

MAINE STATE LEGISLATURE

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STATE OF MAINE

DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES

Bureau of the Budget
State House Station #58
Augusta, Maine 04333

Date: September 30, 2008

To: Honorable John Elias Baldacci, Governor
Honorable Beth Edmonds, President of the Senate
Honorable Glen Cummings, Speaker of the House
Honorable Margaret Rotundo, Senate Chair
Honorable Jeremy R. Fischer, House Chair
Members, Joint Standing Committee on Appropriations and Financial Affairs

From: Ellen Schneider, State Budget Officer

Subject: Report on the forecast of revenues and expenditures for the General Fund and the Highway Fund for the 2008-2009 biennium and the 2010-2011 biennium in accordance with Title 5 § 1665.

The Bureau of the Budget is pleased to present its budget forecast for the General Fund and the Highway Fund for the 2008-2009 biennium and the 2010-2011 biennium in accordance with Title 5 § 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 budget forecast is based on the current structure of state revenues and expenditures for both the General Fund and the Highway Fund as required by Title 5 § 1665, subsection 7. This budget forecast should provide the most consistent view of revenue and expenditure trends over the long term as a basis for financial planning and decision making.

EJS/djl

cc: Ryan Low, Commissioner, Department of Administrative and Financial Services
Grant Pennoyer, Director, Office of Fiscal & Program Review

**STATE OF MAINE REVENUE AND EXPENDITURE PROJECTION
GENERAL FUND AND HIGHWAY FUND
FISCAL YEARS 2008 - 2011**

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MAINE BUDGET FORECAST

2008-2009 BIENNIUM AND 2010-2011 BIENNIUM

INTRODUCTION

Title 5, §§ 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.

This report is being issued in accordance with Title 5 § 1665, subsection 7 that requires a four year budget forecast for the General Fund and the Highway Fund by September 30th of each even-numbered year. As such, this report provides a four-year budget forecast for the 2008-2009 biennium and the 2010-2011 biennium. The expected outcome is the most reasonable and consistent portrayal of the General Fund and the Highway Fund budgets for FY 10 and FY 11 based on currently available financial and program information. This information, to be useful, needs to include the General Fund appropriations and Highway Fund allocations approved through the 1st Special Session of the 123rd 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 March 2008 projections of the Revenue Forecasting Committee, as required by Public Law 1997, chapter 157 and reflects all actions of the 2nd Regular and 1st Special Sessions of the 123rd Legislature.

In order to provide the most accurate expenditure estimate from currently available budget information, the projection uses the FY 09 legislatively approved appropriations and allocations from the 2nd Regular Session and 1st Special Sessions of the 123rd Legislature. These FY 10-11 estimates are further adjusted for the effect of one-time and phased-in actions expected to occur in FY 09. More detailed projections on a department or program basis are made where appropriate to reflect specific trends in those areas.

Salaries and wages for the 2010-2011 biennium are based on merit growth from the 2008-2009 biennium. The projection for Personal Services does not anticipate future salary adjustments beyond the 2008-2009 biennium as a result of collective bargaining.

A. BUDGET STATUS FY 09-11

GENERAL FUND STATUS						
	FY 08-09 BIENNIUM			FY 10-11 BIENNIUM		
	FY 08	FY 09	TOTAL	FY 10	FY 11	TOTAL
BALANCE	35,976,698		35,976,698	1,374,043		1,374,043
ADJUSTMENTS	53,980,646	57,650,801	111,631,447			
REVENUE	3,040,740,422	3,095,816,279	6,136,556,701	3,146,664,647	3,169,468,794	6,316,133,441
TOTAL RESOURCES	3,130,697,766	3,153,467,080	6,284,164,846	3,148,038,690	3,169,468,794	6,317,507,484
ADJUSTMENTS	437,300	16,375,904	16,813,204			
APPROPRIATIONS	3,129,325,355	3,136,652,244	6,265,977,599	3,381,050,280	3,444,627,921	6,825,678,201
PROJECTED BALANCE (SHORTFALL)	935,111	438,932	1,374,043	(233,011,590)	(275,159,127)	(508,170,717)

The General Fund adjusted fund balance for FY 08 was \$935,111 and is projected to be \$1,374,043 at the end of FY 09, after adjustments from the 123rd Legislature, 2nd Regular and 1st Special Sessions.

The Revenue Forecasting Committee (RFC) in its December 2007 report reprojected revenues downward by \$202.9 million for the 2010-11 biennium. The RFC in March 2008 decreased its revenue projections by \$139.9 million resulting in a net overall revenue decrease of \$342.8 million for the 2010-2011 biennium. This revenue decrease was primarily in the Sales and Use Tax, Individual Income Tax, Corporate Income Tax and Other Revenue lines. The above revenue projections also include revisions made in miscellaneous laws enacted by the 2nd Regular and 1st Special Sessions of the 123rd Legislature.

Projections for the 2010-2011 biennium include General Fund revenues of \$6,316,133,441. Projected General Fund appropriations for the FY 10-11 biennium are \$6,825,678,201 which result in a structural budget gap for the General Fund of \$508,170,717.

B. REVENUE FORECAST CHARTS FY 08-11

GENERAL FUND REVENUE FORECAST CHARTS

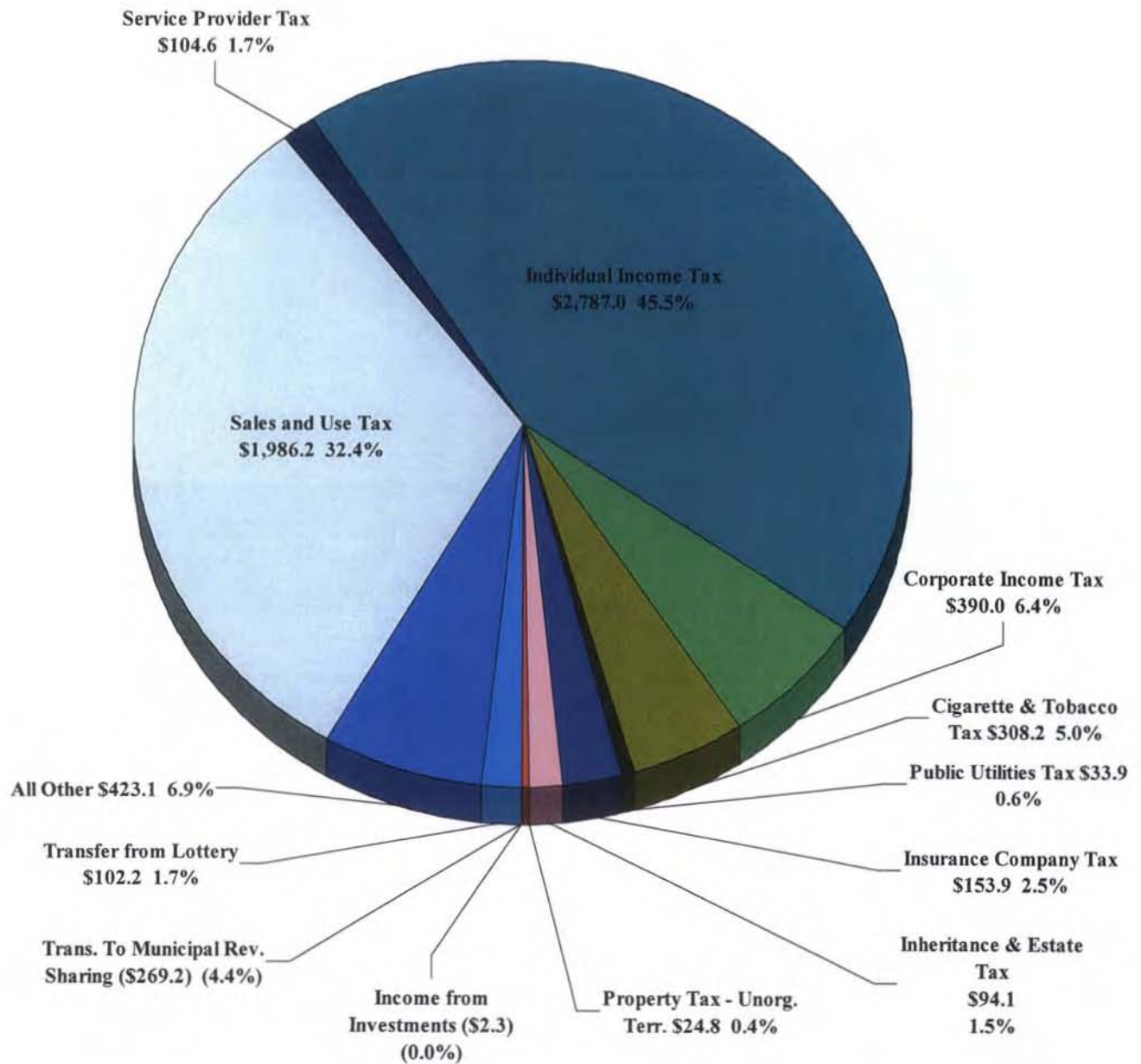
SOURCE	FY 08-09 BUDGET				FY 10-11 FORECAST				
	FY 08	FY 09	YR. TO YR. % CHANGE	TOTAL BIENNIUM	FY 10	YR. TO YR. % CHANGE	FY 11	YR. TO YR. % CHANGE	TOTAL BIENNIUM
Sales and Use Tax	978,060,502	1,008,092,337	3.07%	1,986,152,839	1,041,628,757	3.33%	1,083,309,427	4.00%	2,124,938,184
Service Provider Tax	51,181,910	53,452,742	4.44%	104,634,652	55,590,852	4.00%	57,814,486	4.00%	113,405,338
Individual Income Tax *	1,400,047,321	1,386,952,988	-0.94%	2,787,000,309	1,420,187,193	2.40%	1,449,756,897	2.08%	2,869,944,090
Corporate Income Tax	182,170,000	207,809,068	14.07%	389,979,068	204,584,901	-1.55%	204,139,113	-0.22%	408,724,014
Cigarette & Tobacco Tax	154,786,180	153,408,502	-0.89%	308,194,682	153,280,981	-0.08%	151,352,141	-1.26%	304,633,122
Public Utilities Tax	17,476,987	16,464,397	-5.79%	33,941,384	15,451,807	-6.15%	15,251,807	-1.29%	30,703,614
Insurance Company Tax	76,751,673	77,169,754	0.54%	153,921,427	77,654,204	0.63%	78,075,934	0.54%	155,730,138
Inheritance & Estate Tax	44,562,240	49,524,882	11.14%	94,087,122	54,041,738	9.12%	4,538,896	-91.60%	58,580,634
Property Tax - Unorg. Terr.	12,611,986	12,229,199	-3.04%	24,841,185	12,671,209	3.61%	13,065,192	3.11%	25,736,401
Income from Investments	950,648	(3,204,682)	-437.11%	(2,254,034)	1,901,571	-159.34%	1,901,571		3,803,142
Trans. to Muni. Rev. Share	(133,184,448)	(136,051,715)	2.15%	(269,236,163)	(142,822,400)	4.98%	(146,933,737)	2.88%	(289,756,137)
Transfer from Lottery	49,154,250	53,049,250	7.92%	102,203,500	53,034,250	-0.03%	53,034,250		106,068,500
All Other	206,171,173	216,919,557	5.21%	423,090,730	199,459,584	-8.05%	204,162,817	2.36%	403,622,401
TOTAL REVENUE	3,040,740,422	3,095,816,279	1.81%	6,136,556,701	3,146,664,647	1.64%	3,169,468,794	0.72%	6,316,133,441

FY 08 - 09

General Fund Budgeted Revenues

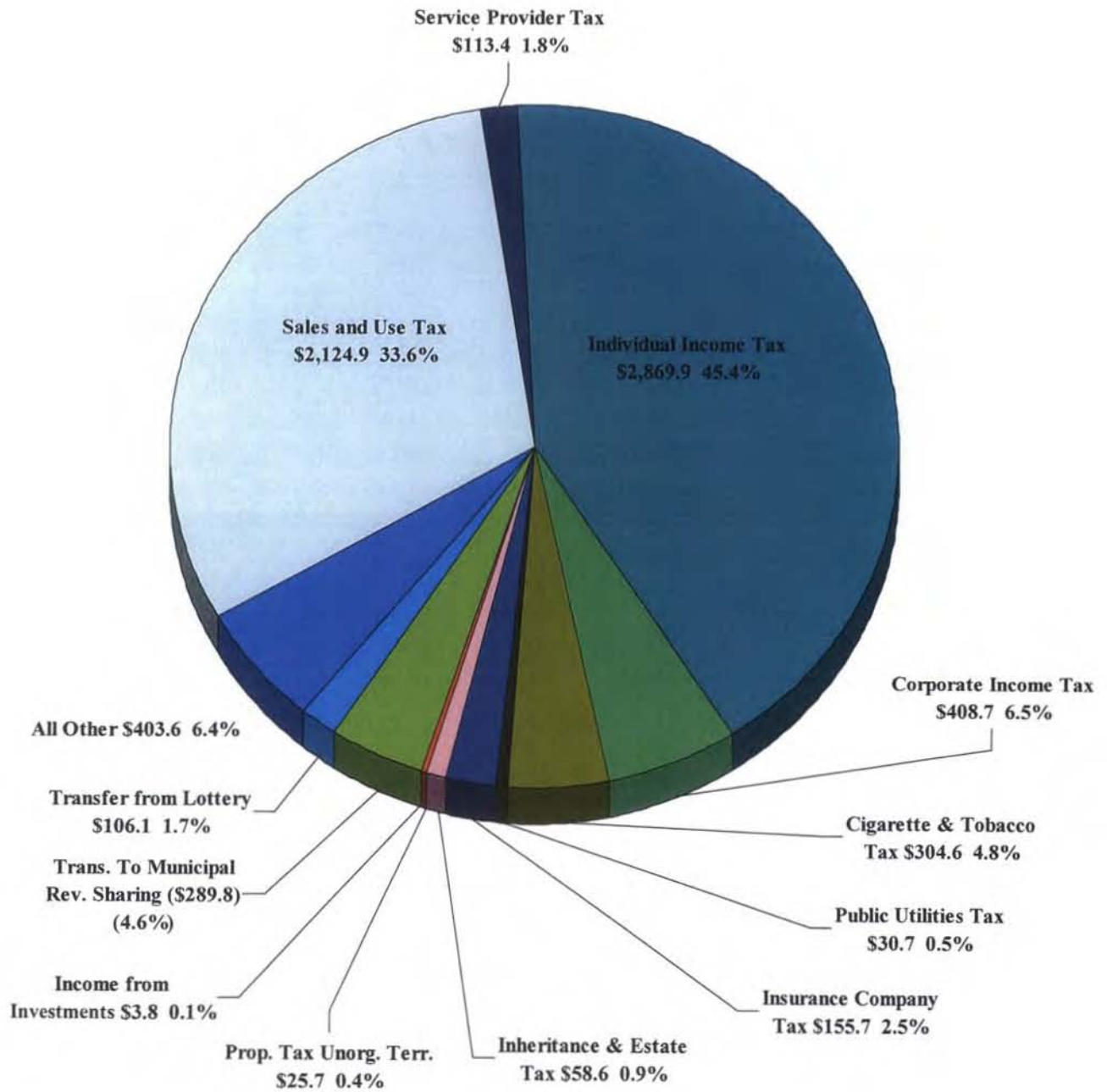
\$6,136.6

*Includes Municipal Revenue Sharing of \$269.2
and Income From Investments Loss of \$2.3*
Dollars in Millions



FY 10 - 11 General Fund Forecast Revenues \$6,316.1

Includes Municipal Revenue Sharing of \$289.8
Dollars in Millions



C. General Fund Revenue Forecast Narrative

SALES AND USE TAX

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
978,061	1,008,092	3.07%	1,986,153	1,041,629	3.33%	1,083,309	4.00%	2,124,938

The Sales and Use Tax forecast for FY 09, FY 10 and FY 11 includes all actions of the Revenue Forecasting Committee through March 2008 and reflects all actions of the 123rd Legislature. Sales and use tax receipts have slowed recently as high energy prices and the slowing economy have combined to constrain household consumption. A gradual reduction in energy prices and improving personal income growth in the next biennium should result in somewhat higher growth in sales tax collections. It is projected that revenues from Sales and Use Tax will grow between 3.3% and 4.0% over the 2010-2011 biennium.

SERVICE PROVIDER TAX

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
51,182	53,453	4.44%	104,635	55,591	4.00%	57,814	4.00%	113,405

The Legislature in Public Law 2003, chapter 673, Part V, reclassified various categories previously included in the Sales and Use Tax as the Service Provider Tax, effective in FY 05. This law reflects the re-categorization of the following services from the Sales and Use Tax to the Service Provider Tax: (a) extended cable television services; (b) fabrication services; (c) rental of video media and video equipment; (d) rental of furniture, audio media and audio equipment pursuant to a rental-purchase agreement; (e) telecommunication services; and (f) installation, maintenance or repair of telecommunications equipment. In addition, private nonmedical institution services are included under the provisions of Public Law 2003, chapter 673, Part V. Revenue generated from the Service Provider Tax on private nonmedical institution services is credited to the Medical Care Services Other Special Revenue Funds account in the Department of Health and Human Services. It is projected that the revenues to the General Fund from the Service Provider Tax will grow by 4.0% per year over the 2010-2011 biennium.

INDIVIDUAL INCOME TAX

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
1,400,047	1,386,953	-0.94%	2,787,000	1,420,187	2.40%	1,449,757	2.08%	2,869,944

The forecast for FY 09, FY 10 and FY 11 for the Individual Income Tax line includes all actions of the Revenue Forecasting Committee through March 2008 and reflects all actions of the 123rd Legislature. The estimate for FY 09, FY 10 and FY 11 reflects the underlying economic forecast of the Consensus Economic Forecasting Commission with respect to personal income and wage and salary distribution. Maine's personal income is projected to grow at 4.1% for CY 09, CY 10 and CY 11 with wage and salary growth averaging 3.8% during the same three-year period. It is

projected that revenue from the Individual Income Tax line will decline by approximately 1% from FY 08 to FY 09 and increase by approximately 3.0% over the 2010-2011 biennium. Beginning in FY 05, Individual Income Tax revenue was reduced by the amount of the payments under the Maine Residents Property Tax Program (Tax and Rent Refund or Circuit Breaker). Amounts necessary for the benefit payments are transferred from Individual Income Tax revenue to a reserve account for payment. Recently, similar arrangements were established for the Business Equipment Tax Reimbursement (BETR) program beginning in FY06 and the Business Equipment Tax Exemption (BETE) program beginning in FY09.

MAINE RESIDENT'S PROPERTY TAX PROGRAM
aka "Tax and Rent Refund" or "Circuit Breaker" Program

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
(46,254)	(46,133)	-0.26%	(92,387)	(46,451)	0.69%	(48,967)	5.42%	(95,418)

Taxpayer reimbursement under the Maine Residents' Property Tax Reimbursement (Tax and Rent Refund or "Circuit Breaker") program is accounted for as a deduction from the Individual Income Tax line rather than an expenditure from General Fund appropriations for that purpose. The program provides a maximum payment of \$2,000, based on the first \$3,000 of property taxes paid by a single-member household (\$4,000 for a multi-member household). The \$3,000/\$4,000 benefit base is indexed for inflation. Beginning with the 2008 program year, taxpayers with household income exceeding \$60,000 (\$80,000 for multi-member households) are ineligible. Renters are eligible for a benefit based on an assumption that 20% of rent constitutes property taxes. The filing period runs from 8/1 to 5/31.

BUSINESS EQUIPMENT TAX REIMBURSEMENT (BETR)

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
(71,463)	(68,147)	-4.64%	(139,610)	(77,707)	14.03%	(79,647)	2.50%	(157,354)

BUSINESS EQUIPMENT TAX EXEMPTION (BETE)

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
	(11,374)	0.00%	(11,374)	(21,538)	89.36%	(27,486)	27.62%	(49,024)

Beginning with FY 06, taxpayer reimbursement under the Business Equipment Tax Reimbursement (BETR) program is accounted for as a deduction from the Individual Income Tax line rather than expenditure from General Fund appropriations for that purpose. BETR reimbursement is 100% of the property taxes paid on eligible property, for the first 12 years, 75% in year 13, 70% in year 14 and so on until it reaches a minimum of 50% in years 18 and beyond. Generally, property first placed into service in Maine after April 1, 1995, but on or before April 1, 2007 is eligible. Only certain retail equipment first placed in service after April 1, 2007 will continue to be eligible for BETR reimbursement. The pattern of BETR reimbursement is affected by the new Business Equipment Tax Exemption (BETE) program. Non-retail property first placed into service after April 1, 2007 is eligible for the BETE program. Business property eligible for BETE is 100%

exempt from the local property tax and the state will reimburse municipalities for a portion of the lost revenue. The percentage reimbursed to municipalities is 100% for the 2008 property tax year, dropping by 10% percentage points each year after until reaching minimum reimbursement rate of 50% in 2013 and later.

CORPORATE INCOME TAX

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
182,170	207,809	14.07%	389,979	204,585	-1.55%	204,139	-0.22%	408,724

The forecast for FY 09, FY 10 and FY 11 for the Corporate Income Tax line includes all actions of the Revenue Forecasting Committee through March 2008 and reflects all actions of the 123rd Legislature. Revenues from the Corporate Tax line for FY 09 are projected to be significantly above FY08 levels because of temporary legislative changes. Corporate profits are forecasted to flatten in future years and are reflected in the negligible growth in corporate income tax receipts in the 2010-2011 biennium.

CIGARETTE AND TOBACCO TAX

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
154,786	153,409	-0.89%	308,195	153,281	-0.08%	151,352	-1.26%	304,633

The forecast for FY 09, FY 10 and FY 11 for the Cigarette and Tobacco Tax line includes all actions of the Revenue Forecasting Committee through March 2008 and reflects all actions of the 123rd Legislature. Cigarette tax revenue is expected to continue its long run decline of approximately 1% per year. The tobacco products tax is projected to grow by 1% to 2% per year.

INSURANCE COMPANY TAX

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
76,752	77,170	0.54%	153,921	77,654	0.63%	78,076	0.54%	155,730

The forecast for FY 09, FY 10 and FY 11 for the Insurance Company Tax line includes all actions of the Revenue Forecasting Committee through March 2008. Revenues from insurance companies are 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 economy, the emphasis on lower workers' compensation premium costs and consumer actions in response to rising premiums appears to be moderating the growth in this revenue source. As a consequence, the base level projection of the Revenue Forecasting Committee as of March 2008 assumes an annual increase of less than 1% during the next biennium.

INHERITANCE AND ESTATE TAX

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
44,562	49,525	11.14%	94,087	54,042	9.12%	4,539	-91.60%	58,581

The forecast for FY 09, FY 10 and FY 11 for the Inheritance and Estate Tax line includes all actions of the Revenue Forecasting Committee through March 2008. Revenues for this line for FY 11 are projected to be significantly lower than FY 10. In 2001, Congress enacted the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") which substantially amended the federal estate tax statute, repealing the federal estate tax for individuals who die in 2010; the pre-EGTRRA law is reestablished for estates of decedents dying in 2011. In response to the passage of EGTRRA, the Legislature changed Maine law to partially decouple the Maine estate tax from the federal estate tax. Under current Maine law, the Maine estate tax will end with deaths occurring in 2009; it does not apply to deaths occurring in 2010 and, unlike current federal law, it will not be re-established for deaths occurring in 2011 or thereafter, resulting in the projected precipitous decline in revenue for this tax line.

MUNICIPAL REVENUE SHARING

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
(133,184)	(136,052)	2.15%	(269,236)	(142,822)	4.98%	(146,934)	2.88%	(289,756)

Sales and Use Tax, Individual Income Tax, Corporate Income Tax and Service Provider Tax lines are subject to Municipal Revenue Sharing in accordance with Title 30-A, § 5681 of the Maine Revised Statutes. That section of statute currently requires that an amount equal to 5.1% of the above referenced tax lines be transferred to the Local Government Fund (Municipal Revenue Sharing). Municipal Revenue Sharing is a calculation based on the forecasts of the four previously referenced tax revenue lines. The reimbursement rate is scheduled to change to 5.2% effective July 1, 2009. The projected growth in Municipal Revenue Sharing for the 2010-2011 biennium is based on the projected increase in the four major lines noted above and in the .1% increase in the reimbursement rate. The .1% increase in FY 10 will result in an increased cost to the General Fund of \$2,746,585 in FY 10 and \$2,825,291 in FY 11. The Legislature also established the Disproportionate Tax Burden Fund to provide additional support for municipalities experiencing a higher than average property tax burden. It also established the Fund for the Efficient Delivery of Local and Regional Services to assist those municipalities that collaborate with other municipalities, counties or state agencies to obtain savings in the cost of delivering local and regional governmental services. These latter two funds receive an allocated share of the total revenue sharing funds.

OTHER REVENUES

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
206,171	216,920	5.21%	423,091	199,460	-8.05%	204,163	2.36%	403,622

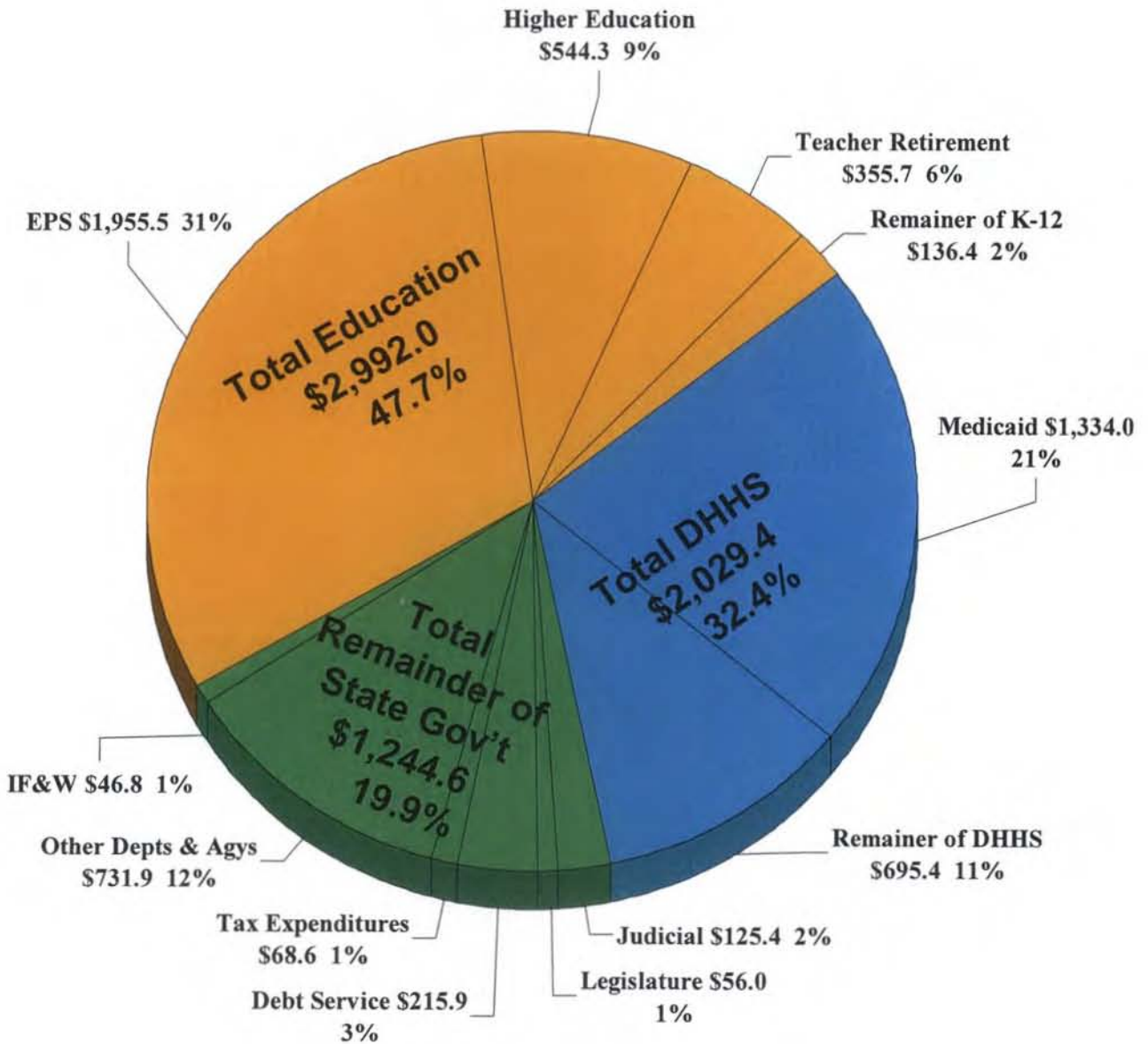
This group reflects all the other General Fund revenue sources collected by the various departments and agencies that are not otherwise classified in the General Fund Summary Table. The 5.21% increase between fiscal years 2008 and 2009 is primarily due to the one - time sale of unclaimed property stock.

D. EXPENDITURE FORECAST CHARTS FY 08-11

GENERAL FUND EXPENDITURE FORECAST CHART

MAJOR PROGRAM CATEGORIES POLICY AREA / AGENCY / PROGRAM	FY 08-09 BUDGET				FY 10-11 FORECAST				
	FY 08	FY 09	YR. TO YR. % CHANGE	BIENNIUM TOTAL	FY 10	YR. TO YR. % CHANGE	FY 11	YR. TO YR. % CHANGE	BIENNIUM TOTAL
Capital Construction & Repairs	95,000	92,259	-2.89%	187,259	94,405	2.33%	94,405		188,810
Business Equipment Tax Reimbursement Program									
Maine Residents Property Tax Program (Circuit Breaker)									
Homestead Property Tax Exemption	27,776,591	28,276,398	1.80%	56,052,989	28,500,000	0.79%	28,500,000		57,000,000
Government Facilities Authority	18,353,890	19,467,124	6.07%	37,821,014	19,745,063	1.43%	19,745,063		39,490,126
Debt Service	84,211,918	88,832,356	5.49%	173,044,274	95,966,238	8.03%	93,698,585	-2.36%	189,664,823
Other Agencies And Programs	115,160,334	115,269,058	0.09%	230,429,392	122,819,076	6.55%	131,622,045	7.17%	254,441,121
Total Policy Area - Governmental Support & Operations	245,597,733	251,937,195	2.58%	497,534,928	267,124,782	6.03%	273,660,098	2.45%	540,784,880
Total Policy Area - Economic Development & Work Force Training	38,156,938	40,034,641	4.92%	78,191,579	40,004,327	-0.08%	40,172,745	0.42%	80,177,072
General Purpose Aid To Local Schools	971,958,385	983,528,140	1.19%	1,955,486,525	1,056,144,000	7.38%	1,089,362,019	3.15%	2,145,506,019
Teacher Retirement/Retired Teachers' Health Insurance	194,467,175	196,375,888	0.98%	390,843,063	207,107,302	5.46%	217,765,132	5.15%	424,872,434
Preschool Handicapped	15,371,026	16,367,667	6.48%	31,738,693	16,352,270	-0.09%	16,352,270		32,704,540
Other Agencies And Programs	298,403,242	295,230,319	-1.06%	593,633,561	309,684,228	4.90%	321,559,771	3.83%	631,243,999
Total Policy Area - Education	1,480,199,828	1,491,502,014	0.76%	2,971,701,842	1,589,287,800	6.56%	1,645,039,192	3.51%	3,234,326,992
Medical Care - Payments To Providers	358,460,824	343,718,331	-4.11%	702,179,155	382,168,936	11.19%	385,125,488	0.77%	767,294,424
Nursing Facilities	68,895,073	71,289,352	3.48%	140,184,425	73,979,227	3.77%	73,979,227		147,958,454
Child Welfare - Foster Care	57,726,716	53,721,385	-6.94%	111,448,101	54,009,416	0.54%	54,007,028	0.00%	108,016,444
Community Mental Health	33,973,827	29,105,960	-14.33%	63,079,787	32,696,017	12.33%	32,638,398	-0.18%	65,334,415
Mental Health Medicaid	44,903,331	51,414,324	14.50%	96,317,655	51,111,819	-0.59%	51,111,819		102,223,638
Community Mental Retardation	26,437,210	26,068,875	-1.39%	52,506,085	28,513,023	9.38%	28,269,550	-0.85%	56,782,573
Mental Retardation Medicaid	107,162,966	99,521,875	-7.13%	206,684,841	104,901,197	5.41%	104,901,197		209,802,394
Mental Health Services - Children	17,703,223	17,532,027	-0.97%	35,235,250	18,156,606	3.56%	18,049,122	-0.59%	36,205,728
Mental Health Services - Child Medicaid	33,140,926	35,179,670	6.15%	68,320,596	34,934,862	-0.70%	34,934,862		69,869,724
Other Agencies And Programs	270,444,568	283,540,953	4.84%	553,985,521	305,088,471	7.60%	298,068,939	-2.30%	603,157,410
Total Policy Area - Health & Human Services	1,018,848,664	1,011,092,752	-0.76%	2,029,941,416	1,085,559,574	7.36%	1,081,085,630	-0.41%	2,166,645,204
Total Policy Area - Natural Resources Development & Protection	73,207,845	71,567,345	-2.24%	144,775,190	77,664,853	8.52%	79,091,847	1.84%	156,756,700
Corrections	153,522,256	151,564,031	-1.28%	305,086,287	183,667,612	21.18%	186,090,611	1.32%	369,758,223
Other Agencies And Programs	110,992,460	110,257,359	-0.66%	221,249,819	128,775,300	16.80%	130,352,104	1.22%	259,127,404
Total Policy Area - Justice & Protection	264,514,716	261,821,390	-1.02%	526,336,106	312,442,912	19.33%	316,442,715	1.28%	628,885,627
Total Policy Area - Business Licensing & Regulation		40,000		40,000		-100.00%			
Total Policy Area - Arts, Heritage & Cultural Enrichment	8,799,631	8,656,907	-1.62%	17,456,538	8,966,032	3.57%	9,135,694	1.89%	18,101,726
GRAND TOTAL GENERAL FUND EXPENDITURES	3,129,325,355	3,136,652,244	0.23%	6,265,977,599	3,381,050,280	7.79%	3,444,627,921	1.88%	6,825,678,201

FY 08 - 09
Total General Fund Appropriations
\$6,266.0
Dollars in Millions

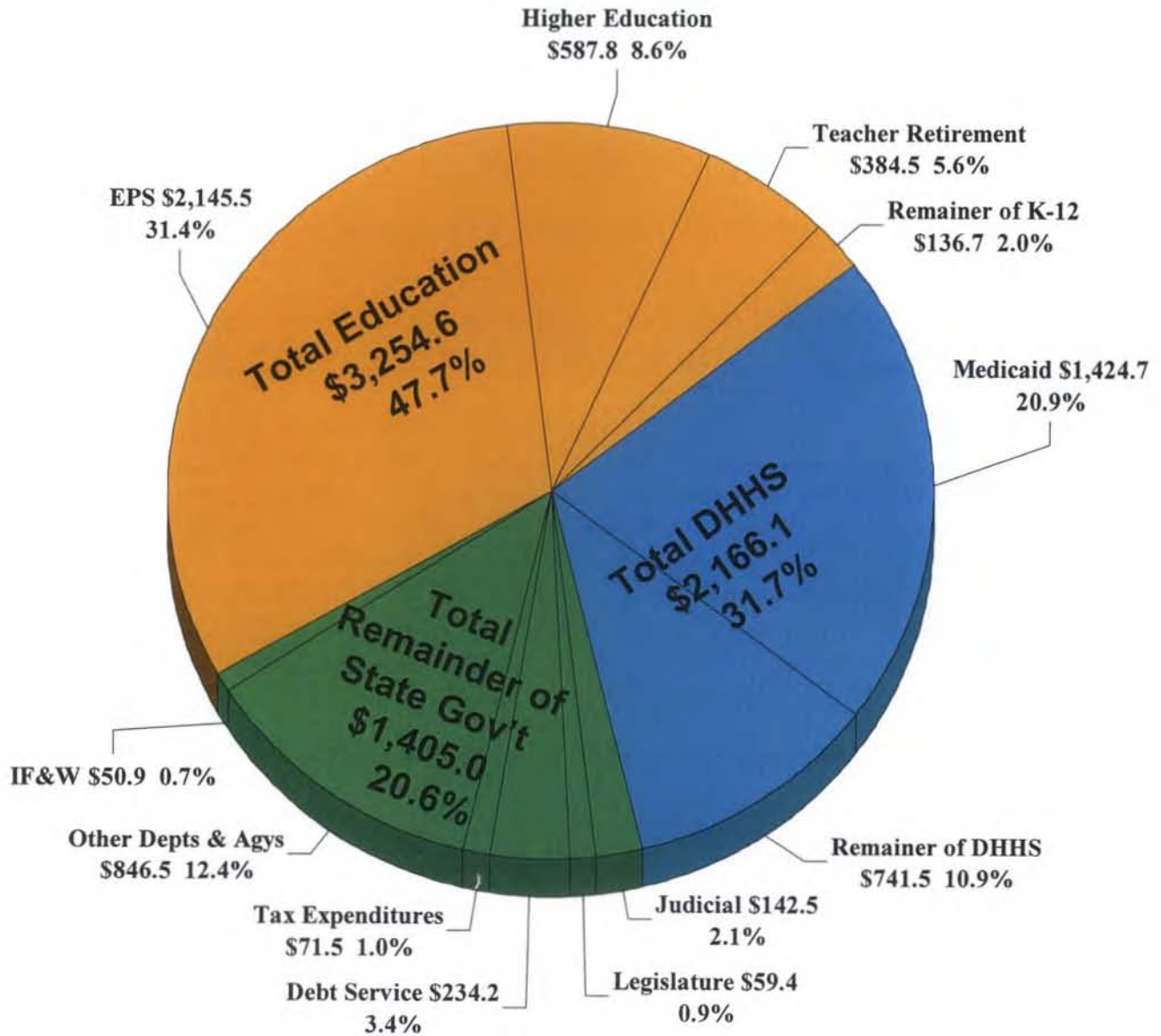


FY 10 - 11

General Fund Projected Appropriations

\$6,825.7

Dollars in Millions



E. General Fund Expenditure Forecast Narrative

CAPITAL CONSTRUCTION AND REPAIRS

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
95	92	-2.89%	187	94	2.33%	94	0.00%	189

Effective with the 2006-2007 biennium, the budget request for this program was reduced to the above levels in an effort to provide savings towards the budget shortfall; therefore, funding was limited solely for planning. Funding for Capital Construction, Repairs and Improvement projects continue to be undertaken through the Governmental Facilities Authority. Funding for the planning of capital repair and improvement projects for the 2010-2011 biennium remains flat at the 2008-2009 biennium levels.

HOMESTEAD PROPERTY TAX EXEMPTION

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
27,777	28,276	1.80%	56,053	28,500	0.79%	28,500	0.00%	57,000

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. Public Law 2005, chapter 2, Part F set the exemption amount at \$13,000 of the individual's homestead valuation and decreased the percentage of the benefit to homeowners that the State is responsible for to the constitutionally required 50%. The program cost the General Fund \$27.8 million in FY 08. A leveling off of municipal tax rates is expected to keep the cost of this exemption relatively flat for fiscal years 2009 through 2011.

GOVERNMENTAL FACILITIES AUTHORITY

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
18,354	19,467	6.07%	37,821	19,745	1.43%	19,745	0.00%	39,490

The expenditure increase of approximately 6% from \$18.4 million in FY 08 to \$19.5 million in FY 09 represents the additional funding for debt service on the issuance of \$11 million in securities in fiscal year 2007-08 and for an additional \$6 million in securities issued in fiscal year 2008-09. The forecast for the 2010-2011 biennium reflects a 1.4% increase in funding over FY 09. The Governmental Facilities Authority, created by Public Law 1997, chapter 523, includes principal and interest payments for loans which financed projects approved through the 123rd Legislature. These include capital repairs and improvements to state-owned facilities throughout the state as designated by the Commissioner of Administrative and Financial Services. Projects undertaken through the Governmental Facilities Authority for the Judicial Branch are included in the Judicial Department's budget as debt service payments and are not reflected in the estimates shown above.

DEBT SERVICE

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
84,212	88,832	5.49%	173,044	95,966	8.03%	93,699	-2.36%	189,665

As of June 30, 2008, the total amount of authorized General Obligation Bonds funded by the General Fund that remained unissued amounted to \$151.8 million. For FY 09 it is projected that \$127.6 million of the unissued General Fund bond inventory will be issued during the June 2009 bond sale. General Fund debt service requirements were \$84.3 million in FY 08 and are projected at \$88.9 million for FY 09. The projection for the 2010-2011 biennium is that \$49.8 of the unused bond inventory will be issued in fiscal year 2010. General Fund debt service requirements are projected at \$96.0 million for FY10 and \$93.7 for FY 11. The debt service requirements for the 2010-2011 biennium will be higher than projected if the Legislature approves sending additional bond proposals to the voters in calendar year 2009.

GENERAL PURPOSE AID TO LOCAL SCHOOLS

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
971,958	983,528	1.19%	1,955,487	1,056,144	7.38%	1,089,362	3.15%	2,145,506

The preliminary budget request for the 2010-2011 biennium includes increases in General Purpose Aid for Local Schools (GPA) of \$72.6 million in FY 2010 and \$105.8 million in FY 2011 over FY 09 levels. The preliminary requests would increase GPA \$190 million over the previous 2008-09 biennium and achieve the commitment made in Public Law 2005, chapter 2, amended by 2007 Public Law chapters 240 and 539, for 55% state share of education costs in both FY 2010 and FY 2011.

TEACHER RETIREMENT & RETIRED TEACHER'S HEALTH INSURANCE

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
194,467	196,376	0.98%	390,843	207,107	5.46%	217,765	5.15%	424,872

The expenditure forecast for the 2010-2011 biennium for Teacher Retirement assumes projected teacher salary and wage growth of 4.75% based upon the actuarial assumption for inflation and general salary increase. Unfunded actuarial liability (UAL) rates are projected at 12.03% in the 2010-2011 biennium based on an actuarial basis from Maine State Retirement System.

The Retired Teachers' Health Insurance program cost is projected to increase 9% in each year of the 2010-2011 biennium based on information from the MEA Benefits Trust renewal and other trend factors. This growth reflects projected increases in premium rates and modest increases in retired teacher enrollment.

MEDICAL CARE – PAYMENTS TO PROVIDERS

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
358,461	343,718	-4.11%	702,179	382,169	11.19%	385,125	0.77%	767,294

General Fund appropriations in the MaineCare (Medicaid) program were significantly impacted by the structural budget gap in the 2008-2009 biennium. Cost savings measures enacted by the 123rd Legislature and implemented by the Department of Health and Human Services included strategies for limiting benefits and services through the care management of members, increased usage of prior authorizations for selected services and by enhancing 3rd-party liability recoveries. An agreement reached with Maine's hospitals to increase payments for hospital services and for cost settlements provided resources of \$102 million over the biennium. An additional \$102 million is included in the 2010-2011 request to continue to meet the terms of the agreement. After factoring in the one-time transfer of resources from the unappropriated surplus of the General Fund in FY 09, the MaineCare program is expected to exhibit growth of 11.1% in FY 10 and almost 1% in FY 11. When compared to projections made by the federal Centers for Medicare and Medicaid Services, Maine's FY 10 growth exceeds the national projection of 7.7% but falls within the FY 11 growth rate of 7.9%.

NURSING FACILITIES

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
68,895	71,289	3.48%	140,184	73,979	3.77%	73,979	0.00%	147,958

The proposed spending in the Nursing Facilities program is projected to experience an increase of 3.8% in FY 10 and remain at that level for FY 11. This modest growth results in part from initiatives enacted by the 123rd Legislature, including a one-time reduction for cost-of-care adjustments and continued reliance on dedicated revenue from a tax on nursing facilities that generates approximately \$30 million annually. Funding was provided in the 2008-2009 biennium to rebase nursing home expenditures for the first time since 1998. These growth rates are below projections for nursing home care expenditures of 5.2% and 5.3% in 2010 and 2011, respectively, made by the federal Centers for Medicare and Medicaid Services.

CHILD WELFARE – FOSTER CARE

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
57,727	53,721	-6.94%	111,448	54,009	0.54%	54,007	0.00%	108,016

The State-Funded Foster Care/Adoption Assistance and IV-E Foster Care/Adoption Assistance programs in the Department of Health and Human Services provide foster care, independent living and adoption assistance services to children in the care or custody of the Department of Health and Human Services. Payments made from the IV-E Foster Care/Adoption Assistance program support children who are eligible under Title IV-E of the federal Social Security Act; payments from the State-Funded Foster Care/Adoption Assistance program support children not eligible under Title IV-E. Savings in these programs were achieved in the 2008-2009 biennium by reducing the

reimbursement rate for adoption assistance, implementing utilization review criteria for clinical services and transferring previously contracted assessment functions to state child welfare workers. This program is expected to experience growth of less than 1% in FY 10 and remain at that level in FY 11.

COMMUNITY MENTAL HEALTH

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
33,974	29,106	-14.33%	63,080	32,696	12.33%	32,638	-0.18%	65,334

Funds for the Community Mental Health program are provided for services to adults who are not eligible for MaineCare or for services that are not covered by MaineCare. The 2008-2009 biennial budget reflected reduced funding for community integration services and for services for individuals who are not class members. It also included a one-time reduction for rental assistance services in this program. In FY 09 these services are supported by the Housing Opportunities for Maine Fund administered by the Maine State House Authority. After factoring in the one-time FY 09 savings amount, program growth is projected at 1.9% in FY 10 and stays at approximately that level for FY 11.

MENTAL HEALTH MEDICAID

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
44,903	51,414	14.50%	96,318	51,112	-0.59%	51,112	0.00%	102,224

This program provides services to adults with mental illness who are eligible for benefits under the MaineCare program. While the baseline funding in the 2008-2009 biennium saw a large increase from the 2006-2007 biennium, subsequent adjustments achieved reductions by adjusting rates to a standard rate per service, eliminating intensive community integration and consolidating outpatient services into one section of MaineCare. In addition, savings to the General Fund of approximately \$6.4 million each year are realized by continued reliance on dedicated revenue generated by the imposition of a service provider tax on private non-medical institutions (PNMI). Funding for this program is not expected to grow from FY 09 levels.

COMMUNITY MENTAL RETARDATION

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
26,437	26,069	-1.39%	52,506	28,513	9.38%	28,270	-0.85%	56,783

The Mental Retardation service delivery system must provide services and support to a limited number of people with mental retardation who are not eligible for MaineCare. The program also assists those in need with financial resources to pay for some services that are not covered by the MaineCare program, such as family support, housing, food and supported employment. During the 2008-2009 biennium, funding was provided for room and board costs for approximately 2,000 individuals. Subsequent initiatives achieved savings by redirecting sheltered workshop costs to the

waiver support program and by eliminating funding for day habilitation services for adults who were not eligible for MaineCare. Program growth during the 2010-2011 biennium is projected to be 9.4% in FY 10, but will drop almost 1% in FY 11.

MENTAL RETARDATION MEDICAID

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
107,163	99,522	-7.13%	206,685	104,901	5.41%	104,901	0.00%	209,802

Funding in the Medicaid Services – Mental Retardation and the Mental Retardation Waiver – MaineCare programs supports services for people with mental retardation or autism who are MaineCare eligible or who receive services that are MaineCare reimbursable. Approximately 94% of people served by the mental retardation service system are MaineCare beneficiaries. Services provided include residential support, day habilitation and transportation. The baseline budgets for the 2008-2009 biennium saw fairly significant increases compared to 2006-2007 levels. Subsequent savings initiatives adopted in the 2008-2009 biennium restrict access to community support services, adjusted rates and redesigned services and implemented a care management effort. In addition, dedicated revenue generated by the service provider tax provides almost \$16 million annually, allowing General Fund reductions in these accounts. Growth in this program is projected at 5.4% in FY 10 but remains essentially flat in FY 11.

MENTAL HEALTH SERVICES - CHILDREN

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
17,703	17,532	-0.97%	35,235	18,157	3.56%	18,049	-0.59%	36,206

Funds for Children's Mental Health Services are provided for services to children who are not eligible for MaineCare or for services that are not covered by MaineCare. The 2008-2009 biennium reflected savings from standardizing rates, reduced funding for one-time or short-duration services and the elimination of targeted case management services. Funding growth in this program is expected to be 3.6% in FY 10 but remains essentially flat in FY 11.

MENTAL HEALTH SERVICES – CHILD MEDICAID

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
33,141	35,180	6.15%	68,321	34,935	-0.70%	34,935	0.00%	69,870

General Fund support is used to provide state seed for services provided to eligible children and youth under the MaineCare program. For the 2008-2009 biennium, the baseline budget saw considerable increases when compared to 2006-2007 biennium levels. Subsequent initiatives saw savings realized from consolidating outpatient services into one section of MaineCare, streamlining case management services and adjusting rates to a standardized rate per service. Funding for this program in the 2010-2011 biennium is not expected to grow from FY 09 levels.

CORRECTIONS

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
153,522	151,564	-1.28%	305,086	183,668	21.18%	186,091	1.32%	369,758

Legislation was passed during the second session of the 123rd Legislature to coordinate and reduce the cost of the delivery of state and county correctional services. This legislation caps the assessments to municipalities for the operating cost of county correctional services and also limits the assessments for debt service to jail debt that was in existence as of July 1, 2008. The anticipated funding requirement to offset these assessment limitations is \$7.7 million in FY 10 and \$10.4 million in FY 11. The Board of Corrections that was established in this legislation has the responsibility to develop a plan to achieve systemic cost savings and cost avoidance through a unified correctional system.

The FY 10 and FY 11 forecast includes budgeted premium overtime at the FY 08 actual amount. The increase for each year to achieve this funding level is \$5.2 million.

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A. BUDGET STATUS FY 09-11

HIGHWAY FUND STATUS						
	FY 08-09 BIENNium			FY 10-11 BIENNium		
	FY 08	FY 09	TOTAL	FY 10	FY 11	TOTAL
BALANCE	4,200,347		4,200,347	620,129		620,129
ADJUSTMENTS TO BALANCE	6,203,827	(2,558,023)	3,645,804			
REVENUE	326,356,039	350,242,726	676,598,765	328,233,831	331,962,554	660,196,385
TOTAL RESOURCES	336,760,213	347,684,703	684,444,916	328,853,960	331,962,554	660,816,514
ALLOCATIONS	336,160,213	347,664,574	683,824,787	472,008,820	536,919,013	1,008,927,833
PROJECTED BALANCE (SHORTFALL)	600,000	20,129	620,129	(143,154,860)	(204,956,459)	(348,111,319)

The Highway Fund adjusted fund balance for FY 08 was \$600,000 and is projected to be \$620,129 at the end of FY 09, after adjustments from the 2nd Regular and 1st Special Sessions of the 123rd Legislature.

The Revenue Forecasting Committee (RFC) in its December 2007 report reprojected revenues downward by \$7.9 million for the 2010-11 biennium. In March 2008 the RFC increased its revenue projections by \$5.0 million resulting a net overall revenue decrease of \$2.9 million for the 2010-11 biennium. The above revenue projections also include revisions made in miscellaneous laws enacted by the 2nd Regular and 1st Special Session of the 123rd Legislature.

Public Law 2007, chapter 470 established the TransCap Trust Fund at the Maine Municipal Bond Bank to provide transportation capital investment for the Department of Transportation and municipalities for the purpose of providing financial assistance for the planning, design, acquisition, reconstruction and rehabilitation of transportation capital improvements.

The TransCap Trust Fund impacts Highway Fund revenues. A portion of gas and special fuel taxes as well as the increase to certain registration plate and annual registration and title fees (approximately \$34 million per year) now go to the TransCap Trust Fund rather than the Highway Fund.

Projections for the FY 10-11 biennium include Highway Fund revenue of \$660,196,385 that, when combined with the projected balance from the FY 08-09 biennium of \$620,129 brings total resources to \$660,816,514. Projected Highway Fund allocations for the FY 10-11 biennium are \$1,008,927,833 which would result in a projected structural budget gap of \$348,111,319.

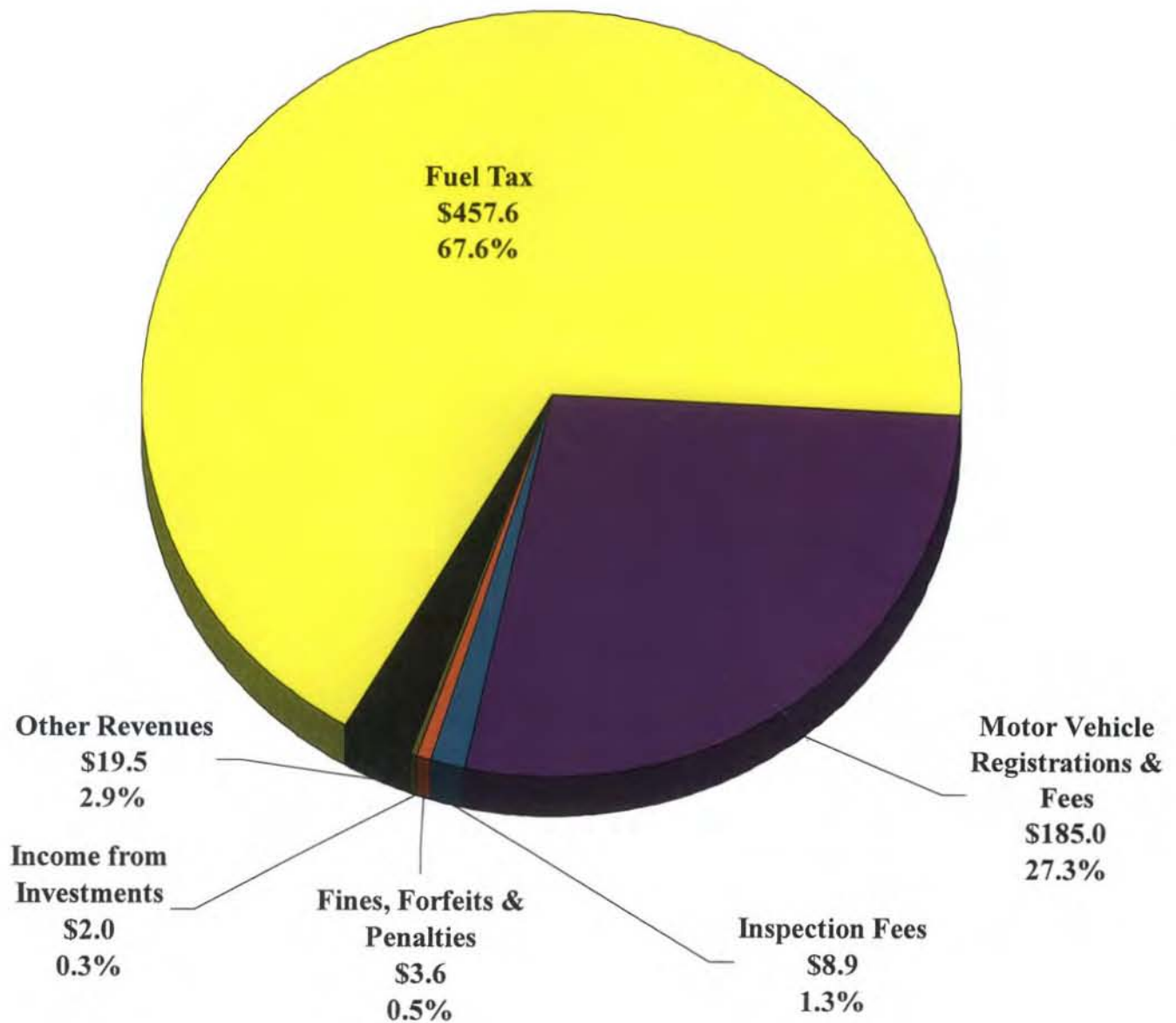
B. REVENUE FORECAST CHARTS FY 08-11

HIGHWAY FUND REVENUE FORECAST CHARTS

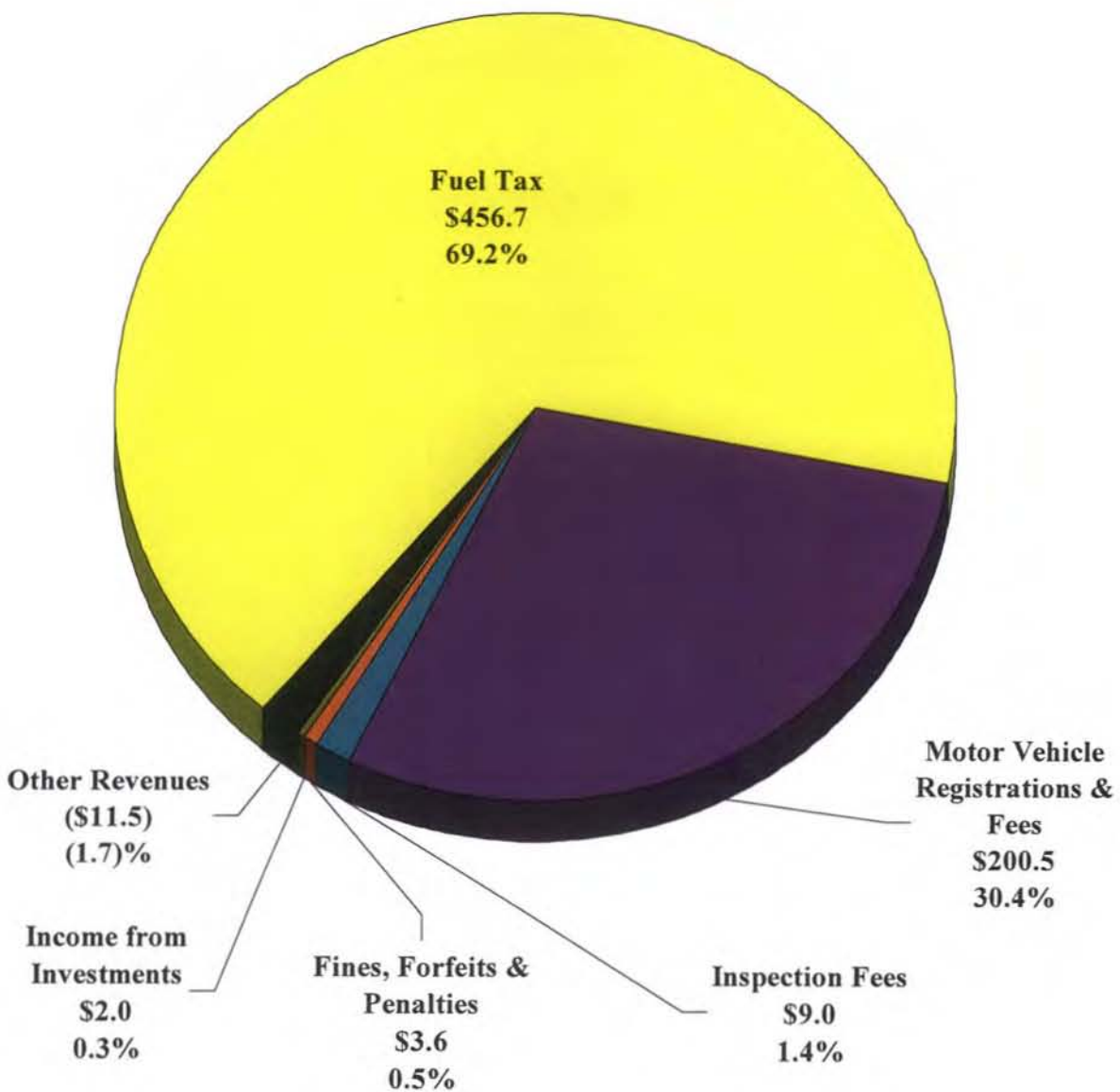
SOURCE	FY 08-09 BUDGET				FY 10-11 FORECAST				
	FY 08	FY 09	YR. TO YR. % CHANGE	TOTAL BIENNIUM	FY 10	YR. TO YR. % CHANGE	FY 11	YR. TO YR. % CHANGE	TOTAL BIENNIUM
Fuel Tax	223,368,718	234,197,278	4.85%	457,565,996	226,829,873	-3.15%	229,823,555	1.32%	456,653,428
Motor Vehicle Registrations & Fees	85,953,481	99,036,359	15.22%	184,989,840	99,916,146	0.89%	100,606,763	0.69%	200,522,909
Inspection Fees	4,468,458	4,474,821	0.14%	8,943,279	4,481,057	0.14%	4,487,326	0.14%	8,968,383
Fines Forfeits & Penalties	1,794,049	1,795,049	0.06%	3,589,098	1,795,049		1,795,049		3,590,098
Income from Investments	1,000,000	1,000,000		2,000,000	1,000,000		1,000,000		2,000,000
Other Revenues	9,771,333	9,739,219	-0.33%	19,510,552	(5,788,294)	-159.43%	(5,750,139)	-0.66%	(11,538,433)
TOTAL REVENUE	326,356,039	350,242,726	7.32%	676,598,765	328,233,831	-6.28%	331,962,554	1.14%	660,196,385

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FY 08 - 09
Highway Fund Budgeted Revenues
\$676.6
Dollars in Millions



FY 10 - 11
Highway Fund Forecast Revenues
\$660.2
Dollars in Millions



C. Highway Fund Revenue Forecast Narrative

FUEL TAX

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
223,369	234,197	4.85%	457,566	226,830	-3.15%	229,824	1.32%	456,653

The forecast for the Motor Fuel Taxes was updated by the Revenue Forecasting Committee in March 2008. The forecast for the 2008-2009 biennium reflects an inflation adjustment to the tax rates that took effect on July 1, 2007 and July 1, 2008. The gasoline tax rate was increased from \$0.268 to \$0.276 per gallon on July 1, 2007 and then to \$0.284 per gallon on July 1, 2008. The tax on diesel fuel was increased from \$0.279 to \$0.288 per gallon on July 1, 2007 and then to \$0.296 per gallon on July 1, 2008. The change in the forecast for the 2010-2011 biennium primarily reflects increased revenue associated with the indexing of motor fuel taxes in accordance with Public Law 2001, c. 688 and the recent increase in energy prices that have slowed the growth of motor fuel consumption. Effective with fiscal year 2010 a portion of the gas and special fuel tax will be dedicated to the TransCap Trust Fund at the Municipal Bond Bank in accordance with Public Law 2007, c. 470.

MOTOR VEHICLE REGISTRATIONS AND FEES

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
85,953	99,036	15.22%	184,990	99,916	0.89%	100,607	0.69%	200,523

The forecast for FY 09, FY 10 and FY 11 for Motor Vehicle Registration Fees include all actions of the Revenue Forecasting Committee through March 2008 and all actions of the 123rd Legislature. The projections for FY 09 reflect a change of 15.22% over FY 08 revenues due to a \$10.00 increase in the fee, for passenger vehicle registration, vanity registration plates and in the certificate of title, which took effect on September 1, 2008. The FY 10 and FY 11 forecast reflects less than 1% growth increase in motor vehicle registrations and fees. Beginning with FY 10 the revenue collected from the increase in fees will be transferred to the TransCap Trust Fund established by Title 30, MRSA, section 6006-G. This fund transfer is recognized in the Other Revenues category.

INSPECTION FEES

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
4,468	4,475	0.14%	8,943	4,481	0.14%	4,487	0.14%	8,968

The forecast for Inspection Fees for FY 09 reflects a change of .14% over FY 08 revenues. Revenues from Inspection Fees are expected to remain flat for the 2010-2011 biennium.

OTHER REVENUES

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 10 (000)	YR % CHANGE	TOTAL BIENNIUM
9,771	9,739	-0.33%	19,511	-5,788	-159.43%	-5,750	-0.66%	-11,538

Other Revenues within the Highway Fund for fiscal years 2010 and 2011 reflect a negative growth over the 2008-09 biennium due to the transfer of approximately \$15.6 million annually in highway fund revenue to the TransCap Trust Fund at the Municipal Bond Bank, effective with fiscal year 2010.

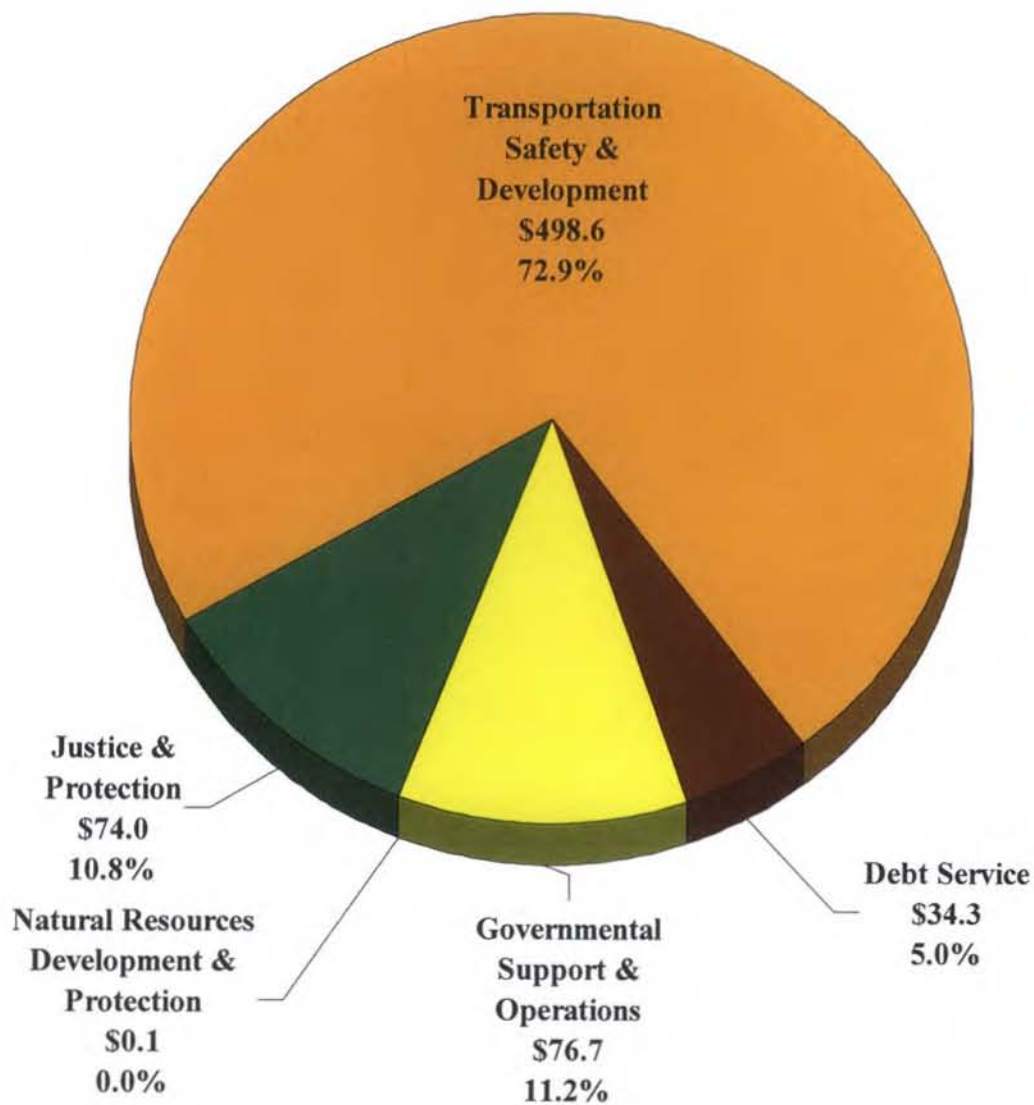
D. EXPENDITURE FORECAST CHARTS FY 08-11

HIGHWAY FUND EXPENDITURE FORECAST CHART

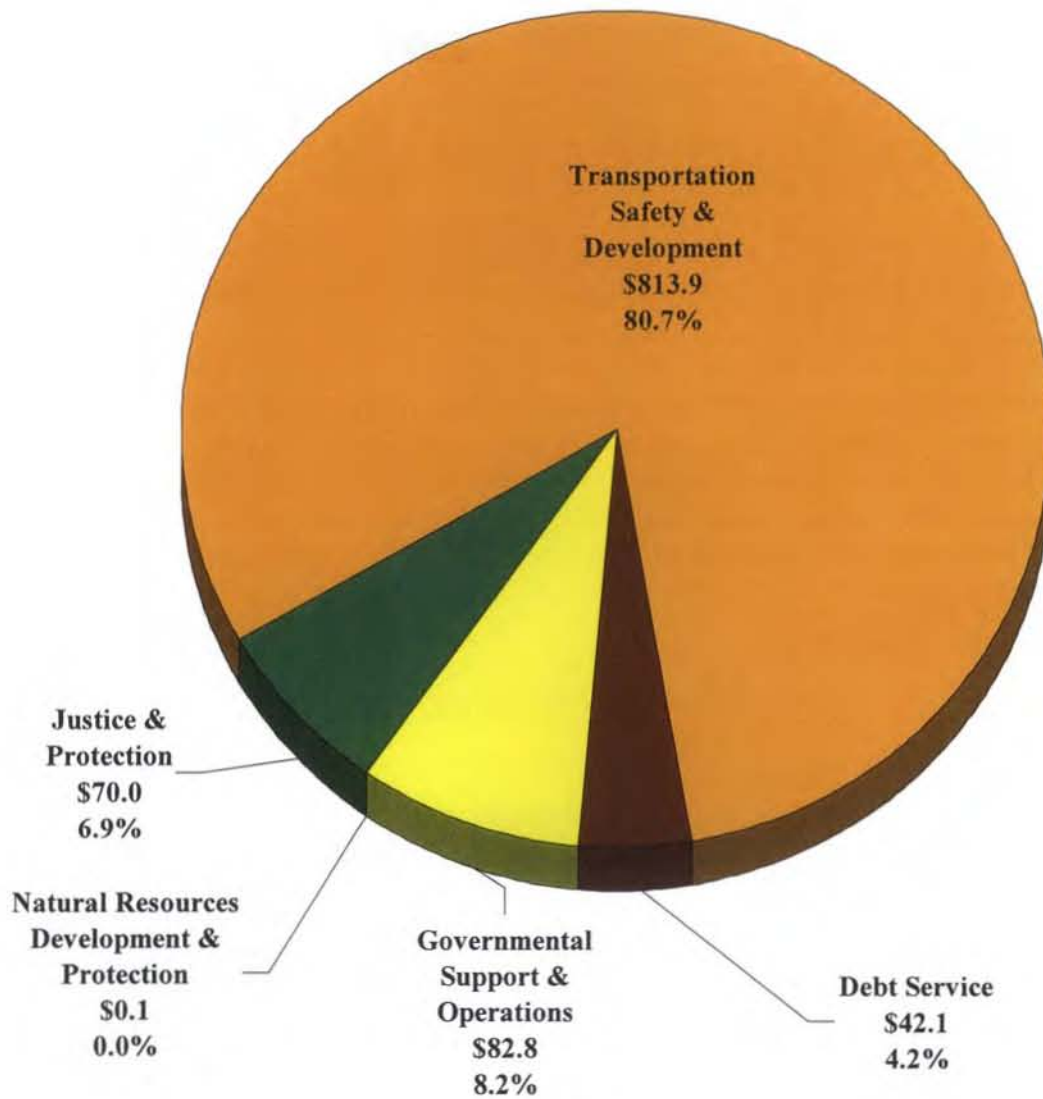
MAJOR PROGRAM CATEGORIES POLICY AREA / AGENCY / PROGRAM	FY 08-09 BUDGET RECOMMENDATIONS				FY 10-11 FORECAST				
	FY 08	FY 09	YR. TO YR. % CHANGE	BIENNIUM TOTAL	FY 10	YR. TO YR. % CHANGE	FY 11	YR. TO YR. % CHANGE	BIENNIUM TOTAL
Capital Construction and Improvement Reserve Fund	667,677	669,497	0.27%	1,337,174	669,497		669,497		1,338,994
Other Agencies And Programs	37,750,140	37,659,031	-0.24%	75,409,171	40,120,499	6.54%	41,352,660	3.07%	81,473,159
Total Policy Area - Governmental Support & Operations	38,417,817	38,328,528	-0.23%	76,746,345	40,789,996	6.42%	42,022,157	3.02%	82,812,153
Total Policy Area - Natural Resources Development & Protection	36,749	36,727	-0.06%	73,476	36,727		36,727		73,454
State Police	27,769,560	28,396,454	2.26%	56,166,014	25,209,924	-11.22%	25,677,682	1.86%	50,887,606
Other Agencies And Programs	8,811,103	9,053,738	2.75%	17,864,841	9,430,206	4.16%	9,726,982	3.15%	19,157,188
Total Policy Area - Justice & Protection	36,580,663	37,450,192	2.38%	74,030,855	34,640,130	-7.50%	35,404,664	2.21%	70,044,794
Maintenance & Operations	136,791,278	135,745,920	-0.76%	272,537,198	156,165,962	15.04%	155,927,472	-0.15%	312,093,434
Highway & Bridge Improvement	66,529,189	73,160,097	9.97%	139,689,286	160,025,555	118.73%	218,295,193	36.41%	378,320,748
Urban-Rural Initiative Program	25,868,543	25,026,270	-3.26%	50,894,813	38,603,939	54.25%	44,799,755	16.05%	83,403,694
Debt Service	14,500,995	19,827,283	36.73%	34,328,278	21,693,241	9.41%	20,397,082	-5.97%	42,090,323
Other Agencies And Programs	17,434,979	18,089,557	3.75%	35,524,536	20,053,270	10.86%	20,035,963	-0.09%	40,089,233
Total Policy Area - Transportation Safety & Development	261,124,984	271,849,127	4.11%	532,974,111	396,541,967	45.87%	459,455,465	15.87%	855,997,432
TOTAL HIGHWAY FUND EXPENDITURES	336,160,213	347,664,574	3.42%	683,824,787	472,008,820	35.77%	536,919,013	13.75%	1,008,927,833

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FY 08 - 09
Highway Fund Budgeted Allocations
\$683.8
Dollars in Millions



FY 10 - 11
Highway Fund Projected Allocations
\$1,008.9
Dollars in Millions



E. Highway Fund Expenditure Forecast Narrative

CAPITAL CONSTRUCTION AND IMPROVEMENT RESERVE FUND

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
668	669	0.27%	1,337	669	0.00%	669	0.00%	1,339

Funds in the 2010-2011 biennium are necessary for payment of debt service costs on a ten year Certificate of Participation for renovations to the Department of Transportation building in Augusta.

STATE POLICE

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
27,770	28,396	2.26%	56,166	25,210	-11.22%	25,678	1.86%	50,888

The Maine State Police have primary goals of 1) patrolling rural areas of Maine without organized police departments for the purpose of preventing and investigating criminal activity; 2) enforcing traffic safety laws in rural areas, Maine Turnpike and Interstate System; 3) overseeing the Motor Vehicle Inspection Program and enforcing the Commercial Motor Vehicle laws and rules; 4) investigating homicides that occur outside Portland and Bangor; 5) investigating child abuse cases; 6) providing crime laboratory services to all law enforcement agencies; 7) providing a repository for criminal history and records information; and 8) providing specialized administrative and enforcement services. 2007 Public Law, chapter 682, changed the funding ratio of this program from 40% General Fund 60% Highway Fund to 51% General Fund and 49% Highway Fund for FY 10 and beyond.

MAINTENANCE & OPERATIONS

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
136,791	135,746	-0.76%	272,537	156,166	15.04%	155,927	-0.15%	312,093

The Maintenance & Operations program maintains the infrastructure of 16,000 lane miles of interlocking state and state aid highways. It is responsible for winter services to the 8,600 lane miles designated as state highway and the maintenance of all appurtenances and facilities associated with and necessary for the proper and safe utilization of the system by the motoring public. This program provides for the installation, maintenance and upgrading of traffic control devices and lighting. It also maintains 2,800 bridges on public highways for public use and inspection of 3,800 bridges as required by the National Bridge Inspection Standards. The budget projection for the 2010-2011 biennium reflects the increased costs for fuel, increased heating costs, salt, and other consumables.

HIGHWAY AND BRIDGE CAPITAL

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
66,529	73,160	9.97%	139,689	160,026	118.73%	218,295	36.41%	378,321

The Highway and Bridge Improvement program provides for capital improvement of the federal-aid and state highway network in order to maintain a safe, efficient and effective infrastructure for all users of the system. A Highway Fund bond issue of \$100.0 million was authorized for the 2008-2009 biennium to provide for continued support of transportation infrastructure projects. The current level of funding does not meet the goals set forth in 2007 Public Law c. 470, An Act to Secure Maine's Transportation Future; additional funds would be required to maintain that level of production for the 2010-2011 biennium.

URBAN-RURAL INITIATIVE PROGRAM

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
25,869	25,026	-3.26%	50,895	38,604	54.25%	44,800	16.05%	83,404

This program provides Municipal Transportation Assistance funding targeted to the capital needs of rural roads and highways and reflective of urban maintenance responsibilities on state and state-aid roads. The budget projections for the 2010-2011 biennium reflect the requirements of Title 23, chapter 19, §1803-B, sub-§ 1, paragraph D, in which the estimate is derived as 10.658% of the total Department of Transportation budget supported by the Highway Fund and dedicated for highway purposes.

DEBT SERVICE

FY 08 (000)	FY 09 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 10 (000)	YR % CHANGE	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM
14,501	19,827	36.73%	34,328	21,693	9.41%	20,397	-5.97%	42,090

\$100 million of Highway Fund bonds were authorized in the 2008-2009 biennium in order to support highway and bridge improvements.

Summary

This report provides a summary and detailed projection of revenues, appropriations and allocations for the General Fund and the Highway Fund for the 2008-2009 biennium and the 2010-2011 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" in the General Fund of \$508,170,717 and a projected "Structural Gap" of \$348,111,319 in the Highway Fund for the 2010-2011 biennium. The base level revenue projections for the General Fund and the Highway Fund include the March 2008 projection of the Revenue Forecasting Committee and reflect all actions of the 2nd Regular Session and 1st Special Sessions of the 123rd Legislature.