

Appendix B - Highway Fund

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HIGHWAY FUND REVENUE
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2008

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 - MARCH 2008

Source	FY08 Budget	% Chg.	Recom. Chg.	FY08 Revised	% Chg.	FY09 Budget	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Fuel Taxes	223,609,445	-1.4%	(240,727)	223,368,718	-1.5%	235,120,126	5.1%	(901,973)	234,218,153	4.9%
Motor Vehicle Registration & Fees	87,770,064	0.5%	(1,816,583)	85,953,481	-1.5%	86,666,967	-1.3%	(700,000)	85,966,967	0.0%
Inspection Fees	4,433,458	2.1%	35,000	4,468,458	2.9%	4,489,821	1.3%	(15,000)	4,474,821	0.1%
Fines, Forfeits and Penalties	2,018,239	21.0%	(223,190)	1,795,049	7.6%	2,018,239	0.0%	(223,190)	1,795,049	0.0%
Income from Investments	1,000,000	-9.6%	0	1,000,000	-9.6%	1,000,000	0.0%	0	1,000,000	0.0%
Other Revenues	9,806,671	2.3%	(35,338)	9,771,333	1.9%	9,878,708	0.7%	(141,064)	9,737,644	-0.3%
Total - Highway Fund Revenue	328,637,877	-0.7%	(2,280,838)	326,357,039	-1.3%	339,173,861	3.2%	(1,981,227)	337,192,634	3.3%
Change in Biennial Totals								(4,262,065)		

HIGHWAY FUND REVENUE
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2008

Source	FY10 Projection	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Projection	% Chg.	Recom. Chg.	FY11 Revised	% Chg.
Fuel Taxes	242,529,081	3.2%	3,135,254	245,664,335	4.9%	246,918,052	1.8%	1,991,262	248,909,314	1.3%
Motor Vehicle Registration & Fees	84,017,913	-3.1%	234,241	84,252,154	-2.0%	84,539,803	0.6%	412,968	84,952,771	0.8%
Inspection Fees	4,496,057	0.1%	(15,000)	4,481,057	0.1%	4,502,326	0.1%	(15,000)	4,487,326	0.1%
Fines, Forfeits and Penalties	2,018,239	0.0%	(223,190)	1,795,049	0.0%	2,018,239	0.0%	(223,190)	1,795,049	0.0%
Income from Investments	1,000,000	0.0%	0	1,000,000	0.0%	1,000,000	0.0%	0	1,000,000	0.0%
Other Revenues	9,916,899	0.4%	(141,368)	9,775,531	0.4%	9,955,360	0.4%	(141,674)	9,813,686	0.4%
Total - Highway Fund Revenue	343,978,189	1.4%	2,989,937	346,968,126	2.9%	348,933,780	1.4%	2,024,366	350,958,146	1.1%
Change in Biennial Totals								5,014,303		

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	\$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%
Net Increase (Decrease)					(\$240,727)	(\$901,973)	\$3,135,254	\$1,991,262
Revised Forecast	\$212,600,843	\$220,484,728	\$221,575,309	\$226,824,018	\$223,368,718	\$234,218,153	\$245,664,335	\$248,909,314
Annual % Growth	13.1%	3.7%	0.5%	2.4%	-1.5%	4.9%	4.9%	1.3%

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 January 2008 report, the Consensus Economic Forecasting Commission (CEFC) made the following changes in its Consumer Price Index estimates: decreased calendar year 2008 from 2.5% to 2.3%, decreased calendar years 2009 and 2010 from 2.5% to 2.1%, and decreased calendar year 2011 from 2.5% to 2.2%. The effect of the CEFC adjustments to the Consumer Price Index estimations had a very small positive impact on the forecast, but the impact of current and forecasted high motor fuel prices resulted in a further decline in projected fuel tax revenue for the current biennium.

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	\$0.284	\$0.291	\$0.298
Revised Forecast						\$0.284	\$0.291	\$0.297
Special Fuel Tax								
Current Forecast	\$0.257	\$0.263	\$0.270	\$0.279	\$0.288	\$0.296	\$0.304	\$0.311
Revised Forecast						\$0.296	\$0.303	\$0.309

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	\$87,770,064	\$86,666,967	\$84,017,913	\$84,539,803
Annual % Growth	-0.5%	2.5%	3.6%	-0.4%	0.5%	-1.3%	-3.1%	0.6%
Net Increase (Decrease)					(\$1,816,583)	(\$700,000)	\$234,241	\$412,968
Revised Forecast	\$82,577,755	\$84,645,422	\$87,658,962	\$87,291,874	\$85,953,481	\$85,966,967	\$84,252,154	\$84,952,771
Annual % Growth	-0.5%	2.5%	3.6%	-0.4%	-1.5%	0.0%	-2.0%	0.8%

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 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. This group represents roughly 3/4 of the revenue within this category. The next largest categories, represent roughly 20% of the revenue in this category are Automobile Driver License fees (RSC #1502) and Motor Vehicle Title Fees (RSC # 1504).

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. However, the collection of revenues from long-term trailer rentals was down by \$282,052 or 3% in FY07 compared to FY 06 actual revenues.

Forecast Recommended Changes:

The following rejections are recommended for the current forecast period:

- Motor Vehicle Registrations (RSC 1501) - (\$543,454) in FY08, (\$200,000) in FY09. Registrations were down (\$1,399,767) through January 2008. Some of this variance results from the timing of when revenues are received from the municipalities. Towns indicated that staffing shortages and the warrant system contributed toward the delay in sending their municipal cash reports to the Bureau of Motor Vehicles. The other area contributing to lower than projected collections is long term trailer registrations. The number of long term trailer registrations is down 8.5% year-to-date through February 2008.
- Title Law (RSC 1504) - (\$1,273,129) in FY08 or 12.1% and (\$500,000) or 5.2% in FY09, \$234,241 in FY10 and \$412,968 in FY11. The decreases in FY08 and FY09 represent the decline in the number of title issuances from sagging vehicle sales. The positive growth in FY10 and FY11 reflects the gradual rebound of projected revenues.

Highway Fund - Inspection Fees

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	\$4,708,196	\$4,260,059	\$4,373,691	\$4,342,519	\$4,433,458	\$4,489,821	\$4,496,057	\$4,502,326
Annual % Growth	12.9%	-9.5%	2.7%	-0.7%	2.1%	1.3%	0.1%	0.1%
Net Increase (Decrease)					\$35,000	(\$15,000)	(\$15,000)	(\$15,000)
Revised Forecast	\$4,708,196	\$4,260,059	\$4,373,691	\$4,342,519	\$4,468,458	\$4,474,821	\$4,496,057	\$4,502,326
Annual % Growth	12.9%	-9.5%	2.7%	-0.7%	2.9%	0.1%	0.5%	0.1%

Revenue Source Summary:

Motor Vehicle Inspection fees are collected for the Highway Fund by the Department of Public Safety and are comprised primarily of the State's share of the various inspection and licensing fees that are charged for the motor vehicle inspection process. The Department of Transportation and the Bureau of Motor Vehicles within the Department of the Secretary of State also collect relatively smaller amounts of motor vehicle inspection related fees.

Revenue Source Forecast Factors and Trends:

Variances in the collection of budgeted revenue from motor vehicle inspection fees are usually tied to timing issues relating to the collection and recording of this revenue. The delay in the timely collection and recording of motor vehicle inspection revenue frequently occurs on a monthly basis and can thus extend from the end of one fiscal year to the beginning of the next.

Most recently, the collection of motor vehicle inspection fee revenue has often reflected the adverse effects of the timing issue:

	Budgeted	Actual	Variance
FY 03	\$3,683,907	\$4,169,773	\$485,866
FY 04	\$3,461,771	\$4,708,196	\$1,246,425
FY 05	\$4,281,459	\$4,260,059	(\$21,400)
FY 06	\$4,397,970	\$4,373,691	(\$24,278)
FY 07	\$4,379,756	\$4,342,519	(\$37,237)

Forecast Recommended Changes:

Based upon actual revenue, the Department of Transportation is recommending one-time increases in FY08 in Traffic Movement Permits and Permit to Open Highways of \$5,000 and \$45,000, respectively. Additionally, the Department of Public Safety is recommending an annual decrease of \$15,000 to Motor Vehicle Inspection Stickers. This decrease is based upon the actual revenue from the last three fiscal years, as well as the overall decline in vehicle sales.

Highway Fund - Fines, Forfeits and Penalties

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	\$1,918,703	\$1,518,620	\$1,809,833	\$1,668,000	\$2,018,239	\$2,018,239	\$2,018,239	\$2,018,239
Annual % Growth	-24.2%	-20.9%	19.2%	-7.8%	21.0%	0.0%	0.0%	0.0%
Net Increase (Decrease)					(\$223,190)	(\$223,190)	(\$223,190)	(\$223,190)
Revised Forecast	\$1,918,703	\$1,518,620	\$1,809,833	\$1,668,000	\$1,795,049	\$1,795,049	\$1,795,049	\$1,795,049
Annual % Growth	-24.2%	-20.9%	19.2%	-7.8%	7.6%	0.0%	0.0%	0.0%

Revenue Source Summary:

This revenue category includes revenue, collected primarily by the Judicial System for the Highway Fund, related to fines and penalties emanating from certain traffic infractions.

Revenue Source Forecast Factors and Trends:

Highway Fund fine revenue has been falling short of budgeted revenue for the last 4 fiscal years (see below). The negative variances in revenue collections in FY06 and FY07 were mainly attributable to computer programming difficulties in electronically transmitting motor vehicle license suspensions for nonpayment of fines between the Judicial Branch Violations Bureau and the Bureau of Motor Vehicles and to staffing shortages in the State Police division that enforces trucking violations. The State Police division will be fully staffed by the end of FY08.

	Budgeted	Actual	Variance
FY04	\$2,122,901	\$1,917,903	(\$204,998)
FY05	\$1,890,359	\$1,518,620	(\$371,739)
FY06	\$1,973,665	\$1,809,833	(\$163,832)
FY07	\$2,018,239	\$1,668,000	(\$350,239)

Forecast Recommended Changes:

The reduction in the revenue budget for FY08 is mainly attributable to staffing shortages in the State Police division that handles trucking violations throughout the state which is the main source of highway revenue in the Judicial Branch. These shortages resulted in less enforcement. The State Police division has recently reached full staffing levels, however it is uncertain if this will have an impact on future year's revenue because of the changes in the trucking industry due to fuel costs. It is recommended that this reduction continue until the impact can be determined.

Highway Fund - Other Revenue

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	\$9,502,442	\$13,728,627	\$9,294,574	\$9,588,686	\$9,806,671	\$9,878,708	\$10,443,944	\$10,482,405
Annual % Growth	2.5%	44.5%	-32.3%	3.2%	2.3%	0.7%	5.7%	0.4%
Net Increase (Decrease)					(\$35,338)	(\$141,064)	(\$141,368)	(\$141,674)
Revised Forecast	\$9,502,442	\$13,728,627	\$9,294,574	\$9,588,686	\$9,771,333	\$9,737,644	\$10,302,576	\$10,340,731
Annual % Growth	2.5%	44.5%	-32.3%	3.2%	1.9%	-0.3%	5.8%	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 March 2008 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.

Public Safety - Traffic Safety - Commercial Vehicle Enforcement - Recovered Cost (2690)	FY08	FY09	FY10	FY11
		\$65,119	\$0	\$0
Reflects an adjustment based on actual revenue through February 2008.				
Secretary of State - Bureau of Motor Vehicles - Services and Fees Charged to Other Departments (2691)	FY08	FY09	FY10	FY11
		(\$60,310)	(\$60,914)	(\$61,218)
This revenue category reflects the amount the Bureau of Motor Vehicles receives for collecting sales tax documents for newly registered vehicles for Maine Revenue Services. The Bureau of Motor Vehicles is recommending an annual decrease to this category based upon the overall decline in vehicle sales.				

Secretary of State - Bureau of Motor Vehicles - Contribution from Other Special Revenue (2719)				
	FY08	FY09	FY10	FY11
	(\$80,147)	(\$80,150)	(\$80,150)	(\$80,150)
This revenue category includes deposits made into the Highway Fund from the Municipal Excise Tax Reimbursement Fund of revenue remaining in this fund after all reimbursements have been made to municipalities. This adjustment is based upon actual revenue and reimbursements through February 2008.				

Transportation - Administration - Sale of Plans and Specifications (2656)				
	FY08	FY09	FY10	FY11
	\$10,000	\$0	\$0	\$0
Reflects an adjustment based on actual revenue through February 2008.				

Transportation - Administration - Miscellaneous Income (2686)				
	FY08	FY09	FY10	FY11
	\$50,000	\$0	\$0	\$0
This revenue category includes amounts reimbursed by MSEA for time incurred by Union officers. The Department of Transportation currently has two employees who are Union officers. This adjustment is based on actual revenue through February 2008.				

Transportation - Administration - Sale of Equipment (2806)				
	FY08	FY09	FY10	FY11
	(\$10,000)	\$0	\$0	\$0
Reflects an adjustment based on actual revenue through February 2008.				

Transportation - Administration - Other Settlements (2830)				
	FY08	FY09	FY10	FY11
	(\$10,000)	\$0	\$0	\$0
This revenue category reflects reimbursements of under \$500 in damage to transportation infrastructure, typically light poles, guardrails, signs, etc. This adjustment is based on actual revenue through February 2008.				