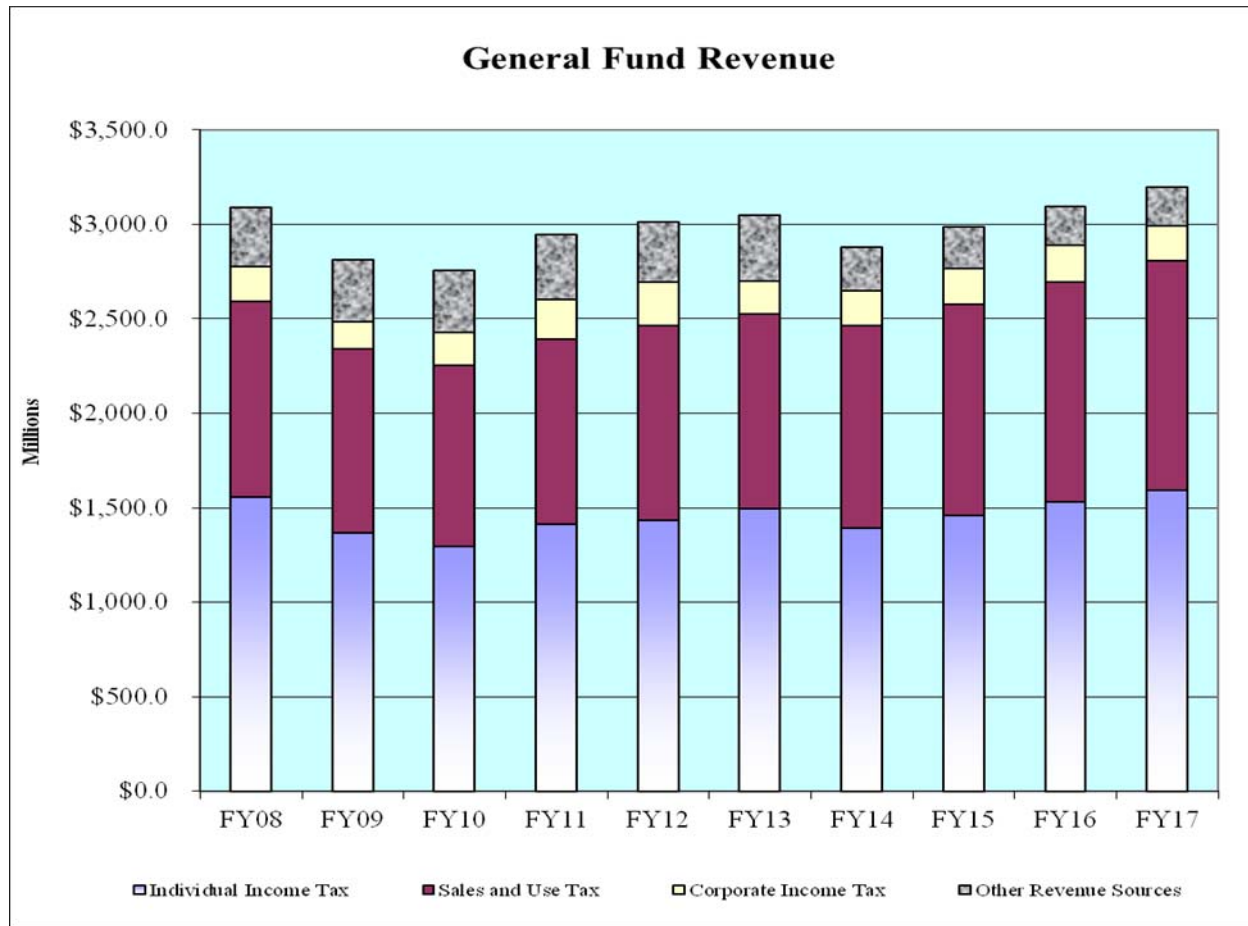


REPORT OF THE MAINE STATE REVENUE FORECASTING COMMITTEE

May 2013



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Report of the Maine State Revenue Forecasting Committee May 2013 Forecast

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Introduction

The Revenue Forecasting Committee (RFC) met on April 26, 2013 to review and update the current revenue forecast to comply with this year's statutory reporting date of May 1st. The RFC revised its revenue projections through the fiscal year ending June 30, 2017 based on the revised economic forecast updated by the Consensus Economic Forecasting Commission for its April 1st reporting date and a review of recent experience. The RFC updated its forecasts for the General Fund, Highway Fund, Fund for a Healthy Maine and Medicaid Dedicated Revenue Taxes.

Economic Forecast

This update of the revenue forecast began with a review and update of the economic forecast statutorily due this year by April 1st, five months after the last update. The economic forecast was updated by the Consensus Economic Forecasting Commission (CEFC) at its meeting on March 26 with a brief follow-up on March 28 to review the newly released 2012 personal income figures. All CEFC seats were subject to reappointment with the convening of the new Legislature. Four of the members remain the same with one new member. Overall, the CEFC made relatively modest changes to its previous forecast.

National and state economic indicators suggested a continued lack of improvement in economic conditions since the CEFC met in October 2012. Nationwide, consumer sentiment and small business optimism were down over year-ago levels. The Consumer Price Index was 2.0% higher in February 2013 than it was in February 2012. The price of crude oil declined 4.5% in the fourth quarter of 2012 to \$88 per barrel. Home sales in Maine were up 21% in January 2013 compared to January 2012. The median home price in the Portland Metropolitan Statistical Area increased 4.6% year-over-year in the fourth quarter of 2012. Mortgage delinquency rates remained well above pre-recession levels but below peak crisis levels. The foreclosure rate in Maine increased in the third quarter of 2012 and remained well above pre-recession levels.

State personal income data for 2012 was released by BEA on March 27, after the initial meeting of the CEFC. A brief follow-up was held to review the new data, which was lower than expected across most components, with total personal income growth at 3.2% for 2012.

Actual wage and salary employment data for 2011 and 2012 were stronger than previously forecasted, resulting in higher growth rates for those two years. The 2013-2017 employment forecast was left unchanged. Personal income growth was revised downwards for 2012 following the release of actual estimates from the U.S. Bureau of Economic Analysis. Personal income was also revised down for 2013 in part to reflect a partial shift in bonuses and dividends from 2013 to 2012 to take advantage of lower tax rates. 2014 and 2017 were revised upwards while 2016 was revised slightly downwards and 2015 was left unchanged. Inflation, as measured by the Consumer Price Index (CPI), was revised upwards for 2012 and 2013 and slightly downwards for 2014-2017.

While Congress and the president succeeded in coming to agreement on many of the "fiscal cliff" issues, the automatic spending cuts known as "budget sequestration" took effect as originally scheduled on March 1, 2013. The CEFC assumed that, while some of the economic effects of these spending cuts will certainly be felt in Maine, Congress and the president will reach a solution that prevents extensive deterioration of economic conditions. Given the negative impact to the economy if a solution is not

successfully reached, the CEFC will reevaluate their forecast in the third quarter of calendar year 2013 in response to actual policy decisions at the federal level.

A copy of the April 2013 report of the CEFC and other economic information providing the basis for this revenue forecast is included in Appendix E.

Summary of Revenue Forecast

The economic variables in the CEFC forecast play an important role in the revenue forecast. Maine Revenue Services' tax models use the CEFC economic variables to help project revenue from the major taxes. While the CEFC's changes particularly the short-term reductions to assumed growth of Personal Income might normally have resulted in more significant reductions in FY13 and FY14, these effects were offset by taxpayer behavior affecting the income tax and once again significant technical adjustments based on recent performance and updated federal income tax data. Data related to non-tax revenue lines were provided by a number of different state agencies and reviewed by staff in the Office of Fiscal and Program Review and the Bureau of the Budget to come up with consensus recommendations. The RFC reviewed Maine Revenue Services' and other staff recommendations at its meeting on April 26th and accepted those recommendations. The following tables and narratives highlight the final changes to each of the major funds and revenue sources accepted by the RFC as part of its May 2013 update to the revenue forecast. More detail on each of the funds and revenue sources is provided in the various appendices.

General Fund Summary

	FY12	FY13	FY14	FY15	FY16	FY17
Current Forecast	\$3,015,538,222	\$3,007,782,255	\$2,914,309,263	\$3,011,564,672	\$3,119,091,267	\$3,222,544,770
Annual % Growth	2.4%	-0.3%	-3.1%	3.3%	3.6%	3.3%
Net Increase (Decrease)		\$43,522,802	(\$33,790,020)	(\$24,329,748)	(\$26,444,715)	(\$24,806,908)
Revised Forecast	\$3,015,538,222	\$3,051,305,057	\$2,880,519,243	\$2,987,234,924	\$3,092,646,552	\$3,197,737,862
Annual % Growth	2.4%	1.2%	-5.6%	3.7%	3.5%	3.4%

General Fund revenue estimates were revised upward by \$43.5 million in FY13, but were revised downward \$33.8 in FY14 and \$24.3 million in FY15 (\$58.1 million over the 2014-2015 biennium). A significant upward revision for Individual Income Tax in FY13 outweighed downward revisions to the sales and use, service provider and corporate income taxes.

Individual Income Tax revenues were increased in this forecast by \$81.1 million in FY13 and \$28.7 million in the 2014-2015 biennium. There are numerous reasons for the changes made on the individual income tax line. A large portion of the changes are technical in nature, reflecting the improvements to the new database underlying the tax forecasting and estimating models used by Maine Revenue Services' Office of Tax Policy, and additional analysis of Internal Revenue Service (IRS) tax filings by Maine residents for the 2010 and 2011 tax years. Data from the IRS shows that there has been a significant drop in the mortgage interest deduction in recent years because of historically low interest rates. Adjustments to our models to account for this lower level of itemized deductions and other calibrations of the model to state and federal data are the reasons for the on-going higher level of individual income tax receipts.

As the RFC in its December report, because of assumptions made by the CEFC in their November forecast we did not try to estimate behavior by Maine households making end-of-year financial

decisions to avoid potential tax increases at the federal level as a result of the expiration of the Bush tax cuts and other tax stimulus programs enacted in 2009, 2010, and 2011 and tax increases included in the Affordable Care Act that began in 2013. It's now clear that there was significant shifting of income from calendar year 2013 and beyond into 2012 to avoid these increases. The large one-time revenue adjustment to FY13 reflects this taxpayer behavior.

The RFC is now projecting that Sales and Use Tax receipts will be \$22.1 million less in FY13 than previously forecasted and \$44.5 million lower in the 2014-2015 biennium. The holiday shopping season and the first quarter of CY13 have seen very weak sales tax growth as households react to a struggling economic recovery, the expiration of the federal payroll tax holiday, rising energy prices during first two months of the quarter, and continued uncertainty regarding the resolution of domestic and European fiscal policy challenges.

The Service Provider Tax for the purposes of Maine Revenue Services' tax models is included with the sales and use tax forecast and manually separated out. The Service Provider Tax was reduced consistent with the sales and use tax reductions by \$4.8 million in FY13 and \$11.6 million for the 2014-2015 biennium.

Year-over-year quarterly taxable sales growth has slowed from approximately 5% during late 2011 and early 2012, to only 2% during the third quarter of 2012 and negative to flat growth over the two most recent quarters. The new revenue forecast assumes that the recent fallback in energy prices and adjustment to the higher payroll tax by households will result in taxable sales growth closer to 4% during the next biennium.

The RFC has also reduced the forecast of Corporate Income Tax receipts by \$15 million in FY13 and \$46.2 million in the 2014-2015 biennium. Corporate receipts are down approximately 23% during the first nine months of FY13 when compared to the same period last fiscal year. The RFC continues to believe much of this recent weakness is a timing issue reflecting the recognition by corporations of the impact of the Maine Capital Investment Credit on their Maine tax liability. Based on a much different forecast of corporate profitability provided by the CEFC we expect weaker corporate tax receipts for the upcoming biennium.

Going forward, the expiration of the investment credit and enhanced Sec. 179 expensing, the ability to use net operating loss (NOL) carry forward again at the state level now that the disallowance of NOL carry forwards for 2009, 2010 and 2011 has ended and the recapture of previous bonus depreciation to which the State did not conform creates a high level of uncertainty for corporate income tax forecast for the next biennium. It's certainly possible that corporate income tax receipts will perform better than this conservative approach the committee has taken for its corporate income tax forecast for the 2014-2015 biennium.

Revisions to the Transfers for Municipal Revenue Sharing are calculated based on 5% of the total collections for the income and sales taxes and as a result of the changes described above, the forecast for these transfers from the General Fund were increased (a decrease in General Fund revenue) in FY13 by \$2.0 million, but were lowered for the 2014-2015 biennium by \$4.2 million. The forecast for these transfers are based on current law and do not reflect proposed changes in tax law or the Governor's biennial budget proposal to suspend these transfers.

Of note in this revenue sharing forecast is the recognition of an accounting change designed to eliminate the monthly distortion to August revenue caused by the offset for the accrual of the major taxes at the close of each fiscal year. Beginning in FY16, the accounting entry to offset the accrual at the end of the

previous fiscal year will not reduce August revenue for the major taxes, but instead will be netted against the accrual for the next fiscal year at the close of the fiscal year. Due to the lag in the timing of the Municipal Revenue Sharing transfers, this will result in a one-time reduction to the deferred transfers creating a one-time reduction of General Fund revenue in FY16.

Another significant positive adjustment in the General Fund forecast was in the Estate Tax, which was increased in FY13 by \$5.4 million. The FY13 adjustment is over and above the \$7.0 million recognized as budgeted revenue as part of the recently enacted supplemental budget bill and a substantial increase in FY13 in this category in the December 2012 revenue forecast. FY13 Estate Tax collections are projected to be 56.5% higher than FY12. This category was also revised upward by \$5.1 million for the 2014-2015 biennium as a result of higher projections of net worth in the economic forecast.

This forecast also recognizes an annual increase in revenue from the Lottery as a result of a pending rebidding of the Lottery contract of \$3.2 million annually beginning in FY14. This revenue was also recognized in the Governor’s biennial budget proposals and will need to be excluded from the Governor’s proposals to avoid double-counting the revenue.

The General Fund forecast included many adjustments to revenue from various other sources that net to slightly less than \$1 million of increases over FY13 and the 2014-2015 biennium combined. More detail on the other revenue categories can be found in Appendix A and other background materials in Appendix F.

Highway Fund Summary

	FY12	FY13	FY14	FY15	FY16	FY17
Current Forecast	\$317,202,409	\$318,865,765	\$311,655,251	\$309,740,019	\$309,366,380	\$308,875,824
Annual % Growth	1.9%	0.5%	-2.3%	-0.6%	-0.1%	-0.2%
Net Increase (Decrease)		(\$3,460,153)	(\$3,877,242)	(\$3,966,383)	(\$3,960,311)	(\$3,849,327)
Revised Forecast	\$317,202,409	\$315,405,612	\$307,778,009	\$305,773,636	\$305,406,069	\$305,026,497
Annual % Growth	1.9%	-0.6%	-2.4%	-0.7%	-0.1%	-0.1%

Highway Fund revenue estimates were revised downward by \$3.5 million in FY13 and \$7.8 million for the 2014-2015 biennium resulting primarily from downward revisions for fuel tax collections.

Fuel tax collections have continued to decline and have fallen well below budget. The tax models have been unable to capture the recent performance. As a result, Highway Fund fuel tax estimates were manually adjusted downward by \$3.6 million each fiscal year to account for the recent experience.

Unusual activity related to title fees that resulted in some significant one-time revenue in the December 2012 forecast appears to have had some additional effect on title fee collections that again is recognized in this forecast as a one-time increase of \$0.9 million additional revenue in FY13.

There were several other less significant, on-going adjustments to the Highway Fund revenue forecast that are detailed in Appendices B and F.

Fund for a Healthy Maine Summary

	FY12	FY13	FY14	FY15	FY16	FY17
Current Forecast	\$55,516,906	\$49,479,652	\$53,899,312	\$53,434,830	\$52,974,942	\$52,515,005
Annual % Growth	2.1%	-10.9%	8.9%	-0.9%	-0.9%	-0.9%
Net Increase (Decrease)		\$1,512,073	(\$474,118)	(\$381,995)	(\$383,918)	(\$383,752)
Revised Forecast	\$55,516,906	\$50,991,725	\$53,425,194	\$53,052,835	\$52,591,024	\$52,131,253
Annual % Growth	2.1%	-8.2%	4.8%	-0.7%	-0.9%	-0.9%

The Fund for a Healthy Maine (FHM) revenue forecast was adjusted upward by \$1.5 million in FY13, but downward by \$0.9 million for the 2014-2015 biennium. Tobacco settlement payments in April were \$1.5 million above budgeted amounts, but detail was not available by the deadline for this forecast to make a determination of the causes of the positive variance to project it out for future years. There remains a good deal of uncertainty surrounding certain legal proceedings under the Master Settlement Agreement. The RFC may have better information on the current variance and these legal proceeding as for the fall forecast.

The FHM, which receives a percentage of the revenue from slot machines at Hollywood Casino in Bangor, has been adversely affected by the addition of table games at the facility and the opening of the Oxford Casino, resulting in a decrease of \$0.9 million to budgeted FHM revenue for the 2014-2015 biennium. FHM budgeted revenue was also modestly reduced by some interest earning assumptions (see details in Appendix C and F).

Medicaid/MaineCare Dedicated Revenue Taxes Summary

	FY12	FY13	FY14	FY15	FY16	FY17
Current Forecast	\$151,925,600	\$154,373,049	\$154,373,049	\$154,373,049	\$154,373,049	\$154,373,049
Annual % Growth	2.6%	1.6%	0.0%	0.0%	0.0%	0.0%
Net Increase (Decrease)		(\$1,098,071)	(\$1,098,071)	(\$1,098,071)	(\$1,098,071)	(\$1,098,071)
Revised Forecast	\$151,925,600	\$153,274,978	\$153,274,978	\$153,274,978	\$153,274,978	\$153,274,978
Annual % Growth	2.6%	0.9%	0.0%	0.0%	0.0%	0.0%

The forecast of Medicaid/MaineCare Dedicated Revenue Taxes revenue was adjusted downward based on recent experience. The current year's experience, projects out to a \$1.1 million downward revision for each year of the forecast (see Appendix D and F for more detailed information).

Conclusion

Once again the CEFC and the RFC have provided forecasts in a highly uncertain economic environment. Similar to previous years, an economy that appeared to be gaining momentum has stalled, forcing economists to extend the starting date when the US economy will exhibit sustained economic growth of 3% or more. The likelihood that economic growth of that level and consistency can be achieved will depend on how the on-going budget challenges in Washington and the recession in Europe are resolved

The CEFC and RFC have agreed to watch these events carefully, as well as the reaction of businesses and households to them. If the federal budget discussions and/or the economic data deviate significantly from the key assumptions underlying the economic and revenue forecasts both committees are committed to meeting prior to the regularly scheduled forecast meeting dates to review their respective forecasts.

GENERAL FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MAY 2013 FORECAST

Source	FY09 Actual	FY10 Actual	% Chg.	FY11 Actual	% Chg.	FY12 Actual	% Chg.	FY13 Budget	% Chg.	Recom. Chg.	FY13 Revised	% Chg.
Sales and Use Tax	921,823,720	897,938,873	-2.6%	923,686,973	2.9%	981,257,805	6.2%	1,006,986,404	2.6%	(22,075,658)	984,910,746	0.4%
Service Provider Tax	52,812,595	56,086,391	6.2%	52,672,306	-6.1%	48,255,501	-8.4%	53,586,812	11.0%	(4,847,102)	48,739,710	1.0%
Individual Income Tax	1,365,437,729	1,298,036,055	-4.9%	1,415,283,534	9.0%	1,434,217,189	1.3%	1,413,890,000	-1.4%	81,110,000	1,495,000,000	4.2%
Corporate Income Tax	143,085,966	175,292,433	22.5%	208,996,598	19.2%	232,117,995	11.1%	186,021,732	-19.9%	(15,000,000)	171,021,732	-26.3%
Cigarette and Tobacco Tax	144,424,712	149,066,678	3.2%	145,229,303	-2.6%	139,729,147	-3.8%	138,180,000	-1.1%	0	138,180,000	-1.1%
Insurance Companies Tax	79,770,431	80,019,145	0.3%	76,930,329	-3.9%	82,985,771	7.9%	80,715,000	-2.7%	0	80,715,000	-2.7%
Estate Tax	31,819,188	31,209,840	-1.9%	49,323,494	58.0%	44,865,567	-9.0%	64,878,175	44.6%	5,352,153	70,230,328	56.5%
Other Taxes and Fees *	148,909,575	149,592,993	0.5%	151,676,495	1.4%	131,893,407	-13.0%	151,399,353	14.8%	(505,026)	150,894,327	14.4%
Fines, Forfeits and Penalties	44,024,462	32,787,060	-25.5%	28,513,040	-13.0%	25,120,959	-11.9%	24,452,139	-2.7%	100,500	24,552,639	-2.3%
Income from Investments	1,100,129	265,091	-75.9%	277,770	4.8%	155,531	-44.0%	66,082	-57.5%	17,801	83,883	-46.1%
Transfer from Lottery Commission	49,839,434	52,201,531	4.7%	49,547,800	-5.1%	53,785,567	8.6%	52,550,000	-2.3%	0	52,550,000	-2.3%
Transfers to Tax Relief Programs *	(122,931,820)	(113,604,930)	7.6%	(113,934,585)	-0.3%	(115,336,149)	-1.2%	(112,086,562)	2.8%	0	(112,086,562)	2.8%
Transfer to Municipal Rev. Sharing	(102,160,745)	(97,425,079)	4.6%	(93,156,725)	4.4%	(96,876,964)	-4.0%	(93,076,067)	3.9%	(2,010,743)	(95,086,810)	1.8%
Other Revenue *	53,412,918	44,216,420	-17.2%	49,910,424	12.9%	53,366,896	6.9%	40,219,187	-24.6%	1,380,877	41,600,064	-22.0%
Total - General Fund Revenue	2,811,368,295	2,755,682,500	-2.0%	2,944,956,756	6.9%	3,015,538,222	2.4%	3,007,782,255	-0.3%	43,522,802	3,051,305,057	1.2%

* Additional detail provided on pages 4, 5 and 6

GENERAL FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MAY 2013 FORECAST

Source	FY14 Budget	% Chg.	Recom. Chg.	FY14 Revised	% Chg.	FY15 Budget	% Chg.	Recom. Chg.	FY15 Revised	% Chg.
Sales and Use Tax	1,043,075,568	3.6%	(20,737,387)	1,022,338,181	3.8%	1,088,095,304	4.3%	(23,821,388)	1,064,273,916	4.1%
Service Provider Tax	56,403,674	5.3%	(5,811,855)	50,591,819	3.8%	58,442,148	3.6%	(5,776,064)	52,666,084	4.1%
Individual Income Tax	1,386,440,000	-1.9%	6,554,000	1,392,994,000	-6.8%	1,438,300,000	3.7%	22,140,000	1,460,440,000	4.8%
Corporate Income Tax	207,042,188	11.3%	(21,483,609)	185,558,579	8.5%	214,288,665	3.5%	(24,833,356)	189,455,309	2.1%
Cigarette and Tobacco Tax	135,900,000	-1.7%	0	135,900,000	-1.7%	133,590,000	-1.7%	0	133,590,000	-1.7%
Insurance Companies Tax	80,715,000	0.0%	0	80,715,000	0.0%	80,715,000	0.0%	0	80,715,000	0.0%
Estate Tax	24,838,239	-61.7%	2,715,743	27,553,982	-60.8%	24,077,457	-3.1%	2,379,583	26,457,040	-4.0%
Other Taxes and Fees *	126,519,978	-16.4%	(1,117,167)	125,402,811	-16.9%	129,854,801	2.6%	(848,820)	129,005,981	2.9%
Fines, Forfeits and Penalties	24,402,754	-0.2%	0	24,402,754	-0.6%	24,397,754	0.0%	0	24,397,754	0.0%
Income from Investments	51,713	-21.7%	25,997	77,710	-7.4%	98,540	90.6%	(4,682)	93,858	20.8%
Transfer from Lottery Commission	52,550,000	0.0%	3,200,000	55,750,000	6.1%	53,600,000	2.0%	3,200,000	56,800,000	1.9%
Transfers to Tax Relief Programs *	(121,721,774)	-8.6%	0	(121,721,774)	-8.6%	(125,463,865)	-3.1%	0	(125,463,865)	-3.1%
Transfer to Municipal Rev. Sharing	(138,317,706)	-48.6%	2,486,224	(135,831,482)	-42.8%	(143,171,899)	-3.5%	1,685,600	(141,486,299)	-4.2%
Other Revenue *	36,409,629	-9.5%	378,034	36,787,663	-11.6%	34,740,767	-4.6%	1,549,379	36,290,146	-1.4%
Total - General Fund Revenue	2,914,309,263	-3.1%	(33,790,020)	2,880,519,243	-5.6%	3,011,564,672	3.3%	(24,329,748)	2,987,234,924	3.7%
								(58,119,768)		

* Additional detail provided on pages 4, 5 and 6

GENERAL FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MAY 2013 FORECAST

Source	FY16 Projections	% Chg.	Recom. Chg.	FY16 Revised	% Chg.	FY17 Projections	% Chg.	Recom. Chg.	FY17 Revised	% Chg.
Sales and Use Tax	1,136,763,189	6.8%	(27,341,248)	1,109,421,941	4.2%	1,187,937,856	4.5%	(30,815,672)	1,157,122,184	4.3%
Service Provider Tax	60,487,623	14.9%	(5,609,564)	54,878,059	4.2%	62,604,690	3.5%	(5,366,874)	57,237,816	4.3%
Individual Income Tax	1,507,450,000	3.2%	24,800,000	1,532,250,000	4.9%	1,574,810,000	4.5%	19,800,000	1,594,610,000	4.1%
Corporate Income Tax	209,574,314	10.6%	(16,708,809)	192,865,505	1.8%	201,191,341	-4.0%	(15,076,129)	186,115,212	-3.5%
Cigarette and Tobacco Tax	131,374,000	-1.7%	0	131,374,000	-1.7%	129,198,000	-1.7%	0	129,198,000	-1.7%
Insurance Companies Tax	80,715,000	0.0%	0	80,715,000	0.0%	80,715,000	0.0%	0	80,715,000	0.0%
Estate Tax	25,456,198	-3.8%	2,033,561	27,489,759	3.9%	27,246,584	7.0%	1,841,623	29,088,207	5.8%
Other Taxes and Fees *	129,215,875	0.2%	(1,065,707)	128,150,168	-0.7%	130,223,024	0.8%	(1,396,920)	128,826,104	0.5%
Fines, Forfeits and Penalties	24,397,754	0.0%	0	24,397,754	0.0%	24,397,754	0.0%	0	24,397,754	0.0%
Income from Investments	216,840	131.0%	(27,585)	189,255	101.6%	260,770	20.3%	71,968	332,738	75.8%
Transfer from Lottery Commission	54,400,000	-4.2%	3,200,000	57,600,000	1.4%	55,400,000	1.8%	3,200,000	58,600,000	1.7%
Transfers to Tax Relief Programs *	(126,935,063)	-1.2%	0	(126,935,063)	-1.2%	(132,256,656)	-4.2%	0	(132,256,656)	-4.2%
Transfer to Municipal Rev. Sharing	(148,884,039)	-5.2%	(7,301,507)	(156,185,546)	-10.4%	(154,515,089)	-3.8%	1,189,895	(153,325,194)	1.8%
Other Revenue *	34,859,576	-3.9%	1,576,144	36,435,720	0.4%	35,331,496	1.4%	1,745,201	37,076,697	1.8%
Total - General Fund Revenue	3,119,091,267	4.4%	(26,444,715)	3,092,646,552	3.5%	3,222,544,770	3.3%	(24,806,908)	3,197,737,862	3.4%
Change in Biennial Totals								(51,251,623)		

* Additional detail provided on pages 4, 5 and 6

GENERAL FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MAY 2013 FORECAST

Source	FY09 Actual	FY10 Actual	% Chg.	FY11 Actual	% Chg.	FY12 Actual	% Chg.	FY13 Budget	% Chg.	Recom. Chg.	FY13 Revised	% Chg.
Detail of Other Taxes and Fees:												
- Property Tax - Unorganized Territory	12,633,755	13,217,886	4.6%	13,381,506	1.2%	10,726,997	-19.8%	14,114,107	31.6%	(810,000)	13,304,107	24.0%
- Real Estate Transfer Tax	17,184,746	12,181,181	-29.1%	13,815,942	13.4%	8,934,936	-35.3%	9,142,526	2.3%	1,700,000	10,842,526	21.3%
- Liquor Taxes and Fees	20,844,377	20,361,554	-2.3%	21,017,177	3.2%	20,994,195	-0.1%	20,940,313	-0.3%	(237,149)	20,703,164	-1.4%
- Corporation Fees & Licenses	7,931,072	8,168,981	3.0%	8,479,743	3.8%	8,496,444	0.2%	7,847,099	-7.6%	0	7,847,099	-7.6%
- Telecommunications Personal Prop. Tax	19,536,483	17,523,926	-10.3%	17,668,244	0.8%	10,869,966	-38.5%	11,000,000	1.2%	(1,000,000)	10,000,000	-8.0%
- Finance Industry Fees	23,901,210	23,831,582	-0.3%	24,688,570	3.6%	24,692,010	0.0%	23,351,990	-5.4%	1,000,000	24,351,990	-1.4%
- Milk Handling Fee	6,605,226	10,105,521	53.0%	3,845,823	-61.9%	1,997,125	-48.1%	2,249,995	12.7%	112,506	2,362,501	18.3%
- Casino and Racino Revenue	8,730,346	10,421,318	19.4%	10,597,066	1.7%	12,374,557	16.8%	16,458,622	33.0%	(1,243,173)	15,215,449	23.0%
- Boat, ATV and Snowmobile Fees	4,262,523	4,730,068	11.0%	4,437,431	-6.2%	4,340,403	-2.2%	4,763,561	9.7%	0	4,763,561	9.7%
- Hunting and Fishing License Fees	15,378,849	16,277,082	5.8%	15,863,627	-2.5%	15,874,952	0.1%	16,214,189	2.1%	0	16,214,189	2.1%
- Other Miscellaneous Taxes and Fees	11,900,988	12,773,892	7.3%	17,881,366	40.0%	12,591,823	-29.6%	25,316,951	101.1%	(27,210)	25,289,741	100.8%
Subtotal - Other Taxes and Fees	148,909,575	149,592,993	0.5%	151,676,495	1.4%	131,893,407	-13.0%	151,399,353	14.8%	(505,026)	150,894,327	14.4%
Detail of Other Revenue:												
- Liquor Sales and Operations	6,220,864	6,784,941	9.1%	7,311,603	7.8%	8,049,429	10.1%	8,084,900	0.4%	640,309	8,725,209	8.4%
- Targeted Case Management (HHS)	13,946,371	19,490,000	39.7%	16,574,218	-15.0%	4,648,953	-72.0%	2,105,386	-54.7%	0	2,105,386	-54.7%
- State Cost Allocation Program	16,104,670	16,008,673	-0.6%	14,408,283	-10.0%	13,652,052	-5.2%	16,115,330	18.0%	0	16,115,330	18.0%
- Unclaimed Property Transfer	13,212,409	5,855,999	-55.7%	2,333,420	-60.2%	7,517,760	222.2%	6,000,000	-20.2%	0	6,000,000	-20.2%
- Tourism Transfer	(9,068,407)	(9,022,023)	0.5%	(9,048,877)	-0.3%	(9,419,745)	-4.1%	(9,932,319)	-5.4%	0	(9,932,319)	-5.4%
- Transfer to Maine Milk Pool	(11,810,960)	(13,349,600)	-13.0%	(4,249,777)	68.2%	(1,602,708)	62.3%	(2,007,657)	-25.3%	693,640	(1,314,017)	18.0%
- Transfer to STAR Transportation Fund	0	(3,134,861)	N/A	(3,100,352)	1.1%	(3,196,872)	-3.1%	(6,137,811)	-92.0%	0	(6,137,811)	-92.0%
- Other Miscellaneous Revenue	24,807,971	21,583,291	-13.0%	25,681,907	19.0%	33,718,027	31.3%	25,991,358	-22.9%	46,928	26,038,286	-22.8%
Subtotal - Other Revenue	53,412,918	44,216,420	-17.2%	49,910,424	12.9%	53,366,896	6.9%	40,219,187	-24.6%	1,380,877	41,600,064	-22.0%
Detail of Transfers to Tax Relief Programs:												
- Maine Resident Property Tax Program	(48,751,672)	(40,851,593)	16.2%	(41,449,010)	-1.5%	(43,411,086)	-4.7%	(43,081,877)	0.8%	0	(43,081,877)	0.8%
- BETR - Business Equipment Tax Reimb.	(66,009,487)	(58,198,436)	11.8%	(55,220,851)	5.1%	(52,805,042)	4.4%	(47,632,583)	9.8%	0	(47,632,583)	9.8%
- BETE - Municipal Bus. Equip. Tax Reiml	(8,170,661)	(14,554,901)	-78.1%	(17,264,724)	-18.6%	(19,120,021)	-10.7%	(21,372,102)	-11.8%	0	(21,372,102)	-11.8%
Subtotal - Tax Relief Transfers	(122,931,820)	(113,604,930)	7.6%	(113,934,585)	-0.3%	(115,336,149)	-1.2%	(112,086,562)	2.8%	0	(112,086,562)	2.8%
IF&W Total Revenue **	20,579,500	22,039,520	7.1%	21,425,573	-2.8%	21,347,429	-0.4%	21,894,711	2.6%	(3,376)	21,891,335	2.5%

** IF&W Revenue is a component of the Other Revenue line but is not included in the Detail of Other Revenue because it includes Other Revenue classified above.

GENERAL FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MAY 2013 FORECAST

Source	FY14 Budget	% Chg.	Recom. Chg.	FY14 Revised	% Chg.	FY15 Budget	% Chg.	Recom. Chg.	FY15 Revised	% Chg.
Detail of Other Taxes and Fees:										
- Property Tax - Unorganized Territory	13,584,806	-3.8%	0	13,584,806	2.1%	13,949,984	2.7%	0	13,949,984	2.7%
- Real Estate Transfer Tax	6,447,662	-29.5%	463,374	6,911,036	-36.3%	9,291,063	44.1%	592,848	9,883,911	43.0%
- Liquor Taxes and Fees	20,690,313	-1.2%	(237,149)	20,453,164	-1.2%	20,734,464	0.2%	(237,149)	20,497,315	0.2%
- Corporation Fees & Licenses	7,847,099	0.0%	0	7,847,099	0.0%	7,847,099	0.0%	0	7,847,099	0.0%
- Telecommunications Personal Prop. Tax	11,000,000	0.0%	(1,000,000)	10,000,000	0.0%	11,000,000	0.0%	(1,000,000)	10,000,000	0.0%
- Finance Industry Fees	23,351,990	0.0%	500,000	23,851,990	-2.1%	23,351,990	0.0%	500,000	23,851,990	0.0%
- Milk Handling Fee	1,105,967	-50.8%	0	1,105,967	-53.2%	1,105,967	0.0%	0	1,105,967	0.0%
- Casino and Racino Revenue	9,719,816	-40.9%	(912,098)	8,807,718	-42.1%	9,801,084	0.8%	(773,225)	9,027,859	2.5%
- Boat, ATV and Snowmobile Fees	4,763,561	0.0%	0	4,763,561	0.0%	4,763,561	0.0%	0	4,763,561	0.0%
- Hunting and Fishing License Fees	16,214,189	0.0%	0	16,214,189	0.0%	16,214,189	0.0%	0	16,214,189	0.0%
- Other Miscellaneous Taxes and Fees	11,794,575	-53.4%	68,706	11,863,281	-53.1%	11,795,400	0.0%	68,706	11,864,106	0.0%
Subtotal - Other Taxes and Fees	126,519,978	-16.4%	(1,117,167)	125,402,811	-16.9%	129,854,801	2.6%	(848,820)	129,005,981	2.9%
Detail of Other Revenue:										
- Liquor Sales and Operations	8,407,196	4.0%	0	8,407,196	-3.6%	8,742,384	4.0%	0	8,742,384	4.0%
- Targeted Case Management (HHS)	2,112,332	0.3%	0	2,112,332	0.3%	2,103,916	-0.4%	0	2,103,916	-0.4%
- State Cost Allocation Program	15,000,000	-6.9%	0	15,000,000	-6.9%	15,000,000	0.0%	0	15,000,000	0.0%
- Unclaimed Property Transfer	6,000,000	0.0%	0	6,000,000	0.0%	6,000,000	0.0%	0	6,000,000	0.0%
- Tourism Transfer	(10,304,650)	-3.7%	20,900	(10,283,750)	-3.5%	(10,665,175)	-3.5%	432,583	(10,232,592)	0.5%
- Transfer to Maine Milk Pool	(503,682)	74.9%	416,432	(87,250)	93.4%	(2,042,809)	-305.6%	1,176,094	(866,715)	-893.4%
- Transfer to STAR Transportation Fund	(6,222,258)	-1.4%	100,000	(6,122,258)	0.3%	(6,287,481)	-1.0%	100,000	(6,187,481)	-1.1%
- Other Miscellaneous Revenue	21,920,691	-15.7%	(159,298)	21,761,393	-16.4%	21,889,932	-0.1%	(159,298)	21,730,634	-0.1%
Subtotal - Other Revenue	36,409,629	-9.5%	378,034	36,787,663	-11.6%	34,740,767	-4.6%	1,549,379	36,290,146	-1.4%
Detail of Transfers to Tax Relief Programs:										
- Maine Resident Property Tax Program	(56,696,276)	-31.6%	0	(56,696,276)	-31.6%	(59,510,503)	-5.0%	0	(59,510,503)	-5.0%
- BETR - Business Equipment Tax Reimb.	(42,450,000)	10.9%	0	(42,450,000)	10.9%	(38,850,000)	8.5%	0	(38,850,000)	8.5%
- BETE - Municipal Bus. Equip. Tax Reimb.	(22,575,498)	-5.6%	0	(22,575,498)	-5.6%	(27,103,362)	-20.1%	0	(27,103,362)	-20.1%
Subtotal - Tax Relief Transfers	(121,721,774)	-8.6%	0	(121,721,774)	-8.6%	(125,463,865)	-3.1%	0	(125,463,865)	-3.1%
IF&W Total Revenue **	21,888,254	0.0%	(3,376)	21,884,878	0.0%	21,887,079	0.0%	(3,376)	21,883,703	0.0%

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GENERAL FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MAY 2013 FORECAST

Source	FY16 Projections	% Chg.	Recom. Chg.	FY16 Revised	% Chg.	FY17 Projections	% Chg.	Recom. Chg.	FY17 Revised	% Chg.
Detail of Other Taxes and Fees:										
- Property Tax - Unorganized Territory	14,225,984	2.0%	0	14,225,984	2.0%	14,513,169	2.0%	0	14,513,169	2.0%
- Real Estate Transfer Tax	8,242,881	-16.6%	383,691	8,626,572	-12.7%	8,818,599	7.0%	60,288	8,878,887	2.9%
- Liquor Taxes and Fees	20,779,464	1.4%	(237,149)	20,542,315	0.2%	20,824,464	0.2%	(237,149)	20,587,315	0.2%
- Corporation Fees & Licenses	7,847,099	0.0%	0	7,847,099	0.0%	7,847,099	0.0%	0	7,847,099	0.0%
- Telecommunications Personal Prop. Tax	11,000,000	10.0%	(1,000,000)	10,000,000	0.0%	11,000,000	0.0%	(1,000,000)	10,000,000	0.0%
- Finance Industry Fees	23,351,990	-2.1%	500,000	23,851,990	0.0%	23,351,990	0.0%	500,000	23,851,990	0.0%
- Milk Handling Fee	1,105,967	0.0%	0	1,105,967	0.0%	1,105,967	0.0%	0	1,105,967	0.0%
- Casino and Racino Revenue	9,899,853	9.7%	(780,955)	9,118,898	1.0%	9,999,612	1.0%	(788,765)	9,210,847	1.0%
- Boat, ATV and Snowmobile Fees	4,763,561	0.0%	0	4,763,561	0.0%	4,763,561	0.0%	0	4,763,561	0.0%
- Hunting and Fishing License Fees	16,214,189	0.0%	0	16,214,189	0.0%	16,214,189	0.0%	0	16,214,189	0.0%
- Other Miscellaneous Taxes and Fees	11,784,887	-0.7%	68,706	11,853,593	-0.1%	11,784,374	0.0%	68,706	11,853,080	0.0%
Subtotal - Other Taxes and Fees	129,215,875	0.2%	(1,065,707)	128,150,168	-0.7%	130,223,024	0.8%	(1,396,920)	128,826,104	0.5%
Detail of Other Revenue:										
- Liquor Sales and Operations	8,916,500	2.0%	0	8,916,500	2.0%	9,094,500	2.0%	0	9,094,500	2.0%
- Targeted Case Management (HHS)	2,103,916	0.0%	0	2,103,916	0.0%	2,103,916	0.0%	0	2,103,916	0.0%
- State Cost Allocation Program	15,000,000	0.0%	0	15,000,000	0.0%	15,000,000	0.0%	0	15,000,000	0.0%
- Unclaimed Property Transfer	6,000,000	0.0%	0	6,000,000	0.0%	6,000,000	0.0%	0	6,000,000	0.0%
- Tourism Transfer	(11,054,200)	-8.0%	459,235	(10,594,965)	-3.5%	(11,606,910)	-5.0%	628,178	(10,978,732)	-3.6%
- Transfer to Maine Milk Pool	(2,040,266)	-135.4%	1,176,207	(864,059)	0.3%	(2,037,698)	0.1%	1,176,321	(861,377)	0.3%
- Transfer to STAR Transportation Fund	(6,350,356)	-2.6%	100,000	(6,250,356)	-1.0%	(6,413,859)	-1.0%	100,000	(6,313,859)	-1.0%
- Other Miscellaneous Revenue	22,283,982	2.5%	(159,298)	22,124,684	1.8%	23,191,547	4.1%	(159,298)	23,032,249	4.1%
Subtotal - Other Revenue	34,859,576	-3.9%	1,576,144	36,435,720	0.4%	35,331,496	1.4%	1,745,201	37,076,697	1.8%
Detail of Transfers to Tax Relief Programs:										
- Maine Resident Property Tax Program	(60,163,125)	-1.1%	0	(60,163,125)	-1.1%	(63,308,316)	-5.2%	0	(63,308,316)	-5.2%
- BETR - Business Equipment Tax Reimb.	(35,000,000)	9.9%	0	(35,000,000)	9.9%	(32,000,000)	8.6%	0	(32,000,000)	8.6%
- BETE - Municipal Bus. Equip. Tax Reimb.	(31,771,938)	-17.2%	0	(31,771,938)	-17.2%	(36,948,340)	-16.3%	0	(36,948,340)	-16.3%
Subtotal - Tax Relief Transfers	(126,935,063)	-1.2%	0	(126,935,063)	-1.2%	(132,256,656)	-4.2%	0	(132,256,656)	-4.2%
IF&W Total Revenue **	21,886,566	0.0%	(3,376)	21,883,190	0.0%	22,121,208	1.1%	(3,376)	22,117,832	1.1%

** IF&W Revenue is a component of the Other Revenue line but is not included in the Detail of Other Revenue because it includes Other Revenue classified above.

HIGHWAY FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MAY 2013 FORECAST

Source	FY09 Actual	FY10 Actual	% Chg.	FY11 Actual	% Chg.	FY12 Actual	% Chg.	FY13 Budget	% Chg.	Recom. Chg.	FY13 Revised	% Chg.
Fuel Taxes												
- Gasoline Tax	178,960,918	196,559,480	9.8%	194,958,019	-0.8%	196,418,900	0.7%	194,210,000	-1.1%	(2,500,000)	191,710,000	-2.4%
- Special Fuel and Road Use Taxes	41,811,377	45,227,703	8.2%	44,588,438	-1.4%	45,804,718	2.7%	45,180,000	-1.4%	(1,500,000)	43,680,000	-4.6%
- Transcap Transfers - Fuel Taxes	0	(17,631,888)	N/A	(17,554,820)	0.4%	(17,746,710)	1.1%	(17,590,004)	0.9%	295,311	(17,294,693)	2.5%
- Other Fund Gasoline Tax Distributions	(4,556,751)	(4,964,589)	-9.0%	(4,957,745)	0.1%	(5,013,790)	1.1%	(4,856,610)	3.1%	62,518	(4,794,092)	4.4%
Subtotal - Fuel Taxes	216,215,544	219,190,706	1.4%	217,033,892	-1.0%	219,463,118	1.1%	216,943,386	-1.1%	(3,642,171)	213,301,215	-2.8%
Motor Vehicle Registration and Fees												
- Motor Vehicle Registration Fees	62,630,817	64,601,757	3.1%	65,067,731	0.7%	65,342,628	0.4%	64,805,936	-0.8%	19,837	64,825,773	-0.8%
- License Plate Fees	3,232,451	3,436,943	6.3%	3,424,536	-0.4%	3,476,000	1.5%	3,351,681	-3.6%	0	3,351,681	-3.6%
- Long-term Trailer Registration Fees	7,450,990	7,884,523	5.8%	9,792,983	24.2%	9,436,350	-3.6%	9,384,523	-0.5%	0	9,384,523	-0.5%
- Title Fees	9,780,026	10,846,661	10.9%	11,261,301	3.8%	12,074,653	7.2%	17,836,273	47.7%	913,266	18,749,539	55.3%
- Motor Vehicle Operator License Fees	8,489,006	5,820,958	-31.4%	6,112,149	5.0%	8,358,214	36.7%	8,761,371	4.8%	(240,116)	8,521,255	2.0%
- Transcap Transfers - Motor Vehicle Fees	0	(14,823,141)	N/A	(14,817,460)	0.0%	(15,124,443)	-2.1%	(16,764,002)	-10.8%	(283,280)	(17,047,282)	-12.7%
Subtotal - Motor Vehicle Reg. & Fees	91,583,289	77,767,700	-15.1%	80,841,240	4.0%	83,563,402	3.4%	87,375,782	4.6%	409,707	87,785,489	5.1%
Motor Vehicle Inspection Fees	2,975,807	2,810,679	-5.5%	2,977,702	5.9%	2,997,953	0.7%	2,982,500	-0.5%	0	2,982,500	-0.5%
Other Highway Fund Taxes and Fees	1,392,598	1,338,193	-3.9%	1,358,167	1.5%	1,361,886	0.3%	1,276,365	-6.3%	0	1,276,365	-6.3%
Fines, Forfeits and Penalties	1,785,197	1,440,062	-19.3%	1,145,044	-20.5%	1,044,271	-8.8%	1,039,868	-0.4%	0	1,039,868	-0.4%
Income from Investments	480,419	162,488	-66.2%	124,518	-23.4%	141,082	13.3%	124,642	-11.7%	(25,129)	99,513	-29.5%
Other Highway Fund Revenues	9,809,296	8,480,545	-13.5%	7,870,593	-7.2%	8,630,697	9.7%	9,123,222	5.7%	(202,560)	8,920,662	3.4%
Total - Highway Fund Revenue	324,242,149	311,190,374	-4.0%	311,351,155	0.1%	317,202,409	1.9%	318,865,765	0.5%	(3,460,153)	315,405,612	-0.6%

HIGHWAY FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MAY 2013 FORECAST

Source	FY14 Budget	% Chg.	Recom. Chg.	FY14 Revised	% Chg.	FY15 Budget	% Chg.	Recom. Chg.	FY15 Revised	% Chg.
Fuel Taxes										
- Gasoline Tax	191,280,000	-1.5%	(2,500,000)	188,780,000	-1.5%	190,410,000	-0.5%	(2,500,000)	187,910,000	-0.5%
- Special Fuel and Road Use Taxes	44,480,000	-1.5%	(1,500,000)	42,980,000	-1.6%	44,110,000	-0.8%	(1,500,000)	42,610,000	-0.9%
- Transcap Transfers - Fuel Taxes	(17,323,250)	-1.5%	295,311	(17,027,939)	1.5%	(17,231,882)	0.5%	295,311	(16,936,571)	0.5%
- Other Fund Gasoline Tax Distributions	(4,783,339)	-1.5%	62,518	(4,720,821)	1.5%	(4,761,582)	0.5%	62,518	(4,699,064)	0.5%
Subtotal - Fuel Taxes	213,653,411	-1.5%	(3,642,171)	210,011,240	-1.5%	212,526,536	-0.5%	(3,642,171)	208,884,365	-0.5%
Motor Vehicle Registration and Fees										
- Motor Vehicle Registration Fees	64,805,936	0.0%	0	64,805,936	0.0%	64,805,936	0.0%	0	64,805,936	0.0%
- License Plate Fees	3,351,681	0.0%	0	3,351,681	0.0%	3,351,681	0.0%	0	3,351,681	0.0%
- Long-term Trailer Registration Fees	9,384,523	0.0%	0	9,384,523	0.0%	9,384,523	0.0%	0	9,384,523	0.0%
- Title Fees	12,417,140	-30.4%	0	12,417,140	-33.8%	12,702,734	2.3%	0	12,702,734	2.3%
- Motor Vehicle Operator License Fees	8,492,320	-3.1%	(50,116)	8,442,204	-0.9%	7,395,998	-12.9%	(50,116)	7,345,882	-13.0%
- Transcap Transfers - Motor Vehicle Fees	(15,118,567)	9.8%	0	(15,118,567)	11.3%	(15,203,284)	-0.6%	0	(15,203,284)	-0.6%
Subtotal - Motor Vehicle Reg. & Fees	83,333,033	-4.6%	(50,116)	83,282,917	-5.1%	82,437,588	-1.1%	(50,116)	82,387,472	-1.1%
Motor Vehicle Inspection Fees	2,982,500	0.0%	0	2,982,500	0.0%	2,982,500	0.0%	0	2,982,500	0.0%
Other Highway Fund Taxes and Fees	1,313,165	2.9%	0	1,313,165	2.9%	1,276,365	-2.8%	0	1,276,365	-2.8%
Fines, Forfeits and Penalties	1,039,868	0.0%	0	1,039,868	0.0%	1,039,868	0.0%	0	1,039,868	0.0%
Income from Investments	122,453	-1.8%	(23,018)	99,435	-0.1%	225,181	83.9%	(112,159)	113,022	13.7%
Other Highway Fund Revenues	9,210,821	1.0%	(161,937)	9,048,884	1.4%	9,251,981	0.4%	(161,937)	9,090,044	0.5%
Total - Highway Fund Revenue	311,655,251	-2.3%	(3,877,242)	307,778,009	-2.4%	309,740,019	-0.6%	(3,966,383)	305,773,636	-0.7%
								(7,843,625)		

HIGHWAY FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MAY 2013 FORECAST

Source	FY16 Projections	% Chg.	Recom. Chg.	FY16 Revised	% Chg.	FY17 Projections	% Chg.	Recom. Chg.	FY17 Revised	% Chg.
Fuel Taxes										
- Gasoline Tax	190,030,000	1.1%	(2,500,000)	187,530,000	-0.2%	189,650,000	-0.2%	(2,500,000)	187,150,000	-0.2%
- Special Fuel and Road Use Taxes	43,890,000	3.0%	(1,500,000)	42,390,000	-0.5%	43,670,000	-0.5%	(1,500,000)	42,170,000	-0.5%
- Transcap Transfers - Fuel Taxes	(17,187,594)	-1.5%	295,311	(16,892,283)	0.3%	(17,143,307)	0.3%	295,311	(16,847,996)	0.3%
- Other Fund Gasoline Tax Distributions	(4,752,080)	-1.1%	62,517	(4,689,563)	0.2%	(4,742,577)	0.2%	62,517	(4,680,060)	0.2%
Subtotal - Fuel Taxes	211,980,326	1.5%	(3,642,172)	208,338,154	-0.3%	211,434,116	-0.3%	(3,642,172)	207,791,944	-0.3%
Motor Vehicle Registration and Fees										
- Motor Vehicle Registration Fees	64,805,936	0.0%	0	64,805,936	0.0%	64,805,936	0.0%	0	64,805,936	0.0%
- License Plate Fees	3,351,681	0.0%	0	3,351,681	0.0%	3,351,681	0.0%	0	3,351,681	0.0%
- Long-term Trailer Registration Fees	9,384,523	0.0%	0	9,384,523	0.0%	9,384,523	0.0%	0	9,384,523	0.0%
- Title Fees	12,702,734	0.0%	0	12,702,734	0.0%	12,702,734	0.0%	0	12,702,734	0.0%
- Motor Vehicle Operator License Fees	7,395,998	0.7%	(50,116)	7,345,882	0.0%	7,395,997	0.0%	(50,116)	7,345,881	0.0%
- Transcap Transfers - Motor Vehicle Fees	(15,203,284)	0.0%	0	(15,203,284)	0.0%	(15,203,284)	0.0%	0	(15,203,284)	0.0%
Subtotal - Motor Vehicle Reg. & Fees	82,437,588	0.1%	(50,116)	82,387,472	0.0%	82,437,587	0.0%	(50,116)	82,387,471	0.0%
Motor Vehicle Inspection Fees	2,982,500	0.0%	0	2,982,500	0.0%	2,982,500	0.0%	0	2,982,500	0.0%
Other Highway Fund Taxes and Fees	1,276,365	0.0%	0	1,276,365	0.0%	1,276,365	0.0%	0	1,276,365	0.0%
Fines, Forfeits and Penalties	1,039,868	0.0%	0	1,039,868	0.0%	1,039,868	0.0%	0	1,039,868	0.0%
Income from Investments	397,752	251.9%	(106,086)	291,666	158.1%	453,407	14.0%	4,898	458,305	57.1%
Other Highway Fund Revenues	9,251,981	1.8%	(161,937)	9,090,044	0.0%	9,251,981	0.0%	(161,937)	9,090,044	0.0%
Total - Highway Fund Revenue	309,366,380	1.2%	(3,960,311)	305,406,069	-0.1%	308,875,824	-0.2%	(3,849,327)	305,026,497	-0.1%
Change in Biennial Totals								(7,809,638)		

FUND FOR A HEALTHY MAINE (FHM) REVENUE (TOBACCO SETTLEMENT REVENUE)

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MAY 2013 FORECAST

Source	FY09 Actual	FY10 Actual	% Chg.	FY11 Actual	% Chg.	FY12 Actual	% Chg.	FY13 Budget	% Chg.	Recom. Chg.	FY13 Revised	% Chg.
Tobacco Settlement Payments:												
- Base Payments	52,579,385	43,756,453	-16.8%	41,484,712	-5.2%	42,306,831	2.0%	41,024,383	-3.0%	1,512,073	42,536,456	0.5%
- Strategic Contribution Payments	10,799,369	9,375,838	-13.2%	8,544,647	-8.9%	8,702,217	1.8%	8,450,202	-2.9%	0	8,450,202	-2.9%
Racino Revenue *	4,981,163	4,500,000	-9.7%	4,500,000	0.0%	4,500,000	0.0%	0	-100.0%	0	0	-100.0%
Income from Investments	49,819	20,511	-58.8%	2,494	-87.8%	7,858	215.0%	5,067	-35.5%	(598)	4,469	-43.1%
Attorney General Reimbursements and Other Income **	0	(92,660)	N/A	(145,147)	-56.6%	0	100.0%	0	N/A	0	0	N/A
Total - FHM Revenue	68,409,736	57,560,142	-15.9%	54,386,707	-5.5%	55,516,906	2.1%	49,479,652	-10.9%	1,511,475	50,991,127	-8.2%

* Racino Revenue reflects that portion of the State's share of proceeds from slot machines at commercial race tracks designated for the Fund for a Healthy Maine. For fiscal years 2009-10, 2010-11, and 2011-12, PL 2009, c. 462, Pt. H. caps the proceeds transferred to the Fund for a Healthy Maine at \$4.5 million per year, with the balance transferred to the General Fund. PL 2011 c. 380, Part II extended the \$4.5 million cap through 2012-13. PL 2011 c. 477 re-directed \$2 million of the 2012-13 transfer to the General Fund and PL 2011, c. 657 re-directed the remaining \$2.5 million of the 2012-13 transfer to the General Fund.

** Beginning in FY10, this category reflects revenue transfers from the Fund for a Healthy Maine to General Fund undedicated revenue to offset revenue reductions from the implementation of PL 2007, c. 467, which limited the sale of certain flavored cigars and cigarettes beginning July 1, 2009. PL 2011 c. 380, Part II eliminated this transfer effective July 1, 2011.

FUND FOR A HEALTHY MAINE (FHM) REVENUE (TOBACCO SETTLEMENT REVENUE)

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MAY 2013 FORECAST

Source	FY14 Budget	% Chg.	Recom. Chg.	FY14 Revised	% Chg.	FY15 Budget	% Chg.	Recom. Chg.	FY15 Revised	% Chg.
Tobacco Settlement Payments:										
- Base Payments	40,587,014	-1.1%	0	40,587,014	-4.6%	40,154,309	-1.1%	0	40,154,309	-1.1%
- Strategic Contribution Payments	8,359,943	-1.1%	0	8,359,943	-1.1%	8,270,648	-1.1%	0	8,270,648	-1.1%
Racino Revenue *	4,946,587	N/A	(471,981)	4,474,606	N/A	5,001,109	1.1%	(378,321)	4,622,788	3.3%
Income from Investments	5,768	13.8%	(2,137)	3,631	-18.8%	8,764	51.9%	(3,674)	5,090	40.2%
Attorney General Reimbursements and Other Income **	0	N/A	0	0	N/A	0	N/A	0	0	N/A
Total - FHM Revenue	53,899,312	8.9%	(474,118)	53,425,194	4.8%	53,434,830	-0.9%	(381,995)	53,052,835	-0.7%
Change in Biennial Totals								(856,113)		

* Racino Revenue reflects that portion of the State's share of proceeds from slot machines at commercial race tracks designated for the Fund for a Healthy Maine. For fiscal years 2009-10, 2010-11, and 2011-12, PL 2009, c. 462, Pt. H. caps the proceeds transferred to the Fund for a Healthy Maine at \$4.5 million per year, with the balance transferred to the General Fund. PL 2011 c. 380, Part II extended the \$4.5 million cap through 2012-13. PL 2011 c. 477 re-directed \$2 million of the 2012-13 transfer to the General Fund and PL 2011, c. 657 re-directed the remaining \$2.5 million of the 2012-13 transfer to the General Fund.

** Beginning in FY10, this category reflects revenue transfers from the Fund for a Healthy Maine to General Fund undedicated revenue to offset revenue reductions from the implementation of PL 2007, c. 467, which limited the sale of certain flavored cigars and cigarettes beginning July 1, 2009. PL 2011 c. 380, Part II eliminated this transfer effective July 1, 2011.

FUND FOR A HEALTHY MAINE (FHM) REVENUE (TOBACCO SETTLEMENT REVENUE)

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MAY 2013 FORECAST

Source	FY16 Projections	% Chg.	Recom. Chg.	FY16 Revised	% Chg.	FY17 Projections	% Chg.	Recom. Chg.	FY17 Revised	% Chg.
Tobacco Settlement Payments:										
- Base Payments	39,726,217	-1.1%	0	39,726,217	-1.1%	39,302,688	-1.1%	0	39,302,688	-1.1%
- Strategic Contribution Payments	8,182,307	-1.1%	0	8,182,307	-1.1%	8,094,910	-1.1%	0	8,094,910	-1.1%
Racino Revenue *	5,051,120	9.3%	(382,104)	4,669,016	1.0%	5,101,631	1.0%	(385,925)	4,715,706	1.0%
Income from Investments	15,299	200.6%	(1,814)	13,485	164.9%	15,776	3.1%	2,173	17,949	33.1%
Attorney General Reimbursements and Other Income **	0	N/A	0	0	N/A	0	N/A	0	0	N/A
Total - FHM Revenue	52,974,943	-0.1%	(383,918)	52,591,025	-0.9%	52,515,005	-0.9%	(383,752)	52,131,253	-0.9%
Change in Biennial Totals								(767,670)		

* Racino Revenue reflects that portion of the State's share of proceeds from slot machines at commercial race tracks designated for the Fund for a Healthy Maine. For fiscal years 2009-10, 2010-11, and 2011-12, PL 2009, c. 462, Pt. H. caps the proceeds transferred to the Fund for a Healthy Maine at \$4.5 million per year, with the balance transferred to the General Fund. PL 2011 c. 380, Part II extended the \$4.5 million cap through 2012-13. PL 2011 c. 477 re-directed \$2 million of the 2012-13 transfer to the General Fund and PL 2011, c. 657 re-directed the remaining \$2.5 million of the 2012-13 transfer to the General Fund.

** Beginning in FY10, this category reflects revenue transfers from the Fund for a Healthy Maine to General Fund undedicated revenue to offset revenue reductions from the implementation of PL 2007, c. 467, which limited the sale of certain flavored cigars and cigarettes beginning July 1, 2009. PL 2011 c. 380, Part II eliminated this transfer effective July 1, 2011.

MEDICAID/MAINECARE DEDICATED REVENUE TAXES
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MAY 2013 FORECAST

Source	FY09 Actual	FY10 Actual	% Chg.	FY11 Actual	% Chg.	FY12 Actual	% Chg.	FY13 Budget	% Chg.	Recom. Chg.	FY13 Revised	% Chg.
Nursing Facility Tax*	28,777,390	32,403,540	12.6%	31,728,140	-2.1%	34,073,327	7.4%	35,349,317	3.7%	0	35,349,317	3.7%
Residential Treatment Facility (ICFs/MR) Tax*	1,572,670	1,859,374	18.2%	1,817,768	-2.2%	2,113,206	16.3%	2,028,408	-4.0%	(57,962)	1,970,446	-6.8%
Hospital Tax **	69,958,821	70,140,794	0.3%	80,595,499	14.9%	80,909,981	0.4%	81,386,215	0.6%	0	81,386,215	0.6%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)***	37,720,482	35,609,109	-5.6%	33,880,370	-4.9%	34,829,087	2.8%	35,609,109	2.2%	(1,040,109)	34,569,000	-0.7%
Total - Health Care Provider Taxes	138,029,363	140,012,817	1.4%	148,021,777	5.7%	151,925,600	2.6%	154,373,049	1.6%	(1,098,071)	153,274,978	0.9%

* The nursing facility and residential treatment facility tax rates were decreased in PL 2007, c. 539, Part X from 6.0% to 5.5% beginning in FY09 consistent with federal law. PL 2011, c. 411 increases the rates back to 6% effective October 1, 2011 consistent with federal law.

** The hospital tax base year was modified again in PL 2007, c. 545, to hospital fiscal years ending during calendar year 2006 beginning in FY 09; and again in PL 2009, c. 571 to hospital fiscal years ending during calendar year 2008 beginning in FY 11.

*** The MaineCare service provider tax was expanded in FY06 to include: community support services (effective 6/29/05), day habilitation services (effective 7/1/05), personal support services (effective 7/1/05) and residential training services (effective 7/1/05)

MEDICAID/MAINECARE DEDICATED REVENUE TAXES
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MAY 2013 FORECAST

Source	FY14 Budget	% Chg.	Recom. Chg.	FY14 Revised	% Chg.	FY15 Budget	% Chg.	Recom. Chg.	FY15 Revised	% Chg.
Nursing Facility Tax*	35,349,317	0.0%	0	35,349,317	0.0%	35,349,317	0.0%	0	35,349,317	0.0%
Residential Treatment Facility (ICFs/MR) Tax*	2,028,408	0.0%	(57,962)	1,970,446	0.0%	2,028,408	0.0%	(57,962)	1,970,446	0.0%
Hospital Tax **	81,386,215	0.0%	0	81,386,215	0.0%	81,386,215	0.0%	0	81,386,215	0.0%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	35,609,109	0.0%	(1,040,109)	34,569,000	0.0%	35,609,109	0.0%	(1,040,109)	34,569,000	0.0%
Total - Health Care Provider Taxes	154,373,049	0.0%	(1,098,071)	153,274,978	0.0%	154,373,049	0.0%	(1,098,071)	153,274,978	0.0%
Change in Biennial Totals								(2,196,142)		

* The nursing facility and residential treatment facility tax rates were decreased in PL 2007, c. 539, Part X from 6.0% to 5.5% beginning in FY09 consistent with federal law. PL 2011, c. 411 increases the rates back to 6% effective October 1, 2011 consistent with federal law.

** The hospital tax base year was modified again in PL 2007, c. 545, to hospital fiscal years ending during calendar year 2006 beginning in FY 09; and again in PL 2009, c. 571 to hospital fiscal years ending during calendar year 2008 beginning in FY 11.

MEDICAID/MAINECARE DEDICATED REVENUE TAXES
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MAY 2013 FORECAST

Source	FY 16 Projections	% Chg.	Recom. Chg.	FY16 Revised	% Chg.	FY 17 Projections	% Chg.	Recom. Chg.	FY17 Revised	% Chg.
Nursing Facility Tax*	35,349,317	0.0%	0	35,349,317	0.0%	35,349,317	0.0%	0	35,349,317	0.0%
Residential Treatment Facility (ICFs/MR) Tax*	2,028,408	0.0%	(57,962)	1,970,446	0.0%	2,028,408	0.0%	(57,962)	1,970,446	0.0%
Hospital Tax **	81,386,215	0.0%	0	81,386,215	0.0%	81,386,215	0.0%	0	81,386,215	0.0%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	35,609,109	0.0%	(1,040,109)	34,569,000	0.0%	35,609,109	0.0%	(1,040,109)	34,569,000	0.0%
Total - Health Care Provider Taxes	154,373,049	0.0%	(1,098,071)	153,274,978	0.0%	154,373,049	0.0%	(1,098,071)	153,274,978	0.0%
Change in Biennial Totals								(2,196,142)		

* The nursing facility and residential treatment facility tax rates were decreased in PL 2007, c. 539, Part X from 6.0% to 5.5% beginning in FY09 consistent with federal law. PL 2011, c. 411 increases the rates back to 6% effective October 1, 2011 consistent with federal law.

** The hospital tax base year was modified again in PL 2007, c. 545, to hospital fiscal years ending during calendar year 2006 beginning in FY 09; and again in PL 2009, c. 571 to hospital fiscal years ending during calendar year 2008 beginning in FY 11.



APPENDIX E

Economic Background Information

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**Report of the
CONSENSUS ECONOMIC FORECASTING COMMISSION
April 1, 2013**

Commissioners

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Chief Executive Officer
Goold Health Systems

Gradon R. Haehnel
Manager of Engineering & Asset Management
Bangor Hydro Electric / Maine Public Service

Joel D. Johnson
Economist
Maine Center for Economic Policy

J. Scott Moody
Chief Executive Officer
Maine Heritage Policy Center

Eric N. Stinneford
Vice President – Controller, Treasurer & Clerk
Central Maine Power

Summary

The Maine Consensus Economic Forecasting Commission (CEFC) convened on March 26, 2013, and followed up briefly on March 28, 2013, to review and revise the November 2012 forecast. This report provides a summary of the Commission's findings.

National and state economic indicators suggest a continued lack of improvement in economic conditions since the CEFC met in October 2012. Maine's coincident economic activity index decreased in the three months ending in December and remains below pre-recession levels. Most states saw growth over the three months ending in December. Nationwide, consumer sentiment and small business optimism are down over year-ago levels. Personal income in Maine grew 3.5% year-over-year in the first three quarters of 2012, while wage and salary income grew 2.1% over the same period. The Consumer Price Index was 2.0% higher in February 2013 than it was in February 2012.

The price of crude oil declined 4.5% in the fourth quarter of 2012 to \$88 per barrel. Home sales in Maine were up 21% in January 2013 compared to January 2012. Month-over-month, housing permits in Maine grew 38% in January. The median home price in the Portland Metropolitan Statistical Area (York, Cumberland, and Sagadahoc Counties) increased 4.6% year-over-year in the fourth quarter of 2012. Mortgage delinquency rates remain well above pre-recession levels but below peak crisis levels. The foreclosure rate in Maine increased in the third quarter of 2012 and remains well above pre-recession levels.

While Congress and the president succeeded in coming to agreement on many of the "fiscal cliff" issues, the automatic spending cuts known as "budget sequestration" took effect as originally scheduled on March 1, 2013. *The CEFC assumes that, while some of the economic effects of these spending cuts will certainly be felt in Maine, Congress and the president will reach a solution that prevents extensive deterioration of economic conditions. Given the negative impact to the economy if a solution is not successfully reached, the CEFC will reevaluate their forecast in the third quarter of calendar year 2013 in response to actual policy decisions at the federal level.*

Actual wage and salary employment data for 2011 and 2012 were stronger than previously forecasted, resulting in higher growth rates for those two years. The 2013-2017 employment forecast was left unchanged. Personal income growth was revised downwards for 2012 following the release of actual estimates from the U.S. Bureau of Economic Analysis. Personal income was also revised down for 2013 in part to reflect a partial shift in bonuses and dividends from 2013 to 2012 to take advantage of lower tax rates. 2014 and 2017 were revised upwards while 2016 was revised slightly downwards and 2015 was left unchanged. Inflation, as measured by the Consumer Price Index (CPI), was revised upwards for 2012 and 2013 and slightly downwards for 2014-2017.

The table on the next page provides the forecast's major indicators.

Calendar Years	2011	2012	2013	2014	2015	2016	2017
Wage & Salary Employment (Annual Percentage Change)							
CEFC Forecast 11/2012	0.0	0.3	0.7	1.0	1.0	1.0	0.8
CEFC Forecast 04/2013	0.3	0.5	0.7	1.0	1.0	1.0	0.8
Personal Income (Annual Percentage Change)							
CEFC Forecast 11/2012	4.6	3.5	3.2	4.1	3.9	4.2	3.8
CEFC Forecast 04/2013	4.6	3.2	2.5	4.6	3.9	4.0	4.3
CPI (Annual Percentage Change)							
CEFC Forecast 11/2012	3.1	2.0	1.3	1.8	1.7	1.9	1.9
CEFC Forecast 04/2013	3.1	2.1	1.6	1.7	1.6	1.8	1.8

In deliberations leading to consensus, the CEFC considered information presented by several state agencies, including the Maine Department of Labor, Maine Revenue Services, and the Office of Policy and Management. The following sections summarize these reports.

Office of Policy and Management

According to preliminary estimates from the U.S. Bureau of Economic Analysis, total personal income grew 3.5% year-over-year and wage and salary income grew 2.1% year-over-year in the first three quarters of 2012. Total personal income for the fourth quarter of 2012 would need to be 0.8% higher than the third quarter of 2012 to hit the CEFC's annual forecast for 2012. Wage and salary disbursements for the fourth quarter of 2012 would need to be 2.0% higher than the third quarter of 2012 to hit the forecast.

State personal income data for 2012 was released by BEA on March 27, after the initial meeting of the CEFC. A brief follow-up was held to review the new data, which was lower than expected across most components, with total personal income growth at 3.2% for 2012.

On an annual basis, the CPI rose 1.5% from 2011 to 2012. The Consumer Price Index (CPI) rose 2.0% from February 2012 to February 2013. Core inflation, which excludes food and energy prices, also rose 2.0% over the same period, as increases in fuel and utilities offset declines in food costs. The Consumer Price Index (CPI) rose 1.9% year-over-year in the fourth quarter of 2012. Core CPI (all items less food and energy) rose 1.9% over the same period. The BEA National Income and Product Accounts (NIPA) Implicit Price Deflator for Gross Domestic Product rose 1.8% over the same period.

In January 2013, the survey-based University of Michigan Consumer Sentiment Index increased 1.2% month-over-month. The index was down 1.6% from a year ago. In January 2013, the survey-based National Federation of Independent Business (NFIB) Small Business Optimism Index increased 1.0%, although it was down 5.3% from one year ago.

The price of West Texas Intermediate was \$88.16 per barrel in the fourth quarter of 2012. The price of WTI declined 4.5% from the third quarter of 2012 to the fourth quarter of 2012. The price of heating oil in Maine (\$3.81/gallon on March 11, 2013) is slightly lower than last season at this time, but higher than the three previous heating seasons. The price of heating oil in Maine has been fairly steady over the past two heating seasons, averaging around \$3.75/gallon.

Average monthly single unit housing permits in Maine in the 12-month period from February 2012 through January 2013 were 26.4% higher than in the previous 12-month period. The median home price in the Portland – South Portland – Biddeford metropolitan area increased 4.6% year-over-year in the fourth quarter of 2012. The median home price in the Portland – South Portland – Biddeford metropolitan area in the fourth quarter of 2012 was \$218,900. The share of mortgages in Maine that are delinquent 30 days or more was 7.6% in the third quarter of 2012. That is below the recent peak of 9% in the first quarter of 2010 but well above pre-recession levels. Maine's foreclosure rate increased in the third quarter of 2012 and remains well above pre-recession levels. The rate of foreclosure starts was 1.0% in the third quarter of 2012.

Maine Department of Labor

Following the release of revised data from the benchmarking process, both the national unemployment rate and Maine's unemployment rate have continued to trend lower during 2011 and 2012. However, a better way to compare Maine to the U.S. is to look at the employment to population ratio. Maine's employment to population ratio is higher than the national ratio: Maine has increased to around 60.5% in 2012 while the U.S. has been around 58.5% since late 2009.

The reason the U.S. unemployment rate has declined while the share of the employed population has remained steady is because of lower national labor force participation. In Maine, labor force participation rates have seen much less of a decline. Maine's modest decline in labor force participation is in line with the demographic trend of baby boomers aging out of the workforce, while only about half of the U.S. decline in labor force participation can be attributed to this trend.

Maine's current labor force participation rate is 65.1% with an official unemployment rate of 7.3% while the U.S. labor force participation rate is 63.6% with unemployment of 7.7%. If the U.S. labor force participation rate matched Maine's, the national unemployment rate would have been 10%. Similarly, if labor force participation in Maine was as low as in the U.S., Maine's unemployment rate would have been 5%.

Unemployment in Maine is higher among certain demographic groups. Males have a higher unemployment rate than females (9.0% compared to 7.0%), individuals with no high school diploma have the highest unemployment rate (13.9%) among different educational attainment levels, and younger individuals (16-19 and 20-24 year olds) have higher unemployment rates (20.5% and 16.2% respectively) than other age groups. However, those without post-secondary education are less likely to be in the labor force, as are those under the age of 25 and over the age of 55.

Recently revised nonfarm jobs data from the employer payroll survey is less volatile than the initial data release and indicates a growth trend since mid-2011. This growth is coming entirely from the private sector, while government jobs continue to decline. However, growth in the university and community college systems has offset deeper declines in the rest of government.

Sectors involved in making, moving, and selling goods (such as manufacturing and construction) have seen greater job losses while sectors with more intensive human capital requirements (such as professional and business services and healthcare/social assistance) have seen job increases. This highlights the much-discussed skills gap: workers from production and retail jobs are being displaced while employers are seeking workers with higher degrees of technical skills. Many of

the jobs lost over the past five years required no post-secondary education, while most of the expected growth is among jobs that do require post-secondary education.

In addition, jobs at the upper and lower ends of the earnings spectrum are expected to see higher growth than jobs in the middle of the spectrum. This may be partially caused by displaced mid-wage workers having to settle for lower paying jobs because of shifting educational and skills requirements. As a result, the gradual increase in wage and salary jobs has not yet translated to a rise in total wages paid.

Maine Revenue Services

Total general fund revenues for the month of February 2013 were under budget by \$17.8 million but were over budget for the fiscal year-to-date by \$26.1 million. This positive variance for the fiscal year is coming entirely from the individual income tax line, which was \$48.8 million over budget fiscal year-to-date. Of that, about \$28 million is from estimated payments, mostly from January when the final estimated payment was due. In addition, individual refunds are behind budget by \$9.3 million through February, part of which is due to IRS delays in accepting income tax filings. Withholding receipts were about \$7 million over budget, with the surplus split evenly between December and February. This may be associated with bonuses being paid in 2012 to avoid higher tax rates in 2013. This is consistent with what the federal government and other states have been seeing in terms of income shifted from 2013 to 2012.

The sales and use tax line was on budget for February, which was a pleasant surprise as it had been under budget for several months. Total revenues from the sales and use tax were under budget by \$5.5 million for the fiscal year-to-date. Taxable sales were up 6.0% for January 2013 compared to January 2012 and for the three months ending in January were down 0.5% compared to a year ago. The growth in sales might have been related to higher income at the end of 2012 being spent in January. Retail sales for February are coming in well below budget, some of which might be caused by the expiration of the 2 percentage point payroll tax holiday.

The highway fund is about \$1.2 million under budget fiscal year-to-date, with gains in motor vehicle registration and fees partially offsetting losses from fuel taxes. Fuel taxes were not expected to see much growth, but high gas prices have been causing even lower revenues than anticipated.

Macroeconomic Assumptions

Two different baseline economic forecasts were examined at the meeting: the Moody's Analytics baseline scenario and the IHS Global Insight baseline scenario as well as two alternative scenarios from Moody's Analytics (one optimistic and one pessimistic). Each forecast was based on a different set of national macroeconomic assumptions. These forecasts were then compared to the CEFC's November 2012 forecast. Overall, the CEFC felt the Global Insight assumptions and forecast better reflected their current views of the economy. The key national macroeconomic assumptions from Global Insight are outlined below.

- The U. S. economy's fundamentals are improving, but fiscal policies continue to restrain growth.

- The sequester stays in place through the end of June 2013 before being replaced by a package of deduction-limiting tax increases and entitlement-focused spending cuts that takes effect in 2014.
- Real nondefense federal government spending falls 3.7% in calendar year 2013 and 0.3% in calendar year 2014 while real defense spending falls 4.4% in 2013 and 0.9% in 2014.
- Emergency unemployment insurance benefits were extended for 2013 and are assumed to phase out over several years instead of cutting off in 2014. The 50% bonus depreciation is not extended for 2014.
- Global oil demand will increase modestly during 2013 but prices remain elevated due to geopolitical factors. Brent crude oil averages \$105/barrel in 2013.
- The Federal Reserve will hold rates near zero until late 2015 and the QE3 program of mortgage-backed security purchases will end during 2014.
- The euro will weaken in May 2014 during the run-up to Greece's assumed eurozone exit in the second quarter of 2014.
- GDP growth in the U.S.'s major-currency trading partners will weaken in 2013 largely due to slow growth in Japan.

Consensus Forecast

CEFC members agreed that the IHS Global Insight forecast generally tended to be more in line, both in terms of assumptions and forecast, with their current views. They accepted Global Insight's national macroeconomic assumptions around the automatic spending cuts (sequester) and a replacement package of deduction-limiting tax increased and entitlement-focused spending cuts taking effect in 2014. The CEFC continues to assume that there will be no significant deterioration in economic conditions due to sequestration and a constructive solution will be reached. If this does not occur, the CEFC would reconsider its forecast in light of actual events.

Following the release of revised 2011 and preliminary 2012 wage and salary employment figures from the Bureau of Labor Statistics, the CEFC adjusted those growth rates to match the actual data. The remainder of the CEFC's November 1 employment forecast matched the Global Insight March forecast, so the CEFC decided to leave those growth rates unchanged, as they now build off of a higher 2012 base. The CEFC believes long-term employment growth is likely to be slow due to structural workforce-related problems, such as the skills gap and demographic challenges.

The CEFC accepted the Global Insight forecast for inflation, as measured by the Consumer Price Index, for all years, with 2012 actual data replacing the 2012 forecast. This was based on recognition of slightly higher energy prices in the near term followed by a decline and slower growth in energy prices due to weak global demand.

The CEFC agreed with the Global Insight forecast for personal income and its components. Some bonuses and dividends were shifted from 2012 to 2013 to take advantage of lower tax rates in 2012. BEA released 2012 state personal income data on March 27; these figures have been integrated into the forecast. The CEFC felt that the Global Insight trends for the remaining forecast years were appropriate without additional modifications based on the 2012 data. Wage and salary income was revised downwards for 2012 and 2013, upwards for 2014-2016, and left unchanged for 2017.

The following page provides the full forecast.

Maine Consensus Economic Forecasting Commission

April 2013 Forecast	History	Forecast					
	2011	2012	2013	2014	2015	2016	2017
CPI-U* (Annual Change)	3.1%	2.1%	1.6%	1.7%	1.6%	1.8%	1.8%
CPI for Energy Prices** (Annual Change)	15.2%	0.9%	-2.6%	-2.3%	-0.5%	1.0%	2.1%
Average Price of a New Vehicle** (Annual Change)	3.3%	1.1%	0.9%	1.9%	2.5%	2.3%	2.9%
New Vehicle Registrations** (Annual Change)	4.2%	10.2%	-0.4%	2.7%	2.5%	1.5%	0.2%
Personal Savings Rate**	4.3%	3.9%	3.1%	3.9%	4.4%	4.6%	5.1%
Maine Unemployment Rate**	7.7%	7.3%	7.1%	6.5%	6.0%	5.6%	5.4%
3-Month Treasury Bill Rate**	0.05%	0.09%	0.11%	0.12%	0.21%	1.69%	3.42%
10-Year Treasury Note Rate**	2.79%	1.80%	2.07%	2.57%	3.02%	3.88%	4.69%
Before-Tax Corporate Profits* (Annual Change)	2.1%	16.1%	-3.3%	12.6%	-3.0%	-4.3%	-3.1%
Maine Wage & Salary Employment* (thousands)	594.7	597.6	601.8	607.7	613.8	619.9	624.8
Natural Resources	2.5	2.5	2.5	2.6	2.6	2.6	2.6
Construction	25.3	25.6	25.8	25.8	26.5	27.6	28.1
Manufacturing	50.7	50.8	50.2	50.8	51.7	51.9	51.6
Trade/Trans./Public Utils.	117.0	117.4	117.5	118.4	119.3	120.5	121.5
Information	8.2	7.9	8.0	8.0	8.0	8.2	8.3
Financial Activities	31.6	31.4	31.2	31.4	31.2	30.8	30.4
Prof. & Business Services	57.5	58.0	59.7	62.2	64.9	67.2	69.2
Education & Health Services	119.7	121.2	123.0	124.2	125.4	127.7	130.1
Leisure & Hospitality Services	60.2	61.7	63.5	64.0	64.0	63.4	63.1
Other Services	19.9	19.9	20.0	19.9	19.7	19.5	19.3
Government	102.1	101.3	100.6	100.7	100.7	100.6	100.8
Agricultural Employment	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Maine Wage & Salary Employment* (Annual Change)	0.3%	0.5%	0.7%	1.0%	1.0%	1.0%	0.8%
Natural Resources	0.0%	0.0%	1.3%	1.5%	0.7%	0.6%	0.4%
Construction	3.7%	1.2%	0.7%	0.1%	2.7%	4.3%	1.6%
Manufacturing	-0.2%	0.2%	-1.2%	1.2%	1.7%	0.5%	-0.6%
Trade/Trans./Public Utils.	0.2%	0.3%	0.1%	0.7%	0.7%	1.0%	0.9%
Information	-5.7%	-3.7%	0.9%	0.1%	0.8%	1.7%	1.1%
Financial Activities	-0.3%	-0.6%	-0.7%	0.5%	-0.4%	-1.3%	-1.3%
Prof. & Business Services	2.9%	0.9%	3.0%	4.2%	4.3%	3.6%	3.0%
Education & Health Services	0.7%	1.3%	1.5%	1.0%	0.9%	1.8%	1.9%
Leisure & Hospitality Services	0.8%	2.5%	2.9%	0.8%	0.0%	-0.9%	-0.6%
Other Services	1.0%	0.0%	0.4%	-0.3%	-1.0%	-1.2%	-0.8%
Government	-1.7%	-0.8%	-0.7%	0.1%	0.0%	0.0%	0.1%
Agricultural Employment	7.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	2011	2012	2013	2014	2015	2016	2017
Personal Income* (\$ million)	50,869	52,478	53,770	56,256	58,457	60,816	63,460
Wage & Salary Disbursements*	23,954	24,283	24,874	25,842	26,818	27,836	28,871
Supplements to Wages & Salaries*	6,201	6,279	6,508	6,773	7,042	7,341	7,650
Non-Farm Proprietors' Income*	3,913	4,128	4,350	4,632	4,890	5,104	5,255
Farm Proprietors' Income	108	113	146	118	102	92	90
Dividends, Interest, & Rent*	7,646	8,075	8,473	8,976	9,354	9,781	10,557
Dividends	2,261	2,763	2,852	3,049	3,130	3,157	3,128
Interest	3,679	3,620	3,710	3,933	4,257	4,718	5,557
Rent	1,706	1,692	1,911	1,994	1,967	1,906	1,871
Transfer Payments*	11,701	12,287	12,750	13,447	13,993	14,617	15,181
Less: Contributions to Social Ins.	3,572	3,623	4,281	4,509	4,744	4,987	5,204
Residence Adjustment	917	935	949	978	1,003	1,031	1,061
Personal Income* (Annual Change)	4.6%	3.2%	2.5%	4.6%	3.9%	4.0%	4.3%
Wage & Salary Disbursements*	2.2%	1.4%	2.4%	3.9%	3.8%	3.8%	3.7%
Supplements to Wages & Salaries*	2.4%	1.3%	3.6%	4.1%	4.0%	4.2%	4.2%
Non-Farm Proprietors' Income*	2.7%	5.5%	5.4%	6.5%	5.6%	4.4%	3.0%
Farm Proprietors' Income	0.3%	4.4%	29.5%	-19.1%	-14.2%	-9.1%	-2.1%
Dividends, Interest, & Rent*	7.6%	5.6%	4.9%	5.9%	4.2%	4.6%	7.9%
Dividends	16.6%	22.2%	3.2%	6.9%	2.7%	0.9%	-0.9%
Interest	-0.9%	-1.6%	2.5%	6.0%	8.2%	10.8%	17.8%
Rent	17.2%	-0.8%	13.0%	4.3%	-1.4%	-3.1%	-1.8%
Transfer Payments*	5.3%	5.0%	3.8%	5.5%	4.1%	4.5%	3.9%
Less: Contributions to Social Ins.	-7.9%	1.5%	18.1%	5.3%	5.2%	5.1%	4.3%
Residence Adjustment	7.1%	1.9%	1.4%	3.1%	2.6%	2.8%	2.8%
*CEFC Forecast							
**From Global Insight - March 2013							
Remaining lines derived from CEFC forecast by CEFC staff and reviewed by CEFC							

Consensus Economic Forecasting Commission

Comparison of November 2012 and April 2013 Economic Forecasts

Calendar Years	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
• Wage & Salary Employment (Annual Percentage Change)						
> Consensus 11/2012	0.3%	0.7%	1.0%	1.0%	1.0%	0.8%
> Consensus 4/2013	0.5%	0.7%	1.0%	1.0%	1.0%	0.8%
Difference	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
• Personal Income (Annual Percentage Change)						
> Consensus 11/2012	3.5%	3.2%	4.1%	3.9%	4.2%	3.8%
> Consensus 4/2013	3.2%	2.5%	4.6%	3.9%	4.0%	4.3%
Difference	-0.3%	-0.7%	0.5%	0.0%	-0.2%	0.5%
Major Components of Personal Income						
Wage and Salary Disbursements						
> Consensus 11/2012	2.6%	3.1%	3.6%	3.5%	3.9%	3.7%
> Consensus 4/2013	1.4%	2.4%	3.9%	3.8%	3.8%	3.7%
Difference	-1.2%	-0.7%	0.3%	0.3%	-0.1%	0.0%
Supplements to Wages and Salaries						
> Consensus 11/2012	1.4%	3.5%	4.5%	4.8%	5.0%	4.6%
> Consensus 4/2013	1.3%	3.6%	4.1%	4.0%	4.2%	4.2%
Difference	-0.1%	0.1%	-0.4%	-0.8%	-0.8%	-0.4%
Non-Farm Proprietors' Income						
> Consensus 11/2012	5.1%	4.0%	6.0%	6.0%	4.2%	3.3%
> Consensus 4/2013	5.5%	5.4%	6.5%	5.6%	4.4%	3.0%
Difference	0.4%	1.4%	0.5%	-0.4%	0.2%	-0.3%
Dividends, Interest and Rent						
> Consensus 11/2012	4.5%	4.8%	4.3%	5.2%	5.7%	5.1%
> Consensus 4/2013	5.6%	4.9%	5.9%	4.2%	4.6%	7.9%
Difference	1.1%	0.1%	1.6%	-1.0%	-1.1%	2.8%
Transfer Payments						
> Consensus 11/2012	4.5%	3.0%	5.2%	4.7%	5.0%	4.2%
> Consensus 4/2013	5.0%	3.8%	5.5%	4.1%	4.5%	3.9%
Difference	0.5%	0.8%	0.3%	-0.6%	-0.5%	-0.3%
• Consumer Price Index (Annual Percentage Change)						
> Consensus 11/2012	2.0%	1.3%	1.8%	1.7%	1.9%	1.9%
> Consensus 4/2013	2.1%	1.6%	1.7%	1.6%	1.8%	1.8%
Difference	0.1%	0.3%	-0.1%	-0.1%	-0.1%	-0.1%
• Before Tax Corporate Profits (Annual Percentage Change)						
> Consensus 11/2012	14.4%	8.1%	-1.2%	-3.2%	-4.7%	-4.4%
> Consensus 4/2013	16.1%	-3.3%	12.6%	-3.0%	-4.3%	-3.1%
Difference	1.7%	-11.4%	13.8%	0.2%	0.4%	1.3%

Economic Variables Used in Revenue Forcast - Actuals 2009-12 & March, 2013 Global Insight Forecast 2013-17

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Oil - Brent Crude (\$ per barrel)	61.57	79.84	110.95	111.78	105.16	93.00	88.99	91.99	95.49
Consumer Prices	-0.3	1.6	3.1	2.1	1.6	1.7	1.6	1.8	1.8
Fuel Oil & Other Fuels	-32.1%	17.3%	28.0%	1.5%	1.1%	-3.5%	-1.1%	2.3%	2.6%
Electricity	3.1%	0.2%	1.9%	-0.2%	2.8%	3.4%	1.9%	1.1%	2.1%
Natural Gas	-22.2%	-2.0%	-2.8%	-9.7%	7.5%	15.4%	1.9%	-6.4%	-1.3%
New Motor Vehicles	1.0	2.1	2.8	1.1	0.9	1.9	2.5	2.3	2.9
Motor Vehicle Fuels, Lubricants & Fluids	-27.2%	18.2%	25.8%	4.0%	-5.5%	-7.8%	-2.4%	2.3%	2.7%
Saving Rate (%)	4.7	5.1	4.3	3.9	3.1	3.9	4.4	4.6	5.1
Maine New Passenger Car & Light Truck Registrations (Thous.)	44.78	47.00	48.95	53.95	53.71	55.15	56.54	57.38	57.52
Maine Population (Thous.)	1329.3	1328.0	1328.6	1329.3	1330.5	1332.3	1334.6	1337.5	1340.8
Population US, Millions	307.6	310.1	312.3	314.6	317.0	319.5	321.9	324.4	326.9
Maine Home Price, Existing Median (Dollars)	\$183,162	\$182,253	\$178,872	\$177,074	\$179,943	\$185,333	\$190,654	\$197,620	\$205,371
Maine Home Sales, Existing Single-Family (Thousands)	18.52	19.33	19.12	20.43	22.33	25.29	26.78	26.27	25.84
Household Net Worth (Percent change)	3.9	6.8	1.5	8.0	5.6	2.7	2.1	3.3	3.9
Before-Tax Corporate Profits	5.9%	26.1%	2.1%	16.1%	-3.3%	12.6%	-3.0%	-4.3%	-3.1%

Maine Resident - Net Capital Gains

<u>Tax Year</u>	<u>Capital Gains Realizations (\$ Millions)</u>	<u>Capital Gains Realizations Annual % Change</u>	<u>Capital Gains Tax Liability (\$ Millions)</u>	<u>Capital Gains Tax Liability Annual % Change</u>	<u>Capital Gains % of Resident Tax Liability</u>	<u>Resident Income Tax Liability</u>
1995	\$551.7		\$38.3		6.2%	\$620.1
1996	\$799.7	45.0%	\$57.3	49.6%	8.4%	\$682.2
1997	\$1,218.7	52.4%	\$104.5	82.4%	13.6%	\$771.1
1998	\$1,551.0	27.3%	\$120.0	14.8%	13.9%	\$861.4
1999	\$1,867.2	20.4%	\$141.7	18.1%	15.5%	\$916.7
2000	\$2,360.4	26.4%	\$179.6	26.7%	17.3%	\$1,038.8
2001	\$1,079.3	-54.3%	\$74.1	-58.7%	7.6%	\$970.9
2002	\$908.8	-15.8%	\$59.1	-20.3%	6.1%	\$971.7
2003	\$1,069.4	17.7%	\$69.4	17.4%	6.8%	\$1,020.8
2004	\$1,526.9	42.8%	\$104.9	51.2%	9.2%	\$1,146.0
2005	\$1,960.3	28.4%	\$137.0	30.6%	11.3%	\$1,208.7
2006	\$2,280.1	16.3%	\$162.5	18.6%	12.6%	\$1,289.1
2007	\$2,470.4	8.3%	\$177.9	9.5%	13.0%	\$1,369.6
2008	\$1,017.0	-58.8%	\$70.7	-60.3%	5.6%	\$1,269.1
2009	\$615.7	-39.5%	\$45.6	-35.6%	3.8%	\$1,189.2
2010	\$876.7	42.4%	\$58.6	28.6%	4.6%	\$1,266.7
2011*	\$863.9	-1.5%	\$56.9	-2.8%	4.4%	\$1,298.1
2012*	\$1,397.3	61.7%	\$99.1	74.1%	7.3%	\$1,352.8
2013*	\$851.4	-39.1%	\$52.4	-47.2%	4.2%	\$1,243.7
2014*	\$1,114.1	30.9%	\$71.2	35.9%	5.5%	\$1,302.6
2015*	\$1,306.7	17.3%	\$86.0	20.8%	6.3%	\$1,368.1
2016*	\$1,337.8	2.4%	\$87.2	1.4%	6.1%	\$1,421.2
2017*	\$1,388.3	3.8%	\$90.6	3.9%	6.1%	\$1,487.1

* Represents Projections.

Capital Gains and Losses Reported on Maine Individual Income Tax Returns, Tax Year 2010 /1

Federal Adjusted Gross Income	Returns with Net Capital Gains			Returns with Net Capital Losses			Returns with Capital Gains/Losses		
	(Millions of Dollars)			(Millions of Dollars)			(Millions of Dollars)		
	Returns	Gains	Revenue	Returns	Losses	Revenue	Returns	Net Gains	Revenue
Less than or Equal to \$0	631	\$17.9	\$0.2	2,597	(\$6.7)	(\$0.0)	3,228	\$11.2	\$0.2
\$0 <= \$10,000	2,572	\$5.9	\$0.0	4,903	(\$11.0)	(\$0.0)	7,475	(\$5.1)	(\$0.0)
\$10,000 <= \$20,000	3,362	\$11.4	\$0.1	4,379	(\$10.0)	(\$0.2)	7,741	\$1.4	(\$0.1)
\$20,000 <= \$30,000	3,192	\$13.3	\$0.3	3,989	(\$9.0)	(\$0.4)	7,181	\$4.3	(\$0.0)
\$30,000 <= \$50,000	5,939	\$30.0	\$1.3	7,015	(\$15.6)	(\$0.9)	12,954	\$14.5	\$0.3
\$50,000 <= \$75,000	7,077	\$49.9	\$2.9	7,765	(\$17.3)	(\$1.3)	14,842	\$32.6	\$1.6
\$75,000 <= \$100,000	5,570	\$52.2	\$3.5	5,728	(\$12.7)	(\$1.0)	11,298	\$39.5	\$2.5
\$100,000 <= \$200,000	8,049	\$149.0	\$11.1	7,828	(\$17.7)	(\$1.5)	15,877	\$131.3	\$9.6
<u>Greater than \$200,000</u>	<u>3,681</u>	<u>\$655.9</u>	<u>\$45.3</u>	<u>3,499</u>	<u>(\$9.0)</u>	<u>(\$0.8)</u>	<u>7,180</u>	<u>\$646.9</u>	<u>\$44.5</u>
	40,073	\$985.6	\$64.7	47,703	(\$108.9)	(\$6.1)	87,776	\$876.7	\$58.6

Total Resident Tax Returns filed in Tax Year 2010 = 598,500

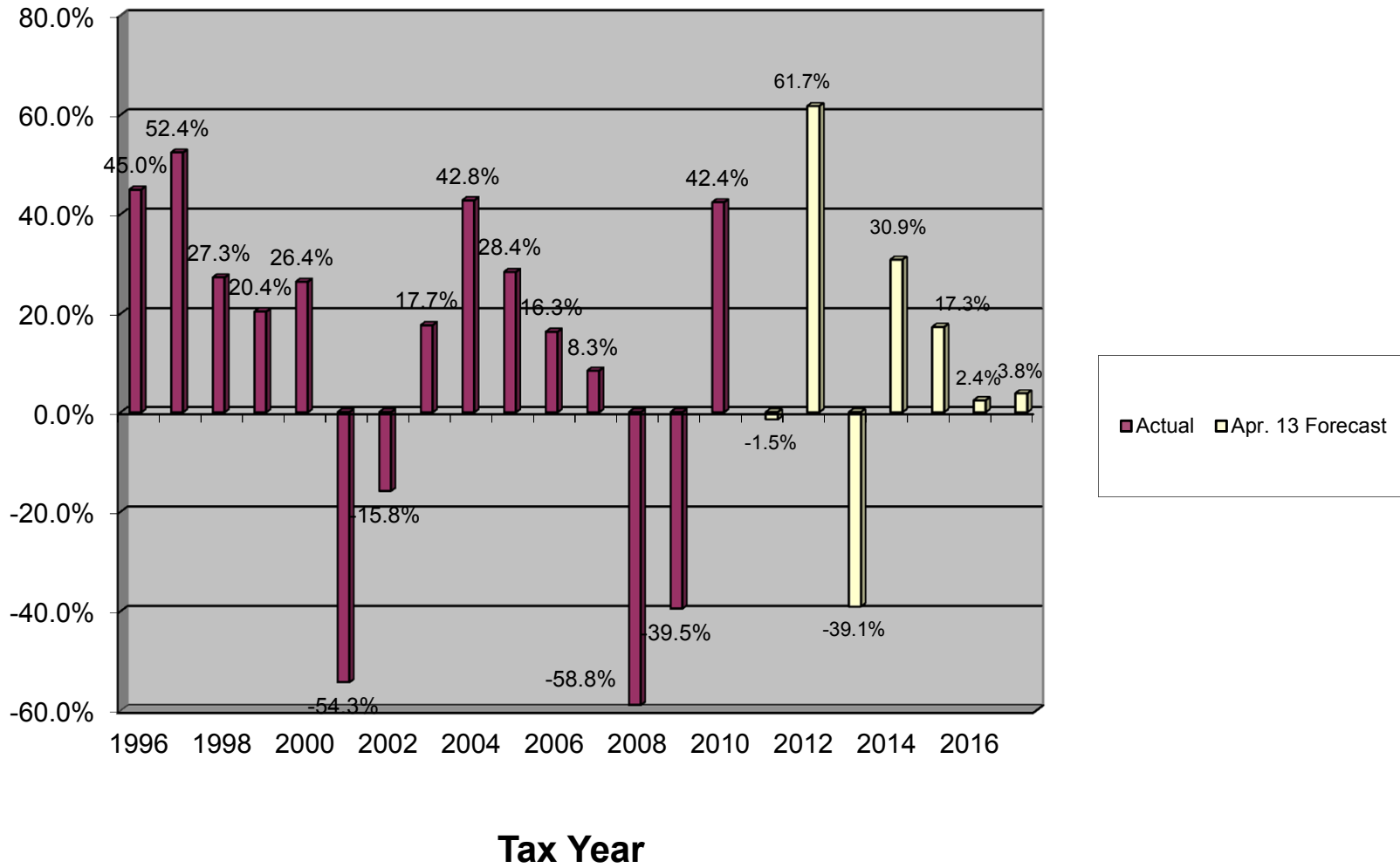
Total Resident Tax Liability in Tax Year = \$1,266.7 Million

Department of Administrative and Financial Services
 Maine Revenue Services
 Office of Tax Policy

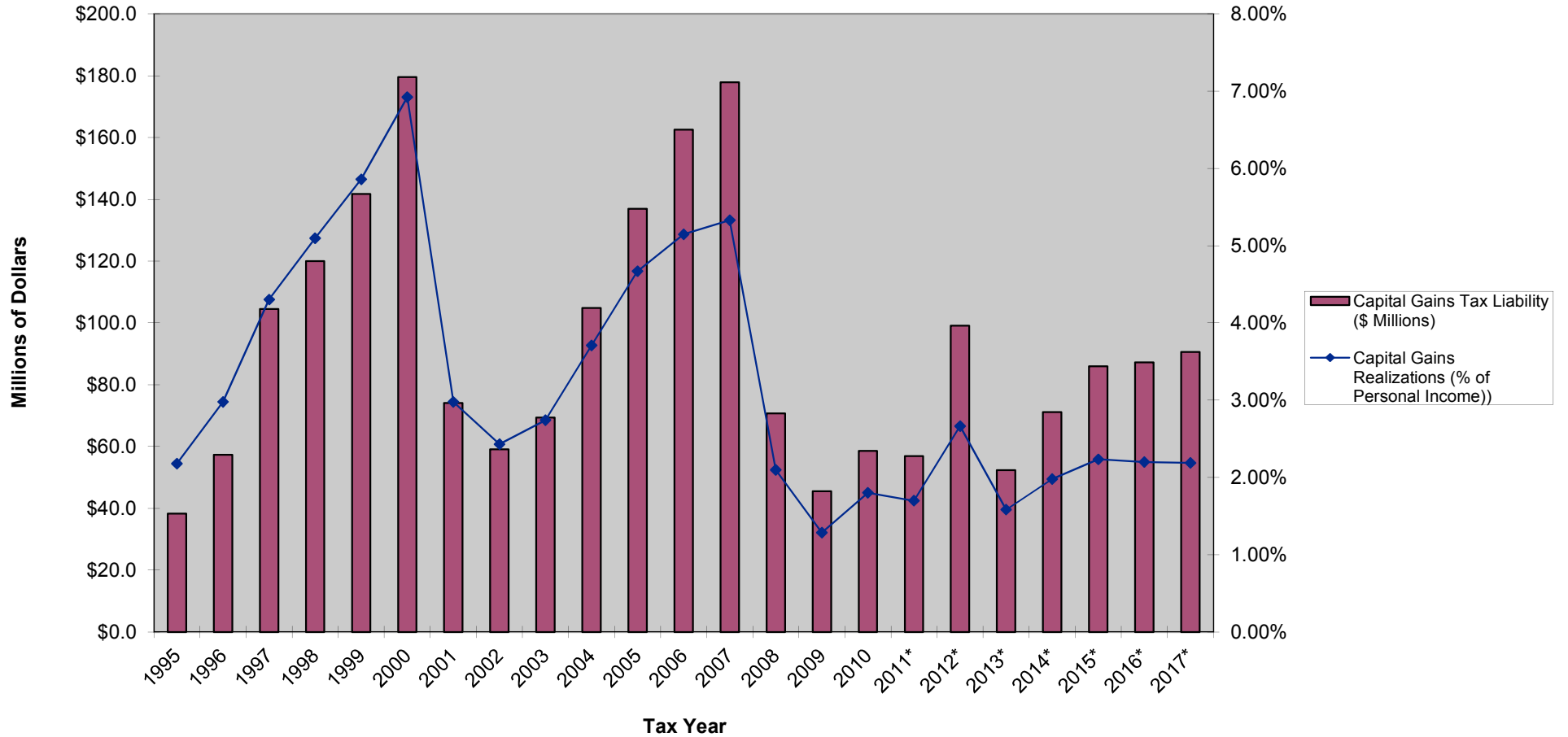
1/ Based on Maine Revenue Services' data warehouse.

	Resident Net Gains (\$ Millions)	% Change
1995	\$551.7	
1996	\$799.7	45.0%
1997	\$1,218.7	52.4%
1998	\$1,551.0	27.3%
1999	\$1,867.2	20.4%
2000	\$2,360.4	26.4%
2001	\$1,079.3	-54.3%
2002	\$908.8	-15.8%
2003	\$1,069.4	17.7%
2004	\$1,526.9	42.8%
2005	\$1,960.3	28.4%
2006	\$2,280.1	16.3%
2007	\$2,470.4	8.3%
2008	\$1,099.5	-55.5%
2009	\$670.1	-39.1%
2010	\$876.7	30.8%

Percentage Change in Capital Gains Realizations by Maine Residents



Taxes from Net Capital Gains and Net Capital Gains as Percent of Personal Income



* Signifies a forecasted value.