

State of Maine
2026-2027
Governor's Budget
Overview

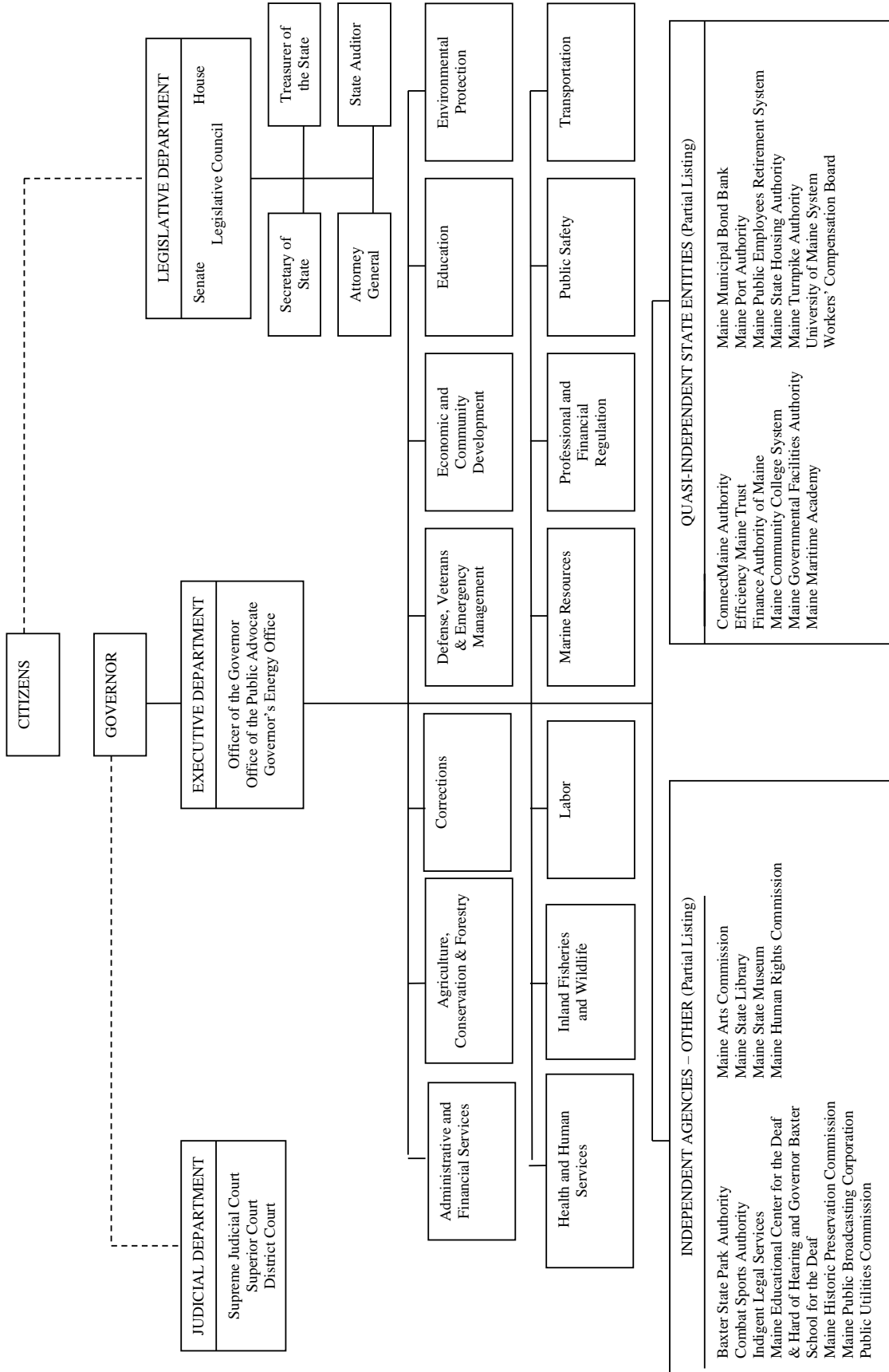
Submitted by

Janet T. Mills

Governor

January 10, 2025

ORGANIZATIONAL CHART OF MAINE STATE GOVERNMENT



STATE OF MAINE
2024-2025 GOVERNOR’S BUDGET OVERVIEW
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Janet T. Mills
GOVERNOR

STATE OF MAINE
OFFICE OF THE GOVERNOR
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AUGUSTA, MAINE
04333-0001

January 10, 2025

Honorable Members of the 132nd Legislature:

The Maine economy is strong. Our state continues to experience robust economic growth that outpaces the national average, including the rest of New England and other large, more traditional economic powerhouse states such as New York and California. Our credit ratings, which have improved under my Administration, also remain strong. We have not borrowed from the Federal government as other states have, and our Budget Stabilization Fund is near its statutory, record high limit, also achieved under my Administration.

Of course there is more work to do, but I am proud of these accomplishments, which we could not have achieved without the support of the Legislature. At the same time, after several years of rapid growth in revenues, which was driven in large part by Federal stimulus money and the economic recovery from the COVID-19 pandemic, state revenues are leveling off. This is not unexpected — it is the same experience multiple other states across the country, including many in New England, are facing — but it is contributing to a much tighter budget environment here in Maine.

This is why my Administration has consistently urged lawmakers to practice fiscal restraint. In my supplemental budget proposal last year, I proposed amending programs to reduce expenditures in some areas, and I asked the Legislature to save \$107 million for use in the FY26-27 biennium. Unfortunately, these proposals were rejected by the prior Legislature and additional spending was layered onto the budget. I also did not sign a number of spending bills sent to my desk at the end of the last legislative session, noting my concern over the manner in which they were passed and their impact on the State budget. I am also thankful that we were able to successfully thwart a last-minute attempt by some lawmakers to increase spending by a further \$117 million – which would have made the current difficult fiscal environment much worse.

As lawmakers know, the recent Four-Year Revenue and Expenditure Forecast projected General Fund appropriations required to meet current law to be approximately \$11.67 billion for the FY26-27 biennium. This amounted to a projected “structural gap” of \$637.7 million at that time. Since then, the independent, nonpartisan Revenue Forecasting Committee has upgraded its forecast for the same timeframe by approximately \$202.2 million, adjusting the structural gap calculation from the October report to \$450 million for the next biennium.



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However, it should be noted that the \$11.67 billion projected in the structural gap report was a snapshot in time of what is a dynamic and changing number. For example, the October report estimated \$102 million to fully fund 55 percent of education. However, since then, using more recent statistics received from school districts throughout October, the Department of Education calculates the need at \$157 million, which is what my budget provides. Additionally, the so-called structural gap report does not take into consideration normal operational cost increases, like utilities or technology upgrades, that are needed to run state government. My budget also prioritizes and funds some of these costs.

In all, the Maine Constitution requires a balanced budget, and that is what I am presenting to you here.

This proposal focuses on maintaining my core commitments to Maine people, including 55 percent of the cost of education and Medicaid expansion — both overwhelmingly supported by the voters — as well as free school meals for all Maine students. It keeps money in the pockets of Maine families by maintaining 5 percent municipal revenue sharing to stabilize property taxes and support municipal services. It does not create or fund any new programs, but it makes permanent the successful free community college program and increases funding for higher education institutions to support our growing workforce. It continues our successful Mobile Home Preservation Fund to preserve housing in Maine, and it prioritizes the health and safety of Maine people by investing in child welfare and children’s behavioral health services, in mobile crisis response and addiction treatment in county jails, and in our nursing homes.

This budget, however, reflects difficult choices that are a reality of our tight budget circumstances. That means reducing our expenses in some areas, raising targeted – rather than broad based – revenues, and adjusting programs to save money. You will see that we are implementing programmatic changes, primarily within the Department of Health and Human Services, to cut costs. These changes are not easy to make, and we do not propose them lightly, but we have tried to propose changes to programs that have not yet been implemented or are still early in their implementation in order to minimize disruption, rather than make changes in a blunt or careless fashion.

I am also proposing an update to the cigarette and tobacco products excise taxes. Maine has the highest adult smoking rate – and the second highest youth smoking rate – in New England. We also have the cheapest cigarettes of nearly every state in New England, and we have not raised our cigarette excise tax in two decades, unlike every other New England state. When cigarettes are a leading cause of cancer, heart disease, and stroke and when more than one-third of Maine cancer deaths each year are attributable to smoking, Maine’s current policy does not make sense. This is why my budget includes a \$1 increase to the cigarette excise tax, which puts us in the middle of our New England neighbors when it comes to such a tax.



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Consistent with current law, it would also increase the excise taxes on other tobacco and smokeless tobacco products by the same percentage change in the tax rate on cigarettes. At the same time, I continue to reject a broad-based tax change, like an increase on Maine's income or sales tax, and I continue to reject the use of Maine's Budget Stabilization Fund.

I have worked hard to govern cautiously and in a fiscally prudent way over the past six years. Given our tight fiscal environment, I am proud that this biennial budget proposal is balanced, maintains critical investments in Maine people, and advances the progress we have made these past six years. However, this budget proposal is the most difficult one my Administration has ever crafted.

While, on balance, the State of Maine has enjoyed significant new revenues over the past several years – revenues that have allowed for investments in longstanding commitments and important new programs that have benefited Maine people – difficult changes must be adopted this year to balance the budget.

We have shown in the past that through hard work Democrats, Republicans, and Independents can come together to do what is right for Maine people. I know the Legislature shares my commitment to enacting a balanced budget that is good for Maine people and for the fiscal health of our state. Maine people are counting on us to come together to serve their interests now and in the future, and I look forward to working closely with the Legislature to accomplish that goal.

Sincerely,



Janet T. Mills
Governor



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Budget Process Overview

The Constitution of Maine requires the Governor and the Legislature to submit, enact and approve a balanced budget that achieves each fiscal year a balance between resources and commitments. The State of Maine develops General Fund and Highway Fund revenue forecasts for the biennial budget within the context of a consensus revenue forecasting model. The Consensus Economic Forecasting Commission first meets to prepare a four-year economic forecast for the State of Maine. The six-member Revenue Forecasting Committee (RFC) uses the economic assumptions recommended by the Consensus Economic Forecasting Commission (CEFC) to prepare its four-year revenue forecast for the General Fund and the Highway Fund. The committee's recommendations for revenues affecting the upcoming biennium are made in November and are subsequently used by the Governor in developing the General Fund and Highway Fund budget recommendations for the upcoming biennium.

The State of Maine uses a biennial budget process in which the budget is presented by the Governor and acted upon by the Legislature for two fiscal year periods beginning in even numbered years. Each fiscal year of the biennium encompasses the period of July 1 through June 30. Appropriations and allocations are provided for each fiscal year of the biennium. The biennial budget for each ensuing biennium is presented and acted upon by the first regular session of the Legislature. During the first regular session, the Legislature may also make adjustments to the appropriations and allocations by program for the last fiscal year of the current biennium. The second regular session of the Legislature may make adjustments to both the first and second fiscal years of the current biennium.

Appropriations and allocations by program are further delineated by three line categories: Personal Services, All Other, and, Capital Expenditures. The Personal Services line category includes the salaries, wages and benefits for all positions authorized by the Legislature reduced by an attrition factor of 1.6% in current law. The All Other line category includes the operational expenditures of a program such as vehicle operations, in state travel, supplies, etc. The Capital Expenditures line category includes funds for the purchase and replacement of equipment assets valued at \$5,000 or more with a useful life greater than one year, and for real property purchases and facility improvements and construction.

Each appropriation and allocation to a program also includes the number of positions authorized by the Legislature. Referred to as "headcount", these positions are further classified by the Legislature as "legislative count" or "full-time equivalent". Legislative count represents positions authorized by the Legislature for 52 weeks in a fiscal year. These may include full-time and part-time positions. Full-time equivalent represents positions authorized by the Legislature for less than 52 weeks in a fiscal year. These typically include seasonal and intermittent positions. Positions authorized by the Legislature may not vary from the position titles and detailed funding that support the positions without legislative approval unless permanent funding is identified and approved by the State Budget Officer.

Once the Legislature has enacted the biennial budget, and it has been signed into law, the departments and agencies receiving expenditure authorization are required to develop budgets by program for each fiscal year, requesting allotment by account, line category and quarter. Allotment is established in four quarters and is approved by the Governor. Fiscal year budgets may be adjusted, or funds transferred between line categories and programs within the same fund and department or agency, to meet changing conditions upon approval by the Governor. Limitations on the transferability of funds between line categories and programs in a fiscal year are guided in law.

Basis of Budgeting

Governmental Funds

Expenditures for Governmental Funds are budgeted on an encumbrance and cash basis. Tax revenues, including Sales and Use Tax, Service Provider Tax, Individual Income Tax, Corporate Income Tax, Cigarette and Tobacco Tax, Estate Tax, Real Estate Transfer Tax and Fuel Taxes, are budgeted on a modified accrual basis. These tax revenues are recognized as available for appropriation or allocation in the fiscal year earned, providing they are measurable and available to liquidate liabilities in the current fiscal year period. These tax revenues that are due in the current fiscal year, but which are payable by the taxpayer subsequent to the close of the fiscal year, are accrued as accounts receivable and, therefore, recognized as revenue in the fiscal year benefited. Other revenues are recognized on a cash basis or are accrued as accounts receivable depending upon the circumstance and past practice.

Account Groups

Expenditures for Internal Service Funds and Enterprise Funds are budgeted on an encumbrance and cash basis. All revenues are recognized on an accrual basis. All revenues are recognized as available for allocation in the fiscal year earned. All revenues due in the current fiscal year, but which are payable subsequent to the close of the fiscal year, are accrued as accounts receivable and, therefore, recognized as revenue in the fiscal year benefited.

Biennial Budget Timeline

Biennial budget guidance is provided to departments and agencies in July of the last fiscal year of the current biennium. This guidance includes a description of the required documentation to support each budget request. Alternative funding scenarios from departments and agencies may also be requested to show the program impact if funds by program were limited to 90%, for example, of the base year appropriations or allocations. In addition, the guidelines and instructions may request other detailed budget information from each department and agency as necessary.

Pursuant to Title 5, section 1665, biennial budget requests are due in the Bureau of the Budget by September 1 of each even numbered year. During the months of September and October, the budget analysts in the Bureau of the Budget prepare budget recommendations for the Governor/Governor-elect based on independent analysis and forecasts as well as one-on-one discussions with department and agency staff. Following the election, one-on-one budget meetings are held with key department and agency staff to discuss specific requests, departmental priorities, and impact of reductions from alternative budget scenarios. These meetings may include the Governor/Governor-elect, the Commissioner of the Department of Administrative and Financial Services, the State Budget Officer, the Governor/Governor-elect's Chief of Staff and the Governor/Governor-elect's Senior Policy Advisors, depending upon the department or agency and the issue under consideration.

In late December, all budget decisions are finalized, including the development of the capital budget. Title 5, section 1666 requires that the budget bills are transmitted to the Legislature in January or February, dependent on the status of the Governor. Two budget bills may be provided to the Legislature. If necessary, one of those is a supplemental budget bill (also referred to as an emergency budget bill) that proposes adjustments to appropriations and allocations for the last fiscal year of the current biennium. The second is referred to as a unified budget bill in that it presents all appropriations and allocations for a program regardless of funding source. Part A of the bill presents the Governor's appropriation and allocation recommendations for the upcoming biennium. Part B of the bill presents

adjustments associated with approved reclassifications and range changes that are self-funded by departments and agencies. Other parts of the unified budget bill include proposed statutory and unallocated language required to give legal effect to the Governor's budget proposals.

The content of the budget document is prescribed by statute. The budget document presents the budget, financial and operational plan of the Governor for the upcoming biennium. Details are provided in the budget document to show how those plans will be realized and the manner in which the budget has been balanced.

The Legislature conducts separate public hearings for each budget bill type before the Joint Standing Committee of the Legislature having jurisdiction over appropriations and financial affairs. At each public hearing, department and agency heads present and defend each budget request by program for his or her department or agency. Testimony from the public, either for or against the request, is solicited by the committee during the public hearing. Members of the joint standing committee of the Legislature having policy jurisdiction over the department or agency are also included in the public hearing process.

Following each public hearing, the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs engages in work sessions for each budget bill type. The initial stage of the work session involves the receipt of recommendations from the legislative policy committees of jurisdiction. The committee next engages each department or agency head, and their staff, in one-on-one discussions in order to elicit additional program information pertinent to the budget decision making process. Such information may include staffing and organization, performance measures, caseload forecasts, etc. The committee takes public votes on each item in the Governor's budget, adjusting each budget bill to reflect the priorities of the Legislature. At the conclusion of the work session, the committee reports out each budget bill type for consideration by the full Legislature followed by referral to the Governor for his or her approval.

Budget bills are submitted as emergency bills that require a 2/3 vote of the members of both legislative bodies in order to take effect when approved by the Governor. Non-emergency budget bills require a majority vote of those legislators present and voting in each legislative body. These budget bills take effect 90 days after the adjournment of the Legislature if signed into law by the Governor.

Summary of Governor's Biennial Budget Recommendations

General Fund

The Governor's Recommended Budget for the 2026-2027 biennium includes \$11,626.7 million in General Fund appropriations over the biennium. This is an increase of 11% over total appropriations enacted for the 2024-2025 biennium through the Second Regular Session of the 131st Legislature. The recommended budget also includes nearly \$99 million in net transfers in and out of the General Fund and net adjustments to General Fund revenues over the biennium totaling just over \$155.5 million.

Of the \$11,626.7 million in appropriations:

- Approximately \$11,009.2 million is for the baseline budget which is a 4.9% increase over total appropriations enacted for the 2024-25 biennium through the Second Regular Session of the 131st Legislature. The increase in baseline budget primarily reflects: the impacts of collective bargaining

and additional positions legislatively authorized; initiatives begun and partially funded in fiscal year 2025, programs like General Purpose Aid and Medicaid that had higher All Other costs in fiscal year 2025 than fiscal year 2024 (since fiscal year 2025 is the base used for fiscal years 2026 and 2027).

- Nearly \$13 million is for new one-time appropriations for capital and one-time purposes.
- The remaining \$604.3 million is to fund the annualized costs for full biennial implementation of existing, legislatively authorized programs and activities as well as new positions and targeted initiatives for government operations, net of certain programmatic adjustments and reductions..

The tables and charts that follow show in summary the Governor's General Fund budget recommendations for the 2026-2027 biennium.

Table A-1 shows total General Fund appropriations by department or agency (including one-time appropriations) with percent change for the 2026-2027 biennium compared to the 2024-2025 biennium as enacted through the end of the 131st Legislature's Second Regular Session. The amount reflected for the Department of Administrative and Financial Services in the 2026-2027 biennium includes a reduction from projected savings associated with various initiatives that will have a statewide impact. The savings will be distributed to the appropriate accounts by financial order during the fiscal year.

Chart A-1 shows the Governor's recommended General Fund appropriations by major program for the 2026-2027 biennium.

Table A-2 shows the General Fund revenues recommended by the Governor for fiscal year 2025-26 and fiscal year 2026-27. The columns labeled ORIG represent the General Fund revenue forecast of the Revenue Forecasting Committee. Summaries of the relevant economic and revenue forecasts are on pages 25 - 29. The columns labeled ADJ in the table reflect the Governor's recommended adjustments to those base revenues.

Chart A-2 shows the Governor's recommended General Fund revenues by revenue source for the 2026-2027 biennium. These revenues include the base revenue projections of the Revenue Forecasting Committee, including Transfers for Tax Relief Programs, and adjustments to the base revenues recommended by the Governor.

Highway Fund

The Governor's Recommended Budget for the 2026-2027 biennium includes \$1,046.8 million in Highway Fund allocations over the biennium which is an increase of 4.5% over total allocations enacted for the 2024-2025 biennium through the Second Regular Session of the 131st Legislature.

Of the \$1,046.8 million in allocations:

- Approximately \$864.3 million is for the baseline budget which is 15.9% below the allocations enacted for the 2024-2025 biennium through the Second Regular Session of the 131st Legislature. The Capital Expenditures line category is not included in the baseline budget. This is the driving factor behind the decline. Compared to the enacted Personal Service and All Other allocations to the baseline budget is 8.7% higher. The impacts of collective bargaining and additional positions legislatively authorized during the 2024-2025 biennium are a significant factor.
- Just over \$156.8 million is for new one-time allocations for capital and one-time purposes.
- The remaining \$25.7 million is to fund the annualized costs for full biennial implementation of existing, legislatively authorized programs and activities as well as new positions and initiatives.

The tables and charts that follow show in summary the Governor's General Fund budget recommendations for the 2024-2025 biennium.

Table B-1 shows total Highway Fund allocations by department or agency (including one-time allocations) with percent change for the 2026-2027 biennium compared to the 2024-2025 biennium as enacted through the end of the 130th Legislature's Second Regular Session.

Chart B-1 shows the Governor's recommended Highway Fund allocations by major program.

Table B-2 shows the Highway Fund revenues recommended by the Governor for fiscal year 2025-26 and fiscal year 2026-2027. The columns labeled ORIG represent the Highway Fund revenue forecast of the Revenue Forecasting Committee. Summaries of the relevant economic and revenue forecasts are on pages 25 - 29.

Chart B-2 shows the Governor's recommended Highway Fund revenues by revenue source for the 2026-2027 biennium. These revenues include the base revenue projections of the Revenue Forecasting Committee.

Positions – All Funds

Chart C-1 shows the total positions recommended in the Governor's 2026-2027 biennial budget as well as the position trend and attrition savings rates for the past 15 fiscal years.

Fund Status

The final page of this section shows the projected ending balances for the General Fund, Highway Fund and Fund for a Healthy Maine for the 2024-2025 biennium and the 2026-2027 biennium. The figures for the 2024-2025 biennium are based on revenues, appropriations and allocations in currently enacted laws, plus the Governor's Recommended FY25 Emergency Supplemental Budget. The fund statuses for the 2026-2027 biennium capture the Governor's biennial budget recommendations.

TABLE A-1

GENERAL FUND APPROPRIATIONS				
DEPARTMENT/AGENCY	ENACTED*	GOVERNOR'S BUDGET		PERCENT CHANGE
	2024-2025 Total Biennium	2026-2027 Baseline**	2026-2027 Total Biennium	
(OFFICE OF) TREASURER OF STATE	230,071,655	240,071,356	230,030,340	-0.02%
BOARD OF TRUSTEES OF THE UNIVERSITY OF MAINE SYSTEM	549,083,977	558,704,920	595,830,701	8.51%
CENTERS FOR INNOVATION	236,018	236,018	236,018	0.00%
COMMISSION ON GOVERNMENTAL ETHICS AND ELECTION PRACTICES	1,063,797	1,245,537	1,245,537	17.08%
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES	593,923,301	609,111,855	563,979,011	-5.04%
DEPARTMENT OF AGRICULTURE, CONSERVATION AND FORESTRY	100,134,900	114,896,360	122,848,511	22.68%
DEPARTMENT OF CORRECTIONS	466,437,255	503,205,801	521,125,046	11.72%
DEPARTMENT OF DEFENSE, VETERANS AND EMERGENCY MANAGEMENT	27,171,631	29,695,941	36,459,746	34.18%
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT	34,214,824	32,556,183	32,253,110	-5.73%
DEPARTMENT OF EDUCATION	3,661,789,371	3,723,520,943	3,916,321,516	6.95%
DEPARTMENT OF ENERGY RESOURCES		-	8,474,849	100.00%
DEPARTMENT OF ENVIRONMENTAL PROTECTION	37,212,257	41,281,127	43,847,197	17.83%
DEPARTMENT OF HEALTH AND HUMAN SERVICES	3,710,233,605	3,985,870,120	4,275,768,725	15.24%
DEPARTMENT OF INLAND FISHERIES AND WILDLIFE	78,256,339	86,066,747	94,358,155	20.58%
DEPARTMENT OF LABOR	29,575,680	31,658,931	33,159,165	12.12%
DEPARTMENT OF MARINE RESOURCES	41,730,948	43,632,237	45,088,455	8.05%
DEPARTMENT OF PUBLIC SAFETY	132,545,902	155,817,298	167,379,367	26.28%
DEPARTMENT OF THE ATTORNEY GENERAL	54,299,106	64,499,227	69,481,209	27.96%
DEPARTMENT OF THE SECRETARY OF STATE	19,496,568	21,241,372	23,802,857	22.09%
DIRIGO HEALTH	2,438,015	2,539,985	2,542,741	4.30%
DISABILITY RIGHTS MAINE	292,090	292,090	292,090	0.00%
DOWNEAST INSTITUTE FOR APPLIED MARINE RESEARCH AND EDUCATION	25,108	25,108	25,108	0.00%
EXECUTIVE DEPARTMENT	26,166,668	29,469,230	18,408,194	-29.65%
FINANCE AUTHORITY OF MAINE	57,080,788	57,080,788	57,080,788	0.00%
JUDICIAL DEPARTMENT	220,972,525	237,176,457	264,067,884	19.50%
LAW AND LEGISLATIVE REFERENCE LIBRARY	3,733,315	4,080,053	4,080,053	9.29%
LEGISLATURE	67,204,748	79,156,810	79,156,810	17.78%
MAINE ARTS COMMISSION	2,017,786	2,330,496	2,480,621	22.94%
MAINE COMMISSION ON PUBLIC DEFENSE SERVICES	64,888,300	101,210,032	102,237,501	57.56%
MAINE COMMUNITY COLLEGE SYSTEM	170,100,091	172,605,144	209,867,133	23.38%
MAINE DEVELOPMENT FOUNDATION	116,888	116,888	116,888	0.00%
MAINE FIRE PROTECTION SERVICES COMMISSION	2,254,000	4,000	4,000	-99.82%
MAINE HISTORIC PRESERVATION COMMISSION	1,322,644	1,517,398	1,587,567	20.03%
MAINE HISTORICAL SOCIETY	189,728	89,728	89,728	-52.71%
MAINE HOSPICE COUNCIL	127,012	127,012	127,012	0.00%
MAINE HUMAN RIGHTS COMMISSION	2,869,456	3,304,931	3,433,069	19.64%
MAINE HUMANITIES COUNCIL	326,714	326,714	326,714	0.00%
MAINE INDIAN TRIBAL-STATE COMMISSION	537,000	537,000	537,000	0.00%
MAINE MARITIME ACADEMY	31,699,849	32,898,330	39,959,692	26.06%
MAINE MUNICIPAL BOND BANK	138,662	138,662	138,662	0.00%
MAINE OFFICE OF COMMUNITY AFFAIRS	170,437	356,925	14,234,840	8251.97%
MAINE POTATO BOARD	321,804	321,804	321,804	0.00%
MAINE PUBLIC BROADCASTING CORPORATION	3,300,000	3,300,000	3,300,000	0.00%
MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM	8,335,005	424,236	463,218	-94.44%
MAINE STATE CULTURAL AFFAIRS COUNCIL	80,481	80,492	79,902	-0.72%
MAINE STATE HOUSING AUTHORITY	7,057,000	5,000,000	5,000,000	-29.15%
MAINE STATE LIBRARY	9,268,598	10,089,992	12,643,652	36.41%
MAINE STATE MUSEUM	5,132,870	5,419,434	5,873,215	14.42%
NEW ENGLAND INTERSTATE WATER POLLUTION CONTROL COMMISSION	105,900	105,900	105,900	0.00%
OFFICE OF AFFORDABLE HEALTH CARE	1,100,325	1,293,722	1,443,122	31.15%
OFFICE OF PROGRAM EVALUATION AND GOVERNMENT ACCOUNTABILITY	3,012,902	3,660,912	3,660,912	21.51%
OFFICE OF THE STATE AUDITOR	3,484,463	4,279,540	4,329,334	24.25%
PERM COMM ON THE STATUS OF RACIAL, INDIGENOUS AND TRIBAL POP	2,509,487	2,764,423	2,865,244	14.18%
PINE TREE LEGAL ASSISTANCE	1,300,000	1,300,000	1,300,000	0.00%
RESERVE FUND FOR STATE HOUSE PRESERVATION AND MAINTENANCE	1,600,000	1,600,000	1,600,000	0.00%
SACO RIVER CORRIDOR COMMISSION	93,920	93,920	93,920	0.00%
ST. CROIX INTERNATIONAL WATERWAY COMMISSION	170,000	170,000	170,000	0.00%
STATE BOARD OF EDUCATION	394,802	399,768	399,768	1.26%
STATE BOARD OF PROPERTY TAX REVIEW	622,096	194,462	554,989	-10.79%
Total General Fund Appropriations	10,470,038,611	11,009,194,359	11,626,688,590	11.05%

*Represents General Fund appropriations through the Second Regular Session of the 131st Legislature.

**The 2026-2027 biennial baseline budget for the General Fund is an increase of 5.15% over enacted appropriations for the 2024-2025 biennium through the Second Regular Session of the 131st Legislature.

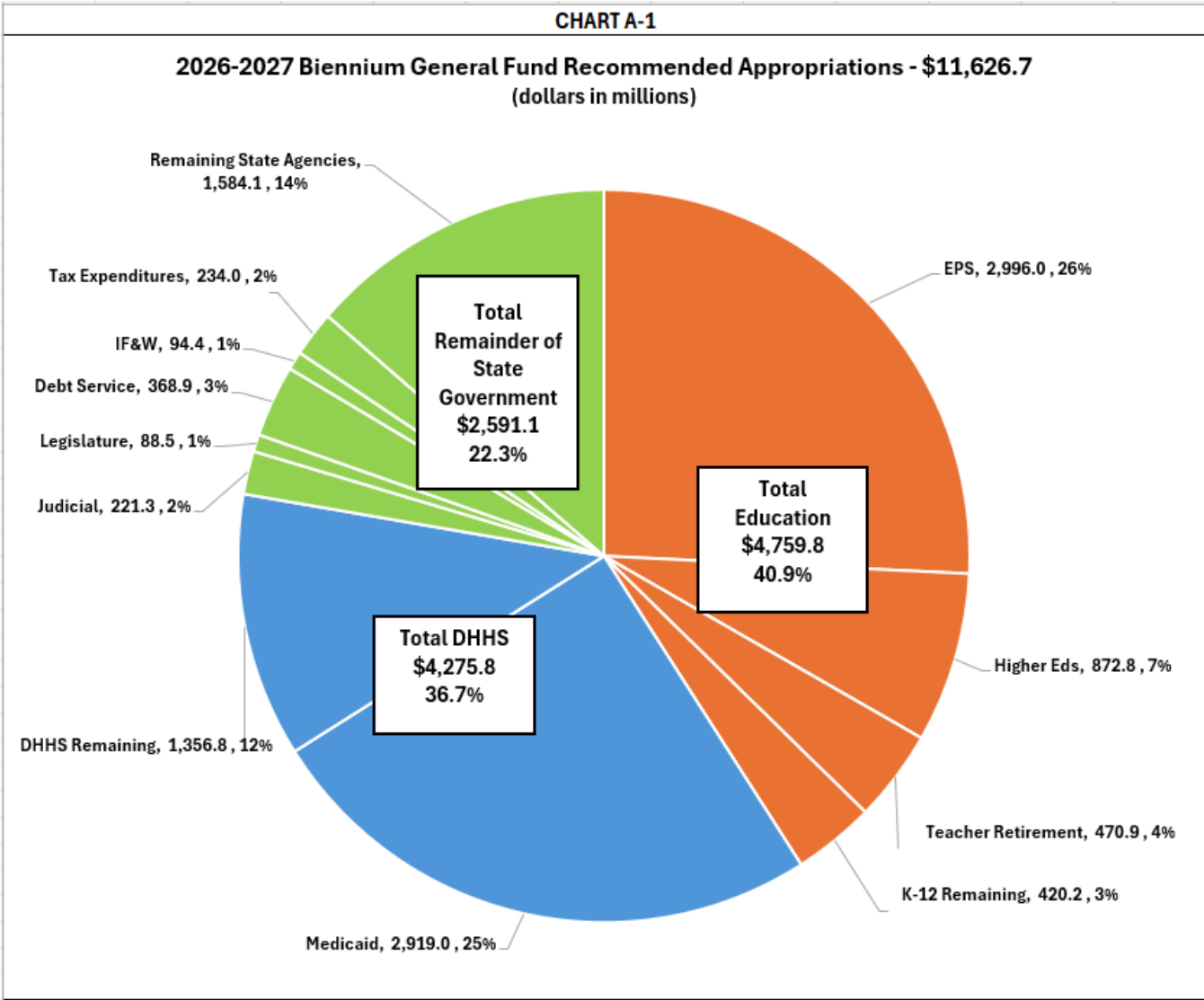


TABLE A-2

GENERAL FUND REVENUE FORECAST

SOURCE	FY 2025			FY 2026			FY 2027		
	ORIG	ADJ	BUDGET	ORIG	ADJ	BUDGET	ORIG	ADJ	BUDGET
Sales and Use Tax	2,310,097,230		2,310,097,230	2,355,211,866	24,847,000	2,380,058,866	2,385,057,400	51,879,000	2,436,936,400
Service Provider Tax	44,921,701		44,921,701	43,026,201	(17,373,000)	25,653,201	41,444,139	(41,444,000)	139
Individual Income Tax	2,639,470,720		2,639,470,720	2,609,321,320	21,990,000	2,631,311,320	2,731,118,706	23,680,000	2,754,798,706
Corporate Income Tax	445,000,000		445,000,000	423,000,000		423,000,000	446,999,998		446,999,998
Cigarette & Tobacco Tax	150,912,603		150,912,603	153,830,849	26,697,000	180,527,849	153,481,790	54,833,000	208,314,790
Insurance Company Tax	123,960,000		123,960,000	126,960,000		126,960,000	132,270,000		132,270,000
Inheritance & Estate Tax	38,830,000		38,830,000	36,040,000		36,040,000	36,330,000		36,330,000
Other Taxes and Fees	153,524,631		153,524,631	141,254,011	6,705,659	147,959,670	141,775,939	7,004,909	148,780,848
Fines, Forfeits and Penalties	12,058,738		12,058,738	16,295,150		16,295,150	16,295,150		16,295,150
Income from Investments	60,387,497		60,387,497	40,362,957		40,362,957	33,378,850		33,378,850
Transfer from Lottery	70,000,000		70,000,000	70,000,000		70,000,000	70,000,000		70,000,000
Liquor Operations Fund Transfer	7,000,000		7,000,000	7,000,000		7,000,000	7,000,000		7,000,000
Trans for Tax Relief Progs	(88,070,000)		(88,070,000)	(89,915,000)		(89,915,000)	(91,933,000)		(91,933,000)
Trans. to Muni. Rev. Share	(278,733,756)		(278,733,756)	(275,823,193)	(1,682,550)	(277,505,743)	(283,400,535)	(2,280,500)	(285,681,035)
Highway Fund Sales Tax Transfer	(115,811,095)		(115,811,095)	(117,657,871)		(117,657,871)	(119,272,125)		(119,272,125)
Other Revenues	7,609,001		7,609,001	(729,016)	626,000	(103,016)	(14,306,922)	1,204,000	(13,102,922)
TOTAL REVENUE	5,581,157,271	-	5,581,157,271	5,538,177,274	61,810,109	5,599,987,383	5,686,239,390	94,876,409	5,781,115,799

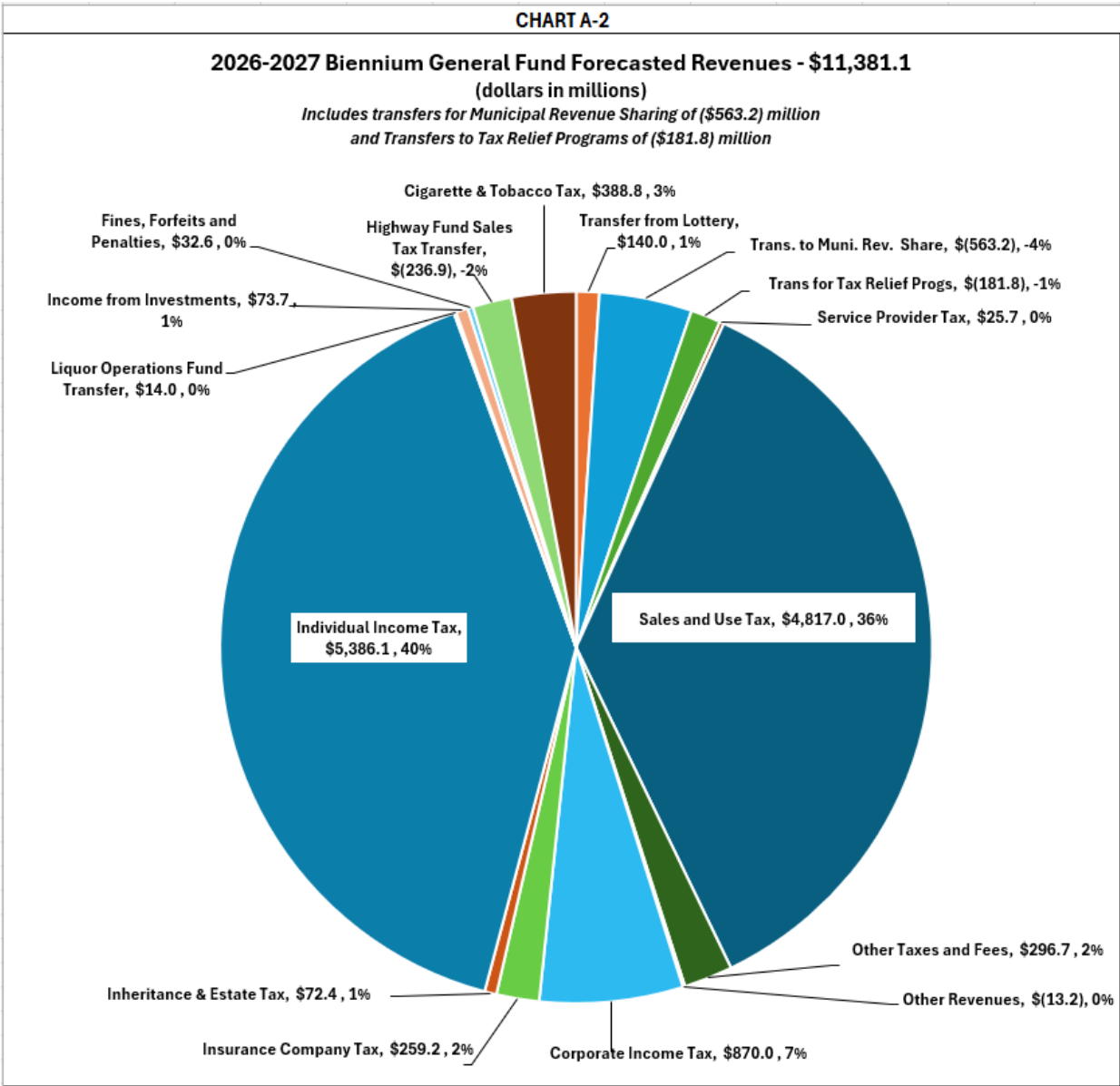


TABLE B-1

HIGHWAY FUND ALLOCATIONS

DEPARTMENT/AGENCY	Enacted*	GOVERNOR'S BUDGET		PERCENT CHANGE
	2024-2025 Biennium	2026-2027 Baseline**	2026-2027 Biennium	
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES	6,340,365	7,010,749	(5,311,260)	-183.77%
DEPARTMENT OF ENVIRONMENTAL PROTECTION	67,470	67,632	68,467	1.48%
DEPARTMENT OF PUBLIC SAFETY	75,515,824	89,545,262	96,712,437	28.07%
DEPARTMENT OF THE SECRETARY OF STATE	101,711,893	114,105,808	120,702,729	18.67%
DEPARTMENT OF TRANSPORTATION	817,935,407	653,507,349	834,608,049	2.04%
LEGISLATURE	21,125	16,250	16,250	-23.08%
TOTAL HIGHWAY FUND ALLOCATIONS	1,001,592,084	864,253,050	1,046,796,672	4.51%

*Represents General Fund appropriations through the Second Regular Session of the 131st Legislature.
 **The 2026-2027 biennial baseline budget for the Highway Fund is a decrease of 13.7% below enacted appropriations for the 2024-2025 biennium through the Second Regular Session of the 131st Legislature.

CHART B-1

2026-2027 Biennium Highway Fund Recommended Allocations - \$1,046.8
(dollars in millions)

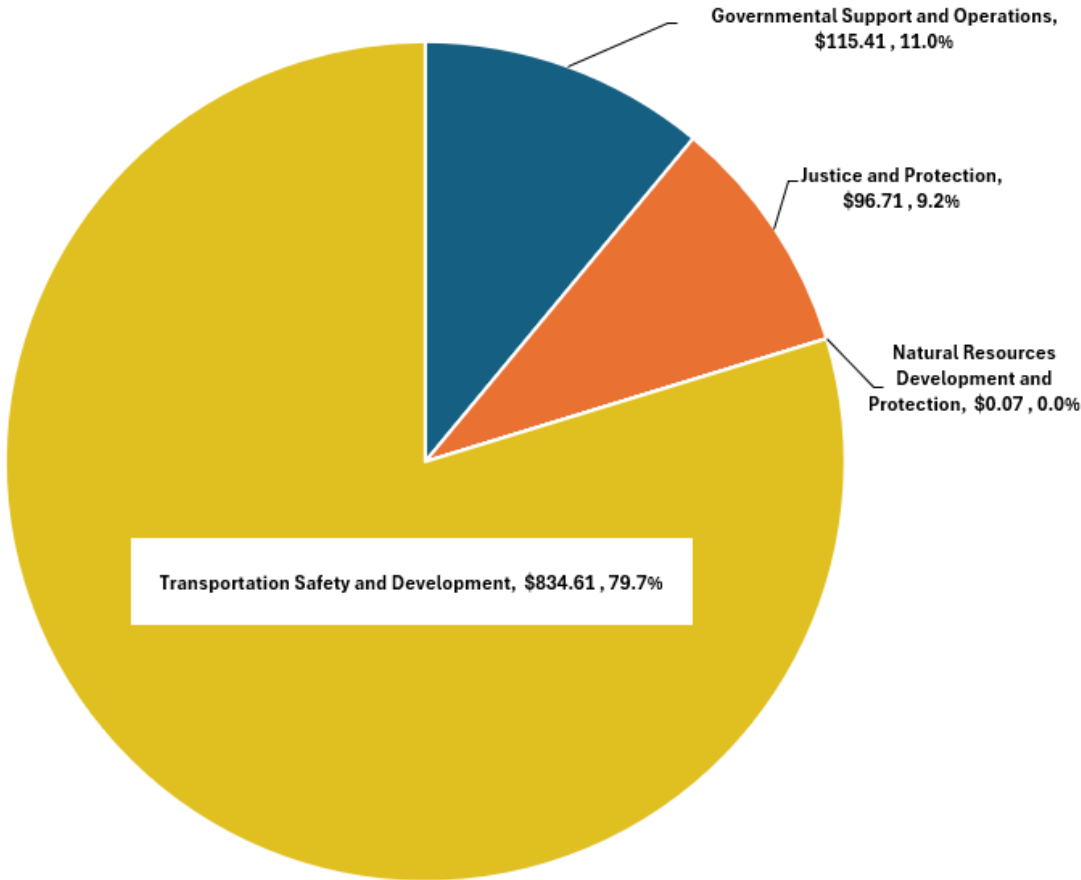


TABLE B-2

HIGHWAY FUND REVENUE FORECAST

SOURCE	FY 2025			FY 2026			FY 2027		
	ORIG	ADJ	BUDGET	ORIG	ADJ	BUDGET	ORIG	ADJ	BUDGET
Fuel Tax	219,713,849		219,713,849	219,298,398		219,298,398	219,633,936		219,633,936
Motor Vehicle Registrations & Fees	98,213,198		98,213,198	97,463,198		97,463,198	97,463,198		97,463,198
Inspection Fees	3,202,500		3,202,500	3,202,500		3,202,500	3,202,500		3,202,500
Miscellaneous Taxes & Fees	1,416,470		1,416,470	1,416,470		1,416,470	1,416,470		1,416,470
Fines Forfeits & Penalties	606,412		606,412	606,412		606,412	606,412		606,412
Income from Investments	4,397,137		4,397,137	3,036,366		3,036,366	2,351,582		2,351,582
Highway Fund Sales Tax Transfer	115,811,095		115,811,095	117,657,871		117,657,871	119,272,125		119,272,125
Liquor Operations Fund Transfer	59,000,000		59,000,000	59,000,000		59,000,000	59,000,000		59,000,000
Other Revenues	12,404,465		12,404,465	12,404,465		12,404,465	12,404,465		12,404,465
TOTAL REVENUE	514,765,126	-	514,765,126	514,085,680	-	514,085,680	515,350,688	-	515,350,688

CHART B-2

2026-2027 Biennium Highway Fund Forecasted Revenues - \$1,029.4
(dollars in millions)

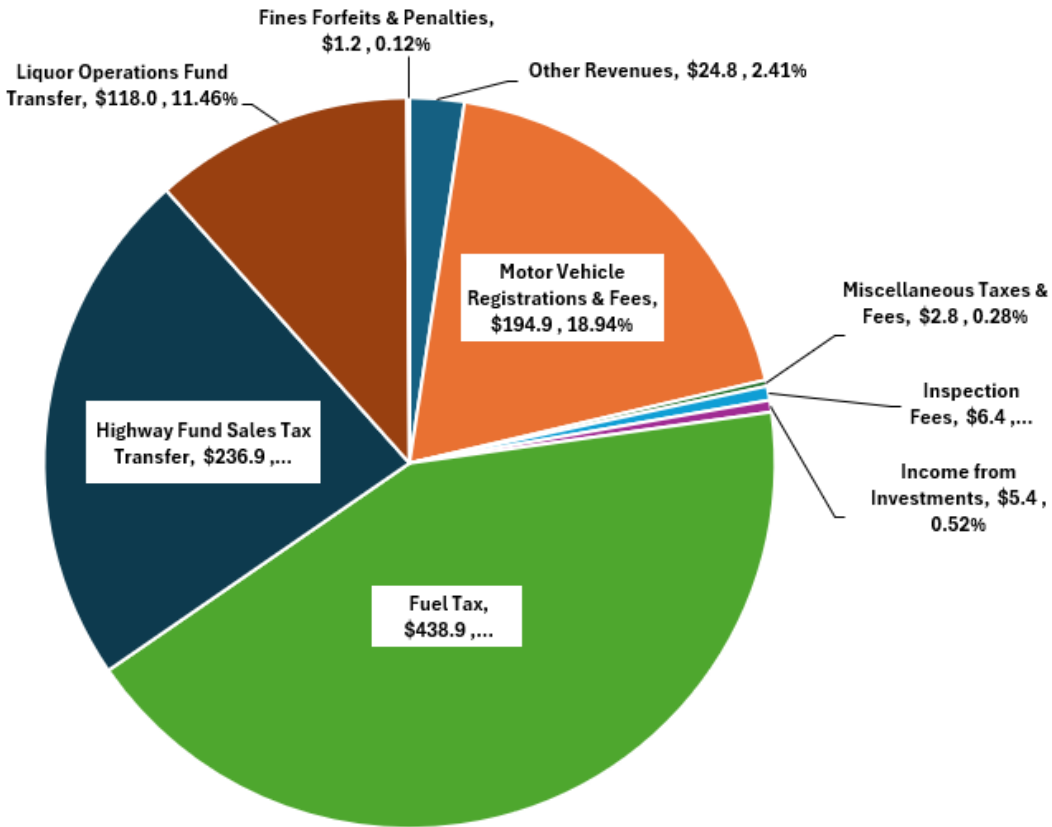
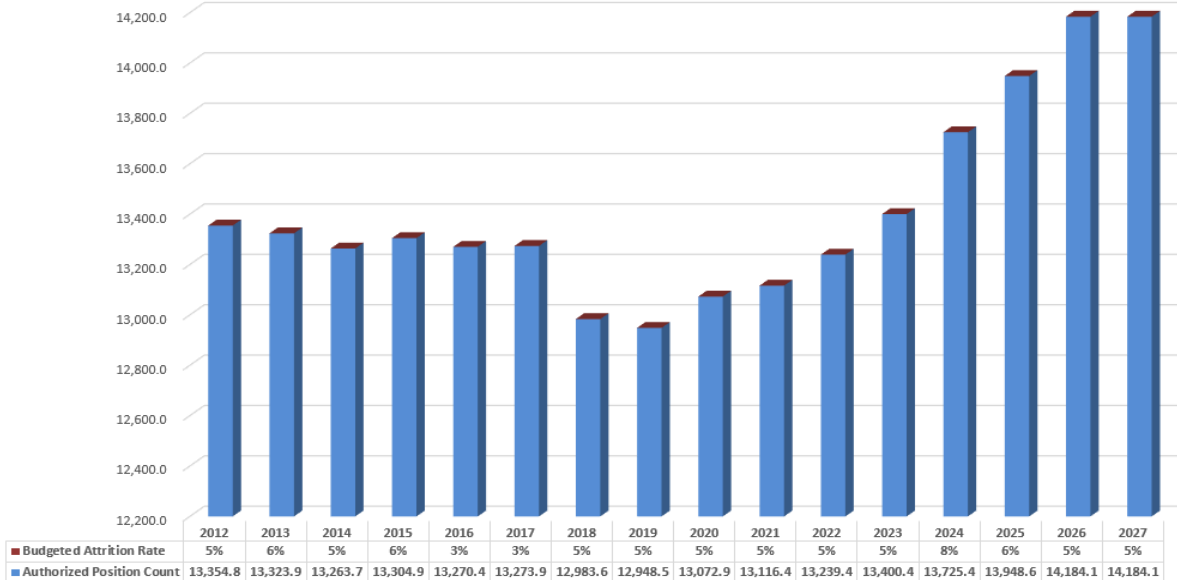


Chart C-1. Position Trend and Attrition Savings Rate through the Governor’s Recommendation 2026-2027



GENERAL FUND STATUS

	2024-2025 BUDGET			2026-2027 BUDGET		
	FY 2024	FY 2025	TOTAL	FY 2026	FY 2027	TOTAL
BALANCE	165,038,741		165,038,741	148,024,225		148,024,225
ADJUSTMENTS	(119,704,800)	(264,484,113)	(384,188,913)	98,776,165	-	98,776,165
REVENUE	5,352,762,657	5,578,432,856	10,931,195,513	5,599,159,570	5,780,723,628	11,379,883,198
TOTAL RESOURCES	5,398,096,598	5,313,948,743	10,712,045,341	5,845,959,960	5,780,723,628	11,626,683,588
ADJUSTMENTS						0
APPROPRIATIONS	5,076,393,804	5,487,627,312	10,564,021,116	5,759,955,105	5,866,728,483	11,626,683,588
PROJECTED BALANCE (SHORTFALL)	321,702,794	(173,678,569)	148,024,225	86,004,855	(86,004,855)	0

HIGHWAY FUND STATUS

	2024-2025 BUDGET			2026-2027 BUDGET		
	FY 2024	FY 2025	TOTAL	FY 2026	FY 2027	TOTAL
BALANCE	16,731,769		16,731,769	17,360,304		17,360,304
ADJUSTMENTS	1,470,535	(11,000,000)	(9,529,465)			-
REVENUE	510,869,139	514,765,126	1,025,634,265	514,085,680	515,350,688	1,029,436,368
TOTAL RESOURCES	529,071,443	503,765,126	1,032,836,569	531,445,984	515,350,688	1,046,796,672
ADJUSTMENTS	8,565,063		8,565,063			-
ALLOCATIONS	490,354,538	516,556,664	1,006,911,202	523,240,121	523,556,551	1,046,796,672
PROJECTED BALANCE (SHORTFALL)	30,151,842	(12,791,538)	17,360,304	8,205,863	(8,205,863)	-

FUND FOR A HEALTHY MAINE

	2024-2025 BUDGET			2026-2027 BUDGET		
	FY 2024	FY 2025	TOTAL	FY 2026	FY 2027	TOTAL
BALANCE	\$ 61,852,690		61,852,690	37,671,064		37,671,064
ADJUSTMENTS	436,609	-	436,609	-	-	-
REVENUE	\$ 53,112,315	48,329,919	101,442,234	32,511,056	29,361,813	61,872,869
TOTAL RESOURCES	115,401,614	48,329,919	163,731,533	70,182,120	29,361,813	99,543,933
ADJUSTMENTS						-
ALLOCATIONS	62,291,737	63,768,732	126,060,469	57,075,852	41,447,450	98,523,302
PROJECTED BALANCE (SHORTFALL)	53,109,877	37,671,064	37,671,064	13,106,268	(12,085,637)	1,020,631

FY 2024 figures in the above tables represent actuals and FY 2025 figures represent enacted laws through the Second Session of the 131st Legislature, and the Governor's Recommended FY25 Emergency Supplemental Budget which incorporates the December 2024 revenue forecast. Figures for FY 2026 and FY 2027 represent the Governor's Recommended Budget which includes the revenues from the December 2024 forecast.

Adjustments in the tables above include 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.

Tax Expenditures in the Governor's Budget

State law requires Maine Revenue Services-Office of Tax Policy to provide two tax expenditure reports in January of every odd-numbered year. The first report must be included in the state budget document and is provided below. 5 M.R.S.A. §1664 provides that the document specifically include:

“the estimated loss in revenue during the last completed fiscal year and the fiscal year in progress, and the anticipated loss in revenue for each fiscal year of the ensuing biennium, caused by the tax expenditures provided in Maine statutes; the term "tax expenditures" means those State tax revenue losses attributable to provisions of Maine tax laws which allow a special exclusion, exemption or deduction or which provide a specific credit, a preferential rate of tax or a deferral of tax liability.”

The second report, required by 36 M.R.S.A. § 199-B, must be submitted to the Joint Standing Committee on Taxation. This report must contain

“a summary of each tax expenditure, a description of the purpose and background of the tax expenditure and the groups likely to benefit from the tax expenditure, an estimate of the cost of the tax expenditure for the current biennium, any issues regarding tax expenditures that need to be considered by the Legislature, and any recommendation regarding the amendment, repeal or replacement of the tax expenditure.”

The tax expenditure budget is a concept that was developed to assure a budget review process for tax preferences similar to the review required for direct expenditure programs. The federal government and most state governments engage in a periodic review of tax expenditures. At the federal level a “normal” income tax structure is first determined using the broadest possible definition of income. Tax expenditures are reductions in income caused by a special exclusion, exemption or deduction, or reductions in tax liability which provide a tax credit, preferential tax rate or deferral of tax liability. At the state level this same “normal” tax law reference is used to calculate both sales and income tax expenditures.

Generally, tax expenditures provide tax incentives designed to encourage certain activities by taxpayers or provide relief to taxpayers in special circumstances. Many tax expenditures are the equivalent of a governmental subsidy in which the foregone tax revenue is essentially a direct budget outlay to specific groups of taxpayers. The object of this report is to identify and estimate the fiscal impact of those provisions of the state tax structure which grant benefits analogous to those provided by direct state spending programs.

In developing this report, certain expenditures have been excluded from the above definition of tax expenditure. These include those expenditures that are (1) established by federal mandate (e.g., the sales tax exclusion for food stamp purchases), (2) created at the state level to maintain conformity with traditional tax law when the federal government deviates from that law because it creates credits that the state does not adopt (e.g., the subtraction modification associated with federal work opportunity credit), or (3) the result of the state taxing certain activities under a different tax system (e.g., the income of a financial institution that is an S corporation).

In estimating the revenue loss attributed to a particular tax expenditure, it is assumed that the provision of law granting special tax treatment is repealed and that no other changes in tax law, taxpayer behavior or general economic activity occur as a result of its repeal. Consequently, it should not be concluded that the repeal of any of these tax expenditures will necessarily generate the amount of revenue which they are estimated to forego.

Some tax expenditures are estimated rather accurately from available administrative information or the state's micro-simulation tax models. For a much larger number of expenditures, special data must be developed which is less complete and accurate. Estimates for fiscal year 2023-24 and fiscal year 2024-25 generally assume modest increases in household and business activity, based on the economic forecast provided by the Consensus Economic Forecasting Committee in November 2024.

Finally, there are some expenditures where no information exists, and our limited resources prevent any special survey or other data generation procedures. Estimates for this group are reported as a range in an attempt to place some bounds on the size of these expenditures.

Maine's individual and corporate income tax systems are based upon the federal definitions of adjusted gross income and taxable income. Therefore, certain tax expenditures are authorized by continued acceptance of the provisions of the Internal Revenue Code. Unlike sales and excise tax expenditures or state income tax expenditures related to state tax credits or modifications from Federal Adjusted Gross Income (AGI), these are not subject to a systematic, periodic review by the Legislature. In many cases, the basis for identifying, estimating and forecasting income tax expenditures which are derived from federal conformity is the Joint Committee on Taxation's (JCT) Estimates of Federal Tax Expenditures for Federal Fiscal Years 2023-2027, compiled by the U.S. Joint Standing Committee on Taxation in their December 2023 report.

Tax expenditures resulting from conformity to Federal AGI that do not involve an above-the-line deduction on the Federal Form 1040 are particularly challenging to estimate due to a lack of data. For this reason, these expenditures are isolated at the end of the income tax section and provide specific estimates only for the largest expenditures. These estimates, based on the JCT study, are only intended to convey the order of magnitude of the expenditure.

All tax expenditure estimates in this report reflect revenue loss to the General Fund.

General Fund Tax Expenditures – Income Tax (Personal and Corporate) and Property Tax Reimbursement

General Fund Income Tax Expenditures	36 MRSA §	FY'24	FY'25	FY'26	FY'27
Reimbursement For Business Equipment Tax Exemption to Municipalities	Chapter 105, Subchapter 4-c	\$64,779,045	\$70,730,000	\$73,596,000	\$76,575,000
Reimbursement for Taxes Paid on Certain Business Property (BETR)	Chapter 915	\$18,095,129	\$17,340,000	\$16,319,000	\$15,358,000
Income from depreciation recapture on sale of multi-family affordable housing property	5122(2)(Z)	\$45,000	\$45,000	\$45,000	\$45,000
Deduction for Social Security Benefits Taxable at Federal Level	5122(2)(C)	\$144,600,000	\$153,390,000	\$157,160,000	\$166,930,000
Deduction for Contributions to Capital Construction Funds	5122(2)(I)	\$16,000	\$50,000	\$50,000	\$50,000
Deduction for Pension Income	5122(2)(M-2)	\$79,880,000	\$121,330,000	\$133,210,000	\$141,710,000
Deduction for Interest and Dividends on Maine State and Local Securities - Individual Income Tax	5122(2)(N)	\$335,000	\$370,000	\$340,000	\$285,000
Deduction for Holocaust Victim Settlement Payments	5122(2)(O)	A	A	A	A
Deduction for active duty military pay earned outside of Maine	5122(2)(LL)	\$2,280,000	\$2,485,000	\$2,615,000	\$2,750,000
Military annuity payments made to survivor	5122(2)(HH) 10 MRSA	\$250,000	\$260,000	\$270,000	\$285,000
Family development account proceeds	§1077	A	A	A	A
Municipal property tax benefits for senior citizens	5122(2)(EE)	\$10,000	\$10,000	\$10,000	\$10,000
Deduction for gain on sales of eligible timberlands	5122(2)(U)	\$49,000	\$355,000	\$405,000	\$460,000
Deduction for employer student loan payments on behalf of a qualified health care employee	5122(2)(SS)	\$39,000	\$41,000	\$43,000	\$45,000
Deduction for student loan payments made directly to lender by a program funded by a nonprofit and administered by FAME	5122(2)(XX) 5122(2)(ZZ) and	\$55,000	\$50,000	\$50,000	\$50,000
Exclusion of income earned by tribal members on tribal land	5122(1)(PP)	\$305,000	\$351,000	\$365,000	\$379,000
Deduction for contributions to a 529 plan	5122(2)(YY)	\$390,000	\$405,000	\$420,000	\$435,000
Itemized Deductions	5125	\$9,410,000	\$9,790,000	\$10,380,000	\$11,010,000
Additional standard deduction for the elderly and disabled	5124-A	\$10,980,000	\$10,220,000	\$10,850,000	\$11,260,000
Deduction for Exempt Associations, Trusts and Organizations	5162(2)	A	A	A	A
Deduction for Interest and Dividends on U.S., Maine State and Local Securities	5200-A(2)(K)	C	C	C	C
Deduction for interest on Maine Space Corporation Bond	Title 5, 3207(2)(B)	\$0	\$0	A	A
Nexus carve out for out-of-state suppliers of spirits	5202-D	\$665,000	\$700,000	\$735,000	\$770,000
Sales Tax Fairness Credit	5213-A	\$25,525,000	\$27,720,000	\$28,355,000	\$27,860,000
Credit to Beneficiary for Accumulation Distribution	5214-A	B	B	B	B
Seed Capital Investment Tax Credit	5216-B	\$6,040,000	\$5,370,000	\$5,270,000	\$5,470,000
Student Loan Repayment Tax Credit	5217-E	\$42,045,000	\$67,490,000	\$74,815,000	\$77,800,000
Employer Support for Volunteer Firefighters Tax Credit	5217-F	\$3,000	\$12,000	\$41,000	\$41,000
Income Tax Credit for Child Care Expense	5218	\$3,955,000	\$4,110,000	\$4,275,000	\$4,445,000
Adult dependent care credit	5218-A	\$16,500	\$17,000	\$17,500	\$18,000
Research Expense Tax Credit	5219-K	\$3,220,000	\$3,350,000	\$3,950,000	\$4,110,000
Earned Income Credit**	5219-S	\$38,150,000	\$40,350,000	\$41,300,000	\$40,900,000
Pine Tree Development Zone Tax Credit	5219-W	\$3,145,000	\$3,270,000	\$2,750,000	\$2,065,000
Biofuel commercial production and commercial use	5219-X 5219-Y, c. 919-	\$0	\$0	B	B
Tax Benefits for Media Production Companies	A	\$151,933	\$150,000	\$230,000	\$240,000
Credit for Rehabilitation of Historic Properties	5219-BB	\$10,577,000	\$16,897,000	\$21,074,000	\$22,707,000
Dental Care Access Credit	5219-DD	\$129,000	\$90,000	\$66,000	\$26,000
Innovation Finance Credit	5219-EE	\$0	\$0	*	*
Credit for Wellness Programs	5219-FF	\$0	A	A	A
New Markets Capital Investment Credit	5219-HH	\$3,857,000	\$3,389,000	\$841,000	\$643,000
Property Tax Fairness Credit	5219-KK	\$74,645,000	\$109,740,000	\$118,145,000	\$122,160,000

A represents an estimated spread of \$0 - \$10,000

B represents an estimated spread of \$0 - \$49,999

C represents an estimated spread of \$20,000 - \$100,000

D represents an estimated spread of \$500,000 - \$2,000,000

E represents an estimated spread of \$2,500,00 - \$5,000,000.

* Represents a potential liability

***The General Fund revenue loss from the EITC is net of reimbursements from TANF funds for the EITC.

General Fund Income Tax Expenditures	36 MRSA §	FY'24	FY'25	FY'26	FY'27
Primary Care Access Credit	5219-LL	\$57,000	\$70,000	\$80,000	\$90,000
Maine Capital Investment Credit for tyboa 1/1/20	5219-NN	\$9,600,000	\$8,100,000	\$2,800,000	\$350,000
Credit for disability income protection plans in the workplace	5219-OO	A	A	A	A
Credit for major business headquarters expansions	5219-QQ	\$760,000	\$760,000	\$760,000	\$760,000
Shipbuilding Facility Credit	5219-RR	\$3,087,500	\$2,968,750	\$2,968,750	\$2,968,750
Dependent Exemption Tax Credit in Excess of Tax Liability	5219-SS	\$0	\$18,050,000	\$17,820,000	\$17,730,000
	5219-UU				
Employer Credit for Family Leave	and 2536	\$74,000	\$68,000	\$71,000	\$36,000
Credit for major food processing and manufacturing facility expansion	5219-VV	\$0	\$0	\$0	\$1,453,500
Credit for affordable housing	5219-WW				
Renewable chemicals tax credit	5219-XX	\$0	\$0	B	B
Credit for paper manufacturing facility investment	5219-YY	\$0	\$0	\$1,520,000	\$1,520,000
Access to Justice Income Tax Credit	5219-ZZ	\$35,000	\$52,500	\$70,000	\$87,500
Dirigo Business Incentives Tax Credit	5219-AAA	\$0	\$3,581,500	\$44,783,000	\$46,388,500
Credit for investment if qualified professional baseball facilities	5219-BBB	\$0	\$0	\$126,350	\$126,350
Employment Tax Increment Financing	Chapter 917	\$10,275,947	\$10,282,054	\$9,697,000	\$6,745,000
	Title 5				
	Ch.383				
	SubCh. 3				
Loring Job Increment Financing	Art. 1-C	\$581,141	\$599,971	\$624,000	\$665,000
	Title 5				
Brunswick Naval Air Station Job Increment Financing	§13083-S-1	\$255,192	\$238,230	\$243,000	\$248,000

CONFORMITY WITH INTERNAL REVENUE CODE DEFINITION OF FEDERAL ADJUSTED GROSS INCOME: ABOVE THE LINE DEDUCTIONS

Health Savings Accounts	5102(1-D)	\$2,430,000	\$2,560,000	\$2,670,000	\$2,800,000
Deduction for Interest of Student Loans	5102(1-D)	\$2,020,000	\$3,230,000	\$3,680,000	\$4,020,000
Moving Expenses Deduction	5102(1-D)	\$26,000	\$29,000	\$30,000	\$570,000
Pension Contributions -- Individual Retirement Plans	5102(1-D)	\$4,910,000	\$5,120,000	\$5,340,000	\$5,600,000
Pension Contributions -- Partners & Sole Proprietors --Self-employed SEP, SIMPLE, and KEOGH Plans	5102(1-D)	\$8,160,000	\$8,610,000	\$8,990,000	\$9,400,000
Self-Employed Medical Insurance Premiums	5102(1-D)	\$10,180,000	\$10,710,000	\$11,190,000	\$11,670,000
Teacher Expense Deduction	5102(1-D)	\$280,000	\$290,000	\$305,000	\$315,000

CONFORMITY WITH INTERNAL REVENUE CODE DEFINITION OF FEDERAL ADJUSTED GROSS INCOME: OTHER

Certain Interest Income Excluded from Federal Adjusted Gross Income	5102(1-D)	\$12,070,000	\$12,230,000	\$10,990,000	\$9,060,000
Section 179 Expensing	5102(1-D)	\$2,500,000	\$2,600,000	\$2,800,000	\$3,500,000
Deduction for dividends received by domestic corporations from certain foreign corporations	5102(1-D)	D	D	D	D
Opportunity Zones	5102(1-D)	E	E	D	-\$13,000,000
Pension Contributions & Earnings -- Employer-Provided Pension Contributions and Earnings	5102(1-D)	\$399,600,000	\$436,700,000	\$480,500,000	\$569,400,000
Employer-Paid Medical Insurance and Expenses	5102(1-D)	\$236,500,000	\$253,100,000	\$257,800,000	\$266,800,000
Exclusion of Capital Gains at Death	5102(1-D)	\$50,900,000	\$50,300,000	\$54,600,000	\$58,300,000
Exclusion of Capital Gains on Sales of Principal Residences	5102(1-D)	\$32,400,000	\$35,000,000	\$42,200,000	\$45,800,000
Social Security and Railroad Retirement Benefits Untaxed at the Federal Level	5102(1-D)	\$88,000,000	\$93,300,000	\$112,600,000	\$123,200,000
Federal Conformity Other					
National Defense and Internation Affairs	5102(1-D)		\$8 - \$15 million per year		
Energy	5102(1-D)		\$1 - \$3 million per year		
Natural Resources, Environment, Agriculture	5102(1-D)		\$500k - \$2 million per year		
Commerce	5102(1-D)		\$80 - \$100 million per year		
Education, Training, Employment, and Social Service	5102(1-D)		\$40 - \$50 million per year		
Health and Income Security	5102(1-D)		\$80 - \$120 million per year		
Miscellaneous	5102(1-D)		\$45 - \$60 million per year		

A represents an estimated spread of \$0 - \$10,000

B represents an estimated spread of \$0 - \$49,999

C represents an estimated spread of \$20,000 - \$100,000

D represents an estimated spread of \$500,000 - \$2,000,000

E represents an estimated spread of \$2,500,00 - \$5,000,000

General Fund Tax Expenditures – Sales, Motor Fuel and Service Provider Taxes

General Fund Sales & Use Tax Expenditures	36 MRSA §	FY'24	FY'25	FY'26	FY'27
Exempt from Sales Tax the Fee Associated with the Paint	1752.14	\$83,000	\$84,000	\$85,000	\$86,000
	1760.2 &				
Sales to the State & Political Subdivisions	2557.2	\$225,135,000	\$230,893,000	\$236,834,000	\$242,965,000
Grocery Staples	1760.3	\$183,963,000	\$182,423,000	\$183,884,000	\$185,155,000
Ships Stores	1760.4	B	B	B	B
Prescription Drugs	1760.5	\$117,041,000	\$121,131,000	\$126,010,000	\$130,865,000
Prosthetic or Orthotic Device	1760.5A	\$8,076,000	\$8,199,000	\$8,231,000	\$8,254,000
Meals Served by Public or Private Schools	1760.6A	\$6,932,000	\$7,151,000	\$7,385,000	\$7,628,000
Meals Served to Patients in Hospitals & Nursing Homes	1760.6B	\$8,801,000	\$9,050,000	\$9,246,000	\$9,442,000
Providing Meals for the Elderly	1760.6C	D	D	D	D
Providing Meals to Residents of Certain Nonprofit Congregate Housing Facilities	1760.6D	A	A	A	A
Certain Meals Served by Colleges to Employees of the College	1760.6E	A	A	A	A
Meals Served by Youth Camps that are Licensed by DHHS	1760.6F	C	C	C	C
Meals Served by a Retirement Facility to its Residents	1760.6G	D	D	D	D
Products Used in Agricultural and Aquacultural Production & Bait	1760.7A-C	\$9,804,000	\$9,881,000	\$9,960,000	\$10,040,000
Certain Jet Fuel	1760.8B	\$8,828,000	\$7,821,000	\$7,537,000	\$7,324,000
Coal, Oil & Wood for Cooking & Heating Homes	1760.9	\$45,694,000	\$45,129,000	\$44,680,000	\$43,690,000
Fuel Oil for Burning Blueberry Land	1760.9A	A	A	A	A
First 750 KW Hours of Residential Electricity Per Month	1760.9B	\$49,020,000	\$45,030,000	\$45,710,000	\$46,020,000
Gas When Used for Cooking & Heating in Residences	1760.9C	\$15,936,000	\$16,705,000	\$17,544,000	\$18,204,000
Fuel and Electricity Used in Manufacturing	1760.9D	\$34,685,000	\$29,869,000	\$27,624,000	\$25,891,000
Fuel Oil or Coal which become an Ingredient or Component Part	1760.9G	A	A	A	A
Certain Returnable Containers	1760.12	D	D	D	D
Packaging Materials	1760.12A	\$20,631,000	\$20,913,000	\$20,868,000	\$20,914,000
Free Publications and Components of Publications	1760.14-A	\$1,451,000	\$1,686,000	\$1,744,000	\$1,803,000
	1760.16 &				
Sales to Hospitals, Research Centers, Churches and Schools	2557.3	F	F	F	F
Rental Charges for Living Quarters in Nursing Homes and Hospitals	1760.18	F	F	F	F
	1760.18A &				
Sales to Certain Residential Child Care Facilities	2557.4	B	B	B	B
Rental of Living Quarters at Schools	1760.19	\$17,773,000	\$18,407,000	\$19,063,000	\$19,742,000
Rental Charges on Continuous Residence for More Than 28 Days	1760.20	\$141,729,000	\$150,613,000	\$158,193,000	\$165,733,000
Automobiles Used in Driver Education Programs	1760.21	A	A	A	A
Certain Loaner Vehicles	1760.21A	C	C	C	C
Automobiles Sold to Amputee Veterans	1760.22	A	A	A	A
Certain Vehicles Purchased or Leased by Nonresidents	1760.23C	C	C	C	C
Certain Vehicles Purchased or Leased by Qualifying Resident Businesses	1760.23D	D	D	D	D
Funeral Services	1760.24	\$6,445,000	\$6,673,000	\$6,849,000	\$7,048,000
Watercraft Purchased by Nonresidents	1760.25	C	C	C	C
Certain Sales of Snowmobiles and All terrain Vehicles to Nonresidents	1760.25C	B	B	B	B
	1760.26 &				
Sales to Ambulance Services & Fire Departments	2557.5	B	B	B	B
Sales to Comm. Mental Health, Substance Abuse Facilities & Facilities for the Developmentally Disabled	1760.28 & 2557.6	D	D	D	D
Water Pollution Control Facilities	1760.29	C	C	C	C
Air Pollution Control Facilities	1760.30	C	C	C	C
Machinery & Equipment	1760.31	\$29,288,000	\$29,840,000	\$29,470,000	\$29,407,000
New Machinery for Experimental Research	1760.32	B	B	B	B
Diabetic Supplies	1760.33	\$1,422,000	\$1,510,000	\$1,608,000	\$1,711,000
Sales Through Coin Operated Vending Machines	1760.34	\$2,116,000	\$2,231,000	\$2,353,000	\$2,481,000
Goods& Services for Seeing Eye Dogs	1760.35	A	A	A	A
	1760.37 &				
Sales to Regional Planning Agencies	2557.7	A	A	A	A
Water Used in Private Residences	1760.39	\$9,820,000	\$9,552,000	\$9,789,000	\$10,032,000
Mobile & Modular Homes	1760.40	\$5,891,000	\$6,144,000	\$6,408,000	\$6,683,000

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 F represents an estimated spread of \$6,000,000 or more

General Fund Sales & Use Tax Expenditures	36 MRSA §	FY'24	FY'25	FY'26	FY'27
Property Used in Interstate Commerce	1760.41	E	E	E	E
	1760.42 &				
Sales to Historical Societies & Museums	2557.8	A	A	A	A
	1760.43 &				
Sales to Child Care Facilities	2557.9	B	B	B	B
	1760.44 &				
Sales to Church Affiliated Residential Homes	2557.10	A	A	A	A
Certain Property Purchased Out of State	1760.45	D	D	D	D
	1760.46 &				
Sales to Organ. that Provide Residential Facilities for Med. Patients	2557.11	A	A	A	A
	1760.47A				
Sales to Emergency Shelters & Feeding Organizations	& 2557.12	C	C	C	C
Sales to Comm. Action Agencies; Child Abuse Councils; Child Advocacy Orgs.	1760.49 &				
	2557.13	B	B	B	B
	1760.50 &				
Sales to any Nonprofit Free Libraries	2557.14	B	B	B	B
	1760.51 &				
Sales to Veterans Memorial Cemetery Associations	2557.15	A	A	A	A
Railroad Track Materials	1760.52	\$580,000	\$592,000	\$606,000	\$620,000
	1760.53 &				
Sales to Nonprofit Rescue Operations	2557.16	A	A	A	A
	1760.55 &				
Sales to Hospice Organizations	2557.17	A	A	A	A
	1760.56 &				
Sales to Nonprofit Youth & Scouting Organizations	2557.18	A	A	A	A
Self Help Literature on Alcoholism	1760.57	A	A	A	A
Portable Classrooms	1760.58	A	A	A	A
	1760.59 &				
Sales to Certain Incorporated, Nonprofit Educational Orgs.	2557.19	A	A	A	A
Sales to Incorporated Nonprofit Animal Shelters	1760.60	B	B	B	B
	1760.61 &				
Construction Contracts with Exempt Organizations	2557.31	D	D	D	D
	1760.62 &				
Sales to Certain Charitable Suppliers of Medical Equipment	2557.20	A	A	A	A
Sales to Orgs that Fulfill the Wishes of Children with Life-threatening Diseases	1760.63 &				
	2557.21	A	A	A	A
Sales by Schools & School Sponsored Organizations	1760.64	C	C	C	C
Sales to Monasteries and Convents	1760.65	A	A	A	A
Sales to Providers of Certain Support Systems for Single Parent Families	1760.66 &				
	2557.22	A	A	A	A
	1760.67 &				
Sales to Nonprofit Home Construction Organizations	2557.23	B	B	B	B
Sales to Orgs that Create & Maintain a Registry of Vietnam Veterans	1760.69 &				
	2557.24	A	A	A	A
Sales to Orgs that Provide Certain Services for Hearing-impaired Persons	1760.70 &				
	2557.25	A	A	A	A
	1760.71 &				
Sales to State Chartered Credit Unions	2557.26	A	A	A	A
	1760.72 &				
Sales to Nonprofit Housing Development Organizations	2557.27	C	C	C	C
Seedlings for Commercial Forestry Use	1760.73	B	B	B	B
Property Used in Manufacturing Production	1760.74	\$432,421,000	\$432,816,000	\$437,993,000	\$443,292,000
Meals& Lodging Provided to Employees	1760.75	B	B	B	B
Certain Aircraft Parts	1760.76	A	A	A	A
	1760.77 &				
Sales to Eye Banks	2557.28	A	A	A	A
Sales of Certain Farm Animal Bedding & Hay	1760.78	B	B	B	B
Electricity Used for Net Billing	1760.80	\$3,298,000	\$4,444,000	\$5,710,000	\$6,956,000
Animal Waste Storage Facility	1760.81	C	C	C	C
Sales of Property Delivered Outside this State	1760.82	F	F	F	F

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General Fund Sales & Use Tax Expenditures	36 MRSA §	FY'24	FY'25	FY'26	FY'27
Sales of Certain Printed Materials	1760.83	D	D	D	D
	1760.84 &				
Sales to Centers for Innovation	2557.29	A	A	A	A

Certain Sales by an Auxiliary Organization of the American Legion	1760.85	B	B	B	B
Pine Tree Development Zone Businesses; Reimbursement of Certain Taxes	2016	\$0	\$5,000	\$3,000	\$2,000
Sales of Tangible Personal Property to Qualified Development Zone Businesses	1760.87	D	D	D	D
Sales of Certain Aircraft	1760.88	B	B	B	B
Sale, Use or Lease of Aircraft and Sales of Repair and Replacement Parts	1760.88-A	\$701,000	\$758,000	\$818,000	\$884,000
Sales of Certain Qualified Snowmobile Trail Grooming Equipment	1760.90	\$10,000	\$17,000	\$17,000	\$17,000
Certain Sales of Electrical Energy	1760.91	C	C	C	C
Certain Vehicle Rentals	1760.92	C	C	C	C
Plastic Bags Sold to Redemption Centers	1760.93	A	A	A	A
Positive Airway Pressure Equipment and Supplies	1760.94	\$5,323,000	\$7,102,000	\$9,593,000	\$10,092,000
Sales of Certain Adaptive Equipment	1760.95	B	B	B	B
	1760.98 &				
Sales to Certain Veterans Support Organizations	2557.37	A	A	A	A
	1760.99 &				
Sales to Nonprofit Library Collaboratives	2557.38	A	A	A	A
Sales to Certain Veterans Service Organizations	1760.100	A	A	A	A
Certain sales by civic, religious and fraternal organizations	1760.101	\$34,000	\$34,000	\$34,000	\$33,000
Nonprofit Heating Assistance Organizations	1760.102	\$20,000	\$20,000	\$20,000	\$20,000
	1760.103 &				
Certain Nonprofit Organizations Supporting Veterans	2557.39	A	A	A	A
Sales to Nonprofit Youth Camps	1760.104	B	B	B	B
Sales to Pet Food Pantries	1760.105	A	A	A	A
Locally organized member of nonprofit worldwide charitable organization	1760.106	\$265,700	\$293,400	\$307,200	\$316,400
Menstrual products	1760.107	\$904,000	\$946,000	\$989,000	\$1,032,000
Area agency on aging	1760.108	\$108,000	\$119,000	\$125,000	\$129,000
Nonprofit cemeteries	1760.109	\$6,000	\$6,000	\$6,000	\$6,000
Certain educational collaboratives	1760.110	\$4,000	\$4,000	\$4,000	\$4,000
Firearm safety devices	1760.111	\$99,000	\$102,000	\$102,000	\$102,000
Sales to Tribes	1760.112	A	A	A	A
Sales to Tribal Members	1760.113	B	B	B	B
Sales to Tribal Entities	1760.114	A	A	A	A
Sales to Section 501(c)(3) nonprofit organizations	1760.115	\$0	\$3,829,000	\$9,510,000	\$9,807,000
Trade In Credits	1765	\$40,443,000	\$39,872,000	\$40,215,000	\$40,323,000
Merchandise Donated from a Retailers Inventory to Exempt Organizations	1864	B	B	B	B
Refund of Sales Tax on Goods Removed from the State	2012	A	A	A	A
Refund of Sales Tax on Certain Depreciable Machinery and Equipment	2013	\$15,327,000	\$15,532,000	\$15,368,000	\$15,741,000
Fish Passage Facilities	2014	A	A	A	A
Refund of Sales Tax on Purchases of Parts and Supplies for Windjammers	2020	B	B	B	B
Reimbursement of the Sales Tax Paid on Certain Battery Energy Storage Systems	2021	\$0	\$0	\$2,257,000	\$3,386,000
Consumer Purchases of Medical Services	1752.11	\$647,061,000	\$679,013,000	\$707,260,000	\$739,973,000
Consumer Purchases of Transportation Services	1752.11	\$106,751,000	\$110,711,000	\$112,230,000	\$113,948,000
Consumer Purchases of Amusement and Recreational Services	1752.11	\$140,395,000	\$144,660,000	\$148,057,000	\$150,062,000
Consumer Purchases of Financial Services	1752.11	\$224,007,000	\$234,320,000	\$238,539,000	\$241,898,000
Consumer Purchases of Information Services Except Telecommunications	1752.11	\$12,358,000	\$12,694,000	\$13,061,000	\$13,438,000
Consumer Purchases of Education Services	1752.11	\$64,072,000	\$66,223,000	\$68,027,000	\$70,023,000

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General Fund Sales & Use Tax Expenditures	36 MRSA §	FY'24	FY'25	FY'26	FY'27
Consumer Purchases of Personal, Household and Business Services	1752.11	\$105,219,000	\$107,775,000	\$110,787,000	\$113,772,000
Consumer Purchases of Social Services	1752.11	\$78,383,000	\$80,490,000	\$82,820,000	\$85,215,000
Business Purchases of Transportation Services	1752.11	\$101,280,000	\$103,746,000	\$104,936,000	\$106,363,000
Business Purchases of Information Services Except Telecommunications	1752.11	\$79,472,000	\$82,183,000	\$83,725,000	\$85,305,000
Business Purchases of Financial Services	1752.11	\$400,217,000	\$410,578,000	\$417,058,000	\$423,902,000
Business Purchases of Legal, Business, Administrative and Support Services	1752.11	\$686,822,000	\$705,792,000	\$715,929,000	\$727,143,000
Business Purchases of Educational Services	1752.11	\$4,478,000	\$4,592,000	\$4,656,000	\$4,701,000

Business Purchases of Medical Services	1752.11	\$12,018,000	\$12,441,000	\$12,654,000	\$12,858,000
Business Purchases of Social Services	1752.11	\$108,000	\$102,000	\$106,000	\$107,000
Business Purchases of Amusement and Recreational Services	1752.11	\$24,828,000	\$25,706,000	\$26,133,000	\$26,582,000
Business Purchases of Repair, Maintenance and Personal Services	1752.11	\$42,378,000	\$43,442,000	\$44,072,000	\$44,698,000
Business Purchases of Construction Services for Maintenance and Repair	1752.11	\$68,682,000	\$70,614,000	\$71,719,000	\$72,733,000
Casual Sales	1752.11	D	D	D	D
Sales by Executors	1752.11	A	A	A	A
Certain Telecommunications Services	2557.33,34	D	D	D	D

General Fund Cigarette Tax Expenditure

Cigarette Stamp Tax Deduction for Licensed Distributors	4366A.2	\$1,148,000	\$1,211,000	\$1,182,000	\$1,154,000
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Highway Fund Sales & Use Tax Expenditures

Motor Vehicle Fuel.	1760.8-A	\$197,120,000	\$190,289,000	\$184,520,000	\$180,114,000
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Other Fund Tax Expenditures – Sales, Motor Fuel and Service Provider Taxes

Real Estate Transfer Tax Expenditures	36 MRSA §	FY'24	FY'25	FY'26	FY'27
Exemptions of the RETT, General Fund	4641C	\$12,620,000	\$12,840,000	\$6,410,000	\$6,530,000
Exemptions of the RETT, Housing First Fund	4641C	\$0	\$0	\$6,410,000	\$6,530,000
Exemptions of the RETT, HOME Fund	4641C	\$12,620,000	\$12,840,000	\$12,810,000	\$13,060,000

Multimodal Transportation Fund Aeronautical Fuel Tax Expenditures

Excise Tax Exemption on Jet or Turbo Jet Fuel International Flights	2903.4	\$73,000	\$99,000	\$98,000	\$97,000
Refund of Excise Tax on Fuel Used in Piston Aircraft	2910	\$20,000	\$20,000	\$20,000	\$20,000

Highway Fund Gasoline and Special Fuel Tax Expenditures

State and Local Government Exemption from the Gasoline Tax.	2903	\$967,000	\$900,000	\$913,000	\$925,000
Gasoline Exported from the State.	2903	\$31,025,000	\$31,464,000	\$30,342,000	\$29,261,000
Refund of the Gasoline Tax for Off-Highway Use and for Certain Bus Companies	2908 and 2909	\$47,000	\$74,000	\$72,000	\$70,000
Refund of the Gasoline Tax to Government Agencies and Political Subdivisions	2910-B	\$1,377,000	\$1,290,000	\$1,310,000	\$1,330,000
State & Local Government Exemption from the Special Fuel Tax	3204-A	\$1,682,000	\$1,628,000	\$1,574,000	\$1,521,000
Special Fuel Exported from the State.	3204-A	\$6,776,000	\$6,853,000	\$6,764,000	\$6,676,000
Refund of Special Fuel Tax for Off-Highway Use and for Certain Bus Companies	3215 and 3218	\$1,227,000	\$1,351,000	\$1,342,000	\$1,334,000
Refund of the Special Fuels Tax to Government Agencies and Political Subdivisions	3208-A	\$373,000	\$360,000	\$348,000	\$336,000

Other Special Revenue

Wild Blueberries Grown on Tribal Land	4303-B	\$95,000	\$95,000	\$95,000	\$95,000
Potatoes Grown on Tribal Land	4605.1-A	A	A	A	A

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Requested and Recommended Appropriations and Allocations

Judicial Department

Pursuant to 5 MRSA, chapter 149, §1664, sub-§2, the Governor must provide notice when the recommended appropriations and allocations for the Judicial Department differ from the budget request submitted by the Judicial Department, providing an explanation for any differences.

The chart below summarizes the baseline budgets by fund type, for the Judicial Department for each year of the upcoming biennium, for Personal Services, All Other and Capital. It also provides summary information for changes to appropriations and allocations requested by the department and the recommended appropriations and allocations appearing in the Governor's budget.

In its original submission, the Judicial Department requested an increase in General Fund appropriations of nearly \$46.3 million over the course of the biennium. The Governor's budget for the 2024–2025 biennium recommends a total increase in appropriations of \$31.1 million and a reduction of approximately \$4.2 million for an attrition savings initiative for a net increase in appropriations of about \$26.9 million. Careful consideration was given to the Department's requests, taking into account the Chief Justice's rationale for the proposed budget and the needs of the Department and within the larger context of the range of needs across state government.

The Judicial Department requested an increase in allocations of federal funds totaling approximately \$350 thousand. This request was later revised to the number recommended by the Governor's budget. Lastly, the Department requested an increase in Other Special Revenue of approximately \$1.6 million; the Governor's budget recommends an increase in allocation of nearly \$94 thousand. The Governor's recommendation includes shifting approximately \$2 million related to technology services from Other Special Revenue to a General Fund appropriation.

JUDICIAL DEPARTMENT

	FY 26 Revised Baseline Budget	FY 27 Revised Baseline Budget	Requested Changes FY 26	Requested Changes FY 27	Recommended Changes FY 26	Recommended Changes FY 27	FY 26 Recommended Budget	FY 27 Recommended Budget
GENERAL FUND								
Personal Services	71,183,996	72,857,229	11,261,183	13,329,955	2,408,721	2,548,899	73,592,717	75,406,128
All Other	46,567,616	46,567,616	8,585,360	13,117,897	8,594,935	13,038,872	55,162,551	59,606,488
Capital					150,000	150,000	150,000	150,000
Unallocated							-	-
Total	117,751,612	119,424,845	19,846,543	26,447,852	11,153,656	15,737,771	128,905,268	135,162,616
FEDERAL EXPENDITURE FUND								
Personal Services	166,201	168,749			125,881	126,981	292,082	295,730
All Other	1,088,957	46,567,616	33,625	34,602	(343,631)	(343,620)	745,326	46,223,996
Capital							-	-
Unallocated							-	-
Total	1,255,158	46,736,365	33,625	34,602	(217,750)	(216,639)	1,037,408	46,519,726
OTHER SPECIAL REVENUE FUNDS								
Personal Services	4,631,529	4,730,645	1,008,904	1,036,490	1,001,900	1,038,729	5,633,429	5,769,374
All Other	5,607,739	5,607,739	(994,300)	(460)	(973,791)	(973,081)	4,633,948	4,634,658
Capital	950,000	950,000	280,000	280,000			950,000	950,000
Unallocated							-	-
Total	11,189,268	11,288,384	294,604	1,316,030	28,109	65,648	11,217,377	11,354,032
TOTAL	130,196,038	177,449,594	20,174,772	27,798,484	10,964,015	15,586,780	141,160,053	193,036,374

Office of Program Evaluation and Government Accountability

Pursuant to 5 MRSA, chapter 149, §1664, sub-§3, the Governor must provide notice when the recommended appropriations and allocations for the legislative Office of Program Evaluation and Government Accountability (OPEGA) differ from those requested by the Legislative Council, providing an explanation for any such difference.

The Legislative Council did not submit additional budget requests for OPEGA. The Baseline Budget is reflected in the Governor’s recommended biennial budget.

OFFICE OF PROGRAM EVALUATION AND GOVERNMENT ACCOUNTABILITY

	FY 26 Revised Baseline Budget	FY 27 Revised Baseline Budget	Requested Changes FY 26	Requested Changes FY 27	Recommended Changes FY 26	Recommended Changes FY 27	FY 26 Recommended Budget	FY 27 Recommended Budget
GENERAL FUND								
Personal Services	1,628,871	1,733,865					1,628,871	1,733,865
All Other	149,088	149,088					149,088	149,088
Capital	-	-					-	-
Unallocated	-	-					-	-
Total	1,777,959	1,882,953	-	-	-	-	1,777,959	1,882,953
TOTAL	1,777,959	1,882,953	-	-	-	-	1,777,959	1,882,953

Maine Indian Tribal-State Commission

5 MRSA, chapter 149, §1664, sub-§3-B states that if the Governor submits legislation setting forth appropriations or allocations for the Maine Indian Tribal-State Commission that differ from the full budget proposal developed under 30 MRSA, §6212, sub-§ 6, the Governor shall simultaneously submit a report to the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs and the joint standing committee of the Legislature having jurisdiction over judiciary matters explaining why the Governor’s budget legislation differs from that proposal.

The Maine Indian Tribal-State Commission requested an increase in General Fund appropriations of \$614,663 for the 2026-2027 biennium. The Governor’s budget includes the revised baseline amount of \$537,000.

MAINE INDIAN TRIBAL-STATE COMMISSION

	FY 26 Revised Baseline Budget	FY 27 Revised Baseline Budget	Requested Changes FY 26	Requested Changes FY 27	Recommended Changes FY 26	Recommended Changes FY 27	FY 26 Recommended Budget	FY 27 Recommended Budget
GENERAL FUND								
Personal Services							-	-
All Other	268,500	268,500	34,442	43,221			268,500	268,500
Capital	-	-					-	-
Unallocated	-	-					-	-
Total	268,500	268,500	34,442	43,221	-	-	268,500	268,500
TOTAL	268,500	268,500	34,442	43,221	-	-	268,500	268,500

Research and Development

5 MRSA, chapter 149, §1664, sub-§3-A, establishes a formula for determining a funding level for research and development. In FY10, that formula set the level at not less than 1% of total actual General Fund revenue in FY09. For each successive year for the following decade, that funding level is to increase by at least two-tenths of 1% until funding for research and development is the equivalent to not less than 3% of total actual General Fund revenue of the previous fiscal year.

The funding level recommended for research and development as recommended in the Governor’s budget includes an appropriation of approximately \$21.9 million in each year of the biennium to the Maine Economic Improvement Fund, University of Maine System. It also includes a recommended appropriation of just over \$7 million in FY26 and \$10 million in FY27 for the Office of Innovation, within the Department of Economic and Community Development. Both of these appropriations are for the support of research and development activities.

This funding level falls short of that which would be otherwise calculated using the formula described above. Careful consideration was made in arriving at the recommended funding levels, as investment in research and development is critical to Maine’s economy and future.

RESEARCH & DEVELOPMENT

	FY 26 Revised Baseline Budget	FY 27 Revised Baseline Budget	Requested Changes FY 26	Requested Changes FY 27	Recommended Changes FY 26	Recommended Changes FY 27	FY 26 Recommended Budget	FY 27 Recommended Budget
GENERAL FUND								
Personal Services	335,776	349,784					335,776	349,784
All Other	28,644,260	28,644,260				3,000,000	28,644,260	31,644,260
Capital							-	-
Unallocated							-	-
Total	28,980,036	28,994,044	-	-	-	3,000,000	28,980,036	31,994,044
TOTAL	28,980,036	28,994,044	-	-	-	3,000,000	28,980,036	31,994,044

Debt Analysis

Statute requires that the biennial budget document include information on the bonded indebtedness of the State Government. The following information is as of June 30, 2024. As reflected in the table on debt service requirements, the final payment for Highway Funds bonds issued on June 8, 2011 was made on June 1, 2021.

General Obligation Bonds (GOs)	Debt secured by state's full faith, credit, and taxing power.	\$454,295,000
Authorized but Unissued GO Bonds	Bonds authorized by voters, but not yet borrowed upon.	\$0

Authorized but Unissued Debt: Debt that has been authorized but has not yet been issued

Debt Service: Principal and interest paid, or estimated to be paid, on outstanding debt

General Obligation Debt: General Fund and/or Highway Fund bonds approved by the voters with the full faith and credit of the State.

Interest: That part of debt service, which does not reduce the outstanding debt balance, as it represents the contract or coupon rate of the face amount of the bond payable on a periodic basis.

Outstanding Debt: Debt that has been issued, or is estimated to be issued, but has not yet been retired.

Principal: That part of the debt service which reduces the outstanding balance as it represents payments of the face amount of the bond on specified maturity dates that retire the debt.

GENERAL FUND BONDS			
DEBT SERVICE REQUIREMENTS TO MATURITY			
As of June 30, 2024			
FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
2025	93,780,000	21,998,088	115,778,088
2026	83,515,000	17,712,488	101,227,488
2027	73,745,000	13,721,788	87,466,788
2028	63,945,000	10,068,338	74,013,338
2029	52,820,000	6,897,750	59,717,750
2030	38,730,000	4,272,750	43,002,750
2031	25,965,000	2,388,000	28,353,000
2032	15,205,000	1,089,750	16,294,750
2033	6,590,000	329,500	6,919,500
Total	454,295,000	78,478,450	532,773,450

HIGHWAY FUND BONDS			
DEBT SERVICE REQUIREMENTS TO MATURITY			
As of June 30, 2024			
FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
Total	-	-	-
GF and HF Total	454,295,000	78,478,450	532,773,450

General Fund Appropriation Limitation

Maine Revised Statutes, Title 5, section 1534, sub-section 1 requires establishing a General Fund Appropriation Limitation for the upcoming biennium by December 1st of each even-numbered year. The Appropriation Limitation has historically been established by the State Budget Officer and is calculated as prescribed in §1534, sub-§1 using definitions set out in Title 5 §1531.

The calculation uses appropriations for a defined fiscal year as a base to which a Growth Limitation Factor is applied to establish the Appropriation Limitation for subsequent fiscal years. As per statute, the Growth Limitation Factor is average personal income growth defined as the average for the prior 10 calendar years, ending with the most recent calendar year for which data is available, of the percent change in personal income in this State, as estimated by the United States Department of Commerce, Bureau of Economic Analysis. The average personal income growth is determined by October 1st, annually, by the State Economist.

Maine Revised Statutes, Title 5, section 1664, sub-section 5 requires that the total General Fund appropriation for each fiscal year of the biennium in the Governor's Recommended Budget may not exceed the established limitation.

In Fiscal Year 2025 and into the 2026-2027 biennial, the MaineCare program is experiencing a funding gap stemming predominantly from significant MaineCare enrollment increases due to the federal COVID-era continuous enrollment requirement, as well as from increases in health care costs due to high inflation, increasing patient need, returning to pre-pandemic levels of service utilization, and reimbursement practices that do not control sufficiently for cost growth. The biennial budget for 2026-2027 includes \$122 million in General Fund per year to stabilize the program and bridge the shortfall. In FY26, this results in appropriations exceeded the established limitation. The biennial budget includes language to notwithstanding the limit for the one year.

General Fund Appropriation Limitation at Rebased Level		
	FY26	FY27
Annual Growth Limitation Factor		5.51%
Appropriation Limit	5,662,186,809	5,974,430,185
Governor's Recommended 2026-2027 Budget Appropriations	5,759,953,291	5,866,730,299

Economic Outlook and Forecast

Background

The Maine Consensus Economic Forecasting Commission (CEFC) was originally established by Executive Order on May 25, 1992, in order 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 in 1991 to establish an independent, consensus process for state economic and revenue forecasting. Public Law 1995, chapter 368 enacted in statute the Consensus Economic Forecasting Commission, 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. Members of the commission are appointed as follows: two members appointed by the Governor; one member recommended for appointment to the Governor by the President of the Senate; one member recommended for appointment to the Governor by the Speaker of the House of Representatives; and one member appointed by the other members of the commission. One member of the commission must be selected by a majority vote of the other commission members to serve as the chair of the commission.

The commission is required to develop two-year and four-year economic forecasts for the State of Maine. In performing this duty, the commission is required by statute to meet twice each fiscal year. No later than April 1st and November 1st of each odd-numbered year and no later than February 1st and November 1st of each even-numbered year the commission shall submit to the Governor, the Legislative Council, the Revenue Forecasting Committee and the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs a report that presents the commission's findings and recommendations for adjustments to the economic assumptions for the current fiscal biennium. In each report the commission shall fully describe the methodology employed in reaching its recommendations. The Revenue Forecasting Committee is required to use the economic assumptions and forecast of the commission in developing its four-year revenue projections.

November 2024 CEFC Forecast Summary

The CEFC convened October 25, 2024 to review and revise its forecast through 2029. Table D-1 provides the forecast's major indicators along with a comparison to the previous two forecasts. The Commission's full November 1, 2024 report can be found on the State Economist's website at <https://www.maine.gov/dafs/economist/economic-forecasting>.

The CEFC was optimistic about recent strong in-migration to Maine and its potential to fuel the local economy. However, the Commission noted that limiting factors such as lack of housing and childcare may hamper growth in the coming years. Additionally, the CEFC was concerned about high rates of inflation and associated interest rate hikes. High heating oil prices during the coming winter season will present challenges for Maine households. These high energy costs, combined with high overall inflation, geopolitical upheaval, and tight labor markets were among the key risks to continued economic growth that the CEFC considered as it revised its forecasts.

The Commission's forecast for wage and salary employment was left unchanged for all forecast years. The Commission anticipates slower growth in the out years as a large share of the population reaches traditional retirement age and in-migration slows from the pandemic-era highs in 2021 and 2022. The forecast anticipates that employment will continue to grow through 2029, with slower increases as 2029 approaches.

Calendar Years	2023	2024	2025	2026	2027	2028	2029
Wage & Salary Employment (Annual Percentage Change)							
CEFC Forecast 02/2024	1.8	0.8	0.4	0.2	0.1	0.1	0.1
CEFC Forecast 11/2024	1.8	0.8	0.4	0.2	0.1	0.1	0.1
Personal Income (Annual Percentage Change)							
CEFC Forecast 02/2024	5.1	4.7	4.4	4.3	4.2	4.2	4.2
CEFC Forecast 11/2024	6.0	5.3	4.4	4.4	4.4	4.3	4.3
Wage and Salary Income (Annual Percentage Change)							
CEFC Forecast 02/2024	6.1	5.0	4.0	4.0	4.0	4.0	4.0
CEFC Forecast 11/2024	5.4	6.0	4.0	4.0	4.0	4.0	4.0
CPI (Annual Percentage Change)							
CEFC Forecast 02/2024	4.1	2.7	2.4	2.3	2.2	2.2	2.2
CEFC Forecast 11/2024	4.1	2.7	2.4	2.3	2.2	2.2	2.2

The Commission revised its forecast for total personal income growth in 2024 up from 4.7% to 5.3%. The forecast for 2025 was left unchanged (4.4%). The Commission made slight upward revisions for all remaining forecast years, going from 4.3% to 4.4% in 2026, 4.2% to 4.4% in 2027, 4.2% to 4.3% in 2028, and from 4.2% to 4.3% in 2029. For all components of personal income, revisions for 2024 were informed by the growth as reported by the U.S. Bureau of Economic Analysis for the first two quarters of 2024 relative to the same period in 2023.

The forecast for wage and salary income growth was revised up for 2024 from 5.0% to 6.0%. The Commission left the rest of the forecast years unchanged. Therefore, the current forecast projects a consistent 4.0% annual growth for 2025-2029.

The forecast for growth in supplements to wages and salaries was revised up from 3.5% to 6.5% in 2024. The remaining years of the forecast were revised upwards to more closely align with forecasts from Moody's Analytics and S&P. The Commission revised their forecasts from 3.5% to 4.0% in 2025 and 2026, and from 3.0% to 3.5% for 2027-2029.

The forecast for nonfarm proprietor's income growth was revised up from 5.0% to 6.0% for 2024. The remaining years of the forecast were all revised upwards from 3.0% to 4.0% to more closely align with forecasts from Moody's Analytics and S&P. The current forecast anticipates constant growth of 4.0% from 2025-2029.

The forecast for growth in dividends, interest, and rent (DIR) was revised upward in 2024, from 5.5% to 6.0%. The Commission left the rest of the forecast years unchanged, anticipating constant growth of 4.5% from 2025-2029.

The forecast for personal current transfer receipts growth was revised downward for 2024 from 3.5% to 2.3%. The Commission left the rest of the forecast years unchanged.

Annual inflation according to the Consumer Price Index (CPI) was 4.1% in 2023, equivalent to the Commission's forecast for that year. The Commission left their forecast of annual inflation unchanged for all forecast years, anticipating that growth in the CPI will drop to 2.2% by 2027 and remain constant through 2029.

Finally, the forecast for corporate profits was revised upwards in 2024 from 1.0% to 9.0% based on data from the U.S. Bureau of Economic Analysis, and to more closely align with forecasts from Moody's Analytics and S&P. The Commission left the rest of the forecast years unchanged, and forecasts consistent 2.0% annual growth for 2026-2029.

Revenue Outlook and Forecast

Background

The Revenue Forecasting Committee (RFC) was established by Executive Order on May 25, 1992, in order to provide the Governor, the Legislature and the State Budget Officer with analyses and recommendations related to the projection of General Fund and Highway Fund revenues. Creation of the committee was in response to the recommendation of Special Commission on Government Restructuring to develop independent and consensus-based revenue projections. Public Law 1995, chapter 368 enacted in statute the Revenue Forecasting Committee. This law provided that membership on the committee would include the State Budget Officer, the State Tax Assessor, the State Economist, the Director of the Legislative Office of Fiscal and Program Review and an economist on the faculty of the University of Maine System selected by the Chancellor.

Public Law 1997, chapter 655 expanded the membership of the committee to include an analyst from the Legislative Office of Fiscal and Program Review designated by the Director of that office. Public Law 2011, chapter 655 replaced the State Tax Assessor with the Associate Commissioner for Tax Policy as a member of the Committee. The revenue projections of the committee also would no longer be advisory but would become the actual revenue projections used by the Executive Branch in setting budget estimates and recommendations and out-biennium budget forecasts for both the General Fund and the Highway Fund. The State Budget Officer also was empowered to convene a meeting of the committee to review any new data that might become available, affecting the revenue projections for the General Fund and the Highway Fund.

The committee is required to meet at least four times a year or when called by a majority vote of the committee members, or at the request of the State Budget Officer. The committee is required to develop four-year revenue forecasts for the General Fund and the Highway Fund, or other funds of the state. No later than December 1st and March 1st (May 1st during odd-numbered years) annually the committee must submit to the Governor, the Legislative Council, the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs and the State Budget Officer its findings, analyses and recommendations for General Fund and Highway Fund revenues. The revenue forecasts are developed using econometric models for Sales and Use Tax, Individual Income Tax, Corporate Income Tax, Fuel Tax and Cigarette Tax. Forecasts for the remaining revenue lines are developed using trend data, national economic assumptions, department subject matter experts and operational analysis (e.g., net profit from liquor sales).

December 2024 RFC Forecast Summary

The RFC convened November 25, 2024 to review and revise its forecast through 2029. Table E-1 provides a summary of the forecasted changes in the three funds forecast by the Committee, the General Fund, the Highway Fund and the Fund for a Healthy Maine. The Committee's full December 1, 2024 report can be found on the RFC's website at <https://mainelegislature.org/doc/11282>.

The economic variables in the CEFC forecast play a prominent role in the RFC's revenue forecast. Maine Revenue Services' Office of Tax Policy (MRS/OTP) tax models use the CEFC economic variables to help project revenue from the major taxes. Data related to non-tax revenue lines were provided by a number of different state agencies and reviewed by staff in the Office of Fiscal and Program Review and the Bureau of the Budget to come up with consensus recommendations.

Table E-1 – Summary of Changes in the RFC December 2022 Forecast

General Fund Summary					
	FY25	FY26	FY27	FY28	FY29
Current Forecast	\$ 5,333,253,940	\$ 5,424,649,560	\$ 5,597,580,185		
Annual % Growth	-0.4%	1.7%	3.2%		
Net Increase (Decrease)	\$ 247,903,330	\$ 113,527,715	\$ 88,659,205		
Revised Forecast	\$ 5,581,157,270	\$ 5,538,177,275	\$ 5,686,239,390	\$ 5,862,453,837	\$ 6,063,446,943
Annual Growth	4.3%	-0.8%	2.7%	3.1%	3.40%
Highway Fund Summary					
	FY25	FY26	FY27	FY28	FY29
Current Forecast	\$ 503,560,608	\$ 504,184,363	\$ 503,727,720		
Annual % Growth	-1.4%	0.1%	-0.1%		
Net Increase (Decrease)	\$ 11,204,518	\$ 9,901,317	\$ 11,622,968		
Revised Forecast	\$ 514,765,126	\$ 514,085,680	\$ 515,350,688	\$ 516,089,665	\$ 516,188,380
Annual Growth	0.8%	-0.1%	0.5%	0.1%	0.0%
Fund for Healthy Maine Summary					
	FY25	FY26	FY27	FY28	FY29
Current Forecast	\$ 36,715,115	\$ 35,531,961	\$ 35,284,187		
Annual % Growth	31.0%	-3.2%	-0.7%		
Net Increase (Decrease)	\$ 11,614,804	\$ (3,020,905)	\$ (5,922,374)		
Revised Forecast	\$ 48,329,919	\$ 32,511,056	\$ 29,361,813	\$ 29,312,083	\$ 29,262,924
Annual Growth	-9.2%	-32.7%	-9.7%	-0.2%	-0.2%

General Fund revenue estimates are revised upward by \$247.9 million for FY25 and by \$202.2 million (1.8%) for the 2026-2027 biennium. The forecasted rate of year-over-year change in General Fund revenue for FY25 is now 4.3%, followed by -0.8% for FY26 and 2.7% for FY27. The FY25 positive reprojected includes approximately \$80.0 million in one-time non-withholding individual income tax revenue resulting from the deferral of tax filings and payments in April 2024 and June 2024 until July 2024 because of the natural disaster declaration related to the January 2024 winter storm. Had the \$80.0 million in one-time revenue been deposited in FY24 and not FY25, the rate of year-over-year growth would have been 1.3% for FY25 and 0.7% for FY26. The December 2024 forecast adds projections for the 2028-2029 biennium, with overall FY28 General Fund revenue projected to grow at a 3.1% rate and for FY29 at a 3.4% rate.

Highway Fund revenue estimates are revised upward by \$11.2 million for FY25 and by \$21.5 million (2.1%) for the 2026-2027 biennium. The forecasted rate of year-over-year change in Highway Fund revenue for FY25 is now 0.8%, followed by -0.1% for FY26 and 0.2% for FY27. The December 2024 forecast adds projections for the 2028-2029 biennium, with overall FY28 Highway Fund revenue

projected to grow at a 0.1% rate and FY29 only slightly above the FY28 forecasted level. The increases in the December 2024 Highway Fund forecast are largely the result of increases in the gas tax revenue forecast of \$8.6 million in FY25, \$10.8 million in FY26, and \$12.4 million in FY27. The March 2024 forecast had assumed a decline in gas tax revenue resulting from increased fuel economy while the new forecast assumes slowing growth. Income from investments (interest) also contributed to the Highway Fund positive variance in the December 2024 forecast.

Fund for a Healthy Maine (FHM) revenue estimates are revised upward by \$11.6 million for FY25, but downward by \$3.0 million for FY26 and \$5.9 million for FY27. The forecasted rate of year-over-year change in FHM revenue for FY25 is now -9.2%, followed by -32.7% for FY26 and -9.7 for FY27. The December 2024 forecast adds projections for the 2028-2029 biennium, with overall FHM revenue projected to grow at a -0.2% rate for FY28 and for FY29.

CEFC-RFC Stress Test Report

Background

Since the mid-1990s state revenue bases have become more elastic, magnifying revenue forecasting errors over the course of the business cycle. These forecasting errors have made it difficult for state policymakers, who are required to have balanced budgets, to determine how much incoming revenue during good economic times should be saved to offset the revenue shortfalls that will follow the inevitable onset of the next recession. Led by PEW Charitable Trusts, researchers since the end of the 2007-09 recession have been evaluating best practices that states can use to guide them in determining the method of funding and uses of “rainy day” funds that will best serve their states during a recession. One best practice is a regular “stress-test” of a state’s revenue system to estimate the magnitude of revenue reductions during recessionary periods and the reserves necessary to achieve the policy goals of policymakers to offset those shortfalls.

Maine Revised Statutes, Title 5, Section 1710-G, enacted in the 2018-2019 biennial budget, requires the CEFC and the RFC to perform a biennial stress-test of General Fund revenues assuming hypothetical moderate and severe recessions and to evaluate the sufficiency of the Maine Budget Stabilization Fund (MBSF) under each economic scenario. Additionally, the stress test includes an analysis of the sufficiency of the current level of the Maine Budget Stabilization Fund (MBSF) and an estimate of the reserves in the MBSF necessary to offset the declines in General Fund revenue because of potential economic recession scenarios. Maine is one of a handful of states that regularly performs a stress-test as part of the budget process.

October 2024 CEFC-RFC Stress Test Summary

The CEFC and RFC submitted the report for the most recent stress test on October 1, 2024. The full report can be found on the RFC’s website at <https://mainelegislature.org/doc/11151>.

The 2020 Stress-Test Report was issued as the national and state economies struggled to respond to the COVID-19 recession, and the 2022 report after historic fiscal and monetary stimulus implemented by Congress and the Federal Reserve in the months immediately after the start of the pandemic led to unprecedented revenue growth in FY2021 and FY2022. This year’s report is issued as the Federal Reserve

begins to reduce interest rates as inflation moves towards its 2% target, geo-political conflicts continue, and state revenues return to a more moderate rate of growth. As a result, this year's report is timely in providing policymakers with the estimated impact of a moderate and severe recession on sales and individual income tax revenues, and the sufficiency and needs of the Maine Budget Stabilization Fund in each of the recession scenarios.

The two forecasting committees estimate that a hypothetical moderate recession beginning in the first quarter of CY2025 would reduce General Fund revenues relative to the March baseline revenue forecast by 1.7 percent in FY2025 and 6.1 percent in FY2026. The revenue decline would continue at 5.3 percent in FY2027 before narrowing to 3.5 percent in FY2028. The moderate recession scenario assumes a relatively slow recovery, resulting in General Fund revenues still below the baseline revenue forecast by 2.9 percent in FY2029. The current MBSF level of \$908.3 million and other available resources would be enough to maintain current FY2025 appropriations of \$5.3 billion and provide sufficient resources to maintain the spending limitation (the current baseline revenue forecast) through the FY2026-27 biennium. The current MBSF, which is equal to 17.0% of FY2024 General Fund revenue, would fall short of the current revenue forecast for the FY2028-29 biennium by approximately \$268.0 million. If the MBSF was at its maximum level of 18% of FY2024 General Fund revenue (\$963.5 million) there would be sufficient funds to fully offset the revenue shortfall through the FY2026-27 biennium but continue to fall short of the FY2028 and FY2029 baseline revenue forecasts by \$39.0 million and \$174.0 million, respectively. While the MBSF maximum of 18% of prior year revenue falls short of covering all the revenue shortfall over the five-year forecasting period, the revenue shortfalls estimated in the FY2028-29 biennium are relatively small and provide the Governor and Legislature two and a half years from the start of the recession to make any needed adjustments to General Fund expenditures and revenues to meet policy objectives.

The two forecasting committees estimate that the hypothetical severe recession beginning in the first quarter of CY2025 will reduce General Fund revenues relative to the March baseline revenue forecast by 2.7 percent in FY2025, 11.6 percent in FY2026, peaking at 14.8 percent in FY2027, and then declining to 12.4 and 10.0 percent in FY2028 and FY2029, respectively. The current MBSF level of \$908.3 million and other available resources would be exhausted by early FY2027 but provide approximately 15-18 months for the Governor and Legislature to address the revenue shortfalls caused by the severe recession. We estimate the MBSF would require a prohibitive level of funding to fully offset the reduction in revenue during the budget window studied. A MBSF equal to the current maximum of 18% of FY2024 General Fund revenue would allow for additional funding in FY2027 but would still fall far short of the March 1, 2024, baseline revenue forecast for FY2027.

Appendix A: Glossary of Budget Terms

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 equal 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.

Allocations: The total amount of estimated expenditures authorized by the Legislature from resources legally restricted or otherwise designated for specific operating purposes. These resources typically constitute highway funds, federal funds, other special revenue funds, internal service funds, enterprise funds or any other funds, which may be designated for specific purposes by the Legislature.

Alternative Budget: The biennial budget scenario technique in which departments and agencies are required to present revised budget requests for each fiscal year of a biennium as an alternative to the department or agency's original budget proposal.

Appropriations: The total amount of estimated expenditures authorized by the Legislature from unrestricted or undesignated resources in each fiscal year. These resources typically constitute undedicated General Fund resources which are designated by appropriation account and line category in the estimated authorizations to spend of the Legislature.

Biennial Budget: The two year financial plan of the State of Maine which shows for each fiscal year all proposed expenditures, interest and debt, redemption charges, capital expenditures and estimated revenues in support of expenditures and obligations consistent with the Governor's, or Governor-elect's, program priorities, goals and objectives.

Biennium: The two fiscal years, beginning in even numbered fiscal years, which represent the period covered by the biennial budget financial plan of the State of Maine.

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.

Dedicated Revenue: Revenue which accrues to a department or agency for use toward designated or legally restricted operational purposes.

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.

Fiscal Year: The accounting and budgetary cycle of the Maine State Government. The fiscal year commences on the first day of July and ends on the 30th day of June each year.

Full Time Equivalent: The number of positions of less than 52 weeks in a fiscal year authorized by the Legislature for a specific department or agency and program.

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.

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 lapsed to the fund from which they were originally appropriated or allocated by the Legislature.

Legislative Count: The number of permanent full time and part time positions authorized by the Legislature for a specific department or agency and program.

Line Category: The expenditure groups represented by the following four classifications to which the Legislature appropriates and allocates funds by department or agency and program: personal services (salaries, wages and benefits); all other (operational support); capital expenditures (capital equipment purchases, real property purchases and facility improvement and construction); and, unallocated (undesignated items with respect to expenditure type).

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.

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.

Unappropriated Surplus: An account maintained by the State Controller on the books of the State. The balances of all revenue and appropriation accounts not otherwise provided for by law, together with any other necessary adjustments of balances previously closed to the Unappropriated Surplus Account, are closed to this account at the end of each fiscal year.