



STATE OF MAINE

DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES

Bureau of the Budget

State House Station #58

Augusta, Maine 04333

Date: September 28, 2012

To: Honorable Paul R. LePage, Governor
Honorable Kevin L. Raye, President of the Senate
Honorable Robert W. Nutting, Speaker of the House
Honorable Richard W. Rosen, Senate Chair
Honorable Patrick S. A. Flood, House Chair
Members, Joint Standing Committee on Appropriations and Financial Affairs

From: Shirrin L. Blaisdell, Acting State Budget Officer

Subject: Report on the forecast of revenues and expenditures for the General Fund and the Highway Fund for the 2012-2013 biennium and the 2014-2015 biennium in accordance with Title 5 § 1665.

The Bureau of the Budget is presenting its budget forecast for the General Fund and the Highway Fund for the 2012-2013 biennium and the 2014-2015 biennium in accordance with Title 5 §1665. This effort was initiated and passed into law by the 117th 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 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.

cc: H. Sawin Millett, Commissioner, Department of Administrative and Financial Services
Grant Pennoyer, Director, Office of Fiscal & Program Review

**STATE OF MAINE REVENUE AND EXPENDITURE PROJECTION
GENERAL FUND AND HIGHWAY FUND
FISCAL YEARS 2012 - 2015**

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MAINE BUDGET FORECAST

2012-2013 BIENNIUM AND 2014-2015 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. It shows the capacity of the State's General Fund and Highway Fund resources to support the current level of State government services projected forward.

This report 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 30th of each even-numbered year. As such, this report provides a four-year budget forecast for the 2012-2013 biennium and the 2014-2015 biennium. The expected outcome is a reasonable and consistent portrayal of the General Fund and the Highway Fund budgets for FY 14 and FY 15 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 125th 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 statute. With respect to revenues, the General Fund and Highway Fund represent the April 2012 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 125th 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 although the state's fiscal situation renders attainment of that level unlikely, with a proposal to delay full 55% funding probable. 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 \$755.5 million by more than \$253 million, or roughly a third. 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 FY 13 legislatively approved appropriations and allocations from the Second Regular Session 125th Legislature. These FY 14-15 estimates are further adjusted for the effect of one-time and phased-in actions expected to occur in FY 13. 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 2014-2015 biennium are based on merit growth from the 2012-2013 biennium. The projection for Personal Services does not anticipate future salary adjustments beyond the 2012-2013 biennium as a result of collective bargaining.

II. GENERAL FUND

A. BUDGET STATUS FY 12-15

GENERAL FUND STATUS						
	FY 12-13 BIENNIUM			FY 14-15 BIENNIUM		
	FY 12	FY 13	TOTAL	FY 14	FY 15	TOTAL
BALANCE	24,019,140		24,019,140	383,394		383,394
ADJUSTMENTS	158,058,867	(95,327,707)	62,731,160			
REVENUE	2,995,444,736	3,056,234,628	6,051,679,364	2,972,636,157	3,078,473,951	6,051,110,108
TOTAL RESOURCES	3,177,522,743	2,960,906,921	6,138,429,664	2,973,019,551	3,078,473,951	6,051,493,502
ADJUSTMENTS	16,552,303	(48,832,707)	-32,280,404			
APPROPRIATIONS	3,118,657,591	3,051,669,083	6,170,326,674	3,373,542,778	3,433,469,433	6,807,012,211
PROJECTED BALANCE (SHORTFALL)	42,312,849	(41,929,455)	383,394	(400,523,227)	(354,995,482)	(755,518,709)

The General Fund adjusted fund balance for FY 12 was \$42,312,849 and is projected to be (\$41,929,455) at the end of FY 13, including adjustments enacted through the Second Regular Session of the 125th Legislature.

The Revenue Forecasting Committee (RFC) in its December 2011 report re-projected revenues downward by (\$91.8) million for the 2014-2015 biennium. Then in March 2012 the RFC decreased its revenue projections by (\$31.4) million and in the April 2012 Special Forecast, increased its revenue projections by \$52.4 million resulting in a net overall revenue decrease of (\$70.8) million for the 2014-2015 biennium. This revenue decrease was primarily in the Sales and Use Tax, Individual Income Tax, Corporate Income Tax and Fines, Forfeits and Penalties lines. The revenue projections also include revisions made in miscellaneous laws enacted through the Second Regular Session of the 125th Legislature.

Current projections for the 2014-2015 biennium include General Fund revenues of \$6,051,110,108. Projected General Fund appropriations for the biennium are \$6,807,012,211 which results in a structural budget gap for the General Fund of \$755,518,709.

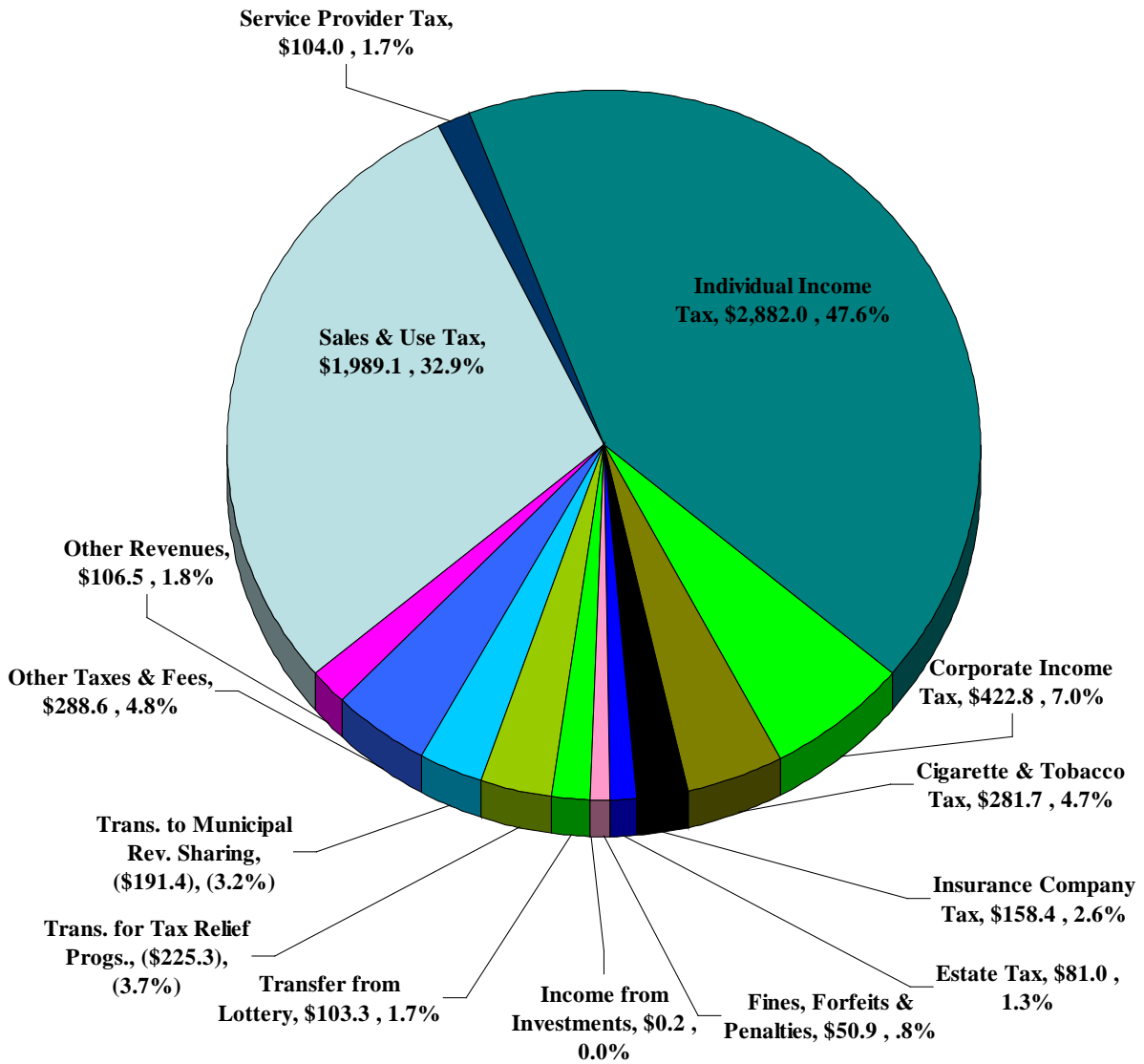
B. REVENUE FORECAST FY 12-15

GENERAL FUND REVENUE FORECAST

SOURCE	FY 12-13 BUDGET				FY 14-15 FORECAST				
	FY 12	FY 13	YR. TO YR. % CHANGE	TOTAL BIENNIUM	FY 14	YR. TO YR. % CHANGE	FY 15	YR. TO YR. % CHANGE	TOTAL BIENNIUM
Sales and Use Tax	973,215,697	1,015,901,512	4.39%	1,989,117,209	1,052,578,667	3.61%	1,099,718,227	4.48%	2,152,296,894
Service Provider Tax	50,366,313	53,586,812	6.39%	103,953,125	56,403,674	5.26%	58,442,148	3.61%	114,845,822
Individual Income Tax	1,444,897,209	1,437,134,214	-0.54%	2,882,031,423	1,390,503,577	-3.24%	1,442,230,083	3.72%	2,832,733,660
Corporate Income Tax	218,610,460	204,177,901	-6.60%	422,788,361	251,735,840	23.29%	262,160,888	4.14%	513,896,728
Cigarette & Tobacco Tax	142,123,350	139,555,285	-1.81%	281,678,635	137,081,367	-1.77%	134,660,611	-1.77%	271,741,978
Insurance Company Tax	79,215,000	79,215,000		158,430,000	79,215,000		79,215,000		158,430,000
Inheritance & Estate Tax	38,260,185	42,736,287	11.70%	80,996,472	23,683,696	-44.58%	23,832,164	0.63%	47,515,860
Fines, Forfeits and Penalties	25,754,504	25,145,756	-2.36%	50,900,260	25,096,371	-0.20%	25,091,371	-0.02%	50,187,742
Income from Investments	106,808	141,684	32.65%	248,492	174,013	22.82%	271,368	55.95%	445,381
Transfer from Lottery	50,700,000	52,550,000	3.65%	103,250,000	52,550,000		52,550,000		105,100,000
Trans for Tax Relief Progs	(114,418,263)	(110,914,175)	-3.06%	(225,332,438)	(118,756,258)	7.07%	(119,939,043)	1.00%	(238,695,301)
Trans. to Muni. Rev. Share	(96,854,505)	(94,592,750)	-2.34%	(191,447,255)	(141,026,779)	49.09%	(146,191,804)	3.66%	(287,218,583)
Other Taxes and Fees	132,077,778	156,489,377	18.48%	288,567,155	132,054,673	-15.61%	135,281,803	2.44%	267,336,476
Other Revenues	51,390,200	55,107,725	7.23%	106,497,925	31,342,316	-43.13%	31,151,135	-0.61%	62,493,451
TOTAL REVENUE	2,995,444,736	3,056,234,628	2.03%	6,051,679,364	2,972,636,157	-2.74%	3,078,473,951	3.56%	6,051,110,108

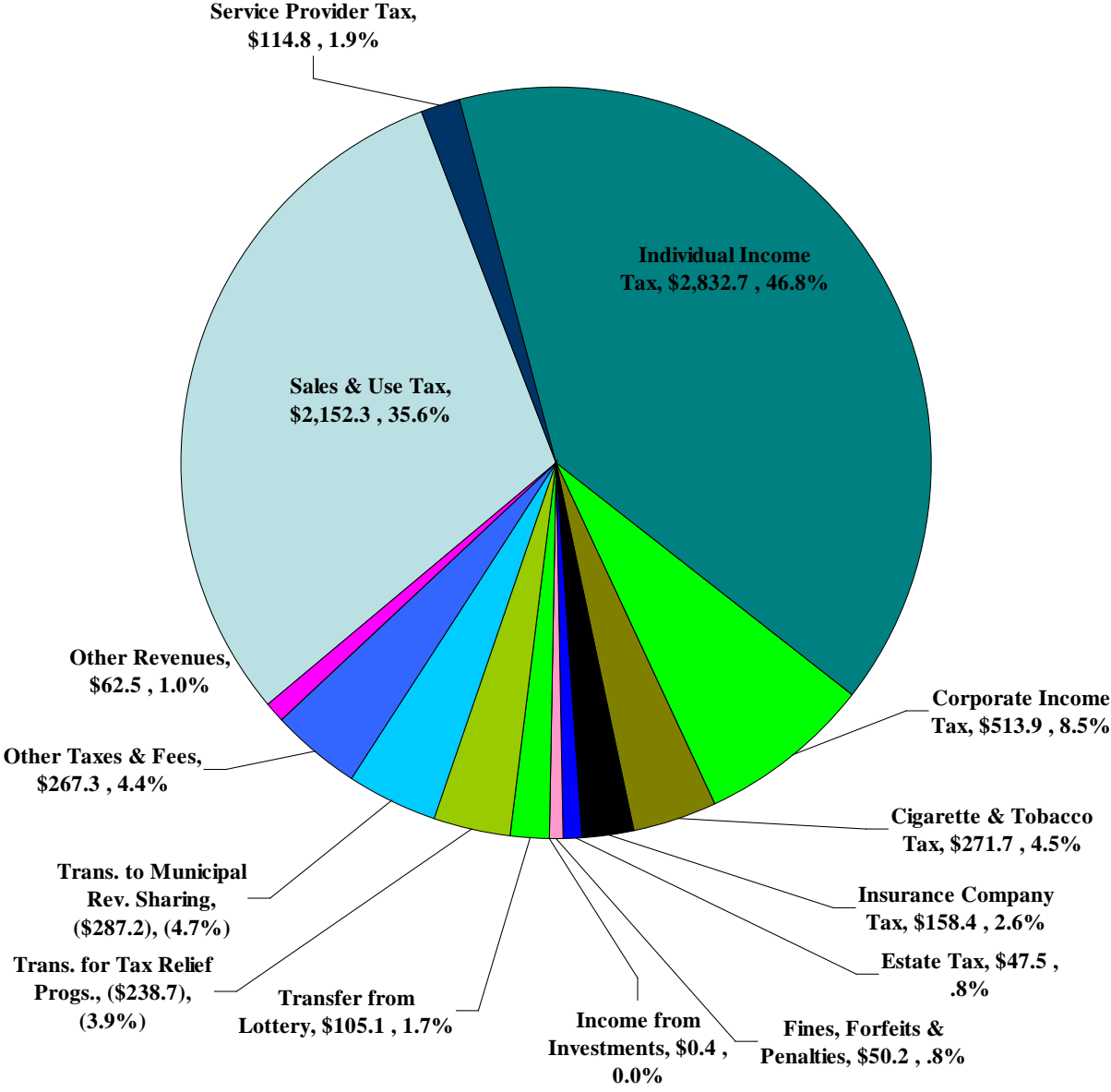
FY 12 - 13 General Fund Budgeted Revenues \$6,051.7

*Includes Municipal Revenue Sharing of (\$191.4)
and Transfers for Tax Relief Programs of (\$225.3)*
Dollars in Millions



FY 14 - 15 General Fund Projected Revenues \$6051.1

*Includes Municipal Revenue Sharing of (\$287.2)
and Transfers for Tax Relief Programs of (\$238.7)
Dollars in Millions*



C. GENERAL FUND REVENUE FORECAST NARRATIVE

SALES AND USE TAX

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
973,216	1,015,902	4.39%	1,989,117	1,052,579	3.61%	1,099,718	4.48%	2,152,297

The Sales and Use Tax forecast for FY 13, FY 14 and FY 15 includes all actions of the Revenue Forecasting Committee through April 2012 and reflects all actions of the Second Regular Session of the 125th Legislature. Adjusting for one-time revenues in FY13 because of legislative actions, it is projected that the underlying growth in revenues from Sales and Use Tax will be 4% in FY13 and approximately 4.5% over the FY 14-15 biennium. These growth rates reflect an assumption that the national economic recovery will transition into a sustained moderate expansion by mid-2013.

SERVICE PROVIDER TAX

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
50,366	53,587	6.39%	103,953	56,404	5.26%	58,442	3.61%	114,846

The Legislature in 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 FY 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, private non-medical institution services (PNMI) are included under the provisions of Public Law 2003, chapter 673, Part V and subsequent amendments. Revenue generated from the Service Provider Tax on PNMI, community support services and home support services are credited to the Medical Care Services Other Special Revenue Funds account 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 4.0% per year through fiscal year 2015.

INDIVIDUAL INCOME TAX

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
1,444,897	1,437,134	-0.54%	2,882,031	1,390,504	-3.24%	1,442,230	3.72%	2,832,734

The Individual Income Tax forecast for FY 13, FY 14 and FY 15 includes all actions of the Revenue Forecasting Committee through April 2012 and reflect all actions of the Second Regular Session of the 125th Legislature. The estimates for FY 13, FY 14 and FY 15 reflect the underlying economic forecast of the Consensus Economic Forecasting Commission with respect to personal income and wage and salary distribution and enactment of tax cuts by 125th Legislature that when fully phased-in will reduce annual liability by approximately \$200 million beginning in FY13. Maine's personal income is projected to grow at 3.0% for CY 13, 4.7% for CY 14 and 4.8% for CY 15 with wage and salary growth averaging 1.1% during the same three-year period. It is projected that revenue from the Income Tax line will increase by approximately 4.0% once all the tax cuts are fully phased-in. Capital gains growth rates will average 5.3% through tax year 2015.

CORPORATE INCOME TAX

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
218,610	204,178	-6.60%	422,788	251,736	23.29%	262,161	4.14%	513,897

The forecast for FY13, FY14 and FY15 for the Corporate Income Tax line includes all actions of the Revenue Forecasting Committee through April 2012 and reflects all actions of the Second Regular Session of the 125th Legislature. Revenues from the Corporate Tax line for FY13 are 6.6% less than projected in FY12 due to the shift of the revenue impacts of two investment incentives, the Maine Capital Investment Credit and Conformity with Section 179. The Corporate Income Tax is projected to grow 4.1% over the FY 2014-2015 biennium.

CIGARETTE AND TOBACCO PRODUCTS TAX

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
142,123	139,555	-1.81%	281,679	137,081	-1.77%	134,661	-1.77%	271,742

The forecast for FY 13, FY 14 and FY 15 for the Cigarette and Tobacco Products Tax lines includes all actions of the Revenue Forecasting Committee through April 2012 and reflects all actions of the Second Regular Session of the 125th Legislature. Cigarette tax revenue is expected to continue to decline approximately 2% per year. The tobacco products tax is projected to grow by 1% per year.

INSURANCE COMPANY TAX

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
79,215	79,215	0.00%	158,430	79,215	0.00%	79,215	0.00%	158,430

The forecast for FY 13, FY 14 and FY 15 for the Insurance Company Tax line includes all actions of the Revenue Forecasting Committee through April 2012 and reflects all actions of the Second Regular Session of the 125th 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 April 2012 assumes no growth during the next biennium.

FINES, FORFEITS AND PENALTIES

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
25,755	25,146	-2.36%	50,900	25,096	-0.20%	25,091	-0.02%	50,188

The Revenue Forecasting Committee (RFC) effective with fiscal year 2009-10 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 2.4% in revenues from this category is projected between fiscal year 2011-12 and 2012-13. A decline of approximately of 0.02% is projected for the 2014-2015 biennium.

TRANSFER FOR TAX RELIEF PROGRAMS

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
(114,418)	(110,914)	-3.06%	(225,332)	(118,756)	7.07%	(119,939)	1.00%	(238,695)

Beginning with fiscal year 2009-10 the Revenue Forecasting Committee (RFC) adopted the Transfer for Tax Relief category for its revenue report. This category groups the following three programs; Maine Residents' Property Tax program; Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption (BETE) programs for revenue reporting purposes; forecasts for each of these three programs are presented below. A one-time adjustment to the Maine Resident Property Tax program expires at the end of the FY12/13 biennium, causing a jump in the forecasted refunds in FY14.

MAINE RESIDENTS PROPERTY TAX PROGRAM aka "Tax and Rent Refund" or "Circuit Breaker" Program

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
(42,083)	(43,082)	2.37%	(85,165)	(56,696)	31.60%	(59,511)	4.97%	(116,207)

Taxpayer reimbursement under the Maine Residents' Property Tax Reimbursement (Tax and Rent Refund or "Circuit Breaker") program is accounted for as an offset to General Fund revenue rather than expenditure from General Fund appropriations for that purpose. The program provides a maximum payment of \$2,000 (\$1,600 for the FY12/13 biennium because of a 20% reduction in the General Program refund amount), based on the first \$3,350 of property taxes paid by a single-member household (\$4,400 for a multi-member household). The \$3,350/\$4,400 benefit base is indexed for inflation. Beginning with the 2008 program year, taxpayers with household income exceeding \$60,000 (\$80,000 for multi-member households) are ineligible. The \$60,000/\$80,000 income thresholds are indexed for inflation. Renters are eligible for a benefit based on an assumption that 20% of rent constitutes property taxes. The filing period runs from August 1st to May 31st. The expiration of the 20% reduction in the refund amount in the FY14/15 biennium causes the significant jump in the cost of the program in FY14.

BUSINESS EQUIPMENT TAX REIMBURSEMENT (BETR)

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
(52,903)	(47,633)	-9.96%	(100,536)	(42,450)	-10.88%	(38,850)	-8.48%	(81,300)

BUSINESS EQUIPMENT TAX EXEMPTION (BETE)

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
(19,432)	(20,199)	3.95%	(39,631)	(19,610)	-2.92%	(21,578)	10.04%	(41,188)

Beginning with FY 06, taxpayer reimbursement under the Business Equipment Tax Reimbursement (BETR) program is accounted for as a deduction from the individual income tax line rather than expenditure from General Fund appropriations for that purpose. 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. 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, 2007 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 100% in the first year, dropping by 10% percentage points each year after until reaching minimum reimbursement rate of 50%.

MUNICIPAL REVENUE SHARING

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
(96,855)	(94,593)	-2.34%	(191,447)	(141,027)	49.09%	(146,192)	3.66%	(287,219)

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 2011-12 and 2012-13 of -2.3% reflects a transfer from Municipal Revenue Sharing to the General Fund of \$3.9 million in FY 2013 over FY 2012. The 49.09 % projected increase between and FY 2013 and FY 2014 reflects the discontinuance of \$44.3 million in revenue sharing contributions to the General Fund and it also includes the projected increase in revenue sharing funds from the projected growth in the 4 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 FY 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

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
132,078	156,489	18.48%	288,567	132,055	-15.61%	135,282	2.44%	267,336

Effective with fiscal year 2009-10, 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 increase of 2.44% for FY 2015.

OTHER REVENUES

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
51,390	55,108	7.23%	106,498	31,342	-43.13%	31,151	-0.61%	62,493

Effective with fiscal year 2009-10, 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. This Other Revenues category includes all the 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 -43.1% decrease between fiscal years 2013 and 2014 is primarily attributable to the one-time initial payment of \$20M in FY13 for the extension of the privatization of the liquor contract included in PL 2011, c. 380, part S.

D. EXPENDITURE FORECAST CHARTS FY 12-15

GENERAL FUND EXPENDITURE FORECAST CHART

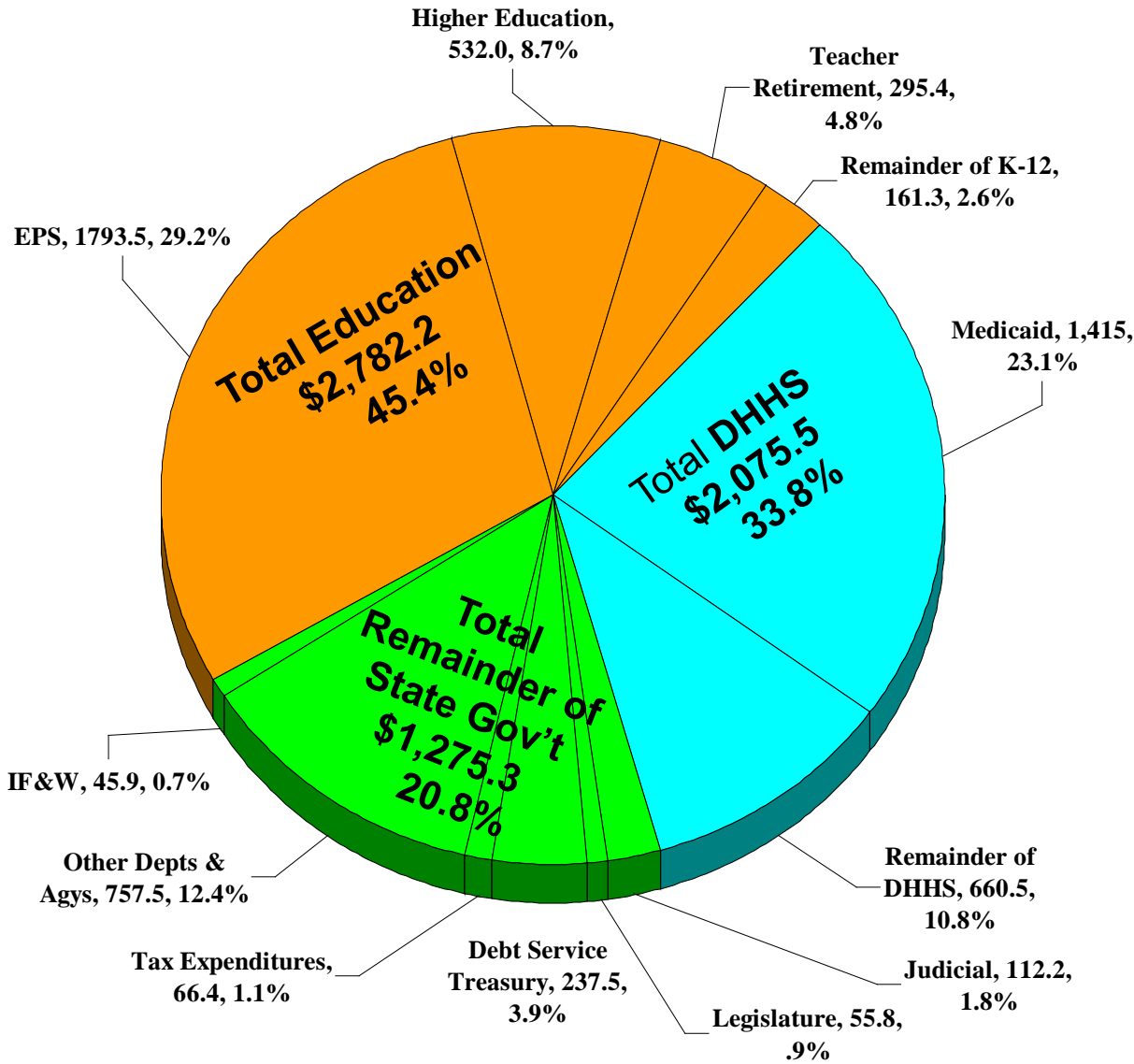
MAJOR PROGRAM CATEGORIES POLICY AREA / AGENCY / PROGRAM	FY 12-13 BUDGET				FY 14-15 FORECAST				
	FY 12	FY 13	YR. TO YR. % CHANGE	BIENNIUM TOTAL	FY 14	YR. TO YR. % CHANGE	FY 15	YR. TO YR. % CHANGE	BIENNIUM TOTAL
Homestead Property Tax Exemption	23,600,000	23,961,875	1.53%	47,561,875	23,961,875		23,961,875		47,923,750
Government Facilities Authority	18,289,335	17,665,956	-3.41%	35,955,291	16,965,956	-3.96%	16,365,956	-3.54%	33,331,912
Debt Service - Treasury	95,166,649	100,649,386	5.76%	195,816,035	79,774,371	-20.74%	71,452,184	-10.43%	151,226,555
Other Agencies And Programs	118,118,727	121,777,013	3.10%	239,895,740	124,713,050	2.41%	128,049,751	2.68%	252,762,801
Total Policy Area - Governmental Support & Operations	255,174,711	264,054,230	3.48%	519,228,941	245,415,252	-7.06%	239,829,766	-2.28%	485,245,018
Total Policy Area - Economic Development & Work Force Training	33,738,745	32,927,810	-2.40%	66,666,555	33,323,138	1.20%	33,513,062	0.57%	66,836,200
General Purpose Aid for Local Schools	886,977,876	906,562,771	2.21%	1,793,540,647	1,025,922,361	13.17%	1,041,474,696	1.52%	2,067,397,057
Teacher Retirement/Retired Teachers' Health Insurance	169,634,324	171,833,838	1.30%	341,468,162	204,973,602	19.29%	219,957,678	7.31%	424,931,280
Child Development Services	28,113,391	27,985,282	-0.46%	56,098,673	28,019,705	0.12%	28,020,005	0.00%	56,039,710
Other Agencies And Programs	288,675,882	286,672,770	-0.69%	575,348,652	289,194,297	0.88%	290,890,966	0.59%	580,085,263
Total Policy Area - Education	1,373,401,473	1,393,054,661	1.43%	2,766,456,134	1,548,109,965	11.13%	1,580,343,345	2.08%	3,128,453,310
Medical Care - Payments To Providers	453,947,995	320,761,342	-29.34%	774,709,337	450,760,931	40.53%	465,249,034	3.21%	916,009,965
Nursing Facilities	71,867,435	80,818,227	12.45%	152,685,662	83,294,959	3.06%	83,578,739	0.34%	166,873,698
Foster Care/Adoption Assistance	48,571,179	45,003,937	-7.34%	93,575,116	50,755,076	12.78%	50,844,766	0.18%	101,599,842
Community Mental Health	35,497,281	29,944,247	-15.64%	65,441,528	30,089,019	0.48%	30,278,862	0.63%	60,367,881
Mental Health Medicaid	37,399,636	37,541,127	0.38%	74,940,763	38,918,389	3.67%	39,065,614	0.38%	77,984,003
Community Developmental Services	23,410,416	19,805,327	-15.40%	43,215,743	21,133,461	6.71%	21,671,387	2.55%	42,804,848
Developmental Services - Medicaid	120,012,657	125,069,106	4.21%	245,081,763	129,093,519	3.22%	129,601,073	0.39%	258,694,592
Mental Health Services - Children	16,766,006	15,732,516	-6.16%	32,498,522	16,493,281	4.84%	16,670,972	1.08%	33,164,253
Mental Health Services - Child Medicaid	38,141,916	37,502,261	-1.68%	75,644,177	40,635,140	8.35%	40,672,279	0.09%	81,307,419
Other Agencies And Programs	270,952,941	247,178,209	-8.77%	518,131,150	297,362,630	20.30%	302,189,258	1.62%	599,551,888
Total Policy Area - Health & Human Services	1,116,567,462	959,356,299	-14.08%	2,075,923,761	1,158,536,405	20.76%	1,179,821,984	1.84%	2,338,358,389
Total Policy Area - Natural Resources Development & Protection	67,994,914	65,939,847	-3.02%	133,934,761	70,734,483	7.27%	72,725,227	2.81%	143,459,710
Corrections	144,698,423	144,017,684	-0.47%	288,716,107	156,763,713	8.85%	160,990,446	2.70%	317,754,159
Other Agencies And Programs	131,211,522	132,623,826	1.08%	263,835,348	151,561,518	14.28%	158,354,400	4.48%	309,915,918
Total Policy Area - Justice & Protection	275,909,945	276,641,510	0.27%	552,551,455	308,325,231	11.45%	319,344,846	3.57%	627,670,077
Total Policy Area - Transportation, Safety & Development									
Total Policy Area - Arts, Heritage & Cultural Enrichment	7,422,644	7,114,035	-4.16%	14,536,679	7,698,304	8.21%	7,891,203	2.51%	15,589,507
Total Policy Area - Business Licensing and Regulation		3,747,984		3,747,984	1,400,000	-62.65%		-100.00%	1,400,000
GRAND TOTAL GENERAL FUND EXPENDITURES	3,130,209,894	3,002,836,376	-4.07%	6,133,046,270	3,373,542,778	12.35%	3,433,469,433	1.78%	6,807,012,211

FY 12 – 13

Total General Fund Appropriations

\$6,133.0

Dollars in Millions

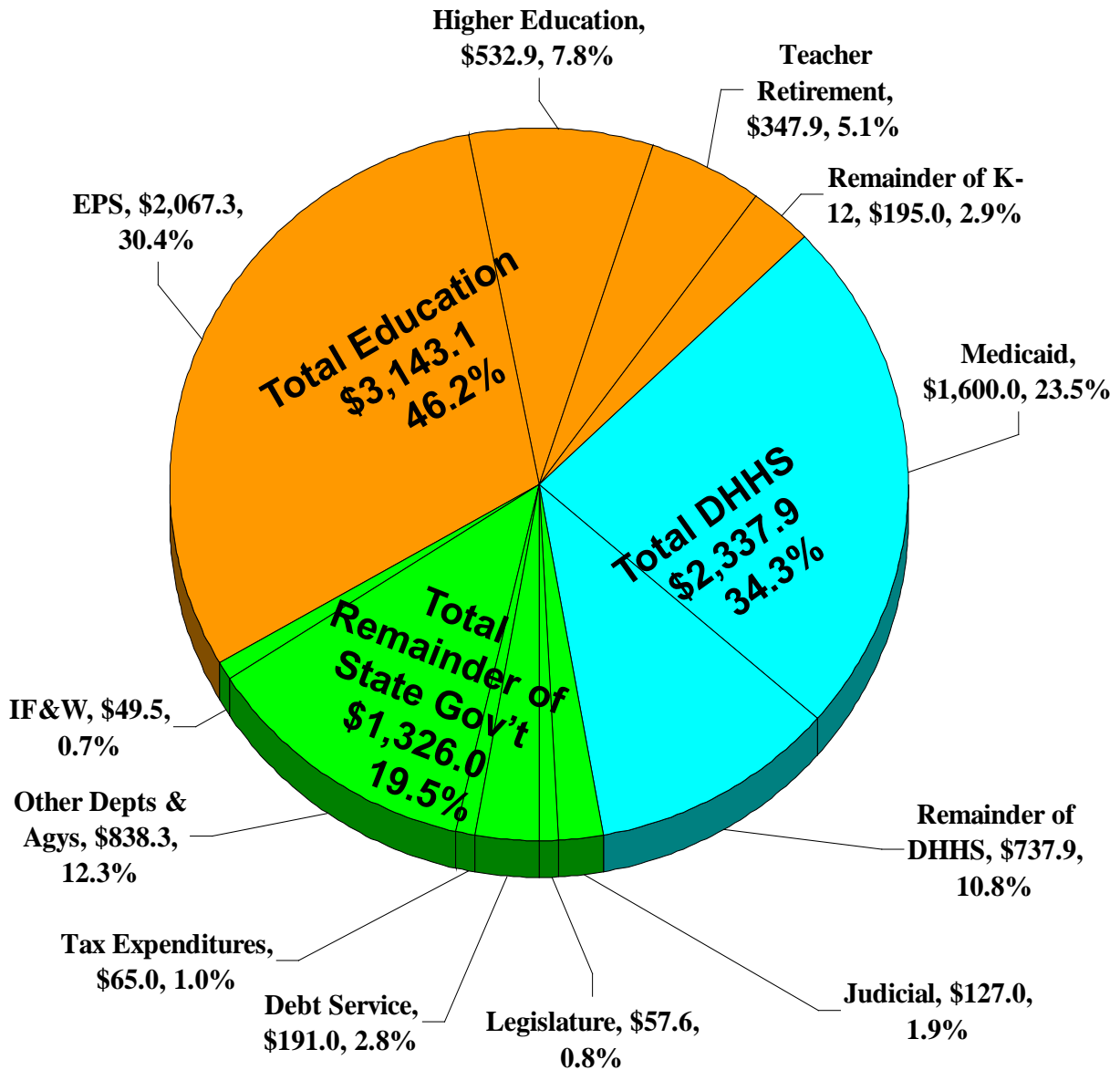


FY 14 – 15

General Fund Projected Appropriations

\$6,807.0

Dollars in Millions



E. GENERAL FUND EXPENDITURE FORECAST NARRATIVE

HOMESTEAD PROPERTY TAX EXEMPTION

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
23,600	23,962	1.53%	47,562	23,962	0.00%	23,962	0.00%	47,924

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 2010-11. FY 2014 and FY 2015 reflect the anticipated funding level for this program.

GOVERNMENTAL FACILITIES AUTHORITY

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
18,289	17,666	-3.41%	35,955	16,966	-3.96%	16,366	-3.54%	33,332

The forecast for the FY 14-15 biennium reflects a -3.5% decrease as a result of refinancing that took place in April of 2010 and will 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 that were 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

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
95,167	100,649	5.76%	195,816	79,774	-20.74%	71,452	-10.43%	151,227

For FY 14, it is projected that \$40,752,809 of the authorized but currently unissued General Fund bond inventory will be issued during the June 2014 bond sale. General Fund debt service requirements were \$95.1 million in FY 12 and are projected at \$100.6 million for FY 13. General Fund debt service requirements are projected at \$79.7 million for FY14 and \$71.4 million for FY 15 based on currently authorized bonds. The debt service requirements for the FY 14-15 biennium will be higher than projected if the voters approve additional authorization and bonds are issued earlier than FY 2015.

GENERAL PURPOSE AID FOR LOCAL SCHOOLS

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
886,978	906,563	2.21%	1,793,541	1,025,922	13.17%	1,041,475	1.52%	2,067,397

The budget need for the 2014-2015 biennium includes increases in General Purpose Aid for Local Schools (GPA) of \$119.4 million in FY 2014 and \$135.1 million in FY 2015 over FY 13 appropriation levels. The preliminary amounts would increase GPA funding for the upcoming biennium by \$274.1 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.

It is important to stress that the forecast, by law, must assume a state share of GPA equal to 55% of total allowable costs. Each year, the law has been amended to delay attainment of the 55% share; it is possible that delays will continue but this cannot be reflected in the forecast.

TEACHER RETIREMENT/RETIRED TEACHERS' HEALTH INSURANCE

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
169,634	171,834	1.30%	341,468	204,974	19.29%	219,958	7.31%	424,931

The expenditure forecast for the FY 14-15 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 normal cost employer contribution for teacher retirement is based on this salary projection. The required unfunded actuarial liability (UAL) payment for the FY 14-15 biennium for teacher retirement is established by the actuarial valuation performed by MainePERS. The sum of these two employer retirement cost components forms the basis for the forecast for teacher retirement in the FY 14-15 budget.

PL 2011, Chapter 380, Part W capped the State's total cost for retired teacher's health insurance in FY 12 and FY 13 at fiscal year 2010-11 levels. Funding projections for FY14 and FY15 are based on uncapped projected premium rates.

MEDICAL CARE - PAYMENTS TO PROVIDERS

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
453,948	320,761	-29.34%	774,709	450,761	40.53%	465,249	3.21%	916,010

Appropriations in the Medical Care – Payments to Providers program increased during the 2012-2013 biennium due to a Federal Medical Assistance Percentage decrease, MaineCare enrollment growth, conversion of payments to hospitals, and the loss of supplemental rebates due to the federal Patient Protection and Affordable Care Act. These increases were offset by several savings initiatives, including a freeze on new enrollment in the MaineCare childless adult waiver program, limiting reimbursement or eliminating coverage for several optional services, eliminating optional coverage to 19 and 20 year olds and reducing income eligibility for parents of eligible children. Savings from the recovery of overpayments to providers and for the proper application of the cost of care under the MaineCare Benefits Manual were achieved as well as one time savings by decreasing payment of disability benefits with state funds, recovery from

3rd party payers, and a transfer from the Dirigo Health Agency. Funding for the 2014-2015 biennium reflects growth over the 2012-2013 biennium of over 18%, primarily due to projected utilization and program growth and a decrease in the Federal Medical Assistance Percentage.

NURSING FACILITIES

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
71,867	80,818	12.45%	152,686	83,295	3.06%	83,579	0.34%	166,874

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 2012-2013 biennium reflects decreases in the Federal Medical Assistance Percentage resulting in an increased state share. Minimal savings were achieved by 10% reductions in reimbursements for occupational and physical therapy services. Program growth during the 2014-2015 biennium is projected to be approximately 3% in FY14 and less than 1% in FY15 primarily due to an anticipated decrease in the Federal Medical Assistance Percentage.

FOSTER CARE/ADOPTION ASSISTANCE

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
48,571	45,004	-7.34%	93,575	50,755	12.78%	50,845	0.18%	101,600

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 who are not eligible under Title IV-E. Savings in the IV-E Foster Care/Adoption Assistance program of \$5 million over the biennium were achieved without reducing services as a result of fewer children in state custody. Savings in the State-Funded Foster Care/Adoption Assistance program were realized by reducing contracts in the alternative response program and the family reunification program, eliminating supplemental services for children with complex emotional and behavioral needs, and the restructuring of the Office of Child and Family Services. Program growth during the 2014-2015 biennium is projected to be approximately 13% in FY14 and less than 1% in FY15 due to the anticipated increase in the number of children entering foster care and an the increase in the number of children receiving adoption assistance.

COMMUNITY MENTAL HEALTH

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
35,497	29,944	-15.64%	65,442	30,089	0.48%	30,279	0.63%	60,368

Funds for the Community Mental Health program are provided for services to adults who are not eligible for MaineCare or services that are not covered by MaineCare. The 2012-2013 biennial budget reflected savings from retirement incentive program, changes to state employee benefits including elimination of merits and an attrition rate increase from 5% to 6%, Office of Adult Mental Health restructuring, and a 6% reduction in outreach crisis contracts. \$4.7 million of funding was restored for mental health services for non-MaineCare clients in FY12 and almost

\$2 million for the Bridging Rental Assistance Program over the biennium in order to conform to the consent decree. Funding growth is projected to be less than 1% in FY14 and FY15.

MENTAL HEALTH MEDICAID

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
37,400	37,541	0.38%	74,941	38,918	3.67%	39,066	0.38%	77,984

The Mental Health Services - Community Medicaid program provides a system of community mental health services and supports, including acute and long-term psychiatric inpatient services, for persons age 18 years and older who have serious mental illness and significant functional impairments. The 2012-2013 biennium budget included appropriation increases due to a Federal Medical Assistance Percentage decrease. Savings were achieved with the elimination of optional coverage for 19 and 20 year olds and limiting MaineCare reimbursement for methadone treatment to a lifetime maximum of 24 months. Program growth is expected to be approximately 3.6% in FY14 and less than .5% in FY15 primarily due to a projected Federal Medical Assistance Percentage decrease.

COMMUNITY DEVELOPMENTAL SERVICES

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
23,410	19,805	-15.40%	43,216	21,133	6.71%	21,671	2.55%	42,805

The Developmental Services service delivery system must provide services and support to a limited number of people with mental retardation or autism who are not eligible for MaineCare. The program also assists 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. The 2012-2013 biennium reflected savings from the transfer of 44 Office of Adult with Cognitive and Physical Disabilities personnel to a different program within the department's Cost Allocation Plan to access the Medicaid administrative reimbursement rate of 50%, reducing reimbursement in rental assistance to United States Department of Housing and Urban Development levels and reducing funding no longer needed for legal services related to the consent decree. Savings were also achieved through a number of changes to state employee benefits including increasing the attrition rate from 5% to 6%, maintaining the cost of health insurance at the fiscal year 2010-11 level, changes in future pension obligations, and eliminating merit increases and the retirement incentive program. Program growth during the 2014-2015 biennium is projected to be approximately 6.7% in FY14 and 2.5% in FY15.

DEVELOPMENTAL SERVICES MEDICAID

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
120,013	125,069	4.21%	245,082	129,094	3.22%	129,601	0.39%	258,695

Funding in the Developmental Services MaineCare, the Developmental Services - MaineCare Waiver and Developmental Services Supports Waiver programs provide services for persons with mental retardation or autistic disorder who are Medicaid eligible or Medicaid reimbursable. Services provided include residential support, day habilitation and transportation. The 2012-2013 biennium budget reflects funding for growth based on increased enrollment, additional funding to serve individuals on the waiting list for services, and a Federal Medical Assistance Percentage decrease. Savings were achieved by a 5% reduction in rates paid to agency per diem homes. Program growth in the 2014-2015 biennium is expected to be approximately 3.2% in FY14 and less than .5% in FY15 resulting primarily from a Federal Medical Assistance Percentage decrease.

MENTAL HEALTH SERVICES – CHILDREN

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
16,766	15,733	-6.16%	32,499	16,493	4.84%	16,671	1.08%	33,164

Funds for Children's Mental Health Services are provided for services to children who are not eligible for MaineCare or services that are not covered by MaineCare. The 2012-2013 biennium reflected savings from the elimination of 9 positions as the result of restructuring within the department, the retirement incentive program, changes to employee benefits including the increase of the attrition rate from 5% to 6%. Funding growth in this program is projected to be approximately 5% in FY14 and 1% in FY15.

MENTAL HEALTH SERVICES - CHILD MEDICAID

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
38,142	37,502	-1.68%	75,644	40,635	8.35%	40,672	0.09%	81,307

General Fund support is used to provide state seed for services provided to eligible children and youth under the Child Medicaid Program. The 2012-2013 biennium budget reflects the transfer of interpretive and translation services to the Medical Care - Payment to Providers program, a rate reduction for outpatient services, and the elimination of optional coverage under the MaineCare program for persons 19 and 20 years old. Appropriations in the 2012-2013 biennium were provided for program growth due to increased enrollment and a Federal Medical Assistance Percentage decrease. The 2014-2015 biennium budget reflects growth of approximately 8% in FY14 and less than .10% in FY15 due to a projected increase in utilization and a decrease in the Federal Medical Assistance Percentage.

III. HIGHWAY FUND

A. BUDGET STATUS FY 12-15

HIGHWAY FUND STATUS						
	FY 12-13 BIENNIUM			FY 14-15 BIENNIUM		
	FY 12	FY 13	TOTAL	FY 14	FY 15	TOTAL
BALANCE	2,584,922	45,283	2,630,205	122,267		122,267
ADJUSTMENTS	1,409,045	(5,419,451)	(4,010,406)			
REVENUE	314,971,527	316,679,543	631,651,070	319,761,131	321,955,253	641,716,384
TOTAL RESOURCES	318,965,494	311,305,375	630,270,869	319,883,398	321,955,253	641,838,651
ADJUSTMENTS	6,538,834		6,538,834			
ALLOCATIONS	312,381,377	311,228,391	623,609,768	485,309,216	486,998,156	972,307,372
PROJECTED BALANCE (SHORTFALL)	45,283	76,984	122,267	(165,425,818)	(165,042,903)	(330,468,721)

The Highway Fund adjusted fund balance for FY 12 was \$45,283 and is projected to be \$76,984 at the end of FY 13, including adjustments enacted through the Second Regular Session of the 125th Legislature.

The Revenue Forecasting Committee (RFC) in its December 2011 report re-projected revenues upward by \$5.3 million for the 2014-2015 biennium. The RFC in March 2012 increased its revenue projections by \$3.6 million and the RFC in the April 2012 Special Forecast of decreased its revenue projections by \$6.4 million, resulting in a net overall revenue increase of \$2.5 million for the 2014-2015 biennium. The revenue projections also include revisions made in miscellaneous laws enacted through the Second Regular Session of the 125th Legislature.

Current projections for the 2014-2015 biennium include Highway Fund revenues of \$641,716,384. Projected Highway Fund allocations for the biennium are \$972,307,372 which results in a projected structural budget gap of \$330,468,721.

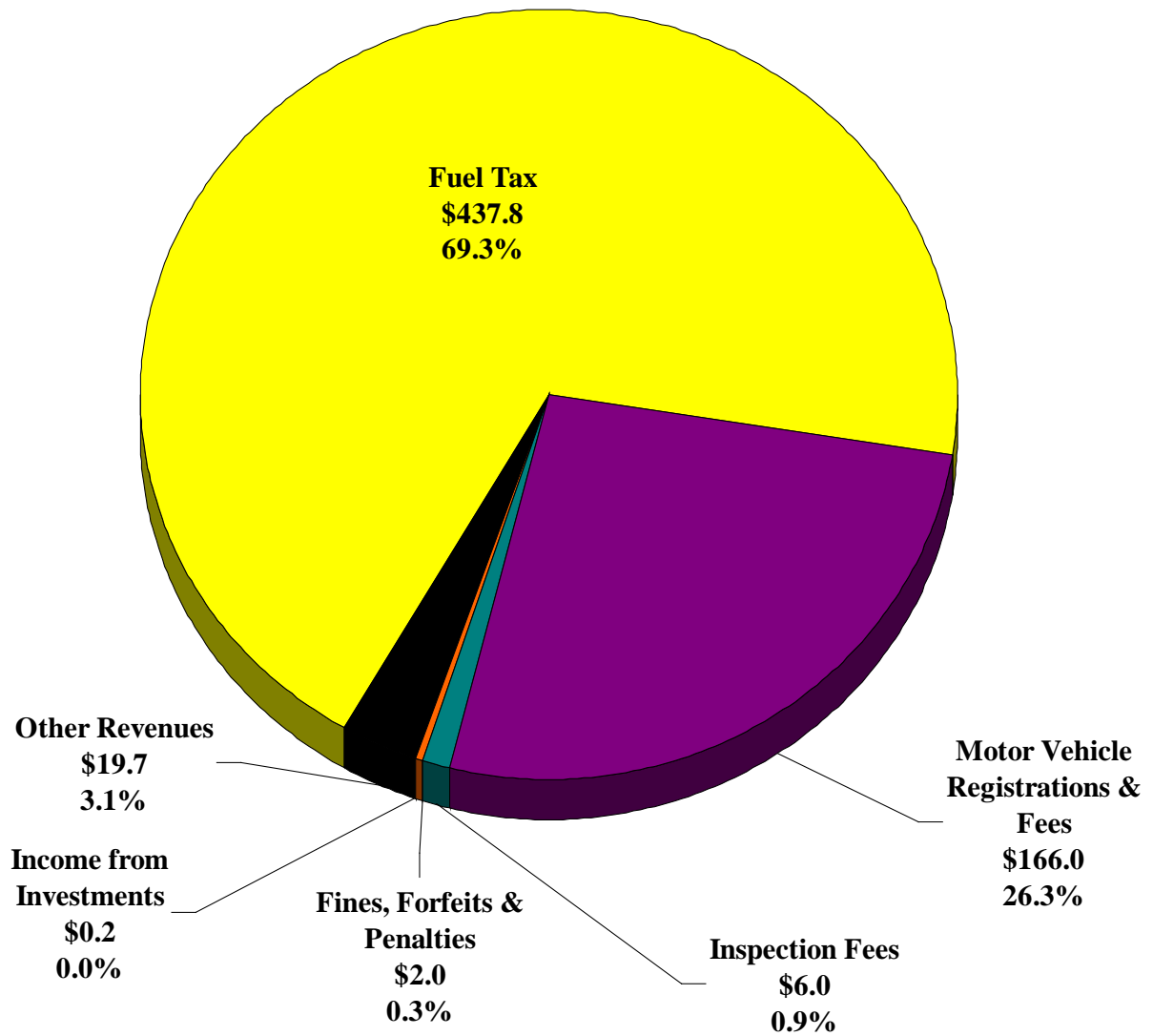
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B. REVENUE FORECAST FY 12-15

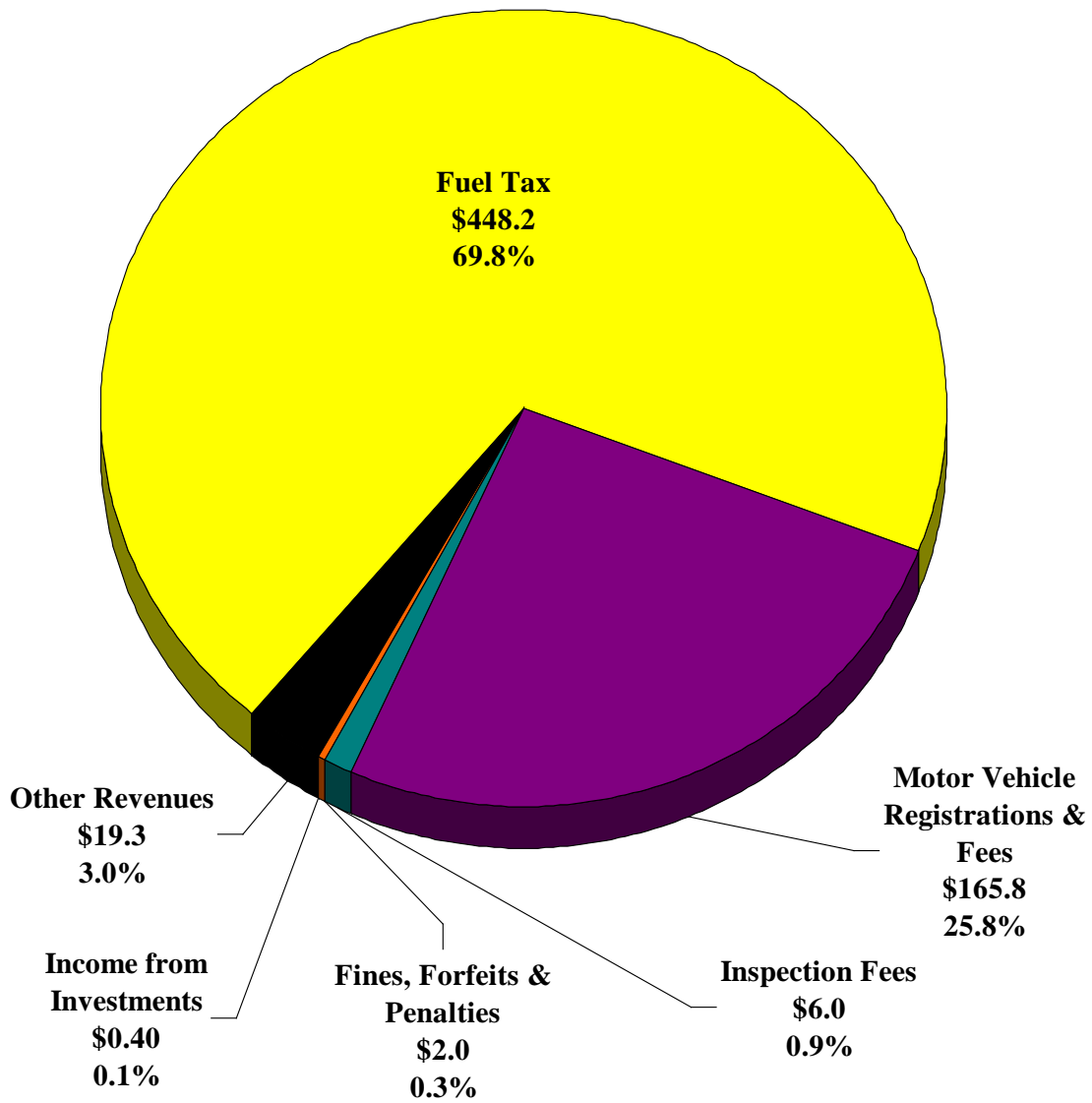
HIGHWAY FUND REVENUE FORECAST

SOURCE	FY 12-13 BUDGET				FY 14-15 FORECAST				
	FY 12	FY 13	YR. TO YR. % CHANGE	TOTAL BIENNIUM	FY 14	YR. TO YR. % CHANGE	FY 15	YR. TO YR. % CHANGE	TOTAL BIENNIUM
Fuel Tax	218,088,754	219,693,951	0.74%	437,782,705	222,630,576	1.34%	225,606,282	1.34%	448,236,858
Motor Vehicle Registrations & Fees	82,738,186	83,242,015	0.61%	165,980,201	83,333,033	0.11%	82,437,588	-1.07%	165,770,621
Inspection Fees	2,982,500	2,982,500		5,965,000	2,982,500		2,982,500		5,965,000
Fines Forfeits & Penalties	993,049	993,049		1,986,098	993,049		993,049		1,986,098
Income from Investments	121,761	111,259	-8.63%	233,020	155,844	40.07%	265,345	70.26%	421,189
Other Revenues	10,047,277	9,656,769	-3.89%	19,704,046	9,666,129	0.10%	9,670,489	0.05%	19,336,618
TOTAL REVENUE	314,971,527	316,679,543	0.54%	631,651,070	319,761,131	0.97%	321,955,253	0.69%	641,716,384

FY 12 - 13
Highway Fund Budgeted Revenues
\$631.7
Dollars in Millions



FY 14 - 15
Highway Fund Projected Revenues
\$641.7
Dollars in Millions



C. HIGHWAY FUND REVENUE FORECAST NARRATIVE

FUEL TAX

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
218,089	219,694	0.74%	437,783	222,631	1.34%	225,606	1.34%	448,237

The forecast for the Motor Fuel Taxes was updated by the Revenue Forecasting Committee in April 2012. The gasoline tax rate on July 1, 2012 is \$0.300 per gallon. The tax on diesel fuel is \$0.312 per gallon on July 1, 2012. Public Law 2011, Chapter 392, Part C repeals 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 Trans-Cap Trust Fund at the Municipal Bond Bank in accordance with Public Law 2007, c. 470.

MOTOR VEHICLE REGISTRATIONS AND FEES

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
82,738	83,242	0.61%	165,980	83,333	0.11%	82,438	-1.07%	165,771

The forecast for FY 13, FY 14 and FY 15 for Motor Vehicle Registration Fees includes all actions of the Revenue Forecasting Committee through April 2012 and all actions of the 2nd Regular Session of the 125th Legislature. This forecast reflects a projected -1.07% reduction in revenues in FY 2015 resulting from fewer driver licenses during this year of the licensing cycle.

INSPECTION FEES

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (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 2014-2015 biennium.

OTHER REVENUES

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
10,047	9,657	-3.89%	19,704	9,666	0.10%	9,670	0.05%	19,337

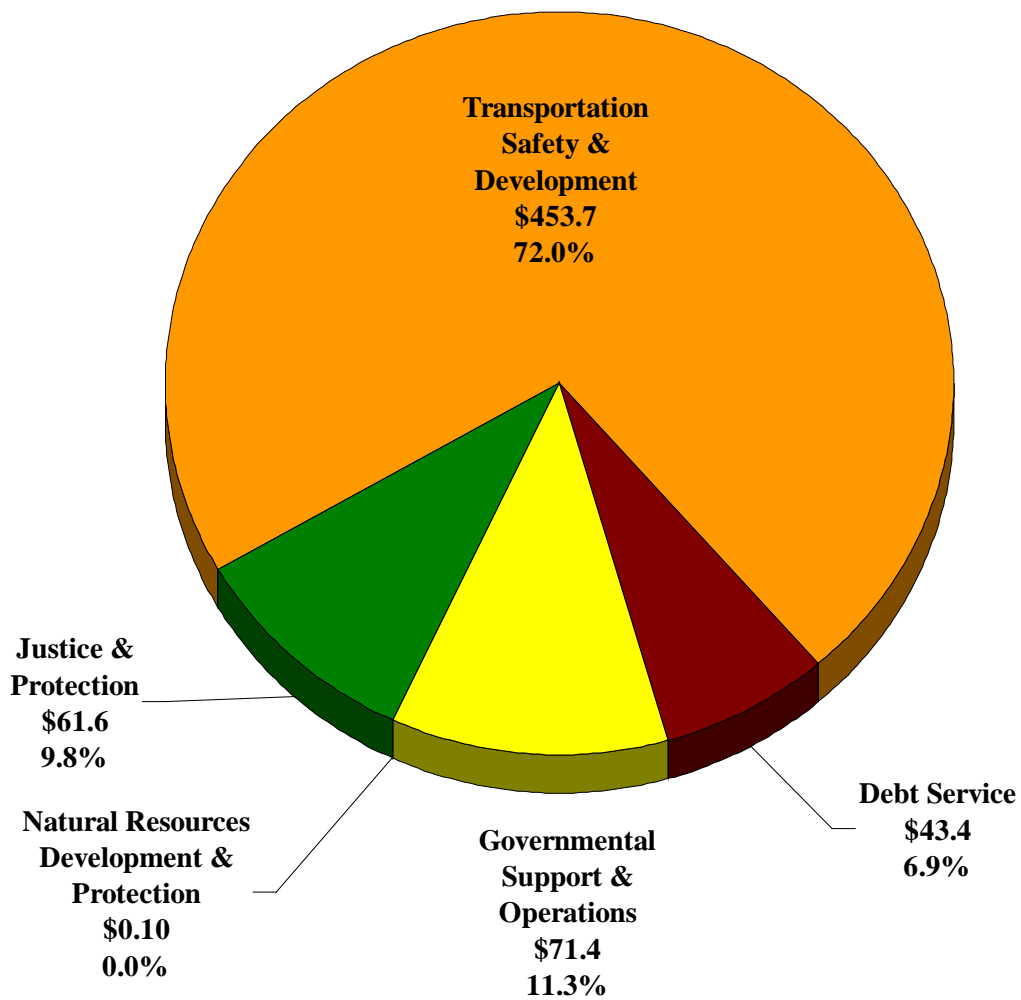
Other Revenues within the Highway Fund include miscellaneous service fees and charges, net revenue transfers and other contributions. The forecast for the FY 2014-2015 biennium reflects a .05% growth for this revenue category.

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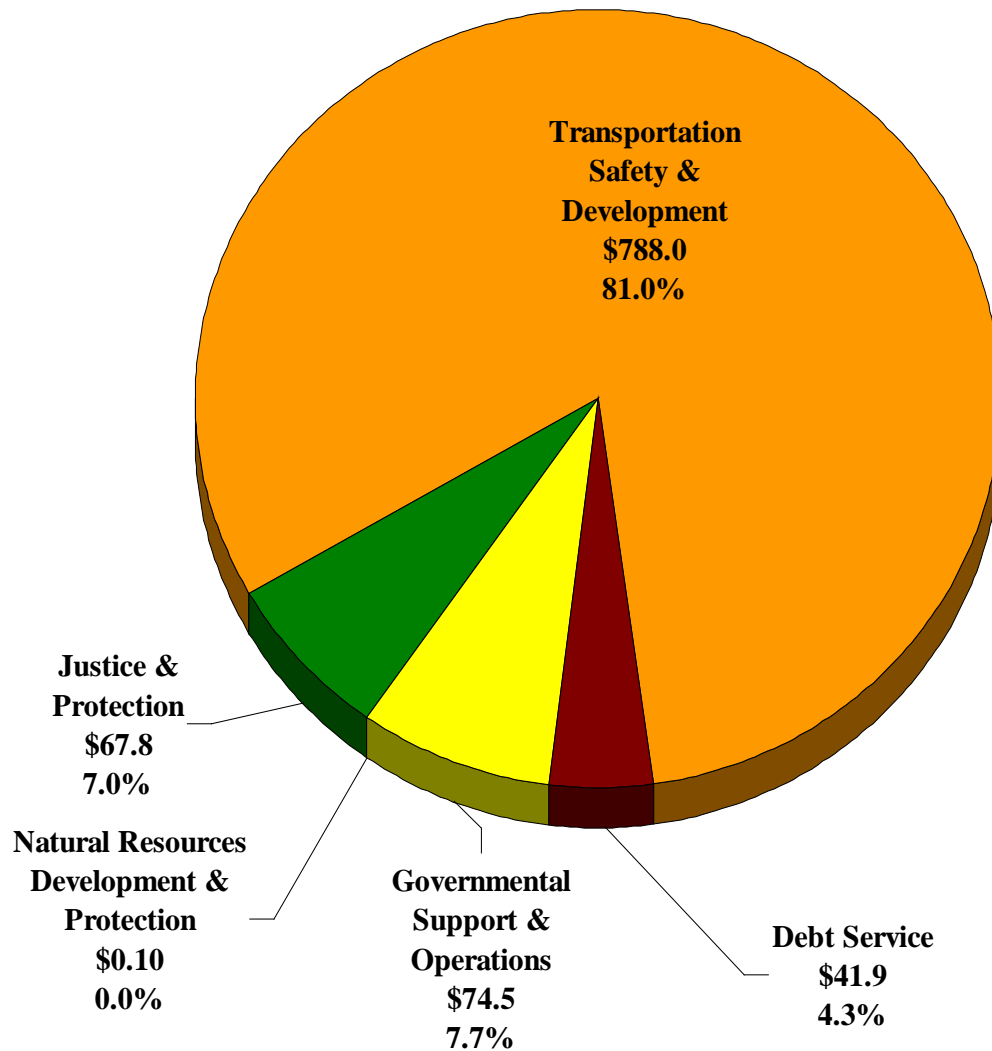
D. EXPENDITURE FORECAST CHARTS FY 12-15

HIGHWAY FUND EXPENDITURE FORECAST CHART									
MAJOR PROGRAM CATEGORIES POLICY AREA / AGENCY / PROGRAM	FY 12-13 BUDGET				FY 14-15 FORECAST				
	FY 12	FY 13	YR. TO YR. % CHANGE	BIENNIUM TOTAL	FY 14	YR. TO YR. % CHANGE	FY 15	YR. TO YR. % CHANGE	BIENNIUM TOTAL
Capital Construction and Improvement Reserve Fund	676,500		-100.00%	676,500					
Other Agencies And Programs	35,397,384	35,313,468	-0.24%	70,710,852	36,742,690	4.05%	37,790,578	2.85%	74,533,268
Total Policy Area - Governmental Support & Operations	36,073,884	35,313,468	-2.11%	71,387,352	36,742,690	4.05%	37,790,578	2.85%	74,533,268
Total Policy Area - Natural Resources Development & Protection	33,054	33,054		66,108	33,054		33,054		66,108
State Police	22,357,231	22,429,806	0.32%	44,787,037	24,423,900	8.89%	25,274,846	3.48%	49,698,746
Other Agencies And Programs	8,410,181	8,398,205	-0.14%	16,808,386	8,959,830	6.69%	9,163,921	2.28%	18,123,751
Total Policy Area - Justice & Protection	30,767,412	30,828,011	0.20%	61,595,423	33,383,730	8.29%	34,438,767	3.16%	67,822,497
Maintenance & Operations	126,923,769	129,877,152	2.33%	256,800,921	136,728,032	5.27%	136,941,671	0.16%	273,669,703
Highway & Bridge Capital	38,988,353	32,738,111	-16.03%	71,726,464	185,071,138	465.31%	185,632,159	0.30%	370,703,297
Highway & Bridge Light Capital	23,752,852	20,732,931	-12.71%	44,485,783	30,000,000	44.70%	30,000,000		60,000,000
Urban-Rural Initiative Program	23,949,856	23,310,068	-2.67%	47,259,924	25,049,020	7.46%	25,009,871	-0.16%	50,058,891
Debt Service	21,791,633	21,595,106	-0.90%	43,386,739	21,279,279	-1.46%	20,649,654	-2.96%	41,928,933
Other Agencies And Programs	16,639,398	16,800,490	0.97%	33,439,888	17,022,273	1.32%	16,502,402	-3.05%	33,524,675
Total Policy Area - Transportation Safety & Development	252,045,861	245,053,858	-2.77%	497,099,719	415,149,742	69.41%	414,735,757	-0.10%	829,885,499
TOTAL HIGHWAY FUND EXPENDITURES	318,920,211	311,228,391	-2.41%	630,148,602	485,309,216	55.93%	486,998,156	0.35%	972,307,372

FY 12 - 13
Highway Fund Budgeted Allocations
\$630.1
Dollars in Millions



FY 14 - 15
Highway Fund Projected Allocations
\$972.3
Dollars in Millions



E. HIGHWAY FUND EXPENDITURE FORECAST NARRATIVE

CAPITAL CONSTRUCTION AND IMPROVEMENT RESERVE FUND

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
677	0	-100.00%	677	0		0		0

Funds in the FY 12-13 biennium were necessary for payment of debt service costs on a ten year Certificate of Participation for renovations to the Department of Transportation building in Augusta. The final debt service payment was made in FY 12.

STATE POLICE

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
22,357	22,430	0.32%	44,787	24,424	8.89%	25,275	3.48%	49,699

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, c. 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 effective with fiscal year 2009-10. The law 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 TransCap Trust Fund. For the 2012-2013 biennium, the transfer to the TransCap Trust Fund is projected to be approximately \$10.7 million. For the 2014-2015 biennium, the transfer to the TransCap Trust Fund is projected to be approximately \$10.8 million.

The projected increase in funding between fiscal years 2012-13 and 2013-14 is primarily attributable to the increased cost in vehicle fuel and for the additional costs of funding positions in the State Police account. During fiscal year 2012-13 Personal Services funding was reduced to achieve savings by not awarding employees longevity pay and merit step increases, from savings in retiree health and changes in pension rate calculations. These additional costs are now reflected in fiscal year 2013-14. The difference between fiscal year 2013-14 and 2014-15 is primarily attributable to the costs of projected rate increases for employee and retiree health insurance and the cost for longevity pay and merit step increases for those eligible employees.

MAINTENANCE & OPERATIONS

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
126,924	129,877	2.33%	256,801	136,728	5.27%	136,942	0.16%	273,670

The Maintenance & Operations program maintains the infrastructure of 16,000 lane miles of interlocking state and state aid highways. It is responsible for winter services to the 8,600 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 2,800 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 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
38,988	32,738	-16.03%	71,726	185,071	465.31%	185,632	0.30%	370,703

The Highway and Bridge Capital program provides for 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. The level of FY 14 & 15 funding is based on the estimated cost to meet the priorities, customer service levels and capital goals set forth in 23 MRSA §73-7.

HIGHWAY AND BRIDGE LIGHT CAPITAL

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
23,753	20,733	-12.71%	44,486	30,000	44.70%	30,000	0.00%	60,000

This program was established in fiscal year 2009-10 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.

URBAN-RURAL INITIATIVE PROGRAM

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
23,950	23,310	-2.67%	47,260	25,049	7.46%	25,010	-0.16%	50,059

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 FY 14-15 biennium are a percentage of the Highway Fund budget for Maine DOT calculated in accordance with Title 23, chapter 19, §1803–B, sub-§ 1, paragraph D.

DEBT SERVICE

FY 12 (000)	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 14 (000)	YR % CHANGE	FY 15 (000)	YR % CHANGE	TOTAL BIENNIUM
21,792	21,595	-0.90%	43,387	21,279	-1.46%	20,650	-2.96%	41,929

\$50 million of Highway Fund bonds were authorized in the FY 10-11 biennium in order to support highway and bridge improvements. Funding provided in the 2014-2015 biennium is the amount needed for scheduled debt service payments.

SUMMARY

This report provides a summary and detailed projection of revenues, appropriations and allocations for the General Fund and the Highway Fund for the 2012-2013 biennium and the 2014-2015 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 \$755,518,709 and a projected structural gap in the Highway Fund of \$330,468,721 for the 2014-2015 biennium. The base level projections for the General Fund and Highway Fund include the April 2012 projection of the Revenue Forecasting Committee and reflect all actions of the Second Regular Session of the 125th Legislature.