

Appendix B - Highway Fund

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HIGHWAY FUND REVENUE
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2007

Source	FY04 Actual	% Chg.	FY05 Actual	% Chg.	FY06 Actual	% Chg.	FY07 Actual	% Chg.	FY07 Budget	FY07 Variance	% Chg.
Fuel Taxes	212,600,843	13.1%	220,484,728	3.7%	221,575,309	0.5%	226,824,018	2.4%	227,484,941	(660,923)	-0.3%
Motor Vehicle Registration & Fees	82,577,755	-0.5%	84,645,422	2.5%	87,658,962	3.6%	87,291,874	-0.4%	86,476,317	815,557	0.9%
Inspection Fees	4,708,196	12.9%	4,260,059	-9.5%	4,373,692	2.7%	4,342,519	-0.7%	4,379,756	(37,237)	-0.9%
Fines, Forfeits and Penalties	1,918,703	-24.2%	1,518,580	-20.9%	1,809,813	19.2%	1,668,000	-7.8%	2,018,239	(350,239)	-17.4%
Income from Investments	720,046	-46.2%	1,440,739	100.1%	1,833,806	27.3%	1,105,987	-39.7%	795,000	310,987	39.1%
Other Revenues	9,502,442	2.5%	13,728,627	44.5%	9,294,574	-32.3%	9,588,686	3.2%	9,603,076	(14,390)	-0.1%
Total - Highway Fund Revenue	312,027,986	8.3%	326,078,155	4.5%	326,546,157	0.1%	330,821,083	1.3%	330,757,329	63,754	0.0%

HIGHWAY FUND REVENUE
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2007

Source	FY08 Budget	% Chg.	Recom. Chg.	FY08 Revised	% Chg.	FY09 Budget	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Fuel Taxes	234,550,398	3.4%	(10,940,953)	223,609,445	-1.4%	239,785,366	2.2%	(4,665,240)	235,120,126	5.1%
Motor Vehicle Registration & Fees	87,290,064	0.0%	480,000	87,770,064	0.5%	87,151,082	-0.2%	(484,115)	86,666,967	-1.3%
Inspection Fees	4,433,458	2.1%	0	4,433,458	2.1%	4,489,821	1.3%	0	4,489,821	1.3%
Fines, Forfeits and Penalties	2,018,239	21.0%	0	2,018,239	21.0%	2,018,239	0.0%	0	2,018,239	0.0%
Income from Investments	795,000	-28.1%	205,000	1,000,000	-9.6%	795,000	0.0%	205,000	1,000,000	0.0%
Other Revenues	10,195,906	6.3%	(389,235)	9,806,671	2.3%	10,406,253	2.1%	(527,545)	9,878,708	0.7%
Total - Highway Fund Revenue	339,283,065	2.6%	(10,645,188)	328,637,877	-0.7%	344,645,761	1.6%	(5,471,900)	339,173,861	3.2%
Change in Biennial Totals								(16,117,088)		

HIGHWAY FUND REVENUE
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2007

Source	FY10 Projection	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Projection	% Chg.	Recom. Chg.	FY11 Revised	% Chg.
Fuel Taxes	245,067,959	2.2%	(2,538,878)	242,529,081	3.2%	250,278,802	2.1%	(3,360,750)	246,918,052	1.8%
Motor Vehicle Registration & Fees	84,795,455	-2.7%	(777,542)	84,017,913	-3.1%	85,136,239	0.4%	(596,436)	84,539,803	0.6%
Inspection Fees	4,496,057	0.1%	0	4,496,057	0.1%	4,502,326	0.1%	0	4,502,326	0.1%
Fines, Forfeits and Penalties	2,018,239	0.0%	0	2,018,239	0.0%	2,018,239	0.0%	0	2,018,239	0.0%
Income from Investments	795,000	0.0%	205,000	1,000,000	0.0%	795,000	0.0%	205,000	1,000,000	0.0%
Other Revenues	10,444,444	0.4%	(527,545)	9,916,899	0.4%	10,482,905	0.4%	(527,545)	9,955,360	0.4%
Total - Highway Fund Revenue	347,617,154	0.9%	(3,638,965)	343,978,189	1.4%	353,213,511	1.6%	(4,279,731)	348,933,780	1.4%
Change in Biennial Totals								(7,918,696)		

Highway Fund - Fuel Taxes

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	\$212,600,843	\$220,484,728	\$221,575,309	\$226,824,018	\$234,550,398	\$239,785,366	\$245,067,959	\$250,278,802
Annual % Growth	13.1%	3.7%	0.5%	2.4%	3.4%	2.2%	2.2%	2.1%
Net Increase (Decrease)					(\$10,940,953)	(\$4,665,240)	(\$2,538,878)	(\$3,360,750)
Revised Forecast	\$212,600,843	\$220,484,728	\$221,575,309	\$226,824,018	\$223,609,445	\$235,120,126	\$242,529,081	\$246,918,052
Annual % Growth	13.1%	3.7%	0.5%	2.4%	-1.4%	5.1%	3.2%	1.8%

Revenue Source Summary:

An excise tax is imposed upon internal combustion engine fuel sold or used within this State. Beginning July 1, 2003, the rate is indexed annually for inflation. Refund of the gasoline tax paid (less 1¢ per gallon) is provided for fuel used in commercial motor boats, tractors used for agricultural purposes, vehicles used on rail and tracks or in stationary engines or in mechanical or industrial arts. Fuel used for these purposes is subject to the 5% use tax if the gasoline tax is refunded. Full refund is provided for certain common carrier passenger service vehicles.

Revenue Source Forecast Factors and Trends:

The collection of budgeted fuel taxes is somewhat dependent on a fairly strong economy and reasonable retail prices for gasoline. In FY06 with fuel prices at very high levels, fuel taxes were under budget by \$5.2 million, a -2.3% variance. Through the first quarter of FY07, fuel taxes continued to run under budget and were \$2.9 million under (a -6.6% variance) despite an improvement in gasoline prices.

Forecast Recommended Changes:

In its November 2007 report, the Consensus Economic Forecasting Commission (CEFC) made the following changes in its Consumer Price Index estimates: increased calendar year 2007 from 2.1% to 2.8%, increased calendar year 2008 from 2.2% to 2.5%, and increased calendar years 2009, 2010, and 2011 from 2.1% to 2.5%. The effect of the CEFC adjustments to the Consumer Price Index estimations had a small positive impact on the forecast, but the impact current and forecasted high motor fuel prices resulted in a decline in projected fuel tax revenue.

Actual and Projected Tax Rates

	7/1/2003 Act.	7/1/2004 Act.	7/1/2005 Act.	7/1/2006 Act.	7/1/2007 Act.	7/1/2008	7/1/2009	7/1/2010
Gasoline Tax								
Current Forecast	\$0.246	\$0.252	\$0.259	\$0.268	\$0.276	\$0.282	\$0.288	\$0.294
Revised Forecast						\$0.284	\$0.291	\$0.298
Special Fuel Tax								
Current Forecast	\$0.257	\$0.263	\$0.270	\$0.279	\$0.288	\$0.294	\$0.301	\$0.307
Revised Forecast						\$0.296	\$0.304	\$0.311

Highway Fund - Motor Vehicle Registration and Fees

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	\$82,577,755	\$84,645,422	\$87,658,962	\$87,291,874	\$87,290,064	\$87,151,082	\$84,795,455	\$85,136,239
Annual % Growth	-0.5%	2.5%	3.6%	-0.4%	0.0%	-0.2%	-2.7%	0.4%
Net Increase (Decrease)					\$480,000	(\$1,234,115)	(\$1,527,542)	(\$1,346,436)
Revised Forecast	\$82,577,755	\$84,645,422	\$87,658,962	\$87,291,874	\$87,770,064	\$85,916,967	\$83,267,913	\$83,789,803
Annual % Growth	-0.5%	2.5%	3.6%	-0.4%	0.5%	-2.1%	-3.1%	0.6%

Revenue Source Summary:

The Secretary of State oversees the administration of the various motor vehicle registrations and operator's licenses. All fees collected by the Secretary of State from motor vehicle registration and operator's license accrue to the Highway Fund, except that a portion of the fees and contributions collected for Conservation plates, lobster plates, Black Bear plates and University of Maine System plates accrue as dedicated revenue to be used for special purposes and a portion of excise taxes on nonresident fees accrues to the General Fund.

Revenue Source Forecast Factors and Trends:

The collection of budgeted motor vehicle registrations and fee revenue assumes a relatively predictable pattern of the applicable sales and use of the revenue sources in this category. The largest element within this revenue category is Registration - Motor Vehicles (RSC # 1501) which is comprised of registrations for commercial vehicles, long-term trailers, passenger vehicles, trailers and decal stamps.

Most recently, in FY07, actual revenue from Motor Vehicle Registration and Fees exceeded budgeted amount by \$815,557 which is much less of a variance than the previous two fiscal years.

Forecast Recommended Changes:

The following reprojections are recommended for the current forecast period:

-Motor Vehicle Registrations (RSC 1501) - \$500,000 in FY08, (\$250,000) in FY09, (\$250,000) in FY10 and (\$250,000) in FY11. FY08 represents a \$750,000 one-time upward revision from revenue expected to be collected from the Unified Carrier Registration Agreement (an interstate agreement governing fees paid by motor carriers, brokers and freight forwarders and leasing companies) replaces revenue from for-hire motor carriers under the Single State Registration System. This revenue gain is offset by (\$250,000) from a decline in motor vehicle and long term trailer registrations and is expected to continue through FY11.

-Title Law (RSC 1504) - FY08 no change, (\$964,115) in FY09, (\$1,257,542) in FY10 and (\$1,076,436) in FY11. These decreases represent the decline in the number of title issuances. In FY08, there was a one-time buyout of 42,039 trailers in the first 6 months representing \$966,897.

-Fees Temp Dealers Plates (RSC 1507) - (\$20,000) downward revision is projected for each year of FY08, FY09, FY10 and FY11 to reflect current trends.

Highway Fund - Income From Investments

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	\$720,046	\$1,440,739	\$1,833,806	\$1,105,987	\$795,000	\$795,000	\$795,000	\$795,000
Annual % Growth	-46.2%	100.1%	27.3%	-39.7%	-28.1%	0.0%	0.0%	0.0%
Net Increase (Decrease)					\$205,000	\$205,000	\$205,000	\$205,000
Revised Forecast	\$720,046	\$1,440,739	\$1,833,806	\$1,105,987	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Annual % Growth	-46.2%	100.1%	27.3%	-39.7%	-9.6%	0.0%	0.0%	0.0%

Revenue Source Summary:

Pursuant to 5 MRSA section 135, the Treasurer of State invests excess money in the state treasury that is not needed to meet current obligations. The Treasurer of State is authorized to invest these funds in bonds, notes, certificates of indebtedness or other obligations specified in statute. Earnings on investment of Highway Fund balances are credited back to the Highway Fund.

Revenue Source Forecast Factors and Trends:

The major factors that affect earnings are the rates of return on investments and the balances of cash available for investment. These factors are heavily influenced by the economy, the budget and the Treasurer's investment policies.

Economy - Interest rates near historic lows and slow economic recovery limited revenue growth and reduced earnings early in this decade. FY05 and FY06 saw interest rates rise as the Feds tightened the money supply, helping to improve earnings. The recent lowering of interest rates by the Feds will reduce earnings on the Highway Fund. High fuel prices have reduced fuel consumption and hurt gas tax revenue.

Budget - Highway Fund balances normally carried forward have been partially spent down in recent years. Despite this and the fact that revenues are not expected to meet earlier projections, cash flow in the Highway Fund has improved, offsetting the factors that would have reduced earnings.

Investment Policy - The Treasurer's investment policy (type of investment vehicle purchased, liquidity to meet daily needs, selection criteria for specific investments, etc.) affects the rate of return on the pool. A new policy to restrict distribution of float earnings to only the General Fund is reducing the return to the Highway Fund.

Assumptions								
	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Balances								
Current Forecast	\$53,718,303	\$57,959,816	\$40,104,073	\$18,562,445	\$14,454,550	\$14,454,550	\$14,454,550	\$14,454,550
Revised Forecast					\$22,222,222	\$22,222,222	\$22,222,222	\$22,222,222
Pool Earnings Rate								
Current Forecast	1.32%	2.39%	4.51%	5.88%	5.50%	5.50%	5.50%	5.50%
Revised Forecast					4.50%	4.50%	4.50%	4.50%

Forecast Recommended Changes:

Although interest rates on short-term investments are lower and Highway Fund revenues are anticipated to not meet earlier projections, cash flow in the Highway Fund has improved enough to cause the Revenue Forecasting Committee to raise the earnings forecast by \$205,000 annually beginning in fiscal year 2007-08.

Highway Fund - Other Revenue

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	\$9,502,442	\$13,817,473	\$9,294,574	\$9,588,686	\$10,195,906	\$10,406,253	\$10,444,444	\$10,482,905
Annual % Growth	2.5%	45.4%	-32.7%	3.2%	6.3%	2.1%	0.4%	0.4%
Net Increase (Decrease)					(\$389,235)	(\$527,545)	(\$527,545)	(\$527,545)
Revised Forecast	\$9,502,442	\$13,817,473	\$9,294,574	\$9,588,686	\$9,806,671	\$9,878,708	\$10,443,944	\$10,482,405
Annual % Growth	2.5%	45.4%	-32.7%	3.2%	2.3%	0.7%	5.7%	0.4%

Revenue Source Summary:

The Other Revenue category is comprised of miscellaneous revenue collected by the Departments of Transportation, Secretary of State, Public Safety and Administrative and Financial Services. Major revenue sources within this category are shown in the table below:

<u>Revenue Source</u>	<u>Department</u>	<u>Revenue Source Code</u>
Reimbursements from the Maine Turnpike Authority	Public Safety	2693
Sale of Autos	Public Safety	2821
Recovered Cost	Public Safety	2690
Highway Fund StaCap Reimbursement	DAFS	2737
Miscellaneous Services & Fees	Sec of State	2637
Services and Fees Charged to Other Departments	Sec of State	2691
Contributions From Other Special Revenue	Sec of State	2719

Revenue Source Forecast Factors and Trends:

For the most part, revenue trends in this category are based simply on previous experience and are not tied to overall economic factors. The comparatively large amount of revenue collected in this category for FY05 is due to the one-time payment of \$5,000,000 from the Maine Turnpike Authority to the Highway Fund for the purchase of the Payne River Bridge.

Summary of Revenue Adjustments to December 2007 Forecast

Presented below are the adjustments made to the various revenue sources in this category with a brief description of the reason for the change.

Administrative and Financial Services - Highway Fund STA-CAP Reimbursement (2637)	FY08	FY09	FY10	FY11
	(\$380,235)	(\$518,545)	(\$518,545)	(\$518,545)
The increase to the amount of Highway Fund STA-CAP reimbursement reflects changes in Highway Fund allocations upon which budgeted allocations are based. These changes are consistent with, but are the inverse to, changes in General Fund STA-CAP revenue adjustments.				

Public Safety - State Police - Sale of Autos (2821)	FY08	FY09	FY10	FY11
	(\$9,000)	(\$9,000)	(\$9,000)	(\$9,000)
Reflects an increase of General Fund revenue and a decrease of Highway Fund revenue to reflect the proper percentage share for each fund of the proceeds from the sale of autos.				