October 5, 2022

To Whom It May Concern:

Enclosed please find the Four-Year Revenue and Expenditure Forecast completed per statute every other year by the Department of Administrative and Financial Services’ Bureau of the Budget.

This report compares the most recent revenue forecasting against current appropriation and allocation funding requirements in law. This includes for example, a baseline of 55 percent of total cost of K-12 education, 5 percent spending for Municipal Revenue Sharing, and all other programming and statutory initiatives with compulsory funding obligations.

The final result – often called the structural gap – is the amount of money by which revenues would have to increase, expenses would have to decrease, existing laws would have to be amended, or some combination thereof would have to be achieved in order for revenues to meet expenditures, as identified by law. It is important to note, however, that many of the funding obligations considered in the report are, with Legislative approval, routinely not met and, therefore, this report should not be considered an accurate reflection of an actual budget shortfall facing State government. Instead, this report can offer a starting point for work sessions and conversations throughout the State’s biennial budget process as State leaders, including the Legislature, carefully identify the appropriate mix of polices and strategies that ought to be utilized in pursuit of a balanced budget.

The forecasts of revenues, appropriations and allocations contained in this report, as constructed under current law and current trends, result in General Fund revenues exceeding appropriations by $303,891,443 (no structural gap) for the 2024-2025 biennium and a projected structural gap (revenues less than allocations) for the biennium of $712,102,877 in the Highway Fund.

Sincerely,

Kirsten LC Figueroa
Commissioner
Date: October 5, 2022

To: Honorable Janet T. Mills, Governor
    Honorable Troy D. Jackson, President of the Senate
    Honorable Ryan M. Fecteau, Speaker of the House
    Members, Joint Standing Committee on Appropriations and Financial Affairs

From: Beth L. Ashcroft, State Budget Officer

Subject: Four Year Revenue and Expenditure Forecast Report for the General Fund and Highway Fund for the 2022-2023 and 2024-2025 Biennia

The State of Maine Bureau of the Budget presents the state budget forecast for the General Fund and the Highway Fund for the 2022-2023 biennium and the 2024-2025 biennium in accordance with Title 5 §1665, sub-§7. As required by statute, the forecast is based on the current structure of state revenues and expenditures and provides a platform for long term financial planning.

The forecasts of revenues, appropriations and allocations contained in this report, as constructed under current law and current trends, result in General Fund revenues exceeding appropriations by $303,891,443 for the 2024-2025 biennium and a projected structural gap (revenues less than allocations) for the biennium of $712,102,877 in the Highway Fund.

cc: Kirsten Figueroa, Commissioner, Department of Administrative and Financial Services
    Jeremy Kennedy, Chief of Staff, Office of the Governor
    Chris Nolan, Director, Office of Fiscal & Program Review, Maine Legislature
    Suzanne Gresser, Executive Director of the Maine Legislature
STATE OF MAINE REVENUE AND EXPENDITURE PROJECTION
GENERAL FUND AND HIGHWAY FUND FISCAL YEARS 2022 - 2025

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I. INTRODUCTION

Title 5 § 1665, subsection 7 requires submission of a four-year budget forecast for the General Fund and the Highway Fund by September 30th of each even-numbered year to provide a basis for long term budget planning for the State’s two undedicated funds. The forecast compares the structure of current revenues and expenditures on a consistent trend basis for both funds. This projection shows the capacity of the State’s General Fund and Highway Fund resources to support the current level of State government services projected forward.

This report provides a four-year budget forecast for the 2022-2023 biennium and the 2024-2025 biennium. As required by statute, the projected revenues and expenditures used for the forecast are based on current law and current program trends. The expected outcome is a reasonable and consistent estimation of the General Fund and Highway Fund budgets for fiscal year 2024 and fiscal year 2025 based on currently available financial and program information.

The General Fund and Highway Fund revenues used in this forecast report represent the March 2022 projections of the Revenue Forecasting Committee (RFC) updated for any actions taken in the remainder of the 130th Legislature’s Second Regular Session. Similarly, the expenditure information reflects all General Fund appropriations and Highway Fund allocations approved through the Second Regular Session of the 130th Legislature. The projection for the 2024-2025 biennium uses approved baseline appropriations and allocations for fiscal year 2023 adjusted to reflect estimated changes in normal operational costs, estimated costs associated with critical infrastructure needs and any additional costs anticipated to comply with current law.

It is important to stress that this forecast must be developed using current law as its basis. Therefore, projections for expenditures in the next biennium include estimated costs to comply with specific targets existing in statute like the obligation for the State to pay 55 percent of the cost of K-12 education and the statute requiring a municipal revenue sharing rate of 5%. The level of estimated expenditures needed to fully fund existing programs at current service levels is also captured in the projection. For example, expenditures for programs that were being phased in in fiscal year 2023 at less than a full 12 months of funding are projected at 12 months of funding in fiscal years 2024-2025. Historically, it has been common for budget proposals to change the funding targets in underlying statutes or take other actions as necessary to maintain a balanced budget as constitutionally required.

At this time, there is no structural gap projected for the General Fund in the 2024-2025 biennium. The structural gap projected for the Highway Fund totals approximately $712 million for the 2024-2025 biennium.
II. GENERAL FUND

A. BUDGET STATUS Fiscal Years 2022-2025

GENERAL FUND STATUS

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Years 2022-2023 BUDGET</th>
<th>Fiscal Years 2024-2025 FORECAST</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 2022</td>
<td>FY 2023</td>
</tr>
<tr>
<td>BALANCE</td>
<td>155,262,322</td>
<td>155,262,322</td>
</tr>
<tr>
<td>ADJUSTMENTS *</td>
<td>(1,439,749,128)</td>
<td>(142,946,384)</td>
</tr>
<tr>
<td>REVENUE</td>
<td>5,391,613,570</td>
<td>4,758,487,167</td>
</tr>
<tr>
<td>TOTAL RESOURCES</td>
<td>4,107,126,764</td>
<td>4,615,540,783</td>
</tr>
<tr>
<td>ADJUSTMENTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>APPROPRIATIONS</td>
<td>4,073,526,967</td>
<td>4,614,634,446</td>
</tr>
<tr>
<td>PROJECTED BALANCE (SHORTFALL)</td>
<td>33,599,797</td>
<td>906,337</td>
</tr>
</tbody>
</table>

* Includes transfers and adjustments in budget bills and other enacted laws as well as year-end adjustments for unbudgeted lapsed balances, lapsed encumbrances, statutory transfers and other accounting adjustments.

Discussion

The budgeted General Fund adjusted fund balance for fiscal year 2022 was $33,599,797 and a fund balance of $34,506,134 is projected for the end of 2022-2023 biennium. Current projections for the 2024-2025 biennium assume a beginning balance of $34,506,134 and General Fund revenues of $10,009,304,240. Projected General Fund appropriations for the biennium are $9,739,918,931 which results in a surplus for the General Fund of $303,891,443 at the end of the biennium.

Revenues projected for fiscal years 2022-2025 are from the RFC’s March 2022 forecast with adjustments to reflect laws enacted during the remainder of the 130th Legislature’s Second Regular Session. Similarly, the expenditure information in this forecast reflects all General Fund appropriations approved through the Second Regular Session of the 130th Legislature. The projection for the 2024-2025 biennium uses the fiscal year 2023 legislatively approved appropriations adjusted for the effect of one-time and phased-in actions with expected fiscal impacts in fiscal years 2024 and 2025. More detailed projections on a department or program basis are made where appropriate to reflect specific trends in those areas.

Statute requires that the four-year forecast presented in this report be based on current law. Consequently, it is important to stress that the forecasted expenditures, by law, must assume the following:

- **State share cost of Education at 55%** as per Title 20-A § 15671 sub-§ 1-A. The State achieved the 55% statutory target for the first time during the 2022-2023 biennium. Maintaining funding at the 55% level is estimated to cost an additional **$79.3 million** for the 2024-2025 biennium. The State’s 55% share for this forecast was calculated in accordance with Title 20-A § 15671 sub-§ 7 ¶ B and **does not** include the cost of teacher retirement, retired teacher health insurance and life insurance for which the State also provides funding.
State-Municipal Revenue Sharing at 5% as per Title 30-A § 5681. The State achieved this statutory target during the 2022-2023 biennium. Maintaining revenue sharing at this level results in an estimated increase in transfers to the Local Government Fund from the General Fund of $22.5 million over the 2024-2025 biennium when compared to transfers in the 2022-2023 biennium as transfers will fluctuate with General Fund revenues the State receives. Revenue sharing is funded by a percentage of sales, service provider, personal and corporate income tax receipts.

Historically, it has been common for budget proposals to change the targets in these underlying statutes, resulting in either one-time or ongoing savings that were necessary to close projected structural gaps and maintain a balanced budget as constitutionally required. There is, however, no General Fund structural gap projected for the coming biennium. Revenues are currently forecasted to be sufficient to meet these statutory requirements.

Sections II.B and II.C of this report provide additional detail, including tables and charts, of the projected General Fund revenues and expenditures used in this forecast.
# General Fund Revenue Projection

**Fiscal Years 2022-2023 Budget**

<table>
<thead>
<tr>
<th>Source</th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>YR. TO YR. % CHANGE</th>
<th>TOTAL FY 2022</th>
<th>YR. TO YR. % CHANGE</th>
<th>FY 2023</th>
<th>YR. TO YR. % CHANGE</th>
<th>TOTAL FY 2023</th>
<th>% Change Biennium</th>
<th>% Change Biennium</th>
<th>% Change Biennium</th>
<th>% Change Biennium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and Use Tax</td>
<td>2,078,875,746</td>
<td>2,114,558,587</td>
<td>1.72%</td>
<td>4,193,434,333</td>
<td>3.03%</td>
<td>2,243,185,100</td>
<td>2.96%</td>
<td>4,421,842,100</td>
<td>-11.74%</td>
<td>-11.74%</td>
<td>-11.74%</td>
<td></td>
</tr>
<tr>
<td>Service Provider Tax</td>
<td>51,328,641</td>
<td>50,000,000</td>
<td>-2.59%</td>
<td>101,328,641</td>
<td>-1.00%</td>
<td>49,000,000</td>
<td>-1.01%</td>
<td>98,500,000</td>
<td>-20.40%</td>
<td>-20.40%</td>
<td>-20.40%</td>
<td></td>
</tr>
<tr>
<td>Individual Income Tax</td>
<td>2,580,656,661</td>
<td>2,054,227,867</td>
<td>-20.40%</td>
<td>4,634,884,528</td>
<td>3.61%</td>
<td>2,234,903,451</td>
<td>5.01%</td>
<td>4,363,260,165</td>
<td>-19.27%</td>
<td>-19.27%</td>
<td>-19.27%</td>
<td></td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td>415,817,438</td>
<td>335,688,199</td>
<td>-19.27%</td>
<td>751,505,637</td>
<td>9.75%</td>
<td>390,565,000</td>
<td>6.02%</td>
<td>758,968,000</td>
<td>-2.59%</td>
<td>-2.59%</td>
<td>-2.59%</td>
<td></td>
</tr>
<tr>
<td>Cigarette &amp; Tobacco Tax</td>
<td>148,517,422</td>
<td>151,740,000</td>
<td>2.17%</td>
<td>300,257,422</td>
<td>0.66%</td>
<td>154,645,000</td>
<td>1.25%</td>
<td>307,387,000</td>
<td>-12.66%</td>
<td>-12.66%</td>
<td>-12.66%</td>
<td></td>
</tr>
<tr>
<td>Insurance Company Tax</td>
<td>101,673,456</td>
<td>88,800,000</td>
<td>-12.66%</td>
<td>190,473,456</td>
<td>-3.04%</td>
<td>87,050,000</td>
<td>1.10%</td>
<td>173,150,000</td>
<td>-29.35%</td>
<td>-29.35%</td>
<td>-29.35%</td>
<td></td>
</tr>
<tr>
<td>Inheritance &amp; Estate Tax</td>
<td>34,183,165</td>
<td>24,150,000</td>
<td>-29.35%</td>
<td>58,333,165</td>
<td>3.52%</td>
<td>25,950,000</td>
<td>3.80%</td>
<td>50,950,000</td>
<td>-1.01%</td>
<td>-1.01%</td>
<td>-1.01%</td>
<td></td>
</tr>
<tr>
<td>Fines, Forfeits and Penalties</td>
<td>4,905,204</td>
<td>11,913,139</td>
<td>142.87%</td>
<td>16,818,343</td>
<td>11,913,139</td>
<td>23,826,278</td>
<td>23,826,278</td>
<td>23,826,278</td>
<td>142.87%</td>
<td>142.87%</td>
<td>142.87%</td>
<td></td>
</tr>
<tr>
<td>Income from Investments</td>
<td>9,023,821</td>
<td>8,166,254</td>
<td>-9.50%</td>
<td>17,190,075</td>
<td>25.42%</td>
<td>10,148,903</td>
<td>-0.91%</td>
<td>20,390,716</td>
<td>-3.34%</td>
<td>-3.34%</td>
<td>-3.34%</td>
<td></td>
</tr>
<tr>
<td>Transfer from Lottery</td>
<td>71,351,415</td>
<td>60,000,000</td>
<td>-15.19%</td>
<td>131,351,415</td>
<td>60,000,000</td>
<td>60,000,000</td>
<td>60,000,000</td>
<td>120,000,000</td>
<td>-3.87%</td>
<td>-3.87%</td>
<td>-3.87%</td>
<td></td>
</tr>
<tr>
<td>Trans for Tax Relief Progs</td>
<td>(78,022,119)</td>
<td>(81,040,000)</td>
<td>3.87%</td>
<td>(159,062,119)</td>
<td>4.32%</td>
<td>(88,240,000)</td>
<td>4.38%</td>
<td>(172,780,000)</td>
<td>-15.91%</td>
<td>-15.91%</td>
<td>-15.91%</td>
<td></td>
</tr>
<tr>
<td>Trans. to Muni. Rev. Share</td>
<td>(232,362,928)</td>
<td>(233,340,025)</td>
<td>0.42%</td>
<td>(465,702,953)</td>
<td>2.56%</td>
<td>(248,903,173)</td>
<td>4.00%</td>
<td>(488,223,840)</td>
<td>-2.34%</td>
<td>-2.34%</td>
<td>-2.34%</td>
<td></td>
</tr>
<tr>
<td>Other Taxes and Fees</td>
<td>159,808,374</td>
<td>154,469,485</td>
<td>-3.34%</td>
<td>314,277,859</td>
<td>-0.22%</td>
<td>155,099,722</td>
<td>0.63%</td>
<td>309,229,603</td>
<td>-58.23%</td>
<td>-58.23%</td>
<td>-58.23%</td>
<td></td>
</tr>
<tr>
<td>Other Revenues</td>
<td>45,857,274</td>
<td>19,153,661</td>
<td>-58.23%</td>
<td>65,010,935</td>
<td>-34.19%</td>
<td>10,198,852</td>
<td>-19.09%</td>
<td>22,804,218</td>
<td>-11.74%</td>
<td>-11.74%</td>
<td>-11.74%</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td>5,391,613,570</td>
<td>4,758,487,167</td>
<td>-11.74%</td>
<td>10,150,100,737</td>
<td>3.26%</td>
<td>5,095,515,994</td>
<td>3.70%</td>
<td>10,009,304,240</td>
<td>-11.74%</td>
<td>-11.74%</td>
<td>-11.74%</td>
<td></td>
</tr>
</tbody>
</table>

*Fiscal Year 2022 figures reflect actuals as of Year-End*
The RFC in its December 2021 report re-projected revenues upward by $822.2 million for the 2022-2023 biennium. The March 2022 RFC forecast also re-projected revenues upward for the 2022-2023 biennium by another $411.7 million. Following the March revenue forecast and bills enacted by the Legislature through the remainder of the Second Regular Session, the projected General Fund adjusted balance is approximately $34.5 million for the end of the biennium. In the December 2021 and March 2022 forecasts, the RFC also re-projected revenues upward by $821.6 million and $360.8 million respectively for the 2024-2025 biennium. Primary drivers of the increased revenues in both forecasts were the Sales and Use Tax and Individual Income Tax lines.

Revenues projected for fiscal years 2022-2025 in this four-year forecast are from the RFC’s recent March 2022 forecast and reflect all actions through the Second Regular Session of the 130th Legislature. The RFC’s revenue forecast reflects the economic forecast issued by the Consensus Economic Forecasting Commission in February 2022 and the State’s actual revenue performance for the first seven months of fiscal year 2022.

The RFC’s March 2022 Revenue Forecast report, which details the factors and assumptions underlying the revenue projection, can be found on the Revenue Forecasting Committee’s website at https://legislature.maine.gov/doc/8382. The following pie charts depict the percent of General Fund revenue associated with each revenue source.
Fiscal Years 2022–2023
General Fund Budgeted Revenues - $10,150.1

Includes Transfers for Municipal Revenue Sharing* of ($465.7) and Transfers to Tax Relief Programs of ($159.1)

Dollars in Millions

* Beginning in fiscal year 2022, the transfer from the General Fund for State-municipal revenue sharing (30-A M.R.S.A. §5681) includes the impact of the return to 5% from 3% set in fiscal year 2020 and 3.75% in fiscal year 2021.
Fiscal Years 2024–2025

General Fund Projected Revenues - $10,009.4
Includes Transfers for Municipal Revenue Sharing of ($488.2) and Transfers to Tax Relief Programs of ($172.8)

Dollars in Millions
C. EXPENDITURE FORECAST Fiscal Years 2022-2025

<table>
<thead>
<tr>
<th>MAJOR PROGRAM CATEGORIES</th>
<th>FY 2022</th>
<th>Fiscal Years 2022-2023 BUDGET</th>
<th>YR. TO YR. % CHANGE</th>
<th>BIENNIUM TOTAL</th>
<th>FY 2024</th>
<th>YR. TO YR. % CHANGE</th>
<th>FY 2025</th>
<th>YR. TO YR. % CHANGE</th>
<th>BIENNIUM TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homestead Property Tax Exemption</td>
<td>1,035,184,971</td>
<td>1,251,784,697</td>
<td>19.28%</td>
<td>2,283,969,668</td>
<td>1,251,796,242</td>
<td>1.43%</td>
<td>2,283,992,493</td>
<td>-0.01%</td>
<td>2,494,987,761</td>
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<tr>
<td>Government Facilities Authority</td>
<td>112,050,000</td>
<td>112,050,000</td>
<td>0.00%</td>
<td>224,100,000</td>
<td>112,050,000</td>
<td>0.00%</td>
<td>224,100,000</td>
<td>0.00%</td>
<td>224,100,000</td>
</tr>
<tr>
<td>Debt Service - Treasury</td>
<td>224,000,000</td>
<td>224,000,000</td>
<td>0.00%</td>
<td>448,000,000</td>
<td>224,000,000</td>
<td>0.00%</td>
<td>448,000,000</td>
<td>0.00%</td>
<td>448,000,000</td>
</tr>
<tr>
<td>Other Agencies And Programs</td>
<td>448,000,000</td>
<td>448,000,000</td>
<td>0.00%</td>
<td>696,000,000</td>
<td>448,000,000</td>
<td>0.00%</td>
<td>696,000,000</td>
<td>0.00%</td>
<td>696,000,000</td>
</tr>
<tr>
<td>General Purpose Aid for Local Governments</td>
<td>2,971,025,977</td>
<td>3,201,997,449</td>
<td>8.63%</td>
<td>5,173,023,426</td>
<td>2,971,037,437</td>
<td>0.68%</td>
<td>5,173,074,874</td>
<td>0.76%</td>
<td>5,173,074,874</td>
</tr>
<tr>
<td>Teacher Retirement/Retired Teachers’ Health Insurance</td>
<td>427,000,000</td>
<td>427,000,000</td>
<td>0.00%</td>
<td>854,000,000</td>
<td>427,000,000</td>
<td>0.00%</td>
<td>854,000,000</td>
<td>0.00%</td>
<td>854,000,000</td>
</tr>
<tr>
<td>Other Policy Areas</td>
<td>854,000,000</td>
<td>854,000,000</td>
<td>0.00%</td>
<td>1,708,000,000</td>
<td>854,000,000</td>
<td>0.00%</td>
<td>1,708,000,000</td>
<td>0.00%</td>
<td>1,708,000,000</td>
</tr>
<tr>
<td>Total Policy Area - Health &amp; Human Services</td>
<td>2,650,000,000</td>
<td>2,650,000,000</td>
<td>0.00%</td>
<td>2,650,000,000</td>
<td>2,650,000,000</td>
<td>0.00%</td>
<td>2,650,000,000</td>
<td>0.00%</td>
<td>2,650,000,000</td>
</tr>
</tbody>
</table>

- **GRAND TOTAL GENERAL FUND EXPENDITURES:** 4,073,526,967
- **GRAND TOTAL FY 2022:** 4,614,634,446
- **YR. TO YR.:** 13.28%
- **FY 2023:** 8,688,161,413
- **FY 2024:** 4,843,603,278
- **FY 2025:** 4,896,315,653
- **YR. TO YR.:** 1.09%
- **TOTAL YR. TO YR.:** 9,739,918,931
Discussion

The enacted 2022-2023 biennial budget\(^1\) included an additional $504.8 million in General Fund appropriations over the biennium when compared to the 2020-2021 biennium. Nearly all of this increase was in the baseline budget. The Legislature enacted another budget bill during its First Special Session\(^1\) which increased appropriations by $160.6 million and another $171.9 million in appropriations was approved in the enacted 2022-2023 supplemental budget. Other laws enacted by the 130\(^{th}\) Legislature included $22.4 million in additional appropriations for the 2022-2023 biennium.

The projection for the 2024-2025 biennium uses the fiscal year 2023 legislatively approved appropriations adjusted for the effect of one-time actions and phased-in actions with expected fiscal impacts in fiscal years 2024 and 2025. Salaries and wages projected for the 2024-2025 biennium anticipate growth from merit increases and collective bargaining approved by the 130th legislature but not from any salary adjustments related to future collective bargaining. The projection for the 2024-2025 biennium also reflects estimated changes in normal operational costs, estimated costs associated with critical infrastructure needs and any additional costs anticipated to comply with current law beyond what is included in the current baseline budget.

Overall, policy area trends between fiscal years 2022 and 2025 are at least partially explained by:

- Positions – There was an increase in the number of positions or portions of positions being supported by the General Fund beginning in fiscal year 2023 due to authorized new positions or reallocations of funding for existing positions - particularly in the Health and Human Services, Natural Resources and Government Support & Operations policy areas. The projections for the 2024-2025 biennium do not include any additional positions.

- One-time Actions - One-time funding was provided to various agencies in fiscal year 2023 to address current challenges, some of them related to continuing impacts of the Covid-19 pandemic. Agencies in the Health and Human Services, Education and Economic Development and Workforce Training policy areas were the primary recipients of these one-time funds. Since the funding was one-time, it is not reflected in the projections for fiscal years 2024 and 2025 thus explaining some of the year over year decreases between fiscal year 2023 and 2024.

- Projections for fiscal years 2024 and 2025 reflect increased operating and support costs for current services across state government including costs for information technology, fuel, vehicles, leases, insurance, and legal and finance support.

Other key factors associated with notable year over year changes in projected expenditures for major programs and policy areas include:

- Homestead Property Tax Exemption – A provision enacted in the biennial budget\(^2\) for fiscal years 2022-2023 increased the reimbursement to municipalities from 70% to 73% for property tax years beginning April 1, 2022 and by 3% each year thereafter until reimbursement reaches 100%. The Legislature also took a one-time action in that bill to fund the Homestead Property Tax Exemption through a transfer of General Fund unappropriated surplus to an Other Special Revenue account rather than through the typical direct General Fund appropriation. Since this was a one-time action, funding for the Homestead Property Tax Exemption has returned to a

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\(^1\) The biennial budget for 2022-2023 was effectively enacted in two bills passed by the 130\(^{th}\) Legislature. PL 2021 Chapter 29 was enacted in the First Regular Session of the 130\(^{th}\) Legislature and primarily represented the baseline budget for the biennium. PL 2021 Chapter 398 was enacted in the First Special Session of the 130\(^{th}\) Legislature and encompassed new initiatives proposed by the Governor or legislators for the 2022-2023 biennium.

\(^2\) This provision was in PL 2021 Chapter 398.
General Fund appropriation for the 2024-2025 biennium with $97,580,000 million in the baseline for each fiscal year and the additional amount being for the increased reimbursement to municipalities.

- Debt Service – Treasury – The 2024-2025 biennium amounts represent the debt service requirements for those bonds issued through fiscal year 2023. The debt service requirements for the 2024-2025 biennium may be higher than projected assuming either additional bond sales of bonds already authorized and/or the Legislature approves sending additional bond proposals to the voters in calendar year 2023.

- Economic Development and Workforce Training – Ongoing funding of $10 million was authorized in fiscal year 2023 for the Maine State Grant program administered by the Finance Authority of Maine to increase the minimum grant award from $1,000 to $2,500. Additionally, about $2.6 million in ongoing funding beginning in fiscal year 2023 was authorized for the Housing Opportunity Fund to provide grants and assistance to municipalities for development of community housing.

- Education –
  - General Purpose Aid appropriations enacted in the 2022-2023 biennial and supplemental budgets raised the State share of education funding to 55% for fiscal year 2022 and maintained this level of funding in fiscal year 2023. This percentage is calculated in accordance with Title 20-A § 15671 sub-§ 7 ¶ B and does not include the cost of teacher retirement, retired teacher health insurance and life insurance in the total cost of education. Similarly, the State’s appropriation for those items does not count toward the State’s share. This calculation method was also used in determining the General Purpose Aid expenditure projection for the 2024-2025 biennium which assumes continuing to fund the State share at 55% as required by current law.
  - Projected expenditures for Teacher Retirement/Retired Teacher Health Insurance are based on actuarial valuations provided by the Maine Public Employees Retirement System and the Office of the State Controller. The actuarial valuation projects teacher salary and wage growth of 2.75 percent for the 2024-2025 biennium based upon the actuarial assumption for inflation and general salary increase.
  - Nearly $3 million in ongoing funding beginning in fiscal year 2023 was provided for increased Child Development Services staffing costs due to negotiated salary and wage increases.
  - Nearly $27 million in ongoing funding was provided beginning in fiscal year 2023 for universal free meals in K-12 public schools in accordance with PL 2021, Chapter 398 Part OOOO.
  - One-time funding of $1.6 million was provided in fiscal year 2023 for increased costs of career and technical education supplies.
  - Ongoing funding of $3 million per year beginning in fiscal year 2023 was provided to support preschool programs in school administrative units.
  - Funding was provided for a 3% baseline increase to the University of Maine System, the Maine Community College System, and Maine Maritime Academy in fiscal years 2022

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3 Some prior four-year revenue and expenditure forecasts have calculated the State’s 55% share of the total cost of education to include teacher retirement, retired teacher health insurance and life insurance in the total cost of education per Title 20-A § 15671 sub-§ 7 ¶ C.
and 2023. The amount for fiscal year 2023 was an increase of 3% over the increased funding level for fiscal year 2022. The University of Maine System also received nearly $8 million in one-time funds in fiscal year 2023 to maintain in-state tuition at current levels as well as nearly $6 million in ongoing funding beginning in fiscal year 2023 for operational costs at the University of Maine Law School.

- One-time funding of $6.8 million for fiscal year 2023 and ongoing funding of nearly $9.5 million beginning in fiscal year 2023 was provided for higher education institutions to repair, update and renovate campus buildings. The ongoing funding is intended to support debt service for revenue bonds issued by these institutions.

- A total of $4.5 million in ongoing funding beginning in fiscal year 2023 was provided to higher education institutions to expand licensed-based nursing programs at Maine Community College and university research, development and commercialization activity at the University of Maine System.

**Health and Human Services** – Significant one-time adjustments to appropriations over the 2022-2023 biennium make it challenging to discern baseline current law trends in the Health and Human Services policy area. There was a mix of one-time appropriations between fiscal year 2022 and fiscal year 2023, none of which carries over into the baseline for the 2024-2025 biennium. Ignoring these one-time adjustments, the year over year change for the Health and Human Services policy area from fiscal year 2022 to 2023 is approximately 12.4% and from fiscal year 2023 to 2024 is 2.1%. These one-time appropriation adjustments included:

- Enacted budgets for the 2022-2023 biennium include one-time de-appropriations from Medicaid programs totaling approximately $230 million in fiscal year 2022 and $15 million in fiscal year 2023. Just over $185 million of the fiscal year 2022 de-appropriations were to capture freed up General Fund dollars from the enhanced Federal Medical Assistance Percentage (FMAP) rate the State has been receiving during the COVID-19 public health emergency. The extra 6.2% in federal match reduced the General Fund dollars needed for Medicaid programs to maintain the same level of services.

- Approximately $47 million in appropriations was approved for one-time payments to a spectrum of healthcare providers to help address the impacts of the Covid-19 pandemic. About $32 million of these one-time appropriations were in fiscal year 2022 with the rest in fiscal year 2023.

- Enacted budgets included a total of approximately $17.4 million in one-time payments to certain healthcare providers ($12.8 million) and child care facilities ($4.6 million) as supplemental support payments or in anticipation of increases resulting from rate studies. About $16 million of the total appropriations were in fiscal year 2022 with the rest in fiscal year 2023.

- One-time appropriations of approximately $4.6 million in fiscal year 2022 and $15.4 million in fiscal year 2023 were enacted for increases in child welfare payments linked to an increased number of children in foster care.
The following ongoing changes to appropriations in the Health and Human Services policy area are also notable. The fiscal impact of the actions underlying the changes are reflected in the projections for the 2024-2025 biennium:

- Changes in the State’s normal FMAP rate over fiscal years 2022 and 2023 resulted in a net increase of approximately $11.7 million in General Fund appropriations for fiscal year 2023 over fiscal year 2022. The FMAP rate decreased for federal fiscal year 2023 resulting in this increased need for General Fund dollars to support Medicaid programs. The projections for fiscal year 2024 and 2025 include another expected decrease in the FMAP rate for federal fiscal year 2024 resulting in an increase in General Fund appropriations of approximately $5 million for each fiscal year of the upcoming biennium.

- Enacted budgets for the 2022-2023 biennium provided additional appropriations of approximately $2.7 million in fiscal year 2022 and $37.6 million in fiscal year 2023 to expand coverage and capacity or enhance existing services across several program areas including: benefits and supports for individuals with intellectual disabilities or autism spectrum disorders; adult dental coverage; children’s health insurance; behavioral health and substance abuse; and child and family services. The fiscal year 2023 appropriations carried over into the baseline for fiscal years 2024 and 2025. An additional nearly $7.8 million is included in the projections for both fiscal year 2024 and 2025 related to these services.

- Additional funding was approved in the 2022-2023 biennium for mandated annual inflation adjustments, rebasing of nursing facilities, and rate increases across a broad spectrum of Medicaid providers and services, including increased wages for direct support workers. The total additional appropriations over the biennium were approximately $150.4 million. Of that, about $125.6 million was appropriated for fiscal year 2023 and this amount is included in the baseline appropriation for the 2024-2025 biennium. Projections for the next biennium also include additional appropriations for these purposes currently estimated at $8.6 million for fiscal year 2024 and $12.7 million in fiscal year 2025.

- Projections for fiscal year 2024 and 2025 include approximately $5 million in each year to rebase federally qualified health centers prospective payment system rates pursuant to Public Law 2021, chapter 747.

- The enacted supplemental budget provided $11.7 million in fiscal year 2023 for nine months of salary supplements awarded to individuals who provide childcare or are early childhood educators. This amount is included in baseline for fiscal years 2024 and 2025. Projections for fiscal year 2024 and 2025 also include an additional $3.9 million in each year to fund these supplements for a full twelve month period.

- Public Law 2021, chapter 679 enacted approximately $1.5 million beginning in fiscal year for the Early Childhood Consultation Program with a January 1, 2023 start date. This amount is included in the baseline for fiscal years 2024 and 2025. Projections for the next biennium also include an additional $1.5 million and $1.6 million in 2024 and 2025 respectively to provide a full year of funding.

The following pie charts depict the percent breakdown of General Fund appropriations by expenditure category for each of the biennia covered in this report.
Fiscal Years 2022–2023
General Fund Budgeted Appropriations
$8,688.2

Dollars in Millions

Total DHHS
$2,903.3, 33.4%

Total Education
$4,004.2, 46.1%

Total Remainder of State Gov’t
$1,780.7, 20.5%

Medicaid, $1,908.2, 22%

Remainder of DHHS, $995.1, 11%

Judicial, $151.5, 2%

Legislature, $71.3, 1%

Debt Service, $330.0, 4%

Tax Expenditures, $26.0, 0%

Other Depts & Agencies, $1,136.6, 13%

EPS, $2,636.6, 30%

IF&W, $65.3, 1%

Higher Education, $692.7, 8%

Teacher Retirement, $394.7, 5%

Remainder of K-12, $280.2, 3%
Fiscal Years 2024-2025
General Fund Forecasted Appropriations
$9,739.9

Dollars in Millions
III. HIGHWAY FUND

A. BUDGET STATUS Fiscal Years 2022-2025

### HIGHWAY FUND STATUS

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Years 2022-2023 BUDGET</th>
<th>Fiscal Years 2024-2025 FORECAST</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 2022</td>
<td>FY 2023</td>
<td>TOTAL</td>
<td>FY 2024</td>
<td>FY 2025</td>
<td>TOTAL</td>
</tr>
<tr>
<td>BALANCE</td>
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<td>27,905,895</td>
<td>1,436,156</td>
<td>1,436,156</td>
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<td></td>
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<tr>
<td>ADJUSTMENTS *</td>
<td>(2,441,312)</td>
<td>(6,831,841)</td>
<td>(9,273,153)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>REVENUE</td>
<td>344,855,823</td>
<td>339,173,395</td>
<td>684,029,218</td>
<td>341,660,492</td>
<td>344,081,789</td>
<td>685,742,281</td>
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<tr>
<td>TOTAL RESOURCES</td>
<td>370,320,406</td>
<td>332,341,554</td>
<td>702,661,960</td>
<td>343,096,648</td>
<td>344,081,789</td>
<td>687,178,437</td>
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<tr>
<td>ADJUSTMENTS **</td>
<td>11,842,737</td>
<td>12,875,043</td>
<td>24,717,780</td>
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<tr>
<td>ALLOCATIONS</td>
<td>337,140,519</td>
<td>339,367,505</td>
<td>676,508,024</td>
<td>696,497,241</td>
<td>702,784,073</td>
<td>1,399,281,314</td>
</tr>
<tr>
<td>PROJECTED BALANCE (SHORTFALL)</td>
<td>21,337,150</td>
<td>(19,900,994)</td>
<td>1,436,156</td>
<td>(353,400,593)</td>
<td>(358,702,284)</td>
<td>(712,102,877)</td>
</tr>
</tbody>
</table>

* Includes transfers and adjustments in budget bills and other enacted laws as well as year-end adjustments for unbudgeted lapsed balances, lapsed encumbrances, and other accounting adjustments.

** Includes statutory year-end transfers.

### Discussion

The budgeted Highway Fund adjusted fund status for fiscal year 2022 was $21,337,150 and is projected to be $1,436,156 at the end of 2022-2023 biennium. Current projections for the 2024-2025 biennium assume a beginning balance of $1,436,156 and Highway Fund revenues of $685,742,281. Projected Highway Fund allocations for the biennium are $1,399,281,314 which result in a projected budget gap for the Highway Fund of ($712,102,877).

Revenues projected for fiscal years 2022-2025 are from the RFC’s March 2022 forecast with adjustments to reflect laws enacted during the remainder of the 130th Legislature’s Second Regular Session. Similarly, the expenditure information in this forecast reflects all Highway Fund allocations approved through the Second Regular Session of the 130th Legislature. The projection for the 2024-2025 biennium uses the fiscal year 2023 legislatively approved allocations adjusted for the effect of one-time and phased-in actions with expected fiscal impacts in fiscal years 2024 and 2025. More detailed projections on a department or program basis are made later in this report where appropriate to reflect specific trends in those areas.

Additionally, the allocations projected for the 2024-2025 biennium include **$578 million** over baseline allocations to support the achievement of the Department of Transportation’s capital program goals as established in Title 23 § 73 sub-§ 7, including the State match for available federal grants. It is important to stress that this four-year forecast, by law, must assume this state share. Associated with this is another **$52 million** in allocations projected for the biennium for

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4 The $578 million includes $500 million in capital funding for the Highway and Bridge program and $78 million for light capital paving in the Highway Light Capital program, most of which is also capital funding. In the Four Year Forecast issued for the 2022-2023 biennium, the additional allocations to meet Title 23 § 73 sub-§ 7 goals were reported as $400 million. This figure, however, did not include the allocations for the Highway Light Capital program which were estimated at another $53.5 million for the 2022-2023 biennium. Factoring this in, the estimate for funding needed to meet the State’s share of transportation goals is $124.6 million higher in the 2024-2025 biennium than was estimated for the 2022-2023 biennium.
Local Road Assistance in accordance with Title 23, § 1803-B which requires the Local Road Assistance program to be funded at 9% of the Highway Fund allocations to the Department of Transportation. The reader is advised to bear this in mind when assessing the estimated structural gap and the potential for closing it.

The State continues to be challenged with insufficient resources coming into the Highway Fund to support all improvements in the State’s transportation infrastructure that are expected to be funded by this fund. This is reflected in the Highway Fund revenue projections discussed in the previous section of this report, as well as the allocations for the Highway and Bridge Capital and Highway and Bridge Light Capital programs in the 2022-2023 biennium.

MaineDOT also traditionally receives funding from the TransCap Trust Fund, federal funds, proceeds from authorized bond sales, and other sources. In recent years, MaineDOT has also received General Funds in recognition of the persistent and growing gap between projected Highway Fund revenues and the funding needed for Maine’s transportation infrastructure.

The enacted biennial and supplement budget bills for the 2022-2023 biennium included measures to direct General Funds to MaineDOT’s highway and bridge projects. One-time transfers of $50 million from General Fund unappropriated surplus at year end for fiscal years 2021 and 2022 were directed to MaineDOT for use in fiscal years 2022 and 2023. Additionally, the statute dictating the required year-end distributions for any General Fund revenue that exceeds budget in any fiscal year was amended. Beginning with fiscal year 2021, 20% of the excess General Fund remaining after certain other priority transfers is transferred to MaineDOT for highway and bridge projects. A priority transfer of $35 million from the “cascade” at year-end 2022 was also authorized for MaineDOT. As a result of the “cascade”, MaineDOT received about $56 million at the end of fiscal year 2021 and about $135.5 million at the end of fiscal year 2022. All totaled MaineDOT has received roughly $291.5 million from the General Fund for use in the 2022-2023 biennium.

Sections III.B and III.C of this report provide additional detail, including tables and charts, of the projected Highway Fund revenues and expenditures used in this forecast.
### B. REVENUE PROJECTION Fiscal Years 2022-2025

#### HIGHWAY FUND REVENUE PROJECTION

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>Fiscal Years 2022-2023 BUDGET</th>
<th>Fiscal Years 2024-2025 FORECAST</th>
<th>SOURCE FY 2022</th>
<th>SOURCE FY 2023</th>
<th>SOURCE YR. TO YR. % CHANGE</th>
<th>SOURCE BIENNIUM</th>
<th>SOURCE FY 2024</th>
<th>SOURCE YR. TO YR. % CHANGE</th>
<th>SOURCE BIENNIUM</th>
<th>SOURCE FY 2025</th>
<th>SOURCE YR. TO YR. % CHANGE</th>
<th>SOURCE BIENNIUM</th>
<th>SOURCE TOTAL BIENNIUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel Tax</td>
<td>222,781,777</td>
<td>230,395,483</td>
<td>3.42%</td>
<td>453,177,260</td>
<td>1.03%</td>
<td>235,180,018</td>
<td>1.03%</td>
<td>467,956,436</td>
<td>1.03%</td>
<td>184,357,224</td>
<td>6,405,000</td>
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</tr>
<tr>
<td>Motor Vehicle Registrations &amp; Fees</td>
<td>102,460,134</td>
<td>92,175,912</td>
<td>-10.04%</td>
<td>194,636,046</td>
<td>0.00%</td>
<td>92,179,423</td>
<td>0.00%</td>
<td>184,357,224</td>
<td>0.00%</td>
<td>92,179,423</td>
<td>6,405,000</td>
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<tr>
<td>Inspection Fees</td>
<td>2,920,344</td>
<td>3,202,500</td>
<td>9.66%</td>
<td>6,122,844</td>
<td>3.202,500</td>
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<td>6,122,844</td>
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<tr>
<td>Miscellaneous Taxes &amp; Fees</td>
<td>1,693,757</td>
<td>1,267,454</td>
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<td>2,961,211</td>
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<td>0.00%</td>
<td>2,961,211</td>
<td>2,961,211</td>
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<td></td>
</tr>
<tr>
<td>Fines Forfeits &amp; Penalties</td>
<td>1,381,965</td>
<td>606,412</td>
<td>-56.12%</td>
<td>1,988,377</td>
<td>606,412</td>
<td>1,988,377</td>
<td>0.00%</td>
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<td>0.00%</td>
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<tr>
<td>Income from Investments</td>
<td>189,723</td>
<td>221,169</td>
<td>16.57%</td>
<td>410,892</td>
<td>325,442</td>
<td>47.15%</td>
<td>341,517</td>
<td>4.94%</td>
<td>666,959</td>
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<td></td>
</tr>
<tr>
<td>Other Revenues</td>
<td>13,428,123</td>
<td>11,304,465</td>
<td>-15.82%</td>
<td>24,732,588</td>
<td>11,304,465</td>
<td>47.15%</td>
<td>11,304,465</td>
<td>47.15%</td>
<td>22,608,930</td>
<td>22,608,930</td>
<td>22,608,930</td>
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</tr>
<tr>
<td>TOTAL REVENUE</td>
<td>344,855,823</td>
<td>339,173,395</td>
<td>-1.65%</td>
<td>684,029,218</td>
<td>0.73%</td>
<td>344,081,789</td>
<td>0.71%</td>
<td>685,742,281</td>
<td>0.71%</td>
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</tbody>
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Fiscal Year 2022 figures reflect actuals as of Year-End
Discussion

The RFC in its December 2021 report re-projected revenues upward by $5.9 million for the 2022-2023 biennium. The March 2022 RFC forecast also re-projected revenues upward for the 2022-2023 biennium by another $2.2 million. Following the March 2022 revenue forecast and bills enacted in the Second Regular Session of the 130th Legislature, the projected Highway Fund adjusted balance was approximately $1.4 million for the end of the biennium. In the December 2021 and March 2022 forecasts, the RFC also re-projected revenues upward by $4 million and $1.6 million respectively for the 2024-2025 biennium. Fuel tax revenues in both forecasts remained unchanged. The Highway Fund changes in both forecasts were largely the result of projected increases in motor vehicle registrations and fees and other Highway Fund revenue lines with motor fuel tax lines unchanged.

Revenues projected for fiscal years 2022-2025 in this four-year forecast are from the RFC’s March 2022 report and reflect all actions through the Second Regular Session of the 130th Legislature. The revenue forecast reflects the economic forecast issued by the Consensus Economic Forecasting Commission in February 2022 and the State’s actual revenue performance for the first seven months of fiscal year 2022.

The RFC’s March 2022 Revenue Forecast report, which details the factors and assumptions underlying the revenue projection, can be found on the Revenue Forecasting Committee’s website at https://legislature.maine.gov/doc/8382. The following pie charts depict the percent of Highway Fund revenue associated with each revenue source for each of the biennia covered in this report.
Fiscal Years 2022-2023
Highway Fund Budgeted Revenues
$684.1

Dollars in Millions
Fiscal Years 2024–2025
Highway Fund Projected Revenues
$685.8
Dollars in Millions
### C. EXPENDITURE FORECAST Fiscal Years 2022-2025

#### HIGHWAY FUND EXPENDITURE FORECAST CHART

<table>
<thead>
<tr>
<th>MAJOR PROGRAM CATEGORIES</th>
<th>Fiscal Years 2022-2023 BUDGET</th>
<th>Fiscal Years 2024-2025 FORECAST</th>
<th>Biennium</th>
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</thead>
<tbody>
<tr>
<td>Policy Area / Agency / Program</td>
<td>FY 2022</td>
<td>FY 2023</td>
<td>YR. TO YR. % CHANGE</td>
</tr>
<tr>
<td>Administration Motor Vehicles</td>
<td>44,296,324</td>
<td>46,481,424</td>
<td>4.93%</td>
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<td>Other Agencies And Programs</td>
<td>2,568,880</td>
<td>2,585,093</td>
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<tr>
<td><strong>Total Policy Area - Governmental Support &amp; Operations</strong></td>
<td>46,865,304</td>
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<tr>
<td>Total Policy Area - Natural Resources Development &amp; Protection</td>
<td>31,599</td>
<td>31,599</td>
<td>63,198</td>
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<tr>
<td>State Police</td>
<td>20,567,065</td>
<td>22,077,161</td>
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<tr>
<td>Other Agencies And Programs</td>
<td>10,841,129</td>
<td>10,926,565</td>
<td>0.79%</td>
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<td><strong>Total Policy Area - Justice &amp; Protection</strong></td>
<td>31,408,194</td>
<td>33,003,726</td>
<td>5.08%</td>
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<td>Maintenance &amp; Operations</td>
<td>173,783,881</td>
<td>176,163,756</td>
<td>1.37%</td>
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<td>Highway &amp; Bridge Capital</td>
<td>41,471,752</td>
<td>37,214,603</td>
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<tr>
<td>Highway &amp; Bridge Light Capital</td>
<td>2,250,000</td>
<td>2,459,000</td>
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<tr>
<td>Local Road Assistance Program</td>
<td>21,644,060</td>
<td>21,519,135</td>
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<td><strong>Total Policy Area - Transportation Safety &amp; Development</strong></td>
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</tr>
<tr>
<td><strong>TOTAL HIGHWAY FUND EXPENDITURES</strong></td>
<td>337,140,519</td>
<td>339,367,505</td>
<td>0.66%</td>
</tr>
</tbody>
</table>
Discussion

The enacted 2022-2023 biennial budget included an additional $16.8 million in Highway Fund allocations over the biennium when compared to the 2020-2021 biennium. Another $6.2 million in allocations was enacted in the 2022-2023 supplemental budget. Other laws enacted by the 130th Legislature included $783,684 in additional allocations for the 2022-2023 biennium.

The projection for the 2024-2025 biennium uses the fiscal year 2023 legislatively approved allocations adjusted for the effect of one-time actions and phased-in actions with expected fiscal impacts in fiscal years 2024 and 2025. Salaries and wages projected for the 2024-2025 biennium anticipate growth from merit increases and collective bargaining approved by the 130th Legislature but not for any salary adjustments related to future collective bargaining. The projection for the 2024-2025 biennium also reflects estimated changes in normal operational costs and any additional costs anticipated to comply with current law beyond what is included in the current baseline budget.

The Transportation Safety & Development policy area shown in the preceding table reflects budgeted Highway Fund expenditures for fiscal years 2022 and 2023 associated with the Maine Department of Transportation (MaineDOT) that were enacted in budget bills and other laws. Current law also requires transfer of all but $100,000 in unallocated Highway Fund balance at the end of each fiscal year to MaineDOT to be used for highway and bridge improvements. Funds transferred to MaineDOT at the end of fiscal years 2021 and 2022 totaled $11,842,737 and $12,875,043 respectively. This effectively increases the available Highway Funds directed to highway and bridges for 2022 and 2023 over the budgeted amount shown in the table.

Other key factors associated with notable year over year changes in projected expenditures for major programs and policy areas include:

- **Administration Motor Vehicles** – Approximately 94% of total expenditures in the Government Support & Operations policy area across the two biennia are for the Administration Motor Vehicles program in the Department of the Secretary of State - with nearly all of it in Personal Services. Ten positions were added in this program beginning in 2023 accounting for the year over year change from 2022. The Bureau of Motor Vehicles generates substantial revenue for the Highway Fund with more than $200.7 million expected for the 2022-2023 biennium and more than $190.8 million projected for revenues in the 2024-2025 biennium.

- **State Police** – Year over year increased expenditures across both biennium primarily reflect increased Personal Services costs associated with salaries and wages and collectively bargained items such as stipends, allowances, differentials and premium pay.

- **Highway and Bridge Capital** – More of the total expenditures for this program in the 2022-2023 biennium were budgeted in fiscal year 2022 rather than fiscal year 2023. Projections for the 2024-2025 biennium include $250 million in each fiscal year for capital expenditures as the estimated State match necessary for all federal grants that are available to support achieving MaineDOT’s capital program goals established in Title 23 § 73 sub-§ 7. The Infrastructure Investment and Jobs Act (IIJA) passed by Congress in November 2021 will provide expanded grant opportunities for Maine in the coming biennium.
• Highway Light Capital – Projections for the 2024-2025 biennium include $39 million in each fiscal year for 700 miles of light capital paving each year, along with other work. This is 100 miles more each year than was projected for the 2022-2023 biennium. The Highway Light Capital expenditures are associated with MaineDOT’s capital program goals established in Title 23 § 73 sub-§ 7 and the additional 100 miles each year is a result of more highways being classified as Priority 4. Nearly $32.4 million of the $39 million projected for each year is for capital expenditures. The projections assume an estimated cost per mile of $55,000 based on current asphalt prices, expected inflation, and contractor capacity.

• Local Road Assistance – Title 23, § 1803-B requires the Local Road Assistance (LRA) program, which provides funding to municipalities, to be funded at 9% of the Highway Fund allocations to MaineDOT. Consequently, the allocations for LRA fluctuate with the level of allocations provided for MaineDOT. The increase in projected LRA expenditures for 2024-2025 are primarily associated with the increases for the Highway and Bridge Capital and Highway Light Capital programs described in the bullets above. The additional LRA related to the goals in Title 23 § 73 sub-§ 7 are projected at $26 million in each fiscal year.

• Debt Service – Beginning in fiscal year 2022, there is no longer any Highway Fund debt service due. Since the 2009-2010 biennium, debt service for new general obligation bonds issued for transportation has been paid by the General Fund.

The following pie charts depict the percent breakdown of Highway Fund allocations by expenditure category for each of the biennia covered in this report.
Fiscal Years 2022–2023
Highway Fund Budgeted Allocations\(^5\)
$676.5

Dollars in Millions

\(^5\) Nearly $90.8 million of the $95.9 million for the Government Support & Operations policy area is for the Administration of Motor Vehicles. The Bureau of Motor Vehicles is expected to generate more than $200.7 million in Highway Fund revenue for the 2022-2023 biennium.
Fiscal Years 2024–2025
Highway Fund Forecasted Allocations\(^6\)
$1,399.3
Dollars in Millions

\(^6\) Nearly $96.6 million of the $102.7 million for the Government Support & Operations policy area is for the Administration of Motor Vehicles. The Bureau of Motor Vehicles is projected to generate more than $190.8 million in Highway Fund revenue for the 2024-2025 biennium.
IV. SUMMARY

This report provides a summary and detailed projection of revenues, appropriations and allocations for the General Fund and the Highway Fund for the 2022-2023 biennium and the 2024-2025 biennium. The base level projections for the General Fund and Highway Fund include the March 2022 projection of the Revenue Forecasting Committee and reflect all actions through the Second Regular Session of the 130th Legislature.

The forecasts of revenues, appropriations and allocations contained in this report, when constructed under current law and current trends, result in a projected surplus of $303,891,443 in the General Fund for the 2024-2025 biennium indicating there is at this time no structural gap between revenues and expenditures. The shortfall projected for the Highway Fund for the 2024-2024 biennium is $712,102,877 representing a structural gap between revenues and expenditures that appears to be widening when compared with the structural gap calculated in the past four-year forecasts.

The widening structural gap in the Highway Fund for the 2024-2025 biennium reflects relatively modest growth in Highway Fund revenues combined with MaineDOT’s projections for increased expenditures to support achievement of transportation infrastructure goals in Title 23 § 73 sub-$ 7. These expenditures for the 2024-2025 biennium reflect additional available federal grant opportunities that require State match, increased paving costs and activity, and associated funds for the Local Road Assistance program as required by statute.