



FISCAL NEWS

MONTHLY NEWSLETTER OF THE OFFICE OF FISCAL AND PROGRAM REVIEW

2015 NUMBER 5

Volume 9 Number 5

Summary1

General Fund Revenue Update2

Highway Fund Revenue Update.....2

FY 2015 Year-End Cascade Transfers2

Cash Update4

State Expenditure Update.....4

2016-2017 Biennial Budget5

MaineCare Update7

MainePERS Update.....9

Attachments:

- **July 2015 General Fund Revenue Variance Report**.....10
- **July 2015 Highway Fund Revenue Variance Report**.....12

Questions or comments regarding specific sections contact:

**Christopher Nolan, Director
Office of Fiscal and
Program Review
5 State House Station
Augusta, Maine 04333-0005
Telephone: (207) 287-1635**

Christopher.Nolan@legislature.maine.gov
www.maine.gov/legis/ofpr/

The Office of Fiscal and Program Review (OFPR) is a nonpartisan staff office of the Legislative Council providing budget, tax and general fiscal research and analysis for the Maine State Legislature.



Summary

General Fund revenue ended FY 2015 with a \$30.4 million surplus. Individual Income Tax and Sales and Use Tax revenues were the primary contributors. Corporate Income Tax revenue, which had consistently been running under budget each month, ended the fiscal year \$1.3 million over budget.

Highway Fund revenue ended the fiscal year with a \$6.9 million revenue surplus. Fuel Taxes and Motor Vehicle Registrations and Fee revenues were the majority of the surplus.

The FY 2015 closing General Fund balance totaled \$59.1 million, \$33.5 million of which was unbudgeted. The \$33.5 million not budgeted included the \$30.4 million General Fund revenue surplus and \$3.7 in unbudgeted lapsed program balances that were partially offset by \$0.5 million in other accounting adjustments. Under PL 2015 c. 267 (the 2016-2017 Biennial Budget), Section L-8 amended the distribution rules for the year-end “cascade” of funds from the unappropriated surplus of the General Fund, after all fixed dollar transfers have been distributed; 80% (\$23.9 million) was distributed to the Maine Budget Stabilization Fund and 20% (\$6.0 million) was distributed to the Tax Relief Fund for Maine Residents.

The average total cash pool balance for June was \$720.4 million, a decrease from May’s average balance but significantly higher than last June and the 10-year average balance for June. General Fund internal borrowing increased in June but was still significantly lower than last June’s level. The average Highway Fund balance for June was slightly below May’s average but higher than last June’s balance.

The State’s total operating expenditures in FY 2015 decreased by \$432.6 million or 5.9% from FY 2014 spending levels, but increased by \$57.6 million or 0.8% over FY 2014 levels after adjusting for the significant one-time \$490.2 million payment for hospital settlement payments made in 2014. General Fund expenditures increased by \$16.2 million (0.5%) in FY 2015 over FY 2014 spending levels.

PL 2015, c. 267, the 2016-2017 Biennial Budget (LD 1019) became law on June 30, 2015 when the Governor’s veto was overridden by the Legislature. The enacted bill provides baseline appropriations and allocations for the operation of State government for the fiscal years ending June 30, 2016 and June 30, 2017. The enacted bill also makes adjustments to baseline appropriations and allocations and makes changes to certain provisions of State law to ensure a balanced budget for the biennium. Much of the deliberations on the 2016-2017 Biennial Budget were focused on changes to tax and revenue provisions. These changes and the changes to appropriations are summarized below.

Total FY 2015 MaineCare spending (state and federal dollars) after adjusting for one-time spending and offsets, primarily the \$490.2 million in one-time hospital settlement payments made in FY 2014, increased by 3.3% over FY 2014 spending levels. MaineCare General Fund FY 2015 spending, after adjusting for one-time spending and offsets, increased by 0.9% over FY 2014 spending levels and stayed within FY 2015 budgeted resources that included FY 2015 supplemental budget (LD 236 - PL 2015, c. 16) funding.

**Summary (Continued)**

Maine Public Employees Retirement System Total plan assets decreased by approximately \$0.1 billion (MainePERS) earnings on investments were 0.5% for the quarter ending June 30, 2015 and 2.0% over the past year. over the past 12-month period, from \$12.7 billion as of June 30, 2014 to \$12.6 billion as of June 30, 2015.

General Fund Revenue Update**Total General Fund Revenue - FY 2015 (\$'s in Millions)**

	Budget	Actual	Var.	% Var.	Prior Year	% Growth
June	\$516.2	\$545.9	\$29.8	5.8%	\$508.4	7.4%
FYTD	\$3,298.9	\$3,329.3	\$30.4	0.9%	\$3,113.5	6.9%

General Fund revenue ended FY 2015 with a \$30.4 million (0.9%) positive variance. June's very strong performance for income taxes more than doubled the positive variance through May. General Fund revenue grew by 6.9% in FY 15 versus the 6.0% estimated in the current forecast. Individual Income Tax revenue was \$12.7 million over budget for June and \$21.5 million over budget for the fiscal year. The majority of the variance was in the withholding and estimated payments categories. Sales and Use Tax revenue was \$6.3 million over budget in June and \$1.0 million over budget for the fiscal year, reflecting May's strong taxable sales. Corporate Income Tax revenue was \$2.4 million over budget for June and \$1.3 million over budget for the

fiscal year due mainly to higher estimated payments. Partially offsetting the positive variances was Estate Tax revenue, which was \$2.7 million under budget for June and \$4.2 million under budget for the fiscal year. Other revenue categories that ended FY 15 with negative variances include: Service Provider Tax (\$1.7 million); Insurance Company Tax (\$0.8 million); and Transfers for Tax Relief Programs (\$0.3 million). In addition to the major tax categories, the following categories had positive year-end variances: Cigarette and Tobacco Taxes (\$2.0 million); Transfer to the Maine Milk Pool (\$0.6 million); and Real Estate Transfer Tax (\$0.6 million).

Highway Fund Revenue Update**Total Highway Fund Revenue - FY 2015 (\$'s in Millions)**

	Budget	Actual	Var.	% Var.	Prior Year	% Growth
June	\$45.0	\$47.6	\$2.6	5.9%	\$45.8	4.0%
FYTD	\$316.6	\$323.5	\$6.9	2.2%	\$317.1	2.0%

Highway Fund revenue was over budget by \$2.6 million (5.9%) in June and over budget by \$6.9 million (2.2%) for the fiscal year. Highway Fund revenue grew by 2.0% in FY 15 versus the negative 0.3% estimated in the current forecast. Strong performances in the Fuel Taxes and Motor Vehicle Registrations and Fees categories were the primary reasons for the positive year-end results. Fuel taxes were over budget by \$0.7 million in June and by \$2.8 million for the fiscal year. Gasoline taxes

represented the majority of the positive variance, with a small positive variance in the Special Fuel category. Motor Vehicle Registration fees were over budget by \$1.4 million for the month of June and by \$3.5 million for the fiscal year. Long-term Trailer Registration fees were over budget by \$1.2 million for the fiscal year. Title fees rebounded from the winter months to end the fiscal year over budget by \$0.2 million, indicating automobile sales have picked up since the winter/spring months.

FY 2015 Year-End Cascade Transfers

At the close of each fiscal year, the amount of the available General Fund balance in the unappropriated surplus account is distributed to various reserves and for other special purposes based on statutory provisions. The balance "available" for distribution is the amount above the budgeted General Fund ending balance for the fiscal year being closed. The primary sources of the available

amounts for the "cascade" distributions are actual revenue above budgeted amounts and unexpended and unbudgeted General Fund appropriation balances that lapse to the unappropriated surplus. Other unbudgeted accounting adjustments may add to or reduce the amount of the uncommitted funds available for the statutory transfers.



FY 2015 Year-End Cascade Transfers (Continued)

The table below summarizes the sources and uses of FY 2015 uncommitted funds. The \$30.4 million revenue variance, \$3.7 million of unbudgeted lapsed appropriation balances and -\$0.5 million of various other accounting adjustments increased the General Fund ending balance by \$33.5 million above the \$25.6 million budgeted ending balance for FY 2015. Per the statutory provisions, all of this \$33.5 million was distributed at the close of the fiscal year.

PL 2015 c. 267 (the 2016-2017 Biennial Budget), Section L-8 modified the distribution of the year-end “cascade” of funds from the unappropriated surplus of the General Fund. After all fixed dollar transfers have been distributed, 80% is now distributed to the Maine Budget Stabilization Fund and 20% is distributed to the Tax Relief Fund for Maine residents.

FY 2015 General Fund Year-End Summary

Sources of General Fund Year-end Surplus:	
General Fund Revenue Variance	\$30,413,101
Unbudgeted Lapsed Balances	\$3,671,098
Other Accounting Adjustments Increasing (Decreasing) Balance	(\$536,371)
Total Increase in Uncommitted Unappropriated Surplus	<u>\$33,547,828</u>
Uses of General Fund Year-end Surplus:	
Fixed Dollar Transfers	
Replenish Contingent Account up to \$350,000 (5 MRSA §1507)	(\$230,129)
Transfer to Loan Insurance Reserve up to \$1,000,000 (5 MRSA §1511)	(\$1,000,000)
Transfer to General Fund Operating Capital (5 MRSA §1536)	(\$2,500,000)
Percentage Transfers of Remaining Surplus after Fixed Dollar Transfers	
Maine Budget Stabilization Fund	80.0% (\$23,854,159)
Tax Relief Fund for Maine Residents	20.0% (\$5,963,540)
Total Closing Transfers	<u>(\$33,547,828)</u>

The Highway Fund also has a statutory year-end transfer provision that transfers all but \$100,000 of the increase in the unallocated surplus above the budgeted amount to the Department of Transportation for highway and bridge improvement projects in the next fiscal year. The amounts that transferred and are available in FY 2016 are

\$10.9 million. In addition to a \$6.8 million revenue surplus, unexpended Highway Fund allocations that lapsed back to the unallocated surplus totaled \$4.5 million and other net accounting adjustments equaled \$0.4 million.

FY 2015 Highway Fund Year-End Summary

Sources of Highway Fund Year-end Surplus:	
Highway Fund Revenue Variance	\$6,845,817
Unbudgeted Lapsed Balances	\$4,538,623
Other Accounting Adjustments Increasing (Decreasing) Balance	\$378,378
Total Increase in Uncommitted Unallocated Surplus	<u>\$11,762,818</u>
Uses of Highway Fund Year-end Surplus:	
Budgeted Balance Forward	\$715,038
Required Increase to Budgeted Balance	\$100,000
Net Unallocated Transferred to Transportation	<u>\$10,947,780</u>



Cash Update

The average total cash pool balance for June was \$720.4 million. This average balance was \$16.9 million below the average for May but was \$175.9 million higher than last June and \$145.6 million higher than the 10-year average balance for June.

\$45.7 million from \$34.7 million in May but was significantly lower than last June's borrowing of \$151.3 million. The average Highway Fund balance of \$44.5 million in June was slightly below May's average of \$49.0 million but was higher than last June's balance of \$28.2 million.

General Fund internal borrowing increased in June to

Summary of Treasurer's Cash Pool

June Average Daily Balances

(\$'s Millions)

	<u>2014</u>	<u>2015</u>
General Fund (GF) Total	\$44.3	\$43.2
General Fund (GF) Detail:		
Budget Stabilization Fund	\$59.8	\$70.6
Reserve for Operating Capital	\$2.6	\$4.9
Tax Anticipation Notes	\$0.0	\$0.0
Internal Borrowing	\$151.3	\$45.7
Other General Fund Cash	(\$169.5)	(\$78.0)
Other Spec. Rev. - Interest to GF	\$53.1	\$206.7
Other State Funds - Interest to GF	\$18.6	\$17.3
Highway Fund	\$28.2	\$44.5
Other Spec. Rev. - Retaining Interest	\$81.6	\$82.8
Other State Funds	\$237.9	\$239.0
Independent Agency Funds	\$80.8	\$86.8
Total Cash Pool	\$544.4	\$720.4

State Expenditure Update

The State's Operating Funds expenditures in FY 2015 decreased by \$432.6 million or 5.9% from FY 2014 spending levels. This unusual decrease was largely due to the \$490.2 million hospital settlement payments in September of 2014 funded by the proceeds of the liquor revenue bonds. If these one-time payments are subtracted from the totals in Other Special Revenue Funds and Federal Funds, total Operating Funds expenditures in FY 2015 increased by \$57.6 million or 0.8% over FY 2014 levels.

General Fund expenditures in FY 2015 increased by \$16.2 million (0.5%) over FY 2014 spending levels. Increases in General Fund spending for the Department of Corrections (+\$10.4 million; 7.4%) and the Department of Health and Human Services (+\$7.2 million; 0.6%) were partially offset by decreases in the Department of Education (-\$12.8 million; 1.1%). The Department of Corrections increase was primarily in Personal Services,

contracted medical services and Capital expenditures. The Department of Health and Human Services increase was primarily in MaineCare programs. The Department of Education decrease was largely due to the \$18.5 million deferral of June 2013 subsidy payments until July of 2014. Once FY 2014 expenditures are adjusted for this one-time deferred payment, FY 2015 spending in the Department of Education actually increased by \$5.7 million and overall General Fund FY 2015 expenditures actually increased by \$34.7 million (1.1%) over FY 2014 spending levels.

Highway Fund expenditures in FY 2015 decreased by \$19.4 million (6.0%) from FY 2014 spending levels. The decrease was driven by Department of Transportation FY 2015 spending which decreased by \$20.3 million (7.7%), largely the result of increased reliance on bond funding relative to FY 2014.



State Expenditure Update (Continued)

Operating Funds - Expenditures through Close of Fiscal Year

Operating Funds:	FY 2014	FY 2015	% Change
General Fund	\$3,149,348,298	\$3,165,515,092	0.5%
Highway Fund	\$323,035,476	\$303,597,502	-6.0%
Other Special Revenue Funds	\$1,145,846,881	\$991,392,253	-13.5%
Federal Funds	\$2,695,758,316	\$2,420,838,529	-10.2%
Total Operating Funds	\$7,313,988,970	\$6,881,343,375	-5.9%
General Fund Expenditures by Major Department			
Education	\$1,149,920,759	\$1,137,145,300	-1.1%
Health and Human Services	\$1,108,180,468	\$1,115,341,751	0.6%
Corrections	\$140,880,671	\$151,307,935	7.4%
Administrative and Financial Services	\$119,782,911	\$120,028,495	0.2%
Other Departments and Agencies	\$630,583,488	\$641,691,610	1.8%
Highway Fund Expenditures by Major Department			
Transportation	\$264,139,493	\$243,858,699	-7.7%
Secretary of State	\$32,085,862	\$32,738,172	2.0%
Public Safety	\$24,103,278	\$24,310,542	0.9%
Other Departments and Agencies	\$2,706,842	\$2,690,089	-0.6%

2016-2017 Biennial Budget

The 2016-2017 Biennial Budget (LD 1019) was passed by the Legislature on June 15, 2015 and enacted into law on June 30, 2015 as PL 2015 c. 267, when the Governor’s veto was overridden by the Legislature. The enacted bill provides appropriations and allocations for the operation of State government for the fiscal years ending June 30, 2016 and June 30, 2017. It also makes changes to certain provisions of State law. These changes are summarized in the table on page 6.

Much of the deliberations on the 2016-2017 Biennial Budget were focused on changes to State tax and revenue provisions. Major changes enacted include:

Individual Income Tax. Reducing the individual income tax rates and adjusting bracket amounts beginning 1/1/2016 and making other changes to individual tax law including exempting military retirement plan benefits. The Governor's proposal would have reduced the individual income tax rate and adjusted brackets over 4 years beginning 1/1/2016, increased the pension deduction, exempted military retirement plan benefits from tax, repealed itemized deductions for tax years beginning after 12/31/2015 and made various other changes.

Sales Tax. Continuing temporary rates through 12/31/2015. Beginning 1/1/2016 the general sales tax continues at 5.5%, the prepared foods (meals) tax increases to 8%, the lodging tax increases to 9% and the definition of taxable food is expanded. The Governor's proposal would have increased the general sales tax rate to 6.5% effective 1/1/2016 and extended the sales tax to various services effective 1/1/2016.

Service Provider Tax. Increasing the service provider tax rate from 5% to 6% effective 1/1/2016, expanding the base and providing new exemptions. The Governor’s proposal was similar but without additional exemptions.

Revenue Sharing. Capping revenue sharing at 2% of the income tax, sales tax and a portion of the service provider tax for four years and returning it to 5% thereafter. The Governor's proposal would have capped revenue sharing for fiscal year 2015-16 at \$62.5 million and repealed revenue sharing July 30, 2016.

Estate Tax. Increasing the estate tax exclusion from \$2 million to the same amount allowed under federal law (estimated to be \$5.5 million in 2016) for estates of decedents dying in calendar year 2016 and thereafter. The Governor's proposal would have increased the estate tax exclusion to \$5.5 million in 2016 but would have eliminated the tax for decedents dying on or after January 1, 2017.

On the spending side, changes to baseline General Fund appropriations included increases totaling \$150.1 million in FY 2016 and \$177.8 million in FY 2017 that are partially offset by decreases of \$72.1 million in FY 2016 and \$74.2 million in FY 2017. The increases to appropriations were largely in MaineCare and other Department of Health and Human Services programs; General Purpose Aid to Education and related programs and in Higher Education spending initiatives. Reductions/savings in appropriations were made across a number of programs but the largest were in MaineCare and State Retirement spending.



Summary of 2016-2107 Biennial Budget

Includes provisions of PL 2015 c. 237 (LD 1019) as amended by PL 2015, c. 328 (LD 1452)
(dollars in millions)

	Governor Proposed		Enacted	
Transfers/Adjustments to Balance:				
Fund for Efficient Delivery of Local and Regional Services transfer.	(\$5.0)	(\$5.0)	(\$0.8)	(\$0.8)
Fund for Efficient Delivery of Educational Services transfer.	(\$5.0)	(\$5.0)	(\$0.8)	(\$0.8)
Lapses funds from the Department of Economic and Community Development, Office of Innovation program.	\$1.5	\$1.5	\$1.5	\$1.5
Callahan Mine site transfer.	(\$0.9)	(\$0.8)	(\$0.9)	(\$0.8)
Lapses \$350,000 in fiscal year 2015-16 and fiscal year 2016-17 from the voluntary employee incentive program.	\$0.4	\$0.4	\$0.4	\$0.4
Bureau of Revenue Service Fund transfer.	\$0.1	\$0.1	\$0.1	\$0.1
Dirigo Health Fund transfer.	\$0.0	\$0.0	\$0.7	\$0.0
Multimodal - Passenger Rail program transfer.	\$0.0	\$0.0	(\$0.2)	\$0.0
Subtotal - Transfers/Adjustments to Balance	(\$8.9)	(\$8.8)	\$0.1	(\$0.3)
Undedicated Revenue:				
Individual Income Tax. Reduces the individual income tax rate beginning 1/1/2016 and makes other changes.	(\$176.4)	(\$546.7)	(\$61.0)	(\$175.5)
Estate Tax. Increases the estate tax exclusion from \$2 million to \$5.5 million in calendar year 2016 and thereafter.	\$0.0	(\$14.1)	\$0.0	(\$14.3)
Telecommunications Personal Property. No Change. Governor proposed repeal of the excise tax on telecommunications equipment and the telecommunications equipment exemption from local property taxation.	(\$8.3)	(\$8.3)	\$0.0	\$0.0
Corporate Income Tax. No change to rates or brackets. Governor proposed reduction in rates and repeal of AMT.	(\$1.1)	(\$7.5)	\$0.0	\$0.0
BETR/BETE. No Change. Governor proposed eliminating BETR program and transitioning eligible property to BETE.	\$3.5	(\$3.2)	\$0.0	\$0.0
Other Revenue Reductions	\$0.0	\$0.0	(\$0.1)	(\$0.1)
Subtotal Revenue Reductions	(\$182.2)	(\$579.7)	(\$61.1)	(\$189.8)
Sales Tax. Continues temporary rates through 12/31/2015. Beginning 1/1/2016 general sales tax continues at 5.5%, prepared foods (meals) tax increased to 8%, lodging tax to 9% and expands the definition of prepared food.	\$218.7	\$377.1	\$122.2	\$136.1
Revenue Sharing. Caps revenue sharing at 2% of income tax, sales tax and a portion of the service provider tax for four years and returns to 5% thereafter.	\$93.9	\$155.2	\$93.9	\$93.1
Service Provider Tax. Increases the service provider tax from 5% to 6% effective 1/1/2016, expands the base and provides new exemptions.	\$7.8	\$13.8	\$7.6	\$13.5
RETT Funds. Real estate transfer tax (RETT) to General Fund that would otherwise have accrued to the HOME Fund	\$6.3	\$6.1	\$6.3	\$6.1
Other Revenue Increases.	\$0.1	\$0.1	\$0.1	\$0.1
Subtotal Revenue Increases	\$326.8	\$552.2	\$230.0	\$248.9
Net Impact on Undedicated Revenues	\$144.6	(\$27.5)	\$168.9	\$59.0
Appropriations:				
MaineCare Spending Initiatives	\$56.2	\$69.1	\$28.8	\$31.5
Other Department of Health and Human Services Spending Initiatives	\$22.0	\$21.9	\$16.8	\$17.0
General Purpose Aid to Education (GPA) and Related Spending	\$18.8	\$20.9	\$38.2	\$40.4
Higher Education Spending Initiatives	\$13.6	\$17.0	\$16.5	\$23.5
Salary and Wage Cost Initiatives	\$17.2	\$17.8	\$8.2	\$8.7
Debt Service Cost Initiatives	\$8.1	\$7.5	\$7.3	\$7.4
Funding shifted FROM Other Funds	\$5.8	\$5.9	\$5.5	\$5.6
Tax Reimbursement Spending Initiatives	\$2.7	\$4.4	\$2.7	\$14.4
Funding for capital costs for the 2016-2017 biennium.	\$4.5	\$4.2	\$3.4	\$3.2
Retirement Spending Initiatives	\$1.2	\$6.3	\$1.3	\$6.6
Miscellaneous Spending Initiatives	\$9.6	\$11.5	\$21.3	\$19.6
Subtotal Increased Appropriations	\$159.7	\$186.5	\$150.1	\$177.8
MaineCare Savings / Reduction Initiatives	(\$73.3)	(\$87.6)	(\$20.9)	(\$26.5)
Other Department of Health and Human Services Savings / Reductions Initiatives	(\$7.8)	(\$8.5)	\$0.0	\$0.0
Retirement Savings/Reductions Initiatives	(\$35.6)	(\$31.6)	(\$35.6)	(\$31.6)
Salary and Wage Savings/Reductions Initiatives	(\$9.9)	(\$11.2)	(\$9.0)	(\$9.4)
Tax Reimbursement Savings/Reductions Initiatives	(\$8.9)	(\$11.8)	\$0.0	\$0.0
Funding shifted To Other Funds	(\$4.2)	(\$4.4)	(\$3.8)	(\$3.9)
Higher Education Savings / Reductions Initiatives	(\$2.5)	(\$2.5)	(\$2.5)	(\$2.5)
General Purpose Aid to Education (GPA) Savings / Reductions Initiatives	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.1)
Misc Savings / Reductions Initiatives	(\$0.1)	(\$0.1)	(\$0.2)	(\$0.2)
Subtotal Decreased Appropriations	(\$142.4)	(\$157.7)	(\$72.1)	(\$74.2)
Net Impact on Appropriations	\$17.3	\$28.7	\$78.0	\$103.6
Net Budget Impact	(\$118.3)	\$65.0	(\$91.0)	\$44.8

**MaineCare Update****MaineCare Expenditure Detail**

MaineCare Table 1 uses expenditure data from the State's financial accounting system to compare MaineCare expenditures by category for the last three fiscal years. After adjusting for one-time spending and offsets, primarily the \$490.2 million in one-time hospital settlement payments made in September of 2013, total MaineCare "All Funds" spending increased by 3.3% in FY 2015 compared to FY 2014. As detailed in MaineCare Table 1, FY 2015 spending increased primarily in the hospital services, residential care (nursing home payments), home and community-based care (HCBC) waivers, mental health services and transportation services expenditure categories. These increases were partially offset by decreases in the

Medicare crossover payments and the medical professionals expenditure categories and by a decrease in bad debt write-offs in the "15 Accounting Adjustments" category. FY 2015 MaineCare expenditures continued to be offset by financial transactions in the "16 Other Adjustments" category that are not assigned to another expenditure category (e.g., third party liability collections, audit settlements, etc.).

MaineCare Table 1 also shows that aggregate General Fund expenditures for FY 2015 increased by 1.0% compared to FY 2014. After adjusting for the one-time spending and the offsets discussed above, General Fund spending for FY 2015 increased by 0.9% compared to FY 2014.

MaineCare Table 1. MaineCare and Related Expenditures Detail*All Funds*

Expenditure Categories	FY 2013	FY 2014	FY 2015	Chgs. FY 2014 to FY 2015	
				\$	%
1 Hospital Services	\$591,362,030	\$604,211,767	\$640,635,189	36,423,421	6.0%
1A Hospital Settlements ¹	\$26,332,279	\$490,200,000	\$0	(490,200,000)	-100.0%
2 Residential Care	\$526,804,381	\$532,036,514	\$553,823,972	21,787,458	4.1%
3 HCBC Waivers	\$319,031,573	\$339,593,602	\$351,510,360	11,916,759	3.5%
4 Pharmacy and Related	\$314,435,586	\$328,508,335	\$331,228,567	2,720,232	0.8%
5 Medical Professionals	\$171,164,931	\$159,935,271	\$156,294,949	(3,640,321)	-2.3%
6 Medicare Crossover Payments	\$124,397,590	\$106,901,770	\$96,460,794	(10,440,976)	-9.8%
7 Mental Health Services	\$275,462,933	\$281,312,987	\$293,857,311	12,544,325	4.5%
8 Clinic Services	\$57,027,523	\$49,403,456	\$52,554,445	3,150,989	6.4%
9 Home Health	\$30,420,604	\$32,108,068	\$33,000,170	892,103	2.8%
10 Rehabilitation Services	\$24,861,882	\$24,377,889	\$24,668,712	290,823	1.2%
11 Case Management	\$42,876,277	\$43,743,234	\$44,863,117	1,119,883	2.6%
12 Certified Seed	\$24,630,567	\$26,370,611	\$28,757,059	2,386,448	9.0%
13 Transportation Services	\$44,424,416	\$44,954,005	\$50,388,177	5,434,172	12.1%
14 Other Expenditure Codes	\$12,522,261	\$12,599,616	\$13,239,452	639,835	5.1%
15 Accounting Adjustments ²	\$2,170,345	\$10,266,792	\$5,161,744	(5,105,048)	-49.7%
16 Other Adjustments ³	(\$28,966,941)	(\$82,860,836)	(\$99,206,441)	(16,345,605)	19.7%
All Funds Total	\$2,558,958,238	\$3,003,663,081	\$2,577,237,578	(426,425,503)	-14.2%
Minus Adjustments ^{1 2 3}	\$464,317	(\$417,605,956)	\$94,044,697		
All Funds Adjusted Total	\$2,559,422,555	\$2,586,057,125	\$2,671,282,275	85,225,150	3.3%
General Fund Totals	\$771,684,091	\$772,883,954	\$780,442,825	7,558,871	1.0%
Minus Adjustments ^{1 2 3}	\$28,635,763	\$26,022,574	\$25,834,459		
General Fund Adjusted Totals	\$800,319,853	\$798,906,528	\$806,277,284	7,370,757	0.9%

¹ Includes one-time hospital settlement payments in FY 2013 and FY 2014.

² Includes bad debt expenses.

³ Includes other adjustments (e.g., third party liability collections, audit settlements, etc.) that are not assigned to a specific expenditure category.



MaineCare Update (Continued)

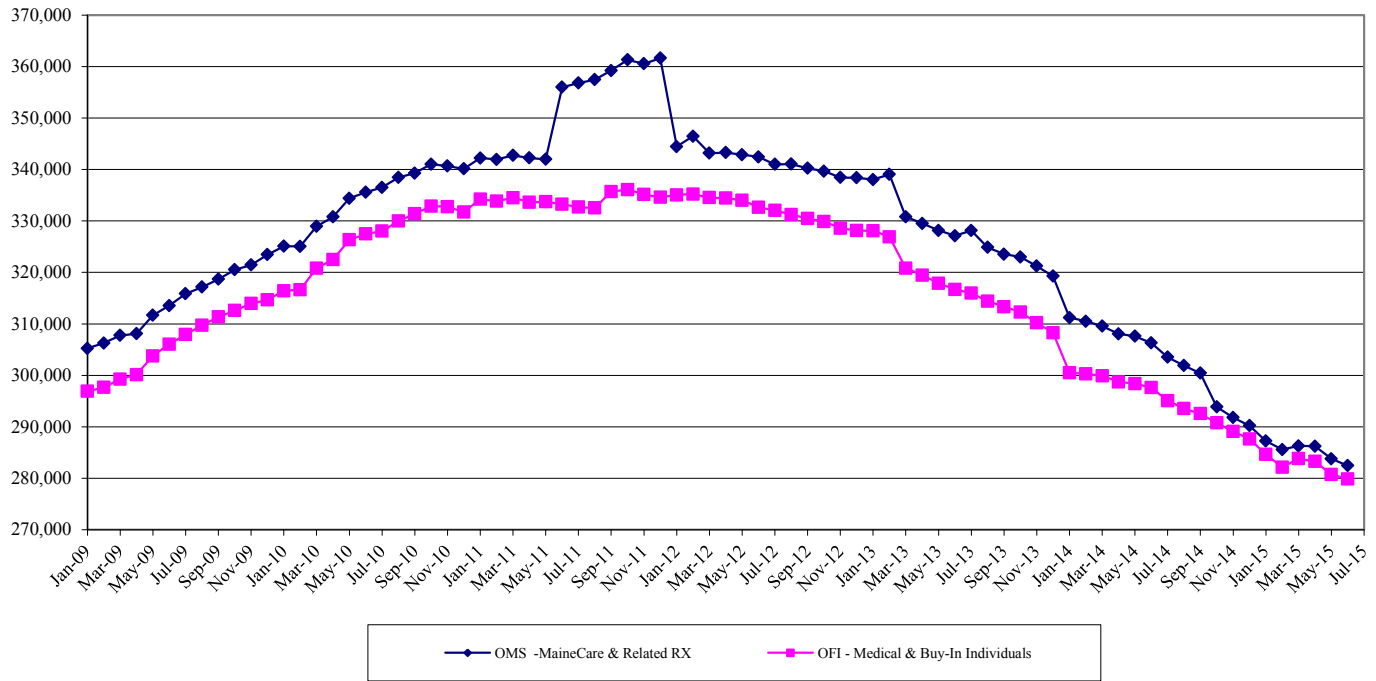
MaineCare Caseload

MaineCare caseload data for June released by the Department of Health and Human Services (DHHS), Office of MaineCare Services (OMS) show aggregate MaineCare caseload decreased by 0.5% in June compared to May levels, continuing a negative trend that has lasted for much of the last three and a half years (see MaineCare Chart 1). As shown in MaineCare Table 2, over the last 12 months, total MaineCare caseload decreased by 23,820 persons (7.8%). Much of this reduction was the result of a 15,931 reduction in the number of persons on MaineCare transitional assistance and a 6,920 reduction in Medicare Savings Program/Drugs for the Elderly (MSP/

DEL) caseload. Maine Care transitional assistance is the federally-required coverage extended to some MaineCare recipients for up to 12 months who lose other Medicaid coverage. Over the last year, the parents with incomes from 101% to 133% of the Federal Poverty Level who lost regular coverage back in the December 2013-January 2014 period also lost their transitional assistance. Most of the decrease in the MSP/DEL caseload occurred in October 2014 and was attributed by DHHS to an OMS technical correction in caseload counting that did not reflect a change in the number individuals actually eligible for the MSP or DEL programs.

MaineCare Chart 1. MaineCare Caseload Through June 2015

Office of MaineCare Services (OMS) and Office of Family Independence (OFI) Data



Source of OMS data - WELFRE through May 2011 and MIHMS June 2011 and thereafter; Source of OFI data - Report ID RE-PM001A. These two sources count MaineCare caseload differently but have tracked consistently with the exception of the problems with the initial switchover to the MIHMS data source (June to December 2011).



MaineCare Update (Continued)

MaineCare Table 2. MaineCare Caseload

	Total MaineCare Caseload	% Monthly Change	MSP/DEL Caseload	Net MaineCare Caseload w/out MSP/DEL	% Monthly Change	Medicaid Transitional Assistance Caseload	Net MaineCare Caseload w/Out Transitional Assistance & MSP/DEL	% Monthly Change
Jul-13	328,121	0.3%	43,817	284,304	0.4%	16,188	268,116	0.3%
Aug-13	324,876	-1.0%	43,888	280,988	-1.2%	16,164	264,824	-1.2%
Sep-13	323,547	-0.4%	43,892	279,655	-0.5%	15,628	264,027	-0.3%
Oct-13	322,998	-0.2%	43,933	279,065	-0.2%	15,430	263,635	-0.1%
Nov-13	321,236	-0.5%	43,993	277,243	-0.7%	15,236	262,007	-0.6%
Dec-13	319,288	-0.6%	44,111	275,177	-0.7%	15,414	259,763	-0.9%
Jan-14	311,216	-2.5%	43,292	267,924	-2.6%	30,264	237,660	-8.5%
Feb-14	310,504	-0.2%	43,077	267,427	-0.2%	34,596	232,831	-2.0%
Mar-14	309,539	-0.3%	42,986	266,553	-0.3%	30,362	236,191	1.4%
Apr-14	308,068	-0.5%	42,874	265,194	-0.5%	27,359	237,835	0.7%
May-14	307,599	-0.2%	42,815	264,784	-0.2%	24,890	239,894	0.9%
Jun-14	306,280	-0.4%	42,690	263,590	-0.5%	23,045	240,545	0.3%
Jul-14	303,519	-0.9%	42,439	261,080	-1.0%	19,402	241,678	0.5%
Aug-14	301,894	-0.5%	42,372	259,522	-0.6%	17,625	241,897	0.1%
Sep-14	300,432	-0.5%	42,200	258,232	-0.5%	16,298	241,934	0.0%
Oct-14	293,863	-2.2%	37,228	256,635	-0.6%	14,677	241,958	0.0%
Nov-14	291,784	-0.7%	37,121	254,663	-0.8%	13,674	240,989	-0.4%
Dec-14	290,218	-0.5%	36,879	253,339	-0.5%	12,718	240,621	-0.2%
Jan-15	287,242	-1.0%	36,840	250,402	-1.2%	9,132	241,270	0.3%
Feb-15	285,581	-0.6%	36,590	248,991	-0.6%	7,669	241,322	0.0%
Mar-15	286,265	0.2%	36,495	249,770	0.3%	7,736	242,034	0.3%
Apr-15	286,214	0.0%	36,417	249,797	0.0%	7,439	242,358	0.1%
May-15	283,782	-0.8%	36,165	247,617	-0.9%	7,050	240,567	-0.7%
Jun-15	282,460	-0.5%	35,770	246,690	-0.4%	7,114	239,576	-0.4%
12 Month Change	-23,820	-7.8%	-6,920	-16,900	-6.4%	-15,931	-969	-0.4%

Source: DHHS-OMS Monthly Caseload Reports

MainePERS Update

Maine Public Employees Retirement System (MainePERS) earnings on investments were 0.5% for the quarter ending June 30, 2015 and 2.0% over the past year. The total plan assets decreased by approximately \$0.1 billion over the past 12 month period, from \$12.7 billion as of June 30, 2014 to \$12.6 billion as of June 30, 2015.

For the quarter ending June 30, 2015, US stocks were up 0.2% while international stocks returned a positive 0.6%. US bonds decreased 0.5%. During that same time period, approximately 85.2% of MainePERS asset allocation was

in US Stocks (26.9%), US Bonds (23.6%), International Stocks (25.0%), and Real Estate (9.7%). The remaining 14.8% was invested in Other, Infrastructure, Private Equity and Cash.

The table below has the long-term return information as of June 30, 2015. Over the past 30 years, the fund has had an average return of 8.7% per year. It is important to realize that quarterly and annual performance can deviate significantly from this long-term average in any given year.

**Long-Term Investment Performance ending June 30, 2015
(Annualized Performance)**

	1 Year	3 Years	5 Years	10 Years	30 Years
Total Fund	2.0%	9.8%	10.3%	5.9%	8.7%



**General Fund Revenue
Fiscal Year Ending June 30, 2015 (FY 2015)**

June 2015 Revenue Variance Report

Revenue Category	June '15		June '15		Fiscal Year-To-Date			FY 2015 Budgeted Totals
	Budget	Actual	Actual	Variance	Budget	Actual	Variance	
Sales and Use Tax	218,099,674	224,416,481	6,316,807		1,194,004,518	1,195,031,298	1,026,780	8.0%
Service Provider Tax	9,003,684	8,839,742	(163,942)		50,303,776	48,554,451	(1,749,325)	-3.2%
Individual Income Tax	179,287,325	192,028,148	12,740,823		1,500,252,088	1,521,778,409	21,526,321	1.4%
Corporate Income Tax	33,643,008	36,089,045	2,446,037		167,655,640	168,965,820	1,310,180	0.8%
Cigarette and Tobacco Tax	12,261,789	12,391,852	130,063		134,890,000	136,913,357	2,023,357	1.5%
Insurance Companies Tax	25,447,561	26,320,597	873,036		82,250,000	81,459,794	(790,206)	-1.0%
Estate Tax	7,938,036	5,232,760	(2,705,276)		35,377,288	31,196,286	(4,181,002)	-11.8%
Other Taxes and Fees *	13,993,392	16,071,640	2,078,248		134,347,436	139,437,659	5,090,223	3.8%
Fines, Forfeits and Penalties	2,116,716	2,236,302	119,586		22,665,758	22,608,527	(57,231)	-0.3%
Income from Investments	109,830	171,067	61,237		519,546	602,838	83,292	16.0%
Transfer from Lottery Commission	4,146,470	3,892,156	(254,314)		53,800,000	54,002,444	202,444	0.4%
Transfers to Tax Relief Programs *	(213)	(315,319)	(315,106)		(59,183,362)	(59,532,694)	(349,332)	-0.6%
Transfers for Municipal Revenue Sharing	(7,672,385)	(6,002,514)	1,669,871		(63,806,792)	(63,600,996)	205,796	0.3%
Other Revenue *	17,777,003	24,573,201	6,796,198		45,846,694	51,909,354	6,062,660	13.2%
Totals	516,151,890	545,945,158	29,793,268		3,298,922,590	3,329,326,547	30,403,957	0.9%

* Additional detail by subcategory for these categories is presented on the following page.



**General Fund Revenue
Fiscal Year Ending June 30, 2015 (FY 2015)**

June 2015 Revenue Variance Report

Revenue Category	June '15		June '15		Fiscal Year-To-Date		% Change from Prior Year	FY 2015 Budgeted Totals
	Budget	Actual	Actual	Variance	Budget	Actual		
Detail of Other Taxes and Fees:								
- Property Tax - Unorganized Territory	2,803,382	1,248,793	(1,554,589)		13,374,984	12,452,432	(922,552)	13,374,984
- Real Estate Transfer Tax	1,913,147	2,221,391	308,244		13,192,973	13,836,648	643,675	13,192,973
- Liquor Taxes and Fees	1,751,346	2,240,109	488,763		21,015,690	22,224,965	1,209,275	21,015,690
- Corporation Fees and Licenses	1,863,607	2,294,212	430,605		9,084,418	9,790,511	706,093	9,084,418
- Telecommunication Excise Tax	0	(22,653)	(22,653)		7,500,000	7,591,072	91,072	7,500,000
- Finance Industry Fees	1,598,014	2,878,800	1,280,786		26,889,210	28,816,550	1,927,340	26,889,210
- Milk Handling Fee	486,557	320,418	(166,139)		2,422,480	2,206,701	(215,779)	2,422,480
- Racino Revenue	527,945	690,008	162,063		8,812,196	8,642,121	(170,075)	8,812,196
- Boat, ATV and Snowmobile Fees	835,909	1,092,983	257,074		4,523,561	4,569,660	46,099	4,523,561
- Hunting and Fishing License Fees	1,816,513	2,343,922	527,409		15,785,896	16,490,686	704,790	15,785,896
- Other Miscellaneous Taxes and Fees	396,972	763,659	366,687		11,746,028	12,816,312	1,070,284	11,746,028
Subtotal - Other Taxes and Fees	13,993,392	16,071,640	2,078,248		134,347,436	139,437,659	5,090,223	134,347,436
Detail of Other Revenue:								
- Liquor Sales and Operations	9,717,259	9,718,674	1,415		13,483,364	13,550,394	67,030	13,483,364
- Targeted Case Management (DHHS)	412,574	230,042	(182,532)		2,560,000	2,532,874	(27,126)	2,560,000
- State Cost Allocation Program	1,541,663	2,084,847	543,184		20,777,688	22,477,739	1,700,051	20,777,688
- Unclaimed Property Transfer	7,000,000	9,615,011	2,615,011		7,000,000	9,615,011	2,615,011	7,000,000
- Tourism Transfer	0	0	0		(11,624,127)	(11,624,127)	0	(11,624,127)
- Transfer to Maine Milk Pool	(2,981,501)	(864,845)	(2,116,656)		(4,552,660)	(3,931,815)	620,845	(4,552,660)
- Transfer to STAR Transportation Fund	0	0	0		(7,066,534)	(7,066,534)	0	(7,066,534)
- Other Miscellaneous Revenue	2,087,008	3,789,472	1,702,464		25,268,963	26,355,813	1,086,850	25,268,963
Subtotal - Other Revenue	17,777,003	24,573,201	6,796,198		45,846,694	51,909,354	6,062,660	45,846,694
Detail of Transfers to Tax Relief Programs:								
- Me. Resident Prop. Tax Program (Circuitbreaker)	0	571	571		0	14,964	14,964	0
- BETR - Business Equipment Tax Reimb.	(213)	277,345	277,558		(32,080,000)	(33,378,597)	(1,298,597)	(32,080,000)
- BETE - Municipal Bus. Equip. Tax Reimb.	0	(593,235)	(593,235)		(27,103,362)	(26,169,061)	934,301	(27,103,362)
Subtotal - Tax Relief Transfers	(213)	(315,319)	(315,106)		(59,183,362)	(59,532,694)	(349,332)	(59,183,362)
Inland Fisheries and Wildlife Revenue - Total	2,739,995	3,536,229	796,234		21,379,362	22,125,659	746,297	21,346,862



**Highway Fund Revenue
Fiscal Year Ending June 30, 2015 (FY 2015)**

June 2015 Revenue Variance Report

Revenue Category	June '15		June '15		Fiscal Year-To-Date			FY 2015 Budgeted Totals
	Budget	Actual	Actual	Variance	Budget	Actual	Variance	
Fuel Taxes:								
- Gasoline Tax	33,009,591	33,783,899	774,308		194,218,900	196,393,071	2,174,171	1.1%
- Special Fuel and Road Use Taxes	7,802,171	7,842,428	40,257		45,679,700	46,608,086	928,386	2.0%
- Transcap Transfers - Fuel Taxes	(1,436,825)	(1,496,465)	(59,640)		(17,628,133)	(17,873,296)	(245,163)	-1.4%
- Other Fund Gasoline Tax Distributions	(404,102)	(423,466)	(19,364)		(4,856,833)	(4,910,656)	(53,823)	-1.1%
Subtotal - Fuel Taxes	38,970,835	39,706,396	735,561		217,413,634	220,217,205	2,803,571	1.3%
Motor Vehicle Registration and Fees:								
- Motor Vehicle Registration Fees	6,687,120	8,101,017	1,413,897		65,659,536	67,581,522	1,921,986	2.8%
- License Plate Fees	320,380	303,980	(16,400)		3,351,681	3,614,320	262,639	7.8%
- Long-term Trailer Registration Fees	509,628	573,626	63,998		10,384,523	11,592,185	1,207,662	11.6%
- Title Fees	1,115,786	1,366,351	250,565		12,799,254	13,158,253	358,999	2.8%
- Motor Vehicle Operator License Fees	670,164	693,141	22,977		7,425,882	7,417,137	(8,745)	-0.1%
- Transcap Transfers - Motor Vehicle Fees	(4,326,921)	(4,673,445)	(346,524)		(15,453,404)	(15,658,915)	(205,511)	-1.3%
Subtotal - Motor Vehicle Reg. & Fees	4,976,157	6,364,669	1,388,512		84,167,472	87,704,502	3,537,030	4.2%
Motor Vehicle Inspection Fees	289,944	656,004	366,060		2,982,500	3,295,017	312,517	10.5%
Other Highway Fund Taxes and Fees	153,690	175,820	22,130		1,270,229	1,314,494	44,265	3.5%
Fines, Forfeits and Penalties	74,446	62,907	(11,539)		905,910	854,813	(51,097)	-5.6%
Interest Earnings	13,231	30,305	17,074		154,546	159,116	4,570	3.0%
Other Highway Fund Revenue	523,098	638,186	115,088		9,726,971	9,949,439	222,468	2.3%
Totals	45,001,401	47,634,287	2,632,886		316,621,262	323,494,586	6,873,324	2.2%
								2.0%