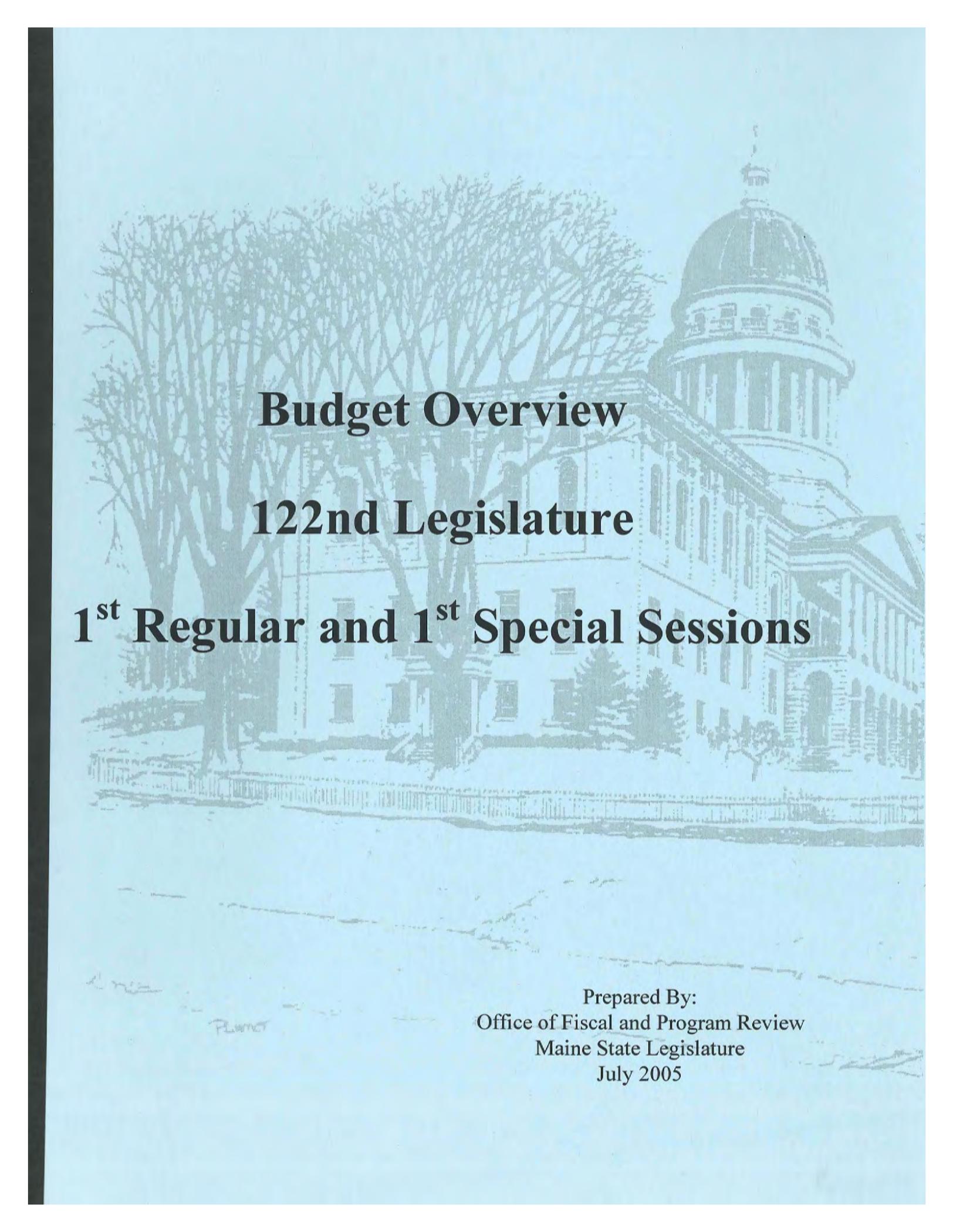


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Budget Overview
122nd Legislature
1st Regular and 1st Special Sessions

Prepared By:
Office of Fiscal and Program Review
Maine State Legislature
July 2005

Budget Overview

122nd Legislature, 1st Regular and 1st Special Sessions

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I. Introduction

This document is intended to provide an overview of the major budget and fiscal decisions of the 122nd Legislature during its 1st Regular and 1st Special Sessions. All amounts are presented in millions of dollars with the exception of Appendix A. As a result of rounding, the detail may not add to the totals. Throughout the document, fiscal years are abbreviated to FY05, FY06 and FY07, which correspond to the fiscal years ending June 30, 2005, June 30 2006 and June 30, 2007, respectively. Additional detailed analyses of the budget and numerous historical analyses are being updated by the Office of Fiscal and Program Review (OFPR) and are or will be available from OFPR. Many of these analyses including this report are or will be posted to OFPR's web page: <http://www.maine.gov/legis/ofpr/>.

II. General Fund Structural Gap – 2006-2007 Biennium

Base Revenue Forecast vs. Governor's Recommendations

At the start of the 122nd Legislature, December 1, 2004, the Legislature was facing a sizeable structural gap or shortfall of baseline revenue estimates established by the Revenue Forecasting Committee (RFC) compared to General Fund current services recommendations. Table II-A below summarizes the General Fund structural gap prior to Legislative actions of the 122nd Legislature and based on the Governor's recommendations for current services appropriations. The Governor's current services appropriations were corrected and adjusted in a March 2005 change package. Those adjustments are reflected in the table. In order to balance the budget solely with reductions of appropriations, an 11.2% reduction of total current services appropriations would have been required over the biennium.

Table II-A General Fund 2006-2007 Structural Gap

Millions of \$'s

	FY06	FY07	Biennium
Base Revenue Estimates - December 2004	\$2,719.1	\$2,828.6	\$5,547.8
Current Services Appropriations	\$3,038.9	\$3,210.7	\$6,249.6
General Fund "Current Services" Surplus (Shortfall)	(\$319.7)	(\$382.1)	(\$701.8)
Surplus (Shortfall) as a % of Appropriations	-10.5%	-11.9%	-11.2%

Items not included and other considerations

The Governor's current services recommendations did not include several items that would have affected the estimate of the General Fund structural gap.

- **FMAP Change** - The Governor's current services recommendations did not factor in a reduction in the Federal Medical Assistance Percentage (FMAP), which increased the state share for the MaineCare/Medicaid program. The FMAP for Maine changed from 64.89% in federal fiscal year 2005 to 62.90% for federal fiscal year 2006. This matching rate

change would have added an additional \$34.2 million in FY06 and \$46.5 million in FY07, assuming no further reductions for federal fiscal year 2007 (based on preliminary estimates, Maine's federal fiscal year 2007 FMAP may drop by approximately 1 percentage point more).

- **School Funding Initiated Bill Approved by Voters** – The Maine Municipal Association's citizen-initiated bill was approved in a run-off election in November 2004. Although inoperative until 45 days after the start of the 122nd Legislature (mid-January), the initiated bill would have called for an immediate increase in the State's share of K-12 education to 55% and resulted in an additional General Fund cost of \$167.1 million in FY06 and \$131.0 million in FY07 over previous estimates of General Purpose Aid for Local Schools program costs prior to the 122nd Legislature's changes. These additional costs were also not factored into the structural gap estimates above. (See discussion of Property Tax Reform below and in Appendix B.)
- **Available FY05 Ending Balance** – The December 2004 Revenue Forecasting Committee revision for FY05 increased the General Fund ending balance by \$71.9 million to \$82.6 million. This amount was not factored in as a resource to offset the 2006-2007 shortfall. In the Governor's original budget submission, it appeared that the whole balance was designated for funding the current year (FY05) shortfalls.

III. Tax Reform – Property Tax Reform

With the approval by the voters of the Maine Municipal Association's (MMA's) initiated bill (see above) and with other tax reform and spending limit initiatives waiting in the wings, the Governor and legislative leadership undertook a very aggressive schedule to implement a property tax reform proposal that included spending limitations at the state, county and municipal levels of government and several other initiatives designed to produce property tax relief. The Governor's proposals also included enhancements of several property tax relief programs. A special select committee, the Joint Select Committee on Property Tax Reform, was established with direction to conclude its work by mid-January 2005.

The enacted version of the property tax reform plan included: a more rapid increase in the State's share of school funding (but not the immediate increase to 55% as called for in MMA's initiated bill); an expansion of the Circuit Breaker program; an increase in the Homestead Exemption program with reduced reimbursement to municipalities; a change to revenue sharing to distribute more to municipalities with disproportionate tax burdens; and the implementation of spending limits for the State, counties and municipalities. Appendix B provides more information regarding tax reform during the 122nd Legislature, including other tax reform initiatives that were considered during the 1st Special Session.

IV. Addressing Current Year (FY05) Funding Issues

The Emergency FY05 or “EFY05” Budget Bill (PL 2005, c. 3) was enacted in early February as a unanimous Appropriations Committee report. That EFY05 Budget Bill addressed several current year funding needs, the largest being MaineCare funding shortfalls. In addition to the adjustments made in the EFY05 Budget Bill, the “Current Services” or Part 1 Budget Bill (PL 2005, c. 12 – a divided committee report enacted as a non-emergency) and the “New and Expanded Programs” or Part 2 Budget Bill (PL 2005, c. 386 – unanimous committee vote and enacted as an emergency) also provided additional funding and made adjustments to FY05. Table IV-A below provides a summary of these FY05 adjustments.

Table IV-A Summary of FY05 General Fund Adjustments	
Increase (Decrease) to General Fund Balance - Millions of \$'s	
	FY05
Budgeted Ending Balance - Prior to 122nd Legislature	\$82.6
Spending/Decreases to Balance	
MaineCare/Medicaid Shortfall - EFY05 Budget	(\$52.0)
BETR and Circuit Breaker Shortfalls	(\$12.8)
Child Welfare Services Shortfall	(\$10.2)
Other Health and Human Services Shortfalls	(\$3.1)
Salary Plan Transfer (for Collective Bargaining)	(\$5.0)
Maine Clean Elections Fund Transfer	(\$2.4)
Reserve for Future Funding Needs	(\$16.4)
Eliminate Intergovernmental Transfer (Portland, Barron Center)	(\$2.5)
Other Miscellaneous Spending/Reductions to Balance	(\$8.2)
Savings/Increases to Balance	
March and June 2005 Revenue Forecasting Committee Revisions	\$29.8
Health and Human Services Billing Revenue Accrual	\$11.5
MaineCare Reductions - Nursing Facilities	\$3.2
Lapsed General Purpose Aid for Local Schools Savings	\$2.3
Debt Service Savings	\$2.5
Other Miscellaneous Savings/Increases to Balance	\$7.8
Budgeted Ending Balance - After 122nd Legislature, 1st Special	<u>\$27.1</u>

V. Summary of General Fund 2006-2007 Budget Adjustments

The table below and the narratives that follow summarize the adjustments that were made during the 1st Regular and 1st Special Sessions of the 122nd Legislature to offset the General Fund structural gap for the 2006-2007 biennium.

Table V-A Summary of 2006-2007 General Fund Adjustments

Millions of \$'s

	FY06	FY07	Biennium
FY05 Balance Remaining after FY05 Commitments	\$27.1		\$27.1
Transfers and Adjustment to Balance			
Reserve for Future Needs from FY05	\$16.4	\$0.0	\$16.4
Transfers to Retirement Allowance Fund	(\$41.9)	\$0.0	(\$41.9)
Working Capital Advance from Other Special Revenue Funds	\$42.5	(\$42.6)	(\$0.1)
Transfers from Other Special Revenue Funds	\$18.3	\$10.6	\$28.9
Transfer from Fund for a Healthy Maine	\$0.4	\$4.6	\$5.0
Other Transfers and Adjustments to Balance	\$5.6	\$0.8	\$6.3
Subtotal - Transfers and Adjustments to Balance	\$41.2	(\$26.6)	\$14.7
Revenue Adjustments			
Revenue Forecasting Committee Revenue Revisions	\$4.5	\$13.6	\$18.1
BETR Shifted to Revenue, 90% FY07 Reimbursement	(\$73.5)	(\$68.1)	(\$141.6)
Circuit Breaker Benefit Expansions & Rejections	(\$15.1)	(\$17.4)	(\$32.5)
Cigarette and Tobacco Products Tax Increases	\$53.3	\$72.7	\$126.0
Partial Non-conformity with Recent Federal Tax Changes	\$3.1	\$9.5	\$12.5
Corporate Income Tax Apportionment Change	\$5.3	\$4.2	\$9.5
Casual Rental of Living Quarters	\$3.9	\$4.7	\$8.6
Other Tax and Fee Changes General Fund - Gross Amount	\$13.4	\$20.9	\$34.3
Net (Increase) Decrease to Revenue Sharing	\$5.9	\$10.2	\$16.1
Fine Revenue - Increased Fines and Collection Efforts	\$5.3	\$6.2	\$11.5
Other Legislative Adjustments to Revenue	\$18.0	\$14.7	\$32.8
Subtotal - Net Increase (Decrease) of Revenue	\$24.2	\$71.1	\$95.2
Total Increase (Decrease) to Resources	\$92.5	\$44.5	\$137.0
Appropriation Adjustments			
Retirement Amortization Change & Related Deappropriations	(\$107.9)	(\$69.4)	(\$177.3)
Adjustment for BETR Deappropriations Shifted to Revenue	(\$78.1)	(\$82.9)	(\$161.0)
Health Insurance Statewide Deappropriations	(\$4.9)	(\$11.7)	(\$16.6)
Other Statewide Deappropriations	(\$9.8)	(\$14.0)	(\$23.8)
Net MaineCare/Medicaid Adjustments	\$4.6	(\$69.4)	(\$64.8)
Higher Education Adjustments	(\$7.8)	(\$19.2)	(\$27.0)
Net Other Appropriation Adjustments	(\$24.2)	(\$75.0)	(\$99.2)
Net Appropriations (Deappropriations)	(\$228.2)	(\$341.6)	(\$569.8)
Net Increase (Decrease) to General Fund Balance	\$320.8	\$386.1	\$706.9

With the addition of the FY05 budgeted balance forward of \$27.1 million, the 122nd Legislature made net adjustments of \$706.9 million to offset the \$701.8 million 2006-2007 General Fund structural gap. These actions left a budgeted ending balance projected for the end of FY07 of \$5.0 million (Note: the budgeted ending balance at the close of FY06 was only \$1.0 million).

Transfers and Adjustments

Transfers and Adjustments to Balance include a \$41.9 million transfer in FY06 to the Maine State Retirement System. Originally, this amount was budgeted to be transferred as a prepayment toward future unfunded actuarial liability payments beyond the 2006-2007 biennium. In the end, it was used to hold down the appropriations for Teachers' Retirement that were partially restored with the replacement of the Pension Cost Reduction Bonding initiative by PL 2005, c. 457. The 122nd Legislature, like some of its predecessors, also looked for available balances in Other Special Revenue Funds and included budgeted transfers totaling \$33.9 million including \$5.0 million from the Fund for a Healthy Maine. The largest single adjustment in this group, although it nets to a very small amount over the biennium, is the working capital advance of \$42.5 million in FY06 from Other Special Revenue Fund cash pool balance. This adjustment was necessary as part of the final deliberations on the "Part 3" Budget or Pension Cost Reduction Bond Replacement budget to keep the General Fund in balance for FY06. That advance is budgeted to be repaid with interest on the first day of FY07.

Revenue Forecasting Committee Revisions

The baseline forecast for the 2006-2007 biennium at the start of the 122nd Legislature, the December 2004 Revenue Forecasting Committee Forecast, reflected a decrease from FY05 to FY06. This decrease was largely due to some substantial one-time revenue enhancements that the 121st Legislature used to address its structural gap for the 2004-2005 biennium. The largest initiatives that created this decline between these fiscal years were the privatization or lease of the wholesale liquor business and the delays in conformity with federal tax changes.

The Revenue Forecasting Committee met twice during the sessions and made revisions to the baseline forecast. The first was the statutory update due by March 1st. While the economic forecast was not revised at the interim meeting of the Consensus Economic Forecasting Commission in its February 1st report, the Revenue Forecasting Committee did revise the forecast upward in all years by some modest amounts. The largest effect was adjusted to reflect an omission in the December Forecast of a component of individual income tax revenue for tax years beginning on or after 2006. In early June, the RFC met again at the call of the State Budget Officer to address the additional revenue resulting from a positive "April Surprise", allowing the Revenue Forecasting Committee to revise the Individual Income Tax forecast upward by \$70.0 million. After factoring in some negative variances in other tax sources, the net FY05 revenue adjustment was \$27.7 million upward. No adjustments were made beyond FY05 and the RFC urged caution in the commitment of the additional revenue due to a number of uncertainties surrounding the future revenue picture.

Legislative Revenue Changes

During the 2006-2007 biennium, the major initiatives reducing revenue were the change of the BETR program from an appropriation to a reduction of Individual Income Tax revenue beginning in FY06, and the increase in the Circuit Breaker program included in the Property Tax Reform initiatives (the Circuit Breaker program was also shifted from an appropriation to a reduction of individual income tax revenue in FY05 by the 121st Legislature). Excluding the net reductions to these 2 programs and the Revenue Forecasting Committee revisions, legislative initiatives of the 122nd Legislature increased revenue by \$108.2 million in FY06 and \$143.1 million in FY07. Of these amounts, tax and fees changes increased revenue by \$79.0 million in FY06 and \$111.9 million in FY07. Changes in certain taxes and fees, delaying an increase in the revenue sharing percentage and a one-time \$5 million transfer from revenue sharing balances decreased revenue sharing by a total of \$5.9 million in FY06 and \$10.2 million in FY07. Several increases in fine amounts (seat belt violations and certain drug offenses) and additional collection efforts are budgeted to generate additional fine revenue of \$5.3 million in FY06 and \$6.2 million in FY07.

Adjustments to Current Services Appropriations

Over 80% of the net adjustments necessary to bring the budget into balance came from net deappropriations of nearly \$570 million. Of the net change in appropriations over the biennium, over 31% or \$177.3 million was related to retirement deappropriations and over 28% or \$161.0 million was related to the BETR program, which was shifted from appropriations to revenue reductions as noted early. Another large portion of the deappropriations were numerous statewide deappropriations, which will be distributed as reductions to individual General Fund accounts by financial order approved by the Governor. Table V-B below provides a summary of these statewide deappropriations.

Table V-B Summary of 2006-2007 Statewide Deappropriations			
General Fund Appropriations (Deappropriations) - Millions of \$'s			
	FY06	FY07	Biennium
Health Insurance Savings Initiatives	(\$4.9)	(\$11.7)	(\$16.6)
Retirement Amortization Change	(\$10.3)	(\$10.8)	(\$21.1)
5% All Other Reduction	(\$5.8)	(\$5.8)	(\$11.5)
Technology Review and Efficiencies	(\$1.2)	(\$3.8)	(\$4.9)
Other Efficiencies	(\$2.9)	(\$4.5)	(\$7.3)
Total Statewide Appropriations (Deappropriations)	(\$25.0)	(\$36.6)	(\$61.5)

OFPR has provided a historical analysis of General Fund appropriations focusing in on six major programs or program groups. These groups along with Personal Services expenditures (salaries, wages and fringe benefits) have in recent years accounted for approximately 85% of General Fund expenditures and appropriations. Provided below in Table V-C is a summary of these major categories and the adjustments made to these categories by

the 122nd Legislature. Appendix A provides additional detail of the adjustments to these major categories. In addition, a separate analysis of the changes to MaineCare/Medicaid is provided in Appendix D. Net reductions to the appropriations to MaineCare/Medicaid programs were almost \$65 million. This is significant in light of a \$35.5 million payment to settle a legal suit with hospitals and significant shortfalls in appropriations for FY05.

General Fund Appropriations (Deappropriations) - Millions of \$'s			
Major Categories	FY05	FY06	FY07
General Purpose Aid for Local Schools	\$0.0	\$12.6	(\$19.2)
MaineCare/Medicaid	\$44.2	\$4.6	(\$69.4)
Higher Education	\$0.0	(\$7.8)	(\$19.2)
Teachers' Retirement	\$0.0	(\$97.7)	(\$59.4)
Tax Relief and Reimbursement	\$10.6	(\$84.3)	(\$82.8)
Debt Service	\$0.0	(\$4.0)	\$1.3
Personal Services	(\$1.7)	(\$21.7)	(\$31.6)
Other - Non-Personal Services	<u>\$21.4</u>	<u>(\$30.0)</u>	<u>(\$61.3)</u>
Total General Fund Appropriations	\$74.6	(\$228.2)	(\$341.6)

VI. General Fund Appropriations Growth and Appropriations Limits

The property tax reform plan enacted by PL 2005, c. 2 established limits for the growth of appropriations during the 2006-2007 biennium. The limits on appropriations did not become effective until July 1, 2005. Table VI-A shows the calculations of the appropriation limit and the growth of General Fund appropriations. Sections 1 and 2 of Table IV-A show the method of calculating the appropriation limit amount. Although the growth of General Purpose Aid for Local Schools (GPA) is excluded from the limit until the State's share reaches the 55% goal, the calculation in the table is simplified by adding the growth of GPA to the base. This accomplishes the same intent as the temporary exclusion. See PL 2005, c. 2, Part A or Maine Revised Statutes, Title 5, Chapter 142 for the implementing language.

Section 3 of the Table IV-A compares the Appropriations limit with appropriations at different stages and with adjustments for the Business Equipment Tax Reimbursement (BETR) program changes. The Governor's Current Services appropriation recommendations exceeded the calculated appropriations limit by \$143.3 million in FY06 and \$190.6 million in FY07. After legislative adjustments to appropriations, the total approved appropriations through the 122nd Legislature's 1st Special Session were below the limit by \$85.0 million in FY06 and \$150.9 million in FY07. Many legislators had requested a comparison of total appropriations adjusted to add back BETR expenditures, which are now treated as reductions of revenue rather than appropriations. Even after adding back the estimated BETR expenditures, the adjusted amounts would be below the limit in both years.

Section 3 of Table IV-A also provides a look at the growth of appropriations without GPA appropriations. The growth of adjusted appropriations with estimated BETR expenditures added back in, but excluding GPA appropriations, shows negative growth from FY05 to FY06 and less than 1% growth between FY06 and FY07.

1. GROWTH LIMITATION PERCENTAGE	<u>Base</u> <u>Amounts</u>	FY 06	FY 07
Average Real Personal Income Growth (but no greater than 2.75%)		2.58%	2.58%
Average Population Growth		0.53%	0.53%
Growth Limitation Factor when state is in the highest third of tax burden		3.11%	3.11%
2. APPROPRIATIONS LIMITS CALCULATION			
A. Total Appropriations times Growth Factor from #1 Above	\$2,709.9	\$2,794.0	\$2,881.0
B. General Purpose Aid for Local Schools (GPA) Appropriations	\$734.5	\$836.1	\$873.6
C. Growth of GPA Appropriations over FY05 Base Amount		\$101.6	\$139.1
D. Appropriations \$ Limit (D = A + C)		\$2,896	\$3,020
3. COMPARISON OF APPROPRIATIONS TO APPROPRIATIONS LIMITS			
A. "Current Services" Appropriations (Governor's Recommendations)	\$2,709.9	\$3,038.9	\$3,210.7
Annual % Change		12.1%	5.7%
Amount Over (Below) Appropriations Limitation		\$143.3	\$190.6
B. Total Actual Appropriations Through 1st Special Session	\$2,784.5	\$2,810.6	\$2,869.2
Annual % Change		0.9%	2.1%
Amount Over (Below) Appropriations Limitation		(\$85.0)	(\$150.9)
C. Adjusted Appropriations (Adding Back Estimated BETR Payments)	\$2,784.5	\$2,884.1	\$2,937.3
Annual % Change		3.6%	1.8%
Amount Over (Below) Appropriations Limitation		(\$11.5)	(\$82.8)
D. Adjusted Appropriations from C excluding GPA	\$2,049.9	\$2,048.0	\$2,063.7
Annual % Change		-0.1%	0.8%

VII. 2008-2009 General Fund Structural Gap Projections

Table VII-A below summarizes OFPR's preliminary analysis of the General Fund structural gap for the 2008-2009 Biennium. The projections of appropriations presented in this analysis are preliminary based on an expedited review of appropriations growth. The Office of Fiscal and Program Review will be providing a more detailed analysis of the structural gap in the fall of 2005 prior to the start of the 2nd Regular Session of the 122nd Legislature.

Table VII-A General Fund 2008-2009 Structural Gap

	Millions of \$'s				
Appropriations by Major Categories	FY05	FY06	FY07	FY08	FY09
General Purpose Aid for Local Schools	\$734.5	\$836.1	\$873.6	\$955.6	\$1,015.8
MaineCare/Medicaid	\$595.7	\$621.8	\$589.0	\$705.7	\$753.5
Higher Education	\$241.3	\$245.8	\$246.9	\$251.9	\$256.9
Teachers' Retirement	\$181.7	\$152.2	\$205.4	\$219.2	\$232.9
Tax Relief and Reimbursement	\$115.6	\$35.6	\$42.6	\$43.7	\$44.7
Debt Service	\$92.6	\$111.6	\$112.7	\$107.0	\$98.5
Personal Services	\$397.5	\$410.6	\$421.3	\$456.0	\$474.7
Other - Non-Personal Services	\$425.6	\$396.9	\$377.6	\$418.8	\$427.2
Total General Fund Appropriations	\$2,784.5	\$2,810.6	\$2,869.2	\$3,157.8	\$3,304.1
Annual % Change		0.9%	2.1%	10.1%	15.2%
Total Appropriations excluding GPA	\$2,049.9	\$1,974.5	\$1,995.5	\$2,202.2	\$2,288.3
Annual % Change		-3.7%	1.1%	10.4%	14.7%
General Fund Revenue					
December 2004 RFC Forecast	\$2,723.6	\$2,719.1	\$2,828.6	\$2,918.0	\$3,022.8
March 2004 RFC Forecast	\$2.0	\$4.5	\$13.6	\$14.8	\$18.3
June 2004 RFC Forecast	\$27.7	\$0.0	\$0.0	\$0.0	\$0.0
Legislative Changes	\$7.6	\$19.6	\$57.5	\$31.1	\$23.2
General Fund Revenue – Total	\$2,760.9	\$2,743.3	\$2,899.7	\$2,963.9	\$3,064.3
Annual % Change		-0.6%	5.7%	2.2%	5.7%
Approximate Surplus (Shortfall) 2008-2009 Biennium				(\$193.9)	(\$239.8)
Approximate 2008-2009 Biennial Total				(\$433.7)	

This General Fund structural gap estimate reflects a significant improvement from OFPR's estimate provided in February 2005 based on the Governor's original budget submissions, when the 2008-2009 structural gap was estimated to be approximately \$650 million. The 122nd Legislature's actions late in the 1st Special Session to replace the Pension Cost Reduction Bonding initiative with on-going reductions to appropriations and increases in revenue are the major reasons for the improved outlook, which now has the General Fund structural gap for the 2008-2009 biennium in the \$400 to \$450 million range.

Revenue growth through the 2008-2009 biennium is positive, unlike the negative growth between FY05 and FY06. On the appropriations side, the table shows significant growth in General Purpose Aid for Local Schools (GPA), Personal Services appropriations, MaineCare/Medicaid and in some of the "Other" appropriations (largely due to the size of FY07 one-time deappropriations). The growth of GPA, implemented as part of property tax reform, is a major contributor to the imbalance. The Personal Services appropriations growth is

due primarily to the addition of collective bargaining for which no appropriations were provided in FY06 or FY07. The General Fund Salary Plan account, from which agencies can draw down funds for collective bargaining cost, was expected to receive a substantial transfer from excess equity in the Retiree Health Insurance Fund that would leave approximately \$5 million to be absorbed within agency General Fund appropriation amounts.

The largest contributor to the 2008-2009 General Fund structural gap is MaineCare/Medicaid growth, which is projected to increase almost 20% between FY07 and FY08. The underfunding of FY07 FMAP costs by \$10 million, the additional FMAP decrease projected for federal fiscal year 2007 and the early payment in FY06 of some FY07 hospital settlements are the primary reasons for this substantial increase. The assumption of the additional FMAP change, based on the preliminary data, adds approximately \$50 million dollars to the difference between projected General Fund appropriations and General Fund revenue.

VIII. Highway Fund

2006-2007 Highway Fund Structural Gap

Like the General Fund, the Highway Fund was also facing a shortfall for each year of the 2006-2007 biennium. The Highway Fund shortfall, more moderate than the General Fund's, would have represented a 3.7% reduction of Highway Fund allocations to balance the Highway Fund budget. The table below summarizes the Highway Fund structural gap prior to Legislative actions of the 122nd Legislature and is based on the Governor's recommendations for current services allocations. The baseline forecast for the 2006-2007 Biennium reflected a modest increase from FY05 levels and no real disruptions. The indexing of fuel taxes since FY04 has significantly improved the resources available to the Highway Fund and has reduced the chronic structural gaps in the Highway Fund.

Millions of \$'s			
	FY06	FY07	Biennium
Base Revenue Estimates - December 2004	\$330.4	\$340.2	\$670.6
Current Services Allocations - Governor's Recommendations	\$343.7	\$352.6	\$696.4
Highway Fund "Current Services" Surplus (Shortfall)	(\$13.3)	(\$12.4)	(\$25.7)
Surplus (Shortfall) as a % of Current Services Allocations	-3.9%	-3.5%	-3.7%

122nd Legislature's Highway Fund Adjustments

Table VIII-B below summarizes the Highway Fund adjustments made by the 122nd Legislature through the 1st Special Session. Most of the larger adjustments necessary to bring the Highway Fund into balance were net downward adjustments to allocations. The Highway and Bridge Improvement program within the Department of Transportation, whose funding has been historically reduced and replaced by general obligation bonds, was reduced by a total of

\$11.0 million during the 2006-2007 biennium. The other major Highway Fund deallocations emanate from the General Fund budget initiatives related to retirement and health insurance changes.

Highway Fund revenue was revised modestly downward in the March 2005 Highway Fund revenue revision. Legislative changes, the largest being the new gas tax exemption of gas purchases by state employees, decreased Highway Fund revenue by less than \$2.5 million over the biennium.

In addition to the new gas tax exemption that contributed to the General Fund budget solution to replacing the Pension Cost Reduction Bonding initiative, the Highway Fund also contributed to the General Fund budget solution by transferring gas tax revenues of \$0.1 million in each fiscal year to the newly created STAR Transportation Fund, by allocating \$3.2 million and \$3.4 million to reflect the transfer of the subsidy for the Maine State Ferry Service from the General Fund, by deallocating \$0.2 million and \$0.3 million from Highway Fund departments to reflect savings from gas tax exemptions and by deallocating a total of \$1.0 million from Highway Fund departments in FY06 to maintain a balanced Highway Fund budget.

Table VIII-B Summary of 2006-2007 Highway Fund Adjustments

Millions of \$'s

	FY06	FY07	Biennium
FY05 Balance Remaining after FY05 Commitments	\$7.7		\$7.7
Transfers and Adjustment to Balance			
Transfer from Health Insurance Fund	\$0.0	\$0.4	\$0.4
Revenue Adjustments			
Revenue Forecasting Committee Revenue Revisions	(\$0.4)	(\$0.4)	(\$0.8)
Legislative Changes - New Gas Tax Exemptions and Transfers	(\$0.7)	(\$0.9)	(\$1.6)
Total Increase (Decrease) to Resources	\$6.6	(\$0.8)	\$5.8
Allocation Adjustments			
New Marine Highway Transportation (Ferries) Program	\$3.2	\$3.4	\$6.5
Provides funds for Statewide Radio and Network System	\$0.0	\$0.5	\$0.5
Reductions to Highway and Bridge Improvement Program	(\$3.7)	(\$7.3)	(\$11.0)
Retirement Amortization Change and Related Deallocations	(\$4.4)	(\$4.7)	(\$9.1)
Health Insurance Statewide Deallocations	(\$1.3)	(\$3.9)	(\$5.2)
Net Other Adjustments to Allocations	(\$0.9)	(\$1.7)	(\$2.6)
Net Highway Fund Allocations (Deallocations)	(\$7.1)	(\$13.8)	(\$20.9)
Net Increase (Decrease) to Highway Fund Balance	\$13.8	\$12.9	\$26.7

IX. Fund for a Healthy Maine

The Fund for a Healthy Maine (FHM) receives funding primarily from the tobacco settlement agreement. However, beginning in FY07, FHM current services revenue assumptions include a significant increase of \$9.9 million in the second year of the biennium to reflect the FHM's share of the proceeds from slot machines at commercial racetracks. The Governor's Current Services Budget did not allocate these funds; as a result this new budgeted revenue increases FHM balances for FY07. The Governor's recommendations for 2006-2007 (FHM) current services allocations are in aggregate essentially flat-funded from FY05 levels, with slight increases provided for "Personal Services" allocations offset by decreases in "All Other" allocations. Table IX-A below summarizes both the fund's status prior to legislative adjustments of the 122nd and the adjustments made during the 122nd Legislature's 1st Regular and 1st Special Sessions.

Table IX-A 2006-2007 Fund for a Healthy Maine (FHM) Summary

Millions of \$'s

	FY06	FY07	Biennium
FY05 Budgeted Ending Balance	\$2.7		\$2.7
Base Revenue Estimates - December 2004	\$48.8	\$59.4	\$108.2
Current Services Allocations - Governor's Recommendations	\$49.5	\$50.3	\$99.8
FHM "Current Services" Surplus (Shortfall)	\$1.9	\$9.1	\$11.1
Adjustment to FHM Allocations and Other Uses			
Transfers			
Transfer to General Fund	\$0.4	\$4.6	\$5.0
FHM Allocation Adjustments			
Allocations for MaineCare FMAP Change	\$0.4	\$0.5	\$0.9
Reductions to Several Programs to Offset General Fund Transfer	\$0.0	(\$4.6)	(\$4.6)
Allocations for Drugs for the Elderly	\$0.0	\$9.8	\$9.8
Net Allocations and Uses (Deallocations/Reductions in Uses)	\$0.8	\$10.3	\$11.1

These Legislative adjustments include additional allocations for FHM programs that match Federal Medicaid dollars to offset the decrease in the 2006 Federal Medical Assistance Percentage (FMAP) that will take effect on October 1, 2005. In addition, the "Part 3" Budget included transfers of \$5 million in FHM balances to the General Fund. A portion of the available balance for these transfers were created by FY07 deallocations of \$4.6 million across a number of programs, with \$3 million coming from the FHM's share of funding for the elderly low-cost drug program. The "Part 3" Budget also allocates \$9.8 million of the FHM's share of proceeds from slot machines at commercial race tracks to be used for drug programs for the elderly and disabled, which commits nearly all of the budgeted resources of the Fund for a Healthy Maine. The estimated budgeted balance at the end of FY07 is less than \$5,000.

X. General Obligation Bonds

No general obligation bond bills were enacted during the 1st Regular and 1st Special Sessions of the 122nd Legislature. The Joint Standing Committee on Appropriations and Financial Affairs had 22 Bond Bills remaining in committee that were carried over to the next session of the Legislature. In early February 2005, the Governor submitted a bond package that proposed total general obligation borrowing of approximately \$197.4 million, which included \$27.8 million of Highway Fund bonds. Table X-A below provides a summary of the substance of the Governor's bond package.

LD #	Subject	Principal
997	National Guard Armory Improvements	\$1.0
998	Transportation	\$38.0
999	Higher Education Infrastructure	\$12.0
1001	Environmental & Hospice	\$17.5
1020	Economic Stimulation & Higher Education Promotion	\$78.9
1035	Land for Maine's Future	\$50.0
	Total Governor's Recommended Bond Package	\$197.4

As of the printing of this report, negotiations between the major parties appear to have improved the chances that there will be bond issues for voter approval on the November 2005 ballot. The negotiated amount is less than the Governor's original package, \$83 million compared to the \$197.4 million, but the reduced amounts are distributed among most of the items in the Governor's original package.

XI. Fiscal Policy Decisions Affecting Local Governments

Each year in the early fall, the Office of Fiscal and Program Review updates a report of the major state funding disbursed to municipalities and counties. The 122nd Legislature implemented several initiatives that affect the amount of funding disbursed to municipalities and counties. Presented in Table XI-A are some of the major changes that will be reflected in that report. The table also includes some local governmental fee increases that generate additional local revenue, which are not included in OFPR's annual report. Most of the initiatives in this table happened late in the 1st Special Session in the "Part 3" Budget. The largest single item in this table is the increase of GPA. The amounts in the table reflect the increase of GPA over the increases proposed by the 121st Legislature. The amounts for some of the items in this table may be affected further by the distribution of certain statewide deappropriations.

Table XI-A Major Changes Affecting Municipalities and Counties
Decrease (Increase) of Municipal and County Funding - Millions of \$'s

	FY05	FY06	FY07
Adjustments to Educational Funding			
Additional Funding for General Purpose Aid for Local Schools	\$0.0	(\$28.9)	(\$34.8)
Lapse GPA Balances	\$2.3	\$0.0	\$0.0
Delays Educational Efficiency Fund Transfers	\$0.0	\$0.0	\$6.2
School Revolving Renovation Fund - Transfer to General Fund	\$0.0	\$5.9	\$0.0
Delays phase-in of 100% Special Education Cost Reimbursement	\$0.0	\$0.0	\$1.5
Capture Medicaid Savings Otherwise Accruing to School Units	\$0.0	\$0.0	\$2.5
Reduces School Bus Subsidy	\$0.0	\$0.0	\$3.2
Delays Start of Certain Capital Improvement Projects	\$0.0	\$0.0	\$5.2
Adult Education Subsidy Changes	\$0.0	(\$0.3)	(\$0.3)
Municipal Revenue Sharing			
One-time decrease in FY07	\$0.0	\$0.0	\$5.0
Net Decrease (Increase) of Tax and Fee Changes	\$0.1	\$3.5	\$7.7
Delay the increase to 5.2% until July 1, 2007	\$0.0	\$2.4	\$2.5
Divert Local and Regional Efficiency Fund to General Fund	\$0.0	\$2.3	\$2.5
Tax Reimbursement Programs			
Tree Growth Property Tax Reimbursement Delayed	\$0.0	\$5.4	\$0.1
Veterans Tax Exemption Tax Reimbursement Delayed	\$0.0	\$0.9	\$0.0
Homestead Tax Reimb.from 100% to 50% with \$13,000 Exemption	\$0.0	(\$0.1)	(\$0.2)
Homestead Mandate Reimbursement	\$0.0	(\$0.1)	\$0.0
County Jails			
Fees Charged to Counties for High-risk Prisoners ("Safe-keepers")	\$0.0	\$0.1	\$0.1
Reduction of State Support	\$0.0	\$0.2	\$0.1
Other Effects			
Reduce municipal share of park fee revenue	\$0.0	\$0.2	\$0.2
General Assistance - Funded FY05 Shortfall	(\$1.0)	\$0.0	\$0.0
Transportation - Urban Rural Initiative Program - Net Adjustments	\$0.0	\$0.1	\$0.5
Local Tax and Fee Changes			
Municipal Marriage Fees Increased	\$0.0	N/A	N/A
County Fees Increased	\$0.0	(\$1.7)	(\$2.2)

XII. Position Count Changes – All Funding Sources

Through the 1st Special Session of the 122nd Legislature, the General Fund realized a net reduction of approximately 63 positions. These reductions were achieved primarily through the following initiatives:

- Consolidation of Executive Branch information and technology services;
- Restructuring of the Child Welfare system and reduction of children in custody;
- Transferring funding responsibility from the General Fund to Other Special Revenue for various Department of Labor positions;
- Privatization of the current State-operated group homes for persons with mental retardation known as Freeport Towne Square; and
- Privatization of the Office of Advocacy in the Department of Health and Human Services.

The net increase of approximately 12 positions in the Highway Fund is due to a reorganization of programs and positions in the Department of Transportation. This same reorganization also resulted in the net decrease of 27 full-time positions from the Motor Transport Services program in the Highway Garage Fund, which is an internal service fund supported by user charges to Highway Fund programs within the Department of Transportation.

The net reduction to all funds was approximately 644 positions. However, 580 of those position eliminations are attributable to redefining positions in the Maine Military Authority as Limited Period and therefore eliminating the Legislative head-count.

Table XII-A Position Count Adjustments - By Fund	
Net Increase (Decrease) in Legislative Count and FTE Count	
Fund	Position Count
General Fund	(62.692)
Highway Fund	11.923
Other Special Revenue Funds	15.731
Federal Expenditures Fund	(9.654)
Federal Block Grant Funds	(4.000)
Other Funds	<u>(595.538)</u>
Net Increase (Decrease) of Position Counts - All Funds	<u><u>(644.230)</u></u>

XIII. Summary of Major Fiscal Policy Issues

A. Non-emergency Current Services Budget and Early Adjournment

The 1st Regular Session of the 122nd Legislature was adjourned before the end of March 2005 in order to be able to enact the Current Services or “Part 1” Budget (PL 2005, c. 12) as a non-emergency and have the 90-day effective date delay toll before the beginning of the biennium, July 1, 2005. This early adjournment procedure was first implemented by the 118th Legislature in 1997 and was designed to avoid a “shut-down” of state government as a result of failing to pass a budget before the start of a biennium, as occurred in 1991. In both cases, the 118th and the 122nd Legislature were immediately called back into special session and the items pending at the adjournment of the 1st Regular Session carried over to the 1st Special Session. For the 122nd Legislature, the non-emergency enactment resulted in the opportunity for a people’s veto of a controversial pension borrowing initiative, which is discussed in the next section.

Early in the 1st Regular Session, the Property Tax Reform initiative, PL 2005, c. 2, was enacted as a non-emergency, yet had effective dates of July 1, 2005. The early adjournment of the 1st Regular Session addressed some retroactivity and effective date issues with that law.

B. Lottery Securitization vs. Pension Cost Reduction Bonds

The Governor’s original budget proposals included a plan to “securitize” lottery revenue to generate additional revenue from the proceeds of the “securitization” of future lottery revenue. The net benefit to the General Fund was a \$250 million revenue increase during the 2006-2007 biennium. The Governor tied this proposal with its \$250 million infusion of additional resources to the ability to implement the property tax reform initiative enacted in early January 2005. This proposal proved unacceptable to the Legislature, which explored a new initiative with the intent of generating the same amount of net General Fund benefit during the 2006-2007 biennium.

That alternative proposal started out in negotiations as a means of prepaying retirement contributions to realize savings from a prepayment gain using the actuarial interest earnings assumptions. It expanded into a \$447.2 million revenue bond initiative deemed “Pension Cost Reduction Bonds” that did not pledge the full faith and credit of the State. The debt was to be supported by the bundling and transfer of certain non-tax state revenue sources including: the lottery revenue; the revenue from a facility operating video slot machines at commercial racetracks (a “Racino”); and certain dedicated revenue of the Department of the Secretary of State.

The \$447.2 million bonds were intended to provide a net payment of \$410.0 million (after capitalization of FY06 and FY07 interest and other issuance costs) to the Maine State Retirement System near the beginning of FY06. The proceeds would have replaced the normal cost and unfunded actuarial liability (UAL) components of the retirement contributions for teachers, resulting in total biennial General Fund deappropriations of \$358.6 million from Teachers’ Retirement. With the extra savings above the \$250 million, the Legislature proposed

to make an additional transfer to the Retirement System of \$41.9 million, which, when added to net proceeds after satisfying the 2006-2007 biennial liabilities, would have provided \$120.0 million for the prepayment of future UAL payments.

This borrowing package proved controversial and because the Current Services or “Part 1” Budget (PL 2005, c. 12) was enacted as a non-emergency, it was subject to the possibility of a people’s veto. A petition drive to gather the necessary signatures began shortly after passage. This petition effort was abandoned when the controversial borrowing package was eliminated by the enactment of the “Part 3” Budget, Public Law 2005, chapter 457, which started with department and agency proposals to reduce their budgets by 5%.

C. Retirement Unfunded Liability Amortization Schedule Change

Part of the 121st Legislature’s solution to its \$958.2 million General Fund structural gap for the 2004-2005 biennium was lengthening the amortization payment schedule of the Maine State Retirement System’s unfunded actuarial liability (UAL) for state employees and teachers. The 121st legislature extended the amortization schedule out to the maximum length allowed by the Constitution of Maine, June 30, 2028. However, the 121st Legislature added a provision (see Public Law 2003, c. 20, Pt. NN) to revert back to the amortization schedule that would retire the UAL by June 30, 2019 at the beginning of the 2006-2007 biennium. The Governor’s current services recommendations reflected double-digit growth in the cost of funding retirement contributions for retired teachers and state employees for the 2006-2007 biennium over the 2004-2005 biennium as a result of reverting back to the more aggressive amortization schedule.

Public Law 2005, c. 12, the Current Services Budget for the 2006-2007 biennium, repealed 5 MRSA §17151, sub-§3 that required the State to revert back to the shortened schedule, resulting in a permanent extension of the UAL amortization schedule. With the lengthened schedule, the projected UAL amount will continue to grow until the fiscal year ending June 30, 2015, when the growth of annual payments begins to reduce the UAL. The State uses a level percentage of salaries method in establishing the annual payments for the UAL.

D. Collective Bargaining Agreement Approved

The State reached agreement with most of its major bargaining units and the Legislature approved the cost elements of the agreement that included a 3% annual cost-of-living adjustment (COLA) effective July 1, 2005 and an additional 3% COLA effective July 1, 2006. The agreement also included an increase in the mileage reimbursement from \$0.32 per mile to \$0.38 per mile over several incremental changes with the final increase effective January 1, 2007. The estimated General Fund cost of the COLA’s was \$10.1 million in FY06 and \$21.0 million in FY07. The additional Highway Fund costs were \$3.7 million and \$7.6 million in FY06 and FY07, respectively. No direct General Fund appropriations and Highway Fund allocations have been provided to offset these additional costs. Transfers of the excess equity in the Retiree Health Insurance Fund to the General Fund and Highway Fund Salary

Plan accounts, which agencies can access to help fund the additional costs, have provided funding for most of these costs. Based on recent estimates of the excess equity, the projected General Fund costs to be absorbed by agencies total nearly \$5.0 million on top of additional salary savings budgeted in the "Part 3" Budget. Highway Fund agencies are expected to absorb just under \$1 million of the additional costs.

E. BETR Program Shifted from Appropriation to Revenue Reduction

The 122nd Legislature expanded on an idea implemented during the 121st Legislature and changed the method of funding Business Equipment Tax Reimbursement (BETR) benefits from General Fund appropriations to an offset to General Fund revenue under the individual income tax category. This statutorily directed accounting change does not change the amount of the benefits received by the beneficiaries of this tax program, but the shift generates General Fund savings equal to 5.1% of benefits in FY06 and FY07 as the reduction of individual income tax reduces the General Fund transfer to the Local Government Fund for state-municipal revenue sharing. This conversion from an appropriation item to an offset of revenue is the same as the change in funding for the Maine Residents Property Tax or "Circuit Breaker" program that was adopted by the 121st Legislature beginning in FY05.

These accounting changes were designed, in addition to the revenue sharing savings, to attempt to show a reduction in the State's tax burden, by recognizing these 2 major tax relief programs as revenue reductions rather than spending programs. The methodology used by the United States Department of Commerce, Bureau of Census, compares state and local tax burden based on tax revenue. Assuming Census does not change its methodology, these changes should reduce Maine's relative tax burden by a small amount as a percentage of personal income. The reduction of approximately \$125 million of revenue is just under 0.3% of personal income and is not expected to change Maine's ranking, everything else unchanged.

F. FMAP Changes

As referenced a number of times in this summary, Maine's Federal Medical Assistance Percentage used to determine Federal matching Medicaid payments has been experiencing a decline in recent years (with the exception of the temporary federal fiscal relief in FY03 and FY04) culminating in an almost 2% point decline for the federal fiscal year 2006 FMAP effective October 1, 2005. Each state's FMAP is calculated as a three-year moving average of the State's per capita personal income relative to that of all other states. While the improved position of Maine's relative per capita personal income is a good economic sign, it has meant a reduction in the FMAP and, therefore, created the need to either increase state funding or reduce the costs of the MaineCare program. For the 2006-2007 biennium, the increased MaineCare appropriation provided in the Part 2 Budget (PL 2005, c. 386) to fund the FMAP decrease is more than \$60 million, with another \$10 million of the estimated impact unfunded (see PL 2005, c. 386, Section FF-2).

In addition, preliminary national estimates of per capita personal income suggest the federal fiscal year 2007 FMAP for Maine could decrease further. Absent any changes in the Federal funding formula in the interim, this will require an additional increase in state funding

and/or reductions in state spending for the MaineCare/Medicaid program for FY07 and beyond. The preliminary estimate of the additional 2007 FMAP decline has not been addressed to date.

G. Medicaid Claims Management System (MECMS) – Implementation Issues

As discussed previously in this summary, during the 1st Regular and 1st Special Sessions of the 122nd Legislature, the MaineCare program required additional FY05 appropriations of \$44.2 million to offset funding shortfalls. While a detailed analysis of the factors and trends that caused and may result from these shortfalls has not been completed, a significant portion is likely the result of Medicaid Claims Management System (MECMS) implementation problems.

MECMS, the replacement for MaineCare's outdated claims processing system, began "live" processing of MaineCare claims in late January of 2005, but was unable to make payments to a significant portion of MaineCare providers. As part of the now almost six-month long process of fixing the MECMS payment problems, the MaineCare program has been making interim payments to providers (i.e., estimated payments outside the claims processing system). As many of the MECMS problems have been addressed in recent months and previously unpaid claims have been paid through MECMS, MaineCare has also had to address the issue of provider overpayments (i.e., providers receiving both processed claim payments and interim payments for the same services provided).

While MaineCare has and will continue to move to reconcile these payments and collect any overpayments, the reconciliation process will carry over well into FY06. This timing and the resulting uncertainty about FY05 and FY06 budget assumptions, is compounded by the disruption in data collection and financial reporting during this period. An additional factor is the need to continue to meet federal Medicaid financial reporting requirements to ensure continued federal matching of MaineCare payments.

H. Highway Fund Support for Marine Highways (Ferry Service)

In the "Part 3" Budget, PL 2005, c. 457, Part GGG transfers the subsidy for the Maine Ferry Service from the General Fund to the Highway Fund, deappropriates the rest of General Fund appropriations for the Department of Transportation and allocates funding for these programs into the newly established State Transit, Aviation and Rail (STAR) Transportation Fund within the department. It also transfers certain General Fund (aeronautical fuel taxes), Highway Fund and Other Special Revenue Funds revenue to the new STAR Transportation Fund. The resulting net General Fund savings totaled \$3.3 million annually in FY06 and FY07.

As part of the agreement to shift General Fund support for the ferry service to the Highway Fund, the "Part 3" Budget included adjustments to General Fund appropriations and Highway Fund allocations within the Department of Transportation so that Highway Fund bills would include, and the Committee on Transportation would review and have jurisdiction over, federal matching funds and other funding sources included in Department of Transportation's Highway Fund programs. Funding was also provided to the Bureau of the Budget for the additional programming costs of implementing this change for budget bill production.

I. Racino Expansion Vetoed

The Legislature enacted an expansion of the “Racino” authorization to allow a federally recognized Indian tribe in Maine to operate video slot machines at a tribal commercial track in Washington County. A “Racino” is a facility that has video slot machine terminals and is affiliated with a licensed commercial horseracing track. One facility in the City of Bangor is currently authorized to operate a commercial track slot machine facility by existing law. That facility has yet to begin slot machine operations. The Governor vetoed LD 1573, which first proposed the expansion of the Racino. The Legislature attempted a second time to enact this expansion. LD 1690 was the same as the enacted version of LD 1573, except that it was made contingent on a referendum vote. The Governor has not signed LD 1690, which would take effect unless vetoed by the Governor following the next meeting of the Legislature as provided by the Constitution of Maine.

J. Baxter Compensation Authority Funding

The estimated remaining cost of financial settlements for past abuses at the Governor Baxter School for the Deaf and its predecessor, the Maine School for the Deaf, is currently estimated to be \$8.1 million. The awards or settlements have been heard and determined by a special authority created for this purpose, the Baxter Compensation Authority. In the EFY05 Budget, the Legislature designated a transfer from any unappropriated surplus in the General Fund at the close of FY05 up to \$8.1 million as the next priority after other statutory year-end transfers. This priority designation of unappropriated surplus has been referred to as the “Cascade” as available unappropriated surplus flows into accounts to satisfy a list of designated initiatives in priority order.

Unsatisfied with the priority order and probability of full funding, the Legislature later appropriated \$1.0 million toward the final settlement estimate and adjusted both the amount and the “Cascade” priority order for funding the remaining need of the Baxter Compensation Authority in the Part 2 Budget (PL 2005, c. 386, Part Z). The remaining \$7.1 million needed after the \$1.0 million appropriation was designated as the first priority transfer from the available unappropriated surplus before the year-end statutory transfers to the Budget Stabilization Fund, the Retirement Allowance Fund, the Reserve for General Fund Operating Capital, the State Contingent Account and the Loan Insurance Reserve Fund. Based on preliminary estimates of the positive General Fund revenue variance for FY05, the Baxter Compensation Authority is assured of receiving its full estimated funding need in FY06.

APPENDIX A

APPROPRIATIONS
BY MAJOR CATEGORIES

General Fund Appropriations - Summary

Presented below are tables summarizing the General Fund appropriations starting with the Governor's current services recommendations and FY05 appropriations prior to legislative changes during the 122nd Legislature's 1st Regular and 1st Special Sessions and concluding with the actual appropriations approved through the 1st Special Session. Additional detail and descriptions are available in the remainder of this Appendix.

General Fund Appropriations - Based on Governor's Current Services Recommendations				
Major Categories	Expenditures	Appropriations based on Current Services Recommendations		
	FY04	FY05	FY06	FY07
General Purpose Aid for Local Schools	\$699,041,402	\$734,536,621	\$823,523,640	\$892,834,217
Medicaid/MaineCare	\$505,750,219	\$551,439,847	\$617,291,628	\$658,423,178
Higher Education	\$233,405,441	\$241,255,620	\$253,623,967	\$266,101,037
Teachers' Retirement	\$170,014,497	\$181,698,128	\$249,910,047	\$264,815,162
Tax Relief and Reimbursement	\$128,885,755	\$104,973,442	\$119,843,095	\$125,443,082
Debt Service	\$91,157,529	\$92,632,431	\$115,556,606	\$111,376,882
Personal Services	\$362,183,685	\$399,154,736	\$432,272,897	\$452,910,439
Other - Non-Personal Services	\$393,793,568	\$404,211,253	\$426,837,503	\$438,839,855
Total General Fund Appropriations	\$2,584,232,096	\$2,709,902,078	\$3,038,859,383	\$3,210,743,852
Annual % Change		4.9%	12.1%	5.7%
Total Excluding GPA	\$1,885,190,694	\$1,975,365,457	\$2,215,335,743	\$2,317,909,635
Annual % Change		4.8%	12.1%	4.6%

General Fund Appropriations - Changes from Current Services Recommendations and FY05 Adjustments			
Major Categories	FY05	FY06	FY07
General Purpose Aid for Local Schools	\$0	\$12,592,326	(\$19,202,073)
Medicaid/MaineCare	\$44,245,001	\$4,556,396	(\$69,401,724)
Higher Education	\$0	(\$7,821,595)	(\$19,167,338)
Teachers' Retirement	\$0	(\$97,700,081)	(\$59,430,515)
Tax Relief and Reimbursement	\$10,594,925	(\$84,258,473)	(\$82,848,706)
Debt Service	\$0	(\$4,000,000)	\$1,327,500
Personal Services	(\$1,661,999)	(\$21,657,434)	(\$31,611,429)
Other - Non-Personal Services	\$21,393,467	(\$29,954,397)	(\$61,255,704)
Total General Fund Appropriations	\$74,571,394	(\$228,243,258)	(\$341,589,989)

General Fund Appropriations - Based on Legislative Changes Through 122nd Legislature's 1st Special				
Major Categories	Expenditures	Appropriations based on actions through 1st Special Session		
	FY04	FY05	FY06	FY07
General Purpose Aid for Local Schools	\$699,041,402	\$734,536,621	\$836,115,966	\$873,632,144
Medicaid/MaineCare	\$505,750,219	\$595,684,848	\$621,848,024	\$589,021,454
Higher Education	\$233,405,441	\$241,255,620	\$245,802,372	\$246,933,699
Teachers' Retirement	\$170,014,497	\$181,698,128	\$152,209,966	\$205,384,647
Tax Relief and Reimbursement	\$128,885,755	\$115,568,367	\$35,584,622	\$42,594,376
Debt Service	\$91,157,529	\$92,632,431	\$111,556,606	\$112,704,382
Personal Services	\$362,183,685	\$397,492,737	\$410,615,463	\$421,299,010
Other - Non-Personal Services	\$393,793,568	\$425,604,720	\$396,883,106	\$377,584,151
Total General Fund Appropriations	\$2,584,232,096	\$2,784,473,472	\$2,810,616,125	\$2,869,153,863
Annual % Change		7.7%	0.9%	2.1%
Total Excluding GPA	\$1,885,190,694	\$2,049,936,851	\$1,974,500,159	\$1,995,521,719
Annual % Change		8.7%	-3.7%	1.1%

General Purpose Aid for Local Schools

	FY04	FY05	FY06	FY07
	Expenditures	Appropriations	Appropriations	Appropriations
Current Services (LD 468 - PL 2005, c. 12, A)	\$699,041,403	\$734,536,621	\$823,523,640	\$892,834,217
Annual % Change		5.1%	12.1%	8.4%
Property Tax Reform (LD 1 - PL 2005, c. 2)		\$0	\$13,425,799	\$230,735
EFY05 Budget (LD 508 - PL 2005, c. 3)		\$0	\$0	\$0
Current Services Adjustments (LD 468 - PL 2005, c. 12)		\$0	\$504,459	(\$6,710,676)
Part 2 Budget (LD 1677 - PL 2005, c. 386)		\$0	(\$363,932)	(\$363,566)
"Part 3" Budget (LD 1691 - PL 2005, c. 457)		\$0	(\$974,000)	(\$12,358,566)
Appropriations through 1st Special Session	\$699,041,403	\$734,536,621	\$836,115,966	\$873,632,144
Annual % Change		5.1%	13.8%	4.5%

Current Services (LD 468 - PL 2005, c. 12, A)

The significant growth in funding K-12 public education for the 2006-2007 biennium is primarily related to the increase in the State's share of funding K-12 education based on the Essential Programs and Services model enacted during the 2nd special session of the 121st Legislature. The current services request reflects a four-year ramp up of the State's share of funding 55% of the total cost of K-12 education with the State providing 52.6% of 84% of the total cost of EPS in FY06 and 53.86% of 90% of the total cost of EPS in FY07. FY04 expenditures for GPA do not include \$25,000,000 of expenditures shifted to Federal Block Grant Funds.

Property Tax Reform (LD 1 - PL 2005, c. 2)

Additional funding included in PL 2005, c. 2 provides funding for the Fund for the Efficient Delivery of Educational Services. Chapter 2 also allows for the funds appropriated for the Fund in FY06 to be used for transition adjustments and appropriates additional funding to be distributed through the Essential Programs and Services (EPS) model to make sure that eligible school units receive an increase in school subsidies over FY05.

EFY05 Budget (LD 508 - PL 2005, c. 3)

PL 2005, c. 3 transfers \$2,258,474 from the GPA program to the unappropriated surplus of the General Fund by June 30, 2005. This transfer, which is not an appropriation, is not reflected in the table above.

Current Services Adjustments (LD 468 - PL 2005, c. 12)

The adjustment reflects a correction to the estimates provided in the current services proposal for FY06 and FY07 that includes updated information after the current services baseline was established. It also deappropriates funds in FY07 for the Efficient Delivery of Educational Services Fund that was appropriated in PL 2005, Chapter 2 and instead transfers the funds from the General Fund unappropriated surplus to the dedicated fund.

Part 2 Budget (LD 1677 - PL 2005, c. 386)

PL 2005, c. 386 transfers funds to the Management Information Systems program within the Department to establish 1 full-time position and 3 limited-period positions to support the implementation of Essential Programs and Services. It also delays the first transfer to the Fund for the Efficient Delivery of Educational Services until fiscal year 2007-08.

"Part 3" Budget (LD 1691 - PL 2005, c. 457)

The Part 3 budget deappropriates funds in FY06 due to savings in debt service captured after payments for projects have been made. It also reduces funds for bus purchases, postpones the start of certain capital improvement projects, delays the increase in funding for special education for those school administrative units that are minimum receivers and recognizes savings to local school districts due to the Department assuming responsibility for maximizing federal reimbursement for certain MaineCare services.

Note: The cost to the State to fund 55% of the total cost of K-12 public education beginning in FY06, as required in the MMA initiative (IB 2003, c. 2) which was approved by the voters in June 2004 but which is not part of the Governor's budget proposal:

55% Funding of Total Cost of EPS	FY06	FY07
General Fund Appropriation Required	\$975,704,204	\$982,522,934
Fund for the Efficient Delivery of Educational Services	\$19,912,331	\$20,051,488
Total General Fund Appropriation Required	\$995,616,535	\$1,002,574,422
Net Additional Appropriation Required	\$159,500,569	\$128,942,278

MaineCare/Medicaid¹

	FY04	FY05	FY06	FY07
	Expenditures	Appropriations	Appropriations	Appropriations
Current Services (LD 468 - PL 2005, c. 12, A)	\$505,750,218	\$551,439,847	\$617,291,628	\$658,423,178
Annual % Change		9.0%	11.9%	6.7%
EFY05 Budget (LD 508 - PL 2005, c. 3)		\$19,212,380	\$0	\$0
Current Services Adjustments (LD 468 - PL 2005, c. 12)		\$632,621	(\$28,665,930)	(\$51,430,470)
Part 2 Budget (LD 1677 - PL 2005, c. 386)		\$0	\$17,479,476	\$2,513,596
"Part 3" Budget (LD 1691 - PL 2005, c. 457)		\$24,400,000	\$15,742,850	(\$20,484,850)
Appropriations through 1st Special Session	\$505,750,218	\$595,684,848	\$621,848,024	\$589,021,454
Annual % Change		17.8%	4.4%	-5.3%

Current Services (LD 468 - PL 2005, c. 12, A)

The annual growth in MaineCare/Medicaid spending is driven by increases in the cost and utilization of services and increases in eligibility/caseload. Historically the growth in the overall program (i.e., including all state and federal funding sources) has averaged approximately 8% per year, consistent with national trends. Changes in the mix of funding sources from year to year (e.g., changes in federal funding driven by changes in the Medicaid match rate, increased reliance on other revenue sources such as the Fund for a Healthy Maine and provider taxes, etc.) as well as the ongoing and often uneven implementation of previously enacted "budget initiatives", result in year-to-year fluctuations in the MaineCare/Medicaid General Fund growth rate that vary from the overall program trend. See Appendix D for more detail on MaineCare appropriations and adjustments.

EFY05 Budget (LD 508 - PL 2005, c. 3)

Includes a \$19.2 million net appropriation for MaineCare/Medicaid programs including: \$3.1 million to refund the Federal CMS for Medicaid provider overpayments; \$10.5 million to fund a shortfall in the Medical Care-Payment to Providers (MAP) account; \$6.5 million to fund shortfalls and other adjustments in BDS-seeded MaineCare accounts; and \$2.3 million to offset the Federal CMS disallowance of the 2003-04 Barron Center intergovernmental transfer (IGT) initiative; offset by a \$3.1 million deappropriation in the Nursing Facilities account.

Current Services Adjustments (LD 468 - PL 2005, c. 12)

PL 2005, c. 12, includes a number of adjustments to reduce the growth in MaineCare/Medicaid spending. These include: reducing the benefit package for the childless adult waiver; increasing efforts to identify and recover from other payers; expanding efforts to control the growth in prescription drug spending; and expanding the use of provider and service provider taxes. For MaineCare-seeded mental health programs, c. 12, also assumes savings from the mental health parity initiative, redesigns some services, and moves the delivery of other services to a competitive RFP process. For MaineCare-seeded mental retardation programs, c. 12, includes a Medicaidization of current grant funds in a new capitated waiver program; converting group homes to an individualized support option; and implementing a new rate setting methodology for MR waiver and day habitation programs. The "Current Services" adjustments also include a significant lump-sum reduction to reflect the impact of program changes made during the 2004-2005 biennium.

Part 2 Budget (LD 1677 - PL 2005, c. 386)

The major provision of Part 2 Budget affecting MaineCare/Medicaid programs is the more than \$60 million appropriation to offset the reduction in Federal matching funding as a result of the decrease in the 2006 Federal Medical Assistance Percentage (FMAP).² The Part 2 Budget also re-distributes \$95.7 million in MaineCare hospital funding appropriated in the Part 1 budget, including using \$35.5 million for the State's share of the settlement of the MaineCare hospital payment lawsuit and using \$9 million to help offset the FMAP decrease. The Part 2 budget assumes significant savings from the implementation of a new MaineCare "modified drug formulary" as well as GF savings from extending the service provider tax to include day habilitation, residential training and personal support services. It also assumes \$1 million in child mental health home-based services savings and \$515,992 in adult mental health outpatient therapy services savings. It also includes a \$24.4 million appropriation for a projected fiscal year 2004-05 MaineCare funding shortfall.

The Part 2 Budget also includes a transfer of \$19.5 million in FY06 and \$16.0 in FY07 from the Medical Care-Payments to Provider (MAP) account to other new General Fund accounts to reflect moving funding for non-Medicaid seeded programs out of the MAP account.

"Part 3" Budget (LD 1691 - PL 2005, c. 457)

The major adjustment to MaineCare/Medicaid programs included in PL 2005, c. 457, is the advancing of Part 2 Budget appropriations from FY07 to FY06 to accelerate the hospital lawsuit settlement payments, achieving net General Fund savings over the biennium of \$1.7 million. Other provisions include: \$1.5 million in savings in the childless adult waiver program, \$2 million in savings from restructuring the MaineCare "Katie Beckett option", and \$250,000 in savings from delaying the nursing facility COLA. The "Part 3" budget also includes an appropriation for the increased cost to MaineCare from privatizing Freeport Towne Square.

¹ Includes funding for related, non-Medicaid seeded programs included in the Medical Care-Payments to Providers (MAP) account (e.g., the GF appropriation for the Drugs for the Elderly and Disabled program). The Part 2 Budget moves these non-Medicaid seeded programs out of the MAP account to new stand-alone General Fund accounts. For the purposes of this summary, funding for these programs is still included in the MaineCare/Medicaid totals.

² Preliminary national estimates of per capita personal income suggest the 2007 FMAP for Maine could decrease further, thereby, absent any changes in the Federal funding formula, requiring an additional increase in state funding and/or reductions in state spending for the MaineCare/Medicaid program for FY06 and beyond.

Higher Education

	FY04	FY05	FY06	FY07
	Expenditures	Appropriations	Appropriations	Appropriations
Current Services (LD 468 - PL 2005, c. 12, A)	\$233,405,441	\$241,255,620	\$253,623,967	\$266,101,037
Annual % Change		3.4%	5.1%	4.9%
EFY05 Budget (LD 508 - PL 2005, c. 3)		\$0	\$0	\$0
Current Services Adjustments (LD 468 - PL 2005, c. 12)		\$0	(\$6,419,345)	(\$17,763,188)
Part 2 Budget (LD 1677 - PL 2005, c. 386)		\$0	\$0	\$0
"Part 3" Budget (LD 1691 - PL 2005, c. 457)		\$0	(\$1,402,250)	(\$1,404,150)
Appropriations through 1st Special Session	\$233,405,441	\$241,255,620	\$245,802,372	\$246,933,699
Annual % Change		3.4%	1.9%	0.5%

Current Services (LD 468 - PL 2005, c. 12, A)

The Current Services budget increases General Fund appropriations for Higher Education funding by 5.1%, or \$12.4 million, in FY06 over FY05 levels and 4.9%, or \$12.5 million, in FY07 over FY06 levels. The table at the bottom of this page details each of the state's higher education institutions and the student financial assistance programs at the Finance Authority of Maine - FAME, which make up the components of this category.

Current Services Adjustments (LD 468 - PL 2005, c. 12)

The Current Services adjustments reduce FY06 current services appropriations to the Higher Education institutions by \$6.4 million and FY07 current services appropriations by approximately \$17.8 million.

Part 2 Budget (LD 1677 - PL 2005, c. 386)

Part Q of chapter 386 provides for the Maine Community College System to receive transfers from the General Fund Salary Plan for the costs of collective bargaining agreements for employees of the System in amounts not to exceed \$731,740 in FY06 and \$1,583,959 in FY07. These amounts are not included in the appropriation totals above.

"Part 3" Budget (LD 1691 - PL 2005, c. 457)

The Part 3 budget reduces appropriations to the Higher Education institutions by \$1.4 million in both fiscal years 2005-06 and 2006-07.

Summary of Higher Education by Institution - Appropriations Through 122nd Legislature, 1st Special Session

	FY04	FY05	FY06	FY07
	Expenditures	Appropriations	Appropriations	Appropriations
University of Maine System	\$172,596,418	\$179,971,418	\$183,221,418	\$183,121,418
Annual % Change		4.3%	1.8%	-0.1%
Maine Community College System	\$40,614,117	\$41,472,054	\$42,216,033	\$43,313,617
Annual % Change		2.1%	1.8%	2.6%
Maine Maritime Academy	\$7,719,938	\$7,457,281	\$7,548,820	\$7,737,547
Annual % Change		-3.4%	1.2%	2.5%
FAME - Student Financial Assistance	\$12,531,455	\$12,354,867	\$12,816,101	\$12,761,117
Annual % Change		-1.4%	3.7%	-0.4%

Teachers' Retirement (Including Retired Teachers' Health Insurance)

	FY04	FY05	FY06	FY07
	Expenditures	Appropriations	Appropriations	Appropriations
Current Services (LD 468 - PL 2005, c. 12, A)	\$170,014,497	\$181,698,128	\$249,910,047	\$264,815,162
Annual % Change		6.9%	37.5%	6.0%
EFY05 Budget (LD 508 - PL 2005, c. 3)		\$0	\$0	\$0
Current Services Adjustments (LD 468 - PL 2005, c. 12)		\$0	(\$229,584,558)	(\$243,511,552)
Part 2 Budget (LD 1677 - PL 2005, c. 386)		\$0	\$0	\$0
"Part 3" Budget (LD 1691 - PL 2005, c. 457)		\$0	\$131,884,477	\$184,081,037
Appropriations through 1st Special Session	\$170,014,497	\$181,698,128	\$152,209,966	\$205,384,647
Annual % Change		6.9%	-16.2%	34.9%

Current Services (LD 468 - PL 2005, c. 12, A)

The growth in the cost of teacher retirement contributions in the 2006-2007 biennium is due primarily to reverting back to the shortened amortization schedule after having extended the schedule to the constitutionally required date of June 30, 2028 for the 2004-2005 biennium as required in PL 2003, c. 20, Pt NN-2. The Part 1 Current Services appropriations also reflect an updated actuarial valuation. Both of these factors combined will result in an increase in teacher retirement contribution costs over prior year levels of 39.4% in FY06 and 5.4% in FY07. The Current Services budget also projects the cost to the State associated with funding 40% of the cost of health insurance for retired teachers' to grow 14% per year through the 2006-2007 biennium, requiring General Fund appropriations of \$15.0 million in FY06 and \$17.1 million in FY07.

Current Services Adjustments (LD 468 - PL 2005, c. 12)

The Current Services Budget repealed 5 MRSA § 17151, sub-§3 as enacted by PL 2003, c. 20, Pt NN-2 which required the State to return to the shortened amortization schedule beginning in FY06 and, instead, extended the UAL amortization schedule to the constitutionally required date of June 30, 2028. This action reduced the General Fund appropriation amount required for teacher retirement contributions by \$55.5 million in FY06 and Part PPPP of the Part 1 budget deappropriated \$174.5 million in FY06 and \$184.1 million in FY07 from the Teacher Retirement program for the normal cost and unfunded liability contribution of teachers' retirement that were to be prefunded utilizing pension bond proceeds.

The Part 1 Budget also increased the State's contribution to funding the cost of health insurance for retired teachers' from 40% to 45% effective October 1, 2005, increasing the cost of funding retired teachers' health insurance by \$1.3 million in FY06 and \$1.9 million in FY07.

General Fund appropriations for Retired Teachers' Health Insurance in the Part I Budget were also reduced to recognize savings due to lower than anticipated health insurance rates as savings related to the Medicare Modernization Act, decreasing the amount of funding required for retired teachers' health insurance by \$0.9 million in FY06 and approximately \$2.8 million in FY07.

Part 2 Budget (LD 1677 - PL 2005, c. 386)

None. Proposed increase of state share of Retired Teachers' Health Insurance from 40% to 45% is included as a "Current Services" adjustment.

"Part 3" Budget (LD 1691 - PL 2005, c. 457)

The "Part 3" Budget appropriates \$132.3 million in FY06 and \$184.1 million in FY07 to the Teacher Retirement program for the normal and unfunded actuarial liability costs of teachers' retirement. The FY06 amount is reduced by the transfer of \$41.9 million from the unappropriated surplus provided in PL 2005, c. 12, Part PPPP, section 2 and the transfer of \$250,000 from the Maine State Retirement System's Administrative Expense Reserve account to the Retirement Allowance Fund in FY06.

Part TT of the "Part 3" budget postpones the 5% increase in the state share of retired teachers' health insurance from October 1, 2005 to January 1, 2006.

Tax Relief and Reimbursement Programs

	FY04	FY05	FY06	FY07
	Expenditures	Appropriations	Appropriations	Appropriations
Current Services (LD 468 - PL 2005, c. 12, A)	\$128,885,755	\$104,973,442	\$119,843,095	\$125,443,082
Annual % Change		-18.6%	14.2%	4.7%
Property Tax Reform (LD 1 - PL 2005, c. 2)		\$0	\$168,872	\$162,789
EFY05 Budget (LD 508 - PL 2005, c. 3)		\$10,594,925	\$0	\$0
Current Services Adjustments (LD 468, - PL 2005, c. 12)		\$0	(\$78,132,345)	(\$82,896,495)
Part 2 Appropriations (LD 1677 - PL 2005, c. 386)		\$0	\$0	\$0
"Part 3" Budget (LD 1692 - PL 2005, c. 457)		\$0	(\$6,295,000)	(\$115,000)
Appropriations through 1st Special Session	\$128,885,755	\$115,568,367	\$35,584,622	\$42,594,376
Annual % Change		-10.3%	-69.2%	19.7%

Current Services (LD 468 - PL 2005, c. 12, A)

The decrease from FY04 Expenditures to FY05 Appropriations is due to the conversion of the Maine Residents Property Tax Program (circuit breaker) from an expenditure item to a revenue item, an offset to the individual income tax line. The growth between FY05 and the Current Services recommendation for FY06 is due primarily to the projected cost of the Business Equipment Tax Reimbursement program (BETR).

Property Tax Reform (LD 1 - PL 2005, c. 2)

LD 1 expands the Maine Residents Property Tax Program (Circuit Breaker) and the Homestead Exemption.

EFY05 Budget (LD 508 - PL 2005, c. 3)

EFY05 proposals included \$12,500,000 to the Business Equipment Tax Reimbursement program to address a program shortfall. It also included a transfer provision of \$16,353,882 related to the Maine Residents Property Tax Program (Circuit Breaker) as a "reserve" for the future costs of tax reform and is not reflected in this summary.

Current Services Adjustments (LD 468 - PL 2005, c. 12)

Current Services Adjustments include a downward reprojected of the cost of the BETR program (4.6M in FY06 and \$7.2M in FY07) and the conversion of the BETR program from an expenditure item to a revenue item, an offset to the individual income tax line.

Part 2 Budget (LD 1677 - PL 2005, c. 386)

The Part 2 budget includes a \$1M transfer out of the BETR program appropriation in FY05 to the unappropriated surplus of the General Fund and a \$655,194 transfer out of the Homestead Property Tax Exemption Reimbursement program appropriation in FY 05 to the unappropriated surplus of the General Fund. These amounts are not included in this summary of appropriations and revenues since those amounts are considered adjustments to General Fund balance.

"Part 3" Budget (LD 1691 - PL 2005, c. 457)

The Part 3 budget includes a one-time limitation of BETR reimbursement to 90% of eligible property taxes and savings due to a delay in reimbursement to municipalities for Tree Growth Tax Reimbursement program and the Veteran's Property Tax Exemption.

Revenue Adjustments *	FY05	FY06	FY07
Maine Residents Property Tax Program	(\$24,742,857)	(\$29,250,942)	(\$28,702,423)
Maine Residents Property Tax Program - EFY 05	(\$2,034,790)	\$2,034,790	\$0
Maine Residents Property Tax Program - Part II	\$650,000	\$0	\$0
LD 1 - Circuit Breaker Expansion	\$0	(\$17,504,355)	(\$17,791,360)
Business Equipment Tax Reimbursement - Part I	\$0	(\$73,463,191)	(\$75,718,341)
Business Equipment Tax Reimbursement - Part III	\$0	\$0	\$7,571,834
Subtotal Revenue Loss	(\$26,127,647)	(\$118,183,698)	(\$114,640,290)
Totals Revenues and Expenditures through 122nd Legislature's 1st Special Session			
Expenditures	\$128,885,755	\$115,568,367	\$35,584,622
Revenue	\$0	\$26,127,647	\$114,640,290
	\$128,885,755	\$141,696,014	\$157,234,666
		9.9%	8.5%
			2.3%

* Reflects amounts of Gross Revenue equal to the cost of the programs and program expansions had they remained as appropriations.

DEBT SERVICE

	FY04	FY05	FY06	FY07
	Expenditures	Appropriations	Appropriations	Appropriations
Current Services (LD 468 - PL 2005, c. 12, A)	\$91,157,529	\$92,632,431	\$115,556,606	\$111,376,882
Annual % Change		1.6%	24.7%	-3.6%
EFY05 Budget (LD 508 - PL 2005, c. 3)		\$0	\$0	\$0
Current Services Adjustments (LD 468 - PL 2005, c. 12)		\$0	\$0	\$1,327,500
Part 2 Appropriations (LD 1677 - PL 2005, c. 386)		\$0	\$0	\$0
"Part 3" Budget (LD 1691 - PL 2005, c. 457)		\$0	(\$4,000,000)	\$0
Appropriations through 1st Special Session	\$91,157,529	\$92,632,431	\$111,556,606	\$112,704,382
Annual % Change		1.6%	20.4%	1.0%

Current Services (LD 468 - PL 2005, c. 12, A)

The growth in General Fund debt service for the 2006-2007 biennium is related to issuing the previously authorized but unissued bonds on the books. After issuing \$117,275,000 in June of 2004 and \$137,525,000 in June of 2005, there were still \$71.5 million in bonds authorized but unissued as of June 30, 2005 despite no new bonds being authorized in the fall of 2004. Although interest rates and the structure of each bond issue are important factors in the amount of debt service paid in any one year, the long-term trend for debt service is primarily determined by the amount of bonds sent to, and approved by, the voters. As of this presentation no bonds have been approved to be sent to the voters in the fall of 2005. The increase in debt service may be reduced over time depending on the amount of bonds authorized in the next several years. Tax Anticipation Notes (TAN's) are assumed to be \$150,000,000 each year through the forecast period.

The amounts above include the Maine Governmental Facilities Authority (MGFA) debt services costs associated with the non-Judicial projects funded by MGFA debt. The Judicial Department pays the MGFA debt service costs for court facilities. That amount is not included in this presentation.

Current Services Adjustments (LD 468 - PL 2005, c. 12)

The Treasurer's debt service account is authorized to carry \$3,672,000 from FY05 until June 30, 2006 and any appropriations not needed in FY06 and FY07 are to be transferred to the Budget Stabilization Fund each year.

The Current Services budget includes authorization of up to \$9,000,000 to be used by the Maine Governmental Facilities Authority for state facilities. An additional appropriation of \$1,327,500 is included in fiscal year 2006-07 to pay costs associated with additional MGFA borrowing.

The Department of Administrative and Financial Services will carry \$1,436,982 from MGFA debt service savings in fiscal year 2004-05 into fiscal year 2005-06 and \$2,749,600 from MGFA debt service savings in fiscal years 2004-05 and 2005-06 will lapse to the General Fund by June 30, 2006.

Part 2 Budget (LD 1677 - PL 2005, c. 386)

The Treasurer's debt service account will lapse \$2,500,000 to the General Fund by June 30, 2005.

"Part 3" Budget (LD 1691 - PL 2005, c. 457)

The bond issue in June of 2005 was structured to forego a principal payment in FY06, reducing estimated debt service by more than \$13 million. The debt service account in the Treasurer's Office was reduced by \$4,000,000.

Personal Services

	FY04	FY05	FY06	FY07
	Expenditures	Appropriations	Appropriations	Appropriations
Current Services (LD 468 - PL 2005, c. 12, A)	\$362,183,685	\$399,154,736	\$432,272,897	\$452,910,439
Annual % Change		10.2%	8.3%	4.8%
Property Tax Reform (LD 1 - PL 2005, c. 2)		\$0	\$52,529	\$56,513
EFY05 Budget (LD 508 - PL 2005, c. 3)		(\$1,161,999)	\$0	\$0
Current Services Adjustments (LD 468 - PL 2005, c. 12)		(\$500,000)	(\$20,457,526)	(\$29,901,868)
Part 2 Appropriations (LD 1677 - PL 2005, c. 386)		\$0	\$2,401,251	\$3,572,359
"Part 3" Budget (LD 1691 - PL 2005, c. 457)		\$0	(\$3,653,688)	(\$5,338,433)
Appropriations through 1st Special Session	\$362,183,685	\$397,492,737	\$410,615,463	\$421,299,010
Annual % Change		9.7%	3.3%	2.6%

Current Services (LD 468 - PL 2005, c. 12, A)

The significant growth in Personal Services for the 2006-2007 biennium is primarily related to the change in the amortization schedule (the Teacher's Retirement page provides an explanation of that change) and health insurance increases (assumed to grow at 12% annually). Current Services recommendations included no assumed collective bargaining changes. The increase in the salaries and wage component of Personal Services is related to merit increases, which result in growth of approximately 2% per year. Position authorizations were reduced by 20,319 positions administratively offsetting some of these increases.

Health Insurance - Current Services assumes state employee health plan costs will increase at an annual rate of 12 % per year. More recent experience suggests the growth rate will be closer to 6.5% for FY06 and 8% for FY07. The significant growth between FY04 and FY05 reflects the one-time FY04 impact of the hospital payment equity project on state employee health plan costs. PL 2003, c. 20 deappropriated \$10.5 million in FY04 and \$11.5 million in FY05 for savings to be achieved in state employee health plan hospital costs as a result of MaineCare increasing its hospital payments rates. This initiative was only in effect for FY04 with the FY05 deappropriation restored in PL 2003, c. 673.

Property Tax Reform (LD 1 - PL 2005, c. 2)

LD 1 as enacted includes additional funding for a position in Maine Revenue Services.

EFY05 Budget (LD 508 - PL 2005, c. 3)

Funding for reclassifications and range changes totals \$417,394 in FY05. Some savings in Maine Revenue Services and the State Police (both savings from amounts appropriated for the arbitration award and the delay of the Racino in Bangor) provide decreases in Personal Services costs to offset some of the increases. The EFY05 Budget also provided a \$5 million transfer to the Salary Plan account to fund collective bargaining costs in the 2006-2007 biennium and also authorized the General Fund's share of the excess equity in the Retiree Health Insurance fund (estimated to be \$22.4 million) to be transferred to Salary Plan.

Current Services Adjustments (LD 468 - PL 2005, c. 12)

Position changes result in net decreases of General Fund authorized positions by just over 23,846 positions on top of the more than 20 positions that were adjusted downward administratively in the Governor's Current Services base appropriations. The budget adjustments for Health Insurance are based on expected savings from reductions in hospital inpatient rates and from maximizing the cost effectiveness of the pharmaceutical benefit provided by publicly offered health insurance plans. However, the largest adjustments are based on the retirement amortization change.

Approval of the collective bargaining agreements (COLA's of 3% effective July 1, 2005 and another 3% effective July 1, 2006) are also included in this budget. No additional appropriations have been provided for the estimated cost of the collective bargaining agreement (\$10.1 million in FY06 and \$21.0 million in FY07), however, the EFY05 Budget did provide partial funding through transfers to the Salary Plan account.

Part 2 Budget (LD 1677 - PL 2005, c. 386)

Part 2 Budget adds back a net 6,654 additional General Fund positions and provides the on-going funding from reclassifications and range changes totaling \$432,656 in FY06 and \$467,887 in FY07 (some of these reclassifications and range changes were included in the EFY05 Budget).

"Part 3" Budget (LD 1691 - PL 2005, c. 457)

The "Part 3" Budget reduces General Fund positions by -47,500 resulting in net General Fund Personal Services deappropriations of \$3.7 million in FY06 and \$5.3 million in FY07.

"Other" - Non-Personal Services Appropriations

	FY04	FY05	FY06	FY07
	Expenditures	Appropriations	Appropriations	Appropriations
Governor's Current Services (Part 1)	\$393,793,568	\$404,211,253	\$426,837,503	\$438,839,855
Annual % Change		2.6%	5.6%	2.8%
Property Tax Reform (LD 1 - PL 2005, c. 2)		\$0	\$159,517	\$135,002
EFY05 Budget (LD 508 - PL 2005, c. 3)		\$21,359,340	\$0	\$0
Current Services Adjustments (LD 468 - PL 2005, c. 12)		\$0	(\$22,268,208)	(\$39,056,529)
Part 2 Appropriations (LD 1677 - PL 2005, c. 386)		\$0	\$2,677,699	\$752,450
"Part 3" Budget (LD 1691 - PL 2005, c. 457)		\$0	(\$10,542,755)	(\$23,098,827)
Other Legislation - 1st Special Session		\$34,127	\$19,350	\$12,200
Appropriations through 1st Special Session	\$393,793,568	\$425,604,720	\$396,883,106	\$377,584,151
Annual % Change		8.1%	-6.7%	-4.9%

Current Services (LD 468 - PL 2005, c. 12, A)

The "Other" category includes all General Fund expenditures and appropriations not otherwise classified in this report. The growth in FY06 over FY05 reflects the one-time funding reductions in FY05 and a number of programs with high growth rates (see next page for a list of these programs).

Property Tax Reform (LD 1 - PL 2005, c. 2)

LD 1 as enacted includes additional funding for administrative costs of the State Planning Office and Maine Revenue Services.

EFY05 Budget (LD 508 - PL 2005, c. 3)

Some of the major appropriations include: \$2.4 for Clean Election Fund; \$10.2 million for Child Welfare Services; \$4.7 million for the Bureau of Medical Services; \$1 million for General Assistance; \$600,000 for Bureau of Family Independence sanctions related to food stamp error rates; \$110,000 for public drinking water improvements; \$2.0 M to Labor Rehabilitation Services; \$1.1 M for Secretary of State for Help America Vote; and \$750,000 for Highway and Bridge Improvement.

Current Services Adjustments (LD 468 - PL 2005, c. 12)

Also included in this Appendix is a listing of the major non-Personal Services adjustments that are not otherwise included in the other major categories.

Part 2 Budget (LD 1677 - PL 2005, c. 386)

Also included in this Appendix is a listing of the major non-Personal Services adjustments that are not otherwise included in the other major categories.

"Part 3" Budget (LD 1691 - PL 2005, c. 457)

Also included in this Appendix is a listing of the major non-Personal Services adjustments that are not otherwise included in the other major categories.

Other Legislation - 1st Special Session

PL 2005, c. 396 (LD 1432) provided an appropriation to Maine Revenue Services; PL 2005, c. 419 (LD 67) and Resolve 2005, c. 8) affected appropriations to the Department of Inland Fisheries and Wildlife; and PL 2005, c. 434 (LD 1449) affected appropriations to the Department of Marine Resources.

APPENDIX A - OTHER NON-PERSONAL SERVICES APPROPRIATIONS

Current Services Growth - Major Increases or Decreases

Department/Program	FY05	FY06	FY07
Corrections			
> Correctional Medical Services Fund	\$13,249,456	\$14,852,239	\$16,634,508
Annual % Change		12.1%	12.0%
Reflect growth in providing medical services to correctional institutions. 12% growth is assumed.			
Education			
> Maine Learning Technology Endowment	\$5,705,192	\$0	\$0
Annual % Change		-100.0%	0.0%
Reflects funding for laptop program for 7th and 8th graders being included in GPA appropriation for FY06 and FY07.			
Health and Human Services			
> Bureau of Medical Services (Medical Care Administration)	\$7,771,358	\$9,965,877	\$10,349,219
Annual % Change		28.2%	3.8%
Reflects increase in contract and other non-personal services costs in administering the MaineCare/Medicaid program.			
> General Assistance - Reimbursement to Cities and Towns	\$4,388,022	\$5,500,000	\$5,500,000
Annual % Change		25.3%	0.0%
Reflects funding needs that assume 2004-2005 biennium budgeted savings of \$730,000 per year will not be realized.			
> Temporary Assistance for Needy Families (TANF)	\$19,336,395	\$24,516,464	\$25,129,325
Annual % Change		26.8%	2.5%
Reflects funding needs that assume 2004-2005 budgeted savings will not continue into the 2006-2007 biennium.			
> Child Welfare Services	\$31,619,520	\$34,726,398	\$35,730,158
Annual % Change		9.8%	2.9%
Reflects ongoing funding needs and assumes 2004-2005 budgeted savings will not be fully realized.			
Judicial Department			
> Courts - Supreme, Superior, District and Administrative	\$26,236,566	\$27,276,947	\$28,064,549
Annual % Change		4.0%	2.9%
Judicial Department growth is related to unaddressed needs in FY05.			
Public Safety			
> Gambling Control Board	\$901,585	\$846,585	\$846,585
Annual % Change		-6.1%	0.0%
Full year of All Other operational costs in FY 07, but does not include estimated cost of on-line monitoring of \$3,264,862.			
Transportation			
> Administration - Ports & Marine Transportation	\$2,509,715	\$3,277,648	\$3,455,206
Annual % Change		30.6%	5.4%
Unsustainable previous program cuts affecting the Maine State Ferry Service.			
Totals from Major Growth Summary	\$111,717,809	\$120,962,158	\$125,709,550
Annual % Change		8.3%	3.9%
Totals from "Other" Summary	\$404,211,253	\$426,937,229	\$438,921,040
Remaining "Other" - Not included in Major Growth Summary	\$292,493,444	\$305,975,071	\$313,211,490
Annual % Change		4.6%	2.4%

Major Appropriation Adjustments - Non-Personal Services Not Included in Major Categories

Dept	Prog	LD	Part	Initiative Description or Summary	FY06	FY07
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES						
STATEWIDE NON-PERSONAL SERVICES DEAPPROPRIATIONS						
Total of Non-Personal Services Statewide Deappropriations					(\$9,810,464)	(\$13,971,796)
CAPITAL CONSTRUCTION/REPAIRS/IMPROVEMENTS - ADMINISTRATION						
468	B			Reduces funding for major repairs and capital construction projects to stay within available resources.	(\$6,423,971)	(\$6,423,971)
BUREAU OF REVENUE SERVICES						
1691	C			Deappropriates funds for the multistate tax commission, training and information technology savings.	(\$325,000)	(\$380,000)
DIVISION OF PURCHASES						
1691	B			Reduces All Other for the procurement system.	(\$129,000)	(\$200,000)
BAXTER COMPENSATION AUTHORITY						
BAXTER COMPENSATION AUTHORITY						
1677	Z			Provides funds for claims of former students of the Governor Baxter School for the Deaf and the Maine School for the Deaf.	\$1,000,000	\$0
DEPARTMENT OF HEALTH AND HUMAN SERVICES (formerly BDS)						
DEPARTMENTWIDE						
1691	PP			Deappropriates funds for savings to be achieved by implementing the managed behavioral health care services system.	\$0	(\$10,431,749)
MENTAL HEALTH SERVICES - COMMUNITY						
468	B			Reduces funding for technology, training and transportation.	\$0	(\$208,879)
468	B			Eliminates funding for costs associated with the court appointed Receiver for the Riverview Psychiatric Center.	(\$131,681)	(\$131,681)
1691	HH			Deappropriates funds for savings to be achieved by eliminating 3 contract Housing Coordinator positions located in the regions, shifting these responsibilities to state employees.	(\$194,731)	(\$194,731)
MENTAL RETARDATION SERVICES - COMMUNITY						
468	B			Achieves net savings by using grant funds to create a MaineCare capitated waiver. Corresponding federal matching funds are reflected in the Medical Care - Payments to Providers program.	(\$2,257,676)	(\$2,257,676)
1691	NN			Provides a one-time adjustment to appropriations and allocations to reflect the availability of Other Special Revenue Funds from the sale of the Freeport Towne Square property.	\$0	(\$1,000,000)
MENTAL HEALTH SERVICES - CHILDREN						
468	B			Reduces funding for a specialized contract for crisis services/consultation for children with autism as the program has never been implemented and also reduces funding for mediation and dispute resolution services for parents and teens in conflict and for mediation services to children under the Rights of Recipients of Mental Health Services.	(\$150,000)	(\$299,000)

Major Appropriation Adjustments - Non-Personal Services Not Included in Major Categories

Dept	Prog	LD	Part	Initiative Description or Summary	FY06	FY07
OFFICE OF SUBSTANCE ABUSE						
	468	YYY		Appropriates funds for grants to community agencies that are significantly affected by changes to the noncategorical MaineCare benefits package required in this Act.	\$1,500,000	\$0
DEPARTMENT OF CONSERVATION						
PARKS - GENERAL OPERATIONS and DIVISION OF FOREST PROTECTION						
	468	B		Reduces funding for capital equipment replacements in order to maintain program costs within available resources.	(\$684,003)	(\$648,503)
	468	U		Provides additional funding for the maintenance of state parks.	\$132,245	\$132,245
ADMINISTRATIVE SERVICES - CONSERVATION						
	1691	F		Deappropriates funds for forest fire suppression, resulting in delays for helicopter replacements.	(\$390,000)	\$0
DEPARTMENT OF CORRECTIONS						
ADMINISTRATION - CORRECTIONS						
	1677	J		Provides funds to conduct a study which identifies the cost and benefits and cost savings associated with alternative corrections service delivery options.	\$300,000	\$0
COUNTY JAIL PRISONER SUPPORT AND COMMUNITY CORRECTIONS FUNDS						
	1691	G		Provides for the deappropriation of funds to represents 1% reduction in both fiscal years and to fund 1/2 of the correctional alternatives study.	(\$204,171)	(\$55,525)
JUVENILE COMMUNITY CORRECTIONS						
	1691	G		Adjusts allocations to conduct a study which identifies the cost and benefits and cost savings associated with alternative corrections service delivery options.	(\$300,000)	\$0
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT						
INTERNATIONAL COMMERCE						
	468	JJJ		Provides funds to continue the current level of services provided to Maine's small, medium and micro business by the Maine Small Business Development Centers.	\$100,000	\$100,000
OFFICE OF INNOVATION						
	468	JJJ		Provides funds for the operation of the Fractionation Development Center.	\$210,000	\$210,000
	468	B		Reduces funding for grants to the Maine Technology Institute in order to maintain program costs within available resources.	(\$127,739)	(\$272,866)
	468	JJJ		Deappropriates funds for the Maine Technology Institute.	(\$80,145)	(\$101,668)
DEPARTMENT OF EDUCATION						
ADULT EDUCATION						
	468	FFFF		Provides additional funds to increase state subsidy for local adult education programs.	\$400,000	\$500,000
	468	B		Reduces funding for rents, insurance, technology and grants in order to maintain program costs within available resources. CP amended initiative	(\$108,010)	(\$230,722)

Major Appropriation Adjustments - Non-Personal Services Not Included in Major Categories

Dept	Prog	LD	Part	Initiative Description or Summary	FY06	FY07
PRE-SCHOOL HANDICAPPED						
	468	YY		Reduces funding for Child Development Services from savings achieved through administrative and program cost efficiencies and other reductions.	(\$412,781)	(\$7,181,749)
EDUCATIONAL RESTRUCTURING AND IMPROVEMENTS						
	468	B		Reduces funding in the Educational Restructuring and Improvements program to fund required budgeted increases in Personal Services.	(\$226,070)	(\$380,865)
	468	B		Reduces funding of Reading Recovery services within the Educational Restructuring and Improvements program in order to fund a portion of an increase in the Maine Education Assessment contract costs.	(\$281,012)	(\$82,979)
	1677	A		Reduces funding of Reading Recovery services within the Educational Restructuring and Improvements program.	(\$289,753)	(\$322,283)
LEARNING SYSTEMS						
	468	B		Reduces funding for the Maine Education Assessment contract in order to maintain program costs within available resources.	(\$318,988)	(\$517,021)
EDUCATION IN THE UNORGANIZED TERRITORY						
	468	QQQQ		Appropriates funds for the additional cost of providing targeted funds, identified under essential programs and services for technology, assessment and kindergarten to grade 2, to the school administrative unit or private school that each student from the unorganized territory attends.	\$412,600	\$437,356
DEPARTMENT OF ENVIRONMENTAL PROTECTION						
REMEDIATION AND WASTE MANAGEMENT						
	1677	W		Provides funds for the clean-up of the Lewis Wolman Company site in Waterville.	\$950,000	\$0
LAND AND WATER QUALITY						
	1691	M		Deappropriates General Fund support for sampling and laboratory analysis for surface water ambient toxics monitoring.	(\$125,000)	(\$125,000)
DEPARTMENTWIDE						
	468	W		Deappropriates funds from savings achieved through function and cost reductions.	(\$219,715)	(\$215,133)
GOVERNOR BAXTER SCHOOL FOR THE DEAF						
	468	B		Reduces funding for a grant in order to maintain program costs within available resources.	(\$608,139)	(\$793,363)
DEPARTMENT OF HEALTH AND HUMAN SERVICES (Formerly DHS)						
FOSTER CARE						
	468	B		Reduces funding by reducing the number of children in state custody by 10% over the biennium.	(\$160,740)	(\$482,220)
	468	B		Reduces funding by maximizing Title IV-E federal revenue.	(\$200,000)	(\$200,000)
	1691	HH		Deappropriates and deallocates funds to reflect the elimination of the foster care supplemental clothing payment made in the spring and fall of each year.	(\$120,000)	(\$120,000)
	1677	K		Provides funding needed as a result of the decrease in the 2005 Federal Financial Participation Rate.	\$612,896	\$818,857

Major Appropriation Adjustments - Non-Personal Services Not Included in Major Categories

Dept	Prog	LD	Part	Initiative Description or Summary	FY06	FY07
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES						
	468	B		Reduces funding that is not necessary to meet the maintenance of effort requirement.	\$0	(\$612,911)
CHILD WELFARE SERVICES						
	468	B		Reduces funding by reducing the number of children in state custody by 10% over the biennium.	(\$685,260)	(\$2,055,780)
	468	B		Reduces funding to be replaced by federal allocations through the development of an alternative rate structure for unlicensed foster care providers.	(\$500,000)	(\$1,000,000)
	1691	HH		Deappropriates funds to reflect the elimination of the foster care supplemental clothing payment made in the spring and fall of each year.	(\$480,000)	(\$480,000)
	1677	K		Reduces funding for community intervention programs in fiscal year 2006-07. The foster care system will be restructured in fiscal year 2006-07 to redeploy caseworkers to assess reports of abuse and neglect, permitting the reduction in funding for overlapping services provided by community intervention programs. Reduces funding by \$550,000 from reduced assessments, \$150,000 from additional reductions of children in state custody, and \$950,000 from the transfer of community intervention program expenditures to federal Title IV-E funding.	\$0	(\$1,650,000)
BUREAU OF ELDER AND ADULT SERVICES						
	1691	HH		Deappropriates funds for savings to be achieved by consolidating the homemaker and independent housing programs. These savings are to be achieved in administrative costs and not direct services.	(\$100,000)	(\$100,000)
BUREAU OF HEALTH						
	1691	HH		Deappropriates funds for savings to be achieved by eliminating funding for hospital specialty clinic at Central Maine Medical Center, Eastern Maine Medical Center and Maine Medical Center.	(\$212,813)	(\$213,713)
PURCHASED SOCIAL SERVICES						
	1677	A		Transfers funds from the human immunodeficiency virus/sexually transmitted disease (HIV/STD) program from the Purchased Social Services account to the Bureau of Health account.	(\$218,390)	(\$218,390)
COMMUNITY SERVICES CENTER						
	1677	A		Provides funding for costs incurred for licensing home child care, child care centers and nursery schools and reduces funding in the Other Special Revenue funds account no longer required for similar purposes. This request will increase General Fund undedicated revenue by \$130,053 in each of fiscal years 2005-06 and 2006-07.	\$130,053	\$130,053
MATERNAL AND CHILD HEALTH BLOCK GRANT MATCH						
	1691	HH		Deappropriates funds for savings to be achieved by restructuring the maternal and child health program.	(\$211,378)	(\$211,378)

Major Appropriation Adjustments - Non-Personal Services Not Included in Major Categories

Dept	Prog	LD	Part	Initiative Description or Summary	FY06	FY07
DEPARTMENT OF INLAND FISHERIES AND WILDLIFE						
FISHERIES AND HATCHERIES OPERATIONS						
	468		III	Provides funding for hatchery renovations and the purchase of 4 fish transport trucks and fish tanks.	\$235,000	\$310,000
JUDICIAL DEPARTMENT						
COURTS - SUPREME, SUPERIOR, DISTRICT & ADMINISTRATIVE						
	468		B	Reduces funding for indigent defense costs in order to maintain program costs within available resources.	(\$388,412)	(\$388,412)
	468		B	Reduces funding for general operations and rents and from savings attributable to increased efficiencies.	(\$411,588)	(\$561,588)
DEPARTMENT OF LABOR						
MAINE CENTERS FOR WOMEN, WORK AND COMMUNITY						
	468		B	Provides funds to sustain efforts to serve Maine's Micro-Entrepreneurs through the MCWWC.	\$100,000	\$100,000
REHABILITATION SERVICES						
	468		B	Reduces funding by eliminating one Human Services Aide III position and by reducing contracts for advocacy, education, and outreach.	(\$86,945)	(\$209,077)
EMPLOYMENT SERVICES ACTIVITY						
	468		B	Reduces funding for rent expenditures, contracts and grants.	(\$148,769)	(\$224,355)
	1691		T	Shifts funding for Career Centers to the Special Administrative Expense Fund.	(\$300,000)	(\$300,000)
MAINE STATE LIBRARY						
MAINE STATE LIBRARY and ADMINISTRATION - LIBRARY						
	468		B	Reduces funding for office and educational supplies, general operations, and technology in order to maintain current services within available resources.	(\$133,267)	(\$151,492)
LEGISLATURE						
LEGISLATURE						
			ALL	Miscellaneous All Other adjustments in all budget bills.	(\$106,380)	(\$107,620)
MAINE STATE MUSEUM						
MAINE STATE MUSEUM						
	468		B	Reduces funding of professional services, out-of-state travel, general operations, technology, equipment, office supplies, and grants in order to maintain current services within available resources.	(\$119,308)	(\$130,533)
PINE TREE LEGAL ASSISTANCE						
LEGAL ASSISTANCE						
	1677		A	Appropriates funds to maintain legal services for low-income people. Additional state funds are needed to replace cuts by the federal government. The state appropriation will leverage federal dollars that require matching funds from non-federal sources.	\$175,000	\$175,000

Major Appropriation Adjustments - Non-Personal Services Not Included in Major Categories

Dept	Prog	LD	Part	Initiative Description or Summary	FY06	FY07
MAINE PUBLIC BROADCASTING CORPORATION						
MAINE PUBLIC BROADCASTING CORPORATION						
	468		B	Reduces funding for grants in order to maintain program costs within available resources.	(\$51,303)	(\$109,589)
DEPARTMENT OF PUBLIC SAFETY						
STATE POLICE						
	468		B	Reduces funding for the radio replacement system as authorized by Public Law 2001, chapter 439, Part U. Notwithstanding the deappropriations made in this initiative, the funding ratio for the State Police program remains at the current levels of 63% from the Highway Fund and 37% from the General Fund for the 2006-2007 biennium and that future funding for the State Police program should reflect a goal of achieving a funding split of 60% from the Highway Fund and 40% from the General Fund.	(\$1,200,000)	(\$1,200,000)
	1677		P	Provides funds towards the replacement radio system to support the operations of the Statewide Radio and Network System Reserve Fund established in Title 5, section 1520.	\$0	\$1,496,000
DRUG ENFORCEMENT AGENCY						
	1677		A	Provides funds to partially offset grant reductions and eventual elimination of federal dollars for the Maine Drug Enforcement Agency.	\$742,287	\$1,000,020
EMERGENCY MEDICAL SERVICES						
	1691		W	Reduces grants to regional emergency medical services councils.	(\$124,678)	(\$124,678)
FINGERPRINT AND BACKGROUND INFORMATION - STATE EXPENSE						
	1691		CC	Transfers funding for this program from the Department of Public Safety, General Fund to the Department of Education, Other Special Revenue Funds.	(\$370,903)	(\$369,929)
GAMBLING CONTROL BOARD						
	468		B	Freezes positions and related costs due to delayed implementation of Off Track Betting slot machines in Maine.	(\$450,000)	\$0
	1677		A	Restores funds needed for a December 2005 start up of a temporary Off Track Betting facility in Bangor.	\$170,699	\$598,558
DEPARTMENT OF TRANSPORTATION						
Several Transportation Programs						
	1691		GGG	Eliminates the General Fund support for several programs as a result of the establishment of the Marine Highway Transportation account and the State Transit, Aviation and Rail Transportation Fund.	(\$3,760,657)	(\$4,157,226)

APPENDIX B

TAX REFORM SUMMARY

APPENDIX B - TAX REFORM SUMMARY

ROUND ONE

Property tax reform

Background

When the 122nd Legislature convened on December 1, 2004, the Governor presented a property tax reform proposal to the Legislature. That proposal took the form of **LD 1, An Act To Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels** and **LD 2, Resolution, Proposing an Amendment to the Constitution of Maine To Limit the Rate of Change in Taxable Value of Homestead Land**. The Legislature responded by appointing the Joint Select Committee on Property Tax Reform, comprised of 4 Senators and 11 members of the House of Representatives, which was directed to hear the bills and report them to the full Legislature by January 15, 2005.

The unusual, expedited schedule resulted from the January 15th effective date of the voter’s approval of Question 1 at the November election, requiring the State to pay 55% of the costs of public K-12 education and the possibility of the submission of additional citizens’ initiated referenda.

The Joint Select Committee met frequently in December and January on LD 1 and LD 2 and reported the bills out to the full legislature on January 14, 2005. LD 1, as amended, was enacted January 20, 2005 and signed by the Governor January 21, 2005 as Public Law 2005, chapter 2.

Provisions of LD 1 (as proposed and as enacted):

	LD 1 (as proposed)	LD 1 (as enacted) PL 2005, c. 2
Education funding	<p>Accelerates the transition to 55% State funding from 5 years to 4 years</p> <p>Establishes cap on growth in EPS costs and maximum state and local spending targets.</p> <p>Makes numerous other changes to facilitate implementation of EPS funding formula</p>	<p>Same as proposed</p> <p>Same as proposed. Details may include changes.</p> <p>Same goals as proposed. Details may include changes.</p>
Circuit breaker property tax relief	<p>Increases income eligibility maximum to \$50,000 single/\$70,000 multiple member households.</p>	<p>Eliminates income thresholds</p> <p>Increases max benefit from \$1,000 to \$2,000</p>

	LD 1 (as proposed)	LD 1 (as enacted) PL 2005, c. 2
Circuit breaker property tax relief (Con't)	<p>Directs funds to circuit breaker reserve for future program expansions</p> <p>Directs State Tax Assessor to calculate increase in maximum benefit based on future available funds.</p>	<p>Establishes maximum property taxes used to calculate benefits to \$3,000 single/\$4,000 multiple member households</p> <p>Increases % of rent constituting property taxes from 18% to 20%</p> <p>Extends close of application period from 12/31/to 5/31</p>
Homestead exemption	No change proposed	<p>Homestead exemption increased to \$13,000 for all homesteads.</p> <p>State reimbursement to municipalities reduced from 100% to 50%.</p>
Property tax deferral	Requires Maine State Housing Authority to develop a plan to issue bonds to support a property tax deferral program for taxes on principal residences that exceed 6% of the owners' income.	No provision
State Spending Limitations	<p>Provides a cap on state GF appropriations based on real personal income growth plus forecasted CPI.</p> <p>Changes design and use of Maine Budget Stabilization Fund</p>	<p>Provides a cap on state GF appropriations based on real personal income growth and population.</p> <p>Income growth factor increases by forecasted CPI if tax burden falls to middle third of all states.</p> <p>Changes design and use of Maine Budget Stabilization Fund</p> <p>Creates Tax Relief Fund which receives funds when are other funds are at caps.</p>
County Spending Limitations	<p>Provides a cap on county tax assessment based on real personal income growth and property value growth.</p> <p>Income growth factor increases by forecasted CPI if tax burden falls to middle third of all states.</p>	<p>Provides a cap on county tax assessment based on real personal income growth and property value growth.</p> <p>Income growth factor increases by forecasted CPI if tax burden falls to middle third of all states.</p>
Municipality Spending Limitations	<p>Provides a cap on property tax levy based on real personal income growth and property value growth.</p> <p>Income growth factor increases by forecasted CPI if tax burden falls to middle third of all states.</p>	<p>Provides a cap on property tax levy based on real personal income growth and property value growth.</p> <p>Income growth factor increases by forecasted CPI if tax burden falls to middle third of all states.</p>

	LD 1 (as proposed)	LD 1 (as enacted) PL 2005, c. 2
BETR	Changes BETR funding from a GF appropriation to a GF revenue reduction in the individual income tax line	No provision (Note: Part 1 Budget Bill makes this change)
Tax burden reduction	Establishes goal of reducing Maine's state and local tax burden to the national average by 2015 Directs Governor to appoint commission to monitor and report on progress in achieving goal	Establishes goal of reducing Maine's state and local tax burden to the middle 1/3 of states by 2015 Requires State Planning Office to collect data and report on progress in achieving goal.
Revenue sharing	No provision	Changes revenue sharing distribution to provide larger portion of revenue sharing funds to municipalities with higher tax burden.

Constitutional amendments: In addition to LD 2, Resolution, Proposing an Amendment to the Constitution of Maine To Limit the Rate of Change in Taxable Value of Homestead Land, the Joint Select Committee sought and was granted permission to report out five other bills proposing to amend provisions of the Maine Constitution relating to property tax. These six bills reached the following outcome:

LD	Title	Outcome
2	RESOLUTION, Proposing an Amendment to the Constitution of Maine To Limit the Rate of Change in Taxable Value of Homestead Land	Recommitted to Taxation Committee and carried over
295	RESOLUTION, Proposing an Amendment to the Constitution of Maine To Allow the Legislature To Permit Municipalities To Adopt a Higher Property Tax Rate on Secondary Residential Property	Died between Houses
296	RESOLUTION, Proposing an Amendment to the Constitution of Maine To Allow the Legislature To Authorize or Require a Growth Limitation on the Taxable Value of Small Business Land	Died between Houses
297	RESOLUTION, Proposing an Amendment to the Constitution of Maine To Allow the Legislature To Authorize Municipalities To Adopt a Property Tax Assistance Program That Reflects a Claimant's Ability to Pay	Recommitted to Taxation Committee ONTP
298	RESOLUTION, Proposing an Amendment to the Constitution of Maine To Authorize the Legislature to Allow Municipalities To Exempt from Property Tax a Portion of the Value of Homesteads	Recommitted to Taxation Committee ONTP
299	RESOLUTION, Proposing an Amendment to the Constitution of Maine To Permit the Legislature To Allow the Current Use Valuation of Waterfront Land Used for or That Supports Commercial Fishing Activities	Finally Passed ConRes, c. 1 On November ballot

ROUND 2**Overall tax reform**

Background. Events in recent years have culminated in the establishment of overall tax reform as a priority for many members of the 122nd Legislature, although there is wide variation in the proposals for achieving it.

Following the enactment of LD 1 and the dissolution of the Joint Select Committee, the venue for tax reform discussion moved to the Joint Standing Committee on Taxation. Many tax reform bills were heard and discussed including a proposal from the Governor, **LD 1660, An Act to Reduce Income Taxes and Encourage Economic Growth in Maine.**

Recommendations of the Taxation Committee. The major piece of tax reform legislation emerging from the Taxation Committee late in the session was **LD 1595, An Act To Rebalance Maine's Tax Code** sponsored by the committee chairs, Rep. Richard Woodbury and Sen. Joseph Perry. The committee's recommendations (a 7-6 majority) contained the following elements. LD 1595 was recommitted to the Joint Standing Committee on Taxation and carried over.

Tax Policy Area	LD 1595 Committee Amendment "A" Proposal	Effective date	
Income Tax	1. Low income tax credit Increases LITC from \$2,000 to \$4,000 (single), \$6,000 (HOH), and \$8,000 (joint)	TY beg. 1/1/06	
	2. Standard deduction Conforms the standard deduction to the federal level, thereby eliminating the marriage penalty	TY beg. 1/1/06	
	3. Personal exemption Conforms the personal exemption to the federal level	TY beg. 1/1/06	
	4. Income tax rates Decreases the top income tax rate in all filing categories from 8.5% to 8.25% starting in TY2006.	TY beg. 1/1/06	
	5. Health savings accounts Conforms to federal treatment of health savings accounts	TY beg. 1/1/06	
	Property Tax	1. Homestead Exemption Increase state reimbursement to 100% to fully fund the homestead exemption	06 PTY FY 07
		2. Circuit Breaker Increase maximum benefit from \$2,000 to \$3,000; and increase benefit base (maximum property tax that can be used to calculate benefits) to \$5000.	8/1/06 application
Education funding	Increase State share of costs of Essential Programs and Services (EPS) to 55% beginning in FY 2006-07	FY 07	

Tax Policy Area	LD 1595 Committee Amendment "A" Proposal	Effective date
Budget Stabilization Fund	All Net Revenues Appropriated to Budget Stabilization Fund to be available to fund the increased State commitment to education funding in future years.	
Sales Tax Base Expansion	1. Repeal or amend following exemptions A. Packaging materials B. Long term rentals-- increase period triggering exemption to 100 days C. Ships stores D. Railroad track materials E. Certain vending machine sales F. Consumer Interstate telephone calls G. Basic cable and satellite TV and radio H. Reimpose Snack Tax	ALL 1/1/06
	2. Expand sales or service provider taxes to the following services A. Personal services B. Personal property services C. Real property services D. Amusements and recreation E. Lawn, landscaping and tree services F. Taxi and limousine services G. Telephone directory advertising H. Safe deposit box rental I. Basic cable and satellite television and radio services	ALL 1/1/06
Meals and lodging	Increase from 7% to 8% sales tax on lodging, prepared food and liquor sold in licensed establishments	10/1/2005
Auto rentals	Increase the sales tax rate on short term auto rentals from 10% to 15%	10/1/2005
Beer and wine	1. Increase the excise tax on beer from 25 cents per gallon to 60 cents per gallon	1/1/2006
	2. Increase the excise tax on wine from 30 cents per gallon to \$1.00 per gallon	1/1/2006
Soda	Enact an excise tax on soft drinks equal to \$4 per gallon of soft drink syrup and 42 cents per gallon of bottled soft drinks	1/1/2006
Real estate transfer tax	Changes schedule of real estate transfer tax (for buyer and seller) to \$1 per \$1000 for properties with a value less than \$100,000; \$2 per \$1000 on properties with a value of \$100,000 to \$200,000; \$3 per \$1000 with a value of \$200,000 to \$300,000; \$4 per \$1000 with a value of \$300,000 to \$500,000; \$5 per \$1000 with a value of \$500,000 to \$750,000; \$6 per \$1000 with a value of \$750,000 to \$1,000,000; and \$7 per \$1000 for properties over \$1,000,000. Changes GF/HOME Fund distribution from 50/50 to 65/35.	10/1/2005

APPENDIX C

SUMMARY OF TAX AND FEE CHANGES

Appendix C - Summary of Tax and Fee Changes ¹
122nd Legislature, 1st Regular and 1st Special Sessions
Revenue Increases (Decreases) - Millions of \$'s

LD#	Law Reference	Description	FY05	FY06	FY07
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Individual Income Tax ²

LD#	Law Reference	Description	FY05	FY06	FY07
468	PL 2005, c. 12, P	Establishes general conformity with the Internal Revenue Code as of 1/7/05	(2.2)	(6.8)	(14.2)
468	PL 2005, c. 12, P	Extends through tax years beginning in 2007 Maine's nonconformity with federal increases in the Section 179 business expensing deduction	0.0	2.6	6.5
468	PL 2005, c. 12, P	Makes permanent Maine's nonconformity with federal increases in the standard deduction for married joint returns	0.0	6.1	15.6
468	PL 2005, c. 12, P	Provides for nonconformity with the new federal option that permits the deduction of sales and use taxes rather than income taxes	2.1	0.9	0.0
468	PL 2005, c. 12, Q	Delays educational attainment credit and recruitment credit for 2 years	0.0	1.1	6.7
468	PL 2005, c. 12, BBB	Converts Business Equipment Tax Reimbursement (BETR) from a General Fund expenditure to an income tax offset	0.0	(73.5)	(75.7)
468	PL 2005, c. 12, MMMM	Provides that under the income tax, for nonresident individuals, that a gain or loss from the sale of a partnership interest is sourced to Maine in the same proportion as the proportion of partnership tangible property	0.0	1.3	1.9
1	PL 2005, c. 2, E	Expand Circuit Breaker program	0.0	(17.5)	(17.8)
1	PL 2005, c. 2, E	Individual income tax effect of Circuit Breaker expansion	0.0	0.8	0.7
508	PL 2005, c. 3, C-4	Circuit Breaker cost reprojecton	(2.0)	2.0	0.0
1677	PL 2005, c. 386, T	Circuit Breaker cost reprojecton	0.6	0.0	0.0
1691	PL 2005, c. 457, BBB	One-time limit on Business Equipment Tax Reimbursement to 90% of qualified property taxes	0.0	0.0	7.6
1691	PL 2005, c. 457, EEE	Expands the definition of "income" for the Circuit Breaker program to include certain retirement benefits	0.0	0.4	0.4
1691	PL 2005, c. 457, NNNN	Provides for the setoff of liquidated tax liabilities against payment owed to a taxpayer under a contract with a state agency	0.0	0.3	0.3
Other Miscellaneous Individual Income Tax Changes			0.0	0.4	0.9

Corporate Tax ²

468	PL 2005, c. 12, P	Establishes general conformity with the Internal Revenue Code as of 1/7/05	(0.7)	(2.0)	(1.8)
468	PL 2005, c. 12, P	Provides for nonconformity with the new federal deduction for certain domestic production activities beginning with tax years beginning in 2005 and after	0.7	2.1	3.1
1691	PL 2005, c. 457, FFF	Alters the income tax calculation for multistate corporations to make the calculation consistent with the calculation of nonresident individual income tax	0.0	5.3	4.2
1691	PL 2005, c. 457, NNNN	Provides for the setoff of liquidated tax liabilities against payment owed to a taxpayer under a contract with a state agency	0.0	0.3	0.3

LD# Law Reference Description FY05 FY06 FY07

Sales Tax ²

468	PL 2005, c. 12, O	Applies the 7% sales tax on lodging to casual rental of living quarters for more than 14 days in a calendar year, including cottages, condominium units and vacation homes beginning July 1, 2005	0.0	3.9	4.7
468	PL 2005, c. 12, S	Delays until 6/30/07 implementation of a sales tax exemption for machinery and equipment used in the generation of radio and television broadcast signals	0.0	0.8	0.5
1691	PL 2005, c. 457, AA	Increased sales tax attributable to increases the cigarette tax by \$1.00 to \$2.00 and increases in other tobacco products taxes	0.0	1.3	1.8

Estate Tax

468	PL 2005, c. 12, M	Provides that property transferred by a nonresident decedent to a pass-through entity is included in the estate for the purpose of determining the Maine taxable estate under the estate tax	0.0	0.7	0.7
468	PL 2005, c. 12, N	Provides a special estate tax election at the state level so that an estate of an individual with a surviving spouse may fully fund the taxable estate with an amount equal to the federal exclusion without changing the taxable nature of the estate for Maine purposes	0.0	(0.2)	(0.3)

Cigarette and Tobacco Products Tax

1691	PL 2005, c. 457, AA	Increases the cigarette tax by \$1.00 to \$2.00 per pack	0.0	51.3	70.0
1691	PL 2005, c. 457, AA	Other tobacco products tax increases; smokeless tobacco from 62% to 78% of the wholesale price and other tobacco from 16% to 20% of the wholesale price	0.0	0.7	0.9

Other Revenue - General Fund

468	PL 2005, c. 12, U	Establishes a fee to purchase burning permits over the internet	0.0	0.8	0.8
468	PL 2005, c. 12, III	IF&W - Increase in license fees	0.0	2.2	2.8
1432	PL 2005, c. 396	Establishes a Milk Handling Fee and a rate schedule that varies inversely with the price of milk and a trigger for initiating the fee. The handling fee is initiated after the basic price of milk falls below \$18 per hundredweight for 2 consecutive months.	0.0	1.2	1.3
1691	PL 2005, c. 457, CC&FF	Establishes or increases fees for various certifications, endorsements, administrative portfolios and authorizations for teachers, educational specialists, educational technicians and administrators. Also establishes a \$55 fee paid by the applicant for fingerprinting and background checks for certain school employees.	0.0	1.5	1.4
1691	PL 2005, c. 457, XX	Provides guidance to the Department of Public Safety in the enforcement of laws pertaining to flavored malt beverage and low-alcohol spirits	0.0	0.7	1.3
Other miscellaneous taxes and fees - General Fund Other Revenue			0.0	3.4	3.6

LD# Law Reference Description FY05 FY06 FY07

Fuel Taxes

1691	PL 2005, c. 457, AAA	Establishes a gasoline tax refund for certain purchases by the state	0.0	(0.6)	(0.8)
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Other Special Revenue Taxes

468	PL 2005, c. 12, VV	Extends the 5% Service Provider Tax to community support services	0.0	1.4	1.4
1677	PL 2005, c. 386, S	Extends the 5% Service Provider Tax to day habilitation, residential training and personal support services provided to children and adults with mental retardation	0.0	9.8	9.8
468	PL 2005, c. 12, ZZ	Provides for an annual adjustment in the base year for purposes of calculating the Hospital Tax	0.0	4.4	6.0

Total Tax and Fee Changes ³

(1.4) 7.1 44.6

Notes:

- ¹ Reflects state taxes and fees matching the definition used by the U.S. Dept. of Commerce, Bureau of Census for comparisons of state and local tax burden.
- ² Reflects gross impact of tax collections prior to the deduction of 5.1% of total collections for state-municipal revenue sharing.
- ³ The estimated changes of state taxes and fees excluding the changes in the BETR and Circuit Breaker programs are: (\$0.1) in FY05; \$95.6 in FY06; and \$130.2 in FY07. These programs were converted from appropriations to individual income tax reductions, the Circuit Breaker program in FY05 and the BETR program in FY06. Local governmental taxes and fees changed during the 122nd Legislature during the 1st Regular and 1st Special Sessions are presented below. Also not included in the total tax and fee changes above are fees assessed and not collected by the State and local governments. These are also presented below.

Municipal and County Fee Changes

379	PL 2005, c. 86	Increase in the marriage license fee from \$20 to \$30	0.0	N/A	N/A
1092	PL 2005, c. 246	Increase in county filing fees	0.0	1.7	2.2

Other Fees - Non-Government Agency Collections

1259	PL 2005, c. 251	Increases from 0.5% to 0.6% of retail charges for telecommunications services excluding interstate tolls or interstate private line services for the telecommunications education access fund	0.0	1.2	1.2
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APPENDIX D

SUMMARY OF MAINECARE/ MEDICAID AND RELATED CHANGES

**Appendix D - Summary of MaineCare/Medicaid and Related Changes
122nd Legislature, 1st Regular and 1st Special Sessions
Spending Increases (Decreases) - Millions of \$'s**

	FY 05		FY 06		FY 07	
	Approps/Allocations		Approps/Allocations		Approps/Allocations	
	General Fund	OSR ¹	General Fund	OSR ¹	General Fund	OSR ¹
MaineCare/Medicaid Baseline Funding (PL 2005, c. 12 - Part 1 Budget)						
DHS - Medical Care - Payments to Providers (MAP) Account	\$336.6	\$82.1	\$391.3	\$81.6	\$422.9	\$81.7
DHS - Nursing Facility (NF) Account	\$62.4	\$27.7	\$63.8	\$28.3	\$65.4	\$28.3
BDS - MH Services - Child Medicaid	\$29.8	\$0.0	\$31.3	\$0.0	\$32.8	\$0.0
BDS - Adult MH Services - Community Medicaid	\$34.7	\$3.2	\$37.6	\$2.1	\$39.5	\$2.2
BDS - Medicaid Services - MR and MR Waiver	\$83.7	\$1.4	\$87.9	\$2.0	\$92.2	\$2.1
BDS - AMHI and BMHI (includes Personal Services) ²	\$16.6	\$0.0	\$17.5	\$0.0	\$18.1	\$0.0
BDS - OSA Medicaid Seed	\$1.4	\$1.4	\$2.5	\$2.1	\$2.7	\$2.1
DOL - Rehabilitation Services - Medicaid	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Appropriations/Allocations for Current Services	\$565.1	\$115.8	\$631.9	\$116.2	\$673.60	\$116.3
Part 1 Budget - MaineCare/Medicaid Net Adjustments (PL 2005, c. 12)						
Department of Health and Human Services (formerly DHS):						
MAP - Limits on childless adults waiver (non-categorical) benefit package	\$0.0	\$0.0	(\$4.5)	\$0.0	(\$5.3)	\$0.0
MAP - Temporary waiver services - transport., emerg. dental, chiropractic.	\$0.6	\$0.0	\$1.7	\$0.0	\$0.0	\$0.0
MAP - Hospital provider tax - update base year used for tax	\$0.0	\$0.0	(\$2.9)	\$4.4	(\$3.9)	\$6.0
MAP - Drugs - MaineCare and Drugs for the Elderly (DEL) reductions/savings	\$0.0	\$0.0	(\$2.9)	\$0.0	(\$7.9)	\$0.0
MAP - Enhanced recoveries and other settlements	\$0.0	\$0.0	(\$2.0)	\$0.0	(\$5.0)	\$0.0
MAP - Adjustment to baseline from prior year cost containment initiatives	\$0.0	\$0.0	(\$11.5)	\$0.0	(\$12.7)	\$0.0
MAP - Other (reducing home visitation funding)	\$0.0	\$0.0	(\$0.1)	\$0.0	(\$0.1)	\$0.0
NF - Enhanced recovery of assets from estates	\$0.0	\$0.0	(\$1.2)	\$0.0	(\$3.2)	\$0.0
Department of Health and Human Services (formerly BDS):						
MH Services - Child Medicaid	\$0.0	\$0.0	(\$0.4)	\$0.0	(\$3.5)	\$0.0
Adult MH Services - Community Medicaid	\$0.0	\$0.0	(\$0.4)	\$0.0	(\$2.8)	\$0.0
Adult MH - Extend service provider tax to community support services	\$0.0	\$0.0	(\$0.9)	\$1.4	(\$0.9)	\$1.4
Deappropriations - MaineCare MR Waiver	\$0.0	\$0.0	(\$1.6)	\$0.0	(\$4.1)	\$0.0
Appropriation - Medicaidization of MR grant funding ³	\$0.0	\$0.0	\$1.0	\$0.0	\$1.0	\$0.0
Deappropriations - Child and Adult MH Medicaid - Mental Health Parity	\$0.0	\$0.0	(\$3.0)	\$0.0	(\$3.0)	\$0.0
Part 1 Budget - Net MaineCare/Medicaid Adjustments	\$0.6	\$0.0	(\$28.7)	\$5.8	(\$51.4)	\$7.4
EFY 05 Supplemental - MaineCare/Medicaid Adjustments (PL 2005, c. 3)						
MAP - Approp to refund CMS for Medicaid provider overpayments.	\$3.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
MAP - Approp. to fund shortfall due to status of budget initiatives.	\$10.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
NF - Deappropriation to fund shortfall	(\$3.1)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
MAP Non-Match - Approp. to offset federal disallowance of Barron Ctr. IGT.	\$2.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
BDS - Appropriation to fund shortfall due to status of budget initiatives.	6.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
EFY 05 Supplemental MaineCare/Medicaid Adjustments	\$19.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
MaineCare/Medicaid Appropriations/Allocations through 1st. Regular Session	\$585.0	\$115.8	\$603.2	\$122.0	\$622.2	\$123.7
Part 2 Budget - MaineCare Net Adjustments (PL 2005, c. 386)						
Appropriation for Federal Medical Assistance Percentage (FMAP) reduction ⁴	\$0.0	\$0.0	\$30.4	\$0.4	\$30.9	\$0.5
MAP - Hospital payment adjustments ⁵	\$0.0	\$0.0	(\$1.4)	\$0.0	(\$7.6)	\$0.0
MAP - Drugs - Establishing a MaineCare modified drug formulary ⁶	\$0.0	\$0.0	(\$3.7)	\$0.0	(\$7.4)	\$0.0
MAP - Room and board and residential care services savings	\$0.0	\$0.0	(\$2.4)	\$0.0	(\$2.4)	\$0.0
MAP - Home visitation program savings	\$0.0	\$0.0	\$0.0	\$0.0	(\$0.1)	\$0.0
MAP - Ambulance services increased MaineCare rates appropriation	\$0.0	\$0.0	\$0.3	\$0.0	\$0.3	\$0.0
MAP - FY 05 Appropriation to fund anticipated MaineCare shortfall	\$24.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
BMS - Federal funding adjustment for the Claims Mgt. System.	\$0.0	\$0.0	\$2.4	\$0.0	(\$2.4)	\$0.0
MAP - Transfer-out non-seeded MAP account programs to GF accounts.	\$0.0	\$0.0	(\$19.5)	\$0.0	(\$16.0)	\$0.0
DEL - Transfer-in to Low-cost Drugs to Maine's Elderly GF account.	\$0.0	\$0.0	\$7.3	\$0.0	\$3.7	\$0.0
MCH - Transfer-in to new Maternal and Child Health GF account.	\$0.0	\$0.0	\$5.0	\$0.0	\$5.0	\$0.0
State Boarding Homes - Transfer-in to new State Boarding Home GF account.	\$0.0	\$0.0	\$4.9	\$0.0	\$4.9	\$0.0
CWS - Transfer-in to Child Welfare Services GF account.	\$0.0	\$0.0	\$2.6	\$0.0	\$2.6	\$0.0
MH Services - Child Medicaid - Home-based services savings	\$0.0	\$0.0	\$0.0	\$0.0	(\$1.0)	\$0.0
Adult MH Services - Community Medicaid - Outpatient therapy	\$0.0	\$0.0	\$0.0	\$0.0	(\$0.5)	\$0.0
BMHI - Disproportionate share payments increase - GF cost	\$0.0	\$0.0	\$0.6	\$0.0	\$0.0	\$0.0
BMHI - Disproportionate share payment increase - GF savings	\$0.0	\$0.0	(\$1.7)	\$0.0	\$0.0	\$0.0
MR - Extend service provider tax to day hab, residential training and personal support services to persons with mental retardation.	\$0.0	\$0.0	(\$6.2)	\$9.8	(\$6.1)	\$9.8
MR - ICFs MR provider tax - offset the ongoing cost of the tax imposed.	\$0.0	\$0.0	(\$0.1)	\$0.1	(\$0.1)	\$0.1
MR - Transfer-out non-seeded MR Medicaid program to GF account	\$0.0	\$0.0	(\$0.2)	\$0.0	(\$0.2)	\$0.0
Part 2 Budget - Total MaineCare/Medicaid Adjustments	\$24.4	\$0.0	\$18.3	\$10.2	\$3.6	\$10.3

	FY 05		FY 06		FY 07	
	Approps/Allocations		Approps/Allocations		Approps/Allocations	
	General Fund	OSR ¹	General Fund	OSR ¹	General Fund	OSR ¹
Part 3 Budget - MaineCare/Medicaid Adjustments (PL 2005, c. 457)						
MAP - Hospital payments - accelerated payment of hospital lawsuit settlement payments	\$0.0	\$0.0	\$16.2	\$0.0	(\$17.9)	\$0.0
MAP - MaineCare childless adult waiver program savings	\$0.0	\$0.0	\$0.0	\$0.0	(\$1.5)	\$0.0
MAP - MaineCare Katie Beckett option restructuring savings	\$0.0	\$0.0	(\$0.5)	\$0.0	(\$1.5)	\$0.0
NF- Cost of living adjustment (COLA) one month delay	\$0.0	\$0.0	(\$0.3)	\$0.3	\$0.0	\$0.0
MR - Freeport Towne Square privatization - MaineCare spending impact	\$0.0	\$0.0	\$0.3	\$0.0	\$0.4	\$0.0
FHM - MaineCare related allocation changes ⁷	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$6.8
Part 3 Budget - Net MaineCare/Medicaid Adjustments	\$0.0	\$0.0	\$15.7	\$0.3	(\$20.5)	\$6.8
Total MaineCare/Medicaid and Related Appropriations/Allocations	\$609.4	\$115.8	\$637.3	\$132.4	\$605.3	\$140.8
Minus Related Program Impacts (e.g. DEL, MCH, Boarding Homes, etc.)	\$0.0	\$0.0	(\$20.4)	\$0.0	(\$13.9)	(\$6.8)
Net Total MaineCare/Medicaid Appropriations/Allocations	\$609.4	\$115.8	\$616.9	\$132.4	\$591.4	\$134.0

- 1 Other Special Revenue (OSR) Funds include MaineCare tax allocations and Fund for a Healthy Maine allocations only.
- 2 Includes funding for Personal Services expenditures as follows:

	\$13.7	\$14.6	\$15.2
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- 3 This Medicaidization initiative also includes deappropriations in the MR Services Community (0122) grant program of \$2.3 million in FY 06 and \$2.3 million in FY 07.
- 4 Includes funding for Personal Services expenditures as follows:

	\$0.0	\$0.9	\$1.1
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- 5 Net savings after a reduction in Part 1 budgeted MaineCare hospital payments offset by appropriations of \$17.6 million in 2005-06 and \$17.8 million in 2006-07 for the state share of the settlement of the hospital MaineCare reimbursement lawsuits.
- 6 Includes an appropriation of \$500,000 in 2005-06 and \$1 million in 2006-07 for contractual services to implement the modified drug formulary.
- 7 Includes a \$3 million deallocation of FHM funds for the elderly low-cost drug program and a \$9.8 million allocation for the FHM's share of proceeds from slot machines at commercial race tracks to be used for drug programs for the elderly and disabled