JOINT STANDING COMMITTEE ON

STATE & LOCAL GOVERNMENT

LD 1614 PART 2 BUDGET BILL

FY 04 - 05

THIS FILE CONTAINS THE FOLLOWING:

Departmental Impact Forms
Testimony
Committee Recommendations

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of Audit

Program Name: Departmental Bureau

Account Number(s): 010-27A-0067-01 & 014-27A-0067-04 **Page # in Bill:** ______

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund	$29,096	$28,306
Federal Funds		
Other Special Revenue funds	($29,096)	($28,306)
Other (please specify)		

Description of Initiative:

The Department will ensure that there will be sufficient funds available in our Special Revenue Fund Account 014-27A-0067-04 that can be transferred to the General Fund. The funds will come from salary savings or a reduction of All Other expenditures in the Special Revenue Fund Account, sufficient to meet the reductions of $29,096 in FY 04, and $28,306 in FY 05.

Description of Impact on Program(s) – BE SPECIFIC:

The impact is expected to be manageable, since attrition is normal and the hiring process to replace auditors often takes several weeks to process, resulting in Salary savings. If salary savings do not produce sufficient savings, the Department will reduce further our planned expenditures in the All Other category in areas such as out-of- state travel, training, and technology.

Does this Initiative have an impact on the 2006-2007 Biennium? ______ (No) ______
(please explain below)

The transfer of funds to the General fund are for the specific amounts and period, to meet budget goals.

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Executive Department

Program Name: Office of the Governor

Account Number(s): 010 07A 0165 **PART A,** State/Local **Page # in Bill:** 36

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund	$131,867	
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the appropriation of Personal Services funds in the amount of $123,867 and All Other funds in the amount of $8,000 to continue two limited-period Special Assistant positions established in fiscal year 2002-03 supplemental budget bill and to establish one additional limited-period Special Assistant position to staff the Office of Health Policy and Finance within the Governor's Office through January 31, 2004.

Description of Impact on Program(s) – BE SPECIFIC:

The Office of Health Policy and Finance is the focal point for the development of health care policy to advance health care reform in Maine. This Office will deal with the issues of escalating health care costs, address problems surrounding access to quality and affordable health care, and seek federal funding to assist with health care related issues that affect Maine citizens. To that end, these positions will focus on creating access to comprehensive, affordable health insurance for Maine small businesses and individuals through a not-for-profit organization.

Does this Initiative have an impact on the 2006-2007 Biennium? ____________ (please explain below) NO

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Executive Department

Program Name: Office of the Governor

Account Number(s): 010 07A 0165 **PART C,** State/Local **Page # in Bill:** C-14

	FY 2003-04	**FY 2004-05**
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund	$125,632	
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the appropriation of Personal Services funds in the amount of $122,928 for three additional limited-period Special Assistant positions for the Office of Health Policy and Finance within the Governor's Office for 30 weeks. Also provides for All Other per diem and travel expenses for the five-member advisory board.

Description of Impact on Program(s) – BE SPECIFIC:

The Office of Health Policy and Finance is the focal point for the development of health care policy to advance health care reform in Maine. This Office will deal with the issues of escalating health care costs, address problems surrounding access to quality and affordable health care, and seek federal funding to assist with health care related issues that affect Maine citizens. To that end, these positions will focus on the Hospitals for Maine's Future Initiative, the Public Purchasers Steering Committee, the Health Systems Council, and will create the State Health Planning Document.

Does this Initiative have an impact on the 2006-2007 Biennium? ________ (please explain below) NO

The following items do not impact the General Fund and are not scheduled for the Public Hearing.

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Executive Department

Program Name: Blaine House

Account Number(s): 014 07A 0072 **PART C, NOT HEARD,** State/Local **Page # in Bill:** C-14

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds	$5,000	$5,000
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the allocation of All Other funds for maintenance, improvements, and general operations of the Blaine House.

Description of Impact on Program(s) – BE SPECIFIC:

This Other Special Revenue account may receive and accept allocations, appropriations, grants, and private contributions of money to be used solely for capital improvements, renovations, and repairs to the Blaine House. This account may not lapse and must be carried forward from year to year.

Does this Initiative have an impact on the 2006-2007 Biennium? YES (please explain below)

This is an ongoing, non-lapsing account.

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: State Treasurer's Office

Program Name: Administration - Treasury

Account Number(s): 010-28A-0022-01 **Page # in Bill:** ______

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund	($22,901)	($22,765)
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the targeted savings through the reduction in spending and the anticipated postage savings from the implementation of EBT Smartcard for welfare recipients and electronic payments through Clareon.

Description of Impact on Program(s) – BE SPECIFIC:

This reduction will not have a significant impact.

Does this Initiative have an impact on the 2006-2007 Biennium? (Yes)
(please explain below)

Because Treasury is beginning the new biennium at a lower level of funding than FY03, if there is a postage increase, it may impact the ability of the State Treasurer to absorb the increase without requesting additional funding.

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: State Treasurer's Office

Program Name: Debt Service - Treasury

Account Number(s): 010-28A-0021-01 **Page # in Bill:** ______

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund	($2,724,047)	($6,186,530)
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for savings through a decrease in the projection for debt issuance and a decrease in the projected interest rates for bond issuance and Bond Anticipation Notes.

Description of Impact on Program(s) – BE SPECIFIC:

This reduction will not have an impact.

Does this Initiative have an impact on the 2006-2007 Biennium? (No)
(please explain below)

It is very difficult to project if this initiative will have an impact on the next biennium.

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: State Treasurer's Office

Program Name: Debt Service - Treasury

Account Number(s): 010-28A-0021-01 **Page # in Bill:** ______

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund	$527,000	
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the appropriation of funds for debt service obligations previously deappropriated in c. 20, PL 2003, Part RR, Section 16.

Description of Impact on Program(s) – BE SPECIFIC:

No impact.

Does this Initiative have an impact on the 2006-2007 Biennium? (No)
(please explain below)

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Secretary of State

Program Name: Administration - Archives

Account Number(s): 0050 **Page # in Bill:** 66

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund	1.000	1.000
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative: Provides headcount for position authorized by PL 2001, c. 704.

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Description of Impact on Program(s) – BE SPECIFIC:

Does this Initiative have an impact on the 2006-2007 Biennium? (Yes)______ (No)______
(please explain below)

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of the Secretary of State

Program Name: Administration Archives

Account Number(s): 01029C005001 **Page # in Bill:** ______

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund	(3,800)	(6,000)
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the deappropriation of All Other funds through streamlining of general operations.

Description of Impact on Program(s) – BE SPECIFIC:

A decrease in general operations funding to meet the requested target will require aggressive management of bureau activities.

Does this Initiative have an impact on the 2006-2007 Biennium? (Yes) ______ (No) X
(please explain below)

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2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of the Secretary of State

Program Name: Bureau of Administrative Services and Corporations

Account Number(s): 01029A069201 **Page # in Bill:** ______

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund		(10,000)
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the deappropriation of Personal Services through salary savings.

Description of Impact on Program(s) – BE SPECIFIC:

Does this Initiative have an impact on the 2006-2007 Biennium? (Yes) ______ (No) X
(please explain below)

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2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of the Secretary of State

Program Name: Bureau of Administrative Services and Corporations

Account Number(s): 01029A069201 **Page # in Bill:** ______

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund	(27,520)	
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the deappropriation of Capital funds identified to replace two Xerox Network Printers purchased in 1998.

Description of Impact on Program(s) – BE SPECIFIC:

Failure to replace aging equipment may result in additional expenses due to unanticipated repairs.

Does this Initiative have an impact on the 2006-2007 Biennium? (Yes) ______ (No) X
(please explain below)

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of the Secretary of State

Program Name: Bureau of Administrative Services and Corporations

Account Number(s): 01029A069201 **Page # in Bill:** ______

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund	(3,400)	
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the deappropriation of Capital funds identified to replace two desktop scanners purchased in 1998.

Description of Impact on Program(s) – BE SPECIFIC:

Failure to replace aging equipment may result in additional expenses due to unanticipated repairs.

Does this Initiative have an impact on the 2006-2007 Biennium? (Yes) ______ (No) X
(please explain below)

Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of the Secretary of State

Program Name: Bureau of Administrative Services and Corporations

Account Number(s): 01029A069201 **Page # in Bill:** ______

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund	(7,312)	(7,312)
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the deappropriation of All Other funds identified for temporary service contracts.

Description of Impact on Program(s) – BE SPECIFIC:

Failure to fund temporary service contracts will put an increased burden on bureau staff.

Does this Initiative have an impact on the 2006-2007 Biennium? (Yes) ______ (please explain below) (No) X

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2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of the Secretary of State

Program Name: Bureau of Administrative Services and Corporations

Account Number(s): 01029A069201 **Page # in Bill:** ____

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund	(23,068)	(16,275)
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the deappropriation of All Other funds through the streamlining of general operations.

Description of Impact on Program(s) – BE SPECIFIC

A decrease in general operations funding to meet the requested target will require aggressive management of bureau activities.

Does this Initiative have an impact on the 2006-2007 Biennium? (Yes) ______ (No) X
(please explain below)

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The following items do not impact the General Fund and are not scheduled for the Public Hearing.

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of the Secretary of State

Program Name: Administration Archives

Account Number(s): 01429C005001 **Page # in Bill:** ______

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds	(5,000)	(5,000)
Other (please specify)		

Description of Initiative:

Provides for the transfer of funds from the Archives Publication Account to meet the requested target.

Description of Impact on Program(s) – BE SPECIFIC:

This transfer of Other Special Revenue funds will, over the biennium, 1) reduce the number of maps receiving special preservation treatment for safe general public access by twenty; 2) reduce the number of hours of aging audio tape records preserved and available to the pubic by forty-three hours of legislative debates, hearing proceedings, etc.; 3) eliminate one of two planned exhibits in the Archives' foyer, and 4) generally limit updates and reprints of customer publications regarding records available at the archives, preservation of archival records, and opportunities for conducting genealogical research at the Archives.

Does this Initiative have an impact on the 2006-2007 Biennium? (Yes) ______ (No) X
(please explain below)

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2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of Administrative and Financial Services

Program Name: Division of Financial and Personnel Services

Account Number(s): 010 18K 0713 **PART B,** State/Local **Page # in Bill:** 71

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund	$0	$0
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the appropriation of Personal Services funds and the subsequent deappropriation of All Other funds to self-fund the upgrade of the Director position as approved by the Bureau of Human Resources.

Description of Impact on Program(s) – BE SPECIFIC:

There is no impact as a result of this initiative. The program will operate within remaining available resources.

Does this Initiative have an impact on the 2006-2007 Biennium? YES (please explain below)

This is a permanent upgrade of this position.

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of Administrative and Financial Services

Program Name: Bureau of Accounts and Control

Account Number(s): 010 18F 0056 **PART C**, State/Local **Page # in Bill:** C-1

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund	$72,889	$86,898
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the appropriation of Personal Services funds for the establishment of three Financial Management Coordinator positions, one Senior Staff Accountant position, and one Staff Accountant position. Provides for the elimination of one Senior Payroll Technician position, one Payroll Technician position, one Accountant I position, one Clerk II position, and one Assistant to the Controller position. Also provides for the reclassification of one Accountant II position to a Staff Accountant position and one Supervisor of General Accounting position to a Managing Staff Accountant position.

Description of Impact on Program(s) – BE SPECIFIC:

This is a Bureau-wide reorganization designed to strengthen statewide internal controls; increase the level of expertise in general accounting; monitor and reconcile capital outlay expenditures; provide audit and reconciliation of payrolls; strengthen compliance with tax reporting requirements; and meet professional standards for financial reporting. The reorganization will be funded through a reduction in All Other in the Accounts and Control Systems Project program.

Does this Initiative have an impact on the 2006-2007 Biennium? YES
(please explain below)

This is a permanent reorganization.

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of Administrative and Financial Services

Program Name: Bureau of Accounts and Control

Account Number(s): 010 18F 0056 **PART C,** State/Local **Page # in Bill:** C-1

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund	(-1.000)	(-1.000)
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund	($78,079)	($78,564)
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the deappropriation of Personal Services funds and the transfer of one Management Analyst II position to the Bureau of Budget to be reclassified as a Senior Budget Analyst position.

Description of Impact on Program(s) – BE SPECIFIC:

As part of the Bureau of Accounts and Control's bureau-wide reorganization, there is a Management Analyst II position available for transfer. The receipt of the position into the Bureau of Budget will strengthen the statewide financial oversight responsibility of DAFS and allow for improved input into the revenue forecasting process.

Does this Initiative have an impact on the 2006-2007 Biennium? YES ______
(please explain below)

This is a permanent transfer.

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of Administrative and Financial Services

Program Name: Bureau of Accounts and Control – Systems Project

Account Number(s): 010 18F 0058 **PART C,** State/Local **Page # in Bill:** C-1

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund	($72,889)	($86,898)
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the deappropriation of All Other funds to support the reorganization in the Bureau of Accounts and Control.

Description of Impact on Program(s) – BE SPECIFIC:

This is a Bureau-wide reorganization designed to strengthen statewide internal controls; increase the level of expertise in general accounting; monitor and reconcile capital outlay expenditures; provide audit and reconciliation of payrolls; strengthen compliance with tax reporting requirements; and meet professional standards for financial reporting. The reorganization will be funded through a reduction in All Other in the Accounts and Control Systems Project program. The funds are available due to an anticipated decrease in the use of outside contracted services.

Does this Initiative have an impact on the 2006-2007 Biennium? YES ______
(please explain below)

This is a permanent reorganization.

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of Administrative and Financial Services

Program Name: Bureau of the Budget

Account Number(s): 010 18F 0055 **PART C,** State/Local **Page # in Bill:** C-1

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund	(1.000)	(1.000)
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund	$82,983	$83,695
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the appropriation of Personal Services funds and the transfer in of one Management Analyst II position from the Bureau of Accounts and Control and provides for the upgrade of the position to a Senior Budget Analyst.

Description of Impact on Program(s) – BE SPECIFIC:

The receipt of the position into the Bureau of Budget will strengthen the statewide financial oversight responsibility of DAFS and allow for improved input into the revenue forecasting process. The reclassification will be funded through a deappropriation of All Other in the Maine Revenue Services program.

Does this Initiative have an impact on the 2006-2007 Biennium? YES (please explain below)

This is a permanent transfer and upgrade.

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of Administrative and Financial Services

Program Name: Bureau of Human Resources

Account Number(s): 010 18H 0038 **PART C,** State/Local **Page # in Bill:** C-1

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund	($150,000)	
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the deappropriation of All Other funds in the amount of $150,000.

Description of Impact on Program(s) – BE SPECIFIC:

These funds were appropriated in fiscal year 2003-04 by Public Law, chapter 20 for the purpose of assisting in the costs of training for those State workers displaced due to a workforce reduction. These funds are no longer required for their intended purpose in fiscal year 2003-04 because an appropriation was made in fiscal year 2002-03 by Public Law, chapter 51 to implement this initiative sooner.

Does this Initiative have an impact on the 2006-2007 Biennium? ____________ (please explain below) NO

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of Administrative and Financial Services

Program Name: Bureau of General Services – Capital Construction/Repairs/Improvements

Account Number(s): 010 18A 0059 **PART C,** State/Local **Page # in Bill:** C-2

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund	$250,000	
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the appropriation of repair All Other funds in the amount of $250,000.

Description of Impact on Program(s) – BE SPECIFIC:

These funds were deappropriated in Public Law, chapter 51 to help balance the fiscal year 2002-03 shortfall with the understanding that an appropriation request would be made to cover the cost of repairs delayed from fiscal year 2002-03. These funds are necessary to provide for non-capital repairs through fiscal year 2003-04.

Does this Initiative have an impact on the 2006-2007 Biennium? ______ (please explain below) NO

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of Administrative and Financial Services

Program Name: Debt Service – Government Facilities Authority

Account Number(s): 010 18F 0893 **PART C,** State/Local **Page # in Bill:** C-2

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund	($1,434,350)	
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the deappropriation of All Other funds from savings in debt service on the psychiatric treatment center facility project as well as interest earnings the result of prudent cash management.

Description of Impact on Program(s) – BE SPECIFIC:

There is no impact the result of this initiative. Debt service will be achieved and payments will be made as required.

Does this Initiative have an impact on the 2006-2007 Biennium? ____________ (please explain below) NO

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of Administrative and Financial Services

Program Name: Statewide – Restructuring and Consolidation Initiatives

Account Number(s): 010 18F 0016 **PART C,** State/Local **Page # in Bill:** C-3

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund		($1,000,000)
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the deappropriation of funds from departments and agencies statewide from projected savings through restructuring and consolidation of initiatives.

Description of Impact on Program(s) – BE SPECIFIC:

Programs will continue operations within available resources.

Does this Initiative have an impact on the 2006-2007 Biennium? YES (please explain below)

These will be ongoing savings.

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of Administrative and Financial Services

Program Name: Statewide – Merit Increases

Account Number(s): 010, 012, 014 18F 0016 **PART C,** State/Local **Page # in Bill:** C-4

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund		$2,130,316
Federal Funds		
Other Special Revenue funds		$581,932
Other – Highway Funds		$313,838
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		($581,932)
Other – Highway Funds		($313,838)

Description of Initiative:
Provides for the appropriation and allocation of funds to restore merit increases in fiscal year 2004-05.

Description of Impact on Program(s) – BE SPECIFIC:
Funding is sufficient to restore all merit increases in fiscal year 2004-05.

Does this Initiative have an impact on the 2006-2007 Biennium? ______ NO
(please explain below)

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of Administrative and Financial Services

Program Name: Real Property Lease Internal Service Fund

Account Number(s): 043 18A 0080 **LANGUAGE,** State/Local **Page # in Bill:** Supp-2

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other – Internal Service Fund		
Appropriation or Allocation Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other – Internal Service Fund		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund	$57,500	$57,500
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Sec. E-10. Transfer of funds. Notwithstanding any other provision of law, the State Controller shall transfer $57,500 in fiscal year 2003-04 and $57,500 in fiscal year 2004-05 from the Real Property Lease Internal Service Fund in the Department of Administrative and Financial Services to the unappropriated surplus of the General Fund no later than June 30, 2004 and June 30, 2005.

Description of Impact on Program(s) – BE SPECIFIC:

This initiative will result in undedicated revenue to the General Fund in fiscal year 2003-04 and fiscal year 2004-05 as a result of the renegotiation of leases.

Does this Initiative have an impact on the 2006-2007 Biennium? ________ NO
(please explain below)

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of Administrative and Financial Services

Program Name: Salary Plan

Account Number(s): 010 18F 0305 **LANGUAGE,** State/Local **Page # in Bill:** Supp-3

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other – Internal Service Fund		
Appropriation or Allocation Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other – Internal Service Fund		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund	$150,000	
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Sec. E-18. General Fund Salary Plan; lapsed balances. Notwithstanding any other provision of law, $150,000 of unencumbered balance forward in fiscal year 2003-04 in the General Fund Salary Plan account in the Department of Administrative and Financial Services lapses to the General Fund in fiscal year 2003-04.

Description of Impact on Program(s) – BE SPECIFIC:

This initiative will result in increase to the General Fund in fiscal year 2003-04 as a result of Personal Services funds not needed by departments and agencies in fiscal year 2002-03.

Does this Initiative have an impact on the 2006-2007 Biennium? ________ (please explain below) NO

The following items do not impact the General Fund and are not scheduled for the Public Hearing.

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of Administrative and Financial Services

Program Name: Accident, Sickness and Health Insurance Division

Account Number(s): 046 18S 0455 **PART A, NOT HEARD,** State/Local **Page # in Bill:** 1

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other – Internal Service Fund	(1.000)	(1.000)
Appropriation or Allocation Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)	$61,462	$64,797
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the allocation of Personal Services funds for the transfer in of one Management Analyst II position from the Bureau of Alcoholic Beverages.

Description of Impact on Program(s) – BE SPECIFIC:

As a result of closing the remaining state liquor stores, there is a Management Analyst II position available for transfer. The position in the Accident, Sickness, and Health Insurance Internal Service Fund will administer voluntary benefit programs such as the new offering for long-term care insurance. Additionally, this position will administer the deferred compensation program, which will be transferred from the Bureau of Accounts and Control.

Does this Initiative have an impact on the 2006-2007 Biennium? YES (please explain below)

This is a permanent transfer.

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of Administrative and Financial Services

Program Name: Buildings and Grounds Operations – Highway Fund (informational)

Account Number(s): 012 18A 0080 **PART B, NOT HEARD,** State/Local **Page # in Bill:** 70

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other – Highway Fund	$0	$0
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the appropriation of Personal Services funds and the subsequent deappropriation of All Other funds to self-fund the reclassification of one Building Control Technician to Assistant Technician as approved by the Bureau of Human Resources.

Description of Impact on Program(s) – BE SPECIFIC:

There is no impact as a result of this initiative. The program will operate within remaining available resources.

Does this Initiative have an impact on the 2006-2007 Biennium? YES (please explain below)

The reclassification is permanent.

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of Administrative and Financial Services

Program Name: Bureau of Information Services

Account Number(s): 013 18B 0155 **PART C, NOT HEARD,** State/Local **Page # in Bill:** C-2

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund		
Federal Funds	$140,000	
Other Special Revenue funds		
Other (please specify)		
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the allocation of All Other federal funds in the amount of $140,000.

Description of Impact on Program(s) – BE SPECIFIC:

The funds are a grant from the U.S. Geological Survey to enhance Maine's digital mapping of rivers, streams, ponds, lakes, and coastline to national geological standards.

Does this Initiative have an impact on the 2006-2007 Biennium? ________ NO

(please explain below)

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of Administrative and Financial Services

Program Name: Bureau of Information Services

Account Number(s): 038 18B 0155 **PART C, NOT HEARD,** State/Local **Page # in Bill:** C-2

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		
Appropriation or Allocation Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other – Internal Service fund	$271,369	220,907
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the allocation of Personal Services funds to continue five limited-period cartographer positions in fiscal year 2003-04 and four limited-period cartographer positions in fiscal year 2004-05.

Description of Impact on Program(s) – BE SPECIFIC:

These positions will continue to work with local governments to bring those municipalities into the enhanced 9-1-1 system. The cost of these positions will be invoiced to the Department of Public Safety, which has funds available the result of a telephone surcharge. It is not intended that these positions will be ongoing, although the project is taking considerably more time than originally anticipated.

Does this Initiative have an impact on the 2006-2007 Biennium? YES
(please explain below)

It is likely that three limited-period cartographers will be required in FY06 and that two will be required in FY07 to complete the project.

2004-2005 "Part 2" Budget Bill
Departmental Impact Form
Joint Standing Committee on Appropriations and Financial Affairs

Department/Agency Name: Department of Administrative and Financial Services

Program Name: Risk Management Division

Account Number(s): 039 18R 0008 **PART C, NOT HEARD,** State/Local **Page # in Bill:** C-3

	FY 2003-04	FY 2004-05
Position or FTE Increase [i.e. (0.000)] / Decrease [i.e.(-0.000)]:		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other – Internal Service fund	(-1.000)	(-1.000)
Appropriation or Allocation Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other – Internal Service fund	($66,051)	($69,125)
Revenue or Balance Transfer Increase / (Decrease):		
General Fund		
Federal Funds		
Other Special Revenue funds		
Other (please specify)		

Description of Initiative:

Provides for the deallocation of Personal Services funds in the amount of $57,251 in FY04 and $60,068 in FY05 and All Other funds in the amount of $8,800 in FY04 and $9,057 in FY05 and for the transfer out of one Boiler Inspector position to the Division of Licensing and Enforcement, Other Special Revenue Fund account within the Department of Professional and Financial Regulation.

Description of Impact on Program(s) – BE SPECIFIC:

There is no impact the result of this initiative. The position is being transferred to the Department of Professional and Financial Regulation to comply with law and will carry out those purposes for which it was originally created as mandated in Public Law 2001, chapter 559.

Does this Initiative have an impact on the 2006-2007 Biennium? YES (please explain below)

This is a permanent transfer.

TESTIMONY SIGN IN SHEET

COMMITTEE ON Appropriations and Financial Affairs

L.D. # OR CONFIRMATION: LD 1614 Part 2 Budget Bill

DATE: 5-May-03

PLEASE PRINT!!

State & Local Government

	NAME	TOWN/AFFILIATION	PROPONENT	OPPONENT	NEITHER FOR NOR AGAINST
1.	Gail Chase	State Auditor			
2.	Rebecca Wyke	Commissioner of Dept. of Administrative & Financial Services			
3.	Dale McCormick	State Treasurer			
4.	Dan Gwadowsky	Secretary of State			
5.	Rebecca Wyke	Commissioner of Dept. of Administrative & Financial Services			
6.	Michael Allen	Maine Revenue Services			
7.					
8.					
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11.					
12.					
13.					
14.					
15.					
16.					

TESTIMONY OF
REBECCA WYKE, COMMISSIONER
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES

Before the Joint Standing Committee on Appropriations and Financial Affairs
And the Joint Standing Committee on State and Local Government

Hearing Date: May 5, 2003

"An Act Making Supplemental Appropriations and Allocations for the Expenditures of State Government and Change Certain Provisions of the Law Necessary to the Proper Operation of State Government for the Fiscal Years Ending June 30, 2004 and June 30, 2005."

Senators Cathcart and Rotundo, Representatives Brannigan and McLaughlin, and Members of the Committees on Appropriations and Financial Affairs and State and Local Government, my name is Rebecca Wyke and I am the Commissioner of Administrative and Financial Services. I am here to present testimony in support of those items presented in the Part II Budget Bill that pertain to the Department.

DIVISION OF FINANCIAL AND PERSONNEL SERVICES

The first request may be found in Part B and provides for the appropriation of Personal Services funds and the subsequent deappropriation of All Other funds to self-fund the upgrade of the Director of Financial and Personal Services position as approved by the Bureau of Human Resources.

BUREAU OF ACCOUNTS AND CONTROL

The first request for this program supports a reorganization of the Bureau of Accounts and Control designed to strengthen statewide internal controls; increase the level of expertise in general accounting; monitor and reconcile capital outlay expenditures; provide audit and reconciliation of payrolls; strengthen compliance with tax reporting requirements; and meet professional standards for financial reporting. This request is found in Part C and provides for the appropriation of Personal Services funds for the establishment of five positions, the elimination of five positions, as well as for the reclassification of one Accountant II position to a Staff Accountant position and one Supervisor of General Accounting position to a Managing Staff Accountant position. The reorganization will be funded through a reduction in All Other in the Accounts and Control Systems Project program.

The next request for the Bureau provides for the deappropriation of Personal Services funds and the transfer of one Management Analyst II position to the Bureau of Budget.

The final request for the Bureau provides for the deappropriation of All Other funds in the Bureau's Systems Project account. The funds are available due to an anticipated decrease in the use of outside contracted services as a result of the bureau-wide reorganization.

BUREAU OF THE BUDGET

This request may be found in Part C and provides for the appropriation of Personal Services funds and the transfer of one Management Analyst II position from the Bureau of Accounts and Control and provides for the upgrade of the position to a Senior Budget Analyst. The receipt of the position into the Bureau of Budget will strengthen the statewide financial oversight responsibility of DAFS and allow for improved input into the revenue forecasting process. The reclassification will be funded through a deappropriation of All Other in the Maine Revenue Services program.

BUREAU OF HUMAN RESOURCES

The request for this Bureau provides for the deappropriation of All Other funds in the amount of $150,000. These funds were appropriated in FY04 by Public Law, chapter 20 for the purpose of assisting in the costs of training for those State workers displaced due to a workforce reduction. These funds are no longer required for their intended purpose in FY04 because an appropriation was made in FY03 by Public Law, chapter 51 to advance the implementation of this initiative.

CAPITAL CONSTRUCTION, REPAIRS, IMPROVEMENTS

This request provides for the appropriation of All Other repair funds in the amount of $250,000. These funds were deappropriated in Public Law, chapter 51 to help balance the FY03 shortfall with the understanding that an appropriation request would be made to cover the cost of repairs delayed in that fiscal year. These funds are necessary to provide for non-capital repairs through FY04.

DEBT SERVICE – GOVERNMENTAL FACILITIES AUTHORITY

This request deappropriates funds no longer required for debt service. Savings are made available from interest earnings related to the deposits of bond proceeds to the construction funds, as well as principal savings as a result of a lower than anticipated construction budget for the Pyschiatric Treatment Center.

STATEWIDE RESTRUCTURING AND CONSOLIDATION INITIATIVES

This request may be found in Part C as well as in language in Section E-16. It provides for the deappropriation of funds from departments and agencies as a result of energy savings initiatives, savings from consolidation of services, as well as other efficiencies throughout State Government.

STATEWIDE MERIT INCREASES

This request provides for the appropriation and allocation of funds to restore merit increases in FY05. Funding is sufficient to restore all merit increases in the second year of the biennium.

LANGUAGE

Section E-6 provides standard language that allows the Department to be reimbursed from the Salary Plan for costs incurred in the process of collective bargaining.

Section E-10 provides for the transfer of funds in both FY04 and FY05 as a result of renegotiation of leases.

Section E-11 allows for a retirement incentive program for the purpose of generating savings that can be used to help restore merit increases in FY04. The program may be offered to employees already eligible for retirement who have reached their normal retirement age.

Section E-12 provides for the transfer from the unappropriated surplus of the General Fund an amount not to exceed $9,413,299 to the General Purpose Aid to Local Schools account within the Department of Education. The funds may not be expended in FY04 but must carry forward until June 30, 2005. The funds may be allotted in FY05 by financial order upon recommendation of the State Budget Officer and approval of the Governor and are considered adjustments to appropriations and allocations in FY05.

Section E-15 is lease financing language that provides for the acquisition of motor vehicles for the State Police.

Section E-18 lapses General Fund Salary Plan funds no longer needed by departments and agencies in FY03.

Part F requires that each agency establish internal control systems that should provide management with "reasonable assurance" that assets are safeguarded and financial statements are representative of the financial activity for the fiscal period. The legislation also requires each department maintain written documentation of its internal control plan, which must be made available upon request to all pertinent personnel, auditors, and the representatives of the Bureau of Accounts and Control, as well as the Commissioner of Administrative and Financial Services. In addition, Part F requires agencies to report unaccounted variances and losses to the State Controller and provides the Controller access to agency records and files in order to carryout his duties.

Budget Stabilization

Part X proposes to limit state government spending to a ten-year moving average of real personal income growth plus inflation, to be known as the long-term growth rate limitation, and to create an enhanced reserve fund to offset revenue shortfalls and address other priorities.

Personal income growth is the preferred measure of the Maine economy because it is the economic variable most closely related to major state revenue lines (sales tax and individual income tax). The Governor in developing the biennial budget would be required to limit the annual growth in the request for General Fund appropriation to no more than the long-term growth rate limitation. This would effectively cap the current services appropration.

During periods where projected General Fund revenues exceed the appropriation allowed by the long-term growth rate limitation, excess projected revenues will be appropriated to the Budget Stabilization Fund (capped at 20% of the previous fiscal year's General Fund revenue). During periods where projected General Fund revenues are less than the appropriation allowed by the long-term growth rate limitation transfers from the Budget Stabilization Fund, if available, would allow the current services General Fund appropriation to reach its cap.

The result is that General Fund appropriations grow no faster than the long-term capabilities of the Maine economy. During expansionary economic periods the tax system will produce revenues in excess of the long-run trend, resulting in transfers to the Budget Stabilization Fund. During contractionary economic periods the Budget Stabilization Fund would be drawn down to sustain current services spending. New or expanded programs, including revenue reductions, must be "paid for" over the current and following biennia within the cap of allowable appropriations.

A revolving Operating Capital Reserve (capped at 4% of previous year's revenue) is funded through unappropriated surplus to reduce the need for Tax Anticipation Notes and a Capital Construction and Improvements Reserve (capped at 1% of the previous year's revenue) is funded through unappropriated surplus to fund significant one-time capital projects and reduce dependence on the Maine Governmental Facilities Authority for this purpose.

The last departmental initiative is found in Part AA, and is aimed at lending some formality to the processes associated with the Consensus Economic Forecasting Commission and the Revenue Forecasting Committee. The changes include requirements for reporting by the two entities, as well as the use of a consistent economic forecasting model.

I would be happy to answer any questions you may have at this time.

Budget Stabilization Fund

Problem: During times of economic expansion General Fund (GF) appropriations move to a growth path that tracks the short-term capabilities of the state's economy and tax system, but significantly deviates from the long-run growth rate of GF revenues. As a result, current programs receive additional funding and new programs (including tax cuts) are created during expansionary periods that can't be sustained even when economic growth merely moderates.

Solution: To limit General Fund spending to an annual growth rate that is consistent with the long-run growth of the Maine economy.

- A Budget Stabilization Fund (BSF) is created that is funded during times of economic prosperity and drawn down during periods of economic contraction.
- During times of economic prosperity GF revenues in excess of statutorily limited GF appropriations are transferred into the BSF. During recessionary periods funds are withdrawn from the BSF to fund GF appropriations consistent with statutorily limited growth.
- Such a fund would mitigate the boom and bust adjustments to GF appropriations by ensuring that GF appropriations grow no faster than the long-run capabilities of the Maine economy.

Long-Term Growth Rate Limitation:

- A ten-year moving average of real personal income growth (ending with the last actual from the Bureau of Economic Analysis) is calculated by the Revenue Forecasting Committee (RFC).
- The forecast for inflation by the Consensus Economic Forecasting Committee (CEFC) is added to the real personal income growth average to determine the long-run nominal personal income growth of the Maine economy. This becomes the "long-term growth rate limitation."
- Personal income growth is the preferred measure of the Maine economy because it is the economic variable most closely related to major state revenue lines (sales tax and individual income tax).
- The Governor in developing the biennial budget would be required to limit the annual growth in the GF appropriation to no more than the long-term growth rate limitation. This would effectively cap the current services appropriation.

Limitations on the Growth of General Fund Appropriations:

- During periods where projected GF revenues exceed the GF current services appropriation cap, excess projected revenues will be appropriated to the BSF.

During periods where projected GF revenues are less than the GF current services appropriation cap transfers from the BSF, if available, would allow the current services GF appropriation to reach its cap.

- There would be a floor (equal to 1% of the GF appropriation) on the BSF to leave some funds available for an emergency situation.
- Any new or expanded program (including tax cuts) must be "paid for" by reducing the current services GF appropriation to keep within the long-term growth rate limitation and/or by increasing revenues. A balance must be kept not only over the current biennium, but over the following biennium as well.
- The BSF would be capped at 20% of the previous fiscal year's GF revenue.
- 100% of an upward adjustment to baseline revenues by the RFC during a fiscal year is dedicated to the BSF. Upward adjustments to the baseline may be used to increase GF appropriations, up to the cap, in future fiscal years.

Uses of Surplus Revenues:

- The State Controller at the close of each fiscal year shall allocate the revenue surplus of the GF in the following ways:
    - 50% shall go to the BSF
    - 25% shall go to reduce the unfunded liability of the Maine State Retirement System
    - 15% shall go to the Reserve for General Fund Operating Capital to provide sufficient cash during periods of the fiscal year when revenue receipts are low relative to expenditures.
    - 10% shall go to the Capital Construction and Improvements Fund to be used to fund one-time major capital projects (exceeding $1 million).

Results:

- GF appropriations grow no faster than the long-run capabilities of the Maine economy.
- During expansionary economic periods the tax system will produce revenues in excess of the long-run trend, resulting in transfers to the BSF. During contractionary economic periods the BSF would be drawn down to sustain current services spending.
- New or expanded programs, including revenue reductions, must be paid for over the current and following biennia.
- A revolving operating capital reserve is funded through unappropriated surpluses to reduce the need for TANs.
- A Capital Construction and Improvements Reserve is funded through unappropriated surpluses to fund significant one-time capital projects.

Examples:

#1 – GF revenues are forecasted to grow by less than the long-term growth rate limitation and there are no funds in excess of the required minimum in the BSF. The Governor is required to submit a biennial budget that grows by no more than the rate of forecasted GF revenues. The Governor can propose additional revenues to support a higher rate of growth, up to the long-term growth rate limitation.

If the RFC reprojects revenue up in March, all of that reforecast is dedicated to the BSF. During the second year of the biennium a combination of reprojected revenues and the BSF can be used to support a growth rate in GF appropriations up to the long-term growth rate limitation.

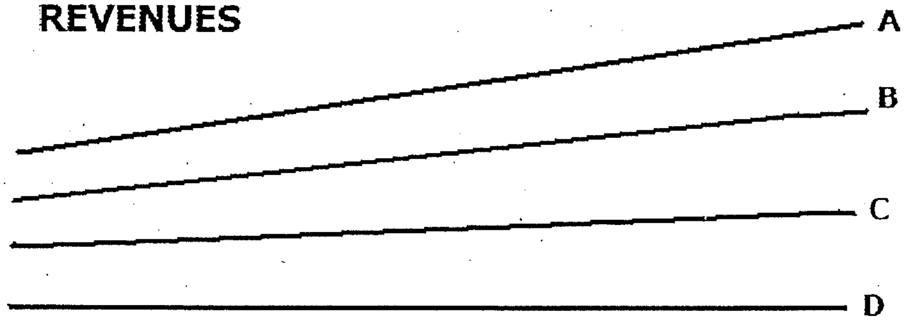
#2 – GF revenues are forecasted to grow by more than the long-term growth rate limitation. The Governor is required to submit a biennial budget that grows by no more than the long-term growth rate. Forecasted revenues in excess of the long-term growth rate are appropriated to the BSF.

Should the Governor propose tax changes, either offsetting tax changes are required or GF appropriations must be adjusted to accommodate the net tax changes. The offsets must balance over the current and next biennia.

#3 – GF revenues are forecasted to grow by less than the long-term growth rate limitation and there are ample funds in excess of the required minimum in the BSF. Funds may be withdrawn from the BSF so that the Governor can maintain a growth in GF appropriations that is consistent with the long-term growth rate limitation.

If the RFC reprojects revenue down in March, additional funds if required can be withdrawn from the BSF to maintain the budget balance, but not beyond the required minimum. During the second year of the biennium the BSF can be used to support a growth rate in GF appropriations up to the long-term growth rate limitation.

REVENUES



A - Surplus Revenue over RFC projection

50% Budget Stabilization Fund (capped at 20% of previous year's revenue)
25% unfunded actuarial liability of the Retirement System
15% Working Capital Reserve (capped at 4% of previous year's revenue)
10% Capital Construction Fund (capped at 1% of previous year's revenue)

B - RFC projection over LTGR limitation

100% unfunded liability of the Retirement System - maximum $125M; then...
100% budget stabilization fund

C - Long Term Growth Rate Limitation

10 year moving average of real personal income growth plus inflation

D - Base Year Funding

Lapsed Balances at Year End

Priority 1 - $350K Governor's emergency contingency fund
Priority 2 - $1M FAME loan insurance reserve
Priority 3 - $9M GPA in FY '05
Priority 4 - tax conformity reserve fund

BSF

Calendar Year	Nominal Personal Income	% Change	CPI	% Change	Real Personal Income	Ten Year Average	Real GSP	% Change	Ten Year Average	GSP	% Change	Ten Year Average
1984	$13,480,232		103.9									
1985	$14,575,292	8.12%	107.6	3.56%	4.56%							
1986	$15,753,707	8.09%	109.6	1.86%	6.23%		$ 24,018			$ 17,468		
1987	$17,289,266	9.75%	113.6	3.65%	6.10%		$ 25,622	6.68%		$ 19,367	10.87%	
1988	$19,035,831	10.10%	118.3	4.14%	5.96%		$ 27,631	7.84%		$ 21,680	11.94%	
1989	$20,599,674	8.22%	124	4.82%	3.40%		$ 28,284	2.36%		$ 23,071	6.42%	
1990	$21,521,461	4.47%	130.7	5.40%	-0.93%		$ 27,796	-1.73%		$ 23,498	1.85%	
1991	$21,820,184	1.39%	136.2	4.21%	-2.82%		$ 27,010	-2.83%		$ 23,635	0.58%	
1992	$22,675,763	3.92%	140.3	3.01%	0.91%		$ 27,046	0.13%		$ 24,397	3.22%	
1993	$23,292,033	2.72%	144.5	2.99%	-0.28%		$ 27,286	0.89%		$ 25,358	3.94%	
1994	$24,173,869	3.79%	148.2	2.56%	1.23%	2.44%	$ 27,755	1.72%		$ 26,501	4.51%	
1995	$25,045,934	3.61%	152.4	2.83%	0.77%	2.06%	$ 28,256	1.81%		$ 27,987	5.61%	
1996	$26,433,754	5.54%	156.9	2.95%	2.59%	1.69%	$ 28,925	2.37%		$ 28,925	3.35%	
1997	$27,772,787	5.07%	160.5	2.29%	2.77%	1.36%	$ 29,958	3.57%	1.61%	$ 30,409	5.13%	4.66%
1998	$29,468,569	6.11%	163	1.56%	4.55%	1.22%	$ 31,121	3.88%	1.22%	$ 32,208	5.92%	4.05%
1999	$30,679,731	4.11%	166.6	2.21%	1.90%	1.07%	$ 32,480	4.37%	1.42%	$ 34,196	6.17%	4.03%
2000	$32,866,505	7.13%	172.2	3.36%	3.77%	1.54%	$ 33,201	2.22%	1.81%	$ 35,981	5.22%	4.37%
2001	$34,491,316	4.94%	177.1	2.85%	2.10%	2.03%						
2002	$35,913,033	4.12%	179.9	1.58%	2.54%							

10 year average of real personal income (1992-2001) = 2.03%
Average estimated inflation rate (2003-2007) = 2.50%
Long-Term Growth Rate Limitation = 4.53%

Fiscal Year		Growth Rate Limit	Rev. Forecast	Maximum GF Approp.	GF Appropriation	Actual GF Appropriation			Actual GF Revenue	BSF
1999				$2,083,880,023	$2,083,880,023	$2,153,508,109			$2,259,718,302	$136,529,602
2000	4.51%	4.26%	$2,147,702,233	$2,172,666,835	$2,147,702,233	$2,317,138,580	7.60%	6.00%	$2,395,216,806	$277,023,849
2001	4.51%	4.26%	$2,230,762,573	$2,265,236,541	$2,230,762,573	$2,571,368,893	10.97%	-0.19%	$2,390,628,351	$386,106,492
2002	3.92%	3.57%	$2,477,582,989	$2,346,093,018	$2,346,093,018	$2,583,684,236	0.48%	-2.47%	$2,331,660,564	$371,674,038
2003	3.92%	3.57%	$2,604,037,836	$2,429,835,627	$2,429,835,627	$2,537,218,541	-1.80%	1.69%	$2,371,171,519	$313,009,929
2004	4.31%	4.53%	$2,418,383,155	$2,539,925,617		$2,617,375,234	3.16%	1.99%	$2,418,383,155	$191,467,468
2005	4.31%	4.53%	$2,517,280,254	$2,655,003,518		$2,665,395,455	1.83%	4.09%	$2,517,280,254	$53,744,203
	4.25%	4.12%								

DEBT SERVICE FY 04-05

4/25/2003

	DEBT ISSUE	DEBT SERVICE APPROPRIATION FY 04	FY 05	TOTAL
General Fund Debt Service - Original Bill - Part A		89,035,616	97,011,971	186,047,587
General Fund Debt Service - Original Bill - Part B		(7,182,857)	1,152,933	(6,029,924)
Final Change Package (Decreased June 03 issuance 110 to 97.08)		(2,000,000)		(2,000,000)
TAN Interest ($275,000,000 at 1.63% FY 04 and 2.4% in FY 05)		(4,482,500)	(6,600,000)	(11,082,500)
Debt Service Income				
CURRENT G.O. DEBT SERVICE BUDGET		**75,370,259**	**91,564,904**	**166,935,163**

SCENARIO ONE

		DEBT ISSUE	DEBT SERVICE APPROPRIATION ASSUMED INTEREST RATE - 3.75% EXEMPT, 4.75% TAXABLE FY 04	FY 05	TOTAL
Current G.O. Budget (See above)			75,370,259	91,564,904	166,935,163
Debt Service on debt outstanding as of June 02			56,413,765	44,730,724	101,144,489
Debt Service on FY 03 issue at 4.75% for taxable and 3.75% for exempt *(down from 5.5%)*		97,080,000	13,617,750	13,226,775	26,844,525
FY 04 BAN Interest FY 04 issue at *(was 4.5%)*	3.50%	163,697,000	2,864,698		2,864,698
FY 05 Principal on June 04 Issue				16,369,700	16,369,700
FY 05 Interest on June 04 Issue at *(was 5.5%)*	5.00%			8,184,850	8,184,850
BAN Interest FY 05 issue at	4.50%	145,170,000		3,266,325	3,266,325
Decrease in Debt Service Income from $450,000 each year - Note 1.			(250,000)	(400,000)	(650,000)
TOTAL DEBT SERVICE APPROPRIATION FOR GENERAL OBLIGATION DEBT			**72,646,213**	**85,378,374**	**158,024,587**
APPROPRIATION REDUCTION FOR GENERAL OBLIGATION DEBT			**(2,724,047)**	**(6,186,530)**	**(8,910,577)**

Note 1: Current earnings on the bond pool of $20 million (including $5 million Education Bond) is 1.2%.

TESTIMONY OF
REBECCA WYKE, COMMISSIONER
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES

Before the Joint Standing Committee on Appropriations and Financial Affairs
And the Joint Standing Committee on State and Local Government

Hearing Date: May 5, 2003

"An Act Making Supplemental Appropriations and Allocations for the Expenditures of State Government and Change Certain Provisions of the Law Necessary to the Proper Operation of State Government for the Fiscal Years Ending June 30, 2004 and June 30, 2005."

Senators Cathcart and Rotundo, Representatives Brannigan and McLaughlin, and Members of the Committees on Appropriations and Financial Affairs and State and Local Government, my name is Rebecca Wyke and I am the Commissioner of Administrative and Financial Services. I am here to present testimony in support of those items presented in the Part II Budget Bill that pertain to the Executive Department, specifically the Governor's Office.

GOVERNOR'S OFFICE

The first request may be found in Part A and provides for the appropriation of Personal Services and All Other funds to continue two limited-period Special Assistant positions established in the fiscal year 2002-03 supplemental budget bill and to establish one additional limited-period Special Assistant position to staff the Office of Health Policy and Finance within the Governor's Office through January 31, 2004.

The Office of Health Policy and Finance is the focal point for the development of health care policy to advance health care reform in Maine. This Office will deal with the issues of escalating health care costs, address problems surrounding access to quality and affordable health care, and seek federal funding to assist with health care related issues that affect Maine citizens. To that end, these positions will focus on creating access to comprehensive, affordable health insurance for Maine small businesses and individuals through a not-for-profit organization..

The other request for the Governor's Office may be found in Part C and also relates to the Office of Health Policy and Finance. It provides for the appropriation of Personal Services funds for three additional limited-period Special Assistant positions for the Office of Health Policy and Finance within the Governor's Office through January 31, 2004. These positions will focus on the Hospitals for Maine's Future Initiative, the Public Purchasers Steering Committee, the Health Systems Council, and will create the State Health Planning Document. This request also includes All Other per diem and travel expenses for a five-member advisory board.

I would be happy to answer any questions you may have at this time.

SENATE

MARGARET ROTUNDO, DISTRICT 21, CHAIR
LLOYD P. LAFOUNTAIN III, DISTRICT 32
CAROLYN M. GILMAN, DISTRICT 29

LISA M. BALDWIN, LEGISLATIVE ANALYST
SUZANNE ARMSTRONG, COMMITTEE CLERK

STATE OF MAINE

ONE HUNDRED AND TWENTY-FIRST LEGISLATURE

COMMITTEE ON STATE AND LOCAL GOVERNMENT

HOUSE

JANET L. McLAUGHLIN, CAPE ELIZABETH, CHAIR
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ROBERT H. CROSTHWAITE, ELLSWORTH
STEPHEN BOWEN, ROCKPORT
OSCAR C. STONE, BERWICK
GARY E. SUKEFORTH, UNION

May 9, 2003

To: Senator Mary R. Cathcart, Senate Chair
Representative Joseph C. Brannigan, House Chair
Joint Standing Committee on Appropriations and Financial Affairs

From: Representative Janet McLaughlin, House Chair
Senator Peggy Rotundo, Senate Chair
Members of the Joint Standing Committee on State and Local Government

Re: **Committee comments on the "Part 2" Budget**

The State and Local Government Committee has completed its review of the "Part 2" budget and has the following comments and recommendations:

1. The committee strongly supports the efforts by the State Controller to reorganize the Bureau of Accounts and Controls. We believe this reorganization will contribute to improved accountability and oversight with regard to government spending.

2. The committee expressed concerns about Part AA of the supplemental bill regarding the requirement for the Consensus Economic Forecasting Commission to use the economic forecasting models from the State Planning Office. We recommend the following change to the new language in Section AA-2 of the bill to give the commission greater discretion: "The commission may ~~shall~~ us the economic forecasting models purchased and maintained by the State Planning Office to develop its forecast."

3. Finally, the committee wishes to again express its support for providing funding for the Office of Program Evaluation and Government Accountability.

Committee members present for the budget discussion included Rep. Peavey-Haskell, Rep. Stone, Rep. Ketterer, Rep. Crosthwaite, Sen. Gilman, Rep. McLaughlin, Rep. Barstow, and Rep. Sukeforth. Thank you for the opportunity to comment on the "Part 2" budget. If you have any questions about the committee's comments, please let us know.

cc: Members of the Joint Standing Committee on State and Local Government

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May 13, 2003

Honorable Mary R. Cathcart, Senate Chair
Honorable Joseph C. Brannigan, House Chair
and members of the Joint Standing Committee on Appropriations and Financial Affairs

The following is a proposed amendment to Part F of the Governor's Draft Supplemental Bill. The amendment is being proposed to eliminate conflict with 5 MRSA §244-C (3), Access to confidential records.

Sec. F-1, amending 5 MRSA §1541, sub-§10-A (G), will read:

Notwithstanding any other provision of law relating to confidentiality of information, the State Controller shall be granted access to all information in the files of any department, commission or agency of the State, **except for information held at the Department of Audit**, as necessary to carry out the duties of the State Controller. **The State Auditor may grant access to workpapers to the State Controller, if such access is necessary to further the completion of the Single Audit, or is necessary to carry out the duties of the State Controller.**

5 MRSA §244-C (3) is amended to read:

(E). **The State Controller, if such access is necessary to further the completion of the Single Audit, or is necessary to carry out the duties of the State Controller.**

Gail M. Chase, CIA
State Auditor, State of Maine

GAIL M. CHASE, CIA
STATE AUDITOR

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May 13, 2003

Honorable Mary R. Cathcart, Senate Chair
Honorable Joseph C. Brannigan, House Chair
and members of the Joint Standing Committee on Appropriations and Financial Affairs

I have been asked by Representative Brannigan and by Senator Turner to comment upon the proposal made in the Draft Supplemental Budget Bill by the Department of Administrative and Financial Services. I have heard concerns that the proposal may consolidate too much power in the Executive Branch, and that the proposal may not go far enough to ensure results.

Part F of the Supplemental Bill addresses standards for internal control within agencies of the State. As State Auditor, I fully support the role of the State Controller in establishing guidelines for internal control. It is appropriate for the financial team of the Chief Executive of our State to set expectations for the financial teams of the departments, and is consistent with the legislative powers and duties of the Commissioner of Finance and Administration. There is no threat to the authority of the State Auditor, who should not establish systems that she subsequently audits.

The only issue I have with the language of Part F is that of section G, regarding confidential information. I have shared my concern with the State Controller, and have an amendment to suggest.

With respect to the question of whether or not the proposal goes far enough, I would suggest that it is a very good beginning. I believe that more can be done, by both the Executive and Legislative branches, as follows:

1. It is essential that fiscal accountability be part of the "tone at the top." It should be made clear to all Commissioners by the Chief Executive, and to all Directors by the Commissioners, that public money must be properly accounted for.

2. Large agencies such as the Department of Human Services must be allowed to have a strong fiscal office. That particular department has had to repay federal funds based on costs that we questioned: one finding in fiscal year 1999 has resulted in $363,000 being returned to the federal government. The federal government could ask for any of the $29.6 million in costs that we are questioning in fiscal 2002. A fiscal office of an appropriate size, staffed with trained personnel, could save more money than it would cost, and would give you and the public more assurance that public dollars are being protected. The Department of Administrative and Financial Services recognizes that it needs professional accounting staff. The Department of Human Services does as well, or it will never be able to make significant changes to the way it accounts for the funds it receives.

3. The State Controller's Office should provide hands-on assistance to agencies, not just the guidance that is defined in Part F of the Supplemental Budget. There are positions within that Office that were to function as "liason" to agencies. To my knowledge, the help that at least one agency needed- the Department of Human Services- has not been given.

4. State departments and the Controller's Office should comply with 5 MRSA §1547 (1) and (4): State departments and agencies are required to submit annual financial information to the Controller by September 1 of each year, and the Controller is required to submit completed financial statements to the Department of Audit by November 1 of each year. Having current financial information to audit would not prevent a problem, but would enhance the timeliness of its discovery and, hopefully, its resolution.

5. I strongly suggest that members of the Legislature read the annual audit report. I understand that members receive more information than a person could possibly read. However, members are also rightfully concerned about fiscal accountability, and might have those concerns addressed by the information contained in our audit report.

6. I suggest that the State Auditor be required to report, in person, to any Committee of the Legislature whose jurisdiction includes agencies that have received audit findings. While the State Auditor may request to speak with any Committee, I believe that it would be more effective to be required to report under law.

Finally, I feel I must respond to a statement that has been made by the press that had the Office of Program Evaluation and Governmental Accountability been in place, the situation concerning the Department of Human Services that I reported would never have occurred. The value of such an office is, among other things, that a program can be evaluated for its effectiveness, something that the Department of Audit has the authority to do but does not have a large enough staff to do. However, no program evaluation function could have found the financial discrepancies, buried in a convoluted accounting system, that the Department of Audit identified. I do hope that the Office of Program Evaluation and Governmental Accountability will be judged on realistic expectations of what it can perform, not on unlikely expectations that it can only fail to meet.

Gail M Chase

Gail M. Chase, CIA
State Auditor, State of Maine

Part II: Supplemental Budget for Fiscal Years 2004 & 2005

Fiscal Accountability

- **Balanced Budget:** Addresses $48M shortfall projected by the RFC in March 2003, eliminates Part XX of PL 2003, Chapter 20.
- **General Fund Stabilization:** proposes to limit spending to an annual growth rate that is consistent with the long-run growth of the economy and to create an enhanced reserve fund to offset revenue shortfalls and address other priorities.
- **Fiscal Planning:** Reorganizes and strengthens the financial staff enhancing the ability to provide a constantly updated view of the State's financial position; anticipate changes to that position; and react quickly to resolve issues that arise. Proposes to formalize some practices of the Consensus Economic Forecasting Commission and the Revenue Forecasting Committee to bring consistency to forecast modeling and reporting procedures.
- **Fiscal & Program Accountability:** Proposes to implement appropriate fiscal controls to ensure public funds are properly expended. Brings performance-based budgeting to the next level by providing some flexibility for agencies to manage resources providing stated objectives are not significantly impacted.

Emergency Needs Addressed

- **Corrections Population Growth:** Includes funding to address emergency needs in the State's correctional system.
- **Dairy Farmers:** Includes emergency relief for dairy farmers that provides funds through January of 2004.
- **Aid to GNP Communities:** Assists Brascan, GNP's successor, in making tax payments to the municipalities of Millinocket and East Millinocket by advancing a BETR reimbursement by one year, with no net negative effect on the budget.

Maximizes Revenue

- **Federal Funds:** Revenue maximization strategies take advantage of available federal dollars, while agency reductions minimize the loss of federal funds.
- **Extended Amnesty:** Extending the applicability period for amnesty by four and a half months and extending the filing period by one additional month is expected to generate an additional $1.9M based on similar experience in other states.
- **Enhanced Enforcement:** Enforcement of traffic laws through increased aerial surveillance yields $750K in additional revenue over the biennium.

Restructuring, Consolidation & Efficiencies

- **Statewide Corrections System:** Proposes a study commission to identify the causes of the dramatic increase in prison population and to make recommendations to bring the growth and associated costs under control.
- **Fleet Management:** Consolidates the purchase of vehicles from the Department of Public Safety into Central Fleet Management.
- **Additional Efforts:** Requires legislation to be submitted to the Second Regular Session proposing additional restructuring, consolidation and efficiency measures that will generate at least $1M in savings.

Positions

- **Minimizes Layoffs:** No new layoffs are proposed in this budget and efforts to minimize the impact of the layoffs included in the Part I budget continue.
- **Limited Headcount:** Headcount is limited to emergency needs, maximizing federal and other funds as appropriate.

Net Change by Fund

GF	2.0
HF	0.0
FF	9.7
OSR	1.1
Other	(9.0)
	3.8

Note: Does not include 24 Workers Comp positions deallocated in the Part I budget (due to a statutory cap) and proposed for reallocation in Part II.

Title 5, Chapter 143, Section 1541 is amended to read: 10A. The following internal control standards shall define the minimum level of quality acceptable for internal control systems in operation throughout the various state agencies and departments and shall constitute the criteria against which such internal control systems will be evaluated by the State Controller. Internal control systems for the various state agencies and departments of the State of Maine shall be developed in accordance with the following internal control guidelines established by the State Controller.

1. Internal control systems of the agency are to be clearly documented and readily available for examination. Documentation of the agency's internal control systems will include internal control procedures, internal control accountability systems and, identification of the operating cycles. Documentation of the agency's internal control systems will appear in management directives, administrative policy, procedures and manuals.

2. All transactions and other significant events are to be promptly recorded, clearly documented and properly classified as to account, fund, and fiscal year. Documentation of a transaction or event should include the entire process or life cycle of the transaction or event, including the initiation or authorization of the transaction or event, all aspects of the transaction while in process and, the classification in the accounting records.

3. Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority.

Authorizations should be clearly communicated to managers and employees and should include the specific conditions and terms under which authorizations are to be made.

4. Key duties and responsibilities including authorizing, approving, and recording transactions, issuing and receiving assets, making payments and, reviewing or monitoring transactions, will be assigned systematically to a number of individuals to insure that effective checks and balances exist.

5. Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved. The duties of the supervisor in carrying out this responsibility shall include clearly communicating the duties, responsibilities and accountabilities assigned to each staff member, systematically reviewing each member's work to the extent necessary and, approving work at critical points to ensure that work flows as intended.

6. Access to resources and records is to be limited to authorized individuals as determined by the agency head, except that the powers and duties of the State Auditor shall not be limited by this section of law. Restrictions on access to resources will depend upon the vulnerability of the resource and the perceived risk of loss, both of which shall be periodically assessed. The agency head shall be responsible for maintaining accountability for the custody and use of resources and shall assign qualified individuals for that purpose. Periodic comparison shall be made between the resources and the recorded accountability of the resources to reduce the risk of unauthorized use or loss and protect against waste and wrongful acts. The vulnerability and value of the agency resources shall determine the frequency of this comparison.

Within each agency there shall be a qualified employee whose responsibility, in addition to his regularly assigned duties, shall be to ensure that the agency has written documentation of its internal accounting and administrative control system on file. The employee shall, annually, or more often as conditions warrant, evaluate the effectiveness of the agency's internal control system and establish and implement changes necessary to ensure the continued integrity of the system. The employee shall in the performance of his or her duties ensure that: the documentation of all internal control systems is readily available for examination by the Controller, Commissioner of Administrative and Financial Services, and the State Auditor, certify to the State Controller that the appropriate updates have been made and implemented by the Department, the results of audits and recommendations to improve departmental internal controls are promptly evaluated by the agency management, timely and appropriate corrective actions are effected by the agency management in response to an audit, and all actions determined by the agency management as necessary to correct or otherwise resolve matters will be addressed by the agency in their budgetary request to Legislature.

All unaccounted for variances, losses, shortages or thefts of funds or property shall be immediately reported to the State Controller, who shall review the matter to determine the amount involved which shall be reported to appropriate management, law enforcement officials, and the State Auditor. The State Controller shall also determine the internal control weakness that contributed to or caused the condition. The State Controller shall then make recommendations to the agency official overseeing the internal control system and other appropriate management officials. The recommendations of the State Controller shall address the correction of the conditions found and the necessary internal control policies and procedures that must be modified. The agency oversight official and the appropriate management officials shall immediately implement policies and procedures necessary to prevent a recurrence of the problems identified and report the steps taken to the State Controller. From time to time the State Controller shall examine the policies and procedures implemented to ensure that the appropriate policies and procedures are functioning appropriately.

7. Notwithstanding any other provision of law relating to confidentiality of information, the State Controller shall be granted access to all information in the files of any department, commission or agency of the State as necessary to carry out the duties of the State Controller.

Transition: Departments and agencies shall be in compliance with this section of law by June 30, 2004.

Budget Stabilization Fund

Problem: During times of economic expansion General Fund (GF) appropriations move to a growth path that tracks the short-term capabilities of the state's economy and tax system, but significantly deviates from the long-run growth rate of GF revenues. As a result, current programs receive additional funding and new programs (including tax cuts) are created during expansionary periods that can't be sustained even when economic growth merely moderates.

Solution: To limit General Fund spending to an annual growth rate that is consistent with the long-run growth of the Maine economy.

- A Budget Stabilization Fund (BSF) is created that is funded during times of economic prosperity and drawn down during periods of economic contraction.
- During times of economic prosperity GF revenues in excess of statutorily limited GF appropriations are transferred into the BSF. During recessionary periods funds are withdrawn from the BSF to fund GF appropriations consistent with statutorily limited growth.
- Such a fund would mitigate the boom and bust adjustments to GF appropriations by ensuring that GF appropriations grow no faster than the long-run capabilities of the Maine economy.

Long-Term Growth Rate Limitation:

- A ten-year moving average of real personal income growth (ending with the last actual from the Bureau of Economic Analysis) is calculated by the Revenue Forecasting Committee (RFC).
- The forecast for inflation by the Consensus Economic Forecasting Committee (CEFC) is added to the real personal income growth average to determine the long-run nominal personal income growth of the Maine economy. This becomes the "long-term growth rate limitation."
- Personal income growth is the preferred measure of the Maine economy because it is the economic variable most closely related to major state revenue lines (sales tax and individual income tax).
- The Governor in developing the biennial budget would be required to limit the annual growth in the GF appropriation to no more than the long-term growth rate limitation. This would effectively cap the current services appropriation.

Limitations on the Growth of General Fund Appropriations:

- During periods where projected GF revenues exceed the GF current services appropriation cap, excess projected revenues will be appropriated to the BSF.

During periods where projected GF revenues are less than the GF current services appropriation cap transfers from the BSF, if available, would allow the current services GF appropriation to reach its cap.

- There would be a floor (equal to 1% of the GF appropriation) on the BSF to leave some funds available for an emergency situation.
- Any new or expanded program (including tax cuts) must be "paid for" by reducing the current services GF appropriation to keep within the long-term growth rate limitation and/or by increasing revenues. A balance must be kept not only over the current biennium, but over the following biennium as well.
- The BSF would be capped at 20% of the previous fiscal year's GF revenue.
- 100% of an upward adjustment to baseline revenues by the RFC during a fiscal year is dedicated to the BSF. Upward adjustments to the baseline may be used to increase GF appropriations, up to the cap, in future fiscal years.

Uses of Surplus Revenues:

- The State Controller at the close of each fiscal year shall allocate the revenue surplus of the GF in the following ways:
  - 50% shall go to the BSF
  - 25% shall go to reduce the unfunded liability of the Maine State Retirement System
  - 15% shall go to the Reserve for General Fund Operating Capital to provide sufficient cash during periods of the fiscal year when revenue receipts are low relative to expenditures.
  - 10% shall go to the Capital Construction and Improvements Fund to be used to fund one-time major capital projects (exceeding $1 million).

Results:

- GF appropriations grow no faster than the long-run capabilities of the Maine economy.
- During expansionary economic periods the tax system will produce revenues in excess of the long-run trend, resulting in transfers to the BSF. During contractionary economic periods the BSF would be drawn down to sustain current services spending.
- New or expanded programs, including revenue reductions, must be paid for over the current and following biennia.
- A revolving operating capital reserve is funded through unappropriated surpluses to reduce the need for TANs.
- A Capital Construction and Improvements Reserve is funded through unappropriated surpluses to fund significant one-time capital projects.

Examples:

#1 – GF revenues are forecasted to grow by less than the long-term growth rate limitation and there are no funds in excess of the required minimum in the BSF. The Governor is required to submit a biennial budget that grows by no more than the rate of forecasted GF revenues. The Governor can propose additional revenues to support a higher rate of growth, up to the long-term growth rate limitation.

If the RFC reprojects revenue up in March, all of that reforecast is dedicated to the BSF. During the second year of the biennium a combination of reprojected revenues and the BSF can be used to support a growth rate in GF appropriations up to the long-term growth rate limitation.

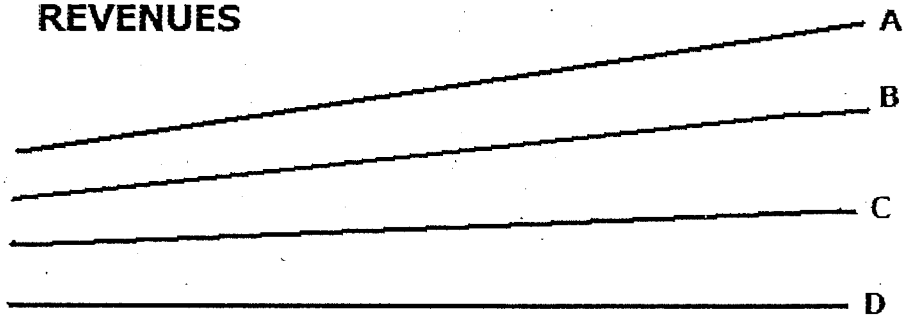
#2 – GF revenues are forecasted to grow by more than the long-term growth rate limitation. The Governor is required to submit a biennial budget that grows by no more than the long-term growth rate. Forecasted revenues in excess of the long-term growth rate are appropriated to the BSF.

Should the Governor propose tax changes, either offsetting tax changes are required or GF appropriations must be adjusted to accommodate the net tax changes. The offsets must balance over the current and next biennia.

#3 – GF revenues are forecasted to grow by less than the long-term growth rate limitation and there are ample funds in excess of the required minimum in the BSF. Funds may be withdrawn from the BSF so that the Governor can maintain a growth in GF appropriations that is consistent with the long-term growth rate limitation.

If the RFC reprojects revenue down in March, additional funds if required can be withdrawn from the BSF to maintain the budget balance, but not beyond the required minimum. During the second year of the biennium the BSF can be used to support a growth rate in GF appropriations up to the long-term growth rate limitation.

REVENUES



A - Surplus Revenue over RFC projection

50% Budget Stabilization Fund (capped at 20% of previous year's revenue)
25% unfunded actuarial liability of the Retirement System
15% Working Capital Reserve (capped at 4% of previous year's revenue)
10% Capital Construction Fund (capped at 1% of previous year's revenue)

B - RFC projection over LTGR limitation

100% unfunded liability of the Retirement System - maximum $125M; then...
100% budget stabilization fund

C - Long Term Growth Rate Limitation

10 year moving average of real personal income growth plus inflation

D - Base Year Funding

Lapsed Balances at Year End

Priority 1 - $350K Governor's emergency contingency fund
Priority 2 - $1M FAME loan insurance reserve
Priority 3 - $9M GPA in FY '05
Priority 4 - tax conformity reserve fund

BUDGET PROCESSES IN THE STATES

JANUARY 2002

NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

CONTENTS

Table Q
Budget Stabilization or "Rainy Day" Fund

State	Fund Name	Determination of Fund Size**	Procedure for Expenditure
Alabama	Education Trust Fund - Proration	20 percent of Education Trust Fund from preceding Fiscal Year as beginning balance in current fiscal year, up to $75 million.	1) Extent necessary to avoid across-the-board cuts by certification of the Governor. 2) 2/3 vote of the Legislature in each chamber.
	Prevention Account		
	General Fund-Rainy Day Fund	Appropriated by legislature	Same as Education Trust Fund
Alaska	Budget Reserve Account	Unexpended balance and appropriations	Appropriation
	Constitutional Budget Reserve Fund	Oil and Gas litigation/disputes settlements	3/4 vote of legislature
Arizona	Budget Stabilization Fund	*	1) By formula with majority legislative appropriation. 2) Non-formula with 2/3 legislative approval
	Medical Services Stabilization Fund	No limit.	Upon notice of a deficiency, the Joint Legislative Budget Committee may recommend that a withdrawal be made.
Arkansas	-	-	-
California	Special Fund for Econ.Uncertainties	Appropriation by Legislature	Appropriation by Legislature
Colorado	Tabor Reserve	Constitutional 4 percent of revenues	Procedure has not been tried thus far
Connecticut	Budget Reserve Fund	5 percent of net General Fund appropriations	Fund deficit after the books have been closed.
Delaware	Budget Reserve Account	Excess unencumbered funds, no greater than 5 percent of gross General Fund revenues	3/5 vote of legislature for unanticipated deficit or revenue reduction resulting from legislative action
Florida	Working Capital Fund	Appropriations Act	Governor declared emergency / or if Legislature
	Budget Stabilization Fund	1 percent of General Fund in Fiscal 1995, building to 5 percent by Fiscal 1999	Legislative appropriations to cover revenue shortfalls
Georgia	Revenue Shortfall Reserve	3 percent of prior year net revenue	Revenue shortfall during current year.
Hawaii	Emergency & Budget Reserve Fund	No limit. Receives 40 percent of tobacco	2/3's vote of Legislature
Idaho	Budget Stabilization Fund	If General Fund grew more than 4 percent in the previous Fiscal Year, 1percent is transferred to the Budget Stabilization Fund. The Budget Stabilization Fund is capped at 5 percent of the General fund.	Legislative Action. The State Board of Examiners may take money from the BSF at the end of the fiscal year if they determine that there will be insufficient General Fund revenue to cover that year's appropriations.
llinois	Budget Stabilization Fund	$225,000,000 (no limit)	Comptroller can direct tranfers to General Fund
Indiana	Counter-Cyclical Revenue	Cap is 7 percent of state revenue	Statutory formula
Iowa	Cash Reserve Fund	5 percent of net General Fund Revenue	Simple majority of General Assembly for 40 percent of the fund. 3/5's majority of General Assembly for 60 percent of the fund.
	Economic Emergency Fund	5 percent of net General Fund Revenue	Simple majority of General Assembly
Kansas	*	-	-
Kentucky	Budget Reserve Trust Fund	Goal of 5 percent of General Fund Budget	Budget Reduction Plan -- statute
Louisiana	Budget Stabilization Fund	Revenues exceeding $750 million from production and exploration of minerals and 25 percent of nonrecurring revenue, which includes General Fund balances.	1/3 of fund with legislative approval
Maine	Rainy Day Fund	6 percent of General Fund in immediately preceding Fiscal Year	Legislation
Maryland	Revenue Stabilization Fund	Statutory- 5 percent of estimated General Fund revenues for that fiscal year.	Act of the General Assembly or authorized specifically in Budget Bill
Massachusetts	Commonwealth Stabilization Fund	*	Appropriation
Michigan	Countercyclical Budget and Economic Stabilization Fund	Cap set at 10 percent combined General Fund / General Purpose and School Aid Fund year-end balance.	Statutory formula
Minnesota	Budget Reserve	Set in Statute at $622 million.	Commissioner of Finance with the approval of the Governor and after consulting Legislative Advisory Commission
	Cash Flow Account	Set in statute at $350 million.	Used if needed to meet cash flow deficiencies resulting from uneven distribution of revenue collections and required expenditures during a fiscal year.
Mississippi	Working Cash Stabilization Reserve Fund	7 1/2 percent of the General Fund Appropriations*	Appropriation
Missouri	Budget Reserve Fund	Minimum 7.5 percent of net general revenue used for cash flow and rainy day fund. Can go as high as 10 percent with legislative approval.	Governor determines shortfall, subject to legislative disapproval
Montana	-	-	-

Table Q
Budget Stabilization or "Rainy Day" Fund

State	Fund Name	Determination of Fund Size**	Procedure for Expenditure
Nebraska	Cash Reserve Fund	Statute	Statute
Nevada	Budget Stabilization Designation	By comptroller for account purposes when reporting financial portion of fund balance; 40 percent of excess fund balance. A maximum of 10 percent of the General Fund.	Statute
New Hampshire	Revenue Stabilization	5 percent by statute	Statute
New Jersey	Surplus Revenue Fund	50 percent of amount by which actual revenue exceeds anticipated revenues added to the fund. The cap is set at 5 percent of anticipated revenues.	The Governor certifies to the Legislature that revenues are estimated to be less than certified. The Legislature appropriates the funds. Also, if the Governor declares an emergency and the Legislature approves.
New Mexico	Operating Reserve	*	Legislative appropriation.
	Risk Reserve Fund	**	Legislative appropriation.
New York	Tax Stabilization Reserve Fund	State finance law	Can be used when a deficit is incurred and for temporary loans.
North Carolina	Savings Reserve Account	1/4 of Credit Balance, maximum 5 percent of the amount appropriated the preceding year for the General Fund Operating Budget.	Legislative approval.
North Dakota	Budget Stabilization Fund	Any amount over $40 million at end of biennium goes into fund.*	Actual revenues must be 2 1/2 percent below forecast before the Governor can access the funds.
Ohio	Budget Stabilization Fund	By statute the stated intent is to have an amount in the fund that is approximately 5 percent of the General Revenue fund revenues for the preceding fiscal year.	Legislative action necessary.
Oklahoma	Constitutional Reserve Fund	Max of 10 percent of preceding year's general revenue. Revenues accrue when actual general revenue collections exceed 100 percent of the certified estimate.	Up to 1/2 if revenue certification is below previous year; 1/2 can be used upon declaration of the Governor and 2/3's vote of the Legislature or by legislative declaration of emergency and 3/4's legislative vote.
Oregon	-	-	-
Pennsylvania	Tax Stabilization Reserve	Goal of 6 percent of General Fund revenue estimates. Receives revenue from sale of assets and annual transfer of 10 percent of the General Fund year-end surplus plus occassional non-recurring transfers.	2/3 legislative vote with the Governor's request
Rhode Island	Budget Reserve and Cash Stabilization Account	3 percent of resources	Used to cover deficit caused by general revenue shortfall.
South Carolina	Capital Reserve Fund	2 percent of General Fund Revenue of last Fiscal Year	Use when year-end deficit is projected.
	General Reserve Fund	3 percent of General Fund Revenue of last Fiscal Year	Shortfall must be identified & CRF depleted.
South Dakota	Budget Reserve Fund	5 percent of General Fund in prior year's General Appropriations Act.	Legislative appropriation.
Tennessee	Reserve for Revenue Fluctuations	By appropriation	Revenue shortfall
Texas	Economic Stabilization Fund	Capped at 10 percent of general revenue fund deposits (excluding interest & investment income) during the preceding biennium.	3/5 vote of each house of Legislature to remedy deficits after budget adoption. Other appropriations from this fund require a 2/3's vote.
Utah	Budget Reserve Account	*	**
	Medicaid Transition Account	No Cap	***
Vermont	Budget Stabilization Trust Fund	Capped at 5 percent of prior year appropriations.	Automatic when deficit occurs at year end
Virginia	Revenue Stabilization Fund	Capped at 10 percent of average annual tax revenues on income and retail sales for the 3 years immediately preceding.	Legislative Appropriation
Washington	Emergency Reserve Fund	State general fund revenues in excess of expenditure limit are transferred to Emergency Reserve Fund by Treasurer	Legislative appropriation
West Virginia	Revenue Shortfall Reserve Fund	Capped at 5 percent of the General Fund Appropriation	Legislative Appropriation
Wisconsin	Budget Stabilization Fund	50 percent of unanticipated revenues	Legislative Appropriation
Wyoming	Budget Reserve Account	Appropriation of unexpended appropriated balance	Legislative appropriation
Puerto Rico	Rainy Day Fund	1.0 percent of net revenue from previous fiscal year	Budget Director determines shortfall, then authorizes transfer to the GF. Gov. then issues an order to fund unappropriated activities.

Notes to Table Q

Arizona: Capped at 7.0 percent for FY 2000 and thereafter. Based on formula, withdrawals can occur only when annual adjusted income growth is both below 2% and below the 7 year average trend. The difference between the seven-year growth rate is multiplied times the current year actual revenue to determine the amount to appropriate to, or withdraw from the fund.

Illinois: The governor's comptroller can direct transfers to the general fund, but the funds must be paid back by the end of the year.

Kansas: Although Kansas has no separate "rainy day" fund as commonly defined, there is a statutory requirement for the ending balance in the general fund to be at least 7.5 percent of total expenditures for the forthcoming fiscal year. This balance requirement has served the same purpose as a rainy day fund and has been sufficient to ensure the state's financial solvency and maintain fiscal responsibility.

Kentucky: Funds from the budget reserve trust fund may be appropriated by the general assembly in either a regular or special session. Funds may also be utilized in instances where actual general fund revenue receipts are insufficient to meet appropriation levels authorized by the general assembly; in such instances, the Finance and Administration Secretary must formally notify the Interim Joint Committee on Appropriations and Revenue.

Massachusetts: Of fiscal year-end surpluses, an amount equal to 0.5 percent of the tax revenues in the fiscal year just ended are retained by the major operating funds as revenue in the current fiscal year. Of the amount in excess of the carry-forward, 40 percent, is deposited in a separate capital expenditures account for capital projects if the state's capital funds are in deficit. The remaining surplus (60-100 percent) is deposited in the Commonwealth Stabilization Fund, up to 7.5 percent of total budgeted revenues. Any excess of the 7.5 percent figure flows into the Tax Reduction Fund.

Mississippi: The executive director of Finance and Administration may transfer funds to alleviate deficits. Maximum transfer of $50 million per fiscal year from working cash/stabilization fund.

New Mexico: The Operating Reserve size is determined by the accumulation of general fund surpluses. 2) The Risk Reserve consists of any surpluses transferred from self-insurance funds; thereafter balances are available only for general operating purposes by legislative appropriation.

North Dakota: During the 2001-2003 biennium, an additional $25 million is available from the Bank of North Dakota if revenues fell below projections.

Utah: 1) 25 percent of General Fund year-end surplus shall be transferred to the account, except the account balance may not exceed 8 percent of the General Fund appropriation for that fiscal year. 2) Expenditures limited to retroactive tax refunds and operating deficits, upon legislative appropriation.

Table R
Contingency/Emergency Funds^

State	Fund Name	FY 2001 Amount	Official/Agency Authorized to Allocate Funds	Purposes for Which Funds May Be Used	Unexpended Funds May be Carried Forward
Alabama	Departmental Emergency Fund	$3,055,000	Finance Director	ND,U,A,S,D	-
Alaska*	Disaster Relief Fund	-	Governor	ND	X
	Governor's Contingency Fund	410,000	Governor	U,A	-
Arizona	Gov.'s Cont. and Emerg. Fund	4,000,000	Governor	ND,S,A	*
	Wild Land Fire Emergency Fund	3,000,000	Emergency Council	ND,S,A	*
Arkansas	Governor's Emergency Fund	500,000	Governor	D,A,S,U,O	-
	Disaster Assistance Fund	9,500,000	Governor	ND	-
California	Augmentation for Contingencies and Emerg.*	5,000,000	Department of Finance	D,A,S,U,ND	X
Colorado	Emergency Fund	3,500,000	Governor	ND,S	X
Connecticut	Governor's Contingency	18,000	Governor	A,U,ND,S	-
Delaware	Contingency Funds	19,450,000	Budget Director	U,A	X*
Florida	Deficiency Fund	400,000	Leg. Budget Commission	U,D	-
	Emergency Fund	250,000	Governor	ND,S	-
Georgia	Governor's Emergency Fund	22,862,000*	Governor	ND,U,A,S	-
Hawaii	Governor's Contingency Fund	14,031	Governor	U	-
	Major Disaster Fund	600,000	Governor	ND	-
Idaho	Governor's Emergency Fund	192,300	Governor	ND,S	X
	Disaster Emergency Fund*	40,100	Governor	ND,S	X
Illinois	General Revenue Fund	326,000,000	Governor, Legislative Leaders	ND	-
Indiana	Personal Services Contingency Fund	38,500,000	Governor	A,U,D	*
	Dept. & Institutional Contingency	5,000,000			
Iowa	Performance of Duty	2,500,000	Executive Council	A,ND,U	X
Kansas	State Emergency Fund	45,000	State Finance Council	ND,S,O*	-
Kentucky	Surplus Account	*	Governor	ND,S,O*	-
Louisiana*	Interim Emergency Board Fund	9,500,000	Interim Emergency Board	ND,U,S,O*	-
Maine	State Contingent Account	300,000	Governor	N,D,U	X
Maryland	Contingent Fund	750,000	Board of Public Works*	Any	-
	Catastrophic Event Fund	1,700,000	Governor, with Legislative Policy Comm. approval	ND	X
Massachusetts	Welfare Caseload Increase Mitigation Fund	153,000,000	Governor, Legislature	U,A	X
Michigan	-	-	-	-	-
Minnesota	General Contingency	250,000	Gov., Legis. Advisory Comm.	ND,D,U	X*
Mississippi	-	-	-	-	-
Missouri	Government Emergency Fund	150,000	Committee	U	-
	Missouri Disaster Fund	66,264	Public Safety	ND	-
	Medicaid Supplemental	438,431,815	Social Services	A	-
	Corrections growth pool	31,755,958	Corrections	A	-
Montana	Governor's Emergency Fund	12,000,000 *	Governor	ND,S	-
Nebraska	Governor's Emergency Fund	3,891,817	Governor	ND,S	-
Nevada	Statutory Contingency Fund	3,000,000	Board of Examiners	A	-
	Emergency Fund	400,000	Board of Examiners	-	-
	Interim Finance Contingency Fund	11,000,000	Interim Leg. Finance Com.	U,O(Emerg.)	-
New Hampshire	Emergency Fund/Budget Contingency	25,000	Governor, Executive Council	ND,U	-
New Jersey	Emergency Funds	2,000,000	Governor	D,S,U,ND	-
	Contingency Fund	1,500,000	Budget Director	U	-

Codes:
ND....Natural Disaster
U....Unexpected Expenditures
A....Authorized Programs
S....Public Safety
D....Deficiencies
O....Other (Specify)

^Does not refer to budget stabilization funds or rainy day funds.

Table R
Contingency/Emergency Funds^

State	Fund Name	FY 2001 Amount	Official/Agency Authorized to Allocate Funds	Purposes for Which Funds May Be Used	Unexpended Funds May be Carried Forward
New Mexico	Appropriation Contingency Fund	5,000,000	Governor	ND,S*	-
New York	Contingency Reserve Fund	151,211,000	Legislature, Budget Director*	U,ND,O**	X
North Carolina	Contingency and Emergency Fund	1,125,000	Council of State	ND,U	-
North Dakota	Contingency Fund	300,000	Emergency Commission	U,ND,S	-
Ohio	Emergency Purposes Account	6,000,000	Controlling Board*	D,A,S,U,ND	**
Oklahoma	State Emergency Fund	1,000,000	Governor, Contingency Review	ND,U,A,S	X
Oregon	Emergency Fund	40,000,000 *	Emergency Board, Legislature	D,A,S,U,ND	-
Pennsylvania	Emergency and Disaster Assistance*	10,000,000 *	Governor	ND,S	X*
Rhode Island	Contingency Fund	1,500,000	Governor; Dir. of Admin.	A,U,ND,D,S,O	X*
South Carolina	Civil Contingency Fund	280,602	Budget and Control Board	ND,U,A,S	-
South Dakota	General Contingency Fund	*	Governor*	U	X
Tennessee	Emergency and Contingency Fund	819,300	Governor	D,A,S,U,ND	-
Texas	Disaster Contingency Grants	4,000,000*	Governor	ND	X
	Deficiency and Emergency Grants	4,500,000*	Governor	D,U,ND	X
Utah	Governor's Emergency Fund	100,000	Governor	O*	X
Vermont	Emergency Fund	0	Emergency Board	U	X*
	Contingent Fund	0	Emergency Board	D	X*
Virginia	Economic Contingency Fund	2,000,000	Governor	ND,U,A,D,S	X*
	Disaster Planning Fund	Sum Sufcnt	Governor	ND	X
Washington	Governor's Emergency Fund	850,000	Governor	U	X*
	Disaster Response Account	20,066,242	Legislature	ND	X**
West Virginia	Contingency Fund	10,701,000	Governor	D,A,S,U,ND,O	X
Wisconsin	Public Emergencies	48,500 *	Dept. of Military Affairs	ND,S	-
Wyoming	Governor's Contingency	716,704	Governor	D,A,S,U,ND,O	-
	Discretionary	50,000	Governor	-	-
Puerto Rico	Emergency Fund	65,983,650	Emergency Board; Governor	ND,S	X

Codes:
ND....Natural Disaster
U....Unexpected Expenditures
A....Authorized Programs
D....Deficiencies
S....Public Safety
O....Other (Specify)

^Does not refer to budget stabilization funds or rainy day funds.

Notes to Table R

Alaska: Funds are not regularly appropriated to be available for future disasters. As disasters occur, the declaration process is used to make funds available. Retrospectively, the legislature passes supplemental appropriations to the disaster relief fund.

Arizona: Unallocated funds may not be carried forward. However, once an emergency is declared the amount specified may be carried forward if not entirely spent in one year.

California: The Augmentation for Contingencies or Emergencies is an appropriation, not a fund.

Delaware: Contingency Funds amount will vary year-to-year. Appropriations may be carried forward if approved in the next annual budget act. These appropriations are for specific purposes.

Georgia: The fiscal 1999 amount includes $19,231,789 state match for federal relief funds.

Idaho: The governor is authorized to declare a state of disaster emergency and upon doing so the governor is empowered to use all the resources (personnel, physical, and financial) of all state agencies to address the disaster. This includes using the cash available in all state funds to pay obligations and expenses.

Indiana: Only in case of biennial appropriations.

Kansas: Under a new law passed in 2000, after the State Finance Council has approved the use of emergency funds, the amounts are certified (up to $10 million) by the director of the budget and the funds are transferred to the state emergency fund. With this arrangement, only a small balance is maintained in the fund to pay rewards. Other purposes for which funds may be used include rewards for wanted criminals.

Kentucky: The June 30, 2001 balance was approximately $0.2 million. These funds can be used for the purposes identified and to the extent that funds accrue as a result of a revenue overage.

Louisiana: Interim Emergency Board may appropriate funds from the state general fund but funding shall not exceed .1 percent of total state revenue receipts for the previous fiscal year. It may also authorize deficit spending.

Minnesota: Unexpended funds maybe carried forward within a biennium.

Montana: A maximum of $12 million for disasters declared by the governor.

New Mexico: The Appropriation Contingency Fund is periodically replenished with legislative appropriations.

New York: 1) The governor's authority to spend against this appropriation is set out in state finance law. 2) This fund - created in legislation accompanying the 1993-94 budget - is intended, primarily, to provide a reserve to fund extraordinary needs arising from litigation actions against the state. To the extent fund moneys are not needed for this purpose, it may also be used for natural or physical disasters or to enhance the state's economy.

Ohio: 1) Members are the director of budget and management and six members of the general assembly, three each from the house and senate. 2) Funds may be transferred only between fiscal years in a biennium.

Oregon: General Purpose Emergency Fund appropriation as of July 1, 1999 for the 2001-2003 biennium. Excludes employee compensation and other special purpose appropriations or reservations.

Pennsylvania: For a declared disaster emergency, the governor has authority to transfer up to $10 million of unused monies in the General Fund. Unused authority may not be carried from one year to the next, due to a $10 million maximum per year. However, funds allocated for a specific disaster continue until spent or no longer needed.

Rhode Island: This fund is appropriated within the annual appropriation act.

South Dakota: Provisions exist for a contingency fund, but no funds have been appropriated in recent years.

Texas: The 2001 amounts are estimated unexpended balances from fiscal 2000. These funds are appropriated on a biennial basis with ongoing unexpended balance authority.

Utah: Fund cannot be used for activities denied funding by the legislature.

Vermont: Authority to carry-forward unexpended funds is annually conferred by the legislature.

Virginia: Unexpended funds may be carried over only within the biennium.

Washington: 1) The Governor's Emergency Fund's annual appropriation is not carried forward. 2) The Disaster Response Account balance is carried forward, subject to legislative appropriation in the next biennium.

Wisconsin: Appropriation may be re-estimated by the secretary of administration, as needed.

Appendix A. Budget Stabilization Funds, FY 2001 and FY 2002 (estimated) and FY 2003 (projected)

	—millions of dollars—			Percentage of General Fund Appropriations		
Region/State	FY 2001	FY 2002	FY 2003	FY 2001	FY 2002	FY 2003
New England						
Connecticut	$594.7	$0.0	$0.0	5.2%	0.0%	(N/R)
Maine	143.7	33.9	0.0	5.6	1.3	0.0%
Massachusetts	1,714.8	882.8	366.5	8.1	4.2	1.8
New Hampshire	55.2	55.2	30.0	5.1	4.7	2.5
Rhode Island	79.7	81.5	81.6	3.2	3.1	3.1
Vermont	61.1	35.0	35.0	7.0	4.0	3.9
Middle Atlantic						
Delaware	126.2	128.0	128.9	5.2	5.2	5.3
Maryland	888.1	548.2	500.5	8.7	5.0	4.7
New Jersey	720.0	0.0	0.0	3.4	0.0	0.0
New York	776.0	867.0	710.0	2.1	2.3	1.9
Pennsylvania	1,126.7	0.0	300.0	5.7	0.0	1.4
Great Lakes						
Illinois	1.0	226.0	226.0	0.0	1.0	1.0
Indiana	526.0	269.2	278.6	5.2	2.7	2.7
Michigan	994.1	245.1	15.1	10.2	2.7	0.2
Ohio	1,002.5	427.9	0.0	4.7	2.0	0.0
Wisconsin	0.0	0.0	0.0	0.0	0.0	0.0
Plains						
Iowa	405.2	165.3	141.4	8.3	3.6	3.2
Kansas	0.0	0.0	0.0	0.0	0.0	0.0
Minnesota	972.0	0.0	319.1	7.7	0.0	2.3
Missouri	451.9	469.9	470.0	5.8	6.1	6.0
Nebraska	170.2	110.1	47.0	6.9	4.1	1.7
North Dakota	0.0	0.0	0.0	0.0	0.0	0.0
South Dakota	38.2	33.1	33.1	4.8	3.9	3.8
Southeast						
Alabama	7.5	12.5	12.5	0.6	1.0	1.0
Arkansas	0.0	0.0	0.0	0.0	0.0	0.0
Florida	894.7	940.9	958.9	4.5	4.9	4.6
Georgia	734.4	686.3	722.7	5.0	4.8	4.8
Kentucky	0.0	0.0	0.0			
Louisiana	196.7	235.3	241.2	3.0	3.5	3.6
Mississippi	189.5	110.6	128.6	5.4	3.2	3.7
North Carolina	157.5	0.0	0.0	1.2	0.0	0.0
South Carolina	60.5	62.8	101.6	1.1	1.2	1.9
Tennessee	178.0	144.5	167.2	2.5	1.9	2.1
Virginia	715.6	467.0	500.0	5.8	3.9	4.1
West Virginia	79.1	56.2	56.9	2.9	2.0	1.9
Southwest						
Arizona	391.5	129.8	65.4	6.1	2.0	1.1
New Mexico	448.9	358.9	355.6	11.7	8.9	9.2
Oklahoma	78.7	340.6	72.1	1.5	6.1	1.3
Texas	196.5	916.1	1,206.5	0.7	3.2	4.2
Rocky Mountain						
Colorado	0.0	0.0	0.0	0.0	0.0	0.0
Idaho	53.1	53.1	26.4	2.9	2.7	1.3
Montana	0.0	0.0	0.0	0.0	0.0	0.0
Utah	123.3	10.0	10.0	3.3	0.3	0.3
Wyoming	84.5	125.4	28.3	13.5	18.2	3.8
Far West						
Alaska	2,994.8	2,455.6	1,743.6	131.1	102.3	73.2
California	1,564.0	-1,401.0	1,035.0	2.0	-1.8	1.3
Hawaii	34.0	50.0	52.0	1.0	1.4	1.3
Nevada	136.3	136.3	136.3	7.4	7.4	6.9
Oregon	0.0	0.0	0.0	0.0	0.0	0.0
Washington	110.1	55.1	56.5	1.0	0.5	0.5
Total	$20,276.5	$10,524.2	$11,360.1	4.2%	2.1%	2.3%

Key: (N/R) = No response.

Source: National Conference of State Legislatures, 2002.

Budget Stabilization Fund
BSF

Calendar Year	Nominal Personal Income	% Change	CPI	% Change	Real Personal Income	Ten Year Average	Real GSP	% Change	Ten Year Average	GSP	% Change	Ten Year Average
1984	$13,480,232		103.9									
1985	$14,575,292	8.12%	107.6	3.56%	4.56%							
1986	$15,753,707	8.09%	109.6	1.86%	6.23%							
1987	$17,289,266	9.75%	113.6	3.65%	6.10%		$ 24,018			$ 17,468		
1988	$19,035,831	10.10%	118.3	4.14%	5.96%		$ 25,622	6.68%		$ 19,367	10.87%	
1989	$20,599,674	8.22%	124	4.82%	3.40%		$ 27,631	7.84%		$ 21,680	11.94%	
1990	$21,521,461	4.47%	130.7	5.40%	-0.93%		$ 28,284	2.36%		$ 23,071	6.42%	
1991	$21,820,184	1.39%	136.2	4.21%	-2.82%		$ 27,796	-1.73%		$ 23,498	1.85%	
1992	$22,675,763	3.92%	140.3	3.01%	0.91%		$ 27,010	-2.83%		$ 23,635	0.58%	
1993	$23,292,033	2.72%	144.5	2.99%	-0.28%		$ 27,046	0.13%		$ 24,397	3.22%	
1994	$24,173,869	3.79%	148.2	2.56%	1.23%		$ 27,286	0.89%		$ 25,358	3.94%	
1995	$25,045,934	3.61%	152.4	2.83%	0.77%	2.44%	$ 27,755	1.72%		$ 26,501	4.51%	
1996	$26,433,754	5.54%	156.9	2.95%	2.59%	2.06%	$ 28,256	1.81%		$ 27,987	5.61%	
1997	$27,772,787	5.07%	160.5	2.29%	2.77%	1.69%	$ 28,925	2.37%		$ 28,925	3.35%	
1998	$29,468,569	6.11%	163	1.56%	4.55%	1.36%	$ 29,958	3.57%	1.61%	$ 30,409	5.13%	4.66%
1999	$30,679,731	4.11%	166.6	2.21%	1.90%	1.22%	$ 31,121	3.88%	1.22%	$ 32,208	5.92%	4.05%
2000	$32,866,505	7.13%	172.2	3.36%	3.77%	1.07%	$ 32,480	4.37%	1.42%	$ 34,196	6.17%	4.03%
2001	$34,491,316	4.94%	177.1	2.85%	2.10%	1.54%	$ 33,201	2.22%	1.81%	$ 35,981	5.22%	4.37%
2002	$35,913,033	4.12%	179.9	1.58%	2.54%	2.03%						

10 year average of real personal income (1992-2001) =	2.03%
Average estimated inflation rate (2003-2007) =	2.50%
Long-Term Growth Rate Limitation =	4.53%

Fiscal Year		Growth Rate Limit	Rev. Forecast	Maximum GF Approp.	GF Appropriation	Actual GF Appropriation			Actual GF Revenue	BSF
1999				$2,083,880,023	$2,083,880,023	$2,153,508,109			$2,259,718,302	$136,529,602
2000	4.51%	4.26%	$2,147,702,233	$2,172,666,835	$2,147,702,233	$2,317,138,580	7.60%	6.00%	$2,395,216,806	$277,023,849
2001	4.51%	4.26%	$2,230,762,573	$2,265,236,541	$2,230,762,573	$2,571,368,893	10.97%	-0.19%	$2,390,628,351	$386,106,492
2002	3.92%	3.57%	$2,477,582,989	$2,346,093,018	$2,346,093,018	$2,583,684,236	0.48%	-2.47%	$2,331,660,564	$371,674,038
2003	3.92%	3.57%	$2,604,037,836	$2,429,835,627	$2,429,835,627	$2,537,218,541	-1.80%	1.69%	$2,371,171,519	$313,009,929
2004	4.31%	4.53%	$2,418,383,155	$2,539,925,617		$2,617,375,234	3.16%	1.99%	$2,418,383,155	$191,467,468
2005	4.31%	4.53%	$2,517,280,254	$2,655,003,518		$2,665,395,455	1.83%	4.09%	$2,517,280,254	$53,744,203
	4.25%	4.12%								

Comm. Wyke

g:\ofpr\genfund\Year-end Transfers.xls
Updated 13, 2003

Distribution of Unappropriated Surplus at Year's End
Comparison of Current Law and Governor's Draft Part 2 Proposals

Hypothetical Distribution of Unappropriated Surplus

Current Law		Governor's Proposals	
Unappropriated Surplus		**Unappropriated Surplus**	
Balance Forward	$0	**Balance Forward**	$0
Prior Period and Other Accounting Adjustments	$0	**Prior Period and Other Accounting Adjustments**	$0
Lapsed Balances	$5,000,000	**Lapsed Balances**	$5,000,000
Excess/Surplus Revenue	$5,000,000	**Excess/Surplus Revenue**	$5,000,000
Total Unappropriated Surplus Available	$10,000,000	**Total Unappropriated Surplus Available**	$10,000,000
Distributions in Order of Priority		**Distributions in Order of Priority**	
1) Maine Rainy Day Fund[1] (calculated based on 50% of excess revenue - 5 MRSA §1513)	$2,500,000	1) Budget Stabilization Fund[1] (50% of Surplus Revenue over Budgeted Revenue)	$2,500,000
2) State Contingent Account (up to $350,000 to replenish account - 5 MRSA §1507)	$350,000	2) Retirement Allowance Fund (25% of Surplus Revenue over Budgeted Revenue)	$1,250,000
3) Reserve for General Fund Operating Capital (up to $1,000,000 - 5 MRSA §1511)	$1,000,000	3) Reserve for General Fund Operating Capital (15% of Surplus Revenue over Budgeted Revenue)	$750,000
4) Loan Insurance Reserve Fund (up to $1,000,000 - 5 MRSA §1511)	$1,000,000	4) Capital Construction and Improvements Reserve Fund (10% of Surplus Revenue over Budgeted Revenue)	$500,000
5) Retirement Allowance Fund (calculated based on 25% of excess revenue - 5 MRSA §1517)	$1,250,000	5) State Contingent Account (up to $350,000 to replenish account - 5 MRSA §1507)	$350,000
		6) Loan Insurance Reserve Fund (up to $1,000,000 - 5 MRSA §1511)	$1,000,000
		7) Unallocated Transfers:	
		- General Purpose Aid for Local Schools (up to $9,413,299) (E-17)	$3,650,000
		- Tax Conformity Reserve	$0
Unappropriated Surplus after Year-End Transfers	$3,900,000	**Unappropriated Surplus after Year-End Transfers**	$0

[1] If the Maine Rainy Day Fund or the Budget Stabilization Fund are at statutory caps then the amounts would be transferred to Retiree Health Insurance Internal Service Fund

Shaded amounts reflect Year-end Transfers that only occur if actual revenue collections exceed final budgeted revenue, "excess or surplus" revenue

Prepared by the Office of Fiscal and Program Review

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HEAVY WEATHER: ARE STATE RAINY DAY FUNDS WORKING?

By Bob Zahradnik and Rose Ribeiro

Summary

States are experiencing widespread and severe fiscal difficulties as a result of the recent economic slowdown. To balance their budgets, states are cutting spending, raising taxes and using reserve funds. Both tax increases and spending cuts have negative economic consequences to varying degrees for a state because they reduce demand for goods and services, thereby dampening sales, profits, and job growth. Using reserve funds, however, helps reduce the negative economic consequences of budget cuts and tax increases.

States have used a significant portion of their total reserve funds to help close budget gaps in 2002 and 2003. During 2002, total ending balances — which includes both general fund balances and rainy day fund balances — declined from $41 billion to $22 billion. Some 16 states addressed a third or more of their 2002 deficit with rainy day fund withdrawals. Enacted fiscal year 2003 budgets further reduced reserve balances to $18 billion. Overall, reserve balances have declined from 10.4 percent of budgets at the end of 2000 to 3.4 percent of budgets in 2003.

The remaining balance of $18 billion is heavily concentrated in a few states. In fact five states hold over half of the remaining total balance — Florida, California, Alaska, Georgia and Texas. In addition, a portion of the remaining balance is difficult to access due to restrictions placed on the use of rainy day funds and general fund balances.

For most states, the use of reserves can no longer be a significant part of budget balancing plans for the remainder of 2003 and 2004. Nevertheless, now is an excellent time for states to restructure their rainy day funds so that they can be more effective during the next downturn.

The effectiveness of state rainy day funds as a fiscal policy tool has been compromised by a number of factors:

- Five states do not have rainy day funds. They are Arkansas, Colorado, Illinois, Kansas and Montana. These states lack a separate fund dedicated to saving resources during good times to cushion the blow of a recession.[1]

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[1] Kansas has a five percent general fund balance requirement, but does not have a separate rainy day fund. Illinois has a Budget Stabilization fund that is actually a cash flow fund because the entire balance must be paid back before the end of the fiscal year. Colorado has a four percent annual budget reserve requirement that does not function as a rainy day fund.

- State rainy day funds, despite being large by historic standards, have not been large enough to offset budget gaps in most states. The inadequacy of rainy day funds is in part the result of a political bias in favor of tax cuts and spending increases in good economic times. But it also reflects a structural flaw in rainy day funds themselves. Some 19 states have written into their rainy day fund legislation a provision that limits the total amount that may accumulate in the fund to five percent or less of state spending. This type of limit has proven quite inadequate, as state budget shortfalls have averaged close to 10 percent of annual spending in 2002, 2003 and 2004.

- Some states have created rules that require rainy day funds, after they are used, to be quickly replenished even if economic conditions have not improved. These replenishment rules both create a disincentive for using the fund and place the rainy day fund in competition with other program for scarce resources.

- A few states also have failed to aggressively deploy their rainy day funds to avert spending cuts, sometimes by choice but sometimes also as a result of rules controlling rainy day fund use. In some states, rules restrict access to the fund by requiring a super-majority vote to release the funds or by placing a limit on how much of the fund can be used. To the extent that the failure to use rainy day funds was a deliberate choice, it sometimes results from exaggerated concern about the impact of using rainy day funds on state bond ratings.

Rainy day funds, if properly designed, are an important policy option for state policymakers. There is clearly room for improvement in the design of rainy day funds. Most state rainy day funds have not been adequate to close budget gaps during the current fiscal crisis, and many need to be reformed to function properly.

States should take a common sense approach to designing or restructuring rainy day funds. This approach involves four elements:

- First, the notion of a cap on the size of rainy day funds is problematic because the caps have prevented the funds from reaching an adequate level of funding. Instead of restricting the size of rainy day funds to an inadequate standard of five percent of the budget, states should set a target level for the size of the fund that is at least 10 to 15 percent of the budget. Once that target is met, policymakers should give serious consideration to making additional deposits into the fund above the 15 percent level.

- Second, state policymakers could ensure that saving for a rainy day is a policy priority by including rainy day fund appropriations in the budget. Once the budget covers necessary (i.e. baseline or current service) spending needs, a specific percentage of the spending could be budgeted for the rainy day fund. The rainy day fund could have to be appropriated, for example, before new tax cuts or spending programs are approved. In addition, it would also make sense to deposit a portion of any year-end budget surplus into the rainy day fund.

- The third element to a common sense approach to rainy day funds is that states should have flexibility in using the funds once there is an economic downturn. The most straightforward method for accessing rainy day funds is through the normal appropriation process. This makes sense because state legislatures typically address shortfalls in the current budget when they are developing the budget for the upcoming fiscal year. Placing a super-majority requirement on accessing the funds does not make sense because it creates an unnecessary political hurdle to making a withdrawal from the fund. Super-majority requirements also give additional leverage to a minority of legislators that can distort priority-setting and policymaking.

- Finally, state rainy day fund policies should not include a replenishment rule. These rules create a disincentive for using the fund and may lead to rainy day fund deposits competing with other programs for scarce resources. Instead, the funding targets and process described above should be utilized to ensure that once a state fiscal crisis ends, a state begins to plan for the next one.

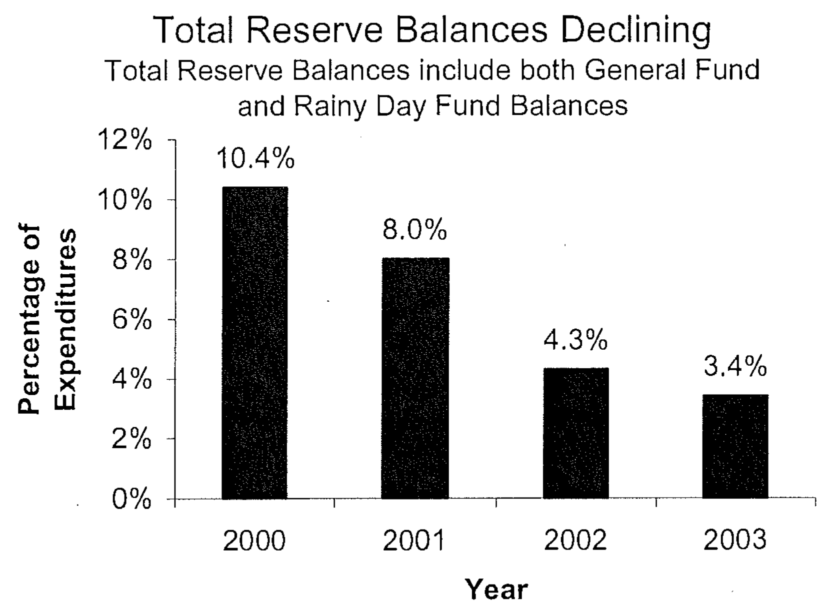
Rainy Day Funds Have Ameliorated the State Fiscal Crisis and Benefited the Economy — But Not As Much as They Could

Over the course of the 1990s, states increased total reserves to their highest level in twenty years. By the end of fiscal year 2000, states had total year-end balances (which includes both general fund balances and rainy day funds) of almost $48.8 billion, or 10.4 percent of expenditures. Prior to the last recession of the early 1990s, states had total balances of only $12.5 billion or 4.8 percent of expenditures. As a result, states were better prepared for this economic downturn than they were for the recession of the early 1990s.[2]

Reserve balances began to decline in 2001, falling from $49 billion at the end of 2000 to $41 billion at the end of 2001. This decline accelerated during 2002 as reserve balances fell to $22 billion at the end of 2002. Based on appropriated 2003 budgets, states are estimated to have reserve balances of $18 billion by the end of 2003 (see Appendix Table A for state-by-state figures on total reserves). Put another way, states had total reserve balances that equaled 10.4 percent of expenditures at the end of 2000 and now have reserve balances that equal 3.4 percent of expenditures (see Figure 1). While reserve balances in aggregate are quite low, several states have significant reserve balances available to help close 2003 and 2004 budget deficits. Some nine states and DC have reserve balances in excess of five percent of expenditures including, for example: Florida, Georgia, and Missouri.

[2] National Association of State Budget Officers (NASBO), *Fiscal Survey of the States*, November 2002.

Figure 1



Source: National Association of State Budget Officers; Center on Budget and Policy Priorities.

Total reserve balances include both general fund balances and rainy day fund balances. Rainy day funds are reserve accounts funded during the recent economic expansion for the express purpose of assisting states in getting through an economic downturn. Several states drew heavily from their rainy day funds to help reduce the amount of counter-productive spending cuts or tax increases they otherwise would have had to make (see Appendix Table B for state-by-state data on rainy day fund balances). Some 16 states addressed a third or more of their 2002 deficit with rainy day fund withdrawals. For example,

- Maine solved almost 75 percent of its 2002 deficit with a rainy day fund withdrawal by using $110 million from its rainy day fund to help address a $150 million deficit.

- Massachusetts addressed about 60 percent of its 2002 deficit with a rainy day fund withdrawal by using $1.4 billion from its rainy day fund to help address a $2.3 billion deficit.

- Pennsylvania also covered almost 60 percent of its 2002 deficit with a rainy day fund withdrawal by using $740 million from its rainy day fund to help address a $1.3 billion deficit.

While states have been heavily drawing down on rainy day funds and other reserves, these funds are proving inadequate to balance state budgets. According to the National Conference of State Legislators (NCSL), states had total budget deficits of $37.2 billion or 7.2

percent expenditures in 2002 and estimated 2003 budget gaps of $79.0 billion or 15.1 percent of expenditures. The latest estimates of 2004 budget gaps indicate that states are facing deficits of at least $78.4 billion or 15.0 percent of expenditures.[3] These figures demonstrate the magnitude of the multi-year budget problems that states are facing. As indicated earlier, state total reserves peaked at $50 billion, or 10.4 percent of expenditures — less than one-third the amount needed to fund three years of budget gaps.

Why are State Rainy Day Funds Inadequate?

In any given year, elected officials generally would prefer to cut taxes or boost spending — measures that directly and immediately benefit constituents — than to save money for the future. And, indeed, in the mid to late 1990s, when many states were running surpluses, spending rose and taxes were cut.[4] States also saved significant resources in rainy day funds, but they did not save enough. But how much is enough?

The experience of this fiscal downturn confirms a previous Center on Budget and Policy Priorities analysis, which found that the common benchmark of five percent for reserve balances is not adequate. A 1999 study showed that on average states would need balances of about 18 percent to weather a three-year fiscal downturn, similar to the downturn of the early 1990s, without cutting spending or raising taxes. At the time, these estimates seemed high to many state policymakers. However, given the severity of the current downturn, these previous estimates now appear conservative.[5]

The Government Finance Officers Association (GFOA) has also questioned the five percent reserve benchmark. In a statement of recommended practices released in 2002, GFOA stated that:

> The adequacy of unreserved fund balance [which includes rainy day funds] in the general fund should be assessed based upon a government's own specific circumstances. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unreserved fund balance in their general fund of *no less than five to 15 percent* of regular general fund operating revenues, or of *no less than one to two months* [that is, eight to 16 percent] of regular general fund operating expenditures. A government's particular situation may require levels of unreserved fund balance in the general fund significantly in excess of these recommended minimum levels.[6] [italics added]

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[3] National Conference of State Legislators (NCSL), *State Budget and Tax Actions 2002*, August 28, 2002; NCSL, *State Budget Update: April 2003*, April, 2003. NCSL reported that states had FY 2003 deficits of $49.1 billion when they were initially developing their budgets. Since the start of the FY 2003 fiscal year, additional deficits of $29.9 billion have developed.

[4] See Elizabeth C. McNichol and Kevin Carey, *Did States Overspend During the 1990s*, November 15, 2002, http://www.cbpp.org/10-15-02sfp.htm; and Nicholas Johnson, *The State Tax Cuts of the 1990s, The Current Revenue Crisis and Implications for State Services*, November 18, 2002, http://www.cbpp.org/11-14-02sfp.htm.

[5] Iris Lav and Alan Berube, *When It Rains It Pours*, March 11, 1999, http://www.cbpp.org/3-11-99sfp.htm.

[6] http://www.gfoa.org/services/rp/budget.shtml#10.

Clearly the data discussed above indicate that in the future states should plan on targeting the upper bound of GFOA's recommendation — reserves of 15 percent of operating expenditures. Somewhat surprisingly, many states have structured their rainy day funds in ways that prevent accumulations of more than even the minimum recommended by GFOA, five percent of revenue or eight percent of spending, much less the higher target, 15 percent of revenue or 16 percent of spending.

Bond rating agencies have also questioned the adequacy of the 5 percent benchmark level. Standard and Poor's considers total general fund balances (including rainy day funds) of 15 percent or more to be "strong," while balances of 5 percent or less to be "low" for local government tax-backed general obligation bond ratings. Standard and Poor's notes that the "approach to rating GO bonds of states is similar to that of local government units."[7]

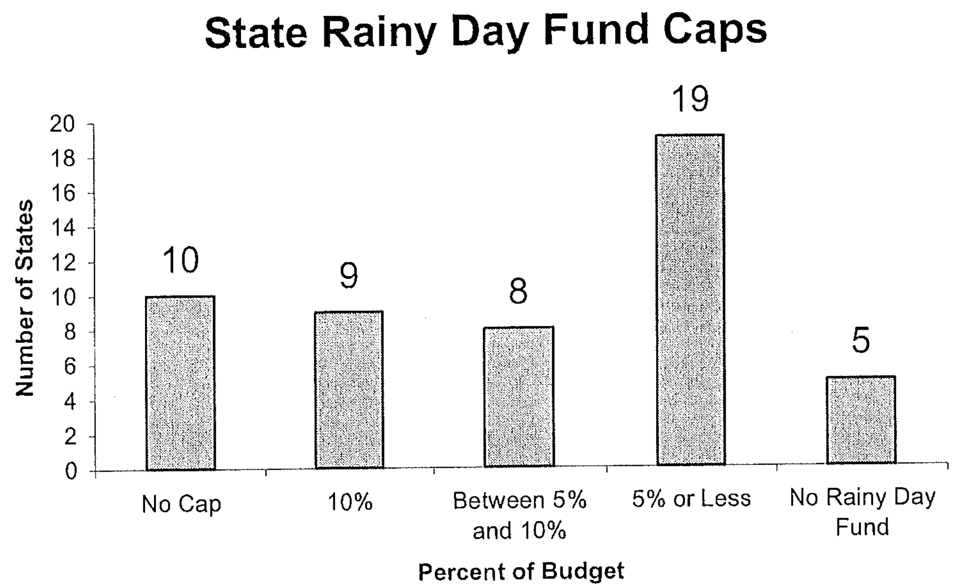
Rainy Day Fund Caps Should be Raised

One structural feature of rainy day funds that plays an important role in the size of the fund is whether or not there is a cap on the size of the fund. Rainy day fund caps place a limit on how large the fund can grow, typically measured as a percent of the budget. Clearly if the size of state rainy day funds are statutorily or constitutionally limited to an inadequate level, such as 5 percent of the budget or even less in some cases, then states are going to have difficulty accumulating adequate rainy day fund balances. While this may seem like an obvious point, this is exactly the case in over 40 percent of the states with rainy day funds. Specifically, 19 states have capped their rainy day funds at 5 percent or less (see Figure 2). These states are virtually guaranteed to find their rainy day funds inadequate. On the other end of the spectrum, 10 states have no cap and nine states have a cap set at 10 percent of the budget. (For a state-by-state summary of rainy day fund caps see Appendix Table C. For a summary of all the major rainy day fund provisions including: caps, super-majority requirements, limits on use, source of deposits and replenishment rules see Appendix Table D).

Rainy day fund caps clearly restricted rainy day fund growth since the end of the last recession. The rainy day funds in states with caps of five percent or less grew from 1.0 percent of expenditures at the end of 1993 to only 3.7 percent of expenditures at the end of 2000. The rainy day funds in states without caps or with caps of 10 percent or greater grew from 2.3 percent of expenditures at the end of 1993 to 9.0 percent of expenditure at the end of 2000. This indicates that raising rainy day fund caps is a critical policy option that states should pursue. The first step states should take to improve their rainy day funds is either remove the cap or increase it to a more adequate level such as 10 or 15 percent of the budget.

[7] Standard & Poor's. *Public Finance Criteria 2000*. New York: Standard & Poor's, a division of The McGraw-hill Companies Inc. 2000, pg. 29 and 27.

Figure 2



Source: Center on Budget and Policy Priorities.

Contribution Rules May Place Low Priority on Saving

A second structural reason contributing to the inadequacy of rainy day funds is that the rules for contributions do not give states much encouragement to save. The most common contribution rule — used in 30 out of 46 states with a rainy day fund — is that a portion of the state's year-end surplus must be placed in the rainy day fund.[8] This rule has the advantage of ensuring that the state is truly not in need of the funds before the deposit is made. The disadvantage is that the rainy day fund is last in line for receiving state resources. During the 1990s, for example, states moderately increased spending and cut taxes extensively when they enacted their budgets. In states with a year-end surplus deposit rule, rainy day fund deposits were made at the end of the fiscal year, long after the decisions to raise spending or cut taxes were made. States are now paying the price for placing such a low priority on saving.

Other types of deposit rules can have the opposite effect; they may lead to required deposits when the state cannot afford to make them. Hawaii, Maryland, Missouri, and Rhode Island have rules that require annual contributions to their rainy day fund without regard to the state's fiscal conditions, which can lead to deposits when the state is struggling to balance its budget. These rules are a particular problem in Missouri and Rhode Island where the deposits cannot be reversed. Deposits are made to the Missouri rainy day fund whenever the fund is below its targeted balance. In Rhode Island, an amount equal to two percent of revenues is set aside each year. In Hawaii and Maryland, on the other hand, annual contributions can be fully

[8] Some states define year-end surplus as revenues in excess of expenditures, while others define it as actual revenues in excess of projected revenues. The 46 states with a rainy day fund include DC.

withdrawn in a given year if needed. In Maryland, the state must deposit $50 million in its rainy day fund annually. In Hawaii, 40 percent of annual tobacco settlement funds are contributed to the rainy day fund.

Other states have rules intended to assure that rainy day fund contributions will be made when fiscal conditions are healthy. Some seven states — Arizona, Florida, Idaho, Indiana, Michigan, Tennessee, and Virginia — require deposits into the rainy day fund when growth in tax revenues or state economic growth is expected to exceed specified levels.[9] In Idaho, for example, the state contributes to its rainy day fund when revenues are projected to grow by more than four percent. In Arizona, Indiana, and Michigan, the deposit is tied to personal income growth.[10]

In some states, however, these rules can require states to make contributions when state finances are not particularly strong. In Tennessee, for example, 10 percent of any revenue increase from one year to the next must be placed in the rainy day fund, which means that a deposit would be required even if revenue growth is modest. The personal income growth formulas are disconnected from the budget realities of estimated revenue growth and expenditure needs and may lead to deposits that are either not affordable or inadequate. For this reason, some states, such as Michigan, wisely use the contribution calculation as a guideline and not a requirement.

Why Haven't States Spent Money in their Rainy Day Funds?

While aggregate total reserve and rainy day fund balances have declined dramatically over the last two years, some states did not aggressively use rainy day funds to reduce the need for budget cuts or tax increases. This failure not only led to unneeded spending cuts, but also slowed the nation's economic recovery by holding funds out of the economy at a time when they were needed to boost demand thru additional spending. There are a number of reasons why states may choose not to use rainy day funds. In some cases, the failure to withdraw funds resulted from onerous rules requiring replenishment of withdrawn funds in an unrealistically short time frame. Other barriers to timely withdrawals included supermajority requirements and artificial limits on the amount of funds that may be withdrawn.

Replenishment

Six states — Alabama, Florida, Missouri, New York, Rhode Island and South Carolina — and the District of Columbia require that withdrawals from the rainy day fund be replenished over a specified period. Replenishment rules can be problematic for two reasons. In some cases they provide a disincentive to using the fund. When replenishment must occur soon after the

[9] Florida has two rainy day funds — the Budget Stabilization Fund and the Working Capital Fund. The Budget Stabilization fund requires a deposit when revenues increase from one year to the next. The Working Capital fund deposit rule is based on the year-end surplus and is included in the count of states which deposit a portion of the year-end surplus.
[10] In Michigan and Indiana a deposit is required when real personal income growth exceeds two percent. In Arizona a deposit is required when real personal income growth exceeds pre-determined trend level.

Claims about Impact of Using Rainy Day Fund on Bond Rating Are Overstated

A few state officials appear to believe that using Rainy Day Funds at this time would be seen negatively by bond rating agencies and result in a downgrade to a state's bond rating. Most recently, legislative budget leaders in Maryland expressed concern over former Governor Glendening's proposal to use $200 million of the state's $500 million rainy day fund to help close a FY 2003 budget gap of about $500 million. News accounts indicated that legislators were fearful that drawing down reserves would harm the state's AAA bond rating. This does not appear to be the case. For example, a recent Standard and Poor's publication indicated that prudent use of reserves would *not* affect a state's credit rating.

> Use of reserves is not a credit weakness in and of itself. **These reserves are accumulated in order to be spent** during times of budgetary imbalance and extraordinary economic events. The last month has highlighted the importance and critical nature of these reserves from a credit standpoint. Given this period of economic uncertainty, a balanced approach of adjusting spending and drawing on reserves will reduce out-year structural imbalance.[a] [Emphasis added]

Some policymakers are fearful of allowing the rainy day fund balance to drop below the arbitrary level of five percent of spending — even when the state is still battling the fiscal storm. Rainy day fund balance targets are intended to indicate the level of funding needed prior to the start of the economic downturn, not the level of funding the state must maintain throughout the crisis. In fact, seven of the 10 states with an AAA bond rating used one-third or more of their rainy day fund in 2002. Three of these top-rated states — Minnesota, North Carolina and South Carolina — used their entire rainy day fund in 2002.[b]

[a] Robin Prunty, Alexander M Fraser, Steven J Murphy. *Commentary: The State of the States.* Standard and Poor's, October 18, 2001.
[b] Robin Prunty, Alexander M Fraser. *U.S. State Ratings and Outlooks: Current List.* Standard and Poor's, January 29, 2003.

drawdown, rainy day deposits may compete with critical government programs and services for scarce resources during a time of fiscal strain.

Of the states that require replenishment of withdrawals from their rainy day fund, three — Alabama, Florida, and New York — allow replenishment to occur over a period of five years or more. Though not ideal, this lengthy period helps increase the likelihood that most of the replenishment will occur after the fiscal crisis is over. The average length of a state fiscal crisis is three to four years.

Shorter time periods, however, are problematic. In Missouri and South Carolina, withdrawals from the rainy day fund are repaid over a three year period, in Rhode Island, the replenishment period is two years, and in the District of Columbia the fund must be paid back in one year. These onerous replenishment rules have created a barrier that has prevented these funds from being used for their intended purpose. Despite significant deficits in 2002, the District of Columbia, Missouri and Rhode Island did not use their rainy day funds.

States Should Not Hesitate to Use Remaining Rainy Day Fund Balances[a]

While states used rainy day funds extensively to balance 2002 and 2003 budgets, a number of states still have some money left in rainy day funds. States should not hesitate to use those remaining balances for a number of reasons:

- Drawing down rainy day funds is good for state economies. Both tax increases and spending cuts have negative economic consequences to varying degrees for a state because they reduce demand for goods and services, therefore dampening sales, profits, and job growth. Rainy day fund drawdowns can minimize those consequences.

- Continually preserving a rainy day fund for future problems is tantamount to not having a rainy day fund at all. Rainy day funds were specifically designed to provide a quick infusion of resources during a downturn to help avoid debilitating cuts to public services at the very time the services and programs are needed most. It makes little sense to save money as a means of preventing possible cuts in the future if doing so means making definite cuts in the present.

- The budget cuts and tax increases that a state can make most quickly often target the programs least appropriate to reduce in a recession or the taxpayers that can least afford to pay additional taxes. Using rainy day funds allows a state to maintain needed services in the short-term while it devises a more carefully considered solution to close whatever remaining budget gap it anticipates in this fiscal year and beyond.

- Using rainy day funds can help a state avoid cutting its "automatic economic stabilizers" — the programs for low-income families that rise in cost when need for such programs rises due to higher unemployment and lower wages.

[a] For a more detailed discussion of this issue, see Bob Zahradnik and Nicholas Johnson, *State Rainy Day Funds: What to Do When it Rains*, January 31, 2002, http://www.cbpp.org/1-31-02sfp2.pdf

Rainy Day Fund Rules Limit Use of Funds

Ten states have super-majority requirements governing the release of rainy day fund resources to address budget deficits.[11] Super-majority rules create an unnecessary political hurdle to accessing the funds. These rules allow a minority of lawmakers to block the sensible use of rainy day funds in times of fiscal crisis.

Some 13 states set a limit on the amount of the rainy day fund that can be used at one time. In Idaho, Louisiana, Missouri, Oklahoma, Tennessee, and Virginia, only a specified percentage of the rainy fund (typically 50 percent) can be withdrawn at one time. In North Dakota, no more than $25 million can be withdrawn at one time. Arizona, Indiana, and Michigan use a more complex formula that ties the withdrawal amount to the severity of the state's economic problems. In D.C., only 44 percent of the total balance is available for a revenue shortfall; the remainder is set aside for a natural disaster. In Georgia, the Revenue

[11] Alaska, Delaware, Hawaii, Louisiana, Missouri, Oklahoma, Oregon, Pennsylvania, Texas and Washington.

Shortfall reserve is capped at 5 percent of revenues. The Governor can only recommend appropriating an amount equal to 2 percent of revenues. Only if state revenues fall short at the end of the fiscal year can the remaining amount, up to 3 percent of revenues, be used. In Oregon, proceeds from the rainy day fund must be spent on public education. These arbitrary limits reduce the flexibility of state policymakers to address budget shortfalls in an effective manner. In addition, it may make sense for a state to use a large portion of the rainy day fund in the first year of the fiscal crisis because other budget balancing options such as revenue increases or targeted budget cuts may take more time to analyze and implement and are more appropriate for addressing the second or third year of the downturn.

Several states did not use their rainy day funds, or their use was limited, as result of replenishment rules, super-majority requirements and direct limits on use.

- Missouri's rainy day fund requires that the fund be replenished by one-third a year over the three years after the fund is used and that any lost interest must also be deposited into the fund. Missouri's governor proposed using a portion of the state's rainy day fund to help close a 2002 budget deficit. Repaying the fund with interest is an unusual requirement that legislative leaders cited as a reason for not using its $452 million rainy day fund to help balance a 2002 budget gap of $520 million, or 6.5 percent of the budget.[12] Instead of using the rainy day fund, they balanced the budget primarily through significant budget cuts in a wide range of government programs. Note, however, that even with the repayment requirement, using the rainy day fund is preferable to cutting spending or raising taxes (see the box on page 10.)

  In Missouri, the super-majority requirement was also a factor in limiting the use of the fund. The Senate easily approved the governor's proposal by a vote of 31-2. The House, however, was unable to garner the necessary two-thirds vote to authorize the use of the fund. The bill did gain a simple majority of votes in the House. In the absence of the super-majority requirement, Missouri would have been able to tap its rainy day fund and offset some of the budget cuts that were eventually implemented to balance the budget.

- The strict replenishment rules also influenced D.C. policymakers to avoid using its $250 million rainy day fund to address a $323 million shortfall identified in September, 2002. Instead, the deficit was eliminated entirely through substantial spending cuts and revenue increases.

- Virginia's limit that allows use of only 50 percent of the fund, coupled with its deposit rule, allowed policymakers to use only $248 million of its $716 million rainy day fund to address a $1.7 billion deficit in 2002. Virginia's rainy day fund balance at the beginning of 2002 was $716 million. The state made a mandatory deposit of $219 million, which increased the balance to $935 million. The 50 percent limit on the use of the fund meant that the state could withdraw up to

[12] "Hanaway takes heat for opposing use of rainy day fund to fix Missouri budget," *Kansas City Star*, May 16, 2002.

$467 million, which it did. However, the net withdrawal from the fund, factoring out the required deposit, was only $248 million.

- Louisiana's 2003 budget deficit is $86 million, but may grow to $186 million. The state can only access one-third, $86 million, of its $260 million rainy day fund in a single year. If the 2003 budget gap grows larger, policymakers will not be able to use the rainy day fund to reduce the gap further.

Common Sense Approach to Designing a Rainy Day Fund

Rainy day funds, if properly designed, are an important policy option for state policymakers. But there is room for improvement in the design of rainy day funds. Most state rainy day funds have not been adequate to close budget gaps during the current fiscal crisis. A few states still do not have separate rainy day funds (Arkansas, Colorado, Illinois, Kansas, and Montana), others are poorly designed and need to be reformed to function properly (for example, District of Columbia and Missouri).

There are four common sense steps states can take to design or restructure rainy day funds to make them more effective: use funding targets instead of caps and set the targets at levels that are in line with needs; develop an appropriate process for making deposits into the fund that lessons the probability that tax cuts or new spending programs will preempt saving in rainy day funds; allow flexibility in accessing the funds during a downturn; and avoid including onerous replenishment rules and eliminating those rules where they now exist.

First, the notion of a cap on the size of rainy day funds is problematic because the caps have prevented the funds from reaching an adequate level of funding. Instead of restricting the size of rainy day funds to an inadequate standard of five percent of the budget, states should set a target level for the size of the fund that is at least 10 to 15 percent of the budget. Once that target is met, policymakers should give serious consideration to making additional deposits into the fund above the 15 percent level.

Second, states could develop a more rational process for making rainy day fund contributions that would incorporate deposits into the budget development process prior to the beginning of the fiscal year in the following manner:

- During the budget development process, the state budget office could compare projected revenue (prior to any tax changes) to projected spending needs for the upcoming budget year. Ideally the estimate of projected spending needs would utilize a baseline or current services approach that takes into account inflation, caseload increases, workload changes, and statutory requirement. Some states already prepare these types of estimates and include them in the proposed budget document, but many do not. However, most states that do not prepare a formal baseline projection should be able to produce an estimate of the required spending needs for the next fiscal year.

- If projected revenues exceed projected expenditure needs, a portion of that surplus (25 percent to 50 percent) could be appropriated as a transfer to the rainy day fund.

- Only the remaining portion of the surplus would be allocated to new spending or tax cuts. The actual transfer to the rainy day fund would occur at the end of the fiscal year, assuming revenues and spending hold to projections.

- A portion of any additional year-end surplus could also be deposited in the rainy day fund

This process would ensure that all necessary spending needs are being met, that funds are being deposited into the rainy day fund and that funds are available to meet additional needs.

The third element to a common sense approach to rainy day funds is that states should have flexibility in using the funds once there is an economic downturn. The most straightforward method for accessing rainy day funds is through the normal appropriation process. This makes sense because state legislatures typically address shortfalls in the current budget when they are developing the budget for the upcoming fiscal year. Placing a super-majority requirement on accessing the funds does not make sense because it creates an unnecessary political hurdle to making a withdrawal from the fund. Super-majority requirements also give additional leverage to a minority of legislators that can distort priority-setting and policymaking.

Using rainy day funds should be a state's first response to fiscal stress because other policy options, such as tax increases or budget cuts, require time for thoughtful consideration. A rainy day fund withdrawal provides a quick infusion of funds to keep the budget on track while other options are considered. Consequently there should be no artificial hurdles, such as a super majority requirement, to accessing the funds.

One option that makes sense is allowing the governor the discretion to use a portion of the rainy day fund without legislative approval. For example, the governor in Mississippi is authorized to use $50 million of the rainy day fund without legislative approval. In several states governors are required to make budget cuts to keep the budget in balance if a shortfall occurs during the fiscal year. If governors must unilaterally cut the budget, then they should have the option of reducing the magnitude of those cuts by unilaterally using a portion of the rainy day fund.

In addition to avoiding super-majority requirements, state rainy day fund policies should not place other hurdles on accessing the funds. Some states place a limit on how much states can withdraw from the rainy day fund in a given year or limit how the funds can be used. For example, Idaho and Virginia restrict withdrawals to only 50 percent of the balance in a given year. These types of provisions, like the super-majority requirement, unwisely reduce the flexibility that states have to tap rainy day funds when the need arises.

Finally, state rainy day fund policies should not include a replenishment rule. These rules create a disincentive for using the fund and may lead to rainy day fund deposits competing with other programs for scarce resources. If states appropriate deposits when the budget is developed, the need for replenishment rules would be greatly diminished. Overall, the funding targets and the deposit process described above should be utilized to ensure that once a state fiscal crisis ends, a state begins to plan for the next one.

Appendix Table A
Total State Ending Balances (General Fund Balances and Rainy Day Fund Balances)
(In Millions of Dollars and as a Percent of Expenditures)

	FY 2001 (Actuals)		FY 2002 (Preliminary Actuals)		FY 2003 (Appropriated)	
	Total Ending Balance	Total Ending Balance as a % of Expenditures	Total Ending Balance	Total Ending Balance as a % of Expenditures	Total Ending Balance	Total Ending Balance as a % of Expenditures
Alabama	74	1.4%	286	5.3%	261	4.8%
Alaska*	2,995	131.8%	2,483	104.6%	1,745	85.1%
Arizona*	387	6.1%	48	0.8%	36	0.6%
Arkansas	-	0.0%	-	0.0%	-	0.0%
California	3,037	3.9%	72	0.1%	2,509	3.3%
Colorado	470	7.0%	165	2.5%	116	1.8%
Connecticut*	626	5.2%	(224)	-1.9%	-	0.0%
Delaware	510	21.0%	482	19.6%	335	13.3%
Florida*	2,944	14.7%	3,318	17.2%	2,608	13.1%
Georgia	2,602	16.9%	1,226	7.9%	1,462	9.0%
Hawaii	370	11.0%	184	5.0%	73	1.9%
Idaho*	238	13.0%	54	2.7%	27	1.4%
Illinois	1,351	5.5%	482	2.0%	501	2.1%
Indiana	545	5.9%	269	2.8%	354	3.4%
Iowa	405	8.3%	232	5.0%	142	3.2%
Kansas	366	8.3%	12	0.3%	83	1.9%
Kentucky	240	3.4%	24	0.3%	58	0.8%
Louisiana	270	4.3%	260	4.0%	261	3.9%
Maine	183	6.9%	34	1.3%	(229)	-8.5%
Maryland	1,426	13.9%	857	7.8%	390	3.7%
Massachusetts	3,011	13.6%	1,217	5.3%	468	2.1%
Michigan	1,022	10.5%	376	4.1%	69	0.8%
Minnesota	1,574	12.4%	873	6.7%	318	2.3%
Mississippi	208	5.7%	107	3.0%	203	5.8%
Missouri*	561	7.3%	616	8.1%	527	6.7%
Montana	173	13.6%	82	6.0%	30	2.3%
Nebraska	406	16.4%	166	6.4%	93	3.5%
Nevada	262	14.3%	226	12.0%	132	6.5%
New Hampshire	55	5.2%	32	2.7%	(6)	-0.5%
New Jersey*	1,290	6.2%	100	0.5%	110	0.5%
New Mexico	449	11.7%	343	8.5%	328	8.4%
New York	1,098	2.8%	1,032	2.5%	716	1.8%
North Carolina	158	1.2%	25	0.2%	-	0.0%
North Dakota*	87	10.6%	68	8.4%	25	2.7%
Ohio	1,217	5.8%	536	2.5%	138	0.6%
Oklahoma	630	13.1%	147	2.9%	63	1.3%
Oregon*	363	6.9%	24	0.5%	128	2.5%
Pennsylvania*	1,372	6.9%	443	2.1%	318	1.5%
Rhode Island	211	8.5%	114	4.3%	102	3.8%
South Carolina	134	2.4%	50	1.0%	147	2.7%
South Dakota	111	13.8%	109	12.8%	79	9.0%
Tennessee*	209	3.0%	178	2.4%	178	2.3%
Texas	4,190	14.4%	2,337	7.6%	1,008	3.3%
Utah	133	3.5%	10	0.3%	10	0.3%
Vermont	47	5.3%	14	1.6%	18	2.0%
Virginia	716	5.7%	600	5.0%	498	4.1%
Washington	1,061	9.8%	495	4.4%	401	3.6%
West Virginia	241	8.9%	254	9.0%	62	2.0%
Wisconsin	208	1.9%	53	0.5%	145	1.3%
Wyoming*	114	15.8%	140	22.2%	33	4.4%
Dist. Of Col.	562	13.6%	865	23.1%	865	22.9%
Total US	40,910	8.0%	21,894	4.3%	17,936	3.4%

Sources: This table is based on data published by the National Association of State Budget Officers (NASBO) in *The Fiscal Survey of the States*, November 2002. The NASBO table has been adjusted by CBPP to reflect technical adjustments. The sources of these changes were conversations with NASBO, state officials and published state budget documents.

* The NASBO data for these states has been adjusted.

Appendix Table B
Rainy Day Fund Balances
(In Millions of Dollars and as a Percent of Expenditures)

	FY 2001 (Actuals)		FY 2002 (Preliminary Actuals)		FY 2003 (Appropriated)	
	Rainy Day Fund Balance	Total Ending Balance as a % of Expenditures	Rainy Day Fund Balance	Total Ending Balance as a % of Expenditures	Rainy Day Fund Balance	Total Ending Balance as a % of Expenditures
Alabama	8	0.2%	261	4.9%	261	4.8%
Alaska*	2,995	131.8%	2,483	104.6%	1,745	85.1%
Arizona*	373	5.9%	72	1.1%	30	0.5%
Arkansas	-	0.0%	-	0.0%	-	0.0%
California*	2,596	3.3%	-	0.0%	1,036	1.4%
Colorado	-	0.0%	-	0.0%	-	0.0%
Connecticut	595	5.0%	-	0.0%	-	0.0%
Delaware	126	5.2%	128	5.2%	129	5.1%
Florida*	1,383	6.9%	1,925	10.0%	1,138	5.7%
Georgia*	881	5.7%	847	5.5%	847	5.2%
Hawaii	21	0.6%	50	1.4%	53	1.4%
Idaho*	53	2.9%	53	2.7%	26	1.4%
Illinois*	-	0.0%	-	0.0%	-	0.0%
Indiana	526	5.7%	269	2.8%	279	2.7%
Iowa*	172	3.5%	25	0.5%	16	0.4%
Kansas	-	0.0%	-	0.0%	-	0.0%
Kentucky	240	3.4%	-	0.0%	-	0.0%
Louisiana	197	3.1%	260	4.0%	260	3.9%
Maine	144	5.4%	34	1.3%	-	0.0%
Maryland	888	8.7%	548	5.0%	494	4.7%
Massachusetts	2,294	10.4%	877	3.8%	347	1.5%
Michigan	994	10.2%	262	2.9%	31	0.3%
Minnesota*	622	4.9%	-	0.0%	318	2.3%
Mississippi	190	5.2%	92	2.6%	129	3.7%
Missouri*	452	5.8%	451	5.9%	451	5.7%
Montana	-	0.0%	-	0.0%	-	0.0%
Nebraska	170	6.9%	110	4.2%	62	2.4%
Nevada	136	7.4%	136	7.2%	36	1.8%
New Hampshire	55	5.2%	55	4.7%	55	4.6%
New Jersey	720	3.5%	-	0.0%	-	0.0%
New Mexico*	370	9.7%	312	7.7%	227	5.8%
New York	627	1.6%	710	1.7%	710	1.8%
North Carolina	158	1.2%	-	0.0%	-	0.0%
North Dakota*	25	3.0%	25	3.1%	25	2.7%
Ohio	1,011	4.8%	428	2.0%	71	0.3%
Oklahoma	340	7.1%	72	1.4%	36	0.8%
Oregon*	-	0.0%	-	0.0%	128	2.5%
Pennsylvania*	1,037	5.2%	300	1.4%	311	1.5%
Rhode Island	80	3.2%	82	3.1%	82	3.1%
South Carolina*	61	1.1%	-	0.0%	-	0.0%
South Dakota	111	13.8%	109	12.8%	79	9.0%
Tennessee*	178	2.5%	178	2.4%	178	2.3%
Texas	197	0.7%	916	3.0%	1,000	3.2%
Utah	120	3.2%	10	0.3%	10	0.3%
Vermont	43	4.9%	14	1.6%	18	2.0%
Virginia	716	5.7%	467	3.9%	467	3.8%
Washington	462	4.3%	113	1.0%	55	0.5%
West Virginia	79	2.9%	56	2.0%	58	1.9%
Wisconsin	-	0.0%	-	0.0%	-	0.0%
Wyoming*	109	15.1%	130	20.6%	28	3.8%
Dist. Of Col.	101	2.4%	257	6.9%	265	7.0%
Total US	22,654	4.4%	13,116	2.5%	11,489	2.2%

Sources: This table is based on data published by the National Association of State Budget Officers (NASBO) in *The Fiscal Survey of the States*, November 2002. The NASBO table has been adjusted by CBPP to reflect technical adjustments. The sources of these changes were conversations with NASBO, state officials and published state budget documents.

* The NASBO data for these states has been adjusted.
Colorado has a 4% annual budget reserve requirement that does not function as a rainy day fund.
Illinois' Budget Stabilization Fund is excluded because it functions as a cash flow fund and not a rainy day fund.
Iowa balance data excludes Cash Reserve Fund, which is a cash flow fund and not a rainy day fund.

Appendix Table C - Summary of Rainy Day Fund Caps

No Cap (10 States)	10% Cap (9 States)
Alaska	Connecticut
California	Florida**
Hawaii	Massachusetts
Maryland	Missouri
Michigan	Nevada
Nebraska	New Hampshire
New Mexico*	Oklahoma
North Dakota	Texas
Pennsylvania	Virginia
Wyoming	

Between 5% and 10% Cap (8 States)	No Rainy Day Fund (5 States)
Alabama	Arkansas
Arizona	Colorado
District of Columbia*	Illinois
Georgia*	Kansas
Indiana	Montana
Maine	
Mississippi	
Utah	

5% or Less Cap (19 States)	
Delaware	Oregon
Idaho	Rhode Island
Iowa	South Carolina
Kentucky	South Dakota
Louisiana	Tennessee
Minnesota	Vermont
New Jersey	Washington
New York	West Virginia
North Carolina	Wisconsin
Ohio	

* Cap calculation is based on totalling multiple funds.

**Florida has two funds, one with a 10% cap and one with no cap.

Source: Center on Budget and Policy Priorities.

Appendix Table D
A Summary of Rainy Day Fund Provisions

State	Name of Fund	Cap	Source of Deposits	Supermajority Requirement	Limit on Use	Replenishment
Alaska	Constitutional Reserve	None	Mineral litigation settlements	None when revenues decline from one year to the next For any other purpose 3/4 vote of legislature is required	None	None
Alabama	Education Trust Fund Rainy Day Account	6%	One-time funds	None	None	Within 5 years
Arizona*	Budget Stabilization Fund	7%	Deposit required when economic growth exceeds specified levels	None	Withdrawal amount based on depth of decline	None
Arkansas	None	NA	NA	NA	NA	NA
California	Special Fund for Economic Uncertainties	None	Year-end budget surplus*	None	None	None
Colorado	None	NA	NA	NA	NA	NA
Connecticut	Budget Reserve Fund	10%	Year-end budget surplus	None	None	None
Delaware	Budget Reserve Account	5%	Year-end budget surplus	3/5 vote of legislature	None	None
District of Columbia	Emergency Reserves	4%	None	None	Natural disaster or state of emergency	Within 1 year
District of Columbia	Contingency Reserve	3%	None	None	None	Within 1 year
Florida	Budget Stabilization Fund	10%	Deposit required when revenues increase from one year to the next	None	None	Within 5 years
Florida	Working Capital Fund	None	Year-end budget surplus	None	None	None

State	Name of Fund	Cap	Source of Deposits	Supermajority Requirement	Limit on Use	Replenishment
Georgia	Revenue Shortfall Reserve	5%	Year-end budget surplus	None	Governor can only recommend appropriating the 4th and 5th percentile of the revenue shortfall reserve. Only if state revenues fall short at end of fiscal year can the remaining 3% be used.	None
Georgia	Mid-Year Adjustment Fund	1%	Year-end budget surplus	None	None	None
Hawaii	Emergency and Budget Reserve Fund	None	Portion of tobacco settlement funds	2/3 vote of the legislature	None	None
Idaho	Budget Stabilization Fund	5%	Deposit required when revenue growth exceeds specified level	None	Only half of the full fund can be used in one year	None
Illinois	None	NA	NA	NA	NA	NA
Indiana	Counter-Cyclical Revenue and Economic Stabilization Fund	7%	Deposit required when economic growth exceeds specified levels	None	Withdrawal amount based on depth of decline	None
Iowa	Economic Emergency Fund	5%	None specified	None	None	None
Kansas	None	NA	NA	NA	NA	NA
Kentucky*	Budget Reserve Trust Fund	5%	Year-end revenue surplus*	None	None	None

State	Name of Fund	Cap	Source of Deposits	Supermajority Requirement	Limit on Use	Replenishment
Louisiana	Budget Stabilization Fund	4%	Year-end budget surplus and non-recurring funds	Requires 2/3 vote of legislature	Only 1/3 of fund can be withdrawn in a year	None
Maine*	Rainy Day Fund	6%	Year-end budget surplus	If fund is used for construction or bond payments, a 2/3 vote of legislature is required	None	None
Maryland	Revenue Stabilization Account	None	$50 million/year	None	None	None
Massachusetts	Commonwealth Stabilization Fund	10%	Year-end budget surplus	None	None	None
Michigan*	Counter-Cyclical Budget & Stabilization Fund	None	Deposit required when economic growth exceeds specified levels	None	Withdrawal amount based on depth of decline	None
Minnesota	Budget & Economic Stabilization Fund	$653 million (About 5%)	Year-end budget surplus	None	None	None
Mississippi	Working Cash Stabilization Reserve Fund	7.5%	Year-end budget surplus	None	None	None
Missouri	Budget Reserve Fund	10%	Required deposit when fund is below required balance	Withdrawal requires 2/3 vote of legislature	No more than ½ of the fund can be withdrawn	Equal payments over 3 years
Montana	None	NA	NA	NA	NA	NA
Nebraska	Cash Reserve Fund	None	Year-end revenue surplus	None	None	None
Nevada	Fund to Stabilize Operations of State	10%	Year-end budget surplus	None	None	None

State	Name of Fund	Cap	Source of Deposits	Supermajority Requirement	Limit on Use	Replenishment
New Hampshire	Revenue Stabilization Reserve Account	10%	Year-end budget surplus	To use the fund for any purpose (other than a revenue shortfall) a 2/3 vote of the legislature is required.	None	None
New Jersey	Surplus Revenue Fund	5%	Year-end revenue surplus	None	None	None
New Mexico	General Fund Operating Reserve	None	Year-end budget surplus and appropriations	None	None	None
New Mexico	General Fund Tax Stabilization Fund	None	Year-end budget surplus	None	None	None
New Mexico	Appropriations Contingency Fund	None	Year-end budget surplus	None	None	None
New York	Tax Stabilization Reserve Fund	2%	Year-end budget surplus	None	None	3 payments over 6 years
North Carolina	Savings Reserve Account	5%	Year-end budget surplus	None	None	None
North Dakota	Bank of North Dakota (Reserve Fund)	None	State bank profits	None	Withdrawal limited to $25 million	None
Ohio	Budget Stabilization Fund	5%	Year-end budget surplus	None	None	None
Oklahoma	Constitutional Reserve Fund	10%	Year-end budget surplus	None when revenues decline from one year to the next. When an emergency is declared, a 2/3 vote of legislature with concurrence of governor or a 3/4 vote without governor's concurrence	Only half of the fund can be withdrawn at a time	None

State	Name of Fund	Cap	Source of Deposits	Supermajority Requirement	Limit on Use	Replenishment
Oregon	Education Stability Fund	5%	15 percent of lottery revenue, increases to 18 percent on July 1, 2003	3/5 of legislature	Must be spent on public education	None
Pennsylvania	Budget Stabilization Reserve Fund	None	Year-end budget surplus	2/3 vote of the legislature is required	None	None
Rhode Island*	Budget Reserve and Cash Stabilization Account	3%	2% of revenues each year must be deposited	None	None	Must be repaid within 2 years, though law allows legislature to set longer repayment period
South Carolina	General Reserve Fund	3%	Year-end budget surplus	None	None	Must be repaid within 3 years
South Dakota	Budget Reserve Fund	5%	Year-end budget surplus	None	None	None
Tennessee	Reserve for Revenue Fluctuations	5%	Deposit required when revenues increase from one year to the next	None	When used for spending obligations, limit is greater of $100 million or half of the fund	None
Texas	Economic Stabilization Fund	10%	Year-end budget surplus and portion of excess oil taxes	Revenue shortfall - A 3/5 vote of legislature is required For any other purpose - A 2/3 vote of legislature is required	None	None
Utah	Budget Reserve Account	8%	Year-end budget surplus	None	None	None
Vermont	Budget Stabilization Reserve	5%	Year-end budget surplus	None	None	None

State	Name of Fund	Cap	Source of Deposits	Supermajority Requirement	Limit on Use	Replenishment
Virginia	Revenue Stabilization Fund	10%	Deposit required when revenue growth exceeds specified rate	None	Fund can be used to cover no more than half of a budget shortfall; also no more than half of the fund's balance can be used in one year	None
Washington	Budget Stabilization Account	5%	Year-end budget surplus	2/3 vote of legislature	None	None
West Virginia	Revenue Shortfall Fund	5%	Year-end budget surplus	None	None	None
Wisconsin	Budget Stabilization Fund	5%	Year-end revenue surplus	None	None	None
Wyoming*	Budget Reserve Account	None	Year-end transfer when appropriations exceed expenditures	None	None	None

* Notes:
Year-end budget surplus: When actual revenues exceed actual expenditures.
Year-end revenue surplus: When actual revenues exceed projected revenues.
Arizona: The legislature can waive the formula-based deposit or withdrawal through enactment of legislation with an "emergency clause."
Kentucky: Deposit to the rainy day fund also is required when spending falls below budgeted levels.
Maine: Based on statutory language, it appears that the Maine rainy day fund was created to be used only for bond payments or capital projects. But the fund has been used numerous times for other purposes. In practice, then, the Maine rainy day fund appears to be available for any purpose.
Michigan: The legislature can waive the formula-based deposit or withdrawal.
Rhode Island: The legislature is allowed to lengthen repayment beyond two years.
Wyoming: The governor is required to "recommend" that the legislature set five percent of annual revenues in the rainy day fund. This does not appear to be a mandatory contribution requirement.

Source: Center on Budget and Policy Priorities.

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Limitations on Government by Issue

State Tax and Expenditure Limitations (TELs)

State	Adopted	Constitutional or Statutory	Limit Applies to	Nature of Limit
Alaska	1982	Constitutional	Appropriations	Growth of population and inflation
Arizona	1978	Constitutional	Appropriations	7.23 percent of personal income
California	1979	Constitutional	Appropriations	Personal income growth and population
Colorado	1991	Statutory	Appropriations	General fund appropriations growth limited to 6% of prior year's appropriations
	1992	Constitutional	Expenditures and Revenue	Spending limited to growth of population and inflation. Tax increases require voter approval
Connecticut	1992	Constitutional	Appropriations	Greater of personal income growth or inflation
Delaware	1978	Constitutional	Appropriations	98% of estimated revenue
Florida	1994	Constitutional	Revenue	5 year average personal income growth
Hawaii	1978	Constitutional	Appropriations	3 year average personal income growth
Idaho	1980	Statutory	Appropriations	5.33 percent of personal income

Iowa	1992	Statutory	Appropriations	99% of adjusted general fund receipts
Louisiana	1979	Statutory	Revenue	Ratio to personal income in 1979
	1993	Constitutional	Appropriations	Per capita personal income growth
Massachusetts	1986	Statutory	Revenue	Growth of wages and salaries
Michigan	1978	Constitutional	Revenue	9.49% of prior year's personal income
Mississippi	1992	Statutory	Appropriations	98% of projected revenue
Missouri	1980	Constitutional	Revenue	5.64% of prior year's personal income
	1996	Constitutional	Revenue	Voter approval required for tax increase over $50 million or 1% of state revenues
Montana	1981	Statutory	Appropriations	Personal income growth
Nevada	1979	Statutory	Expenditures	Growth of population and inflation
New Jersey	1990	Statutory	Appropriations	Personal income growth
North Carolina	1991	Statutory	Appropriations	7% of state personal income
Oklahoma	1985	Constitutional	Appropriations	12 percent adjusted for inflation; 95% of certified revenue
Oregon	1979	Statutory	Appropriations	Personal income growth
Rhode Island	1992	Constitutional	Appropriations	98% of projected revenue
South Carolina	1980,1984	Constitutional	Appropriations	Personal income growth
Tennessee	1978	Constitutional	Appropriations	Personal income growth
Texas	1978	Constitutional	Appropriations	Personal income growth
Utah	1988	Statutory	Appropriations	Growth in population and inflation

Washington	1993	Statutory	Expenditures and Revenue	Growth in population and inflation; tax increases beyond limit need voter approval

Source: NCSL Survey of Legislative Fiscal Officers, April 1996.

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