



# FISCAL NEWS

MONTHLY NEWSLETTER OF THE OFFICE OF FISCAL AND PROGRAM REVIEW

AUGUST 2014

## Month In Review

### Volume 8 Number 8

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The Office of Fiscal and Program Review (OFPR) is a nonpartisan staff office of the Legislative Council providing budget, tax and general fiscal research and analysis for the Maine State Legislature.



General Fund revenue began FY 2015 with a positive variance in July. As in FY 2014, most of the positive variance was generated by the income tax categories. Sales tax receipts were modestly over budget in July after 3 months of failing to meet budgeted growth. June taxable sales (July revenue) appear to have finally received the bump up from the deferred spring sales as a result of the slow start to spring this year.

Highway Fund revenue also started off the new fiscal year with a positive variance. Fuel taxes continue to show unusually strong growth and, as with FY 2014, were the major contributor to the Highway Fund positive variance.

Cash balances at the beginning of FY 2015 compared favorably to last fiscal year. They were also healthier than July 2012, a year with a similar significant repayment of budget-balancing interfund borrowing.

MaineCare spending in July for all funding sources increased compared to July 2013, while General Fund MaineCare spending showed a modest decline. MaineCare caseload continues to decline driven by decreases in the eligibility groups that lost eligibility over the last year but had continued to receive MaineCare “transitional assistance” coverage for up to a year.

## General Fund Revenue Update

Total General Fund Revenue - FY 2015 (\$'s in Millions)

	Budget	Actual	Var.	% Var.	Prior Year	% Growth
July	\$244.7	\$252.7	\$8.0	3.3%	\$218.2	15.8%
FYTD	\$244.7	\$252.7	\$8.0	3.3%	\$218.2	15.8%

General Fund revenue began FY 2015 with an \$8.0 million (3.3%) positive variance for the month of July. July receipts were 15.8% higher than July 2013. Income taxes were, once again, the primary generators of the positive General Fund variances.

Individual Income Tax revenue was \$4.4 million over budget in July. Just under \$3 million of this positive variance was from income tax withholding receipts with higher than projected final payments contributing \$2.1 million to the monthly positive variance.

The Corporate Income Tax category was over budget by \$1.1 million in July. Slower than anticipated refund activity was the major contributor to the July positive variance as it was in FY 2014.

Sales and Use Tax collections were \$0.2 million over budget in July. June taxable sales (July receipts) grew 3.2% compared with June 2013. The Building Supply and Automobile/Transportation sectors recorded the



### General Fund Revenue Update (Continued)

strongest growth, each in excess of 7%. Much of June's taxable sales growth in the Building Supply sector may finally be the expected bump up from deferred spring purchases as a result of the long delay to the start of spring-like weather this year.

Transfers for Municipal Revenue Sharing reflected a negative variance in July because of June's positive

variances in the income tax categories. Of note in the July transfer calculation was a one month's share of a \$40 million reduction to Municipal Revenue Sharing. The reduction was repealed but that reduction did not take effect until August 1, 2014. The one month's share of the reduction will be offset by monthly adjustments for the remainder of FY 2015.

### Highway Fund Revenue Update

#### Total Highway Fund Revenue - FY 2015 (\$'s in Millions)

	Budget	Actual	Var.	% Var.	Prior Year	% Growth
July	\$28.1	\$30.2	\$2.1	7.4%	\$28.5	6.0%
FYTD	\$28.1	\$30.2	\$2.1	7.4%	\$28.5	6.0%

Highway Fund revenue was over budget by \$2.1 million (7.4%) in July and reflected a 6.0% growth rate compared to July 2013. Fuel Taxes continue to be the most significant contributor to the positive variance and growth.

The Fuel Taxes category was over budget in July by \$1.7 million and grew by 5.6% compared over July 2013. An unusually high positive variance in the Special Fuel and Road Use Taxes accounted for most

of this positive variance. Some of this may be a timing issue between months as these taxes are due at the very end of the month and the split between months is very difficult to predict.

July receipts from Long-term Trailer Registration Fees were over budget by \$0.6 million. At this point, this unusually high monthly variance is assumed to be just a timing issue.

### Cash Update

The average total cash pool balance for July was \$584.1 million. This average balance was \$75.0 million higher than last July, \$39.7 million above June and \$26.1 million above the 10-year average balance for July.

July's General Fund internal borrowing was \$34.4 million more than in July 2013, but was \$26.4 million less than in July 2012. July 2012 as noted in previous issues of the *Fiscal News*, is a better comparison year with July 2014 because both years reflect a significant repayment of budget-balancing interfund borrowing.

#### Summary of Treasurer's Cash Pool

##### July Average Daily Balances

Millions of \$'s

	2013	2014
General Fund (GF) Total	\$9.0	\$7.9
General Fund (GF) Detail:		
Budget Stabilization Fund	\$50.6	\$63.9
Reserve for Operating Capital	\$10.0	\$0.0
Tax Anticipation Notes	\$0.0	\$0.0
Internal Borrowing	\$93.8	\$128.2
Other General Fund Cash	(\$145.4)	(\$184.1)
Other Spec. Rev. - Interest to GF	\$88.1	\$84.4
Other State Funds - Interest to GF	\$18.2	\$20.2
Highway Fund	\$44.7	\$28.9
Other Spec. Rev. - Retaining Interest	\$78.5	\$82.5
Other State Funds	\$174.6	\$267.3
Independent Agency Funds	\$96.1	\$92.8
<b>Total Cash Pool</b>	<b>\$509.1</b>	<b>\$584.1</b>



## MaineCare Update

### MaineCare Spending

The Department of Health and Human Services is in the process of updating its weekly MaineCare financial reporting process and as a result, has not released any weekly MaineCare cycle spending reports for FY 2015.

MaineCare Table 1 uses expenditure data from the State's accounting records for July of 2014 to compare MaineCare expenditures by expenditure category for the first month of the last three fiscal years. MaineCare "All Funds" spending for the first month increased by 1.0% from FY 2014 to FY 2015. As detailed in MaineCare Table 1, FY 2015 first month expenditures increased significantly in the residential care, home and community-based care waivers, medical professionals, and transportation services expenditure categories and decreased in the pharmacy and related, and the hospital expenditure categories.

FY 2015 MaineCare "All Funds" spending for July was also offset by significant increases in net credits and other offsets in the "15 Accounting Adjustments" category that includes bad-debt write-offs, and in the "16 Other Adjustments" category that reflects financial transactions (e.g., third party liability collections, audit settlements, etc.) that are not assigned to another expenditure category. Spending for the first month of FY 2015 without these offsets increased by 6.3% over last year's first month spending. MaineCare Table 1 also shows that aggregate General Fund expenditures for the first month of FY 2015 decreased by 13.9% from the first month of FY 2014. General Fund spending for the first month without the offsets noted above decreased by 2.7% from the first month of FY 2014.

<b>MaineCare Table 1 - MaineCare and Related Expenditures Detail Through 1 Month</b>					
<i>All Funds</i>					
Expenditure Categories	FY 2013	FY 2014	FY 2015	Chgs. FY 2014 to FY 2015	
	1 Month	1 Month	1 Month	\$	%
1 Hospital Services	\$31,009,587	\$51,736,921	\$49,999,320	(\$1,737,601)	-3.4%
1A Hospital Settlements	\$0	\$0	\$0	\$0	na
2 Residential Care	\$40,238,152	\$36,445,196	\$43,385,256	\$6,940,060	19.0%
3 HCBC Waivers	\$25,624,491	\$27,876,129	\$31,285,017	\$3,408,889	12.2%
4 Pharmacy and Related	\$17,343,991	\$23,121,323	\$20,001,175	(\$3,120,148)	-13.5%
5 Medical Professionals	\$12,293,213	\$14,465,680	\$15,893,313	\$1,427,633	9.9%
6 Medicare Crossover Payments	\$12,861,915	\$9,064,882	\$9,326,103	\$261,222	2.9%
7 Mental Health Services	\$20,483,910	\$25,909,178	\$26,921,447	\$1,012,268	3.9%
8 Clinic Services	\$3,477,519	\$4,402,651	\$5,121,363	\$718,712	16.3%
9 Home Health	\$2,288,122	\$2,995,576	\$2,991,883	(\$3,692)	-0.1%
10 Rehabilitation Services	\$1,357,020	\$2,272,824	\$3,029,958	\$757,134	33.3%
11 Case Management	\$3,431,037	\$4,289,397	\$3,999,412	(\$289,984)	-6.8%
12 Certified Seed	\$2,157,557	\$1,567,796	\$2,829,239	\$1,261,442	80.5%
13 Transportation Services	\$3,465,458	\$3,755,656	\$5,861,458	\$2,105,802	56.1%
14 Other Expenditure Codes	\$655,356	\$501,152	\$890,631	\$389,479	77.7%
15 Accounting Adjustments <sup>1</sup>	\$792,312	\$3,611,415	(\$3,971,143)	(\$7,582,557)	-210.0%
16 Other Adjustments <sup>1</sup>	(\$1,545,105)	(\$827,920)	(\$4,270,106)	(\$3,442,186)	415.8%
All Funds Total	\$175,934,536	\$211,187,855	\$213,294,327	\$2,106,472	1.0%
Minus Accounting and Other Adjustments <sup>1</sup>	\$752,793	(\$2,783,494)	\$8,241,249	\$11,024,743	-396.1%
All Funds Adjusted Total	\$176,687,329	\$208,404,360	\$221,535,576	\$13,131,216	6.3%
General Fund Totals	\$56,154,506	\$81,517,801	\$70,203,420	(\$11,314,381)	-13.9%
Minus Accounting and Other Adjustments <sup>1</sup>	(\$203,512)	(\$3,304,822)	\$5,895,139	\$9,199,961	-278.4%
General Fund Adjusted Totals	\$55,950,994	\$78,212,979	\$76,098,559	(\$2,114,420)	-2.7%

<sup>1</sup> Includes bad debt write-offs and other adjustments (e.g., third party liability collections, audit settlements, etc.) that are not assigned to a specific expenditure category.

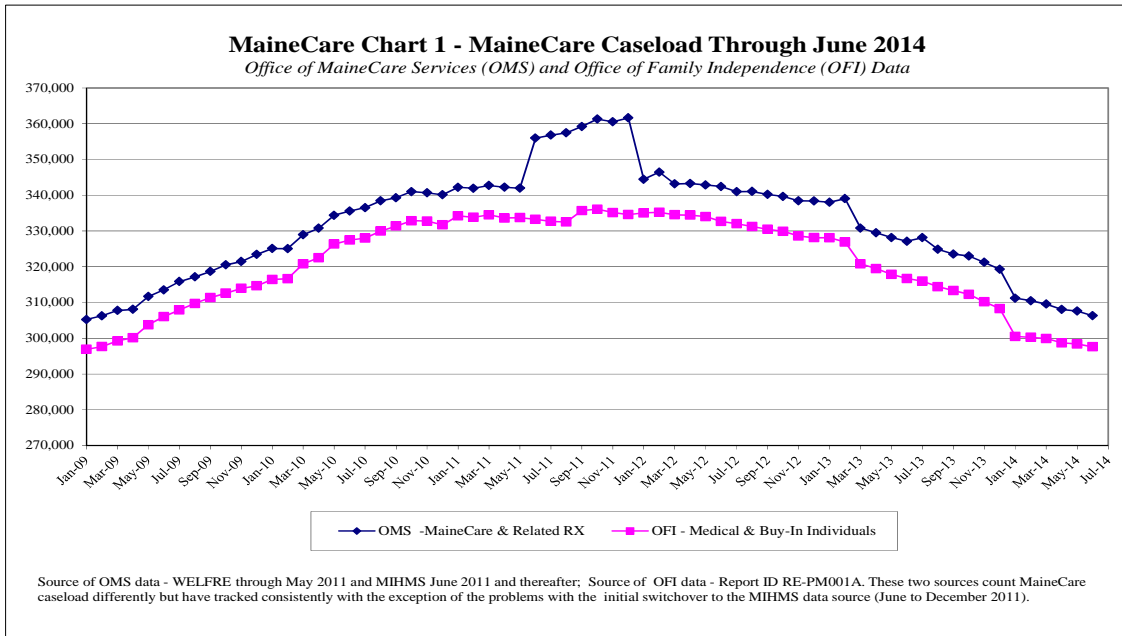


**MaineCare Update (Continued)**

**MaineCare Caseload**

MaineCare caseload data for July has not yet been released by the DHHS Office of MaineCare Services (OMS) or by the DHHS Office of Family Independence (OFI). Data for June released by OMS and OFI show aggregate MaineCare caseload continues to decrease. MaineCare Chart 1 shows OMS and OFI aggregate caseload data over time. As shown in MaineCare Table 2, in more recent months the continued overall decline in MaineCare caseload has

been driven by a reduction in the number of individuals on MaineCare transitional assistance, presumably the parents and children with incomes from 134% to 150% of the FPL who lost coverage in the March-April 2013 period but had been on transitional Medicaid coverage for up to a year. The children of these parents would not lose coverage after the year, but would just move back to their original eligibility status.



<b>MaineCare Table 2. MaineCare Caseload - Transitional Assistance</b>					
	Total MaineCare Caseload	% Monthly Change	Transitional Assistance Caseload	Net MaineCare Caseload w/Out Transitional Assistance	% Monthly Change
<b>Feb-13</b>	339,055		8,221	330,834	
<b>Mar-13</b>	330,809	-2.4%	13,895	316,914	-4.2%
<b>Apr-13</b>	329,503	-0.4%	15,106	314,397	-0.8%
<b>May-13</b>	328,159	-0.4%	15,807	312,352	-0.7%
<b>Jun-13</b>	327,135	-0.3%	16,011	311,124	-0.4%
<b>Jul-13</b>	328,121	0.3%	16,188	311,933	0.3%
<b>Aug-13</b>	324,876	-1.0%	16,164	308,712	-1.0%
<b>Sep-13</b>	323,547	-0.4%	15,628	307,919	-0.3%
<b>Oct-13</b>	322,998	-0.2%	15,430	307,568	-0.1%
<b>Nov-13</b>	321,236	-0.5%	15,236	306,000	-0.5%
<b>Dec-13</b>	319,288	-0.6%	15,414	303,874	-0.7%
<b>Jan-14</b>	311,216	-2.5%	30,264	280,952	-7.5%
<b>Feb-14</b>	310,504	-0.2%	34,596	275,908	-1.8%
<b>Mar-14</b>	309,539	-0.3%	30,362	279,177	1.2%
<b>Apr-14</b>	308,068	-0.5%	27,359	280,709	0.5%
<b>May-14</b>	307,599	-0.2%	24,890	282,709	0.7%
<b>Jun-14</b>	306,280	-0.4%	23,045	283,235	0.2%

Source: DHHS Monthly Caseload Reports

**General Fund Revenue**  
**Fiscal Year Ending June 30, 2015 (FY 2015)**  
**July 2014 Revenue Variance Report**

Revenue Category				Fiscal Year-To-Date					FY 2015 Budgeted Totals
	July '14 Budget	July '14 Actual	July '14 Variance	Budget	Actual	Variance	Variance %	% Change from Prior Year	
Sales and Use Tax	112,869,648	113,057,060	187,412	112,869,648	113,057,060	187,412	0.2%	15.3%	1,187,737,653
Service Provider Tax	4,209,405	4,916,263	706,858	4,209,405	4,916,263	706,858	16.8%	20.1%	50,303,776
Individual Income Tax	99,375,000	103,739,312	4,364,312	99,375,000	103,739,312	4,364,312	4.4%	14.3%	1,455,836,200
Corporate Income Tax	6,050,000	7,111,380	1,061,380	6,050,000	7,111,380	1,061,380	17.5%	25.9%	177,651,225
Cigarette and Tobacco Tax	12,954,226	14,099,211	1,144,985	12,954,226	14,099,211	1,144,985	8.8%	-0.7%	133,590,000
Insurance Companies Tax	990,683	500,605	(490,078)	990,683	500,605	(490,078)	-49.5%	-23.4%	80,715,000
Estate Tax	2,150,000	2,655,249	505,249	2,150,000	2,655,249	505,249	23.5%	-30.9%	26,957,040
Other Taxes and Fees *	9,068,140	10,444,023	1,375,883	9,068,140	10,444,023	1,375,883	15.2%	2.6%	132,978,084
Fines, Forfeits and Penalties	2,195,315	1,936,507	(258,808)	2,195,315	1,936,507	(258,808)	-11.8%	-11.7%	23,421,666
Income from Investments	0	6	6	0	6	6	N/A	282.2%	93,858
Transfer from Lottery Commission	4,442,343	4,062,846	(379,497)	4,442,343	4,062,846	(379,497)	-8.5%	-10.1%	57,350,462
Transfers to Tax Relief Programs *	(34,065)	159	34,224	(34,065)	159	34,224	100.5%	100.0%	(58,183,362)
Transfers for Municipal Revenue Sharing	(2,448,891)	(3,229,972)	(781,081)	(2,448,891)	(3,229,972)	(781,081)	-31.9%	63.6%	(61,066,238)
Other Revenue *	(7,144,326)	(6,610,626)	533,700	(7,144,326)	(6,610,626)	533,700	7.5%	-1.5%	39,939,411
<b>Totals</b>	<b>244,677,478</b>	<b>252,682,023</b>	<b>8,004,545</b>	<b>244,677,478</b>	<b>252,682,023</b>	<b>8,004,545</b>	<b>3.3%</b>	<b>15.8%</b>	<b>3,247,324,775</b>

\* Additional detail by subcategory for these categories is presented on the following page.

## General Fund Revenue Fiscal Year Ending June 30, 2015 (FY 2015) July 2014 Revenue Variance Report

Revenue Category				Fiscal Year-To-Date					FY 2015 Budgeted Totals
	July '14 Budget	July '14 Actual	July '14 Variance	Budget	Actual	Variance	Variance %	% Change from Prior Year	
<b>Detail of Other Taxes and Fees:</b>									
- Property Tax - Unorganized Territory	0	0	0	0	0	0	N/A	N/A	13,949,984
- Real Estate Transfer Tax	1,238,256	1,206,283	(31,973)	1,238,256	1,206,283	(31,973)	-2.6%	3.7%	13,042,455
- Liquor Taxes and Fees	1,751,304	2,297,715	546,411	1,751,304	2,297,715	546,411	31.2%	14.1%	21,015,690
- Corporation Fees and Licenses	426,750	524,057	97,307	426,750	524,057	97,307	22.8%	13.6%	8,313,649
- Telecommunication Excise Tax	0	17,442	17,442	0	17,442	17,442	N/A	N/A	9,200,000
- Finance Industry Fees	1,987,667	2,171,000	183,333	1,987,667	2,171,000	183,333	9.2%	-6.6%	24,351,990
- Milk Handling Fee	92,164	82,498	(9,666)	92,164	82,498	(9,666)	-10.5%	105.3%	1,105,968
- Racino Revenue	853,228	858,027	4,799	853,228	858,027	4,799	0.6%	0.4%	9,256,406
- Boat, ATV and Snowmobile Fees	543,909	596,716	52,807	543,909	596,716	52,807	9.7%	197.4%	4,523,561
- Hunting and Fishing License Fees	1,689,872	2,094,509	404,637	1,689,872	2,094,509	404,637	23.9%	-15.3%	16,038,274
- Other Miscellaneous Taxes and Fees	484,990	595,775	110,785	484,990	595,775	110,785	22.8%	-8.8%	12,180,107
<b>Subtotal - Other Taxes and Fees</b>	<b>9,068,140</b>	<b>10,444,023</b>	<b>1,375,883</b>	<b>9,068,140</b>	<b>10,444,023</b>	<b>1,375,883</b>	<b>15.2%</b>	<b>2.6%</b>	<b>132,978,084</b>
<b>Detail of Other Revenue:</b>									
- Liquor Sales and Operations	811,945	260,631	(551,314)	811,945	260,631	(551,314)	-67.9%	3761.2%	9,743,384
- Targeted Case Management (DHHS)	214,264	395,821	181,557	214,264	395,821	181,557	84.7%	99.8%	2,103,916
- State Cost Allocation Program	1,346,558	1,813,130	466,572	1,346,558	1,813,130	466,572	34.6%	14.7%	15,000,000
- Unclaimed Property Transfer	0	0	0	0	0	0	N/A	N/A	6,015,000
- Tourism Transfer	(7,026,017)	(7,026,017)	0	(7,026,017)	(7,026,017)	0	0.0%	-8.6%	(11,659,067)
- Transfer to Maine Milk Pool	(95,615)	0	95,615	(95,615)	0	95,615	100.0%	N/A	(563,777)
- Transfer to STAR Transportation Fund	(4,521,173)	(4,521,173)	0	(4,521,173)	(4,521,173)	0	0.0%	-12.6%	(6,187,481)
- Other Miscellaneous Revenue	2,125,712	2,466,982	341,270	2,125,712	2,466,982	341,270	16.1%	12.7%	25,487,436
<b>Subtotal - Other Revenue</b>	<b>(7,144,326)</b>	<b>(6,610,626)</b>	<b>533,700</b>	<b>(7,144,326)</b>	<b>(6,610,626)</b>	<b>533,700</b>	<b>7.5%</b>	<b>-1.5%</b>	<b>39,939,411</b>
<b>Detail of Transfers to Tax Relief Programs:</b>									
- Me. Resident Prop. Tax Program (Circuitbreaker)	0	73	73	0	73	73	N/A	100.0%	0
- BETR - Business Equipment Tax Reimb.	0	86	86	0	86	86	N/A	N/A	(31,080,000)
- BETE - Municipal Bus. Equip. Tax Reimb.	(34,065)	0	34,065	(34,065)	0	34,065	100.0%	100.0%	(27,103,362)
<b>Subtotal - Tax Relief Transfers</b>	<b>(34,065)</b>	<b>159</b>	<b>34,224</b>	<b>(34,065)</b>	<b>159</b>	<b>34,224</b>	<b>100.5%</b>	<b>100.0%</b>	<b>(58,183,362)</b>
<b>Inland Fisheries and Wildlife Revenue - Total</b>	<b>2,305,984</b>	<b>2,757,184</b>	<b>451,200</b>	<b>2,305,984</b>	<b>2,757,184</b>	<b>451,200</b>	<b>19.6%</b>	<b>0.2%</b>	<b>21,470,489</b>

## Highway Fund Revenue Fiscal Year Ending June 30, 2015 (FY 2015) July 2014 Revenue Variance Report

Revenue Category	Fiscal Year-To-Date								FY 2015 Budgeted Totals
	July '14 Budget	July '14 Actual	July '14 Variance	Budget	Actual	Variance	% Variance	% Change from Prior Year	
Fuel Taxes:									
- Gasoline Tax	16,479,480	16,956,330	476,850	16,479,480	16,956,330	476,850	2.9%	0.2%	189,910,000
- Special Fuel and Road Use Taxes	3,753,807	5,114,137	1,360,330	3,753,807	5,114,137	1,360,330	36.2%	27.4%	42,610,000
- Transcap Transfers - Fuel Taxes	(1,486,589)	(1,623,483)	(136,894)	(1,486,589)	(1,623,483)	(136,894)	-9.2%	-5.0%	(17,082,820)
- Other Fund Gasoline Tax Distributions	(412,103)	(424,027)	(11,924)	(412,103)	(424,027)	(11,924)	-2.9%	0.4%	(4,749,079)
Subtotal - Fuel Taxes	18,334,595	20,022,957	1,688,362	18,334,595	20,022,957	1,688,362	9.2%	5.6%	210,688,101
Motor Vehicle Registration and Fees:									
- Motor Vehicle Registration Fees	6,448,763	6,388,313	(60,450)	6,448,763	6,388,313	(60,450)	-0.9%	-0.4%	65,659,536
- License Plate Fees	350,811	377,044	26,233	350,811	377,044	26,233	7.5%	0.3%	3,351,681
- Long-term Trailer Registration Fees	144,202	720,782	576,580	144,202	720,782	576,580	399.8%	370.8%	9,384,523
- Title Fees	1,147,850	1,140,346	(7,504)	1,147,850	1,140,346	(7,504)	-0.7%	0.9%	13,129,254
- Motor Vehicle Operator License Fees	599,230	703,724	104,494	599,230	703,724	104,494	17.4%	-3.5%	7,425,882
- Transcap Transfers - Motor Vehicle Fees	0	0	0	0	0	0	N/A	N/A	(15,483,404)
Subtotal - Motor Vehicle Reg. & Fees	8,690,856	9,330,209	639,353	8,690,856	9,330,209	639,353	7.4%	6.0%	83,467,472
Motor Vehicle Inspection Fees	293,451	139,251	(154,200)	293,451	139,251	(154,200)	-52.5%	-17.1%	2,982,500
Other Highway Fund Taxes and Fees	112,685	134,358	21,673	112,685	134,358	21,673	19.2%	27.8%	1,285,229
Fines, Forfeits and Penalties	92,294	156,863	64,569	92,294	156,863	64,569	70.0%	82.3%	1,007,998
Interest Earnings	9,419	0	(9,419)	9,419	0	(9,419)	-100.0%	N/A	113,022
Other Highway Fund Revenue	558,291	395,655	(162,636)	558,291	395,655	(162,636)	-29.1%	13.4%	9,032,418
<b>Totals</b>	<b>28,091,591</b>	<b>30,179,293</b>	<b>2,087,702</b>	<b>28,091,591</b>	<b>30,179,293</b>	<b>2,087,702</b>	<b>7.4%</b>	<b>6.0%</b>	<b>308,576,740</b>