



STATE OF MAINE
DEPARTMENT OF ADMINISTRATIVE AND
FINANCIAL SERVICES
78 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0078

RYAN LOW
COMMISSIONER

DOMNA GIATAS
DEPUTY COMMISSIONER

JOHN ELIAS BALDACCI
GOVERNOR

November 19, 2008

Governor John Elias Baldacci
Office of the Governor
1 State House Station
Augusta, ME 04333-0001

Re: Report of the Commissioner of the Department of Administrative and
Financial Services pursuant to 5 MRSA §1668, Temporary Curtailment
of Allotments

Dear Governor Baldacci,

Pursuant to 5 MRSA §1668, I am writing to officially report that anticipated income and other available funds of the State will not be sufficient to meet expenditures authorized by the Legislature for FY09. The following is a summary of our current assessment of the fiscal situation.

While not official yet, economists now believe the U.S. economy is in recession and likely has been since the end of 2007. A rapidly deteriorating labor market and tightening credit standards have combined to offset the relief to low- and middle-income households provided by the dramatic decline in energy prices. The financial crisis has spread around the globe, resulting in a slowing global economy that is impacting U.S. exports, the one area of the economy that provided growth earlier in the year. Economists now forecast that the recession will be longer and deeper than previously projected.

Against this backdrop, the Consensus Economic Forecasting Committee (CEFC) and the Revenue Forecasting Committee (RFC) recently met in a rare joint session to discuss the impact of the national recession on the Maine economy and State revenues. Based on this joint meeting, it is expected that the RFC will decrease General Fund revenues in FY09 by as much as \$150 million when they meet on Friday, November 21st.

In addition to the temporary curtailment of allotments in the General Fund, we will propose a more comprehensive package of recommendation to the Legislature for the FY09 supplemental budget by the middle of next month. The supplemental budget proposals will adjust some of the individual curtailment items and propose additional measures to bring the FY09 budget into balance.

Sincerely,



Ryan Low
Commissioner

cc: Honorable Beth Edmonds, President of the Senate
Honorable Glenn Cummings, Speaker of the House
Honorable Elizabeth H. Mitchell, Senate Democratic Leader
Honorable John L. Martin, Assistant Senate Democratic Leader
Honorable Carol Weston, Senate Republican Leader
Honorable Richard Rosen, Assistant Senate Republican Leader
Honorable Hannah Pingree, House Democratic Leader
Honorable Sean Faircloth, Assistant House Democratic Leader
Honorable Joshua Tardy, House Republican Leader
Honorable Robert Crostwaite, Assistant House Republican Leader
Honorable Philip Bartlett
Honorable Lisa Marrache
Honorable Kevin Raye
Honorable Jonathan Courtney
Honorable John Piotti
Honorable Seth Berry
Honorable Philip Curtis