

STATE OF MAINE



THE BUDGET PROCESS

*Maine State Legislature
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THE BUDGET PROCESS

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THE BUDGET PROCESS

A budget is an itemized summary of probable income for a plan for expenditures in a given period. The State's biennial budget, then, encompasses more than what is normally thought of as the Governor's "budget document" which is the basis of the Legislature's "budget bill". The budget is comprised of all bills which affect revenues and spending but the biennial budget bill is the foundation upon which all other budget decisions are made.

The state fiscal year runs from July 1st through June 30th and is usually identified by the years it covers, e.g., Fiscal Year 2008-09 runs from July 1, 2008 through June 30, 2009. A two-year budget (the biennial budget) for state government is adopted during the first regular session of the Legislature and covers two fiscal years beginning on July 1st in the first year of the legislative biennium and ending on June 30th during the first year of the following legislative biennium. That means the 124th Legislature will consider adoption of the 2010-2011 biennial budget during the first regular session.

The biennial state budget bill is developed in two steps: (1) formulation of the budget request in the executive branch; and (2) legislative approval. Many groups are involved in the formulation and approval of the state budgets, including the Governor, departments and agencies of the State, the Legislature, public interest groups and the public.

I. Formulation of the Biennial Budget Request

On or before September 1st of even-numbered years, the judicial branch, the legislative branch and each executive branch department or agency prepares a budget request for the next two fiscal years. The requests identify individual programs within each department and their respective proposed spending levels for each of the next two fiscal years. The executive branch and judicial branch budget requests are submitted via the Department of Administrative and Financial Services to the Governor for review and possible revision. The requests are then compiled into the state budget document by the Department of Administrative and Financial Services.

The state budget document is a four year financial plan for State Government for each fiscal year of two ensuing biennia. 5 MRSA § 1664 outlines the form and contents of the budget document. At a minimum it must contain: a budget message by the Governor; a budget summary and supporting details and documentation; a financial plan for the following biennium; estimated and anticipated revenue losses (past, current and next two fiscal years) caused by tax expenditures provided in Maine statutes; prioritized public improvement estimates; statements of bonded indebtedness of the State Government; other statements relative to the financial plan deemed desirable by the Governor or required by the Legislature; and the long-range plan for State Government which includes the Governor's vision for the upcoming biennium and the two succeeding biennia and how the proposed budget moves the State Government toward this vision.

Programs with Highway Fund allocations and other non-General Fund programs of the Department of Transportation are addressed in a separate budget request and referred to the Joint Standing Committee on Transportation for consideration. The process described in this overview would apply to the Highway Fund budget unless otherwise noted.

A. Restrictions and Constraints

In developing the budget document the Governor is bound by various constitutional and statutory restrictions. In passing a budget, the Legislature is bound by the constitutional restrictions but may amend the statutes. The Governor may propose statutory changes as part of the budget bill.

The Budget Must Be Balanced

The most important restriction on the Legislature in enacting a budget is the Maine Constitution's guarantee that the State's budget will be balanced in each fiscal year of the biennium which results from its prohibition on deficit financing. There are two sections in the State Constitution which address the issue. Article IX Section 14 prohibits the State from incurring long-term debt of more than \$2,000,000, except for certain specified emergencies, without a vote of the people. In addition, Article V, Part Third, Section 5 prohibits the use of proceeds from the sale of bonds for current expenditures.

The Governor must facilitate this Legislative requirement by submitting a proposed budget which not only sets forth all proposed expenditures for the administration, departments and agencies of the government but also the anticipated revenues of the State Government and any other additional means of financing the budget (5 M.R.S.A. § 1663). The required format of the budget document includes a summary which shows “the balanced relationship between the total proposed expenditures and the total anticipated revenues together with the other means of financing the budget for each fiscal year”(5 M.R.S.A. § 1664). It is the responsibility of the Governor to propose a balanced budget for each fiscal year and the responsibility of the Legislature to ensure that the enacted budget bill in conjunction with all other spending bills produces a balanced budget. The joint responsibility of the Executive and Legislative branches to ensure that actual spending does not exceed actual available resources is covered under **Budget Monitoring and Adjustments**.

Some Items Must Be Funded

There are many ways that Legislative funding can be required for a program or activity. The State Constitution imposes several funding requirements which bind the Legislature and there are statutes requiring expenditure which derive from a citizen’s initiative or referendum which may not have the absolute authority of the Constitution but weigh heavily in budget proposals, deliberations and implementation. (There are also federal mandates, court orders and consent decrees which, though very real and often significant, are not covered in this handbook). Some of these funding requirements include:

- Debt Payments - The State Constitution requires the Legislature to appropriate sufficient funds to pay the interest and installments of principal on all bonded debt created on behalf of the State as these payments become due. If the funds are not appropriated, the State Treasurer is required to use the first General Fund revenues to make those payments.
- State Employee Retirement - The State Constitution requires the normal cost of retirement and ancillary benefits to be funded annually on an actuarially sound basis. Unfunded liabilities may only be created by experience losses and must be retired in 10 years or less and funds must be appropriated to retire unfunded liabilities in existence as of June 30, 1996 in 31 years or less (Article IX, Sections 18-A and 18-B).

- Education Spending - A citizens' initiative passed in November 2004 requires the state to pay 55% of public education costs for K-12 and 100% of special education costs. The initiative amended "the Essential Programs and Services Funding Act" which set targets to achieve a system of school funding as a State and local partnership. School funding is calculated on a per-pupil basis according to an Essential Programs and Services (EPS) formula that identifies the types and amounts of resources needed in all schools and calculates their cost. The law has been amended several times, changing the target dates for achieving the 55% goal. The fiscal 2008-2009 budget funds 54.01% of 97% of total EPS costs. The current target date is fiscal year 2009-10 (established in the 2008-2009 supplemental budget bill (Public Law 2007, Ch 529, §C-3, codified at 20-A MRSA §15671(7)).

There Is A Cap On State Spending

Total General Fund appropriations are restricted by 5 MRSA c. 142 § 1534 which sets a limit on total General Fund appropriations in the absence of specifically defined, extraordinary circumstances. The limit on the rate of growth depends on the State's ranking of state and local tax burden among all states as determined by the State Tax Assessor. For fiscal years in which Maine ranks in the top one-third of all states, the growth limitation factor is the average real personal income growth not to exceed 2.75% plus average population growth. For fiscal years in which Maine ranks in the middle one-third of all states, the growth limitation factor is the average of real personal income growth plus forecasted inflation plus average population growth.

The limitation applies to all appropriations except the additional cost for essential programs and services for K-12 education (as defined in 20-A MRSA c. 606-B § 15671) until the State's share of that cost reaches 55% of the total state and local cost. For the first fiscal year of the biennium, the limitation is equal to the prior year's appropriation multiplied by one plus the applicable growth limitation factor. For the second fiscal year of the biennium, the limitation is the first year's limitation multiplied by one plus the applicable factor.

There Are Restrictions On Expenditures Within Certain Revenue Sources

General Fund appropriations account for less than half of total State expenditures. The bulk of the expenditures are made up of funds for which spending flexibility is more limited. Federal funds and federal block grant funds are restricted by the rules and conditions imposed by the federal government. Most Other Special Revenue funds, internal service funds, and enterprise

funds must be expended in accordance with the statutes enacted by the Legislature (5 MRSA c. 149 § 1667-B). For the following revenue accounts, however, expenditure restrictions are imposed by the State Constitution:

- **Maine Employees Retirement System Funds** - The State Constitution limits the use of contributions, assets, proceeds and income of the Maine State Retirement System (or any successor system) to the provision of retirement and related benefits. It also prohibits the Legislature or Executive Branch from diverting or deappropriating funds previously appropriated for the Maine State Retirement System. (Article IX, Section 18). This is a rare instance in which the Legislature is prohibited from undoing one of its own actions.
- **Highway Fund** – The State Constitution limits the expenditure of motor vehicle and motor vehicle fuel revenues (except vehicle excise tax) to bridge and highway construction, reconstruction, repairs, maintenance and related debt payments and administrative costs and state enforcement of traffic laws. (Article IX, Sections 19).
- **Inland Fish and Wildlife** – The State Constitution requires that the General Fund appropriation in any fiscal year to the Department of Inland Fisheries and Wildlife not be less than the non-Federal revenues collected by that department for fees, fines, property rentals etc. (Article IX, Sections 22).

B. Revenue Forecasting

The constitutional requirement for a balanced budget means that the proposed expenditures cannot normally exceed estimated available funds. The available funds are made up primarily of tax revenue and interest income as documented in the revenue forecast. Because of the importance of the revenue forecast, the participants and process are specifically defined by statute beginning with the broad input of the Consensus Economic Forecasting Commission and ending with the Revenue Forecasting Committee, the entity ultimately responsible for setting the binding revenue forecast and, hence, the expense ceiling in the absence of revenue enhancing initiatives.

The Consensus Economic Forecasting Commission was originally established by Executive Order on May 25, 1992. Its purpose is to provide the Governor, the Legislature and the Revenue Forecasting Committee with analyses, findings and recommendations for state economic assumptions to be used in developing state revenue forecasts. Creation of the commission was in response to a recommendation of the Special Commission on Government Restructuring to

establish an independent, consensus process for state economic and revenue forecasting. The 117th Legislature enacted in statute (5 MRSA c. 151-B, §1710) the Consensus Economic Forecasting Commission and the Revenue Forecasting Committee, maintaining both the structure and intent of the original Executive Order.

The commission consists of five members having professional credentials and demonstrated expertise in economic forecasting. It is required to develop two-year and four-year economic forecasts for the State. In performing this duty, the commission is required by statute to meet twice each fiscal year and report (by April 1st and November 1st annually of each odd-numbered year and February 1st and November 1st of each even-numbered year) its findings with regard to the economic assumptions or adjustments to the existing economic assumptions for the State of Maine to the Governor, the Legislative Council, the Revenue Forecasting Committee and the Joint Standing Committee on Appropriations and Financial Affairs. The Revenue Forecasting Committee is required to use the economic assumptions and forecast of the commission in developing its four-year revenue projections.

The Revenue Forecasting Committee is made up of the State Budget Officer, the State Tax Assessor, the State Economist, an economist on the faculty of the University of Maine System selected by the chancellor, the Director of the Office of Fiscal and Program Review and another member of the Legislature's nonpartisan staff familiar with revenue estimating issues appointed by the Legislative Council. They are required to use the economic assumptions and forecasts of the Consensus Economic Forecasting Commission to develop four-year revenue projections and to provide state revenue projections for the next two fiscal biennia to the Governor, the Legislative Council and the Committee on Appropriations and Financial Affairs. Their reports are due by March 1st and December 1st of each even-numbered year and May 1st and December 1st of each odd-numbered year.

The Revenue Forecasting Committee makes its projections using econometric models which are evaluated, purchased and, in some cases, customized by the Bureau of Revenue Services. The State Budget Officer must use the revenue projections recommended by the Revenue Forecasting Committee in setting revenue estimates for inclusion in the budget (5 MRSA c. 149, §1665).

The projections represent the revenue portion of the balanced budget and not only guide (within the \$2 million the constitution allows state government to borrow without a referendum) the expenses, revenue enhancements and transfers spelled out in the budget document but also the total appropriations of all the bills passed by the legislature (see the section entitled: **Budget Monitoring**).

C. Budget Layout

In 2006 the Commission to Reform the Budget Process submitted recommendations to the 122nd Legislature. The recommendations included a format for the Governor's Budget document. Though the format was not among the commission's recommendations placed in statute, it was adhered to in the document presented to the 123rd Legislature.

The Budget Document consists of two volumes: The Overview and the Draft Budget Bills (General Fund and Highway Fund). The Overview contains the Governor's budget message, economic and revenue outlooks for the budget period and beyond, the budget summary, the financial plan for the following biennium, the Governor's vision for the upcoming and following two biennia, debt analysis and prioritized public improvement estimates. Anticipated revenue losses resulting from statutory tax expenditures may be included in the Overview or (as was the case in the previous document) in the Draft Budget Bill.

Draft Budget Bills list each department and program. In Part A, Personal Services expenditures for current, legislatively authorized positions are adjusted to reflect salary schedule, retirement and insurance rate changes. Funding for other expense categories reflect the previous year's on-going program cost levels excluding one-time costs associated with new initiatives of the previous biennium and capital expenditures. Proposals for changes to these baseline budgets (including inflation adjustments, new programs, statutorily required funding increases, etc.) are presented as separate initiatives. Program totals reflecting the impact of the initiatives are shown. Part B of the document contains appropriations and allocations to provide funding for approved reclassifications and range changes. Generally, Part B reclassifications and range changes which affect General Fund, Highway Fund and Fund for a Healthy Maine are self-funded; meaning that there is an offsetting appropriation or allocation from the All Other category. The remaining

parts of the budget document include language for changes in statute required to implement certain budget initiatives or propose other changes deemed necessary by the Governor.

A sitting Governor or a Governor who has just been reelected must submit the budget request to the Legislature by the Friday following the first Monday in January of the first regular session. A Governor elected for a first term has until the Friday following the first Monday in February.

II. Legislative Consideration

Following receipt of the budget request, the Legislature refers the matter to the Joint Standing Committee on Appropriations and Financial Affairs. Historically, the Joint Rules established by the House and Senate require the committee having jurisdiction over appropriations and financial affairs (generally referred to as “The Appropriations Committee”) to hold public hearings on each department or agency’s proposed budget. These hearings are held in conjunction with the policy committee having jurisdiction over the subject matter unless the policy committee has elected not to participate. The Appropriations Committee sets the budgetary constraints and requests recommendations, within those constraints, from the participating policy committees. Each participating policy committee is required to appoint a subcommittee of at least three and not more than five members to serve as a liaison to the Appropriations Committee. These subcommittees participate in the Appropriations Committee deliberations on relevant portions of the budget. After receiving input from policy committees, the Appropriations Committee votes on amendments and new drafts. The Appropriations Committee’s report on the budget proposals is submitted to the Legislature for approval in the same manner as other bills.

III. Budget Monitoring and Adjustments

Adhering to the constitutional requirement of a balanced budget is both an executive and legislative responsibility. The enactment of a balanced biennial budget is necessary but not sufficient to fulfill the requirement. There are many events and conditions that can “unbalance” the budget including but not limited to: enactment of additional spending bills beyond the “budget bill”; increases or decreases in revenues collected over revenues projected; changes in need; and changes in federal funding levels.

A. Other Spending Bills

To avoid the potential of other bills creating an unbalanced General Fund or Highway Fund budget, Maine has established processes in which spending bills, unless exempted by the Appropriation or Transportation Committees, are set aside on the Special Appropriations Table or Special Highway Table after being enacted by the House and immediately before final enactment in the Senate. The Appropriations or Transportation Committee makes decisions on the bills on their respective tables based on available funding. Bills that remain on the table because of lack of funding may be amended to remove the provisions with fiscal impact and moved off the table or the Legislature may vote to have the bills carried over to the second session of that Legislature. Bills that are indefinitely postponed or remain on the table through inaction die when the Legislature adjourns sine die.

B. Revenue Shortfalls

During the thirty-three or so months between the initial preparation of the biennial budget and the end of the second fiscal year of the biennium, the Revenue Forecasting Committee may change the revenue forecast several times. A reduction in the forecasted General Fund or Highway Fund revenue may create an unbalanced budget. The Commissioner of Administrative and Financial Services is required to provide written notification to the Governor and Legislative leadership when State funds are not expected meet the expenditures authorized by the Legislature (5 MRSA c. 142 §1533).

If the Legislature has adjourned sine die prior to the close of the fiscal year in which the deficit is projected, the commissioner may declare a budget emergency. In this case, the State Controller may transfer from the available balance in the Budget Stabilization Fund to the General Fund Unappropriated Surplus up to the amount required to match General Fund expenditures even if that would bring the fund's balance below the amount established by statute (5 MRSA c. 142 §1533). The Governor must immediately inform the Appropriations and Financial Affairs Committee that such a transfer has been made.

If notification of the impending budget shortfall is provided with sufficient time to take corrective actions prior to or during a legislative session, the Governor will likely propose an

emergency or supplemental budget to the Legislature. If the Legislature is not in session or there is doubt as to the ability or willingness of the Legislature to act upon an emergency or supplemental budget bill, then the Governor may temporarily curtail allotments (5 MRSA c. 149 §1668). Curtailments must be done equitably and as consistently as practicable within the original intent of the Legislature when the expenditures were authorized. If such an action is taken, the Governor must immediately notify Legislative leadership.

C. Oversight Of Expenditures

Appropriations and allocations are made through biennial budget bills, supplemental budgets and other spending bills and are translated into spending authority through the allotment process. Departments and agencies create annual financial plans or “work programs” based on the Legislature’s appropriations and allocations (and unused balances of prior year appropriations and allocations when specifically authorized). These work programs map the expenses of each account by quarter and in detail using the accounting system structure. They are the basis of allotments by which the State Controller authorizes expenditures. Work programs are submitted by the requesting departments and consolidated into a Financial Order. All Financial Orders, including the initial work plan, must be approved by the Governor and reviewed by the committee having jurisdiction over appropriations and financial affairs. (3 MRSA c. 24 §522)

Financial Orders, in addition to authorizing the initial work programs, allow the executive branch a certain level of flexibility in managing the appropriations and allocations efficiently and effectively while allowing the Legislative branch to fulfill its oversight duties. They are the mechanisms by which transfers are made to:

- Increase allotments above legislative authorization in order to spend new grant funds
- Increase allotments above legislative authorization using unencumbered balance forward
- Increase one quarter’s spending by reducing future quarter allotments.
- Transfer funds between accounts within an agency
- Transfer funds between line categories within an account

In some cases, the requesting department or agency must wait thirty days prior to implementing the Financial Order; in other cases the order becomes effective upon approval by the Governor. Orders that would normally require a thirty day waiting period can, in an emergency, become effective sooner by a majority vote of the Committee on Appropriations and Financial Affairs. (See Appendix IV for more information on waiting periods by type of Financial Order and affected fund).

Review of Financial Orders is one of the key mechanisms available to the Appropriations Committee to monitor the spending plans of the Executive and Judicial branches to ensure that they are in accordance with the budget and other spending bills. Such a review may alert the legislature, via the Appropriations Committee, to any significant deviations from the original work plans and the intent of the Legislature.

APPENDIX I

Debt

General Obligation Bonds

Bonds issued by the State that carry the full faith and credit of the State are General Obligation (G.O.) Bonds. Such G.O. bonds are typically issued by the Treasurer of State and pledge the full taxing capability of the State to the payment of principal and interest. G.O. bonds must first be authorized by two-thirds of both the Senate and the House of Representatives, followed by ratification by the voters at a general or special election. An authorization allows bonds to be issued anytime within five years of its effective date. Bonds are only issued when expenditures for an authorized project are ready to be made, assuring that bond proceeds do not reside unspent in accounts for long periods of time in violation of federal arbitrage procedures. G.O. bonds may only provide funding for capital improvements and other projects that promote the general welfare of the citizens of the State such as highway construction, environmental projects, economic development, research projects, etc. G.O. bonds are usually tax-exempt unless there is a private use component of a project that requires the bonds to be issued as taxable bonds. Debt service can be paid by either the General Fund or the Highway Fund and is determined by the implementing legislation that sent the bond issue to referendum. Article V, Part Third, Section 5 of the Constitution of Maine requires the Legislature to appropriate sufficient funds to pay the debt service on G.O. bonds and authorizes the Treasurer of State to use General Fund revenues if appropriated funds are not sufficient. That same section of the Constitution prohibits the use of proceeds from the sale of bonds to fund current expenditures. The total amount of G.O. principal outstanding at June 30, 2008 was \$475,835,000, of which \$378,575,000 was an obligation of the General Fund and \$97,260,000 was an obligation of the Highway Fund.

Although there are no limitations on the amount of G.O. debt that may be issued if ratified by the voters, the Constitution of Maine does allow for certain limited borrowings that are not required to be ratified by the voters. These include the following under Article IX, Section 14: \$90,000,000 to insure certain commercial loans; \$6,000,000 to insure revenue bonds of the Maine School Building Authority (statutory authority repealed by P.L. 1993, c. 494); \$1,000,000 to insure mortgage loans for student housing; and \$4,000,000 to insure Maine Veterans'

Mortgage Loans. Article VIII, Part First, Section 2 of the Constitution of Maine also allows \$4,000,000 for loans to Maine students in higher education and their parents.

Each of Maine's G.O. bond issues are evaluated by three major credit rating agencies just before pricing of the bonds. The ratings provide an estimate to potential investors and others of the ability of the State to pay back the interest and principal of any bonds being issued. The ratings are a measure of risk and help bidders decide how much they will require in interest to purchase Maine bonds. Therefore, the ratings are a factor in determining the cost to the State to issue bonds. The rating agencies look at the State's budgeted revenues and expenditures, the amount of debt already obligated and expectations for the Maine economy going forward. The value of any one-time funds used to off-set ongoing expenditures may be discounted by the rating agencies as those funds would not be available over the life of the bonds.

Temporary State Loans

State law (5 MRSA §150) authorizes the Treasurer of State to enter into certain temporary loan agreements in anticipation of revenues. The Treasurer of State, with the approval of the Governor, may negotiate temporary loans in anticipation of taxes levied for that fiscal year. Each loan must be retired no later than the close of the fiscal year in which the loan was originally made. PL 2001, c. 705 amended previous statutory limits on these loans to set the annual limit at the constitutional level, which is the lesser of 10% of total General Fund appropriations and total Highway Fund allocations or 1% of the total valuation of the State of Maine. In fiscal year 2007-08, that limit was \$346,548,557 but no such loans were issued. These loan agreements are known as Tax Anticipation Notes (TAN's).

State law (5 MRSA §150) also authorizes the Treasurer of State to enter into certain temporary loan agreements in anticipation of receipt of proceeds from the issuance of bonds already authorized but not yet issued. The Treasurer, with the approval of the Governor, may negotiate such temporary loans that must be repaid from the proceeds of bonds within one year from the date of the loan. These loans are typically always paid off within the same fiscal year and are known as Bond Anticipation Notes (BAN's).

Maine Governmental Facilities Authority

The Maine Governmental Facilities Authority is authorized to issue up to \$263,485,000 in securities to fund construction-related projects for state agency or court facilities. Of that amount, \$85,000,000 is authorized for correctional facilities; \$53,000,000 is authorized for State House, State Office Building and other agency projects; \$33,000,000 is authorized for a new psychiatric treatment facility; \$76,000,000 is authorized for court facilities; and \$16,485,000 is authorized for capital repairs and improvements at state facilities. As of June 2008, the aggregate principal amount of bonds outstanding was \$208,559,998: \$63,209,750 for correctional facilities, \$48,873,925 for state agency projects, \$22,360,297 for the psychiatric treatment facility, \$61,644,300 for court facilities and \$12,471,726 for capital repairs and improvements at state facilities.

APPENDIX II

How Positions Are Created, Budgeted And Managed

Issues related to state employees, including their number, compensation, and funding are often in the forefront of budget deliberations. Personal Services (wages, benefits and payroll taxes) amount to over 14% of the General Fund budget and the number of authorized positions is the biggest driver of that category. The state's budget process results in the specific authorized headcount.

Headcount

Headcount as it appears in the budget bill and in many other spending bills falls under one of two headings. Legislative positions are established without an end-date on a full year basis. These may be full time or part-time and are assigned a legislative position count of 1.00 or .500 respectively. Full-Time-Equivalent (FTE) positions are also established without an end date but on a partial-year basis (less than 52 weeks). The FTE positions are assigned a count by dividing the number of hours the employee is expected to work during the year by 2,080 (the number of hours budgeted for full-time employees for a full year). The Executive Branch may, by financial order, establish limited-period positions (which include workers compensation positions and all positions paid for through non-state funds), project positions or other temporary positions for a period not to exceed two years. The Legislature must specifically appropriate or allocate funds for continuance of these positions (MRSA 5 § 1583-A). Positions authorized solely by financial order are not included in Legislative or Full-Time Equivalent counts but the associated expenses are included in the Personal Services category.

Personal Services Expenditures

The amount budgeted for total salaries and wages for all authorized and funded positions is reduced by a predetermined amount to account for attrition. In some instances, there may be additional salary savings generated from vacant, but funded, positions or for other reasons such as filling vacant positions with employees at a lower salary grade than the prior incumbent. Such savings may be used within the same account to pay for nonrecurring Personal Services costs such as:

- Acting capacity appointments
- Emergency overtime for which it is impractical to budget
- Retroactive compensation for reclassifications or reallocations (must be approved by the State Budget Officer)
- Retroactive or one-time settlements related to arbitrator or court decisions (must be approved by the State Budget Officer)

Savings within General Fund accounts may also be transferred to other General Fund accounts to cover shortfalls resulting from lower than anticipated vacancy rates but only if the savings results from higher than budgeted vacancy rates. These transfers are subject to review by the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs.

Additional savings in Personal Services due to higher than expected vacancy rates not used to cover shortfalls as described above may be used to cover costs associated with collective bargaining agreements with state employees. In fiscal year 2005-06 these transfers were done directly between accounts (Public Law 2005, chapter 519, Part X. section 2). In fiscal year 2006-07, fiscal year 2007-08 and fiscal year 2008-09, all unexpended Personal Services in General Fund accounts (regardless of cause) that would normally lapse to the General Fund were and will be transferred to the Compensation Salary Plan (Public Law 2007 chapter 24, Part KK). Under this system, the Salary Plan (as it is often called) has become “the funder of last resort” for cost increases resulting from collective bargaining when those costs cannot be self-funded within the impacted account.

Position Classifications

Permanent positions for which funds are appropriated or allocated must be classified positions (subject to the civil service system) unless specifically designated otherwise by the Legislature. Each classified position has a set of specific characteristics. Jobs that have similar work and responsibilities are grouped and assigned to a common job classification and salary grade. Some position classifications have only a few employees because of the uniqueness of the duties, while others have hundreds of employees because the general duties are very similar from one agency

to another. It is the responsibility of the Director of the Bureau of Human Resources within the Department of Administrative and Financial Services to ensure that classified and unclassified positions are assigned to the proper pay grade and of the State Budget Officer to ensure that the positions are within authorized headcount and funds.

Reclassifications

A position reclassification occurs when an employee is performing duties outside of his or her assigned position classification. A reclassification may be initiated by an employee or management via a Functional Job Analysis (FJA) form. The Bureau of Human Resources determines whether a reclassification is warranted and, if so, identifies the appropriate classification. Collective bargaining agreements obligate the State to honor approved reclassifications. If the reclassification was initiated by the employee, the effective date is the date on which he or she signed the FJA and funding must be identified for a retroactive adjustment. If the reclassification was initiated by management, it is effective upon funding. In either case the reclassification will not be released by the Bureau of the Budget until funding is achieved.

Funding for the on-going costs of the reclassification may be achieved either through the legislative process or through identified permanent savings within the Personal Services line category in the same account (or accounts) in which the classified position is budgeted. Sources of permanent savings include eliminating a position, exchanging a position for one of a lower classification, or reducing the hours or weeks of a position. If a reclassification results in retroactive costs, funding for that portion must be found; generally through salary savings in the same account engendered from vacancies in excess of the assumed attrition rate.

Funding for an approved reclassification requires legislative approval if the offsetting savings can only be identified from another account or if an appropriation or allocation is required because no savings can be identified. The mechanism for requesting self-funded appropriations or allocations for the General Fund and Highway Fund and for all other funds for which additional revenue can be identified is, typically, Part B of the budget bills submitted by the Governor. If the reclassification requires a General Fund appropriation or Highway Fund allocation because the department cannot self-fund or revenue for reclassifications affecting

other funds cannot be found, the request for reclassification would be included as a Part A initiative in the budget bill.

Reorganizations

Reorganizations differ from reclassifications in that the department or agency proposes a change in the duties of a position, often in conjunction with a reorganization of one of its units. The duties of the new classification are not assigned to the position until the department or agency receives approval and an effective date from the Bureau of the Budget. The proposed reorganization is not retroactive and is not implemented until funding is identified. If permanent funding may be found from the sources described in the above section, a request may be made in the form of an initiative in Part A of the budget bill.

APPENDIX III

Financial Order Transactions

(From the Bureau of the Budget)

FINANCIAL ORDER TRANSACTIONS				
Financial Order Transaction	Effective Date of Financial Order			
	FUND			
	General Fund & Highway Funds	Enterprise Funds	OSR* & Internal Service Funds	Bond Funds
Increase allotment up to legislative authorization				
- current year work program	UA	UA	UA	UA
- unused balance of approp/alloc authorized to carry forward	UA	UA	UA	UA
Increase allotment above legislative authorization				
- new grant/ money **	xxxxxx	UA	30 *	xxxxxx
- unencumbered balance forward	UA	UA	30 *	xxxxxx
Allotment revision				
- increase current quarter by reducing future quarter ***	UA	UA	UA	UA
Intradepartmental transfers				
- transfers between accounts within an agency ****	30	//////////	//////////	xxxxxx
Line category transfer				
- transfers between line categories within an account ****	30	30	30	30
Key:				
UA Upon Approval of the Governor				
30 Effective 30 days after approved copy is delivered to OFPR. In extraordinary situations, a waiver of the 30-day wait may be requested				
////////// Should the situation arise, please consult with your budget analyst for guidance				
xxxxxx Transaction not permitted by financial order				
* Request considered only if failure to allot would have a detrimental impact on the current program				
** new grant/money:				
Federal - can allot by financial order for up to one year, after that must receive legislative authorization				
Other Special Revenue Funds - if there is currently no allocation in applicable program, must receive legislative authorization first				
*** If there is an appearance of a trend (transfers resulting from trends that will cause financial commitments to exceed current appropriations or allocations), a 30-day wait would apply.				
**** Requires explanation why funds are no longer needed for intended purpose				
These rules apply unless otherwise authorized in statute.				

APPENDIX IV

Sample Budget Proposal

This sample is taken from the Governor’s “Recommended 2008-2009 Biennial Budget”. The format of the document as it relates to the various parts conforms to that which was recommended by the Commission to Reform the State Budget Process. The recommendations of the Commission relating to the form and content of the state budget document are contained in 5 MRS §1664. The recommendations on how the “baseline” revenues and expenses, proposed changes to the baseline and approved position classifications should be itemized were not included in statute.

“**Part A**” of the biennial budget document begins with a **Department Summary** listing all sources of funding, by line category, for each department included in the bill (biennial budget documents include all programs and departments, other budget bills include only those for which changes have been proposed). Following the Department Summary is a **Program Summary** sorted alphabetically by program title. Within each program there is a short narrative entitled: **What the Budget Purchases** describing its activities. The Program Summary section lists the appropriations for the prior fiscal year, current fiscal year and the two budgeted fiscal years. (Note: Prior year revenue and expense columns are removed when the Budget Document is translated into a bill.). The budgeted amounts reflect what is known as the baseline budget. In this part of the budget, Positions listed in budgeted years do not deviate from those currently authorized by the legislature, the amounts for **Personal Services** are adjusted to reflect projected increases for benefits and special payments and the amounts budgeted under **All Other** equal the amount appropriated or allocated for the current fiscal year less any amount not considered on-going. Proposed reductions or additions to the baseline budget or proposals to create new programs or modify existing programs are listed as **Initiatives**. The **Revised Program Summary** reflects the net effect of all Part A initiatives on the baseline budget for all funding sources and all line categories.

“Part A” Sample

Historic Preservation Commission, Maine

	<u>Actual</u> 2005-06	<u>Current</u> 2006-07	<u>Budgeted</u> 2007-08	<u>Budgeted</u> 2008-09
Department Summary - All Funds				
Positions - LEGISLATIVE COUNT	12,000	12,000	12,000	12,000
Positions - FTE COUNT	6,731	6,731	6,731	6,731
Personal Services	1,094,004	1,128,847	1,165,576	1,193,387
All Other	499,052	505,842	508,318	508,708
Total	1,593,056	1,634,680	1,673,894	1,702,095
Department Summary - GENERAL FUND				
Positions - LEGISLATIVE COUNT	3,000	3,000	3,000	3,000
Personal Services	252,251	252,381	265,760	271,847
All Other	5,182	44,667	47,143	47,533
Total	304,233	297,048	312,903	319,380
Department Summary - FEDERAL EXPENDITURES FUND				
Positions - LEGISLATIVE COUNT	5,000	5,000	5,000	5,000
Personal Services	374,859	388,919	384,609	390,994
All Other	326,465	337,555	337,555	337,555

Historic Preservation Commission, Maine

HISTORIC PRESERVATION COMMISSION 0036

What the Budget purchases:

Assist the owners of depreciable historic buildings to qualify for federal Rehabilitation Tax Credit. Assist municipalities in development of growth management plans. Assist municipalities seeking certified local government status from the Department of the Interior. Review construction projects for their effect upon historic and archaeological resources. Nominate buildings, sites and districts to the National Register of Historic Places.

	<u>Actual</u> 2005-06	<u>Current</u> 2006-07	<u>Budgeted</u> 2007-08	<u>Budgeted</u> 2008-09
Program Summary - GENERAL FUND				
Positions - LEGISLATIVE COUNT	3,000	3,000	3,000	3,000
Personal Services	252,251	252,381	265,760	271,847
All Other	5,182	44,667	44,667	44,667
Total	304,233	297,048	310,427	316,514
Program Summary - FEDERAL EXPENDITURES FUND				
Positions - LEGISLATIVE COUNT	5,000	5,000	5,000	5,000
Personal Services	374,859	388,919	384,609	390,994
All Other	326,465	337,555	337,555	337,555
Total	701,324	726,474	722,164	728,549
Program Summary - OTHER SPECIAL REVENUE FUNDS				
Positions - LEGISLATIVE COUNT	4,000	4,000	4,000	4,000
Positions - FTE COUNT	6,731	6,731	6,731	6,731
Personal Services	466,894	487,547	515,207	530,546
All Other	120,605	123,620	123,620	123,620
Total	587,499	611,167	638,827	654,166

2007-08

2008-09

Initiative: Adjusts funding for the same level of information technology agency applications services at the fiscal year 2007-08 and 2008-09 Office of Information Technology rates. Categories of service include direct billed personnel services, server support, and shared platforms.

GENERAL FUND
All Other

2,476
2,866
Total 2,476 2,866

	<u>Actual</u> 2005-06	<u>Current</u> 2006-07	<u>Budgeted</u> 2007-08	<u>Budgeted</u> 2008-09
Revised Program Summary - GENERAL FUND				
Positions - LEGISLATIVE COUNT	3,000	3,000	3,000	3,000
Personal Services	252,251	252,381	265,760	271,847
All Other	5,182	44,667	47,143	47,533
Total	304,233	297,048	312,903	319,380
Revised Program Summary - FEDERAL EXPENDITURES FUND				
Positions - LEGISLATIVE COUNT	5,000	5,000	5,000	5,000
Personal Services	374,859	388,919	384,609	390,994
All Other	326,465	337,555	337,555	337,555
Total	701,324	726,474	722,164	728,549
Revised Program Summary - OTHER SPECIAL REVENUE FUNDS				
Positions - LEGISLATIVE COUNT	4,000	4,000	4,000	4,000
Positions - FTE COUNT	6,731	6,731	6,731	6,731

“Part B” of the biennial budget document contains proposed appropriations and allocations listed by department and fund for reclassifications and range changes approved by the Director of Human Resources.

“Part B” Sample

Economic and Community Development, Department of		
	2007-08	2008-09
BUSINESS DEVELOPMENT 0585		
GENERAL FUND		
Personal Services	6,238	6,297
All Other	(6,238)	(6,297)
Total	0	0
MAINE STATE FILM OFFICE 0590		
GENERAL FUND		
Personal Services	5,638	5,692
All Other	(5,638)	(5,692)
Total	0	0
Education, Department of		
LEARNING SYSTEMS 0839		
FEDERAL EXPENDITURES FUND		
Personal Services	7,715	8,842
Total	7,715	8,842
Environmental Protection, Department of		
LAND AND WATER QUALITY 0248		
GENERAL FUND		
Personal Services	3,619	3,652
All Other	(3,619)	(3,652)
Total	0	0
MAINE ENVIRONMENTAL PROTECTION FUND 0421		
OTHER SPECIAL REVENUE FUNDS		
Personal Services	25,902	28,617
All Other	530	596
Total	26,032	29,213
PERFORMANCE PARTNERSHIP GRANT 0851		
FEDERAL EXPENDITURES FUND		
Personal Services	21,036	24,995
All Other	438	520
Total	21,474	25,515
REMEDIATION AND WASTE MANAGEMENT 0247		
OTHER SPECIAL REVENUE FUNDS		
Personal Services	10,469	10,821
All Other	218	225
Total	10,687	11,046

APPENDIX V

Selected Budget Terms And Definitions

Adjustments to Balances/Transfers Transactions reflecting the transfer of balances or reserves based on revenue or resources earned in a prior fiscal year. These transactions include the transfer to or from reserve funds, the lapsing of carrying balances and the transfer of balances between funds. Most of these transactions are specific one-time authorizations. Fiscal notes segregate and report these changes to available resources separately from revenue items, which are earned and adjusted or transferred in the current fiscal year. In addition to the budgeted Adjustments to Balance/Transfers, the Office of the State Controller records other prior period adjustments that affect balance throughout the fiscal year as unbudgeted events. These unbudgeted adjustments increase or decrease available fund balances, but do not affect revenue or expenditures.

All Other See Line Category

Allocation The amount of expenditures authorized by the Legislature from resources legally restricted or otherwise designated for specific operating purposes. All non-General Fund resources are “allocated”. The Legislature allocates to programs (e.g. Bureau of Insurance) and line categories (i.e. Personal Services, All Other, Capital or unallocated). Negative allocations are called deallocations.

Allotment The designation of a department or agency’s estimated expenditures in each fiscal year budget (called the annual work program) by quarter and line category. Four quarters are used each fiscal year. The approved amounts are recorded in the accounting general ledger by quarter and line category to form the basis on which the State Controller authorizes expenditures, in accordance with statute.

Appropriation The amount of expenditures authorized by the Legislature from unrestricted or undesignated resources for specific operating purposes. All General Fund resources are “appropriated”. The Legislature appropriates to programs (e.g. General Purpose Aid to Local Schools) and line categories (i.e. Personal Services, All Other, Capital or unallocated). Negative appropriations are called deappropriations.

Appropriations Table, Special A process by which most bills affecting General Fund revenue or requiring an appropriation from the General Fund are postponed prior to enactment in the Senate pending review by the Appropriations Committee. In the closing days of the session, the committee recommends passage, amendment or defeat of those bills. Bills on the Special Appropriations Table are listed on the Senate Calendar.

Arbitrage The nearly simultaneous purchase and sale of securities or foreign exchange in different markets in order to profit from price discrepancies. In Maine’s debt service context, a violation of IRS federal arbitrage rules is defined as any action that has an effect of enabling the state to exploit the difference between tax-exempt and taxable interest rates to obtain a material

financial advantage and overburdening the tax-exempt bond market (e.g. issuing tax-exempt bonds and investing the proceeds as opposed to using them for the authorized purpose).

Attrition A factor applied against budgeted state employee salary amounts which reduce budget requests for Personal Services to account for projected personnel turnover.

Baseline Budget The starting point for a program's appropriation or allocation in the upcoming biennium. Personal Services funding is based on the projected salary and fringe benefit costs of authorized positions. All Other funding is based on the current fiscal year adjusted for any one-time initiatives. No Capital Expenditures are included in the baseline budget.

Biennial Budget The two year financial plan which shows the estimated expenditures of the various departments and agencies of Maine State Government and the resources available (or proposed to be available) to fund them.

Biennium The two fiscal years that represent the period covered by the State's biennial budget (e.g. the 2008-2009 Biennium begins July 1, 2007). The convention used to refer to a biennium is to use the hyphen between the calendar years in which each of the fiscal years end.

Bond Anticipation Note (BAN) Short-term notes (12 months or less) in which funds are borrowed to meet capital project needs that are supported by General Obligation Debt. This short-term borrowing is used to avoid piecemeal debt issues and thus minimize debt issuance costs and reduce the risk of violating federal arbitrage rules. The proceeds from the annual General Obligation Bond issuance are used to pay off the principal due on the BAN.

Bond Issue A financing instrument for major capital purchases, projects, repairs, renovations or other limited projects by which the State incurs debt and retires the principal and interest amounts over time.

Budget Bills Legislative documents, almost always submitted by the Governor, that seek appropriations, allocations and/or revenue adjustments to finance Maine State Government and other public purposes and may seek statutory or other unallocated language to implement fiscal policy. Included are:

“Emergency” – proposals in the First Regular Session to resolve budget issues for the current fiscal year.

“Biennial Budget Bill” – proposals in the First Regular Session to resolve budget issues for the upcoming biennium which reflect both the baseline budget (see above), adjustments to existing initiatives, expansion of the scope of an initiative or an initiative of an organizational nature for the upcoming biennium.

“Supplemental” – proposals in the Second Regular Session or a Special Session to resolve budget issues for the balance of the current biennium.

Budgeted Ending Balance The uncommitted balance of a fund at the close of a fiscal year. This term is commonly used in reference to the General Fund and Highway Fund and is simply stated as follows:

Budgeted Net Transfers and Adjustments *plus* Budgeted Undedicated Revenue *less* Budgeted Authorized Expenditures (i.e. appropriations or allocations) plus the beginning balance.

Budget Initiatives Proposal for reductions or adjustments to the baseline budget or proposals to create new programs or modify existing program. Initiatives are included in Part A of the budget document and must be accompanied by a description of the intent of the initiative or the specific action to be taken.

Budget Order An administrative document prepared by various departments and agencies to transfer allotment reserve (i.e. unspent and unencumbered allotment from a previous fiscal quarter) from the reserve to a current quarter. These transfers must be authorized by the State Budget Officer.

Budget Stabilization Fund A General Fund program to reserve funds to offset General Fund revenue shortfalls. The fund is capped at 12% of the General Fund revenue in the immediately preceding fiscal year.

Capital Expenditures See Line Category

Capital Projects Fund A governmental fund established to receive and disburse money from the sale of general obligation bonds. Separate funds exist to accommodate proceeds from General Fund bonds, Highway Fund bonds and Self-liquidating bonds. Disbursements cannot be made from these funds for current expenditures but must be for buildings, equipment, roads, infrastructure, technology and other purposes considered capital projects.

Cascade (so-called) A Legislative authorization transferring amounts, if available, from the Unappropriated Surplus of the General Fund after all statutory transfers and financial commitments determined necessary by the State Controller have been satisfied. The amounts transferred are generally added to the program's appropriation in the following year. Typically, a priority is established for the transfers.

Cash Pool Conduit through which all checks, cash, wire transfers, electronic funds transfers and bank credits of any kind collected by any and all State of Maine agencies are aggregated, accounted for and disbursed. Any funds in the Cash Pool not needed immediately for disbursements are invested by the Treasurer. Earnings are distributed based on the average daily balance of each account specifically authorized by statute.

Contingent Account, State A General Fund Program established for use by the Governor as he or she deems it necessary for specified purposes up to specific expenditure caps as described in 5 MRSA §1507.

Deallocation A negative Allocation (see "Allocation" definition, above).

Deappropriation A negative Appropriation (see “Appropriation” definition, above).

Debt Service Principal and interest paid or estimated to be paid on outstanding borrowed funds.

Debt Service Earnings Investment earnings on issued debt but unpaid for authorized projects. These investment earnings are managed within federal arbitrage rules and are used to reduce the amount that would otherwise be appropriated or allocated each fiscal year for General Obligation Debt Services.

Dedicated Revenue Revenue accruing to a department or agency for use toward designated or legally-restricted operational purposes.

Department Indirect Cost Allocation Plan A charge to other than general fund appropriation accounts using a percentage assessment against actual expenditures representing the proportional value of indirect benefits received within the department or agency. It is generally prepared annually by a state agency and approved by the cost negotiating unit to which the state reports for its federal programs. The plan identifies the rates that the agency may assess for certain centrally provided services (e.g. payroll, human resources, office space, accounting, etc.) for which the federal program is not directly paying.

DICAP (pronounced “die cap”) Refers to a Departmental Indirect Cost Allocation Plan.

Encumbered Balance Forward The balance of funds in an account which is reserved for the future liquidation of encumbered purchase orders and contracts and which carries forward from one fiscal year to the next in accordance with law. Encumbered balances at year-end carry forward only one year unless stated otherwise in law.

Encumbrance A commitment against allotment for legally binding purchase orders and contracts representing goods and services which have not yet been received. Encumbrances become expenditures and liabilities only when the goods and services are actually received.

Enterprise Fund A proprietary fund in which goods and services are provided by a state department or agency to the general public through charges based on consumption. Such fund types may or may not be self-sustaining depending upon the cost structure of the agency whereby cost of goods sold, debt interest and other non-operating expenditures are deducted from gross revenue to determine the entity’s net income or loss for the fiscal year.

Federal Medical Assistance Percentage (FMAP) The percent of total Medicaid costs supported by the federal government. Published annually in the Federal Register, it is computed from a formula that takes into account the average per capita income for each State relative to the national average. A “blended rate” is often used for budgeting purposes to adjust for the fact that Maine has a different fiscal year than the federal government.

Federal Financial Participation (FFP) The amount of money received by a state from the federal government for programs that are supported with both state and federal funds. The amount of FFP available for the Medicaid program is determined to a large extent by the

applicable FMAP. FFP is also available for the cost of administering the Medicaid program, generally calculated as 50% of allowable costs.

Financial Order A legal document used by a department or agency to establish allotment, revise allotment, increase allotment, transfer funds between accounts within the same department and/or agency and fund type, transfer funds between line categories in the same account, or to accomplish any other related legal action upon the approval of the Governor.

Fiscal Note A qualitative and / or quantitative statement issued by the Office of Fiscal and Program Review describing the fiscal impact of a bill or an amendment; or that part of a Legislative Document (LD) containing the same information (as required by the joint rules of the Legislature).

Fiscal Year (Federal) The legal accounting and budgetary cycle of the Federal Government covering the period of October 1 through September 30. The fiscal year is commonly referred to by including the calendar year in which the fiscal year ends (e.g. FY 08).

Fiscal Year (State) The legal accounting and budgetary cycle of Maine State Government covering the period of July 1 through June 30 (5 MRSA, §1501). The fiscal year is commonly referred to by including the two calendar years involved (e.g. FY 2007-08), or more commonly, by including the calendar year in which the fiscal year ends (e.g. FY 08).

Full Time Equivalent (FTE) Used to describe positions of less than 52 weeks in a fiscal year as authorized by the Legislature. FTE positions are assigned a count by dividing the number of hours the employee is authorized to work during the year by 2,080 (the number of hours budgeted for full-time employees for a full year).

Fund A fiscal and accounting entity with a self-balancing set of accounts showing cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

General Fund The primary operating fund of Maine State Government. It received revenue from general state revenue sources (Individual Income Tax, Sales and Use Tax, Corporate Income Tax and Cigarette Tax).

General Obligation Bonds (aka GO Bonds or Debt) A General Fund or Highway Fund bond issue in which the full faith and credit of the State is pledged to repay.

GPA Refers to the General Purpose Aid for Local Schools program within the Department of Education and funds the State's share of K-12 public education.

GARVEE Bonds **G**rant **A**nticipation **R**evenue **V**ehicle a transportation-financing instrument. The principal amount borrowed may not exceed 50% of transportation funds appropriated by the Federal Government in the prior federal fiscal year. The principal and interest amounts of these bonds are to be repaid within 12 months with federal highway funds.

Highway Table, Special A process by which most bills affecting Highway Fund revenue or requiring an allocation from the Highway Fund are postponed prior to enactment in the Senate pending review by the Transportation Committee. In the closing days of the session, the committee recommends passage, amendment or defeat of those bills. Bills on the Special Highway Table are listed on the Senate Calendar.

Indirect Cost A cost, such as general administrative (human resources and accounting), maintenance and utility expense, that is incurred but cannot be directly allocated in full to a particular service, cost center or business activity. A cost may be incurred on behalf of a number of cost units or centers to which the cost may be apportioned through an allocation process/indirect cost rate.

Internal Service Fund A self-sustaining, proprietary fund which derives its resources in support of expenditures from service charges to other state departments and agencies and other units of government.

Lapsed Funds Uncommitted funds remaining in an appropriation account at the close of a fiscal year which are returned to the fund from which they were originally appropriated or allocated by the Legislature.

Legislative Count See “Position” definition, below.

Line Category The following are the expenditure groups to which the Legislature appropriates and allocates funds:

“Personal Services” – includes state employee salaries and benefits, and certain per diem expenditures.

“All Other” – includes non-personal services expenditures such as general operating expenses, grants, travel, etc., but excludes items meeting capital expenditures criteria (see below).

“Capital Expenditures” – includes expenditures for real property, fixed assets with a unit cost of \$5,000 or more and/or a certain useful life, construction and certain repairs.

“Unallocated” – undesignated expenditures.

Mandate, State An action by the State that requires a local unit of government to expand or modify its activities so as to necessitate expenditures of additional local revenues.

MAP Refers to the medical assistance payments within the Medical Care - Payments to Providers program within the Department of Health and Human Services and provides the largest portion of the funding for the state-federal Medicaid program (called MaineCare in Maine).

Moral Obligation Bonds Bonds issued by an instrumentality of the State (e.g. FAME, University of Maine System, Maine State Housing Authority etc.) for which the State does not

pledge its full faith and credit to repay. Statutory authority is required for the instrumentality to issue these bonds.

NF (pronounced "NiF") Refers to the Nursing Facilities program within the Department of Health and Human Services.

Personal Services See Line Category

Position A job in a state department or agency that has been authorized by the Legislature. Position headcount may be established without an end-date on a full-year basis (Legislative Count) or on a partial-year basis (Full Time Equivalent). If the end-date is known, positions are established without headcount on a project, temporary or limited-period basis.

Position Reclassification An action taken by a department or agency when it is determined that an individual assigned to a particular position is working out of the classification of that position because of duties assigned. An employee can initiate the steps needed for this action to occur. The effective date of the reclassification is the earliest initiated date of the action.

Position Reorganization An action taken by a department or agency when it decides to reorganize the duties of a position to the extent that a change to the classification of the position may be necessary. The reorganization becomes effective when permanent salary savings are identified.

Program A grouping of activities and expected results that are directed toward the accomplishment of a set of goals and objectives consistent with statutorily defined missions and represents a department bureau, division or operational entity to which the Legislature appropriates or allocates resources defined by the Legislature.

Salary Plan Accounts in the General Fund and Highway Fund to which funds are appropriated or allocated by the Legislature to meet the economic costs of state collective bargaining agreements. Transfers to department or agency General Fund or Highway Fund accounts normally are accomplished in the fourth quarter of a fiscal year after a determination of the actual salary needs of a department or agency and upon the recommendation of the State Budget Officer and the approval of the Governor.

Sine Die Without a day specified for a future meeting; indefinitely.

Statewide Cost Allocation Plan (STA-CAP) A charge to Federal Expenditures Fund, Federal Block Grant Fund, Other Special Revenue Funds or other fund accounts using a percentage assessment against the aggregate of monthly actual expenditures for each class and object from 3110 through 5999. It is prepared annually by the Office of State Controller and approved by the cost-negotiating unit of the U.S. Department of Health and Human Services. The plan identifies the rates that the State may assess for certain centrally provided services paid for through General Funds (e.g. payroll, human resources, office space, security, etc.). A rate that reflects the specific services utilized is calculated for each department and unit of state government regardless of the funding sources of the departments' and units' programs. The calculated rate is

applied against all eligible expenditures (grants and capital expenditures are excluded) of the non-General Fund accounts (e.g. federal funds, State Other Special Revenue funds, etc.).

StaCAP (pronounced “stay cap”) Refers to the State Cost Allocation plan.

Strategic Plan A long-range, policy-oriented document that maps an explicit plan between the present and a vision of the future. A strategic plan is derived from an assessment, goal-setting, and decision-making process that relies on careful consideration of an agency’s capabilities and environment. A strategic plan identifies a state agency’s mission, goals, measurable objectives, and strategies and leads to priority-based resource allocation and other decisions (see 5 MRSA c. 151-C). Sunsets at the end of FY 07 (see Performance Budgeting above).

Structural Surplus (Gap) Defined by OFPR as the difference between the projected General Fund (or Highway Fund) revenue estimated to be collected in the upcoming biennium based on current law and economic projections and the projected General Fund appropriations (or Highway Fund allocations) that are needed to maintain the current level of legislatively-approved and / or funded program effort for that same period of time.

Supplemental Budget Proposals to resolve budget issues for the balance of the current biennium.

Trust Fund An account established to hold permanent funds received by the State for specific long-term purposes. Trust funds are managed by the Treasurer of State and may be invested through outside investment managers or through

Unallocated See Line Category

Unappropriated Surplus An account maintained by the State Controller to include the balances of all revenue and appropriation accounts not otherwise provided for by law, together with any other necessary adjustments of balances previously closed, shall be closed to this account at the end of each fiscal year. Any amounts authorized for allocation by the Governor or representing permanent working capital advances shall be removed from this account and set up in separate accounts so that the balance of the Unappropriated Surplus Account shall be the amount of free and unencumbered surplus according to generally accepted accounting principles. (see 5 MRSA §1544).

Undedicated Revenue Revenue collected by a department or agency but which accrues to a general ledger account for use toward undesignated or unrestricted operational purposes.

Unencumbered Balance Forward The balance of funds in an account which is not restricted or reserved with respect to their availability for future use and which carries forward from one fiscal year to the next by line category in accordance with law.

Work Program The fiscal year financial plan or budget plan of a department or agency showing all revenues or other resources along with estimated expenditures by account, line category, quarter and class and/or object

Year-End Statutory Transfers Transfers from the Unappropriated Surplus of the General Fund authorized by statute. Specifically, these transfers include the following in order of priority:

Up to \$350,000 to the State Contingent Account (5 MRSA §1507);

Up to \$1,000,000 to the Loan Insurance Reserve Fund (5 MRSA §1511) [max. of \$35M];

35% to the Budget Stabilization Fund [max. of 12% of actual GF revenue of the year being closed] (5 MRSA §1532);

20% to the Retirement Allowance Fund (5 MRSA §17251);

20% to the Reserve for General Fund Operating Capital (5 MRSA §1511) [max. of \$50M];

15% to the Retiree Health Internal Service Fund established in 5 MRSA §1519; and

10% to the Capital Construction & Improvements Reserve Fund established in 5 MRSA §1516-A.