

SECTION I – INTRODUCTION

The Compendium of State Fiscal Information, updated on an annual basis, provides a summary of the most important fiscal information affecting Maine State Government. It includes a summary of actual operating revenue and expenditures, descriptions of revenue sources, and summaries of Maine's debt, General Fund reserve fund balances and Maine's tax burden. The Office of Fiscal and Program Review hopes you find this information useful. Recent additions and changes to this report (see *What's New* at the end of this introduction) as part of efforts to improve its usefulness may result in some questions for those users who may be using this information for historical purposes. Questions regarding conversions of data or suggestions for improvements to this report should be directed to: Office of Fiscal and Program Review, 5 State House Station, Augusta, Maine 04333-0005, Telephone: (207) 287-1635.

Report Layout

This report presents information in 6 different sections. The first section, the *Introduction*, presents an overview of the report and some of the accounting methods used for the data included in this report. The second section, *Summary of Major Taxes and Revenue Sources*, provides brief summaries of the major taxes and revenue sources. Each summary includes a discussion of the current tax rates, current fees and assessments or a description of the types of revenue included in the category. Each major revenue source includes a table providing a 10-year history of the revenue generated. Most of the summaries also include a history providing information on when the tax, fee, or assessment was first adopted and the major amendments affecting that tax, fee, or assessment. The third section, *Revenues and Expenditures*, provides exhibits detailing revenues and expenditures of Maine State Government by major fund type. The fourth section, *Maine's Bonded Debt*, includes a summary of Maine's general obligation debt, debt of the Maine Governmental Facilities Authority and other tax supported debt. The fifth section provides a history of the major *General Fund Reserve Funds*, the Maine Budget Stabilization Fund (formerly the Maine Rainy Day Fund) and the Reserve for General Fund Operating Capital. The sixth and final section, *State and Local Tax Burdens*, provides a history of Maine's taxes per capita and as a percentage of personal income.

Accounting and State Fiscal Year

The information in this report is presented on a budgetary basis, which summarizes all funds as they are recorded on the official accounting system maintained by the Office of the State Controller within the Department of Administrative and Financial Services. (Note: some minor adjustments have been made by the Office of Fiscal and Program Review to correct for certain data entry errors.) Revenue recognition and the amounts included in this report are based on a modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. The major taxes subject to accrual are the individual income tax, sales and use tax and the telecommunications personal property tax. At the end of fiscal year 1999, fuel taxes and, at the end of fiscal year 2000, several additional taxes became subject to accrual. Revenues from other sources are recognized when received and expenditures are recorded when paid. The following table summarizes the major taxes that are subject to accrual and the amounts accrued for the last 5 fiscal years.

**Table I-1 Major Revenue Accruals
Fiscal Years 2003 - 2007**

REVENUE SOURCE	2003	2004	2005	2006	2007
Income Taxes					
Individual Income Tax	\$60,819,780	\$45,868,113	\$49,841,992	\$51,758,860	\$58,382,364
Corporate Income Tax	\$2,483,700	\$1,169,580	\$1,500,000	\$1,800,000	\$3,300,000
Sales and Use Taxes	\$85,052,032	\$88,819,327	\$88,234,996	\$92,348,183	\$95,663,824
Service Provider Tax					
General Fund	\$0	\$0	\$4,351,569	\$3,895,006	\$4,262,070
Other Special Revenue Funds	\$0	\$0	\$0	\$0	\$0
Estate Tax	\$3,933,230	\$5,520,171	\$3,000,000	\$5,871,996	\$7,010,914
Tobacco Products Tax	\$324,000	\$317,169	\$450,000	\$500,000	\$542,156
Cigarette Tax	\$0	\$0	\$0	\$0	\$0
Telecommunications Personal Prop. Tax	\$29,097,186	\$27,903,428	\$25,004,898	\$20,627,030	\$18,171,425
Real Estate Transfer Tax	\$1,962,000	\$2,319,480	\$2,500,000	\$3,000,000	\$3,000,000
General Fund	\$981,000	\$1,159,740	\$1,250,000	\$1,500,000	\$1,500,000
Other Special Revenue Funds	\$981,000	\$1,159,740	\$1,250,000	\$1,500,000	\$1,500,000
Gasoline Tax	\$13,479,460	\$15,244,957	\$16,201,336	\$16,174,139	\$16,529,053
Special Fuel	\$5,400,000	\$3,682,938	\$4,516,027	\$4,637,224	\$5,853,002

Maine State Government's fiscal year runs from July 1st to June 30th. References to fiscal year throughout this report will use the year in which the fiscal year ends, i.e., fiscal year 2007 refers to the fiscal year ending June 30, 2007.

Fund Accounting

The normal operations of Maine State Government are recorded and controlled on a fund basis in three major operating funds: **General Fund, Highway Fund and Other Special Revenue Funds**. The tables in Section III provide a summary of total revenues and expenditures of these three major operating funds. An additional table has been included in this year's report, which provides a history of expenditures for all funds, see page 75.

General Fund

The General Fund is the primary operating fund of Maine State Government. It receives revenue from general state revenue sources not otherwise accounted for in another fund. The largest sources of revenue are from the Individual Income Tax, Sales and Use Tax, Cigarette Tax and Corporate Income Tax. These four major taxes account for more than 90% of General Fund revenue. The Graph and Tables on pages 80 to 83 provide a summary of revenues and expenditures of the General Fund.

Highway Fund

The Highway Fund is used to account for revenue derived from excise taxes and license and other fees relating to the registration, operation, and use of vehicles on public highways and from fuel used for the propulsion of these vehicles, with fuel taxes representing roughly two-thirds of

Highway Fund revenue. Pursuant to the Constitution of Maine, Article IX, Section 19, this revenue must be used for highway related activities. This revenue is expended primarily within the Departments of Transportation, Public Safety and the Secretary of State (Bureau of Motor Vehicles). The Graph and Tables on pages 85 to 88 summarize the revenues and expenditures of the Highway Fund.

Other Special Revenue Funds

Other Special Revenue Funds receive their revenues from segregated or dedicated sources. The funds are expended by category for special purposes. The state's own source dedicated or special funds are segregated from the Federal Funds in this report and are referred to in this report as Other Special Revenue Funds. The Fund for a Healthy Maine (whose primary income source is Tobacco Settlement funds) is also included within this grouping. The graph and tables on pages 89 to 93 summarize the revenues and expenditures grouped under Other Special Revenue Funds. The revenue and expenditures of the Fund for a Healthy Maine are also detailed in 2 separate tables on page 93.

Federal Funds

A major revenue source within the broader definition of Other Special Revenue Funds is derived from the federal government, including federal matching funds and block grants. This report separates out these Federal Funds (Federal Expenditures Fund and Federal Block Grant Fund) from the state's own source Other Special Revenue Funds. For the purposes of this report, the Federal Expenditures Fund and the Federal Block Grant Fund will be referred to as "Federal Funds." The graphs and tables on pages 94 to 97 summarize the revenue and expenditures of the Federal Funds.

Other Funds

In addition to the operating funds that are listed above, there are numerous other funds that are used to record specific activities. The *Debt Service Fund* is used to account for issuance of general obligation debt and the use of general obligation debt proceeds as well as the revenue collected for the payment of principal and interest on certain revenue bonds. *Capital Project Funds* are used to account for financial resources used to acquire major capital assets other than those financed by proprietary funds. *Proprietary funds* are used to account for on-going activities supported by fees for goods or services, with *Enterprise Funds* accounting for activities offering goods and services to the general public and *Internal Services Funds* accounting for the offering of goods and services between state agencies. *Fiduciary funds*, including *Expendable Trust Funds*, *Non-expendable Trust Funds* and *Agency Funds*, are used to account for assets held by the state acting as a trustee or an agent for individuals, organizations or other funds. The table on page 75 provides a history of expenditures in these "non-operating" funds. Debt Service Funds and Internal Service Funds are included in this exhibit and are sub-totaled separately, but are excluded from the Total State Expenditures to avoid double-counting certain expenditures.

Sources

The information contained in this report was compiled from the following sources:

- State Controller's records and reports;
- State Treasury reports;
- The Maine Revised Statutes Annotated;
- State Planning Office;
- Various state departments and agencies; and
- The U.S. Department of Commerce.

What's New

Last year's Compendium of State Fiscal Information added the following:

- 10-year revenue histories in Section II with the descriptions of the major revenue sources;
- A new table providing historical data on all state expenditures by fund, in addition to the Operating Fund exhibits; and
- New tables segregating Other Special Revenue Funds in Section III into 2 groups, one for Federal Funds and one for state own-source funds.

This year's report includes the following changes:

- Section V that provides a history of the Maine Budget Stabilization Fund has been expanded to include the other major General Fund reserve fund, the Reserve for General Fund Operating Capital.
- Section VI has been expanded to include a new graph depicting an inflation-adjusted history of Maine's tax burden per capita.