

State of Maine
2018-2019
Governor's Budget
Overview

Submitted by

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Governor

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Economic Outlook and Forecast

Background

The Consensus Economic Forecasting Commission was originally established by Executive Order on May 25, 1992, in order to provide the Governor, the Legislature and the Revenue Forecasting Committee with analyses, findings and recommendations for state economic assumptions to be used in developing state revenue forecasts. Creation of the commission was in response to a recommendation of the Special Commission on Government Restructuring in 1991 to establish an independent, consensus process for state economic and revenue forecasting. Public Law 1995, chapter 368 enacted in statute the Consensus Economic Forecasting Commission, maintaining both the structure and intent of the original Executive Order.

The commission consists of five members having professional credentials and demonstrated expertise in economic forecasting. Members of the commission are appointed as follows: two members appointed by the Governor; one member recommended for appointment to the Governor by the President of the Senate; one member recommended for appointment to the Governor by the Speaker of the House of Representatives; and one member appointed by the other members of the commission. One member of the commission must be selected by a majority vote of the other commission members to serve as the chair of the commission.

The commission is required to develop two year and four year economic forecasts for the State of Maine. In performing this duty, the commission is required by statute to meet twice each fiscal year. No later than April 1st and November 1st of each odd-numbered year and no later than February 1st and November 1st of each even-numbered year the commission shall submit to the Governor, the Legislative Council, the Revenue Forecasting Committee and the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs a report that presents the commission's findings and recommendations for adjustments to the economic assumptions for the current fiscal biennium. In each report the commission shall fully describe the methodology employed in reaching its recommendations. The Revenue Forecasting Committee is required to use the economic assumptions and forecast of the commission in developing its four-year revenue projections.

Summary

The Maine Consensus Economic Forecasting Commission (CEFC) convened on October 28, 2016, to review and revise the forecast through 2019 and to additionally forecast 2020-2021. This report provides a summary of the Commission's findings.

The Maine and U.S. economies have generally improved since the Consensus Economic Forecasting Commission (CEFC) last met in January 2016, although growth in Maine's economy continues to lag national growth in some areas.

Maine's real GDP increased 0.6% in the first quarter of 2016. This was the fourth consecutive quarter of real GDP growth. Personal income in Maine grew 3.9% from the first half of 2015 to the first half of 2016, while wage and salary income, which is the largest component of total personal income, grew 4.9% over the same period. This is stronger growth than the CEFC had forecast in February 2016. The debt-to-income level for Maine businesses and households continued to rise to new levels in the second quarter of 2016. The Consumer Price Index was up 1.5% in September 2016 from a year ago, held down by the declines in energy prices.

Nationwide, consumer sentiment has remained relatively stable in recent months, down somewhat from a peak in January 2015. The September 2016 level was up 1.6% from a year ago. Small business optimism peaked in December 2014 and is down 6.2% from that month.

The price of crude oil seems to have leveled out around \$47 per barrel as prices in the third quarter of 2016 were unchanged from the second quarter. As a result of the declines in crude oil prices, heating oil prices and gasoline prices have seen substantial declines as well. Heating oil was below \$2 per gallon for much of the 2015-2016 heating season and has started the 2016-2017 season around \$2 per gallon. Gasoline is currently averaging \$2.35 per gallon.

Existing single-family home sales in Maine were up 6.1% in September 2016 compared to the same month last year and housing permits for the September 2015 – August 2016 year were 33.0% higher than the previous 12-month period. The median home price in the Portland-South Portland Metropolitan Statistical Area (which encompasses all of York, Cumberland, and Sagadahoc counties) increased 3.8% year-over-year in the second quarter of 2016. Mortgage delinquency rates in Maine have been declining but at a slower pace than nationally. The foreclosure rate in Maine was 0.49% in the second quarter of 2016 and has been above the national rate for fifteen of the past sixteen quarters.

The Commission made modest changes to the existing forecasts for personal income and corporate profits, but left employment and inflation unchanged. The employment forecast relies on an alternative scenario ("LowPop") created by the Office of Policy and Management, which provides staff support to the CEFC. This alternative scenario is based on the Moody's Analytics baseline with adjustments that lowered the employment forecast. These adjustments are a result of the consensus that the national level forecasts are based on overly optimistic labor force participation rates for the state of Maine, causing employment forecasts, among other things, to grow at an unattainable rate. However, this forecast does assume an increase in migration into Maine in the next few years. The Commission remains concerned about the demographic situation in Maine and the resulting impacts on workforce availability. These concerns were again reinforced in comments provided by representatives from a variety of business sectors in the Commission's data gathering session that preceded the forecast deliberations.

This forecast, coming shortly before the November 8 elections, assumes that none of the pending referendum questions (specifically questions 1, 2, and 4) pass. If any of these referendum questions do

pass, the CEFC will meet jointly with the Revenue Forecasting Committee on November 14 to discuss the potential impacts and make any necessary adjustments to the forecast.

The forecast for wage and salary employment was left unchanged, with the forecasts for 2020 and 2021 continuing the 0.0 percent employment growth forecast for 2019. The 2019-2021 employment level is just shy of the 2007 pre-recession peak. CPI was also left unchanged, with 2020 and 2021 forecast at 2.5 percent and 2.4 percent growth, respectively. Total personal income was revised upward by 0.3 percentage points in 2015 with the release of new actual data from the U.S. Bureau of Economic Analysis. The forecasts for 2016-2018 were revised downward by 0.1, 0.4, and 0.1 percentage points, respectively, while 2019 was revised upward by 0.1 percentage points. 2020 was forecast at 3.4 percent and 2021 was forecast at 3.5 percent. Wage and salary income for 2015 was revised upward by 0.7 percentage points with the release of actual data. The forecasts for 2016, 2018, and 2019 were left unchanged, while the forecast for 2017 was revised downward 0.2 percentage points to reflect the risk of some possible high-wage job losses in the manufacturing and finance industries. 2020 and 2021 were both forecast at 3.5 percent growth.

The table below provides the forecast's major indicators.

Calendar Years	2015	2016	2017	2018	2019	2020	2021
Wage & Salary Employment (Annual Percentage Change)							
CEFC Forecast 02/2016	0.8	0.7	0.4	0.2	0.0		
CEFC Forecast 11/2016	0.8	0.7	0.4	0.2	0.0	0.0	0.0
Personal Income (Annual Percentage Change)							
CEFC Forecast 02/2016	3.4	3.7	4.0	3.7	3.3		
CEFC Forecast 11/2016	3.7	3.6	3.6	3.6	3.4	3.4	3.5
Wage and Salary Income (Annual Percentage Change)							
CEFC Forecast 02/2016	3.4	4.1	4.1	3.9	3.6		
CEFC Forecast 11/2016	4.1	4.1	3.9	3.9	3.6	3.5	3.5
CPI (Annual Percentage Change)							
CEFC Forecast 02/2016	0.1	1.7	2.4	2.6	2.3		
CEFC Forecast 11/2016	0.1	1.7	2.4	2.6	2.3	2.5	2.4

Prior to the start of the forecasting meeting, the CEFC held the annual fall data gathering session, in which the Commission heard from representatives of the Maine Tourism Association, Retail Association of Maine, Maine Restaurant Association and Maine Innkeepers Association, and Maine Bankers Association. In addition to a general overview of the industries' economic outlook, participants were asked to share their views of the potential impacts of the upcoming referendum questions relating to marijuana legalization (Question 1), the 3% surtax on incomes over \$200,000 for education funding (Question 2), and the minimum wage increase (Question 4). A summary of the data gathering session is available separately. 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

In the first quarter of 2016, Maine's real Gross Domestic Product was \$51.3 billion, with \$44.4 billion coming from private industries and \$6.9 billion from government (federal, state, and local). Maine's total real GDP increased 0.6% in the first quarter of 2016. This was higher than the rate of national GDP growth, which was 0.3%. This was the fourth consecutive quarter of real GDP growth.

According to preliminary estimates from the U.S. Bureau of Economic Analysis, total personal income grew 3.9% from the first half of 2015 to the first half of 2016 and wage and salary income grew 4.9% during the same period. Wage and salary disbursements, which are the largest component of personal income, averaged around \$27.6 billion in the first half of 2016 (seasonally adjusted at annual rates). Total personal income averaged around \$58.4 billion. Maine's debt to income ratio was 25.8% in the second quarter of 2016. This is a new high point for the ratio.

The Consumer Price Index (CPI) was up 1.5% from September 2015 to September 2016, held down by continued energy price deflation. Core inflation, which excludes food and energy prices, rose 2.2% over that same period. The Chained Consumer Price Index (Chained CPI) increased 1.2% from September 2015 to September 2016, again slowed by the drop in energy prices. Core inflation rose 2.0% over the same period. Chained CPI allows for substitutions in the basket of goods and services being measured.

In September 2016, the survey-based University of Michigan Consumer Sentiment Index increased 1.6% month-over-month and was up 4.6% from a year ago. The survey-based National Federation of Independent Business (NFIB) Small Business Optimism Index was down 0.3% from the previous month and down 6.2% from the December 2014 peak.

The price of Brent crude oil plunged starting in the second half of 2014 and was just over \$47 per barrel in the third quarter of 2016, unchanged from the second quarter of 2016 and a 4.7% decrease from the second quarter of 2015. Prices appear to have bottomed out in mid-2016. The price of heating oil in Maine remained well below prices of the past few years in the 2015-2016 heating season and the 2016-2017 heating season has started at the same level, averaging \$2.03/gallon most recently. The price of heating oil in Maine had averaged around \$3.75/gallon before the 2014 decline in crude oil prices. The price of gasoline in New England on October 17, 2016 averaged \$2.35, unchanged from the previous week and \$0.05 higher than one year ago. The price of gasoline has risen somewhat recently but is still \$1.50 per gallon lower than the July 2014 peak.

Single family existing-home sales in Maine were up 6.1% in September 2016 compared to September 2015. Over the past five years, home sales in Maine have only declined year-over-year in four months. Maine has seen a rebound in housing permits in 2016. Average monthly single unit housing permits in Maine in the 12-month period from September 2015 through August 2016 were 33.0% higher than in the previous 12-month period. The median home price in the Portland-South Portland metropolitan area increased 3.8% year-over-year in the second quarter of 2016. The median home price in the second quarter of 2016 was \$248,800. The share of mortgages in Maine that are delinquent 30 days or more was 5.3% in the second quarter of 2016. The rate of delinquencies in Maine has been above the U.S. rate for seventeen straight quarters now. Maine's foreclosure rate was 0.49% in the second quarter of 2016, down slightly from the previous quarter. Maine's foreclosure rate has been above the U.S. rate for fifteen of the past sixteen quarters.

Full background materials are available at:
<http://www.maine.gov/economist/forecasts/index.shtml>

Maine Department of Labor

Unemployment rates have trended up from a low of 3.4% in March and April to 4.1% in September. This is not an indication that workforce conditions are deteriorating. Preliminary unemployment estimates tend to move in a direction for several months and then reverse course. Annual revisions that occur each year in the spring eliminate those undulations. For preliminary estimates, the 90% confidence interval is +/-0.7 percentage points, so small changes in unemployment rates should not be interpreted as significant change.

Around the state, unemployment is below the statewide average in York, Cumberland, and Sagadahoc, the three southern-most counties; close to the average in Androscoggin and Kennebec counties and the Bangor metro, the central corridor along I-95 and I-295; above the average and more seasonal in Oxford, Franklin, Somerset, and Piscataquis counties along the western rim of the state; close to the average, but extremely seasonal in the mid-coast region of Lincoln, Knox, Waldo, and Hancock counties; and well above the average in the northern region of Aroostook, Washington, and northern Penobscot counties.

Nonfarm payroll jobs estimates, based on a much larger, more reliable sample than labor force and unemployment estimates, indicate nonfarm jobs continue to rise. The strongest growth is in healthcare and social assistance, the largest sector which comprises one-sixth of jobs. Also adding jobs over the last two years were the leisure and hospitality, financial activities, and transportation, warehousing, and utilities sectors. Other private sectors have been relatively unchanged. Local and state government continue to gradually shed jobs, while the number of jobs in federal government has increased modestly due to rising employment at the Portsmouth Naval Shipyard.

Reductions in unemployment have been driving job growth the last six years, a period when the labor force has not grown. With unemployment around just 4% today, little job growth can be expected going forward from lower unemployment. The CEFC February forecast of limited job growth through in 2017 and 2018, followed by stabilization in 2019 seems reasonable.

Job and total wage growth have accelerated modestly the last two years. In current dollars, average wage growth is up from one or two percent in 2012 and 2013 to over three percent the last two years. Adjusted for inflation, which has been unusually low the last two years, average wage growth the last two years has been the highest in more than a decade.

The polarization of growth concentrated in jobs at the upper and lower ends of the earnings spectrum is expected to continue through 2024. This is driven by growth in human-capital-intensive occupations that require post-secondary education and labor-intensive occupations with limited education and skill requirements. Little growth is expected in occupations generally in the middle of the earnings spectrum as they will continue to be impacted by automation and the continuing pervasion of technology to perform routine functions.

The presentation is at www.maine.gov/labor/cwri/publications/ppt/CEFC_October_2016.pptx

Maine Revenue Services - Office of Tax Policy

FY16 General Fund revenues were \$9.8 million over budget (+0.3%). Compared to last fiscal year, FY16 General Fund revenues were up by 1.1% (+\$36.8 million). The final General Fund figures for the year included the elimination of 5, out of a total of 8, revenue accruals currently accrued at year-end. The process of phasing-out revenue accruals is consistent with the Administration's goal of fiscal stability and sustainability.

For the fiscal year, sales and service provider taxes were a combined \$3.9 million over budget. Auto/transportation sales increased by 7.2% over the first five months of calendar year 2016; most of the robust growth in the first five months came early in the calendar year. Building supply store sales increased by 12.1% during the first five months of CY16 compared to a year ago.

Individual income tax receipts ended the fiscal year under budget by \$3.6 million (-0.2%). Withholding receipts were over budget in June by \$5.3 million and were under budget for the fiscal year by \$2.0 million (0.0%). The second estimated payment of 2016 was due June 15th and exceeded budget by \$8.6 million ending the fiscal year over budget by \$13.2 million. The first two estimated payments of 2016 were flat compared to 2015, but the March forecast assumed a 5% decrease because of the tax cut effective January 1, 2016. Fiscal year refunds were over budget by \$9.4 million (+2.9%).

For the first quarter of fiscal year 2017, General Fund revenues are \$32.5 million over budget (+3.7%). Adjusting for timing issues with BETR payments and one-time Service Provider and Insurance Premium Tax audit payments, General Fund revenues would still be over budget through September by approximately \$22.5 million (+2.6%). Compared to the same three-month period of last fiscal year, FY17 General Fund revenues are up by 5.1 percent (+\$43.9 million).

August taxable sales (September revenue) increased by 7.7 percent over a year ago. Business sectors representing taxable sales made primarily to households increased by 7.8 percent over last August. For the month, sales and use and service provider taxes combined were \$4.5 million over budget. Auto/transportation sales increased by 8.5 percent over last August and are up 2 percent year-over-year for the three-month period. Tourism-related sales, specifically those tied to restaurants and lodging, increased over last August, growing 3.3 percent and 6.2 percent, respectively. For the three-month summer tourism season (June-August), restaurant sales increased by 5.9 percent over last year and lodging sales increased by 8.2 percent.

Corporate income tax receipts were over budget in September by \$4.9 million. Most of the monthly surplus (\$3.2 million) came from estimated and final payments. September is a key month for estimated payments, and estimated payments in September exceeded budget by \$1.3 million.

Individual income tax revenues were slightly (\$638,792) under budget in September. Year-to-date individual income tax receipts are \$2.9 million over budget (+0.8%). Final and estimated payments accounted for most of the monthly variance, with withholding receipts ending the month under budget by \$4.4 million. The third estimated payment of the year was \$3.8 million over budget. The first three estimated payments of the fiscal year are down 2.5 percent over 2015, but that is better growth than forecasted. Withholding revenue is under budget by \$12.2 million through the first three months of the fiscal year. Withholding receipts are being carefully monitored as the next Revenue Forecasting Committee meeting approaches.

Macroeconomic Assumptions

Two different baseline economic forecasts were examined at the meeting: the Moody's Analytics baseline scenario and the IHS Economics baseline scenario for October 2016. Additionally, OPM provided an alternative scenario based on demographic assumptions that limit employment growth to specific levels (LowPop). Each forecast was based on a different set of national macroeconomic assumptions. The LowPop scenario was based on the Moody's Analytics baseline scenario with industry sector employment growth adjustments by OPM staff. These three forecasts were then compared to the CEFC's February 2016 forecast. The key assumptions made by the CEFC are below.

- Maine population growth is likely to limit employment growth over the next few years. The employment forecast adopted by the CEFC assumes some in-migration to Maine.
- The employment and income forecasts assume the referendum questions on the November 8 ballot do not pass. If any of the questions (1, 2, or 4) do pass, the CEFC will hold a meeting jointly with the Revenue Forecasting Committee on November 14 to discuss the repercussions and make any necessary changes to the forecast.

Consensus Forecast

The CEFC members continued to believe that the Moody's forecast is overly optimistic in its employment projections for the state. Moody's has moderated its population forecast to a more reasonable level and IHS has brought its employment growth down to a more realistic scenario. However, the LowPop scenario, designed to address the employment concerns, is based on the Moody's Analytics model that seems to do a poor job of reflecting the changing income situation in Maine. The Commission tried to fit their 2016 forecasts to actual trends in employment and wage growth as much as possible while making modest changes elsewhere.

Employment growth rates, based on the LowPop scenario and left unchanged from the previous forecast, targeted an employment level for 2021 that was just below the pre-recession peak. Employment reaches a 0.0 percent growth level in 2019 and stays at that point through 2020 and 2021.

Wage and salary income growth for 2016, 2018, and 2019 was left unchanged from the previous forecast, while 2017 was moderated by 0.2 percentage points to reflect the risk of some high-wage job losses. Dividends, interest, and rent was adjusted downward by 2.3 percentage points in 2016, 3.1 percentage points in 2017, and 1.6 percentage points in 2018. The forecast for 2019 was revised upward by 0.2 percentage points. The forecast for 2016 and 2017 corresponds to the IHS forecast while the forecast for the remaining period corresponds to the Moody's baseline forecast.

The forecasts for supplements to wages and salaries, non-farm proprietors' income, and transfer receipts were accepted from the IHS forecast. Supplements to wages and salaries were adjusted downward in all years. Nonfarm proprietors' income was adjusted down in 2016 and 2019 and up in 2017 and 2018. The forecast for personal current transfer receipts was adjusted upward in all years of the forecast.

The overall result for total personal income was a 0.1 percentage point revision downward for 2016, a 0.4 percentage point revision downward for 2017, a 0.1 percentage point revision downward for 2018, and a 0.1 percentage point revision upward for 2019, with 2020 forecast at 3.4 percent and 2021 forecast at 3.5 percent.

The CEFC left its forecast for inflation using the Consumer Price Index unchanged from the previous forecast. The forecast for corporate profits was accepted from the Moody's Analytics baseline, resulting in a downward revision of 5.0 percentage points in 2016 and an upward revision of 1.6 percentage points in 2017-2019.

Overall, the primary source of concern for the CEFC continues to be Maine's demographic situation, with an aging population and little to no population growth. Any passage of referendum questions will be considered on November 14 and adjustments to the forecast may be made at that time.

The following page provides the full forecast.

Maine Consensus Economic Forecasting Commission

November 2016 Forecast

	History	Forecast					
	2015	2016	2017	2018	2019	2020	2021
CPI-U* (Annual Change)	0.1%	1.7%	2.4%	2.6%	2.3%	2.5%	2.4%
CPI for Energy Prices** (Annual Change)	-16.7%	-7.1%	6.1%	3.9%	7.0%	5.3%	4.6%
Avg. Price of New Vehicles** (Annual Change)	2.1%	2.2%	3.1%	4.1%	3.4%	2.2%	2.1%
New Vehicle Registrations** (Annual Change)	3.3%	0.8%	-4.2%	-1.9%	-0.8%	-1.8%	-3.0%
Personal Savings Rate**	5.8%	5.8%	5.7%	6.2%	6.4%	6.7%	6.9%
Maine Unemployment Rate**	4.4%	3.8%	4.0%	3.9%	3.9%	3.9%	4.1%
3-Month Treasury Bill Rate**	0.05%	0.30%	0.71%	1.37%	2.24%	2.58%	2.58%
10-Year Treasury Note Rate**	2.14%	1.74%	2.10%	2.69%	3.36%	3.59%	3.59%
Before-Tax Corporate Profits* (Annual Change)	-5.5%	1.0%	3.0%	3.2%	4.8%	3.2%	3.5%
Maine Wage & Salary Employment* (thousands)	610.0	614.2	616.8	617.8	618.0	618.2	618.2
Natural Resources	2.4	2.3	2.4	2.4	2.4	2.4	2.4
Construction	26.4	25.6	24.7	24.6	24.7	24.6	24.7
Manufacturing	50.6	51.2	51.2	51.3	51.2	51.2	51.2
Trade/Trans./Public Utils.	119.6	120.5	121.1	120.5	120.0	119.0	118.1
Information	7.5	7.4	7.4	7.4	7.3	7.3	7.3
Financial Activities	30.6	31.3	31.2	30.9	30.6	30.3	30.2
Prof. & Business Services	64.4	64.8	66.4	68.0	68.5	68.8	69.5
Education & Health Services	123.9	125.7	127.0	127.8	128.4	129.2	130.2
Leisure & Hospitality Services	63.9	65.0	64.8	65.0	65.0	65.1	65.4
Other Services	21.2	21.3	21.1	20.7	20.5	20.3	20.1
Government	99.6	99.0	99.4	99.3	99.3	100.1	99.0
Maine Wage & Salary Employment* (Annual Change)	0.8%	0.7%	0.4%	0.2%	0.0%	0.0%	0.0%
Natural Resources	-1.0%	-3.9%	0.8%	1.0%	0.5%	0.4%	1.0%
Construction	1.7%	-2.8%	-3.6%	-0.4%	0.1%	0.0%	0.3%
Manufacturing	0.6%	1.2%	0.1%	0.1%	-0.1%	0.0%	0.0%
Trade/Trans./Public Utils.	0.4%	0.8%	0.5%	-0.5%	-0.4%	-0.9%	-0.7%
Information	1.6%	-1.7%	0.0%	-0.6%	-0.6%	-0.6%	0.5%
Financial Activities	0.5%	2.4%	-0.2%	-1.1%	-0.8%	-0.9%	-0.4%
Prof. & Business Services	1.6%	0.7%	2.5%	2.3%	0.8%	0.3%	1.0%
Education & Health Services	1.4%	1.5%	1.0%	0.6%	0.5%	0.6%	0.8%
Leisure & Hospitality Services	1.3%	1.7%	-0.4%	0.3%	0.1%	0.1%	0.4%
Other Services	1.0%	0.7%	-1.2%	-1.6%	-1.3%	-1.0%	-0.6%
Government	-0.3%	-0.6%	0.4%	-0.1%	-0.1%	0.8%	-1.1%
	2015	2016	2017	2018	2019	2020	2021
Personal Income* (\$ million)	56,894	58,956	61,108	63,296	65,466	67,663	70,042
Wages & Salaries*	26,833	27,933	29,023	30,155	31,240	32,334	33,465
Supplements to Wages & Salaries*	6,677	6,883	7,094	7,280	7,498	7,728	7,959
Nonfarm Proprietors' Income*	4,041	4,214	4,383	4,556	4,687	4,826	4,994
Farm Proprietors' Income**	-0.01	12	33	34	33	32	34
Dividends, Interest, & Rent*	10,090	10,273	10,520	10,731	10,934	11,153	11,465
Dividends	2,939	2,918	2,956	3,005	2,992	2,978	3,023
Interest	4,519	4,551	4,671	4,860	5,165	5,462	5,768
Rent	2,631	2,805	2,893	2,865	2,777	2,715	2,672
Personal Current Transfer Receipts*	12,833	13,322	13,887	14,546	15,244	15,939	16,660
Less: Contributions for Social Ins.**	4,490	4,630	4,822	5,031	5,233	5,446	5,668
Adjustment for Residence**	909	948	990	1,025	1,062	1,097	1,133
Personal Income* (Annual Change)	3.7%	3.6%	3.6%	3.6%	3.4%	3.4%	3.5%
Wages & Salaries*	4.1%	4.1%	3.9%	3.9%	3.6%	3.5%	3.5%
Supplements to Wages & Salaries*	3.7%	3.1%	3.1%	2.6%	3.0%	3.1%	3.0%
Nonfarm Proprietors' Income*	3.3%	4.3%	4.0%	3.9%	2.9%	3.0%	3.5%
Farm Proprietors' Income**	***	***	181.4%	4.6%	-3.2%	-3.0%	5.9%
Dividends, Interest, & Rent*	2.9%	1.8%	2.4%	2.0%	1.9%	2.0%	2.8%
Dividends	2.6%	-0.7%	1.3%	1.6%	-0.4%	-0.5%	1.5%
Interest	0.0%	0.7%	2.6%	4.0%	6.3%	5.7%	5.6%
Rent	8.8%	6.6%	3.2%	-1.0%	-3.1%	-2.3%	-1.6%
Personal Current Transfer Receipts*	4.0%	3.8%	4.2%	4.7%	4.8%	4.6%	4.5%
Less: Contributions for Social Ins.**	4.8%	3.1%	4.2%	4.3%	4.0%	4.1%	4.1%
Adjustment for Residence**	6.5%	4.3%	4.4%	3.6%	3.6%	3.3%	3.3%

*CEFC Forecast

**From IHS Economics, OPM Low Pop Scenario and Moody's Analytics Baseline, October 2016

Remaining lines derived from CEFC forecast by CEFC staff and reviewed by CEFC

***Farm Proprietors' income was negative in 2015

Revenue Outlook and Forecast

Background

The Revenue Forecasting Committee was established by Executive Order on May 25, 1992, in order to provide the Governor, the Legislature and the State Budget Officer with analyses and recommendations related to the projection of General Fund and Highway Fund revenues. Creation of the committee was in response to the recommendation of Special Commission on Government Restructuring to develop independent and consensus based revenue projections. Public Law 1995, chapter 368 enacted in statute the Revenue Forecasting Committee. This law provided that membership on the committee would include the State Budget Officer, the State Tax Assessor, the State Economist, the Director of the Legislative Office of Fiscal and Program Review and an economist on the faculty of the University of Maine System selected by the Chancellor.

Public Law 1997, chapter 655 expanded the membership of the committee to include an analyst from the Legislative Office of Fiscal and Program Review designated by the Director of that office. Public Law 2011, chapter 655 replaced the State Tax Assessor with the Associate Commissioner for Tax Policy as a member of the Committee. The revenue projections of the committee also would no longer be advisory but would become the actual revenue projections used by the Executive Branch in setting budget estimates and recommendations and out-biennium budget forecasts for both the General Fund and the Highway Fund. The State Budget Officer also was empowered to convene a meeting of the committee to review any new data that might become available, affecting the revenue projections for the General Fund and the Highway Fund.

The committee is required to meet at least four times a year or when called by a majority vote of the committee members, or at the request of the State Budget Officer. The committee is required to develop four year revenue forecasts for the General Fund and the Highway Fund, or other funds of the state. No later than December 1st and March 1st (May 1st during odd-numbered years) annually the committee must submit to the Governor, the Legislative Council, the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs and the State Budget Officer its findings, analyses and recommendations for General Fund and Highway Fund revenues. The revenue forecasts are developed using econometric models for Sales and Use Tax, Individual Income Tax, Corporate Income Tax, Fuel Tax and Cigarette Tax. Forecasts for the remaining revenue lines are developed using trend data, national economic assumptions, department subject matter experts and operational analysis (e.g., net profit from liquor sales).

Table B-1

GENERAL FUND REVENUE FORECAST										
SOURCE	FY16 ACTUAL	FY17	YR. TO YR. % CHANGE	TOTAL BIENNIUM	FY18	YR. TO YR. % CHANGE	FY19	YR. TO YR. % CHANGE	TOTAL BIENNIUM	
Sales and Use Tax	1,274,144,957	1,334,011,722	4.70%	2,608,156,679	1,374,848,328	3.06%	1,423,588,099	3.55%	2,798,436,427	
Service Provider Tax	44,916,959	59,149,448	31.69%	104,066,407	59,424,469	0.46%	59,675,124	0.42%	119,099,593	
Individual Income Tax	1,542,687,615	1,530,248,976	-0.81%	3,072,936,591	1,702,942,294	11.29%	1,765,072,561	4.82%	3,488,014,855	
Corporate Income Tax	137,492,442	161,093,471	17.17%	298,585,913	165,724,242	2.87%	170,059,196	2.62%	335,783,438	
Cigarette & Tobacco Tax	141,464,095	139,179,000	-1.62%	280,643,095	136,682,000	-1.79%	134,200,000	-1.82%	270,882,000	
Insurance Company Tax	81,250,784	76,700,000	-5.60%	157,950,784	73,765,000	-3.83%	73,765,000	0.00%	147,530,000	
Inheritance & Estate Tax	27,198,153	16,378,323	-39.78%	43,576,476	12,416,710	-24.19%	12,640,409	1.80%	25,057,119	
Fines, Forfeits and Penalties	20,610,571	22,237,275	7.89%	42,847,846	22,242,017	0.02%	22,243,017	0.00%	44,485,034	
Income from Investments	1,483,723	1,707,976	15.11%	3,191,699	2,087,513	22.22%	2,421,028	15.98%	4,508,541	
Transfer from Lottery	56,972,851	54,900,000	-3.64%	111,872,851	54,900,000	0.00%	54,900,000	0.00%	109,800,000	
Trans for Tax Relief Progs	(64,744,050)	(64,448,340)	-0.46%	(129,192,390)	(64,768,101)	0.50%	(66,388,623)	2.50%	(131,156,724)	
Trans. to Muni. Rev. Share	(67,355,586)	(65,484,234)	-2.78%	(132,839,820)	(69,611,097)	6.30%	(69,424,528)	-0.27%	(139,035,625)	
Other Taxes and Fees	143,422,744	142,973,133	-0.31%	286,395,877	131,900,960	-7.74%	131,274,044	-0.48%	263,175,004	
Other Revenues	26,645,874	21,603,304	-18.92%	48,249,178	(59,768,912)	-376.67%	(145,520,951)	143.47%	(205,289,863)	
TOTAL REVENUE	3,366,191,133	3,430,250,054	1.90%	6,796,441,186	3,542,785,423	3.28%	3,586,504,376	1.29%	7,131,289,799	

Table B-2

HIGHWAY FUND REVENUE FORECAST										
SOURCE	FY16 ACTUAL	FY17	YR. TO YR. % CHANGE	TOTAL BIENNIUM	FY18	YR. TO YR. % CHANGE	FY19	YR. TO YR. % CHANGE	TOTAL BIENNIUM	
Fuel Tax	221,173,367	224,110,357	1.33%	445,283,724	226,821,293	1.21%	229,929,720	1.37%	456,751,013	
Motor Vehicle Registrations & Fees	90,497,672	85,984,415	-4.99%	176,482,087	85,504,341	-0.56%	85,385,245	-0.14%	170,889,586	
Inspection Fees	3,515,288	2,982,500	-15.16%	6,497,788	2,982,500	0.00%	2,982,500	0.00%	5,965,000	
Other Highway Fund Taxes and Fees	1,660,665	1,280,229	-22.91%	2,940,894	1,293,729	1.05%	1,280,229	-1.04%	2,573,958	
Fines Forfeits & Penalties	791,496	739,039	-6.63%	1,530,535	739,039	0.00%	739,039	0.00%	1,478,078	
Income from Investments	255,421	585,484	129.22%	840,905	551,510	-5.80%	724,495	31.37%	1,276,005	
Other Revenues	9,553,791	9,959,100	4.24%	19,512,891	9,959,100	0.00%	9,959,100	0.00%	19,918,200	
TOTAL REVENUE	327,447,700	325,641,124	-0.55%	653,088,824	327,851,512	0.68%	331,000,328	0.96%	658,851,840	

Table B-3

TOBACCO SETTLEMENT REVENUE ESTIMATES									
SOURCE	FY16 ACTUAL	FY17	YR. TO YR. % CHANGE	TOTAL BIENNIUM	FY18	YR. TO YR. % CHANGE	FY19	YR. TO YR. % CHANGE	TOTAL BIENNIUM
Base Payments	42,935,641	40,091,251	-6.62%	83,026,892	43,942,687	9.61%	43,012,837	-2.12%	86,955,524
Strategic Contribution Payments	8,853,954	8,278,665	-6.50%	17,132,619	0	-100.00%	-	0.00%	0
Racino Revenue	4,042,819	3,970,593	-1.79%	8,013,412	4,083,588	2.85%	4,124,424	1.00%	8,208,012
Income from Investments	27,055	17,329	-35.95%	44,384	18,128	4.61%	21,682	19.61%	39,810
Attorney General Reimbursements and Other Income	0	0	0.00%	0	0	0.00%	-	0.00%	0
Total Tobacco Settlement Revenue	55,859,469	52,357,838	-6.27%	108,217,307	48,044,403	-8.24%	47,158,943	-1.84%	95,203,346

Section 1: TAX EXPENDITURES

I. Introduction

State law requires the Maine Revenue Services' Office of Tax Policy to provide two tax expenditure reports in January of every odd-numbered year. The first report must be included in the state budget document. 5 M.R.S.A. §1664 provides that the document specifically include

. . . the estimated loss in revenue during the last completed fiscal year and the fiscal year in progress, and the anticipated loss in revenue for each fiscal year of the ensuing biennium, caused by the tax expenditures provided in Maine statutes; the term "tax expenditures" means those State tax revenue losses attributable to provisions of Maine tax laws which allow a special exclusion, exemption or deduction or which provide a specific credit, a preferential rate of tax or a deferral of tax liability.

The second report, required by 36 M.R.S.A. § 199-B, must be submitted to the Joint Standing Committee on Taxation. This report must contain

a summary of each tax expenditure, a description of the purpose and background of the tax expenditure and the groups likely to benefit from the tax expenditure, an estimate of the cost of the tax expenditure for the current biennium, any issues regarding tax expenditures that need to be considered by the Legislature, and any recommendation regarding the amendment, repeal or replacement of the tax expenditure.”

This report meets the first statutory requirement.

The tax expenditure budget is a concept that was developed to assure a budget review process for tax preferences similar to the review required for direct expenditure programs. The federal government and most state governments engage in a periodic review of tax expenditures. Generally, tax expenditures provide tax incentives designed to encourage certain activities by taxpayers or provide relief to taxpayers in special circumstances. Many tax expenditures are the equivalent of a governmental subsidy in which the foregone tax revenue is essentially a direct budget outlay to specific groups of taxpayers. The object of this report is to identify and estimate the fiscal impact of those provisions of the state tax structure which grant benefits analogous to those provided by direct state spending programs.

II. Identifying Tax Expenditures

Tax expenditures are defined relative to a benchmark “normal tax law.” Thus, identifying tax expenditures requires defining normal tax law. Tax expenditures are then aspects of the law that reduce revenue relative to normal tax law.

For the income tax we adopt the same definition of normal income tax law as the Congressional Joint Committee on Taxation uses to identify federal income tax expenditures. The normal law tax structure includes personal exemptions, the standard deduction, the current tax rate schedule, and business expenses deductions. The base for normal law is much broader than taxable income. Tax expenditures are exclusions, exemptions, or deductions that reduce taxable income

below the “normal law” tax base and also tax credits, preferential tax rates, or income tax deferral that reduce income tax liability.

Defining normal sales tax law is complicated because there are competing theoretical constructs for what this benchmark should be. One possibility is that the normal sales tax base is defined by *36 M.S.R.A. § 1811* and includes “all tangible personal property and taxable services sold at retail in this state.” Under this definition, sales tax exclusions for services are *not* tax expenditures but sales tax exemptions for business purchases of tangible personal property *are* tax expenditures. Another possibility is that the normal sales tax base is all retail purchases for consumption. In this case, sales tax exclusions for services *are* tax expenditures but sales tax exemptions for business purchases of tangible personal property are *not* tax expenditures because these purchases are not consumption. This report defines the normal sales tax base as the combination of these two bases. Thus the benchmark base includes all sales of tangible personal property and services sold at retail, and both exemptions for business purchases and exclusions for the purchase of services are counted as tax expenditures.

There are a few other important considerations for the definition of normal tax law in this report. We have defined normal law to exclude as expenditure those parts of the law that are (1) established by federal mandate (e.g., the sale tax exclusion for food stamp purchases), (2) created at the state level to maintain conformity with traditional tax law when the federal government deviates from that law because it creates credits that the state does not adopt (e.g., the subtraction modification associated with federal work opportunity credit), or (3) the result of the state taxing certain activities under a different tax system (e.g., the income of a financial institution that is an S corporation).

III. Estimating the Size of Tax Expenditures

In estimating the revenue loss attributed to particular tax expenditure, it is assumed that the provision of law granting special tax treatment is repealed and that no other changes in tax law, taxpayer behavior or general economic activity occur as a result of its repeal. Consequently, it should not be concluded that the repeal of any of these tax expenditures will necessarily generate the amount of revenue which they are estimated to forego.

Some tax expenditures are estimated rather accurately from available administrative information or the state’s micro-simulation tax models. For a much larger number of expenditures, special data must be developed which is less complete and accurate. Estimates for FY 18 and FY 19 generally assume modest increases in business activity and inflation, based on the economic forecast provided by the Consensus Economic Forecasting Committee in February 2016.

Finally, there are some expenditures where no information exists, and our limited resources prevent any special survey or other data generation procedures. Estimates for this group are reported as a range in an attempt to place some bounds on the size of these expenditures.

Maine's individual and corporate income tax systems are based upon the federal definitions of adjusted gross income and taxable income. Therefore, certain tax expenditures are authorized by continued acceptance of the provisions of the Internal Revenue Code. Unlike sales and excise

tax expenditures or state income tax expenditures related to state tax credits or modifications from Federal AGI, these are not subject to a systematic, periodic review by the Legislature. In many cases, the basis for identifying, estimating and forecasting income tax expenditures which are derived from federal conformity is the Joint Committee on Taxation's *Estimates of Federal Tax Expenditures for Fiscal Years 20015-2019*, compiled by the U.S. Joint Standing Committee on Taxation (December 7, 2015).

Tax expenditures resulting from conformity to Federal Adjusted Gross Income that do not involve an above-the-line deduction on the Federal Form 1040 are particularly challenging to estimate due to a lack of data. For this reason we isolate these expenditures at the end of the income tax section and provide specific estimates only for the largest expenditures. These estimates, based on the JCT study, are only intended to convey the order of magnitude of the expenditure.

All tax expenditure estimates in this report reflect revenue loss to the General Fund.

IV. Changes to Tax Expenditure Report

Many features of Maine tax law have changed since the last budget as a result of recommendations from the Governor in his FY2016-17 biennial budget submission. In addition to changes to existing expenditures, several expenditures have been added and removed from the report.

A) Expenditures Removed from the Report

A large number of tax expenditures have been repealed and thus removed from the report. Income tax credits for contributions to family development account reserve funds, employer-assisted daycare, employer-provided long-term care benefits, forest management planning, retirement and disability, high-technology investment, dependent health benefits paid, quality childcare investment, jobs and investment, biofuel commercial production and commercial use, and pollution-reducing boilers have all been repealed for tax years beginning in 2016. For individual income tax, the deductions for contributions to 529 plans and long-term care premiums have also been repealed for tax years beginning in 2016. Finally, the exemption from service provider tax for the minimum cable and satellite television service that can be purchased from a cable or satellite television supplier was repealed beginning January 1, 2016.

We have removed several other expenditures from this report for reasons other than repeal. The military pension deduction for certain dentists is now included with pension deduction because the full amount of all military pensions is deductible for tax years beginning in 2016. The credits for income tax paid to another jurisdiction by an estate or trust and by an individual have been removed because of considerations of U.S. Constitution provisions bearing on state taxation. The deduction for dividends received from nonunitary affiliates was removed, beginning with the 2015 report, because of similar constitutional considerations. In lieu of apportionment relief the taxpayer has the option of deducting 50% of these dividends. Thus the deduction is better viewed as part of a technical solution to the constitutional requirement that relief is required when nonunitary affiliate dividends are included in taxable income rather than a tax expenditure.

Finally, we are no longer reporting tax expenditures for the exclusion of Medicare benefits and investment income of life insurance because the Joint Committee on Taxation has dropped these items from their tax expenditure report.

B) Expenditures Appearing in This Report for the First Time

Four tax credits were enacted since the last report: the adult dependent care credit, the credit for disability income protection plans in the workplace, the credit for certain homestead modifications, and the sales tax fairness credit. A new sales tax exemption for sales to certain organizations that provide services to veterans and their families is also included in the report.

Conformity to parts of the federal Protecting Americans from Tax Hikes Act of 2015 (P.L. 114-113) led to the inclusion of several new income tax expenditures in this report. Section 179 expensing (beyond the modest 2002 limitations) and the educator expense deduction were permanently extended at the federal level and Maine conformed to those changes. The Maine Capital Investment Credit was extended in conjunction with the federal extension of bonus depreciation through 2019. All three tax provisions appear in this report for the first time, despite having been features of Maine tax law since 2011 or earlier. They were not included in prior reports because they were extended on a year-to-year basis, often retroactively, and thus were not effective for tax years after the tax expenditure report was published.

Appendix A: General Fund Tax Expenditures – Income Tax (Personal and Corporate) and Property Tax Reimbursement

General Fund Income Tax Expenditures	36 MRSA §	FY'16	FY'17	FY'18	FY'19
Reimbursement For Business Equipment Tax Exemption to Chapter 105, Subchapter 4-c Municipalities		\$29,747,945	\$33,948,340	\$37,968,101	\$42,968,623
Reimbursement for Taxes Paid on Certain Business Property (BETR)	Chapter 915	\$35,078,530	\$30,500,000	\$26,800,000	\$23,420,000
Deduction for Affordable Housing	5122(2)(Z)	A	A	A	A
Deduction for Social Security Benefits Taxable at Federal Level	5122(2)(C)	\$79,600,000	\$79,000,000	\$85,000,000	\$91,800,000
Deduction for Contributions to Capital Construction Funds	5122(2)(I)	A	A	A	A
Deduction for Pension Income	5122(2)(M)	\$26,900,000	\$31,100,000	\$32,200,000	\$32,200,000
Deduction for Interest and Dividends on Maine State and Local Securities - Individual Income Tax	5122(2)(N)	\$60,000	\$60,000	\$60,000	\$65,000
Deduction for Holocaust Victim Settlement Payments	5122(2)(O)	A	A	A	A
Deduction for active duty military pay earned outside of Maine	5122(2)(LL)	\$990,000	\$900,000	\$900,000	\$900,000
Itemized Deductions	5125	\$45,800,000	\$12,000,000	\$12,400,000	\$12,900,000
Additional standard deduction for the elderly and disabled	5124-A	\$6,400,000	\$7,100,000	\$7,700,000	\$8,200,000
Deduction for Exempt Associations, Trusts and Organizations	5162(2)	A	A	A	A
Deduction for Interest and Dividends on U.S., Maine State and Local Securities	5200-A(2)(A)&(G)	\$200,000	\$200,000	\$200,000	\$200,000
Credit to Beneficiary for Accumulation Distribution	5214-A	A	A	A	A
Seed Capital Investment Tax Credit	5216-B	\$1,750,000	\$2,350,000	\$2,880,000	\$3,320,000
Credit for Educational Opportunity	5217-D	\$8,900,000	\$12,300,000	\$18,700,000	\$24,900,000
Income Tax Credit for Child Care Expense	5218	\$3,920,000	\$3,920,000	\$3,920,000	\$3,920,000
Research Expense Tax Credit	5219-K	\$1,660,000	\$1,230,000	\$700,000	\$540,000
Credit for Rehabilitation of Historic Properties	5219-R & 5219-BB	\$12,250,000	\$12,730,000	\$13,120,000	\$15,340,000
Earned Income Credit	5219-S	\$1,100,000	\$10,100,000	\$10,100,000	\$10,200,000
Pine Tree Development Zone Tax Credit	5219-W	\$3,000,000	\$3,230,000	\$3,320,000	\$3,320,000
Tax Benefits for Media Production Companies	5219-Y, c. 919-A	\$130,569	\$279,300	\$499,800	\$499,800
Dental Care Access Credit	5219-BB	\$147,000	\$154,000	\$130,000	\$81,000
New Markets Capital Investment Credit	5219-HH	\$10,657,000	\$13,815,000	\$15,134,000	\$15,232,000
Credit for Wellness Programs	5219-FF	A	A	A	A
Maine fishery infrastructure investment tax credit	5216-D	A	A	A	A
Innovation Finance Credit	5219-EE	\$0	\$0	*	*
Primary Care Access Credit	5219-LL	A	A	B	B
Property Tax Fairness Credit	5219-KK	\$14,350,000	\$14,710,000	\$15,090,000	\$15,970,000
Sales Tax Fairness Credit	5213-A	\$0	\$27,000,000	\$34,500,000	\$33,600,000
Maine Capital Investment Credit for tax year 2015 and after	5219-NN	\$11,450,000	\$14,100,000	\$9,350,000	\$5,950,000
Credit for certain homestead modifications	5219-NN	\$0	\$0	\$73,500	\$122,500
Credit for disability income protection plans in the workplace	5219-NN	\$0	\$0	\$28,420	\$62,720
Adult Dependent Care Credit	5218-A	\$0	\$147,000	\$147,000	\$147,000
Employment Tax Increment Financing, including certain Job Increment Financing Programs	Chapter 917	\$14,120,000	\$15,980,000	\$15,810,000	\$17,350,000
Shipbuilding Facility Credit	Chapter 919	\$2,940,000	\$3,062,500	\$2,817,500	\$0

CONFORMITY WITH INTERNAL REVENUE CODE DEFINITION OF FEDERAL ADJUSTED GROSS INCOME: ABOVE THE LINE DEDUCTIONS

Health Savings Accounts	5102(1-D)	\$1,350,000	\$1,250,000	\$1,350,000	\$1,350,000
Deduction for Interest of Student Loans	5102(1-D)	\$4,750,000	\$4,200,000	\$4,500,000	\$4,500,000
Moving Expenses Deduction	5102(1-D)	\$330,000	\$310,000	\$320,000	\$320,000
Pension Contributions -- Individual Retirement Plans	5102(1-D)	\$6,155,340	\$5,625,960	\$5,937,360	\$6,217,620
Pension Contributions -- Partners & Sole Proprietors --Self-employed SEP, SIMPLE, and KEOGH Plans	5102(1-D)	\$6,250,000	\$5,900,000	\$6,200,000	\$6,600,000
Self-Employed Medical Insurance Premiums	5102(1-D)	\$9,250,000	\$8,550,000	\$9,150,000	\$9,700,000
Teacher Expense Deduction	5102(1-D)	\$310,000	\$280,000	\$290,000	\$290,000

A represents an estimated spread of \$0 - \$49,999

B represents an estimated spread of \$100,000 - \$200,000

*represents a potential liability

Appendix A Continued

36 MRSA §

FY'16

FY'17

FY'18

FY'19

CONFORMITY WITH INTERNAL REVENUE CODE DEFINITION OF FEDERAL ADJUSTED GROSS INCOME: OTHER

Section 179 Expensing for tax year 2015 and later	5102(1-D)	\$7,400,000	\$7,100,000	\$3,750,000	\$2,850,000
Pension Contributions & Earnings -- Employer-Provided Pension Contributions and Earnings	5102(1-D)	\$151,100,000	\$163,300,000	\$189,000,000	\$211,900,000
Employer-Paid Medical Insurance and Expenses	5102(1-D)	\$155,100,000	\$152,800,000	\$161,100,000	\$171,000,000
Exclusion of Benefits Provided under Cafeteria Plans	5102(1-D)	\$38,900,000	\$38,000,000	\$39,800,000	\$40,600,000
Exclusion of Capital Gains at Death	5102(1-D)	\$24,600,000	\$23,600,000	\$24,600,000	\$25,700,000
Exclusion of Capital Gains on Sales of Principal Residences	5102(1-D)	\$21,600,000	\$21,400,000	\$22,500,000	\$23,700,000
Social Security and Railroad Retirement Benefits Untaxed at the Federal Level	5102(1-D)	\$54,100,000	\$57,200,000	\$60,400,000	\$63,900,000
Other conformity items	5102(1-D)	\$200 to 300 million per year			

Appendix B: General Fund tax expenditures – Sales, Motor Fuel and Service Provider Taxes

General Fund Sales & Use Tax Expenditures	36 MRSA §	FY'16	FY'17	FY'18	FY'19
Sales to the State & Political Subdivisions	1760.2	\$177,457,679	\$182,781,409	\$188,264,851	\$193,912,797
Grocery Staples	1760.3	\$164,914,400	\$164,728,200	\$171,960,600	\$178,742,200
Ships Stores	1760.4	C	C	C	C
Prescription Drugs	1760.5	\$89,199,600	\$92,629,600	\$95,922,400	\$99,156,400
Prosthetic or Orthotic Device	1760.5A	\$7,448,000	\$7,830,200	\$8,192,800	\$8,526,000
Meals Served by Public or Private Schools	1760.6A	\$13,428,940	\$14,602,000	\$15,101,800	\$15,621,200
Meals Served to Patients in Hospitals & Nursing Homes	1760.6B	\$9,379,972	\$9,869,874	\$10,466,008	\$11,045,286
Providing Meals for the Elderly	1760.6C	C	C	C	C
Providing Meals to Residents of Certain Nonprofit Congregate Housing Facilities	1760.6D	A	A	A	A
Certain Meals Served by Colleges to Employees of the College	1760.6E	A	A	A	A
Meals Served by Youth Camps that are Licensed by DHHS	1760.6F	C	C	C	C
Meals Served by a Retirement Facility to its Residents	1760.6G	C	C	C	C
Products Used in Agricultural and Aquacultural Production & Bait	1760.7A-C	\$6,879,600	\$7,173,600	\$7,536,200	\$7,908,600
Certain Jet Fuel	1760.8B	\$6,502,226	\$6,632,270	\$6,764,916	\$6,900,213
Coal, Oil & Wood for Cooking & Heating Homes	1760.9	\$40,523,000	\$42,169,400	\$48,108,200	\$53,880,400
Fuel Oil for Burning Blueberry Land	1760.9A	A	A	A	A
First 750 KW Hours of Residential Electricity Per Month	1760.9B	\$16,356,200	\$17,689,000	\$19,462,800	\$21,217,000
Gas When Used for Cooking & Heating in Residences	1760.9C	\$10,015,600	\$10,319,400	\$10,966,200	\$11,632,600
Fuel and Electricity Used in Manufacturing	1760.9D	\$17,234,891	\$19,153,134	\$21,089,516	\$22,586,871
Fuel Oil or Coal which become an Ingredient or Component Part	1760.9G	A	A	A	A
Fuel Used in Certain Agricultural Production	1760.9H	\$175,175	\$274,890	\$283,137	\$291,631
Certain Returnable Containers	1760.12	\$1,745,929	\$1,798,307	\$1,852,256	\$1,907,824
Packaging Materials	1760.12A	\$29,204,000	\$30,360,400	\$31,722,600	\$32,996,600
Free Publications and Components of Publications	1760.14-A	\$1,917,425	\$1,955,773	\$1,994,889	\$2,034,787
Sales to Hospitals, Research Centers, Churches and Schools	1760.16	F	F	F	F
Rental Charges for Living Quarters in Nursing Homes and Hospitals	1760.18	C	C	C	C
Sales to Certain Residential Child Care Facilities	1760.18A	B	B	B	B
Rental of Living Quarters at Schools	1760.19	\$6,899,200	\$7,163,800	\$7,408,800	\$7,663,600
Rental Charges on Continuous Residence for More Than 28 Days	1760.20	\$195,755,000	\$203,281,400	\$210,494,200	\$217,599,200
Automobiles Used in Driver Education Programs	1760.21	A	A	A	A
Certain Loaner Vehicles	1760.21A	\$280,047	\$285,647	\$291,361	\$297,188
Automobiles Sold to Amputee Veterans	1760.22	A	A	A	A
Certain Vehicles Purchased or Leased by Nonresidents	1760.23C	C	C	C	C
Certain Vehicles Purchased or Leased by Qualifying Resident Businesses	1760.23D	\$1,038,507	\$1,059,277	\$1,080,463	\$1,102,072
Funeral Services	1760.24	\$6,252,400	\$6,497,400	\$6,722,800	\$6,958,000
Watercraft Purchased by Nonresidents	1760.25	C	C	C	C
Certain Sales of Snowmobiles and All-terrain Vehicles to Nonresidents	1760.25C	A	A	A	A
Sales to Ambulance Services & Fire Departments	1760.26	C	C	C	C
Sales to Comm. Mental Health, Substance Abuse & Mental Retardation Facilities	1760.28	B	B	B	B
Water Pollution Control Facilities	1760.29	C	C	C	C
Air Pollution Control Facilities	1760.30	C	C	C	C
Machinery & Equipment	1760.31	\$44,717,400	\$46,422,600	\$48,421,800	\$50,283,800
New Machinery for Experimental Research	1760.32	B	B	B	B
Diabetic Supplies	1760.33	\$1,257,346	\$1,295,066	\$1,333,918	\$1,373,936
Sales Through Coin Operated Vending Machines	1760.34	\$453,250	\$462,315	\$471,561	\$480,993
Goods & Services for Seeing Eye Dogs	1760.35	A	A	A	A
Sales to Regional Planning Agencies	1760.37	A	A	A	A
Water Used in Private Residences	1760.39	\$14,327,600	\$14,847,000	\$15,405,600	\$15,925,000
Mobile & Modular Homes	1760.40	\$31,907,086	\$32,226,157	\$32,709,549	\$33,200,193
Property Used in Interstate Commerce	1760.41	D	D	D	D
Sales to Historical Societies & Museums	1760.42	B	B	B	B
Sales to Child Care Facilities	1760.43	B	B	B	B
Sales to Church Affiliated Residential Homes	1760.44	A	A	A	A
Certain Property Purchased Out of State	1760.45	D	D	D	D
Sales to Organ. that Provide Residential Facilities for Med. Patients	1760.46	A	A	A	A
Sales to Emergency Shelters & Feeding Organizations	1760.47A	B	B	B	B
Sales to Comm. Action Agencies; Child Abuse Councils; Child Advocacy Orgs.	1760.49	C	C	C	C
Sales to any Nonprofit Free Libraries	1760.50	B	B	B	B

A represents an estimated spread of \$0 - \$49,999

B represents an estimated spread of \$50,000 - \$249,999

C represents an estimated spread of \$250,000 - \$999,999

D represents an estimated spread of \$1,000,000 - \$2,999,999

E represents an estimated spread of \$3,000,000 - \$5,999,999

F represents an estimated spread of \$6,000,000 or more

Appendix B (continued)	36 MRSA §	FY'16	FY'17	FY'18	FY'19
Sales to Veterans Memorial Cemetery Associations	1760.51	A	A	A	A
Railroad Track Materials	1760.52	\$1,043,188	\$1,121,708	\$1,156,400	\$1,313,200
Sales to Nonprofit Rescue Operations	1760.53	A	A	A	A
Sales to Hospice Organizations	1760.55	A	A	A	A
Sales to Nonprofit Youth & Scouting Organizations	1760.56	C	C	C	C
Self-Help Literature on Alcoholism	1760.57	A	A	A	A
Portable Classrooms	1760.58	A	A	A	A
Sales to Certain Incorporated, Nonprofit Educational Orgs.	1760.59	A	A	A	A
Sales to Incorporated Nonprofit Animal Shelters	1760.60	A	A	A	A
Construction Contracts with Exempt Organizations	1760.61	D	D	D	D
Sales to Certain Charitable Suppliers of Medical Equipment	1760.62	A	A	A	A
Sales to Orgs that Fulfill the Wishes of Children with Life-Threatening Diseases	1760.63	A	A	A	A
Sales by Schools & School-Sponsored Organizations	1760.64	C	C	C	C
Sales to Monasteries and Convents	1760.65	A	A	A	A
Sales to Providers of Certain Support Systems for Single-Parent Families	1760.66	A	A	A	A
Sales to Nonprofit Home Construction Organizations	1760.67	B	B	B	B
Sales to Orgs that Create & Maintain a Registry of Vietnam Veterans	1760.69	A	A	A	A
Sales to Orgs that Provide Certain Services for Hearing-Impaired Persons	1760.70	A	A	A	A
Sales to State-Chartered Credit Unions	1760.71	A	A	A	A
Sales to Nonprofit Housing Development Organizations	1760.72	B	B	B	B
Seedlings for Commercial Forestry Use	1760.73	B	B	B	B
Property Used in Manufacturing Production	1760.74	\$177,860,200	\$184,573,200	\$191,815,400	\$199,704,400
Meals & Lodging Provided to Employees	1760.75	B	B	B	B
Certain Aircraft Parts	1760.76	A	A	A	A
Sales to Eye Banks	1760.77	A	A	A	A
Sales of Certain Farm Animal Bedding & Hay	1760.78	A	A	A	A
Electricity Used for Net Billing	1760.80	A	A	A	A
Animal Waste Storage Facility	1760.81	A	A	A	A
Sales of Property Delivered Outside this State	1760.82	F	F	F	F
Sales of Certain Printed Materials	1760.83	C	C	C	C
Sales to Centers for Innovation	1760.84	A	A	A	A
Certain Sales by an Auxiliary Organization of the American Legion	1760.85	B	B	B	B
Pine Tree Development Zone Businesses; Reimbursement of Certain Taxes	2016	C	C	C	C
Sales of Tangible Personal Property to Qualified Development Zone Businesses	1760.87	D	D	D	D
Sales of Certain Aircraft	1760.88	\$457,460	\$471,184	\$485,320	\$499,879
Sale, Use or Lease of Aircraft and Sales of Repair and Replacement Parts	1760.88-A	\$714,782	\$736,225	\$758,312	\$781,062
Sales of Certain Qualified Snowmobile Trail Grooming Equipment	1760.90	\$94,948	\$97,796	\$100,730	\$103,753
Certain Sales of Electrical Energy	1760.91	C	C	C	C
Certain Vehicle Rentals	1760.92	A	A	A	A
Plastic Bags Sold to Redemption Centers	1760.93	\$35,352	\$36,413	\$37,505	\$38,630
Positive Airway Pressure Equipment and Supplies	1760.94	C	C	C	C
Sales of Certain Adaptive Equipment	1760.95	\$70,228	\$72,334	\$74,505	\$76,739
Sales to Certain Veterans' Support Organizations	1760.98	\$18,900	\$19,656	\$20,442	\$21,260
Sales to Nonprofit Library Collaboratives	1760.99	A	A	A	A
Sales to Certain Veterans' Service Organizations	1760.100	\$0	\$87,868	\$91,822	\$95,954
Trade-In Credits	1765	\$33,470,748	\$34,642,224	\$35,854,701	\$37,109,616
Returned Merchandise Donated to Charity	1863	B	B	B	B
Merchandise Donated from a Retailer's Inventory to Exempt Organizations	1864	B	B	B	B
Refund of Sales Tax on Goods Removed from the State	2012	A	A	A	A
Refund of Sales Tax on Certain Depreciable Machinery and Equipment	2013	\$6,480,838	\$10,184,055	\$16,892,674	\$17,982,961
Fish Passage Facilities	2014	A	A	A	A
Refund of Sales Tax on Purchases of Parts and Supplies for Windjammers	2020	B	B	B	B
Consumer Purchases of Amusement and Recreational Services	1752.11	\$67,123,434	\$69,736,310	\$72,234,624	\$74,690,602
Business Purchases of Amusement and Recreational Services	1752.11	\$11,348,008	\$11,633,286	\$11,922,876	\$12,186,790
Consumer Purchases of Medical Services	1752.11	\$551,742,156	\$572,974,836	\$593,290,530	\$613,312,126
Business Purchases of Medical Services	1752.11	\$12,419,344	\$12,759,894	\$13,144,838	\$13,521,550

A represents an estimated spread of \$0 - \$49,999

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D represents an estimated spread of \$1,000,000 - \$2,999,999

E represents an estimated spread of \$3,000,000 - \$5,999,999

F represents an estimated spread of \$6,000,000 or more

Appendix B (continued)	36 MRSA §	FY'16	FY'17	FY'18	FY'19
Consumer Purchases of Education Services	1752.11	\$72,332,428	\$75,116,118	\$77,779,562	\$80,404,296
Business Purchases of Educational Services	1752.11	\$7,207,508	\$7,379,890	\$7,592,060	\$7,800,212
Consumer Purchases of Social Services	1752.11	\$49,645,428	\$51,555,840	\$53,383,932	\$55,185,270
Business Purchases of Social Services	1752.11	\$249,116	\$254,114	\$260,680	\$267,442
Consumer Purchases of Financial Services	1752.11	\$183,009,218	\$190,051,890	\$196,790,468	\$203,431,536
Business Purchases of Financial Services	1752.11	\$211,161,678	\$216,071,380	\$221,019,008	\$224,903,924
Consumer Purchases of Personal, Household and Business Services	1752.11	\$74,839,562	\$77,726,544	\$80,488,576	\$83,209,056
Business Purchases of Repair, Maintenance and Personal Services	1752.11	\$28,544,754	\$29,699,586	\$30,859,416	\$32,010,426
Consumer Purchases of Information Services Except Telecommunications	1752.11	\$20,395,564	\$21,180,446	\$21,931,518	\$22,671,614
Business Purchases of Information Services Except Telecommunications	1752.11	\$34,885,452	\$35,690,326	\$36,543,416	\$37,328,886
Consumer Purchases of Transportation Services	1752.11	\$24,844,078	\$26,362,980	\$27,783,882	\$29,065,820
Business Purchases of Transportation Services	1752.11	\$78,915,480	\$80,890,278	\$83,265,308	\$85,527,932
Business Purchases of Legal, Business, Administrative and Support Services	1752.11	\$457,674,504	\$469,053,578	\$481,350,422	\$492,418,640
Business Purchases of Construction Services	1752.11	\$41,473,600	\$43,198,400	\$45,236,800	\$47,147,800
Casual Sales	1752.11	D	D	D	D
Sales by Executors	1752.11	A	A	A	A
General Fund Service Provider Tax Expenditures					
Sales to the State & Political Subdivisions	2557.2	D	D	D	D
Sales to Hospitals, Research Centers, Churches and Schools	2557.3	C	C	C	C
Sales to Certain Nonprofit Residential Child Care Institutions	2557.4	A	A	A	A
Sales to Ambulance Services & Fire Departments	2557.5	A	A	A	A
Sales to Comm. Mental Health, Substance Abuse & Mental Retardation Facilities	2557.6	A	A	A	A
Sales to Regional Planning Agencies	2557.7	A	A	A	A
Sales to Historical Societies & Museums	2557.8	A	A	A	A
Sales to Day Care Centers & Nursery Schools	2557.9	A	A	A	A
Sales to Church Affiliated Residential Homes	2557.10	A	A	A	A
Sales to Organ. that Provide Residential Facilities for Med. Patients	2557.11	A	A	A	A
Sales to Emergency Shelters & Feeding Organizations	2557.12	A	A	A	A
Sales to Comm. Action Agencies; Child Abuse Councils; Child Advocacy Orgs.	2557.13	B	B	B	B
Sales to any Nonprofit Free Libraries	2557.14	A	A	A	A
Sales to Veterans Memorial Cemetery Associations	2557.15	A	A	A	A
Sales to Nonprofit Rescue Operations	2557.16	A	A	A	A
Sales to Hospice Organizations	2557.17	A	A	A	A
Sales to Nonprofit Youth & Scouting Organizations	2557.18	B	B	B	B
Sales to Certain Incorporated, Nonprofit Educational Orgs.	2557.19	A	A	A	A
Sales to Certain Charitable Suppliers of Medical Equipment	2557.20	A	A	A	A
Sales to Orgs that Fulfill the Wishes of Children with Life-Threatening Diseases	2557.21	A	A	A	A
Sales to Providers of Certain Support Systems for Single-Parent Families	2557.22	A	A	A	A
Sales to Nonprofit Home Construction Organizations	2557.23	A	A	A	A
Sales to Orgs that Create & Maintain a Registry of Vietnam Veterans	2557.24	A	A	A	A
Sales to Orgs that Provide Certain Services for Hearing-Impaired Persons	2557.25	A	A	A	A
Sales to State-Chartered Credit Unions	2557.26	A	A	A	A
Sales to Nonprofit Housing Development Organizations	2557.27	A	A	A	A
Sales to Eye Banks	2557.28	A	A	A	A
Sales to Centers for Innovation	2557.29	A	A	A	A
Construction contracts with exempt organizations	2557.31	C	C	C	C
Certain Telecommunications Services	2557.33,34	\$12,003,236	\$10,858,400	\$11,417,000	\$11,975,600
Certain Veterans' Support Organizations	2557.37	A	A	A	A
Nonprofit Library Collaboratives	2557.38	A	A	A	A

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E represents an estimated spread of \$3,000,000 - \$5,999,999
F represents an estimated spread of \$6,000,000 or more

Appendix B (continued)	36 MRSA §	FY'16	FY'17	FY'18	FY'19
Highway Fund Sales & Use Tax Expenditures					
Motor Vehicle Fuel	1760.8A	\$89,387,543	\$90,594,164	\$91,690,031	\$92,946,579
Highway Fund Gasoline & Special Fuel Tax Expenditures					
State and Local Government Exemption from the Gasoline Tax	2903	\$2,103,080	\$2,155,311	\$2,209,187	\$2,264,766
Refund of the Gasoline Tax for Off-Highway Use and for Certain Bus Cos.	2908	\$676,475	\$960,000	\$960,000	\$960,000
State & Local Government Exemption from the Special Fuel Tax	3204-A	\$2,199,492	\$2,221,487	\$2,243,702	\$2,266,139
Refund of the Special Fuel Tax for Off-Highway Use and for Certain Bus Cos.	3218	\$4,749,588	\$4,500,000	\$4,500,000	\$4,500,000
Multimodal Transportation Fund Aeronautical Fuel Tax Expenditures					
Excise Tax Exemption on Jet or Turbo Jet Fuel - International Flights	2903	\$67,054	\$67,724	\$68,401	\$69,085
Refund of Excise Tax on Fuel Used in Piston Aircraft	2910	\$17,124	\$17,500	\$18,000	\$18,200
H.O.M.E. Fund Excise Tax Expenditure					
Exemptions of the Real Estate Transfer Tax	4641C	C	C	C	C
General Fund Cigarette Tax & Real Estate Transfer Tax Expenditures					
Cigarette Stamp Tax Deduction for Licensed Distributors	4366A.2	\$1,491,454	\$1,421,587	\$1,406,054	\$1,390,694
Exemptions of the Real Estate Transfer Tax	4641C	C	C	C	C

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 C represents an estimated spread of \$250,000 - \$999,999
 D represents an estimated spread of \$1,000,000 - \$2,999,999
 E represents an estimated spread of \$3,000,000 - \$5,999,999
 F represents an estimated spread of \$6,000,000 or more

Appendix C: General Fund tax expenditures – Detail for Tax Expenditures on Purchases of Services

General Fund Sales & Use Tax Expenditures	FY'16	FY'17	FY'18	FY'19
1) Consumer Purchases of Services Tax Expenditures				
Medical Services	\$551,742,156	\$572,974,836	\$593,290,530	\$613,312,126
- Physician services	\$81,426,044	\$84,559,496	\$87,557,708	\$90,512,506
- Dental services	\$28,076,608	\$29,157,058	\$30,190,860	\$31,209,766
- Home health care	\$20,474,944	\$21,262,864	\$22,016,778	\$22,759,716
- Medical laboratories	\$5,807,284	\$6,030,822	\$6,244,658	\$6,455,358
- Specialty outpatient care facilities and health and allied services	\$39,282,222	\$40,793,970	\$42,240,352	\$43,665,860
- All other professional medical services	\$18,776,996	\$19,499,550	\$20,190,940	\$20,872,334
- Nonprofit hospitals' services to households	\$198,693,236	\$206,339,588	\$213,655,680	\$220,865,834
- Proprietary hospitals	\$42,614,222	\$44,254,154	\$45,823,232	\$47,369,574
- Government hospitals	\$56,485,044	\$58,658,684	\$60,738,538	\$62,788,306
- Nonprofit nursing homes' services to households	\$19,037,284	\$19,769,932	\$20,470,926	\$21,161,728
- Proprietary and government nursing homes	\$41,068,272	\$42,648,718	\$44,160,858	\$45,651,144
Transportation services	\$24,844,078	\$26,362,980	\$27,783,882	\$29,065,820
- Motor vehicle maintenance and repair services	\$13,813,590	\$14,907,956	\$15,922,844	\$16,804,452
- Parking fees and tolls	\$4,336,108	\$4,502,904	\$4,662,546	\$4,819,934
- Railway transportation	\$174,636	\$181,398	\$187,768	\$194,138
- Intercity buses	\$150,430	\$156,212	\$161,700	\$167,188
- Taxicabs	\$913,262	\$948,444	\$982,058	\$1,015,182
- Intracity mass transit	\$2,742,040	\$2,847,586	\$2,948,526	\$3,048,094
- Other road transportation services	\$1,967,840	\$2,043,496	\$2,116,016	\$2,187,360
- Air transportation	\$713,832	\$741,370	\$767,634	\$793,506
- Water transportation	\$32,340	\$33,614	\$34,790	\$35,966
Amusement and recreation services	\$67,123,434	\$69,736,310	\$72,234,624	\$74,690,602
- Membership clubs and participant sports centers	\$9,521,974	\$9,888,396	\$10,239,040	\$10,584,588
- Amusement parks, camp grounds and related recreational services	\$9,879,674	\$10,259,914	\$10,623,690	\$10,982,174
- Motion picture theaters	\$2,680,006	\$2,783,102	\$2,881,788	\$2,979,102
- Live entertainment excluding sports	\$3,419,416	\$3,551,030	\$3,676,862	\$3,801,028
- Spectator sports	\$1,805,160	\$1,874,544	\$1,941,086	\$2,006,550
- Museums and libraries	\$1,470,392	\$1,527,036	\$1,581,132	\$1,634,542
- Photo studios	\$809,088	\$840,252	\$870,044	\$899,346
- Repair of audio-visual, photographic and information processing equipment	\$474,614	\$512,246	\$547,036	\$577,318
- Casino gambling	\$19,260,136	\$20,001,310	\$20,710,438	\$21,409,374
- Lotteries	\$5,380,984	\$5,588,058	\$5,786,214	\$5,981,430
- pari-mutuel net receipts	\$917,378	\$952,658	\$986,468	\$1,019,788
- Veterinary and other services for pets	\$11,248,538	\$11,681,404	\$12,095,650	\$12,503,820
- Maintenance and repair of recreation vehicles and sports equipment	\$256,074	\$276,360	\$295,176	\$311,542
Financial Services	\$183,009,218	\$190,051,890	\$196,790,468	\$203,431,536
- Commercial banks	\$18,494,364	\$19,206,040	\$19,887,042	\$20,558,146
- Other depository institutions and regulated investment companies	\$35,891,618	\$37,272,830	\$38,594,458	\$39,896,878
- Pension funds	\$9,109,884	\$9,460,528	\$9,795,982	\$10,126,536
- Financial service charges and fees	\$20,501,894	\$21,290,794	\$22,045,688	\$22,789,704
- Exchange listed equities	\$302,820	\$314,482	\$325,556	\$336,532
- Other direct commissions	\$2,025,170	\$2,103,080	\$2,177,658	\$2,251,158
- Over-the-counter equity securities	\$134,260	\$139,454	\$144,354	\$149,254
- Other imputed commissions	\$1,716,372	\$1,782,424	\$1,845,634	\$1,907,962
- Mutual fund sales charges	\$1,957,942	\$2,033,304	\$2,105,334	\$2,176,384
- Portfolio management and investment advice services	\$24,866,030	\$25,822,902	\$26,738,516	\$27,640,802
- Trust fiduciary and custody activities	\$2,148,552	\$2,231,264	\$2,310,350	\$2,388,358
- Life insurance	\$19,251,120	\$19,991,902	\$20,700,834	\$21,399,378
- Net household insurance	\$2,112,684	\$2,194,024	\$2,271,836	\$2,348,472
- Medical care and hospitalization insurance	\$26,235,580	\$27,245,176	\$28,211,162	\$29,163,232
- Income loss insurance	\$608,286	\$631,708	\$654,150	\$676,200
- Workers' compensation insurance	\$4,470,368	\$4,642,456	\$4,806,998	\$4,969,286
- Net motor vehicle and other transportation insurance	\$13,182,274	\$13,689,522	\$14,174,916	\$14,653,254
Information Services	\$20,395,564	\$21,180,446	\$21,931,518	\$22,671,614
- Delivery services except U.S. Postal Service	\$493,920	\$512,932	\$531,160	\$549,094
- Internet access	\$19,901,644	\$20,667,514	\$21,400,358	\$22,122,520

Appendix C (continued)	FY'16	FY'17	FY'18	FY'19
Education Services	\$72,332,428	\$75,116,118	\$77,779,562	\$80,404,296
- Proprietary and public higher education	\$30,091,194	\$31,249,260	\$32,357,248	\$33,449,164
- Nonprofit private higher education services to households	\$18,434,192	\$19,143,614	\$19,822,362	\$20,491,310
- Elementary and secondary schools	\$7,306,488	\$7,587,650	\$7,856,758	\$8,121,848
- Day care and nursery schools	\$3,318,378	\$3,446,072	\$3,568,278	\$3,688,720
- Commercial and vocational schools	\$13,182,176	\$13,689,522	\$14,174,916	\$14,653,254
Personal, household and business services	\$74,839,562	\$77,726,544	\$80,488,576	\$83,209,056
- Legal services	\$12,970,104	\$13,469,218	\$13,946,772	\$14,417,466
- Tax preparation and other related services	\$5,640,488	\$5,857,558	\$6,065,220	\$6,269,942
- Employment agency services	\$54,586	\$56,644	\$58,702	\$60,662
- other personal business services	\$1,778,896	\$1,847,300	\$1,912,862	\$1,977,346
- Labor organization dues	\$2,644,138	\$2,745,862	\$2,843,274	\$2,939,216
- Professional association dues	\$1,936,382	\$2,010,960	\$2,082,206	\$2,152,472
- Funeral and burial services	\$6,256,320	\$6,497,106	\$6,727,406	\$6,954,472
- Hairdressing salons and personal grooming establishments	\$11,829,972	\$12,285,182	\$12,720,792	\$13,150,130
- Miscellaneous personal care services	\$11,685,030	\$12,134,752	\$12,564,972	\$12,989,018
- Laundry and dry-cleaning services	\$2,106,314	\$2,187,360	\$2,264,976	\$2,341,416
- Clothing repair, rental and alterations	\$382,102	\$396,802	\$410,816	\$424,732
- Repair and hire of footwear	\$32,536	\$35,084	\$37,436	\$39,494
- Domestic services	\$6,024,256	\$6,256,124	\$6,477,996	\$6,696,536
- Moving, storage and freight services	\$3,193,330	\$3,316,222	\$3,433,822	\$3,549,756
- Repair of furniture, furnishings and floor coverings	\$23,814	\$25,676	\$27,440	\$28,910
- Repair of household appliances	\$114,268	\$123,284	\$131,712	\$139,062
- Other household services	\$4,543,770	\$4,718,700	\$4,885,986	\$5,050,822
- Garbage and trash collection	\$3,623,256	\$3,762,710	\$3,896,186	\$4,027,604
Social services	\$49,645,428	\$51,555,840	\$53,383,932	\$55,185,270
- Child care	\$8,188,684	\$8,503,754	\$8,805,300	\$9,102,436
- Homes for the elderly	\$6,088,446	\$6,322,666	\$6,546,890	\$6,767,782
- Residential mental health and substance abuse facilities	\$5,881,666	\$6,108,046	\$6,324,626	\$6,538,070
- Individual and family services	\$18,461,142	\$19,171,642	\$19,851,370	\$20,521,298
- Vocational rehabilitation services	\$1,617,196	\$1,679,426	\$1,739,010	\$1,797,614
- Community food and housing/emergency/other relief services	\$1,244,208	\$1,292,130	\$1,337,896	\$1,383,074
- Other social assistance	\$1,697,360	\$1,762,628	\$1,825,152	\$1,886,696
- Social advocacy and civic and social organizations	\$5,161,464	\$5,360,110	\$5,550,132	\$5,737,410
- Religious organizations' services to households	\$1,073,296	\$1,114,554	\$1,154,146	\$1,193,052
- Foundations and grant making and giving services to households	\$231,966	\$240,884	\$249,410	\$257,838
Day care and nursery schools	\$3,067,187	\$3,266,043	\$3,073,440	\$3,189,340
- Commercial and vocational schools	\$11,599,180	\$12,351,273	\$11,622,680	\$12,061,200
Personal, household and business services	\$68,590,472	\$73,039,439	\$68,732,310	\$71,327,235
- Legal services	\$15,062,294	\$16,038,869	\$15,092,745	\$15,662,270
- Tax preparation and other related services	\$4,915,997	\$5,234,719	\$4,925,940	\$5,111,760
- Employment agency services	\$56,517	\$60,192	\$56,715	\$58,805
- other personal business services	\$1,091,823	\$1,162,667	\$1,094,115	\$1,135,345
- Labor organization dues	\$2,942,768	\$3,133,642	\$2,948,800	\$3,060,045
- Professional association dues	\$1,066,817	\$1,135,915	\$1,068,940	\$1,109,315
- Funeral and burial services	\$4,806,215	\$5,117,783	\$4,815,930	\$4,997,665
- Hairdressing salons and personal grooming establishments	\$9,866,962	\$10,506,639	\$9,886,935	\$10,259,905
- Miscellaneous personal care services	\$9,307,989	\$9,911,512	\$9,326,815	\$9,678,790
- Laundry and dry-cleaning services	\$1,630,873	\$1,736,581	\$1,634,095	\$1,695,845
- Clothing repair, rental and alterations	\$1,238,809	\$1,319,104	\$1,241,270	\$1,288,105
- Repair and hire of footwear	\$48,690	\$52,146	\$49,210	\$51,395
- Domestic services	\$6,488,624	\$6,909,331	\$6,501,705	\$6,746,900
- Moving, storage and freight services	\$3,685,829	\$3,924,811	\$3,693,315	\$3,832,680
- Repair of furniture, furnishings and floor coverings	\$61,498	\$65,835	\$62,225	\$64,885
- Repair of household appliances	\$204,926	\$219,346	\$207,290	\$216,125
- Other household services	\$2,230,811	\$2,375,494	\$2,235,350	\$2,319,710
- Garbage and trash collection	\$3,883,030	\$4,134,856	\$3,890,915	\$4,037,690
Social services	\$65,312,158	\$69,546,840	\$65,444,360	\$67,913,790
- Child care	\$9,176,759	\$9,771,691	\$9,195,335	\$9,542,275
- Homes for the elderly	\$5,431,464	\$5,783,657	\$5,442,455	\$5,647,750
- Residential mental health and substance abuse facilities	\$14,909,209	\$15,875,849	\$14,939,320	\$15,503,050
- Individual and family services	\$22,148,823	\$23,584,919	\$22,193,615	\$23,031,040

Appendix C (continued)	FY'16	FY'17	FY'18	FY'19
- Vocational rehabilitation services	\$5,668,106	\$6,035,607	\$5,679,575	\$5,893,895
- Community food and housing/emergency/other relief services	\$329,651	\$351,016	\$330,315	\$342,760
- Other social assistance	\$1,169,483	\$1,245,327	\$1,171,825	\$1,216,095
- Social advocacy and civic and social organizations	\$5,537,689	\$5,896,726	\$5,548,950	\$5,758,330
- Religious organizations' services to households	\$881,204	\$938,410	\$883,025	\$916,370
- Foundations and grant making and giving services to households	\$59,770	\$63,641	\$59,945	\$62,225
2) Business Purchases of Services Tax Expenditures				
Transportation Services	\$78,915,480	\$80,890,278	\$83,265,308	\$85,527,932
- Air transportation	\$12,405,624	\$12,711,090	\$13,040,762	\$13,337,702
- Rail transportation	\$1,115,338	\$1,142,876	\$1,177,176	\$1,210,496
- Water transportation	\$1,805,160	\$1,847,496	\$1,897,378	\$1,946,770
- Truck transportation	\$7,071,386	\$7,245,924	\$7,466,326	\$7,680,652
- Transit and ground passenger transportation	\$5,726,826	\$5,866,378	\$6,017,592	\$6,156,066
- Scenic and sightseeing transportation and support activities for transportation	\$16,207,044	\$16,616,782	\$17,119,718	\$17,605,014
- Couriers and messengers	\$14,447,454	\$14,828,380	\$15,292,116	\$15,736,840
- Warehousing and storage	\$20,136,648	\$20,631,352	\$21,254,240	\$21,854,392
Information services	\$34,885,452	\$35,690,326	\$36,543,416	\$37,328,886
- Directory mailing list and other publishing services	\$1,322,216	\$1,349,068	\$1,376,998	\$1,403,850
- Software publishing	\$477,260	\$487,158	\$499,702	\$512,638
- Motion picture and video services	\$8,151,052	\$8,325,002	\$8,493,660	\$8,651,440
- Sound recording	\$922,376	\$946,778	\$972,258	\$996,268
- Radio and television broadcasting	\$1,474,606	\$1,504,594	\$1,534,190	\$1,562,120
- Internet publishing and broadcasting and web search portals	\$2,542,708	\$2,617,286	\$2,692,354	\$2,760,072
- Data processing hosting and related services	\$19,091,870	\$19,537,182	\$20,029,632	\$20,477,492
- News syndicates, libraries, archives and all other information services	\$903,364	\$923,258	\$944,622	\$965,006
Financial Services	\$211,161,678	\$216,071,380	\$221,019,008	\$224,903,924
- Monetary authorities and depository credit intermediation	\$33,948,572	\$34,746,684	\$35,569,198	\$36,248,632
- Nondepository credit intermediation and related activities	\$21,563,920	\$22,047,648	\$22,551,368	\$22,954,344
- Securities and commodity contracts, intermediation and brokerage	\$14,473,032	\$14,808,192	\$15,151,976	\$15,433,432
- Other financial investment activities	\$17,520,538	\$17,931,060	\$18,362,946	\$18,724,664
- Insurance carriers	\$66,847,466	\$68,576,186	\$70,387,030	\$71,943,956
- Insurance agencies, brokerages and related activities	\$55,409,494	\$56,534,828	\$57,544,816	\$58,133,306
- Funds, trusts and other financial vehicles	\$1,398,656	\$1,426,782	\$1,451,674	\$1,465,590
- Consumer goods and general rental centers	\$2,992,724	\$3,074,946	\$3,165,302	\$3,249,484
- Commercial and industrial machinery and equipment rental and leasing	\$13,862,688	\$14,217,840	\$14,608,664	\$14,982,044
- Lessors of nonfinancial intangible assets	\$20,376,356	\$20,859,888	\$21,375,564	\$21,834,302
Legal, Business, Administrative, and Support Services	\$457,674,504	\$469,053,578	\$481,350,422	\$492,418,640
- Legal services	\$30,171,064	\$30,959,964	\$31,788,750	\$32,531,296
- Accounting, tax preparation, bookkeeping and payroll services	\$22,919,554	\$23,513,728	\$24,147,984	\$24,720,206
- Architectural, engineering and related services	\$39,883,452	\$40,808,474	\$41,802,488	\$42,706,342
- Specialized design services	\$5,120,990	\$5,240,648	\$5,371,478	\$5,489,078
- Custom computer programming services	\$1,272,334	\$1,293,796	\$1,317,218	\$1,336,818
- Computer systems design services	\$18,209,380	\$18,640,384	\$19,135,578	\$19,591,670
- Other computer related services including facilities management	\$11,825,464	\$12,147,786	\$12,483,632	\$12,787,726
- Management consulting services	\$26,890,024	\$27,656,090	\$28,468,020	\$29,216,642
- Environmental and other technical consulting services	\$6,185,760	\$6,363,532	\$6,551,398	\$6,725,054
- Scientific research and development services	\$1,930,306	\$1,996,750	\$2,058,588	\$2,112,684
- Advertising and related services	\$69,054,426	\$70,840,280	\$72,795,772	\$74,585,056
- All other miscellaneous professional, scientific and technical services	\$11,675,034	\$11,955,706	\$12,258,624	\$12,529,496
- Photographic services	\$575,750	\$594,370	\$612,108	\$627,592
- Veterinary services	\$1,224,902	\$1,255,478	\$1,291,248	\$1,326,528
- Management of companies and enterprises	\$103,219,676	\$105,550,508	\$108,152,898	\$110,485,298
- Other administrative services	\$9,539,026	\$9,805,488	\$10,084,396	\$10,336,354
- Facilities support services	\$1,374,646	\$1,403,164	\$1,439,424	\$1,476,468
- Employment services	\$40,690,874	\$41,746,726	\$42,820,316	\$43,727,306
- Business support services	\$14,243,908	\$14,612,094	\$15,013,110	\$15,376,592
- Travel arrangement and reservation services	\$4,922,932	\$5,048,274	\$5,176,262	\$5,285,336
- Investigation and security services	\$9,047,164	\$9,254,728	\$9,473,366	\$9,655,352
- Services to buildings and dwellings	\$2,770,656	\$2,828,084	\$2,901,094	\$2,975,868
- Other support services	\$8,576,960	\$8,784,524	\$9,017,568	\$9,229,640
- Waste management and remediation services	\$16,350,222	\$16,753,002	\$17,189,102	\$17,584,238

Appendix C (continued)	FY'16	FY'17	FY'18	FY'19
Educational Services	\$7,207,508	\$7,379,890	\$7,592,060	\$7,800,212
- Junior colleges, colleges, universities, and professional schools	\$3,773,294	\$3,860,514	\$3,971,058	\$4,080,818
- Other educational services	\$3,434,214	\$3,519,376	\$3,621,002	\$3,719,394
Medical Services	\$12,419,344	\$12,759,894	\$13,144,838	\$13,521,550
- Offices of physicians	\$921,788	\$946,288	\$970,788	\$995,778
- Offices of dentists	\$209,034	\$213,444	\$218,932	\$224,518
- Offices of other health practitioners	\$1,198,246	\$1,223,040	\$1,254,694	\$1,287,034
- Outpatient care centers	\$1,719,606	\$1,755,180	\$1,800,554	\$1,846,908
- Medical and diagnostic laboratories	\$2,998,506	\$3,091,116	\$3,192,448	\$3,289,468
- Other ambulatory health care services	\$3,908,044	\$4,030,446	\$4,164,118	\$4,291,910
- Hospitals	\$546,350	\$563,598	\$582,316	\$600,250
- Nursing and community care facilities	\$885,038	\$903,364	\$926,688	\$950,502
- Residential mental retardation, mental health, substance abuse and other	\$32,732	\$33,418	\$34,300	\$35,182
Social Services	\$249,116	\$254,114	\$260,680	\$267,442
- Individual and family services	\$105,546	\$107,702	\$110,446	\$113,288
- Community food, housing and other relief services including rehabilitation services	\$18,032	\$18,326	\$18,816	\$19,306
- Child day care services	\$125,538	\$128,086	\$131,418	\$134,848
Amusement and recreational services	\$11,348,008	\$11,633,286	\$11,922,876	\$12,186,790
- Performing arts companies	\$1,055,558	\$1,087,996	\$1,119,846	\$1,148,952
- Spectator sports	\$2,472,344	\$2,526,734	\$2,579,458	\$2,627,576
- Promoters of performing arts and sports and agents for public figures	\$1,463,728	\$1,504,006	\$1,544,970	\$1,582,896
- Independent artists, writers and performers	\$3,888,150	\$3,983,112	\$4,079,348	\$4,166,078
- Amusement parks and arcades	\$91,140	\$94,178	\$97,020	\$99,568
- Gambling Industries (except casino hotels)	\$38,024	\$38,906	\$39,886	\$40,866
- Other amusement and recreational industries	\$2,339,064	\$2,398,354	\$2,462,348	\$2,520,854
Repair, Maintenance , and Personal Services	\$28,544,754	\$29,699,586	\$30,859,416	\$32,010,426
- Automotive repair and maintenance	\$3,812,396	\$4,002,614	\$4,188,030	\$4,376,680
- Electronic and precision equipment repair and maintenance	\$5,131,770	\$5,345,802	\$5,564,146	\$5,786,998
- Commercial and Industrial machinery repair and maintenance	\$7,180,068	\$7,543,648	\$7,896,644	\$8,255,716
- Personal and household goods repair and maintenance	\$2,995,076	\$3,132,276	\$3,267,418	\$3,404,030
- Personal care services	\$75,754	\$77,126	\$78,694	\$80,066
- Dry-cleaning and laundry services	\$4,001,732	\$4,111,688	\$4,234,384	\$4,350,808
- other personal services	\$1,560,944	\$1,603,476	\$1,649,732	\$1,693,440
- Civic, social, professional and similar organizations	\$3,787,014	\$3,882,956	\$3,980,368	\$4,062,688

Budget Forecast

5 M.R.S.A. §1665, requires the State Budget Officer to prepare a four year revenue and expenditure forecast for the General Fund and the Highway Fund. In accordance with 5 M.R.S.A. §1665, subsection 7, the forecast assumes the continuation of current laws and includes reasonable and predictable estimates of growth in revenues and expenditures based on national and local trends and program operations. On September 30, 2016, the Bureau of the Budget issued its updated four year budget forecast for fiscal years 2016-17 through 2018-19.

In order to provide the most accurate expenditure estimate, legislatively approved appropriations and allocations through the end of the Second Regular Session of the 127th Legislature were used as the starting point for the forecast. The authorized budget for fiscal year 2016-17, recalculated to reflect authorized positions and projected rates for personnel services, and adjusted by program for one-time expenditures and the phase-in of new operations, was used to determine the baseline expenditure forecast for fiscal years 2017-18 through 2018-19. This was further adjusted to reflect program-by-program expenditure growth or decline that varied from the baseline growth assumptions, resulting from programmatic factors such as caseload, national trends, etc.

BUDGET STATUS Fiscal Years 2016-2019

GENERAL FUND STATUS						
	Fiscal Years 2016-2017 BUDGET			Fiscal Years 2018-2019 FORECAST		
	FY 2016	FY 2017	TOTAL	FY 2018	FY 2019	TOTAL
BALANCE	25,567,200		25,567,200	55,564,829		55,564,829
ADJUSTMENTS	22,780,728	25,376,098	48,156,826			
REVENUE	3,356,361,397	3,352,258,350	6,708,619,747	3,473,125,018	3,620,449,008	7,093,574,026
TOTAL RESOURCES	3,404,709,325	3,377,634,448	6,782,343,773	3,528,689,847	3,620,449,008	7,149,138,855
ADJUSTMENTS	2,550,000	19,750,000	22,300,000			
APPROPRIATIONS	3,331,298,722	3,373,180,222	6,704,478,944	3,622,624,069	3,691,808,900	7,314,432,969
PROJECTED BALANCE (SHORTFALL)	70,860,603	(15,295,774)	55,564,829	(93,934,222)	(71,359,892)	(165,294,114)

The budgeted General Fund adjusted fund balance for fiscal year 2016 was \$70,860,603 and is projected to be \$55,564,829 at the end of fiscal year 2017, including adjustments enacted through the Second Regular Session of the 127th Legislature.

The Revenue Forecasting Committee (RFC) in its May 2015 report re-projected revenues upward by \$24.7 million for the 2018-2019 biennium. In December 2015 the RFC increased its revenue projections by \$60.0 million for the 2018-2019 biennium. Finally, in March 2016, the RFC re-projected revenues upward by \$4.4 million, resulting in a net overall revenue increase of \$89.1 million for the 2018-2019 biennium. This projected revenue increase was primarily in the Individual Income Tax, Corporate Income Tax and Sales and Use Tax lines. The revenue projections also include revisions made in miscellaneous laws enacted through the Second Regular Session of the 127th Legislature.

Current projections for the 2018-2019 biennium include a beginning balance of \$55,564,829 and General Fund revenues of \$7,093,574,026. Projected General Fund appropriations for the biennium are \$7,314,432,969 which results in a structural budget gap for the General Fund of \$165,294,114.

BUDGET STATUS Fiscal Years 2016-2019

HIGHWAY FUND STATUS						
	Fiscal Years 2016-2017 BUDGET			Fiscal Years 2018-2019 FORECAST		
	FY 2016	FY 2017	TOTAL	FY 2018	FY 2019	TOTAL
BALANCE	11,762,818		11,762,818	5,837,346		5,837,346
ADJUSTMENTS						
REVENUE	322,738,380	325,527,481	648,265,861	328,340,881	331,316,712	659,657,593
TOTAL RESOURCES	334,501,198	325,527,481	660,028,679	334,178,227	331,316,712	665,494,939
ADJUSTMENTS	5,710,148	5,696,863	11,407,011	6,253,259	6,328,638	12,581,897
ALLOCATIONS	323,554,282	319,230,040	642,784,322	506,459,944	504,466,325	1,010,926,269
PROJECTED BALANCE (SHORTFALL)	5,236,768	600,678	5,837,346	(178,534,976)	(179,478,261)	(358,013,227)

The Highway Fund adjusted fund balance for fiscal year 2016 was \$5,236,768 and is projected to be \$5,837,346 at the end of fiscal year 2017, including adjustments enacted through the Second Regular Session of the 127th Legislature.

The Revenue Forecasting Committee (RFC) in its May 2015 report re-projected revenues upward by \$989 thousand for the 2018-2019 biennium. The RFC in December 2015 increased its revenue projections by \$288 thousand for the 2018-2019 biennium. The RFC in March 2016 re-projected revenues upward by \$4.0 million resulting in a net overall revenue increase of \$5.2 million for the 2018-2019 biennium. This revenue increase was primarily in the motor vehicle registration and fee lines. The revenue projections also include revisions made in miscellaneous laws enacted through the Second Regular Session of the 127th Legislature.

Public Law 2011, chapter 610, An Act to Improve Transportation in the State established provisions relating to the Department of Transportation’s capital program goals. It is important to stress that this forecast, by law, must assume the state share which is estimated at \$300 million over the 2016-2017 biennium. The reader is advised to bear this in mind when assessing the *estimated* structural gap and the potential for closing it.

Current projections for the 2018-2019 biennium include a beginning balance of \$5,837,346 and Highway Fund revenues of \$659,657,593. Projected Highway Fund allocations for the biennium are \$1,010,926,269 and adjustments of \$12,581,897 which result in a projected structural budget gap of \$358,013,227.

Budget Process Timeline

The Constitution of Maine requires the Governor and the Legislature to submit, enact and approve a balanced budget that achieves each fiscal year a balance between resources and commitments. The State of Maine develops General Fund and Highway Fund revenue forecasts for the biennial budget within the context of a consensus revenue forecasting model. The Consensus Economic Forecasting Commission first meets to prepare a four year economic forecast for the State of Maine. The six- member Revenue Forecasting Committee (RFC) uses the economic assumptions recommended by the Consensus Economic Forecasting Commission (CEFC) to prepare its four year revenue forecast for the General Fund and the Highway Fund. The committee's recommendations for revenues affecting the upcoming biennium are made in November, and are subsequently used by the Governor in developing the General Fund and Highway Fund budget recommendations for the upcoming biennium.

The State of Maine uses a biennial budget process in which the budget is presented by the Governor and acted upon by the Legislature for two fiscal year periods beginning in even numbered years. Each fiscal year of the biennium encompasses the period of July 1 through June 30. Appropriations and allocations are provided for each fiscal year of the biennium. The biennial budget for each ensuing biennium is presented and acted upon by the first regular session of the Legislature. During the first regular session, the Legislature may also make adjustments to the appropriations and allocations by program for the last fiscal year of the current biennium. The second regular session of the Legislature may make adjustments to both the first and second fiscal years of the current biennium.

Appropriations and allocations by program are further delineated by three line categories: Personal Services, All Other, and, Capital Expenditures. The Personal Services line category includes the salaries, wages and benefits for all positions authorized by the Legislature reduced by an attrition factor of 1.6%. The All Other line category includes the operational expenditures of a program such as vehicle operations, in state travel, supplies, etc. The Capital Expenditures line category includes funds for the purchase and replacement of equipment assets valued at \$5,000 or more with a useful life greater than one year, and for real property purchases and facility improvements and construction.

Each appropriation and allocation to a program also includes the number of positions authorized by the Legislature. Referred to as "headcount", these positions are further classified by the Legislature as "legislative count" or "full-time equivalent". Legislative count represents positions authorized by the Legislature for 52 weeks in a fiscal year. These may include full-time and part-time positions. Full-time equivalent represents positions authorized by the Legislature for less than 52 weeks in a fiscal year. These typically include seasonal and intermittent positions. Positions authorized by the Legislature may not vary from the position titles and detailed funding that support the positions without legislative approval unless permanent funding is identified and approved by the State Budget Officer.

Once the Legislature has enacted the biennial budget, and it has been signed into law, the departments and agencies receiving expenditure authorization are required to develop budgets by program for each fiscal year, requesting allotment by account, line category and quarter. Allotment is established in four quarters and is approved by the Governor. Fiscal year budgets may be adjusted, or funds transferred between line categories and programs within the same fund and department or agency, to meet changing conditions upon approval by the Governor. Limitations on the transferability of funds between line categories and programs in a fiscal year are guided in law.

Basis of Budgeting

Governmental Funds

Expenditures for Governmental Funds are budgeted on an encumbrance and cash basis. Tax revenues, including Sales and Use Tax, Service Provider Tax, Individual Income Tax, Corporate Income Tax, Cigarette and Tobacco Tax, Estate Tax, Real Estate Transfer Tax and Fuel Taxes, are budgeted on a modified accrual basis. These tax revenues are recognized as available for appropriation or allocation in the fiscal year earned, providing they are measurable and available to liquidate liabilities in the current fiscal year period. These tax revenues that are due in the current fiscal year, but which are payable by the taxpayer subsequent to the close of the fiscal year, are accrued as accounts receivable and, therefore, recognized as revenue in the fiscal year benefited. Other revenues are recognized on a cash basis or are accrued as accounts receivable depending upon the circumstance and past practice.

Account Groups

Expenditures for Internal Service Funds and Enterprise Funds are budgeted on an encumbrance and cash basis. All revenues are recognized on an accrual basis. All revenues are recognized as available for allocation in the fiscal year earned. All revenues due in the current fiscal year, but which are payable subsequent to the close of the fiscal year, are accrued as accounts receivable and, therefore, recognized as revenue in the fiscal year benefited.

Biennial Budget Timeline

Biennial budget guidance is provided to departments and agencies in July of the last fiscal year of the current biennium. This guidance includes a description of the required documentation to support each budget request. Alternative funding scenarios from departments and agencies may also be requested to show the program impact if funds by program were limited to 90%, for example, of the base year appropriations or allocations. In addition, the guidelines and instructions may request other detailed budget information from each department and agency as necessary.

Pursuant to 5 M.R.S.A §1665, biennial budget requests are due in the Bureau of the Budget by September 1 of each even numbered year. During the months of September and October, the budget analysts in the Bureau of the Budget prepare budget recommendations for the Governor or Governor-elect based on independent analysis and forecasts as well as one-on-one

discussions with department and agency staff. Following the election, one-on-one budget meetings are held with key department and agency staff to discuss specific requests, departmental priorities, and impact of reductions from alternative budget scenarios. These meetings may include the Governor or Governor-elect, the Commissioner of the Department of Administrative and Financial Services, the State Budget Officer, the Governor or Governor-elect's Chief of Staff and the Governor or Governor-elect's Senior Policy Advisors, depending upon the department or agency and the issue under consideration.

In late December, all budget decisions are finalized, including the development of the capital budget. 5 M.R.S.A, §1666 requires that the budget bills are transmitted to the Legislature in January or February, dependent on the status of the Governor or Governor-elect. Two budget bills are provided to the Legislature. One is a supplemental budget bill (also referred to as an emergency budget bill) that proposes adjustments to appropriations and allocations for the last fiscal year of the current biennium. The second is referred to as a unified budget bill in that it presents all appropriations and allocations for a program regardless of funding source. Part A of the bill presents the Governor or Governor-elect's appropriation and allocation recommendations for the upcoming biennium. Part B of the bill presents adjustments associated with approved reclassifications and range changes that are self-funded by departments and agencies. Other parts of the unified budget bill include proposed statutory and unallocated language required to give legal effect to the Governor or Governor-elect's budget proposals.

The budget document must be submitted to the Legislature in early January according to statute, except when there is a Governor-elect. A Governor-elect has one additional month and must submit the budget in early February.

The content of the budget document is prescribed by statute. The budget document presents the budget, financial and operational plan of the Governor or Governor-elect for the upcoming biennium. Details are provided in the budget document to show how those plans will be realized and the manner in which the budget has been balanced.

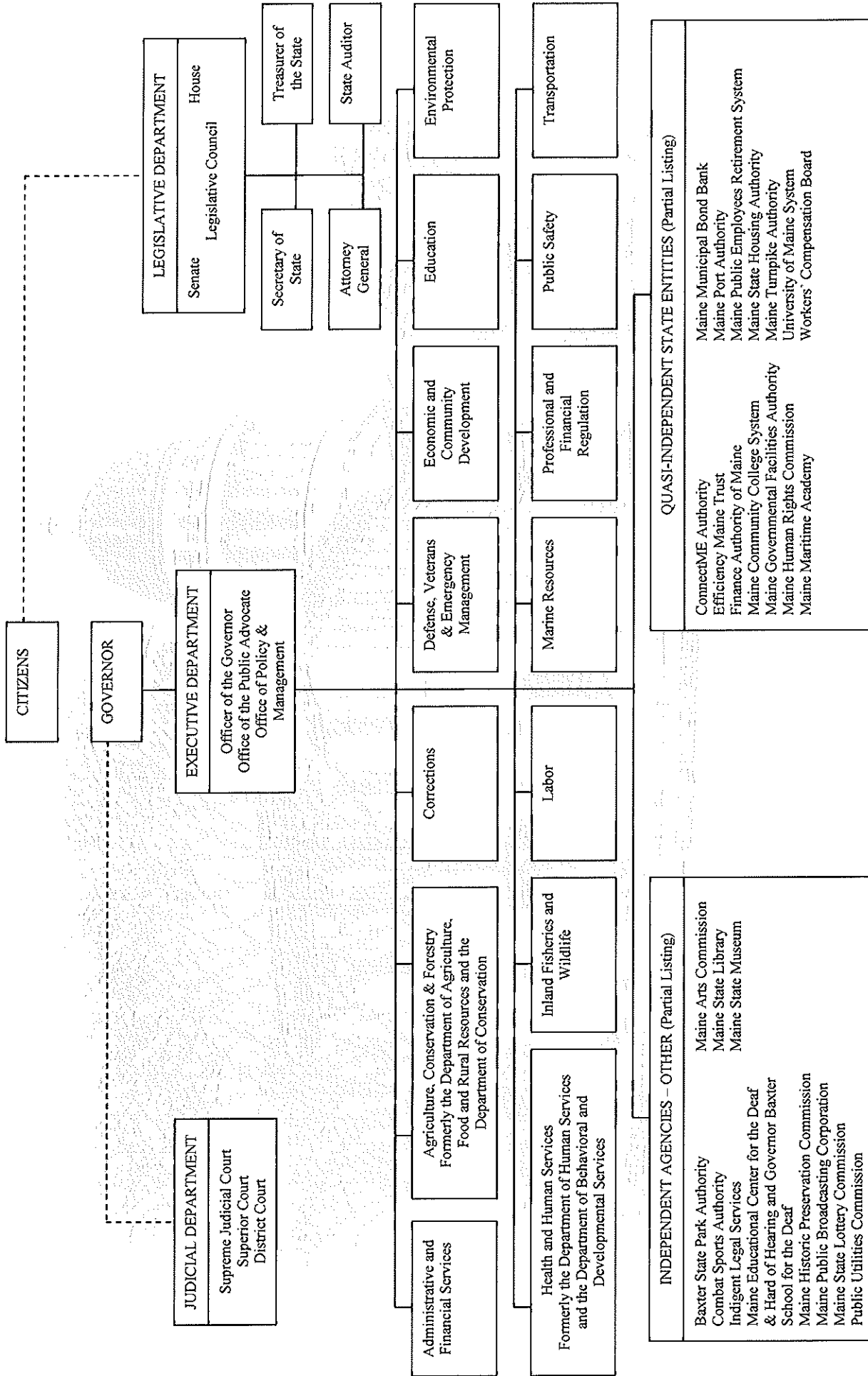
The Legislature conducts separate public hearings for each budget bill type before the Joint Standing Committee of the Legislature having jurisdiction over appropriations and financial affairs. At each public hearing, department and agency heads present and defend each budget request by program for his or her department or agency. Testimony from the public, either for or against the request, is solicited by the committee during the public hearing. Members of the joint standing committee of the Legislature having policy jurisdiction over the department or agency are also included in the public hearing process.

Following each public hearing, the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs engages in work sessions for each budget bill type. The initial stage of the work session involves the receipt of recommendations from the legislative policy committees of jurisdiction. The committee next engages each department or agency head, and their staff, in one-on-one discussions in order to elicit additional program information pertinent to the budget decision making process. Such information may include staffing and organization, performance measures, caseload forecasts,

etc. The committee takes public votes on each item in the Governor's budget, adjusting each budget bill to reflect the priorities of the Legislature. At the conclusion of the work session, the committee reports out each budget bill type for consideration by the full Legislature followed by referral to the Governor for his or her approval.

Budget bills are submitted as emergency bills that require a 2/3 vote of the members of both legislative bodies in order to take effect when approved by the Governor. Non-emergency budget bills require a majority vote of those legislators present and voting in each legislative body. These budget bills take effect 90 days after the adjournment of the Legislature if signed into law by the Governor.

ORGANIZATIONAL CHART OF MAINE STATE GOVERNMENT



Summary of Governor's General Fund Budget Recommendations

The following tables and charts show in summary form the Governor's General Fund budget recommendations for the 2018-2019 biennium. **Table D - 1** shows total General Fund appropriations by department or agency (including one-time appropriations) with percent change for the 2018-2019 biennium compared to the 2016-2017 biennium.

Table D - 2 shows the General Fund revenues recommended by the Governor for fiscal year 2017-18 and fiscal year 2018-19. The columns labeled ORIG. represent the General Fund revenue forecast of the Revenue Forecasting Committee. The columns labeled ADJ reflect the Governor's recommended adjustments to the base revenues. **Table D - 3** explains the individual adjustments to the original General Fund revenue amounts.

Chart D - 1 shows the Governor's recommended General Fund appropriations by major program for the 2018-2019 biennium.

Chart D - 2 shows the Governor's recommended General Fund revenues by revenue source for the 2018-2019 biennium. These revenues include the base revenue projections of the Revenue Forecasting Committee, including Transfers for Tax Relief Programs, and adjustments to the base revenues recommended by the Governor.

TABLE D-1

GENERAL FUND APPROPRIATIONS

DEPARTMENT/AGENCY	GOVERNOR'S BUDGET		
	2016-2017 Biennium	2018-2019 Biennium	PERCENT CHANGE
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES	287,007,158	253,582,966	-11.65%
DEPARTMENT OF AGRICULTURE, CONSERVATION AND FORESTRY	63,508,763	65,876,836	3.73%
MAINE ARTS COMMISSION	1,871,138	2,074,823	10.89%
DEPARTMENT OF THE ATTORNEY GENERAL	39,508,551	43,897,436	11.11%
OFFICE OF THE STATE AUDITOR	3,167,960	3,446,564	8.79%
DEPARTMENT OF CORRECTIONS	356,427,088	355,044,918	-0.39%
MAINE STATE CULTURAL AFFAIRS COUNCIL	78,890	78,890	0.00%
DEPARTMENT OF DEFENSE, VETERANS AND EMERGENCY MANAGEMENT	16,515,887	17,535,613	6.17%
MAINE DEVELOPMENT FOUNDATION	116,888	116,888	0.00%
DIRIGO HEALTH	2,642,631	2,683,854	1.56%
DISABILITY RIGHTS MAINE	252,090	252,090	0.00%
DOWNEAST INSTITUTE FOR APPLIED MARINE RESEARCH AND EDUCATION	25,108	25,108	0.00%
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT	24,840,275	24,716,965	-0.50%
STATE BOARD OF EDUCATION	326,696	330,966	1.31%
DEPARTMENT OF EDUCATION	2,357,620,425	2,435,153,870	3.29%
DEPARTMENT OF ENVIRONMENTAL PROTECTION	15,217,442	17,268,827	13.48%
COMMISSION ON GOVERNMENTAL ETHICS AND ELECTION PRACTICES	305,574	305,947	0.12%
EXECUTIVE DEPARTMENT	8,722,632	8,754,393	0.36%
FINANCE AUTHORITY OF MAINE	33,384,788	32,384,788	-3.00%
MAINE FIRE PROTECTION SERVICES COMMISSION	4,000	4,000	0.00%
FOUNDATION FOR BLOOD RESEARCH*	52,175	-	-100.00%
MAINE HISTORIC PRESERVATION COMMISSION	813,654	661,759	-18.67%
MAINE HISTORICAL SOCIETY	89,728	89,728	0.00%
MAINE HOSPICE COUNCIL	127,012	127,012	0.00%
MAINE STATE HOUSING AUTHORITY	5,050,000	5,100,000	0.99%
MAINE HUMAN RIGHTS COMMISSION	1,425,851	1,667,018	16.91%
DEPARTMENT OF HEALTH AND HUMAN SERVICES	2,341,371,419	2,238,671,530	-4.39%
MAINE HUMANITIES COUNCIL	106,714	106,714	0.00%
MAINE COMMISSION ON INDIGENT LEGAL SERVICES	35,422,935	16,600	-99.95%
DEPARTMENT OF TECHNOLOGY SERVICES	-	20,470,897	100.00%
MAINE INDIAN TRIBAL-STATE COMMISSION	223,228	223,228	0.00%
DEPARTMENT OF INLAND FISHERIES AND WILDLIFE	56,395,479	55,264,600	-2.01%
CENTERS FOR INNOVATION	236,018	236,018	0.00%
JUDICIAL DEPARTMENT	137,550,799	153,155,998	11.35%
DEPARTMENT OF LABOR	23,100,423	22,301,238	-3.46%
LAW AND LEGISLATIVE REFERENCE LIBRARY	2,949,209	3,145,206	6.65%
LEGISLATURE	50,849,531	53,669,108	5.54%
MAINE STATE LIBRARY	6,868,747	7,035,927	2.43%
DEPARTMENT OF MARINE RESOURCES	20,341,352	21,216,236	4.30%
MAINE MARITIME ACADEMY	17,773,608	20,308,629	14.26%
MAINE MUNICIPAL BOND BANK	138,662	138,662	0.00%
MAINE STATE MUSEUM	3,444,250	3,539,537	2.77%
PINE TREE LEGAL ASSISTANCE	1,000,000	1,000,000	0.00%
MAINE POTATO BOARD	321,804	321,804	0.00%
OFFICE OF PROGRAM EVALUATION AND GOVERNMENT ACCOUNTABILITY	2,354,144	2,607,707	10.77%
STATE BOARD OF PROPERTY TAX REVIEW	173,130	173,130	0.00%
MAINE PUBLIC BROADCASTING CORPORATION	3,000,000	3,000,000	0.00%
OFFICE OF THE PUBLIC DEFENDER	-	32,774,464	100.00%
DEPARTMENT OF PUBLIC SAFETY	89,641,116	141,686,252	58.06%
MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM	14,809,784	497,588	-96.64%
SACO RIVER CORRIDOR COMMISSION	93,920	93,920	0.00%
DEPARTMENT OF THE SECRETARY OF STATE	9,490,781	15,303,421	61.25%
ST. CROIX INTERNATIONAL WATERWAY COMMISSION	48,000	50,000	4.17%
RESERVE FUND FOR STATE HOUSE PRESERVATION AND MAINTENANCE	1,600,000	1,600,000	0.00%
MAINE COMMUNITY COLLEGE SYSTEM	120,328,054	129,574,712	7.68%
(OFFICE OF) TREASURER OF STATE	163,498,623	221,382,974	35.40%
BOARD OF TRUSTEES OF THE UNIVERSITY OF MAINE SYSTEM	409,914,984	420,959,218	2.69%
NEW ENGLAND INTERSTATE WATER POLLUTION CONTROL COMMISSION	15,900	15,900	0.00%
Total General Fund Appropriations	6,732,165,018	6,841,722,477	1.63%

* The Foundation for Blood Research is no longer in operation.

Table D-2

GENERAL FUND REVENUE FORECAST											
SOURCE	FY 2017			FY 2018			FY 2019				
	ORIG	ADJ	BUDGET	ORIG	ADJ	BUDGET	ORIG	ADJ	BUDGET	ADJ	BUDGET
Sales and Use Tax	1,334,011,722		1,334,011,722	1,374,648,323	19,970,354	1,394,618,682	1,423,588,099	78,173,485	1,501,761,584		1,501,761,584
Service Provider Tax	59,149,448		59,149,448	59,424,469		59,424,469	59,675,124		59,675,124		59,675,124
Individual Income Tax	1,530,248,976		1,530,248,976	1,702,942,294	(191,602,544)	1,511,339,750	1,785,072,561	(182,067,340)	1,603,005,221		1,603,005,221
Corporate Income Tax	161,093,471		161,093,471	165,724,242	(2,510,699)	163,213,543	170,059,196	(12,685,184)	157,374,012		157,374,012
Cigarette & Tobacco Tax	139,179,000		139,179,000	136,682,000	(221,500)	136,460,500	134,200,000	(221,500)	133,978,500		133,978,500
Insurance Company Tax	76,700,000		76,700,000	73,765,000		73,765,000	73,765,000		73,765,000		73,765,000
Inheritance & Estate Tax	16,378,323		16,378,323	12,416,710		12,416,710	12,640,469	(9,539,837)	3,100,572		3,100,572
Fines, Forfeits and Penalties	22,237,275		22,237,275	22,242,017		22,242,017	22,243,017		22,243,017		22,243,017
Income from Investments	1,707,976		1,707,976	2,087,513		2,087,513	2,421,028		2,421,028		2,421,028
Transfer from Lottery	54,900,000		54,900,000	54,900,000	2,500,000	57,400,000	54,900,000	3,000,000	57,900,000		57,900,000
Trans for Tax Relief Progs	(64,448,340)		(64,448,340)	(64,768,101)	3,500,000	(61,268,101)	(66,388,623)	(3,180,308)	(69,568,931)		(69,568,931)
Trans. to Muni. Rev. Share	(65,484,234)		(65,484,234)	(69,611,097)		(69,611,097)	(69,424,528)		(69,424,528)		(69,424,528)
Other Taxes and Fees	142,973,133		142,973,133	131,900,960	(6,400,000)	125,500,960	131,274,044	(6,400,000)	124,874,044		124,874,044
Other Revenues	21,603,304		21,603,304	(59,768,912)	380,022	(59,388,890)	(145,520,951)	378,522	(145,142,429)		(145,142,429)
TOTAL REVENUE	3,430,250,054	-	3,430,250,054	3,542,785,423	(174,384,367)	3,368,401,056	3,588,504,376	(132,542,162)	3,455,962,214		3,455,962,214

TABLE D-3

GENERAL FUND RECOMMENDED REVENUE ADJUSTMENTS Detail by Revenue Line for the FY 18-19 Biennium			
Revenue Line and Source of Adjustment		FY18	FY19
Sales and Use Tax	Part E - Tax Reform -- Sales and Use Tax	19,970,354	78,173,485
Service Provider Tax			
Individual Income Tax	Part D - Tax Reform -- Individual Income Tax	(191,602,544)	(182,067,340)
Corporate Income Tax	Part D - Tax Reform - Corporate Income Tax	(2,510,699)	(12,685,184)
Cigarette and Tobacco Tax	Part A - Tobacco Products License	(221,500)	(221,500)
Insurance Companies Tax		-	-
Estate Taxes	Part F - Tax Reform -- Estate Tax		(9,539,837)
Fines, Forfeits and Penalties		-	-
Income from Investments		-	-
Transfer from Lottery	Part BB - Keno games	2,500,000	3,000,000
Transfers for Tax Relief Programs	Part I - Transitions from BETR to BETE	3,500,000	(3,180,308)
Transfer for Municipal Revenue Sharing			
Other Revenue	Part A - Agriculture, Conservation and Forestry	48,000	48,000
	Part A - Public Safety	487,201	487,201
	Part A - Department of Corrections	(155,179)	(155,179)
	Part A - Office of the State Treasurer		(1,500)
Other Taxes and Fees	Part H -- Tax Reform - Telecommunications Excise Tax	(6,500,000)	(6,500,000)
	Part A - Agriculture, Conservation and Forestry	100,000	100,000
Total Revenue Adjustments		(174,384,367)	(132,542,162)

Fiscal Years 2018-2019
General Fund Projected Appropriations
\$6,841.7
Dollars in Millions

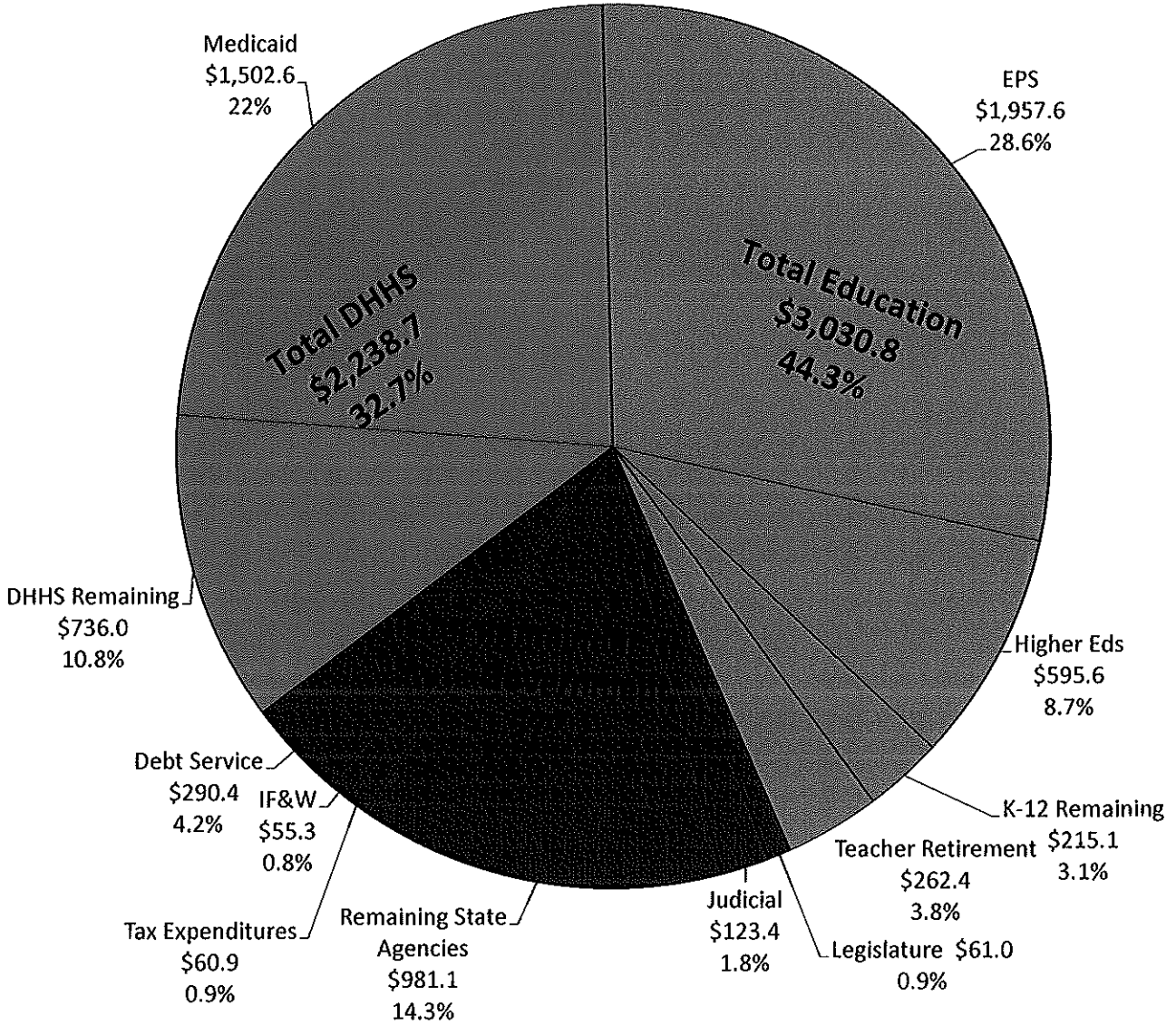
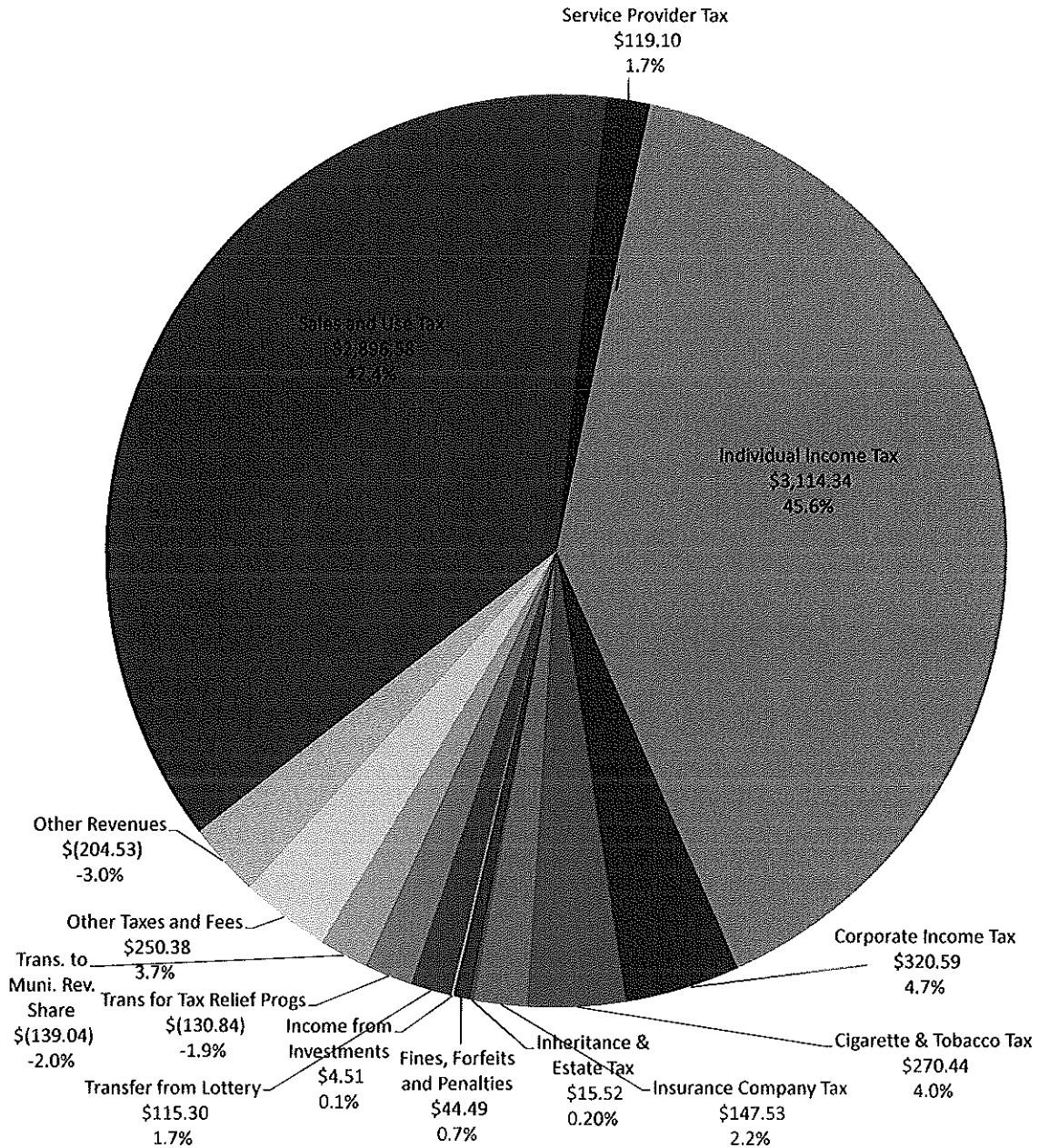


CHART D-2

Fiscal Years 2018-2019
General Fund Forecasted Revenues
\$6,824.36
Dollars in Millions



Summary of Governor's Highway Fund Budget Recommendations

The following tables and charts show in summary form the Governor's Highway Fund budget recommendations for the 2018-2019 biennium. **Table E - 1** shows total Highway Fund allocations by department or agency (including one-time allocations) with percent change for the 2018-2019 biennium compared to the 2016-2017 biennium.

Table E - 2 shows the Highway Fund revenues recommended by the Governor for fiscal year 2017-18 and fiscal year 2018-19. The columns labeled ORIG. represent the Highway Fund revenue forecast of the Revenue Forecasting Committee.

Chart E - 1 shows the Governor's recommended Highway Fund allocations by major program.

Chart E - 2 shows the Governor's recommended Highway Fund revenues by revenue source for the 2018-2019 biennium. These revenues include the base revenue projections of the Revenue Forecasting Committee.

TABLE E-1

HIGHWAY FUND ALLOCATIONS			
	GOVERNOR'S BUDGET		
DEPARTMENT/AGENCY	2016-2017 Biennium	2018-2019 Biennium	PERCENT CHANGE
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES	4,768,840	846,936	-82.24%
DEPARTMENT OF ENVIRONMENTAL PROTECTION	66,108	66,108	0.00%
LEGISLATURE	21,125	21,125	0.00%
DEPARTMENT OF PUBLIC SAFETY	55,913,767	18,960,472	-66.09%
DEPARTMENT OF THE SECRETARY OF STATE	72,059,597	76,962,893	6.80%
DEPARTMENT OF TRANSPORTATION	521,769,197	554,413,068	6.26%
TOTAL HIGHWAY FUND ALLOCATIONS	654,598,634	651,270,602	-0.51%

Table E-2

HIGHWAY FUND REVENUE FORECAST												
SOURCE	FY 2017			FY 2018			FY 2019					
	ORIG	ADJ	BUDGET	ORIG	ADJ	BUDGET	ORIG	ADJ	BUDGET			
Fuel Tax	224,110,357		224,110,357	226,821,293		226,821,293	229,929,720		229,929,720			
Motor Vehicle Registrations & Fees	85,984,415		85,984,415	85,504,341		85,504,341	85,385,245		85,385,245			
Inspection Fees	2,982,500		2,982,500	2,982,500		2,982,500	2,982,500		2,982,500			
Other Highway Fund Taxes and Fees	1,280,229		1,280,229	1,293,729		1,293,729	1,280,229		1,280,229			
Fines Forfeits & Penalties	739,039		739,039	739,039		739,039	739,039		739,039			
Income from Investments	585,484		585,484	551,510		551,510	724,495		724,495			
Other Revenues	9,959,100		9,959,100	9,959,100	(346,350)	9,612,750	9,959,100	(346,350)	9,612,750			
TOTAL REVENUE	325,641,124	-	325,641,124	327,851,512	(346,350)	327,505,162	331,000,328	(346,350)	330,653,978			

Fiscal Years 2018-2019
Highway Fund Projected Allocations
\$651.3
Dollars in Millions

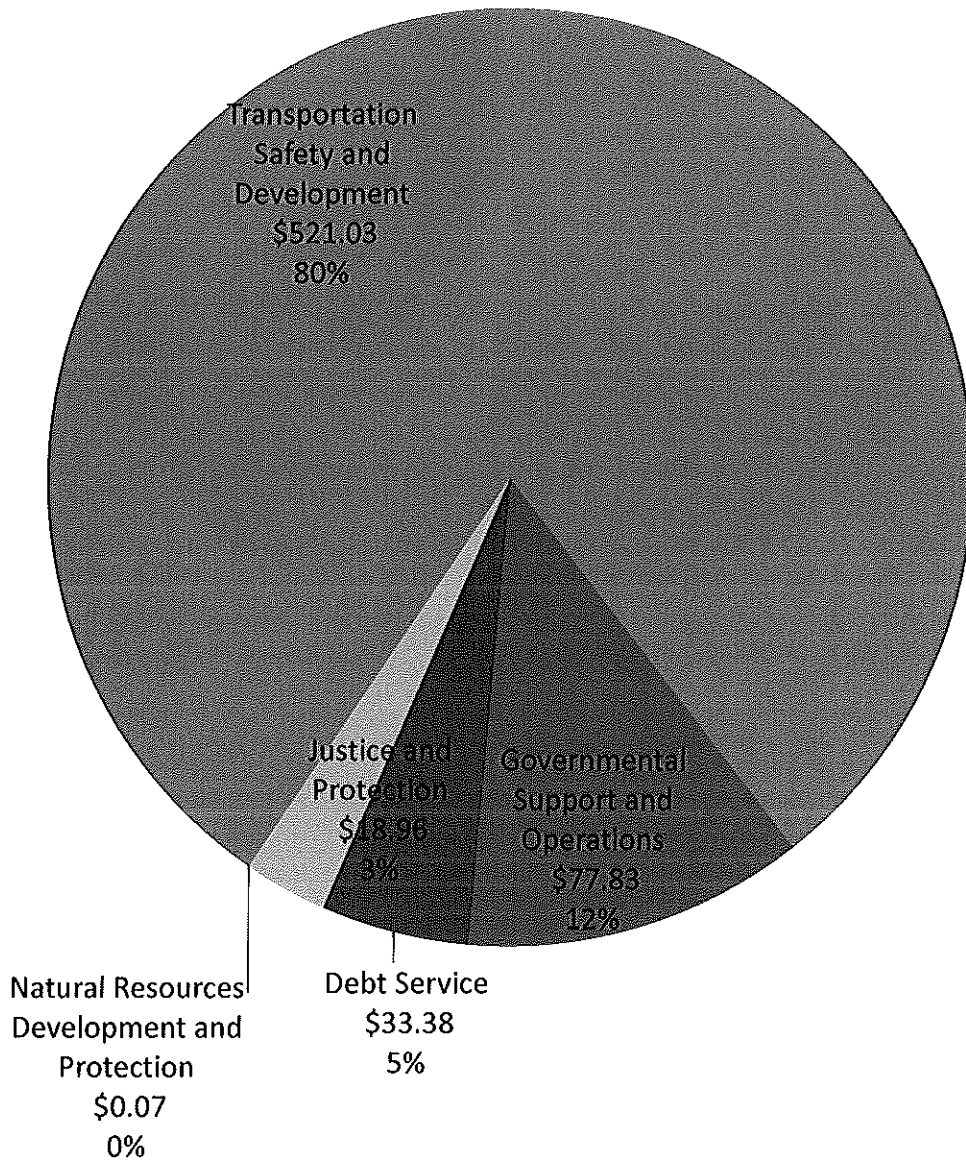
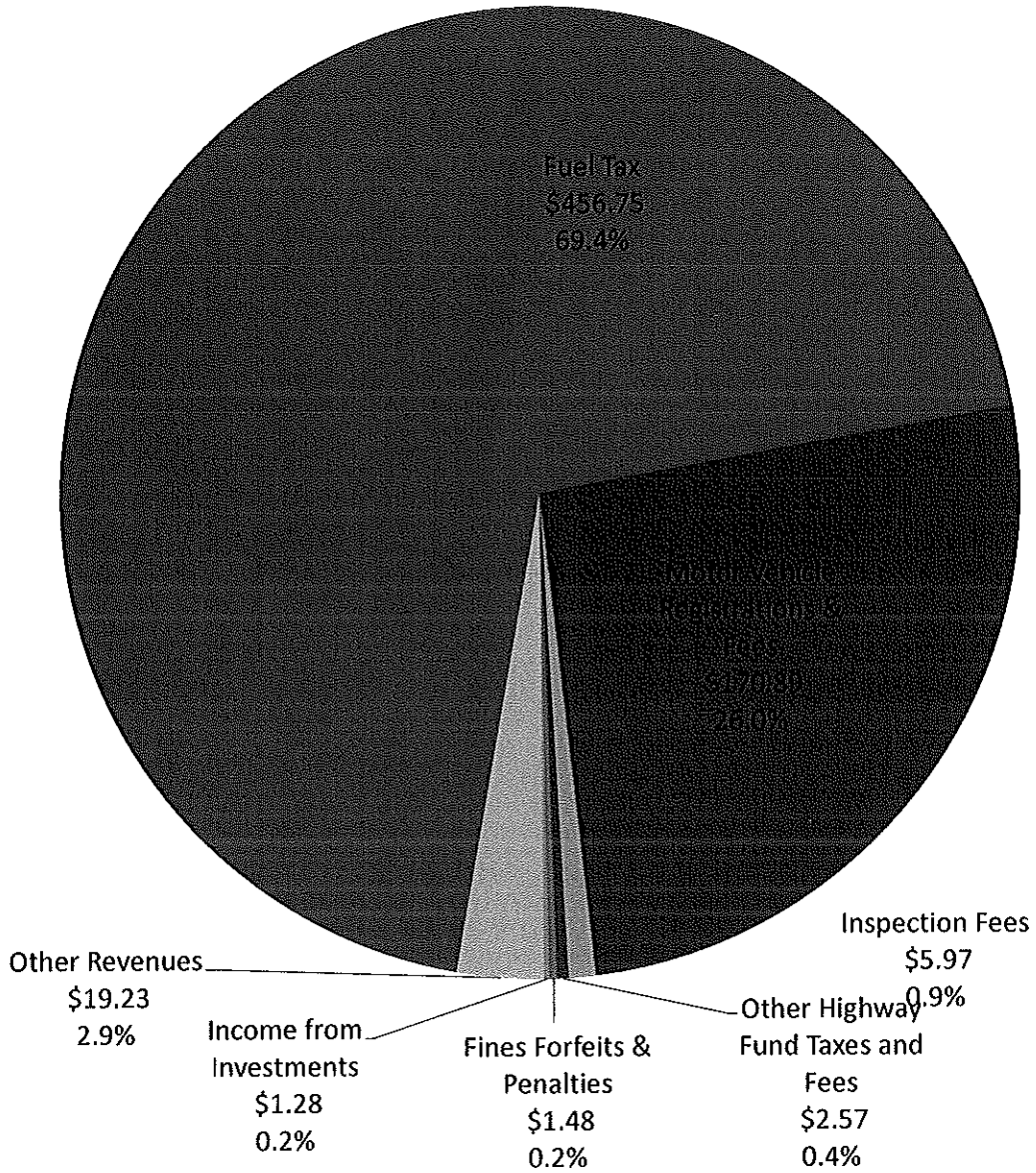


CHART E-2

**Fiscal Years 2018-2019
Highway Fund Forecasted Revenues
\$658.1**



Requested and Recommended Appropriations and Allocations

Judicial Department

Pursuant to 5 MRSA, chapter 149, §1664, sub-§2, the Governor must provide notice when the recommended appropriations and allocations for the Judicial Department differ from the budget request submitted by the Judicial Department, providing an explanation for any differences.

The chart on the following page summarizes the baseline budgets by fund type, for the Judicial Department for each year of the upcoming biennium, for Personal Services, All Other and Capital. It also provides summary information for changes to appropriations and allocations requested by the department and the recommended appropriations and allocations appearing in the Governor's budget.

In all, the department requested an increase in General Fund appropriations of \$15.4 million over the course of the biennium. The Governor's budget for the 2018–2019 biennium recommends total adjustments in appropriations of \$4.1 million. Careful consideration was given to the department's requests, taking into consideration the Chief Justice's rationale for the proposed budget and the needs of the department and within the larger context of the range of needs across state government.

The Judicial Department requested a decrease in allocations of federal funds totaling approximately \$3.1 million; the Governor's also budget recommends a decreased allocation of \$3.1 million. Last, the department requested an increase in Other Special Revenue of approximately \$7.1 million; the Governor's budget recommends an increase in allocation of approximately \$9.4 million.

Judicial

	FY 18 Revised		FY 19 Revised		Requested		Recommended		Recommended		FY 18		FY 19	
	Baseline Budget	44,181,637	45,408,792	2,012,359	2,108,561	Requested Changes FY 18	Recommended Changes FY 18	Recommended Changes FY 19	Recommended Budget	Recommended Budget	Recommended Budget	Recommended Budget	Recommended Budget	
GENERAL FUND														
Personal Services	44,181,637	45,408,792	2,012,359	2,108,561	(1,203,422)	(942,986)	(1,203,422)	(942,986)	42,978,215	42,978,215	44,465,806	42,978,215	44,465,806	
All Other	29,715,324	29,715,324	3,682,372	7,586,817	880,372	5,400,957	880,372	5,400,957	30,595,696	30,595,696	35,116,281	30,595,696	35,116,281	
Capital Expenditures														
Unallocated														
Total	73,896,961	75,124,116	5,694,731	9,695,378	(323,050)	4,457,971	(323,050)	4,457,971	73,573,911	73,573,911	79,582,087	73,573,911	79,582,087	
FEDERAL EXPENDITURE FUNDS														
Personal Services	1,989,055	2,050,880	(1,516,521)	(1,559,821)	(1,523,369)	(1,563,182)	(1,523,369)	(1,563,182)	465,686	465,686	487,698	465,686	487,698	
All Other	1,088,789	1,088,789							1,088,789	1,088,789	1,088,789	1,088,789	1,088,789	
Capital Expenditures														
Unallocated														
Total	3,077,844	3,139,669	(1,516,521)	(1,559,821)	(1,523,369)	(1,563,182)	(1,523,369)	(1,563,182)	1,554,475	1,554,475	1,576,487	1,554,475	1,576,487	
OTHER SPECIAL REVENUE FUNDS														
Personal Services	528,721	548,631	2,961,880	3,075,363	3,873,260	4,033,197	3,873,260	4,033,197	4,401,981	4,401,981	4,581,828	4,401,981	4,581,828	
All Other	3,241,601	3,241,601	237,116	220,227	227,000	648,360	227,000	648,360	3,468,601	3,468,601	3,889,961	3,468,601	3,889,961	
Capital Expenditures			300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	
Unallocated														
Total	3,770,322	3,790,232	3,498,996	3,595,590	4,400,260	4,981,557	4,400,260	4,981,557	8,170,582	8,170,582	8,771,789	8,170,582	8,771,789	
TOTAL	80,745,127	82,054,017	7,677,206	11,731,147	2,553,841	7,876,346	2,553,841	7,876,346	83,298,968	83,298,968	89,930,363	83,298,968	89,930,363	

Office of Program Evaluation and Government Accountability

Pursuant to 5 MRSA, chapter 149, §1664, sub-§3, the Governor must provide notice when the recommended appropriations and allocations for the legislative Office of Program Evaluation and Government Accountability (OPEGA) differ from those requested by the Legislative Council, providing an explanation for any such difference.

The Legislative Council did not submit additional budget requests for OPEGA. The Baseline Budget is reflected in the Governor's recommended biennial budget.

Office of Program Evaluation and Government Accountability

	FY 18 Revised		FY 19 Revised		Requested		Requested		Recommended		FY 18		FY 19	
	Baseline Budget	1,142,736	1,166,795	149,088	Changes FY 18	Changes FY 19	Changes FY 18	Changes FY 19	Recommended	Recommended	Budget	Recommended	Recommended	Budget
GENERAL FUND														
Personal Services		1,142,736	1,166,795	-	-	-	-	-	-	-	1,142,736	1,166,795	1,166,795	1,166,795
All Other		149,088	149,088	-	-	-	-	-	-	-	149,088	149,088	149,088	149,088
Capital Expenditures														
Unallocated														
Total		1,291,824	1,315,883	-	-	-	-	-	-	-	1,291,824	1,315,883	1,315,883	1,315,883
TOTAL		1,291,824	1,315,883	-	-	-	-	-	-	-	1,291,824	1,315,883	1,315,883	1,315,883

Research and Development

5 MRSA, chapter 149, §1664, sub-§3-A, establishes a formula for determining a funding level for research and development. In FY10, that formula set the level at not less than 1% of total actual General Fund revenue in FY09. For each successive year for the following decade, that funding level is to increase by at least two-tenths of 1% until funding for research and development is the equivalent to not less than 3% of total actual General Fund revenue of the previous fiscal year.

The funding level recommended for research and development as recommended in the Governor's budget includes an appropriation of \$17.35 million in each year of the biennium to the Maine Economic Improvement Fund, University of Maine System. The University of Maine System requested an additional \$4.2 million in each year; however, it was reduced as needs were addressed across state government. It also includes a recommended appropriation of just over \$7 million in each year for the Office of Innovation, within the Department of Economic and Community Development. Both of these appropriations are for the support of research and development activities.

This funding level falls short of that which would be otherwise calculated using the formula described above. Careful consideration was made in arriving at the recommended funding levels, as investment in research and development is critical to Maine's economy and future.

Research and Development

	FY 18 Revised		FY 19 Revised		Requested		Recommended		Recommended		FY 19	
	Baseline Budget	267,166	24,144,260	270,238	24,144,260	Changes FY 18	Changes FY 19	Changes FY 18	Changes FY 19	Recommended Budget	Recommended Budget	Recommended Budget
GENERAL FUND												
Personal Services		267,166	270,238	-	-	-	-	-	-	267,166	270,238	270,238
All Other		24,144,260	24,144,260	2,100,000	2,100,000	-	2,100,000	-	-	24,144,260	24,144,260	24,144,260
Capital Expenditures												
Unallocated												
Total		24,411,426	24,414,498	2,100,000	2,100,000	-	2,100,000	-	-	24,411,426	24,414,498	24,414,498
TOTAL		24,411,426	24,414,498	2,100,000	2,100,000	-	2,100,000	-	-	24,411,426	24,414,498	24,414,498

Maine Indian Tribal-State Commission

5 MRSA, chapter 149, §1664, sub-§3-B states that if the Governor submits legislation setting forth appropriations or allocations for the Maine Indian Tribal-State Commission that differ from the full budget proposal developed under 30 MRSA, §6212, sub-§ 6, the Governor shall simultaneously submit a report to the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs and the joint standing committee of the Legislature having jurisdiction over judiciary matters explaining why the Governor's budget legislation differs from that proposal.

The funding level recommended for the Maine Indian Tribal-State Commission does not differ from the requested amount.

Maine Indian Tribal- State Commission

	FY 18 Revised Baseline Budget	FY 19 Revised Baseline Budget	Requested Changes FY 18	Requested Changes FY 19	Recommended Changes FY18	Recommended Changes FY19	FY 18 Recommended Budget	FY19 Recommended Budget
GENERAL FUND								
Personal Services								
All Other	111,614	111,614	-	-	-	-	111,614	111,614
Capital Expenditures								
Unallocated								
Total	111,614	111,614	-	-	-	-	111,614	111,614
TOTAL	111,614	111,614	-	-	-	-	111,614	111,614

Debt Analysis

Table as of June 30, 2016:

General Obligation Bonds (GOs)	Debt secured by state's full faith, credit, and taxing power.	\$381.0 million
Authorized but Unissued GO Bonds	Bonds authorized by voters, but not yet borrowed upon.	\$50.0 million

Authorized but Unissued Debt: Debt that has been authorized but has not yet been issued

Debt Service: Principal and interest paid, or estimated to be paid, on outstanding debt

General Obligation Debt: General Fund and/or Highway Fund bonds approved by the voters with the full faith and credit of the State.

Interest: That part of debt service, which does not reduced the outstanding debt balance, as it represents the contract or coupon rate of the face amount of the bond payable on a periodic basis.

Outstanding Debt: Debt that has been issued, or is estimated to be issued, but has not yet been retired.

Principal: That part of the debt service which reduces the outstanding balance as it represents payments of the face amount of the bond on specified maturity dates that retire the debt.

GENERAL FUND BONDS
DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2016

Fiscal Year	Principal	Interest	Total
2017	59,415,000	15,620,081	75,035,081
2018	56,030,000	13,928,526	69,958,526
2019	51,410,000	11,843,373	63,253,373
2020	42,970,000	9,763,426	52,733,426
2021	42,680,000	8,148,050	50,828,050
2022	36,055,000	6,014,050	42,069,050
2023	31,320,000	4,211,300	35,531,300
2024	31,315,000	2,645,300	33,960,300
2025	20,025,000	1,284,650	21,309,650
2026	9,770,000	488,500	10,258,500
	380,990,000	73,947,256	454,937,256

HIGHWAY FUND BONDS
DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2016

Fiscal Year	Principal	Interest	Total
2017	21,015,000	2,600,579	23,615,579
2018	18,285,000	1,691,210	19,976,210
2019	12,500,000	905,540	13,405,540
2020	7,610,000	389,668	7,999,668
2021	2,210,000	110,500	2,320,500
2022	\$-	\$-	\$-
	61,620,000	5,697,497	67,317,497

GF + HF	442,610,000	79,644,753	522,254,753
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**Appropriations, Allocations, Revenues and Other Financing Sources and Uses
For Fiscal Years 2016-17 through 2018-19
(pro forma)**

	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Biennium 2018-19
Sources				
<u>Beginning Balance:</u>				
Unencumbered	2,615,209,622	2,177,558,607	1,639,453,457	2,177,558,607
Encumbered	214,560,426			
	<u>2,829,770,048</u>	<u>2,177,558,607</u>	<u>1,639,453,457</u>	<u>2,177,558,607</u>
<u>Appropriation and Allocation of Undedicated Revenues:</u>				
General Fund	3,400,866,296	3,411,334,728	3,430,387,749	6,841,722,477
Highway Fund	331,044,352	326,931,796	324,338,806	651,270,602
	<u>3,731,910,648</u>	<u>3,738,266,524</u>	<u>3,754,726,555</u>	<u>7,492,993,079</u>
<u>Allocation of Dedicated Revenues:</u>				
Federal Expenditure Fund	2,747,205,852	2,727,176,470	2,667,824,546	5,395,001,016
Other Special Revenue Fund	1,078,391,245	1,044,500,974	1,104,524,759	2,149,025,733
Federal Block Grant Fund	187,469,287	184,302,333	184,464,079	368,766,412
Internal Service Funds, Enterprise Funds and Other Funds	602,920,004	621,890,231	624,494,650	1,246,384,881
	<u>4,615,986,388</u>	<u>4,577,870,008</u>	<u>4,581,308,034</u>	<u>9,159,178,042</u>
<u>Other Sources:</u>				
Additional Fund Resources	76,197,371	(12,278,355)	19,611,282	7,332,927
	<u>76,197,371</u>	<u>(12,278,355)</u>	<u>19,611,282</u>	<u>7,332,927</u>
<u>Non Revenue Receipts:</u>				
Transfers - In	542,662,542	542,888,781	547,236,053	1,090,124,834
	<u>542,662,542</u>	<u>542,888,781</u>	<u>547,236,053</u>	<u>1,090,124,834</u>
	11,796,526,997	11,024,305,565	10,542,335,381	19,927,187,489
Total Sources				
Uses				
<u>Expenditure:</u>				
Personal Services	1,130,493,056	1,140,710,792	1,163,318,896	2,304,029,688
All Other	7,724,364,173	7,536,067,386	7,481,778,408	15,017,845,794
Capital Expenditure	227,795,482	181,448,368	234,503,550	415,951,918
Unallocated				
	<u>9,082,652,711</u>	<u>8,858,226,546</u>	<u>8,879,600,854</u>	<u>17,737,827,400</u>
<u>Other Uses:</u>				
Transfers - Out	536,315,679	526,625,562	530,897,199	1,057,522,761
	<u>536,315,679</u>	<u>526,625,562</u>	<u>530,897,199</u>	<u>1,057,522,761</u>
	9,618,968,390	9,384,852,108	9,410,498,053	18,795,350,161
Total Uses				
Ending Balances				
Lapsed to Funds				
Carried Forward	2,177,558,607	1,639,453,457	1,131,837,328	1,131,837,328

Glossary of Budget Terms

Allotment: The designation of a department or agency's estimated expenditures in each fiscal year budget (called the annual work program) by quarter and line category. Four equal quarters are used each fiscal year. The approved amounts are recorded in the accounting general ledger by quarter and line category to form the basis on which the State Controller authorizes expenditures, in accordance with statute.

Allocations: The total amount of estimated expenditures authorized by the Legislature from resources legally restricted or otherwise designated for specific operating purposes. These resources typically constitute highway funds, federal funds, other special revenue funds, internal service funds, enterprise funds or any other funds, which may be designated for specific purposes by the Legislature.

Alternative Budget: The biennial budget scenario technique in which departments and agencies are required to present revised budget requests for each fiscal year of a biennium as an alternative to the department or agency's original budget proposal.

Appropriations: The total amount of estimated expenditures authorized by the Legislature from unrestricted or undesignated resources in each fiscal year. These resources typically constitute undedicated General Fund resources which are designated by appropriation account and line category in the estimated authorizations to spend of the Legislature.

Biennial Budget: The two year financial plan of the State of Maine which shows for each fiscal year all proposed expenditures, interest and debt, redemption charges, capital expenditures and estimated revenues in support of expenditures and obligations consistent with the Governor's, or Governor-elect's, program priorities, goals and objectives.

Biennium: The two fiscal years, beginning in even numbered fiscal years, which represent the period covered by the biennial budget financial plan of the State of Maine.

Bond Issue: A financing instrument for major capital purchases, projects, repairs, renovations or other limited projects by which the State incurs debt and retires the principal and interest amounts over time.

Dedicated Revenue: Revenue which accrues to a department or agency for use toward designated or legally restricted operational purposes.

Encumbrance: A commitment against allotment for legally binding purchase orders and contracts representing goods and services which have not yet been received. Encumbrances become expenditures and liabilities only when the goods and services are actually received.

Enterprise Fund: A proprietary fund in which goods and services are provided by a state department or agency to the general public through charges based on consumption. Such fund types may or may not be self-sustaining depending upon the cost structure of the agency whereby cost of goods sold, debt interest and other non-operating expenditures are deducted from gross revenue to determine the entity's net income or loss for the fiscal year.

Fiscal Year: The accounting and budgetary cycle of the Maine State Government. The fiscal year commences on the first day of July and ends on the 30th day of June each year.

Full Time Equivalent: The number of positions of less than 52 weeks in a fiscal year authorized by the Legislature for a specific department or agency and program.

Fund: A fiscal and accounting entity with a self-balancing set of accounts showing cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Internal Service Fund: A self-sustaining, proprietary fund which derives its resources in support of expenditures from service charges to other state departments and agencies and other units of government.

Lapsed Funds: Uncommitted funds remaining in an appropriation account at the close of a fiscal year which are returned to lapsed to the fund from which they were originally appropriated or allocated by the Legislature.

Legislative Count: The number of permanent full time and part time positions authorized by the Legislature for a specific department or agency and program.

Line Category: The expenditure groups represented by the following four classifications to which the Legislature appropriates and allocates funds by department or agency and program: personal services (salaries, wages and benefits); all other (operational support); capital expenditures (capital equipment purchases, real property purchases and facility improvement and construction); and, unallocated (undesignated items with respect to expenditure type).

Program: A grouping of activities and expected results that are directed toward the accomplishment of a set of goals and objectives consistent with statutorily defined missions and represents a department bureau, division or operational entity to which the Legislature appropriates or allocates resources defined by the Legislature.

Undedicated Revenue: Revenue collected by a department or agency but which accrues to a general ledger account for use toward undesignated or unrestricted operational purposes.

Unappropriated Surplus: An account maintained by the State Controller on the books of the State. The balances of all revenue and appropriation accounts not otherwise provided for by law, together with any other necessary adjustments of balances previously closed to the Unappropriated Surplus Account, are closed to this account at the end of each fiscal year.