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Office of Fiscal and Program Review

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FISCAL NEWS

MONTHLY NEWSLETTER OF THE OFFICE OF FISCAL AND PROGRAM REVIEW

SEPTEMBER 2012

Volume 6 Number 9

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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.



Month In Review

General Fund revenue was significantly below budget in August, wiping out the positive variance from July’s performance. While there were some timing issues between months and fiscal years, the recent performances of the Sales and Use Tax and the Corporate Income Tax are worrisome. Taxable sales growth has been disappointing during this tourism season despite wonderful weather. Gasoline prices are the likely suspect constraining tourism growth and consumer spending. Heating oil prices will soon be another dampening effect on consumption if the price does not drop as we head into the winter heating season.

Although Highway Fund revenue was under budget in August, it retained much of the positive variance resulting from July’s performance. Fuel taxes continue to exhibit significant variability from budget each month, but overall seem to be tracking close to budget. Other Highway Fund revenue categories, particularly Bureau of Motor Vehicles revenue, have been performing ahead of projections and contributing toward a growing positive variance for FY 2013.

The average balance in the cash pool in August was \$70 million less than a year ago. However, the total cash pool remains sufficiently healthy to support General Fund internal borrowing that was \$71.8 million higher than last August. Absent any significant adverse revenue or spending variances, the General Fund cash position should show improvement over the course of FY 2013.

MaineCare weekly cycle payments through the first 11 weeks of FY 2013 averaged \$44.7 million, slightly below the weekly average for FY 2012 of \$44.9 million. The FY 2013 MaineCare budget assumes that overall MaineCare spending with savings initiatives fully implemented will be below the FY 2012 level. The Department of Health and Human Services (DHHS) presented a more in-depth analysis of MaineCare spending to a MaineCare Redesign Task Force providing some insights into possible targets to control MaineCare spending growth.

**General Fund Revenue Update****Total General Fund Revenue - FY 2013 (\$'s in Millions)**

	Budget	Actual	Var.	% Var.	Prior Year	% Growth
August	\$103.3	\$84.3	(\$19.0)	-18.4%	\$98.9	-14.7%
FYTD	\$308.5	\$303.7	(\$4.8)	-1.5%	\$306.1	-0.8%

General Fund revenue was \$19.0 million (18.4%) under budget in August and was \$4.8 million (1.5%) under budget for the first two months of FY 2013. Revenue for the first 2 months is 0.8% below the same period last fiscal year.

Individual Income Tax, primarily withholding payments, was \$10.7 million under budget in August, but remained ahead of budget by \$1.4 million for the fiscal year. As expected, July's positive variance of \$11.4 million from withholding payments was offset by August's \$10.5 million negative variance.

Sales tax collections were under budget by \$6.7 million in August and \$8.6 million for the first 2 months of FY 2013. Some of this negative variance may be due to purchases that occurred earlier in the year as a result of an early spring at the expense of June taxable sales. July taxable sales data and preliminary indications of August taxable sales from September sales tax collections indicate lackluster growth this tourism season despite very favorable weather. The likely suspect for this underperformance is fuel prices.

Gasoline prices hovering at the \$4 per gallon range certainly would have a dampening effect on tourism and taxable sales. Heating oil prices will also be a concern as we enter the heating season.

Through August, some offsets to the negative variances in income and sales tax categories included the Estate Tax (\$4.3 million over budget), Insurance Companies Tax (\$2.1 million over) and Other Revenue (\$2.2 million over). However, the September performance for each of these categories eroded much of the cushions built up in these categories during the first two months. The Estate Tax, which is difficult to predict monthly due to significant monthly swings, appears to be more than \$1 million under budget in September. Insurance Companies Tax had unusual refund activity in September that will reduce this category's positive variance in half. And finally, the Other Revenue category was over budget in August due to the delay in the \$2 million transfer to the Maine Clean Elections Fund, which was budgeted in August but was not transferred until September.

Highway Fund Revenue Update**Total Highway Fund Revenue - FY 2013 (\$'s in Millions)**

	Budget	Actual	Var.	% Var.	Prior Year	% Growth
August	\$9.2	\$8.7	(\$0.5)	-5.7%	\$9.3	-6.0%
FYTD	\$36.1	\$37.2	\$1.0	2.9%	\$36.0	3.2%

Highway Fund revenue was \$0.5 million under budget in August, but remained \$1.0 million (2.9%) over budget for the fiscal year-to-date (FYTD) through August. Revenue growth for the first two months of FY 2013 was 3.2% over the same period in FY 2012.

Fuel Taxes continue to exhibit significant volatility from month to month compared to budget, which may be a contributor to the unusual growth for the first two months of FY 2013. Despite this variability from budget each month, fuel tax collections for the first quarter of FY 2013 are

tracking close to budget in aggregate.

Other Highway Fund revenue categories have been much more stable compared to budget with the exception of transfers from the General Fund for State Cost Allocation Program (STA-CAP) reimbursement. Eligible Highway Fund expenditures upon which these monthly transfers are based have been below budget. Bureau of Motor Vehicles revenue categories have been performing ahead of projections and have built up a cushion of more than \$0.8 million through August. September's performance will likely push that positive variance over \$1 million.



Cash Update

The average total cash pool balance for August was \$484.5 million, \$6.6 million lower than last month and \$70.0 million less than last August. August's balance was more than \$100 million less than the average balance for the last 10 years in August of \$586.0 million.

General Fund internal cash flow borrowing averaged \$170.0 million in August, almost \$72 million higher than last August and \$15.5 million higher than July. Absent significant adverse General Fund budget variances, the General Fund cash position should show some improvement from FY 2012 as we progress through FY 2013.

Summary of Treasurer's Cash Pool		
August Average Daily Balances		
Millions of \$'s		
	2011	2012
General Fund (GF) Total	\$29.9	\$36.2
General Fund (GF) Detail:		
Budget Stabilization Fund	\$71.5	\$44.8
Reserve for Operating Capital	\$17.1	\$17.1
Tax Anticipation Notes	\$0.0	\$0.0
Internal Borrowing	\$98.2	\$170.0
Other General Fund Cash	(\$156.8)	(\$195.7)
Other Spec. Rev. - Interest to GF	\$87.1	\$29.5
Other State Funds - Interest to GF	\$23.5	\$20.0
Highway Fund	\$35.0	\$29.8
Other Spec. Rev. - Retaining Interest	\$49.0	\$61.6
Other State Funds	\$219.9	\$196.2
Independent Agency Funds	\$110.1	\$111.1
Total Cash Pool	\$554.5	\$484.5

MaineCare Update

MaineCare Spending

The average weekly MaineCare cycle for FY 2013 through Week 11 was \$44.7 million (state and federal dollars), down slightly from the weekly cycle average through Week 7 of \$45.2 million and the FY 2012 average of \$44.9 million. MaineCare Chart 1 on the next page summarizes average weekly MaineCare cycle payments for FY 2013 as well as comparable payment cycle averages for FY 2011 and FY 2012. MaineCare Chart 2 summarizes the actual cycles each week for FY 2013 and for FY 2011 and FY 2012.

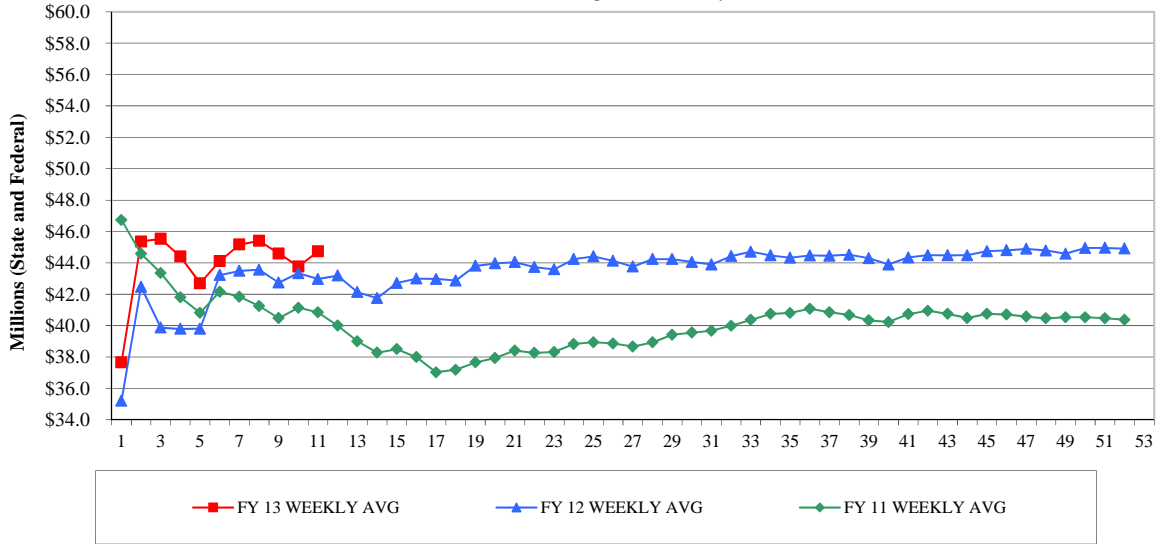
MaineCare Chart 1 continues to show a good deal of fluctuation in the weekly cycle averages to date for

FY 2013 reflecting the fluctuations in the underlying actual weekly cycles to date. The FY 2012 monthly pattern for weekly cycle payments was marked by high points of approximately \$60 million for one week each month reflecting providers billing on a monthly basis, followed by declines in the subsequent weeks. MaineCare Chart 2 shows that these "monthly billing" high-points for the first three months of FY 2013 have been below last year's \$60 million level (i.e., Week 2: \$53.1 million; Week 6: \$51.2 million; and Week 11 of \$54.3 million). It is too early to tell whether this is a real change in these "monthly billing" cycles or just a redistribution to subsequent weeks.



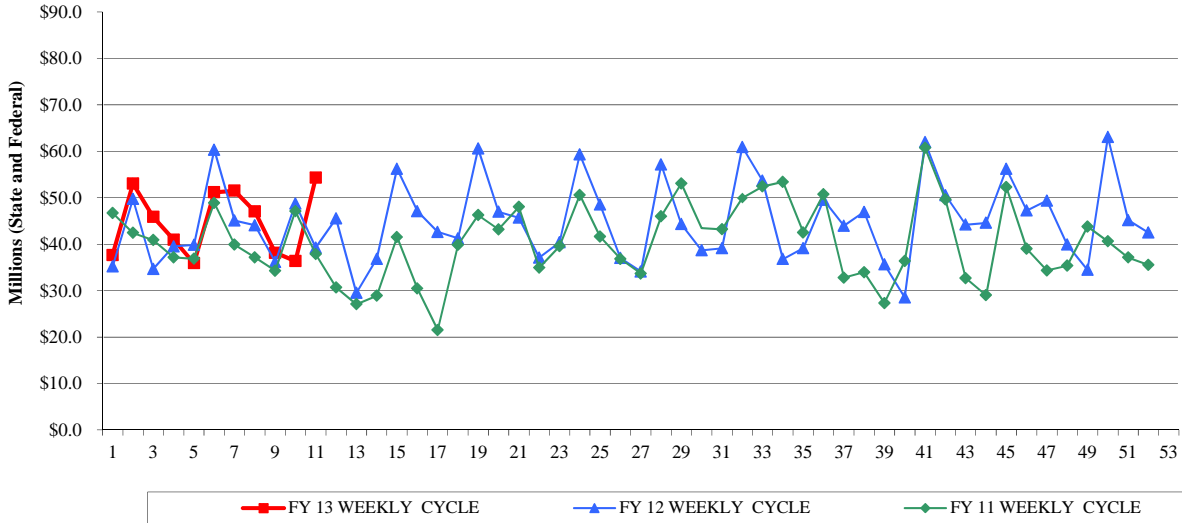
MaineCare Update (continued)

MaineCare Chart 1 - Weekly Cycle Averages - FY 11, FY 12 and FY 13 FY 13 Through 9/15/12 - Cycle 11



° FY 11 averages do not reflect MaineCare hospital settlements of \$227.7 million paid in the 3/18/11 (37th) and \$20.8 million paid in the 3/25/11 (38th) cycles.

MaineCare Chart 2 - Weekly Cycles - FY 11, FY 12 and FY 13 FY 13 Through 9/15/12 - Cycle 11



° FY 11 cycles do not include MaineCare hospital settlements of \$227.7 million paid in the 3/18/11 (37th) and \$20.8 million paid in the 3/25/11 (38th) cycles.

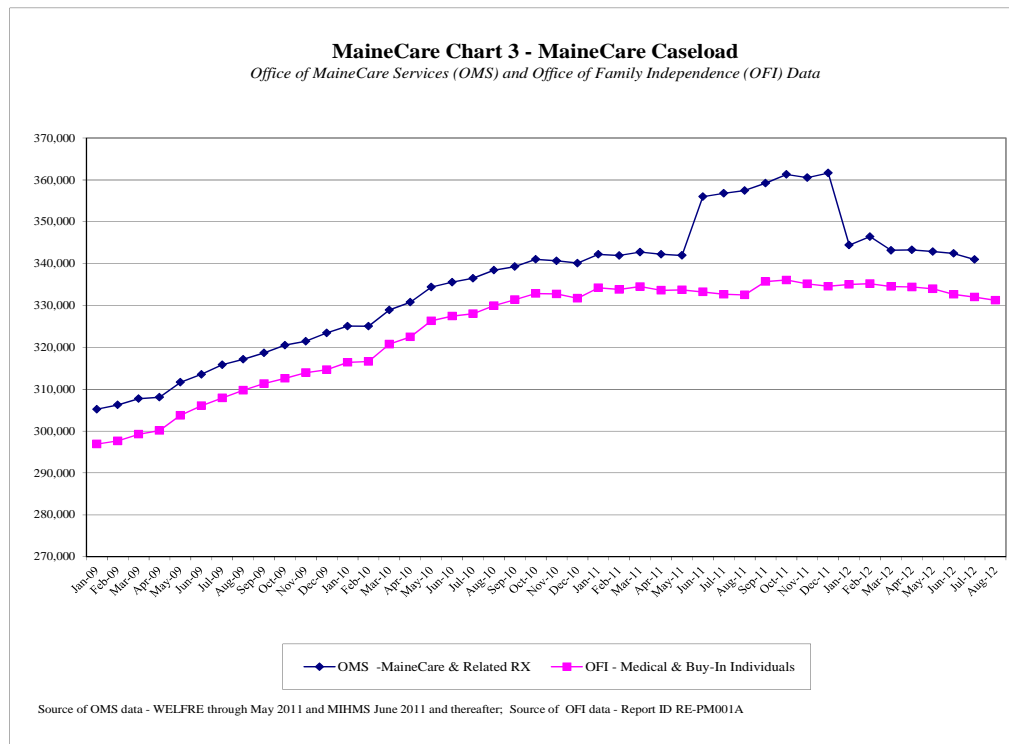


MaineCare Update (continued)

MaineCare Caseload

MaineCare caseload data detail for August has not yet been released by the Department of Health and Human Services' (DHHS) Office of MaineCare Services (OMS). Aggregate August MaineCare caseload data already released by the DHHS Office of Family Independence (OFI) indicate a continued decrease in MaineCare caseload with August's aggregate level of 331,256 persons down from July's level of 332,026 persons. MaineCare Chart 3 below compares OMS and OFI caseload data and includes the OFI August count.

The two sources count MaineCare caseload differently but had been doing so consistently until the June 2011 switchover to the new Maine Integrated Health Management Solution (MIHMS) data source. This difference continued until the corrected January 2012 and March caseload data appears to have restored the historical relationship. It is important to note the trend in MaineCare caseload to date does reflect the continued freeze in new enrollment in the non-categorical adult waiver but does not reflect other changes to MaineCare eligibility made during the 125th Legislature that have not yet taken effect.



MaineCare Redesign Task Force

The MaineCare Redesign Task Force established pursuant to PL 2011, c. 657, Part T, held its first meeting on August 28th, and held subsequent meetings on September 12th and September 25th. The task force's next meeting is scheduled for October 9th with additional meetings scheduled for October and November in order to meet its initial November 15th reporting deadline. The Department of Health and Human Services is staffing the task force and posting materials related to the work of the task force at <http://www.maine.gov/dhhs/mainecare-task-force/>. To date, the task force has been collecting and reviewing information and data related to the MaineCare program.

As specified in PL 2011, c. 657, Part T, the task force consists of the Commissioner of the Department of

Health and Human Services, who serves as the chair of the task force, and eight members appointed by the Commissioner. The task force is required to undertake a comprehensive review of the MaineCare program and report on a number of issues including: eligibility levels; benefit levels; premium, cost-sharing and participation requirements; the fiscal status of the MaineCare program; management and administrative strategies; and initiatives being used in other states' Medicaid programs. The task force is required to make recommendations for redesign of the MaineCare program to achieve General Fund savings of \$5,250,000 during FY 2013 and annually thereafter. The task force is also required to report on changes to the MaineCare program that will be required pursuant to the federal Patient Protection and Affordable Care Act of 2010.

**General Fund Revenue
Fiscal Year Ending June 30, 2013 (FY 2013)
August 2012 Revenue Variance Report**

Revenue Category				Fiscal Year-To-Date					FY 2013 Budgeted Totals
	August '12 Budget	August '12 Actual	August '12 Variance	Budget	Actual	Variance	Variance %	% Change from Prior Year	
Sales and Use Tax	6,595,654	(115,870)	(6,711,524)	103,048,416	94,435,627	(8,612,789)	-8.4%	-5.0%	1,015,901,512
Service Provider Tax	(1,561,439)	(378,690)	1,182,749	3,024,041	3,856,573	832,532	27.5%	35.6%	53,586,812
Individual Income Tax	88,000,000	77,346,960	(10,653,040)	171,749,714	173,191,001	1,441,287	0.8%	4.6%	1,437,134,214
Corporate Income Tax	3,386,790	(5,183,938)	(8,570,728)	11,864,153	4,376,616	(7,487,537)	-63.1%	-64.4%	204,177,901
Cigarette and Tobacco Tax	11,916,336	13,950,033	2,033,697	25,051,154	26,509,961	1,458,807	5.8%	6.6%	139,555,285
Insurance Companies Tax	62,629	114,769	52,140	1,037,043	3,167,369	2,130,326	205.4%	73.2%	79,215,000
Estate Tax	(3,270,482)	(546,669)	2,723,813	0	4,261,244	4,261,244	N/A	184.7%	42,736,287
Other Taxes and Fees *	8,777,894	9,496,120	718,226	18,216,595	19,021,974	805,379	4.4%	13.1%	156,489,377
Fines, Forfeits and Penalties	2,506,731	2,078,692	(428,039)	4,149,634	4,201,520	51,886	1.3%	-1.2%	25,145,756
Income from Investments	43,340	20,671	(22,669)	43,340	20,671	(22,669)	-52.3%	-52.4%	141,684
Transfer from Lottery Commission	4,042,304	3,932,921	(109,383)	8,084,608	8,476,580	391,972	4.8%	-3.5%	52,550,000
Transfers to Tax Relief Programs *	(11,825,919)	(13,400,101)	(1,574,182)	(12,524,688)	(13,767,287)	(1,242,599)	-9.9%	-7.9%	(110,914,175)
Transfers for Municipal Revenue Sharing	(6,499,511)	(7,045,813)	(546,302)	(19,811,740)	(20,773,524)	(961,784)	-4.9%	-1.0%	(94,592,750)
Other Revenue *	1,143,271	4,035,950	2,892,679	(5,415,737)	(3,231,855)	2,183,882	40.3%	-360.8%	55,107,725
Totals	103,317,598	84,305,036	(19,012,562)	308,516,533	303,746,469	(4,770,064)	-1.5%	-0.8%	3,056,234,628

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

General Fund Revenue Fiscal Year Ending June 30, 2013 (FY 2013) August 2012 Revenue Variance Report

Revenue Category				Fiscal Year-To-Date					FY 2013 Budgeted Totals
	August '12 Budget	August '12 Actual	August '12 Variance	Budget	Actual	Variance	Variance %	% Change from Prior Year	
Detail of Other Taxes and Fees:									
- Property Tax - Unorganized Territory	0	0	0	0	0	0	N/A	N/A	13,479,881
- Real Estate Transfer Tax	306,857	88,656	(218,201)	1,341,704	1,051,369	(290,335)	-21.6%	17.2%	11,153,467
- Liquor Taxes and Fees	1,716,784	2,124,570	407,786	3,433,568	4,227,553	793,985	23.1%	5.1%	20,770,313
- Corporation Fees and Licenses	278,477	258,301	(20,177)	527,737	744,891	217,154	41.1%	34.5%	7,847,099
- Telecommunication Excise Tax	0	0	0	0	0	0	N/A	-100.0%	11,574,108
- Finance Industry Fees	1,904,581	2,175,800	271,219	3,809,162	3,972,050	162,888	4.3%	13.3%	23,265,980
- Milk Handling Fee	328,571	477,209	148,638	657,142	1,045,212	388,070	59.1%	471.9%	3,942,852
- Racino Revenue	1,458,873	1,021,970	(436,903)	2,917,746	1,973,783	(943,963)	-32.4%	9.3%	17,506,617
- Boat, ATV and Snowmobile Fees	381,585	367,962	(13,623)	945,878	916,288	(29,590)	-3.1%	-7.4%	4,763,561
- Hunting and Fishing License Fees	1,907,392	2,353,186	445,794	3,603,495	3,992,433	388,938	10.8%	4.8%	16,214,189
- Other Miscellaneous Taxes and Fees	494,774	628,466	133,692	980,163	1,098,394	118,231	12.1%	11.2%	25,971,310
Subtotal - Other Taxes and Fees	8,777,894	9,496,120	718,226	18,216,595	19,021,974	805,379	4.4%	13.1%	156,489,377
Detail of Other Revenue:									
- Liquor Sales and Operations	2,292	3,300	1,008	4,584	6,900	2,316	50.5%	17.9%	28,084,900
- Targeted Case Management (DHHS)	175,449	202,871	27,422	350,898	400,847	49,949	14.2%	-71.0%	2,105,386
- State Cost Allocation Program	1,392,590	1,266,564	(126,026)	2,656,806	2,714,039	57,233	2.2%	18.4%	15,000,000
- Unclaimed Property Transfer	0	0	0	0	0	0	N/A	N/A	6,000,000
- Toursim Transfer	0	0	0	(6,121,789)	(6,121,789)	0	0.0%	-4.2%	(9,786,425)
- Transfer to Maine Milk Pool	(1,332,530)	(716,007)	616,523	(2,655,621)	(1,492,914)	1,162,707	43.8%	N/A	(6,667,897)
- Transfer to STAR Transportation Fund	0	0	0	(4,030,254)	(4,030,254)	0	0.0%	-94.5%	(6,157,681)
- Other Miscellaneous Revenue	905,470	3,279,222	2,373,752	4,379,639	5,291,316	911,677	20.8%	-3.9%	26,529,442
Subtotal - Other Revenue	1,143,271	4,035,950	2,892,679	(5,415,737)	(3,231,855)	2,183,882	40.3%	-360.8%	55,107,725
Detail of Transfers to Tax Relief Programs:									
- Me. Resident Prop. Tax Program (Circuitbreaker)	(7,570,799)	(13,331,547)	(5,760,748)	(8,269,568)	(13,698,733)	(5,429,165)	-65.7%	-69.7%	(43,081,877)
- BETR - Business Equipment Tax Reimb.	(4,255,120)	(68,554)	4,186,566	(4,255,120)	(68,554)	4,186,566	98.4%	98.5%	(47,632,583)
- BETE - Municipal Bus. Equip. Tax Reimb.	0	0	0	0	0	0	N/A	N/A	(20,199,715)
Subtotal - Tax Relief Transfers	(11,825,919)	(13,400,101)	(1,574,182)	(12,524,688)	(13,767,287)	(1,242,599)	-9.9%	-7.9%	(110,914,175)
Inland Fisheries and Wildlife Revenue - Total	2,377,438	2,825,755	448,317	4,714,234	5,093,752	379,518	8.1%	2.4%	21,899,276

Highway Fund Revenue Fiscal Year Ending June 30, 2013 (FY 2013) August 2012 Revenue Variance Report

Revenue Category				Fiscal Year-To-Date					FY 2013 Budgeted Totals
	August '12 Budget	August '12 Actual	August '12 Variance	Budget	Actual	Variance	% Variance	% Change from Prior Year	
Fuel Taxes:									
- Gasoline Tax	3,303,556	2,140,039	(1,163,517)	19,209,096	19,160,327	(48,769)	-0.3%	0.8%	197,590,000
- Special Fuel and Road Use Taxes	(1,381,519)	(831,627)	549,892	2,650,573	3,060,186	409,613	15.5%	7.3%	44,850,000
- Transcap Transfers - Fuel Taxes	(1,699,479)	(1,655,860)	43,619	(3,164,345)	(3,192,346)	(28,001)	-0.9%	-0.7%	(17,804,916)
- Other Fund Gasoline Tax Distributions	(503,979)	(474,884)	29,095	(901,730)	(900,510)	1,220	0.1%	10.0%	(4,941,133)
Subtotal - Fuel Taxes	(281,421)	(822,332)	(540,911)	17,793,594	18,127,657	334,063	1.9%	2.5%	219,693,951
Motor Vehicle Registration and Fees:									
- Motor Vehicle Registration Fees	5,816,416	5,796,231	(20,185)	11,280,370	11,657,772	377,402	3.3%	1.6%	64,805,936
- License Plate Fees	375,808	412,942	37,134	673,934	765,120	91,186	13.5%	4.5%	3,351,681
- Long-term Trailer Registration Fees	260,635	568,040	307,405	729,650	919,275	189,625	26.0%	24.4%	9,384,523
- Title Fees	1,211,405	1,090,023	(121,382)	2,092,016	2,199,019	107,003	5.1%	3.8%	11,905,216
- Motor Vehicle Operator License Fees	841,519	788,001	(53,518)	1,494,386	1,548,033	53,647	3.6%	9.5%	8,761,371
- Transcap Transfers - Motor Vehicle Fees	0	0	0	0	0	0	N/A	N/A	(14,966,712)
Subtotal - Motor Vehicle Reg. & Fees	8,505,783	8,655,237	149,454	16,270,356	17,089,219	818,863	5.0%	3.7%	83,242,015
Motor Vehicle Inspection Fees	248,540	226,171	(22,370)	497,080	722,998	225,918	45.4%	70.1%	2,982,500
Other Highway Fund Taxes and Fees	121,704	120,668	(1,036)	221,764	230,420	8,656	3.9%	-7.3%	1,276,365
Fines, Forfeits and Penalties	68,783	91,038	22,255	162,621	184,896	22,275	13.7%	8.0%	993,049
Interest Earnings	9,270	10,634	1,364	18,540	10,634	(7,906)	-42.6%	6.0%	111,259
Other Highway Fund Revenue	554,097	417,553	(136,544)	1,156,165	802,975	(353,190)	-30.5%	-18.7%	8,380,404
Totals	9,226,756	8,698,969	(527,787)	36,120,120	37,168,799	1,048,679	2.9%	3.2%	316,679,543