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## Fiscal News, April 2009

Maine State Legislature

Office of Fiscal and Program Review

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# FISCAL NEWS

MONTHLY NEWSLETTER OF THE OFFICE OF FISCAL AND PROGRAM REVIEW

APRIL 2009

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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

The later May 1<sup>st</sup> statutory deadline for 1<sup>st</sup> Regular Session years allowed the Revenue Forecasting Committee (RFC) to factor into its mid-session forecast some discouraging updated information from April 15<sup>th</sup> income tax filings and March taxable sales performance. Even with the largest downward revision to the economic forecast in the Consensus Economic Forecasting Commission’s history, the economic tax models were not able to capture the effect of recession on consumer behavior and the RFC was forced to make some manual adjustments to capture the recent income and sales tax declines.

General Fund revenues continued their downward slide in March falling further below budget. Leading the way was the sales tax, which has been running roughly \$4 to \$5 million below budget each month. Preliminary data from April’s tax collections reflect dismal performances in the sales tax (\$9 million below budget in April) and individual income tax final payments (\$60 million below budget). That additional late information produced the General Fund downward adjustment of \$129.3 million for FY 2009. This late breaking information and the size of the adjustments was a shock for policy makers, who are now facing a current year General Fund shortfall almost as large as the shortfall addressed at the end of January, but now have only 2 months left in the fiscal year.

Highway Fund revenue was significantly under budget in March with the fuel tax collections being the major factor behind the negative variance once again. April’s collections showed no sign of improvement. This information combined with some issues in revenue from motor vehicle fees produced a significant downward revision in FY 2009 of \$16.7 million and a total downward revision of \$42.3 million for the 2010-2011 biennium. The Highway Fund’s FY 2009 new shortfall with no reserves may be relatively more problematic for policy makers than the General Fund’s.

March’s cash balances remained significantly below historical balances, but the State will manage to avoid any external borrowing this fiscal year as the infusion of April income tax cash, although much less than anticipated, provides the rebound from the fiscal year’s typical low point in March. External borrowing is a given for next fiscal year as reserve fund balances may be used again to help address new shortfalls.

On April 21<sup>st</sup>, Maine received notification that will allow the State to begin drawing down the enhanced temporary Federal Medical Assistance Percentage (FMAP) increase provided in the American

**Month in Review (continued)**

Recovery and Reinvestment Act of 2009 (ARRA of 2009). This paves the way for a financial order to provide hospital settlement payments for hospital fiscal years 2005 and 2006. With Maine's deteriorating employment picture, projections now call for Maine's eligibility to jump to the 2<sup>nd</sup> tier of the high unemployment bonus matching rate beginning in April and to reach the 3<sup>rd</sup> and highest

tier by the beginning of FY 2010. The additional enhanced federal Medicaid match will increase the amount of flexible General Fund Medicaid savings and may help address the additional shortfalls created by the revenue revisions. The Administration will be presenting its policy initiatives to address the current General Fund shortfall on May 1<sup>st</sup>.

**General Fund Update****Total General Fund Revenue - FY 2009 (\$'s in Millions)**

|       | Budget    | Actual    | Var.     | % Var. | Prior Year | % Growth |
|-------|-----------|-----------|----------|--------|------------|----------|
| March | \$173.7   | \$162.4   | (\$11.3) | -6.5%  | \$193.0    | -15.9%   |
| FYTD  | \$1,841.4 | \$1,814.0 | (\$27.4) | -1.5%  | \$1,903.0  | -4.7%    |

General Fund revenue was under budget by \$11.3 million in March and fell below budget for the Fiscal Year-to-date (FYTD) by \$27.4 million or 1.5% through March 2009, 3 quarters of the way through FY 2009. March revenue was 15.9% below March 2008 and 4.7% below the same 3 quarters in FY 2008. This FYTD decline is greater than the 4.1% decline projected in the December 2008 General Fund revenue forecast. Preliminary data for April revenue reflects very disappointing performances for the major taxes.

Sales and Use Tax continued its decline in March and for the FYTD had fallen \$31.0 million or 4.7% below budget, 4.2% below FY 2008 amounts for the same period. Sales tax collections have been under budget by roughly \$4 to \$5 million each month recently, but April's collections, representing March taxable sales indicated a more substantial variance and retraction by the consumer. Estimates are indicating that Sales and Use Tax will be under budget by roughly \$9 million for April. The Revenue Forecasting Committee (RFC) revised FY 2009 Sales and Use Tax projections downward by \$57.6 million assuming that this category will decline by 5.4% from FY 2008 levels.

Cigarette and Tobacco Products Taxes were \$4.2 million under budget in March. This negative variance was particularly large this month because suppliers reduced inventories in anticipation of the federal tax changes. This category is expected to decline further below budget for the remainder of FY 2009 and beyond as a result of the price increases caused by the federal tax. The RFC revised this category downward by \$6.7 million in FY 2009 and more in future fiscal years.

Both the Individual and Corporate Income Tax categories were under budget in March. Individual Income Tax remained over budget by \$17.0 million for the FYTD providing some cushion heading into the April tax filing season. However, that cushion will not be nearly enough based on preliminary April income tax collections data. Final payments fell roughly \$60 million below projections for April, eliminating the cushion from earlier months. The RFC decided to lower projections for FY 2009 Individual Income Tax by \$45.2 million and projected an 11.2% decline from FY 2008.

Corporate Income Tax fell to \$1.4 million under budget for the FYTD through March. Preliminary data for April estimated payments for Corporate Income Tax were under budget by roughly \$11 million. Based on this preliminary data and the assumption about corporate profits, the RFC revised this category downward by \$20.0 million and projected a 19.3% decline from FY 2008.

The Insurance Companies Tax category and the Other Revenue Category were the only 2 categories over budget in March. Insurance Companies Tax reflects payments based on calendar year 2008 performance, which was better than projections. The Other Revenue category rebounded in March due to "catch-up" transfers to the Fund for the Efficient Delivery of Local and Regional Services and a \$3.5 million positive variance in Department of Health and Human Services revenue. Other Revenue remained \$9.8 million under budget through March, largely due to a \$6.0 million timing issue related to the Unclaimed Property Transfer and the transfers to the Maine Milk Pool, which had a negative FYTD variance of \$5.1 million.



## Highway Fund Update

### Total Highway Fund Revenue - FY 2009 (\$'s in Millions)

|       | Budget  | Actual  | Var.    | % Var. | Prior Year | % Growth |
|-------|---------|---------|---------|--------|------------|----------|
| March | \$30.0  | \$26.7  | (\$3.3) | -11.0% | \$27.4     | -2.4%    |
| FYTD  | \$231.5 | \$222.5 | (\$9.1) | -3.9%  | \$223.7    | -0.5%    |

Highway Fund revenue was under budget by \$3.3 million or 11% in March and \$9.1 million or 3.9% for the FYTD through 3 quarters of FY 2009. The brief reprieve in February from a series of negative variances was just that – brief. Through 3 quarters of FY 2009 Highway Fund revenue has declined 0.5% from the same period in FY 2008 despite indexing fuel tax rates for inflation. April preliminary data showed continued weakness in fuel tax collections.

In addition to declining fuel consumption in reaction to last summer’s record high prices, the negative variances in the gas tax collections have also been driven by a greater than anticipated shift by distributors to the use of “E-10” gasoline-ethanol mix. The

gasoline-ethanol mix qualifies for a tax rate that is approximately \$0.01 lower than the rate for gasoline.

The estimated annual effect from this shift is approximately \$6.5 million and was a major contributor to the Revenue Forecasting Committee’s downgrade of Highway Fund revenue projections by \$16.7 million in FY 2009. Along with fuel tax revenues, motor vehicle registration fees and title fees continue to decline. Registration fees were under budget by 2.2% through March and are projected to continue to decline through the end of the year. New car sales are approximately 10% lower than the previous year, resulting in a reduction in title fees of 9%.

## Revenue Forecast Update

The warning signs were building for many months and the Consensus Economic Forecasting Commission’s (CEFC) significant downward revision to the economic forecast put policy makers on notice to expect a substantial downward revenue revision by the Revenue Forecasting Committee (RFC) in its May 1<sup>st</sup> report. When the preliminary numbers were released after the RFC’s April 28<sup>th</sup> meeting, the revision was in the worst case scenario and the short-term FY 2009 revisions were substantially worse than expected for both the General Fund and Highway Fund.

The devil was in the details of the economic forecast revisions as the changes to the salary and wage component of Personal Income had an even more substantial negative effect on individual income tax estimates than the aggregate Personal Income changes suggested. Even with the substantial changes in the economic forecast, the economic tax models were not able to adequately capture recent consumer behavior and the RFC was forced to make some manual adjustments to account for the recent declines in consumption and taxable sales.

While the later reporting date of the RFC during 1<sup>st</sup> Regular Session years allows the RFC to capture the data from April tax collections (often the most volatile month) the delay also leaves policy makers with only 2 months remaining in the current fiscal

year to address a substantial current year revenue shortfall. The combination of the 2 major back-to-back downward revisions has produced a General Fund revenue picture with 3 fiscal years of declining revenue and 2 fiscal years of modest recovery that still leave the FY 2013 General Fund revenue forecast approximately \$115 million below FY 2008 levels. The new General Fund shortfall for FY 2009 at \$129.3 million is almost as large as the \$140 million shortfall addressed in January. The 2010-2011 biennium’s General Fund revenue revision at \$439.9 million compounds the existing revenue shortfall and pegs General Fund revenue at approximately \$780 million below Baseline Budget appropriation levels.

The FY 2009 Highway Fund revenue revision of \$16.7 million will be particularly difficult for policymakers to address because the Highway Fund has no reserve fund balances and the Highway and Bridge Capital program has very little cushion to absorb this shortfall.

The table on the next page summarizes the aggregate effects of the May 2009 RFC revisions. The RFC report scheduled for release on May 1<sup>st</sup> will provide some additional detail concerning the forecast and will be available at: [http://www.maine.gov/legis/ofpr/revenue\\_forecasting\\_committee/current/index.htm](http://www.maine.gov/legis/ofpr/revenue_forecasting_committee/current/index.htm).

**Revenue Forecast Update (continued)****Summary of May 2009 Revenue Revisions**

Millions of \$'s

**General Fund Summary**

|                         | <b>FY08 Actual</b> | <b>FY09</b> | <b>FY10</b> | <b>FY11</b> | <b>FY12</b> | <b>FY13</b> |
|-------------------------|--------------------|-------------|-------------|-------------|-------------|-------------|
| Current Forecast        | \$3,087.8          | \$2,961.8   | \$2,969.2   | \$3,016.0   | \$3,106.8   | \$3,189.8   |
| Annual % Growth         | 2.3%               | -4.1%       | 0.3%        | 1.8%        | 4.6%        | 5.8%        |
| Net Increase (Decrease) |                    | (\$129.3)   | (\$195.6)   | (\$244.2)   | (\$235.4)   | (\$217.8)   |
| Revised Forecast        | \$3,087.8          | \$2,832.5   | \$2,773.6   | \$2,771.8   | \$2,871.4   | \$2,972.0   |
| Annual % Growth         | 2.3%               | -8.3%       | -2.1%       | -0.1%       | 3.6%        | 3.5%        |

**Highway Fund Summary**

|                         | <b>FY08 Actual</b> | <b>FY09</b> | <b>FY10</b> | <b>FY11</b> | <b>FY12</b> | <b>FY13</b> |
|-------------------------|--------------------|-------------|-------------|-------------|-------------|-------------|
| Current Forecast        | \$328.1            | \$341.9     | \$322.7     | \$326.3     | \$328.6     | \$331.8     |
| Annual % Growth         | -0.8%              | 4.2%        | -5.6%       | -4.6%       | 1.8%        | 1.7%        |
| Net Increase (Decrease) |                    | (\$16.7)    | (\$16.0)    | (\$26.3)    | (\$22.9)    | (\$20.3)    |
| Revised Forecast        | \$328.1            | \$325.1     | \$306.7     | \$299.9     | \$305.7     | \$311.5     |
| Annual % Growth         | -0.8%              | -0.9%       | -5.7%       | -7.8%       | -6.0%       | 1.6%        |

**Fund for a Healthy Maine Summary**

|                         | <b>FY08 Actual</b> | <b>FY09</b> | <b>FY10</b> | <b>FY11</b> | <b>FY12</b> | <b>FY13</b> |
|-------------------------|--------------------|-------------|-------------|-------------|-------------|-------------|
| Current Forecast        | \$62.0             | \$64.4      | \$63.8      | \$64.5      | \$70.9      | \$71.2      |
| Annual % Growth         | 21.8%              | 3.8%        | -1.0%       | 1.1%        | 10.0%       | 0.4%        |
| Net Increase (Decrease) |                    | \$3.9       | (\$4.1)     | (\$7.4)     | (\$8.1)     | (\$8.6)     |
| Revised Forecast        | \$62.0             | \$68.3      | \$59.7      | \$57.1      | \$62.8      | \$62.6      |
| Annual % Growth         | 21.8%              | 10.0%       | -12.6%      | -4.3%       | 10.0%       | -0.3%       |

**Medicaid/MaineCare Dedicated Revenue Taxes Summary**

|                         | <b>FY08 Actual</b> | <b>FY09</b> | <b>FY10</b> | <b>FY11</b> | <b>FY12</b> | <b>FY13</b> |
|-------------------------|--------------------|-------------|-------------|-------------|-------------|-------------|
| Current Forecast        | \$130.2            | \$141.1     | \$142.8     | \$144.6     | \$146.4     | \$148.2     |
| Annual % Growth         | 3.6%               | 8.4%        | 1.2%        | 1.2%        | 1.3%        | 1.3%        |
| Net Increase (Decrease) |                    | (\$0.4)     | (\$2.1)     | (\$3.7)     | (\$5.5)     | (\$7.2)     |
| Revised Forecast        | \$130.2            | \$140.6     | \$140.7     | \$140.8     | \$140.9     | \$141.0     |
| Annual % Growth         | 3.6%               | 8.0%        | 0.1%        | 0.1%        | 0.1%        | 0.1%        |

**Cash Balances Update**

A comparison of the average balances of March 2008 and March 2009 shows that the average total cash pool balance last month was \$277.2 million, which was \$92.0 million less than March 2008. The average balance for March during the last 7 years, 2002 to 2008, was \$498.1 million. March is typically the month with the lowest cash balances with April showing some improvement with the receipt of April income tax payments.

General Fund internal borrowing increased to \$207.6 million in March, \$65.6 million more than the same period last year. Excluding reserve fund balances and internal borrowing, the General Fund average cash balance was negative by \$412.1 million. The negative balance in the Dirigo Health Fund

improved in February, averaging \$12.8 million for the month based on end of quarter increases in Savings Offset Payment receipts.

The release of 2 quarters of federal stimulus funds related to the temporary increase in the Federal Medical Assistance Percentage (FMAP) will help buoy the General Fund cash position, offsetting some of the effect of the \$56.1 million transfer from the Maine Budget Stabilization Fund (MBSF). The State will manage to make it through FY 2009 with no external borrowing. However, given the current budget picture with the additional \$129.3 million General Fund shortfall in FY 2009 and the high probability that additional transfers from the MBSF will be needed to balance the budget, external borrowing will be necessary in FY 2010.



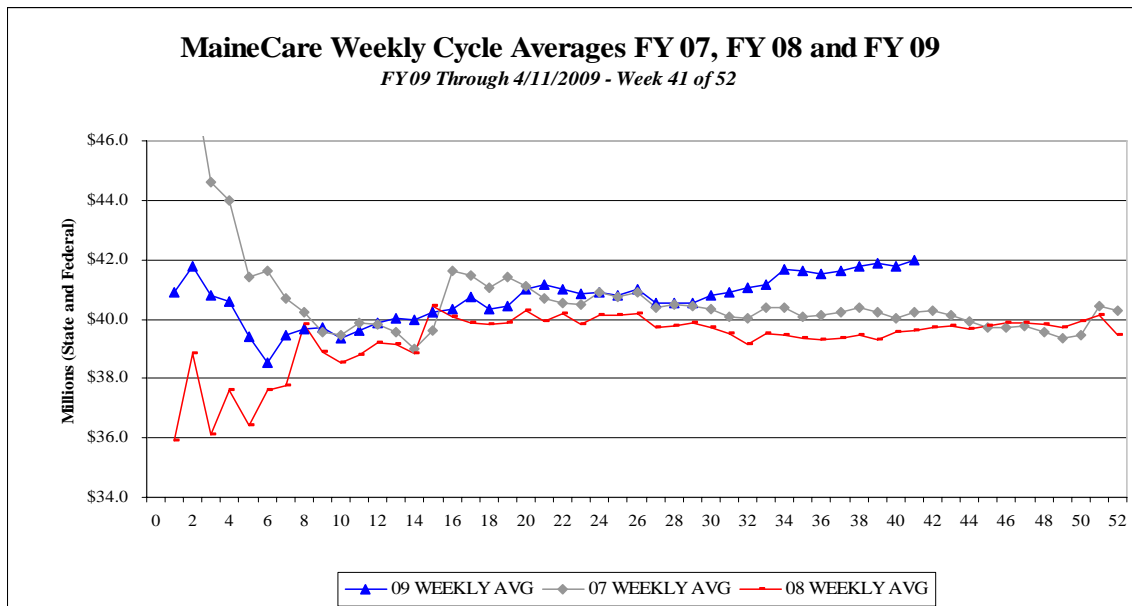
Cash Balances Update (continued)

| <b>Summary of Treasurer's Cash Pool</b> |                |                |
|---|----------------|----------------|
| <b>March Average Daily Balances</b>     |                |                |
| <b>Millions of \$'s</b>                 |                |                |
|   | <b>2008</b>    | <b>2009</b>    |
| General Fund (GF) Total                 | \$17.9         | \$11.4         |
| General Fund (GF) Detail:               |                |                |
| Budget Stabilization Fund               | \$118.7        | \$75.3         |
| Reserve for Operating Capital           | \$40.6         | \$40.6         |
| Tax Anticipation Notes                  | \$0.0          | \$0.0          |
| Internal Borrowing                      | \$241.9        | \$307.6        |
| Other General Fund Cash                 | (\$383.3)      | (\$412.1)      |
| Other Spec. Rev. - Interest to GF       | \$0.0          | \$1.1          |
| Other State Funds - Interest to GF      | (\$8.2)        | (\$7.7)        |
| Highway Fund                            | \$29.1         | \$24.5         |
| Other Spec. Rev. - Retaining Interest   | \$40.9         | \$25.3         |
| Other State Funds                       | \$142.6        | \$139.8        |
| Independent Agency Funds                | \$146.8        | \$82.9         |
| <b>Total Cash Pool</b>                  | <b>\$369.2</b> | <b>\$277.2</b> |

MaineCare Update

As summarized in the chart below the increase in average MaineCare weekly payment cycles to approximately \$42 million (state and federal dollars) per week that began in the second half of the calendar year has continued through Week 41. The Department of Health and Human Services (DHHS) is now

estimating a FY 09 MaineCare General Fund shortfall of \$63 million, \$15 million of this is to correct a prior period accounting error related to the repayment of MaineCare interim payments. Absent any additional FY 09 funding, the DHHS estimates this trend would result in a suspension of MaineCare payments on or around the May 6<sup>th</sup> payment cycle.



**MaineCare Update (continued)**

In his April 24<sup>th</sup> AFA Committee briefing, Commissioner Low informed the committee that the State has been notified it has met federal requirements for use of enhanced American Recovery and Reinvestment Act of 2009 (ARRA of 2009) Federal Medical Assistance Percentage (FMAP) funds and will begin to move forward with the processing of \$45 million in state funds (approximately \$169 million in total funds) for MaineCare hospital settlement payments authorized in PL 2009, c. 1. He further announced that these funds are expected to be included in the May 6<sup>th</sup> MaineCare payment cycle.

The Commissioner also informed the committee that as a result of further increases in the State's unemployment rate, the AARA of 2009 enhanced FMAP will increase from 72.40% (Tier 1) to 73.37% (Tier 2) effective April 1, 2009 and to 74.35% (Tier 3) beginning July 1, 2009. This increase from Tier 1 to Tier 3 is estimated to result in an additional \$60 to \$65 million in federal funds by the end of the enhanced match period, December 31, 2010.

| <b>Quarter</b> | <b>Current FMAP</b> | <b>ARRA Base Increase</b> | <b>ARRA UI Tier 1</b> | <b>ARRA UI Tier 2</b> | <b>ARRA UI Tier 3</b> | <b>Total Enhanced FMAP</b> |
|----------------|---------------------|---------------------------|-----------------------|-----------------------|-----------------------|----------------------------|
| Oct-08         | 64.41%              | 6.20%                     | 1.79%                 |                       |                       | 72.40%                     |
| Jan-09         | 64.41%              | 6.20%                     | 1.79%                 |                       |                       | 72.40%                     |
| Apr-09         | 64.41%              | 6.20%                     | 1.79%                 | 0.97%                 |                       | 73.37%                     |
| Jul-09         | 64.41%              | 6.20%                     | 1.79%                 | 0.97%                 | 0.97%                 | 74.35%                     |
| Oct-09         | 64.99%              | 6.20%                     | 1.76%                 | 0.96%                 | 0.96%                 | 74.86%                     |
| Jan-10         | 64.99%              | 6.20%                     | 1.76%                 | 0.96%                 | 0.96%                 | 74.86%                     |
| Apr-10         | 64.99%              | 6.20%                     | 1.76%                 | 0.96%                 | 0.96%                 | 74.86%                     |
| Jul-10         | 64.99%              | 6.20%                     | 1.76%                 | 0.96%                 | 0.96%                 | 74.86%                     |
| Oct-10         | 64.99%              | 6.20%                     | 1.76%                 | 0.96%                 | 0.96%                 | 74.86%                     |

**General Fund and Highway Fund Revenue**  
**Fiscal Year Ending June 30, 2009**  
**Reflecting Budgeted Amounts Through December 2008 Revenue Forecast and PL 2009, c. 1**

**MARCH 2009 REVENUE VARIANCE REPORT**

| Revenue Line                          | March '09<br>Budget | March '09<br>Actual   | March '09<br>Variance  | FY09 YTD<br>Budget   | FY09 YTD<br>Actual      | FY09 YTD<br>Variance   | FY09 YTD<br>Variance % | FY09 Budgeted<br>Totals |
|---------------------------------------|---------------------|-----------------------|------------------------|----------------------|-------------------------|------------------------|------------------------|-------------------------|
| <b>General Fund</b>                   |                     |                       |                        |                      |                         |                        |                        |                         |
| Sales and Use Tax                     | 63,119,469          | 58,134,573.32         | (4,984,895.68)         | 663,785,023          | 632,802,491.04          | (30,982,531.96)        | -4.7%                  | 987,320,733             |
| Service Provider Tax                  | 4,427,085           | 4,179,476.15          | (247,608.85)           | 35,615,991           | 35,484,314.07           | (131,676.93)           | -0.4%                  | 53,452,742              |
| Individual Income Tax                 | 35,839,004          | 32,574,859.74         | (3,264,144.26)         | 767,661,275          | 784,664,408.33          | 17,003,133.33          | 2.2%                   | 1,327,231,135           |
| Corporate Income Tax                  | 26,470,000          | 20,033,721.69         | (6,436,278.31)         | 93,810,000           | 92,413,863.87           | (1,396,136.13)         | -1.5%                  | 168,904,770             |
| Cigarette and Tobacco Tax             | 12,142,133          | 7,986,452.24          | (4,155,680.76)         | 112,925,710          | 106,859,147.19          | (6,066,562.81)         | -5.4%                  | 149,948,844             |
| Public Utilities Tax                  | 0                   | 0.00                  | 0.00                   | 231,238              | 231,231.27              | (6.73)                 | 0.0%                   | 18,405,029              |
| Insurance Companies Tax               | 12,459,188          | 16,464,645.03         | 4,005,457.03           | 26,347,534           | 29,571,718.20           | 3,224,184.20           | 12.2%                  | 71,978,985              |
| Estate Tax                            | 3,088,920           | 1,615,718.20          | (1,473,201.80)         | 19,903,739           | 20,764,795.83           | 861,056.83             | 4.3%                   | 35,288,827              |
| Property Tax - Unorganized Territory  | 0                   | 0.00                  | 0.00                   | 11,006,279           | 10,995,373.00           | (10,906.00)            | -0.1%                  | 12,969,540              |
| Income from Investments               | (175,083)           | (19,789.52)           | 155,293.48             | 544,682              | 1,375,111.14            | 830,429.14             | 152.5%                 | 752,451                 |
| Transfer to Municipal Revenue Sharing | (6,622,633)         | (5,861,011.69)        | 761,621.31             | (80,184,537)         | (78,813,579.00)         | 1,370,958.00           | 1.7%                   | (129,962,428)           |
| Transfer from Lottery Commission      | 4,042,245           | 3,998,432.36          | (43,812.64)            | 39,411,930           | 37,147,731.96           | (2,264,198.04)         | -5.7%                  | 52,599,250              |
| Other Revenue                         | 18,872,698          | 23,271,415.48         | 4,398,717.48           | 150,326,502          | 140,520,312.93          | (9,806,189.07)         | -6.5%                  | 212,931,559             |
| <b>Totals</b>                         | <b>173,663,026</b>  | <b>162,378,493.00</b> | <b>(11,284,533.00)</b> | <b>1,841,385,366</b> | <b>1,814,016,919.83</b> | <b>(27,368,446.17)</b> | <b>-1.5%</b>           | <b>2,961,821,437</b>    |
| <b>Highway Fund</b>                   |                     |                       |                        |                      |                         |                        |                        |                         |
| Fuel Taxes                            | 20,595,206          | 15,805,733.10         | (4,789,472.90)         | 152,882,050          | 145,197,835.02          | (7,684,214.98)         | -5.0%                  | 234,197,278             |
| Motor Vehicle Registration and Fees   | 8,371,883           | 9,789,187.40          | 1,417,304.40           | 65,660,885           | 65,110,064.60           | (550,820.40)           | -0.8%                  | 99,146,017              |
| Inspection Fees                       | 285,967             | 492,260.65            | 206,293.65             | 3,664,003            | 2,823,847.48            | (840,155.52)           | -22.9%                 | 4,474,821               |
| Fines                                 | 151,519             | 142,411.47            | (9,107.53)             | 1,316,869            | 1,305,709.96            | (11,159.04)            | -0.8%                  | 1,795,049               |
| Income from Investments               | 13,000              | 18,783.30             | 5,783.30               | 360,473              | 380,372.45              | 19,899.45              | 5.5%                   | 1,000,000               |
| Other Revenue                         | 561,471             | 447,046.12            | (114,424.88)           | 7,651,761            | 7,665,098.55            | 13,337.55              | 0.2%                   | 9,629,561               |
| <b>Totals</b>                         | <b>29,979,046</b>   | <b>26,695,422.04</b>  | <b>(3,283,623.96)</b>  | <b>231,536,041</b>   | <b>222,482,928.06</b>   | <b>(9,053,112.94)</b>  | <b>-3.9%</b>           | <b>350,242,726</b>      |



## Comparison of Actual Year-to-Date Revenue Through March of Each Fiscal Year

| REVENUE CATEGORY                       | FY 2005                   | % Chg       | FY 2006                   | % Chg       | FY 2007                   | % Chg        | FY 2008                   | % Chg        | FY 2009                   | % Chg        |
|--|---------------------------|-------------|---------------------------|-------------|---------------------------|--------------|---------------------------|--------------|---------------------------|--------------|
| <b>GENERAL FUND</b>                    |                           |             |                           |             |                           |              |                           |              |                           |              |
| Sales and Use Tax                      | \$600,936,171.28          | 2.5%        | \$634,246,561.15          | 5.5%        | \$655,837,984.90          | 3.4%         | \$660,816,573.63          | 0.8%         | \$632,802,491.04          | -4.2%        |
| Service Provider Tax                   | \$28,977,986.46           | N/A         | \$30,027,668.72           | 3.6%        | \$31,981,520.01           | 6.5%         | \$34,531,830.69           | 8.0%         | \$35,484,314.07           | 2.8%         |
| Individual Income Tax                  | \$801,808,464.43          | 10.0%       | \$835,836,301.12          | 4.2%        | \$883,570,078.33          | 5.7%         | \$925,888,646.39          | 4.8%         | \$902,191,142.04          | -2.6%        |
| Individual Income Tax (Circuitbreaker) | (\$25,976,808.19)         | N/A         | (\$39,511,481.54)         | -52.1%      | (\$40,748,498.53)         | -3.1%        | (\$42,094,824.93)         | -3.3%        | (\$44,900,832.20)         | -6.7%        |
| Individual Income Tax (BETR)           | \$0.00                    | N/A         | (\$66,201,554.08)         | N/A         | (\$63,152,855.50)         | 4.6%         | (\$65,851,127.57)         | -4.3%        | (\$72,625,901.51)         | -10.3%       |
| Corporate Income Tax                   | \$81,890,391.31           | 24.2%       | \$122,495,609.97          | 49.6%       | \$106,541,807.58          | -13.0%       | \$114,696,486.55          | 7.7%         | \$92,413,863.87           | -19.4%       |
| Cigarette and Tobacco Tax              | \$72,126,110.34           | -0.5%       | \$113,821,089.96          | 57.8%       | \$120,356,860.06          | 5.7%         | \$113,587,142.78          | -5.6%        | \$106,859,147.19          | -5.9%        |
| Public Utilities Tax                   | (\$150,000.00)            | 44.2%       | \$0.00                    | 100.0%      | (\$1,854,396.00)          | N/A          | \$347,980.26              | 118.8%       | \$231,231.27              | -33.6%       |
| Insurance Companies Tax                | \$30,151,880.08           | 0.8%        | \$27,820,819.96           | -7.7%       | \$25,395,847.13           | -8.7%        | \$26,963,215.75           | 6.2%         | \$29,571,718.20           | 9.7%         |
| Estate Tax                             | \$21,377,451.05           | 27.8%       | \$60,068,119.38           | 181.0%      | \$37,282,151.61           | -37.9%       | \$23,681,560.30           | -36.5%       | \$20,764,795.83           | -12.3%       |
| Property Tax - Unorganized Territory   | \$9,638,377.00            | 7.8%        | \$9,560,399.00            | -0.8%       | \$10,403,375.00           | 8.8%         | \$10,238,664.00           | -1.6%        | \$10,995,373.00           | 7.4%         |
| Income from Investments                | \$3,221,089.70            | 130.1%      | \$4,567,774.05            | 41.8%       | \$1,547,482.40            | -66.1%       | \$2,025,184.14            | 30.9%        | \$1,375,111.14            | -32.1%       |
| Revenue Sharing Transfers              | (\$75,869,446.44)         | -13.9%      | (\$77,361,548.39)         | -2.0%       | (\$80,275,531.88)         | -3.8%        | (\$83,027,366.58)         | -3.4%        | (\$78,813,579.00)         | 5.1%         |
| Liquor Transfers                       | \$50,017,501.85           | 142.1%      | \$2,550,891.00            | -94.9%      | \$0.00                    | -100.0%      | \$0.00                    | N/A          | \$0.00                    | N/A          |
| Lottery Transfers                      | \$37,090,007.93           | 18.8%       | \$38,760,032.33           | 4.5%        | \$38,127,188.63           | -1.6%        | \$37,927,563.71           | -0.5%        | \$37,147,731.96           | -2.1%        |
| Other Revenue                          | \$146,867,792.99          | -1.5%       | \$142,660,548.73          | -2.9%       | \$149,633,016.21          | 4.9%         | \$143,225,254.77          | -4.3%        | \$140,520,312.93          | -1.9%        |
| <b>TOTAL GENERAL FUND REVENUE</b>      | <b>\$1,782,106,969.79</b> | <b>6.5%</b> | <b>\$1,839,341,231.36</b> | <b>3.2%</b> | <b>\$1,874,646,029.95</b> | <b>1.9%</b>  | <b>\$1,902,956,783.89</b> | <b>1.5%</b>  | <b>\$1,814,016,919.83</b> | <b>-4.7%</b> |
| <b>HIGHWAY FUND</b>                    |                           |             |                           |             |                           |              |                           |              |                           |              |
| Fuel Taxes                             | \$148,841,224.49          | 3.8%        | \$148,789,886.34          | 0.0%        | \$151,308,790.82          | 1.7%         | \$151,066,718.11          | -0.2%        | \$145,197,835.02          | -3.9%        |
| Motor Vehicle Registration and Fees    | \$59,298,000.12           | 1.5%        | \$62,605,025.37           | 5.6%        | \$60,389,367.91           | -3.5%        | \$59,562,532.07           | -1.4%        | \$65,110,064.60           | 9.3%         |
| Inspection Fees                        | \$3,058,081.19            | -13.0%      | \$3,215,881.71            | 5.2%        | \$3,281,583.90            | 2.0%         | \$3,127,952.39            | -4.7%        | \$2,823,847.48            | -9.7%        |
| Fines                                  | \$1,288,297.79            | -6.7%       | \$1,311,985.70            | 1.8%        | \$1,279,557.66            | -2.5%        | \$1,300,783.12            | 1.7%         | \$1,305,709.96            | 0.4%         |
| Income from Investments                | \$728,702.31              | 78.9%       | \$1,118,893.87            | 53.5%       | \$600,283.87              | -46.4%       | \$1,074,431.09            | 79.0%        | \$380,372.45              | -64.6%       |
| Other Revenue                          | \$6,865,191.99            | -4.7%       | \$7,539,784.43            | 9.8%        | \$7,445,574.84            | -1.2%        | \$7,572,940.11            | 1.7%         | \$7,665,098.55            | 1.2%         |
| <b>TOTAL HIGHWAY FUND REVENUE</b>      | <b>\$220,079,497.89</b>   | <b>2.7%</b> | <b>\$224,581,457.42</b>   | <b>2.0%</b> | <b>\$224,305,159.00</b>   | <b>-0.1%</b> | <b>\$223,705,356.89</b>   | <b>-0.3%</b> | <b>\$222,482,928.06</b>   | <b>-0.5%</b> |

Adjusted for Service Provider Tax Split