

**Summary of
Governor's Proposed
2010-2011 Supplemental
Budget Bill**

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

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Summary of Governor's Proposed 2010-2011 Supplemental Budget

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124TH LEGISLATURE, 2ND REGULAR SESSION
Summary of General Fund "Shortfall" and Solutions
(\$ in millions)

	FY 10	FY 11	Biennium
Summary of General Fund "Shortfall" ¹			
GF Revenue Revision - December 2009 RFC Forecast	(\$209.4)	(\$174.2)	(\$383.6)
Statewide Deappropriation - Initiative to Streamline State Government II	\$0.0	(\$30.0)	(\$30.0)
Shortfall from Revenue Forecast and Statewide Deappropriation	(\$209.4)	(\$204.2)	(\$413.6)
Beginning Balance - FY 09 Ending Actual Balance	\$26.2		\$26.2
Net Changes to Balances - Prior to December 2009 Forecast	(\$48.5)	(\$2.5)	(\$51.0)
Net Changes from Revenue Forecast and Statewide Deappropriation	(\$209.4)	(\$204.2)	(\$413.6)
General Fund "Shortfall" Before Governor's Supplemental	(\$231.7)	(\$206.7)	(\$438.4)
AFA Committee - Initiative to Streamline State Government ²	\$16.3	\$13.7	\$30.0
Governor's 2010-2011 Supplemental Budget Bill (LR 2528)	\$231.7	\$177.0	\$408.7
General Fund Ending Balance w/ Governor's Supplemental ²	\$16.3	\$0.3	\$0.3

Summary of Governor's Proposed Appropriations and Revenue/Transfers

Resources (Transfers/Adjustments to Balance and Revenue):			
- General Fund Transfers and Adjustments to Balance	\$67.7	\$12.6	\$80.2
- General Fund Interfund Borrowing from Other Special Revenue	\$93.5	(\$93.5)	\$0.0
- General Fund Revenue	\$19.7	\$34.5	\$54.2
Net Increase (Decrease) to Resources	\$180.8	(\$46.4)	\$134.4
General Fund Appropriations:			
- General Fund Appropriations	(\$50.9)	(\$223.4)	(\$274.3)
Net Increase (Decrease) of Appropriations	(\$50.9)	(\$223.4)	(\$274.3)
Net Increase (Decrease) to Balance - Gov's Supplemental	\$231.7	\$177.0	\$408.7

Summary of Governor's Proposed General Fund "Spending" and "Savings" ³

Total of Initiatives Decreasing Resources ("Spending")			
- See Pie Chart on Page 2	\$35.9	\$16.5	(\$52.4)
Total Items Increasing Resources ("Savings")			
- See Pie Chart on Page 3	\$174.1	\$287.0	\$461.1
Net Increase (Decrease) to General Fund Resources	\$210.0	\$303.5	\$408.7

Amounts may not add due to rounding

Notes:

¹ The General Fund "Shortfall" results from the December 2009 downward revenue revision by the Revenue Forecasting Committee, the FY 09 year-end reduction to balance forward and the Statewide Deappropriations of \$30.0 million that must be offset by the Initiative to Streamline State Government, an interim study conducted by the Joint Standing Committee on Appropriations and Financial Affairs.

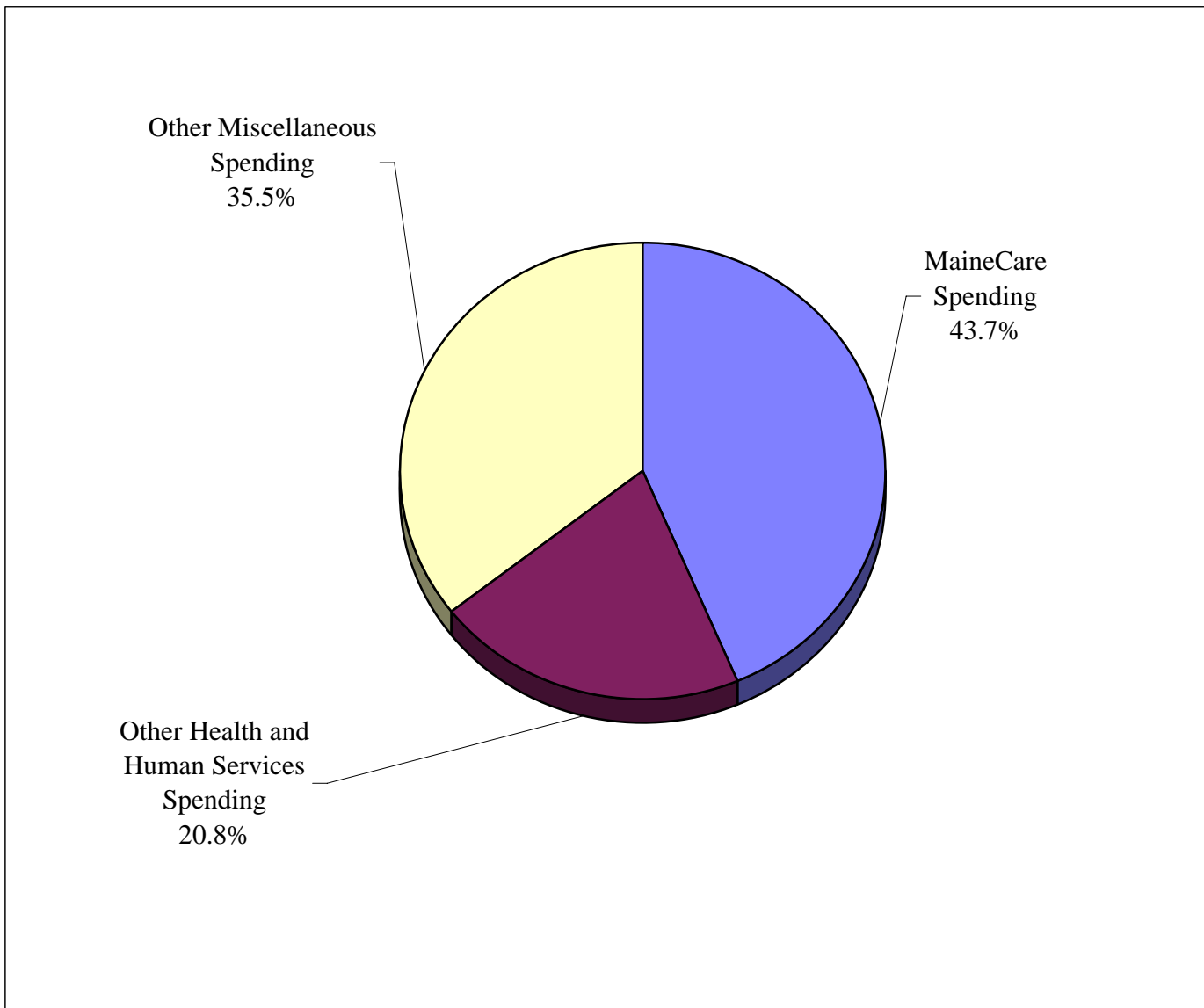
² A summary of the recommendations of the Initiative to Streamline State Government is included in Appendix A.

³ This analysis and the pie charts on the following pages present a different look at the revenue, transfers and appropriations. The purpose is to separate out those initiatives/proposals in the supplemental budget that represent "spending" of state resources from those that increase resources.

General Fund Adjustments - "Spending" Initiatives ¹

Initiatives Decreasing General Fund Balance

	FY 10	FY 11	Biennium	% of Total
MaineCare Spending	\$20.6	\$2.2	\$22.9	43.7%
Other Health and Human Services Spending	\$6.9	\$4.0	\$10.9	20.8%
Other Miscellaneous Spending	\$8.3	\$10.3	\$18.6	35.5%
TOTAL ADJUSTMENTS DECREASING BALANCE	\$35.9	\$16.5	\$52.4	100.0%



Notes:

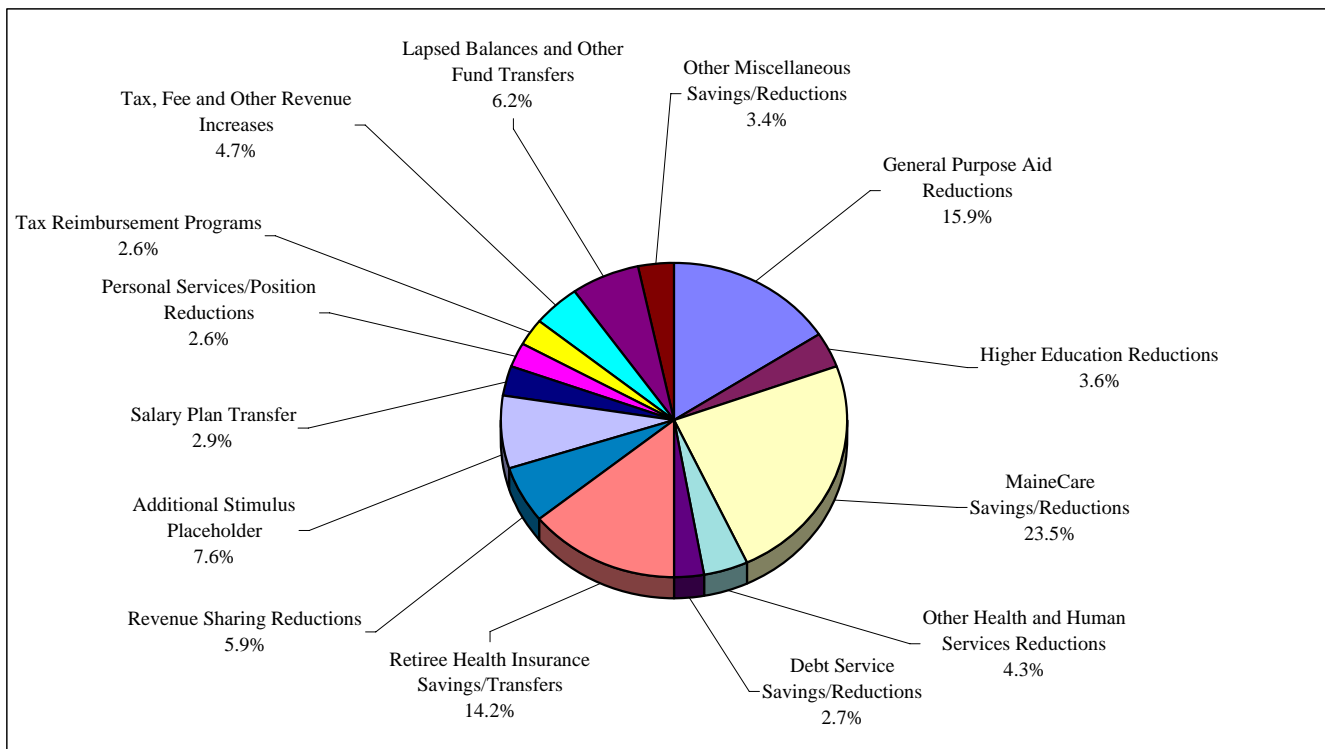
¹ "Spending" initiatives include all those items that decrease resources: appropriations; revenue decreases; transfers to other funds; and other negative adjustments to fund balance. Does not reflect transfers of appropriations between General Fund programs that net to \$0.

Amounts may not add due to rounding

General Fund Adjustments - "Savings" Initiatives ¹

Initiatives Increasing General Fund Balance

	FY 10	FY 11	Biennium	% of Total
General Purpose Aid Reductions	\$38.1	\$35.1	\$73.2	15.9%
Higher Education Reductions	\$7.9	\$8.5	\$16.4	3.6%
MaineCare Savings/Reductions	\$16.1	\$92.4	\$108.5	23.5%
Other Health and Human Services Reductions	\$4.8	\$15.0	\$19.8	4.3%
Debt Service Savings/Reductions	\$3.0	\$9.3	\$12.3	2.7%
Retiree Health Insurance Savings/Transfers	\$46.1	\$19.5	\$65.7	14.2%
Revenue Sharing Reductions	\$12.0	\$15.0	\$27.0	5.9%
Additional Stimulus Placeholder	\$0.0	\$35.0	\$35.0	7.6%
Salary Plan Transfer	\$13.5	\$0.0	\$13.5	2.9%
Personal Services/Position Reductions	\$4.5	\$7.4	\$11.9	2.6%
Tax Reimbursement Programs	\$0.0	\$12.0	\$12.0	2.6%
Tax, Fee and Other Revenue Increases	\$7.9	\$13.6	\$21.5	4.7%
Lapsed Balances and Other Fund Transfers	\$14.8	\$13.9	\$28.7	6.2%
Other Miscellaneous Savings/Reductions	\$5.3	\$10.3	\$15.6	3.4%
TOTAL ADJUSTMENTS INCREASING BALANCE	\$174.1	\$287.0	\$461.1	100.0%



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

Amounts may not add due to rounding

MaineCare and Other Health and Human Services Initiatives

General Fund Adjustments

Costs (Savings) in Millions of \$'s

	FY 10	FY 11	Biennium
MaineCare Savings/Reduction Initiatives			
Provider 10% Rate Reductions	\$0.0	(\$32.6)	(\$32.6)
MaineCare Cycle Payment Delay/"Push"	\$0.0	(\$17.2)	(\$17.2)
Retroactive Matching Rate Increase - ARRA FMAP	(\$7.5)	\$0.0	(\$7.5)
Hospital Tax Rebasing	\$0.0	(\$10.8)	(\$10.8)
Other Hospital Initiatives	(\$0.4)	(\$7.4)	(\$7.8)
Physician Reimbursement Reduction	\$0.0	(\$1.5)	(\$1.5)
Developmental Services Initiatives	(\$4.2)	(\$8.0)	(\$12.2)
Adult Mental Health Initiatives	\$0.0	(\$1.7)	(\$1.7)
Children's Services Initiatives	\$0.0	(\$1.7)	(\$1.7)
Other MaineCare Savings Initiatives	\$0.0	(\$7.5)	(\$7.5)
Distribution of Social Security COLA Departmentwide	(\$4.0)	(\$4.0)	(\$8.0)
Subtotal - MaineCare Savings	(\$16.1)	(\$92.4)	(\$108.5)
MaineCare Cost/Spending Initiatives			
Additional FY10 MaineCare Costs (MAP and NF)	\$7.5	\$0.0	\$7.5
MaineCare Developmental Services Waiver Supports	\$4.2	\$4.2	\$8.4
Medicare Part B Premiums	\$1.7	\$4.2	\$5.9
MECMS Claims Payments - Accelerated Claims Run-out	\$6.6	(\$6.6)	\$0.0
Other MaineCare Costs	\$0.6	\$0.5	\$1.1
Subtotal - MaineCare Costs/Spending	\$20.6	\$2.2	\$22.9
Other HHS Savings/Reduction Initiatives			
Elder Services	(\$0.6)	(\$4.1)	(\$4.7)
Adult Mental Health Initiatives	(\$1.3)	(\$5.4)	(\$6.7)
Developmental Services Initiatives	(\$0.8)	(\$1.0)	(\$1.8)
Children Services Initiatives	(\$0.8)	(\$1.4)	(\$2.2)
Non-Maine Care Programs - MaineCare Cycle "Push"	\$0.0	(\$0.7)	(\$0.7)
Public Assistance Initiatives	(\$0.9)	(\$0.5)	(\$1.4)
Public Health Program Initiatives	\$0.0	(\$0.5)	(\$0.5)
Social Services Program Initiatives	(\$0.2)	(\$0.6)	(\$0.7)
Substance Abuse Program Initiatives	(\$0.3)	(\$0.3)	(\$0.5)
Other DHHS Savings Initiatives	\$0.0	(\$0.6)	(\$0.6)
Total Other HHS Savings/Reductions	(\$4.8)	(\$15.0)	(\$19.8)
Other HHS Cost/Spending Initiatives			
Departmentwide Deappropriation Offset	\$4.0	\$4.0	\$8.0
General Assistance Shortfall	\$0.9	\$0.0	\$0.9
Public Health Program Initiatives	\$2.0	\$0.0	\$2.0
Subtotal - Other HHS Costs/Spending	\$6.9	\$4.0	\$10.9
Total - MaineCare and Other HHS Costs (Savings)	\$6.6	(\$101.1)	(\$94.5)

Amounts may not add due to rounding

**2010-2011 SUPPLEMENTAL BUDGET
SUMMARY OF MAJOR FISCAL POLICY ISSUES**

<u>Description of Issue</u>	General Fund Cost (Savings) \$ in Millions		
	<u>FY 10</u>	<u>FY 11</u>	<u>Biennium</u>
Reductions to Local Government Funding			
Reductions to General Purpose Aid for Local Schools, revenue sharing, General Assistance and other local government funding. (See page 7 for more detail)	(48.5)	(52.5)	(101.0)
Transfers Retiree Health Insurance Reserve Balances			
Governor proposes to transfer all available equity reserves and reduce rates for retiree health insurance. With the exception of approximately \$100 million set aside with the Maine Public Employees Retirement System, contributions rates will be set to pay premiums on a "pay-as-you-go" basis.	(46.1)	(19.5)	(65.7)
Transfers from Salary Plan Reserve			
Governor proposes to transfer \$13.5 million from the General Fund Salary Plan account, which is designated for covering General Fund collective bargaining costs. The beginning FY 10 balance in the account was \$15.0 million.	(13.5)	0.0	(13.5)
Additional Federal Stimulus Placeholder			
The Governor's supplemental budget includes a \$35 million statewide deappropriation to recognize in advance of federal action the potential savings from an additional federal stimulus in the form of a continuation of an enhanced Medicaid matching rate is the basis of this	0.0	(35.0)	(35.0)
Other Special Revenue Borrowing			
The Governor relies on \$93.5 million borrowing from Other Special Revenue Funds to keep FY10 in balance. The enacted budget for FY10 already relies on \$16 million of borrowing between fiscal years. This \$109.5 million of additional General Fund spending in FY10 not supported by General Fund resources will deplete General Fund cash and potentially require additional external cash flow borrowing beyond the amounts budgeted. The cash position should recover over the course of FY11.	(93.5)	93.5	0.0
Additional "Tax Amnesty" Initiatives			
The Governor is proposing 2 new initiatives to reduce the amount of outstanding tax receivables, which are similar to the successful effort concluded this past November. This initiatives waive most of the penalties and interest associated with tax assessments that are past due.	0.0	(9.5)	(9.5)

**2010-2011 SUPPLEMENTAL BUDGET
SUMMARY OF MAJOR LOCAL GOVERNMENT IMPACTS**

<u>Description of Issue</u>	Increase (Decrease) in Local Funding \$ in Millions		
	<u>FY 10</u>	<u>FY 11</u>	<u>Biennium</u>
School Subsidy Net Reductions			
The Governor's budget proposes to reduce General Purpose Aid to Local Schools in both fiscal years. The 55% state share goal of 55% of Essential Programs and Services school funding model (EPS) would be delayed until FY12. The state share of K-12 spending as measured by EPS will be 47.9% this year and 43.7% in FY 2011.	(38.1)	(35.1)	(73.2)
Revenue Sharing Reductions			
The Governor's supplemental budget proposes to increase the fixed reductions to revenue sharing by \$12 million in FY10 and \$15 million in FY11. In addition to these amounts, the December 2009 Revenue Forecast projected additional declines for revenue sharing of \$11.2 million in FY10 and \$10.1 million in FY11.	(12.0)	(15.0)	(27.0)
Homestead Property Tax Exemption Reimbursement			
The Governor's budget proposes to change the timing of the reimbursements pushing 25% of the reimbursement into the next fiscal year beginning in FY11.	0.0	(5.4)	(5.4)
Tree Growth Tax Reimbursement			
Governor's budget proposes to reduce the FY11 distribution by an additional 10%.	0.0	(0.5)	(0.5)
Additional Funding for State Board of Corrections			
The Governor's supplemental budget includes a \$3.5 million appropriation to offset a projected shortfall in the county corrections funding.	0.0	3.5	3.5
General Assistance			
Governor's budget proposes an additional appropriation in FY10 to address a shortfall, but changes the reimbursement formula in FY11 to stay within existing appropriations.	0.9	0.0	0.9
Local Transportation Funding			
The Governor's proposed Highway Fund supplemental budget includes additional funding based on a net increase in funding for the Department of Transportation, primarily maintenance paving.	0.7	0.0	0.8
Total Increase (Reductions) to Local Government Funding	(48.5)	(52.5)	(101.0)

Amounts may not add due to rounding

124TH LEGISLATURE, 2ND REGULAR SESSION
GOVERNOR'S SUPPLEMENTAL BUDGET PROPOSALS
SUMMARY OF POSITION CHANGES ¹

<u>Fund</u>	<u>Total Authorized</u> <u>Positions - Prior to</u> <u>124th Legislature,</u> <u>2nd Regular</u>	<u>Streamlining</u> <u>Initiative ¹</u>	<u>Governor's</u> <u>Supplemental</u> <u>Budget</u> <u>Proposals</u>	<u>Total Authorized</u> <u>Positions -</u> <u>Governor's</u> <u>Proposals</u>
General Fund	5,969.551	(6.000)	(24.058)	5,939.493
Highway Fund ²	2,360.149	0.000	(33.230)	2,326.919
Federal Expenditures Fund	1,649.523	1.000	(45.250)	1,605.273
Federal Expenditures Fund - ARRA	0.000	0.000	0.000	0.000
Fund for a Healthy Maine	23.500	0.000	(5.000)	18.500
Other Special Revenue Fund	2,390.695	4.000	78.558	2,473.253
Federal Block Grant Fund	139.500	0.000	(15.000)	124.500
Federal Block Grant Fund - ARRA	0.000	0.000	0.000	0.000
Other Funds ²	1,297.454	(1.000)	(0.639)	1,295.815
Total Change of Authorized Positions	13,830.372	(2.000)	(44.619)	13,783.753

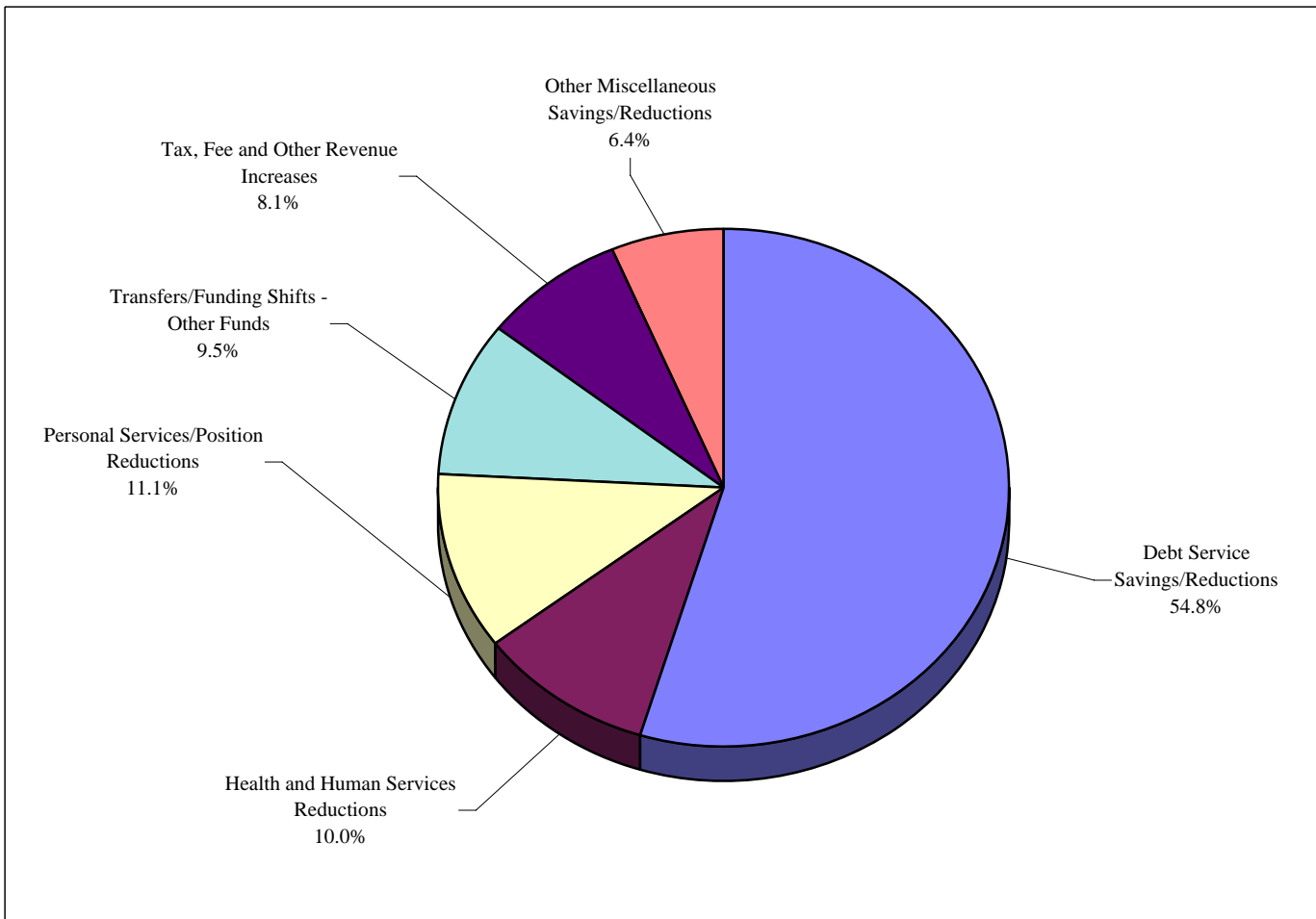
Notes:

¹ Position changes include AFA Committee Recommendations resulting from the Initiative to Streamline State Government, LD 1668. Also see Appendix A.

² Includes position count adjustments in LR 2530, the Highway Fund Supplemental Budget Bill, that total -33.230 positions in the Highway Fund, -2.000 in the Fleet Services Fund - DOT and +2.361 in the Island Ferry Services Fund.

APPENDIX A
Initiative to Streamline State Government - 2009
Summary of General Fund "Savings"

	FY 10	FY 11	Biennium	% of Total
Debt Service Savings/Reductions	\$9.9	\$6.6	\$16.5	54.8%
Health and Human Services Reductions	\$1.4	\$1.6	\$3.0	10.0%
Personal Services/Position Reductions	\$0.7	\$2.6	\$3.3	11.1%
Transfers/Funding Shifts - Other Funds	\$2.1	\$0.7	\$2.8	9.5%
Tax, Fee and Other Revenue Increases	\$1.4	\$1.0	\$2.4	8.1%
Other Miscellaneous Savings/Reductions	\$0.6	\$1.3	\$1.9	6.4%
TOTAL ADJUSTMENTS INCREASING BALANCE	\$16.3	\$13.7	\$30.0	100.0%



Amounts may not add due to rounding

APPENDIX B

Summary of Governor's Highway Fund Supplemental Budget

		Highway Fund Cost (Savings) (\$'s in Millions)		
Part	Summary of Major Initiatives	FY10	FY11	Biennium
A	Statewide Deallocations			
A	Retiree Health Insurance Rate Reductions	\$0.0	(\$6.0)	(\$6.0)
A	Retiree Health Insurance Excess Reserves	\$0.0	(\$0.3)	(\$0.3)
A	Additional Retirement Incentive and Merit Savings	(\$0.9)	(\$1.0)	(\$2.0)
A	Additional Shutdown Days	(\$0.3)	(\$0.7)	(\$1.0)
A	State Police Reductions	(\$0.3)	(\$0.3)	(\$0.6)
A	Debt Service Savings	(\$5.2)	(\$4.8)	(\$10.0)
A	Net Reductions to Maintenance and Operations	(\$0.7)	(\$0.4)	(\$1.1)
A	Additional Allocations for Maintenance Paving (Capital Light)	\$12.7	\$5.3	\$18.0
A	Urban-Rural Initiative Program	\$0.7	\$0.0	\$0.8
A	Other Net Adjustments to Allocations	(\$0.0)	(\$0.1)	(\$0.1)
D	Workers' Compensation Excess Equity Transfer	(\$0.1)	\$0.0	(\$0.1)
E	Retiree Health Insurance - Return temporarily to pay-as-you-go			
E	Transfer of Excess Equity in Retiree Health Int Serv Fund	(\$5.4)	\$0.0	(\$5.4)
E	Transfer of Projected Excess Equity in Retiree Health ISF	(\$5.7)	\$0.0	(\$5.7)
		<u>(\$5.2)</u>	<u>(\$8.3)</u>	<u>(\$13.5)</u>
Highway Fund Balance				
	Beginning Balance	\$1.5	\$0.0	\$1.5
	Previous Net Change	\$0.5	(\$1.0)	(\$0.4)
	Revenue Revisions	(\$7.3)	(\$7.1)	(\$14.3)
	Net Change from Supplemental Budget	\$5.2	\$8.3	\$13.5
	Highway Fund Ending Balance	<u>\$0.0</u>	<u>\$0.2</u>	<u>\$0.2</u>