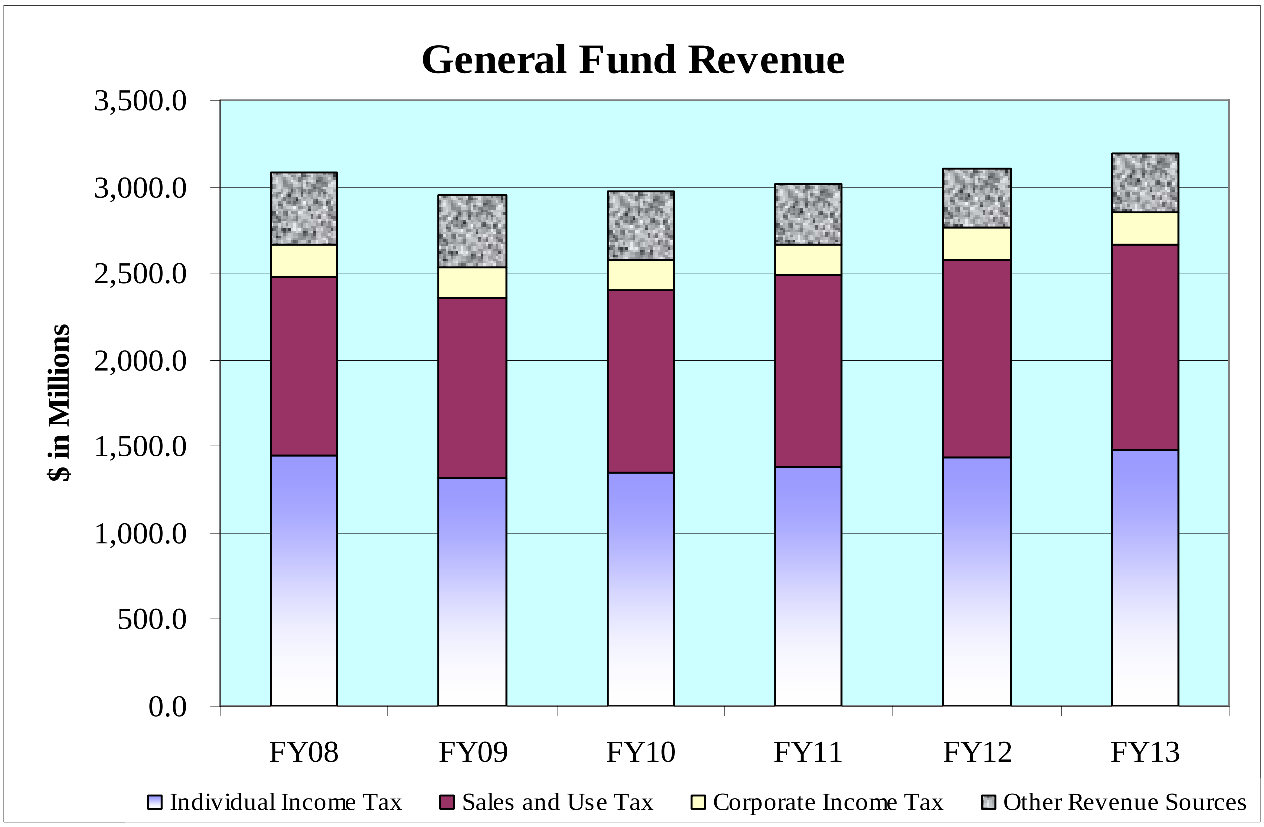
REPORT OF THE MAINE STATE REVENUE FORECASTING COMMITTEE

December 2008



Jerome Gerard, Chair
Acting State Tax Assessor

Dr. James Breece
University of Maine System

Marc Cyr
Office of Fiscal & Program Review

Grant Pennoyer, Director
Office of Fiscal & Program Review

Catherine Reilly
State Economist

Ellen Jane Schneiter
State Budget Officer

Report of the Maine State Revenue Forecasting Committee
December 2008 Forecast

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I. INTRODUCTION AND BACKGROUND TO REVENUE FORECAST

This report represents the conclusion to the fall forecast for the December 1st statutory reporting deadline of the Revenue Forecasting Committee (RFC). A description of the revenue forecasting process is provided in Appendix F. This report and appendices provide a description of all the key elements of the General Fund and Highway Fund revenue forecasts. In addition to the statutorily required updates of General Fund and Highway Fund, the RFC also includes forecasts of revenue accruing to the Fund for a Healthy Maine and the dedicated revenue from the Medicaid/MaineCare provider taxes. This forecast updates the current revenue forecasts through the fiscal year ending June 30, 2011 and adds new revenue projections for the fiscal years ending June 30, 2012 and June 30, 2013. This forecast also reflects all legislative changes through the 1st Special Session of the 123rd Legislature and the effect of the November referendum vote on the People's Veto of the tax changes to fund the Dirigo Health initiative. This forecast is also driven by the recent revisions to the underlying economic forecast of the Consensus Economic Forecasting Commission (CEFC), which the CEFC concluded for its November 1st reporting deadline. The RFC met on November 21st to deliberate and discuss the recommendations of Maine Revenue Services and the results of the RFC subcommittee that reviewed the other revenue categories not covered by Maine Revenue Services.

A. Economic Forecast Update

The December 2008 revenue update began with the fall economic forecast in October. The Consensus Economic Forecasting Commission (CEFC) met on October 16th to review and update its February 2008 forecast. After that meeting, the CEFC felt the need to meet again by a conference call to further lower projections of job growth and personal income, a testament to the uncertainty and volatility of the current economic situation/crisis. Table I-A below summarizes the incremental change of the CEFC forecast. The full report of the CEFC is included in Appendix E.

TABLE I-A

Consensus Economic Forecasting Commission

Comparison of February 2008 and November 2008 Economic Forecasts

Calendar Years	2008	2009	2010	2011	2012	2013
• Wage & Salary Employment (Annual Percentage Change)						
> Consensus 2/2008	0.0	0.6	0.7	0.6		
> Consensus 11/2008	-0.2	-0.7	0.4	1.0	0.8	0.7
Difference	-0.2	-1.3	-0.3	0.4		
• Personal Income (Annual Percentage Change)						
> Consensus 2/2008	3.5	4.1	4.2	4.1		
> Consensus 11/2008	3.7	2.6	3.9	4.0	4.3	4.3
Difference	0.2	-1.5	-0.3	-0.1		
• Consumer Price Index (Annual Percentage Change)						
> Consensus 2/2008	2.3	2.1	2.1	2.2		
> Consensus 11/2008	4.4	2.5	2.5	2.2	2.2	2.2
Difference	2.1	0.4	0.4	0.0		

The latest CEFC forecast projects a slowdown in national and state economic activity in 2008 and 2009, with a slow recovery starting in 2010. The adjustments the CEFC made to its February economic forecast primarily reflect changes in macroeconomic conditions – the continued weakness in the US housing market, volatility in energy prices, significantly reduced consumer and business spending and confidence, and the on-going stresses in the financial system – as well as expected changes in employment due to the closure of the Brunswick Naval Air Station starting in mid-2009. In considering these changes, the CEFC referred to economic forecasts from Global Insight, Moody's Economy.com, and the New England Economic Partnership (NEEP), all of which projected lower growth than previously forecast.

The CEFC is projecting challenging, but not catastrophic times ahead for Maine. Employment and income are now forecast to be lower than projected in February, but still better than headlines would lead one to believe. Maine will experience a tough fourth quarter, resulting in negative job growth for the year of -0.2%. 2009 will also see job losses (-0.7%), exacerbated by the closing of NAS Brunswick, and slow income growth. A slow economic recovery will start in 2010, with a return in 2011–2013 to historical trends in employment and income growth.

B. Capital Gains Forecast

A major variable that is not included in the economic forecast of the CEFC is a projection of net capital gains. This variable has introduced some significant volatility into the forecast of individual income tax collections since Maine's exceptional capital gains growth during the stock market "bubble" of the late 1990's. The RFC and Maine Revenue Services, like their counterparts in other states and the federal government, have had much difficulty trying to accurately forecast this variable. Maine data is not captured at the state level and may only be accessed through federal tax data. That information is shared by the Internal Revenue Service with Maine Revenue Services, but it lags by as much as 2 years. Since November 1999, Maine Revenue Services has been required to provide a report on the net capital gains and losses realized by taxpayers filing Maine individual income tax returns. Due to the timing of the release of federal tax data this year, that report is included as a separate appendix to this report (see Appendix H). Table I-B on page 3 summarizes the current assumptions. The major differences from the assumptions included in the March 2008 report are:

- Tax year 2007 projections were increased substantially from 8% growth to nearly 30% growth based on updated data from the IRS;

- 2008 projections of net capital gain realizations are now assumed to decline by 50% due to the performance of the financial markets in the last half of 2008, previously a 15% decline had been assumed; and

- Projections for 2009 through 2013 have been adjusted to reflect the more abrupt decline in 2008, resulting in a slightly lesser decline in 2009 projections, no growth in 2010 and then modest growth beginning in tax year 2011.

Table I-B
Maine Resident - Net Capital Gains

Tax Year	Capital Gains Realizations ($ Millions)	Capital Gains Realizations Annual % Change	Capital Gains Tax Liability ($ Millions)	Capital Gains Tax Liability Annual % Change	Capital Gains % of Resident Tax Liability
1995	$551.7		$38.3		6.2%
1996	$799.7	45.0%	$57.3	49.6%	8.4%
1997	$1,218.7	52.4%	$104.5	82.4%	13.6%
1998	$1,551.0	27.3%	$120.0	14.8%	13.9%
1999	$1,867.2	20.4%	$141.7	18.1%	15.5%
2000	$2,360.4	26.4%	$179.6	26.7%	17.3%
2001	$1,079.3	-54.3%	$74.1	-58.7%	7.6%
2002	$908.8	-15.8%	$59.1	-20.3%	6.1%
2003	$1,069.4	17.7%	$69.4	17.4%	6.8%
2004	$1,526.9	42.8%	$104.9	51.2%	9.2%
2005	$1,960.3	28.4%	$137.0	30.6%	11.3%
2006*	$2,266.9	15.6%	$159.9	16.7%	12.4%
2007*	$2,945.5	29.9%	$215.1	34.6%	15.5%
2008*	$1,473.1	-50.0%	$98.8	-54.1%	7.5%
2009*	$1,325.7	-10.0%	$87.4	-11.6%	6.6%
2010*	$1,325.8	0.0%	$86.4	-1.1%	6.3%
2011*	$1,378.6	4.0%	$92.1	6.6%	6.5%
2012*	$1,437.7	4.3%	$96.7	5.0%	6.6%
2013*	$1,499.5	4.3%	$100.6	4.0%	6.6%

* Represents Projections

C. Corporate Profits

Corporate profitability is a major variable of the tax models that drives the corporate income tax forecast. As with capital gains, this variable is not part of the CEFC economic forecast. The RFC used Global Insight’s November 2008 forecast of pre-tax corporate profits. Table I-C on the next page presents a comparison of Global Insight’s forecasts used in the March 2008 forecast and the current national forecast, which calls for a 13.9 decrease in calendar year 2008, then a moderate increase in profitability in calendar year 2009 (2.9%), a stronger rebound in 2010 and a modest increase in 2011. The dominant taxpayers in Maine’s corporate income tax liability mix have shifted to national retailers and energy companies. As a result, Maine is insulated from significant regional variances in corporate profitability as a result of Maine’s method of corporate income taxation. For national companies operating in Maine, the amount of corporate income tax due to Maine is calculated by apportioning total profits earned in the continental United States by the amount of business that they conduct in Maine based on sales.

Table I-C
Corporate Profit Growth (Percentage Annual Change)

	2006	2007	2008	2009	2010	2011
March 2008 Forecast	14.3%	4.2%	-14.8%	20.9%	-0.1%	0.7%
December 2008 Forecast	15.6%	0.7%	-13.9%	2.9%	9.7%	1.3%

D. Oil Prices

Recent experience in Maine's sales tax collections seems to demonstrate a substantial effect from variations in oil prices, which is most noticeable during the winter months. Sales tax collections dropped below budgeted projections at about the same time as energy prices began their steep ascent in the spring of 2005. Maine Revenue Services has added this variable to the sales and excise tax model so that the model might better capture the effect that oil and fuel price changes have on taxable sales and fuel purchases. Relying on Global Insights' November 2008 US economic forecast, the RFC used the assumption that oil prices, which are currently in the $60 per barrel range and have spiked above the $140 per barrel mark, will average out to $101.36 for calendar year 2008. The assumption is that oil prices will remain in the $60 per barrel range through 2010. This is roughly $15 per barrel lower than the March 2008 forecast's assumptions. The difference between this forecast and the March 2008 forecast is an increase in calendar year 2008 and a 2009 average that is roughly $22 per barrel lower.

Table I-D
Oil Price Assumptions
(West Texas Intermediate - Price per barrel - Calendar Year Average)

	2006	2007	2008	2009	2010	2011
March 2008 Forecast	$66.12	$72.18	$78.53	$74.33	$74.02	$73.42
December 2008 Forecast	$66.12	$72.18	$101.36	$52.75	$63.25	$80.38

E. Legislative Changes

The RFC bases the revenue forecast on current law. This forecast now incorporates all legislative changes through the 123rd Legislature's 2nd Regular and 1st Special Sessions that were held from January 2008 to April 2008. The repeal by the People's Veto of certain tax and revenue provisions to support the Dirigo Health program enacted by PL 2007, c. 629 has also been factored into this forecast. Table I-E on following page summarizing the effect of legislation enacted during the 2008 sessions excludes the additional General Fund revenue generated by PL 2007 c. 629. In the December 2007 and March 2008 reports, a revenue transfer provision affecting the Fund for a Healthy Maine enacted during the 1st Regular Session in 2007 was not factored into the tables summarizing Fund for a Healthy Maine revenue. That oversight is corrected in this report.

Table I-E
Summary of Legislative Changes
123rd Legislature, 2nd Regular and 1st Special Sessions
General Fund

	FY08	FY09	FY10	FY11
Sales Tax	($176,600)	$270,793	$391,027	$405,430
Individual Income	($484,904)	$2,874,506	$2,835,459	$1,826,865
Corporate Income	$0	$7,824,770	$1,454,901	$2,009,113
Cigarette Tax	$0	$0	$21,906	$22,344
Prop. Tax - UT	$0	($124,137)	($132,127)	($136,068)
Investment Earnings	($1,370)	$820,000	$1,000,000	$1,000,000
Revenue Sharing	$33,737	($559,472)	($243,432)	($220,554)
Lottery Transfer	$320,000	$2,215,000	$2,200,000	$2,200,000
Other Revenue	$115	$13,434,447	($1,758,971)	($1,020,038)
Totals	**($309,022)**	**$26,755,907**	**$5,768,763**	**$6,087,092**

Highway Fund

	FY08	FY09	FY10	FY11
Fuel Taxes	$0	($20,875)	($18,834,462)	($19,085,759)
Motor Vehicle Reg. & Fees	$0	$13,179,050	$15,776,450	$15,766,950
Fines	($1,000)	$0	$0	$0
Other Revenue	$0	($108,083)	($15,676,283)	($15,676,783)
Totals	**($1,000)**	**$13,050,092**	**($18,734,295)**	**($18,995,592)**

II. OVERVIEW OF REVENUE PROJECTIONS

This section provides a summary of the revenue projections in this forecast. These summaries are supplemented by additional detail in 4 corresponding appendices, which provide descriptions of the major revenue categories. Appendix G contains the materials presented by Maine Revenue Services on November 21st to support the forecast recommendations for the major tax categories.

A. General Fund

As expected, increasing recognition that the national economy is in worse shape than assumed by the previous (March 2008) revenue forecast has meant sizeable reductions in most of the major tax lines. With tightened credit markets, increased unemployment and the plunge in the stock market, consumer confidence has eroded and spending has dropped. Although lower fuel prices and any additional federal economic stimulus initiatives should help disposable income, the severity of the economic decline has required further revenue reductions. The effect is particularly acute in the short-term as the new forecast for FY09 for total General Fund Revenue represents a 4.3% decline from FY08 levels and then only modest growth for the next two years, 0.5% and 1.6% respectively. The FY09 decline is driven primarily by Corporate and Individual

Income Taxes and Estate Tax. In addition, tax lines associated with consumption, such as the sales tax and cigarette excise tax, are now projected to be lower in FY09 by $23.8 million and in the 2010-2011 biennium by $85.1 million.

Table II-A - General Fund Summary

	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$3,087,818,992	$3,095,374,998	$3,146,183,758	$3,168,987,904		
Annual % Growth	2.3%	0.2%	1.6%	2.4%		
Net Increase (Decrease)		($140,340,829)	($177,152,264)	($152,711,369)		
Revised Forecast	$3,087,818,992	$2,955,034,169	$2,969,031,494	$3,016,276,535	$3,107,064,427	$3,190,005,450
Annual % Growth	2.3%	-4.3%	0.5%	1.6%	3.0%	2.7%
Summary of Revenue Revisions by Major Revenue Category						
Sales and Use Tax		($20,306,608)	($37,365,436)	($39,870,977)		
Service Provider Tax		$0	$0	$0		
Individual Income Tax		($76,441,151)	($74,400,740)	($66,822,641)		
Corporate Income Tax		($28,090,000)	($29,860,000)	($24,586,103)		
Cigarette and Tobacco Tax		($3,459,658)	($3,974,048)	($3,916,438)		
Public Utilities Tax		$1,145,602	$0	$0		
Insurance Companies Tax		($5,190,769)	($5,609,734)	($6,031,464)		
Estate Tax		($14,236,055)	($17,038,096)	($1,455,740)		
Prop. Tax - Unorganized Territory		$740,341	$648,122	$454,783		
Income from Investments		$3,618,740	($1,974,593)	($1,857,990)		
Transfer to Municipal Rev. Sharing		$6,366,727	$7,364,561	$6,826,546		
Transfer from Lottery Commission		($500,000)	($500,000)	($500,000)		
Other Revenues		($3,987,998)	($14,442,300)	($14,951,345)		
Total Revisions - Increase (Decrease)		**($140,340,829)**	**($177,152,264)**	**($152,711,369)**		

Individual Income Tax is reduced by $76.4 million in FY09 and by $141.2 million over the 2010-2011 biennium. A reduction in assumed capital gains tax liability is a major factor that adds to the negative impact in this category from other economic parameters, particularly lower personal income, fed through the tax model.

The slowing national economy is expected to reduce estimates of corporate income tax receipts by $28.1 million in FY09 and by $54.4 million in the 2010-2011 biennium.

Because of reduced home sales, the RFC projects a reduction in the Real Estate Transfer Tax of just under $1 million in FY09 and $4.0 million in the 2010-11 biennium.

The Estate Tax is reduced by $14.2 million in FY09 and by $17.0 million in FY10. FY11 is reduced by much less, $1.5 million, because the Estate Tax will be fazed out completely by the end of that year.

Insurance Companies Tax is reduced by $5.2 million in FY09 and by $11.6 in the 2010-2011 biennium.

Parimutuel and Gaming Revenue, revenue from the “Racino”, is reduced by $3.6 million in FY09 and by $9.2 million in the 2010-2011 biennium.

Unclaimed Property Transfers are reduced by $7.1 million in FY09 and by $10.6 million in the 2010-2011 biennium. This arises from assumptions that the value of sold equities will be lower than previously expected and that less property may go unclaimed.

Appendix A provides additional explanations and detail of the General Fund revenue changes recommended in this forecast.

B. Highway Fund

Highway Fund revenues are projected lower by $8.4 million in FY09 and $11.2 million in the 2010-2011 biennium. High oil prices, which spiked over the summer, have lowered Fuel Taxes revenue by decreasing demand for gasoline. Despite the recent sharp decline in fuel prices, the demand is not expected to rise quickly because of the distressed economy. As the economy improves demand should pick up through FY10 until fuel prices eventually rise again. The gasoline tax, like other consumption taxes, is the most severely affected, while diesel fuel consumption seems to be less affected by consumer decisions.

Table II-B - Highway Fund Summary

	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$328,136,579	$350,242,726	$328,233,831	$331,962,554		
Annual % Growth	-0.8%	6.7%	-6.3%	1.1%		
Net Increase (Decrease)	$0	($8,384,119)	($5,552,253)	($5,696,819)		
Revised Forecast	$328,136,579	$341,858,607	$322,681,578	$326,265,735	$328,629,895	$331,798,186
Annual % Growth	-0.8%	4.2%	-5.6%	1.1%	0.7%	1.0%
Summary of Revenue Revisions by Major Revenue Category						
Fuel Taxes		($4,405,842)	$406,187	($1,430,380)		
Motor Vehicle Registration & Fees		($3,123,001)	($5,620,366)	($4,170,838)		
Inspection Fees		($258,109)	($102,964)	($108,849)		
Fines, Forfeits and Penalties		$0	$0	$0		
Income from Investments		($596,228)	($733,354)	($615,287)		
Other Revenues		($939)	$498,244	$628,535		
Total Revisions - Increase (Decrease)		**($8,384,119)**	**($5,552,253)**	**($5,696,819)**		

The RFC has also lowered revenue estimates for motor vehicle registration fees and title fees necessitated by reduced assumptions for auto sales. Some of this is not consumption-driven and is related to competition for long-term trailer registrations.

Reduced Highway Fund balances and lower earnings rates in the Treasurer’s Cash Pool also contribute to lower revenues.

See Appendix B for additional detail of the Highway Fund revenue changes recommended in the table on the previous page.

C. Fund for a Healthy Maine (FHM)

The Fund for a Healthy Maine (FHM) revenue forecast is revised downward to reflect lowered assumptions for slot machine revenue and an increased lag time for recovery of disputed tobacco settlement payments currently in legal proceedings. See Appendix C for the additional explanations of the changes summarized below.

Table II-C - Fund for a Healthy Maine Summary

	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$62,044,739	$65,614,578	$70,462,845	$69,510,670		
Annual % Growth	21.8%	5.8%	7.4%	-1.4%		
Net Increase (Decrease)		($1,228,388)	($6,702,060)	($5,031,855)		
Revised Forecast	$62,044,739	$64,386,190	$63,760,785	$64,478,815	$70,939,420	$71,202,694
Annual % Growth	21.8%	3.8%	-1.0%	1.1%	10.0%	0.4%
Summary of Revenue Revisions by Major Revenue Category						
Base Payments		$440,982	($4,617,183)	($2,862,514)		
Racino Revenue		($1,633,303)	($2,068,988)	($2,162,430)		
Income from Investments		($36,067)	($15,889)	($6,911)		
Total Revisions - Increase (Decrease)		**($1,228,388)**	**($6,702,060)**	**($5,031,855)**		

D. MaineCare Dedicated Revenue Taxes

Medicaid/MaineCare Dedicated Revenue Taxes are revised downward in FY09 by $.36 million and upward by $.72 million for the 2010-2011 biennium. The adjustments are based on updated trends indicating a drop in the Nursing Facility Tax offset by increases in the Hospital Tax and Service Provider Tax.

Table II-D - Medicaid/MaineCare Dedicated Revenue Taxes Summary

	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$130,173,249	$141,414,054	$142,385,798	$144,241,149		
Annual % Growth	3.6%	8.6%	0.7%	1.3%		
Net Increase (Decrease)		($356,755)	$402,580	$321,586		
Revised Forecast	$130,173,249	$141,057,299	$142,788,378	$144,562,735	$146,381,450	$148,245,634
Annual % Growth	3.6%	8.4%	1.2%	1.2%	1.3%	1.3%
Summary of Revenue Revisions by Major Revenue Category						
Nursing Facility Tax		($1,993,113)	($2,092,525)	($2,194,421)		
Residential Treatment Facilities Tax		$154,457	$152,858	$151,219		
Hospital Tax *		$100,047	$938,402	$938,402		
Service Provider Tax (PNMIs)		$1,381,854	$1,403,845	$1,426,386		
Total Revisions - Increase (Decrease)		**($356,755)**	**$402,580**	**$321,586**		

III. CONCLUSIONS

The RFC has in past reports expressed its concern over the economic variables that drive the revenue forecast. With extreme uncertainty surrounding the national economy, that concern has never been as great as it is now for the December 2008 forecast. The severe credit crisis, a distressed housing market, rising unemployment, reports of instability at any number of financial institutions and lowered corporate profitability have all dealt blows to consumer confidence. Government intervention, both real and anticipated, and the debate surrounding the intervention, have contributed to the uncertainty about the depth and duration of the current economic downturn. The realization that one of the factors keeping oil prices low is the dampening impact of global economic downturn has created additional anxiety over long-term oil prices. Nowhere has the anxiety been more visible than in the massive decline and marked volatility of the stock market, where millions of investors have watched their savings and future pensions disappear in a few short months. The timing and effectiveness of any additional stimulus package cannot be predicted. Under these turbulent conditions, the RFC must account for a greater level of uncertainty when estimating revenue from capital gains, auto sales, corporate profits, personal income and other sources. With this in mind, the RFC has, with guidance from the CEFC, done its best to estimate revenues under these challenging conditions.

Appendix A - General Fund

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GENERAL FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2008

Source	FY02 Actual	% Chg.	FY03 Actual	% Chg.	FY04 Actual	% Chg.	FY05 Actual	% Chg.	FY06 Actual	% Chg.	FY07 Actual	% Chg.
Sales and Use Tax	836,134,084	2.2%	857,486,801	2.6%	917,243,245	7.0%	896,576,322	-2.3%	946,174,276	5.5%	971,455,721	2.7%
Service Provider Tax	0	N/A	0	N/A	0	N/A	44,645,517	N/A	47,028,430	5.3%	49,400,532	5.0%
Individual Income Tax *	1,069,834,791	-8.4%	1,071,701,694	0.2%	1,156,715,909	7.9%	1,270,225,329	9.8%	1,254,506,663	-1.2%	1,353,934,495	7.9%
Corporate Income Tax	77,366,103	-19.5%	91,188,393	17.9%	111,616,051	22.4%	135,862,913	21.7%	188,015,558	38.4%	183,851,533	-2.2%
Cigarette and Tobacco Tax	97,599,599	25.9%	98,414,470	0.8%	96,604,646	-1.8%	96,350,704	-0.3%	156,951,370	62.9%	158,953,466	1.3%
Public Utilities Tax	30,479,783	2.4%	29,285,143	-3.9%	27,991,188	-4.4%	25,403,214	-9.2%	20,627,030	-18.8%	16,317,029	-20.9%
Insurance Companies Tax	55,244,333	26.8%	71,078,089	28.7%	72,206,153	1.6%	75,669,053	4.8%	76,065,864	0.5%	74,452,542	-2.1%
Estate Tax	23,420,240	-23.5%	30,520,320	30.3%	32,075,501	5.1%	32,255,727	0.6%	75,330,514	133.5%	54,820,038	-27.2%
Prop. Tax - Unorganized Territory	10,333,984	5.4%	9,930,103	-3.9%	10,709,308	7.8%	10,622,666	-0.8%	11,559,305	8.8%	11,376,293	-1.6%
Income from Investments	3,829,583	-76.6%	2,345,855	-38.7%	2,310,207	-1.5%	5,854,625	153.4%	8,271,869	41.3%	1,215,836	-85.3%
Transfer to Municipal Rev. Sharing	(101,150,084)	4.7%	(103,039,221)	-1.9%	(111,464,335)	-8.2%	(119,712,814)	-7.4%	(124,222,180)	-3.8%	(130,490,756)	-5.0%
Transfer from Lottery Commission	39,317,891	10.8%	39,442,111	0.3%	41,272,645	4.6%	49,328,102	19.5%	50,879,647	3.1%	50,624,741	-0.5%
Other Revenues **	189,250,254	10.0%	196,336,434	3.7%	326,259,040	66.2%	267,763,694	-17.9%	220,637,339	-17.6%	223,683,920	1.4%
Total - General Fund Revenue	**2,331,660,562**	**-2.5%**	**2,394,690,190**	**2.7%**	**2,683,539,557**	**12.1%**	**2,790,845,053**	**4.0%**	**2,931,825,687**	**5.1%**	**3,019,595,389**	**3.0%**
Change in Biennial Totals												
*** Detail of Property Tax Reimbursement and Revenue Sharing Programs Deducted from Individual Income Tax Revenue**												
- Maine Resident Property Tax Program							(26,030,227)	N/A	(42,796,070)	-64.4%	(44,440,759)	-3.8%
- Business Equipment Tax Reimbursement (BETR)							0	N/A	(67,065,810)	N/A	(66,553,092)	0.8%
- Municipal Business Equipment Tax Reimbursement							0	N/A	0	N/A	0	N/A
- Disproportionate Tax Burden Fund Transfers							0	N/A	0	N/A	0	N/A
**** Detail of Other Revenues:**												
- Real Estate Transfer Tax	9,208,923	1.8%	10,770,668	17.0%	22,196,221	106.1%	24,113,439	8.6%	24,595,580	2.0%	22,206,638	-9.7%
- Milk Handling Fee	0	N/A	0	N/A	0	N/A	0	N/A	1,867,527	N/A	2,561,972	37.2%
- Liquor Sales and Operations	25,168,524	3.9%	26,073,276	3.6%	102,182,743	291.9%	49,845,027	-51.2%	2,560,044	-94.9%	4,440,935	73.5%
- Liquor Taxes and Fees	16,528,396	3.8%	17,141,878	3.7%	17,485,024	2.0%	17,432,377	-0.3%	18,814,733	7.9%	20,283,406	7.8%
- Finance Industry Fees	9,356,930	-4.6%	9,293,280	-0.7%	9,572,280	3.0%	18,641,800	94.7%	20,471,110	9.8%	22,004,030	7.5%
- Corporation Fees & Licenses	3,390,039	2.3%	4,185,546	23.5%	4,525,994	8.1%	6,884,833	52.1%	7,710,325	12.0%	7,935,294	2.9%
- Hunting and Fishing License Fees	14,857,760	8.6%	13,958,510	-6.1%	16,898,278	21.1%	16,691,165	-1.2%	16,840,079	0.9%	16,401,841	-2.6%
- Boat, ATV and Snowmobile Fees	2,169,025	1.2%	2,483,836	14.5%	3,974,546	60.0%	4,148,936	4.4%	3,477,043	-16.2%	4,162,079	19.7%
- Parimutuel and Gaming Revenue	1,105,430	1.0%	1,086,936	-1.7%	1,036,539	-4.6%	1,362,611	31.5%	5,262,230	286.2%	8,604,917	63.5%
- Fines, Forfeits and Penalties	26,588,960	0.2%	26,991,935	1.5%	38,219,275	41.6%	35,506,972	-7.1%	37,781,055	6.4%	41,415,132	9.6%
- Targeted Case Management (HHS)	34,085,690	30.6%	33,235,104	-2.5%	34,762,095	4.6%	34,518,055	-0.7%	25,687,188	-25.6%	23,550,288	-8.3%
- HHS Services Rendered	5,045,757	12.4%	5,012,333	-0.7%	9,481,895	89.2%	7,966,194	-16.0%	9,613,394	20.7%	11,125,914	15.7%
- State Cost Allocation Program	10,231,443	69.3%	10,986,971	7.4%	10,438,262	-5.0%	12,891,574	23.5%	13,281,561	3.0%	15,428,622	16.2%
- Unclaimed Property Transfer	7,841,073	207.5%	8,180,260	4.3%	16,763,948	104.9%	10,000,000	-40.3%	14,880,517	48.8%	10,499,528	-29.4%
- Tourism Transfer	0	N/A	0	N/A	(7,213,282)	N/A	(7,554,190)	-4.7%	(7,762,689)	-2.8%	(8,221,338)	-5.9%
- Transfer to Maine Milk Pool	0	N/A	0	N/A	0	N/A	0	N/A	(2,616,160)	N/A	(10,158,802)	-288.3%
- Other Miscellaneous	23,672,304	-12.6%	26,935,900	13.8%	45,935,222	70.5%	35,314,903	-23.1%	28,173,802	-20.2%	31,443,464	11.6%
IF&W Total Revenue ***	17,895,675	7.7%	17,595,575	-1.7%	21,902,902	24.5%	21,817,659	-0.4%	21,530,955	-1.3%	21,663,828	0.6%

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

GENERAL FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2008

Source	FY08 Actual	% Chg.	FY08 Budget	FY08 Variance	% Var.	FY09 Budget	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Sales and Use Tax	983,057,278	1.2%	978,060,502	4,996,776	0.5%	1,007,627,341	2.5%	(20,306,608)	987,320,733	0.4%
Service Provider Tax	52,100,664	5.5%	51,181,910	918,754	1.8%	53,452,742	2.6%	0	53,452,742	2.6%
Individual Income Tax *	1,443,468,204	6.6%	1,400,047,321	43,420,883	3.1%	1,397,767,286	-3.2%	(76,441,151)	1,321,326,135	-8.5%
Corporate Income Tax	184,514,568	0.4%	182,170,000	2,344,568	1.3%	196,994,770	6.8%	(28,090,000)	168,904,770	-8.5%
Cigarette and Tobacco Tax	150,499,432	-5.3%	154,786,180	(4,286,748)	-2.8%	153,408,502	1.9%	(3,459,658)	149,948,844	-0.4%
Public Utilities Tax	16,858,472	3.3%	17,476,987	(618,515)	-3.5%	16,464,397	-2.3%	1,145,602	17,609,999	4.5%
Insurance Companies Tax	72,292,532	-2.9%	76,751,673	(4,459,141)	-5.8%	77,169,754	6.7%	(5,190,769)	71,978,985	-0.4%
Estate Tax	39,890,577	-27.2%	44,562,240	(4,671,663)	-10.5%	49,524,882	24.2%	(14,236,055)	35,288,827	-11.5%
Prop. Tax - Unorganized Territory	12,217,081	7.4%	12,611,986	(394,905)	-3.1%	12,229,199	0.1%	740,341	12,969,540	6.2%
Income from Investments	1,074,143	-11.7%	950,648	123,495	13.0%	(3,204,682)	-398.3%	3,618,740	414,058	-61.5%
Transfer to Municipal Rev. Sharing	(135,820,175)	-4.1%	(133,184,448)	(2,635,727)	2.0%	(136,028,000)	-0.2%	6,366,727	(129,661,273)	4.5%
Transfer from Lottery Commission	49,491,086	-2.2%	49,154,250	336,836	0.7%	53,049,250	7.2%	(500,000)	52,549,250	6.2%
Other Revenues **	218,175,129	-2.5%	206,171,173	12,003,956	5.8%	216,919,557	-0.6%	(3,987,998)	212,931,559	-2.4%
Total - General Fund Revenue	**3,087,818,992**	**2.3%**	**3,040,740,422**	**47,078,570**	**1.5%**	**3,095,374,998**	**0.2%**	**(140,340,829)**	**2,955,034,169**	**-4.3%**
Change in Biennial Totals								**(140,340,829)**		
*** Detail of Property Tax Reimbursement and Revenue Sharing Programs Deducted from Individual Income Tax Revenue**										
- Maine Resident Property Tax Program	(46,689,380)	-5.1%	(46,253,766)	(435,614)	0.9%	(46,133,249)	1.2%	(2,069,151)	(48,202,400)	-3.2%
- BETR - Business Equipment Tax Reimb.	(67,875,376)	-2.0%	(68,990,826)	1,115,450	-1.6%	(68,559,334)	-1.0%	0	(68,559,334)	-1.0%
- Municipal Business Equip. Tax Reimb.	0	N/A	0	0	N/A	(11,373,516)	N/A	0	(11,373,516)	N/A
- Disproportionate Tax Burden Fund	0	N/A	0	0	N/A	0	N/A	0	0	N/A
**** Detail of Other Revenues:**										
- Real Estate Transfer Tax	17,465,240	-21.4%	17,004,293	460,947	2.7%	18,608,629	6.5%	(944,967)	17,663,662	1.1%
- Milk Handling Fee	631,997	-75.3%	774,324	(142,327)	-18.4%	2,381,644	276.8%	1,033,637	3,415,281	440.4%
- Liquor Sales and Operations	5,561,666	25.2%	5,534,300	27,366	0.5%	5,550,000	-0.2%	527,500	6,077,500	9.3%
- Liquor Taxes and Fees	20,673,308	1.9%	20,397,626	275,682	1.4%	20,315,024	-1.7%	(46,350)	20,268,674	-2.0%
- Finance Industry Fees	23,638,820	7.4%	22,429,810	1,209,010	5.4%	21,365,980	-9.6%	500,000	21,865,980	-7.5%
- Corporation Fees & Licenses	7,969,156	0.4%	7,941,580	27,576	0.3%	8,772,580	10.1%	(30,000)	8,742,580	9.7%
- Hunting and Fishing License Fees	15,683,316	-4.4%	16,240,944	(557,628)	-3.4%	16,249,867	3.6%	0	16,249,867	3.6%
- Boat, ATV and Snowmobile Fees	4,295,524	3.2%	3,636,386	659,138	18.1%	3,711,323	-13.6%	234,667	3,945,990	-8.1%
- Parimutuel and Gaming Revenue	8,384,464	-2.6%	8,570,582	(186,118)	-2.2%	11,938,341	42.4%	(3,595,107)	8,343,234	-0.5%
- Fines, Forfeits and Penalties	44,465,534	7.4%	42,621,718	1,843,816	4.3%	43,450,253	-2.3%	112,450	43,562,703	-2.0%
- Targeted Case Management (HHS)	19,543,427	-17.0%	16,468,210	3,075,217	18.7%	8,609,702	-55.9%	9,072,188	17,681,890	-9.5%
- HHS Services Rendered	4,123,657	-62.9%	4,067,730	55,927	1.4%	2,768,022	-32.9%	(1,105,614)	1,662,408	-59.7%
- State Cost Allocation Program	16,289,386	5.6%	15,140,940	1,148,446	7.6%	19,301,608	18.5%	0	19,301,608	18.5%
- Unclaimed Property Transfer	11,114,735	5.9%	9,775,369	1,339,366	13.7%	18,775,369	68.9%	(7,091,949)	11,683,420	5.1%
- Tourism Transfer	(8,708,437)	-5.9%	(8,708,437)	0	0.0%	(8,989,877)	-3.2%	(78,530)	(9,068,407)	-4.1%
- Transfer to Maine Milk Pool	(1,078,425)	89.4%	(725,269)	(353,156)	48.7%	(2,297,445)	-113.0%	(3,217,587)	(5,515,032)	-411.4%
- Other Miscellaneous	28,121,763	-10.6%	25,001,067	3,120,696	12.5%	26,408,537	-6.1%	641,664	27,050,201	-3.8%
IF&W Total Revenue ***	20,965,692	-3.2%	21,195,240	(229,548)	-1.1%	21,285,544	1.5%	(6,435)	21,279,109	1.5%

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

GENERAL FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2008

Source	FY10 Budget	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Budget	% Chg.	Recom. Chg.	FY11 Revised	% Chg.	FY12 Projection	% Chg.	FY13 Projection	% Chg.
Sales and Use Tax	1,044,176,008	3.6%	(37,365,436)	1,006,810,572	2.0%	1,085,945,000	4.0%	(39,870,977)	1,046,074,023	3.9%	1,085,745,854	3.8%	1,127,405,489	3.8%
Service Provider Tax	55,590,852	4.0%	0	55,590,852	4.0%	57,814,486	4.0%	0	57,814,486	4.0%	59,555,680	3.0%	61,840,807	3.8%
Individual Income Tax *	1,420,187,194	1.6%	(74,400,740)	1,345,786,454	1.9%	1,449,756,898	2.1%	(66,822,641)	1,382,934,257	2.8%	1,435,522,023	3.8%	1,477,930,850	3.0%
Corporate Income Tax	204,584,901	3.9%	(29,860,000)	174,724,901	3.4%	204,139,113	-0.2%	(24,586,103)	179,553,010	2.8%	182,393,700	1.6%	183,670,455	0.7%
Cigarette and Tobacco Tax	153,280,981	-0.1%	(3,974,048)	149,306,933	-0.4%	151,352,141	-1.3%	(3,916,438)	147,435,703	-1.3%	145,397,809	-1.4%	143,392,221	-1.4%
Public Utilities Tax	15,451,807	-6.2%	0	15,451,807	-12.3%	15,251,807	-1.3%	0	15,251,807	-1.3%	15,251,807	0.0%	15,251,807	0.0%
Insurance Companies Tax	77,594,734	0.6%	(5,609,734)	71,985,000	0.0%	78,021,464	0.5%	(6,031,464)	71,990,000	0.0%	71,990,000	0.0%	71,990,000	0.0%
Estate Tax	54,041,738	9.1%	(17,038,096)	37,003,642	4.9%	4,538,896	-91.6%	(1,455,740)	3,083,156	-91.7%	0	-100.0%	0	N/A
Prop. Tax - Unorganized Territory	12,607,229	3.1%	648,122	13,255,351	2.2%	13,001,212	3.1%	454,783	13,455,995	1.5%	13,910,162	3.4%	14,381,358	3.4%
Income from Investments	1,901,571	159.3%	(1,974,593)	(73,022)	-117.6%	1,901,571	0.0%	(1,857,990)	43,581	159.7%	43,581	0.0%	43,581	0.0%
Transfer to Municipal Rev. Sharing	(142,796,023)	-5.0%	7,364,561	(135,431,462)	-4.5%	(146,907,362)	-2.9%	6,826,546	(140,080,816)	-3.4%	(145,470,604)	-3.8%	(150,191,517)	-3.2%
Transfer from Lottery Commission	53,034,250	0.0%	(500,000)	52,534,250	0.0%	53,034,250	0.0%	(500,000)	52,534,250	0.0%	52,534,250	0.0%	52,534,250	0.0%
Other Revenues **	196,528,516	-9.4%	(14,442,300)	182,086,216	-14.5%	201,138,428	2.3%	(14,951,345)	186,187,083	2.3%	190,190,165	2.2%	191,756,149	0.8%
Total - General Fund Revenue	**3,146,183,758**	**1.6%**	**(177,152,264)**	**2,969,031,494**	**0.5%**	**3,168,987,904**	**0.7%**	**(152,711,369)**	**3,016,276,535**	**1.6%**	**3,107,064,427**	**3.0%**	**3,190,005,450**	**2.7%**
Change in Biennial Totals								**(329,863,633)**						
*** Detail of Property Tax Reimbursement and Revenue Sharing Programs Deducted from Individual Income Tax Revenue**														
- Maine Resident Property Tax Program	(46,450,780)	-0.7%	(4,250,740)	(50,701,520)	-5.2%	(48,967,359)	-5.4%	(4,407,641)	(53,375,000)	-5.3%	(54,713,640)	-2.5%	(56,500,760)	-3.3%
- BETR - Business Equipment Tax Reimb.	(65,653,487)	4.2%	0	(65,653,487)	4.2%	(60,047,934)	8.5%	0	(60,047,934)	8.5%	(54,552,995)	9.2%	(49,282,583)	9.7%
- Municipal Business Equip. Tax Reimb.	(19,538,412)	-71.8%	0	(19,538,412)	-71.8%	(24,986,069)	-27.9%	0	(24,986,069)	-27.9%	(31,294,342)	-25.2%	(33,950,807)	-8.5%
- Disproportionate Tax Burden Fund	(2,000,000)	N/A	0	(2,000,000)	N/A	(2,500,000)	-25.0%	0	(2,500,000)	-25.0%	(3,000,000)	-20.0%	(3,500,000)	-16.7%
**** Detail of Other Revenues:**														
- Real Estate Transfer Tax	14,937,025	-19.7%	(1,788,947)	13,148,078	-25.6%	17,148,815	14.8%	(2,226,450)	14,922,365	13.5%	16,723,377	12.1%	18,245,148	9.1%
- Milk Handling Fee	2,381,644	0.0%	902,528	3,284,172	-3.8%	2,381,644	0.0%	902,528	3,284,172	0.0%	3,284,172	0.0%	3,284,172	0.0%
- Liquor Sales and Operations	5,550,000	0.0%	777,500	6,327,500	4.1%	5,550,000	0.0%	977,500	6,527,500	3.2%	6,827,500	4.6%	7,027,500	2.9%
- Liquor Taxes and Fees	20,395,942	0.4%	257,969	20,653,911	1.9%	20,478,596	0.4%	255,597	20,734,193	0.4%	20,767,357	0.2%	20,801,066	0.2%
- Finance Industry Fees	21,365,980	0.0%	0	21,365,980	-2.3%	21,365,980	0.0%	0	21,365,980	0.0%	21,365,980	0.0%	21,365,980	0.0%
- Corporation Fees & Licenses	9,334,580	6.4%	(30,000)	9,304,580	6.4%	9,906,580	6.1%	(30,000)	9,876,580	6.1%	9,876,580	0.0%	9,876,580	0.0%
- Hunting and Fishing License Fees	16,249,867	0.0%	0	16,249,867	0.0%	16,249,867	0.0%	0	16,249,867	0.0%	16,249,867	0.0%	16,249,867	0.0%
- Boat, ATV and Snowmobile Fees	3,713,373	0.1%	234,667	3,948,040	0.1%	3,715,628	0.1%	234,667	3,950,295	0.1%	3,950,295	0.0%	3,950,295	0.0%
- Parimutuel and Gaming Revenue	12,672,124	6.1%	(4,495,886)	8,176,238	-2.0%	13,255,455	4.6%	(4,751,112)	8,504,343	4.0%	8,664,935	1.9%	8,828,739	1.9%
- Fines, Forfeits and Penalties	43,414,253	-0.1%	128,700	43,542,953	0.0%	43,469,253	0.1%	123,700	43,592,953	0.1%	43,592,953	0.0%	43,592,953	0.0%
- Targeted Case Management (HHS)	8,609,702	0.0%	1,024,092	9,633,794	-45.5%	8,609,702	0.0%	1,024,092	9,633,794	0.0%	9,633,794	0.0%	9,633,794	0.0%
- HHS Services Rendered	2,334,786	-15.7%	(2,063,758)	271,028	-83.7%	2,334,786	0.0%	(2,063,758)	271,028	0.0%	271,028	0.0%	271,028	0.0%
- State Cost Allocation Program	18,177,672	-5.8%	0	18,177,672	-5.8%	19,182,328	5.5%	0	19,182,328	5.5%	19,182,328	0.0%	19,182,328	0.0%
- Unclaimed Property Transfer	9,775,369	-47.9%	(5,291,949)	4,483,420	-61.6%	9,775,369	0.0%	(5,291,949)	4,483,420	0.0%	4,483,420	0.0%	4,483,420	0.0%
- Tourism Transfer	(9,357,623)	-4.1%	(54,085)	(9,411,708)	-3.8%	(9,834,091)	-5.1%	73,009	(9,761,082)	-3.7%	(10,101,414)	-3.5%	(10,504,788)	-4.0%
- Transfer to Maine Milk Pool	(2,297,445)	0.0%	(3,202,555)	(5,500,000)	0.3%	(2,297,445)	0.0%	(3,202,555)	(5,500,000)	0.0%	(5,500,000)	0.0%	(5,500,000)	0.0%
- Other Miscellaneous	22,325,786	-15.5%	(840,576)	21,485,210	-20.6%	22,988,801	3.0%	(976,614)	22,012,187	2.5%	24,133,118	9.6%	24,270,001	0.6%
IF&W Total Revenue ***	21,300,760	0.1%	(1,087)	21,299,673	0.1%	21,307,065	0.0%	(3,773)	21,303,292	0.0%	21,307,857	0.0%	21,311,422	0.0%

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

General Fund - Sales and Use Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$946,174,276	$971,455,721	$983,057,278	$1,007,627,341	$1,044,176,008	$1,085,945,000		
Annual % Growth	5.5%	2.7%	1.2%	2.5%	3.6%	4.0%		
Net Increase (Decrease)				($20,306,608)	($37,365,436)	($39,870,977)		
Revised Forecast	$946,174,276	$971,455,721	$983,057,278	$987,320,733	$1,006,810,572	$1,046,074,023	$1,085,745,854	$1,127,405,489
Annual % Growth	5.5%	2.7%	1.2%	0.4%	2.0%	3.9%	3.8%	3.8%

Revenue Source Summary:

The sales tax is imposed at the rate of 5% of the sale price on retail sales of tangible personal property and taxable services; at 7% on temporary rentals of living quarters in hotels, rooming houses, tourist and trailer camps, the sale of liquor by the drink and prepared food; and at 10% on the short-term rental of automobiles. The tax is also imposed on casual sales of motor vehicles, camper trailers, truck campers, livestock trailers, special mobile equipment, boats and aircraft. Sales of new manufactured housing (mobile homes and modular homes) are subject to the 5% tax, usually at 50% of the selling price. Many exemptions and exclusions exist, including grocery staples.

The use tax is imposed at the same rate as the sales tax on the sale price of tangible personal property and taxable services purchased at retail sale beyond the collection jurisdiction of the State for use, storage or other consumption in Maine, unless substantial (12 months) use was made of the property elsewhere before it was brought to Maine. An exception is made for motor vehicles registered as automobiles that were purchased and actually used in another state before being brought to Maine, if the purchaser was a resident of the other state at the time of purchase. The use tax does not apply to purchases on which Maine sales tax has been paid, and credit is allowed for sales or use tax paid in another jurisdiction up to the amount of the Maine tax.

Beginning in FY05, certain services previously included in this category were moved to the Service Provider Tax (see next page in Appendix for this revenue category).

Revenue Source Forecast Factors and Trends:

Sales and Use Tax is one of the major revenue sources tied to economic activity with projections developed using Maine Revenue Services tax models with input from the economic variables forecast by the Consensus Economic Forecasting Commission (CEFC). Sales and Use Tax projections in the tax models are derived primarily from aggregate Personal Income growth assumptions. Total employment growth is used to predict business purchases. Inflation projections are also used for those elements of the sales and excise tax models that are based on units sold in order to produce an inflation adjusted dollar value.

Sales and Use Tax revenue has been under budget consistently since the beginning of the heating season late last fall. The Committee made a late adjustment in June 2005 revising the forecast for this line downward by $15.0 million. Sales and Use Tax revenue was under budget after this revision by $3.1 million (-0.3%). The growth of this revenue line, which had been very strong after the FY02 (4.9% growth in FY03 and 7.0% growth in FY04), dropped to 2.6% in FY05 (after adjusting and adding back in the components that were separated into the Service Provider Tax).

Taxable Sales Trends - For calendar year 2007, taxable sales were up 1% over the previous year. The strongest growth was in the restaurant/lodging and business operating categories, up 4%, followed by the food store sector, up 3%. The general merchandise sector was up 1%, auto/transportation sales and other retail sales were flat, and building supply sales were down 4%. See Appendix G for more detail on taxable sales growth.

Forecast Recommended Changes:

The reduction in the forecast for personal income and inflation, high energy prices and a forecast of declining motor vehicle sales contributed to the downward reprojection of sales and use tax revenue.

General Fund - Service Provider Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$47,028,430	$49,400,532	$52,100,664	$53,452,742	$55,590,852	$57,814,486		
Annual % Growth	5.3%	5.0%	5.5%	2.6%	4.0%	8.2%		
Net Increase (Decrease)				$0	$0	$0		
Revised Forecast	$47,028,430	$49,400,532	$52,100,664	$53,452,742	$55,590,852	$57,814,486	$59,555,680	$61,840,807
Annual % Growth	5.3%	5.0%	5.5%	2.6%	4.0%	4.0%	3.0%	3.8%

Revenue Source Summary:

The Service Provider tax is imposed on a number of services and the revenue generated is either credited to the General Fund or to dedicated accounts within the Department of Health and Human Services. Revenue derived by the 5% Service Provider Tax on the value of extended cable and satellite television services, fabrication services, the rental of video media and video equipment, the rental of furniture, audio media and audio equipment pursuant to a rental-purchase agreement as defined in Title 9-A, section 11-105, telecommunications services and the installation, maintenance or repair of telecommunications equipment accrues to the General Fund. See separate discussion of dedicated revenue pieces that accrue to the Department of Health and Human Services.

Revenue Source Forecast Factors and Trends:

This revenue category was previously included within Sales and Use Tax category. Beginning in FY05, the taxable services were separated from the Sales and Use Tax.

This major revenue source is tied to economic factors and is projected using Maine Revenue Services tax models. This tax was recently separated out of the Sales and Use Tax line and has only a short history with which to generate a trend. FY 08 actual revenue was over budget by $918,754.

Forecast Recommended Changes:

No change is recommended at this time.

General Fund - Individual Income Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$1,254,506,663	$1,353,934,495	$1,443,468,204	$1,397,767,286	$1,420,187,194	$1,449,756,898		
Annual % Growth	-1.2%	7.9%	6.6%	-3.2%	1.6%	3.7%		
Net Increase (Decrease)				($76,441,151)	($74,400,740)	($66,822,641)		
Revised Forecast	$1,254,506,663	$1,353,934,495	$1,443,468,204	$1,321,326,135	$1,345,786,454	$1,382,934,257	$1,435,522,023	$1,477,930,850
Annual % Growth	-1.2%	7.9%	6.6%	-8.5%	1.9%	4.7%	8.6%	9.8%

Revenue Source Summary:

This category includes all revenue from individual income tax including penalties and interest associated with the collection of individual income tax. It also includes income tax on fiduciaries and income tax from Partnerships, Limited Liability Corporartions and S Corporations that are reported on the owners' individual income tax returns.

Beginning in FY05, Individual Income Tax revenue was reduced by the amount of the payments under the Maine Residents Property Tax Program (Tax and Rent Refund or Circuit Breaker). Amounts necessary for the benefit payments are transferred from Individual Income Tax revenue to a reserve account for payment. Beginning in FY06, a similar arrangement was established for the Business Equipment Tax Reimbursement (BETR) program. Estimates of these transfers and the effect that they have on the forecast of Individual Income are detailed in separate sections. The amounts above reflect net amounts after the transfers for these tax reimbursement programs, but do not reflect the transfer to the Local Government Fund for State-Municipal Revenue Sharing.

Revenue Source Forecast Factors and Trends:

The individual income tax simulation model is the most complicated and involves the input of multiple economic variables. The individual components of Personal Income, which include salaries and wages; dividend interest and rents; proprietor's income; supplements to wages and salaries; and transfer payments are fed into the model. Other factors include: inflation projections that drive statutory indexing provisions (tax brackets and standard deduction amounts); total employment growth and unemployment rate affecting assumed number of tax filings; and the 3-month and 10-year Treasury Rates that drive interest earnings assumptions and the mortgage interest deduction.

A major variable that is not included in the consensus economic forecast is net capital gains realizations. This variable has produced some significant volatility in the individual income tax collections. A detailed discussion is included in the body of the report.

Current Year Variance - Individual Income Tax collections have dropped below projections in recent months. This category was adjusted upward by $18.2 million in the December 2007 revenue forecast. The current year variance through January is -$11.3 million (-2.4% of budget), excluding the variances associated with the BETR and Circuit Breaker programs. Estimated payments were under budget in December and January resulting in a negative variance of $18.6 million (-9.5%) through January. Refunds associated with the filing of 2007 tax returns are slightly below budget through January, and are expected to remain close to budget through the remainder of the fiscal year. Fiscal year-to-date withholding payments were up .6% over FY07 amounts and have been tracking very close to revised projections (less than 0.6% variance through January).

Forecast Recommended Changes:

The forecast of individual income tax receipts is primarily affected by the national economic recession. The largest impact of the recession is from the crisis in the nation's financial markets which is expected to significantly reduce capital gains realizations in calendar year 2008. The new forecast assumes a 50% reduction in net capital gains realizations during tax year 2008, followed by an additional 10% decline in tax year 2009. The remaining reduction in the individual income tax forecast is from the new economic forecast from the Consensus Economic Forecasting Commission, which is much more pessimistic than the economic forecast presented earlier this year.

General Fund - Individual Income Tax - Maine Residents Property Tax Program
aka "Tax and Rent Refund" or "Circuit Breaker" Program

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	($42,796,070)	($44,440,759)	($46,689,380)	($46,133,249)	($46,450,780)	($48,967,359)		
Annual % Growth	64.4%	3.8%	5.1%	-1.2%	0.7%	5.4%		
Net Increase (Decrease)				($2,069,151)	($4,250,740)	($4,407,641)		
Revised Forecast	($42,796,070)	($44,440,759)	($46,689,380)	($48,202,400)	($50,701,520)	($53,375,000)	($54,713,640)	($56,500,760)
Annual % Growth	64.4%	3.8%	5.1%	3.2%	5.2%	5.3%	2.5%	3.3%

Revenue Source Summary:

Beginning with FY05, taxpayer reimbursement under the Maine Residents' Property Tax Reimbursement (Tax and Rent Refund or "Circuit Breaker") program is accounted for as a deduction from the individual income tax line rather than an expenditure from General Fund appropriations for that purpose. The program expansion (PL 2005, c. 2) is reflected beginning in fiscal year 2005-06 and includes: an increase in the maximum payment from $1,000 to $2,000, the elimination of income thresholds, the establishment of maximum property taxes used to calculate benefits ($3,000 single/$4,000 multiple member household) and an increase in the % of rent constituting property taxes from 18% to 20%. It also extended the close of the application period from 12/31/to 5/31. The amounts reflected in the table above represent gross program costs prior to the adjustment for state-municipal revenue sharing.

Revenue Source Forecast Factors and Trends:

This component of individual income tax is forecast using a combination of the income tax and property tax modules within the tax models. It is driven by economic forecast, particularly the income components, and a forecast of residential property values based on recent trends in each municipality.

FY06 program costs were just under budget, resulting in a positive revenue variance. The positive variance was attributable to a large number of late filers that did not get reimbursed until the first few months of FY07. Program costs exceeded the budgeted amount by $435,614 in FY 08.

Forecast Recommended Changes:

The forecast assumes an increase in the level of reimbursement because of the slowing economy and recent data showing property taxes increasing at a higher rate than previously projected.

General Fund - Individual Income Tax - Business Equipment Tax Reimbursement (BETR)

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	($67,065,810)	($66,553,092)	($67,875,376)	($68,559,334)	($65,653,487)	($60,047,934)		
Annual % Growth	N/A	-0.8%	2.0%	1.0%	-4.2%	-12.4%		
Net Increase (Decrease)				$0	$0	$0		
Revised Forecast	($67,065,810)	($66,553,092)	($67,875,376)	($68,559,334)	($65,653,487)	($60,047,934)	($54,552,995)	($49,282,583)
Annual % Growth	N/A	-0.8%	2.0%	1.0%	-4.2%	-8.5%	-9.2%	-9.7%

Revenue Source Summary:

Beginning with FY06, taxpayer reimbursement under the Business Equipment Tax Reimbursement (BETR) program is accounted for as a deduction from the individual income tax line rather than an expenditure from General Fund appropriations for that purpose. Certain persons and property such as office furniture, lamps and lighting fixtures and gambling machines or devices are not eligible for reimbursement (see 36 MRSA Chapter 915 for specific exclusions). Retail property will also be excluded for property tax years beginning after April 1, 2006. BETR reimbursement is 100% of the property taxes paid on eligible property, except that for claims filed for the application period that begins on August 1, 2006 the reimbursement is 90% of the taxes. Eligible property is subject to reimbursement for up to 12 property tax years, but the 12 years must be reduced by one year for each year during which a taxpayer included the same property in its investment credit base. The amounts reflected in the table above represent gross program costs prior to the adjustment for state-municipal revenue sharing.

Revenue Source Forecast Factors and Trends:

BETR expenditures are forecast through the property tax model. New business investment in equipment is the primary driving force in the expenditures of this program. The program was expected to grow on a compounded basis as new investment was layered on to previously eligible equipment during the first 12 years of the program. After the 12th year, the property eligible in the first year is dropped from the program so that the growth of the program will slow dramatically. FY08 is the first year when business equipment in the program for 12 years will drop out. The increase in FY08 in the table above reflects the one-time reduction in FY07 at 90% reimbursement instead of 100%.

The program's expenditures were below expectations in FY08 by $1.1 million.

Forecast Recommended Changes:

No changes are recommended for FY 09, FY 10 and FY 11.

General Fund - Individual Income Tax - Municipal Business Equipment Tax Reimbursement (BETR)

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$0	$0	$0	($11,373,516)	($21,538,412)	($27,486,069)		
Annual % Growth								
Net Increase (Decrease)				$0	$0	$0		
Revised Forecast	$0	$0	$0	($11,373,516)	($21,538,412)	($27,486,069)	($34,294,342)	($37,450,807)
Annual % Growth	n/a	n/a	n/a	n/a	89.4%	27.6%	24.8%	9.2%

Revenue Source Summary:

This category represents municipal reimbursement for a new property tax exemption for business equipment. PL 2005, c. 623 provides that beginning with business property first placed in service after April 1, 2007, eligible property (property currently eligible for the BETR program other than “storefront” retail) will be exempt from local property tax. The generally applicable rate of reimbursement to municipalities for revenue losses from the new exemption are 100% in the first year of the exemption and are reduced by 10% each year until they reach 50%. Municipalities with more than 5% of their valuation in exempt property may choose alternative reimbursement. Alternative reimbursement is 50% plus 1/2 of the percentage that business personal property represents of the total taxable value plus exempt business personal property value in the municipality. This category also includes the following General Fund revenue reductions for additional municipal compensation through transfers to the Disproportionate Tax Burden Fund (Rev II):

FY10 ($2,000,000)
FY11 ($2,500,000)
FY12 ($3,000,000)
FY13 ($3,500.000)
FY14 and later ($4,000,000)

Both forms of municipal reimbursement are funded from Individual Income Tax collections after the deduction for state-municipal revenue sharing.

Revenue Source Forecast Factors and Trends:

Municipal reimbursement related to the new property tax exemption for business equipment is forecast off model.

Forecast Recommended Changes:

No changes are recommended for FY 09, FY 10 and FY 11.

General Fund - Corporate Income Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$188,015,558	$183,851,533	$184,514,568	$196,994,770	$204,584,901	$204,139,113		
Annual % Growth	38.4%	-2.2%	0.4%	6.8%	3.9%	-0.2%		
Net Increase (Decrease)				($28,090,000)	($29,860,000)	($24,586,103)		
Revised Forecast	$188,015,558	$183,851,533	$184,514,568	$168,904,770	$174,724,901	$179,553,010	$182,393,700	$183,670,455
Annual % Growth	38.4%	-2.2%	0.4%	-8.5%	3.4%	2.8%	1.6%	0.7%

Revenue Source Summary:

This revenue is derived by a corporate income tax imposed on all corporations subject to federal income tax and having nexus with Maine, with the exception of financial institutions subject to the franchise tax and insurance companies subject to the premium tax. The tax is levied on Maine net income which is federal taxable income as modified by Maine law. In the case of a corporation doing business both within and outside of the State, Maine net income is determined by apportioning the modified federal taxable income according to a formula using payroll, property and sales through 2006. Beginning in 2007, the tax is apportioned based solely on sales in Maine.. Tax rates are progressive from 3.5% to 8.93%. The amounts reflected in the table above are prior to the deduction for state-municipal revenue sharing. A small portion of this revenue line includes taxes received from financial institutions through the Franchise Tax.

Revenue Source Forecast Factors and Trends:

Revenue projections are driven by the corporate income tax model with assumptions for inflation (CPI-U), total employment growth and growth by sector. The model also relies on a forecast of corporate pre-tax profits from Global Insight. FY 08 actual revenue was over budget by $2,344,568.

Forecast Recommended Changes:

Consistent with most national forecasts, the Revenue Forecasting Committee is forecasting a decline in corporate receipts. The new forecast is a combination of the CEFC forecast and Global Insight's November 2008 forecast of corporate pre-tax profits. In addition, the forecast of falling energy prices is expected to result in a decrease in Maine tax liability for energy companies; a sector that has been paying a significant amount of Maine corporate income tax liability in recent years.

General Fund - Cigarette and Tobacco Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$156,951,370	$158,953,466	$150,499,432	$153,408,502	$153,280,981	$151,352,141		
Annual % Growth	62.9%	1.3%	-5.3%	1.9%	-0.1%	-1.3%		
Net Increase (Decrease)				($3,459,658)	($3,974,048)	($3,916,438)		
Revised Forecast	$156,951,370	$158,953,466	$150,499,432	$149,948,844	$149,306,933	$147,435,703	$145,397,809	$143,392,221
Annual % Growth	62.9%	1.3%	-5.3%	-0.4%	-0.4%	-1.3%	-1.4%	-1.4%

Revenue Source Summary:

This revenue category includes revenue from the cigarette tax and tobacco products tax. The cigarette tax is imposed on all cigarettes held in this State for retail sale and a tax on the wholesale price of other tobacco products. The rate of the cigarette tax was 50 mills per cigarette or $1.00 per pack before September 19, 2005. Beginning September 19, 2005 the cigarette tax rate was increased to $2.00 per pack. On October 1, 2005 the rate of tax on smokeless tobacco products was increased from 62% of the wholesale price to 78% and the tax on cigars, pipe tobacco and other tobacco intended for smoking was increased from 16% of the wholesale price to 20%.

Revenue Source Forecast Factors and Trends:

The cigarette tax forecast is developed using Maine Revenue Services Sales and Excise Tax model. FY 08 actual amounts were under budget by $4,286,748.

Forecast Recommended Changes:

The December 2008 revenue forecast for the cigarette tax was reduced based on a continued decline in the amount of cigarette stamps sold. The projection for the tobacco products tax was increased in this forecast and now reflects annual growth of 1%.

General Fund - Public Utilities Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$20,627,030	$16,317,029	$16,858,472	$16,464,397	$15,451,807	$15,251,807		
Annual % Growth	-17.5%	-20.9%	3.3%	-2.3%	-6.2%	-1.3%		
Net Increase (Decrease)				$1,145,602	$0	$0		
Revised Forecast	$20,627,030	$16,317,029	$16,858,472	$17,609,999	$15,451,807	$15,251,807	$15,251,807	$15,251,807
Annual % Growth	-17.5%	-20.9%	3.3%	4.5%	-12.3%	-1.3%	0.0%	0.0%

Revenue Source Summary:

This revenue is derived by the state tax on Telecommunications Personal Property. This property is exempt from ordinary local property taxation. The tax is assessed on May 30th of each year and must be paid by August 15th of that year. The tax rate decreased to 26 mills for taxes assessed in 2004 and will decrease one additional mill each year until 2010 when it reaches 20 mills pursuant to 36 MRSA §457. Prior to FY 06 excise tax on railroad companies accrued to the General Fund and was also included in this category. Effective October 1, 2005 railroad company taxes accrue to the State Transit, Aviation and Rail Transportation Fund, an enterprise fund established by the Department of Administrative and Financial Services.

Revenue Source Forecast Factors and Trends:

The Telecommunications Personal Property Tax base is eroding due to changes in the competitive nature of the market for telecommunications services. This coupled with the annual one mill reduction in the tax rate through tax year 2010 results in a declining revenue source. FY 08 actuals were under budget by $618,515.

Forecast Recommended Changes:

The recommended increase in FY09 accounts for the recovery of payments previously written-off and a late assessment for the 2008 tax year.

General Fund - Insurance Company Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$76,065,864	$74,452,542	$72,292,532	$77,169,754	$77,594,734	$78,021,464		
Annual % Growth	0.5%	-2.1%	-2.9%	6.7%	0.6%	0.5%		
Net Increase (Decrease)				($5,190,769)	($5,609,734)	($6,031,464)		
Revised Forecast	$76,065,864	$74,452,542	$72,292,532	$71,978,985	$71,985,000	$71,990,000	$71,990,000	$71,990,000
Annual % Growth	0.5%	-2.1%	-2.9%	-0.4%	0.0%	0.0%	0.0%	0.0%

Revenue Source Summary:

This revenue is derived primarily by the state tax on every insurance company or association organized under the laws of this State at the rate of 2% of gross direct premiums, (1% of long-term health care premiums) including annuity considerations, on all policies written in Maine, less allowed deductions. The tax on insurance placed in the surplus lines insurance market is 3%. The tax on qualified group disability plans is 2.55% for large domestic insurers and 1% for all other insurers. Every non-resident insurance company authorized to do business in this State is liable for a tax on all policies written in Maine at the Maine rate or the rate at which a Maine company would be taxed in the state or Canadian province where the non-resident company is domiciled, whichever is greater. Reduced rates are provided for captive insurers. This category also includes self-procured insurance premium taxes and purchasing group premium taxes collected by the Department of Professional and Financial Regulation

Revenue Source Forecast Factors and Trends:

This tax is forecast off model. Estimates are made based on historical trends and input from various sources. Since the tax is based on premiums, the RFC must analyze those factors that affect premiums: insurance companies' investment earnings and payments on insured losses. Any significant increases in premiums may also affect demand, as purchasers react by increasing deductibles or dropping coverage for certain property.

There were no legislative changes during the first regular and first special sessions of the 123rd Legislature that directly affect this revenue category. FY06 is affected by a change in a $983,000 credit for a surcharge on Fire Insurance Premiums that was delayed until FY06.

FY 08 actual revenue was under budget by $4,459,141.

Forecast Recommended Changes:

The projections were adjusted down based on actual FY 08 collections and to reflect an assumption of no net annual growth in this revenue category.

General Fund - Estate Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$75,330,514	$54,820,038	$39,890,577	$49,524,882	$54,041,738	$4,538,896		
Annual % Growth	133.5%	-27.2%	-27.2%	24.2%	9.1%	-91.6%		
Net Increase (Decrease)				($14,236,055)	($17,038,096)	($1,455,740)		
Revised Forecast	$75,330,514	$54,820,038	$39,890,577	$35,288,827	$37,003,642	$3,083,156	$0	$0
Annual % Growth	133.5%	-27.2%	-27.2%	-11.5%	4.9%	-91.7%	#DIV/0!	#DIV/0!

Revenue Source Summary:

This revenue is derived primarily by the state tax imposed upon the transfer of the estate of every person who was a Maine resident at the time of death. For deaths occurring before January 1, 2002 the tax is equal to the amount by which the credit allowed against the federal estate tax for state death taxes exceeds the amount of such taxes actually paid to other states, provided that the allowance for such taxes may not exceed that percentage of the federal tax credit which the other states' portion of the estate is to the total estate. Beginning in 2002, the federal estate tax and the federal credit for state death taxes are being phased out. The federal credit was reduced to 75% in 2002, 50% in 2003, 25% in 2004 and completely eliminated beginning in 2005. For deaths occurring after 2002, the Maine estate tax is equal to the tax that would be owed using the formula for calculating the federal credit for state death taxes in effect on December 31, 2002 (exclusive of any reduction in the maximum credit amount) and based on the unified credit amount as of December 31, 2000.

A similar tax is imposed on real and tangible personal property having Maine situs passing by reason of the death of a person not a Maine resident, at the same percentage of the federal allowance for state death taxes that the value of the property taxable in Maine bears to the total estate.

Revenue Source Forecast Factors and Trends:

The estate tax is forecast using Maine Revenue Services tax models. The models are supplemented with a look at actual tax file data through queries of the data base to pick out the unusual large returns. Actual FY 06 revenue was over budget by $5.2M and significantly over FY 05 amounts. This significant growth is due to a few unusually large estate tax payments for deaths in 2005. FY07 and FY08 FYTD reflect estates consistent with long-term trends and the increase in the state tax exemption to $1 million for deaths occurring on or after January 1, 2006. FY 08 actual collections were under budget by $4,671,663.

Forecast Recommended Changes: The forecast is based on the growth in household net worth from Global Insight. The on-going correction in the residential housing market and the forecasted recession in calendar year 2008 is projected to reduce household net worth and therefore the forecast of estate tax receipts. This forecast is based on Global Insight's November 2008 forecast of household net worth. FY 11 and FY 12 reflect the elimination of revenue from Maine's Estate Tax which ends for deaths occurring after December 31, 2009.

General Fund - Property Tax - Unorganized Territory

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$11,559,305	$11,376,293	$12,217,081	$12,229,199	$12,607,229	$13,001,212		
Annual % Growth	8.8%	-1.6%	7.4%	0.1%	3.1%	3.1%		
Net Increase (Decrease)				$740,341	$648,122	$454,783		
Revised Forecast	$11,559,305	$11,376,293	$12,217,081	$12,969,540	$13,255,351	$13,455,995	$13,910,162	$14,381,358
Annual % Growth	8.8%	-1.6%	7.4%	6.2%	2.2%	1.5%	3.4%	3.4%

Revenue Source Summary:

Pursuant to 36 MRSA, chapter 115, unorganized territory taxes are transferred to the General Fund each year as reimbursement for the General Fund costs of the municipal cost component. The municipal cost component is the cost of funding services in the Unorganized Territory Tax District that would not be borne by the state if it were a municipality. Examples of services funded from the General Fund are land use regulation, property tax assessment, education, forest fire protection and general assistance. The transfer is based on actual qualifying General Fund expenditures with the exception of the Land Use Regulation Commission, the transfer for which is based on a percentage of General Fund appropriations to the commission. The General Fund transfers occur twice per year. The first transfer occurs on October 31st and is based on 90% of the total transfer of the prior fiscal year. The final transfer occurs at the close of the fiscal year and transfers the net amount required to equal the General Fund share of the municipal cost component for that fiscal year.

Revenue Source Forecast Factors and Trends:

From FY05 to FY06, actual expenditures increased by 8.8% as a result of an unexpected increase in fuel costs for schools and buses in the unorganized territory. The projections of expenditures for FY09 and beyond represent an annual increase of approximately 2%-3% based on projected tuition increases for students attending other district schools outside of the unorganized territory. FY 08 actuals were under budget by $394,905.

Forecast Recommended Changes:

The estimate for this revenue category has been revised to reflect actual FY 08 experience and to incorporate recent trends, including Personal Services funding for education in the unorganized territory.

General Fund - Income from Investments

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$8,271,869	$1,215,836	$1,074,143	($3,204,682)	$1,901,571	$1,901,571		
Annual % Growth	41.3%	-85.3%	-11.7%	-398.3%	-159.3%	0.0%		
Net Increase (Decrease)				$3,618,740	($1,974,593)	($1,857,990)		
Revised Forecast	$8,271,869	$1,215,836	$1,074,143	$414,058	($73,022)	$43,581	$43,581	$43,581
Annual % Growth	41.3%	-85.3%	-11.7%	-61.5%	-117.6%	-159.7%	0.0%	0.0%

Revenue Source Summary:

This category represents the Treasurer of State's investment of excess money in the state treasury that is not needed to meet current obligations (see 5 MRSA section 135). The Treasurer of State is authorized to invest these funds in bonds, notes, certificates of indebtedness or other obligations specified in statute. Earnings on these investments are credited to the General Fund unless specifically designated otherwise. Occasionally, there are credits to this revenue category for other miscellaneous items collected by the State. These items contributed approximately $100,000 to the revisions in FY 2009, FY 2010 and FY 2011.

Revenue Source Forecast Factors and Trends:

The major factors that affect earnings are the rates of return on investments and the balances of cash available for investment. These factors are heavily influenced by the economy, the budget, the reliance on Tax Anticipation Notes (TAN's) and the Treasurer's investment policies.

Economy - A declining economy and Federal Reserve Board action in response to a slower economy have lowered expectations for the Cash Pool earnings rate.

Budget - Downward General Fund revenue projections will mean lower investable cash balances in FY09 and beyond, which will hurt earnings. A positive mitigating factor is that teacher retirement payments formerly scheduled for the beginning of the fiscal year will be made quarterly, which helps available cash.

Investment Policy - The Treasurer's investment policy (type of investment vehicle purchased, liquidity to meet daily needs, selection criteria for specific investments, etc.) affects the rate of return on the pool. Less investable cash mentioned above will also mean a higher percentage of investments will be short- term at lower rates than long-term investments. A positive is that the return of a frozen $20,000,000 investment in commercial paper has meant that cash pool earnings that had been reserved in FY 2008 against loss of the asset have been distributed to Pool participants, including the General Fund, in FY 2009.

TAN Amounts - See below for assumptions. With no Tax Anticipation Note (TAN) being issued in FY09, a reduced cash position may mean higher internal borrowing within the Treasurer's Cash Pool. No TANs are assumed to be issued in the foreseeable future.

Historical Data and Assumptions

	FY06 Actual	FY07 Actual	FY08 Actual	FY9	FY10	FY11	FY12	FY13
TAN								
Current Forecast	$123,625,000	$0	$0	$0	$0	$0		
Revised Forecast				$0	$0	$0	$0	$0
Pool Earnings Rate								
Current Forecast	4.51%	5.88%	4.02%	4.50%	4.50%	4.50%		
Revised Forecast				1.51%	1.51%	2.39%	2.39%	2.39%

Forecast Recommended Changes:

This forecast anticipates that distribution in FY 2009 of reserves set aside in FY 2008 for a frozen investment and payment of teacher retirement expenses made quarterly instead of up front will more than compensate in FY 2009 for declining balances that will erode investment earnings more fully in FY 2010 and FY 2011.

General Fund - Transfer to Municipal Revenue Sharing

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	($124,222,180)	($130,490,756)	($135,820,175)	($136,028,000)	($142,796,023)	($146,907,362)		
Annual % Growth	-3.8%	-5.0%	-4.1%	-0.2%	-5.0%	-2.9%		
Net Increase (Decrease)				$6,366,727	$7,364,561	$6,826,546		
Revised Forecast	($124,222,180)	($130,490,756)	($135,820,175)	($129,661,273)	($135,431,462)	($140,080,816)	($145,470,604)	($150,191,517)
Annual % Growth	-3.8%	-5.0%	-4.1%	4.5%	-4.5%	-3.4%	-3.8%	-3.2%

Revenue Source Summary:

These amounts above represent transfers made on the last day of each month from the General Fund to the Local Government Fund or the Disproportionate Tax Burden Fund. Amounts equal to 5.1%, increasing to 5.2% on July 1, 2009, of the taxes collected and credited to the General Fund under the individual income tax, the corporate income tax, the franchise tax on financial institutions, the General Fund portion of the service provider tax and the sales and use taxes are transferred. The amounts transferred are distributed to municipalities each month based on a formula.

Revenue Source Forecast Factors and Trends:

See discussion of Individual Income Tax, Sales and Use Tax, Corporate Income Tax and Service Provider Tax for trends. The monthly transfers are inverse determined by these major tax sources. The 123rd Legislature delayed by an additional 2 years, the increase in the percentage of the major taxes that gets transferred each month. This increase was also delayed by the 121st and the 122nd Legislatures. The percentage is now scheduled to increase from 5.1% to 5.2% on July 1, 2009.

Forecast Recommended Changes:

The increase of revenue or the reduction in the transfer results in the inverse relationship to the overall downward revision in the taxes included in the revenue sharing base.

General Fund - Transfer from Lottery Commission

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$50,879,647	$50,624,741	$49,491,086	$53,049,250	$53,034,250	$53,034,250		
Annual % Growth	3.1%	-0.5%	-2.2%	7.2%	0.0%	0.0%		
Net Increase (Decrease)				($500,000)	($500,000)	($500,000)		
Revised Forecast	$50,879,647	$50,624,741	$49,491,086	$52,549,250	$52,534,250	$52,534,250	$52,534,250	$52,534,250
Annual % Growth	3.1%	-0.5%	-2.2%	6.2%	0.0%	0.0%	0.0%	0.0%

Revenue Source Summary:

Revenue from the sales of lottery tickets, net of the costs of administering the lottery and the set aside of funds for prizes, is transferred to the State as General Fund revenue. In addition to its own instant ticket games, the Maine Lottery participates with the New Hampshire and Vermont lotteries as a member of the Tri-State Lottery to offer Tri-State Pick 3 and Pick 4, Triple Play and Megabucks. Maine is also one of 29 jurisdictions participating in Powerball. Pursuant to Title 12 M.R.S.A, Chapter 714, the Maine Lottery also administers a wildlife lottery game to raise funds for the Maine Outdoor Heritage Fund. Maine Law (Title 8 M.R.S.A., §387) requires that at least 45% of sales must be returned to the players in the form of prizes.

Revenue Source Forecast Factors and Trends:

Lottery revenues are considered to be the result of discretionary spending by Maine's citizens; this type of discretionary spending tends to be fairly predictable. Most recent major change was the addition of Powerball as an additional game offered by the Maine State Lottery in the fall of 2004. The Lottery is a mature industry and its revenue remains relatively flat; aggressive marketing such as constantly changing instant tickets games are required to maintain sales. Revenue is also significantly affected by the size of jackpots in the Megabucks and Powerball games, which is very unpredictable.

Forecast Recommended Changes:

Based upon a decline in ticket sales in the first quarter of FY09 of approximately 8% compared to the same quarter in FY08, revenue is projected to decrease by $500,000 each year. This decrease is attributed mainly to factors within the economy and decreased discretionary income.

General Fund - Real Estate Transfer Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$24,595,580	$22,206,638	$17,465,240	$18,608,629	$14,937,025	$17,148,815		
Annual % Growth	2.0%	-9.7%	-21.4%	6.5%	-19.7%	14.8%		
Net Increase (Decrease)				($944,967)	($1,788,947)	($2,226,450)		
Revised Forecast	$24,595,580	$22,206,638	$17,465,240	$17,663,662	$13,148,078	$14,922,365	$16,723,377	$18,245,148
Annual % Growth	2.0%	-9.7%	-21.4%	1.1%	-25.6%	13.5%	12.1%	9.1%

Revenue Source Summary:

A tax is imposed on each deed that transfers title to real property in the state or on the transfer of a controlling interest in an entity with a fee interest in real property in the state at the rate of $2.20 for each $500 or fractional part of the value of the real property. There are certain exemptions. Of the total tax, ½ is imposed on the grantor and ½ is imposed on the grantee. Ninety percent of the tax collected during the previous month is forwarded by each Registrar of Deeds to the State Tax Assessor. The remaining 10% is retained by the county and accounted for as reimbursement for services rendered in collecting the tax. Of the 90% that is forwarded to the State, ½ of the revenue attributable to the transfer of title to real property is credited to the Maine State Housing Authority's Housing Opportunities for Maine (H.O.M.E.) Fund, an Other Special Revenue program established by 30-A M.R.S.A. §4853. The remainder is credited to the General Fund.

In FY04, FY05 and FY06 $7,500,000 of the portion that would ordinarily be credited to the H.O.M.E. Fund was credited to the General Fund. In FY07, $7,687,067 of the portion ordinarily credited to the H.O.M.E. Fund was credited to the General Fund. In FY08, $5,000,000 of the portion credited to the H.O.M.E. Fund will be credited to the General Fund. In FY09, $8,062,414 of the portion credited to the H.O.M.E. Fund will be credited to the General Fund. In FY10, $3,320,000 of the portion credited to the H.O.M.E. Fund will be credited to the General Fund. In FY11, $3,720,000 of the portion credited to the H.O.M.E. Fund will be credited to the General Fund. In FY12, $3,830,000 of the portion credited to the H.O.M.E. Fund will be credited to the H.O.M.E. Fund will be credited to the General Fund. In FY13, $3,950,000 of the portion credited to the H.O.M.E. Fund will be credited to the General Fund.

Beginning July 1, 2002, transfers of controlling interests are subject to the same tax. After the deduction of 10% county share, the remaining 90% of proceeds from the tax on the transfers of controlling interests accrues to the General Fund.

Revenue Source Forecast Factors and Trends:

The FY06 positive variance was $2.1 million. In FY07, the forecast was projected to decline. The decline in FY07 was greater than anticipated resulting in a negative variance of $0.1 million or (0.5%). Actual collections were above budget by $460,947 in FY 08. Collections were under budget for the first three months of FY 09 by $2,197,323.

Forecast Recommended Changes:

The revised revenue projection is based on the Fall 2008 Global Insight forecast of existing single family home sales and the median price of existing homes in Maine.

General Fund - Milk Handling Fee

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$1,867,527	$2,561,972	$631,997	$2,381,644	$2,381,644	$2,381,644		
Annual % Growth	N/A	37.2%	-75.3%	276.8%	0.0%	0.0%		
Net Increase (Decrease)				$1,033,637	$902,528	$902,528		
Revised Forecast	$1,867,527	$2,561,972	$631,997	$3,415,281	$3,284,172	$3,284,172	$3,284,172	$3,284,172
Annual % Growth	N/A	37.2%	-75.3%	440.4%	-3.8%	0.0%	0.0%	0.0%

Revenue Source Summary:
PL 2005, c. 396 imposed a fee on the handling of packaged milk for retail sale in the State. The fee rate is determined monthly in relation to the price of milk. The fee ranges from $0.00 per gallon when the price of milk is $18.50 per hundredweight or more to $0.12 per gallon when the price of milk is below $16.00 per hundredweight. PL 2007, c. 269 revised the fee to range from $0.00 per gallon when the price of milk is $24.00 per hundredweight or more to $0.36 per gallon when the price dips below $15.50 per hundredweight. Below $15.00 the rate increases $0.06 per gallon for each $0.50 drop in the price of milk.

Budgeted revenue for the Milk Handling Fee is calculated on a monthly basis by first determining what the corresponding fee is for the monthly price of milk as established by federal order. Once the correct milk handling fee has been determined, that fee is multiplied by the estimated number of gallons that will be sold based on previous years' consumption patterns. There is no fee on the handling in this state of packaged milk for sale in containers that were less than one quart or 20 or more quarts in volume, or packaged milk that is sold to an institution that is owned or operated by the State or Federal Government.

Revenue Source Forecast Factors and Trends:
The price of milk is relatively volatile and is difficult to accurately predict on a long-term basis. Since the amount of the Milk Handling Fee at any one time is based on the price of milk, long term revenue forecasts will be subject to frequent change.

Forecast Recommended Changes:
The short-term forecast of milk prices has been revised resulting in an increase of budgeted revenue for the forecast period.

General Fund - Liquor Sales and Operations

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$2,560,044	$4,440,935	$5,561,666	$5,550,000	$5,550,000	$5,550,000		
Annual % Growth	-94.9%	73.5%	25.2%	-0.2%	0.0%	0.0%		
Net Increase (Decrease)				$527,500	$777,500	$977,500		
Revised Forecast	$2,560,044	$4,440,935	$5,561,666	$6,077,500	$6,327,500	$6,527,500	$6,827,500	$7,027,500
Annual % Growth	-94.9%	73.5%	25.2%	9.3%	4.1%	3.2%	4.6%	2.9%

Revenue Source Summary:

In July 2004, the State signed a ten year lease with a private entity for the sale and distribution of spirits subject to price regulation by the Bureau of Alcoholic Beverages and Lottery Operations. Throughout the term the private entity is guaranteed a gross profit baseline percentage of 36.8%. Revenue sharing with the state is determined on a calendar year basis when aggregate profits exceed 36.8% at which time an amount equal to 50% of the gross profit overage is deposited in the General Fund.

In addition to the profit sharing arrangement, the bureau also collects revenue from a $250 listing fee paid by the distributor for each new product registered in Maine.

Revenue Source Forecast Factors and Trends:

As a result of the lease with the private entity, the State collected one-time payments from the private entity of $75,000,000 in FY04 and $50,000,000 in FY05. The revenue collected through the profit sharing arrangement of the lease has grown over the last few years. The growth for FY07 is attributed to a 2.0% increase in cases sold and a 4.8% increase in sales. 45 more retails stores selling distilled spirits have been added since the privatization. Product margins have been managed over the last three years so that any growth in sales is reflected in profits. For calendar year 2008 to date, total sales have increased 4.2% over the prior year, and the gross profit margin is currently 39.3%.

Forecast Recommended Changes:

Based upon this increase in sales, estimates for the profits from Liquor Operations have been increased by $500,000 in FY09, $750,000 in FY10, and $950,000 in FY11. Based upon actual listing fees received in FY07 and FY08, the revenue from this fee is being budgeted for the first time at $27,500 annually beginning in FY09.

General Fund - Liquor Taxes and Fees

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$18,814,733	$20,283,406	$20,673,308	$20,315,024	$20,395,942	$20,478,596		
Annual % Growth	7.9%	7.8%	1.9%	-1.7%	0.4%	0.4%		
Net Increase (Decrease)				($46,350)	$257,969	$255,597		
Revised Forecast	$18,814,733	$20,283,406	$20,673,308	$20,268,674	$20,653,911	$20,734,193	$20,767,357	$20,801,066
Annual % Growth	7.9%	7.8%	1.9%	-2.0%	1.9%	0.4%	0.2%	0.2%

Revenue Source Summary:

This revenue category is comprised of two principal revenue sources: taxes on alcoholic beverages and fees levied entities that are involved in the production, retailing and wholesaling of alcoholic beverages. The overwhelming majority of taxation and licensing revenue is collected for the General Fund by the Liquor Enforcement program within the Department of Public Safety.

Revenue Source Forecast Factors and Trends:

The collection of revenue derived from the various taxes on alcoholic beverages is based on trends of the consumption of alcoholic beverages; variations in this trend are generally tied to shifts in public taste for certain types of alcoholic beverages and tend to take place gradually over a number of years. Revenue that is collected from the wide variety of licensing fees appears to be fairly stable and is somewhat limited by various statutory requirements. Effective October 1, 2005, flavored malt beverages are no longer taxed as malt beverages and instead are taxed at the higher rate established for low-alcohol spirits.

Forecast Recommended Changes:

Based on the actual premium taxes on spirits, which has been below budget in each of the last three fiscal years, the premium tax on spirits is decreased by $142,000 in FY09, $143,899 in FY10, and $146,271 in FY11. Excise tax on malt beverages have been increased in FY10 and FY11 based upon review of budget to actual over the last three years. FY09 actual revenues remains close to projections, therefore no adjustment was made in the current year. Excise and premium tax on flavored malt has been increased in each year due to a review of budget to actual over the last three years as well as current activity. In addition, based on trends over the last few years, various licensing and other fees have been increased and/or decreased. Since the application of the no smoking laws to lounges, there has been a shift from lounge license fees to restaurant fees. In addition, several establishments have gone out of business, thus reducing revenues in some license and fee categories.

General Fund - Finance Industry Fees

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$20,471,110	$22,004,030	$23,638,820	$21,365,980	$21,365,980	$21,365,980		
Annual % Growth	9.8%	7.5%	7.4%	-9.6%	0.0%	0.0%		
Net Increase (Decrease)				$500,000	$0	$0		
Revised Forecast	$20,471,110	$22,004,030	$23,638,820	$21,865,980	$21,365,980	$21,365,980	$21,365,980	$21,365,980
Annual % Growth	9.8%	7.5%	7.4%	-7.5%	-2.3%	0.0%	0.0%	0.0%

Revenue Source Summary:

Securities Act Fees - 32 M.R.S.A. c. 135 (§16302, 16305 & §16410) The Maine Office of Securities within the Department of Professional and Financial Regulation oversees the registration of securities and the licensing of broker-dealers, agents, investment advisers, and investment adviser representatives. The $30 annual renewal fee for agents and investment adviser representatives accrues as dedicated revenue to fund the operations of the Maine Office of Securities. The remainder of the fees collected by the office, which include: agent initial license fees, broker-dealer fees, investment adviser fees, investment adviser representative initial fees, securities registration and exemption fees, and federal-covered securities notice filing fees, accrue to the General Fund. The revenue collected from the securities registration filing fee now accounts for more than 90% of this revenue source.

Revenue Source Forecast Factors and Trends:

PL 2003, c. 673, Part RRR, increased the fee for most security registration filings from $500 to $1,000 effective August 1, 2004.

PL 2005, c. 12, Part KKKK increased initial and renewal license fees for broker-dealers from $200 to $250, renewal license fees for investment advisers from $100 to $200, and initial license fees for agents and investment adviser representatives from $40 to $50 effective June 29, 2005. PL 2005, c. 65, repealed the Revised Maine Securities Act (32 MRSA, c.105) replacing it with the Maine Uniform Securities Act (32 MRSA, c.135) and replaced these statutorily defined fees with upper limits within which the Office establishes the fees. With the exception of the investment advisor representative annual renewal fee, which was lowered to $30 effective December 31, 2005, the fees have been set at the same level that existed under the prior securities act.

Forecast Recommended Changes:

The forecast has been updated to reflect FY 08 actual collections and FY09 collections through October 2008. The updated forecast includes a one-time $500,000 increase in the revenue estimated to be collected this year from the securities registration fee (from $19.8 million to $20.3 million). This one-time adjustment is based on actual receipts and current market conditions. Given the current volatility in the financial services sector, the collection of finance industry fees will be monitored closely but no further adjustments are recommended at this time.

General Fund - Corporation Fees and Licenses

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$7,710,325	$7,935,294	$7,969,156	$8,772,580	$9,334,580	$9,906,580		
Annual % Growth	12.0%	2.9%	0.4%	10.1%	6.4%	6.1%		
Net Increase (Decrease)				($30,000)	($30,000)	($30,000)		
Revised Forecast	$7,710,325	$7,935,294	$7,969,156	$8,742,580	$9,304,580	$9,876,580	$9,876,580	$9,876,580
Annual % Growth	12.0%	2.9%	0.4%	9.7%	6.4%	6.1%	0.0%	0.0%

Revenue Source Summary:

The Bureau of Corporations, Elections and Commissions within the Department of the Secretary of State collects filing fees from business corporations, non-profit corporations, limited partnerships, limited liability companies and limited liability partnerships.

Revenue Source Forecast Factors and Trends:

Revenue from corporation registrations and fees is usually dependent on healthy economic trends and the perception that it is advantageous to a corporation to be registered in the State of Maine. If the filing requirements are perceived to be unfavorable or that the established registration fee is viewed as excessive, it could be that a significant number of corporations would choose not to be registered in Maine.

Forecast Recommended Changes:

This decrease is based upon current activity in the Domestic Entity Filing Fees account, and is attributed to factors within the economy.

General Fund - Hunting and Fishing License Fees

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$16,840,079	$16,401,841	$15,683,316	$16,249,867	$16,249,867	$16,249,867		
Annual % Growth	0.9%	-2.6%	-4.4%	3.6%	0.0%	0.0%		
Net Increase (Decrease)				$0	$0	$0		
Revised Forecast	$16,840,079	$16,401,841	$15,683,316	$16,249,867	$16,249,867	$16,249,867	$16,249,867	$16,249,867
Annual % Growth	0.9%	-2.6%	-4.4%	3.6%	0.0%	0.0%	0.0%	0.0%

Revenue Source Summary:

The Department of Inland Fisheries and Wildlife collects a wide variety of hunting and fishing related licensing fees. Most of the fees collected are deposited to the General Fund. All fees are first recorded into General Fund account 1726, Undistributed. At the end of the month, for fees recorded through MOSES, a report is run and an adjustment is made for the correct RSC. Other fees not entered into MOSES must be entered by Department personnel. There is typically a one-month lag in posting to the correct RSC.

Article IX, section 21 of the Maine Constitution requires that the amount of funds appropriated to the department in any fiscal year may not be less than the total amount of revenues collected by the department in that same fiscal year.

Revenue Source Forecast Factors and Trends:

Occasional natural phenomena such as adverse weather trends will negatively affect the timely collection of budgeted revenues. In addition, the number of separate revenue source codes for this category makes it difficult to analyze budget to actual results. Oftentimes fees may be budgeted in one revenue source code while actual revenues are posted to another source code. The Department is working to simplify this process in order to have more meaningful budget to actual detail. In total, this revenue category has been close to budget for the last three fiscal years.

Forecast Recommended Changes:

Since overall revenue within this category has been close to budget in recent years, no net changes are recommended at this time. The forecast is projected to be level throughout the forecast period.

General Fund - Boat, ATV and Snowmobile Fees

	FY06 Actual	FY07Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$3,476,885	$4,162,079	$4,295,524	$3,711,323	$3,713,373	$3,715,628		
Annual % Growth	-16.2%	19.7%	3.2%	-13.6%				
Net Increase (Decrease)				$234,667	$234,667	$234,667		
Revised Forecast	$3,476,885	$4,162,079	$4,295,524	$3,945,990	$3,948,040	$3,950,295	$3,950,295	$3,950,295
Annual % Growth	-16.2%	19.7%	3.2%	-8.1%	0.1%	0.1%	0.0%	0.0%

Revenue Source Summary:

The Department of Inland Fisheries and Wildlife collects a large number of registration fees pertaining to boats, ATVs and snowmobiles. For the most part, revenue collected by the department from boat, ATV and snowmobile registration is deposited into the General Fund. A portion of boat registration fees is deposited into a dedicated account within the Department of Marine Resources, a portion of ATV registration is deposited to a dedicated account within the Department of Conservation, and a portion of snowmobile registration fees is deposited to dedicated accounts within the Departments of Inland Fisheries and Wildlife and Conservation. All fees are first recorded into General Fund account 1726, Undistributed. At the end of the month, for fees recorded through MOSES, a report is run and an adjustment is made for the correct RSC. Other fees not entered into MOSES must be entered by Department personnel. There is typically a one-month lag in posting to the correct RSC.

Article IX, section 21 of the Maine Constitution requires that the amount of funds appropriated to the department in any fiscal year may not be less than the total amount of revenues collected by the department in that same fiscal year.

Revenue Source Forecast Factors and Trends:

Occasional natural phenomena such as adverse weather trends will negatively affect collections of these revenues. Economical factors, such as gas prices, could also affect revenues.

The number of separate revenue source codes for this category makes it difficult to analyze budget to actual results. Oftentimes fees may be budgeted in one revenue source code while actual revenues are posted to another source code. The Department is working to simplify this process in order to have more meaningful budget to actual detail. In total, this revenue category has been over budget for the last two fiscal years.

Forecast Recommended Changes:

Registration fees related to boats over 10 horsepower has come in over budget for each of the last three fiscal years. An annual increase of $234,667 is recommended based upon current trends. The forecast is extended through FY13 with no growth expected.

General Fund - Pari-mutuel and Gaming Revenue

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$5,262,230	$8,604,917	$8,384,464	$11,938,341	$12,672,124	$13,255,455		
Annual % Growth	286.2%	63.5%	-2.6%	42.4%	6.1%	4.6%		
Net Increase (Decrease)				($3,595,107)	($4,495,886)	($4,751,112)		
Revised Forecast	$5,262,230	$8,604,917	$8,384,464	$8,343,234	$8,176,238	$8,504,343	$8,664,935	$8,828,739
Annual % Growth	286.2%	63.5%	-2.6%	-0.5%	-2.0%	4.0%	1.9%	1.9%

Revenue Source Summary:

For pari-mutuel revenue, the State collects a commission on live harness racing, race track simulcasting and off-track betting on horse racing. The commission for intrastate pools is 18% on regular wagers and 26% on exotic wagers. The commission on interstate common pools is the amount established by the State where the wager is pooled. Amounts collected as commissions are distributed among the General Fund and several dedicated funds or retained by or returned to race tracks and off-track betting facilities.

Gaming revenue is collected from slot machines that are currently authorized to be located on the premises of one commercial racetrack in Bangor and from various licensing and registration fees that are levied upon the private entities that own and operate the slot machines. Under current law (8 MRSA § 1036), 1% of the gross slot income (the amount collected from slot machine players) is distributed to the General Fund as well as 3% of the net slot machine income (the amount that is distributed to the owner and various governmental purposes after paybacks to the winning players).

Revenue Source Forecast Factors and Trends:

To a certain extent, the collection of budgeted pari-mutuel revenue is dependent on favorable weather and overall economic conditions; protracted periods of inclement weather and poor economic trends will adversely affect both the attendance at commercial racetracks and the availability of discretionary resources to make wagers. Public Law 2007, c. 539, Part G, effective July 1, 2008, established a dedicated account to which all pari-mutuel revenues accrue. Therefore, beginning with FY09, pari-mutuel revenues are no longer General Fund.

Penn National, the licensed slot machine operator of the Bangor racino facility, opened a temporary facility in early November of 2005 with 475 registered slot machines. Subsequently, a permanent facility with 1,000 registered slot machines opened on July 1, 2008.

For this forecast, the Revenue Forecasting Committee has 4 months of actual data from the 1,000 slot machine facility from which the Revenue Forecasting Committee has revised the spreadsheet that calculates the revenue from the racino initiative to provide more detailed assumptions based on actual experience. Actual receipts have been much lower than expected as a result of a slow economy and reduced discretionary income. It is expected that this trend will continue.

Forecast Recommended Changes:

The spreadsheet on the following pages details the assumptions that produce the revised estimate for revenue from the slot machine facility in Bangor. July - October 2009 revenue amounts were adjusted to reflect actual revenue. The assumption related to average slot income per machine per day has been lowered significantly based upon current experience, resulting in a decreased revenue forecast.

Revenue Forecasting Committee - December 2008 - Racino Revenue

GENERAL FUND REVENUE	2007-08 Actual	2008-09	2009-10	2010-11	2011-12	2012-13
March 2008 Forecast - Revised General Fund Revenue	$7,721,541	$11,938,341	$12,672,124	$13,255,455		
Incremental Effect of December 2008 Forecast		($3,595,107)	($4,495,886)	($4,751,112)		
December 2008 Forecast - Revised General Fund Revenue	$7,721,541	$8,343,234	$8,176,238	$8,504,343	$8,664,935	$8,828,739

FUND FOR A HEALTHY MAINE REVENUE	2007-08 Actual	2008-09	2009-10	2010-11	2011-12	2012-13
March 2008 Forecast - Fund for a Healthy Maine Revenue	$3,791,030	$6,436,969	$6,610,613	$6,794,888		
Incremental Effect of December 2008 Forecast		($1,633,303)	($2,068,988)	($2,162,430)		
December 2008 Forecast - Fund for a Healthy Maine Revenue	$3,791,030	$4,803,666	$4,541,625	$4,632,458	$4,725,107	$4,819,609

Detail of Current Revenue Forecast - Distribution of Total Slot Income

			2007-08 Actual	2008-09	2009-10	2010-11	2011-12	2012-13
Gross Slot Income (Coin/Voucher In)	A		$590,921,514	$642,738,448	$605,550,000	$617,661,000	$630,014,220	$642,614,504
Player's Share (Payback Value)	B		$547,101,999	$588,274,402	$554,078,250	$565,159,815	$576,463,011	$587,992,272
General Fund - Administration (1% of Gross Slot Income)	C	1.0%	$5,909,215	$6,427,384	$6,055,500	$6,176,610	$6,300,142	$6,426,145
"Net Slot Machine Income" (=A-B-C)			$37,910,300	$48,036,661	$45,416,250	$46,324,575	$47,251,067	$48,196,088
Licensees' Share of "Net Slot Machine Income"		**61.0%**	**$23,125,283**	**$29,302,363**	**$27,703,913**	**$28,257,991**	**$28,823,151**	**$29,399,614**

Distribution of State Share of "Net Slot Machine Income"	39.0%	2007-08 Actual	2008-09	2009-10	2010-11	2011-12	2012-13
General Fund (other)	3.0%	$1,137,309	$1,441,100	$1,362,488	$1,389,737	$1,417,532	$1,445,883
General Fund (After 48 months - November 2009)	1.0%	$0	$0	$283,500	$463,246	$472,511	$481,961
Fund for Healthy Maine	10.0%	$3,791,030	$4,803,666	$4,541,625	$4,632,458	$4,725,107	$4,819,609
University of Maine Scholarship Fund	2.0%	$758,206	$960,733	$908,325	$926,492	$945,021	$963,922
Maine Community College System - Scholarship Funds	1.0%	$379,103	$480,367	$454,163	$463,246	$472,511	$481,961
Resident Municipalities	1.0%	$379,103	$480,367	$454,163	$463,246	$472,511	$481,961
Purse Supplements	10.0%	$3,791,030	$4,803,666	$4,541,625	$4,632,458	$4,725,107	$4,819,609
Sire Stakes Fund	3.0%	$1,137,309	$1,441,100	$1,362,488	$1,389,737	$1,417,532	$1,445,883
Fund to Encourage Racing at Commercial Tracks	4.0%	$1,516,412	$1,921,466	$1,816,650	$1,852,983	$1,890,043	$1,927,844
Fund to Stabilize Off-Track Betting (48 months - until Oct 2009)	2.0%	$758,206	$960,733	$341,325	$0	$0	$0
Fund to Stabilize Off-Track Betting (after 48 months - Nov 2009)	1.0%	$0	$0	$283,500	$463,246	$472,511	$481,961
Agricultural Fair Support Fund	3.0%	$1,137,309	$1,441,100	$1,362,488	$1,389,737	$1,417,532	$1,445,883

Revenue Summary	2007-08 Actual	2008-09	2009-10	2010-11	2011-12	2012-13
General Fund						
General Fund Administration	$5,909,215	$6,427,384	$6,055,500	$6,176,610	$6,300,142	$6,426,145
General Fund (Other)	$1,137,309	$1,441,100	$1,645,988	$1,852,983	$1,890,043	$1,927,844
Licensing revenue	$599,775	$462,750	$462,750	$462,750	$462,750	$462,750
Reimbursement - Background Checks	$75,242	$12,000	$12,000	$12,000	$12,000	$12,000
Subtotal - General Fund	**$7,721,541**	**$8,343,234**	**$8,176,238**	**$8,504,343**	**$8,664,935**	**$8,828,739**
Fund for Healthy Maine	**$3,791,030**	**$4,803,666**	**$4,541,625**	**$4,632,458**	**$4,725,107**	**$4,819,609**
Other Special Revenue Funds						
Harness Racing Commission	$8,340,266	$10,568,065	$9,708,076	$9,728,161	$9,922,725	$10,121,180
HRC - Subtotal	$8,340,266	$10,568,065	$9,708,076	$9,728,161	$9,922,725	$10,121,180
PUS- host municipalities	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000
University of Maine Scholarship Fund	$758,206	$960,733	$908,325	$926,492	$945,021	$963,922
Maine Community College System Scholarships	$379,103	$480,367	$454,163	$463,246	$472,511	$481,961
Resident Municipalities	$379,103	$480,367	$454,163	$463,246	$472,511	$481,961
Subtotal - Other Special Revenue Funds	**$9,881,678**	**$12,514,532**	**$11,549,727**	**$11,606,145**	**$11,837,768**	**$12,074,024**

Details and Assumptions

Number of Machines	2007-08 Actual	2008-09	2009-10	2010-11	2011-12	2012-13
July	479	1,000	1,000	1,000	1,000	1,000
August	479	1,000	1,000	1,000	1,000	1,000
September	479	1,000	1,000	1,000	1,000	1,000
October	479	1,000	1,000	1,000	1,000	1,000
November	479	1,000	1,000	1,000	1,000	1,000
December	479	1,000	1,000	1,000	1,000	1,000
January	491	1,000	1,000	1,000	1,000	1,000
February	491	1,000	1,000	1,000	1,000	1,000
March	491	1,000	1,000	1,000	1,000	1,000
April	491	1,000	1,000	1,000	1,000	1,000
May	491	1,000	1,000	1,000	1,000	1,000
June	491	1,000	1,000	1,000	1,000	1,000

Payback % Average for Month	2007-08 Actual	2008-09	2009-10	2010-11	2011-12	2012-13
July	92.98%	91.76%	91.50%	91.50%	91.50%	91.50%
August	92.83%	91.56%	91.50%	91.50%	91.50%	91.50%
September	92.71%	91.37%	91.50%	91.50%	91.50%	91.50%
October	92.63%	91.49%	91.50%	91.50%	91.50%	91.50%
November	92.87%	91.50%	91.50%	91.50%	91.50%	91.50%
December	92.80%	91.50%	91.50%	91.50%	91.50%	91.50%
January	92.62%	91.50%	91.50%	91.50%	91.50%	91.50%
February	92.17%	91.50%	91.50%	91.50%	91.50%	91.50%
March	92.46%	91.50%	91.50%	91.50%	91.50%	91.50%
April	92.12%	91.50%	91.50%	91.50%	91.50%	91.50%
May	92.33%	91.50%	91.50%	91.50%	91.50%	91.50%
June	92.33%	91.50%	91.50%	91.50%	91.50%	91.50%

Average Total Slot Income Per Machine Per Day	2007-08 Actual	2008-09	2009-10	2010-11	2011-12	2012-13
Average for the Fiscal Year	**$3,311**	**$1,752**	**$1,667**	**$1,700**	**$1,734**	**$1,769**
July	3,815.32	2,564.52	$1,850	$1,887	$1,925	$1,963
August	3,668.08	2,090.67	$1,850	$1,887	$1,925	$1,963
September	3,671.65	1,919.41	$1,850	$1,887	$1,925	$1,963
October	3,588.28	1,850.96	$1,850	$1,887	$1,925	$1,963
November	3,544.26	$1,800	$1,800	$1,836	$1,873	$1,910
December	2,580.57	$1,500	$1,500	$1,530	$1,561	$1,592
January	3,025.09	$1,500	$1,500	$1,530	$1,561	$1,592
February	2,926.90	$1,500	$1,500	$1,530	$1,561	$1,592
March	3,145.14	$1,500	$1,500	$1,530	$1,561	$1,592
April	3,235.17	$1,600	$1,600	$1,632	$1,665	$1,698
May	3,331.01	$1,600	$1,600	$1,632	$1,665	$1,698
June	3,202.94	$1,600	$1,600	$1,632	$1,665	$1,698

General Fund - Fines, Forfeits and Penalties

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$37,781,055	$41,415,132	$44,465,534	$43,450,253	$43,414,253	$43,469,253		
Annual % Growth	6.4%	9.6%	7.4%	-2.3%	-0.1%	0.1%		
Net Increase (Decrease)				$112,450	$128,700	$123,700		
Revised Forecast	$37,781,055	$41,415,132	$44,465,534	$43,562,703	$43,542,953	$43,592,953	$43,592,953	$43,592,953
Annual % Growth	6.4%	9.6%	7.4%	-2.0%	0.0%	0.1%	0.0%	0.0%

Revenue Source Summary:

Revenue derived from fines, forfeitures and penalties is primarily collected through the efforts of the Violations Bureau and the courts within the Judicial Department. There is also fine revenue collected by the Department Environmental Protection, the Department of Inland Fisheries and Wildlife, the Department of Agriculture and other miscellaneous agencies. These funds statutorily accrue to the state's General Fund as undedicated revenue. There are some instances where fines, forfeitures and penalties are credited to other funds, such as fines from certain traffic infractions against motor carriers credited to the Highway Fund. There are other situations where funds are statutorily dedicated for other specific purposes.

Revenue Source Forecast Factors and Trends:

The major factors that affect this revenue source are the number of violators being prosecuted by law enforcement, the ability of violators to pay fines and the collection effort implemented by the Judicial Branch.

In FY06, computer conversion problems and slowed collection efforts by the Judicial Department resulted in a revenue shortfall of ($2,761,941) for fines, forfeits and penalties even after a downward adjustment of ($2,500,000). In FY07, the Judicial Branch revenue collections continued to run behind and finished the year with a negative variance of ($1,049,426). In FY 08, Judicial Department fine revenue collections were over budget by $550,821. Jundicial revenue is also over budget for the first 3 months of FY 09 due in part to a one-time transfer from the Law Enforcement Reimbursement Fund. Judicial Department base revenue increases by $1,000,000 annually beginning in FY 09 due to the Legislative initiative to establish of a summary judgment motion fee of $200.

Forecast Recommended Changes:

JUDICIAL DEPT.	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$34,742,819	$38,439,059	$40,765,466	$41,014,645	$41,014,645	$41,014,645		
Annual % Growth	8.8%	10.6%	6.1%	0.6%	0.0%	0.0%		
Net Increase (Decrease)				$0	$0	$0		
Revised Forecast	$34,742,819	$38,439,059	$40,765,466	$41,014,645	$41,014,645	$41,014,645	$41,014,645	$41,014,645
Annual % Growth	8.8%	10.6%	6.1%	0.6%	0.0%	0.0%	0.0%	0.0%

The projected revenue adjustments for fines collected by other state agencies other than the Judicial Department are as follows:

OTHER DEPT'S.	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$3,038,236	$2,976,073	$3,700,068	$2,435,608	$2,399,608	$2,454,608		
Annual % Growth	-15.2%	-2.0%	24.3%	-34.2%	-1.5%	2.3%		
Net Increase (Decrease)				$112,450	$128,700	$123,700		
Revised Forecast	$3,038,236	$2,976,073	$3,700,068	$2,548,058	$2,528,308	$2,578,308	$2,578,308	$2,578,308
Annual % Growth	-15.2%	-2.0%	24.3%	-31.1%	-0.8%	2.0%	0.0%	0.0%

General Fund - Targeted Case Management (HHS)

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$25,687,188	$23,550,288	$19,543,427	$8,609,702	$8,609,702	$8,609,702		
Annual % Growth	-25.6%	-8.3%	-17.0%	-55.9%	0.0%	0.0%		
Net Increase (Decrease)				$9,072,188	$1,024,092	$1,024,092		
Revised Forecast	$25,687,188	$23,550,288	$19,543,427	$17,681,890	$9,633,794	$9,633,794	$9,633,794	$9,633,794
Annual % Growth	-25.6%	-8.3%	-17.0%	-9.5%	-45.5%	0.0%	0.0%	0.0%

Revenue Source Summary:

This revenue source reflects Medicaid reimbursement for case management services provided by the Department of Health and Human Services' Office of Elder Services, Office of Children and Family Services, and the Maine Center for Disease Control and Prevention, as well as reimbursement for services provided by adult mental health caseworkers and case management for persons with mental retardation.

Revenue Source Forecast Factors and Trends:

Major factors include: the volume and timeliness of claims submitted and paid by Medicaid for these services; the rates billed and allowable for these services, and the prevailing federal match rate for these services. The decline in revenue from these sources in recent years is a result of the decline in caseload in the individual revenue line projections for case management services provided by the Office of Children and Family Services and in case management provided by adult mental health caseworkers and case management for persons with mental retardation.

Forecast Recommended Changes:

Estimates are updated to reflect FY08 actual revenue and FY09 revenue collected through September 2008. The March 2008 forecast assumed that as a result of changes in federal regulations, targeted case management revenue generated by the Office of Elder Services and the Office of Children and Family Services would be significantly reduced if not eliminated beginning March 1, 2008. The December 2008 forecast reflects the enactment of a one-year federal moratorium on implementation of these federal regulations until March of 2009, thereby allowing for an increase in forecasted collections from these billings for FY 09. The forecast for FY10 and beyond continues to assume the federal regulations will be implemented. In addition, adjustments to the forecast have been made to reflect a decline in billings for case management provided by adult mental health caseworkers ($925,751 reduced to $346,011 per year) and public health nurses ($256,224 reduced to $123,542 per year); offset by adjustments made for an increase in billings for case management for persons with mental retardation ($7,427,727 increased to $9,164,241 per year).

This forecast does not reflect a potential impact that may arise as a result of audit findings by the federal Department of Health and Human Services, Office of the Inspector General (OIG) that may result in a significant repayment of prior year targeted case management revenue. The Center for Medicare and Medicaid Services (CMS) recently notified the State of its concurrence with the OIG finding. The State has indicated it will appeal the decision.

General Fund - HHS Services Rendered

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$9,613,394	$11,125,914	$4,123,657	$2,768,022	$2,334,786	$2,334,786		
Annual % Growth	20.7%	15.7%	-62.9%	-32.9%	-15.7%	0.0%		
Net Increase (Decrease)				($1,105,614)	($2,063,758)	($2,063,758)		
Revised Forecast	$9,613,394	$11,125,914	$4,123,657	$1,662,408	$271,028	$271,028	$271,028	$271,028
Annual % Growth	20.7%	15.7%	-62.9%	-59.7%	-83.7%	0.0%	0.0%	0.0%

Revenue Source Summary:

This revenue category includes reimbursement for services provided within several DHHS programs. These revenues have historically included reimbursement for room and board at the Aroostook Residential Center, an ICF/MR facility in Presque Isle, reimbursement for residents' day programming at the Center, reimbursement for room and board at Freeport Towne Square (FTS) and the Pineland Center. These revenues also include reimbursement for day habilitation provided at FTS for residents of FTS and Medicaid reimbursement for day habilitation services provided by Freeport Towne Square to people who do not reside there, revenue generated by the Elizabeth Levinson Center from the School Nutrition Program through the Department of Education and reimbursement for room and board at the Elizabeth Levinson Center, an ICF/MR facility in Bangor.

This revenue category also reflected Medicaid reimbursement for the administrative costs associated with the portion of the Department and Health and Human Service's operations that involve the Medicaid program. The vast majority of this revenue is based on the 50% administrative match rate and represents the federal Medicaid program's "share" of these costs based on an approved cost allocation plan.

Revenue Source Forecast Factors and Trends:

Major factors include: the volume and timeliness of claims submitted and paid by Medicaid for these services; the rates billed and allowable for these services, and the prevailing federal match rate for these services. Consistent with the enacted closure and sale of the Freeport Towne Square facility (PL 2005, c.457, Pt. NN), revenue from the Freeport Towne Square source (2629) has been reduced and then eliminated for 2007 and beyond. The federal approval and implementation of a new administrative cost allocation plan has also been a major factor decreasing revenue from this source. The enacted initiative (PL 2007, c. 539, part N) to privatize the Elizabeth Levinson Center will also result in a significant reduction in revenue from this source.

Forecast Recommended Changes:

Estimates are updated to reflect FY08 actual revenue and FY09 revenue through September 2008. The forecast continues to reflect significant negative adjustments in revenue from these revenue sources. The reduced level of federal cost allocation plan revenue assumed in previous forecasts has been accelerated to the point that no non-Medicaid advocate revenue (see below) from the cost allocation plan is expected for the forecast period. The implementation of the enacted initiative to privatize the Elizabeth Levinson Center (PL 2007, c. 539, Part N) has been delayed so that additional revenue is forecasted for FY 09 ($958,144) but no revenue is forecast for subsequent years. For the remainder of the forecast period, the only remaining revenue forecast for these sources is the $271,028 per year estimated to result from allocating eligible advocacy expenditures to the Medicaid program through the cost allocation plan.

General Fund - State Cost Allocation Program (STA-CAP)

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$13,281,561	$15,428,622	$16,289,386	$19,301,608	$18,177,672	$19,182,328		
Annual % Growth	3.0%	16.2%	5.6%	18.5%	-5.8%	5.5%		
Net Increase (Decrease)				$0	$0	$0		
Revised Forecast	$13,281,561	$15,428,622	$16,289,386	$19,301,608	$18,177,672	$19,182,328	$19,182,328	$19,182,328
Annual % Growth	3.0%	16.2%	5.6%	18.5%	-5.8%	5.5%	0.0%	0.0%

Revenue Source Summary:

The State Cost Allocation Plan (STA-CAP) distributes central service overhead costs to all programs within the state's accounting system. Central services are provided by those administrative units that mainly provide services to departments and agencies and not to the general public. Examples of central services include building use and maintenance, equipment use, Capitol Security, accounting, budgeting, accounts payable, payroll, human resources, employee relations, purchasing, auditing, cash management, records storage, etc. The allowable overhead costs are allocated to all applicable agencies and programs and an individual indirect cost rate is calculated for each agency.

The indirect cost rate is assessed against operating expenditures and the assessed amount is transferred monthly to the General Fund (GF). The allocation is based on all fund types but is assessed only on non-General Fund operating expenditures. The assessment is applied to expenditures in most character and object codes. No STA-CAP charges are applied to expenditures for grants to governments, individuals, private or public agencies, for pensions or workers compensation benefits or for capital equipment or improvements.

Revenue Source Forecast Factors and Trends:

In FY06, the STA-CAP revenue category had a net positive variance of $1,744,339 (+15.1%). The actual variance was $2,244,339 because the State Controller transferred $500,000 from the GF STA-CAP account to the Office of Information Sertvices account to pay for certain services associated with the upgrade to the MFASIS accounting system. This positive variance appears to be the result of not taking into consideration the actual FY05 revenue amount and a slight decrease in the ratio of GF to Non-GF expenditures. In FY08, actual STA-CAP revenue exceeded the budgeted amount by $1,148,446.

Within this category is a reimbursement to the Highway Fund for Highway Fund expenditures that qualify for reimbursement as central administrative costs. The budgeted revenue is based on Highway Fund allocations to the Building and Grounds Operations program within the Department of Administrative and Financial Services.

Forecast Recommended Changes:

There are no net changes recommended at this time. The transfer to the Highway Fund that offsets Highway Fund expenditures is increased in this forecast but is offset by an equal increase projected from Highway Fund bonds.

General Fund - Unclaimed Property Transfer

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$14,880,517	$10,499,528	$11,114,735	$18,775,369	$9,775,369	$9,775,369		
Annual % Growth	48.8%	-29.4%	5.9%	68.9%	-47.9%	0.0%		
Net Increase (Decrease)				($7,091,949)	($5,291,949)	($5,291,949)		
Revised Forecast	$14,880,517	$10,499,528	$11,114,735	$11,683,420	$4,483,420	$4,483,420	$4,483,420	$4,483,420
Annual % Growth	48.8%	-29.4%	5.9%	5.1%	-61.6%	0.0%	0.0%	0.0%

Revenue Source Summary:

This revenue source reflects an annual transfer to the General Fund from the Unclaimed Property Fund pursuant to 33 MRSA section 1964. The Office of the Treasurer of State must transfer any funds in excess of $500,000 to the General Fund from the Unclaimed Property Fund at the end of each year. The Unclaimed Property Fund receives money and other assets under the Uniform Unclaimed Property Act from entities who cannot locate the owners. After distributing proceeds to found owners through the Treasurer's search and outreach efforts, remaining unclaimed property, including proceeds from any sale of assets, becomes available for transfer to the General Fund.

Revenue Source Forecast Factors and Trends:

Out-of-State corporations doing business in Maine were required for the first time to report and transfer dormant gift card balances to Maine on May 1, 2007. No corporations reported or transferred balances related to gift cards. The State Treasurer sent 44 demand letters to national retailers doing business in Maine. None paid and many responded with legal briefs challenging Maine's law. Enforcement options are under review by the Attorney General. Even if enforcement action is taken and ultimately successful it is unlikely that revenue from this source will be received in the current biennium. FY 08 actual revenue exceeded the budgeted amount by $1,339,366.

Forecast Recommended Changes:

The proposed reduction is a result of the decrease in the expected gain from the sale of equities held in trust as unclaimed property. Legislation recorded a $9,000,000 increase in FY 09 as a result of the sale of equities, but due to the reduced value of the equities, particularly financials, the revenue from this source is expected to decline. Gift card revenue is also reprojected downward by $500,000. Lower cash pool interest also negatively effects this revenue source. This forecast reflects an overall increase in claims due to the tight economic times, including other categories of unclaimed property.

General Fund - Tourism Transfer

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	($7,762,689)	($8,221,338)	($8,708,437)	($8,989,877)	($9,357,623)	($9,834,091)		
Annual % Growth	2.8%	5.9%	5.9%	3.2%	4.1%	5.1%		
Net Increase (Decrease)				($78,530)	($54,085)	$73,009		
Revised Forecast	($7,762,689)	($8,221,338)	($8,708,437)	($9,068,407)	($9,411,708)	($9,761,082)	($10,101,414)	($10,504,788)
Annual % Growth	2.8%	5.9%	5.9%	4.1%	3.8%	3.7%	3.5%	4.0%

Revenue Source Summary:

The amounts above reflect transfers to the Tourism Marketing Promotion Fund within the Department of Economic and Community Development, Office of Tourism. Beginning July 1, 2003 and every July 1st thereafter, the State Controller transfers to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the 7% tax imposed on tangible personal property and taxable services pursuant to Title 36, section 1811, for the first 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund as described by Title 30-A, section 5681, subsection 5. Beginning on October 1, 2003 and every October 1st thereafter, the State Controller transfers to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the 7% tax imposed on tangible personal property and taxable services pursuant to Title 36, section 1811, for the last 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund. The tax amount may not consider any accruals.

The amount transferred from General Fund sales and use tax revenues does not affect the calculation of the transfer to the Local Government Fund.

Revenue Source Forecast Factors and Trends:

This transfer is driven by the revenue forecast of the meals and lodging portion of the sales tax. Given the detail available for the 7% tax portion of the Sales and Use Tax, the Sales Tax model is used to budget for this category.

Forecast Recommended Changes:

The forecast was updated with the sales tax micro-simulation model which incorporates the latest economic forecast.

General Fund - Transfers to Maine Milk Pool

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	($2,616,160)	($10,158,802)	($1,078,425)	($2,297,445)	($2,297,445)	($2,297,445)		
Annual % Growth	N/A	288.3%	-89.4%	113.0%	0.0%	0.0%		
Net Increase (Decrease)				($3,217,587)	($3,202,555)	($3,202,555)		
Revised Forecast	($2,616,160)	($10,158,802)	($1,078,425)	($5,515,032)	($5,500,000)	($5,500,000)	$5,500,000	$5,500,000
Annual % Growth	N/A	288.3%	-89.4%	411.4%	-0.3%	0.0%	-200.0%	0.0%

Revenue Source Summary:

Current law (7 MRSA §3153-D) requires the Administrator of the Maine Milk Pool to certify monthly amounts of General Fund undedicated revenue that must be transferred to the Maine Milk Pool. The certified amounts are based on a complicated series of factors which include milk production rates and milk prices. Milk prices are generally determined by the availability of milk supply which in turn is affected by weather conditions and the level of federal support programs. There is an inverse relationship between milk prices and the amounts transferred to the Maine Milk Pool for redistribution to milk producers (Maine's dairy farmers). As milk prices fall, the amount of the transfers certified by the Administrator of the Maine Milk Pool will increase.

Current law requires the Administrator of the Maine Milk Pool to establish the level of support payments to milk producers from the Maine Milk Pool through a determination of the most recent milk production ranges and milk costs. Budgeted transfers to the Maine Milk Pool are calculated on a monthly basis by first estimating the farmer price which is the sum of the monthly Milk Income Loss Contract payment, the monthly Boston Blend Price (expressed in hundredweight) and the average premium. The farmer price is then compared to the target price which corresponds to an individual farmer's tier (small, medium or large); if the tier target price is greater than the the farmer price then the payment to that farmer will equal the difference between the two multiplied by that month's production in terms of hundredweight; the total of estimated payments to each farmer is the budgeted monthly transfer to the Maine Milk Pool. The establishment of the amount of support payments from the Maine Milk Pool dictates the amounts of undedicated revenue that must be transferred from the General Fund to the Maine Milk Pool.

Revenue Source Forecast Factors and Trends:

Previous forecasts for these transfers to the Maine Milk Pool have not made adequate use of updated forecasts regarding milk price and production levels that determine the amounts to be transferred from the General Fund to the Maine Milk Pool. The decisions of the Maine Milk Commission have also increased the amounts to be transferred and distributed.

Forecast Recommended Changes:

The adjustments for FY09, FY10 and FY11 reflect a more recent forecast of milk prices.

General Fund - Other Miscellaneous

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$28,173,802	$31,443,464	$28,121,763	$26,408,537	$22,325,786	$22,988,801		
Annual % Growth	-20.2%	11.6%	-10.6%	-6.1%	-15.5%	3.0%		
Net Increase (Decrease)				$641,664	($840,576)	($976,614)		
Revised Forecast	$28,173,802	$31,443,464	$28,121,763	$27,050,201	$21,485,210	$22,012,187	$24,133,118	$24,270,001
Annual % Growth	-20.2%	11.6%	-10.6%	-3.8%	-20.6%	2.5%	9.6%	0.6%

Revenue Source Summary:

This group reflects all the other General Fund revenue sources collected by the various departments and agencies that are not otherwise classified in the General Fund Summary Table.

Summary of Revenue Adjustments to December 2008 Forecast:

Presented below are the major adjustments made to the various revenue sources in this category with a brief description of the reason for the change.

Administrative and Financial Services - Maine Revenue Services - Transfer to Maine Clean Election Fund (2710)

FY09	FY10	FY11
$19,222	$19,958	$20,463

The Maine Clean Election Fund receives legislatively approved transfers from the General Fund and from the income tax check off. This decrease in the transfer is due to a decline in collections from the income tax check off over the past several years.

Administrative and Financial Services - Maine Revenue Services - Mahogony Quahog Tax (1903)

FY09	FY10	FY11
($10,000)	($10,000)	($10,000)

The forecast for the Mahogany Quahog Tax is being reduced to bring the budget amount in line with actual revenue collections.

Administrative and Financial Services - Maine Revenue Services - Container Fee (1195)

FY09	FY10	FY11
$100,000	$125,000	$150,000

The forecast for the Container Fee is being increased to bring the budget amount in line with actual revenue collections.

Administrative and Financial Services - Maine Revenue Services - Service Charges for Cities and Towns (LURC Fee) (2498)

FY09	FY10	FY11
$140,000	$176,020	$176,020

The forecast for the Land Use Regulation Commission (LURC) is being increased to bring the budget amount in line with actual revenue collections.

Department of Agriculture, Food and Rural Resources - Division of Quality Assurance and Regulation - Product Registration Fee (1405)

FY09	FY10	FY11
$32,000	$32,000	$32,000

This category includes registration fees on fertilizers. Revenues have been over budget for the last three fiscal years, therefore an annual increase of $32,000 is recommended.

Department of Agriculture, Food and Rural Resources - Division of Quality Assurance and Regulation - Registration of Feeding Stuffs (1406)

FY09	FY10	FY11
$41,000	$41,000	$41,000

This category includes registration fees on animal feed, including pet foods. Revenues have been over budget for the last three fiscal years, therefore an annual increase of $41,000 is recommended.

Department of Agriculture, Food and Rural Resources - Division of Quality Assurance and Regulation - Inspection Services (2621)

FY09	FY10	FY11
$30,000	$40,000	$40,000

This category includes revenues from the federal Food and Drug Administration for inspections performed at their request. An adjustment is recommended based upon current activity.

Attorney General - Administration - Attorney General (2690)

FY09	FY10	FY11
$1,693,484	$0	$0

Reflects revenue from 2 known settlements that will be received during FY 09.

Corrections - State Prison (2691&2296), Maine Correctional Center (2296) and Long Creek Youth Development Center (2296)

FY09	FY10	FY11
($171,500)	($161,500)	($161,500)

Reflects a reduction in housing federal and county prisoners.

Conservation - Division of Forest Protection - Filing Fees (2632)

FY09	FY10	FY11
$5,000	$5,000	$5,000

This category includes revenues from burn permits. An adjustment is recommended based upon the trend over the last two years.

Conservation - Division of Forest Policy Management - Court Fines Conservation (2015))

FY09	FY10	FY11
$46,000	$0	$0

A one-time adjustment to FY09 is recommended after settlement of a case and collection of the fine.

Commission on Governmental Ethics and Election Practices - Registration Fees (2631)

FY09	FY10	FY11
$6,500	($7,500)	$6,500

This category includes lobbyist filing fees. An adjustment is recommended to reflect the cyclical nature of the revenues - revenues in the even years total approximately $52,000, and revenues in the odd years total approximately $66,000.

Department of Environmental Protection - Water Treatment Operator License (1950)

FY09	FY10	FY11
($13,500)	($13,500)	($13,500)

The recommended adjustment will reduce budgeted revenue for this category to zero.

Health and Human Services (DHS) - Foster Care 0137 (2543)

FY09	FY10	FY11
$39,870	$39,870	$39,870

Increases estimates based on collections through September 2008 for Old Age Supplemental Insurance payments that DHHS receives for costs incurred by the State on behalf of children in state care.

Health and Human Services (DHS) - Child Support (2520) and Mis Services & Fees (2637)

FY09	FY10	FY11
($351,519)	($351,519)	($351,519)

Reduces estimates of child support payments in FY 09 from non-custodial parents for the care of children in State care based on collections to date. Also increases revenue estimates from fees charged for child protective background checks based on experience to date.

Inland Fisheries and Wildlife - Administrative Services - Commercial Shellfish License (1478)

FY09	FY10	FY11
($96,000)	($96,000)	($96,000)

These license fees are collected by the Department of Marine Resources and an adjustment has been made to reduce this budget line to zero.

Inland Fisheries and Wildlife - Administrative Services - Mahogany Quahog License (1479)

FY09	FY10	FY11
($138,667)	($138,667)	($138,667)

These license fees are collected by the Department of Marine Resources and an adjustment has been made to reduce this budget line to zero.

Marine Resources - Administrative Services - Orig Apprentice License (1435)

FY09	FY10	FY11
$10,000	$10,000	$5,000

This adjustment reflects current trends related to scallop licenses.

Marine Resources - Administrative Services - Sea Urchins (1449)

FY09	FY10	FY11
$9,000	$9,000	$4,500

This adjustment reflects current trends related to sea urchin licenses.

Marine Resources - Administrative Services - Lobster Crab Fishing License (1452)

FY09	FY10	FY11
($30,000)	($60,000)	($90,000)

In FY09, new exit/entry ratios were adopted with the goal of reducing new entry into the fishery. An adjustment is recommended to reflect decreased activity with these licenses.

Marine Resources - Administrative Services - Commercial Shellfish License (1478)

FY09	FY10	FY11
($11,500)	($11,500)	($11,500)

An adjustment is recommended to reflect actual revenues over the last three years. Revenue amounts in this category are affected by red tide and flood closures, which have been particularly high in recent years.

Public Safety - Administration - Games of Chance (1248)

FY09	FY10	FY11
($207,625)	($201,567)	($195,206)

This is a recently enacted revenue source by PL 2007, c. 205 which generates General Fund revenue when dedicated revenue collections exceed the cost of administration. The Department has collected only small amounts of dedicated revenue, and are not covering their administrative costs. An adjustment is recommended to reflect this trend.

Public Safety - Administration - Concealed Weapons Permit (1378)

FY09	FY10	FY11
$9,000	$9,000	$9,000

This adjustment is made based upon the trend in revenue collections over the last five years.

Public Safety - State Police - Sale of Prints (2660)

FY09	FY10	FY11
($3,200)	($3,200)	($3,200)

This adjustment is made based upon the trend in revenue collections over the last five years.

Public Safety - State Police - Miscellaneous Income (2686)

FY09	FY10	FY11
($1,200)	($1,200)	($1,200)

This adjustment is made based upon the trend in revenue collections over the last five years.

Public Safety - State Police - Sale of Autos (2821)

FY09	FY10	FY11
($80,000)	($80,000)	($80,000)

This adjustment is recommended to reflect the fact that vehicles remain on the road longer, resulting in decreased revenue in this category.

Public Safety - Liquor Enforcement - Rental Occ/Pro Licenses (1431)

FY09	FY10	FY11
$2,000	$2,000	$2,000

This adjustment is made based upon the trend in revenue collections over the last five years.

Public Safety - Liquor Enforcement - Receiving Filing Record Deeds (2630)

FY09	FY10	FY11
$1,750	$1,750	$1,750

This adjustment is made based upon the trend in revenue collections over the last five years.

Public Safety - Liquor Enforcement - Registration Fees (2631)

FY09	FY10	FY11
$1,930	$1,930	$1,930

This adjustment is made based upon the trend in revenue collections over the last five years.

Secretary of State - Bureau of Motor Vehicles - Excise Tax Non-resident Motor Vehicles (0186)

FY09	FY10	FY11
($31,448)	($31,448)	($31,448)

Requirements of residents from other states registering in Maine were tightened in April 2008 to ensure such residents actually existed. These requirements are expected to result in decreased revenues. For the first quarter of FY09, revenues were down 7.5% compared to the same quarter in FY08. This adjustment has been made to reflect this trend.

Secretary of State - Bureau of Motor Vehicles - License Restoration Fees (1503)

FY09	FY10	FY11
$77,628	$150,617	$149,198

These fees were approximately 26% over budget in FY08 due to a backlog in the Courts that was processed during FY08. Revenues have been adjusted based upon a review of the last three years.

Secretary of State - Bureau of Administrative Services and Corporations - Filing Fees (2632)

FY09	FY10	FY11
($50,000)	($50,000)	($50,000)

This category includes UCC filing fees. UCC filings on personal property are down 20%, partly due to the slow economy, and partly due to a new law requiring filings to be done in the state the entity is organized rather than in the state the property is located. Revenues have been adjusted downward to reflect this trend.

Secretary of State - Bureau of Administrative Services and Corporations - Miscellaneous Services and Fees (2637)

FY09	FY10	FY11
($10,000)	($10,000)	($10,000)

An adjustment is recommended based upon current activity.

Other Miscellaneous

FY09	FY10	FY11
($416,561)	($276,120)	($417,105)

Appendix B - Highway Fund

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HIGHWAY FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2008

Source	FY02 Actual	% Chg.	FY03 Actual	% Chg.	FY04 Actual	% Chg.	FY05 Actual	% Chg.	FY06 Actual	% Chg.	FY07 Actual	% Chg.
Fuel Taxes	184,732,999	1.2%	187,901,008	1.7%	212,600,843	13.1%	220,484,728	3.7%	221,575,309	0.5%	226,824,018	2.4%
Motor Vehicle Registration & Fees	83,285,014	9.1%	83,032,421	-0.3%	82,577,755	-0.5%	84,645,422	2.5%	87,658,962	3.6%	87,291,874	-0.4%
Inspection Fees	3,412,662	37.0%	4,169,773	22.2%	4,708,196	12.9%	4,260,059	-9.5%	4,373,692	2.7%	4,342,519	-0.7%
Fines, Forfeits and Penalties	1,958,350	-6.6%	2,531,692	29.3%	1,918,703	-24.2%	1,518,580	-20.9%	1,809,813	19.2%	1,668,000	-7.8%
Income from Investments	2,857,209	-32.6%	1,338,794	-53.1%	720,046	-46.2%	1,440,739	100.1%	1,833,806	27.3%	1,105,987	-39.7%
Other Revenues	5,737,781	4.9%	9,272,396	61.6%	9,502,442	2.5%	13,728,627	44.5%	9,294,574	-32.3%	9,588,686	3.2%
Total - Highway Fund Revenue	**281,984,017**	**3.2%**	**288,246,084**	**2.2%**	**312,027,986**	**8.3%**	**326,078,155**	**4.5%**	**326,546,157**	**0.1%**	**330,821,083**	**1.3%**

HIGHWAY FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2008

Source	FY08 Actual	% Chg.	FY 08 Budget	FY 08 Variance	% Var.	FY09 Budget	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Fuel Taxes	225,235,339	-0.7%	223,368,718	1,866,621	0.8%	234,197,278	4.0%	(4,405,842)	229,791,436	2.0%
Motor Vehicle Registration & Fees	86,094,837	-1.4%	85,953,481	141,356	0.2%	99,146,017	15.2%	(3,123,001)	96,023,016	11.5%
Inspection Fees	4,193,874	-3.4%	4,468,458	(274,584)	-6.1%	4,474,821	6.7%	(258,109)	4,216,712	0.5%
Fines, Forfeits and Penalties	1,747,986	4.8%	1,794,049	(46,063)	-2.6%	1,795,049	2.7%	0	1,795,049	2.7%
Income from Investments	1,152,491	4.2%	1,000,000	152,491	15.2%	1,000,000	-13.2%	(596,228)	403,772	-65.0%
Other Revenues	9,712,051	1.3%	9,771,333	(59,282)	-0.6%	9,629,561	-0.8%	(939)	9,628,622	-0.9%
Total - Highway Fund Revenue	**328,136,579**	**-0.8%**	**326,356,039**	**1,780,540**	**0.5%**	**350,242,726**	**6.7%**	**(8,384,119)**	**341,858,607**	**4.2%**
Change in Biennial Totals								**317,971,920**		

HIGHWAY FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2008

Source	FY10 Budget	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Budget	% Chg.	Recom. Chg.	FY11 Revised	% Chg.	FY12 Projections	% Chg.	FY13 Projections	% Chg.
Fuel Taxes	226,829,873	-3.1%	406,187	227,236,060	-1.1%	229,823,555	1.3%	(1,430,380)	228,393,175	0.5%	227,766,093	-0.3%	230,584,039	1.2%
Motor Vehicle Registration & Fees	84,463,204	-14.8%	(5,256,621)	79,206,583	-17.5%	85,154,321	0.8%	(3,681,951)	81,472,370	2.9%	84,448,721	3.7%	84,794,066	0.4%
Inspection Fees	4,481,057	0.1%	(102,964)	4,378,093	3.8%	4,487,326	0.1%	(108,849)	4,378,477	0.0%	4,371,749	-0.2%	4,371,749	0.0%
Fines, Forfeits and Penalties	1,795,049	0.0%	0	1,795,049	0.0%	1,795,049	0.0%	0	1,795,049	0.0%	1,795,049	0.0%	1,795,049	0.0%
Income from Investments	1,000,000	0.0%	(733,354)	266,646	-34.0%	1,000,000	0.0%	(615,287)	384,713	44.3%	384,713	0.0%	384,713	0.0%
Other Revenues	9,664,648	0.4%	134,499	9,799,147	1.8%	9,702,303	0.4%	139,648	9,841,951	0.4%	9,863,570	0.2%	9,868,570	0.1%
Total - Highway Fund Revenue	**328,233,831**	**-6.3%**	**(5,552,253)**	**322,681,578**	**-5.6%**	**331,962,554**	**1.1%**	**(5,696,819)**	**326,265,735**	**1.1%**	**328,629,895**	**0.7%**	**331,798,186**	**1.0%**
Change in Biennial Totals								**(11,249,072)**						

Highway Fund - Fuel Taxes

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$221,575,309	$226,824,018	$225,235,339	$234,197,278	$226,829,873	$229,823,555		
Annual % Growth	0.5%	2.4%	-0.7%	4.0%	-3.1%	1.3%		
Net Increase (Decrease)				($4,405,842)	$406,187	($1,430,380)		
Revised Forecast	$221,575,309	$226,824,018	$225,235,339	$229,791,436	$227,236,060	$228,393,175	$227,766,093	$230,584,039
Annual % Growth	0.5%	2.4%	-0.7%	2.0%	-1.1%	0.5%	-0.3%	1.2%

Revenue Source Summary:

An excise tax is imposed upon internal combustion engine fuel sold or used within this State. Beginning July 1, 2003, the rate is indexed annually for inflation. Refund of the gasoline tax paid (less 1¢ per gallon) is provided for fuel used in commercial motor boats, tractors used for agricultural purposes, vehicles used on rail and tracks or in stationary engines or in mechanical or industrial arts. Fuel used for these purposes is subject to the 5% use tax if the gasoline tax is refunded. Full refund is provided for certain common carrier passenger service vehicles.

Revenue Source Forecast Factors and Trends:

The collection of budgeted fuel taxes is somewhat dependent on a fairly strong economy and reasonable retail prices for gasoline. In FY06 with fuel prices at very high levels, fuel taxes were under budget by $5.2 million, a -2.3% variance. Through the first quarter of FY07, fuel taxes continued to run under budget and were $2.9 million under (a -6.6% variance) despite an improvement in gasoline prices.

Forecast Recommended Changes:

In its January 2008 report, the Consensus Economic Forecasting Commission (CEFC) made the following changes in its Consumer Price Index estimates: decreased calendar year 2008 from 2.5% to 2.3%, decreased calendar years 2009 and 2010 from 2.5% to 2.1%, and decreased calendar year 2011 from 2.5% to 2.2%. The effect of the CEFC adjustments to the Consumer Price Index estimations had a very small positve impact on the forecast, but the impact of current and forecasted high motor fuel prices resulted in a further decline in projected fuel tax revenue for the current biennium.

Actual and Projected Tax Rates

	7/1/2005 Act.	7/1/2006 Act.	7/1/2007 Act.	7/1/2008 Act.	7/1/2009	7/1/2010	7/1/2011	7/1/2012
Gasoline Tax								
Current Forecast	$0.259	$0.268	$0.276	$0.284	**$0.291**	**$0.297**		
Revised Forecast					**$0.296**	**$0.303**	**$0.311**	**$0.318**
Special Fuel Tax								
Current Forecast	$0.270	$0.279	$0.288	$0.296	$0.304	$0.309		
Revised Forecast					**$0.309**	**$0.317**	**$0.325**	**$0.332**

Highway Fund - Motor Vehicle Registration and Fees

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$87,658,962	$87,291,874	$86,094,837	$99,146,017	$84,463,204	$85,154,321		
Annual % Growth	3.6%	-0.4%	-1.4%	15.2%	-14.8%	0.8%		
Net Increase (Decrease)				($3,123,001)	($5,256,621)	($3,681,951)		
Revised Forecast	$87,658,962	$87,291,874	$86,094,837	$96,023,016	$79,206,583	$81,472,370	$84,448,721	$84,794,066
Annual % Growth	3.6%	-0.4%	-1.4%	11.5%	-17.5%	2.9%	3.7%	0.4%

Revenue Source Summary:

The Secretary of State oversees the administration of the various motor vehicle registrations and operator's licenses. All fees collected by the Secretary of State from motor vehicle registration and operator's license accrue to the Highway Fund, except that a portion of the fees and contributions collected for Conservation plates, lobster plates, Black Bear plates, sportsman plates, We Support Our Troops plates, breast cancer support services plates, agriculture education plates, and University of Maine System plates accrue as dedicated revenue to be used for special purposes and a portion of excise taxes on nonresident fees accrues to the General Fund.

Revenue Source Forecast Factors and Trends:

The largest element within this revenue category is Registration - Motor Vehicles (RSC # 1501), which is comprised of registrations for commercial vehicles, passenger vehicles, trailers and decal stamps. This group represents approximately 63% of the revenue within this category. Beginning in FY09, revenues related to registration of long-term trailers was broken out of RSC 1501 into its own RSC, 1514. Long-term trailer registration fees represent approximately 8% of the revenues in this category. The next largest categories, representing roughly 20% of the revenue in this category are Automobile Driver License fees (RSC #1502) and Motor Vehicle Title Fees (RSC # 1504).

In September 2008, fees for registration, vanity plates and title increased by $10, which accounts for the large Current Forecast increase between FY08 and FY09. These fees will be transferred to the TransCap Fund beginning in FY10, which is why FY10 and after is more consistent with FY08.

Most recently, in FY08, actual revenue from Motor Vehicle Registration and Fees exceeded budgeted amount by $141,356 which is much less of a variance than the previous two fiscal years. Revenues from Registrations (including long-term trailers) were down by $815,744, with revenues from long-term trailers at their lowest levels in 12 years. Revenues from Automobile Driver License Fees were over budget by $320,383, and revenues from Title Fees were over budget by $113,577. A one-time purchase of titles in FY08 contributed to this revenue growth. License Restoration fees were over budget by approximately 26% due to a backlog in the Courts which was processed during FY08.

Forecast Recommended Changes:

The following reprojections are recommended for the current forecast period:

- Motor Vehicle Registrations (RSC 1501) - ($1,252,324) in FY09, ($9,907,843) in FY10, and ($10,219,945) in FY11. Registrations were down 1.3% in FY08, and continue to be below budget for the first quarter of FY09. The lag in new vehicle sales contributed to this adjustment. In FY10 and FY11, $7,740,600 of the adjustment is due to breaking out Long Term Trailer Registrations into a separate RSC, 1514.

- License Restoration Fees (RSC 1503) - $216,247 in FY09, $209,063 in FY10, and 201,843 in FY11. A large amount of these restorations that had previously been backlogged were processed in FY08. An analysis of the last three years of revenue indicates an upward adjustment should be made.

- Title Law (RSC 1504) - ($1,694,588) in FY09, ($566,670) in FY10, and $843,970 in FY11. Although Titles ended FY08 over budget, this situation was the result of a one-time buyout of titles. Title fees are under budget by 23% for the first quarter of 2009. FY09's downward projection is based upon the most recent projections of new car registrations per the latest Global Insights survey. The $10 title fee increase specified in PL 2007, c. 647 was mistakenly posted to RSC 1505. FY10 and FY11 adjustments correct this error, and factor in projected growth rates per Global Insight.

- Initial Plate Fees (RSC 1505) - $168,688 in FY09, ($2,771,591) in FY10 and ($2,779,710) in FY11. These fees were over budget in FY08 by 9.5%. The adjustments are based upon average revenue collections over the last three years. The $10 title fee increase specified in PL 2007, c. 647 was mistakenly posted to RSC 1504. FY10 and FY11 adjustments include a correction for this error.

- Temporary Plate Fees (RSC 1507) - ($12,933) in FY09, ($13,922) in FY10, and ($14,917) in FY11. Temporary plate fees were down 4.54% in FY08 due to decreased car sales. An adjustment has been made in each year to reflect this trend.

- Lost Plate Fees (RSC 1509) - $12,653 in FY09, $12,061 in FY10, and $11,466 in FY11. Revenue from these fees was over budget by 11.79% in FY08. FY09 projection is based on FY08 actuals which is expected to remain flat.

- Duplicate Certificate (RSC 1511) - $77,523 in FY09, $74,211 in FY10, and $70,882 in FY11. Revenue from these fees was over budget by 11.16% in FY08. FY09 projection is based on FY08 actuals which is expected to remain flat.

- Registration Increase (RSC 1512) - ($127,168) in FY09, ($129,812) in FY10, and ($132,469) in FY11. Gross weight revenues were down 18.41% in FY08. FY09 projection is based upon the average revenue collections for the last three years. FY10 and FY11 is based upon FY09 with no growth anticipated.

- Long Term Trailer Registrations (RSC 1514) - ($404,370) in FY09, $7,740,600 in FY10, and $7,740,600 in FY11. FY09 revenues were at their lowest levels in 12 years, and continued to be under budget for the first quarter of 2009. FY09 adjustment was based upon FY08 actuals, reduced by 5% to reflect current trends. In FY10 and FY11, no growth is expected from FY09 amounts. The $7,740,600 adjustment is due to breaking out Long Term Trailer Registrations from RSC 1501.

- Transfer Fee (RSC 1533) - ($106,729) in FY09, ($111,056) in FY10, and ($115,405) in FY11. Transfer fee revenues were down 12.47% in FY08, and continue to be under budget for the first quarter of 2009. FY09 adjustment is based upon FY08 actuals, and no growth is expected in FY10 and FY11.

- Contribution from Highway Fund (RSC 2717) - $363,745 in FY10 and $488,887 in FY11. This account is used to record the transfer from the Highway Fund to the TransCap Fund of the $10 fee increases (effective September 2008, transferred to TransCap Fund beginning July 2009) related to registrations, title, and vanity plates. The original projection of the transfer related to title increases was done prior to the FY08 one-time buyout of a significant number of titles. The amount of the transfer has been decreased in both FY10 and FY11 to reflect a lower number of title units than previously anticipated.

Highway Fund - Inspection Fees

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$4,373,691	$4,342,519	$4,193,874	$4,474,821	$4,481,057	$4,487,326		
Annual % Growth	2.7%	-0.7%	-3.4%	6.7%	0.1%	0.1%		
Net Increase (Decrease)				($258,109)	($102,964)	($108,849)		
Revised Forecast	$4,373,691	$4,342,519	$4,193,874	$4,216,712	$4,378,093	$4,378,477	$4,371,749	$4,371,749
Annual % Growth	2.7%	-0.7%	-3.4%	0.5%	3.8%	0.0%	-0.2%	0.0%

Revenue Source Summary:

Motor Vehicle Inspection fees are collected for the Highway Fund by the Department of Public Safety and are comprised primarily of the State's share of the various inspection and licensing fees that are charged for the motor vehicle inspection process. The Department of Transportation and the Bureau of Motor Vehicles within the Department of the Secretary of State also collect relatively smaller amounts of motor vehicle inspection related fees.

Revenue Source Forecast Factors and Trends:

Variances in the collection of budgeted revenue from motor vehicle inspection fees are usually tied to timing issues relating to the collection and recording of this revenue. The delay in the timely collection and recording of motor vehicle inspection revenue frequently occurs on a monthly basis and can thus extend from the end of one fiscal year to the beginning of the next.

Most recently, the collection of motor vehicle inspection fee revenue has often reflected the adverse effects of the timing issue:

	Budgeted	Actual	Variance
FY 03	$3,683,907	$4,169,773	$485,866
FY 04	$3,461,771	$4,708,196	$1,246,425
FY 05	$4,281,459	$4,260,059	($21,400)
FY 06	$4,397,970	$4,373,691	($24,278)
FY 07	$4,379,756	$4,342,519	($37,237)
FY 08	$4,468,458	$4,193,874	($274,584)

Forecast Recommended Changes:

Based upon actual revenue, the Department of Transportation is recommending annual increases in Traffic Movement Permits and Permit to Open Highways of $5,000 and $45,000, respectively. The Department of Public Safety is recommending a one-time decrease of $161,000 to Motor Vehicle Inspection Stickers. This decrease is based upon more stickers than normal turned in for refunds in the current year, as well as the fact that car dealers are not putting new stickers on vehicles until they are sold. Additionally, the Bureau of Motor Vehicles is recommending decreases of $147,109, $152,964, and $158,849 for FY09, FY10, and FY11, respectively, for Permits to Use Highways since these permits declined 11.59% in FY08.

Highway Fund - Fines, Forfeits and Penalties

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$1,809,813	$1,668,000	$1,747,986	$1,795,049	$1,795,049	$1,795,049		
Annual % Growth	19.2%	-7.8%	4.8%	2.7%	0.0%	0.0%		
Net Increase (Decrease)				$0	$0	$0		
Revised Forecast	$1,809,813	$1,668,000	$1,747,986	$1,795,049	$1,795,049	$1,795,049	$1,795,049	$1,795,049
Annual % Growth	19.2%	-7.8%	4.8%	2.7%	0.0%	0.0%	0.0%	0.0%

Revenue Source Summary:

This revenue category includes revenue, collected primarily by the Judicial System for the Highway Fund, related to fines and penalties emanating from certain traffic infractions.

Revenue Source Forecast Factors and Trends:

Highway Fund fine revenue has been falling short of budgeted revenue for the last 5 fiscal years (see below). The negative variances in revenue collections in FY06 and FY07 were mainly attributable to computer programming difficulties in electronically transmitting motor vehicle license suspensions for nonpayment of fines between the Judicial Branch Violations Bureau and the Bureau of Motor Vehicles and to staffing shortages in the State Police division that enforces trucking violations. The State Police division was fully staffed at the end of FY08, and as a result, actual fine revenue was closer to budgeted revenue than in previous years.

	Budgeted	Actual	Variance
FY04	$2,122,901	$1,917,903	($204,998)
FY05	$1,890,359	$1,518,620	($371,739)
FY06	$1,973,665	$1,809,833	($163,832)
FY07	$2,018,239	$1,668,000	($350,239)
FY08	$1,794,049	$1,747,986	($46,063)

Forecast Recommended Changes:

No changes in the forecast are recommended at this time. The forecast is projected to be level throughout the forecast period.

Highway Fund - Income From Investments

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$1,833,806	$1,105,987	$1,152,491	$1,000,000	$1,000,000	$1,000,000		
Annual % Growth	27.3%	-39.7%	4.2%	-13.2%	0.0%	0.0%		
Net Increase (Decrease)				($596,228)	($733,354)	($615,287)		
Revised Forecast	$1,833,806	$1,105,987	$1,152,491	$403,772	$266,646	$384,713	$384,713	$384,713
Annual % Growth	27.3%	-39.7%	4.2%	-65.0%	-34.0%	44.3%	0.0%	0.0%

Revenue Source Summary:

Pursuant to 5 MRSA section 135, the Treasurer of State invests excess money in the state treasury that is not needed to meet current obligations. The Treasurer of State is authorized to invest these funds in bonds, notes, certificates of indebtedness or other obligations specified in statute. Earnings on investment of Highway Fund balances are credited back to the Highway Fund.

Revenue Source Forecast Factors and Trends:

The major factors that affect earnings are the rates of return on investments and the balances of cash available for investment. These factors are heavily influenced by the economy, the budget and the Treasurer's investment policies.

Economy - A declining economy and Federal Reserve Board action in response to a slower economy have lowered expectations for the Cash Pool earnings rate. High fuel prices have reduced fuel consumption and hurt gas tax revenue in FY 2009.

Budget - Less gas tax revenue due to higher fuel prices has reduced balances available for investing. Even if more recent lower gas prices do not go back up for a period of time, Highway Fund balances are not expected to recover because pent-up demand for expenditures in the Highway Fund will continue to consume every additional dollar of revenue quickly.

Investment Policy - The Treasurer's investment policy (type of investment vehicle purchased, liquidity to meet daily needs, selection criteria for specific investments, etc.) affects the rate of return on the pool. Less investable cash mentioned above will also mean a higher percentage of investments will be short-term at lower rates than long-term investments. A positive is that the return of a frozen $20,000,000 investment in commercial paper has meant that cash pool earnings reserved in FY 2008 against loss of the asset have been distributed to Pool participants, including the Highway Fund, in FY 2009.

Assumptions

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Balances								
Current Forecast	$40,104,073	$18,562,445	$28,706,268	$22,222,222	$22,222,222	$22,222,222		
Revised Forecast				$15,000,000	$16,000,000	$16,000,000	$16,000,000	$16,000,000
Pool Earnings Rate								
Current Forecast	4.51%	5.88%	4.02%	4.50%	4.50%	4.50%		
Revised Forecast				1.51%	1.51%	2.39%	2.39%	2.39%

Forecast Recommended Changes:

Lower interest rates on investments and reduced Highway Fund balances available for investment have moved the RFC to reduce earnings projections for FY 2009, FY 2010 and FY 2011. The reduction in FY 2009 would have been greater without the receipt of $186,114 distributed to Highway Fund earnings from a reserve no longer needed to protect against the loss of a frozen investment.

Highway Fund - Other Revenue

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$9,294,574	$9,588,686	$9,712,051	$9,629,561	$9,664,648	$9,702,303		
Annual % Growth	-32.3%	3.2%	1.3%	-0.8%	0.4%	0.4%		
Net Increase (Decrease)				($939)	$134,499	$139,648		
Revised Forecast	$9,294,574	$9,588,686	$9,712,051	$9,628,622	$9,799,147	$9,841,951	$9,863,570	$9,868,570
Annual % Growth	-32.3%	3.2%	1.3%	-0.9%	1.8%	0.4%	0.2%	0.1%

Revenue Source Summary:

The Other Revenue category is comprised of miscellaneous revenue collected by the Departments of Transportation, Secretary of State, Public Safety and Administrative and Financial Services. Major revenue sources within this category are shown in the table below:

Revenue Source	Department	Revenue Source Code
Reimbursements from the Maine Turnpike Authority	Public Safety	2693
Sale of Autos	Public Safety	2821
Recovered Cost	Public Safety	2690
Highway Fund StaCap Reimbursement	DAFS	2737
Miscellaneous Services & Fees	Sec of State	2637
Services and Fees Charged to Other Departments	Sec of State	2691
Contributions From Other Special Revenue	Sec of State	2719

Revenue Source Forecast Factors and Trends:

For the most part, revenue trends in this category are based simply on previous experience and are not tied to overall economic factors. Revenues have remained fairly consistent over the last three fiscal years.

Summary of Revenue Adjustments to December 2008 Forecast

Presented below are the adjustments made to the various revenue sources in this category with a brief description of the reason for the change.

Administration and Financial Services - Highway Fund State CAP Reimbursement (2737)

FY09	FY10	FY11	FY12	FY13
$94,952	$251,687	$273,088	$0	$0

A Highway Fund allocation is given to the Department of Administration and Financial Services, Buildings and Grounds for the costs associated with the Highway Fund buildings it serves. Since the Buildings and Grounds account is also included in the State Cost Allocation Proposal, a reimbursement is given to the Highway Fund to avoid double counting. These costs and associated reimbursement are associated with increases in heat and electricity.

Public Safety -State Police - Filing Fees (2632)

FY09	FY10	FY11	FY12	FY13
$14,000	$20,000	$26,000	$0	$0

This revenue category reflects amounts received for background checks. The Department of Public Safety is recommending an annual increase in this category based upon the trend over the last five years.

Public Safety - State Police - Sale of Prints (2660)

FY09	FY10	FY11	FY12	FY13
($2,400)	($2,400)	($2,400)	$0	$0

The Department of Public Safety is recommending an annual decrease in this category based upon the trend over the last five years.

Public Safety - State Police - Miscellaneous Income (2686)

FY09	FY10	FY11	FY12	FY13
($120)	($120)	($120)	$0	$0

The Department of Public Safety is recommending an annual decrease in this category based upon the trend over the last five years.

Public Safety - State Police - Maine Turnpike Reimbursement (2693)

FY09	FY10	FY11	FY12	FY13
($23,153)	($28,879)	($29,452)	$0	$0

This revenue category reflects amounts received per a contract with the Maine Turnpike Authority for State Police patrol of the Maine turnpike. The Department of Public Safety is recommending an annual decrease in this category based upon a decrease in the overall contract.

Public Safety - Motor Vehicle Inspection - Sale of Books (2658)

FY09	FY10	FY11	FY12	FY13
$3,000	$3,000	$3,000	$0	$0

The Department of Public Safety is recommending an annual increase in this category based upon the trend over the last five years.

Public Safety - Traffic Safety - Miscellaneous Services and Fees (2637)

FY09	FY10	FY11	FY12	FY13
$36,000	$36,000	$36,000	$0	$0

This category includes accident reports, investigative reports, videos, etc. The Department of Public Safety is recommending an annual increase in this category based upon the trend over the last five years.

Public Safety - Traffic Safety Commercial Vehicle Enforcement - Sale of Autos (2821)

FY09	FY10	FY11	FY12	FY13
$21,000	$21,000	$21,000	$0	$0

This revenue category reflects amounts received from the sale of automobiles. There had previously been zero budgeted in this category, and the Department of Public Safety is recommending an annual increase to reflect actual revenue.

Secretary of State - Bureau of Motor Vehicles - Miscellaneous Services and Fees (2637)

FY09	FY10	FY11	FY12	FY13
($68,218)	($89,789)	($111,468)	$0	$0

This revenue category includes requests for record searches, late fees and service charges on protested checks. An annual decrease is recommended based upon actual revenues over the last three years.

Transportation - Administration - Jury Duty Reimbursement (2611)

FY09	FY10	FY11	FY12	FY13
($500)	($500)	($500)	$0	$0

The Department of Transportation is recommending an annual decrease in this category based upon the trend over the last five years.

Transportation - Administration - Miscellaneous Services and Fees (2637)

FY09	FY10	FY11	FY12	FY13
($500)	($500)	($500)	$0	$0

The Department of Transportation is recommending an annual decrease in this category based upon the trend over the last five years.

Transportation - Administration - Miscellaneous Income (2686)

FY09	FY10	FY11	FY12	FY13
($5,000)	($5,000)	($5,000)	$0	$0

This revenue category includes amounts reimbursed by MSEA for time incurred by Union officers. The Department of Transportation is recommending an annual decrease in this account based upon the trend over the last five years.

Transportation - Administration - Sale of Land (2802)

FY09	FY10	FY11	FY12	FY13
($10,000)	($10,000)	($10,000)	$0	$0

The Department of Transportation is recommending an annual decrease in this category based upon the trend over the last five years.

Transportation - Administration - Sale of Equipment (2806)

FY09	FY10	FY11	FY12	FY13
($10,000)	($10,000)	($10,000)	$0	$0

The Department of Transportation is recommending an annual decrease in this category based upon the trend over the last five years.

Transportation - Administration - Other Settlements (2830)

FY09	FY10	FY11	FY12	FY13
($50,000)	($50,000)	($50,000)	$0	$0

This revenue category reflects reimbursements of under $500 in damage to transportation infrastructure, typically light poles, guardrails, signs, etc. This adjustment is based upon actual revenues over the last five years.

Appendix C - Fund for a Healthy Maine

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FUND FOR A HEALTHY MAINE REVENUE
(TOBACCO SETTLEMENT REVENUE)
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2008

Source	FY02 Actual	% Chg.	FY03 Actual	% Chg.	FY04 Actual	% Chg.	FY05 Actual	% Chg.	FY06 Actual	% Chg.	FY07 Actual	% Chg.
Initial Payments	16,236,644	-3.6%	16,458,172	1.4%	0	-100.0%	0	N/A	0	N/A	0	N/A
Base Payments	40,055,643	29.5%	39,348,861	-1.8%	48,952,964	24.4%	49,033,129	0.2%	45,011,759	-8.2%	47,113,687	4.7%
Racino Revenue **	0	N/A	0	N/A	0	N/A	0	N/A	1,771,173	N/A	3,538,805	99.8%
Income from Investments	1,233,998	-65.8%	681,756	-44.8%	54,830	-92.0%	91,444	66.8%	124,780	36.5%	297,803	138.7%
Attorney General Reimbursements and Other Income	25,475	-52.1%	0	-100.0%	0	N/A	220	N/A	39	-82.2%	217	453.5%
Total - Tobacco Settlement Revenue	**57,551,760**	**11.9%**	**56,488,789**	**-1.8%**	**49,007,794**	**-13.2%**	**49,124,793**	**0.2%**	**46,907,751**	**-4.5%**	**50,950,512**	**8.6%**
Change in Biennial Totals												

** Racino Revenue reflects that portion of the State's share of proceeds from slot machines at commercial race tracks designated for the Fund for a Healthy Maine.

FUND FOR A HEALTHY MAINE REVENUE
(TOBACCO SETTLEMENT REVENUE)
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2008

Source	FY08 Actual	% Chg.	FY08 Budget	FY08 Variance	% Chg.	FY09 Budget	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Initial Payments	0	N/A	0	0	N/A	0	N/A	0	0	N/A
Base Payments	58,219,190	23.6%	57,439,281	779,909	1.4%	59,109,609	1.5%	440,982	59,550,591	2.3%
Racino Revenue **	3,735,774	5.6%	3,767,472	(31,698)	-0.8%	6,436,969	72.3%	(1,633,303)	4,803,666	28.6%
Income from Investments	64,695	-78.3%	68,000	(3,305)	-4.9%	68,000	5.1%	(36,067)	31,933	-50.6%
Attorney General Reimbursements and Other Income	25,080	N/A	0	25,080	N/A	0	N/A	0	0	N/A
Total - Tobacco Settlement Revenue	**62,044,739**	**21.8%**	**61,274,753**	**769,986**	**1.3%**	**65,614,578**	**5.8%**	**(1,228,388)**	**64,386,190**	**3.8%**
Change in Biennial Totals								**(1,228,388)**		

** Racino Revenue reflects that portion of the State's share of proceeds from slot machines at commercial race tracks designated for the Fund for a Healthy Maine.

FUND FOR A HEALTHY MAINE REVENUE
(TOBACCO SETTLEMENT REVENUE)
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2008

Source	FY10 Budget	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Budget	% Chg.	Recom. Chg.	FY11 Revised	% Chg.	FY12 Projection	% Chg.	FY13 Projection	% Chg.
Initial Payments	0	N/A	0	0	N/A	0	N/A	0	0	N/A	0	N/A	0	N/A
Base Payments	63,876,892	8.1%	(4,617,183)	59,259,709	-0.5%	62,792,929	-1.7%	(2,862,514)	59,930,415	1.1%	66,308,448	10.6%	66,480,183	0.3%
Racino Revenue **	6,610,613	2.7%	(2,068,988)	4,541,625	-5.5%	6,794,888	2.8%	(2,162,430)	4,632,458	2.0%	4,725,107	2.0%	4,819,609	2.0%
Income from Investments	68,000	0.0%	(15,889)	52,111	63.2%	68,000	0.0%	(6,911)	61,089	17.2%	67,564	10.6%	67,564	0.0%
Attorney General Reimbursements and Other Income	(92,660)	N/A	0	(92,660)	N/A	(145,147)	56.6%	0	(145,147)	56.6%	(161,699)	11.4%	(164,662)	1.8%
Total - Tobacco Settlement Revenue	**70,462,845**	**7.4%**	**(6,702,060)**	**63,760,785**	**-1.0%**	**69,510,670**	**-1.4%**	**(5,031,855)**	**64,478,815**	**1.1%**	**70,939,420**	**10.0%**	**71,202,694**	**0.4%**
Change in Biennial Totals								**(11,733,915)**						

** Racino Revenue reflects that portion of the State's share of proceeds from slot machines at commercial race tracks designated for the Fund for a Healthy Maine.

Fund for a Healthy Maine - Base Payments

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$45,011,759	$46,629,371	$58,219,190	$59,109,609	$63,876,892	$62,792,929		
Annual % Growth	-8.2%	3.6%	24.9%	1.5%	8.1%	-1.7%		
Net Increase (Decrease)				$440,982	($4,617,183)	($2,862,514)		
Revised Forecast	$45,011,759	$46,629,371	$58,219,190	$59,550,591	$59,259,709	$59,930,415	$66,308,448	$66,480,183
Annual % Growth	-8.2%	3.6%	24.9%	2.3%	-0.5%	1.1%	10.6%	0.3%

Revenue Source Summary:

This revenue category within the Fund for a Healthy Maine represents the on-going Tobacco Settlement Payments (TSP) from tobacco manufacturers under the Master Settlement Agreement (MSA). This category does not include the initial payments that were approximately $16 million per year. Those initial payments were separated out, but are not a factor in the current forecast because they ended in FY03. This category does include the other TSP's including the "Strategic Contribution Payments" (SCP) that began in April, 2008 and will continue for 10 years.

Revenue Source Forecast Factors and Trends:

Because some states have securitized their TSPs, financial markets are interested in forecasting future payments. Global Insights has forecast these future TSPs using econometric models. The most recent forecast from Global Insights projects an increase over the previous forecast. The National Association of Attorneys General (NAAG) also projects payments under the MSA.

Under the MSA, there are numerous adjustments that affect the annual TSPs. These include the inflation adjustment and the volume adjustment. These adjustments are made at the national level.

Another adjustment, the NPM Adjustment, if applicable, reduces payments by participating manufacturers (PMs) for a given sales year related to market share losses by PMs to non-participating manufacturers (NPMs). Under the MSA, if a state has diligently enforced its Qualifying Statute the NPM adjustment is not applied to that state’s payment. Beginning in 2006, the PMs asserted they were entitled to have the NPM adjustment applied to specified MSA payments. Certain PMs placed in a disputed payments account the amounts they argue they are entitled to according to the NPM adjustment. This disputed amount was held back from payments received by the State in April 2006, April 2007 and April 2008. The amount placed in the disputed payments account from the April 2006 payment was less than estimated in the previous forecast, in part because one PM paid in full without placing any money in the disputed payments account. The same manufacturer made its full MSA payment in April 2007 and again in April 2008. Whether the PMs are entitled to the NPM adjustment is disputed by the States and is in the complex process of being resolved for each

Forecast Recommended Changes:

This forecast uses projections of the National Association of Attorneys General (NAAG) increased in FY 12 and FY 13 using Global Insights' growth rates. Consistent with recent payment history, Philip Morris/Altria is not projected to withhold any payments. Based on more recent progress reports of the legal proceedings regarding the disputed payments, the lag time for recovery of the disputed payments has been increased from 4 years to 6 years.

Summary of Recommended Changes	FY09	FY10	FY11	FY12	FY13
Change from Economic Modeling of TSP's	$144,683	$43,983	($89,345)		
Change of Estimated Net Withholding from Legal Proceedings	$296,299	($4,661,166)	($2,773,169)		
Total Recommended Changes	**$440,982**	**($4,617,183)**	**($2,862,514)**		

Detail of TSPs - Revised Forecast	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Base Payments - Net of Withholding	$47,679,747	$48,640,001	$49,226,717	$49,781,315	$56,039,894	$56,093,530
SCPs - Net of Withholding	$10,539,443	$10,910,589	$10,032,992	$10,149,101	$10,268,554	$10,386,653
Total TSPs - Revised Forecast	**$58,219,190**	**$59,550,591**	**$59,259,709**	**$59,930,415**	**$66,308,448**	**$66,480,183**

Fund for a Healthy Maine - Racino Revenue

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$1,771,173	$3,538,805	$3,735,774	$6,436,969	$6,610,613	$6,794,888		
Annual % Growth	N/A	99.8%	5.6%	72.3%	2.7%	2.8%		
Net Increase (Decrease)				($1,633,303)	($2,068,988)	($2,162,430)		
Revised Forecast	$1,771,173	$3,538,805	$3,735,774	$4,803,666	$4,541,625	$4,632,458	$4,725,107	$4,819,609
Annual % Growth	N/A	99.8%	5.6%	28.6%	-5.5%	2.0%	2.0%	2.0%

Revenue Source Summary:

This revenue category includes the Fund for a Healthy Maine's share of the gaming revenue from slot machines operated associated with the commercial race track in Bangor. For a more detail description of this source, see the General Fund description unde

Revenue Source Forecast Factors and Trends:

See description and detailed spreadsheet under the General Fund - Parimutuel and Gaming Revenue category.

Forecast Recommended Changes:

See description and detailed spreadsheet under the General Fund - Parimutuel and Gaming Revenue category.

Fund for a Healthy Maine - Income from Investments

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY11	FY11
Current Forecast	$124,780	$297,803	$64,695	$68,000	$68,000	$68,000		
Annual % Growth	36.5%	138.7%	-78.3%	5.1%	0.0%	0.0%		
Net Increase (Decrease)				($36,067)	($15,889)	($6,911)		
Revised Forecast	$124,780	$297,803	$64,695	$31,933	$52,111	$61,089	$67,564	$67,564
Annual % Growth	36.5%	138.7%	-78.3%	-50.6%	63.2%	17.2%	10.6%	0.0%

Revenue Source Summary:

This revenue category reflects the cash pool earnings on the balances in the Fund for a Healthy Maine (FHM), the Other Special Revenue Funds account in the Department of Administrative and Financial Services, where tobacco settlement payments (TSP's) are deposited along with the Fund for a Healthy Maine's share of revenue from slot machines operated at commercial race tracks, "Racino" revenue. It also includes interest on settlement payments paid by contractors/providers of FHM services. It does not reflect interest earnings on the balances in the accounts to which Fund for a Healthy Maine resources are transferred for expenditure.

Revenue Source Forecast Factors and Trends:

With the ending of the initial December payments and the reduction of balances in the Fund for a Healthy Maine, FHM programs have been relying on cash advances from the General Fund pursuant to 22 MRSA §1511, sub-§9 to operate until the TSP's are received in April of each year. The FHM balances available to earn interest in the cash pool have significantly decreased, with most of the interest earned in the final quarter of the state fiscal year when the TSP's are received. Recent and additional projected drops in interest rates are expected to lower earnings.

Forecast Recommended Changes:

The downward revisions recommended in this forecast reflect lower rates of return in the short-term. Rates are projected to recover from lows of 1% annual rate of return at the end of FY09 back toward more normal levels at the end of FY10 of around 2.4%

Appendix D
Medicaid/MaineCare Dedicated Revenue Taxes

Table of Contents

MEDICAID/MAINECARE DEDICATED REVENUE TAXES
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2008

Source	FY03 Actual	FY04 Actual	% Chg.	FY05 Actual**	% Chg.	FY06 Actual***	% Chg.	FY07 Actual	% Chg.
Nursing Facility Tax	22,048,469	30,501,448	38.3%	29,241,327	-4.1%	31,397,376	7.4%	30,061,513	-4.3%
Residential Treatment Facility (ICFs/MR) Tax	1,565,094	1,617,662	3.4%	1,958,739	21.1%	1,868,534	-4.6%	1,880,205	0.6%
Hospital Tax *	0	16,383,319	N/A	48,907,135	198.5%	54,050,888	10.5%	59,807,056	10.6%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	0	0	N/A	15,430,099	N/A	30,779,242	99.5%	33,955,412	10.3%
Total - Health Care Provider Taxes	**23,613,563**	**48,502,429**	**105.4%**	**95,537,301**	**97.0%**	**118,096,040**	**23.6%**	**125,704,185**	**6.4%**
Change in Biennial Totals									

* Reflects revenue from the hospital tax first enacted under PL 2003, c. 513 and amended under PL 2003, c. 673, but does not include revenue from previous hospital taxes and assessments.

** The hospital tax rate increased from 0.74% of net operating revenue in FY 04 to 2.23% in FY 05.

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

MEDICAID/MAINECARE DEDICATED REVENUE TAXES

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2008

Source	FY08 Actual	% Chg.	FY08 Budget	FY08 Variance	% Chg.	FY09 Budget	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Nursing Facility Tax	31,343,582	4.3%	32,204,730	(861,148)	-2.7%	31,026,488	-1.0%	(1,993,113)	29,033,375	-7.4%
Residential Treatment Facility (ICFs/MR) Tax	1,819,275	-3.2%	1,647,009	172,266	10.5%	1,469,779	-19.2%	154,457	1,624,236	-10.7%
Hospital Tax *	60,515,510	1.2%	58,643,022	1,872,488	3.2%	71,714,073	18.5%	100,047	71,814,120	18.7%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	36,494,882	7.5%	36,786,262	(291,380)	-0.8%	37,203,714	1.9%	1,381,854	38,585,568	5.7%
Total - Health Care Provider Taxes	**130,173,249**	**3.6%**	**129,281,023**	**892,226**	0.7%	**141,414,054**	**8.6%**	**(356,755)**	**141,057,299**	**8.4%**
Change in Biennial Totals								**(356,755)**		

* Reflects revenue from the hospital tax first enacted under PL 2003, c. 513 and amended under PL 2003, c. 673, but does not include revenue from previous hospital taxes and assessments.

MEDICAID/MAINECARE DEDICATED REVENUE TAXES

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - DECEMBER 2008

Source	FY10 Budget	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Budget	% Chg.	Recom. Chg.	FY11 Revised	% Chg.	FY12 Projection	% Chg.	FY13 Projection	% Chg.
Nursing Facility Tax	31,851,734	2.7%	(2,092,525)	29,759,209	2.5%	32,697,611	2.7%	(2,194,421)	30,503,190	2.5%	31,265,770	2.5%	32,047,414	2.5%
Residential Treatment Facility (ICFs/MR) Tax	1,511,984	2.9%	152,858	1,664,842	2.5%	1,555,244	2.9%	151,219	1,706,463	2.5%	1,749,125	2.5%	1,792,853	2.5%
Hospital Tax *	70,875,718	-1.2%	938,402	71,814,120	0.0%	70,875,718	0.0%	938,402	71,814,120	0.0%	71,814,120	0.0%	71,814,120	0.0%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	38,146,362	2.5%	1,403,845	39,550,207	2.5%	39,112,576	2.5%	1,426,386	40,538,962	2.5%	41,552,436	2.5%	42,591,247	2.5%
Total - Health Care Provider Taxes	**142,385,798**	**0.7%**	**402,580**	**142,788,378**	**1.2%**	**144,241,149**	**1.3%**	**321,586**	**144,562,735**	**1.2%**	**146,381,450**	**1.3%**	**148,245,634**	**1.3%**
Change in Biennial Totals								**724,166**						

* Reflects revenue from the hospital tax first enacted under PL 2003, c. 513 and amended under PL 2003, c. 673, but does not include revenue from previous hospital taxes and assessments.

Nursing Facility Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$31,397,376	$30,061,513	$31,343,582	$31,026,488	$31,851,734	$32,697,611		
Annual % Growth	7.4%	-4.3%	4.3%	-1.0%	2.7%	2.7%		
Net Increase (Decrease)				($1,993,113)	($2,092,525)	($2,194,421)		
Revised Forecast	$31,397,376	$30,061,513	$31,343,582	$29,033,375	$29,759,209	$30,503,190	$31,265,770	$32,047,414
Annual % Growth	7.4%	-4.3%	4.3%	-7.4%	2.5%	2.5%	2.5%	2.5%

Revenue Source Summary:

Effective July 1, 2001, PL 2001, c. 714, established a new tax on nursing homes equal to 6% of each facility's annual net operating revenue. Nursing home tax revenue accrues to Other Special Revenue funds. The nursing home tax is dedicated to support nursing home and other long-term care programs, with a part of the proceeds of the tax used to replace reductions in General Fund appropriations for these purposes. For facility fiscal years beginning after January 1, 2008, PL 2007, c. 539, Part X decreases the tax rate from 6.0% to 5.5%. This change was made to comply with the provisions of Section 403 of the federal Tax Relief and Health Care Act of 2006 (TRHCA), PL 109-432, that limited Medicaid provider taxes to 5.5% of the revenues received by the taxpayer effective for fiscal year years beginning after January 1, 2008, and before October 1, 2011.

Revenue Source Forecast Factors and Trends:

Given this tax is based on nursing home net operating revenue, the amount of the tax collected is driven primarily by reimbursements from Medicaid, the largest payer for nursing home services, with reimbursements from other payers (i.e., Medicare, private insurance, and self payers) accounting for the remaining revenue. Medicaid reimbursements to these facilities are driven by Medicaid reimbursement rates and the volume of services.

Forecast Recommended Changes:

The forecast has been updated to reflect actual FY08 collections and FY 09 collections through September 2008. Future year growth assumption are unchanged. As noted above, a statutory change in the tax rate from 6.0% to 5.5% has also been implemented since the last forecast resulting in a decrease in forecast revenues from this source.

Residential Treatment Facility (ICF's/MR) Tax

	FY06 Actual	FY07 Actual	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$1,868,534	$1,880,205	$1,819,275	$1,469,779	$1,511,984	$1,555,244		
Annual % Growth	-4.6%	0.6%	-3.2%	-19.2%	2.9%	2.9%		
Net Increase (Decrease)				$154,457	$152,858	$151,219		
Revised Forecast	$1,868,534	$1,880,205	$1,819,275	$1,624,236	$1,664,842	$1,706,463	$1,749,124	$1,792,852
Annual % Growth	-4.6%	0.6%	-3.2%	-10.7%	2.5%	2.5%	2.5%	2.5%

Revenue Source Summary:

Effective July 1, 2001, PL 2001, c. 714, established a new tax on residential treatment facilities (also known as intermediate care facilities for the mentally retarded or ICF's/MR) equal to 6% of each facility's annual gross patient services revenue. Residential treatment facility tax revenue accrues to Other Special Revenue funds and is dedicated for behavioral and developmental services, with a part of the proceeds of the tax used to replace reductions in General Fund appropriations for these services. For facility fiscal years beginning after January 1, 2008, PL 2007, c. 539, Part X decreases the tax rate from 6.0% to 5.5%. This change was made to comply with the provisions of Section 403 of the federal Tax Relief and Health Care Act of 2006 (TRHCA), PL 109-432, that limited Medicaid provider taxes to 5.5% of the revenues received by the taxpayer effective for fiscal year years beginning after January 1, 2008, and before October 1, 2011.

Revenue Source Forecast Factors and Trends:

Given this tax is based on residential treatment facility gross patient services revenue, the amount of the tax collected is driven by reimbursements from Medicaid, which accounts for almost all of the revenue for these facilities. Medicaid reimbursements to these facilities are driven by Medicaid reimbursement rates and the volume of services.

Forecast Recommended Changes:

The forecast has been updated to reflect actual FY08 collections and FY 09 collections through September 2008. Future year growth assumption are unchanged. As noted above, a statutory change in the tax rate from 6.0% to 5.5% has also been implemented since the last forecast resulting in a decrease in forecast revenues from this source.

Hospital Tax

	FY06 Actual	FY07	FY08 Actual	FY09	FY10	FY11	FY12	FY13
Current Forecast	$54,050,888	$59,807,056	$60,515,510	$71,714,073	$70,875,718	$70,875,718		
Annual % Growth	10.5%	10.6%	1.2%	18.5%	-1.2%	0.0%		
Net Increase (Decrease)				$100,047	$938,402	$938,402		
Revised Forecast	$54,050,888	$59,807,056	$60,515,510	$71,814,120	$71,814,120	$71,814,120	$71,814,120	$71,814,120
Annual % Growth	10.5%	10.6%	1.2%	18.7%	0.0%	0.0%	0.0%	0.0%

Revenue Source Summary:

For fiscal years beginning on or after July 1, 2003, a hospital tax was imposed equal to .74% of each hospital's annual net operating revenue. For fiscal years beginning on or after July 1, 2004, the hospital tax imposed was increased to 2.23% of each hospital's net operating revenue. While the hospital tax is dedicated to support hospital and other MaineCare programs, a portion of the proceeds replaces reductions in General Fund appropriations for these purposes. This hospital tax was added in PL 2003, c. 513 and amended in PL 2003, c. 673 and is distinct from the hospital assessment repealed in 1998 and the one-time hospital assessment in effect for 2003.

Revenue Source Forecast Factors and Trends:

The hospital tax rate was increased to 2.23 % for 2005. The tax base was originally fixed after 2005, but PL 2005, c. 12 allowed for growth in the tax base through FY07. PL 2007, c. 545, allowed for further growth in the tax base year through FY 09. The tax base and rate are then fixed thereafter.

Forecast Recommended Changes:

The forecast has been modified to reflect actual FY 08 collections and FY 09 collection through September 2008. As noted above, a statutory change in the hospital tax base year (PL 2007, c. 545) has been enacted since the last forecast resulting in an increase in forecast revenues from this source. Future year growth assumption are unchanged.

Service Provider Tax (Dedicated Revenue)

	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11	FY12	FY13
Current Forecast	$30,779,242	$33,955,412	$36,494,882	$37,203,714	$38,146,362	$39,112,576		
Annual % Growth	99.5%	21.1%	7.5%	1.9%	2.5%	2.5%		
Net Increase (Decrease)				$1,381,854	$1,403,845	$1,426,386		
Revised Forecast	$30,779,242	$33,955,412	$36,494,882	$38,585,568	$39,550,207	$40,538,962	$41,552,436	$42,591,247
Annual % Growth	99.5%	10.3%	7.5%	5.7%	2.5%	2.5%	2.5%	2.5%

Revenue Source Summary:

Enacted in PL 2003, c. 673, Part V, effective July 1, 2004, revenue from this tax on private non-medical institution (PNMI) services accrues to Other Special Revenue fund accounts in the Department of Health and Human Services and is used to fund MaineCare services, with a part of the proceeds of the tax used to replace General Fund appropriations for these purposes. (Note: revenue from services subject to this tax that were formerly taxed under the sales and use tax, accrue to the general fund - see general fund description). MaineCare-related services subject to this tax have been expanded to include: community support services (effective 6/29/05), day habilitation services (effective 7/1/05), personal support services (effective 7/1/05) and residential training services (effective 7/1/05).

Revenue Source Forecast Factors and Trends:

Revenue from this tax is dependent on the volume of payments in a given year for the services (mostly MaineCare) subject to the tax.

Forecast Recommended Changes:

The forecast has been updated to reflect actual FY08 collections and FY 09 collections through September 2008. Future year growth assumption are unchanged.

APPENDIX E

Report of the
Consensus Economic Forecasting Commission

Report of the
CONSENSUS ECONOMIC FORECASTING COMMISSION
November 1, 2008

Commissioners

Charles Colgan, Chair
Professor of Public Policy and Management
University of Southern Maine

Eleanor Baker
Managing Principal
Baker Newman Noyes, LLC

John Davulis
Senior Project Manager
GDS Associates, Inc.

Michael Donihue
Professor of Economics
Colby College

Charles Lawton
Senior Economist
Planning Decisions, Inc.

Summary

The Maine Consensus Economic Forecasting Commission (CEFC) convened on October 16, 2008 to revise its February 2008 forecast. The new forecast projects a slowdown in national and state economic activity in the fourth quarter of 2008 (reflected in revised 2008 estimates) and into 2009. Since the commission's last meeting in January, the continued decline of the housing market coupled with a rapid rise in energy costs has further reduced consumer and business spending and stressed the financial system. Despite federal interventions such as the economic stimulus package and the $700 billion rescue bill, economic conditions have continued to weaken, leading to job losses, a credit freeze, and significant anxiety among consumers and business owners. The underlying weakness of the national economy, along with the impacts of the closure of Naval Air Station Brunswick in 2009 are the primary reasons for the current reductions in the CEFC's Maine economic forecast.

The commission is projecting modest losses in Maine non-farm wage and salary employment in 2008 and 2009 (-0.2% and -0.7%, respectively), followed by a slow recovery starting in 2010. The forecast for personal income in 2008 is projected to be slightly above the January forecast, but has been reduced for 2009 and 2010 as a result of the weak job market. The commission increased its forecast for the Consumer Price Index (CPI), a measure of household inflation, to 4.4% in 2008, reflecting the significant rise in energy prices observed in the first two quarters of this year.

The table below outlines the forecast's major indicators.

Calendar Years	2008	2009	2010	2011	2012	2013
Wage & Salary Employment (Annual Percentage Change)						
CEFC Forecast 1/2008	**0.0**	**0.6**	**0.7**	**0.6**	**0.6**	
CEFC Forecast 11/2008	**-0.2**	**-0.7**	**0.4**	**1.0**	**0.8**	**0.7**
Personal Income (Annual Percentage Change)						
CEFC Forecast 1/2008	**3.5**	**4.1**	**4.2**	**4.1**	**4.2**	
CEFC Forecast 11/2008	**3.7**	**2.6**	**3.9**	**4.0**	**4.3**	**4.3**
CPI (Annual Percentage Change)						
CEFC Forecast 1/2008	**2.3**	**2.1**	**2.1**	**2.2**	**2.1**	
CEFC Forecast 11/2008	**4.4**	**2.5**	**2.5**	**2.2**	**2.2**	**2.2**

In making these adjustments, the CEFC drew upon information presented by several state agencies. The following sections summarize their reports.

Maine Department of Labor

The most recent labor market reports, reflecting employment conditions through August 2008, show a slow decline in resident and nonfarm wage and salary employment since their peak near the first of the year, resulting in a slow increase in the unemployment rate. These trends are consistent with observations from the national labor market. The current unemployment rate in Maine, 5.5%, is the highest since September 2003. The number of nonfarm wage and salary jobs in August 2008 is 2,000 less than in August 2007.

Comparing the first eight months of 2008 to the same period last year, resident employment increased 1,400, nonfarm wage and salary employment remained flat, and the unemployment rate increased from 4.7% to 5.1%. Since mid-summer, the number of initial claims for unemployment insurance (4-week moving average) has risen above comparable rates observed in each of the past 3 years. Since April 2008, continuing claims have also been running above averages seen in recent years. Keeping with recent trends, job gains have been in the industries of health care and social assistance, and professional and business services. Job losses have been in the construction, manufacturing, trade, transportation, and utilities, financial activities, government, and information sectors. Wages for the first half of 2008 are up 3.7% compared to the same period last year.

Maine Revenue Services

The latest taxable retail sales figures indicate that consumer sales are flat year-to-date. Business operating sales are also starting to decline. Anemic restaurant and lodging sales in June, July, and August point to a weak summer tourism season. Retail sales in the building supply and transportation sectors are down 3.6% and 3.7% through the first eight months of the year compared to the same period last year.

General Fund revenues are about $10 million under budget fiscal year-to-date (-1.6% for July through September), with the largest component of the variance due to under-budget corporate income taxes (-16.8%). Revenues from the sales and use tax are up slightly through the first three months of the fiscal year, but were $2 million down in September (-2.2%). They are expected to continue to weaken in the near-term, mirroring declines in the underlying economy. Individual income tax payments are on budget year-to-date; however, this may be misleading as 2008 payments are based on 2007 income. Expectations are that estimated payments for the fourth quarter of 2008, a time when many taxpayers reconcile their estimated income to actual income, may be negligible, bringing growth this year compared to 2007 down from the current level of 4.5% to 3 to 3.5%. The recent downturn in financial markets will also have a negative impact on 2008 capital gains taxes.

Maine State Planning Office

The latest economic indicators show that the national and state economic outlook has worsened since the CEFC met in January. The Maine Coincident Economic Activity Index, an economic indicator that is a proxy for State GDP, decreased 1.0% in August 2008 over August 2007. Maine’s year-over-year change has been flat or negative since March 2008. Nationally, for the past 3 months, the indexes have decreased for 35 states (including Maine), stayed the same for 3, and increased for 12.

Total personal income grew by 4.3% in the first 2 quarters of 2008 compared to the same period last year, partly due to the federal Economic Stimulus Act of 2008. Increases in transfer payments partially reflect economic stimulus payments to individuals with low or no tax liability. Wage and salary income grew by 3.7%.

The Consumer Price Index was 5.4% higher in August 2008 than a year ago. Year-to-date, prices are 4.6% higher than the same period last year. Core inflation, which excludes food and energy, was 2.5% higher in August 2008 than a year ago, somewhat alleviating pressure on the Federal Reserve to raise interest rates.

The University of Michigan Consumer Sentiment Survey, a monthly survey that tracks consumer confidence in the economy, dropped 28% from January to June, but has been increasing since then.

The price of oil rose dramatically from $89/barrel in January to a peak of just under $150/barrel in July. Since July, a weakening economy has erased much of those gains, with WTI currently trading below $80 (as of 10/15/08). There is still much uncertainty over where the price of oil is heading, as illustrated by divergent forecasts from Global Insights and Economy.com.

The price of heating oil has also risen dramatically since the beginning of this year, peaking at over $4.50 per gallon. The price has fallen sharply in the past two months to a statewide average of $3.62 (as of 10/6/08). This is still about a dollar more than the same time last year.

Existing home sales continue to fall, down over 20% in Maine in each of the first two quarters of 2008 compared to the same period last year. Building permits for single family homes also continue to trend downwards, down 40% in August 2008 compared to August 2007, on a seasonably adjusted basis. Since May 2006, 27 of 28 months have seen negative growth year over year. Home prices in the Portland–South Portland–Biddeford metropolitan area are down 6% in the second quarter compared to the same period last year. This makes nine consecutive quarters where prices have remained flat (< 1% increase) or decreased.

Consensus Forecast[1]

In light of the latest economic data and the resulting changes in the forecast models, the CEFC made adjustments to its economic forecast. This round of adjustments primarily reflects lower expectations for national growth and changes in employment at Naval Air Station Brunswick (NASB) beginning in December 2008. (NASB will experience an initial reduction in force in 12/08 as the first P-3 squadron will be deployed overseas and will not return to Brunswick upon completion of their assignment. Three additional squadrons are slated to depart in summer 2009.) In considering these changes, the CEFC referred to economic forecasts from Global Insight, Economy.com, and the New England Economic Partnership (NEEP), all of which projected lower growth than previously forecast.

The economic situation for Maine, while worse than thought, is not catastrophic. Employment and income are now forecast to be lower than projected in January, but still better than headlines would lead one to believe. Maine will experience a tough fourth quarter, resulting in negative job growth for the year of -0.2%. 2009 will also see job losses, exacerbated by the closing of NAS Brunswick, and slow income growth. The CEFC forecasts growth in personal

[1] In addition to the October 16th meeting, the CEFC met again by phone on October 29th to review its preliminary forecast. This meeting was held to augment information presented at the meeting on the 16th with additional economic data that had become available in the weeks after the first meeting. The CEFC consulted updated forecasts from the New England Economic Partnership (NEEP) and Global Insight. The CEFC incorporated this additional information into its official forecast, as presented in this report.

income to be 3.6% and 2.6% in 2008 and 2009, respectively. Wage and salary income is projected to be 3.4% in 2008 and then fall to 2.2% in 2009 before rising to 2.9% in 2010. The forecasts for personal income from nonfarm proprietors and dividends, interest, and rent have also been reduced.

A slow economic recovery will start in 2010, with a return in 2011–2013 to historical trends in employment and income growth. For comparison purposes, the current economic outlook for Maine may be similar to the recession seen in 1980–1982: about seven quarters of employment decline and then six quarters of recovery. In the near-term, Maine's economic climate may be worse than the mild recession in the early part of this decade, but better than the one in the early 1990s.

Because of the current volatility in the national economy, this forecast carries substantially more risk than past ones. It assumes that the financial crisis will resolve itself shortly, and that problems for small businesses and state and local governments in securing loans will not continue.

Maine Consensus Economic Forecasting Commission

November 2008 Forecast	2004	2005	2006	History 2007	Forecast 2008	2009	2010	2011	2012	2013
CPI-U* (Annual Change)	2.7%	3.4%	3.2%	2.8%	4.4%	2.5%	2.5%	2.2%	2.2%	2.2%
Maine Unemployment Rate**	4.6%	4.8%	4.6%	4.7%	5.4%	6.1%	5.8%	5.2%	4.9%	4.9%
3-Month Treasury Bill Rate**	1.4%	3.1%	4.7%	4.4%	1.8%	2.5%	4.0%	4.7%	4.4%	4.4%
10-Year Treasury Note Rate**	4.3%	4.3%	4.8%	4.9%	3.9%	5.2%	5.5%	5.0%	5.1%	
	Employment, thousands									
Maine Wage & Salary Employment*	611.7	611.7	614.7	617.4	616.1	611.8	614.3	620.4	625.4	629.8
Natural Resources	2.6	2.7	2.7	2.7	2.6	2.5	2.5	2.6	2.6	2.5
Construction	30.8	30.7	31.3	30.8	29.6	27.8	27.8	28.1	28.3	28.3
Manufacturing	63.0	61.4	60.0	59.1	58.4	57.2	57.5	58.1	58.0	57.5
Trade/Trans./Public Utils.	125.2	125.2	125.7	126.4	125.2	122.7	122.2	122.4	121.9	121.4
Information	11.2	11.2	11.2	11.3	11.2	11.1	11.1	11.1	11.1	11.1
Financial Activities	34.9	34.2	33.6	33.3	32.8	32.6	33.0	33.6	34.0	34.4
Prof. & Business Services	49.6	50.3	52.0	53.6	54.7	55.5	56.4	58.3	59.9	61.5
Education & Heath Services	110.9	112.2	114.1	116.1	117.9	119.6	121.2	123.7	126.2	128.7
Leisure & Hospitality Services	58.8	59.2	59.9	60.1	60.1	59.7	60.5	62.0	63.0	64.1
Other Services	20.0	20.0	19.7	19.9	19.8	19.4	19.2	19.1	19.0	19.0
Government	104.7	104.8	104.4	104.3	104.1	103.6	102.7	101.4	101.4	101.2
Agricultural Employment	14.0	18.8	18.0	17.6	18.4	18.4	18.4	18.4	18.4	18.4
	Annual Growth Rate									
Maine Wage & Salary Employment*	0.8%	0.0%	0.5%	0.4%	-0.2%	-0.7%	0.4%	1.0%	0.8%	0.7%
Natural Resources	4.0%	3.8%	1.5%	-1.8%	-5.0%	-2.0%	0.9%	1.8%	-0.1%	-0.9%
Construction	1.0%	-0.3%	2.0%	-1.6%	-4.0%	-6.0%	0.0%	1.0%	0.7%	0.0%
Manufacturing	-1.7%	-2.6%	-2.2%	-1.6%	-1.1%	-2.0%	0.5%	1.0%	-0.2%	-0.9%
Trade/Trans./Public Utils.	1.6%	0.0%	0.3%	0.6%	-1.0%	-2.0%	-0.4%	0.2%	-0.4%	-0.4%
Information	-0.9%	-0.4%	0.6%	0.7%	-1.3%	-0.6%	-0.2%	-0.2%	0.0%	0.4%
Financial Activities	-0.6%	-2.1%	-1.6%	-1.0%	-1.5%	-0.4%	1.0%	2.0%	1.2%	1.0%
Prof. & Business Services	-1.4%	1.4%	3.4%	3.0%	2.0%	1.5%	1.7%	3.3%	2.7%	2.7%
Education & Heath Services	3.4%	1.2%	1.6%	1.8%	1.6%	1.4%	1.4%	2.0%	2.0%	2.0%
Leisure & Hospitality Services	0.7%	0.7%	1.1%	0.4%	0.0%	-0.6%	1.3%	2.5%	1.7%	1.7%
Other Services	-1.5%	0.0%	-1.4%	0.9%	-0.7%	-1.8%	-1.3%	-0.3%	-0.4%	-0.3%
Government	1.0%	0.1%	-0.3%	-0.1%	-0.2%	-0.4%	-0.9%	-1.3%	0.0%	-0.2%
Agricultural Employment	-21.3%	34.3%	-4.3%	-2.2%	4.5%	0.0%	0.0%	0.0%	0.0%	0.0%
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Seasonally adjusted, millions									
Personal Income*	39487.5	40379.6	42410.5	44735.5	46390.7	47596.8	49453.1	51431.2	53642.8	55949.4
Wage & Salary Disbursements*	20210.9	20555.7	21410.3	22366.0	23126.5	23635.3	24320.7	25123.3	26103.1	27068.9
Supplements to Wages & Salaries*	4902.8	5103.8	5231.8	5381.7	5510.9	5692.7	5892.0	6127.7	6391.2	6678.8
Non-Farm Proprietors' Income*	3092.1	3190.3	3329.1	3395.5	3409.1	3511.4	3641.3	3765.1	3878.0	3994.4
Farm Proprietors' Income	20.1	15.2	13.2	44.9	45.1	46.5	48.2	49.8	51.3	52.9
Dividends, Interest, & Rent*	6144.8	5777.6	6632.2	7365.5	7683.7	7760.6	8179.6	8555.9	8975.1	9423.9
Dividends	2233.3	2033.0	2452.6	2902.8	3137.7	3201.1	3303.6	3357.1	3354.1	3337.4
Interest	3416.6	3505.4	3941.8	4224.3	4283.4	4247.0	4563.6	4886.3	5308.7	5773.0
Rent	494.9	239.2	237.7	238.4	262.5	312.4	312.4	312.4	312.4	313.7
Transfer Payments*	7460.6	8131.8	8286.8	8785.0	9392.1	9851.8	10433.5	11045.5	11653.6	12326.3
Less: Contributions to Social Ins.	3083.5	3166.8	3314.4	3465.2	3619.2	3764.3	3947.5	4142.7	4336.7	4545.4
Residence Adjustment	739.8	772.0	821.5	861.9	842.5	862.9	885.3	906.7	927.1	949.8
Farm Income	110.6	87.7	96.2	118.9	123.5	128.5	134.0	139.8	139.8	139.8
	Annual Growth Rate									
Personal Income*	5.2%	2.3%	5.0%	5.5%	3.7%	2.6%	3.9%	4.0%	4.3%	4.3%
Wage & Salary Disbursements*	4.8%	1.7%	4.2%	4.5%	3.4%	2.2%	2.9%	3.3%	3.9%	3.7%
Supplements to Wages & Salaries*	4.1%	4.1%	2.5%	2.9%	2.4%	3.3%	3.5%	4.0%	4.3%	4.5%
Non-Farm Proprietors' Income*	14.3%	3.2%	4.3%	2.0%	0.4%	3.0%	3.7%	3.4%	3.0%	3.0%
Farm Proprietors' Income		-24.1%	-13.3%	239.9%	0.4%	3.0%	3.7%	3.4%	3.0%	3.0%
Dividends, Interest, & Rent*	1.6%	-6.0%	14.8%	11.1%	4.3%	1.0%	5.4%	4.6%	4.9%	5.0%
Dividends	18.9%	-9.0%	20.6%	18.4%	8.1%	2.0%	3.2%	1.6%	-0.1%	-0.5%
Interest	-5.7%	2.6%	12.5%	7.2%	1.4%	-0.8%	7.5%	7.1%	8.6%	8.7%
Rent	-9.4%	-51.7%	-0.6%	0.3%	10.1%	19.0%	0.0%	0.0%	0.0%	0.4%
Transfer Payments*	6.1%	9.0%	1.9%	6.0%	6.9%	4.9%	5.9%	5.9%	5.5%	5.8%
Less: Contributions to Social Ins.	5.0%	2.7%	4.7%	4.5%	4.4%	4.0%	4.9%	4.9%	4.7%	4.8%
Residence Adjustment	5.9%	4.3%	6.4%	4.9%	-2.3%	2.4%	2.6%	2.4%	2.3%	2.4%
Farm Income	21.0%	-20.7%	9.7%	23.7%	3.9%	4.0%	4.3%	4.3%	0.0%	0.0%

*CEFC Forecast

**Maine Unemployment Rate, and 3-month Treasury Bill and 10-year Treasury Bond rates from Moody's Economy.com - September 2007
Remaining lines derived from the CEFC forecast by CEFC staff and reviewed by the CEFC.

APPENDIX F

Historical Background and Methodology of Maine's Revenue Forecasting Process

APPENDIX F

Historical Background and Methodology of Maine's Revenue Forecasting Process

History

The Revenue Forecasting Committee was established by Governor John R. McKernan, Jr. on May 25, 1992 by Executive Order 14 FY91/92 in order to provide the Governor, the Legislature, and the State Budget Officer with analysis and recommendations related to the projection of General Fund and Highway Fund revenue. Its creation was in response to a recommendation by the Special Commission on Government Restructuring. Committee membership originally included the State Budget Officer, the State Tax Assessor, the State Economist, the Director of the Office of Fiscal and Program Review, and an economist on the faculty of the University of Maine System selected by the Chancellor.

The original Executive Order called upon the Revenue Forecasting Committee (RFC) to submit recommendations for State revenue projections for the upcoming fiscal biennium, as well as adjustments to current biennium General Fund and Highway Fund revenue estimates. In accomplishing its task, the Committee was directed to utilize the economic assumptions developed by the Consensus Economic Forecasting Commission (CEFC).

In 1995, Public Law 1995, c. 368 enacted in statute the CEFC and the RFC, adopting both the structure and the intent of the original Executive Order.

Public Law 1997, chapter 655 enacted a number of changes to Title 5, chapter 151-B. There were three major changes: first, the revenue projections developed by the RFC would no longer be advisory but would be used by the Executive Branch in setting budget estimates and out-biennium forecasts; second, the State Budget Officer was empowered to convene a meeting of the RFC to review any new data that might become available; and third, the RFC was expanded from five to six members, with the sixth member being an analyst from the Office of Fiscal and Program Review designated by the Director of that office.

Public Law 2001, chapter 2, enacted a further change to the appointment process of the sixth member making that appointment less specific by requiring that member to be non-partisan staff appointed by the Legislative Council.

Public Law 2007, chapter 539, Part Q enacted a change in the mid-session reporting date for the 1st Regular Sessions of the Legislature in odd-numbered years, delaying each report date by 2 months so that the RFC report moved from March 1st to May 1st.

Methodology

Both the General Fund and the Highway Fund revenue projections are actually an aggregation of several individual revenue source forecasts. For the General Fund, many departments and agencies collect revenue under different authority. Highway Fund revenue also has multiple revenue sources, although more limited in number. Since each of these individual revenue sources is distinctly different in terms of size (and thus relative importance to total revenue) and factors that influence growth (such as tax law, economic growth, interest rates, size of lottery jackpots, number of patrolmen, etc.), the RFC uses different approaches for evaluating various revenue source forecasts.

In order to ensure that the RFC's review process is as efficient and effective as possible, it divides its revenue line review into three parts:
-Major revenue sources directly tied to economic activity
-Major revenue sources tied to other "non-economic" factors
-Minor revenue sources

Major revenue sources tied to economic forecast

In general, major revenue lines directly tied to economic activity are forecast using econometric equations. These equations define a mathematical relationship between historical revenue growth and relevant economic trends, then project revenue growth based on the defined relationship and expected future performance of the economic variable chosen. For example, revenues derived from the collection of individual income tax are very closely tied to growth in Maine personal income. Thus, an equation is developed that defines income tax revenue in terms of personal income (and other relevant variables), then the forecast of personal income growth in Maine is used to estimate future income tax collections. The RFC then reviews the equation, the underlying economic assumptions, and the overall revenue forecast level to ensure that they are logical and plausible given our knowledge of current economic conditions and revenue growth. It is the RFC's understanding, and truly the spirit of "consensus forecasting", that model results need not be blindly accepted and should be closely examined.

Maine Revenue Services is instrumental in the development of the forecast for the major taxes, the major revenue sources tied to economic activity. The Research Division maintains the econometric models that are used to develop the forecast. Maine Revenue Services also has access to a tax "data warehouse" in order to query tax data and refine the model outputs and equations. The economic variables forecast by the CEFC are fed into the models.

Major revenue sources tied to "non-economic" factors and Other Minor Revenue Sources

Both the major revenue sources tied to other "non-economic" factors and the other minor revenue sources are generally prepared initially by the department or agency responsible for collecting the particular revenue stream. Its experience with and expertise in tracking revenue growth is used in place of an equation to project future revenue activity. For example, the level of participation in Maine's lottery is not easily or clearly tied to any particular economic indicator, like income or employment. Revenue derived from lottery ticket sales can, however, be projected based on past lottery sales, the likelihood of a large jackpot occurring within a twelve month period and planned changes in product mix or marketing strategy. Therefore, the Department of Administrative and Financial Services reviews past lottery trends and evaluates any changes in marketing strategy and estimates the lottery's revenue performance over the upcoming biennium. Additional factors reviewed by the RFC include the projected Cost of Goods Sold and Administrative Expense to arrive at an estimated Net Profit to be transferred to the General Fund. The RFC then reviews their forecast to ensure that their logic is sound and to ensure that this particular line forecast is consistent with expectations for other revenue lines.

To further streamline the review of the hundreds of minor revenue sources, the RFC has employed a strategy that has the analysts of the Office of Fiscal and Program Review and the Bureau of the Budget work with the "collecting" agencies to develop the forecast for each of the hundreds of minor revenue sources. This review is particularly concentrated in even-numbered years before the beginning of the 1st Regular Session of the Legislature when the biennial budget for the upcoming biennium is first considered. Agencies are required to submit their estimates to the Bureau of the Budget as part of the biennial budget development process in the fall of even-numbered years. Every revenue source is reviewed by the Office of Fiscal and Program Review and the Bureau of the Budget with the agencies for consistency with the economic forecast, historic trends and enacted law changes that may affect future revenue rates, bases or flows.

When preparing a formal review of the biennial budget in odd-numbered years to decide if revisions are necessary, the RFC uses a similar, though streamlined, process. The major tax models are re-estimated using any updated economic and capital gains assumptions as well as current baseline data. The budget to actual performance of the other revenue lines is examined by a subcommittee of the Budget Office and the Office of Fiscal and Program Review and, when significant variances exist, the subcommittee recommends to the full RFC which agencies should develop and present new projections for the RFC's consideration.

Length of Forecast

By statute, the revenue forecast must project revenue for the upcoming biennium and the subsequent biennium. For the start of a biennium, December of even numbered years, this forecast will encompass a span of 5 fiscal years – the current fiscal year, the next biennial budget to be approved in the upcoming legislative session and a projection of the following biennium. This projection for the following biennium was added as a long-range planning tool to help establish a look at the health of the next biennial budget to be developed 2 years later and adopted by a new Legislature. This projection of revenue is combined with projections of expenditures for the General Fund and Highway Fund to develop estimates of the “structural gap” or “structural surplus” of each fund.

Current Tax Law

The Revenue Forecasting Committee bases all revenue projections on current state tax law and other state laws with future effective dates that affect state revenue sources. The Committee is careful to watch for sunsets and future effective dates of laws that will affect revenue and build those enacted law changes into the forecast. The Committee does not attempt to second-guess how the law may be changed during the upcoming Legislative session. The Fiscal Note Process overseen by the Office of Fiscal and Program Review establishes and tracks the revenue effects associated with legislative changes. These legislative revenue changes are then included in the base revenue forecast. The Revenue Forecasting Committee at its next meeting then adopts or amends those estimates of the legislative revenue changes.

Forecast Schedule

The Revenue Forecasting Committee has 2 statutory reporting dates each year: one before the start of each regular session of the Legislature on December 1st and the other during the regular session, March 1st in even-number years for the shorter 2nd Regular Session and May 1st for the longer 1st Regular Session in odd-numbered years. The timing of these reports is based on the schedule of the budget process and the Legislature’s session schedule. The Governor is required to submit a biennial budget during the first regular session of each Legislature. That process begins in even-numbered years with agencies submitting budget requests by September 1st. That process concludes when the Governor submits his budget proposals to the Legislature by a statutory deadline, the first Friday after the 1st Monday in January (approximately one month later for a newly elected Governor). The revenue forecasting fall forecast begins with the economic forecast by the CEFC that must report by November 1st. The December 1st deadline of the revenue forecast provides the Governor with an update of the revenue forecast that the Governor must use as the basis for submitting balanced General Fund and Highway Fund budgets. That first forecast of the biennium updates the current projections for the upcoming budget biennium and it provides the first projections of the following biennium.

In December of odd-numbered years, the forecast is updated for the next legislative session (the 2nd Regular Session of the Legislature) that begins in January of even-numbered years. The March 1st or May 1st reporting deadlines, depending on the year, are scheduled to provide the Legislature with a “mid-session” update so that they might have the most up-to-date forecast for the conclusion of their budget decisions.

APPENDIX G

Materials Distributed by Maine Revenue Services on November 21, 2008

Maine Revenue Services
Economic Research Division

Maine Revenue Services' Recommendations to the Revenue Forecasting Committee

	FY2009	FY2010	FY2011	Biennium
Sales & Use and Service Provider Taxes	($20,771,604)	($37,872,704)	($40,378,245)	($78,250,949)
Individual Income Tax (Excluding BETR and T&R)	($74,372,000)	($70,150,000)	($62,415,000)	($132,565,000)
Corporate Income Tax	($28,090,000)	($29,860,000)	($24,586,103)	($54,446,103)
Tax and Rent Program	($2,069,151)	($4,250,740)	($4,407,641)	($8,658,381)
Cigarette & Tobacco Taxes	($3,459,658)	($3,974,048)	($3,916,438)	($7,890,486)
Estate Tax	($14,236,055)	($17,038,096)	($1,455,740)	($18,493,836)
Real Estate Transfer Tax	($944,967)	($1,788,947)	($2,226,450)	($4,015,397)
Insurance Premiums Taxes	($5,190,769)	($5,609,734)	($6,031,464)	($11,641,198)
Telecommunications Property Tax	$1,145,602	$0	$0	$0
Transfer to Toursim Marketing Fund	($78,530)	$54,085	($73,009)	($18,924)
Total Adjustments to Current Forecast	($148,067,132)	($170,490,184)	($145,490,090)	($315,961,350)
General Fund	($141,676,691)	($163,099,245)	($138,637,166)	($301,736,411)
Local Government Fund	($6,284,914)	($7,169,901)	($6,623,726)	($13,793,627)
Highway Fund (Motor Fuel Taxes)	($4,405,842)	$406,187	($1,024,193)	($618,006)

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EXHIBIT I

STATE OF MAINE

Undedicated Revenues - General Fund
For the Twelvth Month Ended June 30, 2008
For the Fiscal Year Ending June 30, 2008
Comparison to Budget

	Month				Year to Date				
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Total Budgeted Fiscal Year Ending 6-30-2008
Sales and Use Tax	179,304,525	177,518,752	1,785,773	1.0%	983,057,278	978,060,502	4,996,776	0.5%	978,060,502
Service Provider Tax	8,803,232	8,602,219	201,013	2.3%	52,100,664	51,181,910	918,754	1.8%	51,181,910
Individual Income Tax	188,742,885	189,637,583	(894,698)	(0.5%)	1,443,468,204	1,400,047,321	43,420,883	3.1%	1,400,047,321
Corporate Income Tax	37,720,462	41,600,000	(3,879,538)	(9.3%)	184,514,568	182,170,000	2,344,568	1.3%	182,170,000
Cigarette and Tobacco Tax	13,122,372	14,289,498	(1,167,126)	(8.2%)	150,499,432	154,786,180	(4,286,748)	(2.8%)	154,786,180
Public Utilities Tax	-	-	-	-	16,858,472	17,476,987	(618,515)	(3.5%)	17,476,987
Insurance Companies Tax	22,751,026	24,718,324	(1,967,298)	(8.0%)	72,292,532	76,751,673	(4,459,141)	(5.8%)	76,751,673
Estate Tax	10,795,990	10,662,240	133,750	1.3%	39,890,577	44,562,240	(4,671,663)	(10.5%)	44,562,240
Property Tax - Unorg Territory	1,978,417	2,208,611	(230,194)	(10.4%)	12,217,081	12,611,986	(394,905)	(3.1%)	12,611,986
Income from Investments	(419,533)	398,630	(818,163)	(205.2%)	1,074,143	950,648	123,495	13.0%	950,648
Transfer to Municipal Revenue Sharing	(21,143,126)	(21,285,288)	142,162	0.7%	(135,820,176)	(133,184,448)	(2,635,728)	(2.0%)	(133,184,448)
Transfer from Lottery Commission	3,904,622	4,076,479	(171,857)	(4.2%)	49,491,086	49,154,250	336,836	0.7%	49,154,250
Other Revenues	34,175,627	27,117,055	7,058,572	26.0%	218,175,129	206,171,173	12,003,956	5.8%	206,171,173
Total Collected	479,736,499	479,544,103	192,396	0.0%	3,087,818,991	3,040,740,422	47,078,569	1.5%	3,040,740,422

NOTES: (1) Included in the above is $21,143,126 for the month and $135,820,176 year to date, that was set aside for Revenue Sharing with cities and towns.

(2) Figures reflect estimates of the Maine State Revenue Forecasting Committee approved in March 2008.

(3) This report has been prepared from preliminary month end figures and is subject to change.

STATE OF MAINE

Undedicated Revenues - General Fund
For the Twelvth Month Ended June 30, 2008 and 2007
For the Fiscal Years Ending June 30, 2008 and 2007
Comparison to Prior Year

	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)
Sales and Use Tax	179,304,525	175,994,519	3,310,007	1.9%	983,057,278	971,455,721	11,601,557	1.2%
Service Provider Tax	8,803,232	8,458,522	344,710	4.1%	52,100,664	49,400,532	2,700,132	5.5%
Individual Income Tax	188,742,885	184,557,871	4,185,014	2.3%	1,443,468,204	1,353,934,495	89,533,709	6.6%
Corporate Income Tax	37,720,462	43,657,636	(5,937,173)	(13.6%)	184,514,568	183,851,533	663,035	0.4%
Cigarette and Tobacco Tax	13,122,372	13,870,933	(748,561)	(5.4%)	150,499,432	158,953,466	(8,454,034)	(5.3%)
Public Utilities Tax	-	-	-	-	16,858,472	16,317,029	541,443	3.3%
Insurance Companies Tax	22,751,026	24,230,464	(1,479,438)	(6.1%)	72,292,532	74,452,542	(2,160,010)	(2.9%)
Estate Tax	10,795,990	8,565,760	2,230,230	26.0%	39,890,577	54,820,038	(14,929,461)	(27.2%)
Property Tax - Unorg Territory	1,978,417	972,918	1,005,499	103.3%	12,217,081	11,376,293	840,788	7.4%
Income from Investments	(419,533)	632,836	(1,052,369)	(166.3%)	1,074,143	1,215,836	(141,693)	(11.7%)
Transfer to Municipal Revenue Sharing	(21,143,126)	(21,046,096)	(97,030)	(0.5%)	(135,820,176)	(130,490,756)	(5,329,420)	(4.1%)
Transfer from Lottery Commission	3,904,622	4,507,956	(603,334)	(13.4%)	49,491,086	50,624,741	(1,133,655)	(2.2%)
Other Revenues	34,175,627	34,340,549	(164,922)	(0.5%)	218,175,129	223,683,920	(5,508,791)	(2.5%)
Total Collected	479,736,499	478,743,868	992,631	0.2%	3,087,818,991	3,019,595,390	68,223,601	2.3%

STATE OF MAINE

EXHIBIT III

Undedicated Revenues - General Fund
For the Twelvth Month Ending June 30, 2008
For the Fiscal Year Ending June 30, 2008
Comparison to Budget

	Month				Year to Date				
Detail of Other Revenues	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Total Budgeted Fiscal Year Ending 6-30-2008
0100's All Others	2,097,808	1,986,759	111,049	5.6%	21,274,071	20,328,647	945,424	4.7%	20,328,647
0300's Aeronautical Gas Tax	21,814	-	21,814	-	249,175	247,397	1,778	0.7%	247,397
0400's Alcohol Excise Tax	1,672,047	1,632,160	39,887	2.4%	17,403,622	17,320,964	82,658	0.5%	17,320,964
0700's Corporation Taxes	1,833,366	1,059,640	773,726	73.0%	6,705,686	6,646,012	59,674	0.9%	6,646,012
1000's Banking Taxes	1,743,900	1,723,865	20,035	1.2%	23,638,820	22,429,810	1,209,010	5.4%	22,429,810
1100's Alcoholic Beverages	475,741	349,628	126,113	36.1%	4,148,911	3,947,162	201,749	5.1%	3,947,162
1200's Amusements Tax	-	250	(250)	(100.0%)	2,510	3,000	(490)	(16.3%)	3,000
1300's Harness Racing/Parimutuels/Slots	557,938	679,907	(121,969)	(17.9%)	7,706,936	7,922,262	(215,326)	(2.7%)	7,922,262
1400's Business Taxes	1,263,617	694,346	569,271	82.0%	7,922,419	7,416,371	506,048	6.8%	7,416,371
1500's Motor Vehicle Licenses	487,281	388,776	98,505	25.3%	4,755,411	4,215,511	539,900	12.8%	4,215,511
1700's Inland Fisheries & Wildlife	862,923	1,155,821	(292,898)	(25.3%)	15,683,316	16,240,944	(557,628)	(3.4%)	16,240,944
1900's Hospital Excise & Other	33,038	32,337	701	2.2%	385,612	418,202	(32,590)	(7.8%)	418,202
2000's Fines, Forfeits & Penalties	4,287,804	3,663,283	624,521	17.0%	44,465,534	42,621,718	1,843,816	4.3%	42,621,718
2200's Federal Revenues	1,521,598	671,058	850,540	126.7%	11,040,364	8,996,438	2,043,926	22.7%	8,996,438
2300's County Revenues	-	-	-	-	-	-	-	-	-
2400's Revenues from Cities & Towns	46,142	15,000	31,142	207.6%	163,451	60,000	103,451	172.4%	60,000
2500's Revenues from Private Sources	134,652	132,547	2,105	1.6%	8,022,919	8,099,500	(76,581)	(0.9%)	8,099,500
2600's Current Service Charges	4,203,924	2,042,902	2,161,022	105.8%	26,156,860	23,300,318	2,856,542	12.3%	23,300,318
2700's Transfers from Other Funds	12,927,933	10,886,276	2,041,657	18.8%	18,322,600	15,743,277	2,579,323	16.4%	15,743,277
2800's Sales of Property & Equipment	4,101	2,500	1,601	64.0%	126,914	213,640	(86,726)	(40.6%)	213,640
Total Other Revenues	34,175,627	27,117,055	7,058,572	26.0%	218,175,129	206,171,173	12,003,956	5.8%	206,171,173

NOTE: This report has been prepared from preliminary month end figures and is subject to change.

STATE OF MAINE

Undedicated Revenues - General Fund
For the Twelvth Month Ending June 30, 2008 and 2007
For the Fiscal Years Ending June 30, 2008 and 2007
Comparison to Prior Year

EXHIBIT IV

Detail of Other Revenues	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)
0100's All Others	2,097,808	2,751,867	(654,059)	(23.8%)	21,274,071	26,334,802	(5,060,731)	(19.2%)
0300's Aeronautical Gas Tax	21,814	21,070	744	3.5%	249,175	251,616	(2,441)	(1.0%)
0400's Alcohol Excise Tax	1,672,047	1,666,951	5,096	0.3%	17,403,622	16,975,910	427,712	2.5%
0700's Corporation Taxes	1,833,366	2,233,144	(399,779)	(17.9%)	6,705,686	6,639,084	66,602	1.0%
1000's Banking Taxes	1,743,900	1,504,350	239,550	15.9%	23,638,820	22,004,030	1,634,790	7.4%
1100's Alcoholic Beverages	475,741	660,360	(184,619)	(28.0%)	4,148,911	4,168,026	(19,115)	(0.5%)
1200's Amusements Tax	-	-	-	-	2,510	2,400	110	4.6%
1300's Harness Racing/Parimutuels/Slots	557,938	620,901	(62,963)	(10.1%)	7,706,936	8,067,031	(360,095)	(4.5%)
1400's Business Taxes	1,263,617	915,290	348,327	38.1%	7,922,419	9,487,632	(1,565,213)	(16.5%)
1500's Motor Vehicle Licenses	487,281	603,111	(115,830)	(19.2%)	4,755,411	4,209,505	545,906	13.0%
1700's Inland Fisheries & Wildlife	862,923	1,264,724	(401,801)	(31.8%)	15,683,316	16,401,841	(718,525)	(4.4%)
1900's Amnesty, Hosp Excise & Other	33,038	33,338	(300)	(0.9%)	385,612	373,849	11,763	3.1%
2000's Fines, Forfeits & Penalties	4,287,804	4,530,050	(242,246)	(5.3%)	44,465,534	41,415,132	3,050,402	7.4%
2200's Federal Revenues	1,521,598	1,727,495	(205,897)	(11.9%)	11,040,364	15,310,753	(4,270,389)	(27.9%)
2300's County Revenues	-	-	-	-	-	-	-	-
2400's Revenues from Cities & Towns	46,142	25,093	21,049	83.9%	163,451	116,311	47,140	40.5%
2500's Revenues from Private Sources	134,652	66,975	67,678	101.0%	8,022,919	6,500,030	1,522,889	23.4%
2600's Current Service Charges	4,203,924	1,904,890	2,299,035	120.7%	26,156,860	30,255,673	(4,098,813)	(13.5%)
2700's Transfers from Other Funds	12,927,933	13,734,949	(807,017)	(5.9%)	18,322,600	15,051,567	3,271,033	21.7%
2800's Sales of Property & Equipment	4,101	75,992	(71,891)	(94.6%)	126,914	118,728	8,185	6.9%
Total Other Revenues	34,175,627	34,340,549	(164,922)	(0.5%)	218,175,129	223,683,920	(5,508,790)	(2.5%)

NOTE: This report has been prepared from preliminary month end figures and is subject to change.

State of Maine

Undedicated Revenues - Highway Fund
For the Twelvth Month Ending June 30, 2008
For the Fiscal Year Ending June 30, 2008
Comparison to Budget

Exhibit V

	Month				Year to Date				
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Total Budgeted Fiscal Year Ending 6-30-2008
Fuel Taxes	42,358,951	39,892,671	2,466,280	6.2%	225,235,339	223,368,718	1,866,621	0.8%	223,368,718
Motor Vehicle Registration & Fees	9,794,883	9,151,787	643,096	7.0%	86,094,837	85,953,481	141,356	0.2%	85,953,481
Inspection Fees	686,503	337,960	348,543	103.1%	4,193,874	4,468,458	(274,584)	(6.1%)	4,468,458
Fines, Forfeits & Penalties	136,743	149,999	(13,256)	(8.8%)	1,747,986	1,794,049	(46,063)	(2.6%)	1,794,049
Earnings on Investments	40,600	25,000	15,600	62.4%	1,152,491	1,000,000	152,491	15.2%	1,000,000
All Other	727,201	637,033	90,168	14.2%	9,712,051	9,771,333	(59,282)	(0.6%)	9,771,333
Total Revenue	53,744,880	50,194,450	3,550,430	7.1%	328,136,579	326,356,039	1,780,540	0.5%	326,356,039

NOTE: This report has been prepared from preliminary month end figures and is subject to change.

STATE OF MAINE

Undedicated Revenues - Highway Fund
For the Twelvth Month Ending June 30, 2008 and 2007
For the Fiscal Years Ending June 30, 2008 and 2007
Comparison to Prior Year

	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)
Fuel Taxes	42,358,951	42,112,102	246,849	0.6%	225,235,339	226,824,018	(1,588,679)	(0.7%)
Motor Vehicle Registration & Fees	9,794,883	10,505,944	(711,061)	(6.8%)	86,094,837	87,291,875	(1,197,038)	(1.4%)
Inspection Fees	686,503	395,714	290,789	73.5%	4,193,874	4,342,519	(148,645)	(3.4%)
Fines, Forfeits & Penalties	136,743	132,048	4,695	c	1,747,986	1,668,000	79,986	4.8%
Earnings on Investments	40,600	279,200	(238,600)	(85.5%)	1,152,491	1,105,986	46,505	4.2%
All Other	727,201	763,127	(35,926)	(4.7%)	9,712,051	9,588,686	123,365	1.3%
Total Revenue	53,744,880	54,188,135	(443,255)	(0.8%)	328,136,579	330,821,084	(2,684,505)	(0.8%)

NOTE: This report has been prepared from preliminary month end figures and is subject to change.

Office of the State Controller

EXHIBIT I

STATE OF MAINE

Undedicated Revenues - General Fund
For the Fourth Month Ended October 31, 2008
For the Fiscal Year Ending June 30, 2009
Comparison to Budget

	Month				Year to Date				
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Total Budgeted Fiscal Year Ending 6-30-2009
Sales and Use Tax	91,748,870	95,681,950	(3,933,080)	(4.1%)	290,232,342	293,843,505	(3,611,163)	(1.2%)	1,008,092,337
Service Provider Tax	4,604,246	4,775,250	(171,004)	(3.6%)	13,869,502	13,678,054	191,448	1.4%	53,452,742
Individual Income Tax	102,870,535	104,250,000	(1,379,465)	(1.3%)	379,948,238	381,491,492	(1,543,254)	(0.4%)	1,397,767,286
Corporate Income Tax	5,221,720	6,100,000	(878,280)	(14.4%)	43,925,157	52,630,000	(8,704,843)	(16.5%)	196,994,770
Cigarette and Tobacco Tax	12,637,954	13,114,305	(476,351)	(3.6%)	53,914,809	56,385,649	(2,470,840)	(4.4%)	153,408,502
Public Utilities Tax	-	-	-	-	-	-	-	-	16,464,397
Insurance Companies Tax	6,224,503	6,745,489	(520,986)	(7.7%)	7,654,330	7,923,354	(269,024)	(3.4%)	77,169,754
Estate Tax	2,598,765	4,160,000	(1,561,235)	(37.5%)	4,644,759	7,960,000	(3,315,241)	(41.6%)	49,524,882
Property Tax - Unorg Territory	10,995,373	11,006,279	(10,906)	(0.1%)	10,995,373	11,006,279	(10,906)	(0.1%)	12,229,199
Income from Investments	132,327	(215,737)	348,064	161.3%	1,368,741	(630,590)	1,999,331	317.1%	(3,204,682)
Transfer to Municipal Revenue Sharing	(10,426,714)	(10,751,167)	324,453	3.0%	(37,126,737)	(37,823,795)	697,058	1.8%	(136,051,715)
Transfer from Lottery Commission	3,823,387	4,080,707	(257,320)	(6.3%)	17,358,164	17,343,019	15,145	0.1%	53,049,250
Other Revenues	13,015,934	12,634,881	381,053	3.0%	58,874,250	59,849,591	(975,341)	(1.6%)	216,919,557
Total Collected	243,446,901	251,581,957	(8,135,056)	(3.2%)	845,658,928	863,656,558	(17,997,630)	(2.1%)	3,095,816,279

NOTES: (1) Included in the above is $10,426,714 for the month and $37,126,737 year to date, that was set aside for Revenue Sharing with cities and towns.

(2) Figures reflect estimates of the Maine State Revenue Forecasting Committee approved in July 2008.

(3) This report has been prepared from preliminary month end figures and is subject to change.

(4) Service Provider Tax received in November, should have been recorded in October.

STATE OF MAINE

EXHIBIT II

Undedicated Revenues - General Fund
For the Fourth Month Ended October 31, 2008 and 2007
For the Fiscal Years Ending June 30, 2009 and 2008
Comparison to Prior Year

	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)
Sales and Use Tax	91,748,870	93,166,456	(1,417,586)	(1.5%)	290,232,342	285,976,994	4,255,347	1.5%
Service Provider Tax	4,604,246	4,649,708	(45,462)	(1.0%)	13,869,502	13,170,645	698,856	5.3%
Individual Income Tax	102,870,535	93,194,975	9,675,560	10.4%	379,948,238	358,449,231	21,499,008	6.0%
Corporate Income Tax	5,221,720	7,301,509	(2,079,788)	(28.5%)	43,925,157	51,324,087	(7,398,930)	(14.4%)
Cigarette and Tobacco Tax	12,637,954	13,646,477	(1,008,523)	(7.4%)	53,914,809	56,062,626	(2,147,817)	(3.8%)
Public Utilities Tax	-	-	-	-	-	347,980	(347,980)	(100.0%)
Insurance Companies Tax	6,224,503	7,646,114	(1,421,611)	(18.6%)	7,654,330	9,549,032	(1,894,701)	(19.8%)
Estate Tax	2,598,765	2,353,464	245,301	10.4%	4,644,759	3,893,925	750,835	19.3%
Property Tax - Unorg Territory	10,995,373	10,238,664	756,709	7.4%	10,995,373	10,238,664	756,709	7.4%
Income from Investments	132,327	391,643	(259,316)	(66.2%)	1,368,741	1,346,310	22,431	1.7%
Transfer to Municipal Revenue Sharing	(10,426,714)	(10,113,945)	(312,769)	(3.1%)	(37,126,737)	(36,154,969)	(971,768)	(2.7%)
Transfer from Lottery Commission	3,823,387	4,205,747	(382,360)	(9.1%)	17,358,164	17,752,016	(393,852)	(2.2%)
Other Revenues	13,015,934	13,265,031	(249,097)	(1.9%)	58,874,250	64,086,848	(5,212,599)	(8.1%)
Total Collected	243,446,901	239,945,843	3,501,058	1.5%	845,658,928	836,043,390	9,615,538	1.2%

EXHIBIT III

STATE OF MAINE

Undedicated Revenues - General Fund
For the Fourth Month Ended October 31, 2008
For the Fiscal Year Ending June 30, 2009
Comparison to Budget

Detail of Other Revenues	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2009
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	
0100's All Others	1,901,106	2,002,345	(101,239)	(5.1%)	7,214,542	9,520,225	(2,305,683)	(24.2%)	21,940,076
0300's Aeronautical Gas Tax	-	21,000	(21,000)	(100.0%)	68,171	94,000	(25,829)	(27.5%)	259,841
0400's Alcohol Excise Tax	1,658,631	1,519,229	139,402	9.2%	6,780,992	6,847,954	(66,962)	(1.0%)	17,120,495
0700's Corporation Taxes	122,883	81,847	41,036	50.1%	849,562	393,393	456,169	116.0%	7,467,012
1000's Banking Taxes	1,814,350	1,746,253	68,097	3.9%	7,573,400	6,985,012	588,388	8.4%	21,365,980
1100's Alcoholic Beverages	251,650	245,759	5,891	2.4%	1,116,006	1,159,674	(43,668)	(3.8%)	3,944,529
1200's Amusements Tax	-	-	-	-	-	-	-	-	207,625
1300's Harness Racing/Parimutuels/Slots	940,650	1,002,432	(61,782)	(6.2%)	3,145,443	4,356,523	(1,211,080)	(27.8%)	11,467,341
1400's Business Taxes	475,265	664,183	(188,918)	(28.4%)	1,938,620	2,491,130	(552,510)	(22.2%)	8,086,103
1500's Motor Vehicle Licenses	395,124	215,249	179,875	83.6%	1,445,985	1,130,052	315,933	28.0%	4,273,480
1700's Inland Fisheries & Wildlife	723,195	1,255,496	(532,301)	(42.4%)	6,105,415	5,501,796	603,619	11.0%	16,249,867
1900's Hospital Excise & Other	20,366	28,407	(8,041)	(28.3%)	80,778	98,101	(17,323)	(17.7%)	418,202
2000's Fines, Forfeits & Penalties	3,561,310	3,519,946	41,364	1.2%	15,738,975	14,682,249	1,056,726	7.2%	43,450,253
2200's Federal Revenues	850,443	90,547	759,896	839.2%	2,847,602	344,813	2,502,789	725.8%	1,137,930
2300's County Revenues	-	-	-	-	-	-	-	-	-
2400's Revenues from Cities & Towns	995	10,000	(9,005)	(90.1%)	59,383	50,000	9,383	18.8%	60,000
2500's Revenues from Private Sources	317,216	243,722	73,494	30.2%	930,048	988,252	(58,204)	(5.9%)	8,594,444
2600's Current Service Charges	2,299,549	1,605,834	693,715	43.2%	7,616,695	7,893,314	(276,619)	(3.5%)	21,576,092
2700's Transfers from Other Funds	(2,320,778)	(1,617,368)	(703,410)	(43.5%)	(4,656,877)	(2,719,397)	(1,937,480)	(71.2%)	28,540,287
2800's Sales of Property & Equipment	3,978	-	3,978	-	19,509	32,500	(12,991)	(40.0%)	760,000
Total Other Revenues	13,015,934	12,634,881	381,053	3.0%	58,874,250	59,849,591	(975,341)	(1.6%)	215,919,557

NOTE: This report has been prepared from preliminary month end figures and is subject to change.

Office of the State Controller

STATE OF MAINE

Undedicated Revenues - General Fund
For the Fourth Month Ended October 31, 2008 and 2007
For the Fiscal Years Ending June 30, 2009 and 2008
Comparison to Prior Year

EXHIBIT IV

Detail of Other Revenues	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)
0100's All Others	1,901,106	1,965,069	(63,963)	(3.3%)	7,214,542	9,267,361	(2,052,819)	(22.2%)
0300's Aeronautical Gas Tax	-	21,857	(21,857)	(100.0%)	68,171	93,236	(25,065)	(26.9%)
0400's Alcohol Excise Tax	1,658,631	1,475,085	183,546	12.4%	6,780,992	6,754,560	26,433	0.4%
0700's Corporation Taxes	122,883	107,069	15,814	14.8%	849,562	696,600	152,962	22.0%
1000's Banking Taxes	1,814,350	1,635,800	178,550	10.9%	7,573,400	7,160,550	412,850	5.8%
1100's Alcoholic Beverages	251,650	294,505	(42,855)	(14.6%)	1,116,006	1,238,620	(122,614)	(9.9%)
1200's Amusements Tax	-	2,400	(2,400)	(100.0%)	-	2,400	(2,400)	(100.0%)
1300's Harness Racing/Parimutuels/Slots	940,650	665,669	274,981	41.3%	3,145,443	2,792,612	352,830	12.6%
1400's Business Taxes	475,265	678,213	(202,948)	(29.9%)	1,938,620	2,063,464	(124,844)	(6.1%)
1500's Motor Vehicle Licenses	395,124	381,981	13,143	3.4%	1,445,985	1,395,697	50,288	3.6%
1700's Inland Fisheries & Wildlife	723,195	262,448	460,747	175.6%	6,105,415	6,664,024	(558,609)	(8.4%)
1900's Amnesty, Hosp Excise & Other	20,366	22,845	(2,479)	(10.9%)	80,778	94,099	(13,321)	(14.2%)
2000's Fines, Forfeits & Penalties	3,561,310	4,940,868	(1,379,558)	(27.9%)	15,738,975	15,978,859	(239,884)	(1.5%)
2200's Federal Revenues	850,443	771,980	78,463	10.2%	2,847,602	2,524,598	323,005	12.8%
2300's County Revenues	-	-	-	-	-	-	-	-
2400's Revenues from Cities & Towns	995	4,634	(3,640)	(78.5%)	59,383	77,244	(17,862)	(23.1%)
2500's Revenues from Private Sources	317,216	467,660	(150,443)	(32.2%)	930,048	1,152,195	(222,147)	(19.3%)
2600's Current Service Charges	2,299,549	1,637,388	662,162	40.4%	7,616,695	10,116,673	(2,499,978)	(24.7%)
2700's Transfers from Other Funds	(2,320,778)	(2,080,715)	(240,062)	(11.5%)	(4,656,877)	(4,027,466)	(629,411)	(15.6%)
2800's Sales of Property & Equipment	3,978	10,274	(6,296)	(61.3%)	19,509	41,522	(22,013)	(53.0%)
Total Other Revenues	13,015,934	13,265,031	(249,097)	(1.9%)	58,874,250	64,086,848	(5,212,599)	(8.1%)

NOTE: This report has been prepared from preliminary month end figures and is subject to change.

Exhibit V

STATE OF MAINE

Undedicated Revenues - Highway Fund
For the Fourth Month Ended October 31, 2008
For the Fiscal Year Ending June 30, 2009
Comparison to Budget

	Month				Year to Date				
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Total Budgeted Fiscal Year Ending 6-30-2009
Fuel Taxes	19,222,049	19,885,356	(663,307)	(3.3%)	57,953,895	61,897,647	(3,943,752)	(6.4%)	234,197,278
Motor Vehicle Registration & Fees	7,328,735	7,927,841	(599,106)	(7.6%)	28,435,349	29,721,263	(1,285,914)	(4.3%)	99,036,359
Inspection Fees	456,362	314,195	142,167	45.2%	1,311,627	1,764,243	(452,616)	(25.7%)	4,474,821
Fines, Forfeits & Penalties	160,530	145,219	15,311	10.5%	594,310	597,077	(2,767)	(0.5%)	1,795,049
Earnings on Investments	42,332	85,000	(42,668)	(50.2%)	270,567	320,000	(49,433)	(15.4%)	1,000,000
All Other	1,002,128	1,170,899	(168,771)	(14.4%)	2,669,563	2,858,432	(188,869)	(6.6%)	9,739,219
Total Revenue	28,212,135	29,528,510	(1,316,375)	(4.5%)	91,235,312	97,158,662	(5,923,350)	(6.1%)	350,242,726

NOTE: This report has been prepared from preliminary month end figures and is subject to change.

STATE OF MAINE

Undedicated Revenues - Highway Fund
For the Fourth Month Ended October 31, 2008 and 2007
For the Fiscal Years Ending June 30, 2009 and 2008
Comparison to Prior Year

	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)
Fuel Taxes	19,222,049	19,176,343	45,706	0.2%	57,953,895	59,311,064	(1,357,169)	(2.3%)
Motor Vehicle Registration & Fees	7,328,735	7,537,506	(208,771)	(2.8%)	28,435,349	27,586,598	848,751	3.1%
Inspection Fees	456,362	250,461	205,901	82.2%	1,311,627	1,429,011	(117,384)	(8.2%)
Fines, Forfeits & Penalties	160,530	-	160,530	-	594,310	433,829	160,481	37.0%
Earnings on Investments	42,332	120,888	(78,556)	(65.0%)	270,567	442,950	(172,383)	(38.9%)
All Other	1,002,128	1,440,557	(438,429)	(30.4%)	2,669,563	3,008,994	(339,431)	(11.3%)
Total Revenue	28,212,135	28,525,755	(313,620)	(1.1%)	91,235,312	92,212,446	(977,135)	(1.1%)

NOTE: This report has been prepared from preliminary month end figures and is subject to change.

Economic Assumptions

Assumptions Used in Sales & Excise Model

(1) Total Personal Income

(2) Inflation (CPI-U)

(3) Total Employment Growth
  (a) Growth by Sector

(4) Forecast of CPI for Energy Prices (Global Insight – Nov. 2008)

(5) Forecast of new passenger car & light truck registrations in Maine (Global Insight – Nov. 08)

(6) Forecast of average price of new vehicle (Global Insight – Nov. 2008)

Assumptions Used in Individual Income Tax Model

(7) Total Personal Income
  (a) Growth by Component

(8) Inflation (CPI-U)

(9) Total Employment Growth

(10) Unemployment Rate

(11) 3-Month Treasury Bill Rate

(12) 10-Year Treasury Note Rate

Assumptions Used in Corporate Income Tax Model

(13) Inflation (CPI-U)

(11) Total Employment Growth
  (a) Growth by Sector

(12) Forecast of Before-Tax Corporate Book Profits (Global Insight – Nov. 2008)

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U.S. Macro Outlook: A Perfect Storm

By Mark Zandi in West Chester
November 12, 2008

View the Moody's Economy.com U.S. forecast. Listen to a podcast on the U.S. outlook.

- The financial panic appears past its apex, thanks to government intervention that is thawing frozen money markets.
- The Fed is expected to cut rates to a record-low 0.5% next month, following its unprecedented 50-basis point cut in October.
- The recent turmoil will have long-lasting impacts on household decisions on spending and saving, and on business choices governing hiring and investment.
- The recession's severity depends on how the new Congress and president respond. Bold action will keep this downturn from becoming the worst since the Great Depression.

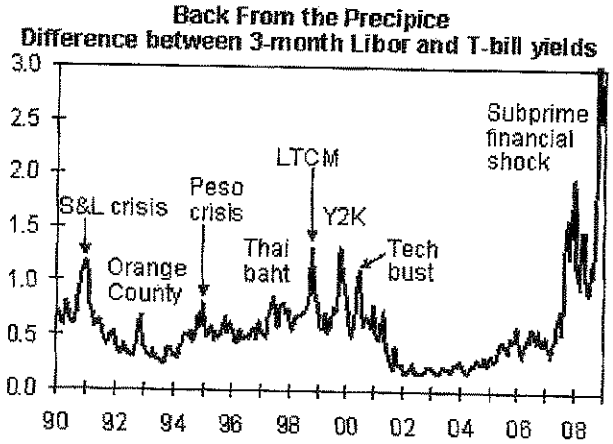
The year-long recession is intensifying. Nearly 1.2 million jobs have been lost since the beginning of 2008, with more than 500,000 gone in just the past two months. Unemployment has surged to 6.5%, the highest rate since the early 1990s.

The downturn is broad-based. Only a handful of sectors have been able to avoid layoffs, including healthcare, educational services, commodity-producing industries, and government. Thirty states are suffering recessions and another 19 state economies are at risk. Only Alaska is still expanding.

Financial panic

The catalyst for the economy's problems was the panic that still grips the financial system. The system has been under intense pressure since the summer of 2007, when defaulting subprime mortgage loans began to undermine financial institutions. The more recent turmoil began when defaulting mortgages forced the federal government to nationalize Fannie Mae and Freddie Mac in early September.

The panic does appear to be past its apex. Thanks to massive intervention by the Federal Reserve and other global central banks, frozen money markets are thawing. The difference between three-month Libor and three-month Treasury bill rates—a good proxy for the angst in the banking system—is still an extraordinarily wide 200 basis points, but this is down from the record spreads of almost 500 basis points. A more normal spread would be closer to 75 basis points.



The Federal Reserve will continue to use all its resources to stabilize the financial system. This means still lower interest rates, but more importantly it means that the Fed will continue to flood markets with liquidity, lending to whomever and buying whatever is necessary.

Another interest rate cut is coming: The Federal Open Market Committee is expected to lower the federal funds rate at its December meeting to a record-low 0.5%. This comes after an unprecedented 50-basis point cut in early October that was coordinated with other global central banks, and another 50-basis point cut at the scheduled FOMC meeting in late October. Lowering the rate much below this may not be feasible, as it could create problems for already-stressed money market mutual funds. Many funds could be put in jeopardy at a lower funds rate because their operating costs would be greater than the return on their short-term investments, which are closely tied to the funds rate.

Limitless liquidity

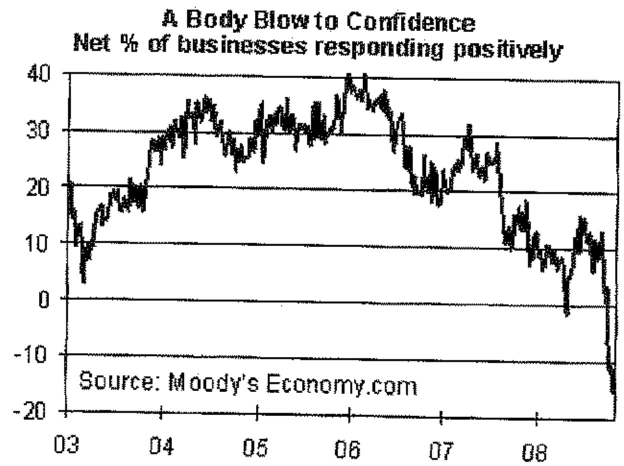
However, such limits on the funds rate no longer determine the amount of liquidity the Fed can provide, which is what matters most. The Fed now has the power to pay interest on bank reserves and has set this deposit rate just below the funds rate target. This seemingly innocuous technical change is important: It allows the Fed to increase liquidity to the financial system without limit. As the Fed injects reserves into the system and the funds rate declines, it will not fall below the deposit rate, because financial institutions will choose to deposit their excess reserves with the Fed rather than lend overnight at a lower rate. The Fed has aggressively used this new authority to pump reserves into the system in recent weeks.

To get more liquidity into the financial system, the Fed is lending to a wide range of financial institutions through credit facilities it has established over the past year. These allow institutions to borrow from the Fed using securities they own as collateral. The Fed has repeatedly lowered the bar on the collateral it will accept to encourage more borrowing. The Fed is also exercising its new ability to purchase commercial paper directly from issuers. This has helped bring down commercial paper rates, while raising the volume of new issuance sharply. The implications of this program go far beyond the commercial-paper market; the Fed now has a mechanism to purchase just about anything it deems necessary.

Economic damage

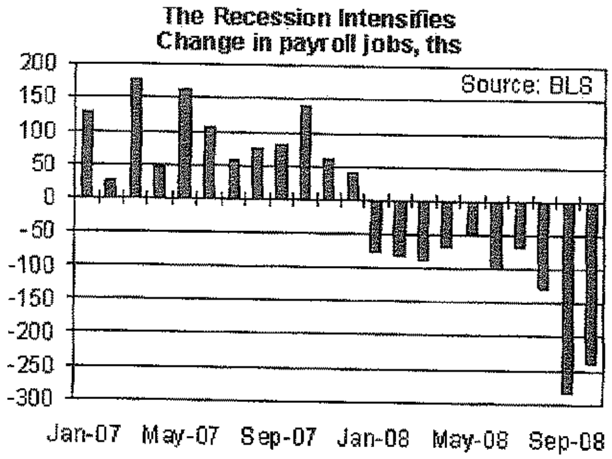
The Fed's moves should soon quell the financial panic. While the system will remain far from normal for many years, withdrawals by frightened bank depositors and redemptions from money funds, hedge funds and other investments are expected to abate by year's end. However, even if the Fed succeeds as expected, a substantial amount of damage has already been done, most immediately to confidence.

Consumer confidence plunged in October to its lowest reading since the Conference Board began its survey more than 40 years ago. This is all the more surprising given the plunge in gasoline prices during the month; cheaper motor fuel in times past has always provided a lift to household spirits. Business confidence as measured by the Moody's Economy.com weekly survey also collapsed to a record low. The net percentage of responses to all nine questions asked in the survey has turned sharply negative. Most disconcerting is the decline in firms' intention to hire and invest, both of which had been holding up relatively well prior to the panic.

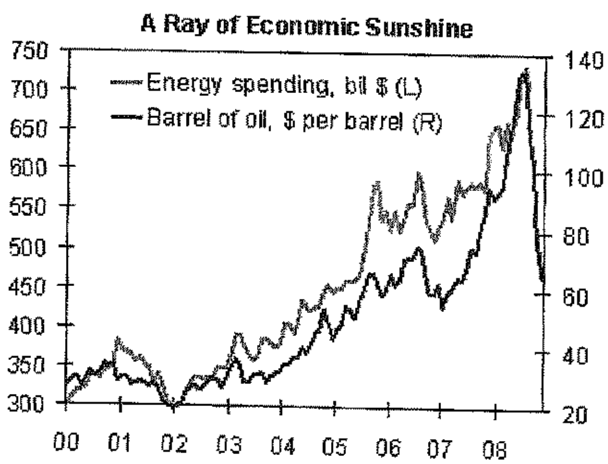


Current events have so soured sentiment that they are sure to have long-lasting impacts on household spending and saving choices, as well as on business decisions regarding payrolls and investment. The pessimism will magnify the effect of evaporating household wealth. Net worth has fallen close to $11 trillion since peaking a year ago; of that, $4 trillion results from the 20% decline in house prices, while the rest is due to the 40% decline in stock prices. Over time, every dollar loss in household net worth reduces consumer spending by 5 cents over the next two years. If sustained, the wealth lost over the past year could thus cut $275 billion from consumer spending in 2009 and a similar amount in 2010.

The financial panic is also affecting the availability and cost of credit. Credit growth was weakening rapidly even before recent events. The Federal Reserve's Flow of Funds shows debt owed by households and nonfinancial corporations actually fell in the second quarter of 2008 after inflation, for the first time since the S&L crisis of the early 1990s. The pernicious impact of a credit crunch on the economy is difficult to quantify, but the economy's performance during the early 1980s and early 1990s suggests it can be substantial. The 1980s downturn was the most severe in the post-World War II period, and while the 1990s downturn was not as bad, the economy struggled long after the recession formally ended. Using these two periods as a guide suggests that for every 1 percentage point decline in real credit growth, real GDP growth weakens in the subsequent year by approximately 30 basis points. Thus, if real credit shrinks 5% by the end of this year, which seems plausible, then this credit effect will cut some $225 billion from GDP in 2009.



There has been one important positive for the U.S. economy coming out of the financial panic: lower energy and commodity prices. With oil currently trading near $60 per barrel, a gallon of regular unleaded should soon cost no more than $2. Gasoline prices peaked during the summer above $4 per gallon, and have averaged closer to $3 over the past year. Every penny-per-gallon decline in the cost of gasoline saves U.S. consumers just over $1 billion a year; thus, assuming gas remains at $2 per gallon through the coming year, Americans will save more than $100 billion in 2009 compared with the fuel costs in 2008. There will also be measurable savings on home heating and food bills, as agricultural and transportation costs fall. Total savings next year compared with this year will thus approach $200 billion.



Summing the costs to the economy from the wealth and credit effects, less the benefits from lower commodity prices, puts the net direct cost of the financial panic at around $300 billion in 2009. (A $275 billion wealth effect plus $225 billion credit effect minus $200 billion in savings because of lower commodity prices). This is 2% of GDP. Of course this is a very simplistic analysis; it does not account for all the indirect costs of the panic on the economy and the multipliers, but it highlights the potential magnitude of the fallout.

Four critical choices

Whether the recession is as severe as this analysis would suggest depends on how the new Congress and president respond. Even with bold and aggressive action, the recession will last into next summer and be about as debilitating as the mid-1970s and early-1980s recessions, the two worst downturns since World War II. Without such action, this downturn will be the worst since the Great Depression.

The most critical immediate policy decisions include: 1) whether to help the near-bankrupt domestic automakers; 2) whether to provide more fiscal stimulus; 3) whether to devise a more comprehensive foreclosure mitigation plan; and 4) whether to use what monies remain in the Troubled Asset Relief Program for asset purchases. The presidential transition makes it especially hard to address these issues a timely way. Indeed, other than help for automakers, the odds that anything else will be decided before the inauguration in late January are below 50% and falling.

Domestic automakers will almost certainly face bankruptcy if they don't receive government help. While such a bankruptcy doesn't pose a systemic threat, as would the failure of a large financial institution, it could result in hundreds of thousands of job losses. Auto sales for the domestics would almost certainly plunge further. With credit tight, a domestic automaker might not be able to fund itself in bankruptcy, forcing massive plant closings. The already-reeling job market would be hammered. The lame duck Congress and Bush administration are thus expected to come to terms on providing some $50 billion in aid to the automakers using money in the TARP. The aid will likely take the form of some kind of equity stake in the firms in exchange for a number of restrictions on their activities.

Another stimulus

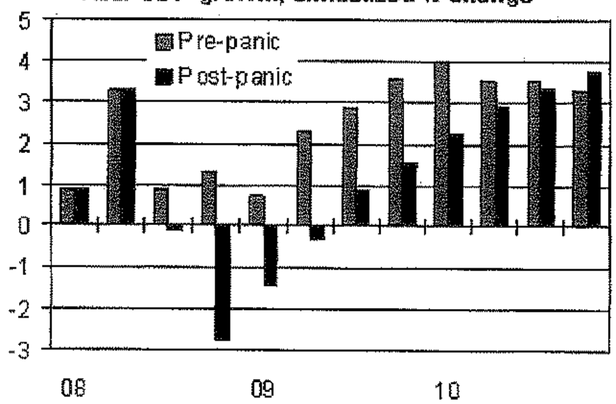
Massive fiscal stimulus is expected beginning next spring and extending well into 2010. The stimulus will total at least $300 billion and include, among other things, aid to state governments, infrastructure spending, and tax cuts. The price tag for the stimulus roughly equals the estimated net direct cost of the financial panic and thus could easily rise if that cost increases. Another foreclosure mitigation plan also seems likely by mid-2009, as recently announced efforts by mortgage lenders and the federal government are not expected to stem surging foreclosures. A rising unemployment rate with millions of underwater homeowners means foreclosures will increase rapidly next year without more government intervention. The cost of this plan is expected to be close to $50 billion and to also come out of the TARP.

With all of the demands on the TARP funds, it appears less likely that the money will be used to purchase distressed assets from financial institutions, its initial purpose. While such purchases aren't necessary to stabilize the financial system given the government's direct equity infusions, they are necessary to attract private capital to the system soon. Those purchases are designed to establish prices for these assets, without which investors won't know how much capital banks need and how they should price that capital. The federal government won't be able to extricate itself from the financial system until private investors step up in its place.

A darker outlook

The outlook has darkened rapidly in recent weeks. Real GDP is expected to fall through the second quarter of 2009 and post a decline for the year as a whole. The unemployment rate is expected to rise through early 2010, peaking at 8%. This is a dramatic change in the forecast. As recently as the August outlook, 2009 real GDP was projected to be near 1.5%. This is the largest change in the outlook in such a short period since Moody's Economy.com began forecasting the U.S. macro economy nearly 20 years ago.

Fallout Is Significant
Real GDP growth, annualized % change



Moreover, until the financial system is stabilized and policymakers take the steps expected, risks to this outlook remain firmly to the downside. The longer financial markets remain unsettled, the less credit will flow, the bigger the hit to household wealth, and the longer confidence will founder. Without substantial fiscal stimulus and a much larger foreclosure mitigation plan, the economy's slide will be much longer and deeper. The Great Depression occurred in significant part because of government missteps and inaction. That is a lesson that today's policymakers must heed.

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Moody's Economy.com U.S. Macro Outlook

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11/5/2008

U.S. Macro Outlook

	Units	08Q1	08Q2	08Q3	08Q4	09Q1F	09Q2F	09Q3F	2007	2008E	2009F
Composition of Economic Activity, SAAR											
Gross Domestic Product	bcw$	11,646.0	11,727.4	11,720.0	11,655.3	11,626.1	11,625.2	11,689.0	11,523.9	11,687.2	11,681.7
Change	%AR	*0.9*	*2.8*	*-0.3*	*-2.2*	*-1.0*	*0.0*	*2.2*	*2.0*	*1.4*	*0.0*
Personal Expenditures											
Consumption	bcw$	8,316.1	8,341.3	8,275.2	8,205.6	8,185.9	8,184.6	8,216.9	8,252.8	8,284.5	8,213.1
Change	%AR	*0.9*	*1.2*	*-3.1*	*-3.3*	*-1.0*	*-0.1*	*1.6*	*2.8*	*0.4*	*-0.9*
Durables	bcw$	1,237.0	1,228.3	1,182.5	1,132.8	1,128.3	1,128.3	1,140.0	1,242.4	1,195.2	1,137.1
Change	%AR	*-4.3*	*-2.8*	*-14.1*	*-15.8*	*-1.6*	*0.0*	*4.2*	*4.8*	*-3.8*	*-4.9*
Motor Vehicles	bcw$	430.2	407.2	378.2	335.3	336.0	338.6	348.1	446.7	387.7	344.7
Change	%AR	*-10.7*	*-19.7*	*-25.6*	*-38.2*	*0.9*	*3.1*	*11.8*	*2.0*	*-13.2*	*-11.1*
Nondurables	bcw$	2,397.8	2,420.6	2,380.6	2,361.6	2,350.1	2,347.0	2,351.3	2,392.5	2,390.1	2,352.2
Change	%AR	*-0.4*	*3.9*	*-6.4*	*-3.2*	*-1.9*	*-0.5*	*0.7*	*2.5*	*-0.1*	*-1.6*
Services	bcw$	4,704.4	4,712.1	4,719.2	4,718.5	4,714.8	4,716.6	4,732.9	4,646.2	4,713.5	4,731.2
Change	%AR	*2.4*	*0.7*	*0.6*	*-0.1*	*-0.3*	*0.2*	*1.4*	*2.6*	*1.4*	*0.4*
Investment											
Fixed Investment	bcw$	1,762.4	1,754.9	1,729.8	1,705.3	1,674.2	1,660.9	1,666.6	1,808.5	1,738.1	1,671.9
Change	%AR	*-5.6*	*-1.7*	*-5.6*	*-5.6*	*-7.1*	*-3.1*	*1.4*	*-3.1*	*-3.9*	*-3.8*
Nonresidential	bcw$	1,423.1	1,431.8	1,428.3	1,420.7	1,396.7	1,385.1	1,381.2	1,382.9	1,426.0	1,387.6
Change	%AR	*2.4*	*2.5*	*-1.0*	*-2.1*	*-6.6*	*-3.3*	*-1.1*	*4.9*	*3.1*	*-2.7*
Structures	bcw$	326.3	340.5	347.0	341.4	326.4	316.6	309.0	304.6	338.8	315.1
Change	%AR	*8.6*	*18.5*	*7.9*	*-6.3*	*-16.4*	*-11.5*	*-9.3*	*12.7*	*11.2*	*-7.0*
Equipment	bcw$	1,088.6	1,074.8	1,059.5	1,057.6	1,048.6	1,046.8	1,050.5	1,078.9	1,070.1	1,050.8
Change	%AR	*-0.6*	*-5.0*	*-5.6*	*-0.7*	*-3.4*	*-0.7*	*1.4*	*1.7*	*-0.8*	*-1.8*
Residential	bcw$	383.0	369.5	350.6	333.6	326.5	324.8	334.5	453.8	359.2	333.4
Change	%AR	*-25.1*	*-13.4*	*-19.0*	*-18.0*	*-8.3*	*-2.0*	*12.4*	*-17.9*	*-20.8*	*-7.2*
Single Family	bcw$	156.7	142.9	129.0	124.9	120.3	119.4	126.9	214.0	138.4	125.8
Change	%AR	*-46.1*	*-30.8*	*-33.6*	*-12.2*	*-13.7*	*-3.1*	*27.6*	*-27.4*	*-35.4*	*-9.0*
Multifamily	bcw$	30.4	32.1	31.9	32.7	32.7	33.0	33.5	33.2	31.8	33.4
Change	%AR	*0.0*	*24.3*	*-2.5*	*9.8*	*0.3*	*3.9*	*6.7*	*-12.8*	*-4.2*	*5.1*
Other	bcw$	199.3	198.0	193.0	188.5	185.8	184.8	186.4	208.9	194.7	186.5
Change	%AR	*-3.5*	*-2.6*	*-9.7*	*-9.1*	*-5.5*	*-2.2*	*3.5*	*-5.2*	*-6.8*	*-4.2*
Inventory Change	bcw$	-10.2	-50.6	-38.5	-25.0	-23.5	-19.4	-15.1	-2.5	-31.1	-16.8
NonFarm	bcw$	-17.9	-55.1	-38.6	-24.4	-22.9	-18.8	-14.5	-3.7	-34.0	-16.2
Farm	bcw$	6.0	2.4	-0.6	-0.6	-0.6	-0.6	-0.6	1.0	1.8	-0.6
Trade											
Net Exports	bcw$	-462.0	-381.3	-350.0	-345.4	-335.7	-335.0	-322.5	-546.5	-384.7	-325.6

Exports	bcw$	1,500.6	1,544.7	1,567.0	1,586.1	1,603.0	1,615.6	1,640.6	1,425.9	1,549.6	1,633.9
Change	%AR	*5.1*	*12.3*	*5.9*	*5.0*	*4.3*	*3.2*	*6.3*	*8.4*	*8.7*	*5.4*
Merchandise	bcw$	1,048.6	1,088.9	1,108.7	1,119.2	1,126.0	1,128.1	1,142.4	998.7	1,091.3	1,141.1
Change	%AR	*4.5*	*16.3*	*7.5*	*3.9*	*2.4*	*0.8*	*5.2*	*7.5*	*9.3*	*4.6*
Services	bcw$	451.7	455.9	458.4	467.0	477.2	487.6	498.3	426.9	458.2	492.9
Change	%AR	*6.4*	*3.8*	*2.2*	*7.7*	*9.0*	*9.1*	*9.0*	*10.5*	*7.3*	*7.6*
Imports	bcw$	1,962.6	1,926.0	1,916.9	1,931.4	1,938.7	1,950.5	1,963.0	1,972.4	1,934.2	1,959.4
Change	%AR	*-0.8*	*-7.3*	*-1.9*	*3.1*	*1.5*	*2.5*	*2.6*	*2.2*	*-1.9*	*1.3*
Merchandise	bcw$	1,661.9	1,631.6	1,619.9	1,631.4	1,636.2	1,645.1	1,654.4	1,677.7	1,636.2	1,652.2
Change	%AR	*-2.0*	*-7.1*	*-2.8*	*2.9*	*1.2*	*2.2*	*2.3*	*1.7*	*-2.5*	*1.0*
Services	bcw$	301.8	295.5	298.1	301.0	303.5	306.4	309.6	296.4	299.1	308.2
Change	%AR	*5.5*	*-8.0*	*3.5*	*4.0*	*3.3*	*3.9*	*4.2*	*4.4*	*0.9*	*3.0*
Government											
Expenditrues and Investment	bcw$	2,039.1	2,058.9	2,088.3	2,097.4	2,107.8	2,116.6	2,125.6	2,012.1	2,070.9	2,121.6
Change	%AR	*1.9*	*3.9*	*5.8*	*1.8*	*2.0*	*1.7*	*1.7*	*2.1*	*2.9*	*2.4*
Federal Defense	bcw$	518.9	528.2	550.6	551.8	553.4	555.2	556.5	502.1	537.3	556.0
Change	%AR	*7.2*	*7.3*	*18.1*	*0.9*	*1.2*	*1.3*	*0.9*	*2.5*	*7.0*	*3.5*
Federal Nondefense	bcw$	253.2	256.3	259.4	262.7	265.4	267.5	269.4	250.4	257.9	268.4
Change	%AR	*2.9*	*5.0*	*4.8*	*5.3*	*4.1*	*3.2*	*3.0*	*-0.2*	*3.0*	*4.1*
Government Balance											
NIPA Basis	b$	-330.7	-640.0	-495.2	-510.4	-537.6	-560.4	-590.4	-229.3	-494.1	-581.1
Unified Budget	b$ FY	-108.8	-108.8	-110.0	-110.0	-243.4	-246.2	-248.9	-161.5	-437.6	-987.3
Consumers											
Personal Saving Rate	%AR	0.2	2.7	1.3	2.3	2.9	3.0	3.1	0.6	1.6	3.0
Retail Sales & Food Services	b$	4,552.6	4,594.5	4,547.7	4,364.2	4,354.9	4,386.7	4,450.3	4,488.5	4,514.7	4,427.7
Change	%AR	*0.8*	*3.7*	*-4.0*	*-15.2*	*-0.9*	*3.0*	*5.9*	*4.1*	*0.6*	*-1.9*
Vehicle Sales	m	15.2	14.1	12.9	11.4	12.0	12.5	13.1	16.1	13.4	12.8
Housing Starts	m	1.1	1.0	0.9	0.8	0.8	0.8	0.9	1.3	0.9	0.8
Producers											
Industrial Production	1992=100	112.3	111.4	109.7	109.3	109.5	109.6	109.9	111.4	110.7	110.0
Change	%AR	*0.4*	*-3.1*	*-6.0*	*-1.4*	*0.9*	*0.4*	*1.1*	*1.7*	*-0.7*	*-0.6*
Manufacturing Capacity Utilization	%	78.7	77.7	76.2	75.5	75.3	75.1	75.1	79.3	77.0	75.2
Labor Markets											
Total Employment	m	137.9	137.7	137.4	136.9	136.4	136.1	135.9	137.6	137.5	136.1
Change	%AR	*-0.3*	*-0.6*	*-0.7*	*-1.6*	*-1.4*	*-1.0*	*-0.6*	*1.1*	*-0.1*	*-1.0*
Unemployment Rate	%	4.9	5.3	6.0	6.2	6.7	7.2	7.6	4.6	5.6	7.3
Prices											
Consumer Price Index	1982=100	212.8	215.4	219.0	218.0	218.4	219.5	220.9	207.3	216.3	220.3
Change	%AR	*4.3*	*5.0*	*6.7*	*-1.8*	*0.7*	*2.2*	*2.5*	*2.9*	*4.3*	*1.8*
Producer Price Index	1982=100	183.9	196.1	200.9	197.3	196.7	198.6	200.8	172.7	194.5	200.0

Change	%AR	*15.3*	*29.3*	*10.2*	*-7.0*	*-1.2*	*3.9*	*4.6*	*4.8*	*12.7*	*2.8*
West Texas Intermediate	$/Bbl	97.9	123.7	122.3	69.9	73.4	78.6	80.3	72.4	103.5	78.8
Financial Markets											
Federal Funds	%	3.2	2.1	1.9	1.2	0.5	0.7	1.4	5.0	2.1	1.1
Prime Rate	%	6.2	5.1	5.0	4.2	3.5	3.7	4.4	8.1	5.1	4.1
10-Year Treasury	%	3.7	3.9	3.9	3.8	4.0	4.4	4.6	4.6	3.8	4.5
FRB Broad Index	Jan 97=100	97.3	95.8	97.9	97.4	96.1	95.2	94.8	103.4	97.1	95.2
Change	%AR	*-7.2*	*-6.1*	*9.0*	*-2.0*	*-5.1*	*-3.6*	*-1.8*	*-4.7*	*-6.1*	*-1.9*

Contribution to Real GDP

	Units	08Q1	08Q2	08Q3	08Q4	09Q1F	09Q2F	09Q3F
Personal Consumption Expenditure	%AR	0.62	0.88	- 2.27	- 2.36	- 0.67	- 0.04	1.12
Gross Private Domestic Investment	%AR	- 0.90	- 0.26	- 0.86	- 0.83	- 1.06	- 0.46	0.20
Inventories	%AR	- 0.07	- 1.42	0.41	0.45	0.05	0.14	0.15
Net Exports	%AR	0.78	2.80	1.06	0.16	0.33	0.03	0.44
Exports	%AR	0.64	1.54	0.76	0.64	0.57	0.43	0.87
Imports	%AR	- 0.14	- 1.29	- 0.31	0.49	0.25	0.41	0.44
Government	%AR	0.34	0.69	1.00	0.31	0.35	0.30	0.31
Total	%AR	0.87	2.83	- 0.25	- 2.19	- 1.00	- 0.03	2.21

This analysis can be found on The Dismal Scientist at:
http://www.economy.com/dismal/pro/data/outlook.asp?type=1

Moody's Economy.com, 121 North Walnut Street, Suite 500, West Chester, PA 19380-3166
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U.S. Regional Outlook: An 8-Lane Recession Highway

By Steve Cochrane in West Chester
November 18, 2008

View the Moody's Economy.com Regional Forecast.

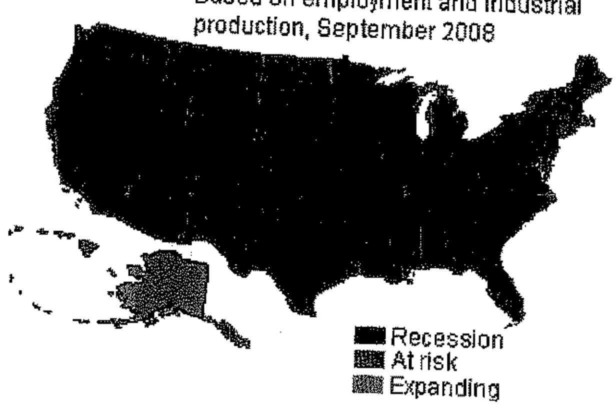
- Employment has fallen since May in all regions, with losses particularly strong in the West and Midwest.
- With Europe in recession, Midwest manufacturers will experience declines in orders from abroad.
- State sales taxes revenue fell as housing markets faltered across the Sun Belt. Income tax revenue will be next.
- Home sales have leveled off nationally, and are rising in regions such as Southern California.

Regional economies across the U.S. weakened in the third quarter, and are continuing to do so in the fourth quarter. There has been no job growth since May in any of the four broad regions of the country, with losses particularly strong in the West and Midwest . Further, falling oil and natural gas prices in the last remaining areas of the country showing any sign of vitality—Texas and the energy-rich Mountain states—may deflate even these robust areas.

The recession is broad because the impacts of the earlier housing crisis and now the financial crisis are widespread, hitting most industries in nearly every area of the country. The financial crisis will flow through to the regional economies via at least eight conduits:

Recession Extends Across Two-Thirds of Economy

Based on employment and industrial production, September 2008

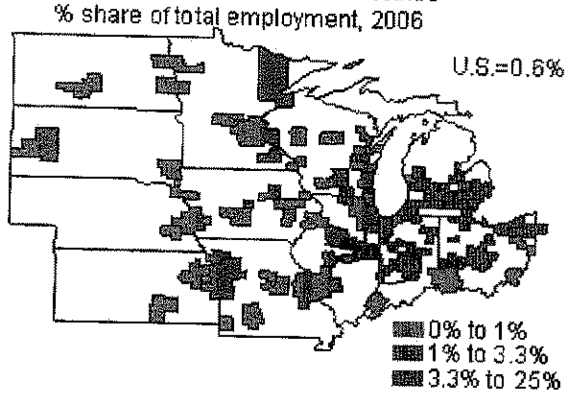


Exports. All regions have benefited from rising global trade, but none more so than the Midwest . However, now that the euro has fallen and Europe is in recession, Midwest manufacturers of industrial machinery, construction equipment, and other durable goods will experience declines in orders from abroad. This will be an added weight on the region, which is already grappling with sizable layoffs in the auto industry. Outside the Midwest, the Pacific Northwest is the most highly dependent upon exports.

Consumer spending. Consumer confidence will dip further as consumer lending standards tighten and labor markets weaken. As a result, demand for consumer durables, including automobiles, household appliances and electronics, will continue to drop, hitting a number of Midwest and Southeast metropolitan areas with this manufacturing concentration. More broadly, retailers throughout the nation will be stocking smaller inventories, hiring fewer workers and either closing locations or reducing expansion plans.

Midwest's Exposure to Auto Industry Is Concentrated

Employment, auto-related industries
% share of total employment, 2006



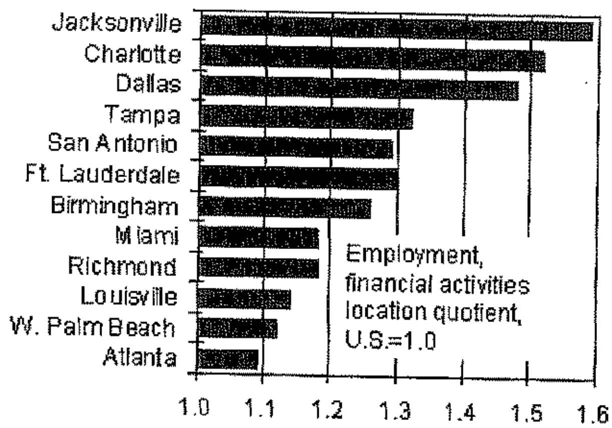
Housing. Weakened labor markets and tight lending conditions will slow the stabilization of housing markets. But two factors lend support to some stability by next year, limiting additional risk. First, prices have had time to fall to a point where home sales have leveled off nationally. In fact, sales are now rising in regions such as Southern California, which previously had the worst affordability and subsequently some of the sharpest price declines. Second, the recapitalization of Fannie Mae and Freddie Mac, combined with their rise in conforming loan limits, and an expanded role for the FHA will provide additional credit to those markets that were hit hardest by the lack of affordability and that have some pent-up demand. California and the Northeast will be the primary beneficiaries of this.

State budgets. States that depend heavily on sales taxes already have witnessed falling revenue as the housing markets faltered, home sales slowed, and home equity diminished. These include Arizona, Nevada, Texas and Florida . Income tax revenue will be the next shoe to drop. The impact on income tax can be even sharper than on sales tax because as adjusted gross income falls, taxpayers often slip into lower tax brackets, lowering the effective tax rate. States with a high dependence upon income tax revenue are Oregon, Connecticut, Massachusetts, New York and California . The bottom line is that nearly every state will be hit by some revenue losses in the coming two years.

These first four conduits will cause the recession to be very broad across all regions of the country. Four additional conduits will have greater geographic concentration, helping to reshape the contours of the near-term regional economic outlook.

Financial services. Cuts in financial services employment and income will put the Greater New York City area in recession by the end of the year. Ultimately, at least 100,000 banking-related jobs will be lost in the New York area, which is up from a projected 60,000 loss of just a month ago. The financial impact will be even greater as the industry accounts for about 10% of employment but 25% of income in the New York area. Other financial centers are at risk as well, including Charlotte, Boston and San Francisco.

Financial Consolidation: Limited Risk to South Jobs

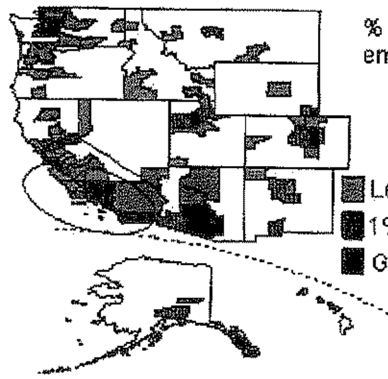


Investment spending. Weaker global investment will impact areas with a concentration in high-tech, and also those areas that produce industrial equipment and machinery. Thus, even areas with good long-term potential as places of innovation face near-term weakness as orders slow and startups face uncertainty among investors. Silicon Valley, San Francisco, San Diego, Boston, Raleigh, Austin, Dallas, Seattle, Portland and Washington, D.C. all face risks. Centers of production for durable goods include many of the metro areas of the industrial Midwest and parts of the Southeast.

Travel and tourism. Business travel is already falling and will falter further, since a quick way to rein in business costs is to reduce travel for conferences. U.S. leisure travel will weaken and foreign visits will also decline because of the global recession and a stronger dollar. As a result, airline travel will decline and demand for hotel and leisure services will falter. New York, Miami, Orlando, Atlanta, Dallas, Los Angeles, San Francisco, Chicago and Washington, D.C. will feel the effects of fewer visitors.

Migration. Many of the metropolitan areas of the Southeast, the Southwest, and the Mountain states are dependent upon in-migration from the Northeast, the Midwest and California to sustain underlying long-term growth trends. But with housing markets nearly everywhere still searching for a bottom and rising home sales attributable largely to foreclosed properties, it remains difficult for households to sell their homes and move to the usual magnets of migration. Thus, 2009 and even 2010 will see the persistence of very sluggish population growth in these areas.

Long-Term Defense-Related Risk in Southwest
Employment, defense-related industries



Virtually nowhere in the U.S.—with the exception of Washington, D.C.—will escape the financial crisis and global recession. The effect will be greatest in the Northeast, where the direct impact is now being felt. Other areas of recent strength such as the Pacific Northwest face higher risk of recession because of both direct and indirect effects of the crisis. The Southeast will be hurt, but, excluding Charlotte, will not be hit as hard by the financial crisis. Nonetheless, this recession will be the broadest across the U.S. regional economies of any recession in recent memory. It will rival the recessions of the early 1980s in terms of its breadth.

Risks are clearly to the downside across all regions. The Southeast, for example, could lose a good measure of its growth potential if in-migration halts over the long term. The global economy holds considerable risks for the Midwest . Should the economies of Asia contract outright, the loss of these markets would compound the auto industry downturn to create a deep and long-lasting regional recession. The Northeast faces risk longer-term based on the shape of future regulation of financial institutions. The West faces long-term risks for growth in its technology and aerospace industries. The region would doubly suffer if federal defense spending is severely curtailed.

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US Regional Forecast - State Employment Growth

Printer-friendly Format | Latest Forecast Analysis

Last updated on: 11/17/2008

US Regional Forecast - State Employment Growth

	Annualized % Change							% Change		
	08Q2	08Q3	08Q4E	09Q1F	09Q2F	09Q3F	09Q4F	2007	2008E	2009E
United States	-0.6	-0.7	-1.6	-1.4	-1.0	-0.6	0.3	1.1	-0.1	-1.0
New England	-0.1	-0.3	-2.7	-1.9	-1.5	-1.1	-0.3	0.8	0.0	-1.5
Connecticut	0.0	0.4	-3.4	-2.5	-1.9	-1.3	-0.2	1.0	0.1	-1.7
Maine	-1.4	0.0	-1.7	-1.4	-1.4	-1.0	-0.4	0.4	-0.2	-1.2
Massachusetts	0.3	0.0	-2.8	-1.9	-1.5	-1.4	-0.6	1.0	0.2	-1.5
New Hampshire	1.6	-0.6	-0.9	-0.5	0.0	0.2	0.6	1.1	1.0	-0.2
Rhode Island	-3.3	-3.1	-4.1	-2.5	-1.9	-1.0	0.3	-0.1	-2.4	-2.4
Vermont	-0.1	-1.3	-1.4	-1.7	-1.5	-1.0	-0.5	0.0	-0.2	-1.3
Middle Atlantic	-0.2	-0.1	-2.5	-1.9	-1.6	-1.0	-0.4	0.9	0.0	-1.4
New Jersey	-0.2	-0.6	-2.7	-1.9	-1.4	-0.9	-0.3	0.1	-0.3	-1.5
New York	-0.4	0.2	-2.9	-2.1	-1.8	-1.0	-0.3	1.4	0.2	-1.6
Pennsylvania	-0.1	-0.3	-1.8	-1.6	-1.2	-1.1	-0.6	0.7	0.0	-1.2
South Atlantic	-1.2	-1.3	-2.6	-1.8	-1.1	-0.4	0.5	1.2	-0.2	-1.4
Delaware	-0.5	1.1	-1.9	-1.2	-1.1	-0.3	-0.9	0.2	-0.1	-0.8
District of Columbia	1.0	5.6	0.4	-0.2	-0.5	0.1	0.7	1.0	1.8	0.7
Florida	-3.1	-2.6	-4.0	-3.2	-1.6	-0.4	0.6	0.5	-1.3	-2.4
Georgia	-1.9	-4.2	-3.9	-1.6	-0.7	0.4	1.5	1.4	-0.4	-1.8
Maryland	0.5	0.9	-1.0	-0.9	-1.2	-1.1	-0.8	0.8	0.9	-0.7
North Carolina	-1.2	-1.1	-2.2	-1.0	-0.8	-0.2	0.5	2.6	0.5	-1.0
South Carolina	0.0	-0.4	-1.8	-0.8	-0.3	-0.2	0.5	2.3	0.2	-0.6
Virginia	0.7	0.6	-1.0	-1.5	-1.2	-0.9	0.1	0.9	0.4	-0.8
West Virginia	0.8	-0.7	-1.6	-2.0	-1.8	-1.3	-0.6	0.1	0.1	-1.4
East North Central	-0.7	-1.0	-2.4	-1.9	-1.5	-1.1	-0.4	0.0	-0.5	-1.5
Illinois	-0.5	-1.4	-1.3	-1.8	-1.3	-1.1	-0.3	0.8	0.0	-1.3
Indiana	-0.5	-1.5	-2.2	-0.8	-0.7	-0.3	0.3	0.5	-0.4	-1.0
Michigan	-1.9	-1.1	-2.9	-2.3	-1.9	-1.1	-0.1	-1.5	-1.5	-1.9
Ohio	-0.7	-0.7	-3.1	-2.3	-2.0	-1.3	-1.0	-0.2	-0.4	-1.9
Wisconsin	0.1	-0.1	-2.5	-1.6	-1.3	-1.2	-0.5	0.5	-0.6	-1.3
West North Central	-0.8	0.3	-1.8	-1.2	-0.9	-0.5	0.2	1.0	0.2	-0.9
Iowa	0.0	0.4	-1.4	-1.6	-1.6	-1.2	-0.7	0.8	0.4	-1.1
Kansas	-0.6	2.1	-2.5	-2.3	-1.5	-0.7	0.2	1.9	0.4	-1.2
Minnesota	-1.2	-1.0	-1.7	-0.6	-0.2	-0.3	0.5	0.5	-0.1	-0.7
Missouri	-1.3	-0.7	-2.4	-1.4	-1.1	-0.6	0.2	0.8	-0.4	-1.2
Nebraska	0.6	1.6	-0.8	-0.3	0.0	0.5	1.0	1.7	1.1	0.1
North Dakota	-1.0	1.4	-1.4	-0.9	-0.8	-0.4	-0.1	1.5	1.2	-0.6

South Dakota	-0.8	4.9	-1.1	-0.8	-0.6	-0.3	0.3	2.0	1.4	0.0
East South Central	-0.9	-0.5	-2.5	-1.6	-1.2	-0.7	0.2	1.0	-0.1	-1.3
Alabama	-0.6	0.2	-1.4	-0.7	-0.5	0.2	1.0	1.4	0.2	-0.5
Kentucky	-0.7	-0.5	-3.6	-2.4	-1.6	-1.2	-0.4	1.2	0.2	-1.9
Mississippi	0.3	-2.6	-1.7	-1.7	-1.6	-2.0	-0.3	0.9	0.0	-1.6
Tennessee	-1.7	0.0	-2.9	-1.8	-1.2	-0.5	0.2	0.5	-0.5	-1.4
West South Central	2.0	1.8	-0.6	-0.1	0.1	0.5	1.2	2.7	1.8	0.3
Arkansas	-0.3	-0.9	-1.4	-0.8	-0.4	-0.2	0.5	0.4	0.1	-0.7
Louisiana	1.0	0.6	-1.4	-0.8	-0.9	-0.4	0.4	3.6	1.2	-0.5
Oklahoma	-0.3	1.1	-1.2	-0.9	-0.7	-0.3	0.3	1.7	1.0	-0.5
Texas	2.7	2.4	-0.3	0.2	0.4	0.8	1.6	2.9	2.2	0.7
Mountain	-0.2	-1.7	-1.4	-0.6	-0.3	0.1	0.9	2.0	0.2	-0.7
Arizona	-2.3	-4.3	-1.8	-0.6	-0.5	-0.1	1.0	1.2	-1.2	-1.2
Colorado	1.2	0.9	-0.9	-0.4	0.3	0.7	1.3	2.3	1.3	0.1
Idaho	0.8	-1.7	-1.2	-0.6	-0.6	-0.4	1.1	2.6	-0.4	-0.6
Montana	0.6	1.8	-0.8	-0.4	-0.2	-0.3	0.0	2.2	1.5	-0.1
Nevada	-1.2	-1.8	-2.2	-1.2	-0.1	0.8	1.4	1.0	-0.6	-0.9
New Mexico	1.7	-1.5	-0.6	0.0	-0.1	0.2	1.1	1.3	0.6	-0.1
Utah	0.1	-3.6	-2.1	-1.3	-1.2	-1.2	-0.5	3.9	0.8	-1.6
Wyoming	1.5	2.4	0.2	0.0	-0.2	0.0	0.4	3.9	2.7	0.4
Pacific	-0.4	-0.9	-1.7	-0.8	-0.6	-0.4	0.5	1.0	-0.1	-0.8
Alaska	2.1	-2.0	-1.1	-0.6	-0.8	-0.2	0.7	0.8	0.7	-0.6
California	-0.3	-1.0	-1.7	-1.1	-0.8	-0.6	0.3	0.7	-0.4	-0.9
Hawaii	-1.8	-1.3	-2.3	-1.9	-1.6	-0.9	-0.1	1.1	0.1	-1.6
Oregon	-1.2	-1.1	-1.4	-0.4	-0.1	0.2	0.8	1.7	0.0	-0.5
Washington	-0.5	0.4	-2.0	0.7	0.4	0.5	1.2	2.5	1.0	0.0

This analysis can be found on The Dismal Scientist at:
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GLOBAL INSIGHT

U.S. Economy

This information was last updated on Thu 06 Nov 2008, 1:27 PM EST (18:27 GMT)

Forecast Flash: First Take

It Was the Economy, Stupid

Anyone seeking an explanation of Barack Obama's success in the presidential election needs look no further than the state of the economy. IHS Global Insight's election model, whose key driver is real per capita income growth, predicted a 53.1% share of the two-party vote for Obama, on the basis that declining incomes would hurt the incumbent party. The current almost-complete vote count matches that prediction exactly, at 53.1%. But although the economy was the number one key to Obama's success, it is now—or will be as of January 20—his number one problem.

Recession Is Deepening... The damage from the financial crisis is quickly becoming evident and the as-yet unofficial recession is deepening. The economy was turning down even before the latest and most severe phase of the credit crisis hit it on the head. Consumers are retrenching, with real consumption dropping 3.1% in the third quarter; a similar drop is expected in the fourth. Housing starts and prices continue to decline, with no end in sight. The key ISM manufacturing index has fallen deeper into the recession zone; export orders are now falling. And the decline in the labor market is accelerating; we expect job losses of over 200,000 per month in the fourth quarter. The upshot: four consecutive quarterly declines in GDP, the steepest being the 3.3% drop expected for the fourth quarter. Our GDP growth forecast for 2008 has been cut to 1.3%, from 1.5%, and our growth forecast for 2009 is now minus 1.0%, rather than plus 0.2%. We see the unemployment rate rising above 8% by the end of 2009.

...And Is Now Global. Perhaps the most important shift in the outlook this month is on the export side. It has become clear in recent weeks that the recession is now a global one, and that U.S. producers will no longer be able to rely on rapid export growth to counterbalance falling domestic demand. After a small first-quarter 2009 increase (helped by a bounce in aircraft exports, as Boeing production resumes after the strike), we expect exports to decline throughout the rest of next year.

Why Not Even Worse? The forecast incorporates a peak-to-trough decline in real GDP of 1.5%, worse than the last two recessions, but not as bad as 1982. Two key supports prevent the outlook from being even worse. First, we assume that oil prices continue to decline, hitting a trough of $50/barrel in the second quarter of 2009. The resulting drop in gasoline prices from their third-quarter peak is like a $185-billion tax cut for consumers. Second, we have assumed that Congress will pass a $200-billion stimulus package (1.4% of GDP) that will take effect beginning in the first quarter of 2009, including a mixture of infrastructure spending, support for state and local governments, increased transfer payments (e.g., extended unemployment insurance), and "rebates" (similar to, but smaller than, those paid out earlier this year). The stimulus package, financial bailout costs, and the recession will take the federal budget deficit above $1 trillion in 2009. For now, the need to support the economy trumps deficit fears, but once the recession is over, President Obama will face tough choices about which of his spending priorities to pursue and how to fund them.

Inflation Vanishing. The global recession is quickly taking care of the inflation threat. Attention will shift rapidly to deflation. Headline CPI inflation peaked at 5.6% in July, but by the third quarter of 2009, we expect it to be negative, at minus 2.5%. Core inflation will prove more stubborn than the headline number, but should be at the bottom of the Federal Reserve's 1–2% comfort zone by the second half of 2009, as commodity costs come down, higher unemployment reduces wage inflation, and profit margins are squeezed.

Fed Expected to Cut Interest Rates to 0.50%. The Federal Reserve is running out of room to cut rates, and the effect of such cuts is limited, given banks' reluctance to lend—but that does not mean the Fed should stop. We expect the federal funds rate to be reduced by 50 basis points at the Fed's December meeting, to 0.50%, and to hold there throughout 2009.

by Nigel Gault

A Quick Look at the Numbers

(Annual rates)

	Quarterly				Annual				
	08:3	08:4	09:1	09:2	2007	2008	2009	2010	2011
Real GDP (Percentchange)	-0.3	-3.3	-2.1	-0.5	2.0	1.3	-1.0	1.7	3.1
Federal Funds Rate (Percent)	1.94	0.94	0.50	0.50	5.02	2.04	0.50	1.22	3.73
Ten-Year Treasury Yield (Percent)	3.85	3.79	3.60	3.62	4.63	3.80	3.63	3.88	5.13
Oil Prices, WTI (Dollars/barrel)	118	66	56	50	72	101	53	63	80
Consumer Price Index (% change y/y)	5.3	2.0	-0.3	1.2	2.9	3.9	-0.9	2.4	3.0
Housing Starts (Millions)	0.88	0.75	0.68	0.66	1.34	0.93	0.71	1.08	1.39
Consumer Sentiment (Univ. of Michigan)	65	57	59	61	86	64	61	67	72
Unemployment Rate (Percent)	6.0	6.5	7.1	7.7	4.6	5.7	7.7	8.2	7.8

NOV 1 9 2008

U.S. EXECUTIVE SUMMARY

NOVEMBER 2008

It Was the Economy, Stupid

Highlights

- The recession is deepening. We expect real GDP to decline for four quarters in a row, with the worst declines immediately ahead. The economy contracts 1.0% in 2009.
- Governments and central banks are trying to unfreeze lending markets, but credit conditions will ease only slowly; they cannot prevent a global recession.
- Inflation is yesterday's problem. We expect headline CPI inflation to be well into negative territory by mid-2009.
- Monetary policy's potency is limited, but we expect the Fed to keep cutting the federal funds rate, probably to 0.50% by the end of this year; a zero rate is now possible.
- Fiscal policy has better prospects for success, and we assume that the federal government injects $200 billion in fiscal stimulus, either before or just after the Obama administration takes office in January.

The Forecast in Brief

Anyone seeking an explanation of Barack Obama's success in the presidential election needs look no further than the state of the economy. Global Insight's election model, whose key driver is real per-capita income growth, predicted a 53.1% share of the two-party vote for Obama, on the basis that declining incomes would hurt the incumbent party. The near-final vote count matches that prediction almost exactly, at 53.3%. But although **the economy was the number-one key to Obama's success**, it is now—or will be as of January 20—his number-one problem.

The recession is deepening. The financial crisis worsened dramatically in October, as credit markets froze and stock markets plunged. And it is now clear that the economy was turning down sharply even before the latest and most severe phase of the credit crisis hit it on the head. Recent economic indicators are showing precipitous declines. Consumer spending is falling, and both housing starts and prices continue to decline, with no end in sight. The key ISM-manufacturing index has fallen deeper into the recession zone; export orders are now falling. And the decline in the labor market is accelerating. Employment fell more than 200,000 per month in September and October, and we expect similar losses through the end of the first quarter of 2009.

The upshot: the worst recession since 1982, with four consecutive quarterly declines in GDP, the steepest being the 3.3% drop expected for the fourth quarter. Our GDP growth forecast for 2008 has been cut to 1.3%, from 1.5%, and our growth forecast for 2009 is now minus 1.0%, rather than plus 0.2%. We see the unemployment rate rising above 8% by the end of 2009, with a peak-to-trough decline in payroll employment of about 3 million.

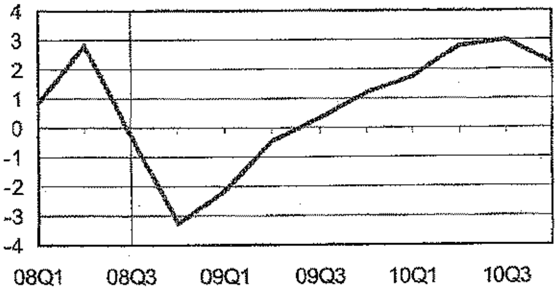
Downside risks remain predominant. Our pessimistic scenario (probability = 25%, versus baseline = 60%) incorporates a recession even worse than those in 1973-75 and 1981-82. In this scenario, the unemployment rate rises to a peak of 9.3%.

Housing remains a major drag on growth, and until the housing market stabilizes, it will be impossible to draw a line under the financial crisis. Credit is tightening further for homebuyers and homebuilders. And the broader economy is now turning down, which means lower employment, higher unemployment, reduced household wealth, and

Contacts:
Nariman Behravesh, 781-301-9101, nariman.behravesh@globalinsight.com
Nigel Gault, 781-301-9093, nigel.gault@globalinsight.com
Global Insight Web Site, htpp://www.globalinsight.com

GLOBAL INSIGHT

The Recession Deepens
(Real GDP, annualized percent change)



much more insecurity among potential purchasers. We expect housing starts to hit bottom only in the second quarter of 2009, at just 658,000 units (annual rate), and to improve only very gradually thereafter. We expect the FHFA/OFHEO house price index to drop 12.2% from the first quarter of 2008 to the first quarter of 2009, and another 8.0% by the first quarter of 2010.

Consumers are now retrenching. Real consumption dropped 3.1% in the third quarter, the worst decline in 28 years; a similar drop is expected in the fourth. On a calendar-year basis, we expect anemic consumer spending growth of 0.4% this year and 0.2% next. Consumers are getting relief from tumbling oil prices, which we expect to fall to $50/barrel, and further federal tax cuts are probably on the way, but they cannot outweigh the squeeze from the crumbling labor market, falling home prices, tighter credit availability, and lower stock-market wealth. **Light-vehicle sales** fall to 13.3-million units in 2008 and 12.2 million in 2009.

Other key supports to growth are being knocked away. Declining consumer and housing demand, coupled with tighter credit, will make businesses pull back on **capital spending**. Equipment spending fell 5.5% in the third quarter, worse than the second, and we expect double-digit declines over the next two quarters. For 2009 overall, we foresee a 9.0% drop in **equipment spending**.

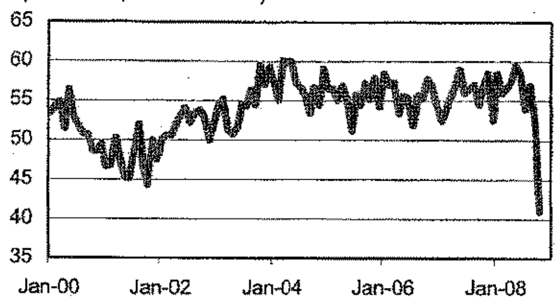
But the biggest downside risk for business capital spending is on the construction side. During 2007 and the first half of 2008, rising **private nonresidential construction** helped cushion the blow from plunging residential construction. But the availability of financing for commercial real estate has tightened sharply, and the need for extra retail and office space is evaporating as consumer spending and employment decline. We anticipate declines in private nonresidential building, starting in the third quarter of 2008 and extending through the second quarter of 2010. The average decline in 2009 is 14.5%.

In the **state and local government sector**, revenue growth is slowing, while financing has become more expensive and, in some cases, impossible—a recipe for sharp cutbacks in outlays (and not just in construction). We project operating deficits (national accounts basis) at $92 billion for the fiscal year that began on July 1, 2008. We expect real state and local government purchases to decline in the fourth quarter of 2008 and the first quarter of 2009. They then stabilize, but only because we assume that the federal government provides support for current and capital spending totaling $110 billion, beginning in the first quarter.

The **federal budget deficit** is rising dramatically because of the damage to revenues from the recession and because of the cost of the various fiscal-stimulus and financial market intervention measures being used to combat it. We expect the budget deficit to reach an unprecedented $1.1 trillion in fiscal-year 2009 (7.8% of GDP), up from $455 billion in 2008. For now, the need to support the economy trumps deficit fears, but once the recession is over, President Obama will face tough choices about which of his spending priorities to pursue and how to fund them.

Perhaps the most important shift in the outlook this month is on the **export** side. It has become clear in recent weeks that the recession is now a global one, and that U.S. producers will no longer be able to rely on rapid export growth to counterbalance falling domestic demand. Although export growth for calendar-year 2009 is still positive (barely) at 0.7%, that reflects the momentum already built up this year. After a small first-quarter increase (produced by a bounce in aircraft exports, as Boeing production resumes after the strike), we expect exports to decline throughout the rest of 2009. Moreover, the **dollar** has risen as investors flee risk, eroding the competitive advantage of U.S. producers.

The Last Prop Gives Way?
(Export orders, diffusion index)

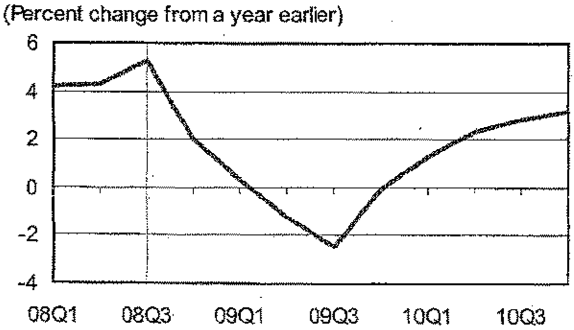


The **current-account deficit** should halve in 2009, to \$342 billion, from \$680 billion this year. About two-thirds of the reduction reflects a reduced oil import bill, helped by much lower prices. The rest reflects U.S. consumers cutting back imports faster than the rest of the world cuts U.S. exports.

Inflation is yesterday's problem. The global recession is bringing commodity prices and shifting attention to deflation. Headline CPI inflation peaked at 5.6% in July, but by the third quarter of 2009, we expect it to be negative, at minus 2.5%. Core inflation will prove more stubborn than the headline number, but should be at the bottom of the Federal Reserve's 1-2% comfort zone by the second half of 2009, as commodity costs come down, higher unemployment reduces wage inflation, and profit margins are squeezed.

The **Federal Reserve** is running out of room to cut interest rates, and the effect of such cuts is limited, given banks' reluctance to lend—but that does not mean the Fed should stop. We expect the federal funds rate to be reduced by 50 basis points at the Fed's December meeting, to 0.50%, and to hold there throughout 2009.

Consumer Prices: from Inflation to Deflation
(Percent change from a year earlier)



While the Recession Will Be Deep, the Stage Is Also Being Set for a Fairly Strong Recovery

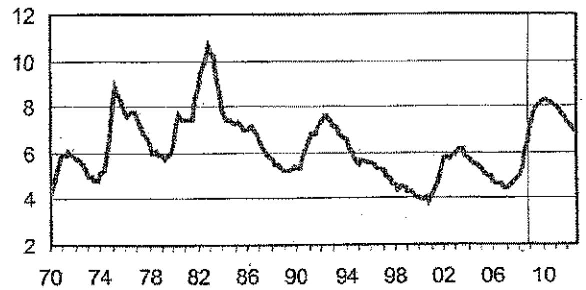
The data from the last couple of months leave little doubt that the U.S. and European economies have fallen off a cliff, and others are likely to follow. Most leading indicators of economic activity are deeply in recession territory, and are heading further down at an alarming rate. Forget any talk of a mild recession. The debate is now about whether the current U.S. downturn will look more like the moderate recession of 1990-91 (when output fell 1.3%) or the deep recessions of 1973-75, 1980, and 1982 (when output fell between 2% and 3%).

The worst recessions of the last four decades were caused by a combination of large oil shocks and tight monetary policies. The expansion-killing blows of 2008 were similar, yet arguably, not as bad. The demand-driven oil "shock" of the last few years—exacerbated in its final stages by speculative activity—was less damaging than earlier shocks, which were triggered by supply disruptions. The collapse in oil prices in a matter of weeks is a function both of expectations of a world recession and a flight to safety, as investors have fled commodities markets.

While monetary policy in many parts of the world, especially the United States, was (and is) loose, the impact on the real economy has been completely undermined by the freezing-up of credit markets. As a result, by many measures, credit conditions are as tight as or even tighter than those that precipitated the deepest recessions in the postwar period. Assuming that the large and coordinated financial rescue packages succeed in unclogging the banking systems in the United States and Europe, the impact of loose monetary policies will eventually feed through to the real economies. Unfortunately, it may take many months for credit markets to thaw out. In the meantime, the de-leveraging process in the United States and other economies, such as the United Kingdom, will depress growth even further.

Although a better productivity trend means that we are not anticipating as severe a recession in GDP terms as in 1982

Unemployment Rate Heading to 1980s Levels
(Percent)



(we see GDP dropping 1.5% peak to trough), we do anticipate an overall rise in the unemployment rate of roughly 4 percentage points, comparable to 1982. In our view, that makes this recession a deep one—but there are forces that will both prevent it from being even worse and set the stage for a recovery that is likely (eventually) to be strong.

Here are four positive factors to keep in mind. First, oil prices are now nearly $60 per barrel—less than 50% of their peak earlier this year—and probably headed down to $50. This is a huge relief to consumers in the United States and other parts of the world. The resulting drop in gasoline prices from their third-quarter peak is like a $185-billion tax cut for U.S. consumers. Falling food and fuel prices will give a nice boost to disposable income over the next year.

Second, the swift and coordinated action on the financial crisis by the governments in the hardest-hit economies will pay off—indeed, it already is. Early indications are that banks are beginning to lend to each other again and the inter-bank rates have fallen to levels last seen before the collapse of Lehman Brothers. Nevertheless, more help may be needed, especially if there is a risk of a meltdown in other parts of the financial system, such as the market for credit default swaps. Recent aggressive action by governments suggests that they will do whatever is necessary to deal with such aftershocks, as they occur.

Third, there is a huge amount of liquidity that has already been pumped into the global economy—and there is more to come. The Fed is likely to ease again, and a federal funds rate of 0.5%—or even lower—is a safe bet in the next few months. The European Central Bank and the Bank of England are expected to slash rates by another 125-150 basis points by mid-2009—and they have more room to cut than the Fed, if they need to. Almost every other central bank around the world has either started cutting or will do so soon. As the credit crisis eases, this massive monetary stimulus will boost growth.

Finally, further fiscal stimulus is in the pipeline. In the United States, there is now broad-based support for a fiscal boost of around $200 billion (1.4% of GDP), to be put in place quickly. We have assumed that a package will take effect beginning in the first quarter of 2009, including a mixture of infrastructure spending, support for state and local governments, increased transfer payments (e.g., extended unemployment insurance), and "rebates" (similar to, but smaller than, those paid out earlier this year). Such a fiscal boost is a top priority for President-elect Barack Obama, and has broad-based support in Washington. Many governments in Europe, Asia, and other parts of the world have either enacted or are about to enact spending increases and tax cuts. This too is good news for the recovery.

Unfortunately, the easing of credit conditions is likely to occur slowly. This means that the impact of monetary stimulus will only be felt with a lag. Meanwhile, the housing recessions in the United States, the United Kingdom, Spain, and elsewhere will get worse before they get better. Similarly, fiscal stimulus will not occur soon enough to prevent negative growth for the next few quarters.

Bottom Line: The U.S. and global economies will contract during the rest of this year and through most of 2009. But the stage has been set for a modest rebound in 2010 and a more robust recovery in 2011.

One final thought, though. Comparisons to Japan's "lost decade" and Sweden's deep early-1990s recession are misleading. It took Japan seven years to put in place a bank rescue package—and it was too little, too late. Moreover, monetary and fiscal policies were too tight in the early phases of Japan's banking crisis. Sweden's downturn and banking crisis were exacerbated by attempts to maintain its fixed exchange-rate regime—including pushing overnight interest rates to stratospheric levels. Few of the factors behind these horrific post-financial-crisis downturns are

Short-Term Outlook for Maine

Fall 2008 Forecast

	2007:4	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2006	2007	2008	2009	2010
Establishment Employment (Place of Work, Thousands)												
Total Non-Agricultural	618.9	618.2	616.1	616.1	613.5	611.8	610.7	614.7	617.4	616.0	610.9	614.9
Pct. Ch. Ann. Rate	0.6	-0.4	-1.4	0.0	-1.7	-1.1	-0.7	0.5	0.4	-0.2	-0.8	0.7
Manufacturing	58.5	58.3	58.7	58.8	58.1	57.3	56.5	60.0	59.1	58.5	56.2	55.0
Pct. Ch. Ann. Rate	-5.0	-1.6	2.5	0.6	-4.3	-5.4	-5.4	-2.2	-1.6	-1.0	-3.8	-2.2
Durables	31.0	30.9	31.2	31.2	30.7	30.1	29.5	31.9	31.3	31.0	29.3	28.5
Wood Products	5.6	5.5	5.5	5.4	5.3	5.1	4.9	6.2	5.8	5.4	4.8	4.7
Machinery												
Comp. & Elec. Prod.	3.0	3.0	3.0	2.9	2.9	2.9	2.8	3.4	3.1	2.9	2.8	2.8
Transportation Equip.	9.4	9.4	9.3	9.3	9.1	8.9	8.7	9.1	9.3	9.3	8.7	8.4
Nondurables	27.5	27.4	27.5	27.6	27.4	27.2	27.0	28.1	27.8	27.5	27.0	26.6
Food Manufacturing												
Non-Manufacturing	560.3	559.9	557.4	557.3	555.3	554.5	554.2	554.7	558.3	557.5	554.7	559.9
Pct. Ch. Ann. Rate	1.3	-0.3	-1.8	-0.1	-1.4	-0.6	-0.2	0.8	0.7	-0.1	-0.5	0.9
Construction & Mining	33.6	32.9	32.1	32.1	31.4	30.8	29.8	34.1	33.5	32.1	29.7	28.7
Pct. Ch. Ann. Rate	0.8	-7.7	-9.4	0.0	-8.8	-6.6	-12.5	2.2	-1.6	-4.1	-7.6	-3.4
Trade, Trans., & Utilities	126.9	126.8	125.8	125.1	124.2	123.4	123.5	125.6	126.3	125.5	123.8	125.5
Pct. Ch. Ann. Rate	1.9	-0.4	-3.1	-2.1	-2.9	-2.7	0.4	0.3	0.5	-0.7	-1.3	1.3
Wholesale Trade	21.1	21.1	21.0	20.8	20.7	20.5	20.4	21.5	21.2	20.9	20.4	20.5
Retail Trade	88.3	88.2	87.6	87.3	86.5	86.1	86.4	87.2	87.8	87.4	86.7	88.2
Trans. & Warehousing	15.6	15.6	15.3	15.1	15.1	14.9	14.9	15.1	15.4	15.3	14.9	14.9
Utilities	1.9	1.9	1.9	1.9	1.9	1.9	1.8	1.8	1.9	1.9	1.8	1.8
Information	11.2	11.2	11.2	11.0	10.9	10.8	10.7	11.2	11.3	11.1	10.7	10.5
Pct. Ch. Ann. Rate	-1.9	0.1	-1.0	-7.4	-2.8	-3.5	-3.5	0.6	0.7	-2.1	-3.6	-1.8
Financial Activities	33.1	32.9	32.9	32.6	32.5	32.4	32.4	33.6	33.3	32.7	32.5	32.7
Pct. Ch. Ann. Rate	-2.7	-2.4	0.0	-2.8	-1.7	-1.3	0.2	-1.5	-1.1	-1.7	-0.7	0.8
Finance & Insurance	25.9	25.8	25.6	25.5	25.4	25.4	25.4	26.5	26.1	25.6	25.5	25.7
Real Estate & Rental	7.1	7.1	7.2	7.1	7.0	7.0	7.0	7.2	7.2	7.1	7.0	7.1
Prof. & Business Svcs.	54.1	54.1	54.5	55.7	55.2	54.8	54.3	52.0	53.6	54.9	54.4	56.0
Pct. Ch. Ann. Rate	0.8	-0.2	3.5	8.5	-3.5	-2.6	-3.8	3.4	3.0	2.4	-0.8	2.9
Prof, Scientific, & Tech	23.7	23.7	23.5	24.1	24.1	24.1	24.1	23.4	23.7	23.9	24.1	24.4
Management	6.4	6.2	6.7	6.6	6.6	6.6	6.5	5.8	6.3	6.5	6.5	6.4
Admin & Waste Svcs	24.0	24.2	24.3	25.0	24.5	24.1	23.7	22.8	23.6	24.5	23.9	25.2
Educ & Health Services	116.3	116.9	117.1	117.4	117.9	119.0	120.2	114.1	116.1	117.3	120.4	123.3
Pct. Ch. Ann. Rate	0.8	2.1	0.6	0.9	1.9	3.8	4.0	1.6	1.8	1.1	2.6	2.4
Educational Services	19.5	19.6	19.6	19.7	19.7	19.8	19.7	18.6	19.5	19.6	19.8	19.9
Health Care	96.9	97.3	97.5	97.7	98.2	99.3	100.4	95.4	96.6	97.7	100.6	103.4
Leisure & Hospitality	60.2	61.4	59.9	59.7	59.6	59.6	59.7	59.9	60.1	60.2	59.7	59.7
Pct. Ch. Ann. Rate	0.9	8.0	-9.0	-1.8	-0.2	0.1	0.2	1.1	0.4	0.1	-0.8	0.1
Arts, Entrtnmnt, & Rec	8.0	8.5	8.3	8.3	8.3	8.4	8.4	8.0	8.1	8.4	8.4	8.5
Accom & Food Svcs	52.2	52.8	51.7	51.4	51.3	51.3	51.3	51.9	52.0	51.8	51.2	51.2
Other Services	20.0	19.8	19.9	20.0	20.0	20.0	20.0	19.7	19.9	19.9	20.1	20.1
Pct. Ch. Ann. Rate	2.1	-3.3	0.7	3.4	-0.8	-0.5	1.2	-1.4	0.9	0.2	0.6	0.2
Government	104.9	103.9	104.0	103.8	103.7	103.6	103.5	104.4	104.2	103.8	103.5	103.4
Pct. Ch. Ann. Rate	3.0	-3.8	0.5	-0.9	-0.5	-0.2	-0.2	-0.3	-0.2	-0.4	-0.4	-0.1
Federal	14.2	14.0	14.3	14.3	14.3	14.2	14.2	14.2	14.2	14.2	14.2	14.3
State & Local	90.7	89.9	89.7	89.5	89.4	89.4	89.4	90.2	90.1	89.6	89.3	89.1
Resident Employment & Unemployment (Thousands)												
Total Employment	671.4	673.2	672.8	672.2	670.3	668.6	666.8	670.7	671.3	672.1	667.0	669.3
Pct. Ch. Ann. Rate	0.5	1.1	-0.2	-0.4	-1.1	-1.0	-1.0	1.3	0.1	0.1	-0.8	0.4
Labor Force	705.8	708.0	709.3	711.5	712.5	713.4	714.2	703.2	704.7	710.3	714.6	718.5
Labor Force Partic Rate	65.5	65.7	65.7	65.9	65.9	65.9	65.9	65.7	65.5	65.8	65.9	66.0
Number Unemployed	34.4	34.8	36.5	39.3	42.2	44.9	47.4	32.5	33.4	38.2	47.6	49.2
Unemployment Rate	4.9	4.9	5.1	5.5	5.9	6.3	6.6	4.6	4.7	5.4	6.7	6.8
Other Economic Indicators												
CPI (Ann. Pct. Ch.)	3.9	2.3	5.5	7.8	-1.5	0.1	0.4	3.0	2.5	4.1	1.5	2.0
Retail Sales (Bil $)	20.5	20.6	20.7	20.6	20.2	20.2	20.3	19.6	20.3	20.5	20.4	21.3
New Car Regis. (Ths.)	44.1	51.3	52.3	45.9	43.0	41.8	41.3	58.0	52.7	48.1	41.8	43.7
Mfg. Ship. (Bil 82$)	8.7	8.3	8.0	8.0	8.0	7.9	7.9	9.0	8.8	8.1	7.9	8.0

Short-Term Outlook for Maine
Fall 2008 Forecast

	2007:4	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2006	2007	2008	2009	2010
Personal Income (Billions $)												
Total Personal Income	45.3	45.9	46.6	46.8	46.9	47.3	47.6	42.4	44.7	46.6	47.8	49.4
Pct. Ch. Ann. Rate	3.5	4.8	6.5	1.9	1.1	3.0	2.8	5.0	5.5	4.1	2.7	3.3
Real Personal Income	38.0	38.1	38.3	38.0	38.2	38.4	38.6	37.0	38.0	38.2	38.6	39.2
Pct. Ch. Ann. Rate	-0.8	1.1	2.1	-3.5	1.8	2.6	1.7	2.2	2.8	0.4	1.2	1.6
Real Disposable Income	33.7	33.9	34.2	33.8	33.9	34.3	34.4	32.9	33.7	33.9	34.5	34.9
Real Per Capita Income (Ths)	28.8	28.9	29.1	28.8	28.9	29.1	29.2	28.1	28.9	28.9	29.2	29.6
Avg. Household Income (Ths)	83.6	84.6	85.9	86.3	86.6	87.2	87.7	77.5	82.3	85.9	88.0	90.5
Avg. Annual Wage (Ths)	35.6	36.2	36.4	36.8	37.0	37.3	37.6	33.8	35.3	36.6	37.7	38.6
By Place of Work												
Wages and Salaries	22.6	23.0	23.0	23.3	23.3	23.4	23.5	21.4	22.4	23.1	23.6	24.3
Manufacturing	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.6	2.7	2.7	2.7	2.7
Construction & Mining	1.3	1.3	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.3	1.2	1.2
Trade, Trans., & Utilities	3.8	3.9	3.8	3.8	3.8	3.9	3.9	3.7	3.8	3.8	3.9	4.0
Information	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Financial Activities	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.6	1.7	1.7	1.8
Prof & Business Svcs.	2.5	2.6	2.6	2.7	2.6	2.7	2.6	2.2	2.4	2.6	2.7	2.8
Educ & Health Services	4.1	4.2	4.2	4.3	4.3	4.4	4.5	3.9	4.1	4.3	4.5	4.8
Leisure & Hospitality	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.0	1.1	1.1	1.1	1.1
Other Services	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7
Government	3.9	3.9	4.0	4.0	4.0	4.1	4.1	3.7	3.9	4.0	4.1	4.2
Other Labor Income	5.4	5.5	5.5	5.6	5.6	5.6	5.7	5.2	5.4	5.6	5.7	5.9
Less: Social Insurance	3.5	3.6	3.6	3.6	3.6	3.7	3.7	3.3	3.5	3.6	3.7	3.8
By Place of Residence												
Residence Adjustment	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.8	0.9	0.9	0.9	1.0
Property Income	7.5	7.6	7.6	7.8	7.8	7.8	7.7	6.6	7.4	7.7	7.7	7.9
Proprietor's Income	3.5	3.4	3.4	3.5	3.5	3.5	3.5	3.3	3.4	3.5	3.5	3.7
Farm Proprietor	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.0
Business Proprietor	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.3	3.4	3.4	3.5	3.6
Transfer Payments	8.9	9.1	9.7	9.4	9.5	9.7	9.9	8.3	8.8	9.4	10.0	10.5
Real Gross State Product, NAICS Based (Billions 2000$)												
Total GSP	40.1	40.1	40.3	40.2	40.0	40.0	40.1	39.4	39.9	40.1	40.1	40.9
Pct. Ch. Ann. Rate	-0.9	-0.3	1.7	-0.5	-1.7	-0.7	1.2	1.3	1.3	0.7	0.0	2.0
Agriculture	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.6	0.7	0.7	0.7
Manufacturing	5.1	5.1	5.2	5.2	5.1	5.1	5.1	5.0	5.1	5.1	5.1	5.1
Mining	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction	1.3	1.2	1.2	1.2	1.2	1.2	1.1	1.6	1.3	1.2	1.1	1.1
Trade, Trans., & Util.	8.5	8.5	8.6	8.6	8.5	8.5	8.5	8.1	8.4	8.5	8.6	8.8
Information	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.5	1.6	1.6	1.6	1.7
Financial Activities	7.8	7.8	7.9	7.9	7.8	7.8	7.9	7.8	7.8	7.9	7.9	8.0
Prof. & Business Svcs.	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.2	3.3	3.4	3.4	3.5
Educ & Health Services	4.6	4.7	4.7	4.7	4.7	4.7	4.8	4.4	4.6	4.7	4.8	5.0
Leisure & Hospitality	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Other Services	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
State & Local Govt.	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.5	3.5	3.4	3.4	3.5
Federal Govt.	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.1	1.2	1.2	1.2	1.2
Housing												
Total Housing Starts (Ths.)	4.8	4.2	3.7	3.7	3.2	2.8	2.6	6.9	5.2	3.7	2.8	3.4
Single-Family (Ths.)	4.3	3.8	2.9	2.9	2.6	2.3	2.2	6.3	4.7	3.0	2.4	3.1
Multi-Family (Ths.)	0.5	0.4	0.8	0.8	0.6	0.5	0.4	0.5	0.6	0.6	0.4	0.3
New Median Price ($)	224671	226298	221831	211577	209453	207814	208734	227307	225446	217290	209719	209836
Unit Sales, Existing (Ths.)	23.2	21.6	22.4	21.5	20.0	19.6	20.2	31.5	26.6	21.4	20.8	22.9
Existing Median Price ($)	168532	167129	164601	157931	156576	155588	156270	165204	167373	161559	156967	157488
Resident Population (Thousands, July 1)												
Total Population	1318.3	1318.8	1319.3	1319.8	1320.3	1320.8	1321.3	1315.2	1317.5	1319.5	1321.6	1323.8
Pct. Ch. Ann. Rate	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Under 14 years	223.6	223.1	222.7	222.3	221.8	221.4	221.0	227.1	224.3	222.5	220.8	219.1
15 to 24 years	167.6	167.3	167.0	166.7	166.3	166.0	165.6	168.9	167.8	166.8	165.3	163.6
25 to 44 years	338.5	338.2	338.0	337.9	337.8	337.7	337.7	342.4	339.0	338.0	337.8	338.2
45 to 64 years	389.8	389.8	389.8	389.7	389.6	389.5	389.4	384.0	389.7	389.7	389.4	388.9
65 years and over	198.8	200.3	201.8	203.2	204.7	206.1	207.6	192.8	196.6	202.5	208.3	214.0
Net Migration	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.4	0.3	0.4	0.9	1.6
Households	542.6	542.2	542.2	542.2	542.3	542.6	542.9	547.1	543.7	542.2	543.2	545.4

relevant to the current situation. The recent response to the credit crisis took months, not years. Moreover, in most countries, macroeconomic policies are very stimulative. This is good news for the resolution of the current crisis.

Key Forecast Assumptions

Second Fiscal-Stimulus Package: We assume that a second fiscal-stimulus package worth $200 billion will be implemented in the first quarter of 2009. We assume that it includes $65 billion in funding for infrastructure spending (channeled through the states), $45 billion in other transfers to the states to support Medicaid and other current spending, $30 billion in targeted transfer payments to the personal sector (e.g., food stamps, extended unemployment insurance), and $60 billion in tax rebates to the personal sector (we assume that $24 billion of the rebates will be classified as transfers because they exceed tax liabilities).

TARP: The Treasury has the authority to purchase up to $700 billion in "troubled assets" from financial institutions (via the Troubled Asset Relief Program). It has already allocated $250 billion to purchase preferred shares in financial institutions, and we assume that these transactions will enter the budget deficit on a cash basis. For the remaining $450 billion, we assume that the impact on the budget deficit will depend on the prices paid for the assets, compared with the earnings received from the assets and the prices at which they are ultimately sold. We have assumed that the program will incur losses, and have pegged those losses at a present value of around $106 billion, which we have added to the fiscal 2009 federal budget deficit.

Oil Prices to Drop to $50/Barrel: Oil prices have fallen back to around $60/barrel, after nearing $150 in mid-July. We have lowered our projected fourth-quarter 2008 average price (WTI) to $66/barrel (instead of $93), and assume that oil troughs at $50/barrel in the second quarter of 2009, before gradually climbing to just above $90 by 2013.

Natural Gas Prices to Edge Higher: Gas prices remain below $7 per million Btu (Henry Hub cash price), down from more than $13 in early July. We assume they average $7.20 in the fourth quarter as seasonal demand picks up, and then average $7.34 in 2009.

Federal Reserve to Cut Rates to 0.50%: Our baseline assumes that the Fed will cut the federal funds rate from 1.00% to 0.50% at its December 2008 meeting, and hold there throughout 2009. The Fed is assumed to begin a tightening cycle late in the first quarter of 2010.

The Dollar Has Bounced: A flight from risk has sent the dollar higher against most currencies except the Japanese yen and Chinese renminbi. We do not see a further surge from current levels. Global Insight assumes end-2008 values of $1.25/euro, 98 yen/dollar, and C$1.20/dollar. In 2009 and 2010, we have assumed that (gentle) dollar depreciation resumes. The Chinese renminbi should continue to rise, but more slowly than before, and we assume just a 2% appreciation against the dollar over the next 12 months.

Foreign Growth Is Weakening Rapidly: The recession is quickly becoming global. We project GDP in the United States' major-currency trading partners to decline 0.4% in 2009, after growing just 0.9% in 2008. Growth for other important trading partners is projected to slow to just 2.0% in 2009, down from 4.7% in 2008.

Tax Burden to Rise Eventually: The forecast assumes that Congress will retain most of the Bush administration's personal tax-rate reductions, rather than let them expire as scheduled at the end of 2010. But beyond 2010, we expect a gradual increase in the income-tax burden.

Defense Spending Growth Has Quickened: Spending for the wars in Iraq and Afghanistan continues to climb. We expect real federal defense purchases to rise 6.5% in calendar 2008, up from 2.5% growth in calendar 2007, but that spending growth will slow to 1.7% in 2009.

by Nariman Behravesh and Nigel Gault

Risks to the Forecast

The world economy is facing a severe financial crisis. Banks have sharply reduced lending. Companies, unable to access credit, are cutting back on capital spending and laying off employees. The S&P 500 is down more than 30% since the start of the year. Banks and hedge funds are failing at an alarming rate. The crisis, once confined to companies involved in the subprime mortgage market, has spread to the entire U.S. financial sector, and now, across the world.

The real economy is now feeling the effects. The economy deteriorated at the end of the third quarter. October auto sales were the lowest since February 1983. The economy lost over half a million jobs in September and October, as the unemployment rate soared to a 14-year high. The Conference Board's Consumer Confidence Index dove 23.4 points in October, to 38.0—the lowest level recorded in the history of the survey.

The pessimistic scenario builds on events that are now unfolding, and assumes that the financial crisis gets much worse. It assumes weaker consumer spending, weaker business investment, slower foreign growth, and weak underlying productivity growth. It is a scenario with a deep recession in the near term and slow growth afterward.

In the optimistic scenario, the numerous policy salvos of the Federal Reserve, the Treasury, and central banks around the world facilitate a rapid recovery of the credit markets. With credit once again flowing, domestic consumer and business demands are rekindled, along with global demand. Although the economy still experiences a recession, it is a mild one.

Meltdown (25% Probability): The pessimistic scenario assumes that the financial crisis worsens, sending the economy into a tailspin. Credit markets remain clogged, both domestically and across the world. Without access to credit, domestic spending contracts and the housing market falls into an even deeper hole.

The pessimistic scenario assumes that the downward spiral in financial markets continues into next year. The Treasury-eurodollar spread (TED spread) is still above 300 basis points in the fourth quarter of 2009 (normally, the spread is less than 50 basis points). The spread between 30-year fixed mortgage rates and the 10-year Treasury note yield also remains wider than normal into 2010.

Oil prices are lower in the short run because world demand is falling. As a result, bottom-line inflation is lower. Core inflation is also lower because demand is so weak. The low inflation readings give the Federal Reserve leeway to bring interest rates down to 0.0% (yes, zero percent!) by early next year. With the economy in recession, the Fed keeps the federal funds rate at zero throughout 2009. But when the economy gets off the mat, inflation starts creeping up because of rising energy prices, a slowdown in productivity, and a weaker dollar. The Fed responds by steadily raising interest rates. But its response is a bit too little, too late, and inflation continues to edge higher. Eventually, core inflation stabilizes—but at about 3%, about a full percentage point above the baseline rate.

Housing starts have never fallen under 1.0-million units in a calendar year since 1945, but in this scenario, they drop to 915,000 units in 2008 (compared with 927,000 in the baseline) and 666,000 in 2009 (compared with 715,000 in the baseline). The median price of existing homes falls nearly 15% below the baseline in 2010. Home sales are also much lower. The weakness in housing undermines consumer confidence. This, along with the drop in wealth associated with falling home prices and a slowdown in job growth, causes consumers to retrench sharply. Hit especially hard are auto sales, which fall to 10.3-million units in 2009 (versus about 12.2 million in the baseline), and "other" consumer durables (i.e., jewelry, sporting equipment, motorcycles and pleasure boats, and aircraft). In this alternative forecast, consumer spending cuts 2009 GDP growth by 0.4 percentage point (compared with a 0.2-percentage-point addition to growth in the baseline).

Capital spending is also weaker, as firms respond to a bleaker outlook by scuttling long-term projects. Business fixed investment drops over eight straight quarters. Foreign economic growth is lower, which cuts into export growth. Indeed, real GDP among the United States' major-currency trading partners falls for seven quarters, starting in the second quarter of 2008 (this category does not include China). As a result, exports deduct 0.3 and 0.2 percentage point from growth in 2009 and 2010, respectively (compared with 0.1-percentage-point additions in both years of the baseline).

Over the longer term, GDP growth remains slower than in the baseline, mainly because productivity advances only 1.5% on average over the next 10 years, compared with 1.9% in the baseline. Inflation is higher because of the slower productivity gains and a weaker dollar, and because the Fed, after allowing inflation to creep above 3%, decides to stabilize it at that higher level, rather than risk another recession by bringing it down.

In this scenario, real GDP contracts 2.4% in 2009 and rebounds only 0.3% in 2010 (compared with a 1.0% drop and a 1.7% gain, respectively, in the baseline). Employment drops for 10 straight quarters (the economy loses 4.8 million jobs), manufacturing output falls for 11 straight quarters, and real GDP drops for six quarters, starting with the third quarter of 2008. Unlike the previous two recessions, those of 1991 and 2001, this one takes a heavy toll. Peak to trough, real GDP drops 3.3%, which is worse than the losses during the 1973-75 and 1981-82 recessions. Unlike those recessions, however, the economy emerges from this downturn weaker, and facing more troubles ahead.

Mild Recession (15% Probability): In the optimistic scenario, the rapid response of the Federal Reserve to the crisis in financial markets, coupled with the Treasury's "rescue" plan and help from central banks abroad, help the United States avert a severe downturn. In addition, the standard optimistic scenario assumption of stronger total factor productivity growth is also in place. Total factor productivity, a measure of how technological progress augments economic growth, is enhanced by reinvigorated innovation in the technology sector. The price paths of the alternatives are very cyclical this month, with the optimistic scenario yielding higher inflation in the near term, but the more cyclical pessimistic scenario producing more inflation after 2011.

With credit again flowing late this year, business fixed investment recovers by 2010 and grows 4.8%, after suffering only a modest 6.7% contraction in 2009. This compares with a steeper 11.0% decline during 2009 in the baseline forecast and a modest 0.5% dip during 2010. The downturn in residential investment is also less severe in the optimistic scenario, with housing starts beginning to recover during the second quarter of 2009 and averaging 862,000 units for that year, compared with a much weaker baseline of 715,000 units.

The optimistic scenario also assumes faster growth in the rest of the world, and a dollar that is initially weaken than the baseline, but later on is stronger. The dollar helps GDP early in the forecast but then starts to take away.

Finally, we assume slightly higher energy prices in the near term due to stronger global demand, but lower prices in the longer term due to a more optimistic assumption about supply. Oil prices remain near the middle of the $60-70/barrel range for most of 2009 and then gradually rise to the mid-$80s.

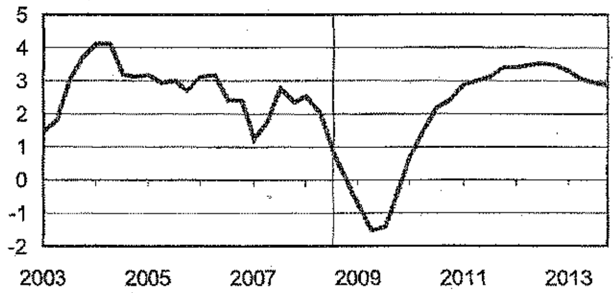
On net, these assumptions produce a much brighter economic outlook compared to the dismal pictures painted by the baseline and pessimistic scenarios. Real GDP manages a milder 1% drop in the fourth quarter and opens a wider growth gap over the next few quarters, as the recession does not "feed" on itself as badly as it does in the baseline. The unemployment rate never rises above the low-7% range and falls back to the mid-5% range by late 2013.

Inflation implications of the milder recession in the optimistic scenario are modest. Oil prices still pull down consumer prices rapidly in late 2008, and prices still rise close to baseline levels until 2011, with slower increases in oil at that point holding them down. In short, the optimistic alternative is similar to the baseline, with more muted cycle dynamics.

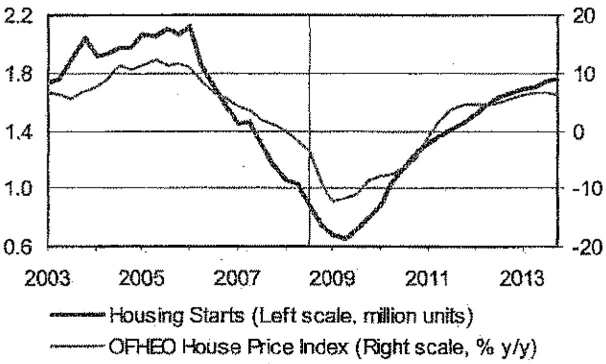
by Michael Montgomery and Patrick Newport

Forecast at a Glance

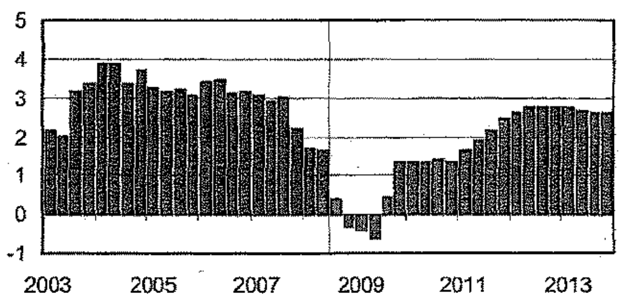
Growth Turns Negative
(Real GDP, percent change from a year earlier)



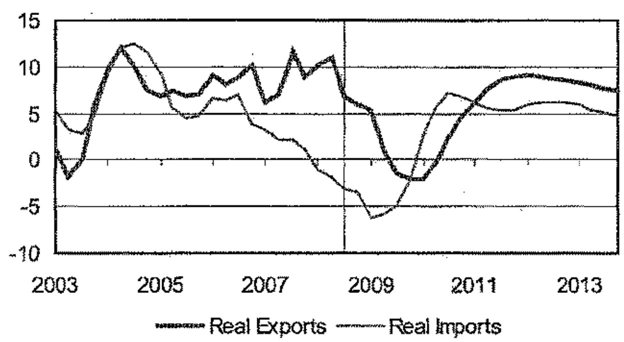
Housing Downturn Still Deepening



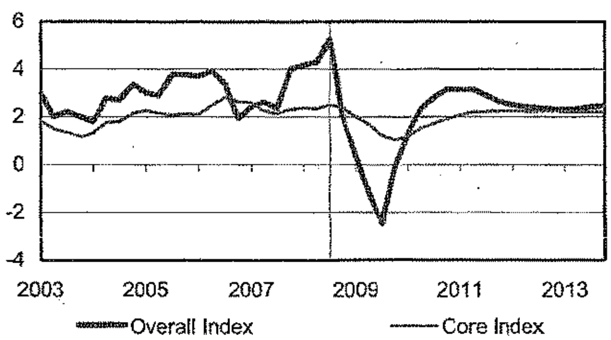
Consumer Spending Declining
(Real spending, percent change from a year earlier)



Foreign Trade Support Won't Last
(Percent change from a year earlier)



Headline Prices Will Fall in 2009
(Consumer prices, percent change from a year earlier)



Fed to Cut Interest Rates to 0.5%
(Percent)

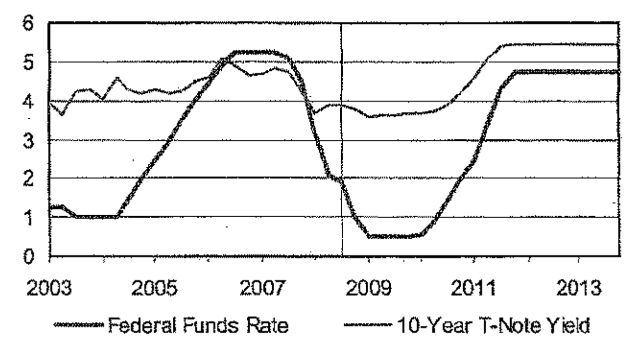


TABLE 1
Monthly Economic Indicators

	Sep. 2007	Oct. 2007	Mar. 2008	Apr. 2008	May. 2008	Jun. 2008	Jul. 2008	Aug. 2008	Sep. 2008	Oct. 2008	2005	2006	2007
Industrial Markets													
Industrial Prod. Total (2002=100.0)	112.3	111.8	112.0	111.4	111.3	111.5	111.4	110.4	107.3		107.2	109.6	111.4
Percent Change	0.3	-0.4	-0.2	-0.5	-0.1	0.1	0.0	-1.0	-2.8		3.3	2.2	1.7
Percent Change Year Earlier	2.2	1.9	1.5	0.4	0.3	0.1	-0.5	-1.4	-4.5				
Capacity Utilization, Manufacturing (%)	79.8	79.3	78.5	77.7	77.6	77.5	77.3	76.6	74.5		78.6	79.4	79.4
Unemployment Rate (%)	4.7	4.8	5.1	5.0	5.5	5.5	5.7	6.1	6.1	6.5	5.1	4.6	4.6
Payroll Employment (Mil.)	137.837	137.977	137.831	137.764	137.717	137.617	137.550	137.423	137.139	136.899	133.695	136.092	137.618
Change (Mil.)	0.081	0.140	-0.088	-0.067	-0.047	-0.100	-0.067	-0.127	-0.284	-0.240	2.276	2.397	1.527
Leading Indicator (1992=1.000)	1.037	1.032	1.019	1.020	1.019	1.019	1.012	1.003	1.006		1.027	1.040	1.037
Percent Change	0.1	-0.5	0.0	0.1	-0.1	0.0	-0.7	-0.9	0.3		2.7	1.3	-0.4
New Orders, Mfg. (Bil. $)	425.4	430.3	440.2	445.9	450.0	459.6	463.0	443.2	432.0		395.4	419.9	427.7
Percent Change	-0.3	1.1	1.5	1.3	0.9	2.1	0.7	-4.3	-2.5		11.9	6.2	1.9
Inv. Chg., Mfg. & Trade (Bil. $)	7.3	2.5	3.0	6.8	5.5	11.1	16.9	4.0			67.2	85.2	53.4
Merchandise Trade Bal. (Bil. $)	-64.7	-65.8	-66.3	-70.6	-70.8	-69.8	-72.3	-69.2			-767.5	-817.3	-794.5
Consumer Markets													
Disposable Income (Bil. 2000$)	8690	8688	8674	8688	9144	8911	8771	8682	8693		8122	8407	8644
Percent Change	0.1	0.0	0.1	0.2	5.3	-2.5	-1.6	-1.0	0.1		1.4	3.5	2.8
Personal Income (Bil. $)	11789	11821	11999	12034	12258	12275	12182	12227	12251		10270	10994	11663
Percent Change	0.5	0.3	0.4	0.3	1.9	0.1	-0.8	0.4	0.2		5.6	7.1	6.1
Personal Saving Rate (%)	0.6	0.7	0.2	0.2	5.0	2.8	1.8	0.8	1.3		0.4	0.7	0.6
Consumer Expenditures (Bil. $)	9800	9817	10040	10073	10144	10196	10199	10203	10170		8694	9207	9710
Percent Change	0.3	0.2	0.6	0.3	0.7	0.5	0.0	0.0	-0.3		6.1	5.9	5.5
Retail Sales (Bil. $)	379.4	376.8	380.0	380.8	383.8	384.1	381.6	379.9	375.5		4078.6	4313.7	4488.5
Percent Change	1.4	-0.7	0.5	0.2	0.8	0.1	-0.6	-0.4	-1.2		6.4	5.8	4.1
Non-Auto. Retail Sales (Bil. $)	299.7	299.1	306.0	309.0	312.7	314.9	315.3	312.4	310.5		3193.8	3412.2	3563.9
Percent Change	0.9	-0.2	0.8	1.0	1.2	0.7	0.1	-0.9	-0.6		7.5	6.8	4.4
New Light-Vehicle Sales (Mil.)	16.1	16.0	15.0	14.5	14.2	13.6	12.5	13.7	12.5	10.5	16.9	16.5	16.1
Housing Starts (Mil.)	1.185	1.275	0.988	1.004	0.982	1.089	0.949	0.872	0.817		2.073	1.812	1.341
New Home Sales (Mil.)	0.694	0.723	0.513	0.542	0.515	0.499	0.517	0.452	0.464		1.279	1.049	0.768
Existing Home Sales (Mil.)	5.110	5.060	4.940	4.890	4.990	4.850	5.020	4.910	5.180		7.076	6.508	5.672
Chg. Consumer Install. Credit (Bil. $)	13.2	7.9	12.5	10.1	6.9	8.9	7.5	-6.3	6.9		93.5	102.5	133.7
Prices and Wages													
CPI, All Urban Consumers	2.085	2.091	2.133	2.137	2.151	2.174	2.192	2.189	2.188		1.953	2.016	2.073
Percent Change Year Earlier	2.8	3.5	4.0	3.9	4.1	4.9	5.5	5.4	4.9		3.4	3.2	2.9
Core Cons. Price Defl. (2000=100.0)	115.1	115.3	116.4	116.5	116.7	117.1	117.4	117.6	117.8		109.6	112.1	114.5
Percent Change Year Earlier	2.0	2.1	2.2	2.2	2.2	2.3	2.5	2.5	2.4		2.1	2.3	2.2
PPI, Finished Goods	1.670	1.679	1.756	1.761	1.786	1.817	1.839	1.822	1.815		1.557	1.603	1.666
Percent Change Year Earlier	4.4	6.2	6.8	6.4	7.3	9.1	9.8	9.7	8.7		4.9	3.0	3.9
PPI, Industrial Commodities (NSA)	1.756	1.769	1.902	1.938	2.000	2.042	2.096	2.035	2.004		1.602	1.688	1.751
Percent Change Year Earlier	3.8	7.0	10.8	11.4	13.6	15.8	17.8	16.4	14.1		8.6	5.4	3.8
Avg. Private Hourly Earnings ($)	17.57	17.59	17.87	17.89	17.95	18.00	18.06	18.14	18.17	18.21	16.12	16.75	17.42
Percent Change Year Earlier	4.1	3.8	3.7	3.5	3.5	3.4	3.4	3.6	3.4	3.5	2.7	3.9	4.0
West Texas Int. Crude Oil ($/bbl.)	79.93	85.93	105.56	112.57	125.39	133.93	133.44	116.70	103.90	76.65	56.46	66.10	72.28
Percent Change Year Earlier	25.1	45.9	74.3	76.0	97.6	98.5	80.3	61.2	30.0	-10.8	36.2	17.1	9.3
Henry Hub Spot Natural Gas ($/mmbtu)	6.08	6.77	9.44	10.13	11.21	12.69	11.06	8.25	7.67	6.73	8.81	6.74	6.98
Percent Change Year Earlier	24.0	17.4	32.9	33.5	47.1	72.6	77.8	32.4	26.2	-0.6	49.4	-23.5	3.6
Financial Markets													
Federal Funds Rate (%)	4.94	4.76	2.61	2.28	1.98	2.00	2.01	2.00	1.81	0.97	3.21	4.96	5.02
3-Month T-Bill Rate (%)	3.89	3.90	1.26	1.29	1.73	1.86	1.63	1.72	1.13	0.67	3.15	4.73	4.35
Commercial Bank Prime Rate (%)	8.03	7.74	5.66	5.24	5.00	5.00	5.00	5.00	5.00	4.56	6.19	7.96	8.05
Moody's Aaa Corp. Bond Yield (%)	5.74	5.66	5.51	5.55	5.57	5.68	5.67	5.64	5.65	6.28	5.23	5.59	5.56
10-Year Treasury Note Yield (%)	4.52	4.53	3.51	3.68	3.88	4.10	4.01	3.89	3.69	3.81	4.29	4.79	4.63
Conv. Mortgage Rate, FHLMC (%)	6.38	6.38	5.97	5.92	6.04	6.32	6.43	6.48	6.04	6.20	5.87	6.41	6.34
M1 Money Supply (Bil. $)	1366	1370	1375	1371	1368	1386	1403	1394	1454		1372	1374	1370
Percent Change	-0.3	0.2	0.2	-0.3	-0.2	1.3	1.2	-0.7	4.3		-0.1	-0.6	0.0
M2 Money Supply (Bil. $)	7314	7338	7618	7631	7641	7639	7680	7670	7769		6517	6843	7233
Percent Change	0.4	0.3	0.9	0.2	0.1	0.0	0.5	-0.1	1.3		4.0	5.2	5.5
Trade-Weighted US$, 18 Countries													
Morgan Guaranty Index (1990=100.0)	84.5	82.8	79.3	79.1	79.5	79.8	79.2	81.5	83.3	88.9	90.4	89.3	85.9
Percent Change	-1.5	-1.9	-2.3	-0.2	0.5	0.4	-0.7	2.9	2.2	6.7	-2.4	-1.2	-3.8
Percent Change Year Earlier	-4.9	-7.2	-10.4	-9.6	-8.5	-8.0	-7.4	-4.9	-1.4	7.3			
Real Morgan Guaranty Index	83.3	81.8	78.3	78.0	78.2	78.4	77.7	80.4	82.2	87.8	90.1	88.4	84.9
Percent Change	-1.9	-1.8	-2.9	-0.4	0.2	0.3	-0.9	3.4	2.3	6.8	-2.2	-1.9	-4.0
Percent Change Year Earlier	-4.8	-6.6	-10.5	-9.4	-8.7	-8.5	-8.1	-5.4	-1.3	7.4			

TABLE 2

Summary of the U.S. Economy

	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2
Composition of Real GDP, Percent Change, Annual Rate													
Gross Domestic Product	2.8	-0.3	-3.3	-2.1	-0.5	0.4	1.2	1.7	2.8	3.0	2.2	3.4	3.4
Final Sales of Domestic Product	4.4	-0.8	-3.7	-0.2	-0.2	-0.1	0.5	0.4	1.7	2.5	2.1	3.2	3.5
Total Consumption	1.2	-3.1	-3.0	0.8	1.9	3.4	2.2	1.0	1.1	2.0	1.5	1.8	2.4
Durables	-2.8	-14.1	-17.6	-9.8	7.7	20.5	10.1	5.6	2.5	5.5	3.3	2.6	6.9
Nondurables	3.9	-6.4	-4.3	1.8	2.5	3.0	1.8	0.3	1.0	1.6	0.7	1.3	1.6
Services	0.7	0.6	0.3	2.0	0.9	1.2	1.2	0.6	1.0	1.6	1.5	2.0	2.1
Nonresidential Fixed Investment	2.5	-1.0	-8.9	-17.1	-15.6	-15.4	-0.7	0.9	5.7	8.2	8.8	10.9	10.2
Equipment & Software	-5.0	-5.5	-10.7	-17.4	-7.7	-3.6	8.9	3.3	9.7	9.5	11.0	13.2	12.1
Information Processing Equipment	8.0	2.5	-7.8	-13.4	-3.9	0.4	8.0	9.5	9.7	9.6	8.4	9.7	9.2
Computers & Peripherals	13.0	-11.7	13.0	-17.8	-2.6	-2.7	12.5	20.5	24.9	27.4	22.7	21.5	21.0
Communications Equipment	11.6	8.6	-16.9	-16.9	-11.9	-9.1	3.9	7.4	11.3	7.7	8.1	13.8	13.0
Industrial Equipment	-3.6	-10.6	-9.2	-28.5	-16.3	-7.4	2.9	9.2	9.5	9.2	7.4	6.8	5.1
Transportation equipment	-46.6	-51.0	-27.4	-10.4	-0.1	-15.3	56.1	-22.5	25.4	14.7	38.2	50.8	43.0
Aircraft	5.7	-79.0	135.3	40.4	-6.4	-8.2	25.7	-0.5	12.8	1.4	6.9	11.2	17.3
Other Equipment	-3.2	18.2	-10.8	-21.5	-14.8	-5.7	-4.4	-5.0	0.8	6.3	7.9	9.5	9.3
Structures	18.5	7.9	-5.6	-16.4	-28.3	-34.5	-18.6	-4.3	-2.9	5.3	3.8	5.4	5.6
Commercial & Health Care	0.2	-8.5	-7.3	-13.1	-16.3	-35.0	-29.0	-19.5	-3.9	13.7	16.7	17.3	14.7
Manufacturing	136.1	37.3	-6.1	-32.8	-32.7	-33.4	-6.6	-27.3	-28.0	4.0	-0.5	3.4	16.2
Power & Communication	0.5	-9.1	-1.6	-11.1	-17.3	-22.5	-11.1	-5.3	0.2	-2.1	-7.7	-4.2	2.2
Mining & Petroleum	31.6	44.0	-4.7	-13.5	-46.7	-50.5	-27.1	28.0	2.0	1.8	-3.5	-2.2	-6.9
Other	17.3	-2.6	-6.5	-20.7	-23.7	-19.3	-0.2	4.1	3.2	3.1	3.0	2.9	3.5
Residential Fixed Investment	-13.3	-19.1	-26.7	-24.8	-12.1	2.0	13.0	22.1	33.3	29.8	23.3	18.7	9.5
Exports	12.3	5.9	1.2	2.1	-4.0	-4.6	-1.0	1.6	3.5	5.3	7.2	8.7	9.4
Imports	-7.3	-1.9	-4.0	-11.2	-5.9	1.4	7.5	8.7	5.8	7.0	5.3	6.4	3.6
Federal Government	6.6	13.8	-4.6	2.0	0.2	-0.5	-1.3	-0.7	-0.8	-1.2	-1.3	-0.8	-0.7
State & Local Government	2.5	1.4	-1.6	-2.4	1.2	-0.6	0.1	0.9	0.2	0.5	-3.5	1.9	-0.2
Billions of Dollars													
Real GDP	11727.4	11720.0	11622.2	11560.3	11546.0	11556.2	11590.0	11639.8	11720.0	11806.8	11872.1	11972.0	12073.6
Nominal GDP	14294.5	14429.2	14415.3	14410.1	14401.3	14446.7	14522.6	14651.3	14807.9	14978.5	15119.2	15313.7	15505.3
Prices & Wages, Percent Change, Annual Rate													
GDP Deflator	1.1	4.2	2.7	2.0	0.3	0.9	0.9	1.8	1.5	1.6	1.5	1.8	1.6
Consumer Prices	5.0	6.7	-7.5	-2.3	-1.4	1.4	2.0	3.0	2.7	3.4	3.4	3.1	2.7
Producer Prices, Finished Goods	10.6	8.6	-16.6	-10.0	-6.7	-0.8	1.7	2.6	4.2	4.4	3.0	3.4	2.3
Employment Cost Index - Total Comp.	2.3	2.6	2.5	3.0	2.1	2.1	1.7	2.4	1.7	1.9	1.8	2.4	2.2
Other Key Measures													
Oil - WTI ($ per barrel)	123.78	118.25	65.55	56.00	50.00	51.00	54.00	57.00	60.00	65.00	71.00	77.00	80.00
Productivity (%ch., saar)	4.3	-0.2	0.0	0.4	1.7	1.7	1.7	1.8	2.3	2.0	0.9	2.0	1.8
Total Industrial Production (%ch., saar)	-3.1	-6.0	-4.7	-4.2	-2.8	-0.9	0.0	0.9	2.1	2.8	3.2	3.8	4.1
Factory Operating Rate	77.6	76.1	74.5	73.2	72.7	72.4	72.5	72.5	73.1	73.5	73.7	74.3	74.9
Nonfarm Inven. Chg. (Bil. 2000 $)	-55.1	-38.6	-28.8	-83.2	-92.8	-78.5	-59.1	-16.1	16.6	31.0	34.9	42.1	39.3
Consumer Sentiment Index	59.6	64.8	57.0	58.7	60.8	62.8	61.6	65.3	68.0	67.7	67.5	69.9	71.2
Light Vehicle Sales (Mil. units, saar)	14.10	12.89	11.00	10.75	11.47	13.00	13.59	13.75	13.88	14.09	14.25	14.38	15.09
Housing Starts (Mil. units, saar)	1.025	0.879	0.750	0.677	0.658	0.716	0.808	0.883	1.037	1.154	1.256	1.317	1.366
Exist. House Sales (Total, Mil. saar)	4.910	5.037	4.690	4.346	4.385	4.533	4.632	4.630	4.746	4.904	5.014	4.988	5.015
Unemployment Rate (%)	5.3	6.0	6.5	7.1	7.7	8.0	8.1	8.2	8.3	8.2	8.1	8.0	7.8
Payroll Employment (%ch., saar)	-0.6	-0.7	-1.7	-2.1	-1.8	-1.0	-0.2	0.3	0.7	1.0	1.1	1.5	1.6
Federal Surplus (Unified, nsa, bil. $)	26.9	-169.0	-483.1	-383.0	-37.9	-227.0	-242.5	-310.9	3.9	-175.8	-211.7	-295.0	24.1
Current Account Balance (Bil. $)	-732.6	-749.2	-534.3	-353.5	-295.5	-333.5	-385.3	-438.1	-463.9	-508.4	-545.7	-584.7	-604.4
Financial Markets, NSA													
Federal Funds Rate (%)	2.09	1.94	0.94	0.50	0.50	0.50	0.50	0.54	0.93	1.44	1.96	2.49	3.35
3-Month Treasury Bill Rate (%)	1.61	1.51	0.58	0.64	0.84	0.96	1.03	1.17	1.51	2.05	2.58	3.15	3.94
10-Year Treasury Note Yield (%)	3.89	3.86	3.79	3.60	3.62	3.64	3.67	3.70	3.75	3.88	4.20	4.57	5.11
30-Year Fixed Mortgage Rate (%)	6.09	6.31	6.05	5.65	5.64	5.61	5.53	5.52	5.50	5.59	5.89	6.25	6.79
S&P 500 Stock Index	1372	1252	969	950	1020	1040	1075	1095	1115	1155	1195	1235	1275
(Four-Quarter % change)	-8.3	-16.0	-35.2	-29.6	-25.6	-16.9	11.0	15.3	9.3	11.1	11.2	12.8	14.3
Exchange Rate, Major Trading Partners	0.698	0.724	0.803	0.790	0.785	0.780	0.776	0.771	0.766	0.760	0.754	0.747	0.740
(% change, annual rate)	-6.0	15.7	51.3	-6.1	-2.5	-2.5	-2.0	-2.6	-2.6	-3.1	-3.1	-3.7	-3.7
Incomes													
Personal Income (% ch., saar)	7.9	1.0	1.0	5.5	-1.7	1.5	1.9	2.5	3.2	3.8	3.8	5.2	4.9
Real Disposable Income (%ch., saar)	11.9	-8.7	4.9	15.8	-6.0	0.9	0.7	-1.2	1.3	1.4	0.6	2.2	2.3
Saving Rate (%)	2.7	1.3	3.1	6.4	4.4	3.9	3.5	3.0	3.0	2.9	2.7	2.8	2.8
After-Tax Profits (Billions of $)	1343	1292	1004	1211	1261	1298	1327	1340	1392	1418	1404	1403	1398
(Four-quarter % change)	-7.1	-10.7	-31.3	-10.2	-6.1	0.5	32.2	10.6	10.4	9.2	5.8	4.7	0.4

TABLE 3

Summary of the U.S. Economy

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Composition of Real GDP, Percent Change													
Gross Domestic Product	0.8	1.6	2.5	3.6	2.9	2.8	2.0	1.3	-1.0	1.7	3.1	3.5	3.1
Final Sales of Domestic Product	1.6	1.2	2.5	3.3	3.1	2.8	2.4	1.6	-0.6	0.9	2.9	3.4	3.1
Total Consumption	2.5	2.7	2.8	3.6	3.0	3.0	2.8	0.4	0.2	1.8	2.1	2.8	2.6
Durables	4.3	7.1	5.8	6.3	4.6	4.5	4.8	-3.9	-3.9	7.5	4.8	6.2	4.8
Nondurables	2.0	2.5	3.2	3.5	3.4	3.7	2.5	-0.2	0.0	1.4	1.5	2.1	2.0
Services	2.4	1.9	1.9	3.2	2.6	2.5	2.6	1.5	1.1	1.1	1.9	2.6	2.6
Nonresidential Fixed Investment	-4.2	-9.2	1.0	5.8	7.2	7.5	4.9	2.7	-11.0	-0.5	9.6	10.0	7.1
Equipment & Software	-4.9	-6.2	2.8	7.4	9.3	7.2	1.7	-1.5	-9.0	5.1	11.5	10.0	6.8
Information Processing Equipment	-1.8	-4.7	5.8	9.3	8.1	9.1	9.6	6.8	-4.4	7.2	9.0	7.8	7.4
Computers & Peripherals	2.0	5.0	13.1	11.4	16.1	24.6	17.9	12.2	-3.4	16.2	22.3	18.7	19.2
Communications Equipment	-7.6	-21.1	1.0	9.5	2.6	11.7	6.9	5.2	-9.2	4.0	10.6	9.1	9.3
Industrial Equipment	-8.5	-7.7	2.9	-3.1	8.4	5.7	1.4	-4.1	-14.7	4.0	7.2	8.3	4.7
Transportation equipment	-11.2	-11.8	-9.7	14.8	14.5	6.7	-12.6	-26.4	-19.8	8.3	36.4	22.5	6.6
Aircraft	2.8	-28.6	-25.4	-3.1	-7.2	-15.7	23.1	-13.5	3.3	5.7	9.9	13.1	10.2
Other Equipment	-3.3	-3.1	6.0	6.1	8.7	4.1	-5.2	-0.5	-9.8	-2.5	8.4	9.0	7.4
Structures	-2.3	-17.1	-4.1	1.3	1.3	8.2	12.7	11.3	-14.8	-11.7	5.2	10.1	7.7
Commercial & Health Care	-5.3	-15.7	-6.6	2.4	-0.8	6.1	8.3	0.8	-15.2	-15.6	14.3	16.4	14.1
Manufacturing	-10.3	-41.6	-7.3	4.9	17.3	10.2	14.1	41.0	-13.9	-20.4	8.1	27.9	14.3
Power & Communication	3.0	-2.4	-12.9	-17.8	-3.1	8.1	23.1	12.4	-11.1	-8.4	-1.0	4.8	2.9
Mining & Petroleum	17.8	-23.3	18.1	14.8	9.7	11.6	9.3	16.4	-17.9	-12.5	-4.0	1.3	-0.2
Other	-4.7	-16.0	-4.5	2.2	-4.9	7.7	19.3	13.2	-13.1	-2.4	3.4	3.3	1.8
Residential Fixed Investment	0.4	4.8	8.4	10.0	6.3	-7.1	-17.9	-21.4	-16.6	18.4	16.7	8.5	7.7
Exports	-5.4	-2.3	1.3	9.7	7.0	9.1	8.4	8.4	0.7	1.1	7.9	8.7	7.8
Imports	-2.7	3.4	4.1	11.3	5.9	6.0	2.2	-2.4	-4.8	5.6	5.6	6.2	5.3
Federal Government	3.9	7.0	6.8	4.2	1.2	2.3	1.6	5.3	1.5	-0.9	-0.9	-0.4	0.0
State & Local Government	3.2	3.1	0.2	-0.2	-0.1	1.3	2.3	1.2	-0.4	0.1	-0.3	0.0	0.7
Billions of Dollars													
Real GDP	9890.7	10048.9	10301.1	10675.7	10989.5	11294.9	11523.9	11678.9	11563.1	11759.7	12124.1	12543.9	12926.9
Nominal GDP	10128.0	10469.6	10960.8	11685.9	12421.9	13178.4	13807.6	14322.5	14445.2	14889.2	15603.4	16446.4	17290.9
Prices & Wages, Percent Change													
GDP Deflator	2.4	1.7	2.1	2.9	3.3	3.2	2.7	2.4	1.8	1.3	1.6	1.9	2.0
Consumer Prices	2.8	1.6	2.3	2.7	3.4	3.2	2.9	3.9	-0.9	2.4	3.0	2.4	2.4
Producer Prices, Finished Goods	1.9	-1.3	3.2	3.6	4.9	3.0	3.9	6.6	-5.5	1.9	3.1	2.1	2.2
Employment Cost Index - Total Comp.	4.1	3.5	3.8	3.8	3.1	2.9	3.1	2.9	2.5	2.0	2.1	2.7	3.0
Other Key Measures													
Oil - WTI ($ per barrel)	25.96	26.11	31.12	41.47	56.56	66.12	72.18	101.36	52.75	63.25	80.38	86.75	92.75
Productivity (%ch.)	2.6	4.1	3.7	2.8	1.8	1.0	1.4	2.5	1.0	1.8	1.7	1.6	1.5
Total Industrial Production (%ch.)	-3.4	-0.1	1.2	2.5	3.3	2.2	1.7	-0.9	-3.5	0.9	3.6	3.9	2.9
Factory Operating Rate	73.9	72.8	74.0	76.3	78.6	79.4	79.4	76.7	72.7	73.2	75.2	76.9	77.3
Nonfarm Inven. Chg. (Bil. 2000 $)	-31.8	15.2	14.0	48.2	39.1	46.3	-3.7	-35.1	-78.4	16.6	42.4	57.3	47.8
Consumer Sentiment Index	89.2	89.6	87.6	95.2	88.6	87.3	85.6	63.6	61.0	67.1	71.9	78.2	80.4
Light Vehicle Sales (Mil. units)	17.12	16.82	16.64	16.87	16.95	16.50	16.09	13.30	12.20	13.99	15.19	16.33	16.70
Housing Starts (Mil. units)	1.601	1.710	1.854	1.950	2.073	1.812	1.341	0.927	0.715	1.082	1.388	1.597	1.720
Exist. House Sales (Total, Mil. units)		5.657	6.176	6.727	7.076	6.508	5.672	4.898	4.474	4.823	5.082	5.747	6.323
Unemployment Rate (%)	4.7	5.8	6.0	5.5	5.1	4.6	4.6	5.7	7.7	8.2	7.8	7.1	6.5
Payroll Employment (%ch.)	0.0	-1.1	-0.3	1.1	1.7	1.8	1.1	-0.1	-1.5	0.1	1.4	1.9	1.8
Federal Surplus (Unified, FY, bil. $)	126.9	-160.3	-375.2	-411.1	-321.0	-248.2	-161.5	-454.8	-1131.0	-725.2	-637.5	-444.1	-391.7
Current Account Balance (Bil. $)	-384.7	-461.3	-523.4	-625.0	-729.0	-788.1	-731.2	-679.7	-342.0	-489.0	-615.7	-671.7	-682.3
Financial Markets, NSA													
Federal Funds Rate (%)	3.89	1.67	1.13	1.35	3.21	4.96	5.02	2.04	0.50	1.22	3.73	4.75	4.8
3-Month Treasury Bill Rate (%)	3.43	1.61	1.01	1.36	3.13	4.72	4.38	1.46	0.87	1.83	4.04	4.59	4.59
10-Year Treasury Note Yield (%)	5.02	4.61	4.02	4.27	4.29	4.79	4.63	3.80	3.63	3.88	5.13	5.44	5.44
30-Year Fixed Mortgage Rate (%)	6.97	6.54	5.82	5.84	5.86	6.42	6.33	6.08	5.61	5.62	6.81	7.12	7.12
S&P 500 Stock Index	1192	996	964	1131	1207	1311	1477	1236	1021	1140	1295	1453	1580
(Percent change)	-16.4	-16.5	-3.2	17.3	6.8	8.6	12.7	-16.3	-17.4	11.6	13.6	12.2	8.8
Exchange Rate, Major Trading Partners	1.060	1.044	0.916	0.840	0.824	0.812	0.767	0.733	0.783	0.763	0.737	0.725	0.725
(Percent change)	6.0	-1.5	-12.3	-8.2	-1.9	-1.5	-5.6	-4.4	6.8	-2.6	-3.4	-1.7	0.0
Incomes													
Personal Income (% ch.)	3.5	1.8	3.2	6.2	5.6	7.1	6.1	4.2	2.1	2.4	4.6	5.7	5.9
Real Disposable Income (%ch.)	1.9	3.1	2.2	3.6	1.4	3.5	2.8	1.6	3.2	0.0	1.9	2.9	2.8
Saving Rate (%)	1.8	2.4	2.1	2.1	0.4	0.7	0.6	1.8	4.6	2.9	2.8	2.9	3.0
After-Tax Profits (Billions of $)	504	576	665	897	1207	1405	1436	1247	1274	1388	1391	1403	1405
(Percent change)	-0.9	14.3	15.4	35.0	34.5	16.4	2.2	-13.2	2.2	9.0	0.2	0.8	0.1

TABLE 4

Alternative Scenarios of the U.S. Economy

	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4	2007	2008	2009	2010	2011	2012	2013
Meltdown (Prob. = 25%)													
Composition of Real GDP, Percent Change, Annual Rate													
Gross Domestic Product	-0.3	-4.4	-3.9	-2.7	-1.5	-0.7	2.0	1.3	-2.4	0.3	2.9	2.9	2.7
Total Consumption	-3.1	-3.6	-0.2	1.1	2.0	1.4	2.8	0.4	-0.5	1.1	0.9	1.4	2.0
Nonresidential Fixed Investment	-1.0	-11.6	-20.9	-20.4	-20.1	-4.4	4.9	2.5	-14.3	-4.9	11.2	10.7	5.7
Residential Fixed Investment	-19.1	-30.3	-31.2	-13.5	5.4	3.6	-17.9	-21.6	-19.5	8.6	12.2	10.1	12.7
Exports	5.9	0.4	-1.0	-9.6	-10.1	-5.8	8.4	8.4	-2.3	-1.4	10.5	8.6	5.9
Imports	-1.9	-3.8	-13.5	-8.3	-1.5	4.7	2.2	-2.4	-6.4	2.8	5.0	2.9	3.2
Federal Government	13.8	-4.6	2.0	0.2	-0.5	-1.3	1.6	5.3	1.5	-0.9	-0.9	-0.4	0.0
State & Local Government	1.4	-1.8	-3.0	0.4	-1.2	-1.3	2.3	1.1	-0.9	-1.1	-1.2	-0.3	0.5
Prices & Wages, Percent Change, Annual Rate													
Consumer Prices	6.7	-9.6	-3.1	-2.7	-0.1	1.5	2.9	3.8	-2.0	2.2	4.2	3.7	3.2
Producer Prices, Finished Goods	8.6	-20.6	-11.5	-9.3	-4.1	0.3	3.9	6.2	-7.8	1.4	5.7	4.8	3.5
Employment Cost Index - Total Comp.	2.6	2.0	2.4	1.7	1.5	0.9	3.1	2.9	2.0	1.3	2.0	3.0	3.3
Other Key Measures													
Oil - WTI ($ per barrel)	118.25	53.13	45.76	37.07	35.07	40.08	72.18	98.26	39.49	53.58	86.45	100.83	106.20
Productivity (%ch., saar)	-0.2	-0.8	-0.7	0.5	1.1	1.0	1.4	2.5	0.2	1.5	1.6	0.9	1.1
Total Manufacturing Production (%ch., saar)	-6.0	-6.3	-6.1	-6.7	-4.4	-3.7	1.7	-1.0	-5.7	-2.0	5.6	4.6	1.2
Nonfarm Inven. Chg. (Bil.2000 $)	-38.6	-26.8	-91.0	-115.9	-106.8	-100.8	-3.7	-34.6	-103.6	-29.5	55.9	46.8	33.4
Consumer Sentiment Index	64.8	56.7	56.3	56.7	58.8	57.0	85.6	63.5	57.2	59.7	64.8	72.3	75.2
Light Vehicle Sales (Mil. units, saar)	12.89	10.39	9.53	9.89	10.54	11.15	16.09	13.15	10.28	13.42	14.88	15.07	15.49
Housing Starts (Mil. units, saar)	0.879	0.704	0.618	0.643	0.698	0.704	1.341	0.915	0.666	0.912	1.189	1.447	1.639
Unemployment Rate (%)	6.0	6.6	7.3	8.0	8.5	8.9	4.6	5.7	8.2	9.2	8.8	8.1	7.5
Payroll Employment (%ch., saar)	-0.7	-2.2	-2.7	-2.8	-2.1	-1.5	1.1	-0.1	-2.1	-0.9	1.1	1.9	1.8
Federal Surplus (Unified, FY, bil. $)	-169.0	-487.2	-387.1	-49.7	-242.5	-261.0	-161.5	-454.8	-1166.4	-807.2	-741.6	-583.0	-560.4
Financial Markets, NSA													
Federal Funds Rate (%)	1.94	0.94	0.15	0.10	0.10	0.10	5.02	2.04	0.11	1.50	4.87	6.00	6.00
10-Year Treasury Note Yield (%)	3.86	3.53	3.10	3.07	3.07	3.10	4.63	3.74	3.09	3.87	5.95	6.49	6.50
Incomes													
Personal Income (% ch., saar)	1.0	0.7	4.2	-3.4	-0.5	-0.2	6.1	4.2	1.1	0.5	4.5	6.2	6.4
After-Tax Profits (Four-qtr.% change)	-10.7	-33.4	-13.8	-12.2	-7.9	24.4	2.2	-13.7	-4.3	6.7	2.6	-1.2	1.0
Mild Recession (Prob. = 15%)													
Composition of Real GDP, Percent Change, Annual Rate													
Gross Domestic Product	-0.3	-2.3	-0.4	1.5	2.5	3.0	2.0	1.4	0.4	2.8	3.1	3.5	3.5
Total Consumption	-3.1	-2.0	2.1	3.3	4.1	2.6	2.8	0.5	1.1	2.4	2.6	3.1	3.1
Nonresidential Fixed Investment	-1.0	-5.8	-13.5	-8.6	-7.8	7.7	4.9	2.9	-6.7	4.8	8.9	9.6	9.0
Residential Fixed Investment	-19.1	-24.4	-20.0	-1.5	14.5	21.6	-17.9	-21.2	-11.2	25.1	17.5	8.3	8.1
Exports	5.9	2.3	5.6	0.4	1.4	4.1	8.4	8.5	3.8	4.2	6.7	7.0	7.3
Imports	-1.9	-2.3	-8.3	2.0	10.0	12.4	2.2	-2.3	-1.0	8.9	5.8	6.5	6.4
Federal Government	13.8	-4.6	2.0	0.2	-0.5	-1.3	1.6	5.3	1.5	-0.9	-0.8	-0.3	0.0
State & Local Government	1.4	-1.6	-2.3	1.8	0.2	1.1	2.3	1.1	-0.1	0.9	0.0	0.1	0.7
Prices & Wages, Percent Change, Annual Rate													
Consumer Prices	6.7	-7.1	-0.6	0.4	2.4	2.8	2.9	3.9	0.1	2.9	2.6	1.8	1.5
Producer Prices, Finished Goods	8.6	-15.7	-5.9	-2.3	1.2	2.7	3.9	6.6	-3.1	2.7	2.2	0.9	0.9
Employment Cost Index - Total Comp.	2.6	2.5	3.2	2.6	2.6	2.4	3.1	2.9	2.7	2.8	2.7	2.6	2.7
Other Key Measures													
Oil - WTI ($ per barrel)	118.25	66.81	65.09	65.47	66.07	69.07	72.18	101.68	66.43	75.50	85.00	86.45	88.67
Productivity (%ch., saar)	-0.2	0.9	1.4	2.1	2.1	2.0	1.4	2.6	1.5	1.9	1.6	2.0	2.1
Total Manufacturing Production (%ch., saar)	-6.0	-4.1	-2.1	-1.4	0.9	3.1	1.7	-0.8	-2.2	2.9	3.0	2.2	2.4
Nonfarm Inven. Chg. (Bil. 2000 $)	-38.6	-25.3	-72.4	-67.0	-26.5	6.5	-3.7	-34.2	-39.9	54.9	39.5	55.4	59.7
Consumer Sentiment Index	64.8	63.4	65.5	73.4	81.5	78.6	85.6	65.2	74.7	81.6	83.9	88.9	89.3
Light Vehicle Sales (Mil. units, saar)	12.89	11.68	12.37	13.92	15.33	15.58	16.09	13.47	14.30	15.40	16.21	17.14	17.62
Housing Starts (Mil. units, saar)	0.879	0.762	0.756	0.771	0.887	1.036	1.341	0.930	0.862	1.324	1.628	1.827	1.950
Unemployment Rate (%)	6.0	6.4	6.9	7.2	7.2	7.1	4.6	5.7	7.1	6.9	6.5	6.0	5.5
Payroll Employment (%ch., saar)	-0.7	-1.2	-0.5	0.3	1.2	1.5	1.1	-0.1	-0.2	1.4	1.4	1.5	1.5
Federal Surplus (Unified, FY, bil. $)	-169.0	-480.2	-371.7	-22.2	-208.2	-221.1	-161.5	-454.8	-1082.3	-629.0	-515.1	-317.0	-250.8
Financial Markets, NSA													
Federal Funds Rate (%)	1.94	0.99	0.75	0.75	0.80	1.00	5.02	2.05	0.82	1.42	3.34	4.50	4.50
10-Year Treasury Note Yield (%)	3.86	3.83	3.84	3.93	4.05	4.22	4.63	3.81	4.01	4.15	4.83	5.09	4.97
Incomes													
Personal Income (% ch., saar)	1.0	1.4	7.0	0.5	4.1	4.4	6.1	4.2	3.5	4.4	5.0	5.2	5.3
After-Tax Profits (Four-qtr.% change)	-10.7	-30.0	-3.7	0.5	5.6	34.7	2.2	-12.8	7.7	6.4	-1.4	-0.2	0.5

STATE OF MAINE
OFFICE OF THE GOVERNOR
1 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0001

JOHN ELIAS BALDACCI
GOVERNOR

JOHN M. KERRY
DIRECTOR
OFFICE OF ENERGY
INDEPENDENCE AND SECURITY

For Immediate Release
November 17, 2008

Contact: Ian Burnes
287-8927

Heating Fuel Prices Continue to Drop

Augusta--- The Governor's Office of Energy Independence and Security (OEIS) conducted the weekly oil survey and has found that the current statewide average cash price for No. 2 heating oil to be at **$2.70 per gallon** falling $.10 since the last week.

Commenting on the drop in over the last month the Director of the OEIS John Kerry says, "The demand for oil has dropped dramatically in the last couple of months as economic activity slows around the globe. Only five months ago there were concerns that global supply would have a hard time meeting growing demand from developing countries. Now there are fewer ships in the ocean, trucks on the roads and planes in the sky –all leading to a dramatic drop in demand. The net result is that consumers of heating oil are now paying more than two dollars less than they would have in June."

It is important to note that the price for heating oil is a statewide average and that prices in a given geographic region of the state may be considerably higher or lower than the statewide average. Within the OEIS sample, the lowest actual heating oil price of $2.13 per gallon was found in the Southwestern region. The high-end price of $2.95 per gallon was found in the Central region. At the time of this release the price of WTI crude oil, major driver of refined product prices, including heating oil was $56.90. The statewide kerosene price average is $3.26 per gallon at this time. The table below provides current Maine cash prices in dollars rounded to the nearest penny.

As Of November 17, 2008

Heating Oil	**Statewide**	**Southwest**	**Central**	**Eastern**	**Western**	**Northern**
Average	2.70	2.54	2.81	2.81	2.62	2.77
High	2.95	2.80	2.95	2.90	2.70	2.85
Low	2.14	2.14	2.65	2.70	2.45	2.70
Kerosene	3.26	3.16	3.39	3.27	3.29	3.20
Propane	2.96					

Today's propane price survey found statewide average to be $2.96 per gallon which is $0.02 lower than last week. The average price for propane represents the price per gallon for a 600-800 gallon domestic heating application.

For assistance please contact MaineHousing about their Home Energy Loan Program (HELP) that provides low interest rate loans of up to $30,000 to low- and moderate-income homeowners to finance a wide variety of energy-related improvements to their homes. For program details and a list of HELP lenders visit MaineHousing's website at www.mainehousing.org or call 1-877-544-3271.

PHONE: (207) 287-8927 IAN.BURNES@MAINE.GOV FAX: (207) 287-5252

Many projects funded through this program save more money through the improvements then the loan payments they have to make. Businesses should take advantage of Efficiency Maine's small business loan program to make energy upgrades: http://www.efficiencymaine.com/business_programs.htm

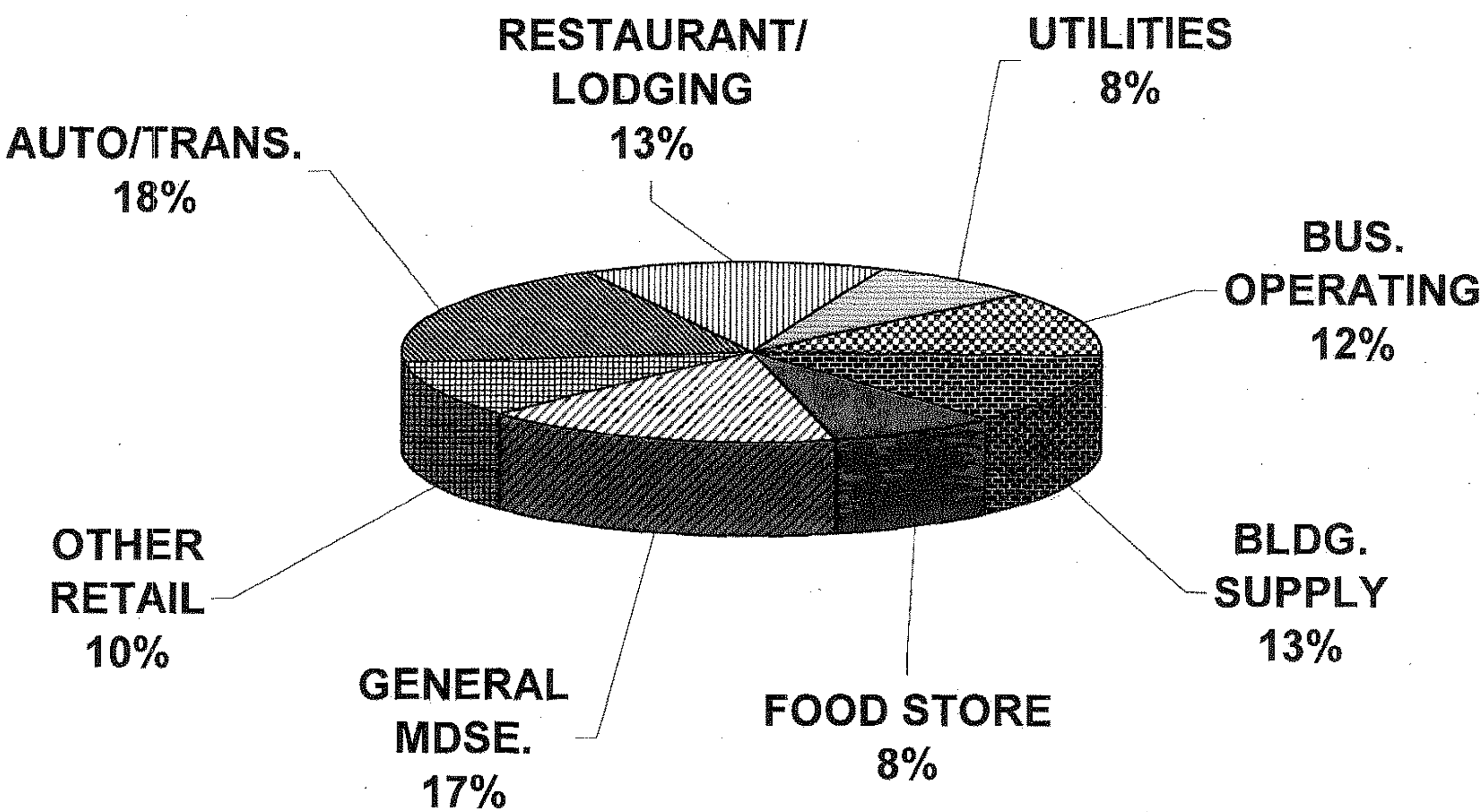
The next scheduled survey will be on Monday November 24, 2008.

Sales & Use Tax

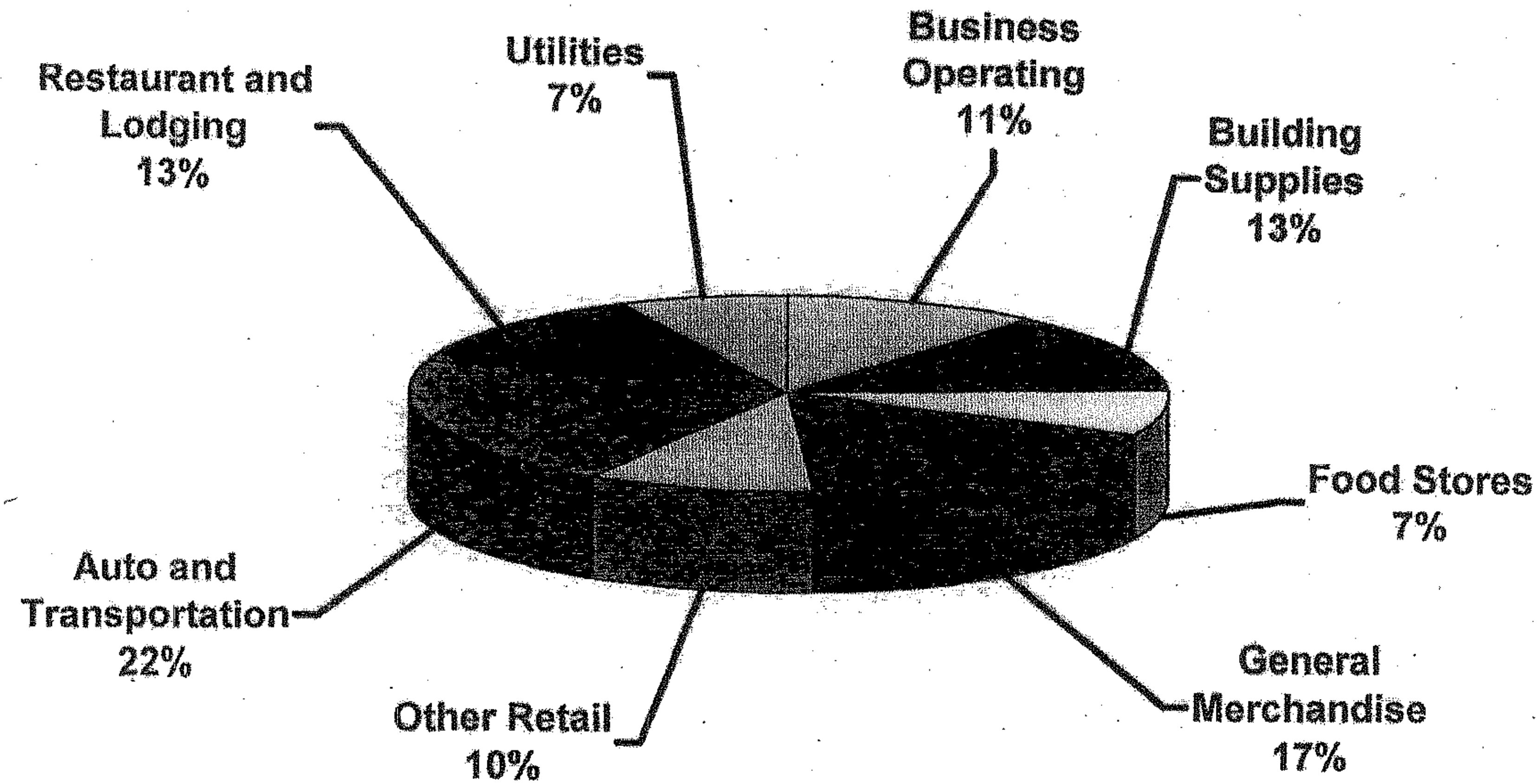
Maine Revenue Services
Taxable Sales by Sector
In Thousands of Dollars

	Sept. '08	% Ch.	Sept. '07	% Ch.	Sept. '06	Average Last 3 Mos. Vs. Last Yr. % Change	Moving Total Last 12 Mos. Vs. Prior % Change	YTD Growth CY'08 vs. '07 Thru. Sept. % Change
Building Supply	$243,923	-0.4%	$244,918	-1.1%	$247,687	-4%	-3%	-3%
Food Store	$133,987	-1.1%	$135,429	3.5%	$130,864	2%	2%	2%
General Merchandise	$259,134	-4.0%	$269,958	0.2%	$269,483	-1%	-1%	-1%
Other Retail	$191,928	1.3%	$189,431	0.4%	$188,697	3%	4%	4%
Auto/Transportation	$302,268	-3.1%	$311,925	-4.1%	$325,131	-6%	-3%	-4%
Restaurant	$190,853	-5.8%	$202,501	4.4%	$193,995	0%	1%	2%
Lodging	$77,164	-12.0%	$87,687	10.5%	$79,320	-1%	2%	1%
Consumer Sales	$1,399,257	-3.0%	$1,441,849	0.5%	$1,435,176	-2%	0%	-1%
Business Operating	$190,699	-5.3%	$201,437	7.3%	$187,679	0%	6%	4%
Total	$1,589,955	-3.2%	$1,643,286	1.3%	$1,622,856	-1%	0%	0%

2007 Maine Taxable Sales by Sector

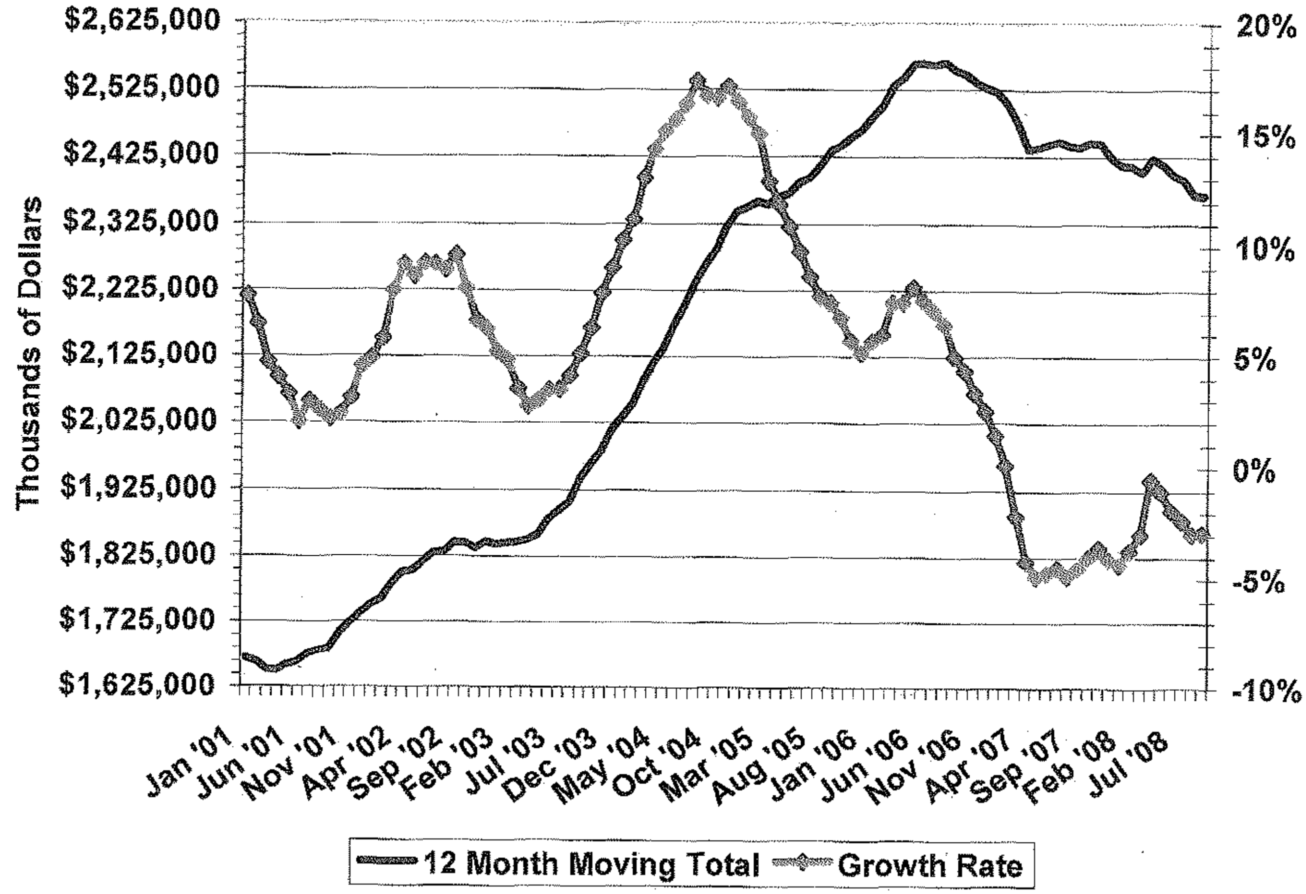


2004 Maine Taxable Sales by Product Group

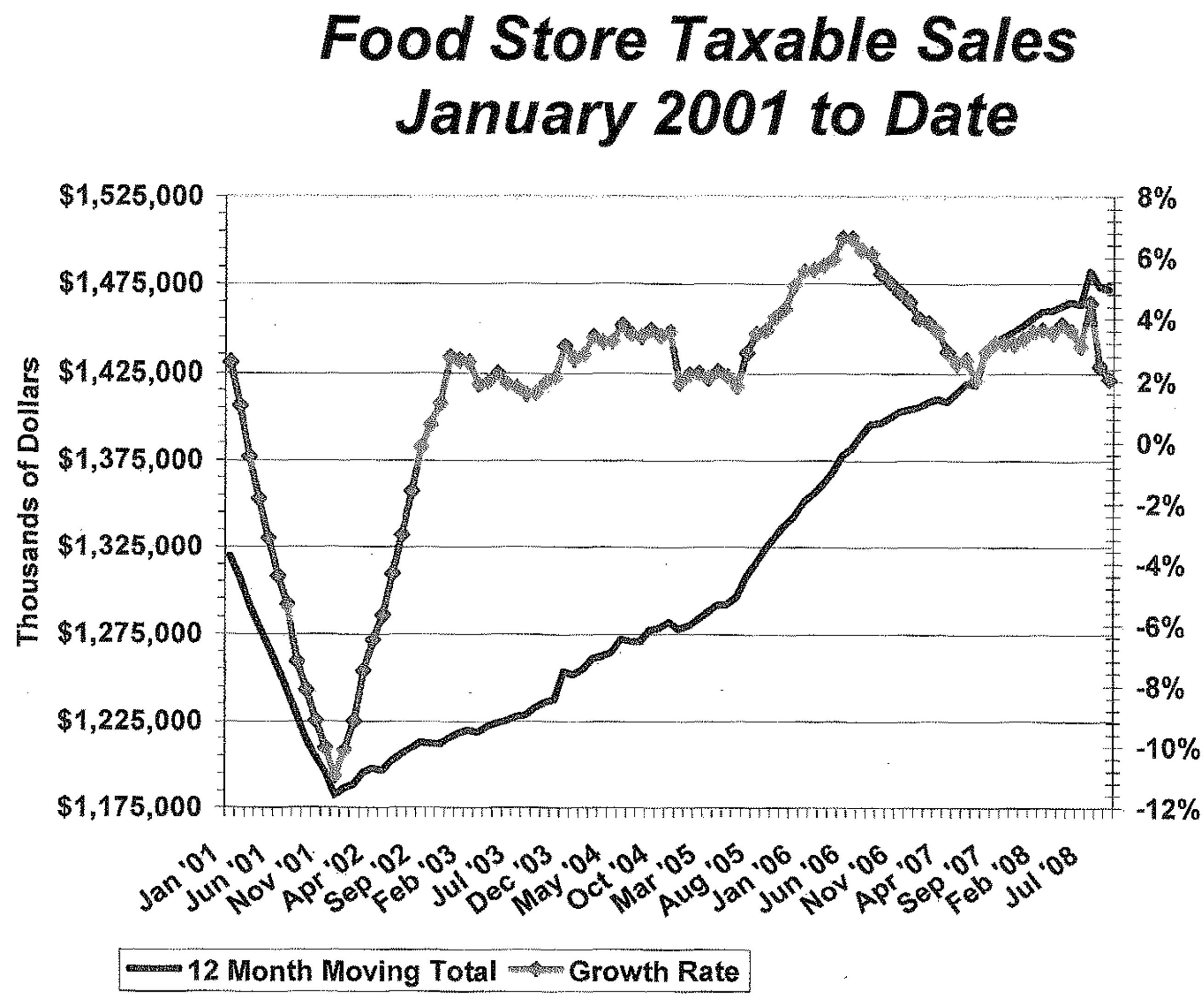


Maine Revenue Services Economic Research Division 11/17/2005

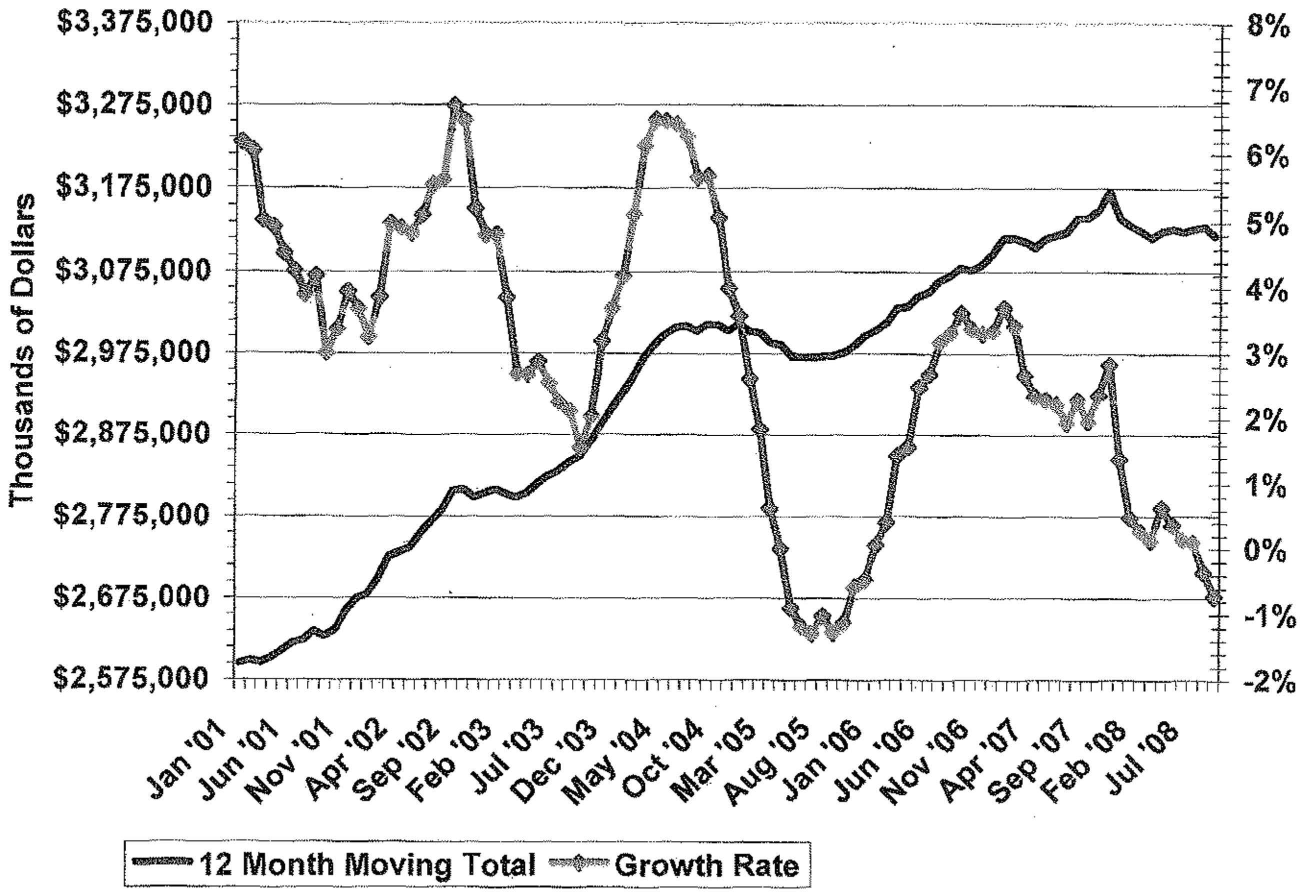
Building Supply Taxable Sales
January 2001 to Date



Maine Revenue Services Economic Research Division 11/14/2008

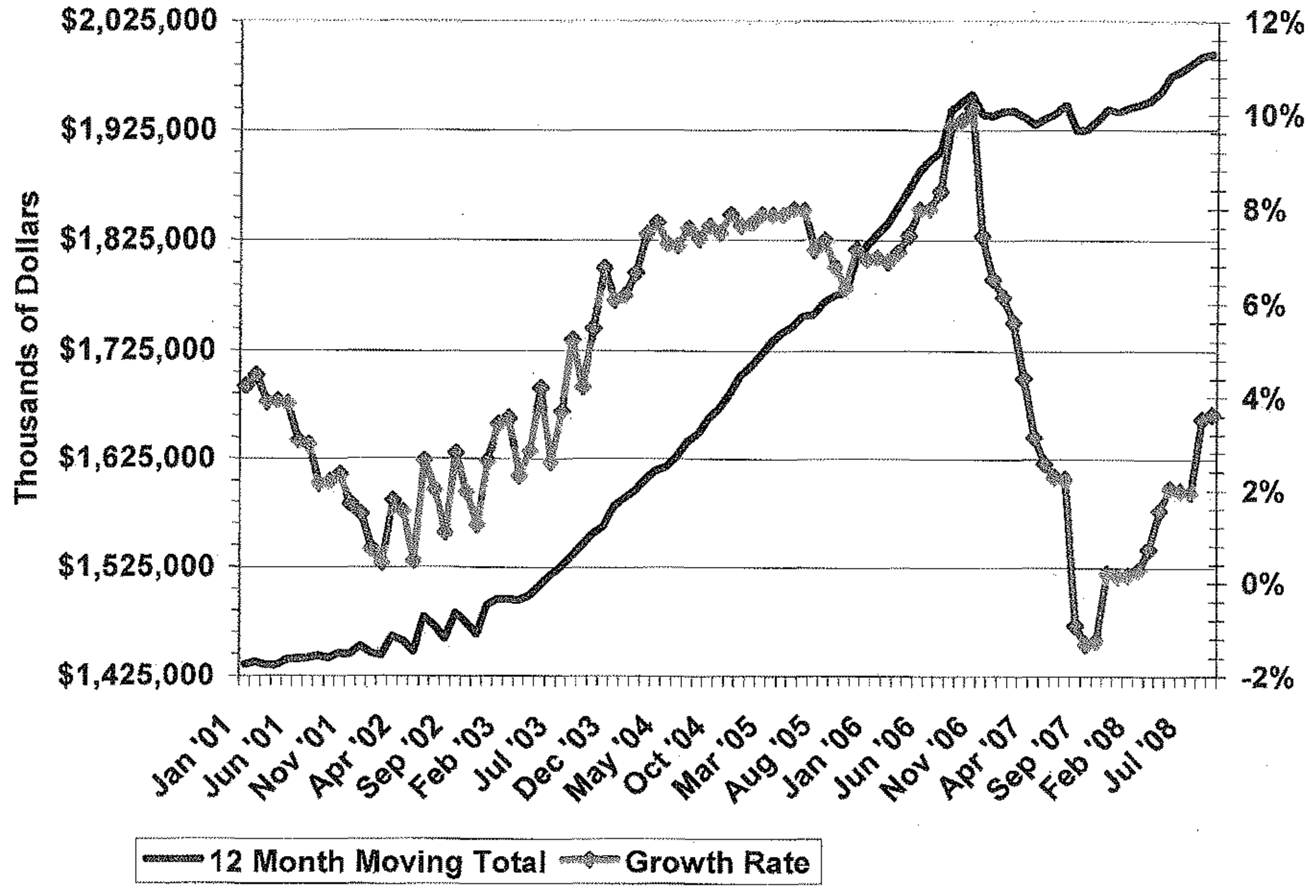

Food Store Taxable Sales
January 2001 to Date
$1,525,000
$1,475,000
$1,425,000
$1,375,000
$1,325,000
$1,275,000
$1,225,000
$1,175,000
Thousands of Dollars
8%
6%
4%
2%
0%
-2%
-4%
-6%
-8%
-10%
-12%
Growth Rate
Jan '01
Jun '01
Nov '01
Apr '02
Sep '02
Feb '03
Jul '03
Dec '03
May '04
Oct '04
Mar '05
Aug '05
Jan '06
Jun '06
Nov '06
Apr '07
Sep '07
Feb '08
Jul '08
12 Month Moving Total
Growth Rate

General Merchandise Taxable Sales
January 2001 to Date



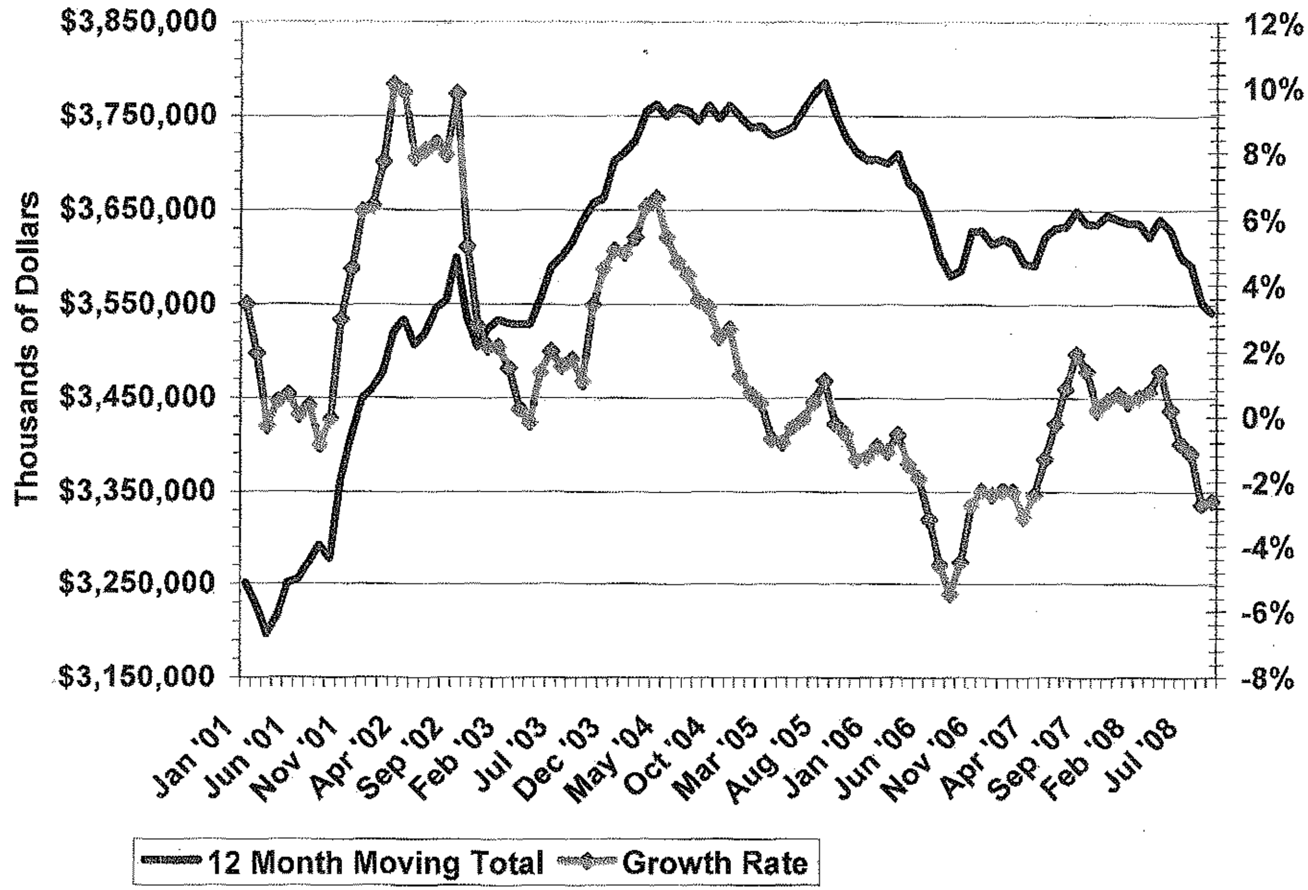
Maine Revenue Services Economic Research Division 11/14/2008

Other Retail Taxable Sales
January 2001 to Date



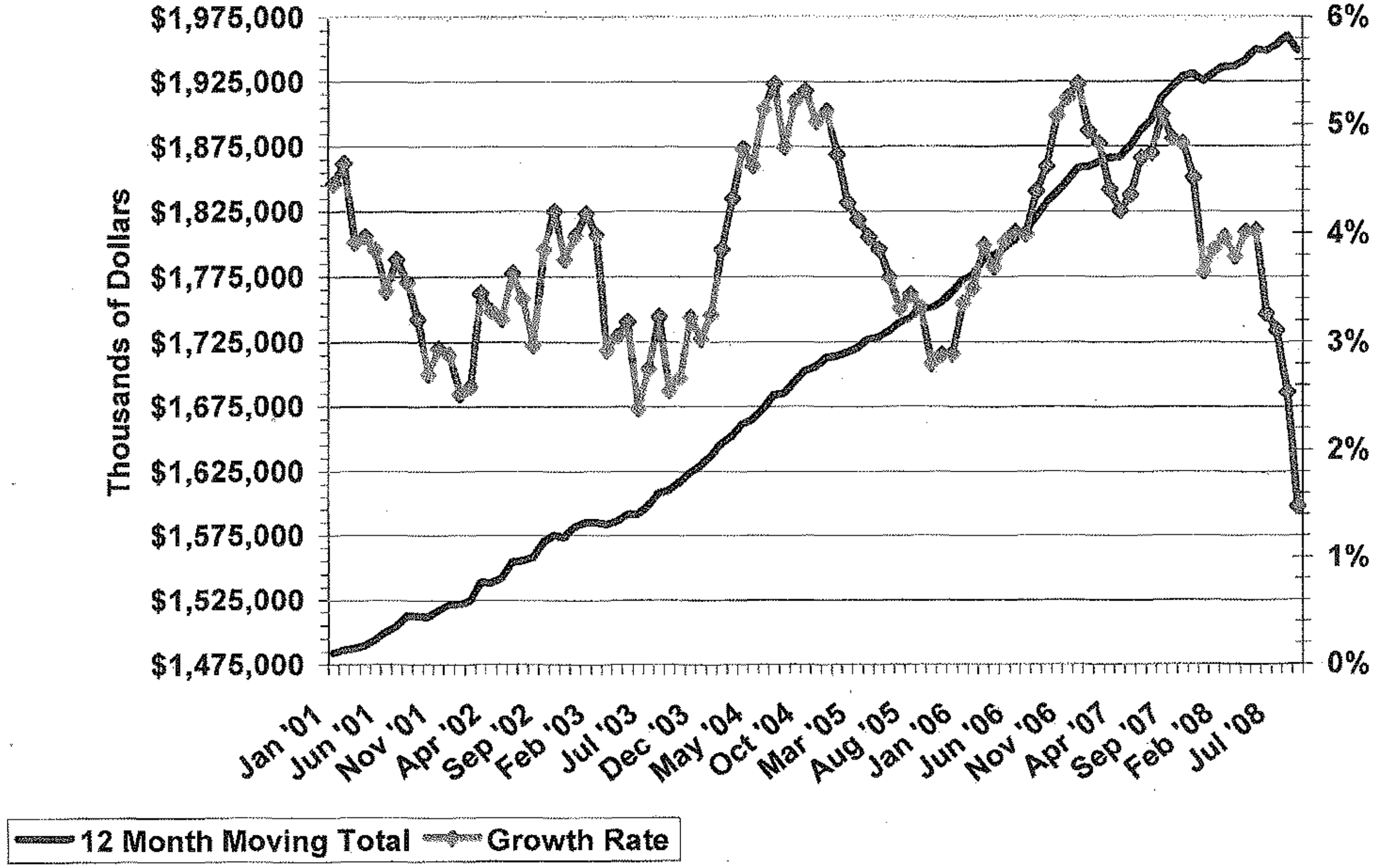
Maine Revenue Services Economic Research Division 11/14/2008

Auto/Transportation Taxable Sales
January 2001 to Date



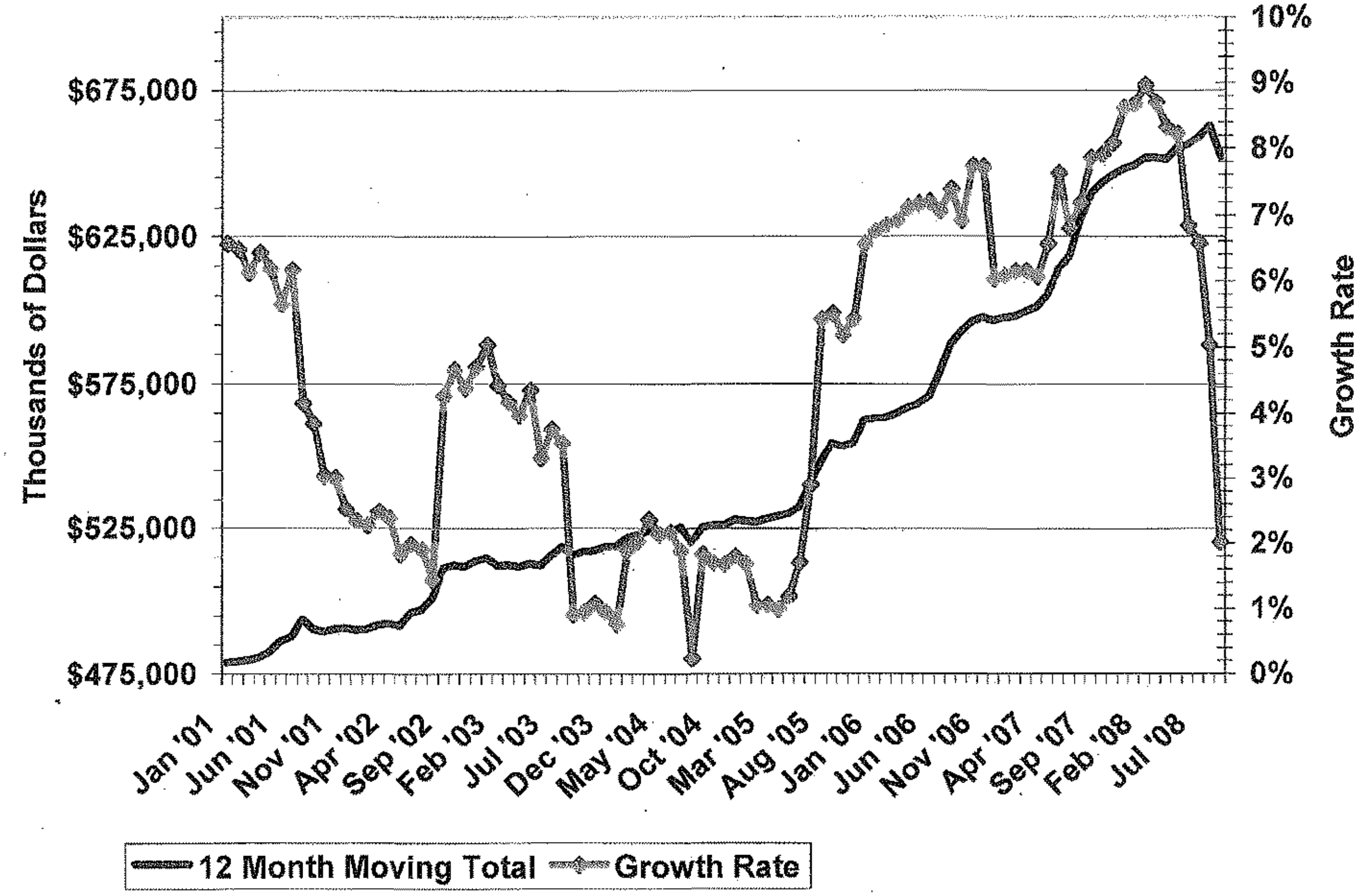
Maine Revenue Services Economic Research Division 11/14/2008

Restaurant Taxable Sales
January 2001 to Date



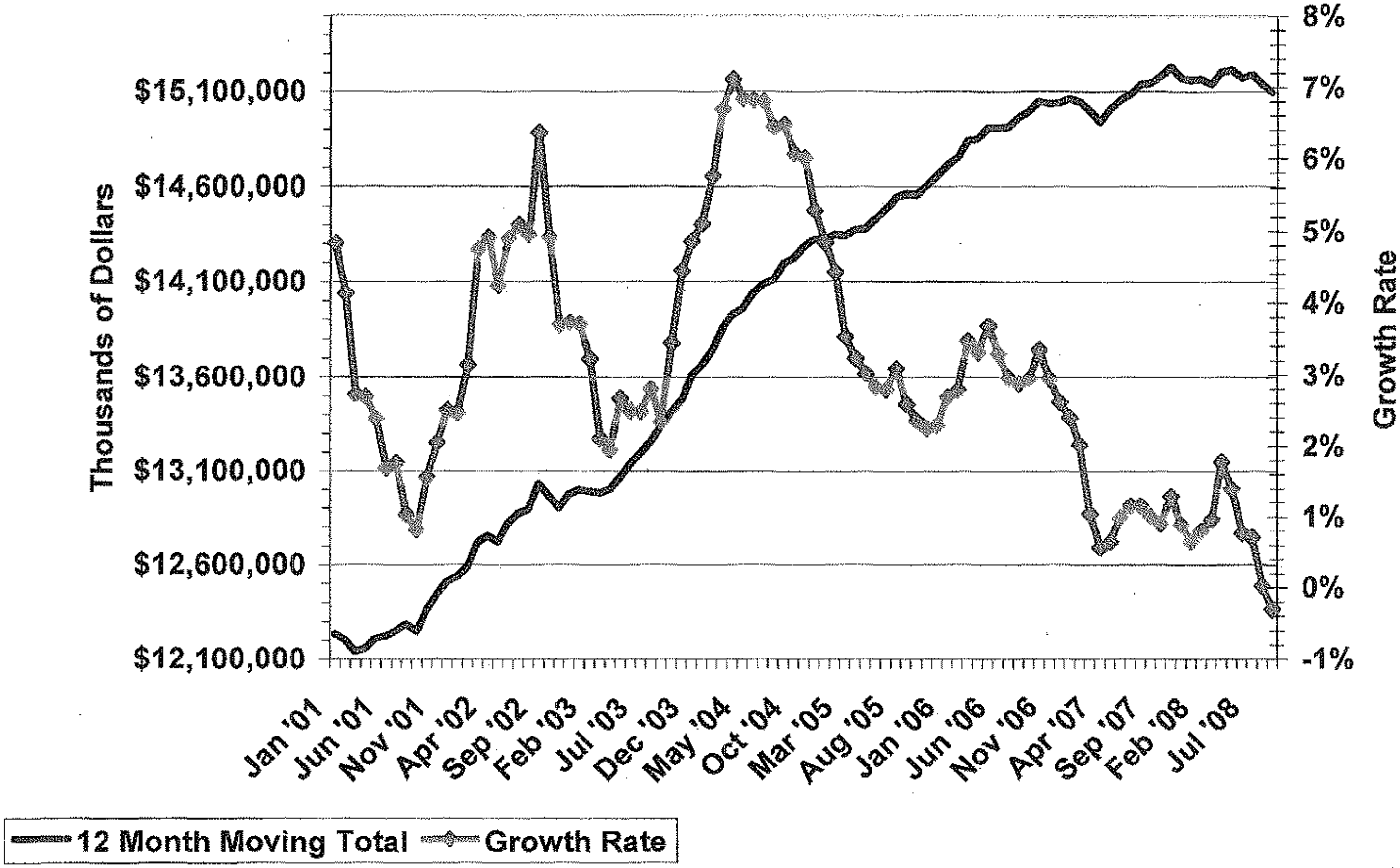
Maine Revenue Services Economic Research Division 11/14/2008

Lodging Taxable Sales January 2001 to Date

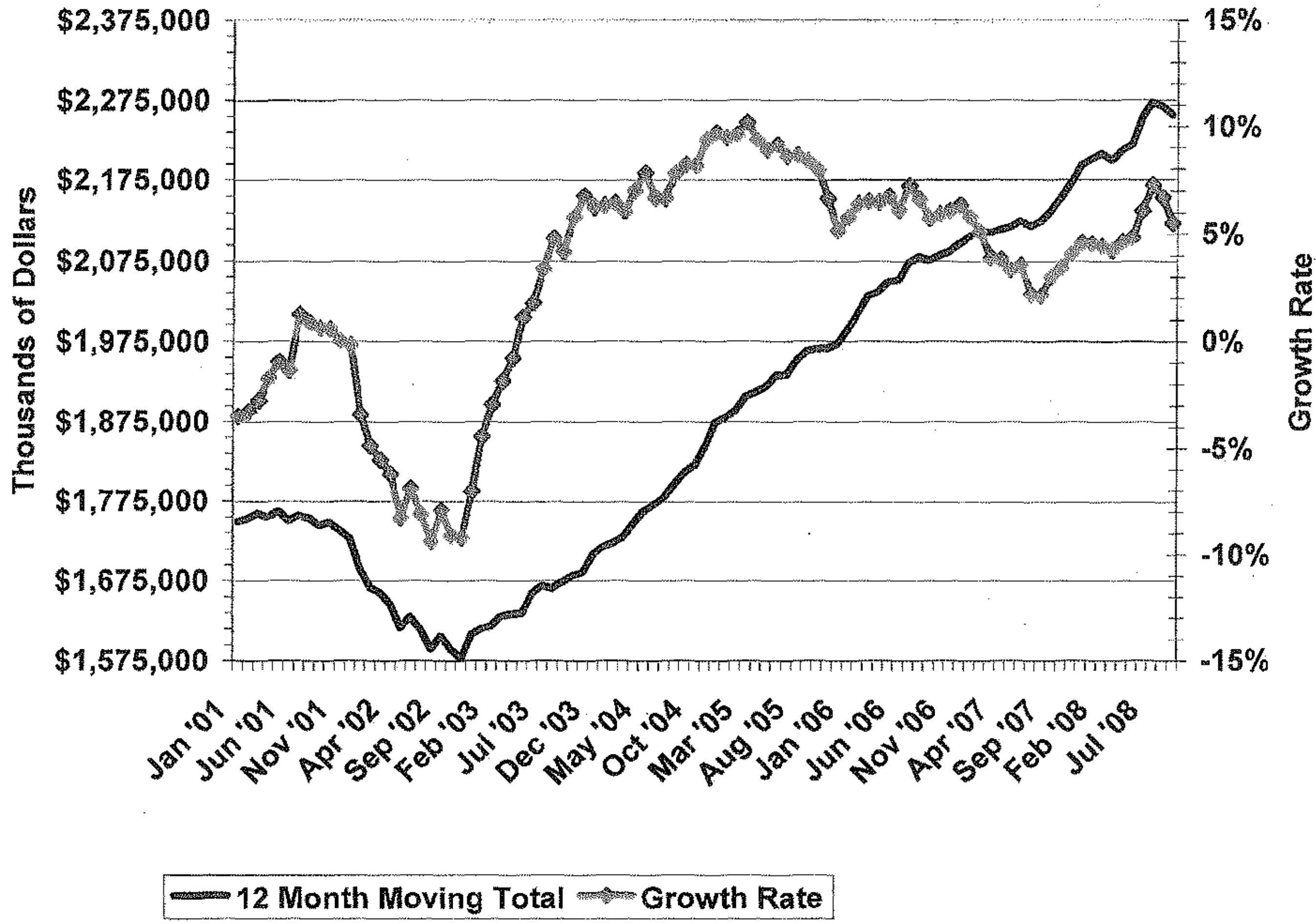


Maine Revenue Services Economic Research Division 11/14/2008

Total Consumer Taxable Sales
January 2001 to Date

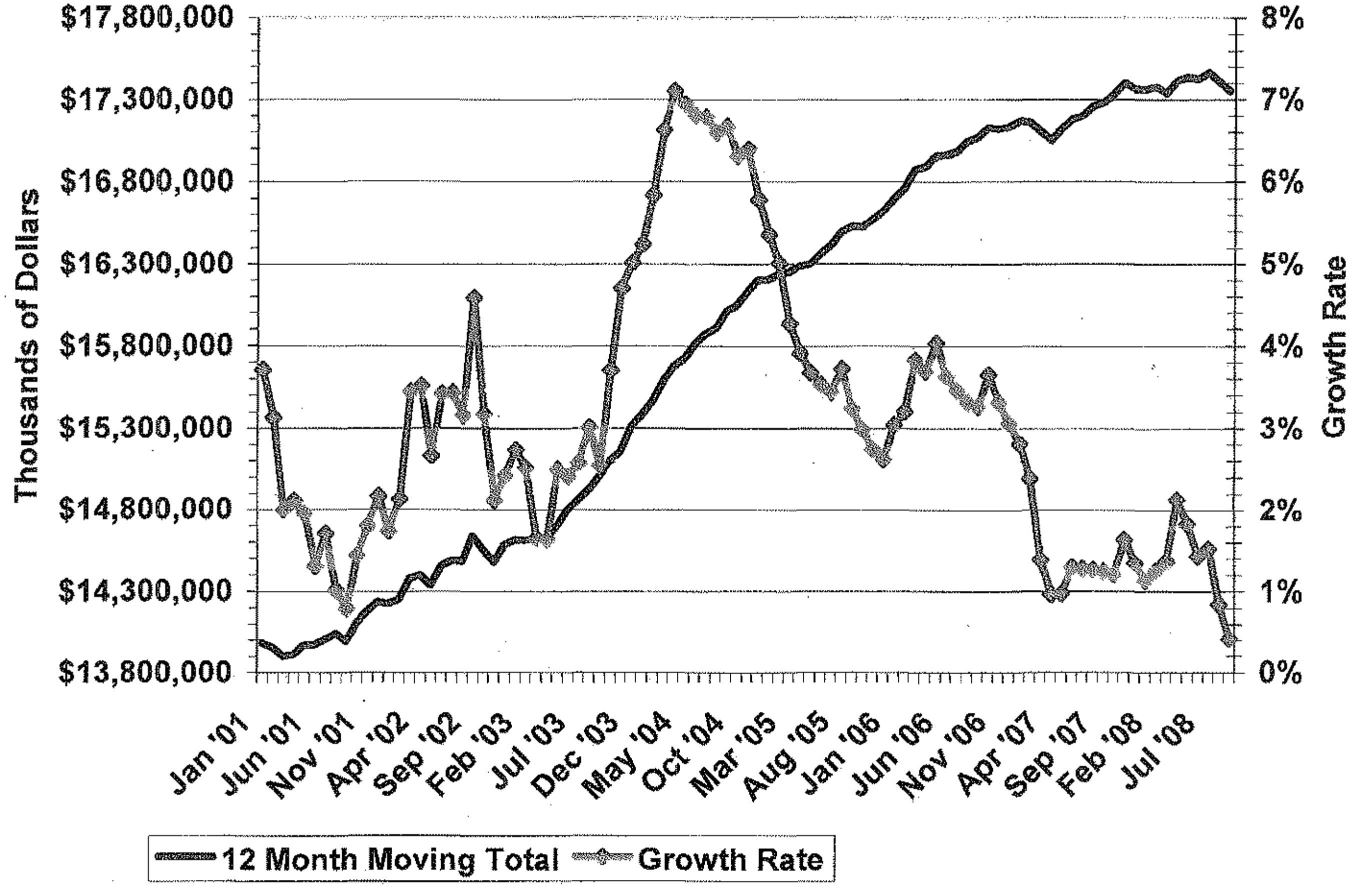


Business Operating Taxable Sales January 2001 to Date



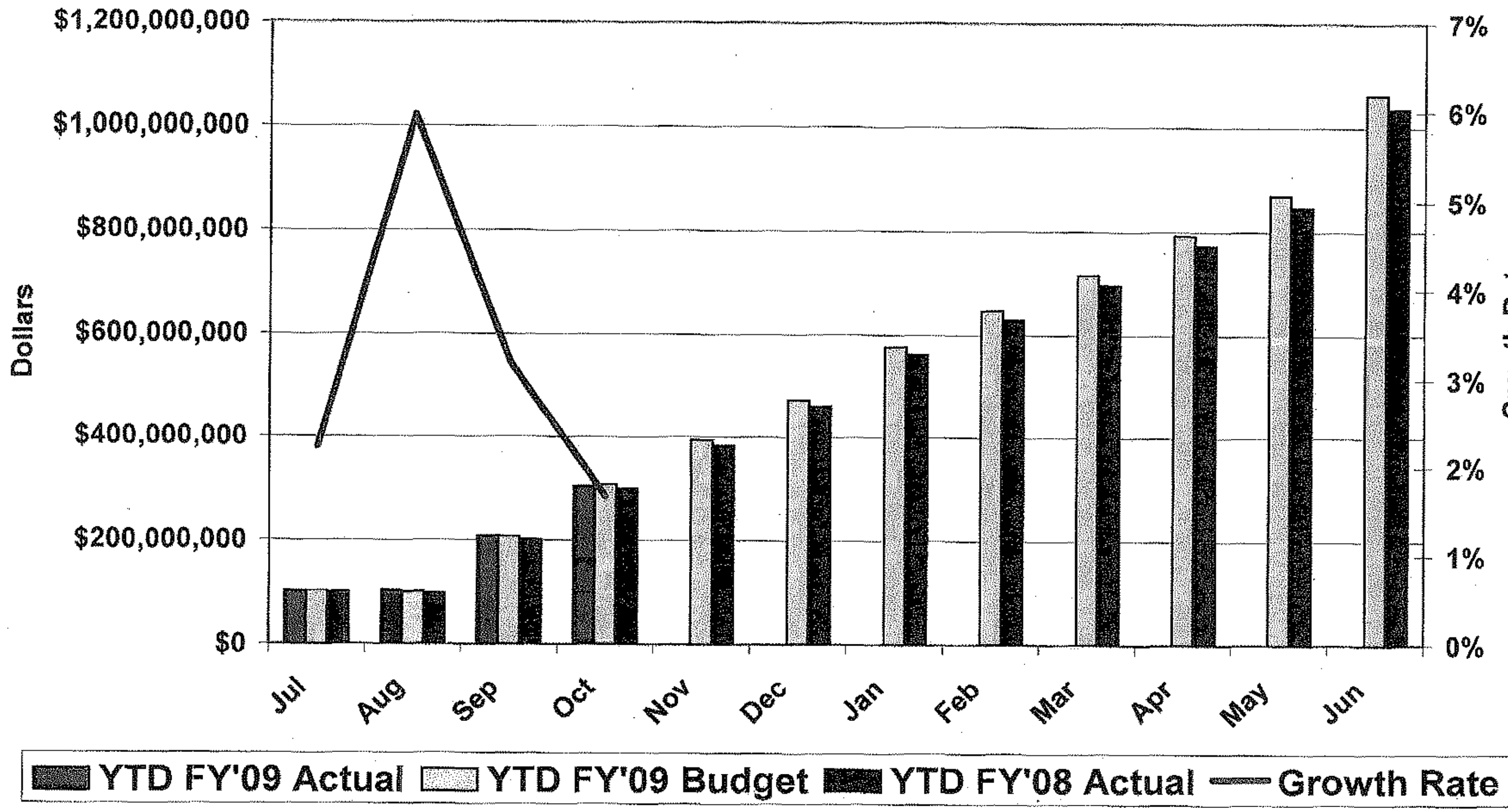
Maine Revenue Services Economic Research Division 11/14/2008

Total Taxable Sales
January 2001 to Date



Maine Revenue Services Economic Research Division 11/14/2008

Sales & Service Provider Tax Revenue FY'09 Actual, Budget & FY'08 Actual

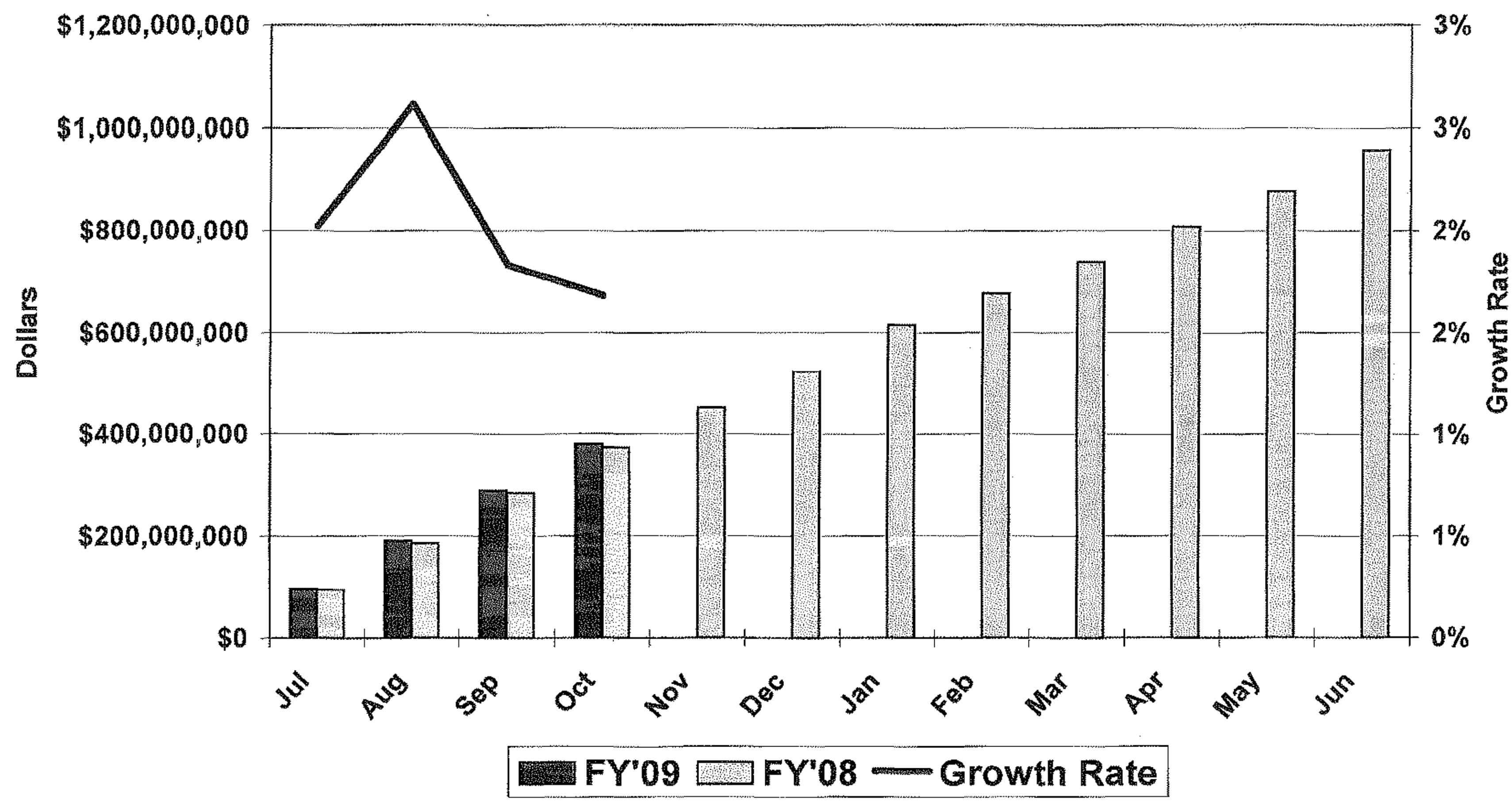


Maine Revenue Services Economic Research Division 11/18/2008

Maine Revenue Services
Sales & Use Tax and General Fund Service Provider Tax Revenue

Month	FY'09 Actual	FY'09 Budget	FY'08 Actual	FY'07 Actual	FY'09 Actual vs. Budget	FY'09 Budget vs. FY'08 Actual	FY'09 Actual vs. FY'08 Actual	FY'08 Actual vs. FY'07 Actual
Jul	$102,939,388	$103,501,801	$100,695,273	$97,636,332	-0.5%	2.8%	2.2%	3.1%
Aug	$1,373,743	($2,187,927)	($2,248,639)	$1,233,000	-162.8%	-2.7%	-161.1%	-282.4%
Sep	$103,435,596	$105,750,485	$102,884,842	$99,371,172	-2.2%	2.8%	0.5%	3.5%
Oct	$96,353,116	$100,457,200	$97,816,164	$96,837,762	-4.1%	2.7%	-1.5%	1.0%
Nov	$0	$86,121,193	$83,857,052	$80,635,458	-100.0%	2.7%	-100.0%	4.0%
Dec	$0	$79,904,814	$77,804,104	$78,390,770	-100.0%	2.7%	-100.0%	-0.7%
Jan	$0	$103,181,876	$100,469,208	$102,401,069	-100.0%	2.7%	-100.0%	-1.9%
Feb	$0	$68,762,028	$66,954,262	$66,603,722	-100.0%	2.7%	-100.0%	0.5%
Mar	$0	$68,928,274	$67,116,138	$64,710,220	-100.0%	2.7%	-100.0%	3.7%
Apr	$0	$78,180,525	$76,125,146	$75,102,886	-100.0%	2.7%	-100.0%	1.4%
May	$0	$77,617,204	$75,576,635	$73,480,822	-100.0%	2.7%	-100.0%	2.9%
Jun	$0	$191,327,606	$188,107,757	$184,453,041	-100.0%	1.7%	-100.0%	2.0%
Total	$304,101,843	$1,061,545,079	$1,035,157,942	$1,020,856,254	-71.4%	2.5%	-70.6%	1.4%
YTD Oct	$304,101,843	$307,521,559	$299,147,640	$295,078,266	-1.1%	2.8%	1.7%	1.4%

Sales Tax Cash Receipts
Year-to-Date FY'09 & FY'08



Maine Revenue Services Economic Research Division 11/4/2008

Maine Revenue Services
Sales Tax Cash Receipts

	FY'09	FY'08	YTD FY'09	YTD FY'08	Growth Rate	YTD Growth Rate
Jul	$96,400,308	$94,490,211	$96,400,308	$94,490,211	2.0%	2.0%
Aug	$94,603,066	$91,648,120	$191,003,374	$186,138,331	3.2%	2.6%
Sep	$97,035,811	$96,721,370	$288,039,185	$282,859,701	0.3%	1.8%
Oct	$91,622,917	$90,525,216	$379,662,102	$373,384,917	1.2%	1.7%
Nov	$0	$78,192,985	$379,662,102	$451,577,902	-100.0%	-15.9%
Dec	$0	$72,211,934	$379,662,102	$523,789,836	-100.0%	-27.5%
Jan	$0	$91,691,894	$379,662,102	$615,481,730	-100.0%	-38.3%
Feb	$0	$61,393,582	$379,662,102	$676,875,312	-100.0%	-43.9%
Mar	$0	$61,081,674	$379,662,102	$737,956,986	-100.0%	-48.6%
Apr	$0	$70,112,840	$379,662,102	$808,069,826	-100.0%	-53.0%
May	$0	$69,643,511	$379,662,102	$877,713,337	-100.0%	-56.7%
Jun	$0	$80,878,894	$379,662,102	$958,592,231	-100.0%	-60.4%

Maine Revenue Services Economic Research Division. 11/4/2008

Global Insights - U.S. Economic Outlook
November 2008

(2000 = 100)

Calendar Year	Motor Fuels	Driver Value
2005	151.30	
2006	170.30	0.126
2007	184.60	0.220
2008	217.70	0.439
2009	150.60	-0.005
2010	175.80	0.162
2011	201.10	0.329
2012	210.10	0.389
2013	218.00	0.441

Calendar Year	Fuel Oil	
2005	159.50	
2006	180.30	0.130
2007	192.30	0.206
2008	245.60	0.540
2009	170.80	0.071
2010	186.60	0.170
2011	207.50	0.301
2012	213.20	0.337
2013	219.90	0.379

Calendar Year	Natural Gas	
2005	161.20	
2006	165.10	0.024
2007	163.10	0.012
2008	186.30	0.156
2009	158.40	-0.017
2010	178.00	0.104
2011	186.40	0.156
2012	192.80	0.196
2013	201.50	0.250

Electricity		
2005	117.80	
2006	132.10	0.121
2007	137.30	0.166
2008	144.60	0.228
2009	144.20	0.224
2010	145.00	0.231
2011	148.90	0.264
2012	151.60	0.287
2013	155.00	0.316

Global Insights - U.S. Economic Outlook
February 2008

(2000 = 100)

Calendar Year	Motor Fuels	Driver Value
2005	150.84	
2006	170.50	0.130
2007	184.64	0.224
2008	186.79	0.238
2009	176.28	0.169
2010	178.19	0.181
2011	178.56	0.184

Calendar Year	Fuel Oil	
2005	159.61	
2006	180.35	0.130
2007	193.08	0.210
2008	206.22	0.292
2009	188.45	0.181
2010	189.87	0.190
2011	190.10	0.191

Calendar Year	Natural Gas	
2005	160.21	
2006	164.20	0.025
2007	162.21	0.012
2008	163.20	0.019
2009	181.22	0.131
2010	191.49	0.195
2011	193.00	0.205

Electricity		
2005	118.03	
2006	132.35	0.121
2007	137.58	0.166
2008	141.60	0.200
2009	142.81	0.210
2010	144.05	0.220
2011	146.07	0.237

Target motor vehicle sales
Forecasted Maine sales x average price

	Average price New Vehicle	New Vehicle Registrations Maine	Price x Registrations	Growth Rate
Calendar Year				
2006	25,500	58,050	1,480,275,000	
2007	26,100	52,680	1,374,948,000	-7.1%
2008	25,300	48,110	1,217,183,000	-11.5%
2009	24,500	41,770	1,023,365,000	-15.9%
2010	25,100	43,730	1,097,623,000	7.3%
2011	25,600	46,290	1,185,024,000	8.0%
2012	26,000	47,920	1,245,920,000	5.1%
2013	26,200	48,820	1,279,084,000	2.7%
2014		50,280		
Fiscal Year				
2007			1,427,611,500	Fall 2008
2008			1,296,065,500	-9.2%
2009			1,120,274,000	-13.6%
2010			1,060,494,000	-5.3%
2011			1,141,323,500	7.6%
2012			1,215,472,000	6.5%
2013			1,262,502,000	3.9%

Target motor vehicle sales
Forecasted Maine sales x average price

	Average price New Vehicle	New Vehicle Registrations Maine	Price x Registrations	Growth Rate
Calendar Year				
2006	25,600	57,920	1,482,752,000	
2007	26,300	52,700	1,386,010,000	-6.5%
2008	26,600	41,720	1,109,752,000	-19.9%
2009	27,500	42,596	1,171,393,300	5.6%
2010	28,400	43,661	1,239,973,053	5.9%
2011	29,000	45,538	1,320,614,963	6.5%
Fiscal Year				
2007			1,434,381,000	Winter 2008
2008			1,247,881,000	-13.0%
2009			1,140,572,650	-8.6%
2010			1,205,683,177	5.7%
2011			1,280,294,008	6.2%

Sales & Use and Service Provider Taxes; Baseline Forecast FY089 - FY13

	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium	FY12	FY13	Biennium
Actuals & February, 2008 Forecast /1	**$993,202,707**	**$1,020,856,253**	**$2,014,058,960**	**$1,035,157,942**	**$1,061,545,079**	**$2,096,703,021**	**$1,100,274,128**	**$1,144,266,754**	**$2,244,540,882**	**$0**	**$0**	**$0**
Growth Rate	5.5%	2.8%	8.4%	1.4%	2.5%	4.1%	3.6%	4.0%	7.1%			
Technical Adjustments to Prior Forecast /2	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Economic Assumptions /3	$0	$0	$0	$0	($20,771,604)	($20,771,604)	($37,872,704)	($40,378,245)	($78,250,949)	$1,145,301,534	$1,189,246,296	$2,334,547,830
Total Adjustments to Prior Forecast	$0	$0	$0	$0	($20,771,604)	($20,771,604)	($37,872,704)	($40,378,245)	($78,250,949)	$1,145,301,534	$1,189,246,296	$2,334,547,830
New Forecast	**$993,202,707**	**$1,020,856,253**	**$2,014,058,960**	**$1,035,157,942**	**$1,040,773,475**	**$2,075,931,417**	**$1,062,401,424**	**$1,103,888,509**	**$2,166,289,933**	**$1,145,301,534**	**$1,189,246,296**	**$2,334,547,830**
Growth Rate	5.5%	2.8%	8.4%	1.4%	0.5%	3.1%	2.1%	3.9%	4.4%	3.8%	3.8%	7.5%

1/ February, 2008 forecast with FY06, FY07, and FY08 actuals.

2/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions. Examples of technical changes may be new data, model updates and changes, and court cases that affect revenues.

3/ This line shows the incremental change in baseline revenues as a result of the new economic forecast released by the Consensus Economic Forecasting Committee. In addition, Global Insight's November 2008 forecast is used to estimate the impact of energy prices on sales tax receipts and to target automobile sales growth.

Maine Revenue Services
Economic Research Division

20-Nov-08

Maine Revenue Services
Model Sales Tax Revenue for Selected Categories from the November 2008 Forecast
(millions of dollars)

Fiscal Years	2008	2009		2010		2011		2012		2013	
Personal Consumption											
Total motor vehicles	$137.9	$119.1	-13.6%	$112.8	-5.3%	$121.4	7.6%	$129.3	6.5%	$134.3	3.9%
New autos	$60.81	$52.54	-13.6%	$49.8	-5.3%	$53.5	7.6%	$57.0	6.5%	$59.2	3.9%
Used Autos	$34.40	$29.72	-13.6%	$28.2	-5.3%	$30.3	7.6%	$32.3	6.5%	$33.5	3.9%
Other motor vehicles	$42.66	$36.86	-13.6%	$34.9	-5.3%	$37.6	7.6%	$40.0	6.5%	$41.6	3.9%
Restaurants	$137.34	$141.30	2.9%	$145.4	2.9%	$148.7	2.3%	$152.7	2.7%	$157.1	2.9%
Lodging	$43.91	$46.85	6.7%	$50.0	6.8%	$53.5	7.0%	$57.7	7.7%	$62.3	8.1%
Shoes	$10.58	$10.84	2.5%	$11.1	2.5%	$11.3	1.8%	$11.6	2.1%	$11.8	2.4%
Women's clothing	$40.65	$42.27	4.0%	$44.0	4.0%	$45.6	3.6%	$47.5	4.1%	$49.5	4.4%
Men's clothing	$24.7	$25.7	4.0%	$26.7	4.0%	$27.7	3.7%	$28.9	4.1%	$30.1	4.4%
Jewelry and watches	$13.8	$14.5	5.1%	$15.2	5.1%	$16.0	5.1%	$16.9	5.5%	$17.9	5.9%
Toilet articles and preps	$19.3	$20.5	6.2%	$21.8	6.3%	$23.2	6.4%	$24.8	7.0%	$26.6	7.3%
Furniture	$17.4	$18.2	4.8%	$19.1	4.9%	$20.0	4.6%	$21.0	5.2%	$22.2	5.5%
Drugs	$16.7	$17.0	1.6%	$17.2	1.7%	$17.4	0.8%	$17.6	1.1%	$17.8	1.3%
Personal consumption	$744.7	$747.5	0.4%	$763.7	2.2%	$793.3	3.9%	$822.2	3.6%	$854.6	3.9%
Business Intermediate	$201.2	$205.3	2.1%	$207.5	1.1%	$215.7	3.9%	$224.1	3.9%	$231.5	3.3%
Business Investment	$83.4	$87.2	4.6%	$90.3	3.5%	$93.9	4.1%	$98.0	4.3%	$102.1	4.2%

Maine Revenue Services
Transfers to the Tourism Marketing Promotion Fund
November 2008 Forecast

5% of the tax on meals and lodging is dedicated to the Tourism Marketing Promotion Fund. Revenue is credited to the fund in July and October of each year based on revenue collected in the prior fiscal year after revenue sharing has been deducted.

Actual FY'08 meals/lodge tax revenue	$191,115,001	
General Fund portion	$181,368,136	94.9%
FY'09 Transfer to Tourism - budget	$8,989,877	
Actual FY'09 transfer	$9,068,407	5.0%
Variance	$78,530	

	FY'09	FY'10	FY'11	FY'12
Meals and lodging revenue forecast	$198,350,000	$205,930,000	$213,110,000	$221,620,000
Growth rate	3.8%	3.8%	3.5%	4.0%
General Fund	$188,234,150	$195,221,640	$202,028,280	$210,095,760
General Fund percentage	94.9%	94.8%	94.8%	94.8%

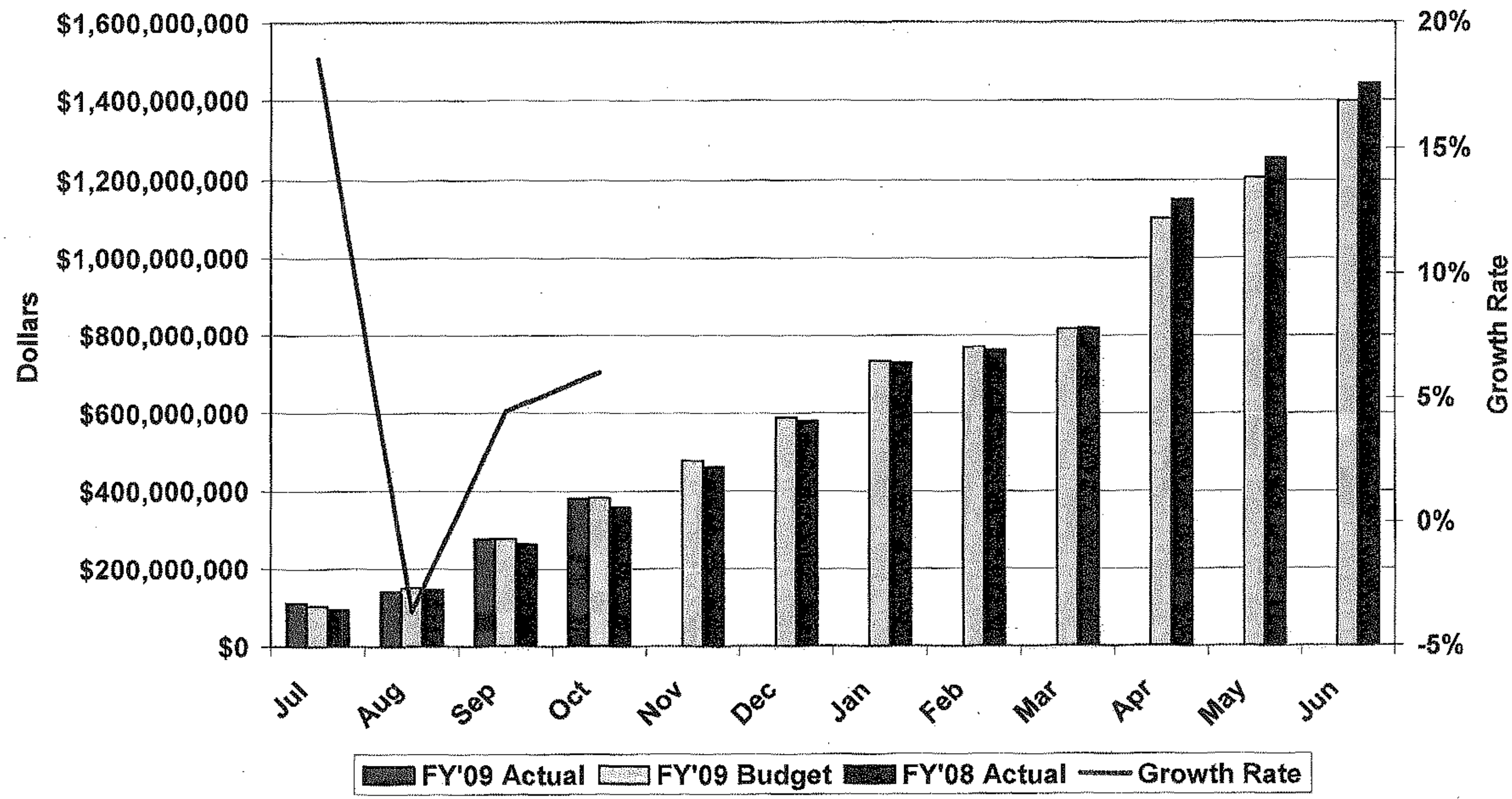
November 2008 forecast	FY'10	FY'11	FY'12	FY'13
5% to Tourism Fund	$9,411,708	$9,761,082	$10,101,414	$10,504,788
Current budget	$9,357,623	$9,834,091		
Variance	$54,085	($73,009)		

Transfer to the Transit, Aviation and Rail Transportation Fund (STAR Fund). 50% of the revenue collected from the 10% sales tax on short-term automobile rentals in a fiscal year is transferred to the STAR Fund in the next fiscal year.

	FY'10	FY'11	FY'12	FY'13
Current Budget	$3,054,519	$3,142,840		
November 2008 forecast	$3,054,519	$3,142,840	$3,215,125	$3,301,934

Individual Income Tax

YTD Individual Income Tax Revenue
FY'09 Actual, Budget & FY'08 Actual

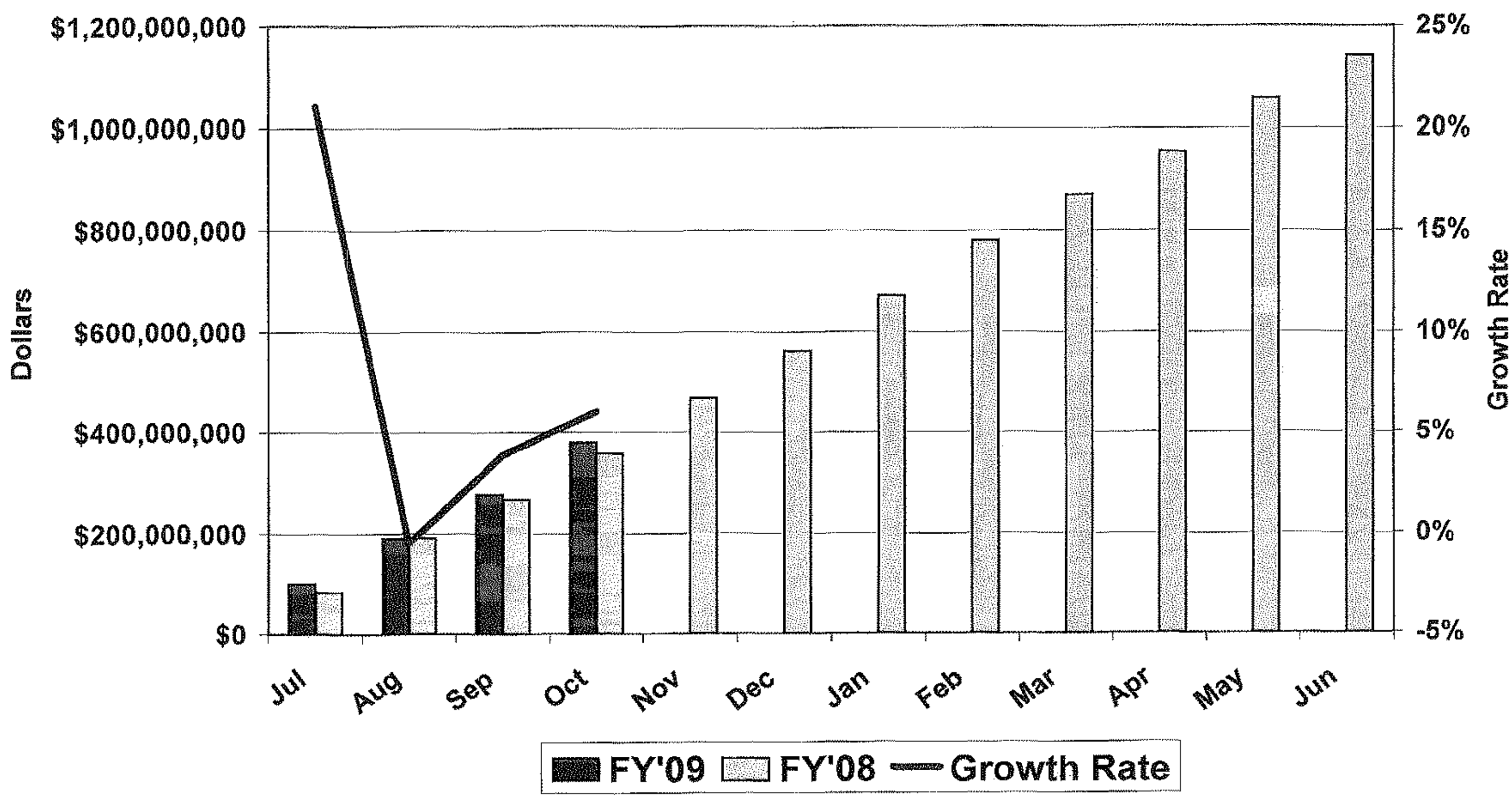


Maine Revenue Services Economic Research Division 11/18/2008

Maine Revenue Services
Individual Income Tax Revenue

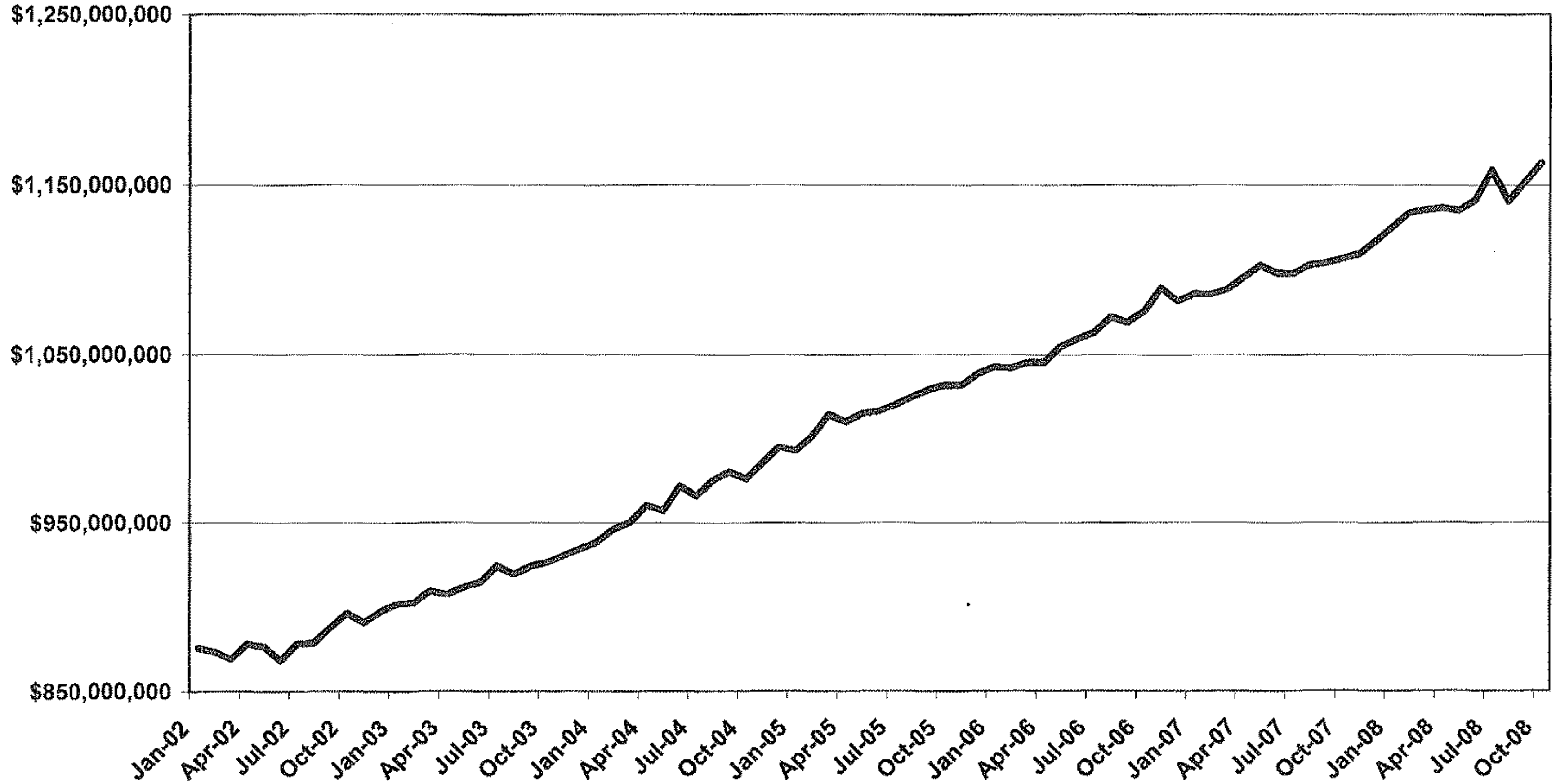
	FY'09 Actual	FY'09 Budget	FY'08 Actual	FY'07 Actual	FY'09 Actual vs. Budget	FY'09 Budget vs. FY'08 Actual	FY'09 Actual vs. FY'08 Actual	FY'08 Actual vs. FY'07 Actual
Jul	$112,350,106	$104,211,492	$94,757,222	$90,829,254	7.8%	10.0%	18.6%	4.3%
Aug	$29,252,031	$47,030,000	$52,138,736	$44,386,435	-37.8%	-9.8%	-43.9%	17.5%
Sep	$135,475,567	$126,000,000	$118,358,298	$114,238,155	7.5%	6.5%	14.5%	3.6%
Oct	$102,870,535	$104,250,000	$93,194,975	$84,923,088	-1.3%	11.9%	10.4%	9.7%
Nov	$0	$96,173,385	$104,070,393	$104,500,615	-100.0%	-7.6%	-100.0%	-0.4%
Dec	$0	$109,896,484	$117,467,085	$113,280,029	-100.0%	-6.4%	-100.0%	3.7%
Jan	$0	$144,550,000	$148,719,712	$148,537,510	-100.0%	-2.8%	-100.0%	0.1%
Feb	$0	$36,840,000	$32,009,960	$34,907,426	-100.0%	15.1%	-100.0%	-8.3%
Mar	$0	$47,970,000	$57,226,313	$44,066,066	-100.0%	-16.2%	-100.0%	29.9%
Apr	$0	$283,700,000	$331,881,135	$288,532,021	-100.0%	-14.5%	-100.0%	15.0%
May	$0	$105,486,751	$104,901,490	$101,176,024	-100.0%	0.6%	-100.0%	3.7%
Jun	$0	$191,659,174	$188,742,885	$184,557,871	-100.0%	1.5%	-100.0%	2.3%
Total	$379,948,239	$1,397,767,286	$1,443,468,204	$1,353,934,494	-72.8%	-3.2%	-73.7%	6.6%
YTD Oct	$379,948,239	$381,491,492	$358,449,231	$334,376,932	-0.4%	6.4%	6.0%	7.2%

1040 Withholding
Year-to-Date FY'09 & FY'08



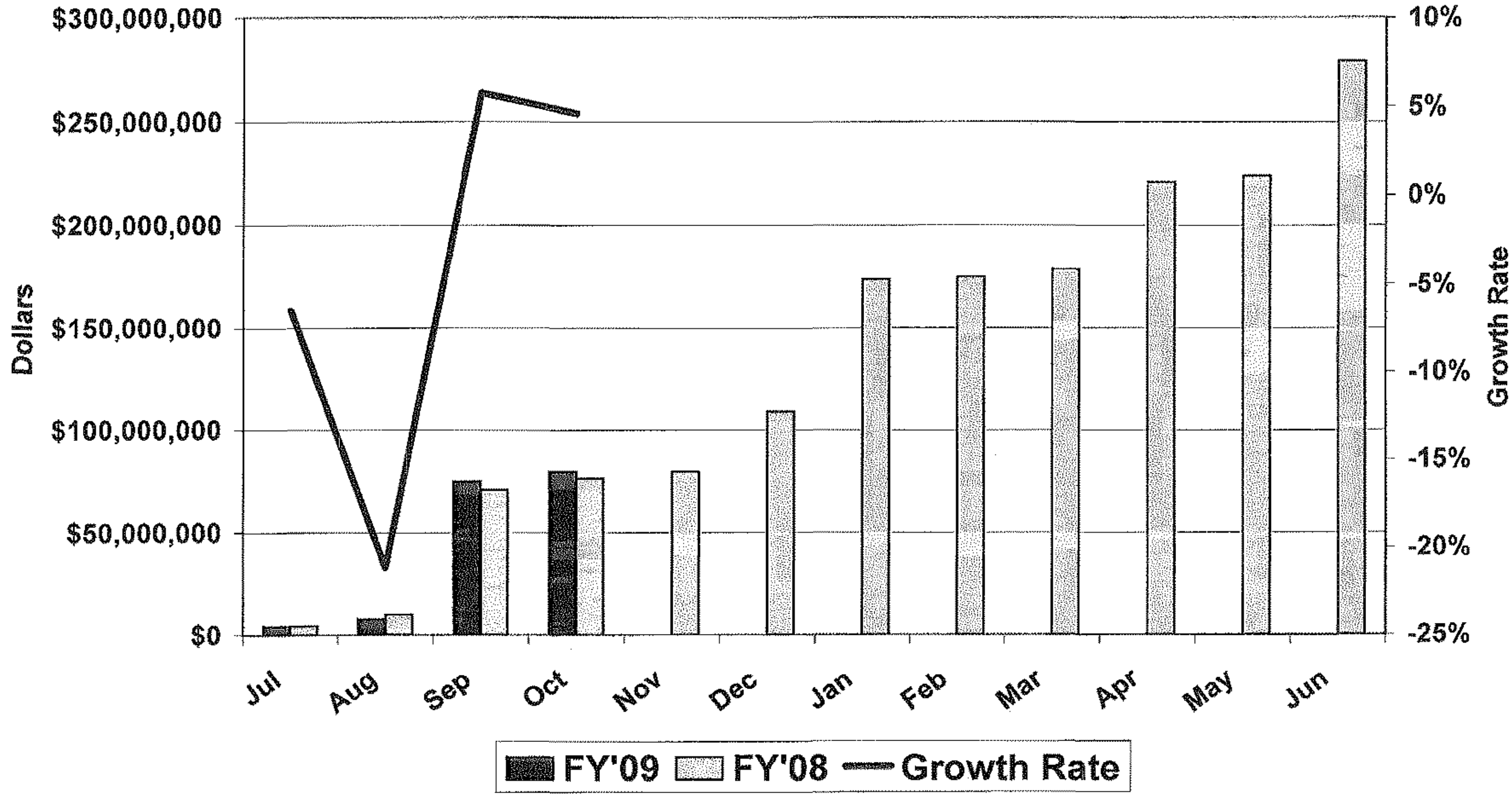
Maine Revenue Services Economic Research Division 11/4/2008

Withholding Tax Revenue
12 Month Moving Total



Maine Revenue Services Research Division 11/4/2008

1040 Estimated Payments
Year-to-Date FY'09 & FY'08



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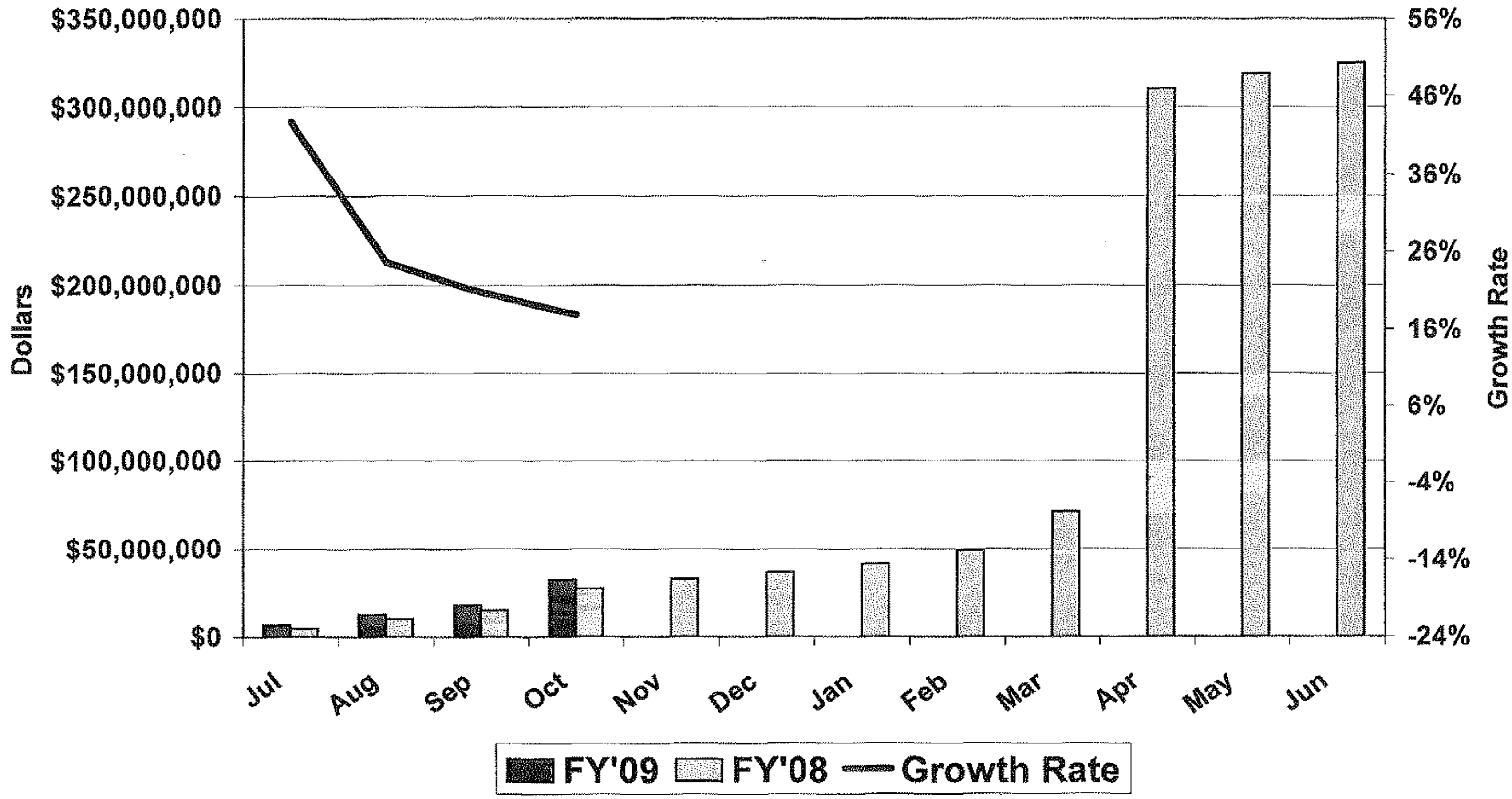
1040 Final Payments
Year-to-Date FY'09 & FY'08



Maine Revenue Services Economic Research Division 11/4/2008

Maine Revenue Services
Individual Income Tax Withholding, Estimated Payments and Final Payments

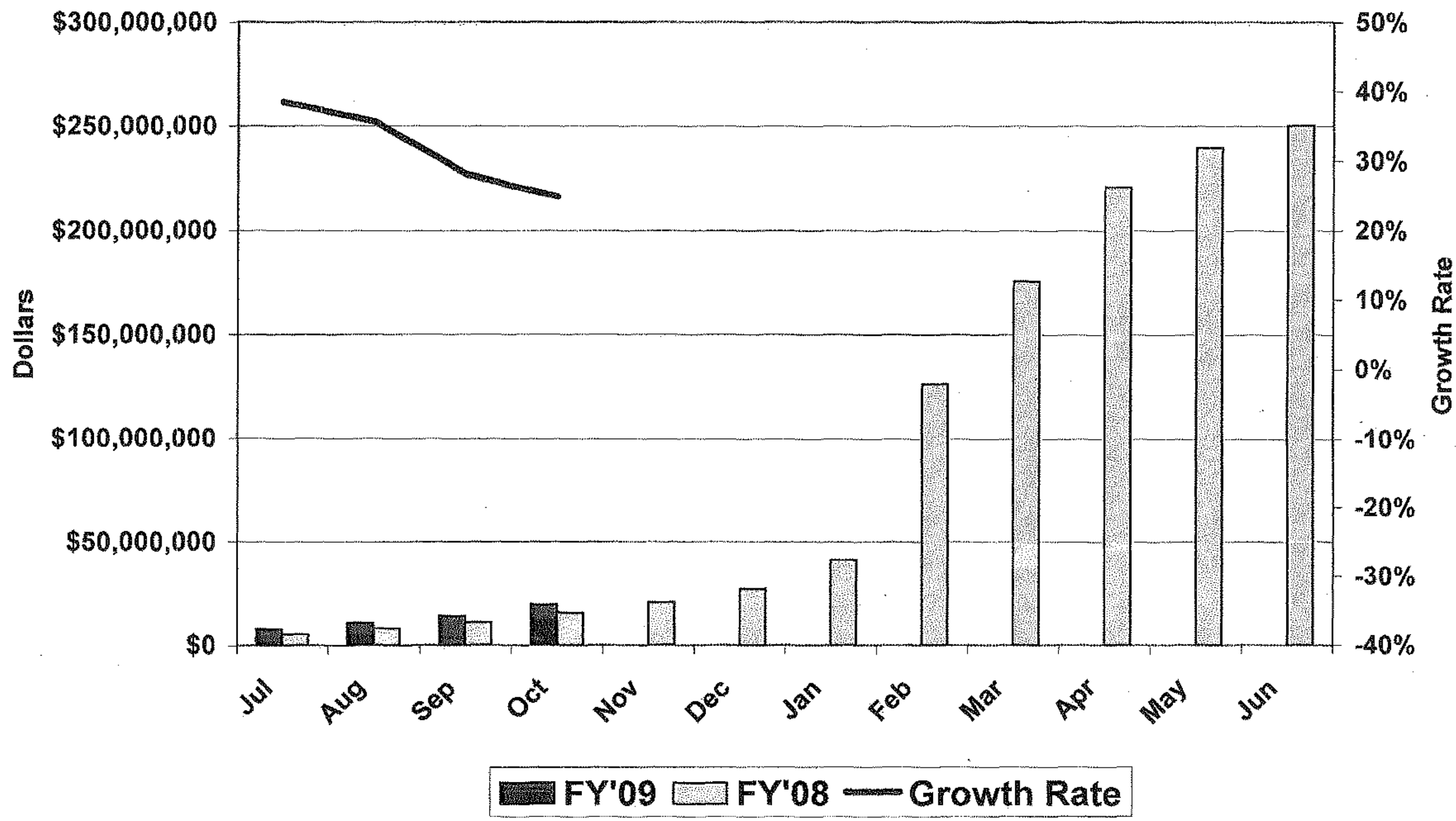
	1040 Withholding			1040 Estimated Payments			1040 Final Payments		
	FY'09	FY'08	Growth Rate	FY'09	FY'08	Growth Rate	FY'09	FY'08	Growth Rate
Jul	$100,983,161	$83,412,245	21.1%	$4,266,214	$4,562,923	-6.5%	$6,651,177	$4,658,736	42.8%
Aug	$90,284,685	$108,802,415	-17.0%	$3,662,687	$5,493,361	-33.3%	$6,158,672	$5,614,350	9.7%
Sep	$85,891,676	$74,628,128	15.1%	$66,964,004	$60,753,488	10.2%	$5,485,836	$4,872,685	12.6%
Oct	$101,632,415	$90,467,876	12.3%	$4,981,764	$5,536,440	-10.0%	$14,300,848	$12,490,097	14.5%
Nov	$0	$112,012,977	-100.0%	$0	$3,243,293	-100.0%	$0	$5,327,680	-100.0%
Dec	$0	$92,779,409	-100.0%	$0	$29,170,837	-100.0%	$0	$3,551,776	-100.0%
Jan	$0	$109,760,903	-100.0%	$0	$64,940,383	-100.0%	$0	$4,705,560	-100.0%
Feb	$0	$106,765,720	-100.0%	$0	$1,429,745	-100.0%	$0	$7,945,415	-100.0%
Mar	$0	$90,251,282	-100.0%	$0	$3,650,546	-100.0%	$0	$22,128,003	-100.0%
Apr	$0	$84,592,770	-100.0%	$0	$41,639,484	-100.0%	$0	$239,096,089	-100.0%
May	$0	$103,478,276	-100.0%	$0	$2,977,052	-100.0%	$0	$8,778,540	-100.0%
Jun	$0	$84,504,799	-100.0%	$0	$55,557,521	-100.0%	$0	$6,030,070	-100.0%

Year-To-Date

	1040 Withholding			1040 Estimated Payments			1040 Final Payments		
	FY'09	FY'08	Growth Rate	FY'09	FY'08	Growth Rate	FY'09	FY'08	Growth Rate
Jul	$100,983,161	$83,412,245	21.1%	$4,266,214	$4,562,923	-6.5%	$6,651,177	$4,658,736	42.8%
Aug	$191,267,846	$192,214,660	-0.5%	$7,928,901	$10,056,284	-21.2%	$12,809,849	$10,273,086	24.7%
Sep	$277,159,522	$266,842,788	3.9%	$74,892,905	$70,809,772	5.8%	$18,295,685	$15,145,771	20.8%
Oct	$378,791,937	$357,310,664	6.0%	$79,874,669	$76,346,212	4.6%	$32,596,533	$27,635,868	18.0%
Nov	$378,791,937	$469,323,641	-19.3%	$79,874,669	$79,589,505	0.4%	$32,596,533	$32,963,548	-1.1%
Dec	$378,791,937	$562,103,050	-32.6%	$79,874,669	$108,760,342	-26.6%	$32,596,533	$36,515,324	-10.7%
Jan	$378,791,937	$671,863,953	-43.6%	$79,874,669	$173,700,725	-54.0%	$32,596,533	$41,220,884	-20.9%
Feb	$378,791,937	$778,629,673	-51.4%	$79,874,669	$175,130,470	-54.4%	$32,596,533	$49,166,299	-33.7%
Mar	$378,791,937	$868,880,955	-56.4%	$79,874,669	$178,781,016	-55.3%	$32,596,533	$71,294,302	-54.3%
Apr	$378,791,937	$953,473,725	-60.3%	$79,874,669	$220,420,500	-63.8%	$32,596,533	$310,390,391	-89.5%
May	$378,791,937	$1,056,952,001	-64.2%	$79,874,669	$223,397,552	-64.2%	$32,596,533	$319,168,931	-89.8%
Jun	$378,791,937	$1,141,456,800	-66.8%	$79,874,669	$278,955,073	-71.4%	$32,596,533	$325,199,001	-90.0%

Maine Revenue Services Economic Research Division. 11/4/2008

Individual Income Tax Refunds Year-to-Date FY'09 & FY'08



Maine Revenue Services Economic Research Division 11/18/2008

Maine Revenue Services
Individual Income Tax Refunds

	Month		Year-To-Date		
	FY'09	FY'08	FY'09	FY'08	Growth Rate
Jul	$7,519,593	$5,429,237	$7,519,593	$5,429,237	39%
Aug	$3,354,678	$2,590,045	$10,874,271	$8,019,282	36%
Sep	$3,357,568	$3,086,309	$14,231,839	$11,105,591	28%
Oct	$5,472,769	$4,677,166	$19,704,608	$15,782,757	25%
Nov	$0	$4,791,032	$19,704,608	$20,573,789	-4%
Dec	$0	$6,707,364	$19,704,608	$27,281,153	-28%
Jan	$0	$13,839,204	$19,704,608	$41,120,357	-52%
Feb	$0	$84,755,980	$19,704,608	$125,876,337	-84%
Mar	$0	$49,546,899	$19,704,608	$175,423,236	-89%
Apr	$0	$45,696,745	$19,704,608	$221,119,981	-91%
May	$0	$18,521,731	$19,704,608	$239,641,712	-92%
Jun	$0	$10,462,683	$19,704,608	$250,104,395	-92%

Maine Revenue Services Economic Research Division. 11/18/2008

Individual Income Tax: Baseline Forecast FY09 - FY13

	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium	FY12	FY13	Biennium
Actuals & February, 2008 Forecast /1	**$1,254,510,746**	**$1,353,934,495**	**$2,608,445,241**	**$1,443,468,204**	**$1,397,767,286**	**$2,841,235,490**	**$1,420,187,194**	**$1,449,756,898**	**$2,869,944,092**	**$0**	**$0**	**$0**
Growth Rate	-1.2%	7.9%	7.5%	6.6%	-3.2%	8.9%	1.6%	2.1%	1.0%			
Personal Property Tax Exemption /2	$0	$0	$0	$0	$11,373,516	$11,373,516	$21,538,412	$27,486,069		$0	$0	
BETR Reimbursement /2	$67,065,810	$66,553,092	$133,618,902	$67,875,376	$68,559,334	$136,434,710	$65,653,487	$60,047,934	$125,701,421	$0	$0	$0
Tax & Rent Claims /2	$42,796,070	$44,440,759	$87,236,829	$46,689,380	$46,133,249	$92,822,629	$46,450,780	$48,967,359	$95,418,139	$0	$0	$0
Individual Income Tax Before T&R Claims	$1,364,372,626	$1,464,928,346	$2,829,300,972	$1,558,032,961	$1,523,833,385	$3,081,866,346	$1,553,829,873	$1,586,258,260	$3,140,088,133	$0	$0	$0
Growth Rate	5.3%	7.4%	7.6%	6.4%	-2.2%	8.9%	2.0%	2.1%	1.9%			
Technical Adjustments /3				$0	$26,459,000	$26,459,000	$17,711,000	$5,230,000	$22,941,000	$0	$0	$0
Economic Assumptions /4				$0	($100,831,000)	($100,831,000)	($87,861,000)	($67,645,000)	($155,506,000)	$1,579,083,000	$1,621,165,000	$3,200,248,000
Total Adjustments to Prior Forecast				$0	($74,372,000)	($74,372,000)	($70,150,000)	($62,415,000)	($132,565,000)	$1,579,083,000	$1,621,165,000	$3,200,248,000
New Forecast	**$1,364,372,626**	**$1,464,928,346**	**$2,608,445,241**	**$1,558,032,961**	**$1,449,461,385**	**$2,766,863,490**	**$1,483,679,873**	**$1,523,843,260**	**$2,737,379,092**	**$1,579,083,000**	**$1,621,165,000**	**$3,200,248,000**
Growth Rate	5.3%	7.4%	7.5%	6.4%	-7.0%	6.1%	2.4%	2.7%	-1.1%	3.6%	2.7%	16.9%
Personal Property Tax Exemption	$0	$0	$0	$0	($11,373,516)	($11,373,516)	($21,538,412)	($27,486,069)	($49,024,481)	($31,294,342)	($33,950,807)	($65,245,149)
Tax & Rent Claims	($42,796,070)	($44,440,759)	($87,236,829)	($46,689,380)	($48,202,400)	($94,891,780)	($50,701,520)	($53,375,000)	($104,076,520)	($54,713,640)	($56,500,760)	($111,214,400)
BETR Reimbursement	($67,065,810)	($66,553,092)	($133,618,902)	($67,875,376)	($68,559,334)	($136,434,710)	($65,653,487)	($60,047,934)	($125,701,421)	($54,552,995)	($49,282,583)	($103,835,578)
Total Individual Income Tax	**$1,254,510,746**	**$1,353,934,495**	**$2,608,445,241**	**$1,443,468,204**	**$1,321,326,135**	**$2,764,794,339**	**$1,345,786,454**	**$1,382,934,257**	**$2,728,720,711**	**$1,438,522,023**	**$1,481,430,850**	**$2,919,952,873**
	-1.2%	7.9%	7.5%	6.6%	-8.5%	6.0%	1.9%	2.8%	-1.3%	4.0%	3.0%	7.0%

1/ February, 2008 forecast with FY06, FY07, and FY08 actuals.

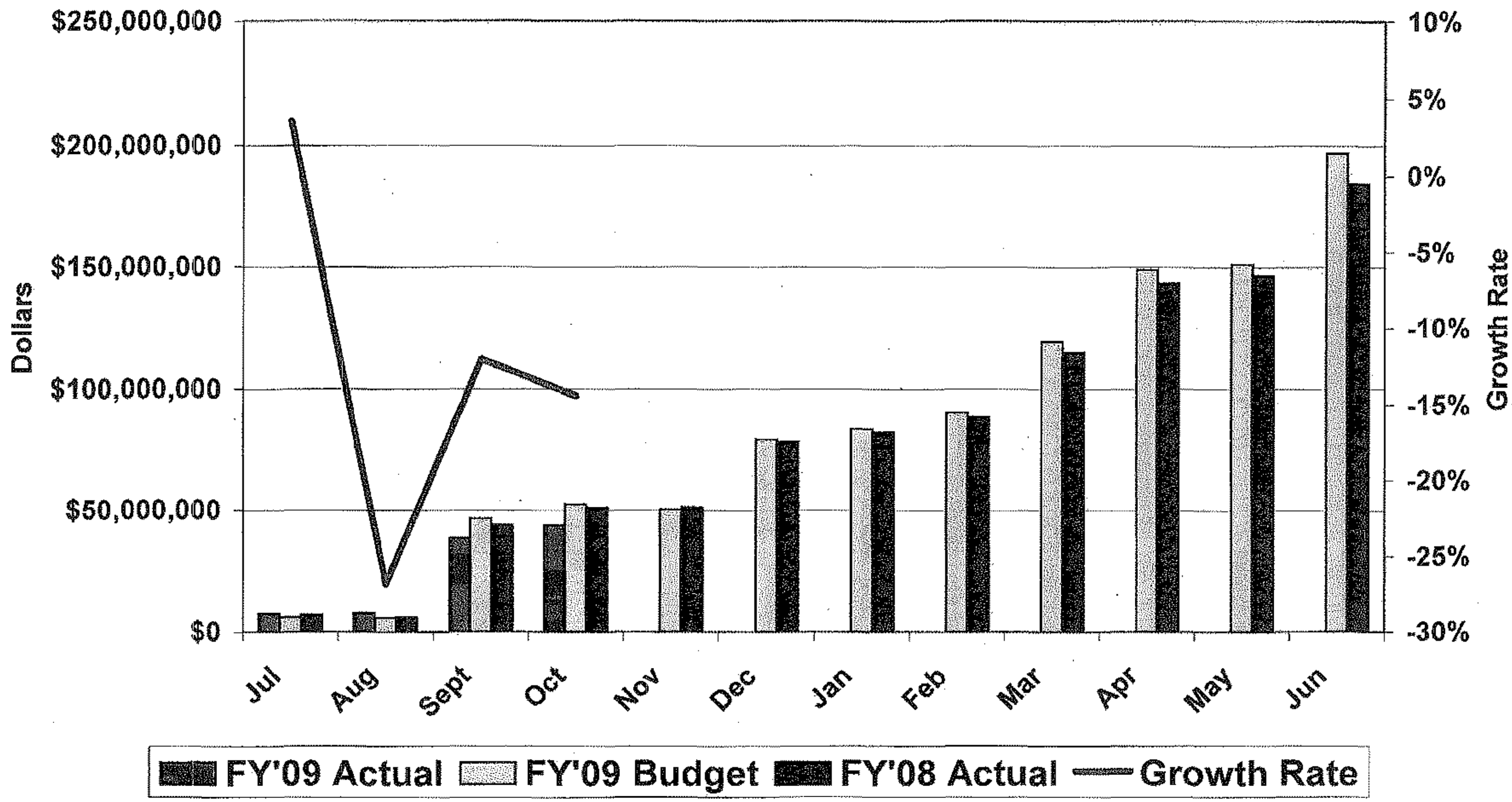
2/ Adjusts for Maine Residents Property Tax Relief Program, BETR transfers and reimbursement to municipalities for Business Equipment Property Tax Exemption.

3/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions. Examples of technical changes may be new data, model updates and changes, and court cases that affect revenues.

4/ This line shows the incremental change in baseline revenues as a result of a new economic forecast.

Corporate Income Tax

YTD Corporate Income Tax Revenue
FY'09 Actual, Budget & FY'08 Actual

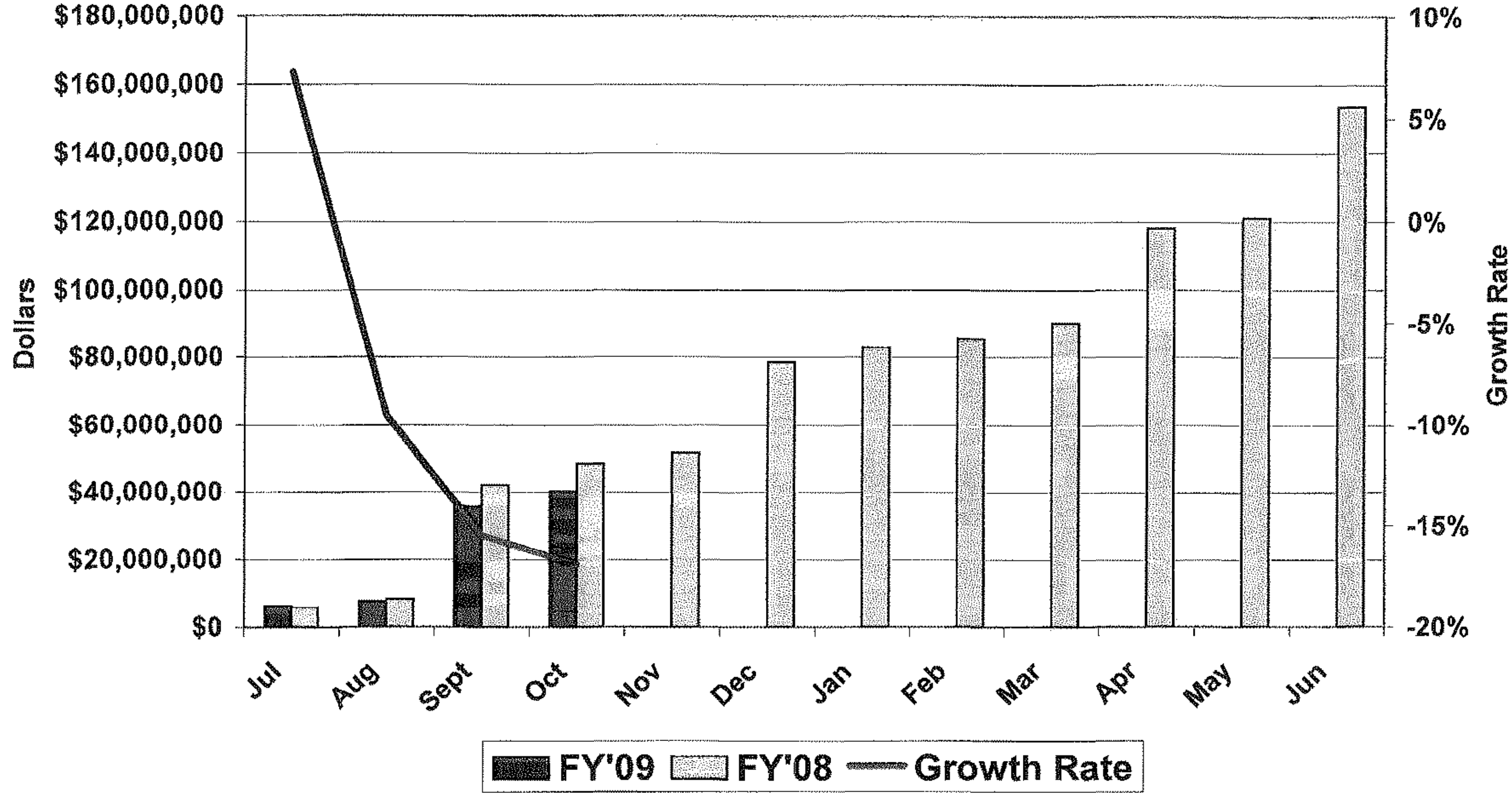


Maine Revenue Services Economic Research Division 11/18/2008

Maine Revenue Services
Corporate Income Tax Revenue

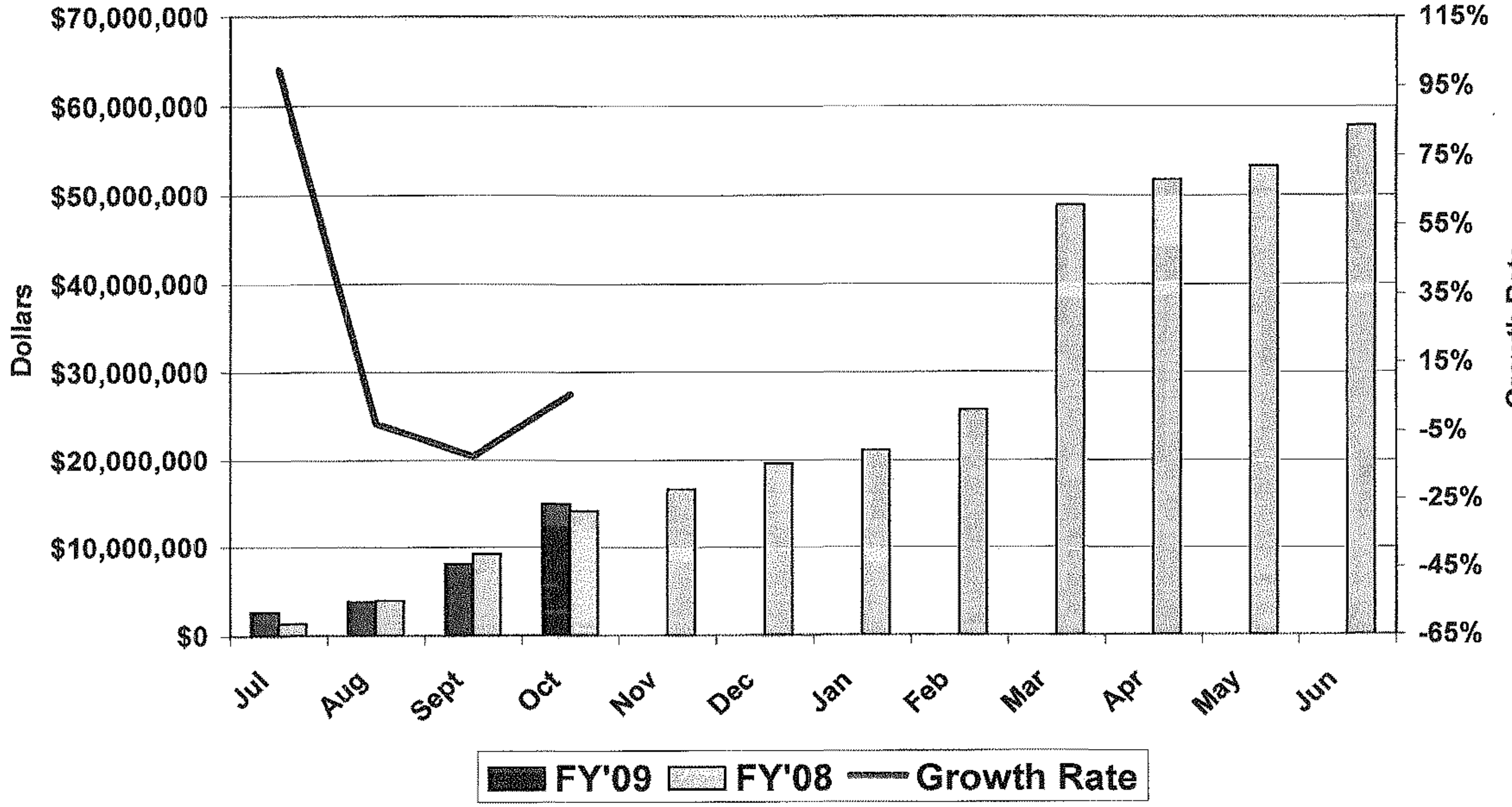
	FY'09 Actual	FY'09 Budget	FY'08 Actual	FY'07 Actual	FY'09 Actual vs. Budget	FY'09 Budget vs. FY'08 Actual	FY'09 Actual vs. FY'08 Actual	FY'08 Actual vs. FY'07 Actual
Jul	$7,378,233	$6,030,000	$7,127,701	$10,487,769	22.4%	-15.4%	3.5%	-32.0%
Aug	$266,189	($300,000)	($1,099,888)	$2,275,148	188.7%	72.7%	124.2%	-148.3%
Sept	$31,059,014	$40,800,000	$37,994,766	$37,010,069	-23.9%	7.4%	-18.3%	2.7%
Oct	$5,221,720	$6,100,000	$7,301,509	$5,870,974	-14.4%	-16.5%	-28.5%	24.4%
Nov	$0	($2,400,000)	($90,558)	($10,030,546)	-100.0%	2550.2%	-100.0%	-99.1%
Dec	$0	$29,000,000	$26,768,846	$27,088,753	-100.0%	8.3%	-100.0%	-1.2%
Jan	$0	$4,100,000	$4,068,428	$6,378,309	-100.0%	0.8%	-100.0%	-36.2%
Feb	$0	$7,100,000	$6,460,175	$8,781,686	-100.0%	9.9%	-100.0%	-26.4%
Mar	$0	$28,470,000	$26,165,509	$18,679,646	-100.0%	8.8%	-100.0%	40.1%
Apr	$0	$30,000,000	$28,736,923	$26,196,013	-100.0%	4.4%	-100.0%	9.7%
May	$0	$2,394,770	$3,360,696	$7,456,077	-100.0%	-28.7%	-100.0%	-54.9%
Jun	$0	$45,700,000	$37,720,462	$43,657,636	-100.0%	21.2%	-100.0%	-13.6%
Total	$43,925,156	$196,994,770	$184,514,569	$183,851,534	-77.7%	6.8%	-76.2%	0.4%
YTD Oct	$43,925,156	$52,630,000	$51,324,088	$55,643,960	-16.5%	2.5%	-14.4%	-7.8%

Corporate Estimated Payments Year-to-Date FY'09 & FY'08



Maine Revenue Services Economic Research Division 11/4/2008

Corporate Final Payments
Year-to-Date FY'09 & FY'08



Maine Revenue Services Economic Research Division 11/4/2008

Maine Revenue Services

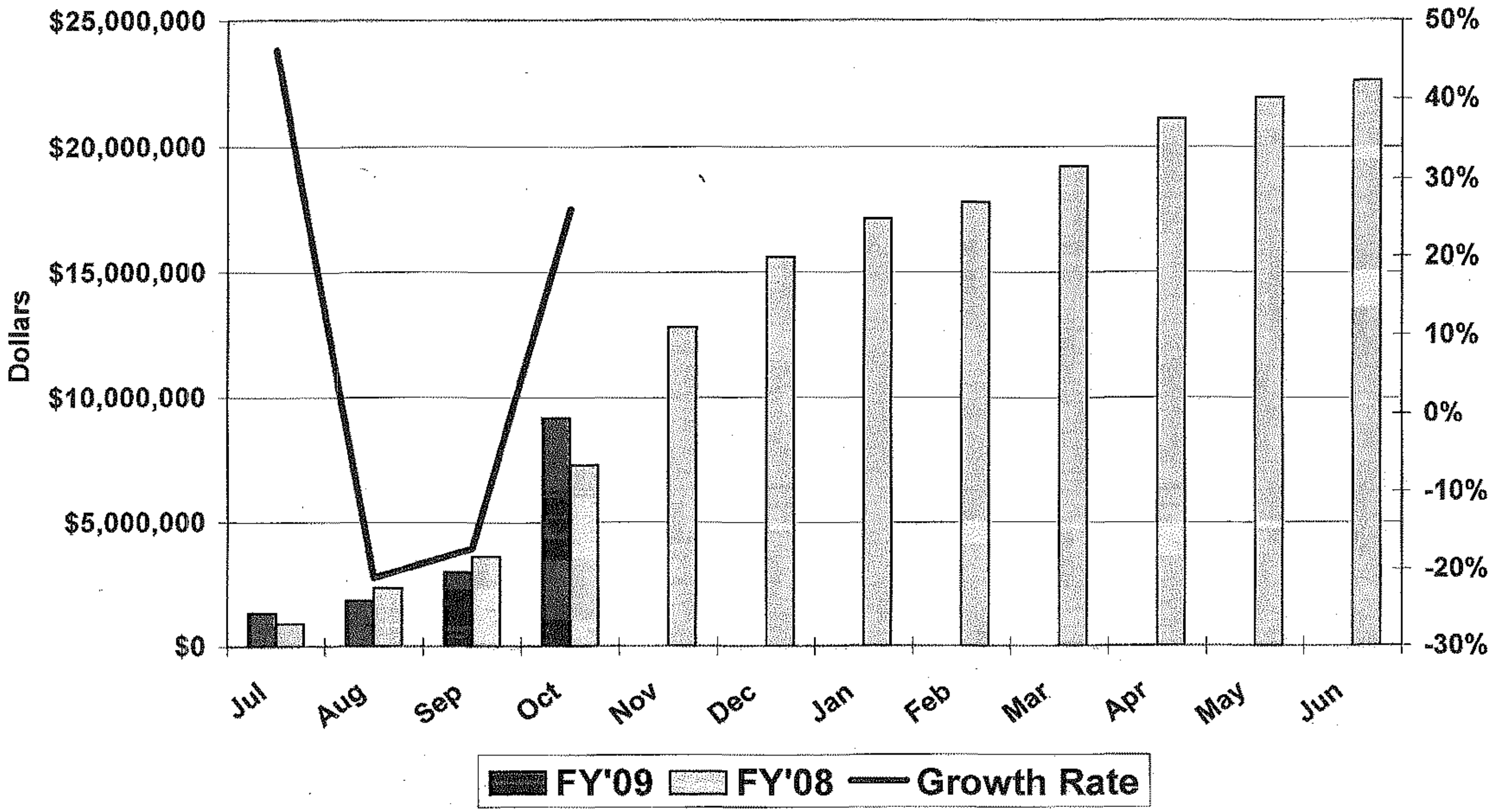
Corporate Income Tax Estimated Payments

	Month			Year-To-Date		
	FY'09	FY'08	Growth Rate	FY'09	FY'08	Growth Rate
Jul	$6,280,063	$5,855,003	7.3%	$6,280,063	$5,855,003	7.3%
Aug	$1,292,836	$2,514,546	-48.6%	$7,572,899	$8,369,549	-9.5%
Sept	$28,193,141	$33,936,035	-16.9%	$35,766,040	$42,304,584	-15.5%
Oct	$4,632,322	$6,298,149	-26.4%	$40,398,362	$48,602,733	-16.9%
Nov	$0	$3,094,456	-100.0%	$40,398,362	$51,697,189	-21.9%
Dec	$0	$26,726,816	-100.0%	$40,398,362	$78,424,005	-48.5%
Jan	$0	$4,388,639	-100.0%	$40,398,362	$82,812,644	-51.2%
Feb	$0	$2,642,550	-100.0%	$40,398,362	$85,455,194	-52.7%
Mar	$0	$4,605,971	-100.0%	$40,398,362	$90,061,165	-55.1%
Apr	$0	$27,933,336	-100.0%	$40,398,362	$117,994,501	-65.8%
May	$0	$3,052,002	-100.0%	$40,398,362	$121,046,503	-66.6%
Jun	$0	$32,365,146	-100.0%	$40,398,362	$153,411,649	-73.7%

Corporate Income Tax Final Payments and Back Taxes

	Month			Year-To-Date		
	FY'09	FY'08	Growth Rate	FY'09	FY'08	Growth Rate
Jul	$2,732,994	$1,369,073	99.6%	$2,732,994	$1,369,073	99.6%
Aug	$1,130,075	$2,602,227	-56.6%	$3,863,069	$3,971,300	-2.7%
Sept	$4,268,587	$5,309,590	-19.6%	$8,131,656	$9,280,890	-12.4%
Oct	$6,879,061	$4,897,473	40.5%	$15,010,717	$14,178,363	5.9%
Nov	$0	$2,487,708	-100.0%	$15,010,717	$16,666,071	-9.9%
Dec	$0	$2,942,977	-100.0%	$15,010,717	$19,609,048	-23.5%
Jan	$0	$1,481,462	-100.0%	$15,010,717	$21,090,510	-28.8%
Feb	$0	$4,669,633	-100.0%	$15,010,717	$25,760,143	-41.7%
Mar	$0	$23,039,695	-100.0%	$15,010,717	$48,799,838	-69.2%
Apr	$0	$2,923,062	-100.0%	$15,010,717	$51,722,900	-71.0%
May	$0	$1,525,126	-100.0%	$15,010,717	$53,248,026	-71.8%
Jun	$0	$4,659,892	-100.0%	$15,010,717	$57,907,918	-74.1%

Corporate Income Tax Refunds Year-to-Date FY'09 & FY'08



Maine Revenue Services Economic Research Division 11/18/2008

Maine Revenue Services
Corporate Income Tax Refunds

	Month		Year-to-Date		
	FY'09	FY'08	FY'09	FY'08	Growth Rate
Jul	$1,337,986	$914,990	$1,337,986	$914,990	46%
Aug	$519,328	$1,441,893	$1,857,314	$2,356,883	-21%
Sep	$1,129,090	$1,258,085	$2,986,404	$3,614,968	-17%
Oct	$6,185,736	$3,663,219	$9,172,140	$7,278,187	26%
Nov	$0	$5,508,977	$9,172,140	$12,787,164	-28%
Dec	$0	$2,811,871	$9,172,140	$15,599,035	-41%
Jan	$0	$1,527,926	$9,172,140	$17,126,961	-46%
Feb	$0	$666,290	$9,172,140	$17,793,251	-48%
Mar	$0	$1,427,128	$9,172,140	$19,220,379	-52%
Apr	$0	$1,817,530	$9,172,140	$21,037,909	-56%
May	$0	$872,204	$9,172,140	$21,910,113	-58%
Jun	$0	$668,506	$9,172,140	$22,578,619	-59%

Maine Revenue Services Economic Research Division. 11/18/2008

Corporate Income Tax: General Fund Baseline Forecast FY09 - FY13

	FY06	FY07	Biennium	FY08	FY09	Biennium
Actuals & February, 2008 Forecast /1	$188,015,557	$183,851,533	$371,867,090	$184,514,568	$197,244,770	$381,759,338
Growth Rate	38.4%	-2.2%	50.3%	0.4%	6.9%	2.7%
Technical Adjustments to Prior Forecast /2	$0	$0	$0	$0	($11,210,000)	($11,210,000)
Economic Forecast /3	$0	$0	$0	$0	($16,880,000)	($16,880,000)
Total Adjustments to Prior Forecast		$0	$0	$0	($28,090,000)	($28,090,000)
New Forecast	$188,015,557	$183,851,533	$371,867,090	$184,514,568	$169,154,770	$353,669,338
Growth Rate	38.4%	-2.2%	50.3%	0.4%	-8.3%	-4.9%

	FY10	FY11	Biennium	FY12	FY13	Biennium
Actuals & February, 2008 Forecast /1	$205,084,901	$204,639,113	$409,724,014	$0	$0	$0
Growth Rate	4.0%	-0.2%	7.3%			
Technical Adjustments to Prior Forecast /2	($5,650,000)	($4,007,603)	($9,657,603)	$0	$0	$0
Economic Forecast /3	($24,210,000)	($20,578,500)	($44,788,500)	$182,393,700	$183,670,455	$366,064,155
Total Adjustments to Prior Forecast	($29,860,000)	($24,586,103)	($54,446,103)	$182,393,700	$183,670,455	$366,064,155
New Forecast	$175,224,901	$180,053,010	$355,277,911	$182,393,700	$183,670,455	$366,064,155
Growth Rate	3.6%	2.8%	0.5%	1.3%	0.7%	3.0%

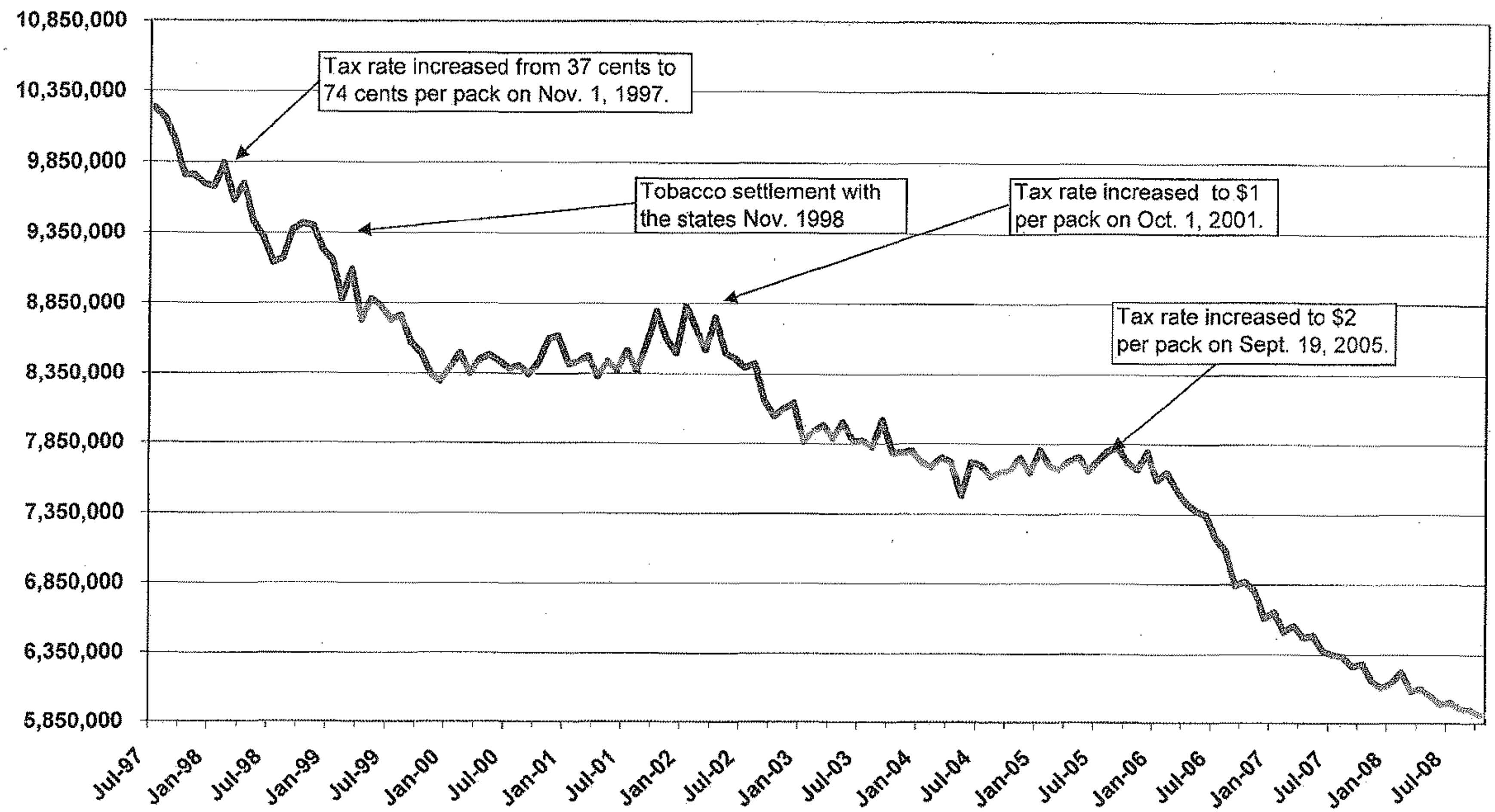
1/ February, 2008 forecast with FY06, FY07, and FY08 actuals.

2/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions. Examples of technical changes may be new data, model updates and changes, and court cases that affect revenues.

3/ This line shows the incremental change in baseline revenues as a result of a new economic forecast. The new economic forecast is a combination of the CEFC forecast and Global Insight's November 2008 forecast of Corporate. pre-tax profits.

Cigarette & Tobacco Taxes

Packages of Cigarettes Sold Derived from Revenue
12 Month Moving Average Jul '97 to Date



Maine Revenue Services Economic Research Division 11/20/2008

11/17/2008

Maine Revenue Services
Cigarette and Tobacco Tax
November 2008 Forecast

	FY'08	FY'09	FY'10	FY'11	FY'12	FY'13
Cigarette Tax						
Actual FY'08 & current budget	$143,758,002	$147,170,000	$146,960,000	$144,940,000		
Growth rate		2.4%	-0.1%	-1.4%		
November 2008 forecast		$143,140,000	$142,430,000	$140,490,000	$138,382,650	$136,306,910
Growth rate		-0.4%	-0.5%	-1.4%	-1.5%	-1.5%
Variance		($4,030,000)	($4,530,000)	($4,450,000)		
Tobacco Products Tax						
Actual FY'08 & current budget	$6,741,430	$6,238,503	$6,320,981	$6,412,140		
Growth rate		-7.5%	1.3%	1.4%		
November 2008 forecast		$6,808,844	$6,876,933	$6,945,702	$7,015,159	$7,085,311
Growth rate		1.0%	1.0%	1.0%	1.0%	1.0%
Variance		$570,342	$555,952	$533,562		
Total Cigarette & Tobacco Taxes						
Actual FY'08 & current budget	$150,499,432	$153,408,503	$153,280,981	$151,352,140		
Growth rate		1.9%	-0.1%	-1.3%		
November 2008 forecast		$149,948,844	$149,306,933	$147,435,702	$145,397,809	$143,392,221
Growth rate		-0.4%	-0.4%	-1.3%	-1.4%	-1.4%
Variance		($3,459,658)	($3,974,048)	($3,916,438)		

Estate Tax

Estate Tax: General Fund Baseline Forecast FY09 - FY13

	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium	FY12	FY13	Biennium
Actuals & February, 2008 Forecast /1	**$75,330,514**	**$54,820,038**	**$130,150,552**	**$39,890,577**	**$49,524,882**	**$89,415,459**	**$54,041,738**	**$4,538,896**	**$58,580,634**	**$0**	**$0**	**$0**
Growth Rate	133.5%	-27.2%	102.3%	-27.2%	24.2%	-31.3%						
Technical Adjustments to Prior Forecast /2	$0	$0	$0	$0	($7,776,449)	($7,776,449)	($4,380,888)	($363,808)	($4,744,696)	$0	$0	$0
Economic Assumptions /3	$0	$0	$0	$0	($6,459,606)	($6,459,606)	($12,657,208)	($1,091,932)	($13,749,140)	$0	$0	$0
Total Adjustments to Prior Forecast	$0	$0	$0	$0	($14,236,055)	($14,236,055)	($17,038,096)	($1,455,740)	($18,493,836)	$0	$0	$0
New Forecast	**$75,330,514**	**$54,820,038**	**$130,150,552**	**$39,890,577**	**$35,288,827**	**$75,179,404**	**$37,003,642**	**$3,083,156**	**$40,086,798**	**$0**	**$0**	**$0**
Growth Rate	133.5%	-27.2%	102.3%	-27.2%	-11.5%	-42.2%	4.9%	-91.7%	-46.7%	-100.0%	0.0%	-100.0%

1/ February, 2008 forecast with FY06, FY07, and FY08 actuals.

2/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions. Examples of technical changes may be new data, model updates and changes, and court cases that affect revenues.

3/ This line shows the incremental change in baseline revenues as a result of a new economic forecast. The new economic forecast is Global Insight's November, 2008 forecast of Household Net Worth.

Maine Revenue Services
Economic Research Division

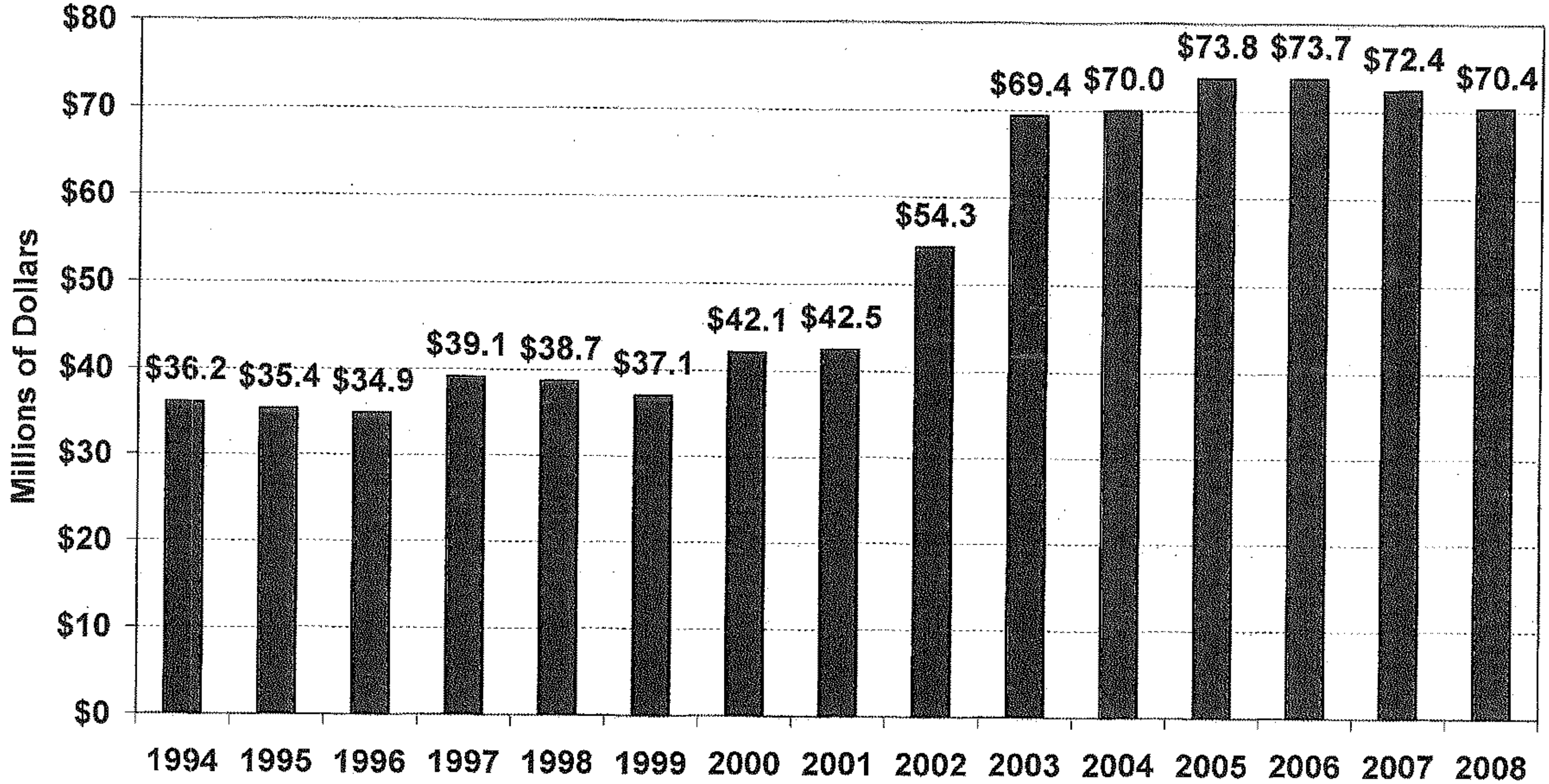
20-Nov-08

Other Taxes

Maine Revenue Services
Insurance Premiums Taxes
November 2008 Forecast

	FY'05	FY'06	FY'07	FY'08	FY'09	FY'10	FY'11	FY'12	FY'13
Actual and current forecast - Acct. 9(	$73,798,850	$73,744,986	$72,441,984	$70,374,017	$74,856,700	$75,230,984	$75,607,139		
		-0.1%	-1.8%	-2.9%	6.4%	0.5%	0.5%		
November 2008 forecast					$70,000,000	$70,000,000	$70,000,000	$70,000,000	$70,000,000
Variance					($4,856,700)	($5,230,984)	($5,607,139)		
Actual and current forecast - Acct. 9(	$1,803,336	$2,274,484	$1,909,522	$1,873,338	$2,234,069	$2,278,750	$2,324,325		
		26.1%	-16.0%	-1.9%	19.3%	2.0%	2.0%		
November 2008 forecast					$1,900,000	$1,900,000	$1,900,000	$1,900,000	$1,900,000
Variance					($334,069)	($378,750)	($424,325)		

Insurance Premiums Tax Revenue
Fiscal Years 1994 - 2008

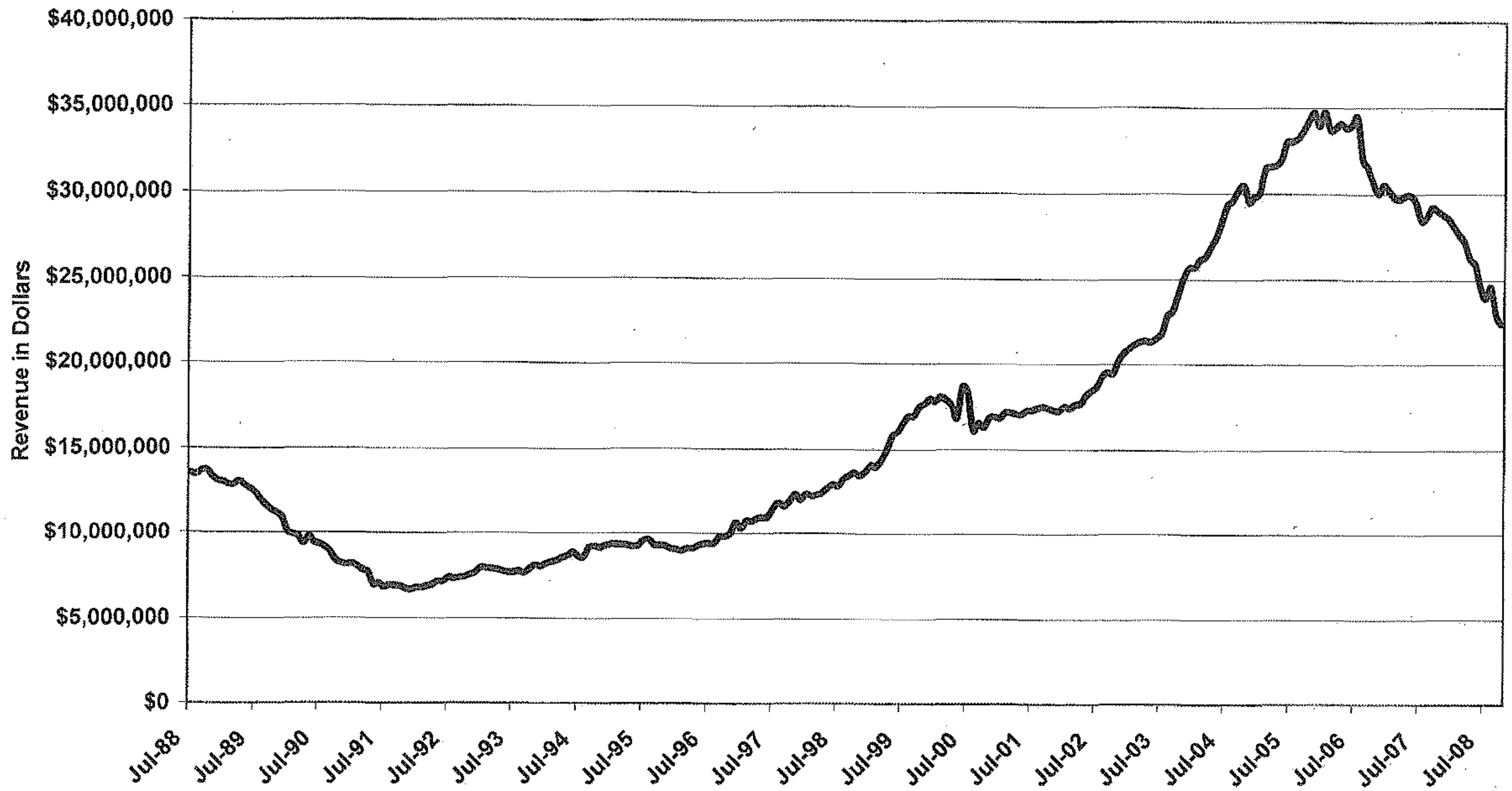


Maine Revenue Services
Economic Research Division 11/7/2008

Maine Revenue Services
November 2008 Forecast

	FY'07	FY'08	FY'09	FY'10	FY'11	FY'12	FY'13
Real Estate Transfer Tax - General Fund							
Actual and current budget	$22,206,638	$17,465,240	$18,608,629	$14,937,025	$17,148,815		
November 2008 forecast			$17,663,662	$13,148,078	$14,922,365	$16,723,377	$18,245,148
Additional General Fund revenue			($944,967)	($1,788,947)	($2,226,450)		
Real Estate Transfer Tax - H.O.M.E. Fund							
Actual and current budget	$7,281,652	$7,154,896	$2,183,801	$7,997,025	$9,408,815		
November 2008 forecast			$1,238,834	$6,208,078	$7,182,365	$8,763,377	$10,045,148
Additional HOME Fund revenue			($944,967)	($1,788,947)	($2,226,450)		
Real Estate Transfer Tax - Total							
Actual and current budget	$29,488,291	$24,620,136	$20,792,430	$22,934,050	$26,557,630		
Growth rate		-16.5%	-15.5%	10.3%	15.8%		
November 2008 forecast			$18,902,496	$19,356,155	$22,104,730	$25,486,753	$28,290,296
Variance			($1,889,934)	($3,577,895)	($4,452,900)		
Growth rate			-23.2%	2.4%	14.2%	15.3%	11.0%

Real Estate Transfer Tax Revenue
12 Month Moving Total July 1988 to Date



Maine Revenue Services Economic Research Division 11/17/2008

Property Tax Reimbursement Programs: General Fund Baseline Forecast FY09 - FY13

	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium	FY12	FY13	Biennium
Actuals & February, 2008 Forecast /1	**-$109,861,880**	**-$110,993,851**	**-$220,855,731**	**-$114,564,757**	**-$126,066,099**	**-$240,630,856**	**-$133,642,679**	**-$136,501,362**	**-$270,144,041**	**$0**	**$0**	**$0**
Maine Residents Property Tax Program	-$42,796,070	-$44,440,759	-$87,236,829	-$46,689,380	-$46,133,249	-$92,822,629	-$46,450,780	-$48,967,359	-$95,418,139	$0	$0	$0
Business Equipment Tax Reimbursement Program (BETR)	-$67,065,810	-$66,553,092	-$133,618,902	-$67,875,376	-$68,559,334	-$136,434,710	-$65,653,487	-$60,047,934	-$125,701,421	$0	$0	$0
Municipal Personal Property Exemption (BETE) /2	$0	$0	$0	$0	-$11,373,516	-$11,373,516	-$21,538,412	-$27,486,069	-$49,024,481	$0	$0	$0
Adjustments to Prior Forecast	$0	$0	$0	$0	-$2,069,151	-$2,069,151	-$4,250,740	-$4,407,641	-$8,658,381	-$140,560,977	-$139,734,150	-$280,295,127
Maine Residents Property Tax Program	$0	$0	$0	$0	-$2,069,151	-$2,069,151	-$4,250,740	-$4,407,641	-$8,658,381	-$54,713,640	-$56,500,760	-$111,214,400
Business Equipment Tax Reimbursement Program (BETR)	$0	$0	$0	$0	$0	$0	$0	$0	$0	-$54,552,995	-$49,282,583	-$103,835,578
Municipal Personal Property Exemption (BETE) /2	$0	$0	$0	$0	$0	$0	$0	$0	$0	-$31,294,342	-$33,950,807	-$65,245,149
New Forecast	**($109,861,880)**	**($110,993,851)**	**($220,855,731)**	**($114,564,757)**	**($128,135,250)**	**($242,700,007)**	**($137,893,419)**	**($140,909,003)**	**($278,802,422)**	**($140,560,977)**	**($139,734,150)**	**($280,295,127)**
Growth Rate	322.1%	1.0%	733.0%	3.2%	11.8%	9.9%	7.6%	2.2%	14.9%	-0.2%	-0.6%	0.5%

1/ February, 2008 forecast with FY06, FY07 and FY08 actuals.

2/ Includes transfer from General Fund to Disproportionate Tax Burden Fund.

Maine Revenue Services
Research Division

20-Nov-08

Municipal Valuation Data & Commitment Growth Rate Forecast Assumptions - November 2008

	2007 actual	2008	2009	2010	2011	2012	2013
Residential Land & Building Growth Rate	4.1%	1.3%	-3.5%	-2.8%	0.3%	2.2%	3.8%
Commercial Land & Building Growth Rate	1.3%	2.3%	1.5%	0.9%	1.0%	1.4%	1.7%
Personal Property Growth Rate	2.7%	2.6%	0.5%	1.2%	3.0%	4.3%	4.8%
Commitment Growth Rate	4.7%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%
Full Vall Mill Rate, State Level	0.0111	0.0113	0.0121	0.0129	0.0133	0.0136	0.0137

NOTES

Assumptions - Forecast Year 2008 through 2013

Commercial Land & Building

- Used predicted growth in the U.S. current cost net stock of nonresidential structures, based on 2007 depreciation and investment to capital stock ratio for nonresidential structures and forecast growth in Commercial Structure Investment in the U.S

  Investment forecast: Global Insight: Economic Outlook - U.S Executive Summary - November 2008

Residential Land & Building

- Used the growth in Existing Median Home Price in Maine, lagged one year

  Global Insight: Short Term Outlook for Maine - Fall 2008

Personal Property (office equipment and machinery equipment)

- Used predicted growth in the U.S. current cost net stock of equipment and software, based on 2007 depreciation and investment to capital stock ratio for nonresidential structures and forecast growth in equipment and software investment in the U.S

  Investment forecast: Global Insight: Economic Outlook - U.S Executive Summary - November 2008

Municipal Commitment Forecast

Assumptions - Forecast Year 2007

- For all towns and Aroostook county's unorganized territory, used actuals off the Municipal Valuation Return Statistics Summary.

  The unorganized territory in all other counties were developed using the average growth in commitment of the towns in the county, weighted by the 2007 commitment.

Assumptions - Forecast Year 2008

- For about 80% of towns, used actuals off the Municipal Valuation Return Statistics Summary.

  The remaining towns were developed using the forecast growth in commitment of the towns in the county, weighted by the forecasted 2008 commitment.

Assumptions - Forecast Year 2009 through 2013

- Used a growth rate of 4.2% - which is the forecast change between 2007 and 2008.

Municipal Full Value Mill Rates Forecast

- We have incorporated in developing the full value mill rates, the fact that the State reimburses only half of the homestead exemption.

Tax Revenue by Property Class

	Residential	Business	Total
2000	917.21	445.49	1,362.70
2001	1,007.55	470.11	1,477.66
2002	1,091.15	482.09	1,573.24
2003	1,170.13	486.9	1,657.03
2004	1,257.36	481.88	1,739.24
2005	1,286.83	484.32	1,771.15
2006	1,353.88	484.94	1,838.83
2007	1,426.25	498.7	1,924.94
2008	1,487.87	517.08	2,004.95
2009	1,534.03	554.25	2,088.27
2010	1,584.39	590.67	2,175.06
2011	1,646.18	619.28	2,265.46
2012	1,715.17	644.45	2,359.61
2013	1,792.15	665.53	2,457.68

2001	9.8%	5.5%	8.4%
2002	8.3%	2.5%	6.5%
2003	7.2%	1.0%	5.3%
2004	7.5%	-1.0%	5.0%
2005	2.3%	0.5%	1.8%
2006	5.2%	0.1%	3.8%
2007	5.3%	2.8%	4.7%
2008	4.3%	3.7%	4.2%
2009	3.1%	7.2%	4.2%
2010	3.3%	6.6%	4.2%
2011	3.9%	4.8%	4.2%
2012	4.2%	4.1%	4.2%
2013	4.5%	3.3%	4.2%

Full Value Mill Rate

2000	0.01512	0.01735	0.01578
2001	0.01465	0.01728	0.0154
2002	0.01404	0.01682	0.01479
2003	0.01304	0.01593	0.01377
2004	0.01213	0.01503	0.01281
2005	0.01097	0.0141	0.01168
2006	0.01031	0.0132	0.01094
2007	0.01043	0.01336	0.01106
2008	0.01074	0.01353	0.01134
2009	0.01147	0.01433	0.01211
2010	0.01219	0.01512	0.01287
2011	0.01263	0.01561	0.01332
2012	0.01288	0.0159	0.01359
2013	0.01296	0.01602	0.01367

2001	-3.1%	-0.4%	-2.4%
2002	-4.2%	-2.7%	-4.0%
2003	-7.1%	-5.3%	-6.9%
2004	-7.0%	-5.6%	-7.0%
2005	-9.6%	-6.2%	-8.8%
2006	-6.0%	-6.4%	-6.3%
2007	1.2%	1.2%	1.1%
2008	3.0%	1.3%	2.5%
2009	6.8%	5.9%	6.8%
2010	6.3%	5.5%	6.3%
2011	3.6%	3.2%	3.5%
2012	2.0%	1.9%	2.0%
2013	0.6%	0.8%	0.6%

Highway Fund

11/20/2008

Maine Revenue Services
November 2008 Highway Fund Motor Fuel Tax Revenue Forecast

Gasoline Tax Revenue	FY'08	FY'09	FY'10	FY'11	FY'12	FY'13
FY'08 actual & current budget	$179,096,254	$187,503,278	$181,846,223	$184,545,665		
Growth rate		4.7%	-3.0%	1.5%		
Tax rate per gallon	$0.276	$0.284	$0.291	$0.297		
Percentage increase in tax rate		2.8%	2.3%	2.1%		
November 2008 forecast		$182,857,436	$181,122,590	$182,031,583	$185,073,560	$187,449,541
Growth rate		2.1%	-0.9%	0.5%	1.7%	1.3%
Tax rate per gallon	$0.276	$0.284	$0.297	$0.304	$0.312	$0.318
Percentage increase in tax rate		2.8%	4.4%	2.5%	2.5%	2.2%
Variance		($4,645,842)	($723,633)	($2,514,082)		

Special Fuel Tax Revenue	FY'08	FY'09	FY'10	FY'11	FY'12	FY'13
FY'08 actual & current budget	$46,139,086	$46,694,000	$44,983,650	$45,277,890		
Growth rate		1.2%	-3.7%	0.7%		
Tax rate per gallon	$0.288	$0.296	$0.303	$0.309		
Percentage increase in tax rate		2.8%	2.3%	2.1%		
November 2008 forecast		$46,934,000	$46,113,470	$46,361,592	$46,914,798	$47,356,763
Growth rate		1.7%	-1.7%	0.5%	1.2%	0.9%
Tax rate per gallon	$0.288	$0.296	$0.309	$0.317	$0.325	$0.332
Percentage increase in tax rate		2.8%	4.4%	2.5%	2.5%	2.2%
Variance		$240,000	$1,129,820	$1,083,702		

Total Motor Fuel Tax Revenue	FY'08	FY'09	FY'10	FY'11	FY'12	FY'13
FY'08 actual & current budget	$225,235,339	$234,197,278	$226,829,873	$229,823,555		
Growth rate		4.0%	-3.1%	1.3%		
November 2008 forecast		$229,791,436	$227,236,060	$228,393,175	$231,988,358	$234,806,304
Growth rate		2.0%	-1.1%	0.5%	1.6%	1.2%
Variance		($4,405,842)	$406,187	($1,430,380)		
Biennium		($4,405,842)		($1,024,193)		

Maine Revenue Services
Gasoline Tax Revenue Forecast FY'09 - FY'13
November 2008

		FY'09	FY'10	FY'11	FY'12	FY'13		
Gas tax forecast - Highway Fund		$182,857,436	$181,122,590	$182,031,583	$185,073,560	$187,449,541		
Percentage Change			-0.9%	0.5%	1.7%	1.3%		
Tax rate in cents per gallon		$0.284	$0.297	$0.304	$0.312	$0.318		
Forecasted inflation adjustment			4.4%	2.5%	2.5%	2.2%		

		FY'09	FY'10	FY'11	FY'12	FY'13		
Net to the Highway Fund		$182,857,436	$181,122,590	$182,031,583	$185,073,560	$187,449,541		
Transfer $100,000 to STAR Fund		($100,000)	($100,000)	($100,000)	($100,000)	($100,000)		
Gross to the Highway Fund		$182,957,436	$181,222,590	$182,131,583	$185,173,560	$187,549,541	89.999%	
DIF&W and Snowmobile Fund	0.9045%	$1,697,294	$1,821,301	$1,830,437	$1,861,009	$1,884,888	0.9045%	
General Fund - DIF&W - 14.93%		$253,406	$271,920	$273,284	$277,849	$281,414		14.930%
Snowmobile Trail Fund - 85.07%		$1,443,888	$1,549,381	$1,557,152	$1,583,160	$1,603,474		85.070%
All-terrain Vehicles	0.1525%	$286,166	$307,074	$308,614	$313,769	$317,795	0.1525%	
ATV Enforcement Fund- 50%		$143,083	$153,537	$154,307	$156,884	$158,897		50.000%
ATV Recreational Fund - 50%		$143,083	$153,537	$154,307	$156,884	$158,897		50.000%
Motorboats	1.4437%	$2,709,103	$2,907,034	$2,921,616	$2,970,413	$3,008,526	1.4437%	
Dept. of Marine Resources - 24.6%		$666,439	$715,130	$718,717	$730,722	$740,098		24.600%
Boating Facilities Fund - 75.4%		$2,042,664	$2,191,904	$2,202,898	$2,239,691	$2,268,429		75.400%
TransCap Trust Fund - 7.5%	7.500%	$0	$15,102,000	$15,177,750	$15,431,250	$15,629,250	7.500%	
Total revenue		$187,650,000	$201,360,000	$202,370,000	$205,750,000	$208,390,000	100.000%	
			7.3%	0.5%	1.7%	1.3%		

Special Fuel Tax Revenue Forecast FY'09 - FY'13

Net to the Highway Fund		$46,934,000	$46,113,470	$46,361,592	$46,914,798	$47,356,763	
TransCap Trust Fund - 7.5%	7.500%	$0	$3,738,930	$3,759,048	$3,803,903	$3,839,738	7.50%
Total		$46,934,000	$49,852,400	$50,120,640	$50,718,700	$51,196,500	

APPENDIX H

Capital Gains Report by Maine Revenue Services Released on January 5, 2009

Maine Revenue Services
Economic Research Division

Capital Gains and Losses Reported on Maine Individual Income Tax Returns, Tax Year 2006 /1

Federal	Returns with Net Capital Gains			Returns with Net Capital Losses			Returns with Capital Gains/Losses		
Adjusted Gross Income	Thousands	(Millions of Dollars)		Thousands	(Millions of Dollars)		Thousands	(Millions of Dollars)	
	Returns	Gains	Revenue	Returns	Losses	Revenue	Returns	Net Gains	Revenue
Less than or Equal to $0	901	$22.3	$0.0	1,873	($3.9)	($0.0)	2,774	$18.4	$0.0
$0 <= $10,000	6,469	$13.3	$0.2	3,550	($2.8)	($0.0)	10,019	$10.5	$0.2
$10,000 <= $20,000	7,490	$27.4	$0.5	3,290	($3.8)	($0.1)	10,780	$23.6	$0.5
$20,000 <= $30,000	7,078	$30.5	$1.0	2,755	($3.8)	($0.1)	9,833	$26.7	$0.9
$30,000 <= $50,000	13,684	$77.9	$3.7	5,009	($6.8)	($0.4)	18,693	$71.1	$3.3
$50,000 <= $75,000	15,778	$127.1	$8.1	5,316	($6.3)	($0.5)	21,094	$120.8	$7.6
$75,000 <= $100,000	11,555	$126.4	$9.1	3,731	($5.2)	($0.4)	15,286	$121.2	$8.7
$100,000 <= $200,000	14,910	$370.7	$27.3	4,548	($7.6)	($0.6)	19,458	$363.1	$26.7
Greater than $200,000	7,063	$1,529.5	$115.1	1,972	($4.8)	($0.4)	9,035	$1,524.7	$114.7
	84,928	$2,325.1	$165.1	32,044	($45.0)	($2.7)	116,972	$2,280.1	162.5

Total Resident Tax Returns filed in Tax Year 2006 = 597,361
Total Resident Tax Liability in Tax Year = $1,268.9 Million

1/ Based on Maine Revenue Services' Individual Income Tax Model. Data is from tax returns filed with the Internal Revenue Service and Maine Revenue Services.

	Resident Net Gains ($ Millions)	% Change
1995	$551.7	
1996	$799.7	45.0%
1997	$1,218.7	52.4%
1998	$1,551.0	27.3%
1999	$1,867.2	20.4%
2000	$2,360.4	26.4%
2001	$1,079.3	-54.3%
2002	$908.8	-15.8%
2003	$1,069.7	17.7%
2004	$1,526.9	42.7%
2005	$1,960.3	28.4%