



## STATE OF MAINE REVENUE FORECASTING COMMITTEE

### Members:

Jerome Gerard, Chair, Acting State Tax Assessor  
James Breece, University of Maine System  
Marc Cyr, Principal Analyst, Office of Fiscal and Program Review  
Grant Pennoyer, Director, Office of Fiscal and Program Review  
Catherine Reilly, State Economist  
Ellen Jane Schneiter, State Budget Officer

May 18, 2007

TO: Governor John Baldacci  
Members, 123<sup>rd</sup> Legislature

FROM:  Jerome Gerard, Chair  
Revenue Forecasting Committee

**RE: May 2007 Special Meeting Summary**

The Revenue Forecasting Committee (RFC) met yesterday to revisit its revenue forecast, focusing primarily on the current fiscal year ending June 30, 2007. The positive performance of April Individual Income Tax collections is the primary reason that the State Budget Officer called a special meeting pursuant to Maine Revised Statutes, Title 5, §1710-G. That section states that if new information becomes available and the State Budget Officer wishes to recommend an adjustment to the revenue projections already recommended by the committee, the State Budget Officer shall convene a meeting of the committee as soon as practicable so that the committee may review any new data and make any additional recommendations it feels necessary.

In addition to the Individual Income Tax, the RFC reviewed the performance of all major revenue sources for any positive and negative variances that would warrant a revised estimate for the current fiscal year. As a result, the RFC recommended changes to the General Fund and the Fund for a Healthy Maine. It did not make adjustments to the Highway Fund, although members were concerned about the detrimental effect of higher than anticipated gas prices on fuel tax collections. The RFC also made no adjustments to revenue estimates for Medicaid/MaineCare Dedicated Revenue Taxes. With the exception of the racino revenue estimates, the revisions in this forecast were limited to changes during the current fiscal year.

At the special request of certain legislators, who had recently held meetings with the licensed operator of the "racino," the RFC also revisited the assumptions for each year of the forecast period for racino revenue, which had been conservative given the lack of experience with this revenue source. The RFC revised its assumptions of average slot machine revenue per day and the players' share percentage. These changes resulted in increased budgeted revenue in each year of the forecast period for the General Fund and Fund for a Healthy Maine.

For the General Fund, revenue estimates were increased by \$17,787,281 in FY 07 and by an additional \$1,544,400 during the 2008-2009 biennium for a total of \$19,331,681 of additional budgeted resources in the budget window currently under consideration by this Legislature. For the Fund for a Healthy Maine, revenue estimates were increased by \$3,989,370 in FY 07 and by an additional \$1,721,236 in the 2008-2009 biennium for total additional budgeted resources of \$5,710,606 in the current budget window. Presented below is a table summarizing the changes to the General Fund and Fund for a Healthy Maine by the major line categories.

### General Fund Summary

	FY07	FY08	FY09	FY10	FY11
Current Forecast	\$2,987,211,473	\$3,057,687,944	\$3,142,467,585	\$3,245,731,326	\$3,309,551,500
Annual % Growth	1.9%	2.4%	2.8%	3.3%	2.0%
Net Increase (Decrease)	\$17,787,281	\$492,048	\$1,052,352	\$1,515,934	\$1,903,456
Revised Forecast	\$3,004,998,754	\$3,058,179,992	\$3,143,519,937	\$3,247,247,260	\$3,311,454,956
Annual % Growth	2.5%	1.8%	2.8%	3.3%	2.0%
<b>Summary of Revenue Revisions by Major Revenue Category</b>					
Individual Income Tax	\$20,500,000	\$0	\$0	\$0	\$0
Cigarette and Tobacco Tax	(\$6,000,000)	\$0	\$0	\$0	\$0
Estate Tax	\$3,000,000	\$0	\$0	\$0	\$0
Transfer to Municipal Rev. Sharing	(\$1,045,500)	\$0	\$0	\$0	\$0
Other Revenues	\$1,332,781	\$492,048	\$1,052,352	\$1,515,934	\$1,903,456
<b>Total Revisions - Increase (Decrease)</b>	<b>\$17,787,281</b>	<b>\$492,048</b>	<b>\$1,052,352</b>	<b>\$1,515,934</b>	<b>\$1,903,456</b>

### Fund for a Healthy Maine Summary

	FY07	FY08	FY09	FY10	FY11
Current Forecast	\$46,420,624	\$60,576,711	\$63,055,886	\$68,058,585	\$71,788,653
Annual % Growth	-1.0%	30.5%	4.1%	7.9%	5.5%
Net Increase (Decrease)	\$3,989,370	\$616,945	\$1,104,291	\$1,326,187	\$1,503,637
Revised Forecast	\$50,409,994	\$61,193,656	\$64,160,177	\$69,384,772	\$73,292,290
Annual % Growth	7.5%	21.4%	4.8%	8.1%	5.6%
<b>Summary of Revenue Revisions by Major Revenue Category</b>					
Base Payments	\$3,728,051	\$0	\$0	\$0	\$0
Racino Revenue	\$261,319	\$616,945	\$1,104,291	\$1,326,187	\$1,503,637
<b>Total Revisions - Increase (Decrease)</b>	<b>\$3,989,370</b>	<b>\$616,945</b>	<b>\$1,104,291</b>	<b>\$1,326,187</b>	<b>\$1,503,637</b>

cc: Members, Revenue Forecasting Committee  
 Members, Consensus Economic Forecasting Commission  
 Jane Lincoln, Chief of Staff, Governor's Office  
 Ryan Low, Deputy Chief of Staff, Governor's Office  
 Rebecca Wyke, Commissioner, DAFS  
 Millie MacFarland, Clerk of the House  
 Joy O'Brien, Secretary of the Senate  
 David Boulter, Executive Director, Legislative Council  
 Legislative Staff Office Directors