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

JOHN ELIAS BALDACCI
GOVERNOR

RYAN LOW
COMMISSIONER

DOMNA GIATAS
DEPUTY COMMISSIONER

November 20, 2009

Honorable John E. Baldacci
Governor
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 it appears that anticipated income and other available funds of the State will not be sufficient to meet expenditures authorized by the Legislature for Fiscal Year 2010. The following is a summary of our current assessment of the fiscal situation.

The recession that has struck the US and Maine economies in late 2007 has proven to be more severe than has been anticipated. While the economy is now beginning to show some signs of improvement, recent information has shown that the depth of the impact on income, in particular, has led to a dramatic downturn in state revenues across the nation, with Maine being no exception.

This observation was confirmed at a recent meeting of the Consensus Economic Forecasting Committee (CEFC). At that meeting, held October 26, 2009, the CEFC forecasted continued employment losses through the middle of calendar year 2010, when modest recovery is expected to begin. Similarly, wages and salaries will continue their decline into the early months of 2010 and begin to recover mid-year. Still, on a year over year basis, wages and salaries will show a decline in 2010.

These factors are exercising a dramatic effect on Maine's revenues, as evidenced by the weak performance of most General Fund revenue lines in our forecast over the first four months of the fiscal year. To date, revenues are lagging projections by $69 million. That lag compounds the losses of approximately $24 million experienced at the close of FY2009, leaving us currently at approximately $93 million behind our budgeted revenues, year to date.

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Although the Revenue Forecasting Committee (RFC) will not issue an updated revenue forecast until December 1st, it is anticipated that the revised forecast will be *at least* $150 million lower than originally projected for FY2010.

In the interest of attaining budget balance, it is important that we begin to curtail allotments as soon as possible, even before the RFC issues its updates projections. I am therefore recommending you curtail $63,144,713 in allotment as outlined in the attached impact statement.

In addition to the temporary curtailment of allotments in the General Fund, we will soon propose a more comprehensive package of recommendations for supplemental budget proposals for your consideration. The supplemental budget proposals will adjust some of the individual curtailment items and propose additional measures designed to bring the FY10 budget into balance.

Sincerely,

Ryan Low
Commissioner

cc: Honorable Elizabeth H. Mitchell, President of the Senate
Honorable Hannah M. Pingree, Speaker of the House
Honorable Phillip L. Bartlett II, Senate Democratic Leader
Honorable Lisa T. Marrache, Assistant Senate Democratic Leader
Honorable Kevin L. Raye, Senate Republican Leader
Honorable Jonathan T. E. Courtney, Assistant Senate Republican Leader
Honorable John F. Piotti, House Democratic Leader
Honorable Seth A. Berry, Assistance House Democratic Leader
Honorable Joshua A. Tardy, House Republican Leader
Honorable Philip A. Curtis, Assistant House Republican Leader