



STATE OF MAINE

**DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES**

**Bureau of the Budget**

State House Station #58

Augusta, Maine 04333

**Date:** September 30, 2014

**To:** Honorable Paul R. LePage, Governor  
Honorable Justin L. Alford, President of the Senate  
Honorable Mark W. Eves, Speaker of the House  
Honorable Dawn Hill, Senate Chair  
Honorable Margaret R. Rotundo, House Chair  
Members, Joint Standing Committee on Appropriations and Financial Affairs

**From:** Melissa L. Gott, State Budget Officer

**Subject:** Report on the projection of revenues and forecasted expenditure requirements for the General Fund and the Highway Fund for the 2014-2015 biennium and the 2016-2017 biennium in accordance with Title 5 § 1665.

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The State of Maine, Bureau of the Budget presents the state budget forecast for the General Fund and the Highway Fund for the 2014-2015 biennium and the 2016-2017 biennium in accordance with Title 5 §1665. This effort was initiated and passed into law by the 117<sup>th</sup> Legislature as fulfillment of one of the recommendations of the Special Commission on Governmental Restructuring to provide a platform for long term financial planning.

This state budget forecast is based on the current structure of state revenues and expenditures for both the General Fund and the Highway Fund as required by Title 5 § 1665, subsection 7. This budget forecast should provide the most consistent view of revenue and expenditure trends over the long term as a basis for financial planning and decision making. The forecasts of revenues, appropriations and allocations contained in this report, as constructed under current law and current trends, result in a projected structural gap for the 2016-2017 biennium in the General Fund of \$461,050,457 and in the Highway Fund of \$358,457,497.

cc: Richard Rosen, Acting Commissioner, Department of Administrative and Financial Services  
Kathleen Newman, Deputy Chief of Staff  
Grant Pennoyer, Director, Office of Fiscal & Program Review

**STATE OF MAINE REVENUE AND EXPENDITURE PROJECTION  
GENERAL FUND AND HIGHWAY FUND  
FISCAL YEARS 2014 - 2017**

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# STATE OF MAINE BUDGET FORECAST 2014-2015 BIENNIUM AND 2016-2017 BIENNIUM

## I. INTRODUCTION

Title 5, §§ 1664 and 1665 require a four year budget projection for the General Fund and the Highway Fund. This initiative is in fulfillment of the recommendations of the Special Commission on Governmental Restructuring for the purpose of providing a basis for long term budget planning for the State's two undedicated funds. This budget approach also provides a means of comparing the structure of current expenditures and current revenues projected forward on a consistent trend basis for both funds. The projection shows the capacity of the State's General Fund and Highway Fund resources to support the level of State government services projected forward based on current law and current program trends.

This report is being issued in accordance with Title 5 § 1665, subsection 7 that requires a four-year budget forecast for the General Fund and the Highway Fund by September 30<sup>th</sup> of each even-numbered year. As such, this report provides a four-year budget forecast for the 2014-2015 biennium and the 2016-2017 biennium. The expected outcome is a reasonable and consistent portrayal of the General Fund and the Highway Fund budgets for fiscal year 2016 and fiscal year 2017 based on currently available financial and program information. This information, to be useful, needs to include the General Fund appropriations and Highway Fund allocations approved through the Second Regular Session of the 126<sup>th</sup> Legislature.

The projected revenues and expenditures for the General Fund and the Highway Fund are based on current law and current program trends, as required by Title 5, section 1665, subsection 7. With respect to revenues, the General Fund and Highway Fund represent the March 2014 projections of the Revenue Forecasting Committee, as required by Public Law 1997, chapter 157 and reflects all actions of the Second Regular Session of the 126<sup>th</sup> Legislature.

It is important to stress that this forecast must be developed using current law as its basis. Therefore the statute obligating the state to pay 55 % of the cost of K-12 education is the basis for expenditures used in this forecast. It is common for subsequent budget proposals to change these underlying statutes, resulting in either one-time or ongoing savings that are necessary to maintain a balanced budget as constitutionally required. For example, a budget initiative that would hold General Purpose Aid to Education at its current state-funded level would immediately reduce the estimated structural gap of \$461.1 million by more than \$297 million, or roughly two-thirds. There are many other, similar examples. The reader is advised to bear this in mind when assessing the *estimated* structural gap and the potential for closing it.

In order to provide the most accurate expenditure estimate from currently available budget information, the projection uses the fiscal year 2015 legislatively approved appropriations and allocations from the Second Regular Session 126<sup>th</sup> Legislature. The 2016-2017 biennial estimates are further adjusted for the effect of one-time and phased-in actions expected to occur in fiscal year 2015. More detailed projections on a department or program basis are made where appropriate to reflect specific trends in those areas.

Salaries and wages for the 2016-2017 biennium are based on merit growth from the 2014-2015 biennium. The projection for Personal Services does not anticipate future salary adjustments beyond the 2014-2015 biennium as a result of collective bargaining.

## II. GENERAL FUND

### A. BUDGET STATUS Fiscal Years 2014-2017

<b>GENERAL FUND STATUS</b>						
	<b>Fiscal Years 2014-2015 BUDGET</b>			<b>Fiscal Years 2016-2017 FORECAST</b>		
	<b>FY 2014</b>	<b>FY 2015</b>	<b>TOTAL</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>TOTAL</b>
<b>BALANCE</b>	7,680,399		7,680,399	1,292,089		1,292,089
<b>ADJUSTMENTS</b>	132,082,666	50,124,651	182,207,317			
<b>REVENUE</b>	3,074,367,119	3,247,324,775	6,321,691,894	3,146,346,603	3,261,611,293	6,407,957,896
<b>TOTAL RESOURCES</b>	<b>3,214,130,184</b>	<b>3,297,449,426</b>	<b>6,511,579,610</b>	<b>3,147,638,692</b>	<b>3,261,611,293</b>	<b>6,409,249,985</b>
<b>ADJUSTMENTS</b>	1,800,000	124,500,000	126,300,000			
<b>APPROPRIATIONS</b>	3,199,811,630	3,184,175,891	6,383,987,521	3,418,464,662	3,451,835,780	6,870,300,442
<b>PROJECTED BALANCE (SHORTFALL)</b>	<b>12,518,554</b>	<b>(11,226,465)</b>	<b>1,292,089</b>	<b>(270,825,970)</b>	<b>(190,224,487)</b>	<b>(461,050,457)</b>

The budgeted General Fund adjusted fund balance for fiscal year 2014 was \$12,518,554 and is projected to be \$1,292,089 at the end of fiscal year 2015, including adjustments enacted through the Second Regular Session of the 126<sup>th</sup> Legislature.

The Revenue Forecasting Committee (RFC) in its May 2013 report re-projected revenues downward by (\$51.2) million for the 2016-2017 biennium. Then in December 2013 the RFC increased its revenue projections by \$8.8 million for the 2016-2017 biennium. Finally, in March 2014, the RFC re-projected revenues downward by (\$.6M), resulting in a net overall revenue decrease of (\$43.0) million for the 2016-2017 biennium. This revenue decrease was primarily in the Sales and Use Tax, Corporate Income Tax and Other Taxes and Fees lines. The revenue projections also include revisions made in miscellaneous laws enacted through the Second Regular Session of the 126<sup>th</sup> Legislature.

Current projections for the 2016-2017 biennium include a beginning balance of \$1,292,089 and General Fund revenues of \$6,407,957,896. Projected General Fund appropriations for the biennium are \$6,870,300,442 which results in a structural budget gap for the General Fund of \$461,050,457.

**B. REVENUE PROJECTION\* Fiscal Years 2014-2017**

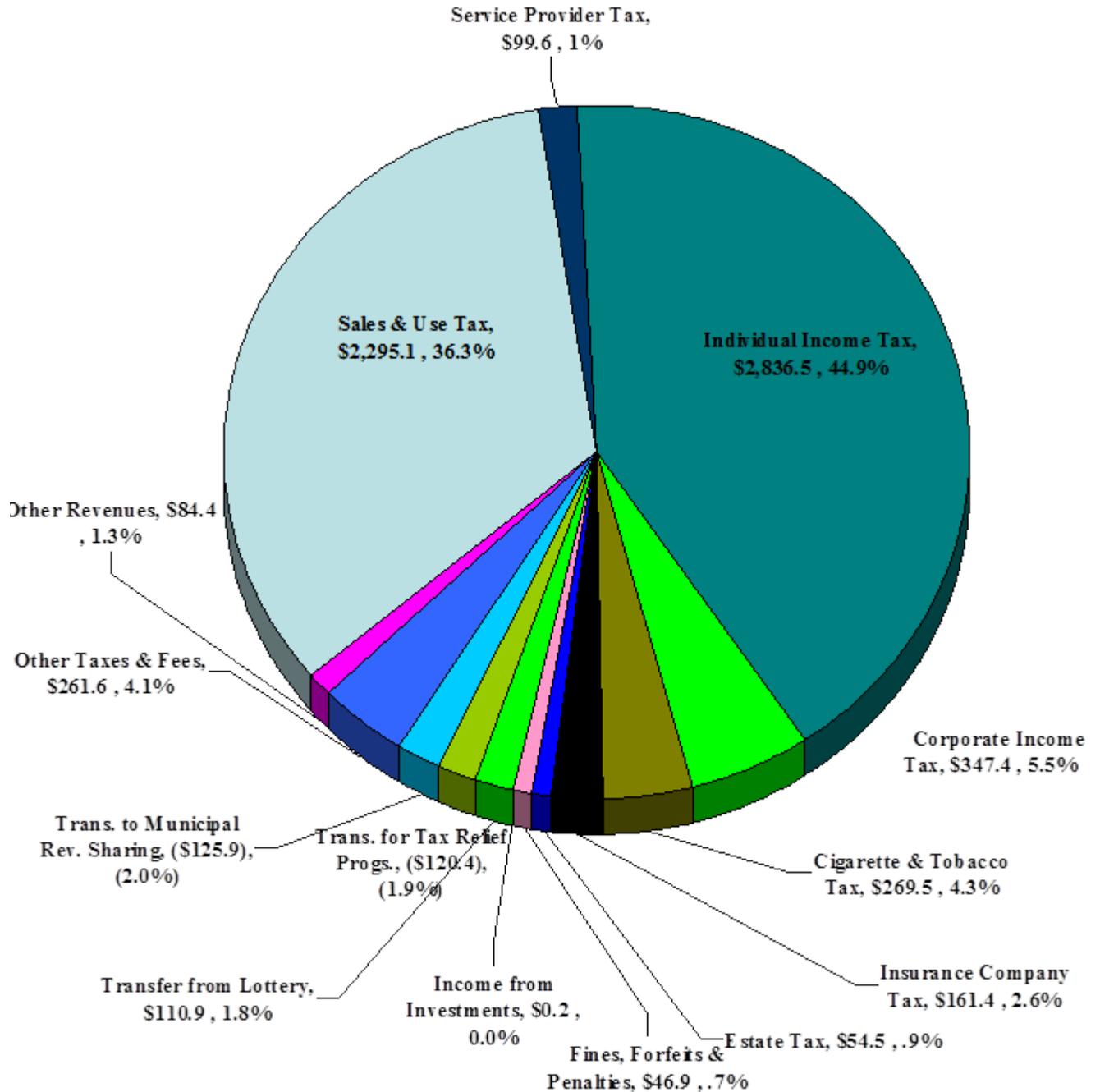
**GENERAL FUND REVENUE PROJECTION**

SOURCE	Fiscal Years 2014-2015 BUDGET				Fiscal Years 2016-2017 PROJECTION				
	FY 2014	FY 2015	YR. TO YR. % CHANGE	TOTAL BIENNIUM	FY 2016	YR. TO YR. % CHANGE	FY 2017	YR. TO YR. % CHANGE	TOTAL BIENNIUM
Sales and Use Tax	1,107,378,483	1,187,737,653	7.26%	2,295,116,136	1,122,506,072	-5.49%	1,171,338,142	4.35%	2,293,844,214
Service Provider Tax	49,317,427	50,303,776	2.00%	99,621,203	51,309,851	2.00%	52,336,048	2.00%	103,645,899
Individual Income Tax	1,380,685,000	1,455,836,200	5.44%	2,836,521,200	1,525,607,128	4.79%	1,586,979,155	4.02%	3,112,586,283
Corporate Income Tax	169,706,958	177,651,225	4.68%	347,358,183	186,375,104	4.91%	186,213,515	-0.09%	372,588,619
Cigarette & Tobacco Tax	135,900,000	133,590,000	-1.70%	269,490,000	131,374,000	-1.66%	129,198,000	-1.66%	260,572,000
Insurance Company Tax	80,715,000	80,715,000		161,430,000	80,715,000		80,715,000		161,430,000
Inheritance & Estate Tax	27,553,982	26,957,040	-2.17%	54,511,022	27,989,759	3.83%	29,588,207	5.71%	57,577,966
Fines, Forfeits and Penalties	23,468,666	23,421,666	-0.20%	46,890,332	23,421,666		23,421,666		46,843,332
Income from Investments	132,523	93,858	-29.18%	226,381	189,255	101.64%	332,738	75.81%	521,993
Transfer from Lottery	53,500,000	57,350,462	7.20%	110,850,462	56,816,776	-0.93%	57,123,279	0.54%	113,940,055
Trans for Tax Relief Progs	(62,258,370)	(58,183,362)	-6.55%	(120,441,732)	(66,771,938)	14.76%	(68,948,340)	3.26%	(135,720,278)
Trans. to Muni. Rev. Share	(64,839,710)	(61,066,238)	-5.82%	(125,905,948)	(156,948,496)	157.01%	(153,366,100)	-2.28%	(310,314,596)
Other Taxes and Fees	128,659,912	132,978,084	3.36%	261,637,996	129,037,739	-2.96%	129,871,754	0.65%	258,909,493
Other Revenues	44,447,248	39,939,411	-10.14%	84,386,659	34,724,687	-13.06%	36,808,229	6.00%	71,532,916
<b>TOTAL REVENUE</b>	<b>3,074,367,119</b>	<b>3,247,324,775</b>	<b>5.63%</b>	<b>6,321,691,894</b>	<b>3,146,346,603</b>	<b>-3.11%</b>	<b>3,261,611,293</b>	<b>3.66%</b>	<b>6,407,957,896</b>

\*The revenue projection for fiscal years 2014-2017 includes all actions of the Revenue Forecasting Committee through March 2014 and reflects all actions through the 2<sup>nd</sup> Regular Session of the 126<sup>th</sup> Legislature.

# Fiscal Years 2014 – 2015 General Fund Budgeted Revenues \$6,321.7

*Includes Transfers for Municipal Revenue Sharing of (\$125.9)  
and Transfers to Tax Relief Programs of (\$120.4)*  
Dollars in Millions

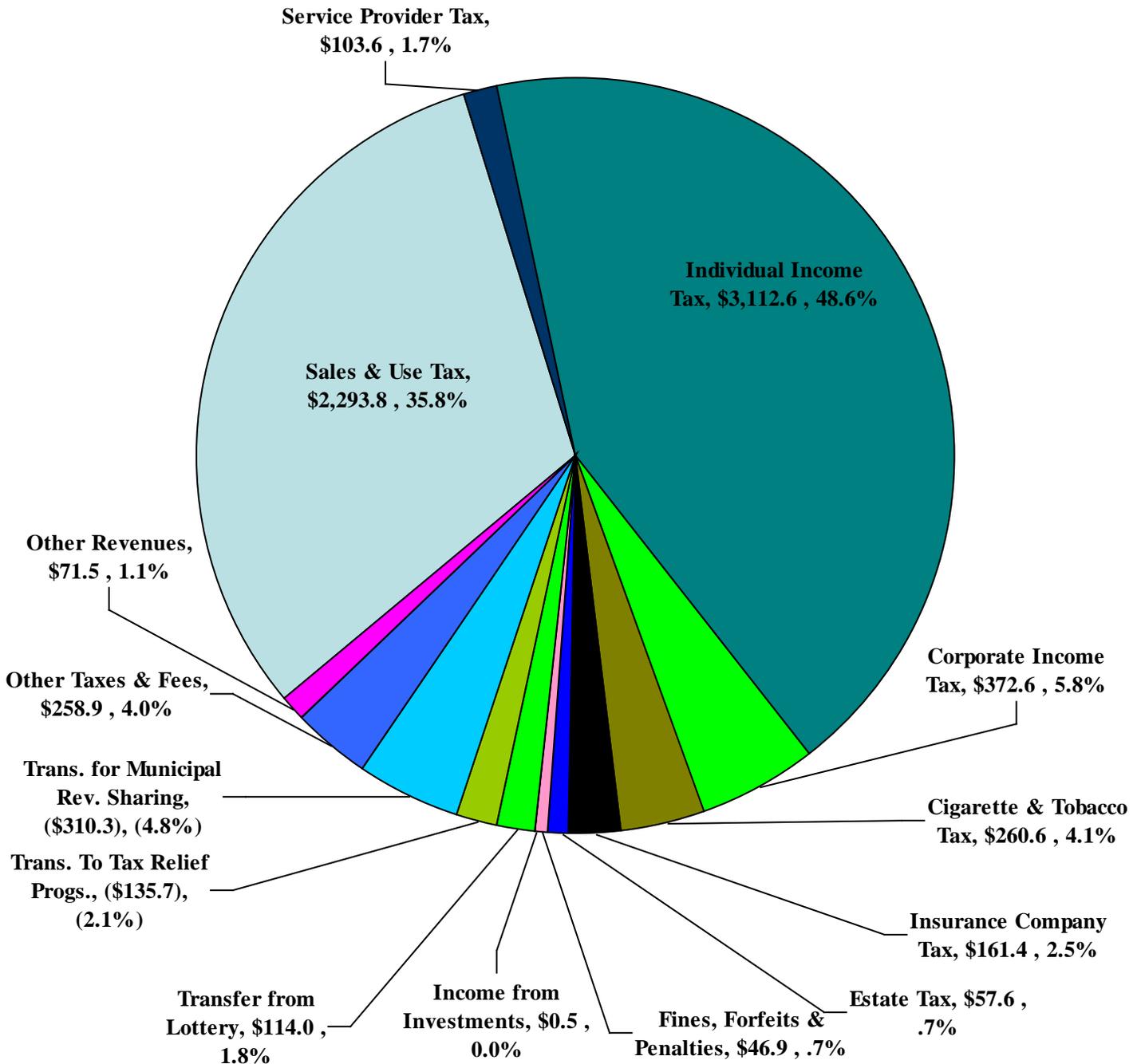


# Fiscal Years 2016 – 2017

## General Fund Projected Revenues

### \$6,408.0

*Includes Transfers for Municipal Revenue Sharing of (\$310.3)  
and Transfers to Tax Relief Programs of (\$135.7)*  
Dollars in Millions



## C. GENERAL FUND REVENUE PROJECTION NARRATIVE

### SALES AND USE TAX

FY 14 (000)	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 16 (000)	YR % CHANGE	FY 17 (000)	YR % CHANGE	TOTAL BIENNIUM
1,107,378	1,187,738	7.26%	2,295,116	1,122,506	-5.49%	1,171,338	4.35%	2,293,844

The Sales and Use Tax forecast for fiscal year 2015, fiscal year 2016 and fiscal year 2017 includes all actions of the Revenue Forecasting Committee through March 2014 and reflects all actions through the Second Regular Session of the 126th Legislature. A 0.5 percentage point general sales tax increase and a 1 percentage point meals and lodging tax increase from October 1, 2013-June 30, 2015 enacted in the First Regular Session of the 126<sup>th</sup> Legislature result in an estimated one-time increase in revenues over the 2014-2015 biennium of \$183.2 million. Adjusting for the temporary tax increase, Sales and Use Tax receipts are projected to grow modestly in the 2016-2017 biennium.

### SERVICE PROVIDER TAX

FY 14 (000)	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 16 (000)	YR % CHANGE	FY 17 (000)	YR % CHANGE	TOTAL BIENNIUM
49,317	50,304	2.00%	99,621	51,310	2.00%	52,336	2.00%	103,646

Public Law 2003, chapter 673, Part V, reclassified various categories previously included in the Sales and Use Tax as the Service Provider Tax, effective in fiscal year 2004-05. This law reflects the re-categorization of the following services from the Sales and Use Tax to the Service Provider Tax: (a) extended cable television services; (b) fabrication services; (c) rental of video media and video equipment; (d) rental of furniture, audio media and audio equipment pursuant to a rental-purchase agreement; (e) telecommunication services; and (f) installation, maintenance or repair of telecommunications equipment. In addition, (g) private non-medical institution services were included in Public Law 2003, chapter 673, Part V. Subsequent legislation added community support service for persons with (h) mental health diagnoses, (i) intellectual disabilities or autism, (j) home support services, (l) ancillary services and (m) group residential services for persons with brain injuries to those being assessed the tax. Revenue generated from the Service Provider Tax on private non-medical institution services, community support services, home support services and group residential services for persons with brain injuries are credited to various Medicaid related Other Special Revenue Funds accounts in the Department of Health and Human Services. It is projected that the revenues to the General Fund from the Service Provider Tax will grow by approximately 2.0 % per year through fiscal year 2017.

### INDIVIDUAL INCOME TAX

FY 14 (000)	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 16 (000)	YR % CHANGE	FY 17 (000)	YR % CHANGE	TOTAL BIENNIUM
1,380,685	1,455,836	5.44%	2,836,521	1,525,607	4.79%	1,586,979	4.02%	3,112,586

The forecast for fiscal year 2015, fiscal year 2016 and fiscal year 2017 for the Individual Income Tax line include all actions of the Revenue Forecasting Committee through March 2014 and reflect all actions of the Second Regular Session of the 126<sup>th</sup> Legislature. The estimate for fiscal year 2015, fiscal year 2016 and fiscal year 2017 reflects the underlying economic forecast of the Consensus Economic Forecasting Commission with respect to personal income, wage and salary distribution and enactment of the tax cuts by the 125<sup>th</sup> Legislature. Maine's personal income is

projected to grow at 3.7 % for calendar year 2015, 4.0 % for calendar year 2016 and 4.2 % for calendar year 2017 with wage and salary growth averaging 3.4 % during the same three-year period. Projected annual revenue growth from the individual tax line is 5.4% from fiscal year 2014 to fiscal year 2015 and 4.4% over the 2016-2017 biennium. Revenue from capital gains realizations as a percentage of Individual Income Tax Liability will average 5.9% through tax year 2017.

### **CORPORATE INCOME TAX**

<b>FY 14 (000)</b>	<b>FY 15 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 16 (000)</b>	<b>YR % CHANGE</b>	<b>FY 17 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
<b>169,707</b>	<b>177,651</b>	<b>4.68%</b>	<b>347,358</b>	<b>186,375</b>	<b>4.91%</b>	<b>186,214</b>	<b>-0.09%</b>	<b>372,589</b>

The forecast for fiscal year 2015, fiscal year 2016 and fiscal year 2017 for the Corporate Income Tax line includes all actions of the Revenue Forecasting Committee through March 2014 and reflects all actions of the Second Regular Session of the 126th Legislature. Revenues from the Corporate Tax line for fiscal year 2015 are projected to be 4.7 % above fiscal year 2014 levels due to overall improvement in the economy and the expiration of tax benefits associated with conformity to temporary federal tax reductions. Corporate Income Tax is projected to increase 7.3 % over the 2016-2017 biennium based on current projections of corporate profits.

### **CIGARETTE AND TOBACCO PRODUCTS TAX**

<b>FY 14 (000)</b>	<b>FY 15 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 16 (000)</b>	<b>YR % CHANGE</b>	<b>FY 17 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
<b>135,900</b>	<b>133,590</b>	<b>-1.70%</b>	<b>269,490</b>	<b>131,374</b>	<b>-1.66%</b>	<b>129,198</b>	<b>-1.66%</b>	<b>260,572</b>

The forecast for fiscal year 2015, fiscal year 2016 and fiscal year 2017 for the Cigarette and Tobacco Products Tax lines includes all actions of the Revenue Forecasting Committee through March 2014 and reflects all actions of the Second Regular Session of the 126th Legislature. Cigarette tax revenue is expected to continue to decline approximately 1.7 % per year. The tobacco products tax is projected to grow by 1 % per year.

### **INSURANCE COMPANY TAX**

<b>FY 14 (000)</b>	<b>FY 15 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 16 (000)</b>	<b>YR % CHANGE</b>	<b>FY 17 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
<b>80,715</b>	<b>80,715</b>	<b>0.00%</b>	<b>161,430</b>	<b>80,715</b>	<b>0.00%</b>	<b>80,715</b>	<b>0.00%</b>	<b>161,430</b>

The forecast for fiscal year 2015, fiscal year 2016 and fiscal year 2017 for the Insurance Company Tax line includes all actions of the Revenue Forecasting Committee through March 2014 and reflects all actions of the Second Regular Session of the 126th Legislature. Revenues from insurance companies are associated with the gross value of insurance policies issued. As business within the state grows, the amount of insurance coverage also expands. Although it would be expected that this revenue source would increase at a rate consistent with the overall growth of the economy, the emphasis on lower workers' compensation premium costs and consumer actions in response to rising premiums appears to be moderating the growth in this revenue source. As a consequence, the base level projection of the Revenue Forecasting Committee as of March 2014 assumes no growth during the next biennium.

## INHERITANCE AND ESTATE TAX

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
27,554	26,957	-2.17%	54,511	27,990	3.83%	29,588	5.71%	57,578

The forecast for fiscal year 2015, fiscal year 2016 and fiscal year 2017 for the Inheritance and Estate Tax line include all actions of the Revenue Forecasting Committee through March 2014 and reflect all actions through the Second Regular Session of the 126<sup>th</sup> Legislature. Public law 2011, chapter 380, Part M increased the exclusions to \$2 million and established a progressive rate structure for estates after December 31, 2012. It is projected that revenue from the Inheritance and Estate tax line will grow by approximately 3.8 % from fiscal year 2015 to fiscal year 2016 and increase by approximately 5.6 % over the 2016-2017 biennium.

## FINES, FORFEITS AND PENALTIES

FY 14 (000)	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 16 (000)	YR % CHANGE	FY 17 (000)	YR % CHANGE	TOTAL BIENNIUM
23,469	23,422	-0.20%	46,890	23,422	0.00%	23,422	0.00%	46,843

The Revenue Forecasting Committee (RFC) effective with fiscal year 2010 established the new Fines, Forfeits and Penalties revenue category for reporting purposes. Revenues from fines, forfeits and penalties were previously recorded and classified as Other Revenue. Revenues from fines are derived primarily from collections undertaken by the Violations Bureau in the Judicial Department. A decline of .2 % in revenues from this category is projected between 2014 and 2015. The revenue in this category is projected to remain steady for the 2016-2017 biennium.

## TRANSFER FOR TAX RELIEF PROGRAMS

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
(62,258)	(58,183)	-6.55%	(120,442)	(66,772)	14.76%	(68,948)	3.26%	(135,720)

Beginning with fiscal year 2010 the Revenue Forecasting Committee (RFC) adopted the Transfer for Tax Relief category for its revenue report. This category groups the following programs; Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption (BETE) programs for revenue reporting purposes; forecasts for each of these programs are presented below. The Maine Residents' Property Tax Program was repealed by the Legislature in the 126<sup>th</sup> 1<sup>st</sup> Regular Session and replaced by the Property Tax Fairness credit which is accounted for in the Individual Income Tax line. A one-time adjustment to the BETR program expires at the end of the 2014-2015 biennium, causing a jump in the forecasted refunds in fiscal year 2016.

**BUSINESS EQUIPMENT TAX REIMBURSEMENT (BETR)**

FY 14 (000)	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 16 (000)	YR % CHANGE	FY 17 (000)	YR % CHANGE	TOTAL BIENNIUM
(37,569)	(31,080)	-17.27%	(68,649)	(35,000)	12.61%	(32,000)	-8.57%	(67,000)

**BUSINESS EQUIPMENT TAX EXEMPTION (BETE)**

FY 14 (000)	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 16 (000)	YR % CHANGE	FY 17 (000)	YR % CHANGE	TOTAL BIENNIUM
(23,929)	(27,103)	13.26%	(51,032)	(31,772)	17.23%	(36,948)	16.29%	(68,720)

BETR reimbursement is 100 % of the property taxes paid on eligible property, for the first 12 years, 75 % in year 13, 70 % in year 14 and so on until it reaches a minimum of 50 % in years 18 and beyond. (As a result of specific language provisions, the following calendar years 2005, 2008, 2009 and 2012, were reduced by 10% and for calendar year 2013, was reduced by 20%) Generally, property first placed into service in Maine after April 1, 1995, but on or before April 1, 2007 is eligible. Only certain retail equipment first placed in service after April 1, 2007 will continue to be eligible for BETR reimbursement. BETR reimbursement experience is affected by the new Business Equipment Tax Exemption (BETE) program. Non-retail property first placed into service after April 1, 2008 is eligible for the BETE program. Business property eligible for BETE is 100 % exempt from the local property tax and the state will reimburse municipalities for a portion of the lost revenue. The percentage reimbursed to municipalities is generally 50 %, but some municipalities with significant personal property receive a higher percentage for reimbursement.

**MUNICIPAL REVENUE SHARING**

FY 14 (000)	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 16 (000)	YR % CHANGE	FY 17 (000)	YR % CHANGE	TOTAL BIENNIUM
(64,840)	(61,066)	-5.82%	(125,906)	(156,948)	157.01%	(153,366)	-2.28%	(310,315)

The Sales and Use Tax, Individual Income Tax, Corporate Income Tax and Service Provider Tax lines are subject to Municipal Revenue Sharing in accordance with Title 30-A, § 5681 of the Maine Revised Statutes. That section of statute currently requires that an amount equal to 5 % of the above referenced tax lines be transferred to the Local Government Fund (Municipal Revenue Sharing). Municipal Revenue Sharing is a calculation based on the forecasts of the four previously referenced tax revenue lines. The Legislature approved a change in the reimbursement rate from 5.1 % to 5.0 % effective July 1, 2009.

The projected decrease in Municipal Revenue Sharing between fiscal years 2014 and 2015 of 5.82 % reflects an increased transfer from Municipal Revenue Sharing to the General Fund by \$12.6 million in fiscal year 2015 over fiscal year 2014. The 157 % projected increase between fiscal year 2015 and fiscal year 2016 reflects the discontinuance of \$85.9 million in revenue sharing contributions to the General Fund and also includes the projected increase in revenue sharing funds from the projected growth in the four major tax lines referenced above. Funds for revenue sharing are also distributed to the Disproportionate Tax Burden Fund which is used to provide additional support to municipalities experiencing a higher than average property tax burden. Effective with fiscal year 2010, the Legislature approved a change to the distribution of funds for this program resulting in increased funding for the Disproportionate Tax Burden Fund.

## OTHER TAXES AND FEES

<b>FY 14 (000)</b>	<b>FY 15 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 16 (000)</b>	<b>YR % CHANGE</b>	<b>FY 17 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
128,660	132,978	3.36%	261,638	129,038	-2.96%	129,872	0.65%	258,909

Effective with fiscal year 2010, the Revenue Forecasting Committee (RFC) adopted this new revenue category for revenue reporting purposes. Revenues from taxes and fees were previously included under the Other Revenues category. Property Taxes - Unorganized Territory and Public Utilities Tax which were previously reported in their own category are now included in the Other Taxes and Fees category along with all the remaining taxes and fees. This forecast reflects a projected 2.96% reduction in revenues from Other taxes and Fees in fiscal year 2016 with a small projected increase of 0.65% for fiscal year 2017.

## OTHER REVENUES

<b>FY 14 (000)</b>	<b>FY 15 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 16 (000)</b>	<b>YR % CHANGE</b>	<b>FY 17 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
44,447	39,939	-10.14%	84,387	34,725	-13.06%	36,808	6.00%	71,533

Effective with fiscal year 2010, the Revenue Forecasting Committee (RFC) approved the reclassification of revenues for taxes and fees and for fines, forfeits and penalties previously reflected under Other Revenues being recorded in their own category for reporting purposes. The Other Revenues category includes all other General Fund revenue sources collected by the various departments and agencies that are not otherwise classified in the categories listed on the General Fund Summary Table. The decreases over the 2014-2015 and the 2016-2017 biennia are primarily attributable to the reduction in the General Fund subsidy for milk.

**D. EXPENDITURE FORECAST CHARTS Fiscal Years 2014-2017**

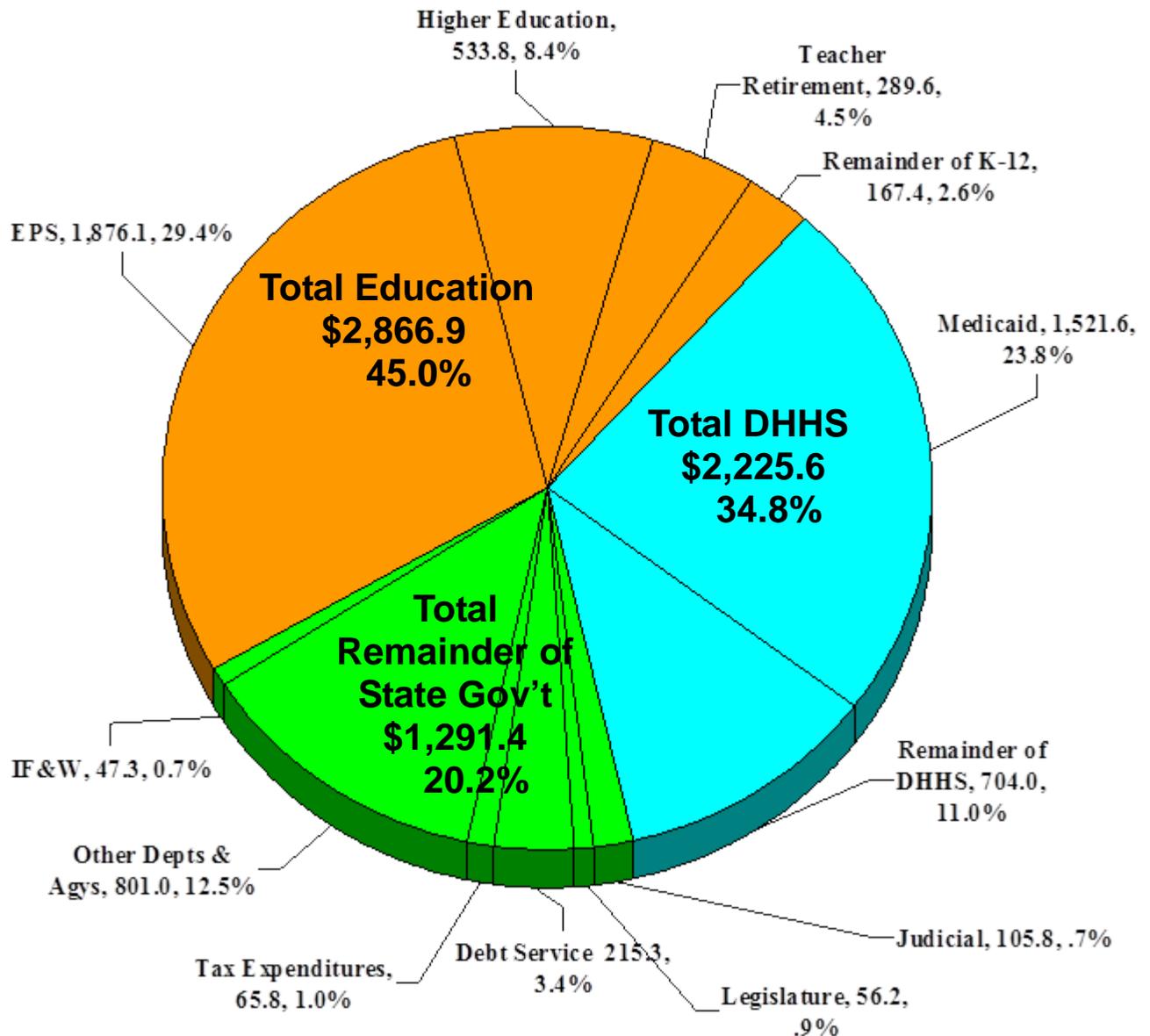
<b>GENERAL FUND EXPENDITURE FORECAST CHART</b>									
MAJOR PROGRAM CATEGORIES  POLICY AREA / AGENCY / PROGRAM	Fiscal Years 2014-2015 BUDGET				Fiscal Years 2016-2017 FORECAST				
	FY 2014	FY 2015	YR. TO YR. % CHANGE	TOTAL TOTAL	FY 2016	YR. TO YR. % CHANGE	FY 2017	YR. TO YR. % CHANGE	BIENNIUM TOTAL
Homestead Property Tax Exemption	23,961,875	24,711,875	3.13%	48,673,750	26,985,000	9.20%	28,334,250	5.00%	55,319,250
Government Facilities Authority	17,143,227	16,836,024	-1.79%	33,979,251	18,611,904	10.55%	17,129,537	-7.96%	35,741,441
Debt Service - Treasury	78,839,542	76,555,988	-2.90%	155,395,530	80,687,914	5.40%	67,835,101	-15.93%	148,523,015
Other Agencies And Programs	120,688,088	125,228,539	3.76%	245,916,627	130,954,623	4.57%	132,193,783	0.95%	263,148,406
<b>Total Policy Area - Governmental Support &amp; Operations</b>	<b>240,632,732</b>	<b>243,332,426</b>	<b>1.12%</b>	<b>483,965,158</b>	<b>257,239,441</b>	<b>5.72%</b>	<b>245,492,671</b>	<b>-4.57%</b>	<b>502,732,112</b>
<b>Total Policy Area - Economic Development &amp; Work Force Training</b>	<b>31,261,438</b>	<b>32,526,011</b>	<b>4.05%</b>	<b>63,787,449</b>	<b>33,079,145</b>	<b>1.70%</b>	<b>33,034,655</b>	<b>-0.13%</b>	<b>66,113,800</b>
General Purpose Aid for Local Schools	946,055,065	930,063,464	-1.69%	1,876,118,529	1,072,057,486	15.27%	1,090,948,707	1.76%	2,163,006,193
Teacher Retirement/Retired Teachers' Health Insurance	166,303,116	173,283,723	4.20%	339,586,839	150,577,718	-13.10%	159,820,939	6.14%	310,398,657
Child Development Services	27,985,282	27,985,282		55,970,564	27,985,282		27,985,282		55,970,564
Other Agencies And Programs	290,232,325	290,735,463	0.17%	580,967,788	288,105,769	-0.90%	288,147,474	0.01%	576,253,243
<b>Total Policy Area - Education</b>	<b>1,430,575,788</b>	<b>1,422,067,932</b>	<b>-0.59%</b>	<b>2,852,643,720</b>	<b>1,538,726,255</b>	<b>8.20%</b>	<b>1,566,902,402</b>	<b>1.83%</b>	<b>3,105,628,657</b>
Medical Care - Payments To Providers	435,645,380	398,340,957	-8.56%	833,986,337	434,338,645	9.04%	434,414,618	0.02%	868,753,263
Nursing Facilities	84,435,030	88,668,056	5.01%	173,103,086	100,478,991	13.32%	103,539,098	3.05%	204,018,089
Foster Care/Adoption Assistance	51,314,996	51,325,777	0.02%	102,640,773	51,511,260	0.36%	51,522,419	0.02%	103,033,679
Community Mental Health	29,951,417	32,354,547	8.02%	62,305,964	37,786,754	16.79%	37,914,826	0.34%	75,701,580
Mental Health Medicaid	40,479,715	40,484,941	0.01%	80,964,656	40,271,599	-0.53%	40,232,536	-0.10%	80,504,135
Community Developmental Services	19,554,691	21,290,190	8.88%	40,844,881	21,935,358	3.03%	22,354,059	1.91%	44,289,417
Developmental Services - Medicaid	136,608,736	143,571,976	5.10%	280,180,712	147,037,440	2.41%	146,896,203	-0.10%	293,933,643
Mental Health Services - Children	13,911,089	16,199,562	16.45%	30,110,651	16,708,998	3.14%	16,795,064	0.52%	33,504,062
Mental Health Services - Child Medicaid	35,066,023	35,082,504	0.05%	70,148,527	34,915,152	-0.48%	34,884,510	-0.09%	69,799,662
Substance Abuse Services	11,655,481	11,736,634	0.70%	23,392,115	11,823,332	0.74%	11,860,488	0.31%	23,683,820
Substance Abuse Services- Medicaid	5,077,601	5,071,301	-0.12%	10,148,902	5,038,814	-0.64%	5,032,865	-0.12%	10,071,679
Other Agencies And Programs	259,803,793	258,847,799	-0.37%	518,651,592	266,750,754	3.05%	269,867,932	1.17%	536,618,686
<b>Total Policy Area - Health &amp; Human Services</b>	<b>1,123,503,952</b>	<b>1,102,974,244</b>	<b>-1.83%</b>	<b>2,226,478,196</b>	<b>1,168,597,097</b>	<b>5.95%</b>	<b>1,175,314,618</b>	<b>0.57%</b>	<b>2,343,911,715</b>
<b>Total Policy Area - Natural Resources Development &amp; Protection</b>	<b>67,823,951</b>	<b>69,554,737</b>	<b>2.55%</b>	<b>137,378,688</b>	<b>75,885,386</b>	<b>9.10%</b>	<b>75,299,743</b>	<b>-0.77%</b>	<b>151,185,129</b>
Corrections	149,259,328	153,281,368	2.69%	302,540,696	165,272,521	7.82%	168,481,391	1.94%	333,753,912
Other Agencies And Programs	148,163,804	153,174,403	3.38%	301,338,207	171,680,747	12.08%	179,374,187	4.48%	351,054,934
<b>Total Policy Area - Justice &amp; Protection</b>	<b>297,423,132</b>	<b>306,455,771</b>	<b>3.04%</b>	<b>603,878,903</b>	<b>336,953,268</b>	<b>9.95%</b>	<b>347,855,578</b>	<b>3.24%</b>	<b>684,808,846</b>
<b>Total Policy Area - Transportation, Safety &amp; Development</b>									
Total Policy Area - Arts, Heritage & Cultural Enrichment	7,450,637	7,264,770	-2.49%	14,715,407	7,984,070	9.90%	7,936,113	-0.60%	15,920,183
Total Policy Area - Business Licensing and Regulation	1,140,000		-100.00%	1,140,000					
<b>GRAND TOTAL GENERAL FUND EXPENDITURES</b>	<b>3,199,811,630</b>	<b>3,184,175,891</b>	<b>-0.49%</b>	<b>6,383,987,521</b>	<b>3,418,464,662</b>	<b>7.36%</b>	<b>3,451,835,780</b>	<b>0.98%</b>	<b>6,870,300,442</b>

# Fiscal Years 2014 – 2015

## General Fund Budgeted Appropriations

### \$6,384.0

Dollars in Millions

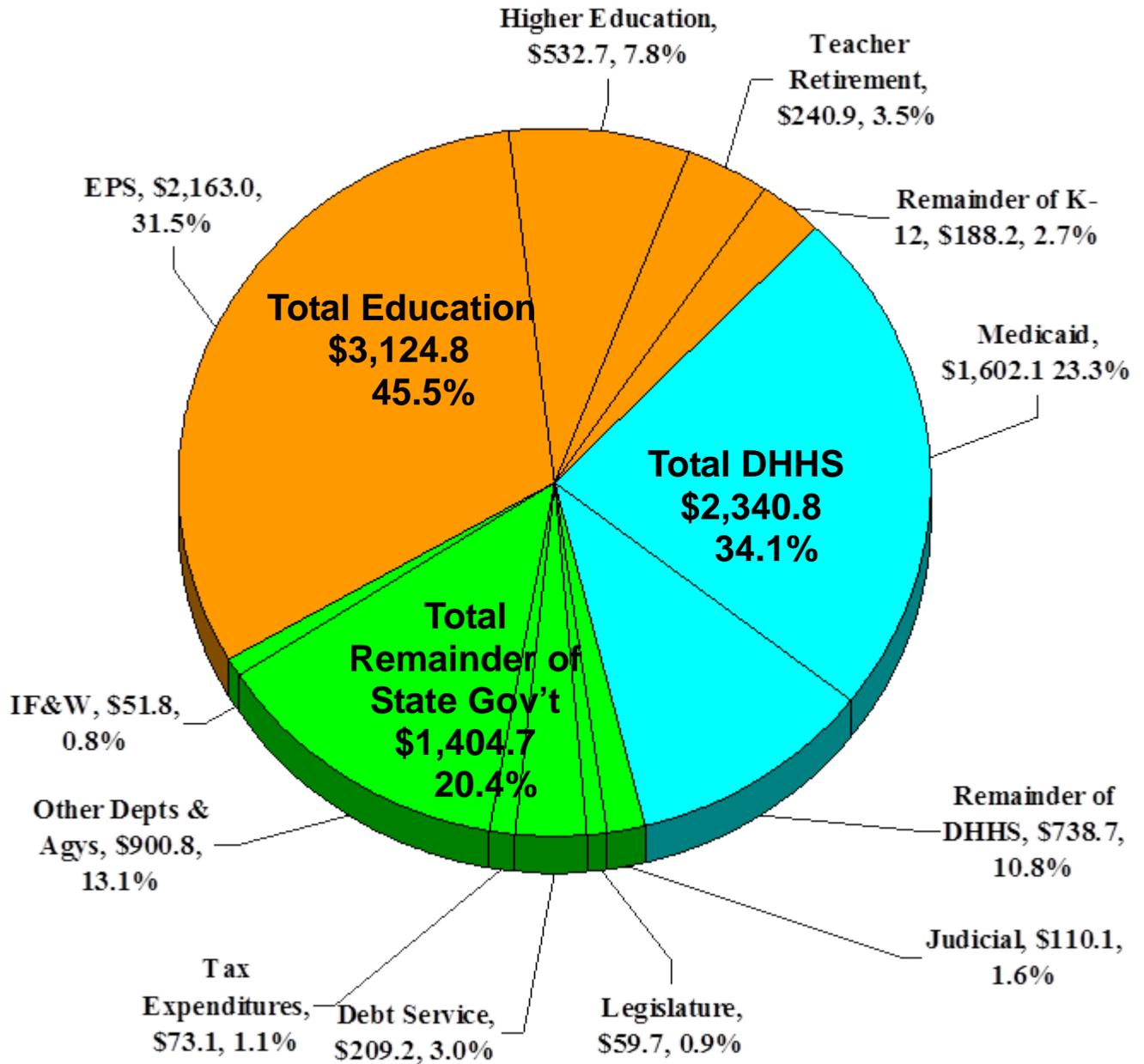


# Fiscal Years 2016 - 2017

## General Fund Forecasted Appropriations

### \$6,870.3

Dollars in Millions



## E. GENERAL FUND EXPENDITURE FORECAST NARRATIVE

### HOMESTEAD PROPERTY TAX EXEMPTION

<b>FY 2014 (000)</b>	<b>FY 2015 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 2016 (000)</b>	<b>YR % CHANGE</b>	<b>FY 2017 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
23,962	24,712	3.13%	48,674	26,985	9.20%	28,334	5.00%	55,319

Public Law 1997, chapter 643, Part HHH established the Homestead Property Tax Exemption Program. This program establishes an exemption for all individuals who have maintained a residence for the 12 months prior to April 1st of each year. Public Law 2005, chapter 2, Part F set the exemption amount at \$13,000 of the individual's homestead valuation and decreased the percentage of the benefit to homeowners that the state is responsible for to the constitutionally required 50 %. Public Law 2009, chapter 213 reduced the exemption amount from \$13,000 to \$10,000 beginning with fiscal year 2011. Fiscal year 2016 and fiscal year 2017 reflect the anticipated funding level for this program.

### GOVERNMENTAL FACILITIES AUTHORITY

<b>FY 2014 (000)</b>	<b>FY 2015 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 2016 (000)</b>	<b>YR % CHANGE</b>	<b>FY 2017 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
17,143	16,836	-1.79%	33,979	18,612	10.55%	17,130	-7.96%	35,741

The expenditure decrease 1.8 % from \$17.1 million in fiscal year 2014 to \$16.8 million in fiscal year 2015 represents a one-time savings for debt service in fiscal year 2014 due to a refunding of bonds. The forecast for the 2016-2017 biennium reflects an increase in funding over fiscal year 2015 to bring funding in line with current projected debt service requirements for this program. The Governmental Facilities Authority, created by Public Law 1997, chapter 523, administers a fund that includes principal and interest payments for loans which financed projects approved. These include capital repairs and improvements to state-owned facilities throughout the State as designated by the Commissioner of Administrative and Financial Services. Projects undertaken through the Governmental Facilities Authority for the Judicial Branch are included in the Judicial Department's budget as debt service payments and are not reflected in the estimates shown above.

### DEBT SERVICE – TREASURY

<b>FY 2014 (000)</b>	<b>FY 2015 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 2016 (000)</b>	<b>YR % CHANGE</b>	<b>FY 2017 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
78,840	76,556	-2.90%	155,396	80,688	5.40%	67,835	-15.93%	148,523

For fiscal year 2015, it is projected that \$127 million of the authorized but currently unissued General Fund bond inventory will be issued during the June 2015 bond sale. General Fund debt service requirements were \$78.8 million in fiscal year 2014 and are projected at \$80 million for fiscal year 2015. In addition to the General Fund appropriations, an additional one-time transfer from debt service earnings is also required in fiscal year 2015 of approximately \$3 million. The debt service requirements for the 2016-2017 biennium will be higher than projected if the Legislature approves sending additional bond proposals to the voters in calendar year 2015.

## GENERAL PURPOSE AID FOR LOCAL SCHOOLS

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
946,055	930,063	-1.69%	1,876,119	1,072,057	15.27%	1,090,949	1.76%	2,163,006

The preliminary analysis would increase General Purpose Aid for Local Schools funding for the upcoming biennium by \$296.7 million over the previous biennium and achieve the commitment made in Public Law 2005 chapter 2, as amended by 2007 Public Law chapters 240 and 539, for 55% state share of education costs.

The State contribution to the total cost of funding public education from kindergarten to grade 12 including the cost of the components of essential programs and services, that includes 97% of all school administrative units' total operating allocations, plus the state contributions to teacher retirement, retired teachers' health insurance and retired teachers' life insurance for Fiscal Year 2015 is 50.13%. It is important to stress that the forecast, by law, must assume a state share of GPA equal to 55% of total allowable costs.

### TEACHER RETIREMENT/RETIRED TEACHERS' HEALTH INSURANCE

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
166,303	173,284	4.20%	339,587	150,578	-13.10%	159,821	6.14%	310,399

The expenditure forecast for the 2016-2017 biennium for Teacher Retirement assumes projected teacher salary and wage growth of 3.5 % based upon the actuarial assumption for inflation and general salary increase. The required unfunded actuarial liability (UAL) payment for the 2016-2017 biennium for teacher retirement is established by the actuarial valuation performed by the Maine Public Employees Retirement System's actuary. Favorable market gains experienced by the pension fund results in a reduction in the required UAL payment. Public Law 2013, chapter 368 changes the method for funding normal costs of teacher retirement. Beginning in fiscal year 2014, the normal cost of retirement for a teacher must be included in the total allocation for Essential Programs and Services for the school administrative unit that employs the teacher. In addition, the employer retirement normal costs and administrative operating expenses, whose funding is provided from local and state funds must be paid by the local school administrative units or by the private school. The remaining employer retirement cost component is the unfunded actuarial liability, which forms the basis for the forecast for teacher retirement in the 2016-2017 biennial budget.

Public Law 2013, chapter 368, Part H, section 3 specifies the State's total cost for health insurance premiums for retired teachers for the 2014-2015 biennium is capped at fiscal year 2011 levels, adjusted for projected membership growth. This section also limits the premium increase for fiscal years beginning after June 30, 2015 to no more than any percentage increase in the Consumer Price Index plus 3.0 %. In addition, providers of the health insurance benefit plans for retired teachers must also make available their premium costs and any related data as requested by the Executive Director of Health Insurance within the Department of Administrative and Financial Services.

## MEDICAL CARE - PAYMENTS TO PROVIDERS

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
435,645	398,341	-8.56%	833,986	434,339	9.04%	434,415	0.02%	868,753

Appropriations in the Medical Care- Payments to Providers program increased during the 2014-2015 biennium due to a Federal Medical Assistance Percentage net decrease and increased utilization of services and/or increases in healthcare costs. These increases were offset by eligibility changes, implementation of targeted care management of MaineCare's high utilizers and initiatives addressing payment reform. Finally, allocations were provided in the 2014-2015 biennium to the Health Care Liability Fund to pay total debts owed by the state in the amount of \$748.5 million for services provided by hospitals prior to December 1, 2012. The allocations were funded from the sale of bonds supported by the revenue from the state's liquor sales and operations and federal Medicaid funds.

The program continues to utilize dedicated revenue from the hospital tax, the service provider tax on private nonmedical institutions, drug and durable medical equipment rebates and the Fund for a Healthy Maine that are in excess of \$117 million annually. In addition, the Department of Education transfers approximately \$12 million in each fiscal year for Medicaid services that are provided in a school setting. Funding for the 2016-2017 biennium reflects growth due to projected utilization and increases in healthcare costs offset by a projected increase in the Federal Medical Assistance Percentage.

## NURSING FACILITIES

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
84,435	88,668	5.01%	173,103	100,479	13.32%	103,539	3.05%	204,018

The Nursing Facilities program provides funds for MaineCare payments to nursing facilities for professional nursing care or rehabilitative services for injured, disabled or sick persons. The 2014-2015 biennium net decrease in the Federal Medical Assistance Percentage resulted in an increased state share. Public law 2013, chapter 594 provides a one-time appropriations increase in fiscal year 2015 of \$4.5 million based on more current costs and targeted at facilities with the greatest share of Medicaid beds as a percentage of total bed census.

There is an additional \$5 million in increased funding included in the baseline in each year of the biennium. This program continues to utilize dedicated revenue from a tax on nursing facilities that generates approximately \$35 million annually. Program growth in the 2016-2017 biennium results from an adjustment in the baseline appropriations enacted in the 126<sup>th</sup> 2<sup>nd</sup> Regular session.

## FOSTER CARE/ADOPTION ASSISTANCE

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
51,315	51,326	0.02%	102,641	51,511	0.36%	51,522	0.02%	103,034

The IV-E Foster Care/Adoption Assistance and State-funded Foster Care/Adoption Assistance programs in the Department of Health and Human Services provide foster care, independent living and adoption assistance services to children in the care or custody of the Department of Health and Human Services. Payments made from the IV-E Foster Care/Adoption Assistance program support children who are eligible under Title IV-E of the federal Social Security Act; payments from the state-funded program support children not eligible under Title IV-E. Public Law 2013, chapter 368 provided appropriations in the 2014-2015 biennium of \$8.4 million for the projected increase in the number children in foster care. Additionally, appropriations were also increased in the Public Law 2013, chapter 368 as a result of a transfer of savings for the elimination of the infant mental health program as of July 1, 2013, to be used to provide family support services to those involved in the child welfare system. The General Fund appropriations are projected to increase in fiscal year 2017 by .02% to coincide with the both the department's projected caseload and anticipated federal funding.

## COMMUNITY MENTAL HEALTH

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
29,951	32,355	8.02%	62,306	37,787	16.79%	37,915	0.34%	75,702

Funds for the Community Mental Health program are provided for services to adults who are not eligible for MaineCare or for services that are not covered by MaineCare. The fiscal year 2014-2015 biennial budget provided funding for contracted dental care previously provided by the Portland Dental Clinic run by the Riverview Psychiatric Center. In fiscal year 2015, funding for unmet needs related to the Consent Decree was provided in a separate account. The 2015 appropriation was \$2 million and the 2016-2017 biennial request is \$5.7 million in each year. The Bridging Rental Assistance Program is further segregated from the Consent Decree and Community Mental Health accounts in the upcoming biennium with a projected need of \$6.6 million in each year.

## MENTAL HEALTH MEDICAID

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
40,480	40,485	0.01%	80,965	40,272	-0.53%	40,233	-0.10%	80,504

This program provides services to adults with mental illness who are eligible for benefits under the MaineCare program. In the 2014-2015 biennium, Public law 2013, chapter 368 funding was increased due to the net decrease in the Federal Medical Assistance Percentage and from the transfer of funds from child Medicaid from the elimination of the infant mental health program as of July 1, 2013 to be used for support services to individuals and families. The decrease over the 2016-2017 biennium reflects the adjustment for the projected increase in the Federal Medical Assistance Percentage. Finally, \$5.3 million each year are realized from dedicated revenue generated by the imposition of a service provider tax on private nonmedical institutions (PNMIs) and community support services.

## COMMUNITY DEVELOPMENTAL SERVICES

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
19,555	21,290	8.88%	40,845	21,935	3.03%	22,354	1.91%	44,289

The Developmental Services service delivery system provides services and support to a limited number of people with intellectual and developmental disabilities or autism who are not eligible for MaineCare. The programs also assist those in need with financial resources to pay for some services that are not covered by the MaineCare program, such as family support, housing and food. During the 2014-2015 biennium, funding was provided for contract intravenous sedation services at the Portland Dental Clinic of approximately \$600 thousand. The program change in the 2016-2017 biennium reflects the transfer and reallocation of positions based upon responsibilities and the duties of those positions.

## DEVELOPMENTAL SERVICES MEDICAID

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
136,609	143,572	5.10%	280,181	147,037	2.41%	146,896	-0.10%	293,934

Funding in the Developmental Services MaineCare and the Developmental Services – MaineCare Waiver programs provide services for persons with developmental disabilities or autistic disorder who are Medicaid eligible or Medicaid reimbursable. Services provided include residential support, day habilitation and transportation. The fiscal year 2014-2015 biennial budget reflects an increase in funding for the Section 29 Developmental Services waiver of \$4 million and funding for the Intellectual Disabilities or Autistic Disorder Section 21 waiver of \$6.5 million adjusted by an additional \$800 thousand of service provider tax revenue resulting from additional funding of waiver services. Funding for the Traumatic Brain Injury Seed, Medicaid Waiver for Brain Injury, with funding beginning in fiscal year 2015 at \$6.7 million, and the Medicaid Waiver for Other Related Conditions, with funding remaining level at \$2.1 million in each year, have also been added to this reporting category. The appropriations in these programs were impacted by the net decrease in the Federal Medical Assistance Percentage in the 2014-2015 biennium. There is an additional \$5 million in increased funding included in the baseline in each year of the biennium. In addition, dedicated revenue generated by the service provider tax provides over \$16 million annually. Funding for the programs remains relatively flat from fiscal year 2016 to fiscal year 2017.

## MENTAL HEALTH SERVICES – CHILDREN

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
13,911	16,200	16.45%	30,111	16,709	3.14%	16,795	0.52%	33,504

Funds for Children’s Mental Health Services are provided for services to children who are not eligible for MaineCare or for services that are not covered by MaineCare. The 2014-2015 biennium provides appropriations for the program growth and utilization. The 2014-2015 biennium reflected savings from reducing funding for the elimination of the infant mental health program. Funding growth in this program is expected to be 3.1 % for fiscal year 2016 and less than 1 % for fiscal year 2017.

## MENTAL HEALTH SERVICES - CHILD MEDICAID

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
35,066	35,083	0.05%	70,149	34,915	-0.48%	34,885	-0.09%	69,800

General Fund support is used to provide state share for mental health services provided to eligible children and youth under the child Medicaid program. For the 2014-2015 biennium, transfers of a total of \$8 million in funding from the elimination of the infant mental health program to the Foster Care Adoption, Mental Health Community and Office of Substance Abuse-Medicaid programs. Appropriations in the 2014-2015 biennium provided for program growth and utilization and the net decrease in the Federal Medical Assistance Percentage. The 2016-2017 biennial budget reflects a change for a projected increase in the Federal Medical Assistance Percentage.

### SUBSTANCE ABUSE SERVICES

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
11,655	11,737	0.70%	23,392	11,823	0.74%	11,860	0.31%	23,684

General Funds are provided for the Office of Substance Abuse and Mental Health Services which contracts with prevention and treatment service agencies, and provides technical assistance and continuing education to health professionals. In addition, the Office of Substance Abuse and Mental Health Services administers the Driver Education and Evaluation Program, which provides the mandated (5 MRSA c.521, Sub-c. V) Operating Under the Influence (OUI) countermeasure programs in the state of Maine. The growth over the 2014-2015 and 2016-2017 biennia reflects the baseline growth in personnel services for the program.

### SUBSTANCE ABUSE SERVICES- MEDICAID

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
5,078	5,071	-0.12%	10,149	5,039	-0.64%	5,033	-0.12%	10,072

General Fund support is used to provide the state share for outpatient substance abuse services provided to eligible members in the Medicaid program. The change in the fiscal year 2016 and the fiscal year 2017 budget is reflective of the adjustment for the projected increase in the Federal Medical Assistance Percentage.

### CORRECTIONS

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
149,259	153,281	2.69%	302,541	165,273	7.82%	168,481	1.94%	333,754

The Department of Corrections is responsible for the direction and general administrative supervision, guidance and planning of adult and juvenile correctional facilities and programs within the State. General Fund support provides over 95% of the funding for the Department of Corrections. The growth in the fiscal year 2014-2015 biennium and the anticipated growth in the 2016-2017 biennium reflect baseline growth in personal services and projected increases for contracted medical services as well as increased fuel, utility and food costs.

### III. HIGHWAY FUND

#### A. BUDGET STATUS Fiscal Years 2014-2017

<b>HIGHWAY FUND STATUS</b>						
	<b>Fiscal Years 2014-2015 BUDGET</b>			<b>Fiscal Years 2016-2017 FORECAST</b>		
	<b>FY 2014</b>	<b>FY 2015</b>	<b>TOTAL</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>TOTAL</b>
<b>BALANCE</b>	6,742,320		6,742,320	129,329		129,329
<b>ADJUSTMENTS</b>		806,550	806,550			
<b>REVENUE</b>	310,267,211	308,576,740	618,843,951	308,222,674	307,829,602	616,052,276
<b>TOTAL RESOURCES</b>	<b>317,009,531</b>	<b>309,383,290</b>	<b>626,392,821</b>	<b>308,352,003</b>	<b>307,829,602</b>	616,181,605
<b>ADJUSTMENTS</b>	5,210,691	5,334,017	10,544,708	5,303,800	5,106,055	10,409,855
<b>ALLOCATIONS</b>	311,621,111	304,097,673	615,718,784	475,805,983	488,423,264	964,229,247
<b>PROJECTED BALANCE (SHORTFALL)</b>	<b>177,729</b>	<b>(48,400)</b>	<b>129,329</b>	<b>(172,757,780)</b>	<b>(185,699,717)</b>	<b>(358,457,497)</b>

The Highway Fund adjusted fund balance for fiscal year 2014 was \$177,729 and is projected to be \$129,329 at the end of fiscal year 2015, including adjustments enacted through the Second Regular Session of the 126th Legislature.

The Revenue Forecasting Committee (RFC) in its May 2013 report re-projected revenues downward by (\$7.8) million for the 2016-2017 biennium. The RFC in December 2013 increased its revenue projections by \$1.9 million for the 2016-2017 biennium. The RFC in March 2014 re-projected revenues upward by \$3.6 million resulting in a net overall revenue decrease of (\$2.3) million for the 2016-2017 biennium. This revenue decrease was primarily in the fuel tax lines. The revenue projections also include revisions made in miscellaneous laws enacted through the Second Regular Session of the 126<sup>th</sup> Legislature.

Public Law 2011, chapter 610, An Act to Improve Transportation in the State established provisions relating to the Department of Transportation's capital program goals. It is important to stress that this forecast, by law, must assume the state share which is estimated at \$300 million over the 2016-2017 biennium. The reader is advised to bear this in mind when assessing the *estimated* structural gap and the potential for closing it.

Current projections for the 2016-2017 biennium include a beginning balance of \$129,329 and Highway Fund revenues of \$616,052,276. Projected Highway Fund allocations for the biennium are \$964,229,247 and adjustments of \$10,409,855 which result in a projected structural budget gap of \$358,457,497.

**B. REVENUE PROJECTION Fiscal Years 2014-2017**

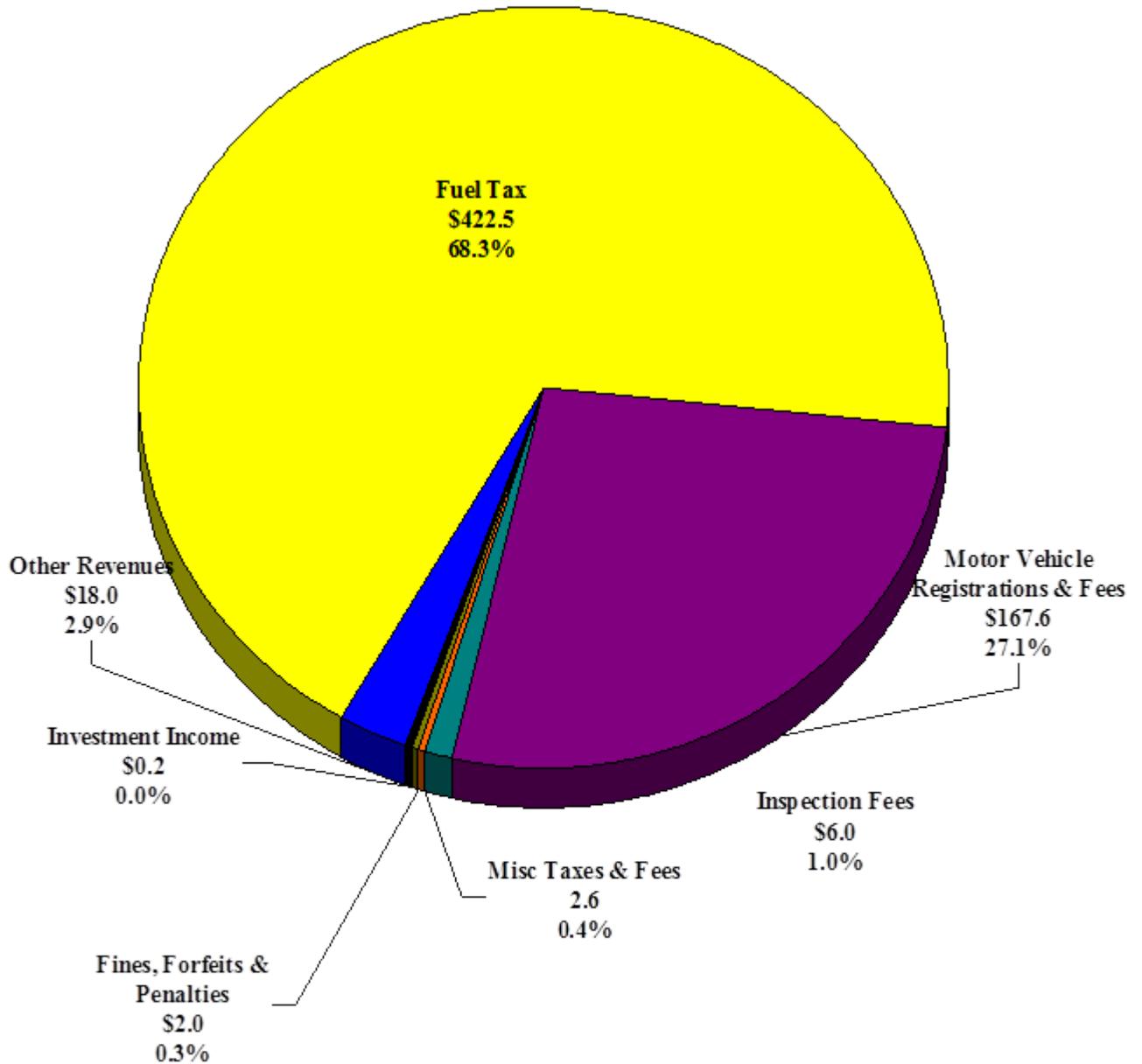
**HIGHWAY FUND REVENUE PROJECTION**

SOURCE	Fiscal Year 2014-2015 BUDGET				Fiscal Year 2016-2017 FORECAST				
	FY 2014	FY 2015	YR. TO YR. % CHANGE	TOTAL BIENNIUM	FY 2016	YR. TO YR. % CHANGE	FY 2017	YR. TO YR. % CHANGE	TOTAL BIENNIUM
Fuel Tax	211,814,977	210,688,101	-0.53%	422,503,078	210,141,891	-0.26%	209,595,681	-0.26%	419,737,572
Motor Vehicle Registrations & Fees	84,095,120	83,467,472	-0.75%	167,562,592	83,467,472		83,467,471	0.00%	166,934,943
Inspection Fees	2,982,500	2,982,500		5,965,000	2,982,500		2,982,500		5,965,000
Miscellaneous Taxes & Fees	1,298,729	1,285,229	-1.04%	2,583,958	1,298,729	1.05%	1,285,229	-1.04%	2,583,958
Fines Forfeits & Penalties	1,007,998	1,007,998		2,015,996	1,007,998		1,007,998		2,015,996
Income from Investments	52,553	113,022	115.06%	165,575	291,666	158.06%	458,305	57.13%	749,971
Other Revenues	9,015,334	9,032,418	0.19%	18,047,752	9,032,418		9,032,418		18,064,836
<b>TOTAL REVENUE</b>	<b>310,267,211</b>	<b>308,576,740</b>	<b>-0.54%</b>	<b>618,843,951</b>	<b>308,222,674</b>	<b>-0.11%</b>	<b>307,829,602</b>	<b>-0.13%</b>	<b>616,052,276</b>

# Fiscal Years 2014 - 2015 Highway Fund Budgeted Revenues

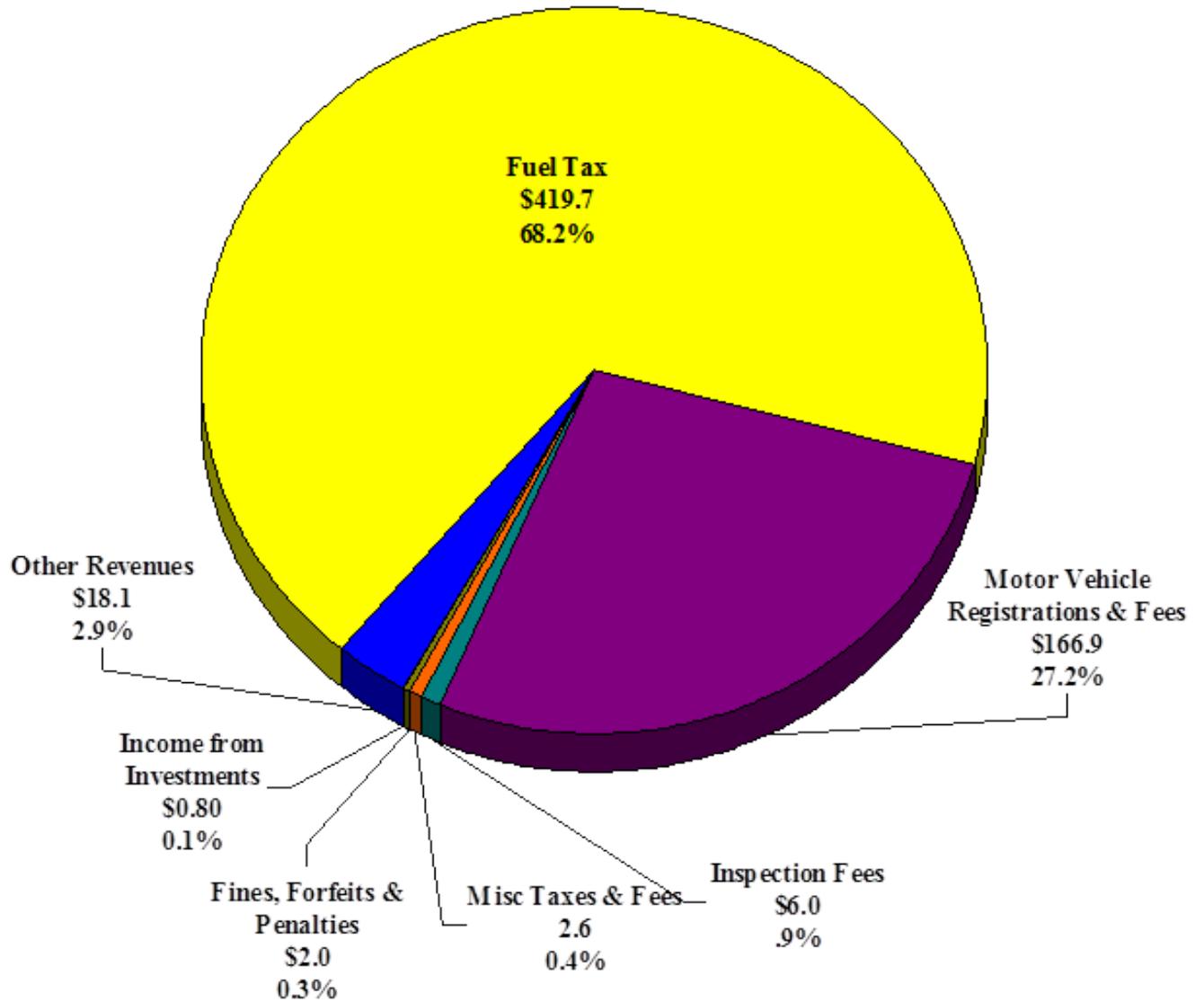
## \$618.9

Dollars in Millions



# Fiscal Years 2016 – 2017 Highway Fund Projected Revenues \$616.1

Dollars in Millions



## HIGHWAY FUND REVENUE PROJECTION NARRATIVE

### FUEL TAX

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
211,815	210,688	-0.53%	422,503	210,142	-0.26%	209,596	-0.26%	419,738

The forecast for the Motor Fuel Taxes was updated by the Revenue Forecasting Committee in March 2014. The gasoline tax rate on July 1, 2014 is \$.300 per gallon. The tax on diesel fuel is \$.312 per gallon on July 1, 2014. Public Law 2011, chapter 392, Part C repealed the indexing of motor fuels tax rates on January 1, 2012. Effective with fiscal year 2010, 7.5 % of the gasoline tax and 7.5 % of the special fuel tax is dedicated to the TransCap Trust Fund at the Municipal Bond Bank in accordance with Public Law 2007, chapter 470.

### MOTOR VEHICLE REGISTRATIONS AND FEES

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
84,095	83,467	-0.75%	167,563	83,467	0.00%	83,467	0.00%	166,935

The forecast for fiscal year 2015, fiscal year 2016 and fiscal year 2017 for Motor Vehicle Registration Fees includes all actions of the Revenue Forecasting Committee through March 2014 and all actions of the 2nd Regular Session of the 126th Legislature. The projections for fiscal year 2015 reflects an decrease of .75 % over fiscal year 2014 revenues primarily associated with fewer drivers licenses during this year of the licensing cycle.

### INSPECTION FEES

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
2,983	2,983	0.00%	5,965	2,983	0.00%	2,983	0.00%	5,965

Revenues from Inspection Fees are expected to remain flat for the fiscal year 2016-2017 biennium.

### OTHER REVENUES

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
9,015	9,032	0.19%	18,048	9,032	0.00%	9,032	0.00%	18,065

Other Revenues within the Highway Fund include miscellaneous service fees and charges, net revenue transfers and other contributions. The forecast for the 2016-2017 biennium is expected to remain flat for this revenue category.

C. EXPENDITURE FORECAST CHARTS Fiscal Years 2014-2017

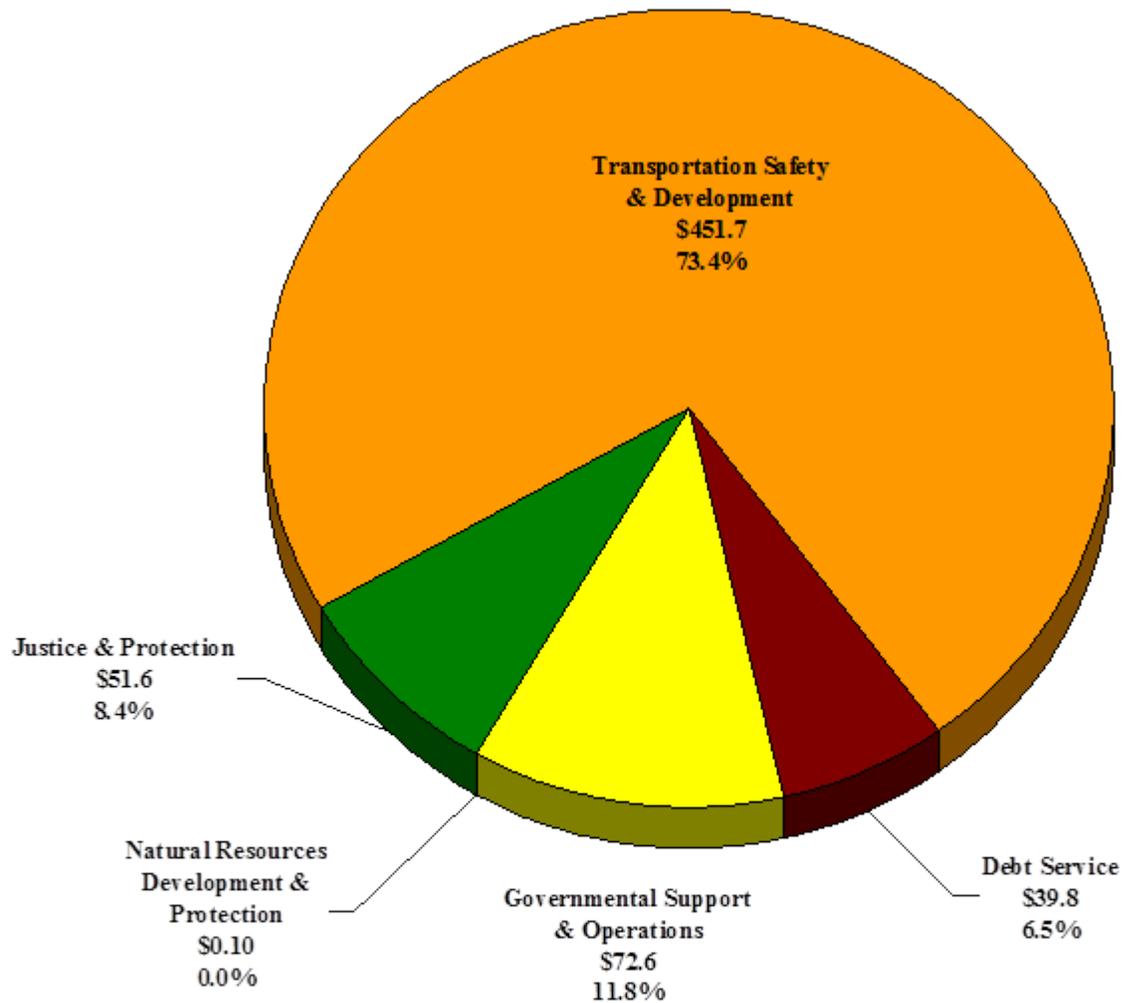
<b>HIGHWAY FUND EXPENDITURE FORECAST CHART</b>									
MAJOR PROGRAM CATEGORIES  POLICY AREA / AGENCY / PROGRAM	Fiscal Years 2014-2015 BUDGET				Fiscal Years 2016-2017 FORECAST				
	FY 2014	FY 2015	YR. TO YR. % CHANGE	TOTAL TOTAL	FY 2016	YR. TO YR. % CHANGE	FY 2017	YR. TO YR. % CHANGE	BIENNIUM TOTAL
Capital Construction and Improvement Reserve Fund Other Agencies And Programs	35,779,254	36,825,814	2.93%	72,605,068	38,859,921	5.52%	38,772,565	-0.22%	77,632,486
<b>Total Policy Area - Governmental Support &amp; Operations</b>	<b>35,779,254</b>	<b>36,825,814</b>	<b>2.93%</b>	<b>72,605,068</b>	<b>38,859,921</b>	<b>5.52%</b>	<b>38,772,565</b>	<b>-0.22%</b>	<b>77,632,486</b>
<b>Total Policy Area - Natural Resources Development &amp; Protection</b>	<b>33,054</b>	<b>33,054</b>		<b>66,108</b>	<b>33,054</b>		<b>33,054</b>		<b>66,108</b>
State Police Other Agencies And Programs	16,574,935 8,898,717	16,973,929 9,113,205	2.41% 2.41%	33,548,864 18,011,922	17,896,308 9,425,981	5.43% 3.43%	17,868,485 9,365,157	-0.16% -0.65%	35,764,793 18,791,138
<b>Total Policy Area - Justice &amp; Protection</b>	<b>25,473,652</b>	<b>26,087,134</b>	<b>2.41%</b>	<b>51,560,786</b>	<b>27,322,289</b>	<b>4.73%</b>	<b>27,233,642</b>	<b>-0.32%</b>	<b>54,555,931</b>
Maintenance & Operations Highway & Bridge Capital Highway & Bridge Light Capital Local Road Assistance Program Debt Service Other Agencies And Programs	134,453,544 40,862,933 13,394,600 23,489,751 20,579,279 17,555,044	131,637,382 34,960,366 17,130,751 20,334,842 19,189,654 17,898,676	-2.09% -14.44% 27.89% -13.43% -6.75% 1.96%	266,090,926 75,823,299 30,525,351 43,824,593 39,768,933 35,453,720	135,456,591 185,473,009 28,700,000 22,230,146 18,565,079 19,165,894	2.90% 430.52% 67.53% 9.32% -3.25% 7.08%	140,956,882 185,912,228 29,300,000 23,186,508 23,615,579 19,412,806	4.06% 0.24% 2.09% 4.30% 27.20% 1.29%	276,413,473 371,385,237 58,000,000 45,416,654 42,180,658 38,578,700
<b>Total Policy Area - Transportation Safety &amp; Development</b>	<b>250,335,151</b>	<b>241,151,671</b>	<b>-3.67%</b>	<b>491,486,822</b>	<b>409,590,719</b>	<b>69.85%</b>	<b>422,384,003</b>	<b>3.12%</b>	<b>831,974,722</b>
<b>TOTAL HIGHWAY FUND EXPENDITURES</b>	<b>311,621,111</b>	<b>304,097,673</b>	<b>-2.41%</b>	<b>615,718,784</b>	<b>475,805,983</b>	<b>56.46%</b>	<b>488,423,264</b>	<b>2.65%</b>	<b>964,229,247</b>

# Fiscal Years 2014 – 2015

## Highway Fund Budgeted Allocations

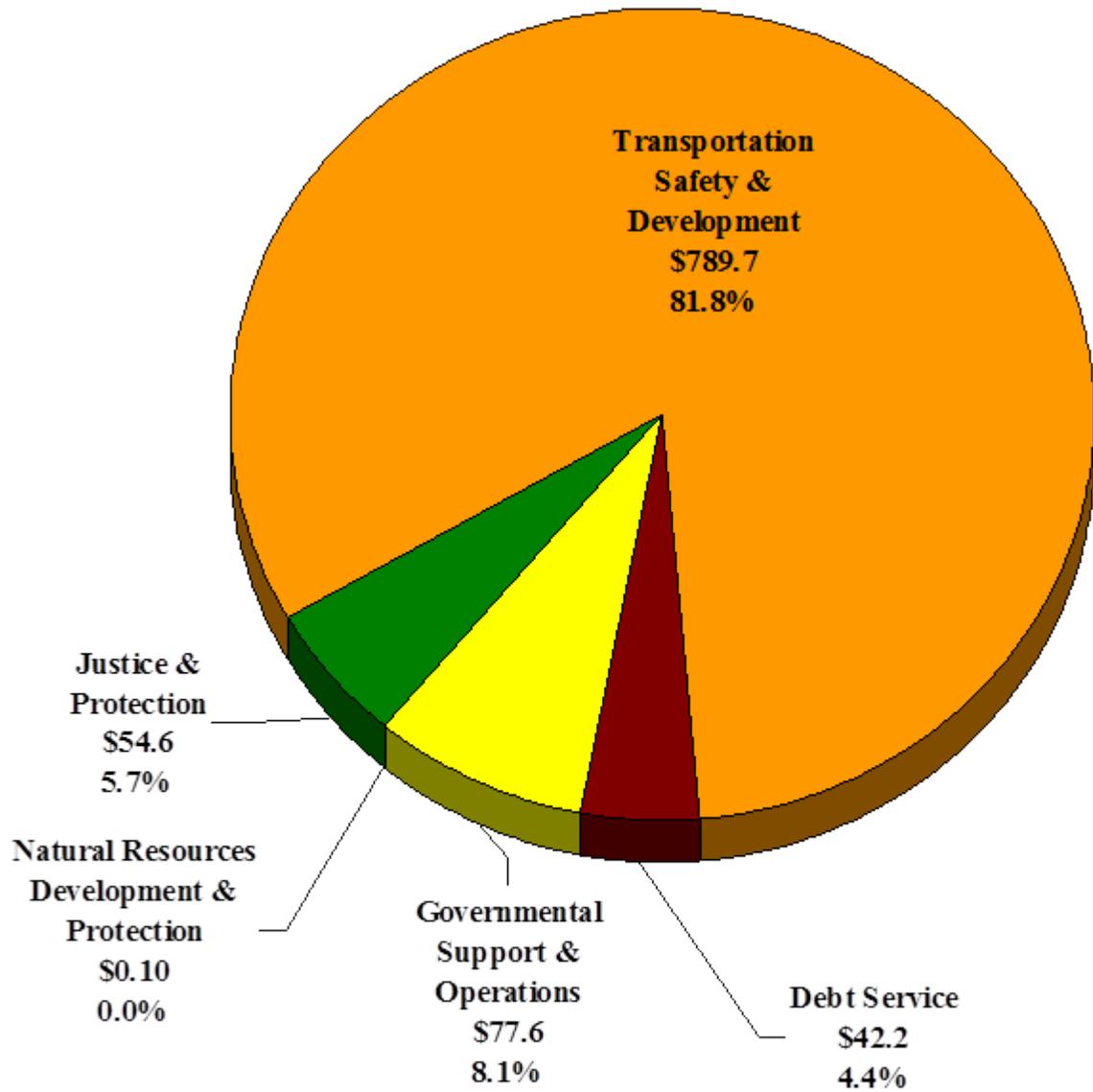
### \$615.7

Dollars in Millions



# Fiscal Years 2016 – 2017 Highway Fund Forecasted Allocations \$964.2

Dollars in Millions



## D. HIGHWAY FUND EXPENDITURE FORECAST NARRATIVE

### STATE POLICE

<b>FY 2014 (000)</b>	<b>FY 2015 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 2016 (000)</b>	<b>YR % CHANGE</b>	<b>FY 2017 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
<b>16,575</b>	<b>16,974</b>	<b>2.41%</b>	<b>33,549</b>	<b>17,896</b>	<b>5.43%</b>	<b>17,868</b>	<b>-0.16%</b>	<b>35,765</b>

The Maine State Police have primary goals of 1) patrolling rural areas of Maine without organized police departments for the purpose of preventing and investigating criminal activity; 2) enforcing traffic safety laws in rural areas, Maine Turnpike and Interstate System; 3) overseeing the Motor Vehicle Inspection Program and enforcing the Commercial Motor Vehicle laws and rules; 4) investigating homicides that occur outside Portland and Bangor; 5) investigating child abuse cases; 6) providing crime laboratory services to all law enforcement agencies; 7) providing a repository for criminal history and records information; and 8) providing specialized administrative and enforcement services.

Public Law 2007, chapter 682, changed the funding ratio of the State Police program from 40% General Fund and 60% Highway Fund to 51% General Fund and 49% Highway Fund for fiscal year 2010 and requires the State Budget Officer to calculate the reduction in Highway Fund allocation to the State Police program resulting from this change and notify the State Controller, who transfers that amount from the Highway Fund to the Trans-Cap Trust Fund. For the 2016-2017 biennium, the transfer to the Trans-Cap Trust Fund is projected to be approximately \$10.4 million. The calculation and the percentage funding ratio assumptions above remain in effect as it pertains to the Trans-Cap Trust Fund.

Public Law 2013, chapter 368 changed the funding ratio for the State Police program from 51 % General Fund and 49% Highway Fund to 65% General Fund and 35% Highway Fund to coincide with the report from the Department of Public Safety, Bureau of State Police on the activities of the Bureau of the State Police to the Legislature for the 2014-2015 biennium. In addition, liquor enforcement was transferred from the State Police program to the Bureau of Alcoholic Beverages in the Department of Administrative and Financial Services.

### MAINTENANCE & OPERATIONS

<b>FY 2014 (000)</b>	<b>FY 2015 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 2016 (000)</b>	<b>YR % CHANGE</b>	<b>FY 2017 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
<b>134,454</b>	<b>131,637</b>	<b>-2.09%</b>	<b>266,091</b>	<b>135,457</b>	<b>2.90%</b>	<b>140,957</b>	<b>4.06%</b>	<b>276,413</b>

The Maintenance & Operations program maintains the infrastructure of 15,900 lane miles of interlocking state and state aid highways. It is responsible for winter services to the 8,100 lane miles designated as state highway and the maintenance of all appurtenances and facilities associated with and necessary for the proper and safe utilization of the system by the motoring public. This program provides for the installation, maintenance and upgrading of traffic control devices and lighting. It also maintains 2,806 bridges on public highways for public use and inspection of 3,800 bridges as required by the National Bridge Inspection Standards.

## HIGHWAY AND BRIDGE CAPITAL

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
40,863	34,960	-14.44%	75,823	185,473	430.52%	185,912	0.24%	371,385

The Highway and Bridge Capital program provides funding for the capital improvement of the Federal-aid and State Highway network in order to maintain a safe, efficient and effective infrastructure for all users of the system. General Obligation bond issues of a total of \$76 million funded by the General fund, were authorized for the 2014-2015 biennium to provide continued support for transportation improvement projects. The level of fiscal years 2016 and 2017 funding is based on the cost to meet the goals set forth in 23 MRSA §73-7.

Public Law 2011, chapter 610, An Act to Improve Transportation in the State established provisions relating to the Department of Transportation's capital program goals. It is important to stress that this forecast, by law, must assume the state share which is estimated at \$300 million over the 2016-2017 biennium.

## HIGHWAY LIGHT CAPITAL

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
13,395	17,131	27.89%	30,525	28,700	67.53%	29,300	2.09%	58,000

This program was established in fiscal year 2010 for capital work not generally appropriate for bonding at a level to provide approximately 600 miles of light capital (also referred to as maintenance surface treatment) per year, among other work, depending on bid prices and the severity of winter weather.

## LOCAL ROAD ASSISTANCE PROGRAM

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
23,490	20,335	-13.43%	43,825	22,230	9.32%	23,187	4.30%	45,417

This program provides Municipal Transportation Assistance funding targeted to the capital needs of rural roads and highways and reflective of urban maintenance responsibilities on state and state aid roads. The budget projections for the 2016-2017 biennium are a percentage of the Highway Fund budget for the Maine Department of Transportation calculated in accordance with Title 23§1803-B, sub-§ 1, paragraph D.

## DEBT SERVICE

FY 2014 (000)	FY 2015 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 2016 (000)	YR % CHANGE	FY 2017 (000)	YR % CHANGE	TOTAL BIENNIUM
20,579	19,190	-6.75%	39,769	18,565	-3.25%	23,616	27.20%	42,181

This highway fund program funds debt service to support highway and bridge improvements. The outstanding total highway fund debt service as of June 30, 2014 was \$105,072,229. The last Highway Fund bond issuance was in June 2011 which issued the remaining \$25 million of authorized Highway Fund bonds.

## **SUMMARY**

This report provides a summary and detailed projection of revenues, appropriations and allocations for the General Fund and the Highway Fund for the 2014-2015 biennium and the 2016-2017 biennium.

The forecasts of revenues, appropriations and allocations contained in this report, when constructed under current law and current trends, result in a projected structural gap in the General Fund of \$461,050,457 and a projected structural gap in the Highway Fund of \$358,457,497 for the 2016-2017 biennium. The base level projections for the General Fund and Highway Fund include the March 2014 projection of the Revenue Forecasting Committee and reflect all actions of the Second Regular Session of the 126<sup>th</sup> Legislature.