

# Consensus Revenue Forecasting in Maine

Muskie School PPM 510

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# Why consensus revenue forecasting?



Balanced budget requirement means we need to know how much money is expected to come in (revenues) so we know how much could be spent (appropriations)



Consensus process means there is one number that everyone agrees on – executive and legislative alike



Two-stage process means an independent economic forecast that isn't politically motivated underlies the revenue forecast

“While it may be that a more sophisticated process could be instituted that would result in more accurate revenue forecasts, all economic forecasting is by nature imperfect. This imperfection may create excessive tension in the budgetary political climate between the Legislature and the Governor. Wrangling between the two branches as to the accuracy of the projections is counterproductive and diverts attention from central budgetary issues.”

- Special Commission on Government Restructuring,  
public discussion draft Nov. 15, 1991

# The history

- Revenues were previously projected by Bureau of the Budget
- Consensus process was originally established by Governor McKernan via [Executive Order 14 FY91/92](#) in response to a recommendation by the [Special Commission on Government Restructuring](#)

“Economic and revenue forecasting should be an open and public process that facilitates agreement between the Executive and the Legislature on revenue estimates as much as possible. Toward this end, the Governor and Legislature should form a Consensus Forecasting Committee.”

- Special Commission on Government Restructuring, public discussion draft Nov. 15, 1991

# Statute:

## Title 5, Chapter 151-B

Public Law 1995, Chapter 368, §J1

Formalized in law a 2-stage consensus revenue forecasting process

Maine was one of the first states to enact consensus forecasting

Bond rating agencies consider this a best practice and it contributes to Maine's high ratings

# First stage: the economic forecast

## Consensus Economic Forecasting Commission (aka CEFC)

- 5 members
  - All are non-confirmable appointments
  - 2 appointed by the Governor
  - 1 recommended by the Senate President for appointment by the Governor
  - 1 recommended by the Speaker of the House for appointment by the Governor
  - 1 appointed by the other 4 members of the Commission
- Two year, staggered, renewable terms; chair elected by the CEFC
- Members cannot be a part of the legislative, executive, or judicial
- Must have professional credentials and expertise in economic forecasting

# Current Membership

- Dr. Sheena S. Bunnell (*Chair*); Professor of Business Economics, University of Maine Farmington
- Dr. Andrew Crawley; Associate Professor and Director Maine EDA University Center, School of Economics, University of Maine
- Dr. Chuck Lawton
- Ryan Low; Vice Chancellor for Finance and Strategic A.I. Integration, University of Maine System
- Sarah Austin; Senior Analyst, Institute on Taxation and Economic Policy

# CEFC process

- Creates an independent economic forecast for calendar years that cover the current and two ensuing fiscal biennia (currently goes out through 2029, next year will go out to 2031)
- Meets three times a year: twice to update the forecast and once in a joint meeting with the Revenue Forecasting Committee
- Forecasts are due November 1 each year and either April 1 (in odd-numbered years) or February 1 (in even-numbered years)
- The CEFC can call a meeting (either the Chair or any three members of the Commission) outside of the normal schedule if conditions warrant it



# CEFC process, continued

- Primary staff support comes from [Office of the State Economist](#), in DAFS, with additional support from [Office of Tax Policy](#) (also in DAFS) and [Center for Workforce Research](#) (in Dept. of Labor)
- Commission members are provided with background materials on economic conditions as well as presentations on current economic conditions, labor markets, and revenues. They consider forecasts from Moody's Analytics and S&P and compare them to their existing forecast during their deliberations.
- Each fall, there is an information gathering session to hear on-the-ground experiences from key sectors
  - This year, participants included MaineHousing, MaineHealth, Maine Bankers Association, Hospitality Maine, Maine Forest Products Council, and Maine Automobile Dealers Association

# The economic forecast

- Focuses on several key economic indicators:
  - wage and salary employment
  - components of personal income
  - consumer price index
  - corporate profits
- Additional lines are prepared by staff and reviewed by the CEFC and include things like energy prices, industry employment, and the personal savings rate
- Another key element of the forecasting process is the development of macroeconomic assumptions that are described in narrative format in the report, for example, assumptions about migration, real estate markets, federal spending, and trade policy
- Once the economic forecast is completed, it gets turned over to the folks in the [Office of Tax Policy](#) and the [Revenue Forecasting Committee](#)

# Second stage: the revenue forecast

## Revenue Forecasting Committee (aka RFC)

- 6 members
  - State Budget Officer
  - Associate Commissioner for Tax Policy
  - State Economist
  - Economist from UMaine system faculty selected by chancellor
  - Director of Office of Fiscal and Program Review
  - Another member of Legislature's nonpartisan staff familiar with revenue estimating issues appointed by Legislative Council
- Chair rotates every two years

# RFC process

- Projects revenue for current and two ensuing fiscal biennia – note that the CEFC forecast is calendar years, the RFC forecast is fiscal years
- Required by law to use the economic forecast developed by CEFC
- Meets three times a year: twice to update the forecast and once in a joint meeting with the CEFC
- Forecasts are due December 1 each year and either May 1 (in odd-numbered years) or March 1 (in even-numbered years)
- RFC can call a meeting (either State Budget Officer or a majority vote of the Committee) outside of the normal schedule if conditions warrant it

# RFC process, continued

- Primary staff support comes from Office of Tax Policy (OTP), in DAFS, with additional support from Bureau of the Budget and Office of the State Economist (also in DAFS) and Office of Fiscal and Program Review (OFPR, a nonpartisan Legislative office)
- Committee members are provided with an overview of the CEFC forecast and presentations on revenue trends
- Recommendations for the forecast are presented by OTP and OFPR. The RFC discusses and makes any necessary adjustments to the recommendations.
- During the meeting other experts may be brought in to discuss specific aspects of the recommendations (for example, Maine Milk Commission)

# RFC process, continued

- Forecasts are produced for General Fund and Highway Fund by statute; Fund for a Healthy Maine and Medicaid/MaineCare Dedicated Revenue Taxes at the discretion of the RFC
- Committee may go into executive session if requested to discuss confidential tax information

# Stress-test report

- Pilot by executive order in 2016; established in statute in 2017
- Due October 1 of even-numbered years
- Must include an estimate of the sufficiency of Budget Stabilization Fund
- In the February 1 report (even-numbered years) the CEFC provides two hypothetical recession scenarios – one modeling a mild/moderate recession, one modeling a severe recession

# Transparency

- All meetings of the CEFC and RFC are open to the public and can be streamed online through the Legislature's website
- Reports and materials from the meetings are available online at:
  - <https://www.maine.gov/dafs/economist/economic-forecasting>
  - <https://legislature.maine.gov/ofpr/revenue-forecasting-committee/9609>



# Consensus Economic Forecasting Commission (CEFC)

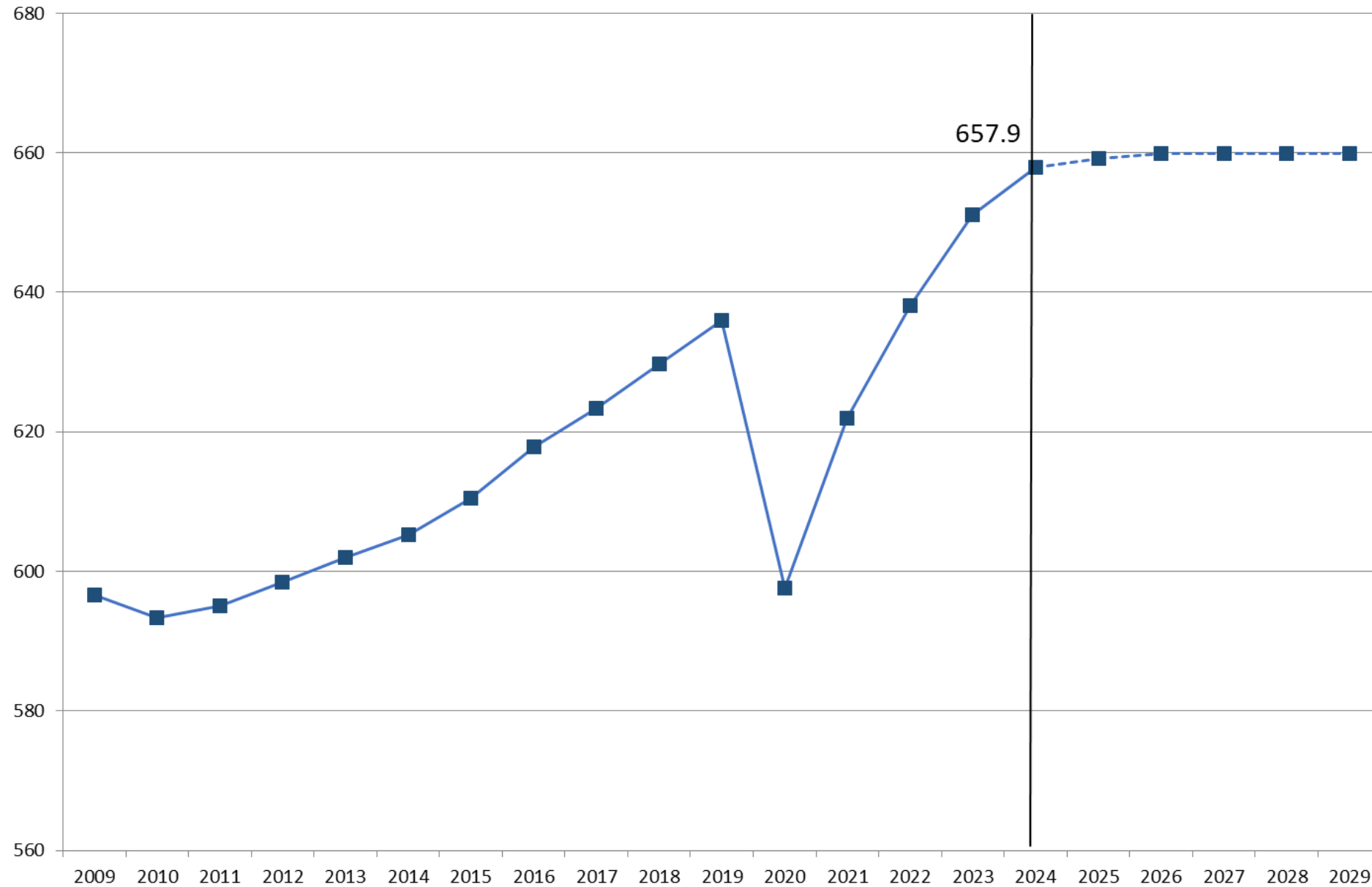
## November 2025 report

# Summary of key assumptions in November 2025 CEFC report

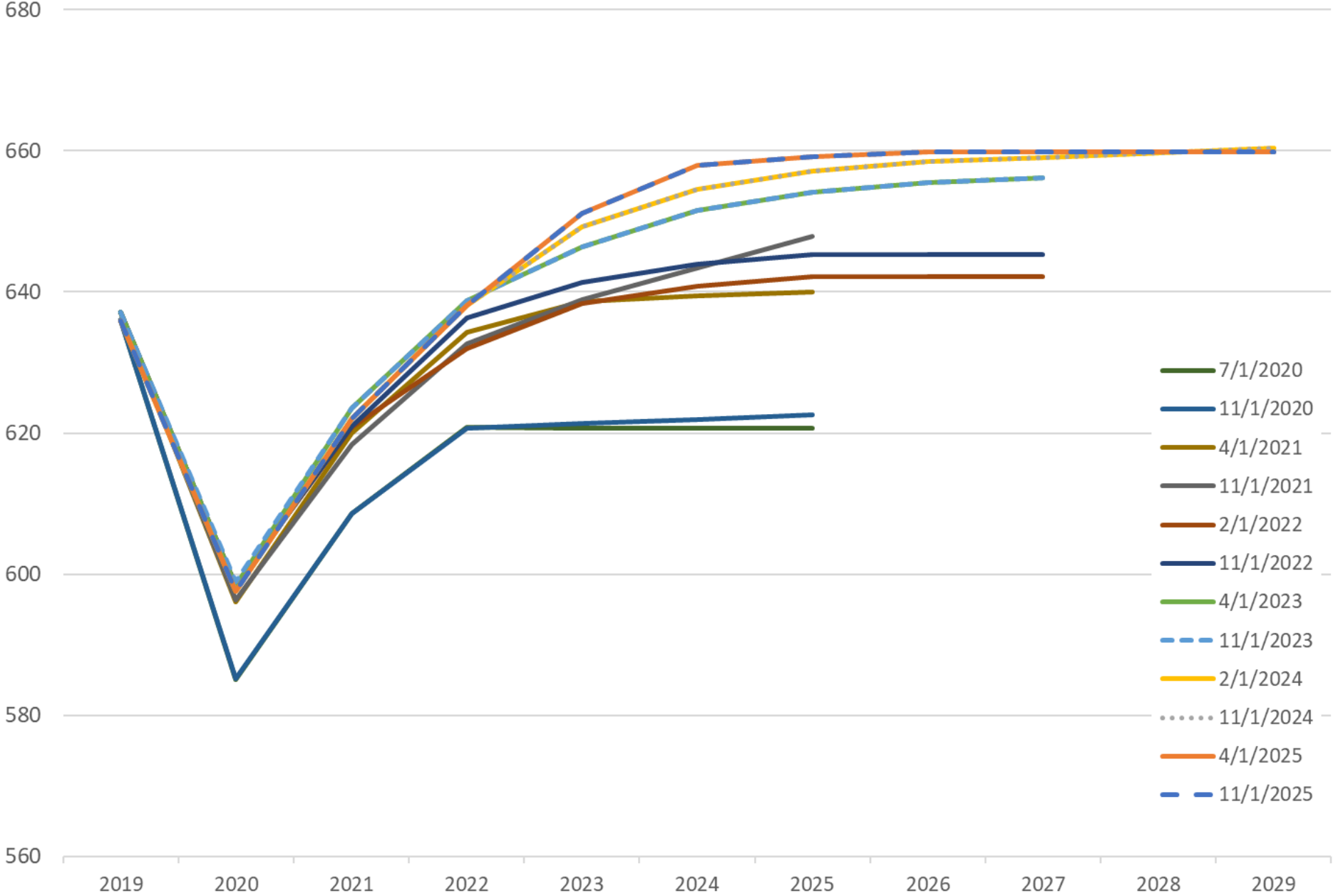
- **Maine continues to face significant economic uncertainty stemming from fiscal, geopolitical, and economic developments.**
- Tariff policies continue to change rapidly, contributing to the possibility of a global trade war and increasing risk for businesses.
- The federal government is in a period of fiscal austerity, compounded by the government shutdown that began October 1, increasing uncertainty around ongoing federal funding. Maine's economy will be impacted by any reduction of federal funds and the multiplier effects of those reductions, particularly cuts to programs such as Medicaid (MaineCare) and the Affordable Care Act.
- Inflation remains elevated above target levels and is likely to face ongoing upward pressure from tariffs, while consumer sentiment has weakened.
- Because of our state's demographics and close relationship with Canada, Maine may be particularly vulnerable to changes in federal funding and tariff policy.

<b>Calendar Years</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
<b>Wage &amp; Salary Employment (Annual Percentage Change)</b>						
CEFC Forecast 04/2025	1.0	0.2	0.1	0.0	0.0	0.0
CEFC Forecast 11/2025	1.0	0.2	0.1	0.0	0.0	0.0
<b>Personal Income (Annual Percentage Change)</b>						
CEFC Forecast 04/2025	5.3	4.1	4.1	4.4	4.3	4.3
CEFC Forecast 11/2025	5.7	5.6	4.1	4.4	4.3	4.3
<b>Wage and Salary Income (Annual Percentage Change)</b>						
CEFC Forecast 04/2025	5.4	4.0	4.0	4.0	4.0	4.0
CEFC Forecast 11/2025	6.0	4.8	4.0	4.0	4.0	4.0
<b>CPI (Annual Percentage Change)</b>						
CEFC Forecast 04/2025	3.0	3.2	2.8	2.2	2.1	2.1
CEFC Forecast 11/2025	3.0	2.8	2.8	2.2	2.1	2.1

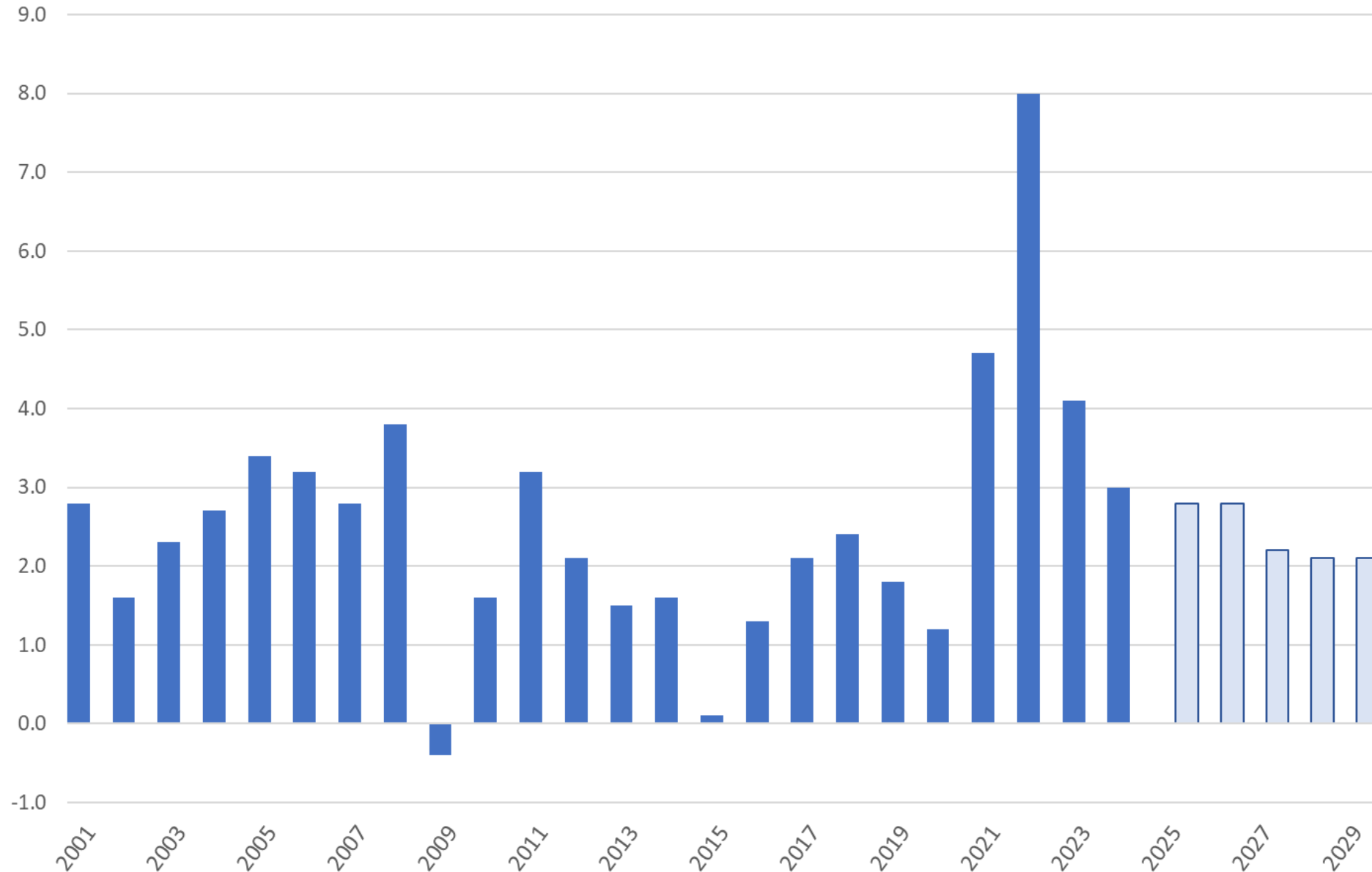
## Total Nonfarm Employment (in thousands) History and Consensus Economic Forecasting Commission forecast



CEFC Revisions to Employment Forecast (in thousands)

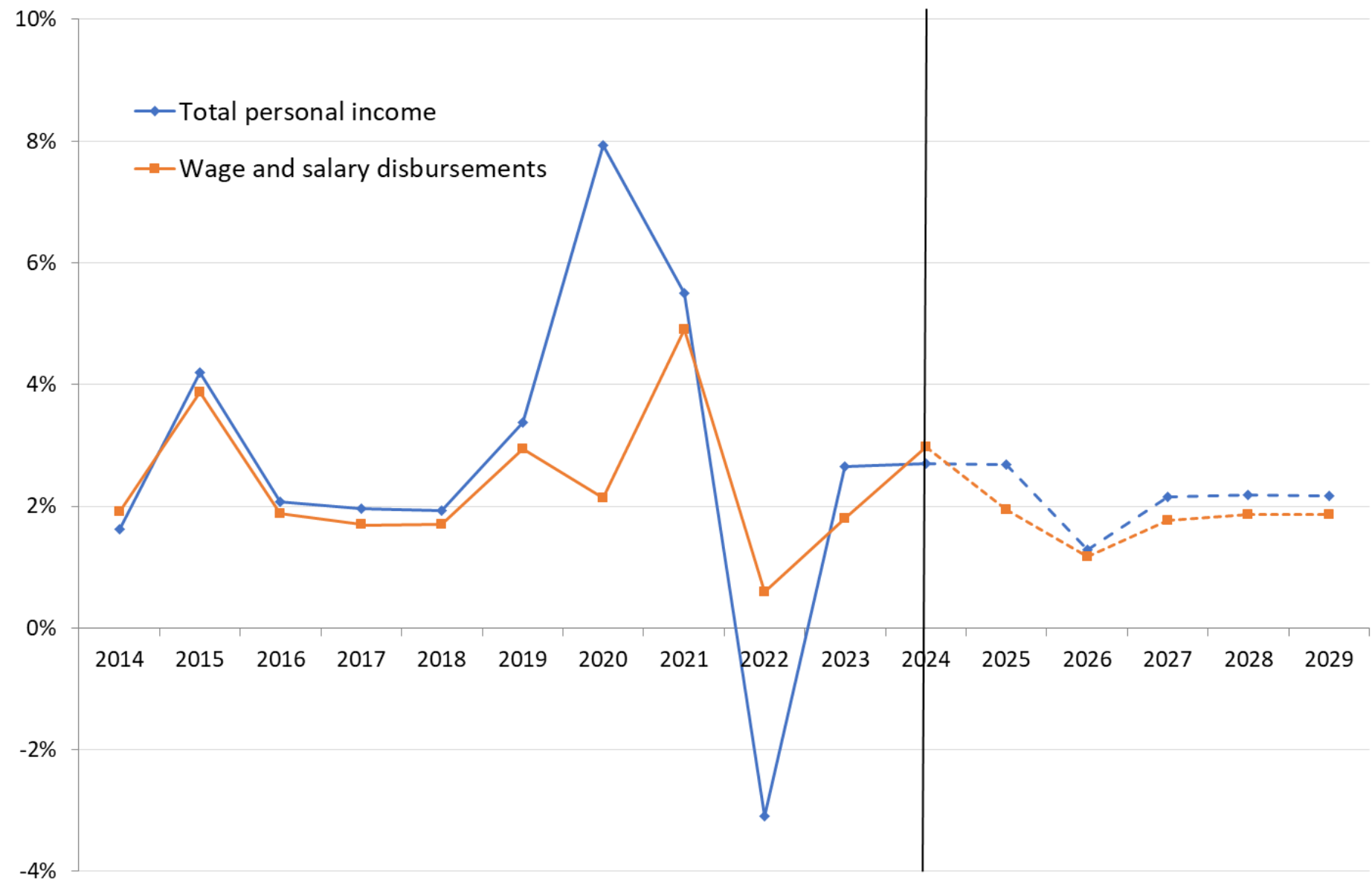


## Year-over-year percent change in Consumer Price Index; 2001-2024 historical and 2025-2029 forecast



Sources: U.S. Bureau of Labor Statistics (CPI-U, 1982-84=100, seasonally adjusted); Consensus Economic Forecasting Commission report, Nov. 1, 2025

Percent Change in Real Personal Income (2024 \$), Maine  
2014-2024 and forecast to 2029

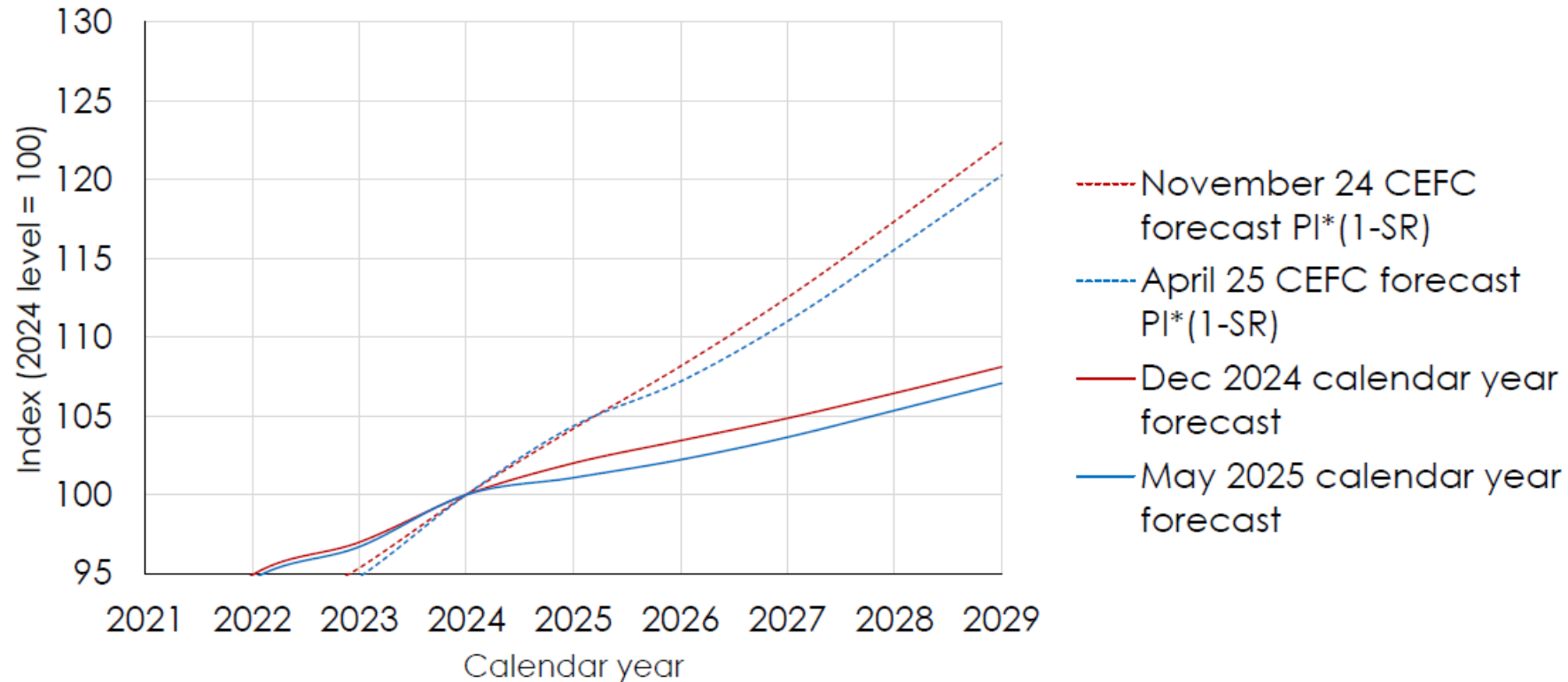


# Revenue Forecasting Committee (RFC)

May 2025 report



# Forecast of Revenue and Consumer Spending



- New CEFC forecast features substantially lower consumer spending starting in calendar year 2026.
- Proposed revenue forecast recommends negative revisions to Sales and Use Tax revenue in every calendar year.

## General Fund Summary

	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>FY29</b>
Current Forecast	\$5,581,157,269	\$5,538,177,275	\$5,686,239,390	\$5,862,453,837	\$6,063,446,943
Annual % Growth	4.3%	-0.8%	2.7%	3.1%	3.4%
Net Increase (Decrease)	\$24,353,647	\$1,107,912	(\$24,401,139)	(\$2,900,557)	(\$30,023,935)
Revised Forecast	\$5,605,510,916	\$5,539,285,187	\$5,661,838,251	\$5,859,553,280	\$6,033,423,008
Annual % Growth	4.7%	-1.2%	2.2%	3.5%	3.0%

## Highway Fund Summary

	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>FY29</b>
Current Forecast	\$514,765,126	\$504,792,382	\$505,702,254	\$506,217,668	\$506,299,754
Annual % Growth	0.8%	-1.9%	0.2%	0.1%	0.0%
Net Increase (Decrease)	(\$1,647,811)	(\$1,235,137)	(\$933,902)	(\$1,771,003)	(\$1,432,953)
Revised Forecast	\$513,117,315	\$503,557,245	\$504,768,352	\$504,446,665	\$504,866,801
Annual % Growth	0.4%	-1.9%	0.2%	-0.1%	0.1%

# RFC will next meet 11/24/25 at 9:30 am

Broadcast through Legislative website

(can be found by going to calendar)

<https://legislature.maine.gov/Calendar/#Weekly/2025-11-23>

# Contact Information

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