

# State of Maine

## 2020-2021

# Governor's Budget

## Overview

Submitted by

Janet T. Mills

Governor

February 8, 2019



STATE OF MAINE  
OFFICE OF THE GOVERNOR  
1 STATE HOUSE STATION  
AUGUSTA, MAINE  
04333-0001

February 8, 2019

Honorable members of the 129<sup>th</sup> Legislature and Citizens of Maine:

As Attorney General and now as Governor of the State of Maine, my priority has always been to solve problems --to marshal every sector of government and every private organization, business, and person to come together, identify the challenges we face, and create responsible solutions that strengthen our state and improve life for every person in Maine.

In creating my first budget, our administration took the same approach. We have crafted a budget that identifies the serious challenges facing Maine, including the lack of affordable health care coverage for families and small businesses, inadequate resources to improve our education system, a devastating opioid epidemic, a serious workforce shortage, and outdated and unsafe infrastructure.

This budget makes concrete, responsible investments that will allow Maine to address those challenges while living within our means. This budget does not raise or create a single tax or fee on Maine people, business, or organization and it protects the state's budget stabilization or "rainy day" fund. The state of our economy is strong, but Maine must be prepared to weather future downturns.

I take state government's responsibility to steward Maine's tax dollars seriously and this budget reflects my administration's commitment to responsible state government. This budget rebuilds Maine state government and uses existing resources to address crises that continue to threaten our potential for growth.

- One in five Maine children is food insecure, more than any other New England state.
- Maine's economy is projected to grow at zero percent, and add a mere 9 jobs per year, through 2026.
- Maine had the highest increase in the number of overdose deaths in 2017 of any New England state.
- We face crippling workforce shortages especially in the fields of nursing and teaching.
- More than 9,000 seniors await housing.
- In 2017, 11.1 % of Maine people were living in poverty.

We must address these challenges and seize the many opportunities for growth at our fingertips. I ask the 129<sup>th</sup> Legislature to join me in restoring the critical services Maine state government provides, protecting our children and families, jumpstarting economic growth, and ensuring our state is the model for the nation for how life should be.

This budget uses the resources we have today to restore responsible government and address the critical challenges that continue to hold our state back while strengthening our economy.

The first, and most significant, investment in this budget to improve the well-being of Maine people, to help businesses prosper, and to strengthen our economy is health care.

Health care is not a privilege reserved for the well to do. It is a human right. Expanding Medicaid is both the law of the land and smart public policy which will save our rural hospitals, inject nearly \$500 million in federal funds per year into Maine's economy, lower the cost of health care for businesses by reducing premiums related to the cost shift of compensated care, and provide life-saving, affordable health care coverage for more than 70,000 Mainers.

Maine voters approved Medicaid Expansion more than a year ago, and yet thousands still wait to be able to see a doctor, purchase the medication they need, or help a loved one access treatment for substance use disorder.

Expanding access to affordable health care and lowering the cost for Maine people and businesses is a top priority of my administration.

That is why on my first day in office, I signed an Executive Order directing the Department of Health and Human Services to move to swiftly implement Medicaid Expansion. In partnership with health care providers, advocates, and stakeholders statewide, the Department began re-evaluating the applications of Mainers who had previously been denied coverage, launched unprecedented efforts to enroll more Mainers in coverage, and created a process to communicate with the press, policy makers, and the public on our progress. As a result, more than 3,000 Mainers gained access to affordable health care coverage in January alone.

While the state Medicaid account has funding to cover full enrollment for the current fiscal year, this budget fully funds Medicaid Expansion over the next biennium to ensure that the more than 70,000 Maine people who qualify can apply for, and receive, affordable health care coverage. The federal government will cover 90 percent of the cost of Medicaid Expansion while Maine will be responsible for an estimated \$150 million over the biennium, according to independent analysis.

This budget funds the state's share responsibly by drawing upon existing funds within the general fund account. Additionally, to protect the state financially, my administration has created a Medicaid Reserve Account and dedicated an additional \$29 million in the event that it may ever be needed.

This budget also invests resources to address serious public health challenges facing our state.

In the past five years, at least 1,630 people in Maine have died from drug overdose – more than the population of Chesterville, Eastport or North Berwick - 418 in 2017 alone – more than one a day. And just last year, 908 babies who were born in Maine were affected by drugs.

Our administration has already begun to mobilize state government to stem this deadly epidemic.

This budget provides \$5.5 million to prevent overdose deaths, educate Maine's children and young adults on the dangers of addiction, expand access to treatment and support recovery efforts.

In addition, this budget provides an additional \$10 million toward tobacco and nicotine use prevention efforts to tackle the increase in tobacco and nicotine use among our teens and young adults. According to the American Lung Association, one in four Maine youth report using tobacco in the last 30 days, with electronic cigarettes overtaking combustible ones in that age group.

This budget also fills more than two dozen critical public health nursing positions left vacant despite the will of the state Legislature.

While these policy changes will save lives and build a healthier state, Maine's public health infrastructure is not the only thing that needs rebuilding.

After several years of staffing reductions, inconsistent leadership, and changing initiatives, our administration is rebuilding the Department of Education. The Department will work with stakeholders across the state to improve accessibility and quality of service. It is unacceptable that teachers can currently wait up to six months to receive their certification.

Our Department of Education will once again inspire and support our schools, teachers, and students and provide the best possible education for children and lifelong learners in our state.

This budget takes steps toward that goal by investing significant funding in pre-school education, K-12 education and higher learning institutions, including the university, community colleges, and adult education technical centers. It is time to ensure a quality education for every Mainer does not depend on the zip code they grew up in or on the wealth of the family they were born into.

That effort begins with creating a path towards Universal Pre-K in our state. This budget takes a responsible, first step in a four-year plan to fund voluntary Universal Pre-K. The budget also provides \$18.5 million to fulfill our commitment to Child Development Services.

This budget makes a \$126 million investment in K-12 education over the biennium. Local property taxpayers have unfairly borne a higher share of the cost for public education in recent years. This budget increases the state share of public education funding to over 50% of Essential Programs and Services (EPS) for K-12 education, in addition to providing for the Unfunded Liability (UAL).

In addition to the investment in our schools and students, this budget addresses the severe teacher shortage facing Maine's schools caused by both an aging population and low salaries that are not competitive with the rest of the nation.

We will treat our teachers with the respect and dignity they deserve. There is no higher priority than our children.

This budget invests in recruitment and retention to ensure that teachers in Maine will not be forced to leave the state for a living wage. This budget ensures that no teacher in Maine will make less than \$40,000 a year.

While these investments in early childhood education, K-12 education, and our teachers are critical to ensure the strength of our economy, Maine will not succeed if our students are burdened by debt upon graduation and adults cannot access affordable adult education.

The average debt for a Maine graduate is nearly \$30,000. Student debt should not be a barrier for Maine's future innovators, small business owners, or homeowners.

This budget invests in the University of Maine System, the Community College System, the Maine Maritime Academy and provides \$3 million in scholarship funds through the Maine State Grant Program to keep costs down. This budget also invests in technical education centers and adult education so every Mainer can access education and training to compete for skilled jobs in an ever-changing economy.

These investments in education funding will lift some of the costs unfairly placed on small towns and municipal governments over the last eight years, but this budget goes further. Our administration believes property taxes are too high, especially for hardworking Maine families and seniors living on a fixed income.

That is why this budget increases revenue sharing each year of the biennium. It also funds changes to the Homestead program to increase municipal aid by more than \$5 million a year, and funds disaster assistance for Maine towns to pay the state share of costs of the 2017 wind storm and 2018 coastal flooding.

While targeting critical resources to Maine's local municipalities, the budget also anticipates \$200 million in infrastructure bonding to repair Maine's crumbling roads and bridges which have been ignored for far too long.

Unsafe roads pose a threat to our families, prevent our businesses from reaching markets both close to home and nationwide, and are a hallmark of failure to address the most basic responsibility of state government. Our administration looks forward to working with the Legislature on identifying appropriate bond packages to address this and other critical needs.

This budget also bolsters our public safety infrastructure by funding:

- The hiring of more than a dozen additional state troopers and sergeants.
- A pre-release facility in Washington County to rehabilitate incarcerated Mainers and ensure their contribution to our state.
- New positions within Maine's computer crimes task force, as well as the Attorney General's office to investigate elder financial abuse.

And, this budget provides funding for our county jails which are on the front lines of the opioid epidemic.

These investments are necessary to responsibly run state government, address our present challenges, and plan for the future.

We will announce initiatives in the coming weeks to address climate change and create a sustainable energy plan for Maine's future. Our administration looks forward to working with the Legislature on those proposals.

In releasing this budget, there will be those who say this is government spending run amok and, to the other side, there will be those who say that state government must spend more, more, more. I respectfully disagree.

This budget lays out a responsible path for rebuilding state government so that government responds to Maine people.

This budget was crafted to address the demands of Maine people who have voted again and again for more health care, not less, for investments in education and our classrooms, not cuts, for better roads, lower property taxes, treatment for their loved ones suffering from substance use disorder, and a state that believes everybody should have a fair shot at a better life.

With this budget, our administration is making responsible investments to tackle the serious challenges facing our state and honoring the will of Maine people – and it does so by living within our means.

Additionally, we will once again welcome the valuable federal resources – paid for by Maine people – which will help us address the needs of our state. In recent years Maine has often refused to seek out and utilize the same resources offered to every other state in our nation, shackling our progress and allowing other states to grow in our place. By some estimates, Maine has lost \$1.9 billion in federal funds in recent years.

Not using federal resources for substance use disorder treatment, life-saving health screenings for cancer and Alzheimer's treatment, nutrition assistance for hungry families, children's health insurance, the forest legacy program, and transportation funding makes our state weaker, not stronger.

Our administration will aggressively seek out and use federal funds to help all the people of our state.

Make no mistake, we have work to do, but the future of Maine is bright. We will rebuild state government and create one Maine, undivided.

Every day, innovators, small businesses, teachers, farmers, fishermen, health care providers, volunteers, and neighbors are helping one another and powering our economy. It is time for state government to join them in doing our part to create a bright future for us all.

As Governor I promise to work with the Legislature to chart a new, better path forward for Maine. This budget charts that path.

Over the next two years, I look forward to working together to empower our families, communities, and state to succeed. I pledge that, in my Administration, you will always find an open door, an open mind, and an open heart.

Sincerely,

Janet T. Mills  
Governor

## Economic Outlook and Forecast

---

### **Background**

The Consensus Economic Forecasting Commission 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.



**Report of the  
CONSENSUS ECONOMIC FORECASTING COMMISSION  
November 1, 2018**

**Commissioners**

John C. Atkinson

Dr. Sheena S. Bunnell  
*Professor of Business Economics  
University of Maine Farmington*

Andrew N. Marden  
*Buyer/Merchandiser  
Marden's*

Eric N. Stinneford, Chair  
*Vice President – Controller and Treasurer  
Central Maine Power Company*

## Summary

The Maine Consensus Economic Forecasting Commission (CEFC) convened on October 26, 2018, to review and revise the forecast through 2023. This report provides a summary of the Commission's findings.

Both the national and state economies had a good year in 2017 and the available data for the first half of 2018 indicates that both the U.S. economy and Maine economy continue to grow. Since the last CEFC meeting in late January 2018, the Bureau of Economic Analysis (BEA) has released considerable revisions to state personal income data, with the 2017 total personal income growth for Maine being revised up from 2.7% to 4.2%. However, oil and gasoline prices have continued to trend upward as well.

The Commission made modest changes to the existing forecast, mainly in 2018 and 2019, for employment, inflation, and personal income and its components, while leaving corporate profits unchanged. Many of the revisions were based on anticipated results such as moderate growth in the economy, increased interest rates, increases in energy prices, and increases in inflation. While there has been more positive data on in-migration recently, the Commission remains concerned about the demographic situation in Maine and the resulting impacts on workforce availability.

In September 2018, the U.S. Bureau of Economic Analysis released a comprehensive revision to state personal income data from 1998-2017. This forecast incorporates those revisions, including a revision for 2017 annual growth from 2.7 percent to 4.2 percent for total personal income and from 2.8 percent to 4.0 percent for wages and salaries. At the previous CEFC meeting, the Commission anticipated potential upward revisions to these figures and had forecast 3.4 percent growth for total personal income and 4.0 percent for wages and salaries.

The forecast for wage and salary employment growth was left unchanged for 2019, 2021, 2022 and 2023 and revised upward for 2018 and 2020 based on data showing stronger than expected recent in-migration and employment growth. The new forecast reaches 631,700 in 2020 and remains at that level for 2021-2023. CPI was revised slightly upwards by 0.1 percentage points for 2018, 2019, 2022, and 2023, while 2020 and 2021 were left unchanged. Total personal income was revised upward by 0.1 percentage points in 2018 based on information from Maine Revenue Services and Maine Department of Labor regarding wage growth through the year. The forecast for 2019 was revised upward by 0.2 percentage points and 2020 was revised upward by 0.1 percentage points while 2021 was revised downward by 0.1 percentage point. Both 2022 and 2023 were revised upward by 0.1 percentage points. Wage and salary income growth rates for 2018 and 2019 were revised upward by 0.2 and 0.3 percentage points, respectively, due to preliminary data from Maine Revenue Services and Maine Department of Labor. The forecast for 2020 through 2023 was left unchanged.

This forecast, coming shortly before the November 6 elections, is based on state and federal laws as of November 1, 2018. If referendum Question 1 (Universal Home Care Program) does pass, the CEFC will meet jointly with the Revenue Forecasting Committee on November 9<sup>th</sup> to discuss the potential impacts and make any necessary adjustments to the economic forecast.

The table below provides the forecast's major indicators.

| Calendar Years                                                 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------------------------------------------------------------|------|------|------|------|------|------|------|
| <b>Wage &amp; Salary Employment (Annual Percentage Change)</b> |      |      |      |      |      |      |      |
| CEFC Forecast 02/2018                                          | 0.8  | 0.4  | 0.4  | 0.0  | 0.0  | 0.0  | 0.0  |
| CEFC Forecast 11/2018                                          | 0.7  | 0.8  | 0.4  | 0.2  | 0.0  | 0.0  | 0.0  |
| <b>Personal Income (Annual Percentage Change)</b>              |      |      |      |      |      |      |      |
| CEFC Forecast 02/2018                                          | 3.4  | 4.4  | 4.3  | 3.9  | 3.7  | 3.1  | 3.1  |
| CEFC Forecast 11/2018                                          | 4.2  | 4.5  | 4.5  | 4.0  | 3.6  | 3.2  | 3.2  |
| <b>Wage and Salary Income (Annual Percentage Change)</b>       |      |      |      |      |      |      |      |
| CEFC Forecast 02/2018                                          | 4.0  | 4.3  | 3.9  | 3.7  | 3.5  | 3.0  | 3.0  |
| CEFC Forecast 11/2018                                          | 4.0  | 4.5  | 4.2  | 3.7  | 3.5  | 3.0  | 3.0  |
| <b>CPI (Annual Percentage Change)</b>                          |      |      |      |      |      |      |      |
| CEFC Forecast 02/2018                                          | 2.1  | 2.5  | 2.3  | 2.5  | 2.4  | 2.2  | 2.2  |
| CEFC Forecast 11/2018                                          | 2.1  | 2.6  | 2.4  | 2.5  | 2.4  | 2.3  | 2.3  |

Prior to the start of the forecasting meeting, the CEFC held the annual fall data gathering session, in which the Commission heard from representatives of the Maine Bankers Association, Maine Society of Certified Public Accountants, Maine Health Care Association, Governor's Energy Office, and Maine International Trade Center. Additionally, the Department of Administrative and Financial Services provided written materials to the Commission on Maine's Medical-use and Adult-use marijuana programs. A summary of the data gathering session is available separately. Overall, these business perspectives helped confirm the CEFC's subsequent findings that Maine's economy continues to see growth with considerable challenges posed by the state's aging population and lack of population growth. Recent trends demonstrate that there has been increased in-migration of working age population to Maine, which has helped counter some of the demographic changes. In deliberations leading to consensus, the CEFC considered information presented by several state agencies, including the Maine Department of Labor, Maine Revenue Services, and by the Maine State Economist at the Department of Administrative and Financial Services (DAFS). The following sections summarize these reports.

#### **Maine State Economist (Department of Administrative and Financial Services)**

Maine's real GDP grew 0.6% in the first quarter of 2018. Personal income in Maine grew 4.3% from the first two quarters of 2017 to the first two quarters of 2018, while wage and salary income, which is the largest component of total personal income, grew 4.1% over the same period. The debt-to-income level for Maine businesses and households continued to rise to new levels in the fourth quarter of 2017. The Consumer Price Index was up 2.3% in September 2018 from a year ago, boosted by recent increases in energy prices.

Nationwide, consumer sentiment has been relatively stable in recent months. The August 2018 level was down 0.6% from a year ago and down 1.7% from July 2018. Small business optimism reached a new record high in August 2018 of 108.8. Compared to August 2017, the index was up by 3.3% and up by 0.8% from the previous month (July 2018).

The price of crude oil has continued increasing recently with prices in the third quarter of 2018 over \$79 per barrel. As a result, heating oil prices and gasoline prices have been higher as well. Heating oil is around \$3.04 per gallon while gasoline is currently averaging \$2.92 per gallon.

Existing single-family home sales in Maine were down 5.1% in September 2018 compared to the same month last year and average housing permits for the September 2017–August 2018 period were 6.9% lower than the previous 12-month period. The median home price in York, Cumberland, and Sagadahoc counties increased by 4.0, 5.7, and 7.5%, respectively, year-over-year. Mortgage delinquency rates in Maine have been declining but remain higher than the national rate. The foreclosure rate in Maine was 0.30% in the third quarter of 2018.

Full background materials are available at:

<https://www.maine.gov/dafs/economist/economic-forecasting>

### **Maine Department of Labor**

Labor market conditions remain tight throughout much of the state. Unemployment and other measures of labor market slack are at or near historic lows. After a period of slowing through the middle of 2017, job growth has modestly accelerated in the last year. The number of business establishments has been rising as well, likely a result of easier access to credit and more risk taking.

The average annual wage per job, adjusted for inflation, has been relatively unchanged over the last two years, following the most rapid rate of increase in nearly two decades in the three years through 2016. Much of that rise appears to have been from increased hours worked. By 2017 there was less room for increasing hours. Rising employment and wages contributed to the lowest poverty rate in decades and some closing of the gap with the nation in median household income.

DOL's forecast is that employment will be relatively unchanged between 2016 and 2026, though large numbers of job openings are expected. More than 728,000 job openings are expected in the decade, which is more than the number of people employed today. Many openings will be to replace retiring baby boomers.

The structure of employment is expected to continue to gradually shift with job growth in healthcare, hospitality, and professional services, offset by modest declines in some other sectors. Net growth is expected in occupations that pay at the upper and lower ends of the earnings spectrum, though the distribution of jobs by earnings cohort is not expected to change much.

The presentation is available at

[http://www.maine.gov/labor/cwri/publications/pdf/CEFC\\_October2018.pdf](http://www.maine.gov/labor/cwri/publications/pdf/CEFC_October2018.pdf)

### **Maine Revenue Services - Office of Tax Policy**

At the close of fiscal year 2017-18, General Fund revenues were \$82.1 million over budget (+2.3 percent). Compared to last fiscal year, fiscal year 2017-18 General Fund revenues were up by 3.8 percent (+\$132.8 million). Most of the fiscal year positive variance came from individual income tax (+\$40.4 million), sales and use tax (+\$14 million), and corporate income tax (+\$13.8 million). Maine ended fiscal year 2017-18 with approximately \$101 million of surplus revenue and lapsed balances. After accounting for certain priority transfers, \$95.3 million remained to be allocated to the Maine Budget Stabilization Fund (80% or \$76.2 million) and the Tax Relief Fund for Maine Residents (20% or \$19.1 million). At the close of the fiscal year, the Maine Budget Stabilization Fund (BSF) now has \$272.9 million in reserve for an economic downturn, representing 8.1% of fiscal year 2018-19 expenditures.

September General Fund revenues exceeded projections by \$19.3 million, or 5.1 percent. Through the first quarter of fiscal year 2018-19, General Fund revenues are over budget by \$47.5 million, or 5 percent. Compared to the first quarter of the prior fiscal year, General Fund revenues increased by 8.2 percent (+\$76.2 million).

August taxable sales (September revenue) increased 7.9 percent over last year. For the month, sales and use and service provider taxes, combined, were above forecasted projections by \$6.6 million, or 4.3 percent. Tourism-related sales, specifically those tied to restaurants and lodging, increased in August—increasing by 6.1 percent and 4.6 percent, respectively. Building supply sales (+7.8 percent) remain strong, and the other retail sales category (+13.1 percent) continues to experience robust year-over-year results. Auto/Transportation sales were strong for a second straight month, increasing 11 percent over last August. Business operating sales grew 11.7 percent year-over-year. The growth of the business operating line in recent months appears to be the result of increased investment by businesses in response to the federal Tax Cuts and Jobs Act (TCJA).

Individual income tax revenues were over budget in September by \$4.5 million, with significant positive variances to the forecast in payments from fiduciary returns (+\$3.6 million) and refunds (+\$2.7 million) more than offsetting negative variances for withholding (-\$0.7 million) and estimated payments (-\$2 million). Despite being slightly under budget, withholding receipts increased 6.2 percent compared to last September and are up 8 percent over the first quarter of fiscal year 2018. Through the first three-quarters of calendar year 2018 withholding has increased by 6 percent.

Corporate income taxes exceeded budget in September by \$7.3 million. Most of the positive variance is attributable to estimated payments being over budget by \$6.3 million and final payments being over budget by \$1.9 million. Similar to the individual income tax, the third estimated payment for corporate calendar year filers was due on September 15. Final enactment of tax conformity may have affected the third estimated payment, which was over budget by 19 percent. Also, enactment could have a large impact on payments made with tax year 2017 extension returns due in mid-October because of the deemed repatriation provision of the TCJA being effective for tax year 2017. The provision mandated businesses to recognize, as one-time income, post-1986 accumulated cash and non-cash assets held overseas. With Maine's adoption of conformity, Maine Revenue Services estimates that our state will receive \$31.2 million in corporate income tax revenue due to this one provision of the law, \$22.9 million of which is projected for the current fiscal year.

## **Macroeconomic Assumptions**

Two different baseline economic forecasts were examined at the meeting: the Moody's Analytics baseline scenario for October 2018 and the IHS Markit baseline scenario for October 2018. Additionally, DAFS provided an alternative scenario based on revised population projections and modified employment growth. Each forecast was based on a different set of national macroeconomic assumptions. The DAFS scenario was based on the Moody's Analytics baseline scenario with population and industry sector employment growth adjustments by the State Economist. These three forecasts were then compared to the CEFC's February 2018 forecast. The key assumptions made by the CEFC are below.

- Maine population growth is likely to limit employment growth in the coming years, particularly as the baby boom generation continues to move into retirement age. The employment forecast adopted by the CEFC assumes that Maine has seen stronger in-migration recently and this will

continue for at least the next few years. Additionally, tightening in the labor market will put upward pressure on wages.

- The CEFC took into consideration increasing energy prices and expects both inflation and interest rates to pick up in the coming years. The Commission also incorporated tariff impacts to the best of its abilities. Furthermore, the CEFC also assumes that Medicaid expansion will have an impact in the upcoming years, reflected in increased growth in personal current transfer receipts.
- This forecast, coming shortly before the November 6 elections, assumes the status quo regarding the pending referendum question on a universal home care program. If the referendum does pass, the CEFC will meet jointly with the Revenue Forecasting Committee on November 9<sup>th</sup> to discuss the potential impacts and make any necessary adjustments to the forecast.

### **Consensus Forecast**

Maine has seen modest employment growth thus far in 2018 and will likely see continued growth for the next few years before demographic forces create too much of an opposing headwind.

Employment growth rates were left unchanged for 2019, 2021, 2022 and 2023 while 2018 and 2020 were revised upward slightly. Employment reaches a peak level of 631,700 in 2020 and stays at that level throughout the rest of the forecast period.

Revisions to wage and salary income growth reflected preliminary reports from Maine Revenue Services and Maine Department of Labor showing strong 2018 year to date wage growth. Wage and salary income growth for 2018 and 2019 were revised upward by 0.2 and 0.3 percentage points, respectively. The forecast for 2020 through 2023 were left unchanged.

The forecast for supplements to wages and salaries was revised downward by 0.8, 0.8, 0.6 and 0.7 percentage points for 2018, 2019, 2020, and 2021, respectively. Supplements to wages and salaries were revised upward by 0.5 and 0.3 percentage points for 2022 and 2023, respectively. Growth rates for nonfarm proprietors' income were left unchanged for 2018, 2019, and 2023, revised downward by 0.2 percentage points for 2020, and then upward by 0.2 and 0.8 percentage points for 2021 and 2022, respectively. The forecast for dividends, interest, and rent was revised downward by 0.5 percentage points for 2018 and 2019 with the remaining years left unchanged. The forecast for personal current transfer receipts was revised up by 2.0, 1.5, and 0.4 percentage points for 2018, 2019, and 2020, respectively, reflecting anticipated impacts from Medicaid expansion and revised historical data. The remaining years were left unchanged.

The overall result for total personal income was a 0.1 percentage point revision upward for 2018, a 0.2 percentage point revision upward for 2019, a 0.1 percentage point revision upward for 2020, a 0.1 percentage point revision downward for 2021, and a 0.1 percentage point revision upward for 2022 and 2023.

The CEFC made an upward revision of 0.1 percentage points to CPI for the years 2018, 2019, 2022 and 2023 while leaving 2020 and 2021 unchanged.

The forecast for corporate profits was left unchanged for all years, as the previous forecast already reflected the corporate tax cuts passed in the Tax Cuts and Jobs Act and there is too little additional information available at this time to warrant changes in the forecast.

Overall, the primary source of concern for the CEFC continues to be Maine's demographic situation, with an aging population and limited population growth, although there has been a recent increase in immigration. There were modest increases to many lines of the forecast in 2018 and 2019 following increases in interest rates, energy prices and inflation. If referendum Question 1 passes on November 6, a joint meeting of the CEFC and the RFC will be held on November 9 to consider if adjustments to the economic forecast need to be made at that time.

The following page provides the full forecast.

| Maine Consensus Economic Forecasting Commission                                                    |         |          |        |        |        |        |        |
|----------------------------------------------------------------------------------------------------|---------|----------|--------|--------|--------|--------|--------|
| November 2018 Forecast                                                                             | History | Forecast |        |        |        |        |        |
|                                                                                                    | 2017    | 2018     | 2019   | 2020   | 2021   | 2022   | 2023   |
| CPI-U* (Annual Change)                                                                             | 2.1%    | 2.6%     | 2.4%   | 2.5%   | 2.4%   | 2.3%   | 2.3%   |
| CPI for Energy Prices** (Annual Change)                                                            | 8.0%    | 8.7%     | 2.9%   | 3.0%   | 1.1%   | 1.4%   | 0.9%   |
| CPI for New Vehicles** (Annual Change)                                                             | -0.2%   | -0.3%    | 0.6%   | -0.2%  | -0.1%  | 0.2%   | 0.1%   |
| New Vehicle Registrations** (Annual Change)                                                        | 0.6%    | 7.7%     | -12.0% | -1.3%  | -0.8%  | -0.8%  | 0.8%   |
| Personal Savings Rate**                                                                            | 6.7%    | 6.7%     | 6.4%   | 6.4%   | 6.3%   | 6.3%   | 6.5%   |
| Maine Unemployment Rate**                                                                          | 3.3%    | 3.0%     | 2.9%   | 2.9%   | 3.1%   | 3.4%   | 3.7%   |
| 3-Month Treasury Bill Rate**                                                                       | 0.93%   | 1.96%    | 2.76%  | 3.16%  | 3.17%  | 3.15%  | 3.03%  |
| 10-Year Treasury Note Yield**                                                                      | 2.33%   | 2.95%    | 3.46%  | 3.54%  | 3.89%  | 4.29%  | 4.27%  |
| Before-Tax Corporate Profits* (Annual Change)                                                      | 2.4%    | 6.0%     | 4.8%   | 3.2%   | 3.5%   | 3.7%   | 2.7%   |
| Maine Wage & Salary Employment* (thousands)                                                        | 622.8   | 627.8    | 630.2  | 631.7  | 631.7  | 631.7  | 631.7  |
| Natural Resources                                                                                  | 2.2     | 2.2      | 2.2    | 2.2    | 2.2    | 2.3    | 2.3    |
| Construction                                                                                       | 28.0    | 28.8     | 29.1   | 29.1   | 29.2   | 29.4   | 29.7   |
| Manufacturing                                                                                      | 51.1    | 51.8     | 51.8   | 51.6   | 51.5   | 51.1   | 50.9   |
| Trade/Trans./Public Utils.                                                                         | 120.2   | 120.4    | 119.3  | 119.1  | 119.1  | 118.5  | 117.8  |
| Information                                                                                        | 7.4     | 7.2      | 7.1    | 7.0    | 7.1    | 7.1    | 7.1    |
| Financial Activities                                                                               | 31.4    | 31.7     | 32.1   | 32.2   | 32.2   | 32.1   | 32.1   |
| Prof. & Business Services                                                                          | 66.6    | 67.0     | 68.6   | 69.5   | 69.8   | 70.5   | 71.1   |
| Education & Health Services                                                                        | 127.4   | 129.1    | 130.0  | 130.4  | 130.6  | 130.7  | 130.7  |
| Leisure & Hospitality Services                                                                     | 66.9    | 67.7     | 68.2   | 68.3   | 68.3   | 68.4   | 68.4   |
| Other Services                                                                                     | 21.7    | 21.5     | 21.3   | 21.1   | 21.1   | 21.1   | 21.0   |
| Government                                                                                         | 100.0   | 100.5    | 100.7  | 101.1  | 100.4  | 100.6  | 100.7  |
| Maine Wage & Salary Employment* (Annual Change)                                                    | 0.7%    | 0.8%     | 0.4%   | 0.2%   | 0.0%   | 0.0%   | 0.0%   |
| Natural Resources                                                                                  | -3.3%   | 1.0%     | 0.1%   | 0.0%   | 1.0%   | 1.1%   | 0.2%   |
| Construction                                                                                       | 2.1%    | 2.7%     | 0.9%   | 0.1%   | 0.5%   | 0.6%   | 0.8%   |
| Manufacturing                                                                                      | 0.6%    | 1.5%     | 0.0%   | -0.4%  | -0.2%  | -0.8%  | -0.3%  |
| Trade/Trans./Public Utils.                                                                         | -0.1%   | 0.2%     | -0.9%  | -0.2%  | 0.0%   | -0.5%  | -0.5%  |
| Information                                                                                        | -4.8%   | -2.8%    | -1.4%  | -0.4%  | 0.7%   | 0.0%   | -0.2%  |
| Financial Activities                                                                               | 0.9%    | 1.1%     | 1.2%   | 0.4%   | 0.0%   | -0.3%  | -0.2%  |
| Prof. & Business Services                                                                          | 1.1%    | 0.7%     | 2.3%   | 1.4%   | 0.5%   | 0.9%   | 0.9%   |
| Education & Health Services                                                                        | 1.9%    | 1.3%     | 0.7%   | 0.3%   | 0.2%   | 0.1%   | 0.0%   |
| Leisure & Hospitality Services                                                                     | 1.7%    | 1.1%     | 0.8%   | 0.1%   | 0.1%   | 0.1%   | 0.0%   |
| Other Services                                                                                     | 0.0%    | -1.0%    | -1.0%  | -0.7%  | 0.0%   | 0.0%   | -0.7%  |
| Government                                                                                         | 0.0%    | 0.4%     | 0.2%   | 0.4%   | -0.7%  | 0.1%   | 0.1%   |
|                                                                                                    | 2017    | 2018     | 2019   | 2020   | 2021   | 2022   | 2023   |
| Personal Income* (\$ million)                                                                      | 62,060  | 64,874   | 67,802 | 70,502 | 73,068 | 75,422 | 77,804 |
| Wages & Salaries*                                                                                  | 28,739  | 30,032   | 31,294 | 32,452 | 33,587 | 34,595 | 35,633 |
| Supplements to Wages & Salaries*                                                                   | 7,119   | 7,346    | 7,596  | 7,860  | 8,054  | 8,327  | 8,611  |
| Nonfarm Proprietors' Income*                                                                       | 4,741   | 5,049    | 5,269  | 5,427  | 5,601  | 5,786  | 5,930  |
| Farm Proprietors' Income**                                                                         | 35      | 8        | 29     | 65     | 79     | 70     | 65     |
| Dividends, Interest, & Rent*                                                                       | 11,578  | 12,099   | 12,644 | 13,048 | 13,440 | 13,749 | 14,051 |
| Dividends                                                                                          | 3,404   | 3,525    | 3,679  | 3,701  | 3,699  | 3,712  | 3,766  |
| Interest                                                                                           | 5,406   | 5,687    | 5,938  | 6,336  | 6,768  | 7,102  | 7,395  |
| Rent                                                                                               | 2,769   | 2,892    | 3,033  | 3,014  | 2,970  | 2,929  | 2,881  |
| Personal Current Transfer Receipts*                                                                | 13,633  | 14,301   | 15,087 | 15,917 | 16,729 | 17,482 | 18,268 |
| Less: Contributions for Social Ins.**                                                              | 4,796   | 5,029    | 5,226  | 5,419  | 5,617  | 5,823  | 6,033  |
| Adjustment for Residence**                                                                         | 1,012   | 1,067    | 1,109  | 1,152  | 1,196  | 1,236  | 1,279  |
| Personal Income* (Annual Change)                                                                   | 4.2%    | 4.5%     | 4.5%   | 4.0%   | 3.6%   | 3.2%   | 3.2%   |
| Wages & Salaries*                                                                                  | 4.0%    | 4.5%     | 4.2%   | 3.7%   | 3.5%   | 3.0%   | 3.0%   |
| Supplements to Wages & Salaries*                                                                   | 3.8%    | 3.2%     | 3.4%   | 3.5%   | 2.5%   | 3.4%   | 3.4%   |
| Nonfarm Proprietors' Income*                                                                       | 7.2%    | 6.5%     | 4.4%   | 3.0%   | 3.2%   | 3.3%   | 2.5%   |
| Farm Proprietors' Income**                                                                         | -9.6%   | -75.9%   | 245.0% | 124.6% | 22.6%  | -12.2% | -6.2%  |
| Dividends, Interest, & Rent*                                                                       | 4.8%    | 4.5%     | 4.5%   | 3.2%   | 3.0%   | 2.3%   | 2.2%   |
| Dividends                                                                                          | 3.0%    | 3.6%     | 4.4%   | 0.6%   | 0.0%   | 0.3%   | 1.4%   |
| Interest                                                                                           | 5.8%    | 5.2%     | 4.4%   | 6.7%   | 6.8%   | 4.9%   | 4.1%   |
| Rent                                                                                               | 5.0%    | 4.5%     | 4.9%   | -0.6%  | -1.5%  | -1.4%  | -1.6%  |
| Personal Current Transfer Receipts*                                                                | 3.5%    | 4.9%     | 5.5%   | 5.5%   | 5.1%   | 4.5%   | 4.5%   |
| Less: Contributions for Social Ins.**                                                              | 4.3%    | 4.9%     | 3.9%   | 3.7%   | 3.7%   | 3.7%   | 3.6%   |
| Adjustment for Residence**                                                                         | 1.3%    | 5.5%     | 3.9%   | 3.9%   | 3.8%   | 3.4%   | 3.4%   |
| *CEFC Forecast                                                                                     |         |          |        |        |        |        |        |
| **From IHS Economics (Oct. 2018), DAFS Low Emp Scenario and Moody's Analytics Baseline (Oct. 2018) |         |          |        |        |        |        |        |
| Remaining lines derived from CEFC forecast by CEFC staff and reviewed by CEFC                      |         |          |        |        |        |        |        |



## Revenue Outlook and Forecast

---

### Background

The Revenue Forecasting Committee 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 based on the economic assumptions recommended by the Consensus Economic Forecasting Commission (CEFC). 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.

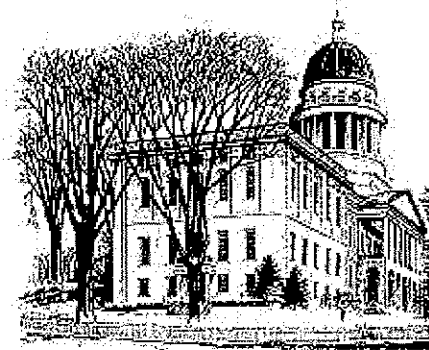
The committee is required to meet at least three times a year or when called by a majority vote of the committee members, or at the request of the State Budget Officer. The committee is required to develop four year revenue forecasts for the General Fund and the Highway Fund, or other funds of the state using the economic assumptions recommended by the CEFC. No later than December 1<sup>st</sup> and March 1<sup>st</sup> (May 1<sup>st</sup> 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). Public Laws of Maine 2017, chapter 284 includes a joint reporting requirement, by the CEFC and the RFC, issued on October 1<sup>st</sup> of each even-numbered year, of analyses and findings that detail the stress impact such potential economic recession scenarios would have on the current General Fund revenue projections of sales and income tax revenues. In addition, the report must include an analysis of the sufficiency of the current level of the Maine Budget Stabilization Fund and an estimate of the reserves in the Maine Budget Stabilization Fund necessary to offset the declines in revenue as a result of potential economic recessions of varying levels of severity.

**Stress Test as of the October 1<sup>st</sup>, 2018 Report, Executive Summary**

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 last 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 in the next 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.

Public Laws of Maine 2017, chapter 284, required the CEFC and the RFC to perform a biennial stress-test of General Fund revenues assuming hypothetical moderate and severe recessions and evaluating the sufficiency of the Maine Budget Stabilization Fund (Maine BSF) under each economic scenario. The two forecasting committees estimated that a hypothetical moderate recession beginning in early 2019 would reduce sales and individual income taxes relative to the current baseline revenue forecast such that General Fund revenue would decline by 2.2 percent in FY2019 and approximately 6.0 percent in each year of the FY2020-21 biennium. The current BSF level of \$272.9 million would be sufficient to maintain current FY2019 appropriations and all but \$17 million of the base spending limitation level of appropriations for FY2020. The current BSF would be depleted by the start of FY2021, falling short of the FY2021 base spending limitation appropriations level by \$237 million. An estimated BSF of 18 percent of FY2018 General Fund revenue (\$646 million), the current statutory maximum and more than double the current level, would be necessary to fully offset the revenue declines from a moderate recession to maintain the base spending limitation level of appropriations for the FY2020-FY2023 period. The entire report may be found at:

[http://www.maine.gov/dafs/economist/sites/maine.gov.dafs.economist/files/inline-files/Stress-Testing Maine General Fund Revenues and Reserves FY19-FY23.pdf](http://www.maine.gov/dafs/economist/sites/maine.gov.dafs.economist/files/inline-files/Stress-Testing%20Maine%20General%20Fund%20Revenues%20and%20Reserves%20FY19-FY23.pdf)



## STATE OF MAINE REVENUE FORECASTING COMMITTEE

### Members:

Michael Allen, Chair, Associate Commissioner of Tax Policy  
James Breece, University of Maine System  
Marc Cyr, Principal Analyst, Office of Fiscal and Program Review  
Melissa Gott, State Budget Officer  
Christopher Nolan, Director, Office of Fiscal and Program Review  
Amanda Rector, State Economist

December 3, 2018

TO: Governor Paul R. LePage  
Members, 128<sup>th</sup> and 129<sup>th</sup> Legislatures

FROM: Michael J. Allen, Chair   
Revenue Forecasting Committee

RE: **Revenue Forecasting Committee's December 2018 Report**

The Revenue Forecasting Committee (RFC) has concluded its fall revenue forecast to comply with its statutory reporting date of December 1. The RFC's December 2018 report and appendices have been posted to the RFC's [web page](#). A limited number of copies of the full report will be available later this week in the Office of Fiscal and Program Review, Room 226 of the State House.

The RFC has re-projected FY19 General Fund revenues up by \$99.2 million, or 2.7 percent higher than the previous forecast after adjustment for statutory changes. Similarly, General Fund revenues for the FY20-21 biennium were increased by \$263.2 million after adjustment for statutory changes, an increase of 3.5 percent. Most of the positive re-projection is from sales and use and individual income taxes. The net increase in the General Fund revenue forecast represents the largest nominal positive adjustment since the RFC increased the FY00-01 biennial forecast by \$250.2 million in December 1999.

This revenue forecast reflects the recent surge in General Fund revenue growth, up 8.8 percent through the first four months of FY19, and the slightly stronger economic forecast for calendar years 2018 and 2019. The uptick in revenues is consistent with national and state economies that have strengthened over the last 12 to 18 months, influenced by the first major federal tax reform act in over 30 years. Maine, as well as states with similar economies and tax systems, has experienced revenue growth rates over that period not seen since the late 1990s and early 2000s. A full understanding of the federal Tax Cuts and Jobs Act, and Maine's conformity to it, will take several years. Until that point, it is unclear what portion of the \$362.4 million re-projection for the FY19-21 period is one-time versus ongoing revenue.

The economic recovery and expansion following the Great Recession will reach the 10-year mark in June 2019. At that point it will be tied with the 1991-01 expansion for the longest in United States history. History would suggest that the U.S. economy is closer to the next recession than from the last.

## Findings – Major Revenue Sources As of the December 2018 Revenue Forecast

### Overview

The economic variables in the CEFC forecast play a prominent role in the 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. The RFC reviewed MRS/OTP and other staff recommendations at its meeting on November 26<sup>th</sup> and agreed to those recommendations.

General Fund revenue estimates are revised upward by \$99.2 million for FY19, with a resulting overall rate of growth for General Fund revenue for FY19 of 5.0% over FY18 final revenue amounts. The estimates for the 2020-2021 biennium are revised upward by \$117.5 million for FY20 and by \$145.7 million for FY21 (an increase of \$263.2 million for the biennium). It is important to note FY20 reflects a smaller overall growth rate of 0.9%, largely because of Municipal Revenue Sharing returning to the 5% level under current law from the 2% level in place for FY16 through FY19. Adjusting for the increase in revenue sharing results in an underlying revenue growth of 3.7% in FY20. The growth rate for FY21 is projected to be 3.7%. The December 2018 forecast adds projections for the 2022-2023 biennium, with overall FY22 General Fund revenue projected to grow at a 3.9% rate and FY23 at a 3.7% rate.

**Sales and Use Tax** – The sales and use tax line ended FY18 \$14 million over budget (+1%), an increase of 6.5% over FY17. At the time of the forecast, through the first four months of FY19, sales and use tax receipts are \$17.2 million (+3%) over budget and 6% higher for the same four-month period last fiscal year. Given the revenue line's performance through October, the US Supreme Court decision last June in *S. Dakota v. Wayfair Inc.*, and applying the relevant economic variables from the new CEFC forecast the RFC is forecasting significant additional revenue for the FY19-FY21 budget period. The net impact of these adjustments results in an increase in sales and use tax revenue of \$36.2 million in FY19, \$42.0 million in FY20, and \$48.1 million in FY21. The forecast of sales and use tax continues to assume that automobile unit sales will be flat to slightly declining over the FY19-FY21 forecast period, but begin to grow again starting in FY22. The new sales tax forecast assumes an average annual growth of approximately 4.3% per year over FY20-FY23 period.

**Individual Income Tax** – The RFC has increased its forecast of individual income tax receipts by \$60.8 million in FY19, and by \$162 million in the 2020-2021 biennium. Individual income tax receipts exceeded budget by \$40.4 million in FY18 (+2.6%), increasing by 4.7% over FY17. At the time of the forecast, through October of FY19, individual income tax revenue is \$33 million over budget (+6.4%), an increase of 8.2% over the same four-month period last fiscal year. Most of the year-to-date variance in FY19 (\$25.5 million) is due to stronger final payments and weaker refunds associated with prior tax years. The remaining \$7.5 million comes from withholding, estimated payments, and fiduciary returns that mostly reflect current economic activity. Over the remaining 8 months of FY19 approximately \$28 million of additional revenue is needed to meet the new revenue target, the majority of which will need to come from income generated in tax years 2018 and 2019. For that reason, the RFC projects individual income tax growth will moderate over the remainder of the fiscal year from its current year-over-year growth rate of 8.2%, but still end the fiscal year with solid growth of 5.3%. Going forward the RFC is projecting growth in individual income tax receipts of 4.7% in FY20 and FY21, and 3.8%

per year in the FY22-23 biennium. The gradual reduction in the growth rate reflects the moderation of the CEFC's personal income forecast, particularly wage and salary income, and capital gains realizations. Risks to the individual income tax forecast, beyond the performance of the national and state economies, primarily comes from estimates of conforming to the business-related components of federal Tax Cuts and Jobs Act (TCJA). The complexity and number of provisions that will flow through to individual income taxpayers will have direct and indirect impacts on the accuracy of the Office of Tax Policy's estimates.

**Corporate Income Tax** – Corporate income tax receipts have increased 47.1% through the first four months of FY19, resulting in a positive budget variance of \$18 million. Approximately \$5 million of that variance is from unusually large audit payments that the committee does not expect to be repeated in future tax years. The RFC's adjustment for FY19 is \$5.4 million which essentially accounts for these "one-time" audit revenues, plus minor adjustments based on the analysis of recent tax data. Additional corporate income tax revenue of \$1.7 million in FY20 and \$3.5 million in FY21 were included in the new revenue forecast as well, again primarily based on data from recently filed tax returns and updated estimates of TCJA conformity. The RFC has taken a very conservative approach to the forecast of the corporate income tax line because of the historic tax changes made by the TCJA. We believe it will be several years before the direct and indirect impacts of the TCJA on corporate filers will be understood. This is particularly true of the international provisions of the federal tax reform act. Because the surge in corporate payments over the last year is not fully understood at this time, it is the view of the committee that adjustments to the forecast be limited until MRS has a better understanding of the impacts of the TCJA and Maine's conformity to the federal law on state corporate filers.

**Cigarette and Tobacco Tax** – The forecast for revenue from the cigarette and tobacco tax for FY 19 is increased by \$1.4 million, decreased by \$1.8 million of FY20 and increased by \$3.9 million for FY21. Estimated revenue from the newly enacted excise tax on marijuana is reflected in this revenue category. The forecast assumes a 12-month delay in the start date for collection of the excise taxes from the start date assumed in the fiscal note for the enacting legislation (Public Laws of Maine 2017, chapter 409).

**Municipal Revenue Sharing** – Sales and Use Tax, Service Provider Tax, Individual Income Tax and Corporate Income Tax are subject to Municipal Revenue Sharing in accordance with Title 30-A, section 5681 of the Maine Revised Statutes. That section of statute requires that an amount equal to 5.0% of the sales, income, corporate and service provider tax lines be transferred to the Local Government Fund (Municipal Revenue Sharing), except that for fiscal years 2016 through 2019, an amount equal to 2% of the sales, income, corporate and service provider tax line be transferred to the Local Government Fund. A percentage share of the amounts transferred to the Local Government Fund each month must be transferred to the Disproportionate Tax Burden Fund.

The adopted Revenue Forecasting Committee forecasts for the General Fund, the Highway Fund and the Tobacco Settlement Fund are reflected in Tables B – 1 through B – 3. Additional details of the most recent December 2018 forecast may be found at <http://legislature.maine.gov/doc/2539>.

December actual General Fund and Highway Fund revenue results may be found at:

Memo- <http://www.maine.gov/osc/sites/maine.gov.osc/files/inline-files/2018%2012%20Memo.pdf>,

Report- <http://www.maine.gov/osc/sites/maine.gov.osc/files/inline-files/2018%2012%20Report.pdf>,

Taxable Sales by Sector- <http://www.maine.gov/osc/sites/maine.gov.osc/files/inline-files/2018%2012%20Taxable%20Sales.pdf>.

Table B-1

| GENERAL FUND REVENUE FORECAST |                |                |                        |                   |                |                        |                |                        |                   |
|-------------------------------|----------------|----------------|------------------------|-------------------|----------------|------------------------|----------------|------------------------|-------------------|
| SOURCE                        | FY18<br>ACTUAL | FY19<br>BUDGET | YR. TO YR.<br>% CHANGE | TOTAL<br>BIENNIUM | FY20<br>BUDGET | YR. TO YR.<br>% CHANGE | FY21<br>BUDGET | YR. TO YR.<br>% CHANGE | TOTAL<br>BIENNIUM |
| Sales and Use Tax             | 1,423,551,101  | 1,502,180,767  | 5.52%                  | 2,925,731,868     | 1,570,809,830  | 4.57%                  | 1,637,077,188  | 4.22%                  | 3,207,887,018     |
| Service Provider Tax          | 59,601,858     | 59,222,124     | -0.64%                 | 118,823,982       | 59,524,000     | 0.51%                  | 59,854,000     | 0.55%                  | 119,378,000       |
| Individual Income Tax         | 1,555,191,847  | 1,680,158,151  | 5.33%                  | 3,275,349,998     | 1,759,203,500  | 4.70%                  | 1,841,956,250  | 4.70%                  | 3,601,159,750     |
| Corporate Income Tax          | 185,737,065    | 209,750,000    | 12.93%                 | 395,487,065       | 200,100,000    | -4.60%                 | 198,200,000    | -0.95%                 | 398,300,000       |
| Cigarette & Tobacco Tax       | 132,949,700    | 137,088,615    | 3.11%                  | 270,038,315       | 136,546,842    | -0.40%                 | 140,059,906    | 2.57%                  | 276,606,748       |
| Insurance Company Tax         | 73,468,185     | 74,450,000     | 1.34%                  | 147,918,185       | 75,250,000     | 1.07%                  | 80,800,000     | 7.38%                  | 156,050,000       |
| Inheritance & Estate Tax      | 13,801,409     | 9,140,409      | -33.77%                | 22,941,818        | 10,350,000     | 13.23%                 | 10,800,000     | 4.35%                  | 21,150,000        |
| Fines, Forfeits and Penalties | 18,402,965     | 17,583,176     | -4.45%                 | 35,986,131        | 17,582,176     | -0.01%                 | 17,583,176     | 0.01%                  | 35,165,352        |
| Income from Investments       | 6,601,717      | 8,721,242      | 32.11%                 | 15,322,959        | 10,123,411     | 16.08%                 | 11,335,279     | 11.97%                 | 21,458,690        |
| Transfer from Lottery         | 62,307,123     | 57,000,000     | -8.52%                 | 119,307,123       | 57,000,000     | 0.00%                  | 57,000,000     | 0.00%                  | 114,000,000       |
| Trans for Tax Relief Progs    | (65,413,185)   | (68,368,623)   | 4.52%                  | (133,781,808)     | (69,900,000)   | 2.24%                  | (72,350,000)   | 3.51%                  | (142,250,000)     |
| Trans. to Muni. Rev. Share    | (69,338,529)   | (72,683,306)   | 4.82%                  | (142,021,835)     | (174,437,802)  | 140.00%                | (190,310,040)  | 9.10%                  | (364,747,842)     |
| Other Taxes and Fees          | 145,822,739    | 143,259,126    | -1.76%                 | 289,081,865       | 140,266,228    | -2.09%                 | 140,265,011    | 0.00%                  | 280,531,239       |
| Other Revenues                | 4,991,864      | 9,874,430      | 97.81%                 | 14,866,294        | 10,575,824     | 7.10%                  | 10,728,933     | 1.45%                  | 21,304,757        |
| TOTAL REVENUE                 | 3,587,675,847  | 3,767,376,111  | 5.01%                  | 7,355,051,960     | 3,802,994,009  | 0.95%                  | 3,942,999,703  | 3.68%                  | 7,745,993,712     |

Table B-2

| HIGHWAY FUND REVENUE FORECAST      |                |                |                        |                   |                |                        |                |                        |                   |
|------------------------------------|----------------|----------------|------------------------|-------------------|----------------|------------------------|----------------|------------------------|-------------------|
| SOURCE                             | FY18<br>ACTUAL | FY19<br>BUDGET | YR. TO YR.<br>% CHANGE | TOTAL<br>BIENNIUM | FY20<br>BUDGET | YR. TO YR.<br>% CHANGE | FY21<br>BUDGET | YR. TO YR.<br>% CHANGE | TOTAL<br>BIENNIUM |
| Fuel Tax                           | 224,172,333    | 232,702,699    | 3.81%                  | 456,875,032       | 235,029,736    | 1.00%                  | 237,380,022    | 1.00%                  | 472,409,748       |
| Motor Vehicle Registrations & Fees | 88,451,559     | 89,212,689     | 0.86%                  | 177,664,248       | 90,752,413     | 1.73%                  | 90,265,326     | -0.54%                 | 181,017,739       |
| Inspection Fees                    | 3,202,500      | 3,202,500      | 0.00%                  | 6,405,000         | 3,202,500      | 0.00%                  | 3,202,500      | 0.00%                  | 6,405,000         |
| Other Highway Fund Taxes and Fees  | 1,293,729      | 1,280,229      | -1.04%                 | 2,573,958         | 1,368,729      | 6.91%                  | 1,355,229      | -0.99%                 | 2,723,958         |
| Fines Forfeits & Penalties         | 739,039        | 739,039        | 0.00%                  | 1,478,078         | 739,039        | 0.00%                  | 739,039        | 0.00%                  | 1,478,078         |
| Income from Investments            | 218,841        | 242,191        | 10.67%                 | 461,032           | 341,842        | 41.15%                 | 382,764        | 11.97%                 | 724,606           |
| Other Revenues                     | 10,602,160     | 11,252,423     | 6.13%                  | 21,854,583        | 9,801,870      | -12.89%                | 9,837,706      | 0.37%                  | 19,639,576        |
| TOTAL REVENUE                      | 328,680,161    | 338,631,770    | 3.03%                  | 667,311,931       | 341,236,119    | 0.77%                  | 343,162,586    | 0.56%                  | 684,398,705       |

Table B-3

| TOBACCO SETTLEMENT REVENUE ESTIMATES             |                |                |                        |                   |                |                        |                |                        |                   |
|--------------------------------------------------|----------------|----------------|------------------------|-------------------|----------------|------------------------|----------------|------------------------|-------------------|
| SOURCE                                           | FY18<br>ACTUAL | FY19<br>BUDGET | YR. TO YR.<br>% CHANGE | TOTAL<br>BIENNium | FY20<br>BUDGET | YR. TO YR.<br>% CHANGE | FY21<br>BUDGET | YR. TO YR.<br>% CHANGE | TOTAL<br>BIENNium |
| Base Payments*                                   | 67,900,922     | 71,122,186     | 4.74%                  | 139,023,108       | 46,073,338     | -35.22%                | 46,073,338     | 0.00%                  | 92,146,676        |
| Strategic Contribution Payments                  | 0              | 0              | 0.00%                  | 0                 | 0              | 0.00%                  | -              | 0.00%                  | 0                 |
| Racino Revenue                                   | 3,680,035      | 3,518,034      | -4.40%                 | 7,198,069         | 3,576,487      | 1.66%                  | 3,612,252      | 1.00%                  | 7,188,739         |
| Income from Investments                          | 146,419        | 208,079        | 42.11%                 | 354,498           | 201,776        | -3.03%                 | 225,930        | 11.97%                 | 427,706           |
| Attorney General Reimbursements and Other Income | 0              | 0              | 0.00%                  | 0                 | 0              | 0.00%                  | -              | 0.00%                  | 0                 |
| Total Tobacco Settlement Revenue                 | 71,727,377     | 74,848,299     | 4.35%                  | 146,575,675       | 49,851,601     | -33.40%                | 49,911,520     | 0.12%                  | 99,763,121        |

# Revenue Outlook and Forecast – Tax Expenditures

---

## Section 1: TAX EXPENDITURES

State law requires Maine Revenue Services to provide two tax expenditure reports in January of every odd-numbered year. The first report must be included in the state budget document. 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.”

This report meets the first statutory requirement.

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 we have excluded from the above definition of tax expenditure 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 2016 and fiscal year 2017 generally assume modest increases in business activity and inflation, based on the economic forecast provided by the Consensus Economic Forecasting Committee in November 2014.

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 Fiscal Years 2018-2021, compiled by the U.S. Joint Standing Committee on Taxation .

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 we isolate these expenditures 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'18        | FY'19        | FY'20        | FY'21         |
|--------------------------------------------------------------------------------------------------|-----------------------------|--------------|--------------|--------------|---------------|
| Reimbursement For Business Equipment Tax Exemption to Municipalities                             | Chapter 105, Subchapter 4-c | \$35,584,483 | \$40,786,623 | \$44,300,000 | \$48,750,000  |
| Reimbursement for Taxes Paid on Certain Business Property (BETR)                                 | Chapter 915                 | \$29,863,832 | \$27,600,000 | \$25,600,000 | \$23,600,000  |
| Income from depreciation recapture on sale of multi-family affordable housing property           | 5122(2)(Z)                  | B            | B            | B            | B             |
| Deduction for Social Security Benefits Taxable at Federal Level                                  | 5122(2)(C)                  | \$85,000,000 | \$91,000,000 | \$95,300,000 | \$103,000,000 |
| Deduction for Contributions to Capital Construction Funds                                        | 5122(2)(I)                  | \$430,000    | \$430,000    | \$410,000    | \$410,000     |
| Deduction for Pension Income                                                                     | 5122(2)(M)                  | \$30,800,000 | \$31,100,000 | \$30,600,000 | \$30,900,000  |
| Deduction for Interest and Dividends on Maine State and Local Securities - Individual Income Tax | 5122(2)(N)                  | \$60,000     | \$60,000     | \$65,000     | \$70,000      |
| 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)                 | \$880,000    | \$880,000    | \$860,000    | \$860,000     |
| Military annuity payments made to survivor                                                       | 5122(2)(HH)                 | B            | B            | B            | B             |
| Family development account proceeds                                                              | 10 MRSA §1077               | A            | A            | A            | A             |
| Municipal property tax benefits for senior citizens                                              | 5122(2)(EE)                 | A            | A            | A            | A             |
| Deduction for gain on sales of eligible timberlands                                              | 5122(2)(U)                  | A            | B            | C            | C             |
| Itemized Deductions                                                                              | 5125                        | \$11,600,000 | \$9,700,000  | \$9,400,000  | \$10,100,000  |
| Additional standard deduction for the elderly and disabled                                       | 5124-A                      | \$7,200,000  | \$8,500,000  | \$9,000,000  | \$9,600,000   |
| 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             |
| Credit to Beneficiary for Accumulation Distribution                                              | 5214-A                      | B            | B            | B            | B             |
| Seed Capital Investment Tax Credit                                                               | 5216-B                      | \$2,600,000  | \$3,700,000  | \$4,250,000  | \$4,500,000   |
| Credit for Educational Opportunity                                                               | 5217-D                      | \$17,800,000 | \$23,500,000 | \$28,800,000 | \$35,100,000  |
| Income Tax Credit for Child Care Expense                                                         | 5218                        | \$4,150,000  | \$4,100,000  | \$4,000,000  | \$4,000,000   |
| Research Expense Tax Credit                                                                      | 5219-K                      | \$600,000    | \$620,000    | \$610,000    | \$630,000     |
| Credit for Rehabilitation of Historic Properties                                                 | 5219-BB                     | \$12,700,000 | \$13,050,000 | \$11,650,000 | \$11,550,000  |
| Earned Income Credit**                                                                           | 5219-S                      | \$2,750,000  | \$2,850,000  | \$2,770,000  | \$2,800,000   |
| Pine Tree Development Zone Tax Credit                                                            | 5219-W                      | \$2,910,000  | \$3,040,000  | \$3,010,000  | \$1,810,000   |
| Tax Benefits for Media Production Companies                                                      | 5219-Y, c. 919-A            | \$36,042     | \$120,000    | \$190,000    | \$190,000     |
| Dental Care Access Credit                                                                        | 5219-BB                     | \$82,000     | \$71,000     | \$72,000     | \$111,000     |
| New Markets Capital Investment Credit                                                            | 5219-HH                     | \$15,129,000 | \$15,232,000 | \$12,423,000 | \$6,256,000   |
| Credit for Wellness Programs                                                                     | 5219-FF                     | \$15,000     | \$15,000     | \$14,000     | \$14,000      |
| Maine fishery infrastructure investment tax credit                                               | 5216-D                      | B            | B            | B            | B             |
| Innovation Finance Credit                                                                        | 5219-EE                     | \$0          | \$0          | *            | *             |
| Primary Care Access Credit                                                                       | 5219-LL                     | \$99,000     | \$170,000    | \$240,000    | \$311,000     |
| Property Tax Fairness Credit                                                                     | 5219-KK                     | \$14,800,000 | \$25,700,000 | \$24,900,000 | \$24,900,000  |
| Sales Tax Fairness Credit                                                                        | 5213-A                      | \$25,650,000 | \$25,800,000 | \$24,550,000 | \$24,300,000  |
| Maine Capital Investment Credit                                                                  | 5219-NN                     | \$11,800,000 | \$23,300,000 | \$19,900,000 | \$18,350,000  |
| Credit for certain homestead modifications                                                       | 5219-PP                     | \$5,390      | \$11,000     | \$16,000     | \$21,000      |
| Credit for disability income protection plans in the workplace                                   | 5219-OO                     | A            | B            | B            | B             |
| Adult dependent care credit                                                                      | 5218-A                      | \$16,000     | \$16,000     | \$15,000     | \$15,000      |
| Credit for major business headquarters expansions                                                | 5219-QQ                     | \$0          | \$0          | \$0          | C             |
| Employer Credit for Family Leave                                                                 | 5219-UU and 2536            | \$0          | \$2,450,000  | \$2,860,000  | \$1,700,000   |
| Employment Tax Increment Financing, including certain Job Increment Financing Programs           | Chapter 917                 | \$13,059,556 | \$12,289,270 | \$11,400,000 | \$12,000,000  |
| Loring Job Increment Financing                                                                   | Title 5 Art. 1-C            | \$650,158    | \$508,887    | \$500,000    | \$520,000     |
| Brunswick Naval Air Station Job Increment Financing                                              | Title 5 §13083-S-1          | \$149,711    | \$130,735    | \$140,000    | \$140,000     |
| Shipbuilding Facility Credit                                                                     | 5219-RR                     | \$0          | \$0          | \$0          | \$2,850,000   |

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 \$0 - \$760,000

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

F represents an estimated spread of \$1,500,00 - \$2,500,000

\* represents a potential liability

\*\*The General Fund revenue loss from the EITC is net of reimbursements from TANF funds for the EITC. The gross revenue reduction from the EITC is approximately \$10.2 million in FY 2018.

## Tax Expenditures

| General Fund Income Tax Expenditures                                                                         | 36 MRSA § | FY'18         | FY'19                         | FY'20             | FY'21              |
|--------------------------------------------------------------------------------------------------------------|-----------|---------------|-------------------------------|-------------------|--------------------|
| CONFORMITY WITH INTERNAL REVENUE CODE DEFINITION OF FEDERAL ADJUSTED GROSS INCOME: ABOVE THE LINE DEDUCTIONS |           |               |                               |                   |                    |
| Health Savings Accounts                                                                                      | 5102(1-D) | \$2,000,000   | \$2,100,000                   | \$2,150,000       | \$2,200,000        |
| Deduction for Interest of Student Loans                                                                      | 5102(1-D) | \$4,550,000   | \$4,850,000                   | \$4,950,000       | \$5,150,000        |
| Moving Expenses Deduction                                                                                    | 5102(1-D) | \$630,000     | B                             | B                 | B                  |
| Pension Contributions -- Individual Retirement Plans                                                         | 5102(1-D) | \$5,450,000   | \$5,800,000                   | \$5,900,000       | \$6,150,000        |
| Pension Contributions -- Partners & Sole Proprietors --Self-employed SEP, SIMPLE, and KEOGH Plans            | 5102(1-D) | \$5,900,000   | \$6,200,000                   | \$6,250,000       | \$6,500,000        |
| Self-Employed Medical Insurance Premiums                                                                     | 5102(1-D) | \$9,650,000   | \$10,200,000                  | \$10,350,000      | \$10,800,000       |
| Teacher Expense Deduction                                                                                    | 5102(1-D) | \$250,000     | \$250,000                     | \$250,000         | \$250,000          |
| CONFORMITY WITH INTERNAL REVENUE CODE DEFINITION OF FEDERAL ADJUSTED GROSS INCOME: OTHER                     |           |               |                               |                   |                    |
| Certain Interest Income Excluded from Federal Adjusted Gross Income                                          | 5102(1-D) | \$10,050,000  | \$10,600,000                  | \$10,750,000      | \$11,400,000       |
| Section 179 Expensing                                                                                        | 5102(1-D) | \$6,800,000   | \$5,050,000                   | \$3,800,000       | \$2,950,000        |
| Deduction for dividends received by domestic corporations from certain foreign corporations                  | 5102(1-D) | E             | E                             | E                 | E                  |
| Deduction for foreign-derived intangible income                                                              | 5102(1-D) | \$0           | \$3 - \$7 million             | \$5 - \$9 million | \$6 - \$10 million |
| Opportunity Zones                                                                                            | 5102(1-D) | \$0           | F                             | F                 | F                  |
| Pension Contributions & Earnings -- Employer-Provided Pension Contributions and Earnings                     | 5102(1-D) | \$219,600,000 | \$217,100,000                 | \$224,000,000     | \$246,400,000      |
| Employer-Paid Medical Insurance and Expenses                                                                 | 5102(1-D) | \$150,400,000 | \$168,900,000                 | \$176,400,000     | \$185,900,000      |
| Exclusion of Benefits Provided under Cafeteria Plans                                                         | 5102(1-D) | \$39,000,000  | \$41,300,000                  | \$43,200,000      | \$47,600,000       |
| Exclusion of Capital Gains at Death                                                                          | 5102(1-D) | \$23,000,000  | \$24,200,000                  | \$24,300,000      | \$25,300,000       |
| Exclusion of Capital Gains on Sales of Principal Residences                                                  | 5102(1-D) | \$21,300,000  | \$22,100,000                  | \$22,000,000      | \$23,000,000       |
| Social Security and Railroad Retirement Benefits Untaxed at the Federal Level                                | 5102(1-D) | \$60,400,000  | \$58,800,000                  | \$60,500,000      | \$64,400,000       |
| Federal Conformity Other:                                                                                    |           |               |                               |                   |                    |
| National Defense and International Affairs                                                                   | 5102(1-D) |               | \$7 - \$12 million per year   |                   |                    |
| Energy                                                                                                       | 5102(1-D) |               | \$1 - \$3 million per year    |                   |                    |
| Natural Resources, Environment, Agriculture                                                                  | 5102(1-D) |               | \$500k - \$3 million per year |                   |                    |
| Commerce                                                                                                     | 5102(1-D) |               | \$30 - \$70 million per year  |                   |                    |
| Education and Training                                                                                       | 5102(1-D) |               | \$8 - \$12 million per year   |                   |                    |
| Employment                                                                                                   | 5102(1-D) |               | \$18 - \$28 million per year  |                   |                    |
| Health and Income Security                                                                                   | 5102(1-D) |               | \$60 - \$80 million per year  |                   |                    |
| Miscellaneous                                                                                                | 5102(1-D) |               | \$30 - \$50 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 \$0 - \$760,000

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

F represents an estimated spread of \$1,500,00 - \$2,500,000

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

| <b>General Fund Sales &amp; Use Tax Expenditures</b>                                                      | <b>36 MRSA §</b> | <b>FY'18</b>  | <b>FY'19</b>  | <b>FY20</b>   | <b>FY21</b>   |
|-----------------------------------------------------------------------------------------------------------|------------------|---------------|---------------|---------------|---------------|
| Exempt from Sales Tax the Fee Associated with the Paint                                                   | 1752.14          | \$0           | \$0           | \$72,000      | \$74,000      |
| Sales to the State & Political Subdivisions                                                               | 1760.2           | \$197,020,000 | \$207,520,000 | \$215,620,000 | \$220,420,000 |
| Grocery Staples                                                                                           | 1760.3           | \$163,440,000 | \$172,150,000 | \$178,870,000 | \$186,740,000 |
| Ships Stores                                                                                              | 1760.4           | C             | C             | C             | C             |
| Prescription Drugs                                                                                        | 1760.5           | \$93,780,000  | \$98,770,000  | \$102,630,000 | \$106,290,000 |
| Prosthetic or Orthotic Device                                                                             | 1760.5A          | \$6,020,000   | \$6,340,000   | \$6,590,000   | \$6,880,000   |
| Meals Served by Public or Private Schools                                                                 | 1760.6A          | \$7,030,000   | \$7,400,000   | \$7,690,000   | \$7,990,000   |
| Meals Served to Patients in Hospitals & Nursing Homes                                                     | 1760.6B          | \$10,330,000  | \$10,880,000  | \$11,300,000  | \$11,920,000  |
| Providing Meals for the Elderly                                                                           | 1760.6C          | C             | C             | C             | C             |
| 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          | \$0           | 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          | C             | C             | C             | C             |
| Products Used in Agricultural and Aquacultural Production & Bait                                          | 1760.7A-C        | \$6,760,000   | \$7,120,000   | \$7,400,000   | \$7,750,000   |
| Certain Jet Fuel                                                                                          | 1760.8B          | \$4,560,000   | \$4,800,000   | \$4,990,000   | \$5,120,000   |
| Coal, Oil & Wood for Cooking & Heating Homes                                                              | 1760.9           | \$48,660,000  | \$51,250,000  | \$53,250,000  | \$54,315,000  |
| Fuel Oil for Burning Blueberry Land                                                                       | 1760.9A          | A             | A             | A             | A             |
| First 750 KW Hours of Residential Electricity Per Month                                                   | 1760.9B          | \$25,050,000  | \$26,390,000  | \$27,420,000  | \$27,970,000  |
| Gas When Used for Cooking & Heating in Residences                                                         | 1760.9C          | \$16,440,000  | \$17,310,000  | \$17,990,000  | \$18,350,000  |
| Fuel and Electricity Used in Manufacturing                                                                | 1760.9D          | \$20,030,000  | \$21,100,000  | \$21,920,000  | \$22,360,000  |
| Fuel Oil or Coal which become an Ingredient or Component Part                                             | 1760.9G          | A             | A             | A             | A             |
| Fuel Used in Certain Agricultural Production                                                              | 1760.9H          | \$260,000     | \$280,000     | \$290,000     | \$300,000     |
| Certain Returnable Containers                                                                             | 1760.12          | \$1,750,000   | \$1,850,000   | \$1,920,000   | \$1,940,000   |
| Packaging Materials                                                                                       | 1760.12A         | \$30,110,000  | \$31,710,000  | \$32,950,000  | \$33,930,000  |
| Free Publications and Components of Publications                                                          | 1760.14-A        | \$1,840,000   | \$1,930,000   | \$2,010,000   | \$2,050,000   |
| Sales to Hospitals, Research Centers, Churches and Schools                                                | 1760.16          | F             | F             | F             | F             |
| Rental Charges for Living Quarters in Nursing Homes and Hospitals                                         | 1760.18          | C             | C             | C             | C             |
| Sales to Certain Residential Child Care Facilities                                                        | 1760.18A         | B             | B             | B             | B             |
| Rental of Living Quarters at Schools                                                                      | 1760.19          | \$6,990,000   | \$7,360,000   | \$7,650,000   | \$7,880,000   |
| Rental Charges on Continuous Residence for More Than 28 Days                                              | 1760.20          | \$205,390,000 | \$216,330,000 | \$224,780,000 | \$229,730,000 |
| Automobiles Used in Driver Education Programs                                                             | 1760.21          | A             | A             | A             | A             |
| Certain Loaner Vehicles                                                                                   | 1760.21A         | \$260,000     | \$280,000     | \$290,000     | \$300,000     |
| 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         | \$1,000,000   | \$1,050,000   | \$1,090,000   | \$1,110,000   |
| Funeral Services                                                                                          | 1760.24          | \$6,690,000   | \$7,040,000   | \$7,320,000   | \$7,600,000   |
| Watercraft Purchased by Nonresidents                                                                      | 1760.25          | C             | C             | C             | C             |
| Certain Sales of Snowmobiles and All terrain Vehicles to Nonresidents                                     | 1760.25C         | A             | A             | A             | A             |
| Sales to Ambulance Services & Fire Departments                                                            | 1760.26          | C             | C             | C             | C             |
| Sales to Comm. Mental Health, Substance Abuse Facilities & to Facilities for the Developmentally Disabled | 1760.28          | B             | B             | B             | B             |
| Water Pollution Control Facilities                                                                        | 1760.29          | C             | C             | C             | C             |
| Air Pollution Control Facilities                                                                          | 1760.30          | C             | C             | C             | C             |
| Machinery & Equipment                                                                                     | 1760.31          | \$46,250,000  | \$48,720,000  | \$50,620,000  | \$52,570,000  |
| New Machinery for Experimental Research                                                                   | 1760.32          | B             | B             | B             | B             |
| Diabetic Supplies                                                                                         | 1760.33          | \$1,250,000   | \$1,320,000   | \$1,370,000   | \$1,410,000   |
| Sales Through Coin Operated Vending Machines                                                              | 1760.34          | \$440,000     | \$460,000     | \$480,000     | \$490,000     |
| Goods & Services for Seeing Eye Dogs                                                                      | 1760.35          | A             | A             | A             | A             |
| Sales to Regional Planning Agencies                                                                       | 1760.37          | A             | A             | A             | A             |
| Water Used in Private Residences                                                                          | 1760.39          | \$15,310,000  | \$16,130,000  | \$16,760,000  | \$17,410,000  |
| Mobile & Modular Homes                                                                                    | 1760.40          | \$29,850,000  | \$31,440,000  | \$32,670,000  | \$33,160,000  |
| Property Used in Interstate Commerce                                                                      | 1760.41          | D             | D             | D             | D             |
| Sales to Historical Societies & Museums                                                                   | 1760.42          | B             | B             | B             | B             |
| Sales to Child Care Facilities                                                                            | 1760.43          | B             | B             | B             | B             |
| Sales to Church Affiliated Residential Homes                                                              | 1760.44          | A             | A             | A             | A             |
| Certain Property Purchased Out of State                                                                   | 1760.45          | D             | D             | D             | D             |
| Sales to Organ. that Provide Residential Facilities for Med. Patients                                     | 1760.46          | A             | A             | A             | A             |
| Sales to Emergency Shelters & Feeding Organizations                                                       | 1760.47A         | B             | B             | B             | B             |
| Sales to Comm. Action Agencies; Child Abuse Councils; Child Advocacy Orgs.                                | 1760.49          | C             | C             | C             | C             |
| Sales to any Nonprofit Free Libraries                                                                     | 1760.50          | B             | B             | B             | B             |

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

B represents an estimated spread of \$50,000 - \$249,999

C represents an estimated spread of \$250,000 - \$999,999

D represents an estimated spread of \$1,000,000 - \$2,999,999

E represents an estimated spread of \$3,000,000 - \$5,999,999

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

## Tax Expenditures

|                                                                                     | 36 MRSA § | FY'18         | FY'19         | FY20          | FY21          |
|-------------------------------------------------------------------------------------|-----------|---------------|---------------|---------------|---------------|
| Sales to Veterans Memorial Cemetery Associations                                    | 1760.51   | A             | A             | A             | A             |
| Railroad Track Materials                                                            | 1760.52   | \$1,220,000   | \$1,280,000   | \$1,330,000   | \$1,380,000   |
| Sales to Nonprofit Rescue Operations                                                | 1760.53   | A             | A             | A             | A             |
| Sales to Hospice Organizations                                                      | 1760.55   | A             | A             | A             | A             |
| Sales to Nonprofit Youth & Scouting Organizations                                   | 1760.56   | C             | C             | C             | C             |
| Self Help Literature on Alcoholism                                                  | 1760.57   | A             | A             | A             | A             |
| Portable Classrooms                                                                 | 1760.58   | A             | A             | A             | A             |
| Sales to Certain Incorporated, Nonprofit Educational Orgs.                          | 1760.59   | A             | A             | A             | A             |
| Sales to Incorporated Nonprofit Animal Shelters                                     | 1760.60   | A             | A             | A             | A             |
| Construction Contracts with Exempt Organizations                                    | 1760.61   | D             | D             | D             | D             |
| Sales to Certain Charitable Suppliers of Medical Equipment                          | 1760.62   | A             | A             | A             | A             |
| Sales to Orgs that Fulfill the Wishes of Children with<br>Life-threatening Diseases | 1760.63   | 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   | A             | A             | A             | A             |
| Sales to Nonprofit Home Construction Organizations                                  | 1760.67   | B             | B             | B             | B             |
| Sales to Orgs that Create & Maintain a Registry of Vietnam Veterans                 | 1760.69   | A             | A             | A             | A             |
| Sales to Orgs that Provide Certain Services for Hearing-impaired Persons            | 1760.70   | A             | A             | A             | A             |
| Sales to State Chartered Credit Unions                                              | 1760.71   | A             | A             | A             | A             |
| Sales to Nonprofit Housing Development Organizations                                | 1760.72   | B             | B             | B             | B             |
| Seedlings for Commercial Forestry Use                                               | 1760.73   | B             | B             | B             | B             |
| Property Used in Manufacturing Production                                           | 1760.74   | \$185,740,000 | \$195,630,000 | \$203,270,000 | \$213,430,000 |
| Meals& Lodging Provided to Employees                                                | 1760.75   | B             | B             | B             | B             |
| Certain Aircraft Parts                                                              | 1760.76   | A             | A             | A             | A             |
| Sales to Eye Banks                                                                  | 1760.77   | A             | A             | A             | A             |
| Sales of Certain Farm Animal Bedding & Hay                                          | 1760.78   | A             | A             | A             | A             |
| Electricity Used for Net Billing                                                    | 1760.80   | A             | A             | A             | A             |
| Animal Waste Storage Facility                                                       | 1760.81   | A             | A             | A             | A             |
| Sales of Property Delivered Outside this State                                      | 1760.82   | F             | F             | F             | F             |
| Sales of Certain Printed Materials                                                  | 1760.83   | C             | C             | C             | C             |
| Sales to Centers for Innovation                                                     | 1760.84   | 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      | C             | C             | C             | C             |
| Sales of Tangible Personal Property to Qualified Development<br>Zone Businesses     | 1760.87   | D             | D             | D             | D             |
| Sales of Certain Aircraft                                                           | 1760.88   | \$470,000     | \$490,000     | \$510,000     | \$530,000     |
| Sale, Use or Lease of Aircraft and Sales of Repair and Replacement Parts            | 1760.88-A | \$1,180,000   | \$1,240,000   | \$1,290,000   | \$1,360,000   |
| Sales of Certain Qualified Snowmobile Trail Grooming Equipment                      | 1760.90   | \$30,000      | \$30,000      | \$35,000      | \$37,500      |
| Certain Sales of Electrical Energy                                                  | 1760.91   | C             | C             | C             | C             |
| Certain Vehicle Rentals                                                             | 1760.92   | A             | A             | A             | A             |
| Plastic Bags Sold to Redemption Centers                                             | 1760.93   | \$40,000      | \$40,000      | \$40,000      | \$41,000      |
| Positive Airway Pressure Equipment and Supplies                                     | 1760.94   | C             | C             | C             | C             |
| Sales of Certain Adaptive Equipment                                                 | 1760.95   | \$70,000      | \$80,000      | \$80,000      | \$81,000      |
| Sales to Certain Veterans Support Organizations                                     | 1760.98   | \$20,000      | \$20,000      | \$20,000      | \$21,000      |
| Sales to Nonprofit Library Collaboratives                                           | 1760.99   | A             | A             | A             | A             |
| Sales to Certain Veterans Service Organizations                                     | 1760.100  | \$90,000      | \$90,000      | \$97,000      | \$100,000     |
| Sales to Nonprofit Heating Assistance Organizations                                 | 1760.102  | \$0           | \$0           | \$380         | \$475         |
| Sales to Certain Nonprofit Organizations Supporting Veterans                        | 1760.102  | \$0           | \$0           | \$2,400       | \$2,600       |
| Trade In Credits                                                                    | 1765      | \$34,020,000  | \$35,830,000  | \$37,230,000  | \$38,500,000  |
| Returned Merchandise Donated to Charity                                             | 1863      | B             | B             | B             | B             |
| 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      | \$16,680,000  | \$17,560,000  | \$18,250,000  | \$19,110,000  |
| 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             |
| Consumer Purchases of Medical Services                                              | 1752.11   | \$589,760,000 | \$621,170,000 | \$645,430,000 | \$670,450,000 |
| Consumer Purchases of Transportation Services                                       | 1752.11   | \$38,190,000  | \$40,230,000  | \$41,800,000  | \$43,420,000  |
| Consumer Purchases of Amusement and Recreational Services                           | 1752.11   | \$72,370,000  | \$76,220,000  | \$79,200,000  | \$82,270,000  |
| Consumer Purchases of Financial Services                                            | 1752.11   | \$195,620,000 | \$206,040,000 | \$214,090,000 | \$222,380,000 |
| Consumer Purchases of Information Services Except Telecommunications                | 1752.11   | \$21,800,000  | \$22,960,000  | \$23,860,000  | \$24,780,000  |
| Consumer Purchases of Education Services                                            | 1752.11   | \$77,320,000  | \$81,440,000  | \$84,620,000  | \$87,900,000  |

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

B represents an estimated spread of \$50,000 - \$249,999

C represents an estimated spread of \$250,000 - \$999,999

D represents an estimated spread of \$1,000,000 - \$2,999,999

E represents an estimated spread of \$3,000,000 - \$5,999,999

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

## Tax Expenditures

| 36 MRSA §                                                                     | FY'18      | FY'19         | FY20          | FY21          |               |
|-------------------------------------------------------------------------------|------------|---------------|---------------|---------------|---------------|
| Consumer Purchases of Personal, Household and Business Services               | 1752.11    | \$80,140,000  | \$84,410,000  | \$87,710,000  | \$91,110,000  |
| Consumer Purchases of Social Services                                         | 1752.11    | \$53,070,000  | \$55,900,000  | \$58,080,000  | \$60,330,000  |
| Business Purchases of Transportation Services                                 | 1752.11    | \$84,800,000  | \$89,310,000  | \$92,800,000  | \$97,400,000  |
| Business Purchases of Information Services Except Telecommunications          | 1752.11    | \$41,400,000  | \$43,610,000  | \$45,310,000  | \$47,620,000  |
| Business Purchases of Financial Services                                      | 1752.11    | \$231,600,000 | \$243,930,000 | \$253,460,000 | \$266,490,000 |
| Business Purchases of Legal, Business, Administrative and Support Services    | 1752.11    | \$535,180,000 | \$563,690,000 | \$585,700,000 | \$615,490,000 |
| Business Purchases of Educational Services                                    | 1752.11    | \$7,740,000   | \$8,150,000   | \$8,470,000   | \$8,880,000   |
| Business Purchases of Medical Services                                        | 1752.11    | \$13,690,000  | \$14,420,000  | \$14,980,000  | \$15,740,000  |
| Business Purchases of Social Services                                         | 1752.11    | \$260,000     | \$280,000     | \$290,000     | \$310,000     |
| Business Purchases of Amusement and Recreational Services                     | 1752.11    | \$12,200,000  | \$12,850,000  | \$13,350,000  | \$14,040,000  |
| Business Purchases of Repair, Maintenance and Personal Services               | 1752.11    | \$29,410,000  | \$30,980,000  | \$32,190,000  | \$33,390,000  |
| Business Purchases of Construction Services                                   | 1752.11    | \$43,430,000  | \$45,740,000  | \$47,530,000  | \$48,480,000  |
| Casual Sales                                                                  | 1752.11    | D             | D             | D             | D             |
| Sales by Executors                                                            | 1752.11    | A             | A             | A             | A             |
| <b>General Fund Service Provider Tax Expenditures</b>                         |            |               |               |               |               |
| Sales to the State & Political Subdivisions                                   | 2557.2     | D             | D             | D             | D             |
| Sales to Hospitals, Research Centers, Churches and Schools                    | 2557.3     | C             | C             | C             | C             |
| Sales to Certain Nonprofit Residential Child Care Institutions                | 2557.4     | A             | A             | A             | A             |
| Sales to Ambulance Services & Fire Departments                                | 2557.5     | A             | A             | A             | A             |
| Sales to Comm. Mental Health, Substance Abuse & Mental Retardation Facilities | 1760.28    | B             | B             | B             | B             |
| Sales to Regional Planning Agencies                                           | 2557.6     | A             | A             | A             | A             |
| Sales to Historical Societies & Museums                                       | 2557.7     | A             | A             | A             | A             |
| Sales to Day Care Centers & Nursery Schools                                   | 2557.8     | A             | A             | A             | A             |
| Sales to Church Affiliated Residential Homes                                  | 2557.9     | A             | A             | A             | A             |
| Sales to Organ. that Provide Residential Facilities for Med. Patients         | 2557.1     | A             | A             | A             | A             |
| Sales to Emergency Shelters & Feeding Organizations                           | 2557.11    | A             | A             | A             | A             |
| Sales to Comm. Action Agencies; Child Abuse Councils; Child Advocacy Orgs.    | 2557.12    | A             | A             | A             | A             |
| Sales to any Nonprofit Free Libraries                                         | 2557.13    | B             | B             | B             | B             |
| Sales to Veterans Memorial Cemetery Associations                              | 2557.14    | A             | A             | A             | A             |
| Sales to Nonprofit Rescue Operations                                          | 2557.15    | A             | A             | A             | A             |
| Sales to Hospice Organizations                                                | 2557.16    | A             | A             | A             | A             |
| Sales to Nonprofit Youth & Scouting Organizations                             | 2557.17    | A             | A             | A             | A             |
| Sales to Certain Incorporated, Nonprofit Educational Orgs.                    | 2557.18    | B             | B             | B             | B             |
| Sales to Certain Charitable Suppliers of Medical Equipment                    | 2557.19    | A             | A             | A             | A             |
| Life-Threatening Diseases                                                     | 2557.2     | A             | A             | A             | A             |
| Sales to Providers of Certain Support Systems for Single-Parent Families      | 2557.21    | A             | A             | A             | A             |
| Sales to Nonprofit Home Construction Organizations                            | 2557.22    | A             | A             | A             | A             |
| Sales to Orgs that Create & Maintain a Registry of Vietnam Veterans           | 2557.23    | A             | A             | A             | A             |
| Sales to Orgs that Provide Certain Services for Hearing-Impaired Persons      | 2557.24    | A             | A             | A             | A             |
| Sales to State-Chartered Credit Unions                                        | 2557.25    | A             | A             | A             | A             |
| Sales to Nonprofit Housing Development Organizations                          | 2557.26    | A             | A             | A             | A             |
| Sales to Eye Banks                                                            | 2557.27    | A             | A             | A             | A             |
| Sales to Centers for Innovation                                               | 2557.28    | A             | A             | A             | A             |
| Construction contracts with exempt organizations                              | 2557.29    | A             | A             | A             | A             |
| Certain Telecommunications Services                                           | 2557.31    | C             | C             | C             | C             |
| Certain Veterans' Support Organizations                                       | 2557.33,34 | \$10,690,000  | \$11,260,000  | \$11,700,000  | \$12,100,000  |
| Nonprofit Library Collaboratives                                              | 2557.37    | A             | A             | A             | A             |
|                                                                               | 2557.38    | A             | A             | A             | A             |

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

B represents an estimated spread of \$50,000 - \$249,999

C represents an estimated spread of \$250,000 - \$999,999

D represents an estimated spread of \$1,000,000 - \$2,999,999

E represents an estimated spread of \$3,000,000 - \$5,999,999

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

|                                                                                 |               | Tax Expenditures |              |              |              |
|---------------------------------------------------------------------------------|---------------|------------------|--------------|--------------|--------------|
|                                                                                 | 36 MRSA §     | FY'18            | FY'19        | FY20         | FY21         |
| <b>General Fund Cigarette Tax Expenditure</b>                                   |               |                  |              |              |              |
| Cigarette Stamp Tax Deduction for Licensed Distributors                         | 4366A.2       | \$1,660,000      | \$1,750,000  | \$1,821,144  | \$1,784,721  |
| <b>Highway Fund Sales &amp; Use Tax Expenditures</b>                            |               |                  |              |              |              |
| Motor Vehicle Fuel.                                                             | 1760.8-A      | \$86,630,000     | \$91,250,000 | \$94,810,000 | \$96,700,000 |
| <b>H.O.M.E. Fund Excise Tax Expenditure</b>                                     |               |                  |              |              |              |
| Exemptions of the Real Estate Transfer Tax                                      | 4641C         | C                | C            | C            | C            |
| <b>Multimodal Transportation Fund Aeronautical Fuel Tax Expenditures</b>        |               |                  |              |              |              |
| Excise Tax Exemption on Jet or Turbo Jet Fuel International Flights             | 2903          | \$110,000        | \$120,000    | \$120,000    | \$120,000    |
| Refund of Excise Tax on Fuel Used in Piston Aircraft                            | 2910          | \$20,000         | \$20,000     | \$23,000     | \$24,000     |
| <b>Highway Fund Gasoline and Special Fuel Tax Expenditures</b>                  |               |                  |              |              |              |
| State and Local Government Exemption from the Gasoline Tax.                     | 2903          | \$2,100,000      | \$2,210,000  | \$2,300,000  | \$2,370,000  |
| Gasoline Exported from the State.                                               | 2903          | \$61,170,000     | \$64,430,000 | \$66,950,000 | \$68,290,000 |
| Refund of the Gasoline Tax for Off-Highway Use and for<br>Certain Bus Companies | 2908 and 2909 | \$280,000        | \$280,000    | \$290,000    | \$300,000    |
| State & Local Government Exemption from the Special Fuel Tax                    | 3204-A        | \$2,390,000      | \$2,520,000  | \$2,620,000  | \$2,680,000  |
| Special Fuel Exported from the State.                                           | 3204-A        | \$14,980,000     | \$15,770,000 | \$16,390,000 | \$16,720,000 |
| Refund of Special Fuel Tax for Off-Highway Use<br>and for Certain Bus Companies | 3215 and 3218 | \$4,490,000      | \$4,370,000  | \$4,545,000  | \$4,590,000  |

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

B represents an estimated spread of \$50,000 - \$249,999

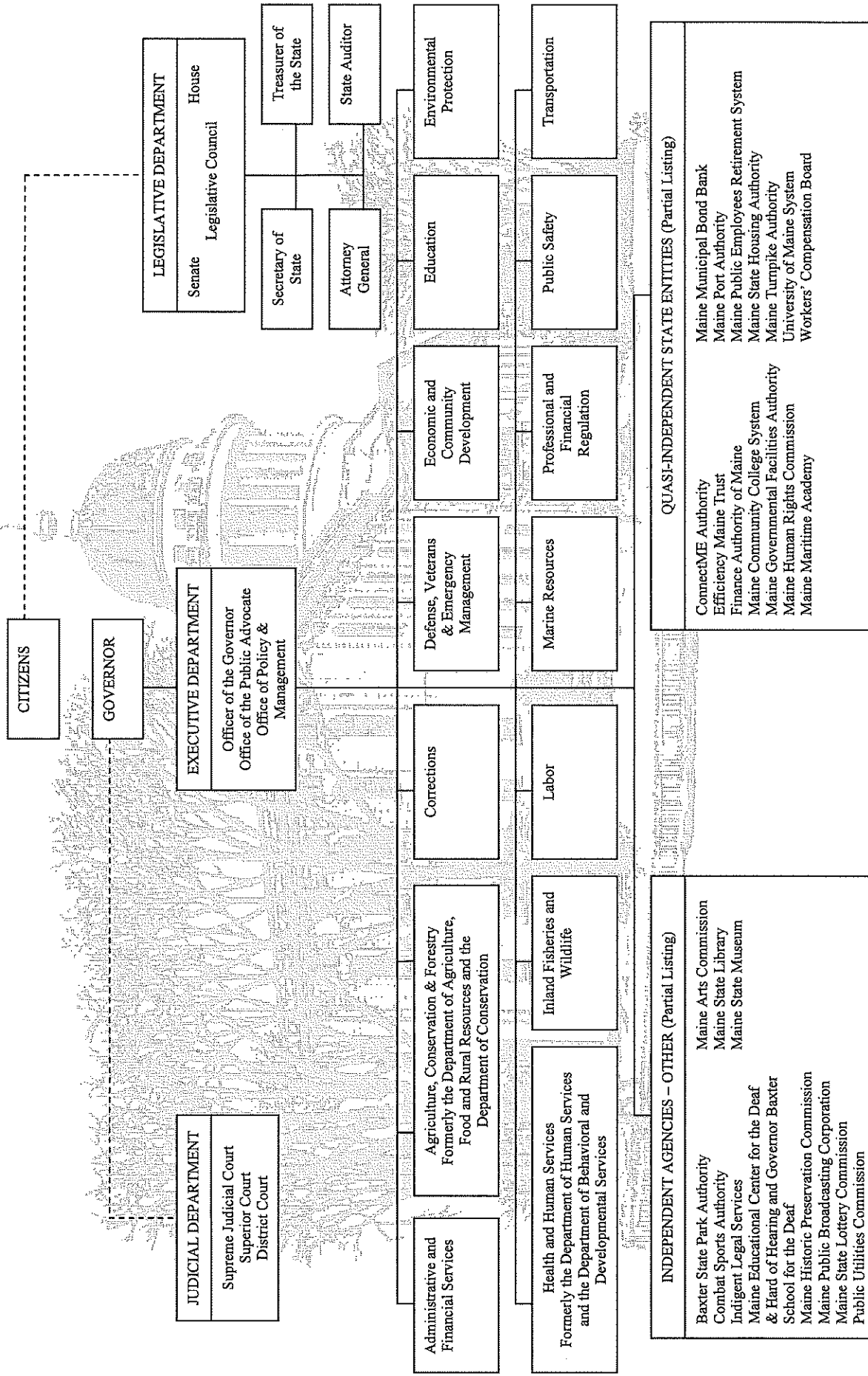
C represents an estimated spread of \$250,000 - \$999,999

D represents an estimated spread of \$1,000,000 - \$2,999,999

E represents an estimated spread of \$3,000,000 - \$5,999,999

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

# ORGANIZATIONAL CHART OF MAINE STATE GOVERNMENT





## Budget Forecast

---

5 M.R.S.A. §1665, requires the State Budget Officer to prepare a four-year revenue and expenditure forecast for the General Fund and the Highway Fund. In accordance with 5 M.R.S.A. §1665, subsection 7, the forecast assumes the continuation of current laws and includes reasonable and predictable estimates of growth in revenues and expenditures based on national and local trends and program operations. On September 30, 2018, the Bureau of the Budget issued its updated four-year budget forecast for fiscal years 2017-18 through 2020-21.

In order to provide the most accurate expenditure estimate, legislatively approved appropriations and allocations through the end of the Second Special Session of the 128<sup>th</sup> Legislature were used as the starting point for the forecast. The authorized budget for fiscal year 2018-19, recalculated to reflect authorized positions and projected rates for personnel services, and adjusted by program for one-time expenditures and the phase-in of new operations, was used to determine the baseline expenditure forecast for fiscal years 2019-20 through 2020-21. This was further adjusted to reflect program-by-program expenditure growth or decline that varied from the baseline growth assumptions, resulting from programmatic factors such as caseload, national trends, etc.

As reflected in **Table C – 1**, the adjusted fund balance for the General Fund was \$74,657,285 at the end of fiscal year 2017-18, and was projected to be \$27,230,484 at the end of the 2018-2019 biennium, including adjustments enacted through the Second Special Session of the 128th Legislature. The Revenue Forecasting Committee (RFC) in its May 2017 report re-projected revenues downward by \$1.7 million for the 2020-2021 biennium. Then in December 2017 the RFC increased its revenue projections by \$420 thousand for the 2020-2021 biennium. The March 2018 re-projected revenues upward by \$149.7 million. Miscellaneous law impact in the 128th Legislature beyond the March 2018 forecast further decreased revenue projections by \$30.5 million for a total increase of \$117.9 million over the May 2017 forecast. Projected General Fund appropriations for the 2020-2021 biennium were \$8,015,100,266, resulting in a structural budget gap of \$503,930,254.

As reflected in **Table C – 2**, the adjusted fund balance for the Highway Fund was \$1,026,067 at the end of fiscal year 2017-18, and was projected to be \$584,667 at the end of the 2018-2019 biennium, including adjustments enacted through the Second Special Session of the 128th Legislature. The Revenue Forecasting Committee (RFC) in its May 2017 report increased its revenue projections by \$1.9 million for the 2020-2021 biennium. The RFC in March 2018 re-projected revenues upward by \$809 thousand resulting in a net overall increase of \$9.4 million for the 2020-2021 biennium, including revisions made in miscellaneous laws enacted through the 128th Second Special Session. Projected Highway Fund allocations for the 2020-2021 biennium were \$1,022,529,963 and adjustment of \$12,750,220 resulting in a projected structural budget gap of \$356,098,323.

Table C-1.

**Four Year Forecast (MRSA 5, §1665 sub-§7)**  
**Fiscal Years 2018-2021**  
**As of September 30, 2018**

| <b>GENERAL FUND STATUS</b>    |                               |               |               |                                 |               |               |
|-------------------------------|-------------------------------|---------------|---------------|---------------------------------|---------------|---------------|
|                               | Fiscal Years 2018-2019 BUDGET |               |               | Fiscal Years 2020-2021 FORECAST |               |               |
|                               | FY 2018                       | FY 2019       | TOTAL         | FY 2020                         | FY 2021       | TOTAL         |
| BALANCE                       | 57,074,957                    | -             | 57,074,957    | 27,230,484                      | -             | 27,230,484    |
| ADJUSTMENTS                   | 26,635,843                    | (15,033,286)  | 11,602,557    | -                               | -             | -             |
| REVENUE                       | 3,505,620,429                 | 3,668,205,427 | 7,173,825,856 | 3,685,973,012                   | 3,797,966,516 | 7,483,939,528 |
| TOTAL RESOURCES               | 3,589,331,229                 | 3,653,172,141 | 7,242,503,370 | 3,713,203,496                   | 3,797,966,516 | 7,511,170,012 |
| ADJUSTMENTS                   | -                             | -             | -             | -                               | -             | -             |
| APPROPRIATIONS                | 3,514,673,944                 | 3,700,598,942 | 7,215,272,886 | 3,963,571,792                   | 4,051,528,474 | 8,015,100,266 |
| PROJECTED BALANCE (SHORTFALL) | 74,657,285                    | (47,426,801)  | 27,230,484    | (250,368,296)                   | (253,561,958) | (503,930,254) |

Table C-2.

**Four Year Forecast (MRSA 5, §1665 sub-§7)**  
**Fiscal Years 2018-2021**  
**As of September 30, 2018**

| <b>HIGHWAY FUND STATUS</b>    |                               |             |             |                                 |               |               |
|-------------------------------|-------------------------------|-------------|-------------|---------------------------------|---------------|---------------|
|                               | Fiscal Years 2018-2019 BUDGET |             |             | Fiscal Years 2020-2021 FORECAST |               |               |
|                               | FY 2018                       | FY 2019     | TOTAL       | FY 2020                         | FY 2021       | TOTAL         |
| BALANCE                       | 7,441,416                     | -           | 7,441,416   | 584,667                         | -             | 584,667       |
| ADJUSTMENTS                   | 8,604,230                     | 11,041,312  | 19,645,542  | -                               | -             | -             |
| REVENUE                       | 328,680,161                   | 333,709,648 | 662,389,809 | 338,289,229                     | 340,307,964   | 678,597,193   |
| TOTAL RESOURCES               | 344,725,807                   | 344,750,960 | 689,476,767 | 338,873,896                     | 340,307,964   | 679,181,860   |
| ADJUSTMENTS                   | 6,253,259                     | 6,328,638   | 12,581,897  | 6,345,967                       | 6,404,253     | 12,750,220    |
| ALLOCATIONS                   | 337,446,481                   | 338,863,722 | 676,310,203 | 510,564,578                     | 511,965,385   | 1,022,529,963 |
| PROJECTED BALANCE (SHORTFALL) | 1,026,067                     | (441,400)   | 584,667     | (178,036,649)                   | (178,061,674) | (356,098,323) |

## Summary of Governor's General Fund Budget Recommendations

---

The following tables and charts show in summary form the Governor's General Fund budget recommendations for the 2020-2021 biennium. **Table D - 1** shows total General Fund appropriations by department or agency (including one-time appropriations) with percent change for the 2020-2021 biennium compared to the 2018-2019 biennium.

The amount reflected for the Department of Administrative and Financial Services in the 2020-2021 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.

**Table D - 2** shows the General Fund revenues recommended by the Governor for fiscal year 2019-20 and fiscal year 2020-21. The columns labeled ORIG. represent the General Fund revenue forecast of the Revenue Forecasting Committee. The columns labeled ADJ reflect the Governor's recommended adjustments to the base revenues. **Table D - 3** explains the individual adjustments to the original General Fund revenue amounts.

**Chart D - 1** shows the Governor's recommended General Fund appropriations by major program for the 2020-2021 biennium.

**Chart D - 2** shows the Governor's recommended General Fund revenues by revenue source for the 2020-2021 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.

| TABLE D-1                                                    |                       |                       |                   |
|--------------------------------------------------------------|-----------------------|-----------------------|-------------------|
| GENERAL FUND APPROPRIATIONS                                  |                       |                       |                   |
| DEPARTMENT/AGENCY                                            | GOVERNOR'S BUDGET     |                       |                   |
|                                                              | 2018-2019<br>Biennium | 2020-2021<br>Biennium | PERCENT<br>CHANGE |
| (OFFICE OF) TREASURER OF STATE                               | 191,305,719           | 230,568,942           | 20.52%            |
| BOARD OF TRUSTEES OF THE UNIVERSITY OF MAINE SYSTEM          | 422,959,218           | 455,809,061           | 7.77%             |
| CENTERS FOR INNOVATION                                       | 236,018               | 236,018               | 0.00%             |
| COMMISSION ON GOVERNMENTAL ETHICS AND ELECTION PRACTICES     | 297,870               | 321,200               | 7.83%             |
| DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES          | 357,285,051           | 370,739,490           | 3.77%             |
| DEPARTMENT OF AGRICULTURE, CONSERVATION AND FORESTRY         | 65,378,940            | 70,595,583            | 7.98%             |
| DEPARTMENT OF CORRECTIONS                                    | 371,727,088           | 397,697,047           | 6.99%             |
| DEPARTMENT OF DEFENSE, VETERANS AND EMERGENCY MANAGEMENT     | 19,412,183            | 19,575,036            | 0.84%             |
| DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT             | 29,321,103            | 30,757,981            | 4.90%             |
| DEPARTMENT OF EDUCATION                                      | 2,601,123,634         | 2,925,080,153         | 12.45%            |
| DEPARTMENT OF ENVIRONMENTAL PROTECTION                       | 17,276,086            | 17,433,813            | 0.91%             |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES                      | 2,416,177,007         | 2,718,135,671         | 12.50%            |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES - FORMERLY BDS       | 11,250,000            | -                     | -100.00%          |
| DEPARTMENT OF INLAND FISHERIES AND WILDLIFE                  | 54,821,297            | 59,275,948            | 8.13%             |
| DEPARTMENT OF LABOR                                          | 22,067,244            | 23,065,511            | 4.52%             |
| DEPARTMENT OF MARINE RESOURCES                               | 21,322,563            | 25,841,527            | 21.19%            |
| DEPARTMENT OF PUBLIC SAFETY                                  | 99,038,383            | 110,459,482           | 11.53%            |
| DEPARTMENT OF THE ATTORNEY GENERAL                           | 42,986,594            | 50,713,690            | 17.98%            |
| DEPARTMENT OF THE SECRETARY OF STATE                         | 12,379,037            | 13,762,146            | 11.17%            |
| DIRIGO HEALTH                                                | 2,314,641             | 2,363,651             | 2.12%             |
| DISABILITY RIGHTS MAINE                                      | 252,090               | 252,090               | 0.00%             |
| DOWNEAST INSTITUTE FOR APPLIED MARINE RESEARCH AND EDUCATION | 25,108                | 25,108                | 0.00%             |
| EXECUTIVE DEPARTMENT                                         | 8,527,355             | 10,726,645            | 25.79%            |
| FINANCE AUTHORITY OF MAINE                                   | 32,384,788            | 35,490,788            | 9.59%             |
| JUDICIAL DEPARTMENT                                          | 153,017,240           | 172,792,106           | 12.92%            |
| LAW AND LEGISLATIVE REFERENCE LIBRARY                        | 3,145,206             | 3,378,179             | 7.41%             |
| LEGISLATURE                                                  | 53,984,008            | 57,616,124            | 6.73%             |
| MAINE ARTS COMMISSION                                        | 1,847,264             | 1,991,922             | 7.83%             |
| MAINE COMMISSION ON INDIGENT LEGAL SERVICES                  | 21,843,722            | 32,960,501            | 50.89%            |
| MAINE COMMUNITY COLLEGE SYSTEM                               | 135,324,712           | 145,598,997           | 7.59%             |
| MAINE DEVELOPMENT FOUNDATION                                 | 116,888               | 116,888               | 0.00%             |
| MAINE FIRE PROTECTION SERVICES COMMISSION                    | 4,000                 | 4,000                 | 0.00%             |
| MAINE HISTORIC PRESERVATION COMMISSION                       | 699,657               | 746,678               | 6.72%             |
| MAINE HISTORICAL SOCIETY                                     | 89,728                | 89,728                | 0.00%             |
| MAINE HOSPICE COUNCIL                                        | 127,012               | 127,012               | 0.00%             |
| MAINE HUMAN RIGHTS COMMISSION                                | 1,622,030             | 2,290,924             | 41.24%            |
| MAINE HUMANITIES COUNCIL                                     | 106,714               | 106,714               | 0.00%             |
| MAINE INDIAN TRIBAL-STATE COMMISSION                         | 223,228               | 223,228               | 0.00%             |
| MAINE MARITIME ACADEMY                                       | 20,308,629            | 18,620,081            | -8.31%            |
| MAINE MUNICIPAL BOND BANK                                    | 138,662               | 138,662               | 0.00%             |
| MAINE POTATO BOARD                                           | 321,804               | 321,804               | 0.00%             |
| MAINE PUBLIC BROADCASTING CORPORATION                        | 3,000,000             | 3,225,000             | 7.50%             |
| MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM                     | 538,198               | 397,510               | -26.14%           |
| MAINE RURAL DEVELOPMENT AUTHORITY                            | -                     | 5,000,000             | 0.00%             |
| MAINE STATE CULTURAL AFFAIRS COUNCIL                         | 1,153,890             | 78,890                | -93.16%           |
| MAINE STATE HOUSING AUTHORITY                                | 5,600,000             | 5,100,000             | -8.93%            |
| MAINE STATE LIBRARY                                          | 6,937,146             | 8,113,177             | 16.95%            |
| MAINE STATE MUSEUM                                           | 3,477,317             | 4,119,797             | 18.48%            |
| NEW ENGLAND INTERSTATE WATER POLLUTION CONTROL COMMISSION    | 55,900                | 55,900                | 0.00%             |
| OFFICE OF PROGRAM EVALUATION AND GOVERNMENT ACCOUNTABILITY   | 2,607,707             | 2,764,867             | 6.03%             |
| OFFICE OF THE STATE AUDITOR                                  | 3,346,944             | 3,291,357             | -1.66%            |
| PINE TREE LEGAL ASSISTANCE                                   | 1,000,000             | 1,000,000             | 0.00%             |
| RESERVE FUND FOR STATE HOUSE PRESERVATION AND MAINTENANCE    | 1,600,000             | 1,600,000             | 0.00%             |
| SACO RIVER CORRIDOR COMMISSION                               | 93,920                | 93,920                | 0.00%             |
| ST. CROIX INTERNATIONAL WATERWAY COMMISSION                  | 50,000                | 50,000                | 0.00%             |
| STATE BOARD OF EDUCATION                                     | 327,219               | 362,446               | 10.77%            |
| STATE BOARD OF PROPERTY TAX REVIEW                           | 211,902               | 173,130               | -18.30%           |
| <b>Total General Fund Appropriations</b>                     | <b>7,222,789,664</b>  | <b>8,041,476,123</b>  | <b>11.33%</b>     |

Table D-2

| GENERAL FUND REVENUE FORECAST                                                 |               |     |               |               |            |               |               |            |               |
|-------------------------------------------------------------------------------|---------------|-----|---------------|---------------|------------|---------------|---------------|------------|---------------|
| Through the December 2018 RFC and the Governor's FY 2020-2021 Recommendations |               |     |               |               |            |               |               |            |               |
|                                                                               | FY 2019       |     |               | FY 2020       |            |               | FY 2021       |            |               |
| SOURCE                                                                        | ORIG          | ADJ | BUDGET        | ORIG          | ADJ        | BUDGET        | ORIG          | ADJ        | BUDGET        |
| Sales and Use Tax                                                             | 1,502,180,767 |     | 1,502,180,767 | 1,570,809,830 |            | 1,570,809,830 | 1,637,077,188 |            | 1,637,077,188 |
| Service Provider Tax                                                          | 59,222,124    |     | 59,222,124    | 59,524,000    |            | 59,524,000    | 59,854,000    |            | 59,854,000    |
| Individual Income Tax                                                         | 1,680,158,151 |     | 1,680,158,151 | 1,759,203,500 |            | 1,759,203,500 | 1,841,956,250 |            | 1,841,956,250 |
| Corporate Income Tax                                                          | 209,750,000   |     | 209,750,000   | 200,100,000   |            | 200,100,000   | 198,200,000   |            | 198,200,000   |
| Cigarette & Tobacco Tax                                                       | 137,088,615   |     | 137,088,615   | 136,546,842   |            | 136,546,842   | 140,059,906   |            | 140,059,906   |
| Insurance Company Tax                                                         | 74,450,000    |     | 74,450,000    | 75,250,000    |            | 75,250,000    | 80,800,000    |            | 80,800,000    |
| Inheritance & Estate Tax                                                      | 9,140,409     |     | 9,140,409     | 10,350,000    |            | 10,350,000    | 10,800,000    |            | 10,800,000    |
| Fines, Forfeits and Penalties                                                 | 17,583,176    |     | 17,583,176    | 17,582,176    |            | 17,582,176    | 17,583,176    |            | 17,583,176    |
| Income from Investments                                                       | 8,721,242     |     | 8,721,242     | 10,123,411    |            | 10,123,411    | 11,335,279    |            | 11,335,279    |
| Transfer from Lottery                                                         | 57,000,000    |     | 57,000,000    | 57,000,000    |            | 57,000,000    | 57,000,000    |            | 57,000,000    |
| Transfer for Tax Relief Progs                                                 | (68,368,623)  |     | (68,368,623)  | (69,900,000)  |            | (69,900,000)  | (72,350,000)  |            | (72,350,000)  |
| Trans. to Muni. Rev. Share                                                    | (72,683,306)  |     | (72,683,306)  | (174,437,802) | 85,216,902 | (89,218,900)  | (190,310,040) | 74,524,016 | (115,766,024) |
| Other Taxes and Fees                                                          | 143,259,126   |     | 143,259,126   | 140,266,228   | 2,500,000  | 142,766,228   | 140,265,011   | 2,500,000  | 142,765,011   |
| Other Revenues                                                                | 9,874,430     |     | 9,874,430     | 10,575,824    |            | 10,575,824    | 10,728,933    |            | 10,728,933    |
| TOTAL REVENUE                                                                 | 3,767,376,411 | -   | 3,767,376,411 | 3,802,994,009 | 87,716,902 | 3,890,712,911 | 3,942,999,703 | 77,024,016 | 4,020,023,719 |

Chart D-1

**Fiscal Years 2020-2021**  
**General Fund Projected Appropriations**  
**\$8,041.5**  
Dollars in Millions

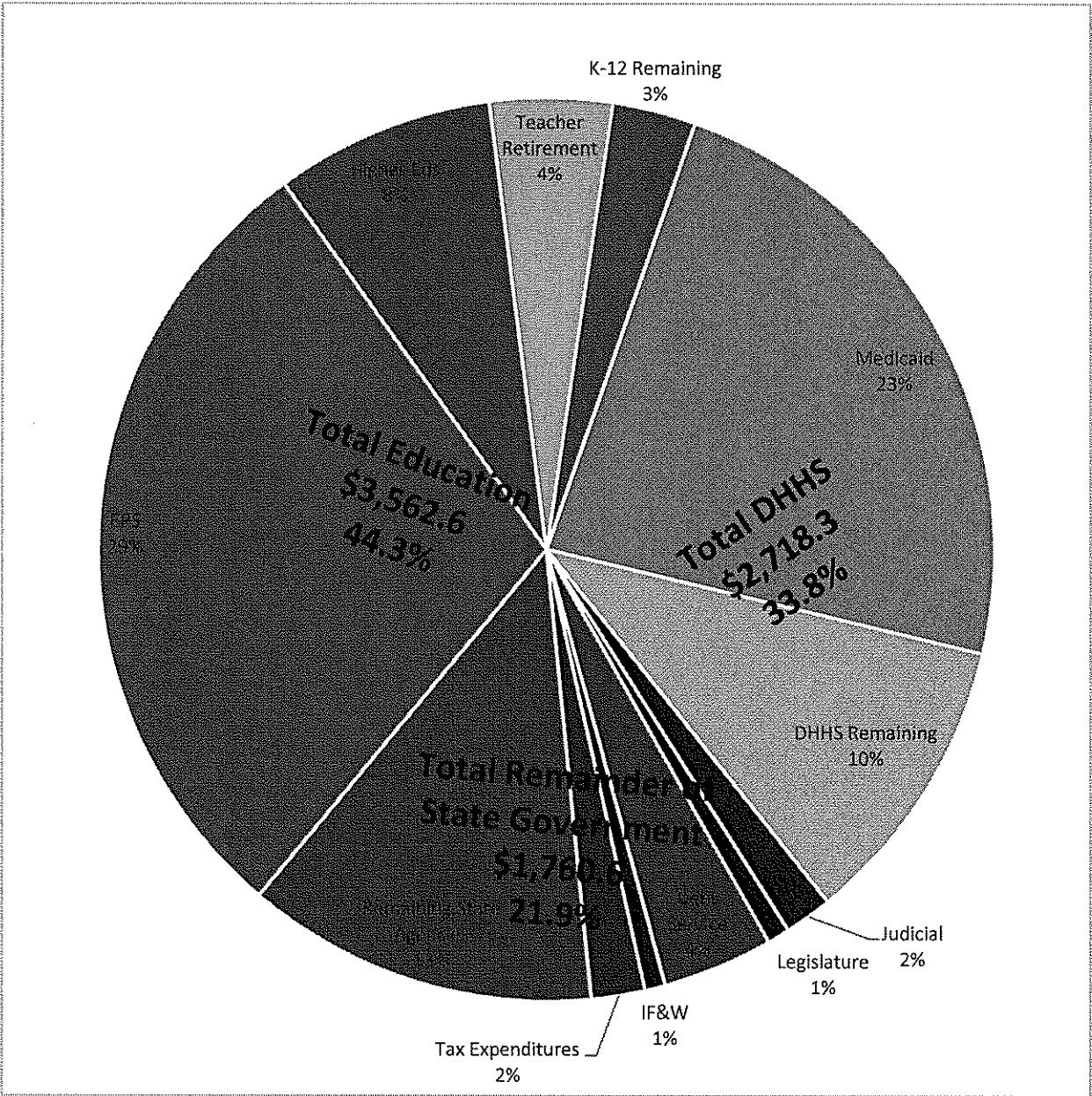
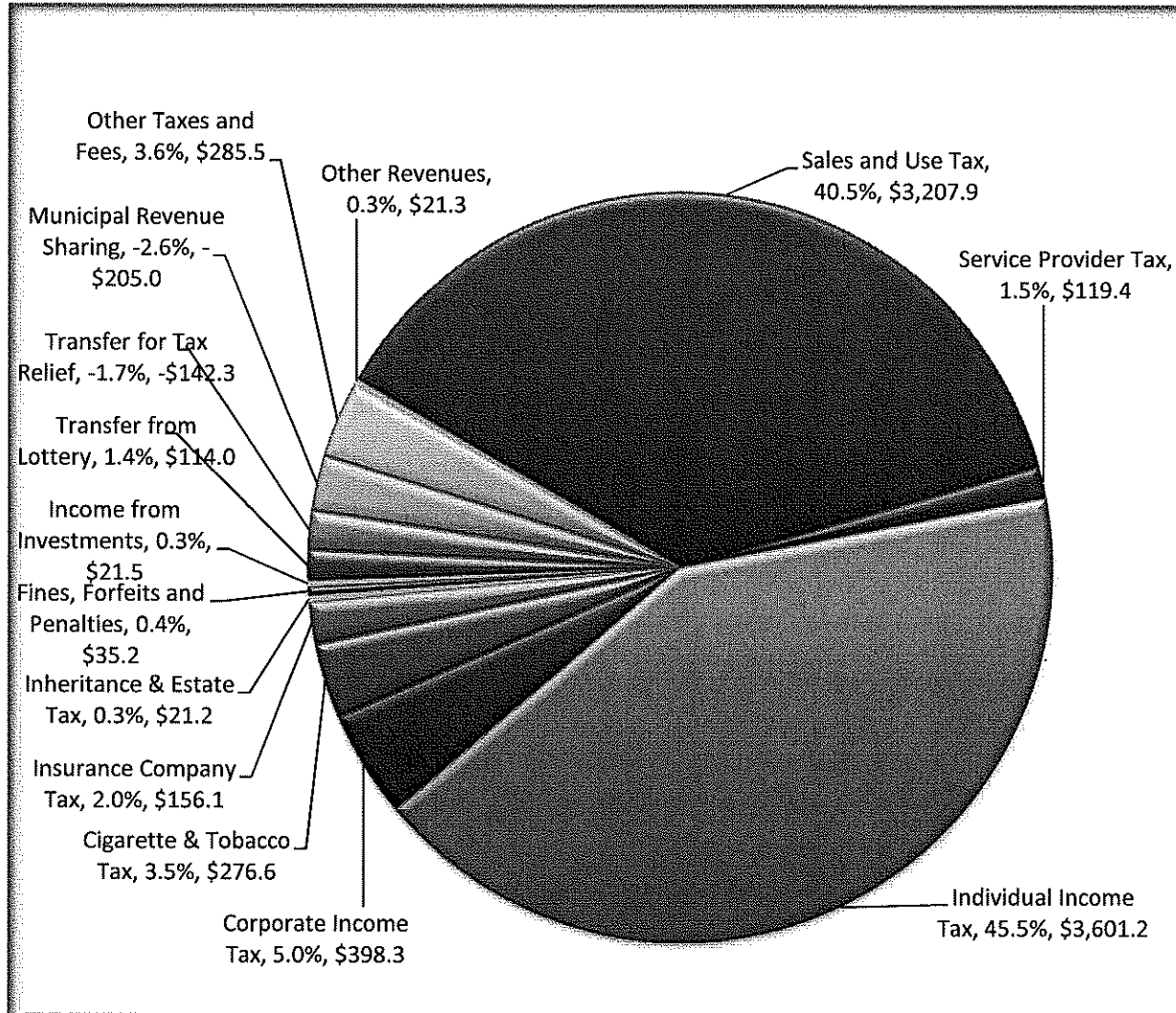


Chart D-2

**Fiscal Years 2020-2021**  
**General Fund Forecasted Revenues**  
**\$7,910.7**  
**Dollars in Millions**



## Summary of Governor's Highway Fund Budget Recommendations

---

The following tables and charts show in summary form the Governor's Highway Fund budget recommendations for the 2020-2021 biennium. **Table E - 1** shows total Highway Fund allocations by department or agency (including one-time allocations) with percent change for the 2020-2021 biennium compared to the 2018-2019 biennium.

**Table E - 2** shows the Highway Fund revenues recommended by the Governor for fiscal year 2019-20 and fiscal year 2020-21. The columns labeled ORIG. represent the Highway Fund revenue forecast of the Revenue Forecasting Committee.

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

**Chart E - 2** shows the Governor's recommended Highway Fund revenues by revenue source for the 2020-2021 biennium. These revenues include the base revenue projections of the Revenue Forecasting Committee.



TABLE E-1

| HIGHWAY FUND ALLOCATIONS                            |                       |                       |                   |
|-----------------------------------------------------|-----------------------|-----------------------|-------------------|
| DEPARTMENT/AGENCY                                   | GOVERNOR'S BUDGET     |                       |                   |
|                                                     | 2018-2019<br>Biennium | 2020-2021<br>Biennium | PERCENT<br>CHANGE |
| DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES | 5,081,363             | (3,095,173)           | -160.91%          |
| DEPARTMENT OF ENVIRONMENTAL PROTECTION              | 66,108                | 66,108                | 0.00%             |
| DEPARTMENT OF PUBLIC SAFETY                         | 61,119,457            | 64,711,290            | 5.88%             |
| DEPARTMENT OF THE SECRETARY OF STATE                | 76,654,247            | 83,511,097            | 8.95%             |
| DEPARTMENT OF TRANSPORTATION                        | 533,367,903           | 531,412,609           | -0.37%            |
| LEGISLATURE                                         | 21,125                | 21,125                | 0.00%             |
| <b>TOTAL HIGHWAY FUND ALLOCATIONS</b>               | <b>676,310,203</b>    | <b>676,627,056</b>    | <b>0.05%</b>      |

Table E-2

| HIGHWAY FUND REVENUE FORECAST                                                     |                    |          |                    |                    |          |                    |                    |          |                    |
|-----------------------------------------------------------------------------------|--------------------|----------|--------------------|--------------------|----------|--------------------|--------------------|----------|--------------------|
| Through the December 2018 Forecast and the Governor's FY 2020-2021 Recommendation |                    |          |                    |                    |          |                    |                    |          |                    |
| SOURCE                                                                            | FY 2019            |          |                    | FY 2020            |          |                    | FY 2021            |          |                    |
|                                                                                   | ORIG               | ADJ      | BUDGET             | ORIG               | ADJ      | BUDGET             | ORIG               | ADJ      | BUDGET             |
| Fuel Tax                                                                          | 232,702,699        |          | 232,702,699        | 235,029,723        |          | 235,029,723        | 237,380,022        |          | 237,380,022        |
| Motor Vehicle Registrations & Fees                                                | 89,212,689         |          | 89,212,689         | 90,752,413         |          | 90,752,413         | 90,265,326         |          | 90,265,326         |
| Inspection Fees                                                                   | 3,202,500          |          | 3,202,500          | 3,202,500          |          | 3,202,500          | 3,202,500          |          | 3,202,500          |
| Other Highway Fund Taxes and Fees                                                 | 1,280,229          |          | 1,280,229          | 1,368,729          |          | 1,368,729          | 1,355,229          |          | 1,355,229          |
| Fines Forfeits & Penalties                                                        | 739,039            |          | 739,039            | 739,039            |          | 739,039            | 739,039            |          | 739,039            |
| Income from Investments                                                           | 242,191            |          | 242,191            | 341,842            |          | 341,842            | 382,764            |          | 382,764            |
| Other Revenues                                                                    | 11,252,423         |          | 11,252,423         | 9,801,870          |          | 9,801,870          | 9,837,706          |          | 9,837,706          |
| <b>TOTAL REVENUE</b>                                                              | <b>338,631,770</b> | <b>-</b> | <b>338,631,770</b> | <b>341,236,116</b> | <b>-</b> | <b>341,236,116</b> | <b>343,162,586</b> | <b>-</b> | <b>343,162,586</b> |

Chart E-1

**Fiscal Years 2020-2021**  
**Highway Fund Projected Allocations**  
**\$676.6**  
Dollars in Millions

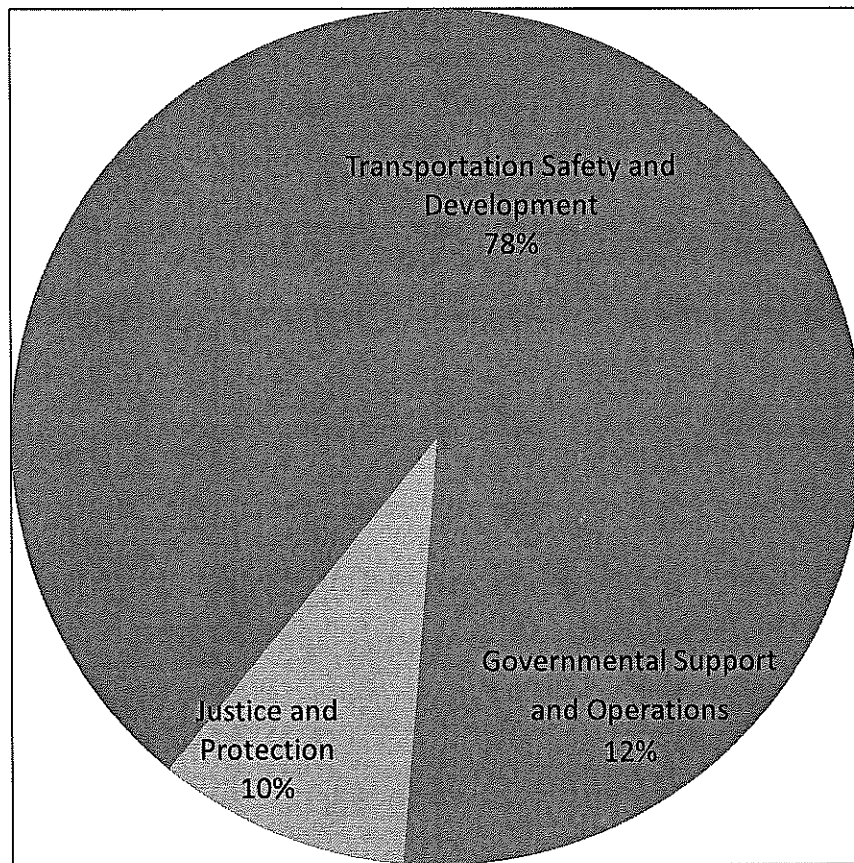
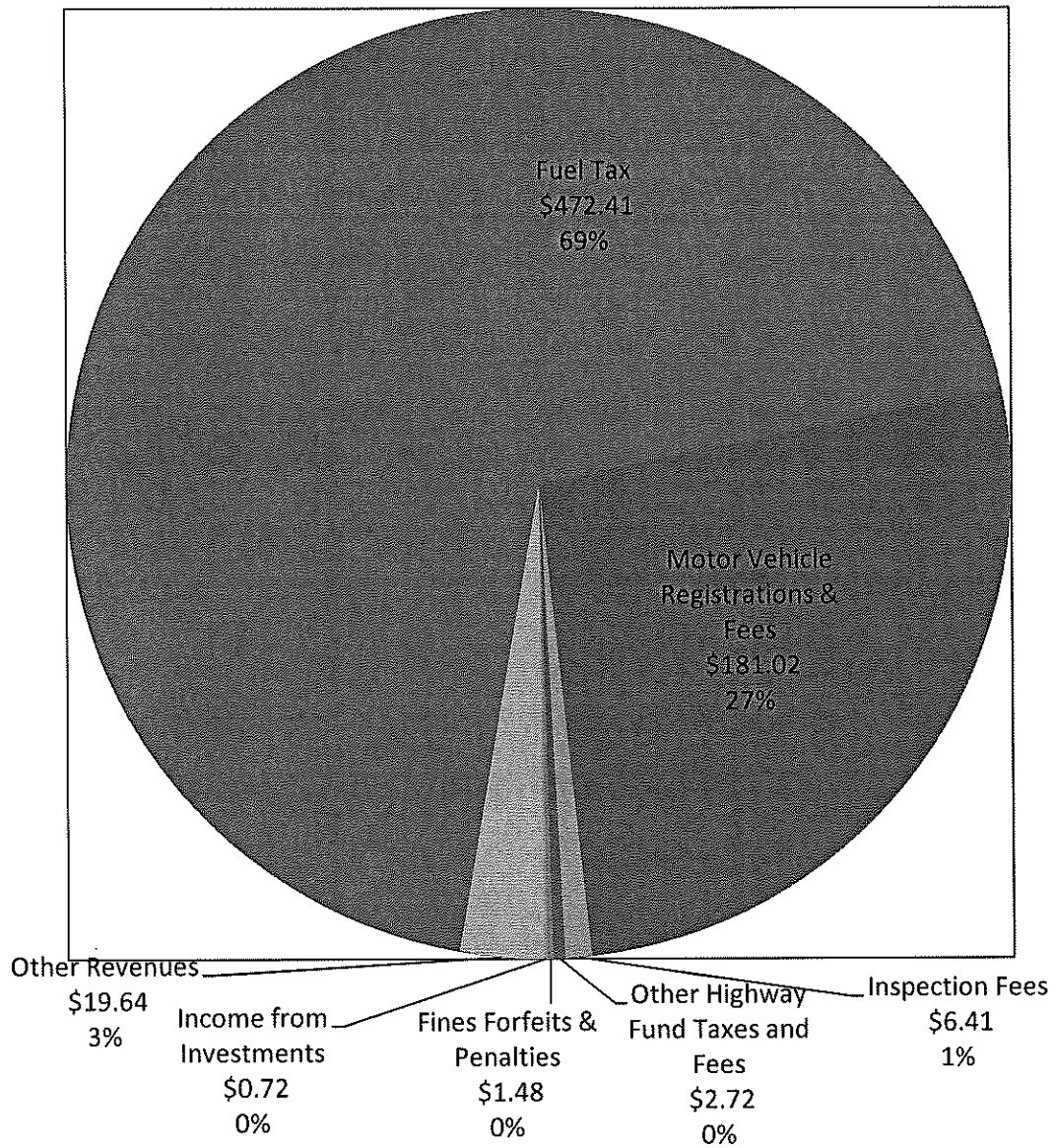


Chart E-2

**Fiscal Years 2020-2021**  
**Highway Fund Forecasted Revenues**  
**\$684.4**  
**Dollars in Millions**

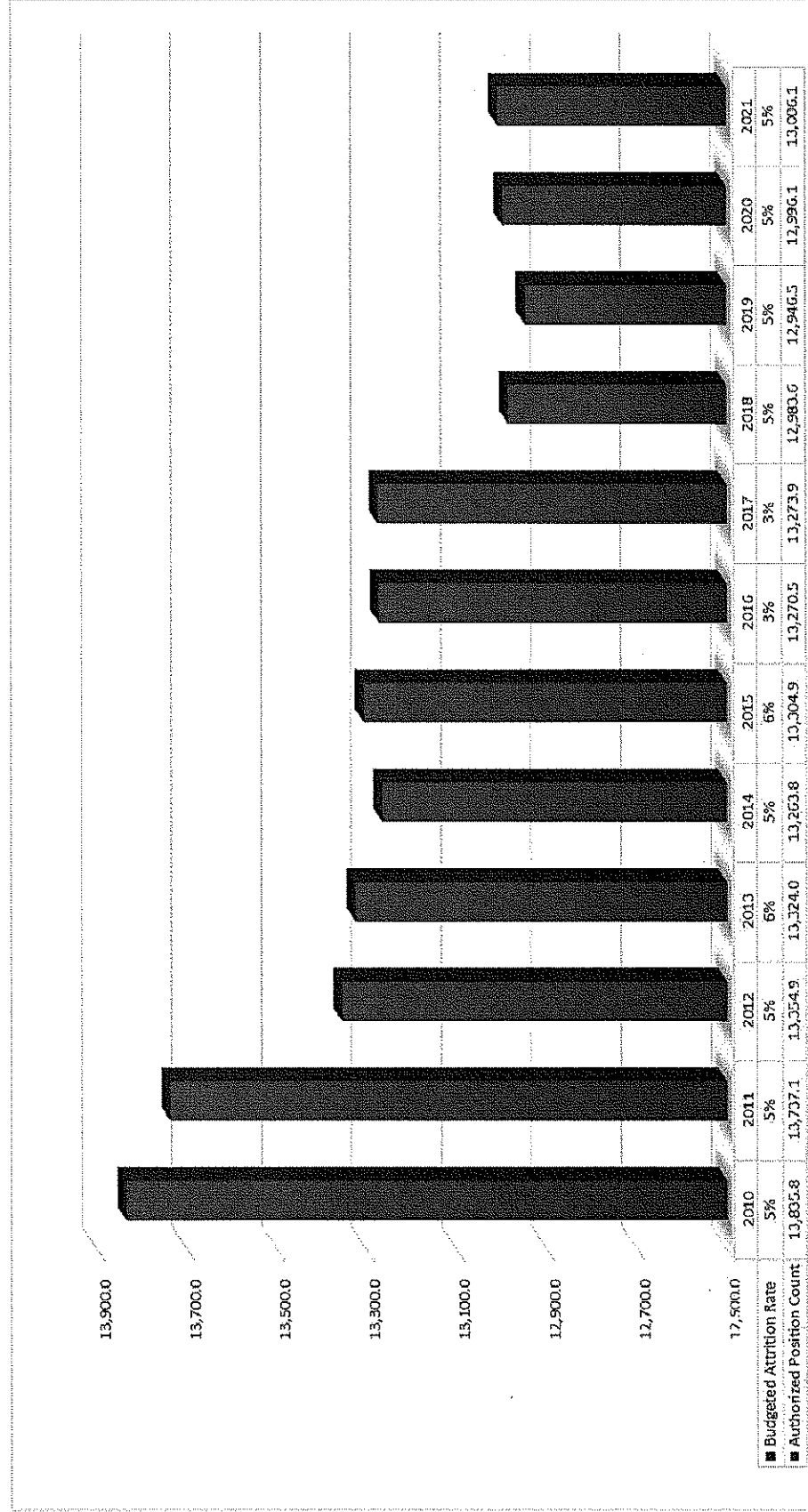


| GENERAL FUND STATUS           |                               |               |               |                               |               |               |
|-------------------------------|-------------------------------|---------------|---------------|-------------------------------|---------------|---------------|
|                               | Fiscal Years 2018-2019 BUDGET |               |               | Fiscal Years 2020-2021 BUDGET |               |               |
|                               | FY 2018                       | FY 2019       | TOTAL         | FY 2020                       | FY 2021       | TOTAL         |
| BALANCE                       | 57,074,957                    |               | 57,074,957    | 124,345,777                   |               | 124,345,777   |
| ADJUSTMENTS                   | 26,635,843                    | 26,835,475    | 53,471,318    | 6,427,071                     | 350,000       | 6,777,071     |
| REVENUE                       | 3,505,620,429                 | 3,767,376,111 | 7,272,996,540 | 3,890,712,911                 | 4,020,023,719 | 7,910,736,630 |
| TOTAL RESOURCES               | 3,589,331,229                 | 3,794,211,586 | 7,383,542,815 | 4,021,485,759                 | 4,020,373,719 | 8,041,859,478 |
| ADJUSTMENTS                   | -                             | 36,407,374    | 36,407,374    | -                             | -             | -             |
| APPROPRIATIONS                | 3,514,673,944                 | 3,708,115,720 | 7,222,789,664 | 3,958,537,414                 | 4,082,938,709 | 8,041,476,123 |
| PROJECTED BALANCE (SHORTFALL) | 74,657,285                    | 49,688,492    | 124,345,777   | 62,948,345                    | (62,564,990)  | 383,355       |

| HIGHWAY FUND STATUS           |                               |             |             |                               |             |             |
|-------------------------------|-------------------------------|-------------|-------------|-------------------------------|-------------|-------------|
|                               | Fiscal Years 2018-2019 BUDGET |             |             | Fiscal Years 2020-2021 BUDGET |             |             |
|                               | FY 2018                       | FY 2019     | TOTAL       | FY 2020                       | FY 2021     | TOTAL       |
| BALANCE                       | 7,441,416                     |             | 7,441,416   | 5,506,789                     |             | 5,506,789   |
| ADJUSTMENTS                   | 8,604,230                     | 11,041,312  | 19,645,542  | -                             | -           | -           |
| REVENUE                       | 328,680,161                   | 338,631,770 | 667,311,931 | 341,236,119                   | 343,162,586 | 684,398,705 |
| TOTAL RESOURCES               | 344,725,807                   | 349,673,082 | 694,398,889 | 346,742,908                   | 343,162,586 | 689,905,494 |
| ADJUSTMENTS                   | 6,253,259                     | 6,328,638   | 12,581,897  | 6,345,967                     | 6,404,253   | 12,750,220  |
| ALLOCATIONS                   | 337,446,481                   | 338,863,722 | 676,310,203 | 337,749,280                   | 338,877,776 | 676,627,056 |
| PROJECTED BALANCE (SHORTFALL) | 1,026,067                     | 4,480,722   | 5,506,789   | 2,647,661                     | (2,119,443) | 528,218     |

| FUND FOR A HEALTHY MAINE      |                        |                   |             |                        |                   |             |
|-------------------------------|------------------------|-------------------|-------------|------------------------|-------------------|-------------|
|                               | Fiscal Years 2018-2019 |                   |             | Fiscal Years 2020-2021 |                   |             |
|                               | FY 2018<br>Actual      | FY 2019<br>Budget | TOTAL       | FY 2020<br>Budget      | FY 2021<br>Budget | TOTAL       |
| BALANCE                       | 14,951,781             |                   | 14,951,781  | 54,254,616             |                   | 54,254,616  |
| ADJUSTMENTS                   | 3,439,347              | -                 | 3,439,347   | -                      | -                 | -           |
| REVENUE                       | 71,727,376             | 74,848,299        | 146,575,675 | 49,851,601             | 49,911,520        | 99,763,121  |
| TOTAL RESOURCES               | 90,118,504             | 74,848,299        | 164,966,803 | 104,106,217            | 49,911,520        | 154,017,737 |
| ADJUSTMENTS                   |                        | -                 | -           | 29,000,000             | -                 | 29,000,000  |
| ALLOCATIONS                   | 53,055,658             | 57,656,529        | 110,712,187 | 61,265,708             | 63,077,391        | 124,343,099 |
| PROJECTED BALANCE (SHORTFALL) | 37,062,846             | 17,191,770        | 54,254,616  | 13,840,509             | (13,165,871)      | 674,638     |

# Position trend and attrition savings rate through the Governor's Recommendation FY 2020-2021



## 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 on the following page 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 all, the department requested an increase in General Fund appropriations of \$5.3 million over the course of the biennium. The Governor's budget for the 2020–2021 biennium recommends total adjustments in appropriations of \$2.6 million. Careful consideration was given to the department's requests, taking into consideration 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 \$897 thousand; the Governor's budget also recommends an increased allocation of \$909 thousand. Last, the department requested an increase in Other Special Revenue of approximately \$5.2 million; the Governor's budget recommends an increase in allocation of approximately \$5.3 million.

| Judicial                           |                                     |                                     |                            |                            |                             |                             |                                |                               |
|------------------------------------|-------------------------------------|-------------------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|--------------------------------|-------------------------------|
|                                    | FY 20 Revised<br>Baseline<br>Budget | FY 21 Revised<br>Baseline<br>Budget | Requested<br>Changes FY 20 | Requested<br>Changes FY 21 | Recommended<br>Changes FY20 | Recommended<br>Changes FY21 | FY 20<br>Recommended<br>Budget | FY21<br>Recommended<br>Budget |
| <b>GENERAL FUND</b>                |                                     |                                     |                            |                            |                             |                             |                                |                               |
| Personal Services*                 | 48,640,328                          | 51,327,085                          | 1,088,369                  | 1,753,652                  | (621,941)                   | (638,140)                   | 48,018,387                     | 50,688,945                    |
| All Other                          | 35,127,081                          | 35,127,081                          | 1,158,516                  | 1,354,220                  | 1,787,806                   | 2,042,806                   | 36,914,887                     | 37,169,887                    |
| Capital Expenditures               |                                     |                                     | -                          | -                          |                             |                             |                                |                               |
| Unallocated                        |                                     |                                     | -                          | -                          |                             |                             |                                |                               |
| <b>Total</b>                       | <b>83,767,409</b>                   | <b>86,454,166</b>                   | <b>2,246,885</b>           | <b>3,107,872</b>           | <b>1,165,865</b>            | <b>1,404,666</b>            | <b>84,933,274</b>              | <b>87,858,832</b>             |
| <b>FEDERAL EXPENDITURE FUNDS</b>   |                                     |                                     |                            |                            |                             |                             |                                |                               |
| Personal Services                  | 87,864                              | 93,739                              | 437,273                    | 459,786                    | 437,273                     | 472,148                     | 525,137                        | 565,887                       |
| All Other                          | 1,088,789                           | 1,088,789                           | -                          | -                          | -                           | -                           | 1,088,789                      | 1,088,789                     |
| Capital Expenditures               |                                     |                                     | -                          | -                          | -                           | -                           |                                |                               |
| Unallocated                        |                                     |                                     | -                          | -                          | -                           | -                           |                                |                               |
| <b>Total</b>                       | <b>1,176,653</b>                    | <b>1,182,528</b>                    | <b>437,273</b>             | <b>459,786</b>             | <b>437,273</b>              | <b>472,148</b>              | <b>1,613,926</b>               | <b>1,654,676</b>              |
| <b>OTHER SPECIAL REVENUE FUNDS</b> |                                     |                                     |                            |                            |                             |                             |                                |                               |
| Personal Services                  | 3,726,993                           | 3,971,947                           | 996,663                    | 1,049,408                  | 1,032,413                   | 1,108,703                   | 4,759,406                      | 5,080,650                     |
| All Other                          | 3,889,961                           | 3,889,961                           | 1,098,360                  | 1,473,360                  | 1,098,360                   | 1,473,360                   | 4,988,321                      | 5,363,321                     |
| Capital Expenditures               |                                     |                                     | 300,000                    | 300,000                    | 300,000                     | 300,000                     | 300,000                        | 300,000                       |
| Unallocated                        |                                     |                                     | -                          | -                          |                             |                             |                                |                               |
| <b>Total</b>                       | <b>7,616,954</b>                    | <b>7,861,908</b>                    | <b>2,395,023</b>           | <b>2,822,768</b>           | <b>2,430,773</b>            | <b>2,882,063</b>            | <b>10,047,727</b>              | <b>10,743,971</b>             |
| <b>TOTAL</b>                       | <b>92,561,016</b>                   | <b>95,498,602</b>                   | <b>5,079,181</b>           | <b>6,390,426</b>           | <b>4,033,911</b>            | <b>4,758,877</b>            | <b>96,594,927</b>              | <b>100,257,479</b>            |

\* Recommended changes in the General Fund, Personal Services line category, assumes a savings initiative for attrition, with current law 1.6% going to 5%

**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 20 Revised<br>Baseline<br>Budget | FY 21 Revised<br>Baseline<br>Budget | Requested<br>Changes FY 20 | Requested<br>Changes FY 21 | Recommended<br>Changes FY 20 | Recommended<br>Changes FY 21 | FY 20<br>Recommended<br>Budget | FY 21<br>Recommended<br>Budget |
|----------------------|-------------------------------------|-------------------------------------|----------------------------|----------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| GENERAL FUND         |                                     |                                     |                            |                            |                              |                              |                                |                                |
| Personal Services    | 1,212,404                           | 1,254,287                           | -                          | -                          | -                            | -                            | 1,212,404                      | 1,254,287                      |
| All Other            | 149,088                             | 149,088                             | -                          | -                          | -                            | -                            | 149,088                        | 149,088                        |
| Capital Expenditures | -                                   | -                                   | -                          | -                          | -                            | -                            | -                              | -                              |
| Unallocated          | -                                   | -                                   | -                          | -                          | -                            | -                            | -                              | -                              |
| Total                | 1,361,492                           | 1,403,375                           | -                          | -                          | -                            | -                            | 1,361,492                      | 1,403,375                      |
| <b>TOTAL</b>         | <b>1,361,492</b>                    | <b>1,403,375</b>                    | <b>-</b>                   | <b>-</b>                   | <b>-</b>                     | <b>-</b>                     | <b>1,361,492</b>               | <b>1,403,375</b>               |

## 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 \$17.4 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 each year 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 and Development

|                      | FY 20 Revised<br>Baseline<br>Budget | FY 21 Revised<br>Baseline<br>Budget | Requested<br>Changes FY 20 | Requested<br>Changes FY 21 | Recommended<br>Changes FY20 | Recommended<br>Changes FY21 | FY 20<br>Recommended<br>Budget | FY21<br>Recommended<br>Budget |
|----------------------|-------------------------------------|-------------------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|--------------------------------|-------------------------------|
| GENERAL FUND         |                                     |                                     |                            |                            |                             |                             |                                |                               |
| Personal Services    | 280,366                             | 280,794                             | -                          | -                          | -                           | -                           | 280,366                        | 280,794                       |
| All Other            | 24,144,260                          | 24,144,260                          | -                          | -                          | -                           | -                           | 24,144,260                     | 24,144,260                    |
| Capital Expenditures | -                                   | -                                   | -                          | -                          | -                           | -                           | -                              | -                             |
| Unallocated          | -                                   | -                                   | -                          | -                          | -                           | -                           | -                              | -                             |
| Total                | 24,424,626                          | 24,425,054                          | -                          | -                          | -                           | -                           | 24,424,626                     | 24,425,054                    |
| <b>TOTAL</b>         | <b>24,424,626</b>                   | <b>24,425,054</b>                   | <b>-</b>                   | <b>-</b>                   | <b>-</b>                    | <b>-</b>                    | <b>24,424,626</b>              | <b>24,425,054</b>             |

5 MRSA, chapter 149, §1664, sub-§3-A

3-A. Funding for research and development. Beginning in fiscal year 2008-09, the Governor, when submitting the budget document to the Legislature pursuant to section 1666, shall submit a funding level recommendation for research and development. The recommendation must be transmitted to the Legislature within the time schedules set forth in section 1666. It is the intent of the Legislature that beginning in fiscal year 2009-10 the biennial budget submitted by the Governor must set forth appropriations for research and development that are the equivalent of not less than 1% of total actual General Fund revenue of the previous fiscal year. For each successive year for the next 10 fiscal years, the funding level must increase by at least 2/10 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. If the Governor's budget sets forth recommendations for research and development that differ from the levels described in this subsection, the Governor shall explain the funding difference in the biennial budget document.

[ 2007, c. 420, §1 (NEW) .]



**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 funding level recommended for the Maine Indian Tribal-State Commission does not differ from the requested amount.

**Maine Indian Tribal- State Commission**

|                      | FY 20 Revised<br>Baseline<br>Budget | FY 21 Revised<br>Baseline<br>Budget | Requested<br>Changes FY 20 | Requested<br>Changes FY 21 | Recommended<br>Changes FY20 | Recommended<br>Changes FY21 | FY 20<br>Recommended<br>Budget | FY21<br>Recommended<br>Budget |
|----------------------|-------------------------------------|-------------------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|--------------------------------|-------------------------------|
| GENERAL FUND         |                                     |                                     |                            |                            |                             |                             |                                |                               |
| Personal Services    |                                     |                                     |                            |                            |                             |                             |                                |                               |
| All Other            | 111,614                             | 111,614                             | -                          | -                          | -                           | -                           | 111,614                        | 111,614                       |
| Capital Expenditures |                                     |                                     |                            |                            |                             |                             |                                |                               |
| Unallocated          |                                     |                                     |                            |                            |                             |                             |                                |                               |
| Total                | 111,614                             | 111,614                             | -                          | -                          | -                           | -                           | 111,614                        | 111,614                       |
| <b>TOTAL</b>         | <b>111,614</b>                      | <b>111,614</b>                      | <b>-</b>                   | <b>-</b>                   | <b>-</b>                    | <b>-</b>                    | <b>111,614</b>                 | <b>111,614</b>                |

## Debt Analysis

---

**Table as of June 30, 2018:**

|                                  |                                                               |                 |
|----------------------------------|---------------------------------------------------------------|-----------------|
| General Obligation Bonds (GOs)   | Debt secured by state's full faith, credit, and taxing power. | \$376.0 million |
| Authorized but Unissued GO Bonds | Bonds authorized by voters, but not yet borrowed upon.        | \$190.0 million |

*Note: Table is as of June 30, 2018 and does not reflect fiscal year 2017-18 bonds issued on July 31, 2018. After the fiscal year 2017-18 issuance General Obligation bonds are \$487.4 million and the Authorized but Unissued General Obligation bonds are \$64.7 million.*

**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 reduced 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 June 30, 2018**

| <b>Fiscal Year</b> | <b>Principal</b>   | <b>Interest</b>   | <b>Total</b>       |
|--------------------|--------------------|-------------------|--------------------|
| 2019               | 61,215,000         | 16,099,573        | 77,314,573         |
| 2020               | 52,780,000         | 13,685,676        | 66,465,676         |
| 2021               | 52,485,000         | 11,579,800        | 64,064,800         |
| 2022               | 45,860,000         | 8,955,550         | 54,815,550         |
| 2023               | 41,125,000         | 6,662,550         | 47,787,550         |
| 2024               | 41,120,000         | 4,606,300         | 45,726,300         |
| 2025               | 29,830,000         | 2,755,400         | 32,585,400         |
| 2026               | 19,575,000         | 1,469,000         | 21,044,000         |
| 2027               | 9,805,000          | 490,250           | 10,295,250         |
| <b>Total</b>       | <b>353,795,000</b> | <b>66,304,099</b> | <b>420,099,099</b> |

**HIGHWAY FUND BONDS****DEBT SERVICE REQUIREMENTS TO MATURITY June 30, 2018**

| <b>Fiscal Year</b> | <b>Principal</b>  | <b>Interest</b>  | <b>Total</b>      |
|--------------------|-------------------|------------------|-------------------|
| 2019               | 12,500,000        | 905,540          | 13,405,540        |
| 2020               | 7,610,000         | 389,668          | 7,999,668         |
| 2021               | 2,210,000         | 110,500          | 2,320,500         |
| <b>Total</b>       | <b>22,320,000</b> | <b>1,405,708</b> | <b>23,725,708</b> |

|                        |                    |                   |                    |
|------------------------|--------------------|-------------------|--------------------|
| <b>GF and HF Total</b> | <b>376,115,000</b> | <b>67,709,807</b> | <b>443,824,807</b> |
|------------------------|--------------------|-------------------|--------------------|

*Note: Table is as of June 30, 2018 and does not reflect fiscal year 2017-18 bonds issued on July 31, 2018. After the fiscal year 2017-18 issuance General Obligation bonds are \$487.4 million and the Authorized but Unissued General Obligation bonds are \$64.7 million.*

## Budget Process Timeline

---

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 threeline 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 5 M.R.S.A §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-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-elect, the Commissioner of the Department of Administrative and Financial Services, the State Budget Officer, the Governor-elect's Chief of Staff and the 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. 5 M.R.S.A, §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 budget document must be submitted to the Legislature in early January according to statute, except when there is a Governor-elect. A Governor-elect has one additional month and must submit the budget in early February.

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.

## 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.