

**Summary of
2010-2011
Biennial Budget
LD 353 as amended**

**Prepared by the
Office of Fiscal & Program Review**

May 26, 2009

**Summary of 2010-2011 Biennial Budget
LD 353 as amended by AFA Committee
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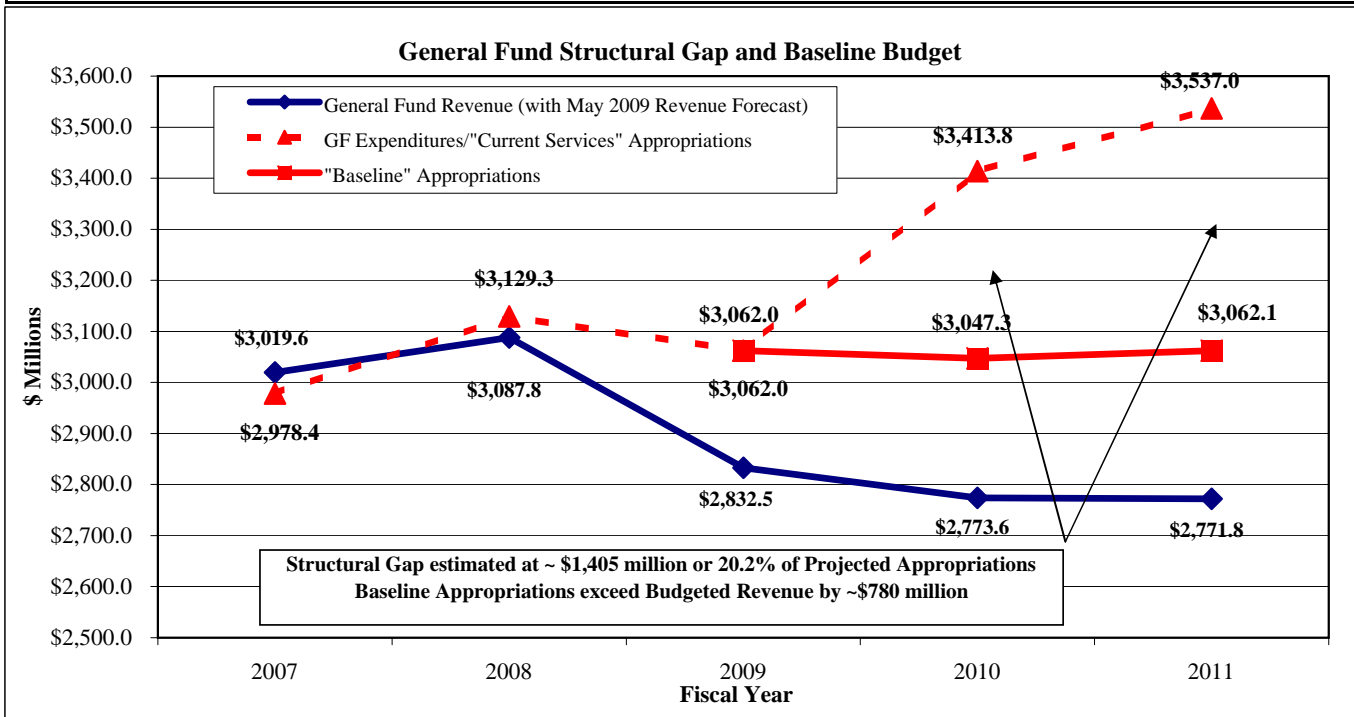
General Fund Structural Gap - Updated for May 2009 Revenue Forecast

The 2010-2011 biennium is the 2nd biennium that has used a new budget process and format. The traditional "Current Services" incremental approach to building a biennial budget was replaced with a new "Baseline Budget" approach and bill format recommended by the Commission to Reform the State Budget Process and adopted by the Legislature (see PL 2005, c. 601). This new "Baseline Budgeting" approach uses a modified flat-funded starting point that allows Personal Services appropriations to grow based on currently authorized positions, collective bargaining agreements and projected growth of contribution rates for retirement, health insurance and fringe benefits, but provides All Other funding at current year (FY 09) funding. The FY 09 base is adjusted for one-time initiatives. Capital Expenditures (for items costing more than \$5,000) are considered one-time and are not included in the Baseline Budget. Adjustments to this new Baseline Budget starting point are proposed as new initiatives.

Unlike previous biennia, there is no longer an official Governor's recommendation for current services appropriations and allocations upon which to report the so-called actual structural gap facing the 124th Legislature, the amount by which current services appropriations exceed budgeted resources. The analysis of the structural gap presented below is based on the estimates of "current services" appropriations compiled by the Office of Fiscal and Program Review. These estimates exceed the estimates submitted by the Bureau of the Budget on September 30, 2008 by approximately \$125 million due to including amortization of unfunded liabilities for Other Post-employment Benefits (retiree health insurance) and higher growth assumptions for MaineCare. Budgeted revenue has been updated to include the May 2009 revenue forecast. The estimated structural gap for the 2010-2011 biennium, excluding the FY 09 ending balance, is approximately \$1,405 million or approximately 20.2% of projected "current services" appropriations.

With the May 2009 forecast, Baseline Appropriations exceeded available resources by roughly \$780 million for the 2010-2011 biennium. This shortfall equaled 12.2% of Baseline Appropriations.

	Actual	Budgeted	Projections	
	FY 08	FY 09	FY 10	FY 11
General Fund Revenue (with May 2009 Revenue Forecast)	\$3,087,818,992	\$2,832,533,383	\$2,773,593,296	\$2,771,795,795
Annual % Change	2.3%	-8.3%	-2.1%	-0.1%
GF Expenditures/"Current Services" Appropriations	\$3,129,325,355	\$3,062,007,955	\$3,413,757,846	\$3,536,986,675
Annual % Change	5.1%	-2.2%	11.5%	3.6%
Transfers and Adjustments to Balance	\$24,863,133	\$99,351,984	\$0	\$0
Ending Balances (Projected Annual Shortfalls)	\$935,111	(\$129,187,477)	(\$640,164,550)	(\$765,190,880)
	<small>Actual End Balance</small>	<small>Budget End Balance</small>	<small>Does not reflect prior year balance</small>	
General Fund Baseline Appropriations			\$3,159,861,644	\$3,165,280,194
Annual % Change			3.2%	0.2%
Amount Baseline Appropriations are Above/(Below) Baseline Revenue			(\$386,268,348)	(\$393,484,399)



GENERAL FUND STATUS - FUND BALANCE SUMMARY

Based on Legislation enacted to date and LD 353 as amended by AFA Committee ¹

	FY 09	FY 10	FY 11
<u>AVAILABLE FUNDS</u>			
Transfers/Adjustments to Balance:			
Through 123rd Legislature	\$41,274,897	\$0	\$0
EFY09 Budget Bill (LD 45 - PL 2009, c. 1)	\$58,077,087	\$0	\$0
2010-2011 Biennial Budget (LD 353 as amended)	\$91,135,900	\$45,892,527	(\$11,633,761)
Subtotal - Transfers/Adjustments to Balance	\$190,487,884	\$45,892,527	(\$11,633,761)
Undedicated Revenue:			
December 2008 Base Revenue Estimate	\$2,955,034,169	\$2,969,031,494	\$3,016,276,535
May 2009 Revenue Revision	(\$129,288,054)	(\$195,643,156)	(\$244,219,896)
EFY09 Budget Bill (LD 45 - PL 2009, c. 1)	\$6,787,268	\$204,958	(\$260,844)
Other Legislation - 124th Legislature, 1st Regular Session	\$0	\$129,040	\$64,520
2010-2011 Biennial Budget (LD 353 as amended)	\$22,229,765	\$81,955,916	\$125,775,173
Subtotal - Undedicated Revenue	\$2,854,763,148	\$2,855,678,252	\$2,897,635,488
TOTAL PROJECTED RESOURCES	\$3,045,251,032	\$2,901,570,779	\$2,886,001,727
<u>APPROPRIATIONS</u>			
Appropriations through PL 2009, c. 1 / 2010-2011 Baseline	\$3,136,652,244	\$3,159,861,644	\$3,165,280,194
EFY09 Budget Bill (LD 45 - PL 2009, c. 1)	(\$74,644,289)	\$0	\$0
Other Legislation - 124th Legislature, 1st Regular Session	\$0	\$600,000	\$0
2010-2011 Biennial Budget (LD 353 as amended)	(\$42,411,921)	(\$233,570,046)	(\$280,257,345)
TOTAL APPROPRIATIONS	\$3,019,596,034	\$2,926,891,598	\$2,885,022,849
NET CHANGE (Resources less Appropriations)	\$25,654,998	(\$25,320,819)	\$978,878
BEGINNING BALANCE	\$935,111	\$26,590,109	\$1,269,290
NET CHANGE (FROM ABOVE)	\$25,654,998	(\$25,320,819)	\$978,878
ENDING BALANCE	\$26,590,109	\$1,269,290	\$2,248,168

Summary of Major Changes

See separate summary for the Emergency FY 09 Supplemental Budget (LD 45 as enacted as PL 2009, c. 1). The next 2 pages provide a summary of the major initiatives separating out "savings" initiatives (those increasing General Fund balances) from "spending" initiatives (those decreasing General Fund balances). Additional information is provided in the Appendices including: an appropriations limitation analysis, General Fund savings by Policy Committee and a summary of tax and fee changes.

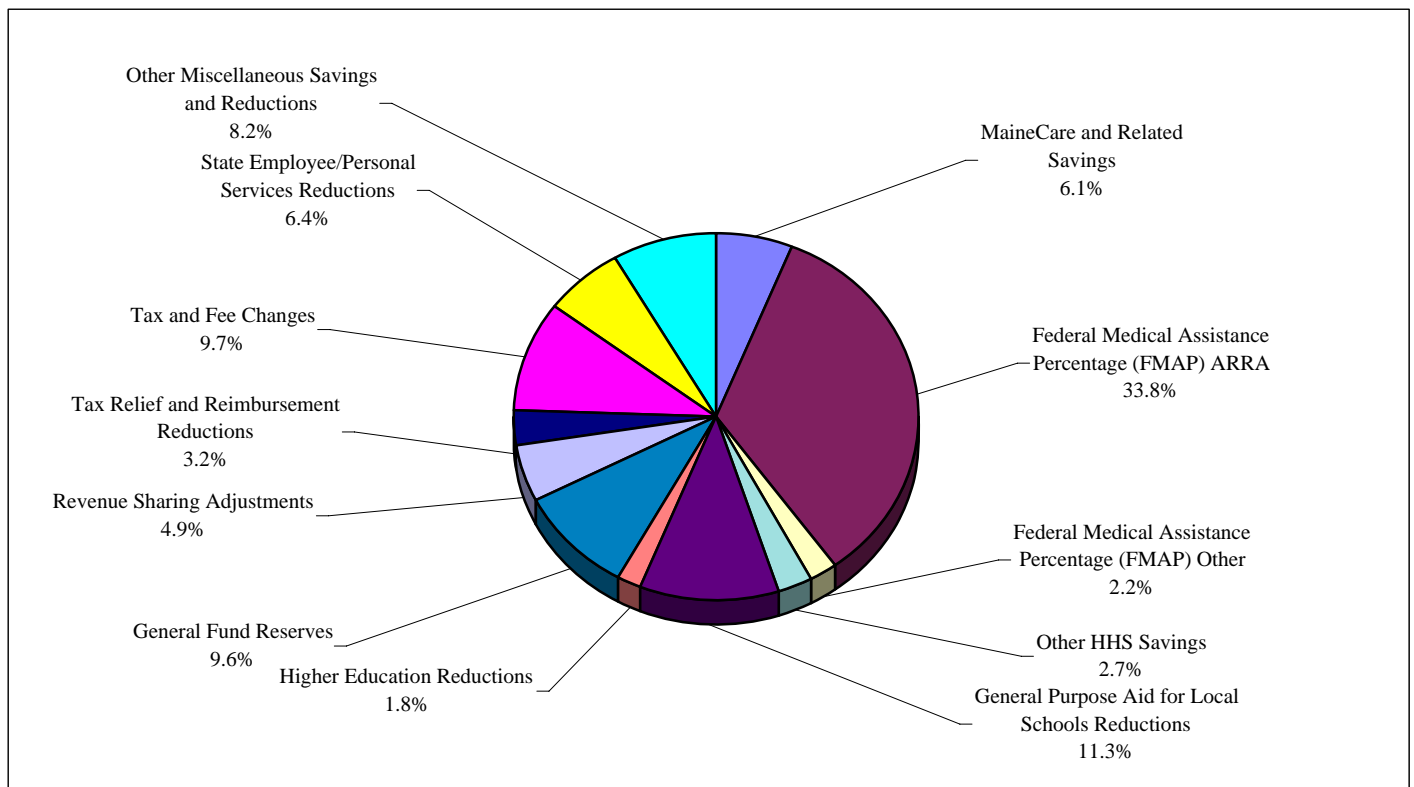
Notes:

¹ Based on all legislative changes through the 123rd Legislature, FY 08 actual ending balance, the May 2009 Revenue Forecast, the Emergency FY 09 Budget Bill (LD 45, PL 2009, c. 1) and the 2010-2011 Biennial Budget Bill (LD 353 as amended by AFA Committee). Other Legislation enacted during the 124th Legislature, 1st Regular Session include: LD 80 (RES 2009, c. 8) and LD 1454 (PL 2009, c. 33).

General Fund Adjustments - "Savings" Initiatives ¹

Initiatives Increasing General Fund Balance

	FY 09	FY 10	FY 11	Total	% of Total
MaineCare and Related Savings	\$22.2	\$21.2	\$30.2	\$73.6	6.1%
Federal Medical Assistance Percentage (FMAP) ARRA	\$125.0	\$189.3	\$95.6	\$409.8	33.8%
Federal Medical Assistance Percentage (FMAP) Other	\$0.0	\$12.3	\$14.9	\$27.2	2.2%
Other HHS Savings	\$0.0	\$16.4	\$16.6	\$33.0	2.7%
General Purpose Aid for Local Schools Reductions	\$0.0	\$38.7	\$98.6	\$137.3	11.3%
Higher Education Reductions	\$0.0	\$11.0	\$11.0	\$22.1	1.8%
General Fund Reserves	\$92.1	\$24.0	\$0.0	\$116.1	9.6%
Revenue Sharing Adjustments	\$20.1	\$16.2	\$22.7	\$59.0	4.9%
Tax Relief and Reimbursement Reductions	\$0.0	\$16.1	\$22.4	\$38.5	3.2%
Tax and Fee Changes	\$0.0	\$44.2	\$73.8	\$118.0	9.7%
State Employee/Personal Services Reductions	\$0.0	\$35.1	\$42.4	\$77.5	6.4%
Other Miscellaneous Savings and Reductions	\$3.4	\$29.9	\$66.1	\$99.4	8.2%
TOTAL ADJUSTMENTS INCREASING BALANCE	\$262.8	\$454.3	\$494.3	\$1,211.4	100.0%



Notes:

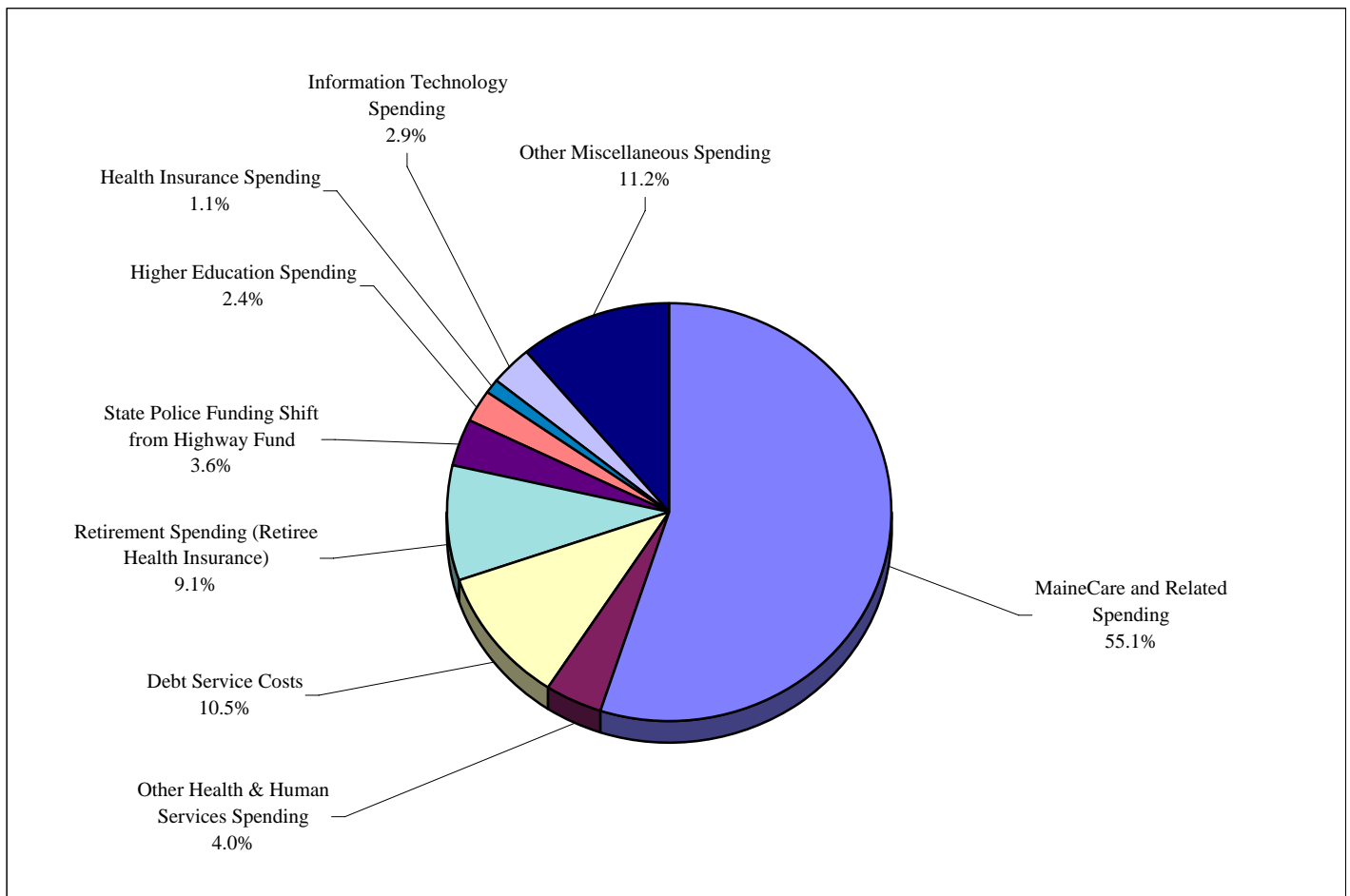
¹ "Savings" initiatives include those items that increase resources: deappropriations; revenue increases; transfers from other funds; and other positive adjustments to balances. Does not reflect transfers of appropriations between General Fund programs that net to \$0.

Amounts may not add due to rounding

General Fund Adjustments - "Spending" Initiatives ¹

Initiatives Decreasing General Fund Balance

	FY 09	FY 10	FY 11	Total	% of Total
MaineCare and Related Spending	\$105.0	\$47.3	\$12.9	\$165.1	55.1%
Other Health & Human Services Spending	\$0.0	\$9.2	\$2.8	\$12.0	4.0%
Debt Service Costs	\$0.0	\$10.4	\$21.1	\$31.5	10.5%
Retirement Spending (Retiree Health Insurance)	\$0.0	\$9.1	\$18.2	\$27.3	9.1%
State Police Funding Shift from Highway Fund	\$0.0	\$5.3	\$5.4	\$10.7	3.6%
Higher Education Spending	\$0.0	\$4.0	\$3.3	\$7.3	2.4%
Health Insurance Spending	\$0.0	\$1.1	\$2.3	\$3.4	1.1%
Information Technology Spending	\$0.0	\$4.1	\$4.7	\$8.8	2.9%
Other Miscellaneous Spending	\$2.0	\$2.3	\$29.2	\$33.6	11.2%
TOTAL ADJUSTMENTS DECREASING BALANCE	\$107.0	\$92.9	\$99.9	\$299.8	100.0%



Notes:

¹ "Spending" initiatives include all those items that decrease resources: appropriations; revenue decreases; transfers to other funds; and other negative adjustments to fund balance. Does not reflect transfers of appropriations between General Fund programs that net to \$0.

Amounts may not add due to rounding

FUND FOR A HEALTHY MAINE (FHM) STATUS

Based on Legislation enacted to date and LD 353 as amended by AFA Committee ¹

	FY 09	FY 10	FY 11
<u>FHM RESOURCES:</u>			
Revenue:			
December 2008 Base Revenue Estimate	\$64,386,190	\$63,760,785	\$64,478,815
May 2009 Revenue Forecast	\$3,887,564	(\$4,106,734)	(\$7,384,811)
Subtotal - Revenue ²	\$68,273,754	\$59,654,051	\$57,094,004
Total FHM Resources	\$68,273,754	\$59,654,051	\$57,094,004
<u>FHM ALLOCATIONS AND OTHER USES:</u> ³			
<u>Transfers</u>			
Transfers through 123rd Legislature	\$1,464,406	\$0	\$0
Subtotal - Transfers	\$1,464,406	\$0	\$0
<u>Allocations</u>			
Allocations through 123rd Legislature / Proposed Baseline	\$64,307,067	\$69,006,136	\$69,014,916
Enacted/Proposed Adjustments to Baseline Budget ⁴	\$5,252,296	(\$3,640,031)	(\$6,907,286)
Proposed Stimulus Adjustments	(\$1,560,738)	(\$2,627,063)	(\$1,328,360)
Subtotal - Allocations	\$67,998,625	\$62,739,042	\$60,779,270
Total Allocations and Other Uses	\$69,463,031	\$62,739,042	\$60,779,270
Net Change (Resources minus Allocations and Other Uses)	(\$1,189,277)	(\$3,084,991)	(\$3,685,266)
BEGINNING BALANCE ⁵	\$7,959,655	\$6,770,378	\$3,685,387
NET CHANGE (FROM ABOVE)	(\$1,189,277)	(\$3,084,991)	(\$3,685,266)
ENDING BALANCE	\$6,770,378	\$3,685,387	\$121

Major Changes Proposed in Governor's 2010-2011 Biennial Budget:

	FY 10	FY 11
> Reductions to programs based on reductions in funds available.	(2,893,870)	(6,522,662)
> Stimulus savings from the ARRA of 2009 enhanced Federal Medical Assistance Percentage (FMAP).	(2,627,063)	(1,328,360)
> LD 353, Part UUUU fund-wide deallocation	(536,000)	0
> Reduction in funding in the FHM -School Breakfast program that was intended to be one-time only in fiscal year 2008-09.	(35,000)	(35,000)
> Savings from the increase in the FFY 2010 FMAP.	(151,634)	(182,600)
> Savings from the reorganization of Office of MaineCare Services	0	(141,711)
> Savings from the reorganization of Office of Integrated Access and Support	(64,152)	(66,041)
> Increased allocations for information technology costs	26,552	26,488
> Position reclassifications	14,073	14,240
	(\$6,267,094)	(\$8,235,646)

NOTES:

¹ Based on all legislative changes through the 123rd Legislature, the May 2009 Revenue Forecast, the Emergency FY 09 Budget Bill (LD 45, PL 2009 c. 1) and the 2010-2011 Biennial Budget Bill (LD 353 as amended by AFA Committee).

² Reflects May 2009 Revenue Forecasting Committee adjustments.

³ For the purposes of this summary, transfers out are treated as an expenditure/use and are positive amounts, while transfers in are negative amounts.

⁴ See separate OFPR document for an overview of the Emergency FY 09 Supplemental Budget, PL 2009, c. 1.

⁵ Beginning balance is based on the enacted legislation through the 123rd Legislature, FY08 actual ending balance, the May 2009 revenue forecast and the Emergency FY 09 Supplemental Budget as enacted as PL 2009, c. 1.

**2010-2011 BUDGET
SUMMARY OF POSITION CHANGES**

<u>Fund</u>	<u>Total Authorized Positions - Prior to 124th Legislature</u>	<u>Baseline Budget Administrative Adjustments¹</u>	<u>Proposed Baseline Budget Changes²</u>	<u>Total Authorized Positions - Governor's Proposals</u>
General Fund	6,031.470	2.651	(77.570)	5,956.551
Highway Fund	2,486.832	(7.189)	(119.494)	2,360.149
Federal Expenditures Fund	1,667.626	(3.729)	(12.374)	1,651.523
Fund for a Healthy Maine	22.500	0.000	1.000	23.500
Other Special Revenue Fund	2,429.754	(3.308)	(34.751)	2,391.695
Federal Block Grant	137.500	0.000	2.000	139.500
Other Funds	1,313.116	(1.500)	(14.162)	1,297.454
Total Change of Authorized Positions	14,088.798	(13.075)	(255.351)	13,820.372

Notes:

¹ Reflects administrative adjustments made pursuant to 5 MRSA §1583-A, sub-§3, which authorizes the Governor and the State Budget Officer to adjust positions when preparing the next budget to reflect the number of limited-period positions that, in their opinion, are necessary to the proper operation of each department, institution or agency.

² Reflects the proposed position adjustments contained in the 2010-2011 Biennium Unified Budget Bill, LD 353 as amended by the Appropriations Committee and the 2010-2011 Highway Fund Budget Bill, LD 333 with Transportation Committee motions to date.

Appendix A - Appropriation Limitation Analysis

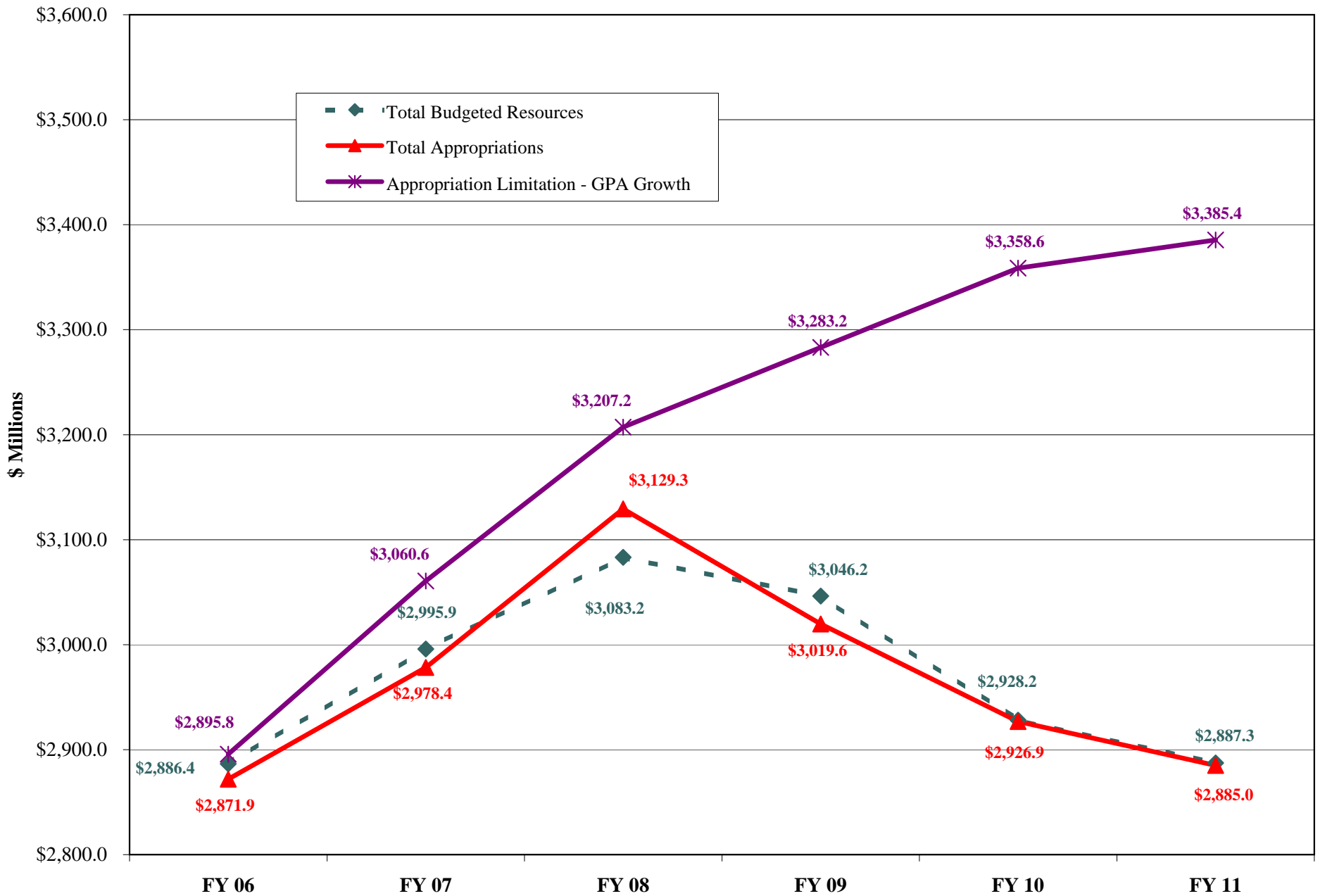
	Base Amounts	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
A Total Base Appropriations (Increased by Growth Factor, see D)	\$2,709,902,078	\$2,794,180,033	\$2,881,079,032	\$2,969,816,266	\$3,061,286,607	\$3,145,778,117	\$3,232,601,593
B Appropriations to General Purpose Aid for Local Schools (GPA) ¹	\$734,536,621	\$836,115,966	\$914,098,222	\$971,958,385	\$956,481,491	\$947,371,492	\$887,377,628
C General Purpose Aid Growth from FY05 until 55% State Share - Exempt from Limit		\$101,579,345	\$179,561,601	\$237,421,764	\$221,944,870	\$212,834,871	\$152,841,007
D Average Real Personal Income Growth (used in State's Growth Limitation Factor)		2.52%	2.52%	2.47%	2.47%	2.28%	2.28%
E Average Population Growth (used in State's Growth Limitation Factor)		0.59%	0.59%	0.61%	0.61%	0.49%	0.49%
F Growth Limitation Factor Applied to Base Appropriations (D + E) ²		3.11%	3.11%	3.08%	3.08%	2.76%	2.76%
G Total Appropriations Allowed (A + C)		\$2,895,759,378	\$3,060,640,633	\$3,207,238,030	\$3,283,231,477	\$3,358,612,988	\$3,385,442,600

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
General Fund Budgeted Resources						
- Beginning Budgeted Balance	\$33,662,644	\$14,516,599	\$17,578,341	\$935,111	\$26,590,109	\$1,269,290
- Net Transfers/Adjustments to Balance	(\$5,005,536)	(\$23,487,122)	\$24,863,133	\$190,487,884	\$45,892,527	(\$11,633,761)
- Net General Fund Revenue	\$2,857,738,104	\$3,004,907,574	\$3,040,740,422	\$2,854,763,148	\$2,855,678,252	\$2,897,635,488
Total Budgeted Resources	\$2,886,395,212	\$2,995,937,051	\$3,083,181,896	\$3,046,186,143	\$2,928,160,888	\$2,887,271,017
Amount Budgeted Resources are (below) above the limit	(\$9,364,166)	(\$64,703,582)	(\$124,056,134)	(\$237,045,334)	(\$430,452,100)	(\$498,171,583)
Total Appropriations	\$2,871,878,613	\$2,978,358,710	\$3,129,325,355	\$3,019,596,034	\$2,926,891,598	\$2,885,022,849
Amount Appropriations are (below) above the limit	(\$23,880,765)	(\$82,281,923)	(\$77,912,675)	(\$263,635,443)	(\$431,721,390)	(\$500,419,751)

Notes:

- ¹ The amount by which appropriations for General Purpose Aid for Local Schools exceed the appropriations for this program in FY 05 as of December 1, 2004 are excluded from the Appropriations Limitation until the State reaches the 55% share of Essential Programs and Services funding level. Amounts reflect appropriations through the 123rd Legislature.
- ² The growth limitation factor is established on October 1st of even numbered years. That factor is applied to both fiscal years of the biennium and is not adjusted once established.
- ³ Appropriations and budgeted revenue reflect final budgeted amounts. Beginning balances reflect actual beginning balances. For FY 2009 on, budgeted revenue reflects the May 2009 Revenue Forecast and proposed changes in LD 353 as amended. Appropriations FY 09 through FY 11 reflect all enacted laws to date and LD 353 as amended.

Appropriation Limitation Compared to Budgeted Resources and Appropriations



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Appendix B - Tax and Fee Changes Affecting State and Local Tax Burden

Tax Category and Description	Bill Part	FY 09	FY 10	FY 11	FY 12	FY 13
Sales and Use Tax						
Tax enforcement initiative generating additional revenue from the collection of outstanding income and sales tax receivables.	A	\$0	\$2,278,470	\$2,925,444	\$1,385,147	\$0
Tax enforcement initiative implementing a Depositor Matching Program to collect overdue taxes that requires financial institutions to disclose, upon request from the State Tax Assessor, automated search account information to Maine Revenue Services for the purpose of establishing, modifying and enforcing tax debts.	AAAA	\$0	\$500,000	\$500,000	\$500,000	\$500,000
Tax enforcement initiative that establishes the 2009 Tax Receivables Reduction Initiative to run from September 1, 2009 to November 30, 2009 to facilitate the collection of tax receivables. The program provides for the waiver of 90% of the penalties due if the tax and interest are paid during the initiative period.	PPP	\$0	\$2,500,000	(\$250,000)	(\$200,000)	(\$200,000)
Sales tax effect from the conversion of the excise tax on smokeless tobacco products from a tax equaling 78% of the wholesale price to a tax based on weight at the rate of \$2.02 per ounce.	H	\$0	\$78,684	\$91,771	\$94,849	\$94,289
Individual Income Tax						
Tax enforcement initiative that continues an overtime project to enhance revenue discovery and revenue collections.	A	\$0	\$2,000,000	\$2,000,000	\$0	\$0
Tax enforcement initiative associated with establishing 2 Senior Revenue Agent positions for the Criminal Investigations Unit to provide deterrence to tax delinquents and focus on those individuals and businesses that intentionally failed to file a tax return, failed to pay tax or filed a fraudulent tax return.	A	\$0	\$550,000	\$550,000	\$550,000	\$550,000
Tax enforcement initiatives for collection of outstanding income and sales tax receivables.	A	\$0	\$5,803,641	\$5,957,442	\$3,088,819	\$0
Tax enforcement initiative implementing a Depositor Matching Program to collect overdue taxes that requires financial institutions to disclose, upon request from the State Tax Assessor, automated search account information to Maine Revenue Services for the purpose of establishing, modifying and enforcing tax debts.	AAAA	\$0	\$2,092,465	\$2,053,849	\$2,053,849	\$2,053,849
Tax enforcement initiative that establishes the 2009 Tax Receivables Reduction Initiative to run from September 1, 2009 to November 30, 2009 to facilitate the collection of tax receivables. The program provides for the waiver of 90% of the penalties due if the tax and interest are paid during the initiative period.	PPP	\$0	\$7,000,000	(\$750,000)	(\$300,000)	(\$300,000)
Tax enforcement initiative implementing a data warehouse project to collect additional income tax revenue from tax debtors.	TTTT	\$0	\$900,000	\$9,434,526	\$9,200,000	\$9,200,000

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Appendix B - Tax and Fee Changes Affecting State and Local Tax Burden

Tax Category and Description	Bill Part	FY 09	FY 10	FY 11	FY 12	FY 13
Changes method of indexing the individual income tax brackets by maintaining the cost-of-living adjustment at the same level as the prior calendar year if the new adjustment would be less than that for the prior calendar year and beginning with the 2009 calendar year, requiring the adjustment of the tax brackets to be reduced by an amount that increases noncorporate income tax revenue by \$10,500,000 based on revenue projections by the Revenue Forecasting Committee.	WWW	\$0	\$4,200,000	\$10,500,000	\$10,500,000	\$10,500,000
Income tax effect associated with the changes to the Maine Residents Property Tax Program and the Homestead Property Tax Exemption.	XXX	\$0	(\$42,180)	(\$434,830)	(\$392,095)	(\$396,588)
Eliminates all federal net operating loss carry-forwards and also eliminates the recapture of previously denied federal net operating loss carry-backs. The change applies to tax years beginning in 2009, 2010 and 2011. The net operating loss deduction disallowed as a result of the provisions in this Part may be recaptured by the taxpayer in tax years beginning after 2011, but only if the year is within the federal carry-over period for net operating loss plus the number of years that the net operating loss carry-over adjustment was not deducted as a result of the restriction with respect to tax years beginning in 2009, 2010 and 2011.	ZZZ	\$0	\$2,000,000	\$1,500,000	\$990,000	\$0
Corporate Income Tax						
Revenue increase that results from removing from the apportionment calculation the sales of tangible personal property by businesses operating in more than one state if the sales are delivered to a state where the sale is not taxable. Sales other than those of tangible personal property are also removed from the Maine sales in the apportionment calculation if the sales are delivered from Maine to a state where the sale is not taxable.	NN	\$0	\$2,117,500	\$1,909,500	\$2,120,858	\$2,476,037
Eliminates all federal net operating loss carry-forwards and also eliminates the recapture of previously denied federal net operating loss carry-backs. The change applies to tax years beginning in 2009, 2010 and 2011. The net operating loss deduction disallowed as a result of the provisions in this Part may be recaptured by the taxpayer in tax years beginning after 2011, but only if the year is within the federal carry-over period for net operating loss plus the number of years that the net operating loss carry-over adjustment was not deducted as a result of the restriction with respect to tax years beginning in 2009, 2010 and 2011.	ZZZ	\$0	\$8,000,000	\$6,000,000	\$3,960,000	\$0

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Appendix B - Tax and Fee Changes Affecting State and Local Tax Burden

Tax Category and Description	Bill Part	FY 09	FY 10	FY 11	FY 12	FY 13
Cigarette and Tobacco Products Taxes						
Revenue increase associated with the conversion of the excise tax on smokeless tobacco products from a tax equaling 78% of the wholesale price to a tax based on weight at the rate of \$2.02 per ounce. The change is effective for purchases on or after July 1, 2009.	H	\$0	\$1,573,684	\$1,835,413	\$1,896,975	\$1,885,780
Telecommunications Personal Property Tax						
Revenue increase associated with delaying the phasedown in the rate of the tax on telecommunications personal property.	P	\$0	\$1,545,181	\$1,524,181	\$762,590	\$0
Estate Tax						
Makes adjustments to ensure that the Maine estate tax under current law will continue to be imposed for deaths occurring after calendar year 2009 with the intent of maintaining the State's estate tax revenues at current levels and amends the definition of "federal gross estate" to include gifts made by a decedent one year prior to death, but not gifts made prior to January 1, 2008. Transfers made as part of a bona fide sale for full and adequate consideration are not included in the definition.	E	\$0	\$1,702,888	\$29,623,160	\$37,328,353	\$42,374,930
Property Tax - Unorganized Territory						
Increase in projected tax collections in fiscal year 2009-10 based on revised estimates of education spending needs in the Unorganized Territory.	A	\$0	\$376,254	\$0	\$0	\$0
Increases fees based on a percent of valuation of property assessed for the Land Use Regulation Commission to the Unorganized Territories from .013% to .014% and to the organized Towns and Plantations from .014% to .018%.	HHHH	\$0	\$104,094	\$118,890	\$133,980	\$149,374
Other Revenue (Inland Fisheries and Wildlife)						
Increases the fees for certain hunting, fishing, archery and combination licenses by \$4 for residents and \$12 for non-residents. It also increases all other non-resident licenses and permits by \$7.	OO	\$0	\$1,044,000	\$1,559,000	\$1,559,000	\$1,559,000
Revenue from increasing boat registration fees by \$5.	OO	\$0	\$150,000	\$550,000	\$550,000	\$550,000
Revenue decrease from eliminating the fall turkey permit.	OO	\$0	\$0	(\$100,000)	(\$100,000)	(\$100,000)
Revenue increase from issuing a new second spring turkey permit.	OO	\$0	\$30,000	\$30,000	\$30,000	\$30,000
Revenue decrease from issuing free permits to junior hunters.	OO	\$0	(\$55,000)	(\$100,000)	(\$100,000)	(\$100,000)
Revenue from increasing tagging fees.	OO	\$0	\$70,000	\$75,000	\$75,000	\$75,000
Requires seaplanes to purchase milfoil stickers.	OO	\$0	\$1,800	\$1,800	\$1,800	\$1,800
Increases the whitewater rafting user fee by \$1.	OO	\$0	\$14,000	\$28,000	\$28,000	\$28,000
Other Revenue						
Revenue associated with surcharges on installation of new sewer systems, the municipal combined sewer overflow and overboard discharges and shellfish area outfalls.	FFFF	\$0	\$227,000	\$223,250	\$219,500	\$215,750
Increases license fees levied by the Department of Marine Resources.	G	\$0	\$392,483	\$448,414	\$448,414	\$448,414

Appendix B - Tax and Fee Changes Affecting State and Local Tax Burden

Tax Category and Description	Bill Part	FY 09	FY 10	FY 11	FY 12	FY 13
Increased licensing fees from allowing additional agency liquor stores in certain municipalities.	JJJJ	\$0	\$80,000	\$92,000	\$24,000	\$24,000
Increases drivers license reinstatement fees, other than for OUI, by \$15.	YYYY	\$0	\$505,500	\$505,500	\$505,500	\$505,500
Total Net Change to Taxes and Fees affecting Tax Burden		\$0	\$47,740,464	\$78,402,310	\$76,914,539	\$72,125,135
Total by Fund						
General Fund		\$0	\$46,147,694	\$74,832,384	\$72,919,677	\$68,525,835
Highway Fund		\$0	\$252,750	\$252,750	\$252,750	\$252,750
Other Special Revenue Funds		\$0	\$1,340,020	\$3,317,176	\$3,742,112	\$3,346,550
Major Changes to Tax Reimbursement Programs (Not included in State and Local Tax Burden Calculations)						
Revenue increase associated with limiting the allowable benefit under the Maine Residents Property Tax Program to 80% of the amount to which those households would otherwise be eligible for application periods beginning on August 1, 2009 and on August 1, 2010. Includes interaction effect with Part YYY Homestead Property Tax Exemption change.	XXX	\$0	\$8,507,242	\$8,842,516	(\$1,045,747)	(\$1,075,138)
Revenue increase associated with limiting the allowable benefit under the Business Equipment Tax Reimbursement (BETR) Program to 90% of eligible property taxes paid for application periods beginning August 1, 2009 and August 1, 2010.	U	\$0	\$6,565,349	\$6,004,794	\$0	\$0
Reduces the Maine resident homestead property tax exemption from \$13,000 to \$10,000 for the property tax year beginning April 1, 2010. (Note: affects appropriations not revenue - represents 50% of estimated property tax revenue increase)	A and YYY	\$0	\$0	\$6,897,042	\$7,138,437	\$7,281,206

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**Appendix C - Revenue Sharing Overview - Estimated Payments
Based on Simplified Revenue Sharing Transfers**

	FY 09	FY 10	FY 11	FY 12	FY 13
Total Revenue Transfers for Revenue Sharing:					
Revenue Forecasting Committee - May 2009 Adjusted Base	\$2,539,106,178	\$2,545,160,953	\$2,570,632,072	\$2,678,622,785	\$2,784,435,313
Increase in Base from Tax Changes in LD 353		\$38,881,360	\$38,923,576	\$30,058,615	\$21,376,587
Total Revenue Sharing Transfers - Adjusted for LD 353	\$2,539,106,178	\$2,584,042,313	\$2,609,555,648	\$2,708,681,400	\$2,805,811,900
Growth in Revenue Sharing Base		1.8%	1.0%	3.8%	3.6%
Net Change to General Fund Revenue - Transfer Timing	\$20,127,230	\$350,659	\$199,093	\$773,528	\$757,958
5% of the Revenue Sharing Base		\$129,202,116	\$130,477,782	\$135,434,070	\$140,290,595
Adjustment for one-month lag (Transfers vs. Payments)		(\$350,659)	(\$199,093)	(\$773,528)	(\$757,958)
Fixed \$ One-time Reductions		(\$18,758,840)	(\$25,260,943)	\$0	\$0
Total Revenue Sharing Payments - June 2009 revenue at 5.0%		\$110,092,617	\$105,017,746	\$134,660,542	\$139,532,637
Local Government Fund (Revenue Sharing I % Share)		85.0%	84.0%	83.0%	82.0%
Total Estimated Payments - Revenue Sharing I		\$93,578,724	\$88,214,907	\$111,768,250	\$114,416,762
Total Estimated Payments - Revenue Sharing II		\$16,513,893	\$16,802,839	\$22,892,292	\$25,115,875
Current Baseline Allocations					
State-Municipal Revenue Sharing 0020 (Rev I Share)		\$105,340,038	\$105,340,038	\$105,340,038	\$105,340,038
State-Municipal Revenue Sharing 0020 (Rev II Share)		\$30,000,000	\$30,000,000	\$30,000,000	\$30,000,000
Total Baseline (0020) - LD 353		\$135,340,038	\$135,340,038	\$135,340,038	\$135,340,038
Allocation Adjustments					
Adjustments to Revenue Sharing I (0020) June 2009 5%		(\$41,761,314)	(\$47,125,131)	(\$23,571,788)	(\$20,923,276)
Disproportionate Tax Burden Fund (0472) June 2009 5%		\$16,513,893	\$16,802,839	\$22,892,292	\$25,115,875
Additional Revenue Sharing II Transfers		\$2,000,000	\$2,500,000	\$3,000,000	\$3,500,000
With Additional Amounts to Revenue Sharing II		\$18,513,893	\$19,302,839	\$25,892,292	\$28,615,875
Final Allocations Estimated Payments					
State-Municipal Revenue Sharing (0020) - Rev I		\$93,578,724	\$88,214,907	\$111,768,250	\$114,416,762
Disproportionate Tax Burden Fund (0472) - Rev II		\$18,513,893	\$19,302,839	\$25,892,292	\$28,615,875
Total Revenue Sharing Payments		\$112,092,617	\$107,517,746	\$137,660,542	\$143,032,637
Estimated Transfers - May 2009 Forecast					
State-Municipal Revenue Sharing (0020) - Rev I		\$107,267,272	\$107,267,272	\$108,340,767	\$110,829,745
Disproportionate Tax Burden Fund (0472) - Rev II		\$18,547,379	\$20,529,778	\$25,697,868	\$29,290,974
Total Revenue Sharing Payments		\$125,814,651	\$127,797,050	\$134,038,635	\$140,120,719
Difference May 2009 Forecast transfers vs. Payments as revised in LD 353		(\$13,722,034)	(\$20,279,304)	\$3,621,907	\$2,911,918

**Appendix D - Summary of General Fund Savings by Policy Committee
(Including General Fund Revenue and Transfers)**

Policy Committee	General Fund Baseline Appropriations			General Fund AFA Actions Net Cost (Savings)			
	FY10	FY11	Total Biennium	FY09	FY10	FY11	Total Biennium
Agriculture, Conservation and Forestry	\$32,949,193	\$33,580,567	\$66,529,760	(\$2,102,535)	(\$4,159,171)	(\$12,589,060)	(\$16,748,231)
Business and Economic Development	\$14,551,452	\$14,606,244	\$29,157,696	\$0	(\$1,814,553)	(\$1,845,365)	(\$3,659,918)
Criminal Justice	\$168,006,697	\$168,154,829	\$336,161,526	\$0	\$3,806,442	\$235,178	\$4,041,620
Education and Cultural Affairs	\$1,516,056,672	\$1,516,385,887	\$3,032,442,559	(\$1,064,811)	(\$37,642,504)	(\$88,031,671)	(\$125,674,175)
Health and Human Services	\$1,005,010,611	\$1,004,303,631	\$2,009,314,242	(\$42,211,921)	(\$181,022,828)	(\$142,822,023)	(\$323,844,851)
Insurance and Financial Services	\$810,393	\$810,393	\$1,620,786	\$0	(\$2,182,107)	\$103,456	(\$2,078,651)
Inland Fisheries and Wildlife	\$24,041,904	\$24,518,384	\$48,560,288	\$0	(\$950,846)	(\$1,886,314)	(\$2,837,160)
Judiciary	\$84,825,251	\$85,253,587	\$170,078,838	\$0	(\$918,092)	(\$1,038,361)	(\$1,956,453)
Labor	\$13,535,594	\$13,647,842	\$27,183,436	\$0	(\$1,013,260)	(\$1,382,487)	(\$2,395,747)
Legislative Council	\$28,929,431	\$30,701,259	\$59,630,690	\$0	(\$2,497,248)	(\$1,972,894)	(\$4,470,142)
Legal and Veterans Affairs	\$7,558,452	\$7,702,375	\$15,260,827	\$0	(\$1,796,192)	(\$2,895,652)	(\$4,691,844)
Marine Resources	\$10,704,864	\$10,906,406	\$21,611,270	\$0	(\$483,302)	(\$756,552)	(\$1,239,854)
Natural Resources	\$6,983,403	\$7,106,757	\$14,090,160	\$0	(\$592,085)	(\$382,137)	(\$974,222)
State and Local Government	\$154,099,000	\$154,804,843	\$308,903,843	(\$90,071,089)	(\$62,556,118)	(\$29,821,754)	(\$92,377,872)
Taxation	\$72,435,028	\$73,109,463	\$145,544,491	(\$20,327,230)	(\$72,539,932)	(\$113,761,431)	(\$186,301,363)
Transportation	\$19,363,699	\$19,687,727	\$39,051,426	\$0	\$5,365,140	\$4,887,194	\$10,252,334
Utilities and Energy	\$0	\$0	\$0	\$0	(\$421,833)	(\$438,884)	(\$860,717)
General Fund initiative Totals	\$3,159,861,644	\$3,165,280,194	\$6,325,141,838	(\$155,777,586)	(\$361,418,489)	(\$394,398,757)	(\$755,817,246)

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Appendix E
American Recovery and Reinvestment Act of 2009 (ARRA)
Federal Stimulus/ARRA Funds and Uses in the Budget

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Fiscal Stabilization Funds			
Department of Education			
General Purpose Aid for Local Schools *	\$27,046,649	\$42,996,116	\$58,759,112
Higher Educational Institutions			
Maine Maritime Academy *	\$586,323	\$414,964	\$414,964
Maine Community College System *	\$4,129,530	\$1,791,041	\$1,791,041
University of Maine System *	\$8,407,434	\$5,956,578	\$5,956,578
Department of Health and Human Services			
MaineCare *	\$22,240,700	\$9,794,031	\$0
Health InfoNet	\$0	\$700,000	\$0
Health - Childhood Vaccines	\$0	\$500,000	\$0
Health - Purchase of Antivirals	\$2,175,000		
Total Fiscal Stabilization Funds	\$64,585,636	\$62,152,730	\$66,921,695
Federal Medical Assistance Percentage (FMAP) Increase			
FMAP Savings Deappropriations	(\$124,971,221)	(\$189,264,048)	(\$95,555,272)
FMAP Savings Appropriations:			
Finance Authority of Maine			
Doctors for Maine's Future Scholarship Fund		\$1,500,000	\$1,500,000
University of Maine System			
Graduate School of Biomedical Sciences		\$750,000	\$0
MaineCare			
Hospital Settlements	\$55,000,000	\$36,720,000	
MaineCare Funding Shortfall	\$50,000,000	\$25,000,000	\$15,000,000
Patient-centered medical home initiative	\$0	\$500,000	\$0
DHHS Other			
Consent Decree MR Services	\$0	\$1,290,199	\$649,374
Miscellaneous Other -Contribution to GF Shortfall	\$19,971,221	\$123,503,849	\$78,405,898
Total FMAP Savings Appropriations	\$124,971,221	\$189,264,048	\$95,555,272

* Used to replace General Fund deappropriations

Appendix F
LD 353 Committee Amendment “A”
Major Changes from Governor’s Recommendations
(By Policy Area)

Criminal Justice

- Adds funding for county jails.
- Rejects the proposal to board prisoners in private out of state facilities and retains associated positions (including limited period positions at the Charleston Correctional Facility).
- Reduces “All Other” funding in numerous programs as proposed by policy committee to offset restorations of positions.
- Eliminates 5 positions in the Department of Corrections (not yet identified) to offset rejected savings initiative.

Judicial

- Adds funding for debt service on courthouse and renovation costs. (Part WWWW)

Education

- Reduces funding in the Management Information Systems program in fiscal year 2009-10
- Increases funding reductions to the State Board of Education
- Reduces the hours and wages of the Director and Assistant Director of the Maine State Museum in order to restore the Museum Specialist III position to full-time.
- Partially offsets reductions to the Adult Education Program. Some restorations are specifically targeted for the college transition program and academic instruction.
- Provides funds to increase reimbursement rates for speech and hearing services provided by non-state agencies.
- Reduces proposed funding for the Graduate School of Biomedical Sciences
- Reduces proposed funding for Doctor’s For Maine’s Future Scholarship Fund
- Shifts funding for the “Educare” initiative from a General Fund appropriation to a transfer from the Governor’s Contingent Fund. Increases the Contingent Fund by the required amount and makes the necessary statute changes for its use. (Part OOOO)

Health and Human Services

- Modifies the proposal to reduce funding for children’s private nonmedical institutions by adopting a tiered rate system.
- Increases the limit of targeted case management services from 1 to 2 months for children scoring within a specified range on the Child and Adolescent Functional Assessment Scale. Also provides that the score may not be the sole criterion for determining needs and eligibility for services.

- Changes the increase to the rate reduction to providers of residential services under the MR Waiver from 7% to 6%.
- Provides funds for support services for persons on the Home and Community-based Waiver for Individuals with Developmental Disabilities.
- Reduces funding for Office of MaineCare Services administrative contracts.
- Reduces funding to Medical Care- Payments to Providers as a result of enhanced third party liability recovery efforts
- Deappropriates funds to Riverview and Dorothea Dix psychiatric centers as a result of additional third-party payments.
- Reduces instead of eliminating a contract with the International Adoption Services Center and transfers some instead of all functions to current casework staff.
- Restores some funding for oral health under the Maine Center for Disease Control recognizing that funds will be available in the community from federal stimulus funding.
- Appropriates funds to increase reimbursement rates for speech and hearing services provided through speech and hearing agencies.
- Provides one-time funds for family planning services.
- Provides funding for a statewide demonstration of an electronic health information exchange (“InfoNet”).
- Reduces appropriations for childhood vaccines in fiscal year 2009-2010 due to availability of federal stimulus funding for this purpose.
- Eliminates the second year of the proposed one-time increase in MaineCare prospective payments to hospitals.
- Makes significant changes to hospital reimbursement rates and structure the details of which are included in Part CC of the committee amendment. Some of these changes include:
 - Changes the reimbursement to critical access hospitals for inpatient and outpatient services from the 101% of the MaineCare allowable cost as proposed by the Governor to 109% (current rate is 117%)
 - Reduces funding for outpatient services provided by hospital based providers.
 - Reduces funding for the reimbursement for hospitals reclassified to a wage area outside of the State by the Medicare Geographic Classification Review Board from 117% to 109% of the MaineCare allowable costs.
 - Increases funding by reimbursing at 70% Medicare rates outpatient services provided by non-hospital-based physicians who are reimbursed below 70% of Medicare rates.

Labor

- Partially restores funding for educational services to children who are blind and visually impaired
- Partially restores funding for the Maine Centers for Women, Work and Community
- Increases the cuts to the Governor's Training Initiative Program to offset funding restorations to the Division for the Blind and Visually Impaired and the Maine Centers for Women, Work and Community.

Legal and Veterans Affairs

- Limits the deappropriation in gambling addiction services within the Gambling Control Board to the 2010-2011 biennium.
- Provides one-time funding in the Office of Substance Abuse to collect data and assess the need for gambling addiction treatment in the State. (Part DDDD)
- Provides funding for one Veteran Service Officer position plus related travel and administrative costs.
- Increases licensing fees and profit revenue from allowing additional agency liquor stores in certain municipalities (partially offset by the addition of a position and other related costs to administer the increased number of licenses). (Part JJJJ)
- Reduces the amount to be distributed to certified legislative and gubernatorial candidates during the 2010 election cycle. Allows candidates to raise additional seed money to offset the reductions. (Part NNNN)

Inland Fish and Wildlife

- Restores positions and other proposed cuts in various programs and increases funding in the Fisheries and Hatcheries Operations.
- Increases some license and permit fees and fines (Part OO).

Agriculture Conservation and Forestry

- Restores positions and other proposed cuts in the Department of Conservation related to the Land Use Regulation Commission.
- Increases the fee assessed to the unorganized territories and towns and plantations. (Part HHHH)
- Establishes a task force to examine the challenges facing the dairy industry and make recommendations to the Governor and the Agriculture Conservation and Forestry Committee and authorizes the Maine Milk Commission to establish four tiers of production (Part TTT).

Marine Resources

- Provides funding for three positions in the growing area classifications program within the Public Health Division. The addition of these positions will enable the State to conform to federal requirements necessary for the interstate sale of shellfish.

Natural Resources

- Establishes a water quality improvement surcharge on certain municipalities and publicly owned treatment facilities to pay for grants related to pollution abatement in shellfish growing areas and pay for the added Marine Resources positions (Part FFFF).

State and Local Government

- Rejects the Governor’s proposal to institute a fee for individuals seeking code enforcement officer training and, instead, creates the Maine Code Enforcement Training and Certification Fund to receive fees for training and certifying plumbing inspectors and construction fees for training and certifying municipal building officials.
- Reduces appropriations for Debt Service within the Office of the Treasurer.
- Changes the “Proposed Commission to Recommend Streamlining of State Government Programs and Service Delivery” to a continuation of the “Initiative to Streamline State Government” as enacted by PL 2007 chapter 240 Part QQQ (Part QQQ of LD 353).
- Eliminates savings in the first year of the biennium from the proposed Commission.

State Employees (Insurance and Financial Services and State and Local Government)

- Alters the tiers for which the state contribution to employee health insurance changes, introduces a wellness credit starting in fiscal year 2011 and eliminates the reduced state contribution for new employees. (Part GG)
- Reduces the number of State shutdown days during the 2010-2011 biennium (Part SSS)
- Eliminates longevity payments during the 2010-2011 biennium. (Part SSS)
- Transfers available balances in the Personal Services line category of specified Other Special Revenue and Internal Services Funds to the Unappropriated Surplus of the General Fund. (Part RRR)

Taxation

- Eliminates funding for Homestead Property Tax Exemption Mandate Reimbursement.
- Reduces the homestead exemption to \$10,000 on-going rather than the proposed percentage reduction. (Part YYY)
- Simplifies state-municipal revenue sharing calculations and administration by eliminating the reductions to the revenue-sharing tax base related to the transfers to the BETR program and the Circuitbreaker program from individual income tax revenue, but decreasing the percentage of revenue transferred. (Part S)
- Eliminates the reduction from transfers to the Local Government Fund to the Fund for the Efficient Delivery of Local and Regional Services and back to the General Fund. (Part S).
- Transfers additional fixed dollar amounts in fiscal years 2009-10 and 2010-11 from state-municipal revenue sharing to achieve percentage reduction goals. (Part S)

- Changes period for which the State is not bound by a final federal determination under the estate tax from 2 years (as proposed by the Governor) to 1 year of the later of the filing date or due date of the return. (Part E)
- Changes the amendment of the definition of “federal gross estate” from including gifts made by a decedent 3 years prior to death (as proposed by the Governor) to 1 year prior to death. This is also known as the “claw back” provision. (Part E).
- Eliminates the proposal to reduce the maximum nonelderly household income limitations under the “Circuitbreaker” program and substitutes a 20% reduction in the allowable benefit for all households. (Part XXX)
- Eliminates the proposal to suspend indexing of the individual income tax rate brackets and substitutes an adjustment of the tax brackets to achieve a targeted increase in noncorporate tax revenue based on Revenue Forecasting Committee projections. (Part WWW)
- Allows for a recapture of disallowed net operating loss carry-forwards under certain circumstances. (Part ZZZ)
- Provides for the generation of tax revenue from tax debtors using mining techniques on an integrated data warehouse. (Part TTTT) Additional funding is also provided for technology support and expenses for personal services and contractors.

Transportation

- Increases reinstatement fees, other than for OUI related suspensions and provides that a percentage of certain reinstatement fees accrues to the General Fund (Part YYYY).

Legislative Council

- Recognizes additional savings as a result of actions by the Legislative Council

Appendix G
LD's Related to Initiatives Included in LD 353 as amended
124th Legislature, 1st Regular Session

86	TAX	An Act To Conform the Maine Tax Laws for 2008 to the United States Internal Revenue Code	BBBB
279	SLG	An Act To Amend the Laws Governing the Fund for the Efficient Delivery of Local and Regional Services	S
417	SLG	An Act To Require State Employees To Pay 15% of Their Health Insurance Costs	GG
464	SLG	An Act To Suspend the Cost-of-living Adjustment for Legislators' Salaries for the Second Regular Session of the 124th Legislature	LLL
473	SLG	An Act To Suspend the Cost-of-living Adjustment for Legislators' Salaries for the First Regular Session of the 124th Legislature	LLL
563	HHS	An Act To Pay a State Share into the HealthInfoNet System	A-32
635	EDU	An Act To Provide Additional Time to Certain School Administrative Units To Comply with School Administrative Unit Reorganization Laws	KKKK
682	LVA	An Act Regarding Agency Liquor Stores	JJJJ
761	SLG	An Act To Abolish the Fund for the Efficient Delivery of Local and Regional Services	S
808	TAX	An Act To Capitalize the Municipal Investment Trust Fund with Municipal Revenue-sharing Resources	S
809	HHS	An Act To Preserve the Viability of Services to Maine's Citizens with Mental Retardation	A-31
834	LVA	An Act To Provide for 2 Veteran Service Officer Positions	A-15
863	ACF	An Act To Permanently Establish the Position of Director of Recreational Access and Landowner Relations	A-12
870	LVA	An Act To Improve Transportation for Veterans	A-15
882	JUD	An Act To Consolidate and Modernize Maine's Courts	WWW & A-41
888	LAB	Resolve, Directing the Governor and the Department of Administrative and Financial Services, Bureau of Human Resources To Remove Longevity Biases from Collective Bargaining Agreements	SSS
1142	HHS	Resolve, To Ensure Access to Speech and Hearing Services	A-21
1399	NAT	An Act Concerning Water Quality in Watersheds	FFFF
1433	HHS	An Act Regarding the Creation of Capitated Behavioral Health Pilot Programs	PPPP