.82%	47,109

The Maine Residents Property Tax Program has been recommended to include low income property tax relief and elderly householders refund in the FY 00-01 biennium to more accurately reflect the manner in which these programs are administered. Public Law 1997, chapter 557 modified the eligibility requirements of the program to include increases in income caps, increases in the maximum payment from \$700 to \$1,000 and changes in the benefit calculations. As a result of these changes total program costs are projected to be \$23.2 million in FY 02 and \$23.9 million in FY 03. The projection for the FY 02-03 biennium reflects an updated forecast for program requirements as of August 11, 2000.

HOMESTEAD PROPERTY TAX EXEMPTION

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
41,336	40,702	-1.53%	82,038	41,433	1.80%	42,886	3.51%	84,319

Public Law 1997, chapter 643, Part HHH established the Homestead Property Tax Exemption Program. This program established an exemption for all individuals who have maintained a residence for the 12 months prior to April 1st of each year. This exempts up to \$7,000 of the individual's homestead valuation. The projection for the FY 02-03 biennium reflects an updated forecast of program requirements as of August 11, 2000.

GOVERNMENTAL FACILITIES AUTHORITY

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
0	7,271		7,271	7,453	2.50%	12,959	73.88%	20,411

The FY 02-03 expenditure forecast for the Governmental Facilities Authority, created by Public Law 1997, chapter 523, assumes principal and interest payments of \$7.5 million in FY 02 and \$13.0 million in FY 03. These costs are related to the construction of a connector between the State Office Building and the State Capitol Building, the construction of adult correctional facilities in Warren and Windham, and the construction of a new psychiatric treatment facility at AMHI. The Authority also provided bond funds for renovations of the State Office Building, the State Capitol Building, and the Tyson and Marquardt Buildings. Any projects undertaken through the Governmental Facilities Authority for the Judicial Branch are included in Judicial's budget and are not reflected above.

DEBT SERVICE

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
74,335	81,594	9.77%	155,929	83,592	2.45%	85,534	2.32%	169,126

The budgeted General Fund debt service for the FY 02-03 biennium is \$169.1 million which is an increase of \$13.2 million or 8.5% over the FY 00-01 biennium. This was caused by the unusually high volume of bonds approved by the voters in November 1999. These included \$50 million for land purchases, \$26.4 million for the Technical College System and \$36.8 million for highways which in the past would have been paid for from the Highway Fund. The Debt Service budget would have been even higher except for the fact that the Second Regular Session of the 119th Legislature did not send any bond proposals to referendum. This difference is reflected in the adjustment columns on the General Fund Expenditure chart.

As of June 30, 2000, the total voter approved General Fund bonds that remained unissued, was \$115.4 million. This amount includes the remaining \$40,000,000 of the land purchase authorization which allows for a maximum of \$10 million to be issued in any one year. It is anticipated that the level of General Fund bonds approved by the voters in the next few years will revert to a more normal \$55 million per year.

It is anticipated that in June of 2001, the state will issue \$55 million in new debt. Assuming that the voters approve \$55 million in new General Fund debt in November 2001, the current estimate for bonds issued in June 2002 is also \$55 million. For all bonds issued in the future, a 6% interest rate and a ten year term is assumed. This is higher than the rate at which previous bonds were issued, but is consistent with recent trends in long term bond interest rates.

GENERAL PURPOSE AID TO LOCAL SCHOOLS

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
622,002	664,132	6.77%	1,286,133	706,542	6.39%	743,468	5.23%	1,450,010

The expenditure forecast for the FY 02-03 biennium assumes 6% growth in FY 02 and 5% growth in FY 03 from the budget for FY 01 as a result of estimating 5% growth for operating costs separate from projections for debt service, program costs and miscellaneous costs. The forecast for the FY 02-03 biennium reflects the impact of the FY 01 appropriation of \$18,500,000 in Public Law 1999, chapter 731 to support increases in the per-pupil guarantee. The \$4,309,294 appropriation in Public Law 1999, chapter 731 for FY 01 was provided as a one-time adjustment to mitigate the impact on school units of the change in the school funding law. FY 03 includes \$6.0 million in debt service increase authorized in Public Law 1999, chapter 731. Public Law 1999, chapter 731 maintained the debt service limit for FY 02 at \$74.0 million and established the limit for FY 03 at \$80.0 million.

TEACHER RETIREMENT/RETIREE HEALTH

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
153,641	162,621	5.84%	316,262	174,997	7.61%	185,118	5.78%	360,115

The expenditure forecast for Teacher Retirement assumes salary and wage growth of approximately 5.5% over FY 01. The normal cost rate for the teacher group is 6.04%, which is assumed to remain constant over the forecast period of the FY 02-03 biennium. Unfunded liability rates are projected to remain constant for the FY 02-03 biennial budget forecast. Maine State Retirement administration expenditures are forecast for the FY 02-03 biennium at 2.5% CPI growth trend.

Public Law 1997, chapter 643 amended Title 20-A subsection 13451 to change the State's share of Retired Teacher's Health Insurance from 25% to 30% effective January 1, 1999. Retired Teachers' Health Insurance program cost is projected to increase 14.77% each July 1, beginning on July 1, 2001. Increases of 28.9% for the Point-of-Service plans and 9.03% for Medicare eligible retirees are reflected in the FY 01 base year as a result of supplemental appropriations contained in Public Law 1999, chapter 731. The projections for FY 02 and FY 03 have also been adjusted to reflect growth in the teacher retiree population of 2% in FY 02 and 2.5% in FY 03.

PRESCHOOL HANDICAPPED

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
12,224	13,714	12.19%	25,938	15,322	11.72%	17,199	12.25%	32,521

The expenditure forecast for the Preschool Handicapped Program established to provide free and appropriate education for handicapped children from birth to five years of age assumes 12% growth in each fiscal year from the budget for FY 01. Expenditure growth in this program was limited in the biennial budget through General Fund reductions of \$2.4 million in FY 00 and \$4.2 million in FY 01. Forecasted expenditures for the FY 02-03 biennium are \$1.6 and \$3.5 million higher than the appropriation for FY 01. The Department of Education has identified that growth in the total number of eligible children entering the program has been minimal, but that there is a continuing increase in the number of children with multiple needs. Any positive change in the federal IDEA funds, Medicaid reimbursement, cost benefits related to financial efficiencies, or changes in the number of eligible children being served, would reduce General Fund commitment.

CORRECTIONS

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
83,156	97,277	16.98%	180,433	101,565	4.41%	103,423	1.83%	204,988

The Department of Corrections spending pattern increased for several reasons:

The First Regular Session of the 119th Legislature provided initial funding in FY 00 for new initiatives such as the establishment of the Northern Maine Juvenile Facility (NMJF) at Charleston, the Southern Maine Juvenile Facility (SMJF) at South Portland, for the staffing and operations of a new 100 bed female

dormitory at the Maine Correctional Center (MCC) at Windham and to phase-in, over four years, a juvenile community plan. Also included was funding for technology related positions in Administration and additional Probation Officer positions for the Adult Probation and Parole program. This funding provided in part for the addition of 19.5 new positions in FY 00 and the addition of 130 positions in FY 01.

The Second Regular Session of the 119th Legislature provided one time funding in FY 01 of \$2.3 million for the development of a department-wide information system and \$1.945 million in overtime funds to allow for development of policies and procedures and training related to the transition of programs within the Corrections Department. It provided supplemental funding for the Administration program to establish one Clinical Director position. It provided \$1.4 million for the Maine State Prison to establish 19 positions for the new facility at Warren. It provided \$.834 million for the increased cost in inmate medical services contract and \$.5 million to MYC to establish 4 positions and for the reclassification of positions due to program reorganization. Additionally, it provided \$.493 million for MCC to establish 9 positions to permit conversion to unit management principles. The 16.98% growth increase between FY 00 and FY 01 is primarily attributable to the personal services costs for an additional 160 positions and for one time funds.

The 4.41% growth increase between FY 01 and FY 02 is primarily attributable to an increase in the cost of personal services due to the fact that over 135 of the 160 positions added in FY 01 will take effect after March 1, 2001 or nine months into the fiscal year. It also recognizes savings from the elimination of 15 positions due to the closure of the Bangor Pre-release Center. The full year cost of these 135 plus positions is reflected in the FY 02 figures. The growth increase between FY 02 and FY 03 is less because FY 03 reflects the full year of savings from the elimination of 19.5 positions at the Maine Youth Center and savings from the elimination of some 25 positions from the Charleston Correctional Facility. These are planned position eliminations to produce savings as part of the structuring of the new juvenile facilities at Charleston and South Portland and the shift of inmates from Charleston to MCC and MSP.

MEDICAL CARE - PAYMENTS TO PROVIDERS

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
255,105	266,928	4.63%	522,033	285,551	6.98%	308,966	8.20%	594,518

The trend in the Medicaid program is estimated to exhibit modest growth at a minimum of 7.0% per year for the Medical Care - Payments To Providers account in the next biennium. This growth rate follows the national trend of 7.0% to 8.2% as projected by the Health Care Financing Administration and the Congressional Budget Office. Areas of significant increases include prescription drugs, and behavioral health services, such as, Private Non-Medical Institutions (PNMI's), room and board costs for children, and mental health clinics, which exerted considerable pressure on this program beginning in FY 00. These spending pressures were addressed in Public Law 1999, chapter 731 with an infusion of General Fund appropriations amounting to \$29,915,129 in FY 00 and \$28,456,139 in FY 01.

Current estimates, supported by recent trends, assume a baseline growth of 1.5%-2% in caseload of Medicaid eligible individuals over the forecast period, but are susceptible to changes in overall state economic conditions. Included in this program is the Children's' Health Insurance Program (CHIPS) which provides expanded eligibility for Medicaid coverage for children as well as the implementation of the Cub Care Program, a health coverage program for low income children who are ineligible for benefits under the existing Medicaid program. The estimated costs for this program are \$5.9 million in the FY 00-01 biennium. These costs are projected to be \$6.1 million in the FY 02-03 biennium.

NURSING FACILITIES

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
64,971	71,150	9.51%	136,122	73,269	2.98%	75,450	2.98%	148,719

The spending reductions in the Nursing Facilities account have leveled off 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 FY 94 (General Fund spending) to an actual of \$66 million in FY 00. In Public Law 1999, chapter 401, a one-time supplemental payment of \$1,250,000 to nursing facilities for the purpose of addressing recruitment and retention of non-administrative staff was provided in FY 00. In FY 01, \$2,600,000 was appropriated to amend the Nursing Facility Principles of Reimbursement to address increased operating costs of nursing facilities. Additionally, in Public Law 1999, chapter 731, \$3,236,000 was legislatively authorized to increase the minimum staffing ratios in long-term care facilities and ensure that the principles of reimbursement reflect the current cost of providing services in an efficient manner. Funding for increased eligibility for consumers of long-term care services who have chronic conditions was also provided.

CHILD WELFARE - FOSTER CARE

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
41,891	45,797	9.32%	87,688	53,562	16.95%	58,200	8.66%	111,762

Child Welfare and Foster Care provides care to children who have been brought into the care and 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 recent trend shows a significant shift in the number of children eligible for Title IV-E, thereby, increasing the number of children in Foster Care and reducing the number of children funded by 100% state dollars in Child Welfare. The Bureau of Child and Family Services projects the growth rates in the number of children in Child Welfare will average between 6.1% to 6.6% in FY 02 and 3.2% to 4.2% in FY 03, while growth rates are projected to be considerably higher in Foster Care between 13% to 19% in FY 02 and 13% to 21% in FY 03.

In the last decade the number of children placed in foster care by the courts has increased. The average length of time in foster care for each child has increased. A large percentage of children committed to care have significant special needs. The programs and facilities designed to provide adequate care for these children are more costly.

DHS expects that as more children become Title IV-E eligible, a realignment of resources will be needed by transferring funds from Child Welfare to Foster Care. Public Law 1999, chapter 731 transferred \$2,761,000 from Child Welfare to Foster Care in FY 00 and \$5,653,000 in FY 01.

COMMUNITY MENTAL HEALTH

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
32,892	37,414	13.75%	70,306	38,782	3.66%	40,026	3.21%	78,808

Development of comprehensive service capacity and linking persons who have been long-term psychiatric inpatients to individualized services continue to be priorities for the Department of Mental Health, Mental Retardation, and Substance Abuse Services. The Department continues to consolidate crisis intervention services across all department service populations, and to develop 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. The Augusta Mental Health Institute (AMHI) Consent Decree continues as a priority. Public Law 1999, chapter 401, provided \$3.4 million annually to honor commitments made in response to the AMHI Consent Decree by replacing money previously funded by tax and match. In Public Law 1999, chapter 731, \$1,963,226 was provided for increased utilization of community mental health services in FY 01. Also, \$934,332 was appropriated for Intensive Case Manager positions and a Director to meet the AMHI Consent Decree requirements in FY 01.

MENTAL HEALTH MEDICAID

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
24,745	27,636	11.68%	52,381	28,463	2.99%	29,304	2.96%	57,767

Conscientious efforts over the last several years with the Bureau of Medical Services in the Department of Human Services have resulted in increased access to Medicaid funds to support the services that have been developed for adults with mental illness, the large majority of whom are Medicaid recipients. In Public Law 1999, chapter 731, additional matching funds of over \$700,000 per year were provided for increased utilization of Medicaid eligible mental health services in FY 00 and FY 01. Matching funds of \$1,561,953 were appropriated in FY 01 to meet requirements of the AMHI Consent Decree.

COMMUNITY MENTAL RETARDATION

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
20,013	19,889	-0.62%	39,902	20,912	5.15%	21,701	3.77%	42,613

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 is 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. Public Law 1999, chapter 731, provided additional funding for residential and day services for non-class members on waiting lists of \$344,186 in FY 01.

MENTAL RETARDATION MEDICAID

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
49,838	56,376	13.12%	106,214	58,050	2.97%	59,619	2.70%	117,669

Community Mental Retardation provides services for persons with mental retardation in Maine who clearly need services and are Medicaid Eligible or Medicaid Reimbursable. Examples of these services are waiver homes, supported living and supported employment. Community service agreements remained virtually flat funded, with the exception of services mandated by the Community Consent Decree, the movement from Intermediate Care Facilities - Mental Retardation to the waiver program. Future funding for community mental retardation services is expected to remain relatively consistent with existing services. Most of these programs need to remain consistent in order to provide security and continuity to the people these programs serve. Public Law 1997, chapter 643, provided additional funding for residential and day services for non-class members on waiting lists. Public Law 1999, chapter 401, provided additional wage increases of \$1.1 million in FY 00 and \$1.5 million in FY 01 to direct care workers employed by community mental retardation services providers. Public Law 1999, chapter 731, provided additional funding for residential and day services for non-class members on waiting lists amounting to \$1,724,652 in FY 01.

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 00-01 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.

III. HIGHWAY FUND

A. BUDGET STATUS FY 2000-2003

HIGHWAY FUND STATUS						
	FY 2000-2001 BIENNIUM			FY 2002-2003 BIENNIUM		
	FY 00	FY 01	TOTAL	FY 02	FY 03	TOTAL
Balance	33,145,667		33,145,667	9,537,809		9,537,809
Increase to Balance		9,476,902	9,476,902			
Adjustments To Balance						
Transfer From Transportation Reserve		4,044,139	4,044,139			
Transfer From The General Fund		20,650,000	20,650,000			
Revenue Base	249,063,515	255,703,090	504,766,605	258,300,775	260,249,729	518,550,504
Supplemental Revenue		(37,353)	(37,353)	(50,742)	(51,763)	(102,505)
TOTAL REVENUE	249,063,515	255,665,737	504,729,252	258,250,033	260,197,966	518,447,999
TOTAL RESOURCES	282,209,182	289,836,778	572,045,960	267,787,842	260,197,966	527,985,808
Allocations Base	265,332,951	265,866,563	531,199,514	281,522,870	288,735,111	570,257,981
Supplemental Allocations	3,371,951	27,936,686	31,308,637	1,634,472	1,692,102	3,326,574
TOTAL ALLOCATIONS	268,704,902	293,803,249	562,508,151	283,157,342	290,427,213	573,584,555
PROJECTED BALANCE	13,504,280	(3,966,471)	9,537,809	(15,369,500)	(30,229,247)	(45,598,747)

Adjustments to the FY 00-01 budget during the Second Regular Session of the 119th Legislature include a slight decrease of \$37,353 in revenue and transfers from the Transportation Reserve and from the General Fund of \$4,044,139 and \$20,650,000 respectively. At the close of FY 00 unallocated surplus exceeded budget by \$9.5 million to bring total resources for the biennium to \$572.0 million. Additional allocations of \$31.3 million leave a budgeted balance for the FY 00-01 biennium of \$9.5 million.

The projection for the FY 02-03 biennium reflects extending the minimal loss of revenue and the ongoing allocations approved during the session. The previously budgeted balance from the FY 00-01 biennium of \$6.7 million in the Highway Fund was allocated for one time infrastructure needs and, when combined with the ongoing supplemental allocations of \$3.3 million, the resulting projected structural imbalance for the FY 02-03 biennium is \$45.6 million.

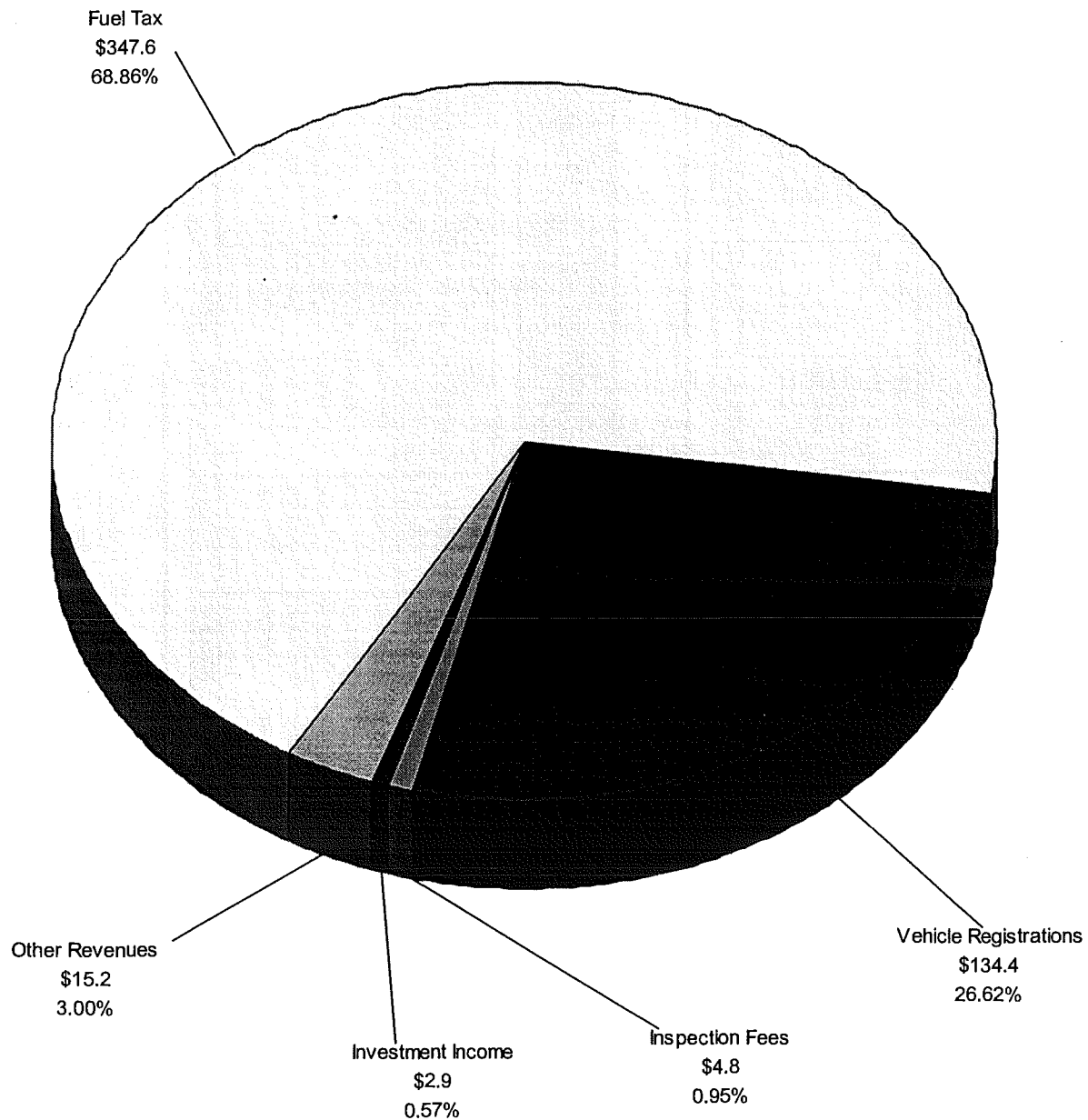
B. REVENUE FORECAST CHARTS

HIGHWAY FUND REVENUE FORECAST CHARTS												
SOURCE	FISCAL YEAR 00			FISCAL YEAR 01			FISCAL YEAR 02			FISCAL YEAR 03		
	ORIG.	ADJ.	BUDGET	ORIG.	ADJ.	BUDGET	ORIG.	ADJ.	BUDGET	ORIG.	ADJ.	BUDGET
Fuel Tax	171,240,123		171,240,123	176,352,060	(40,653)	176,311,407	178,312,845	(51,042)	178,261,803	180,301,341	(52,063)	180,249,278
Motor Vehicle Registrations & Fees	66,491,998		66,491,998	67,867,993	3,300	67,871,293	68,381,531	300	68,381,831	68,219,954	300	68,220,254
Inspection Fees	2,385,034		2,385,034	2,389,799		2,389,799	2,394,902		2,394,902	2,400,057		2,400,057
Income from Investments	1,440,000		1,440,000	1,440,000		1,440,000	1,440,000		1,440,000	1,440,000		1,440,000
Other Revenues	7,506,360		7,506,360	7,653,238		7,653,238	7,771,497		7,771,497	7,888,377		7,888,377
TOTAL HIGHWAY FUND REVENUES	249,063,515	0	249,063,515	255,703,090	(37,353)	255,665,737	258,300,775	(50,742)	258,250,033	260,249,729	(51,763)	260,197,966 #

HIGHWAY FUND REVENUE FORECAST CHARTS									
SOURCE	FY 00	FY 01	% CHANGE	BIENNIUM	FY 02	% CHANGE	FY 03	% CHANGE	BIENNIUM
Fuel Tax	171,240,123	176,311,407	2.96%	347,551,530	178,261,803	1.11%	180,249,278	1.11%	358,511,081
Motor Vehicle Registrations & Fees	66,491,998	67,871,293	2.07%	134,363,291	68,381,831	0.75%	68,220,254	-0.24%	136,602,085
Inspection Fees	2,385,034	2,389,799	0.20%	4,774,833	2,394,902	0.21%	2,400,057	0.22%	4,794,959
Income from Investments	1,440,000	1,440,000	0.00%	2,880,000	1,440,000	0.00%	1,440,000	0.00%	2,880,000
Other Revenues	7,506,360	7,653,238	1.96%	15,159,598	7,771,497	1.55%	7,888,377	1.50%	15,659,874
TOTAL HIGHWAY FUND REVENUES	249,063,515	255,665,737	2.65%	504,729,252	258,250,033	1.01%	260,197,966	0.75%	518,447,999

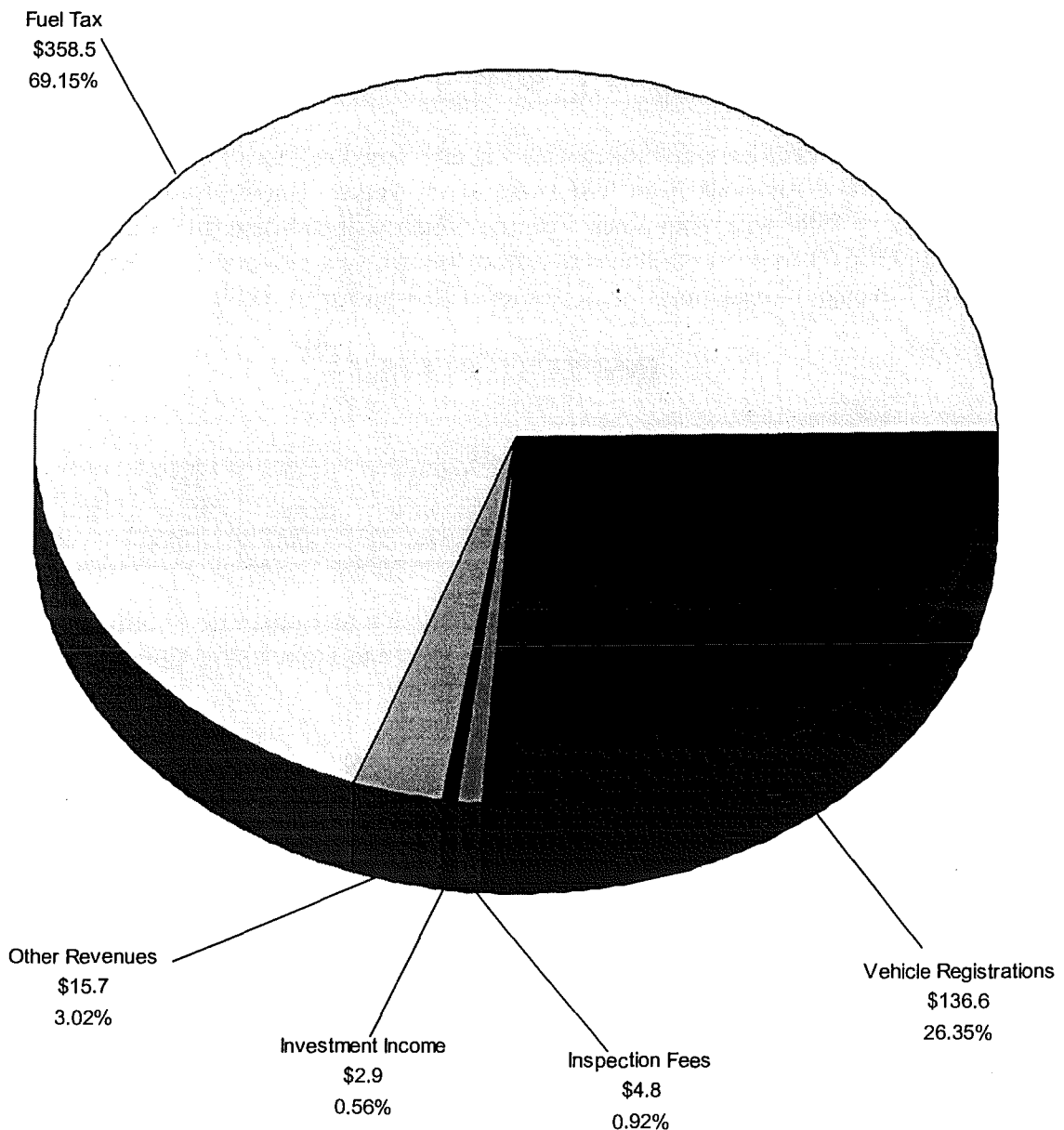
FY 00/01 HIGHWAY FUND BUDGETED REVENUES

\$504,729,252



FY 02/03 HIGHWAY FUND PROJECTEDED REVENUES

\$518,447,999



C. REVENUE FORECAST

FUEL TAX

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
171,240	176,311	2.96%	347,552	178,262	1.11%	180,249	1.11%	358,511

Revenues derived from the sale of gasoline and special fuels is expected to grow at an annual rate of approximately 1.1% consistent with historical trends. The excise tax on gasoline and special fuels increased by \$.03 per gallon effective on August 1, 1999. The new rate on gasoline is \$.22 and the new rate on special fuels is \$.23. The total projected increase in fuel taxes as a result of the changes is approximately \$23.5 million each fiscal year.

MOTOR VEHICLE REGISTRATION FEES

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
66,492	67,871	2.07%	134,363	68,382	0.75%	68,220	-0.24%	136,602

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 00 individuals who renewed their licenses in 1994 will renew their licenses which will stabilize this revenue line on a six year cycle. The FY 02 and FY 03 forecast continues to reflect this six year renewal cycle consistent with the base level forecast of the Revenue Forecasting Committee as of November 29, 1999

INSPECTION FEES

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
2,385	2,390	0.20%	4,775	2,395	0.21%	2,400	0.22%	4,795

Revenues from Inspection Fees are expected to grow annually at a marginal rate of only .2% in the FY 02-03 biennium consistent with the base level projection of the Revenue Forecasting Committee as of November 29, 1999

OTHER REVENUES

Other Revenues within the Highway Fund have remained static over time and are only expected to grow in the FY 02-03 biennium at an annual rate of 1.5% consistent with the base level projection of the Revenue Forecasting Committee as of November 29, 1999.

D. EXPENDITURE FORECAST CHART

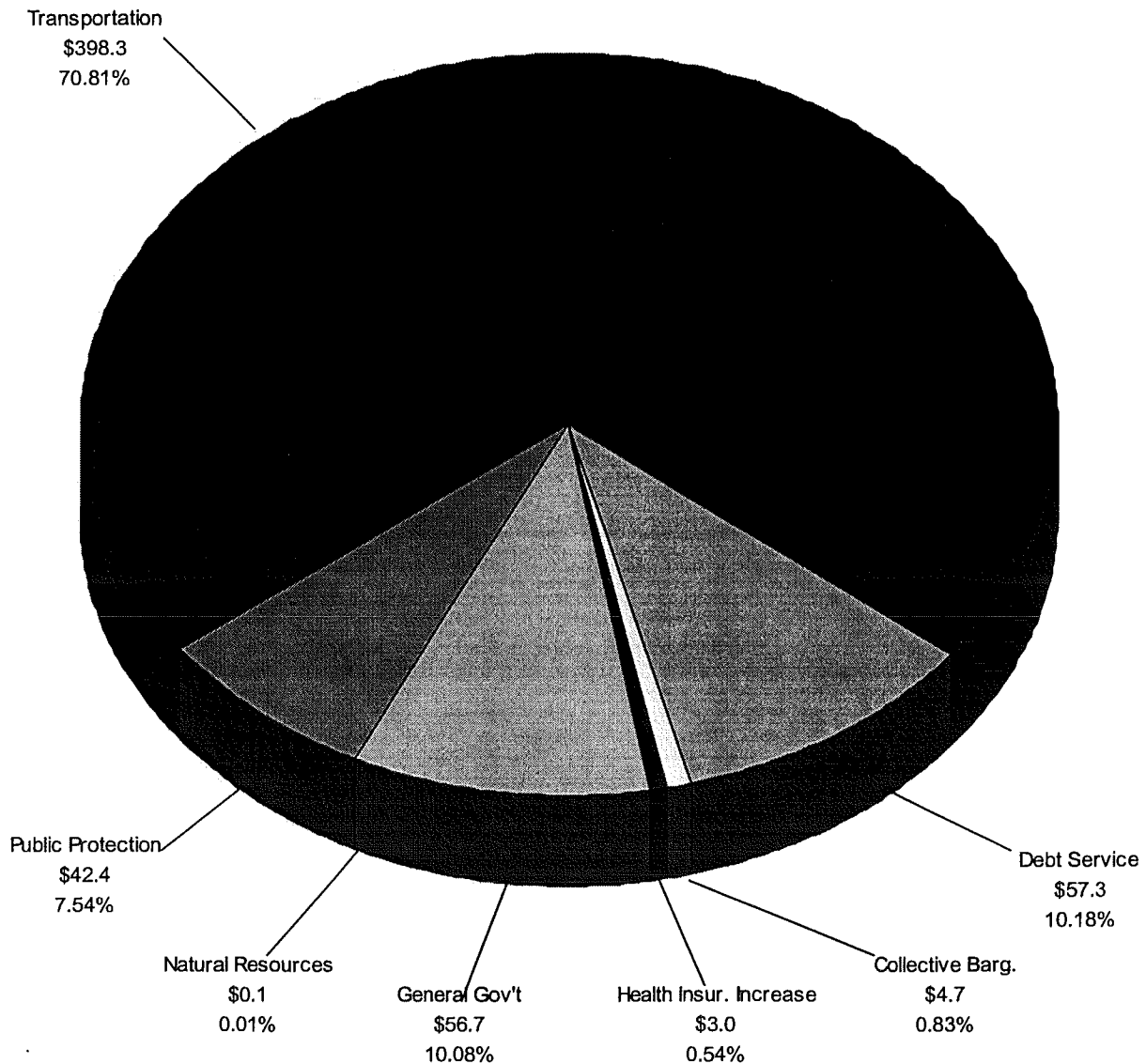
HIGHWAY FUND EXPENDITURE FORECAST CHART												
Showing Yearly Adjustments												
MAJOR PROGRAM CATEGORIES POLICY AREA / AGENCY / PROGRAM	FISCAL YEAR 00			FISCAL YEAR 01			FISCAL YEAR 02			FISCAL YEAR 03		
	ORIG.	ADJUST	BUDGET	ORIG.	ADJUST	BUDGET	ORIG.	ADJUST	BUDGET	ORIG.	ADJUST	BUDGET
Total Policy Area 00 - General Government	28,673,234		28,673,234	28,029,130	3,824	28,032,954	26,320,952		26,320,952	27,403,236		27,403,236
Total Policy Area 05 - Natural Resources	34,905		34,905	35,851		35,851	36,927		36,927	38,034		38,034
State Police	18,209,033	225,294	18,434,327	18,256,543	119,848	18,376,391	20,009,873	133,534	20,143,407	20,304,136	139,663	20,443,799
Other Agencies And Programs	2,814,710		2,814,710	2,793,108		2,793,108	2,973,842		2,973,842	3,101,835		3,101,835
Total Policy Area 06 - Public Protection	21,023,743	225,294	21,249,037	21,049,651	119,848	21,169,499	22,983,715	133,534	23,117,249	23,405,971	139,663	23,545,634
Highway Maintenance	94,275,976	789,312	95,065,288	97,662,447	1,200,879	98,863,326	102,605,830	851,432	103,457,262	106,341,047	883,991	107,225,038
Bridge Maintenance	12,081,930	605,852	12,687,782	12,407,655	626,517	13,034,172	13,150,703	649,506	13,800,209	13,692,925	668,448	14,361,373
Highway & Bridge Improvement	31,372,500	1,000,000	32,372,500	27,022,500	23,694,139	50,716,639	27,884,505		27,884,505	28,504,326		28,504,326
Urban-Rural Initiative Program	22,150,000		22,150,000	23,000,000		23,000,000	23,690,000		23,690,000	24,400,700		24,400,700
Debt Service	29,574,372		29,574,372	27,685,379		27,685,379	29,037,905		29,037,905	28,050,022		28,050,022
Other Agencies And Programs	25,087,055		25,087,055	25,337,707		25,337,707	26,611,592		26,611,592	27,569,299		27,569,299
Total Policy Area 07 - Transportation	214,541,833	2,395,164	216,936,997	213,115,688	25,521,535	238,637,223	222,980,535	1,500,938	224,481,473	228,558,319	1,552,439	230,110,758
Statewide Collective Bargaining	1,059,236		1,059,236	3,636,243		3,636,243	9,200,741		9,200,741	9,329,551		9,329,551
Health Insurance Increase		751,493	751,493		2,291,479	2,291,479						
TOTAL HIGHWAY FUND EXPENDITURES	265,332,951	3,371,951	268,704,902	265,866,563	27,936,686	293,803,249	281,522,870	1,634,472	283,157,342	288,735,111	1,692,102	290,427,213

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HIGHWAY FUND EXPENDITURE FORECAST CHART									
Showing Year to Year Percent Change									
MAJOR PROGRAM CATEGORIES POLICY AREA / AGENCY / PROGRAM	FY 2000	FY 2001		00-01	FY 2002		FY 2003		02-03
	BUDGET	BUDGET	% CHANGE	BIENNIAL TOTAL	PROJECTED	% CHANGE	PROJECTED	% CHANGE	BIENNIAL TOTAL
Total Policy Area 00 - General Government	28,673,234	28,032,954	-2.23%	56,706,188	26,320,952	-6.11%	27,403,236	4.11%	53,724,188
Total Policy Area 05 - Natural Resources	34,905	35,851	2.71%	70,756	36,927	3.00%	38,034	3.00%	74,961
State Police	18,434,327	18,376,391	-0.31%	36,810,718	20,143,407	9.62%	20,443,799	1.49%	40,587,206
Other Agencies And Programs	2,814,710	2,793,108	-0.77%	5,607,818	2,973,842	6.47%	3,101,835	4.30%	6,075,677
Total Policy Area 06 - Public Protection	21,249,037	21,169,499	-0.37%	42,418,536	23,117,249	9.20%	23,545,634	1.85%	46,662,883
Highway Maintenance	95,065,288	98,863,326	4.00%	193,928,614	103,457,262	4.65%	107,225,038	3.64%	210,682,300
Bridge Maintenance	12,687,782	13,034,172	2.73%	25,721,954	13,800,209	5.88%	14,361,373	4.07%	28,161,582
Highway & Bridge Improvement	32,372,500	50,716,639	56.67%	83,089,139	27,884,505	-45.02%	28,504,326	2.22%	56,388,831
Urban-Rural Initiative Program	22,150,000	23,000,000	3.84%	45,150,000	23,690,000	3.00%	24,400,700	3.00%	48,090,700
Debt Service	29,574,372	27,685,379	-6.39%	57,259,751	29,037,905	4.89%	28,050,022	-3.40%	57,087,927
Other Agencies And Programs	25,087,055	25,337,707	1.00%	50,424,762	26,611,592	5.03%	27,569,299	3.60%	54,180,891
Total Policy Area 07 - Transportation	216,936,997	238,637,223	10.00%	455,574,220	224,481,473	-5.93%	230,110,758	2.51%	454,592,231
Statewide Collective Bargaining	1,059,236	3,636,243	243.29%	4,695,479	9,200,741	153.03%	9,329,551	1.40%	18,530,292
Health Insurance Increase	751,493	2,291,479	204.92%	3,042,972		-100.00%			
TOTAL HIGHWAY FUND EXPENDITURES	268,704,902	293,803,249	9.34%	562,508,151	283,157,342	-3.62%	290,427,213	2.57%	573,584,555

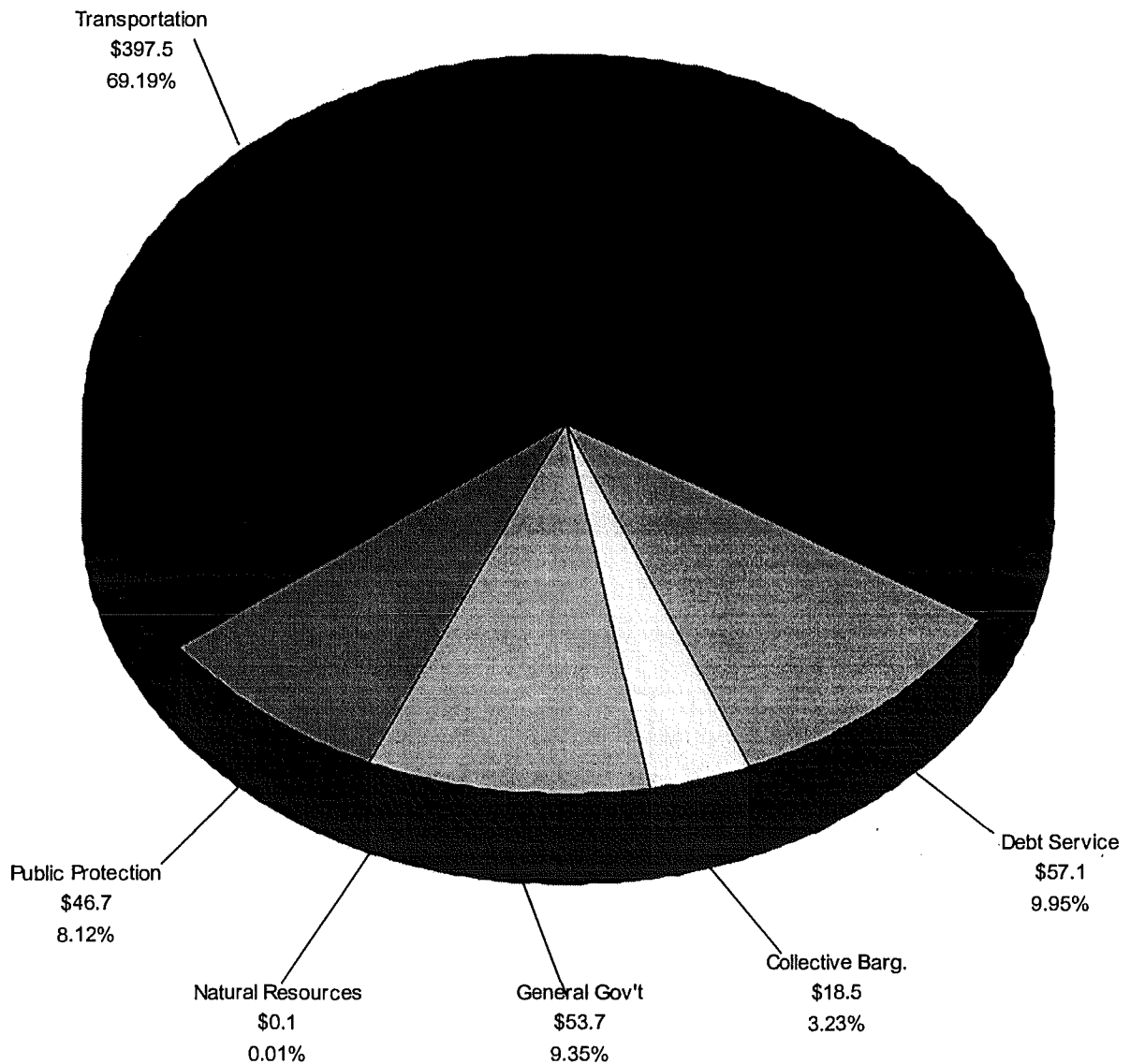
FY 00/01 HIGHWAY FUND BUDGETED ALLOCATIONS

\$562,508,151



FY 02/03 HIGHWAY FUND PROJECTEDED ALLOCATIONS

\$573,584,555



E. EXPENDITURE FORECAST

STATE POLICE

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
18,434	18,376	-0.31%	36,811	20,143	9.62%	20,444	1.49%	40,587

The replacement program for police cruisers allows for the purchase of approximately 250 cars during each biennium. However, the schedule calls for replacement of 150 vehicles in the first year of each biennium and only 100 in the second year. As a result, there is a slight decrease in each biennium from the first year to the second. Resources to the State Police continue to be allocated based on a 60/40 Highway Fund/General Fund ratio. The First Regular Session of the 119th Legislature provided funds for the State Police program to establish 5 positions to support the DNA functions of the Crime Lab; funding to establish 4 positions for the Bureau of Identification and funding for one Programmer Analyst and one Management Analyst II as additional support for the operation of the State Police. The Second Regular Session of the 119th Legislature provided funding in FY 01 for the reclassification of 47 Police Communication Operator positions and 6 Supervisor positions. It also provided funds for equipment at the Houlton barracks. The increase in funding in FY 01 contributed to the 3.29% growth increase between FY 00 and 01.

HIGHWAY MAINTENANCE

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
95,065	98,863	4.00%	193,929	103,457	4.65%	107,225	3.64%	210,682

The Highway Maintenance Program maintains the infrastructure of 15,900 lane miles of interlocking state and state aid highways. Additional program effort is directed toward winter services to the 8,100 lane miles of the system designated as state highway including the removal of snow and ice from the travel surface, the maintenance of all appurtenances and the maintenance of facilities associated with the proper and safe utilization of the system by the motoring Public. The budget projection for the FY 02-03 biennium reflects the current service level for this program using the legislatively approved budget for FY 01 as the base year.

BRIDGE MAINTENANCE

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
12,688	13,034	2.73%	25,722	13,800	5.88%	14,361	4.07%	28,162

The Bridge Maintenance Program maintains approximately 2,800 bridges on Public highways for Public use in a serviceable and safe condition. This effort includes the operation of 9 moveable bridges over navigable waters and the structural maintenance of 9 Ferry transfer bridges. Additional program effort is directed at the inspection of approximately 3,800 bridges in accordance with the National Bridge Inspection Standards. The budget projection for the FY 02-03 biennium reflects the current service level for this program using the legislatively approved budget for FY 01 as the base year.

HIGHWAY AND BRIDGE IMPROVEMENT

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
32,373	50,717	56.67%	83,089	27,885	-45.02%	28,504	2.22%	56,389

The Highway and Bridge Improvement Program provides for the capital improvement effort for the Federal-aid and State Highway network in order to maintain a safe, efficient and effective infrastructure for all users of the system. The budget projection for the FY 02-03 biennium reflects the current service level for this program using the legislatively approved budget for FY 01 as the base year after adjusting for the one-time funding of \$20.15 million from the General Fund and \$3.54 million from the Transportation Funding Reserve. This projection for FY 02 and FY 03 does not reflect the expectation that increased Federal funds may result in the supplemental consideration of additional Highway Fund match during the FY 02-03 biennium.

Public Law 1999, chapter 737, section C-1 provides a biennial funding plan for the Arterial Program beginning with the FY 02-03 biennium. Since this initiative represents a significant funding expansion, it is not included in the base level forecast for FY 02 and FY 03.

URBAN-RURAL INITIATIVE PROGRAM

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
22,150	23,000	3.84%	45,150	23,690	3.00%	24,401	3.00%	48,091

The Local Road Assistance Program has been reorganized into the Urban-Rural Initiative Program as a restructured and augmented effort for providing municipalities with financial assistance for their use in maintaining and improving Public roads. The budget projection for the FY 02-03 biennium reflects the current service level for this program using the legislatively approved budget for FY 01 as the base year.

Public Law 1999, chapter 473, section D-4 provides for the determination of annual funding for the Urban-Renewal Initiative Program beginning July 1, 2001. Since this level of expanded funding was supported in FY 01 by one-time transfers from the General Fund it is not included in the base level forecast for FY 02 and FY 03.

DEBT SERVICE

FY 00 (000)	FY 01 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 02 (000)	YR % CHANGE	FY 03 (000)	YR % CHANGE	TOTAL BIENNIUM
29,574	27,685	-6.39%	57,260	29,002	4.75%	27,361	-5.66%	56,362

It is projected that Highway Fund bonds issued during the FY 02-03 biennium will be \$25 million, a sharp decrease from the \$46.9 million issued during the FY 98-99 biennium. The reduction is possible because of an increase in the fuel tax and motor vehicle registration fee that became effective in the summer of 1999 as well as \$4 million available from the Transportation Reserve Fund (Public Law 1999, chapter 401, Part ZZ, section 2). Actual debt service as a percent of Highway Fund revenues is 12.3% in the FY 98-99 biennium and is projected to decrease to 11.3% in the current biennium and 11.2% in the FY 02-03 biennium.

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 00-01 biennium and the FY 02-03 biennium. The purpose is not to predict a shortfall or unbalanced budget in the respective funds for the FY 02-03 biennium.

The forecasts of revenues, appropriations and allocations contained in this report, when constructed under current law and current trends, result in a "Structural Gap" in the General Fund of **\$197,026,467**, and a "Structural Gap" of **\$45,598,747** in the Highway Fund for the FY 02-03 biennium. The base level revenue projections for the General Fund and the Highway Fund include the November 29, 1999 projection of the Revenue Forecasting Committee, the February 22, 2000 reprojection of the Revenue Forecasting Committee and any General Fund and Highway Fund revenue adjustments resulting from actions of the Second Regular Session of the 119th Legislature.

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 02-03 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.