

**Summary of  
Governor's Proposed  
2008-2009  
Biennial Budget**

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

**Revised February 9, 2007**

**Summary of Governor's Proposed  
2008-2009 Biennial Budget  
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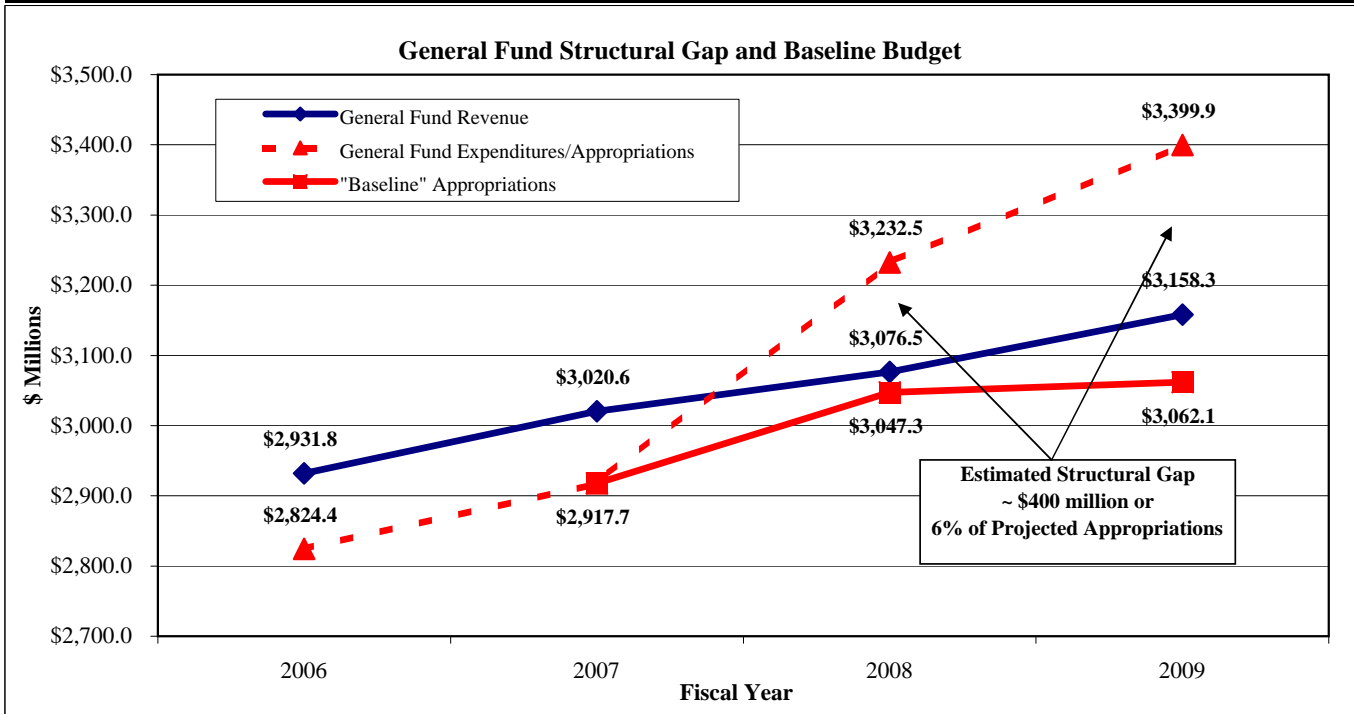
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## General Fund Structural Gap - Beginning 123rd Legislature

The 2008-2009 Biennium begins a major change in Maine's budget process. The traditional "Current Services" incremental approach to building a biennial budget is being replaced with a new "Baseline Budget" approach and bill format recommended by the Commission to Reform the State Budget Process and adopted by the Legislature (see PL 2005, c. 601). This new "Baseline Budgeting" approach uses a modified flat-funded starting point that allows Personal Services appropriations to grow based on currently authorized positions, collective bargaining agreements and projected growth of contribution rates for retirement, health insurance and fringe benefits, but provides All Other funding at current year (FY 07) funding. The FY 07 base is adjusted for one-time initiatives. Capital Expenditures (for items costing more than \$3,000) are considered one-time and are not included in the Baseline Budget. Adjustments to this new Baseline Budget starting point are proposed as new initiatives.

Unlike previous biennia, there is no longer an official Governor's recommendation for current services appropriations and allocations upon which to report the so-called actual structural gap facing the 123rd Legislature, the amount by which current services appropriations exceed budgeted resources. The analysis of the structural gap presented below is based on the estimates of appropriations included in the Revenue and Expenditure Projection submitted by the Bureau of the Budget on September 30, 2006 as required by 5 MRSA, §1665, sub-§7. Budgeted revenue has been updated based on the December 2006 revenue forecast. The estimated structural gap for the 2008-2009 biennium, excluding the FY 07 ending balance, is approximately \$400 million or approximately 6% of projected appropriations.

	Actual*	Budgeted*	Projections*	
	FY 06	FY 07	FY 08	FY 09
General Fund Revenue	\$2,931,825,687	\$3,020,607,710	\$3,076,480,563	\$3,158,270,150
Annual % Change	5.1%	3.0%	1.8%	2.7%
General Fund Expenditures/Appropriations	\$2,824,410,407	\$2,917,678,445	\$3,232,467,824	\$3,399,880,770
Annual % Change	3.2%	3.3%	10.8%	5.2%
Transfers and Adjustments to Balance	(\$126,561,325)	(\$31,009,777)	\$0	\$0
Ending Balances (Projected Annual Shortfalls)	\$14,516,599	\$86,436,087	(\$155,987,261)	(\$241,610,620)
	<small>Actual End Balance</small>	<small>Budget End Balance</small>	<small>Does not reflect prior year balance</small>	
General Fund Baseline Appropriations			\$3,047,259,682	\$3,062,096,178
Annual % Change			4.4%	0.5%
Net General Fund Resources Available for Initiatives			\$29,220,881	\$96,173,972



\* FY 06 amounts reflect actual revenue and expenditures. FY 07 reflect appropriations through the 122nd Legislature and budgeted revenue based on the December 2006 revenue forecast. FY 08 and FY 09 projections of appropriations are from the Bureau of the Budget's Revenue and Expenditure Projections (9/30/06) and revenue projections reflect the amounts in the December 2006 revenue forecast.

# GENERAL FUND STATUS - FUND BALANCE SUMMARY

Based on Governor's Budget Proposals <sup>1</sup>

	FY 07	FY 08	FY 09
<b><u>AVAILABLE FUNDS</u></b>			
Transfers/Adjustments to Balance:			
Through 122nd Legislature	(\$31,009,777)	\$0	\$0
Governor's Proposed Budget Proposals <sup>2</sup>	(\$10,187,793)	\$350,000	\$350,000
Subtotal - Transfers/Adjustments to Balance	(\$41,197,570)	\$350,000	\$350,000
Undedicated Revenue:			
December 2006 Base Revenue Estimate	\$3,020,607,710	\$3,076,480,563	\$3,158,270,150
Governor's Proposed Budget Proposals <sup>2</sup>	\$314,832	\$94,755,509	\$101,950,081
Subtotal - Undedicated Revenue	\$3,020,922,542	\$3,171,236,072	\$3,260,220,231
<b>TOTAL PROJECTED RESOURCES</b>	<b>\$2,979,724,972</b>	<b>\$3,171,586,072</b>	<b>\$3,260,570,231</b>
<b><u>APPROPRIATIONS</u></b>			
Governor's Proposed Baseline Budget	\$2,917,678,445	\$3,047,259,682	\$3,062,096,178
Governor's Proposed Adjustments to Baseline Budget <sup>2</sup>	\$76,132,716	\$110,359,820	\$212,749,363
<b>TOTAL APPROPRIATIONS</b>	<b>\$2,993,811,161</b>	<b>\$3,157,619,502</b>	<b>\$3,274,845,541</b>
<b>NET CHANGE (Resources less Appropriations)</b>	<b>(\$14,086,189)</b>	<b>\$13,966,570</b>	<b>(\$14,275,310)</b>
<b>BEGINNING BALANCE <sup>3</sup></b>	<b>\$14,516,599</b>	<b>\$430,410</b>	<b>\$14,396,980</b>
<b>NET CHANGE (FROM ABOVE)</b>	<b>(\$14,086,189)</b>	<b>\$13,966,570</b>	<b>(\$14,275,310)</b>
<b>ENDING BALANCE</b>	<b>\$430,410</b>	<b>\$14,396,980</b>	<b>\$121,670</b>

## Summary of Major Changes

See separate summary for the Emergency FY 07 Budget proposals (LD 215). The next 2 pages provide a summary of the major initiatives separating out "savings" initiatives (those increasing General Fund balances) from "spending" initiatives (those decreasing General Fund balances). Additional information is provided in the Appendices including: an appropriations limitation analysis, a summary of appropriations by major categories and a summary of tax and fee changes.

## Notes:

<sup>1</sup> Based on all legislative changes through the 122nd Legislature, the December 2006 Revenue Forecast, the Governor's proposed Emergency FY 07 Budget Bill (LD 215) and the General Fund Unified Biennial Budget Bill as presented in the Governor's Budget Document.

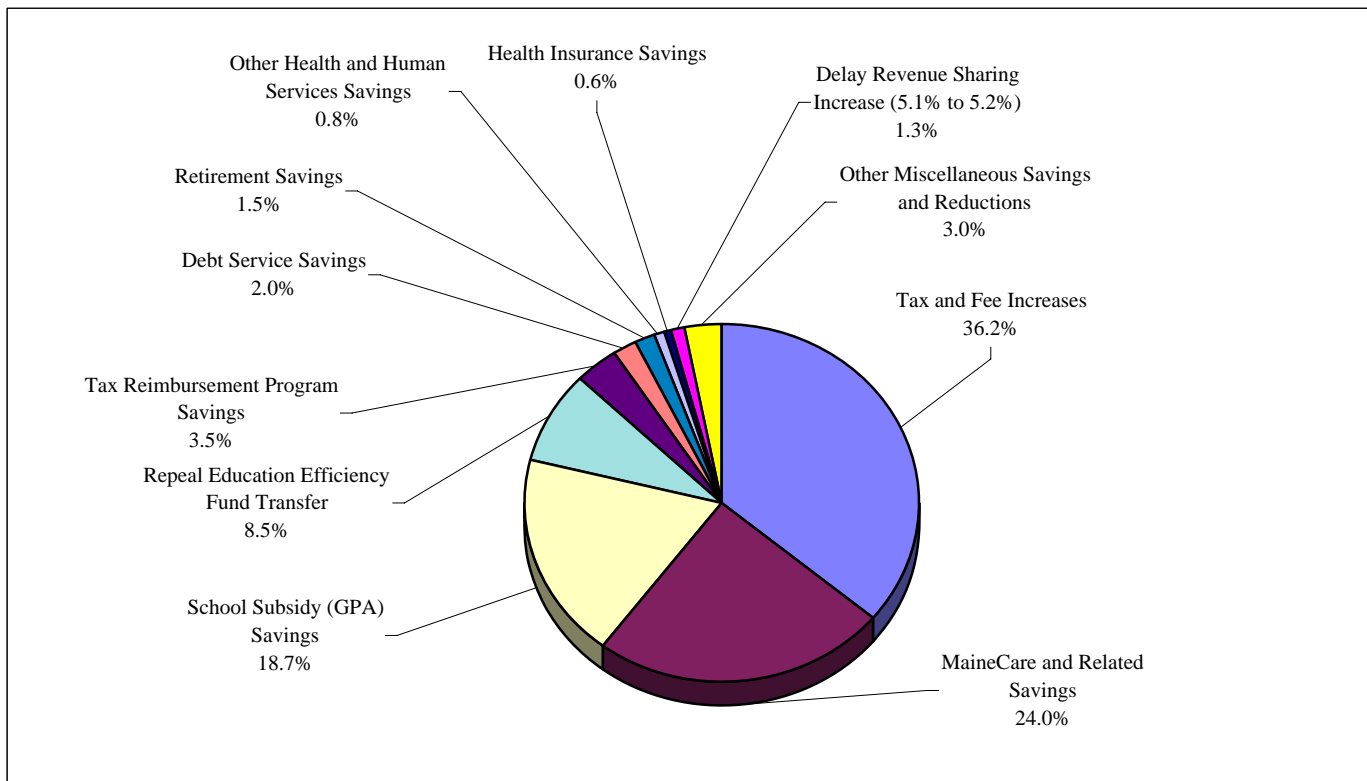
<sup>2</sup> Revenue totals in this summary have been adjusted from the amounts in the fiscal notes of the Governor's Budget Bills to avoid double-counting and to take into account certain interaction effects of the separate budget bills. The FY 07 amounts reflect changes in the Emergency FY 07 Budget Bill. Additional detail of the Emergency Budget proposals have been distributed in a separate summary. The 2008-2009 Biennial Budget proposals are described in more detail in this summary and its appendices.

<sup>3</sup> Beginning Balance is based on the enacted legislation through the 122nd Legislature, FY06 actual balance, the December 2006 revenue forecast and the Governor's proposed Emergency FY 07 Budget (LD 215).

# General Fund Adjustments - "Savings" Initiatives <sup>1</sup>

## Initiatives Increasing General Fund Balance

	FY 08	FY 09	Biennium	% of Total
Tax and Fee Increases	\$77.3	\$77.8	\$155.1	36.2%
MaineCare and Related Savings	\$45.7	\$56.9	\$102.7	24.0%
School Subsidy (GPA) Savings	\$21.8	\$58.4	\$80.2	18.7%
Repeal Education Efficiency Fund Transfer	\$14.9	\$21.5	\$36.4	8.5%
Tax Reimbursement Program Savings	\$7.8	\$7.3	\$15.0	3.5%
Debt Service Savings	\$8.3	\$0.3	\$8.6	2.0%
Retirement Savings	\$7.5	(\$0.9)	\$6.6	1.5%
Other Health and Human Services Savings	\$1.8	\$1.7	\$3.5	0.8%
Health Insurance Savings	\$0.8	\$1.7	\$2.5	0.6%
Delay Revenue Sharing Increase (5.1% to 5.2%)	\$2.6	\$2.7	\$5.4	1.3%
Other Miscellaneous Savings and Reductions	\$6.5	\$6.2	\$12.7	3.0%
<b>TOTAL ADJUSTMENTS INCREASING BALANCE</b>	<b>\$195.0</b>	<b>\$233.5</b>	<b>\$428.5</b>	<b>100.0%</b>



**Notes:**

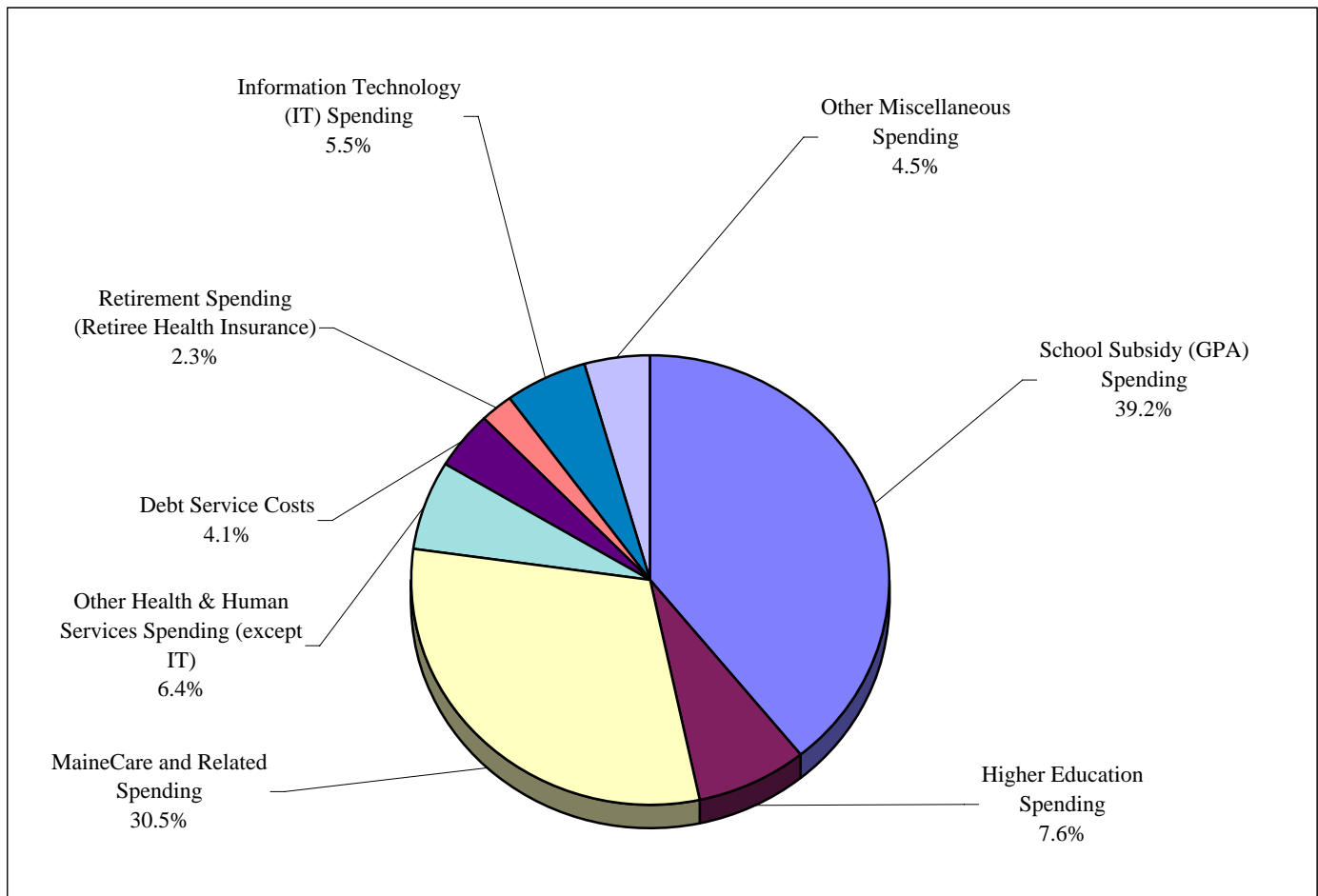
<sup>1</sup> "Savings" initiatives include those items that increase resources: deappropriations; revenue increases; transfers from other funds; and other positive adjustments to balances. Does not reflect transfers of appropriations between General Fund programs that net to \$0.

*Amounts may not add due to rounding*

# General Fund Adjustments - "Spending" Initiatives <sup>1</sup>

## Initiatives Decreasing General Fund Balance

	FY 08	FY 09	Biennium	% of Total
School Subsidy (GPA) Spending	\$77.4	\$139.8	\$217.1	39.2%
Higher Education Spending	\$16.6	\$25.6	\$42.2	7.6%
MaineCare and Related Spending	\$58.7	\$110.1	\$168.8	30.5%
Other Health & Human Services Spending (except IT)	\$17.2	\$18.0	\$35.2	6.4%
Debt Service Costs	\$9.1	\$13.5	\$22.6	4.1%
Retirement Spending (Retiree Health Insurance)	\$4.9	\$8.0	\$12.9	2.3%
Information Technology (IT) Spending	\$15.5	\$15.2	\$30.7	5.5%
Other Miscellaneous Spending	\$11.0	\$13.7	\$24.7	4.5%
<b>TOTAL ADJUSTMENTS DECREASING BALANCE</b>	<b>\$210.2</b>	<b>\$344.0</b>	<b>\$554.2</b>	<b>100.0%</b>



**Notes:**

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

*Amounts may not add due to rounding*

# HIGHWAY FUND STATUS

Based on Governor's Budget Proposals <sup>1</sup>

	FY 07	FY 08	FY 09
<b>AVAILABLE FUNDS</b>			
Transfers/Adjustments to Balance:			
Through 122nd Legislature	\$15,463,276	\$0	\$0
Governor's Proposed Budget Proposals <sup>2</sup>	\$0	\$0	\$0
Subtotal - Transfers/Adjustments to Balance	\$15,463,276	\$0	\$0
Highway Fund Revenue:			
December 2006 Base Revenue Estimate	\$330,757,329	\$340,996,299	\$347,196,520
Governor's Proposed Budget Proposals <sup>2</sup>	\$0	\$0	\$0
Subtotal - Undedicated Revenue	\$330,757,329	\$340,996,299	\$347,196,520
<b>TOTAL PROJECTED RESOURCES</b>	<b>\$346,220,605</b>	<b>\$340,996,299</b>	<b>\$347,196,520</b>
<b>Highway Fund Allocations</b>			
Governor's Proposed Baseline Budget	\$355,824,472	\$301,209,087	\$305,746,584
Governor's Proposed Adjustments to Baseline Budget <sup>2</sup>	(\$9,352,092)	\$40,058,555	\$40,756,416
<b>TOTAL Highway Fund Allocations</b>	<b>\$346,472,380</b>	<b>\$341,267,642</b>	<b>\$346,503,000</b>
<b>NET CHANGE (Resources less Allocations)</b>	<b>(\$251,775)</b>	<b>(\$271,343)</b>	<b>\$693,520</b>
<b>BEGINNING BALANCE <sup>2</sup></b>	<b>\$1,030,224</b>	<b>\$778,449</b>	<b>\$507,106</b>
<b>NET CHANGE (FROM ABOVE)</b>	<b>(\$251,775)</b>	<b>(\$271,343)</b>	<b>\$693,520</b>
<b>ENDING BALANCE</b>	<b>\$778,449</b>	<b>\$507,106</b>	<b>\$1,200,626</b>

## Major Changes Proposed in Governor's 2008 - 2009 Biennial Highway Fund Budget: <sup>3</sup>

	FY 08	FY 09
> Allocates funds for Capital Expenditures in the DOT Highway and Bridge Improvement program.	\$37,980,842	\$32,800,204
> Debt Service for proposed \$100 million HF bond for highway and bridge improvement projects.	\$0	\$10,000,000
> Net allocations for other HF bond debt service adjustments.	\$1,084,170	(\$2,405,920)
> Net allocations for information technology initiatives.	\$2,246,530	\$2,444,906
> Net allocations for radio system initiatives.	(\$835,800)	(\$825,600)
> Net allocations for other purposes.	(\$417,187)	(\$1,257,174)

**Notes:**

<sup>1</sup> Based on all legislative changes through the 122nd Legislature, the December 2006 Revenue Forecast, the Governor's proposed Emergency FY07 Highway Fund Budget Bill (LD 327) and the Highway Fund Unified Biennial Budget Bill as presented in the Governor's Budget Document.

<sup>2</sup> Beginning Balance is based on the enacted legislation through the 122nd Legislature, FY06 actual balance, the December 2006 revenue forecast and the Governor's proposed Emergency FY 07 Highway Fund Budget (LD 327).

<sup>3</sup> See separate OFPR document for a description of major changes proposed by the Governor for the FY07 Emergency Highway Fund Budget, LD 327.

## FUND FOR A HEALTHY MAINE (FHM) STATUS

Based on Governor's Budget Proposals <sup>1</sup>

	FY 07	FY 08	FY 09
<b><u>FHM RESOURCES:</u></b>			
Revenue:			
December 2006 Base Revenue Estimate	\$46,189,344	\$60,408,950	\$62,815,948
Governor's Budget Proposals <sup>2</sup>	\$0	\$0	\$0
Subtotal - Revenue	\$46,189,344	\$60,408,950	\$62,815,948
<b>Total FHM Resources</b>	<b>\$46,189,344</b>	<b>\$60,408,950</b>	<b>\$62,815,948</b>
<b><u>FHM ALLOCATIONS AND OTHER USES:</u></b> <sup>3</sup>			
<u>Transfers</u>			
Transfers - Through 122nd Legislature	\$2,571,648	\$0	\$0
Governor's Budget Proposals <sup>2</sup>	\$0	\$0	\$0
Subtotal - Transfers	\$2,571,648	\$0	\$0
<u>Allocations</u>			
Governor's Proposed Baseline Budget	\$41,307,437	\$49,624,293	\$49,673,882
Governor's Proposed Adjustments to Baseline Budget <sup>2</sup>	\$7,556,128	\$10,670,298	\$12,975,229
Subtotal - Allocations	\$48,863,565	\$60,294,591	\$62,649,111
<b>Total Allocations and Other Uses</b>	<b>\$51,435,213</b>	<b>\$60,294,591</b>	<b>\$62,649,111</b>
<b>Net Change (Resources minus Allocations and Other Uses)</b>	<b>(\$5,245,869)</b>	<b>\$114,359</b>	<b>\$166,837</b>
<b>BEGINNING BALANCE</b> <sup>4</sup>	<b>\$5,260,296</b>	<b>\$14,427</b>	<b>\$128,786</b>
<b>NET CHANGE (FROM ABOVE)</b>	<b>(\$5,245,869)</b>	<b>\$114,359</b>	<b>\$166,837</b>
<b>ENDING BALANCE</b>	<b>\$14,427</b>	<b>\$128,786</b>	<b>\$295,623</b>

### Major Changes Proposed in Governor's 2008-2009 Biennial Budget: <sup>2</sup>

	FY 08	FY 09
> Provides increased funds across-the-board for 16 Fund for a Healthy Maine accounts to be funded primarily from increased revenue from MSA strategic contribution payments scheduled to begin in 2008. <sup>5</sup>	\$7,775,754	\$10,076,295
> Allocates funds for the development of a public health infrastructure.	\$1,800,000	\$1,800,000
> Allocates funds for the increased costs of the Tobacco Helpline and medication voucher program anticipated as a result of the increase in the cigarette tax.	\$1,000,000	\$1,000,000
> Transfers \$1.1 million each year from the FHM - Medical Care program to a new FHM - Immunization program for the purpose of vaccine administration.	\$0	\$0
> Transfers and allocates funds for additional resources in the FHM - Attorney General program, to enforce the Tobacco Manufacturer's Act and the Tobacco Distributor's Act.	\$108,309	\$113,518
> Other proposed net changes to allocations.	(\$13,765)	(\$14,584)

#### NOTES:

<sup>1</sup> Based on all legislative changes through the 122nd Legislature, the December 2006 Revenue Forecast, the Governor's proposed Emergency FY 07 Budget Bill (LD 215) and the General Fund Unified Biennial Budget Bill as presented in the Governor's Budget Document.

<sup>2</sup> See separate OFPR document for a description of major changes proposed by the Governor for the FY07 Emergency Budget, LD 215.

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

<sup>4</sup> Beginning Balance is based on the enacted legislation through the 122nd Legislature, FY06 actual balance, the December 2006 revenue forecast and the Governor's proposed Emergency FY 07 Budget (LD 215).

<sup>5</sup> Under the Master Settlement Agreement beginning in 2008 states will begin receiving "strategic contribution payments" based on each settling state's contribution to the original state tobacco litigation. Payments to Maine under this provision are estimated to be \$10.7 million in FY 08 and \$10.8 million in FY 09.



**2008-2009 BUDGET  
SUMMARY OF POSITION CHANGES**

<u>Fund</u>	<u>Total Authorized Positions - Prior to 123rd Legislature</u>	<u>Baseline Budget Administrative Adjustments<sup>1</sup></u>	<u>Emergency FY 07 Budget Changes<sup>2</sup></u>	<u>Proposed Baseline Budget Changes<sup>3</sup></u>	<u>Total Authorized Positions - Governor's Proposals</u>
General Fund	6,181.965	(6.301)	0.000	(19.500)	6,156.164
Highway Fund	2,507.832	(3.000)	0.000	(9.000)	2,495.832
Federal Expenditures Fund	2,004.155	(8.875)	0.000	(403.885)	1,591.395
Fund for a Healthy Maine	21.500	0.000	0.000	1.000	22.500
Other Special Revenue Fund	2,035.005	(8.274)	1.000	354.500	2,382.231
Federal Block Grant	161.500	0.000	0.000	(23.000)	138.500
Other Funds	1,189.249	(4.956)	0.000	74.000	1,258.293
<b>Total Change of Authorized Positions</b>	<b>14,101.206</b>	<b>(31.406)</b>	<b>1.000</b>	<b>(25.885)</b>	<b>14,044.915</b>

**Notes:**

- <sup>1</sup> Reflects administrative adjustments made pursuant to Public Law 2003, Chapter 20, Section A-7, which authorizes the Governor and the State Budget Officer to adjust positions when preparing the next budget to reflect the number of positions that are necessary to the proper operation of each department, institution or agency.
- <sup>2</sup> Reflects the Governor's proposed position adjustments contained in LD 215, the Emergency FY 07 Budget Bill and LD 327, the Emergency FY 07 Highway Fund Budget Bill.
- <sup>3</sup> Reflects the Governor's proposed position adjustments contained in the 2008-2009 Biennium Unified Budget Bill and the 2008-2009 Highway Fund Budget Bill.

# **Appendix A**

## **Appropriation Limitation Analysis**

**Revised  
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## Appendix A – Appropriation Limitation Analysis

The 122nd Legislature enacted a General Fund appropriation limitation as part of the property tax reform plan enacted by PL 2005, c. 2 (commonly referred to as LD 1). This appendix provides a summary of the calculations and a look at how the State has complied with the requirements of the law. The appropriation limitation (see 5 MRSA, c. 142) limits both budgeted resources and total General Fund appropriations. Budgeted resources that exceed the appropriation limitation are reserved in the Maine Budget Stabilization Fund. Budgeted resources are all resources available to fund appropriations including budgeted balance forward, net transfers and adjustments to balance and total budgeted revenue.

The calculations of the amount of the appropriation limitation are presented in Table I on the next page. The growth limitation factor (line D) is a percentage established each biennium by October 1<sup>st</sup> of even-numbered years by the State Planning Office within the Executive Department. The growth limitation factor uses average real personal income growth (capped at 2.75%) plus average population growth to determine the annual growth percentage. If the State's tax burden as a percent of personal income reaches the middle 1/3 of states, an additional growth factor, forecasted inflation, is added to the growth limitation factor. The growth limitation factor was applied to total base appropriations as of December 1, 2004 to establish the appropriation limitation for the 2006-2007 biennium (see line A). The appropriation limitation for the 2008-2009 biennium uses an updated growth limitation factor applied against the fiscal year 2006-07 appropriation limitation amount.

While the base appropriation limitation amount is fixed from the fiscal year 2004-05 total appropriations as of December 1, 2004, the statutory provisions exclude the growth of General Purpose Aid for Local Schools (GPA) from the limit until the State's share of total funding for Essential Programs and Services reaches 55%. The 55% goal is scheduled to be achieved in fiscal year 2008-09. The calculation of the excluded GPA growth is presented in Table I on the next page (see lines B and C). The GPA base amount, total appropriations for GPA in FY 05, is subtracted from the total GPA appropriations in subsequent fiscal years to determine the growth excluded from the appropriation limitation (line C). The additional growth of line C in Table I on the next page is added to the base appropriations line A to come up with the Total Appropriations Allowed (line E).

Table II on the next page shows the calculated amount of budgeted resources and appropriations. Both budgeted resources and appropriations based on the Governor's Proposed Budget are below the appropriations limitation in each fiscal year (see shaded lines in Table II).

Many legislators have asked for an analysis of the appropriation limitation assuming that the Circuitbreaker program and the Business Equipment Tax Reimbursement programs had remained funded by General Fund appropriations. The expenditures of these major tax relief programs are treated for budget purposes as reductions of individual income tax revenue, which we will refer to as "revenue appropriations." Table III on page A-3 of this appendix provides a hypothetical look at adjusted budgeted revenue and appropriations had these tax relief programs remained as appropriations and been subject to the limit. Both the adjusted appropriations and total budgeted resources are above the limit in each fiscal year through fiscal year 2008-09, see shaded lines in Table III.

## Appendix A - Appropriation Limitation Analysis

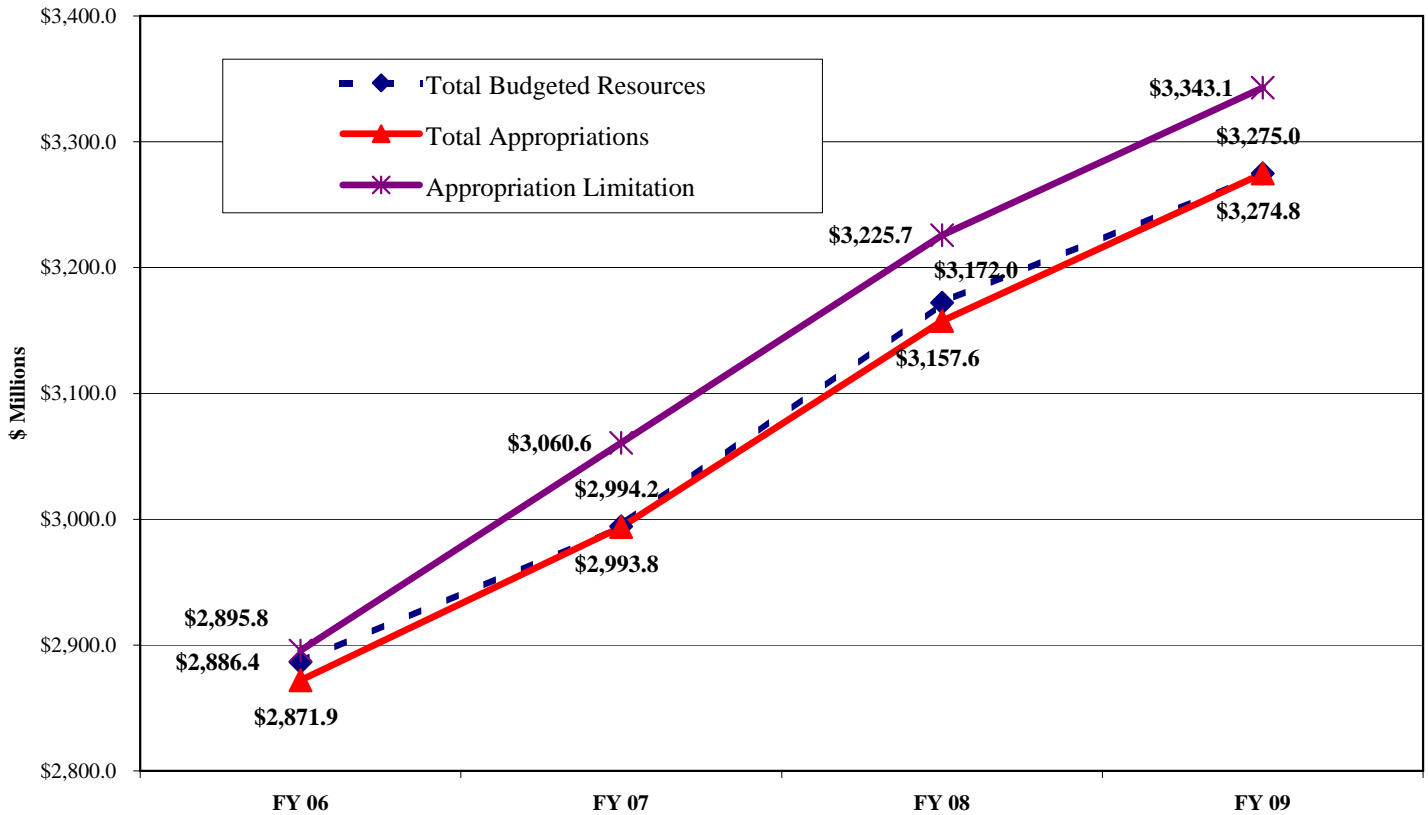
**Table I. Calculation of Appropriation Limitation**

	Base Amounts	FY 06	FY 07	FY 08	FY 09
A Total Base Appropriations (Increased by Growth Factor, see D)	\$2,709,902,078	\$2,794,180,033	\$2,881,079,032	\$2,969,816,266	\$3,061,286,607
B Appropriations to General Purpose Aid for Local Schools (GPA)	\$734,536,621	\$836,115,966	\$914,098,222	\$990,458,385	\$1,016,357,238
C General Purpose Aid Growth from FY05 until 55% State Share - Exempt from Limit		\$101,579,345	\$179,561,601	\$255,921,764	\$281,820,617
D Growth Limitation Factor Applied to Base Appropriations		3.11%	3.11%	3.08%	3.08%
E Total Appropriations Allowed (A + C)		\$2,895,759,378	\$3,060,640,633	\$3,225,738,030	\$3,343,107,224

**Table II. Calculation of Budgeted Resources and Total Appropriations \***

	FY 06	FY 07	FY 08	FY 09
General Fund Budgeted Resources				
- Beginning Budgeted Balance	\$33,662,644	\$14,516,599	\$430,410	\$14,396,980
- Net Transfers/Adjustments to Balance	(\$5,005,536)	(\$41,197,570)	\$350,000	\$350,000
- Net General Fund Revenue	\$2,857,738,104	\$3,020,922,542	\$3,171,236,072	\$3,260,220,231
Total Budgeted Resources	\$2,886,395,212	\$2,994,241,571	\$3,172,016,482	\$3,274,967,211
Amount Budgeted Resources are (below) above the limit	(\$9,364,166)	(\$66,399,062)	(\$53,721,548)	(\$68,140,013)
Total Appropriations	\$2,871,878,613	\$2,993,811,161	\$3,157,619,502	\$3,274,845,541
Amount Appropriations are (below) above the limit	(\$23,880,765)	(\$66,829,472)	(\$68,118,528)	(\$68,261,683)

**Appropriation Limitation Compared to Budgeted Resources and Appropriations**



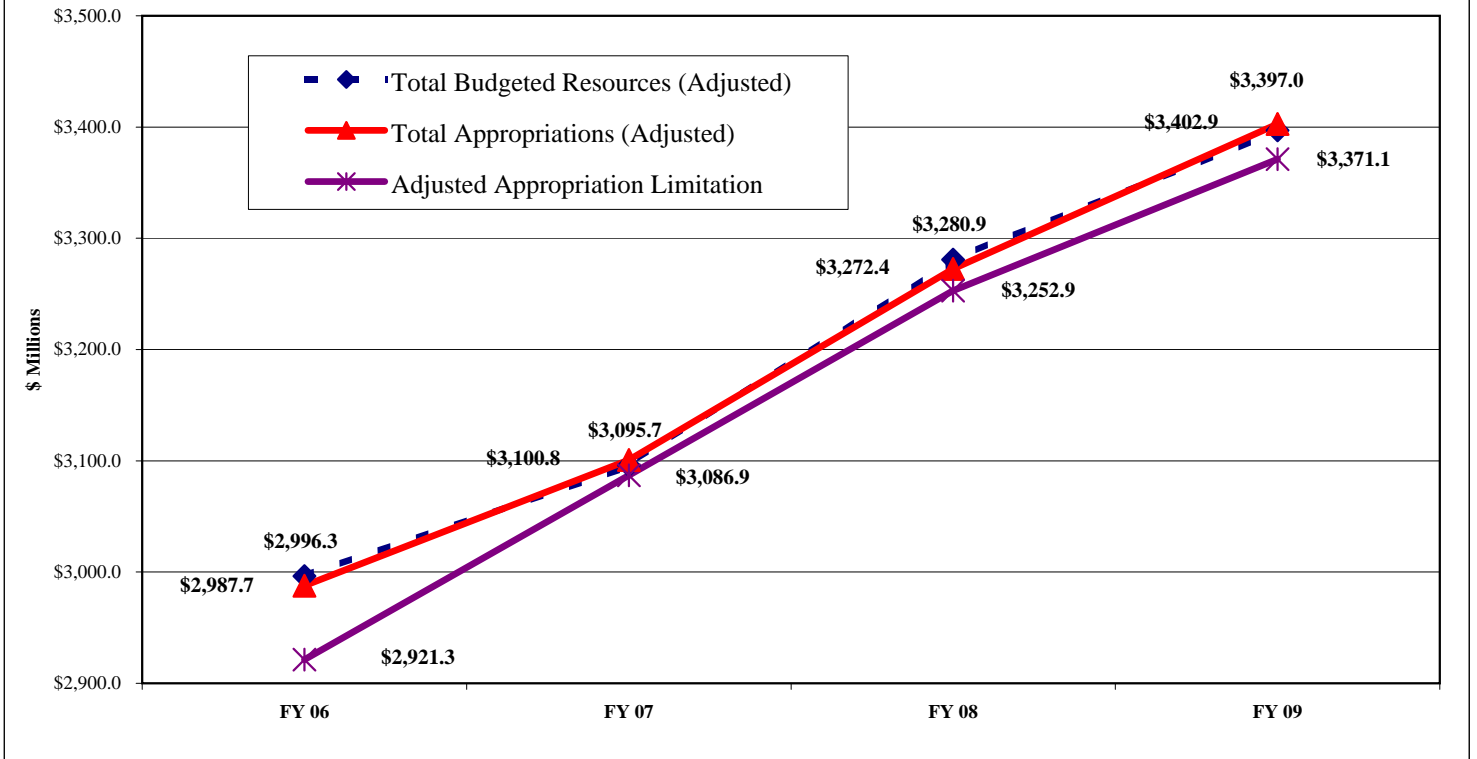
\* Reflects final budgeted revenue and appropriations for FY 06 and budgeted revenue and total appropriations with the Governor's Budget Proposals for FY 07, FY 08 and FY 09.

## Appendix A - Appropriation Limitation Analysis Adjustments for Circuitbreaker and BETR Tax Relief Programs

**Table III. Calculation of Budgeted Resources and Total Appropriations with Adjustments \***

	Base Amounts	FY 06	FY 07	FY 08	FY 09
Adjustments to Base Amounts					
- Budgeted Circuitbreaker \$ (12/1/04)	\$24,742,857				
General Fund Budgeted Resources					
- Beginning Budgeted Balance		\$33,662,644	\$14,516,599	\$430,410	\$14,396,980
- Net Transfers/Adjustments to Balance		(\$5,005,536)	(\$41,197,570)	\$350,000	\$350,000
- Net General Fund Revenue		\$2,857,738,104	\$3,020,922,542	\$3,171,236,072	\$3,260,220,231
- Net Adjustments for Revenue Appropriations		\$109,886,755	\$101,502,885	\$108,892,618	\$122,057,837
Total Budgeted Resources (Adjusted)		\$2,996,281,967	\$3,095,744,456	\$3,280,909,100	\$3,397,025,048
Amount Budget Resources are above (below) the limit		\$75,010,230	\$8,798,030	\$28,055,058	\$25,966,639
Total Appropriations		\$2,871,878,613	\$2,993,811,161	\$3,157,619,502	\$3,274,845,541
Net Adjustments for Revenue Appropriations		\$115,792,155	\$106,957,729	\$114,744,592	\$128,006,099
Total Appropriations (Adjusted)		\$2,987,670,768	\$3,100,768,890	\$3,272,364,094	\$3,402,851,640
Amount Appropriations are above (below) the limit		\$66,399,031	\$13,822,464	\$19,510,052	\$31,793,231

**General Fund Appropriation Limit Compared to Budgeted Resources and Appropriations -  
Adjusted for BETR and Circuitbreaker Payments**



\* Reflects final budgeted revenue and appropriations for FY 06 and budgeted revenue and total appropriations with the Governor's Budget Proposals for FY 07, FY 08 and FY 09 adjusted for budgeted amounts for the Circuitbreaker and BETR programs.

**APPENDIX B**

**APPROPRIATIONS**  
**BY MAJOR CATEGORIES**

General Fund Appropriations - Summary	B-1
General Purpose Aid for Local Schools	B-2
MaineCare/Medicaid	B-3
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## General Fund Appropriations - Summary

Presented below are tables summarizing the General Fund appropriations starting with the Governor's Baseline Budget recommendations and FY07 appropriations prior to the start of the 123rd Legislature and concluding with the actual net appropriations as proposed by the Governor in LD 499, the General Fund Unified Biennial Budget Bill, and LD 215, the Emergency FY 07 Budget Bill. Additional detail and descriptions are available in the remainder of this Appendix.

<b>General Fund Appropriations - Governor's Baseline Budget Recommendations</b>				
	<b>Expenditures</b>	<b>Appropriations based on Baseline Recommendations</b>		
Major Categories	FY 06	FY 07	FY 08	FY 09
General Purpose Aid for Local Schools	\$838,193,470	\$914,098,222	\$925,593,888	\$925,593,888
Medicaid/MaineCare	\$643,913,358	\$554,309,027	\$622,257,419	\$622,257,419
Higher Education	\$246,831,523	\$257,463,699	\$256,538,699	\$256,538,699
Teachers' Retirement	\$148,459,994	\$205,406,053	\$205,406,053	\$205,406,053
Tax Relief and Reimbursement	\$31,484,362	\$37,512,941	\$42,612,941	\$42,612,941
Debt Service	\$96,042,927	\$114,707,712	\$114,707,712	\$114,707,712
Personal Services	\$398,416,458	\$404,255,808	\$434,765,356	\$449,601,852
Other - Non-Personal Services	\$421,068,315	\$429,924,983	\$445,377,614	\$445,377,614
<b>Total General Fund Appropriations</b>	<b>\$2,824,410,407</b>	<b>\$2,917,678,445</b>	<b>\$3,047,259,682</b>	<b>\$3,062,096,178</b>
Annual % Change		3.3%	4.4%	0.5%

<b>General Fund Appropriations - Governor's Proposed Adjustments</b>			
	<b>Governor's Proposed Changes</b>		
Major Categories	FY 07	FY 08	FY 09
General Purpose Aid for Local Schools	\$0	\$64,864,497	\$90,763,350
Medicaid/MaineCare	\$38,578,804	\$484,822	\$41,882,714
Higher Education	\$3,000,000	\$15,578,403	\$24,642,633
Teachers' Retirement	\$0	(\$3,502,695)	\$6,240,511
Tax Relief and Reimbursement	(\$2,132,170)	(\$7,547,785)	(\$6,951,978)
Debt Service	(\$7,839,841)	(\$7,211,295)	\$1,010,709
Personal Services	\$4,474,841	\$252,618	(\$460,563)
Other - Non-Personal Services	\$40,051,082	\$47,441,255	\$55,621,987
<b>Total General Fund Appropriations</b>	<b>\$76,132,716</b>	<b>\$110,359,820</b>	<b>\$212,749,363</b>

<b>General Fund Appropriations - Governor's Proposed Net Recommendations</b>				
	<b>Expenditures</b>	<b>Governor's Proposed Net Recommendations</b>		
Major Categories	FY 06	FY 07	FY 08	FY 09
General Purpose Aid for Local Schools	\$838,193,470	\$914,098,222	\$990,458,385	\$1,016,357,238
Medicaid/MaineCare	\$643,913,358	\$592,887,831	\$622,742,241	\$664,140,133
Higher Education	\$246,831,523	\$260,463,699	\$272,117,102	\$281,181,332
Teachers' Retirement	\$148,459,994	\$205,406,053	\$201,903,358	\$211,646,564
Tax Relief and Reimbursement	\$31,484,362	\$35,380,771	\$35,065,156	\$35,660,963
Debt Service	\$96,042,927	\$106,867,871	\$107,496,417	\$115,718,421
Personal Services	\$398,416,458	\$408,730,649	\$435,017,974	\$449,141,289
Other - Non-Personal Services	\$421,068,315	\$469,976,065	\$492,818,869	\$500,999,601
<b>Total General Fund Appropriations</b>	<b>\$2,824,410,407</b>	<b>\$2,993,811,161</b>	<b>\$3,157,619,502</b>	<b>\$3,274,845,541</b>
Annual % Change		6.0%	5.5%	3.7%
<b>Total Excluding GPA</b>	<b>\$1,986,216,937</b>	<b>\$2,079,712,939</b>	<b>\$2,167,161,117</b>	<b>\$2,258,488,303</b>
Annual % Change		4.7%	4.2%	4.2%

# General Purpose Aid for Local Schools

	FY 06	FY 07	FY 08	FY 09
	Expenditures	Appropriations	Appropriations	Appropriations
<b>Projected Appropriations - Structural Gap</b>			\$980,912,804	\$1,054,219,599
<b>Biennial Budget - Baseline Budget</b>	\$838,193,470	\$914,098,222	\$925,593,888	\$925,593,888
<b>EFY07 Budget (LD 215)</b>		\$0	\$0	\$0
<b>Adjustments to Baseline Budget</b>			\$64,864,497	\$90,763,350
<b>Appropriations - Governor's Recommendations</b>	\$838,193,470	\$914,098,222	\$990,458,385	\$1,016,357,238
<b>Annual % Change</b>		9.1%	8.4%	2.6%

## Projected Structural Gap

Differs from Bureau of the Budget's estimate of structural gap, reflects the cost of minimum teacher salaries enacted in PL 2005, c. 635.

## Biennial Baseline Budget

Adjusts for approximately \$11.5 million in one-time savings for FY 2006-07 to the General Purpose Aid for Local Schools program associated with school bus purchases (\$3.2 million); delayed start of certain capital improvement projects (\$5.2 million); reduced special education funding for certain SAU's that are minimum receivers (\$1.5 million); lower than expected costs for laptops (\$0.8 million) and projected health insurance savings attributable to reductions in hospital inpatient rates (\$0.8 million).

## EFY07 Budget (LD 215)

No adjustments.

## Adjustments to Baseline Budget

The Governor's 2008-2009 Biennial Budget makes the following adjustments to the baseline budget for GPA:

	FY08 Adjustments	FY09 Adjustments
Provides additional funds to continue ramp-up of State funding for K-12 education to 55% by FY 2008-09.	\$ 61,755,492	\$ 124,173,006
Shifts funding for the Governor Baxtor School for the Deaf from 100% state funding to state-local funding within GPA	\$ 6,057,297	\$ 6,057,297
Shifts funding for the Maine School of Science and Mathematics from 100% state funding to state-local funding within GPA	\$ 1,620,442	\$ 1,620,442
Shifts funding for the Jobs for Maine's Graduates program from 100% state funding to state-local funding within GPA	\$ 1,431,266	\$ 1,431,266
<b>Total</b>	<b>\$ 70,864,497</b>	<b>\$ 133,282,011</b>
Savings from consolidation to Regional Learning Communities	\$ -	\$ (36,518,661)
Savings from increased student-to-teacher ratios	\$ (12,500,000)	\$ (12,500,000)
Expansion of laptops to high school level	\$ 6,500,000	\$ 6,500,000
<b>Total additional spending</b>	<b>\$ 64,864,497</b>	<b>\$ 90,763,350</b>



# MaineCare/Medicaid<sup>1</sup>

	FY 06 Expenditures	FY 07 Appropriations	FY 08 Appropriations	FY 09 Appropriations
<b>Projected Appropriations - Structural Gap</b>			\$710,910,288	\$761,597,724
<b>Biennial Budget - Baseline Budget</b>	\$643,913,358	\$554,309,027	\$622,257,419	\$622,257,419
<b>EFY07 Budget (LD 215)</b>		\$38,578,804	\$0	\$0
<b>Adjustments to Baseline Budget</b>			\$484,822	\$41,882,714
<b>Appropriations - Governor's Recommendations</b>	\$643,913,358	\$592,887,831	\$622,742,241	\$664,140,133
<b>Annual % Change</b>		-7.9%	5.0%	6.6%

## Projected Structural Gap

Projected structural gap estimates for the 2008-2009 biennium were based on 2006-2007 biennium appropriations trended forward with adjustments for historical spending trends, one-time 2006-2007 spending/savings initiatives, and the appropriate Federal Medical Assistance Percentage (FMAP). With concerns about the integrity of MaineCare spending data for FY05 and FY06 as a result of MaineCare claims management system (MECMS) implementation issues, additional consideration was given to the pre-FY05 spending trend, total "all-funds" MaineCare spending trend (not just General Fund spending) and adjustments for 2006-2007 initiatives that are of a one-time nature or not likely to produce longer-term

## Biennial Baseline Budget

The Medical Care - Payments to Providers (MAP) program biennial baseline has been adjusted for one-time appropriation reductions in FY 07, primarily a \$47 million transfer of FY 07 funding to FY 06 to support MaineCare costs as a result of MECMS-related interim payments recovery timing issues and a \$17.9 million transfer of FY 07 funding to FY 06 to make payments required under the settlement of the MaineCare hospital reimbursement lawsuits prior to September 30, 2005. With the exception of a minor adjustment in the disproportionate share hospital accounts, the biennial budget baseline for the other MaineCare programs is consistent with FY 07 enacted appropriations.

## EFY07 Budget (LD 215)

Proposes appropriations of \$63.8 million in FY 07 to cover shortfalls in MaineCare and related accounts to be partially offset by a deappropriation of \$61.3 million in the Medical Care - Payments to Provider (MAP) account. Also proposes appropriations of \$51.2 million (to be matched by \$87.7 million in federal funds) for increased MaineCare payments to hospitals including \$50 million for hospital MaineCare payment settlements and increased prospective interim payments. Part L of the emergency supplemental budget also proposes to transfer \$52 million of the available unappropriated surplus in the General Fund at the close for FY 07 for hospital settlements and to increase prospective interim payments to hospitals. If sufficient surplus revenue exists the transfer would be reflected as an FY 08 appropriation. These transfers are not reflected in the totals of this summary.

## Adjustments to Baseline Budget

**Medical Care - Payments to Providers (MAP).** Proposes net deappropriations of \$29.9 million in FY 08 and \$36.4 million in FY 09 including: \$20.4 million in FY 08 and \$27.4 million in FY 09 as a result of savings to be achieved by clinical management of MaineCare members; \$5 million each year as a result of savings to be achieved by capping the non-categorical waiver at \$90 million dollars; \$2 million per year from savings to be achieved by adjusting rates to a standard rate per service; \$0.3 million in FY 08 and \$2.2 million in FY 09 in MAP program savings to be achieved as a result of the initiative to increase resources to conduct MaineCare provider reviews and investigations; and \$1.3 million in FY 08 and \$1.4 million in FY 09 as a result of the increase in the federal fiscal year 2007-08 Federal Medical Assistance Percentage; to be partially offset by a \$3 million increase in appropriations in FY 09 for an increase in the fee schedule for non-hospital based physicians caring for MaineCare members.

**Nursing Facilities.** Proposes an increased appropriation of \$6 million in FY 09 to rebase nursing home expenditures.

**Medicaid Services - Mental Retardation; Mental Retardation Waiver - MaineCare.** Proposes an increased appropriation of \$1.3 million in FY 08 and \$2.3 million in FY 09 to fund 156 new clients requiring mental retardation adult protective services each year as specified in the waiver application to the Federal Government. Also proposes an increased appropriation of \$20.0 million in FY 08 and \$43.2 million in FY 09 to "account for increases in MaineCare programs".

**Mental Health Services - Child Medicaid.** Proposes appropriation increases of \$8 million in FY 08 and \$15.4 million in FY 09 to "account for increases in MaineCare programs" to be partially offset by deappropriations of \$4 million each year from savings to be achieved by adjusting rates to a standard rate per service.

**Mental Health Services - Community Medicaid.** Proposes appropriation increases of \$11.5 million in FY 08 and \$22.3 million in FY 09 to "account for increases in MaineCare programs" to be partially offset by deappropriations of \$4 million each year from savings to be achieved by adjusting rates to a standard rate per service.

**Summary of MaineCare Programs - Appropriations Through 122nd Legislature and Governor's 2008-2009 Baseline Budget**

	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
	<b>Expenditures</b>	<b>Appropriations</b>	<b>Appropriations</b>	<b>Appropriations</b>
<b>Medical Care - Payments to Providers 0147</b>	\$420,782,704	\$327,531,694	\$395,304,192	\$395,304,192
<b>Annual % Change</b>		-22.2%	20.7%	0.0%
<b>Nursing Facilities 0148</b>	\$55,979,618	\$66,579,689	\$66,579,689	\$66,579,689
<b>Annual % Change</b>		18.9%	0.0%	0.0%
<b>Medicaid Services - Mental Retardation 0705</b>	\$16,322,996	\$17,098,885	\$17,098,885	\$17,098,885
<b>Annual % Change</b>		4.8%	0.0%	0.0%
<b>Mental Retardation Waivers - MaineCare 0987 Z006</b>	\$68,235,271	\$71,358,829	\$71,358,829	\$71,358,829
<b>Annual % Change</b>		4.6%	0.0%	0.0%
<b>Mental Health Services - Child Medicaid 0731</b>	\$34,509,527	\$28,373,610	\$28,373,610	\$28,373,610
<b>Annual % Change</b>		-17.8%	0.0%	0.0%
<b>Mental Health Services - Community Medicaid 0732</b>	\$41,025,351	\$37,437,082	\$37,437,082	\$37,437,082
<b>Annual % Change</b>		-8.7%	0.0%	0.0%
<b>Office of Substance Abuse - Medicaid Seed 0844</b>	\$2,828,706	\$2,855,187	\$2,855,187	\$2,855,187
<b>Annual % Change</b>		0.9%	0.0%	0.0%
<b>Disproportionate Share Hospitals (RPC and DDPC) <sup>1</sup></b>	\$4,229,255	\$3,074,051	\$3,249,945	\$3,249,945
<b>Annual % Change</b>		-27.3%	5.7%	0.0%

**Summary of MaineCare Programs - Governor's Proposed Adjustments**

	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
	<b>Appropriations</b>	<b>Appropriations</b>	<b>Appropriations</b>
<b>Medical Care - Payments to Providers 0147</b>	(\$10,681,980)	(\$29,874,972)	(\$36,369,747)
<b>Nursing Facilities 0148</b>	\$1,027,690	\$1,637	\$5,760,423
<b>Medicaid Services - Mental Retardation 0705</b>	\$6,856,728	(\$761,333)	(\$828,682)
<b>Mental Retardation Waivers - MaineCare 0987 Z006</b>	\$20,902,702	\$21,102,017	\$45,217,031
<b>Mental Health Services - Child Medicaid 0731</b>	\$8,000,000	\$3,872,905	\$11,286,552
<b>Mental Health Services - Community Medicaid 0732</b>	\$11,245,042	\$6,104,360	\$16,792,337
<b>Office of Substance Abuse - Medicaid Seed 0844</b>	\$389,616	\$16,389	\$1,542
<b>Disproportionate Share Hospitals (RPC and DDPC) <sup>1</sup></b>	\$839,006	\$23,819	\$23,258

**Summary of MaineCare Programs - Appropriations - Governor's Net Recommendations**

	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
	<b>Expenditures</b>	<b>Appropriations</b>	<b>Appropriations</b>	<b>Appropriations</b>
<b>Medical Care - Payments to Providers 0147</b>	\$420,782,704	\$316,849,714	\$365,429,220	\$358,934,445
<b>Annual % Change</b>		-24.7%	15.3%	-1.8%
<b>Nursing Facilities 0148</b>	\$55,979,618	\$67,607,379	\$66,581,326	\$72,340,112
<b>Annual % Change</b>		20.8%	-1.5%	8.6%
<b>Medicaid Services - Mental Retardation 0705</b>	\$16,322,996	\$23,955,613	\$16,337,552	\$16,270,203
<b>Annual % Change</b>		46.8%	-31.8%	-0.4%
<b>Mental Retardation Waiver - MaineCare 0987</b>	\$68,235,271	\$92,261,531	\$92,460,846	\$116,575,860
<b>Annual % Change</b>		35.2%	0.2%	26.1%
<b>Mental Health Services - Child Medicaid 0731</b>	\$34,509,527	\$36,373,610	\$32,246,515	\$39,660,162
<b>Annual % Change</b>		5.4%	-11.3%	23.0%
<b>Mental Health Services - Community Medicaid 0732</b>	\$41,025,351	\$48,682,124	\$43,541,442	\$54,229,419
<b>Annual % Change</b>		18.7%	-10.6%	24.5%
<b>Office of Substance Abuse - Medicaid Seed 0844</b>	\$2,828,706	\$3,244,803	\$2,871,576	\$2,856,729
<b>Annual % Change</b>		14.7%	-11.5%	-0.5%
<b>Disproportionate Share Hospitals (RPC and DDPC) <sup>1</sup></b>	\$4,229,255	\$3,913,057	\$3,273,764	\$3,273,203
<b>Annual % Change</b>		-7.5%	-16.3%	0.0%

Notes:

<sup>1</sup> Reflects All Other and Capital Expenditure line category expenditures/appropriations only. Personal Services expenditures/appropriations included in the Personal Services summary.

# Higher Education

	FY 06	FY 07	FY 08	FY 09
	Expenditures	Appropriations	Appropriations	Appropriations
<b>Projected Appropriations - Structural Gap</b>			\$263,265,981	\$270,165,863
<b>Biennial Budget - Baseline Budget</b>	\$246,831,523	\$257,463,699	\$256,538,699	\$256,538,699
<b>EFY07 Budget (LD 215)</b>		\$3,000,000	\$0	\$0
<b>Adjustments to Baseline Budget</b>			\$15,578,403	\$24,642,633
<b>Appropriations - Governor's Recommendations</b>	\$246,831,523	\$260,463,699	\$272,117,102	\$281,181,332
<b>Annual % Change</b>		5.5%	4.5%	3.3%

## Projected Structural Gap

The structural gap projections for the 2008-2009 biennium were adjusted by the projected growth of CPI as forecast by the Consensus Economic Forecasting Commission. Some appropriation items that have been typically flat funded are projected at the same level as their FY 2006-07 appropriation.

## Biennial Baseline Budget

Adjusts for one-time appropriations in FY 2006-07 to the Student Financial Assistance program within FAME (\$300,000) and to University of Maine System for the Center for Sport and Coaching to offer training to schools and communities participating in the Sports Done Right program (\$25,000) and for the commercialization of research and development activities and the Gulf of Maine Ocean Observing System (\$600,000).

## EFY07 Budget (LD 215)

Provides a one-time appropriation of \$3,000,000 to the University of Maine System to build a regional optical network to service the advanced production and experimental network requirements of the research education institutions of Maine.

## Adjustments to Baseline Budget

The Governor's 2008-2009 budget proposal increases General Fund appropriations for Higher Education funding by 4.5%, or \$11.7 million, in FY08 over FY07 levels and 3.3%, or \$9.1 million, in FY09 over FY08 levels. The table at the bottom of this page details each of the state's higher education institutions. Funding for the student financial assistance programs at the Finance Authority of Maine - FAME and the Postsecondary Advanced Learning Program are included in the Other Higher Education Spending category.

The Governor's 2008-2009 Biennial Budget also provides funding of \$3.5 million per year for the Postsecondary Advanced Learning Program to provide tuition for eligible secondary students to gain a pre-college experience and support during their years in college at the University of Maine System, the Community College System and the Maine Maritime Academy.

### Summary of Higher Education by Institution - Appropriations Through 122nd Legislature and Governor's 2008-2009 Baseline Budget

	FY06 Expenditures	FY07 Appropriations	FY08 Appropriations	FY09 Appropriations
<b>University of Maine System</b>	\$183,148,140	\$190,596,418	\$189,971,418	\$189,971,418
<b>Maine Community College System</b>	\$43,318,462	\$46,068,617	\$46,068,617	\$46,068,617
<b>Maine Maritime Academy</b>	\$7,548,820	\$7,737,547	\$7,737,547	\$7,737,547
<b>Other Higher Education Spending</b>	\$12,816,101	\$13,061,117	\$12,761,117	\$12,761,117

### Summary of Higher Education by Institution - Governor's Proposed Adjustments

	FY07 Appropriations	FY08 Appropriations	FY09 Appropriations
<b>University of Maine System</b>	\$3,000,000	\$7,000,000	\$12,390,000
<b>Maine Community College System</b>	\$0	\$4,380,476	\$7,312,384
<b>Maine Maritime Academy</b>	\$0	\$697,927	\$1,440,249
<b>Other Higher Education Spending</b>	\$0	\$3,500,000	\$3,500,000

### Summary of Higher Education by Institution - Governor's Net Recommendations

	FY06 Expenditures	FY07 Appropriations	FY08 Appropriations	FY09 Appropriations
<b>University of Maine System</b>	\$183,148,140	\$193,596,418	\$196,971,418	\$202,361,418
<b>Annual % Change</b>		5.7%	1.7%	2.7%
<b>Maine Community College System</b>	\$43,318,462	\$46,068,617	\$50,449,093	\$53,381,001
<b>Annual % Change</b>		6.3%	9.5%	5.8%
<b>Maine Maritime Academy</b>	\$7,548,820	\$7,737,547	\$8,435,474	\$9,177,796
<b>Annual % Change</b>		2.5%	9.0%	8.8%
<b>Other Higher Education Spending</b>	\$12,816,101	\$13,061,117	\$16,261,117	\$16,261,117
<b>Annual % Change</b>		1.9%	24.5%	0.0%

# Teachers' Retirement

## (Including Retired Teachers' Health Insurance)

	FY 06	FY 07	FY 08	FY 09
	Expenditures	Appropriations	Appropriations	Appropriations
<b>Projected Appropriations - Structural Gap</b>			\$217,740,165	\$231,668,431
<b>Biennial Budget - Baseline Budget</b>	\$148,459,994	\$205,406,053	\$205,406,053	\$205,406,053
<b>EFY07 Budget (LD 215)</b>		\$0	\$0	\$0
<b>Adjustments to Baseline Budget</b>			(\$3,502,695)	\$6,240,511
<b>Appropriations - Governor's Recommendations</b>	\$148,459,994	\$205,406,053	\$201,903,358	\$211,646,564
<b>Annual % Change</b>		38.4%	-1.7%	4.8%

### Projected Structural Gap

The structural gap estimates differ from the Bureau of the Budget's due to a different assumption for the growth in teachers' salaries used in determining the employer's share of retirement contributions for public school teachers (5.5% per year vs. 5.25% in the Bureau of the Budget's estimates.) Projections for the State's share of health insurance premiums for retired teachers' assumed enrollment growth of approximately 5% per year and premiums to increase approximately 11% per year (vs. 7.0% annual increase in the Bureau of the Budget's estimates.) OFPR's structural gap estimates also includes the additional cost associated with cost of minimum teacher salaries enacted in PL 2005, c. 635.

### Biennial Baseline Budget

The Governor's 2008-2009 Biennial Baseline Budget makes no adjustments to FY 07 appropriations through the 122nd Legislature for teachers' retirement costs including the State's share of retired teachers' health insurance premiums.

### EFY07 Budget (LD 215)

No adjustments.

### Adjustments to Baseline Budget

The Governor's 2008-2009 budget proposal reduces total General Fund appropriations for Teacher Retirement by 1.7%, or \$3.5 million, in FY08 over FY07 levels and increases funding by 4.8%, or \$6.2 million, in FY09 over FY08 levels. The table at the bottom of this page details each of the programs included in the total funding for Teacher Retirement.

The adjustments to the baseline budget for teacher retirement costs were based upon changes made in certain actuarial assumptions as the result of a recently completed experience study by the Maine State Retirement System. As a result of this study, the actuarial estimate for inflation was reduced from 8% to 7.75% and the projected growth for salaries was reduced from 5.5% to 4.75%. The baseline budget also increases the State's share of health insurance costs for retired teachers' by 7.0% per year and proposes to fund group life insurance for retired teachers' beginning in FY 2007-08 at a cost of \$2.4 million in FY08 and \$2.5 million in FY09.

### Summary of Teacher Retirement by Program - Appropriations Through 122nd Legislature and Governor's 2008-2009 Baseline Budget

	FY06	FY07	FY08	FY09
	Expenditures	Appropriations	Appropriations	Appropriations
<b>Teacher Retirement</b>	\$137,209,552	\$189,132,092	\$189,132,092	\$189,132,092
<b>Retired Teachers' Health Insurance</b>	\$11,250,442	\$16,273,961	\$16,273,961	\$16,273,961

### Summary of Teacher Retirement by Program - Governor's Proposed Adjustments

	FY07	FY08	FY09
	Appropriations	Appropriations	Appropriations
<b>Teacher Retirement</b>	\$0	(\$7,046,504)	\$1,363,562
<b>Retired Teachers' Health Insurance</b>	\$0	\$1,139,177	\$2,358,097
<b>Retired Teachers' Group Life Insurance</b>	\$0	\$2,404,632	\$2,518,852

### Summary of Teacher Retirement by Program - Governor's Net Recommendations

	FY06	FY07	FY08	FY09
	Expenditures	Appropriations	Appropriations	Appropriations
<b>Teacher Retirement</b>	\$137,209,552	\$189,132,092	\$182,085,588	\$190,495,654
<b>Annual % Change</b>		37.8%	-3.7%	4.6%
<b>Retired Teachers' Health Insurance</b>	\$11,250,442	\$16,273,961	\$17,413,138	\$18,632,058
<b>Annual % Change</b>		44.7%	7.0%	7.0%
<b>Retired Teachers' Group Life Insurance</b>	\$0	\$0	\$2,404,632	\$2,518,852
<b>Annual % Change</b>				4.7%

# Tax Relief and Reimbursement Programs

	FY 06	FY 07	FY 08	FY 09
	Expenditures	Appropriations	Appropriations	Appropriations
<b>Projected Appropriations - Structural Gap</b>			\$38,524,910	\$39,570,333
<b>Biennial Budget - Baseline Budget</b>	\$31,484,362	\$37,512,941	\$42,612,941	\$42,612,941
<b>EFY07 Budget (LD 215)</b>		(\$2,132,170)	\$0	\$0
<b>Adjustments to Baseline Budget</b>			(\$7,547,785)	(\$6,951,978)
<b>Appropriations - Governor's Recommendations</b>	\$31,484,362	\$35,380,771	\$35,065,156	\$35,660,963
<b>Annual % Change</b>		12.4%	-0.9%	1.7%

## Projected Structural Gap

FY 08 and FY 09 programs costs were estimated by applying a 2.7% annual increase to the final appropriation amounts of the 122nd Legislature.

## Biennial Baseline Budget

The Bureau of the Budget considered the FY 07 \$5,100,000 deappropriation from the Homestead Property Tax Exemption (P&S 2005, c. 69) to be one-time and added that amount back to the FY 07 base to arrive at the baseline amount of \$42,612,941 for FY 08 and FY 09. The net recommendation for FY 08 and FY 09 reflects an on-going effect as a result of a decline in municipal mil rates that has reduced the number of homestead property tax exemptions.

## EFY07 Budget (LD 215)

Deappropriates \$1,985,770 from Homestead Property Tax Exemption Reimbursement and \$150,000 from Veterans Tax Reimbursement based on a reprojection of anticipated costs. Appropriates \$3,600 for Waste Facility Tax Reimbursement to cover FY 06 and FY 07 costs.

## Adjustments to Baseline Budget

### General Fund Initiatives

	FY 08	FY 09
	Appropriations	Appropriations
Homestead Property Tax Exemption Reimbursement	(\$7,661,235)	(\$7,191,428)
Homestead Property Tax Exemption - Mandate Reimbursement	\$5,400	\$5,400
Tree Growth Tax Reimbursement	\$200,000	\$300,000
Waste Facility Tax Reimbursement	\$3,050	\$4,050
Veterans Tax Reimbursement	(\$95,000)	(\$70,000)
	(\$7,547,785)	(\$6,951,978)

Revenue Adjustments (Dec 2006 RFC) *	FY 06	FY 07	FY 08	FY 09
Maine Residents Property Tax Program	(\$42,796,070)	(\$44,957,021)	(\$46,253,766)	(\$47,573,249)
Business Equipment Tax Reimbursement (BETR)	(\$67,065,810)	(\$62,000,708)	(\$68,490,826)	(\$69,059,334)
Municipal Business Equipment Tax Reimbursement	\$0	\$0	\$0	\$11,373,516
Subtotal Revenue Loss	(\$109,861,880)	(\$106,957,729)	(\$114,744,592)	(\$105,259,067)
<b>Totals Revenues and Expenditures - Tax Relief and Reimbursement Programs - Governor's Proposals</b>				
Expenditures	\$31,484,362	\$35,380,771	\$35,065,156	\$35,660,963
Revenue	\$109,861,880	\$106,957,729	\$114,744,592	\$105,259,067
	\$141,346,242	\$142,338,500	\$149,809,748	\$140,920,030
		0.7%	5.2%	-5.9%

\* Reflects amounts of Gross Revenue equal to the cost of the programs and program expansions had they remained as appropriations. Revenue estimates are based on the December 2006 revenue forecast.

## Debt Service

	FY 06	FY 07	FY 08	FY 09
	Expenditures	Appropriations	Appropriations	Appropriations
<b>Projected Appropriations - Structural Gap</b>			\$113,167,424	\$105,458,347
<b>Biennial Budget - Baseline Budget</b>	\$96,042,927	\$114,707,712	\$114,707,712	\$114,707,712
<b>EFY07 Budget (LD 215)</b>		(\$7,839,841)	\$0	\$0
<b>Adjustments to Baseline Budget</b>			(\$7,211,295)	\$1,010,709
<b>Appropriations - Governor's Recommendations</b>	\$96,042,927	\$106,867,871	\$107,496,417	\$115,718,421
<b>Annual % Change</b>		11.3%	0.6%	7.6%

### Projected Structural Gap

OFPR's projected appropriations for debt service assumed that the State Treasurer would be issuing Tax Anticipation Notes (TAN's) of \$150 million per year. With that assumption, OFPR projected appropriations of \$113,167,424 in FY 08 and \$105,458,347 in FY 09. The primary difference between OFPR's estimate and the Bureau of Budget's forecast is the assumption regarding TAN's.

### Biennial Baseline Budget

The Governor's Biennial Baseline Budget for Debt Service makes no adjustments for any one-time items and is flat-funded from FY 07 final appropriations of the 122nd Legislature at \$114,707,712 in FY 08 and FY 09.

### EFY07 Budget (LD 215)

The Governor's 2006-07 Supplemental Budget (LD 215) contains a reduction of (\$7,839,841) in FY 07 from projected savings in interest from not having to borrow funds for any TAN's.

### Adjustments to Baseline Budget

The debt service program within the Office of the Treasurer of State is adjusted by a reduction of (\$6,769,903) in FY 08 based on the expectation of no TAN's for FY 08. The Debt Service Program within the Maine Government Facilities Authority adjusts their funding by (\$441,392) in FY 08 due to projected lower interest rates. Both debt service programs make combined adjustments of \$1,010,709 in FY 09 due to the expectation of new issues.

# Personal Services

	FY 06 Expenditures	FY 07 Appropriations	FY 08 Appropriations	FY 09 Appropriations
<b>Projected Appropriations - Structural Gap</b>			\$462,293,265	\$483,558,754
<b>Biennial Budget - Baseline Budget</b>	\$398,416,458	\$404,255,808	\$434,765,356	\$449,601,852
<b>EFY 07 Budget (LD 215)</b>		\$4,474,841	\$0	\$0
<b>Adjustments to Baseline Budget</b>			\$252,618	(\$460,563)
<b>Appropriations - Governor's Recommendations</b>	\$398,416,458	\$408,730,649	\$435,017,974	\$449,141,289
<b>Annual % Change</b>		2.6%	6.4%	3.2%

## Projected Structural Gap

The projected growth of Personal Services appropriations was assumed to be 14.3% in FY 08 and 4.6% in FY 09. The substantial FY 08 growth related to factoring in the collective bargaining agreement approved by the 122nd Legislature, but funded through the salary plan without direct appropriations for the increase of Personal Services. The primary reason for the difference between OFPR's estimated Personal Services appropriations and final Baseline Budget amounts is the distribution of several statewide deappropriations implemented after OFPR's estimate was completed.

## Biennial Baseline Budget

The Governor's proposed Baseline Budget for the 2008-2009 biennium increases Personal Services costs by 7.5% in FY 08 over FY 07 levels and 3.4% in FY 09 over FY 08 levels. The growth in Personal Services for the 2008-2009 biennium is primarily related to the change in the employer paid basic life insurance rate from \$0.14 per thousand of salaries to \$0.26 per thousand of salaries, health insurance increases (assumed to grow at an annual rate of 5% in FY 08 and 6% in FY 09) and increases in salaries and wages due to merit increases. The Baseline Budget recommendations include no assumed collective bargaining changes. Position authorizations were reduced by 6,301 positions administratively offsetting some of these increases.

## EFY 07 Budget (LD 215)

Increase primarily due to higher than expected General Fund share of personal services costs as a result of revised federal indirect cost allocation plan in the OMB Operations - Regional program within the Department of Health and Human Services ( \$4.3 million).

## Adjustments to Baseline Budget

The Governor's proposed adjustments to the baseline budget include increased personal services costs for reclassifications and range changes as well as the continuation of certain correctional officers positions within the Department of Corrections and other personal services costs. These additional costs were offset, partially in FY 08 and fully in FY 09, by savings in health insurance premiums, the closure of the Maine Revenue Services' Houlton and Bangor branch offices, the transfer of certain positions to the Highway Fund and other savings from position eliminations and reorganizations. Total position authorizations were reduced by 1.5 positions in FY 08 and 19.5 positions in FY 09.

## "Other" - Non-Personal Services Appropriations

	FY 06	FY 07	FY 08	FY 09
	Expenditures	Appropriations	Appropriations	Appropriations
<b>Projected Appropriations - Structural Gap</b>			\$420,622,283	\$433,405,405
<b>Biennial Budget - Baseline Budget</b>	\$421,068,315	\$429,924,983	\$445,377,614	\$445,377,614
<b>EFY07 Budget (LD 215)</b>		\$40,051,082	\$0	\$0
<b>Adjustments to Baseline Budget</b>			\$47,441,255	\$55,621,987
<b>Appropriations - Governor's Recommendations</b>	\$421,068,315	\$469,976,065	\$492,818,869	\$500,999,601
<b>Annual % Change</b>		11.6%	4.9%	1.7%

### Projected Structural Gap

The projections for most of these "other" non-personal services appropriations were inflated using the forecast of the consumer price index by the Consensus Economic Forecasting Commission. Programs that typically received flat-funding did not receive an inflation adjustment. This estimate was affected by the distribution of the statewide deappropriations many of which were distributed after the OFPR estimate was completed.

### Biennial Baseline Budget

FY 07 appropriations were adjusted upward by \$15,452,631 to account for net one-time reductions and establish the Biennial Baseline Budget at a higher level than the final FY 07 appropriations of the 122nd Legislature in this category.

### EFY07 Budget (LD 215)

Total appropriations were increased by \$40,051,082 in the Governor's Emergency FY 07 Budget Bill. See separate summary for more detail on these changes.

### Adjustments to Baseline Budget

Major adjustments to Biennial Baseline Budget are presented below:

	FY 08	FY 09
<b>ALL DEPARTMENTS STATEWIDE</b>		
<b>INFORMATION TECHNOLOGY INITIATIVES</b>		
Various information technology initiatives statewide.	\$15,489,736	\$15,182,065
<b>DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES</b>		
<b>ACCIDENT- SICKNESS - HEALTH INSURANCE</b>		
Provides funding for the State's payment of a 45% subsidy toward the cost of health insurance for eligible retired law enforcement officers and firefighters. This request is made in accordance with Public Law 2005, chapter 636.	\$1,320,535	\$3,116,405
<b>STATE CONTROLLER - OFFICE OF THE</b>		
Provides funding for debt service for approved development projects.	\$3,425,169	\$3,425,169
<b>DEPARTMENT OF CORRECTIONS</b>		
<b>ADMINISTRATION - CORRECTIONS</b>		
Provides funding for the cost of the Corrections Service Center.	\$364,449	\$426,312
<b>DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT</b>		
<b>OFFICE OF INNOVATION</b>		
Provides funding to support the Maine Technology Institute Innovation Cluster program.	\$3,000,000	\$5,000,000
<b>DEPARTMENT OF EDUCATION</b>		
<b>SUPPORT SYSTEMS</b>		
Provides additional funding for the Postsecondary Enrollment eligibility fund that pays for the courses taken at eligible public Maine post secondary institutions by eligible secondary students.	\$1,000,000	\$1,000,000
<b>MAGNET SCHOOLS</b>		
Transfers funding from the Maine School of Science and Mathematics program to the General Purpose Aid for Local Schools program.	(\$1,620,442)	(\$1,620,442)



	<b>FY 08</b>	<b>FY 09</b>
<b>JOBS FOR MAINE GRADUATES</b>		
Transfers funding from the Jobs for Maine's Graduates program to the General Purpose Aid for Local Schools program.	(\$1,431,266)	(\$1,431,266)
<b>GOVERNOR BAXTER SCHOOL FOR THE DEAF</b>		
Transfers funding from the Governor Baxter School for the Deaf program to the General Purpose Aid for Local Schools program.	(\$6,057,297)	(\$6,057,297)
<b>HEALTH AND HUMAN SERVICES (formerly BDS)</b>		
<b>DEPARTMENTWIDE</b>		
Reduces funding by implementing a managed care effort for behavioral health services. The corresponding federal match reductions are reflected in the Medical Care - Payments to Providers program.	(\$5,000,000)	(\$6,500,000)
<b>DOROTHEA DIX PSYCHIATRIC CENTER</b>		
Provides funding for medications.	\$556,001	\$556,001
<b>MENTAL RETARDATION SERVICES - COMMUNITY</b>		
Provides funding for room and board costs for approximately 2,000 individuals.	\$4,000,000	\$4,000,000
<b>DRIVER EDUCATION AND EVALUATION PROGRAM - SUBSTANCE ABUSE</b>		
Increases funding offset by an increase in fees.	\$697,000	\$697,000
<b>HEALTH AND HUMAN SERVICES (formerly DHS)</b>		
<b>BUREAU OF MEDICAL SERVICES</b>		
Provides funding to support increased costs within the Bureau of Medical Services program. Costs are primarily related to professional and technical services.	\$11,681,674	\$9,133,627
Provides funding to administer the new clinical management program.	\$2,600,000	\$2,700,000
<b>TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)</b>		
Provides funding for an increased maintenance of effort requirement from 75% to 80%.	\$1,200,000	\$1,200,000
Provides funding for a federal financial penalty resulting from not meeting the 90% two-parent work performance requirement.	\$400,000	\$946,000
Reduces funding from savings achieved in administrative costs for the transitional child care program.	(\$1,000,000)	(\$1,000,000)
<b>OFFICE OF MANAGEMENT AND BUDGET</b>		
Provides funding for the new departmental cost allocation plan.	\$2,632,598	\$2,548,258
<b>CHILD CARE SERVICES</b>		
Provides funding to support the inclusion of children with special needs in child care.	\$300,000	\$300,000
<b>DHS - DEPARTMENTWIDE</b>		
Provides funding to correct the mechanism of billing the department for legal services by the Department of the Attorney General.	\$3,043,258	\$3,184,982
<b>STATE BOARDING HOME PROGRAM</b>		
Provides funding for increases in the boarding home program.	\$3,040,430	\$5,874,026
<b>JUDICIAL DEPARTMENT</b>		
<b>COURTS - SUPREME, SUPERIOR, DISTRICT &amp; ADMINISTRATIVE</b>		
Provides funding for the increase in debt service costs resulting from issuing bonds to construct the new Bangor courthouse.	\$1,283,750	\$3,806,625
<b>MAINE STATE RETIREMENT SYSTEM</b>		
<b>RETIREMENT SYSTEM - RETIREMENT ALLOWANCE FUND</b>		
Reduces funding based on calculations from the Maine State Retirement System for retired Governors and their widows and retired Pre-1984 Judges and their widows.	(\$498,798)	(\$414,574)

# **APPENDIX C**

## **TAX AND FEE CHANGES Governor's Budget Proposals 123rd Legislature**

**Appendix C - Summary of Tax and Fee Changes <sup>1</sup>**  
**Governor's Budget Proposals**  
**Revenue Increases (Decreases)**

Bill & Part	Description	FY07	FY08	FY09
<b>Individual Income Tax <sup>2</sup></b>				
LD 215, Part O	Delays the implementation of the educational attainment tax credit until tax years beginning on or after January 1, 2009.	74,237	469,647	1,006,440
LD 499, Part V	Amends the three-factor corporate income apportionate formula to a single-factor, based upon sales, effective for tax years beginning on or after January 1, 2007.	0	(3,143,400)	(2,741,453)
LD 499, Part A	Provides funding for an additional law enforcement contractor position assigned to uncollectible cases. Currently one contractor is responsible in this area but the workload is overwhelming for this one person. It is anticipated with 2 people assigned to these cases that net additional General Fund undedicated revenue of \$237,000 will be generated each year.	0	167,500	167,500
LD 499, Part A	Provides funding for increased legal services provided by the Office of the Attorney General to Maine Revenue Services for out-of-state judgment work, injunctions and lien enforcement. It is estimated that this initiative will generate net additional General Fund undedicated revenue of \$479,688 annually.	0	455,400	455,400
<b>Corporate Tax <sup>2</sup></b>				
LD 215, Part O	Delays the implementation of the educational attainment tax credit until tax years beginning on or after January 1, 2009.	188,755	1,127,650	2,247,116
LD 499, Part V	Amends the three-factor corporate income apportionate formula to a single-factor, based upon sales, effective for tax years beginning on or after January 1, 2007.	0	9,672,000	8,435,240
<b>Sales Tax <sup>2</sup></b>				
LD 499, Part T	Increase the Cigarette Tax by \$1.00 and other increases in Other Tobacco Products Tax.	0	2,410,783	2,420,052
LD 499, Part A	Provides funding for an additional law enforcement contractor position assigned to uncollectible cases. Currently one contractor is responsible in this area but the workload is overwhelming for this one person. It is anticipated with 2 people assigned to these cases that net additional General Fund undedicated revenue of \$237,000 will be generated each year.	0	82,500	82,500
LD 499, Part A	Provides funding for increased legal services provided by the Office of the Attorney General to Maine Revenue Services for out-of-state judgment work, injunctions and lien enforcement. It is estimated that this initiative will generate net additional General Fund undedicated revenue of \$479,688 annually.	0	50,600	50,600
<b>Cigarette and Tobacco Taxes</b>				
LD 499, Part T	Increase the Cigarette Tax by \$1.00 to \$3.00 per pack.	0	63,677,918	63,382,310
LD 499, Part T	Increase tax on smokeless tobacco to 117% and the tax on other tobacco products to 30%	0	2,330,777	2,377,392
<b>Other Miscellaneous Tax and Fee Changes</b>				
LD 499, Part A	Driver Education and Evaluation Program (DEEP) fee increase	174,250	697,000	697,000
<b>Total Tax and Fee Changes</b>		<b>437,242</b>	<b>77,998,375</b>	<b>78,580,097</b>

**Notes:**

<sup>1</sup> Reflects all tax and fee changes included in the Governor's 2008-2009 Biennial Budget Proposals in LD 499 and the Emergency Fiscal Year 2006-07 Budget (LD 215).

<sup>2</sup> Reflects gross impact of tax collections prior to the deduction of 5.1% of total collections for state-municipal revenue sharing.