

Maine Revenue & Spending 2010

Presented by Maine Center for Economic Policy

Highlights

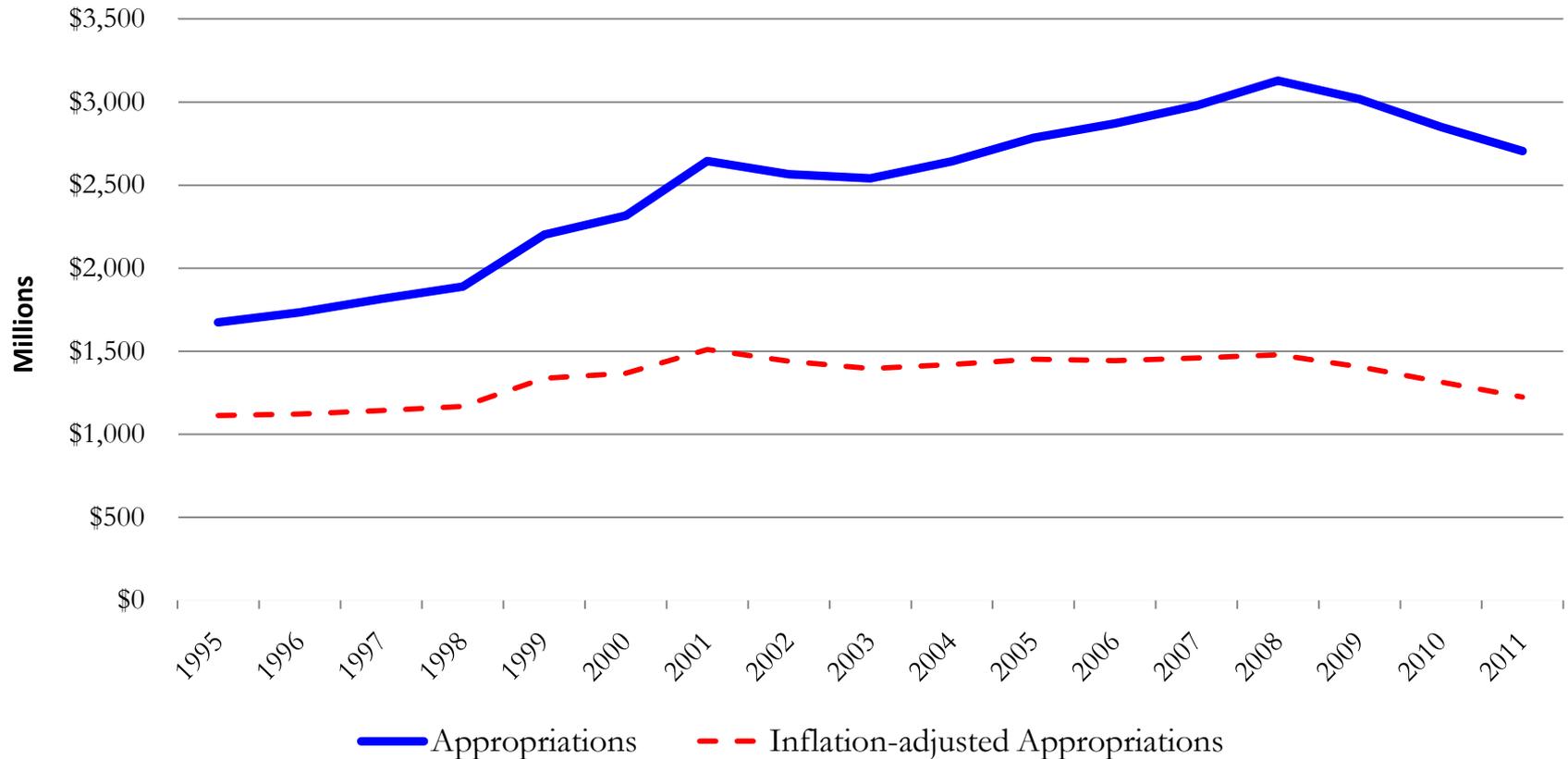
- **Maine's state spending has declined in recent years.**
- **Maine is in the middle of the pack when it comes to per capita revenues from all sources.**
- **Maine carries less tax-supported debt and pays its debt back faster than most other states.**

Highlights (cont.)

- **Federal funds accounted for an increasingly significant share of the total state budget in recent years but will diminish with end of the American Recovery and Reinvestment Act.**
- **Majority of state spending is on education and health care and leverages significant federal dollars.**
- **State is falling short of target established by voters in 2004 to fund 55% of costs of elementary and secondary education potentially shifting an increasing share of the costs to municipalities.**

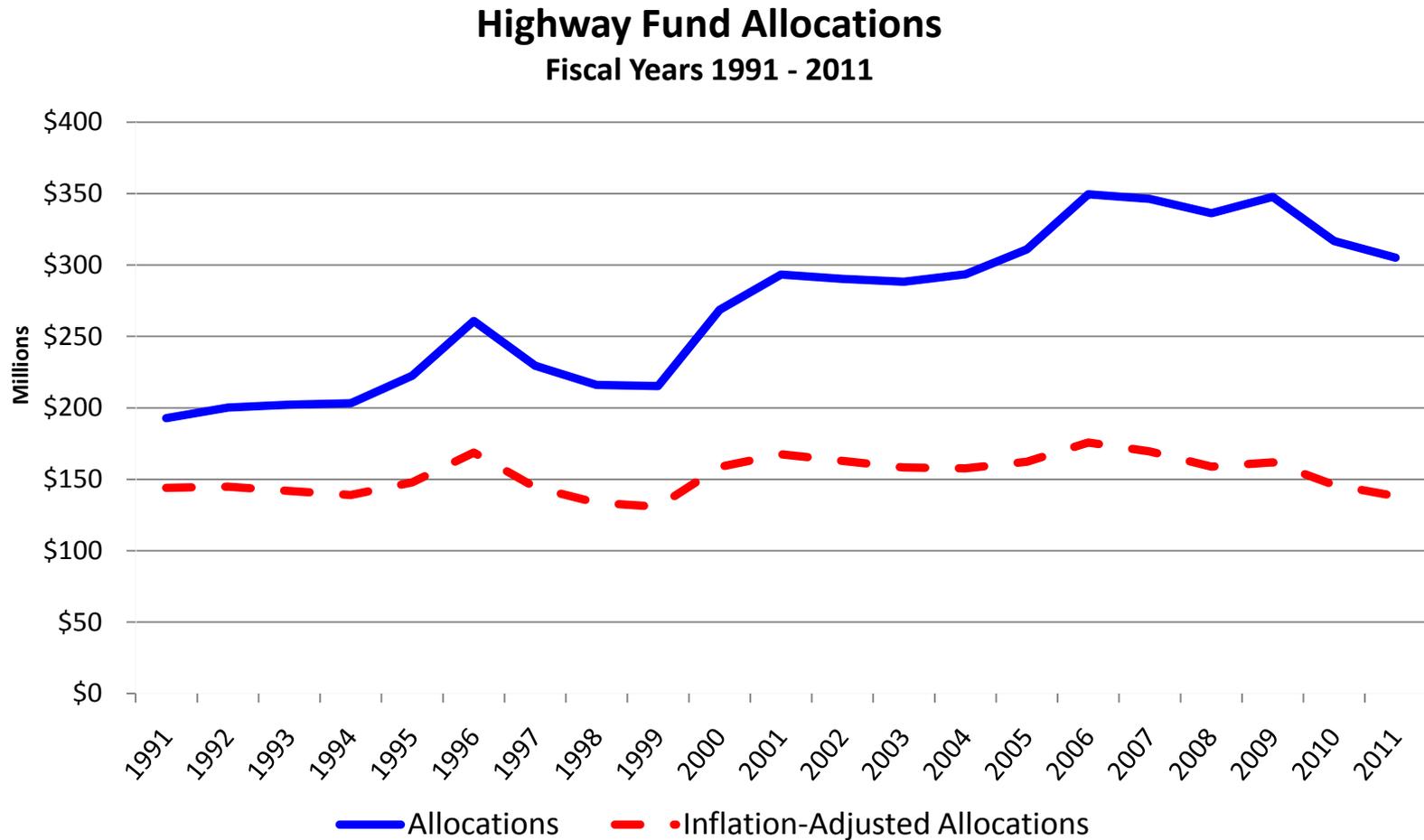
State Spending Declines

General Fund Appropriations
Fiscal Years 1995 - 2011



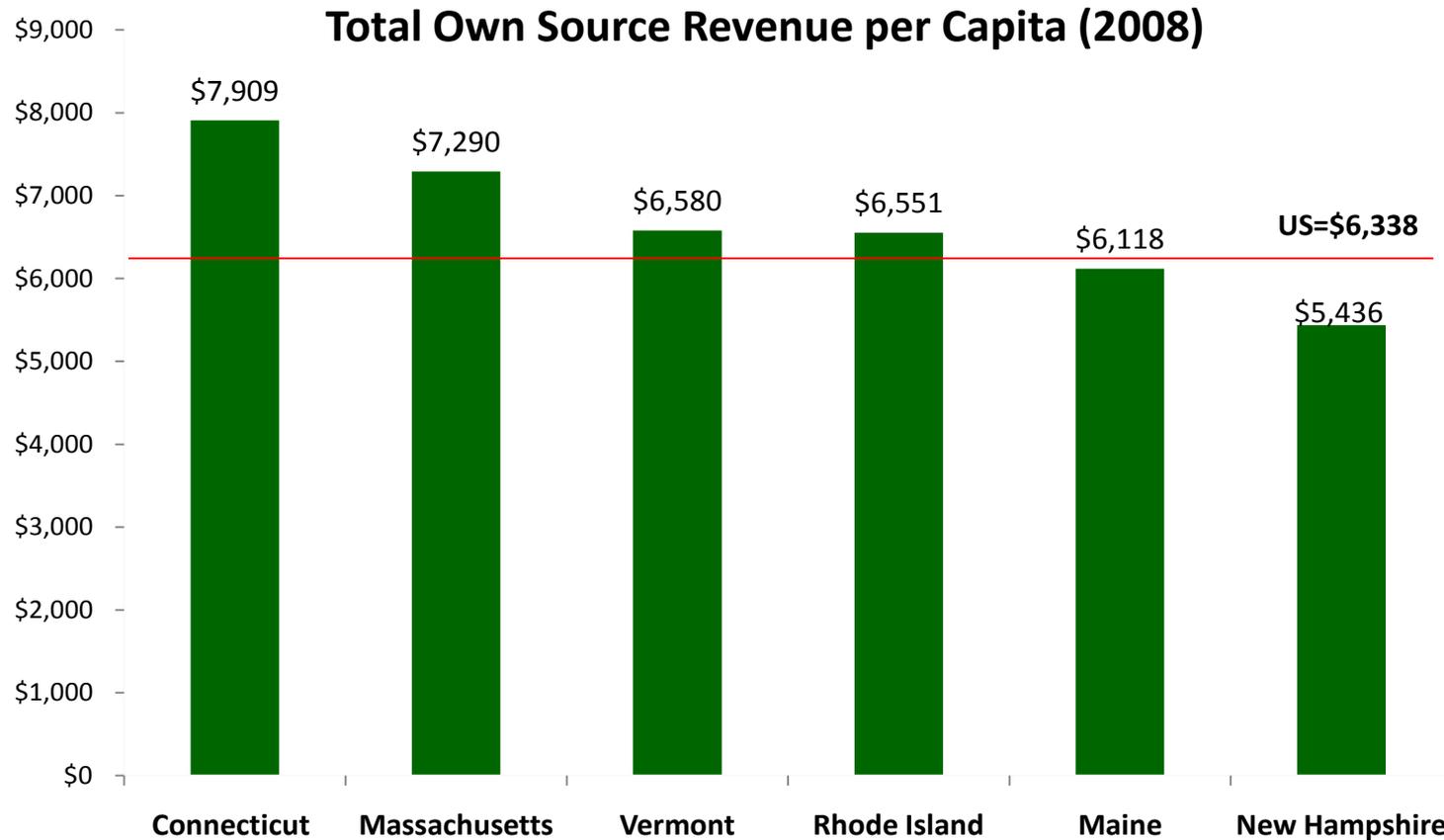
General Fund Appropriations are lower in FY2011 than in FY2005 and, adjusted for inflation, are lower than they were in FY1999.

State Spending Declines



State highway fund allocations are lower than they were in 2005 and, adjusted for inflation, are below what they were for 18 of the last 20 years.

Maine ranks 26th in average revenues per person



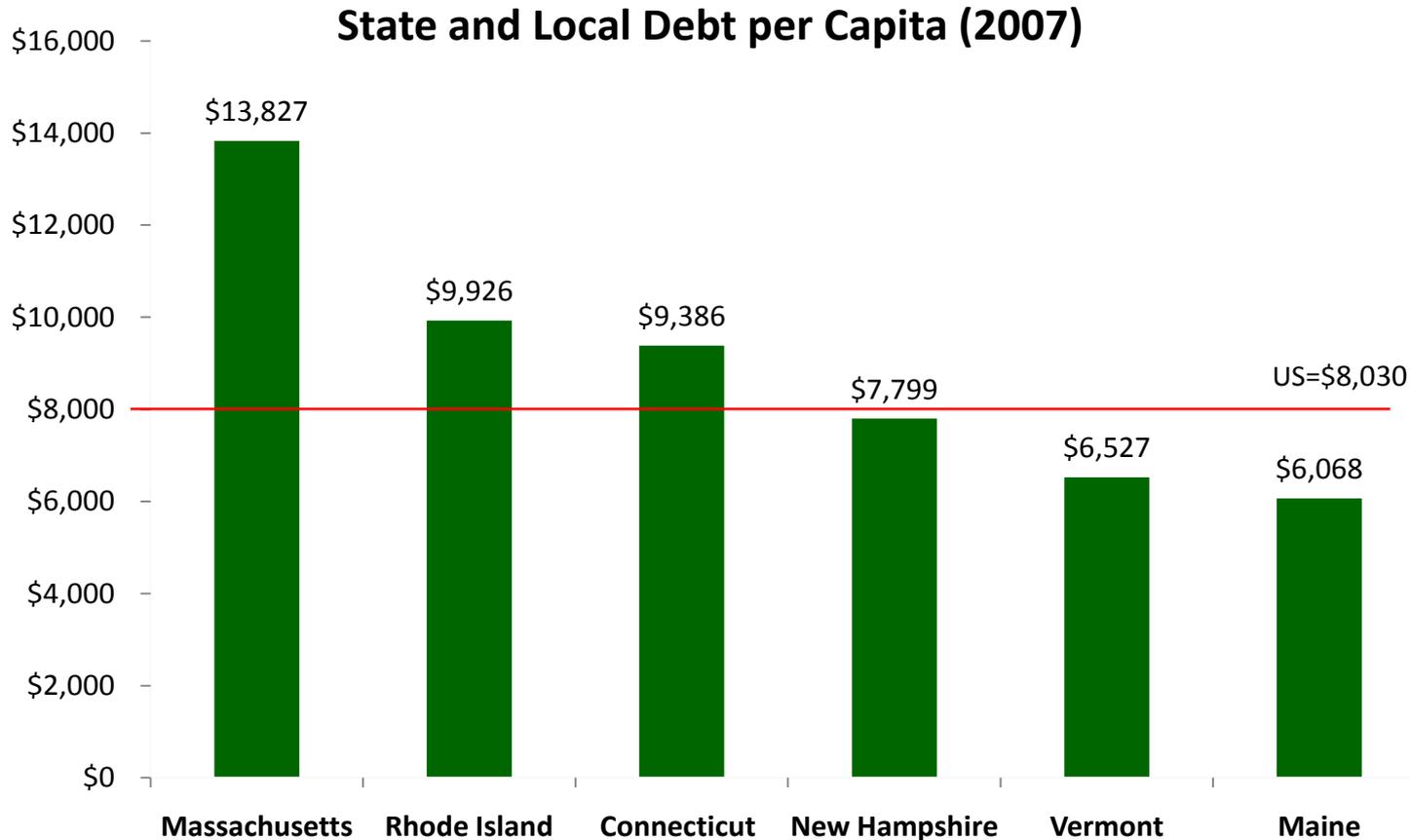
In average total revenues per person, Maine ranks 26th in the nation, below the national average and 2nd lowest in New England. This measure includes all revenues collected by state and local government including fees.

Prudent Debt Management

“Maine continues its conservative approach to debt, with an aggressive payout structure and capacity to accommodate unforeseen borrowing needs. Below-average debt levels....(provide) additional flexibility to shift to borrowing during periods of economic stress...General obligation debt amortization is scheduled for a rapid but still affordable 10-year payout, shorter than in most other states.”

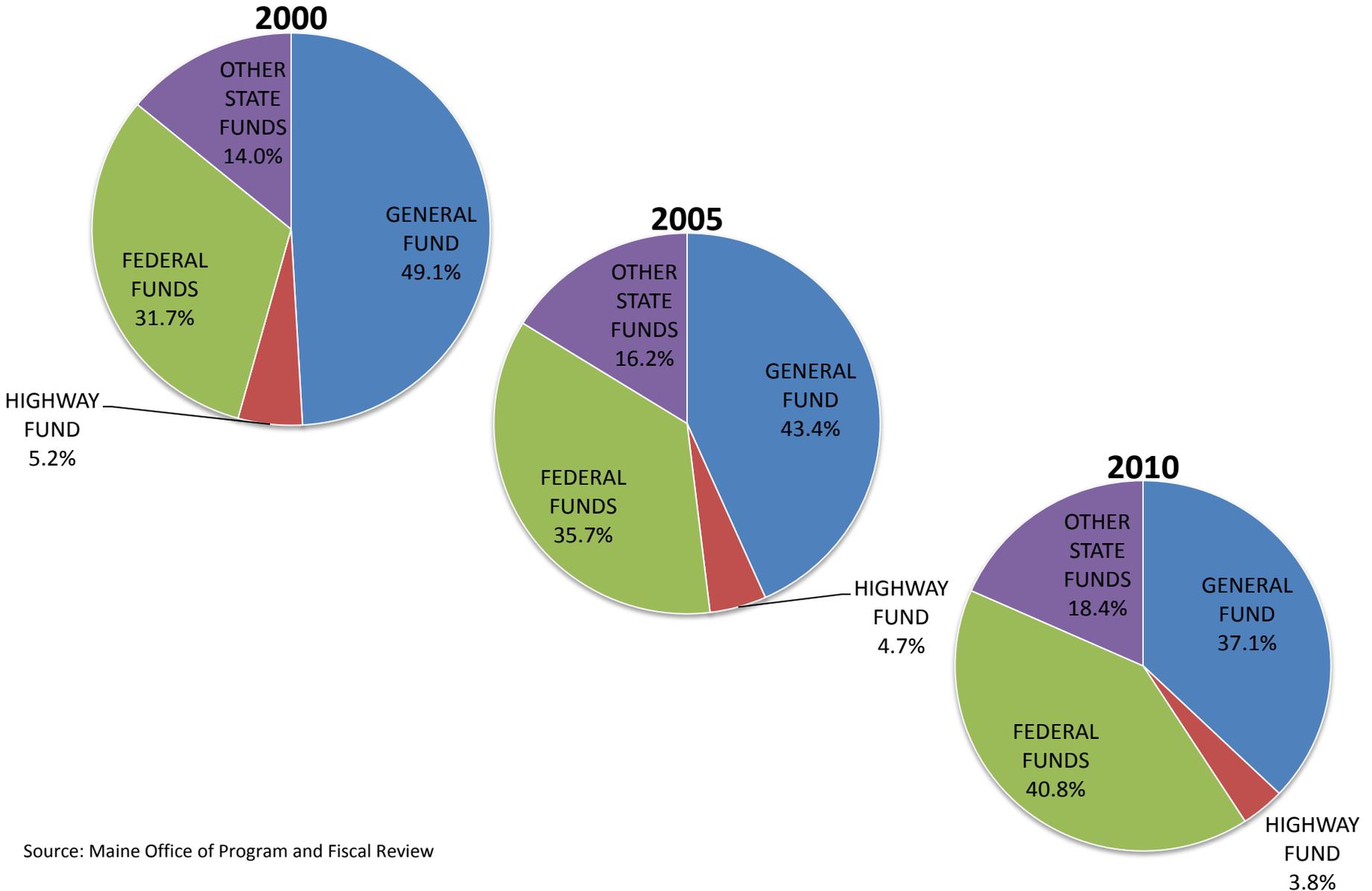
- Moody’s Investors Service, May 2010

Prudent Debt Management



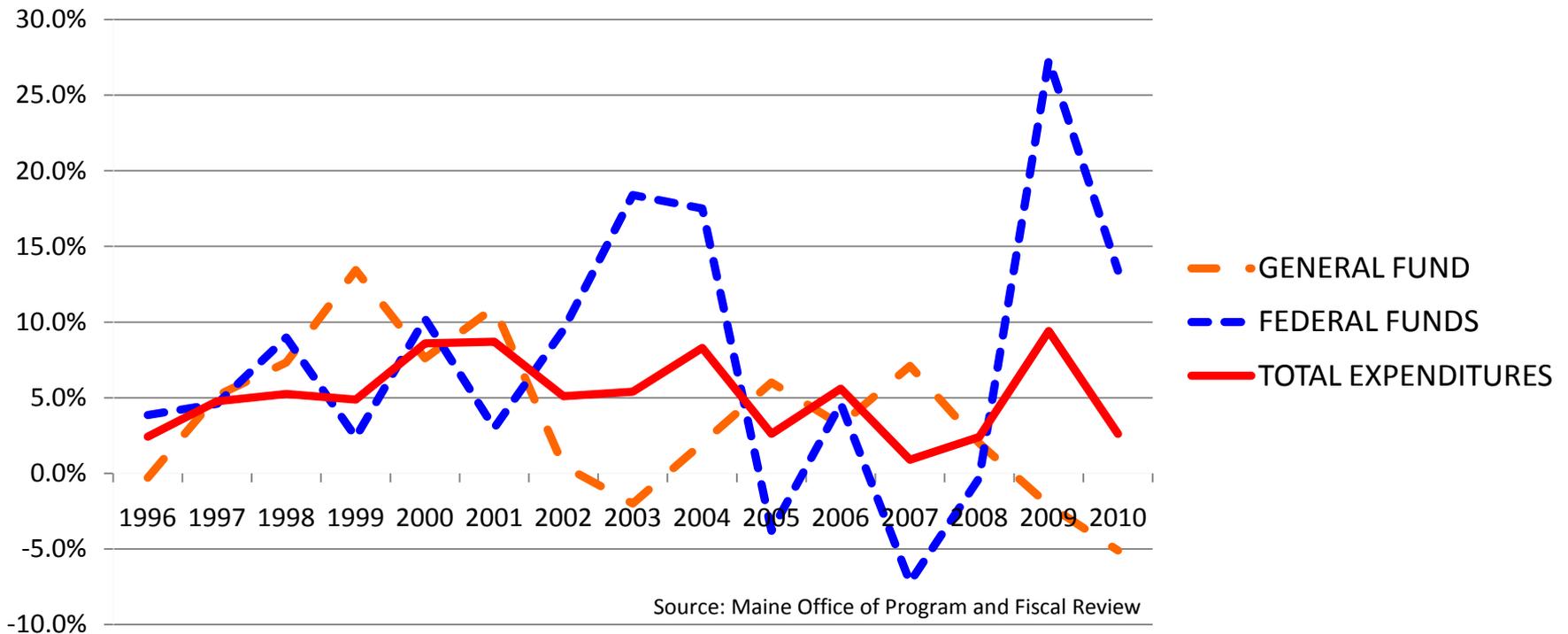
In FY2007, Maine ranked 37th nationally and lowest in New England in terms of its state and local debt per capita.

Federal funds increasing share of state spending



Federal funds help preserve essential public investments during economic downturns

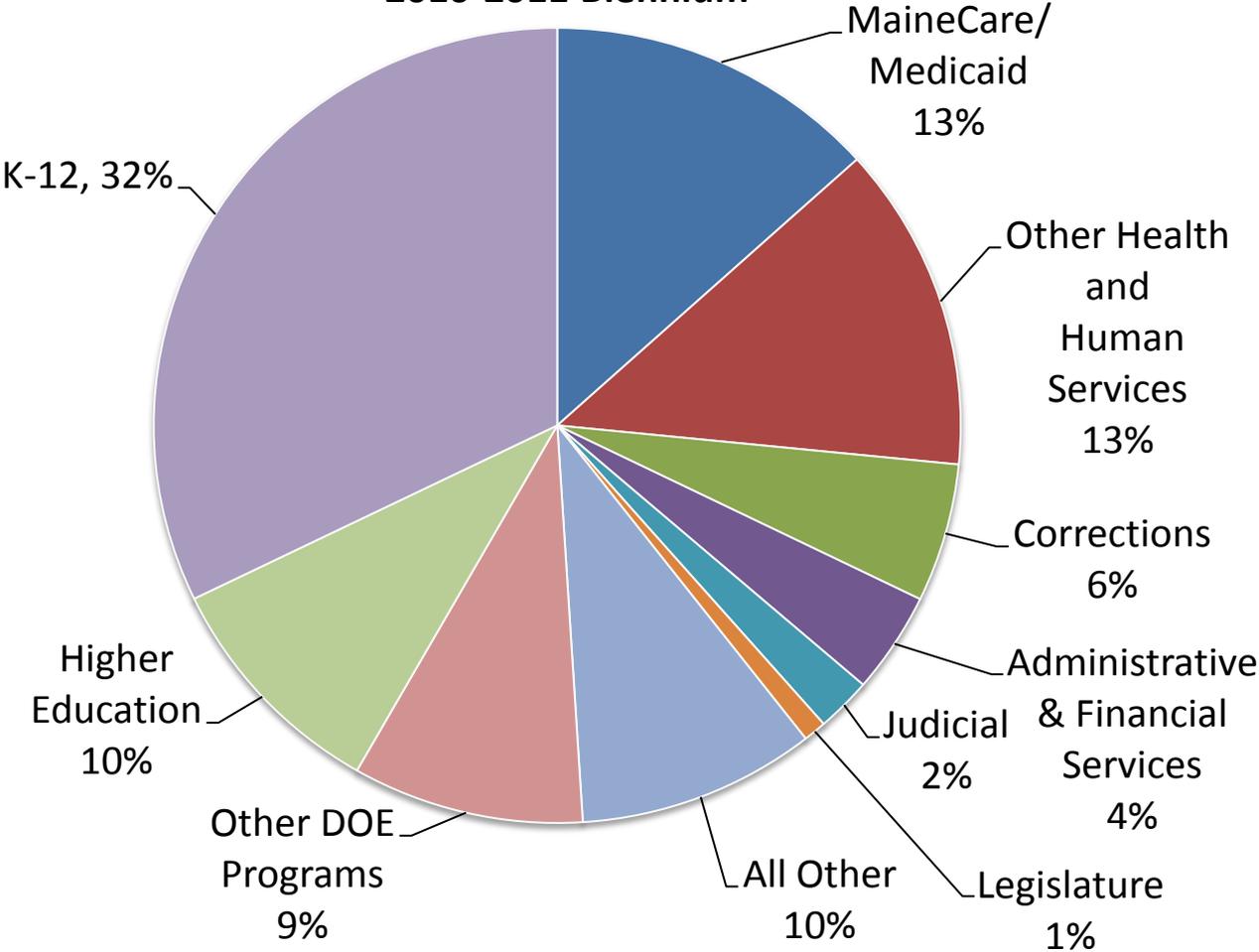
Percent Change in Spending by Source of Funds
1996-2010



American Recovery and Reinvestment Act helped offset recession-related declines in general fund and highway fund revenues and protected Maine from additional severe cuts in FY2010-2011.

General Fund supports primarily education and healthcare

**General Fund Appropriations
2010-2011 Biennium**

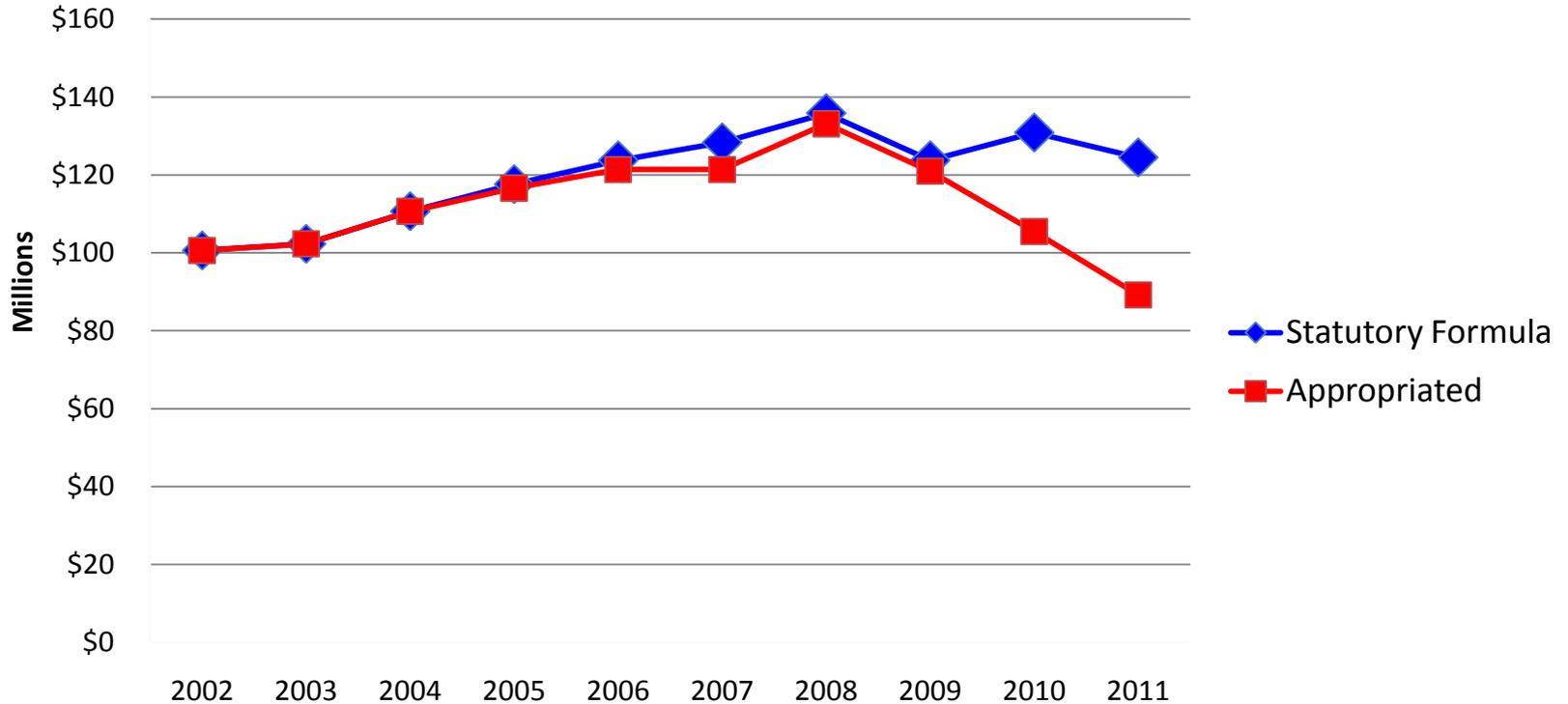


General fund spending in the 2010-2011 biennium leveraged an additional \$2.6 billion in federal funds for payments to health care providers for services to low-income individuals and children, people with disabilities, and seniors.

Source: Maine Office of Program and Fiscal Review

Yet the state is contributing less in local aid to schools and has reduced revenue sharing with municipalities.

Revenue Sharing with municipalities at a 10 year low



The gap is widening between what is required and what is appropriated. This combined with state budget cuts will likely result in a cost shift to local governments, which are forced to raise property taxes and/or cut services.

Conclusions

- **Projected \$1.17 billion revenue shortfall is the result of global economic conditions as own source revenues and spending in Maine have been held in check.**
- **Absence of additional federal funding and/or new sources of revenue will significantly hinder Maine's ability to maintain current levels of service and investment, result in significant job losses, and hinder future recovery.**
- **Resistance to changes in Maine's current revenue mix and state spending patterns will likely result in a continued cost shift to municipal and county levels.**

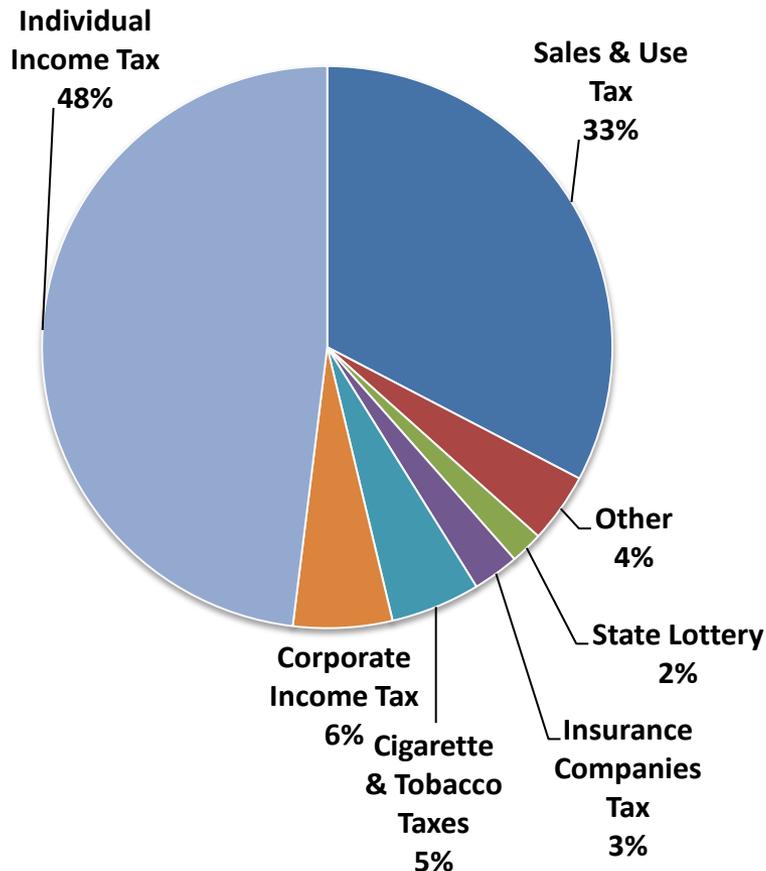
Appendices

- **General Fund**
- **Highway Fund**
- **Special Revenue Funds**

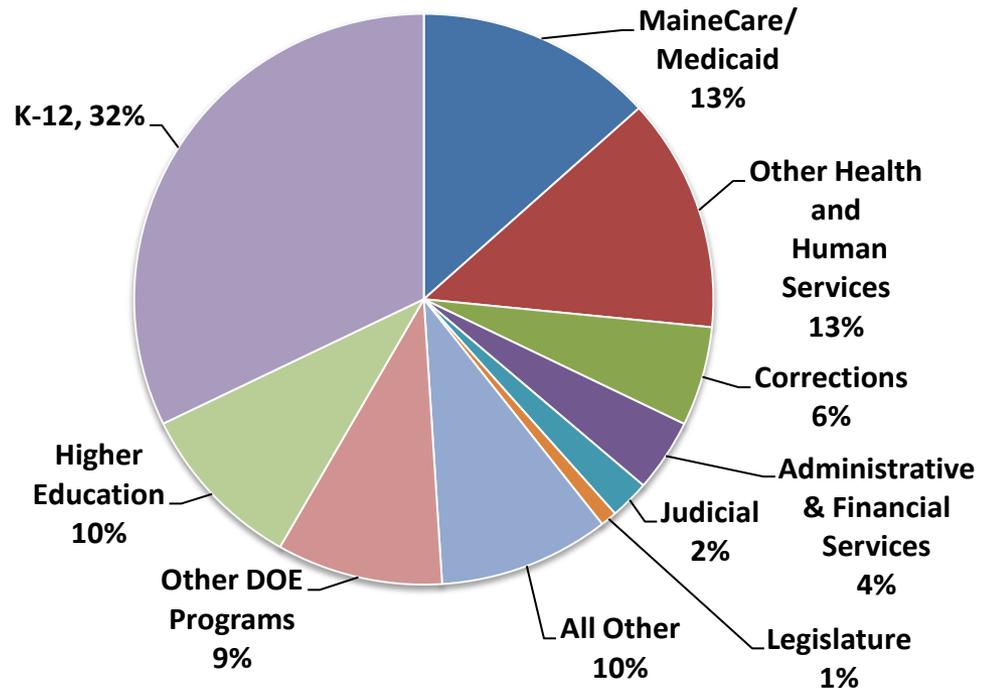
General Fund Summary

The *general fund* accounts for 37% or \$5.6 billion of the biennial budget for 2010-2011 and includes revenues generated from taxes, fees and program transfers. 26% of general fund appropriations in 2010-2011 are for health and human services and 51% support education at all levels.

Sources of Revenue
2010-11 Biennium



Appropriations
2010-11 Biennium



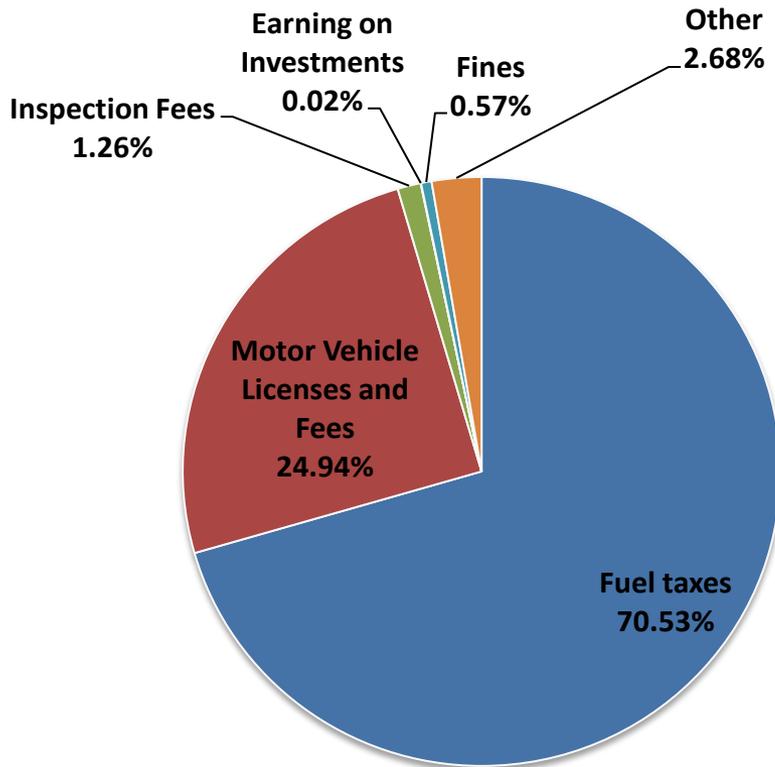
General Fund Observations

- **State aid to local schools has decreased in recent years and is expected to fall short of the target 55% established by LD1 in 2004.**
- **A significant share of health care costs cover payments to providers through MaineCare, the state's Medicaid program for low-income individuals and families. 82% of payments are for health care services to low-income children, the elderly and people with disabilities**
- **Less than 15% of expenditures are for salaries and benefits for state employees. According to the Office of Program and Fiscal Review there were 2,693 fewer state employees in 2009 than in 1990.**
- **Slightly more than 1% of the general fund provides temporary assistance to needy families (TANF).**
- **Less than 4% covers state debt service.**

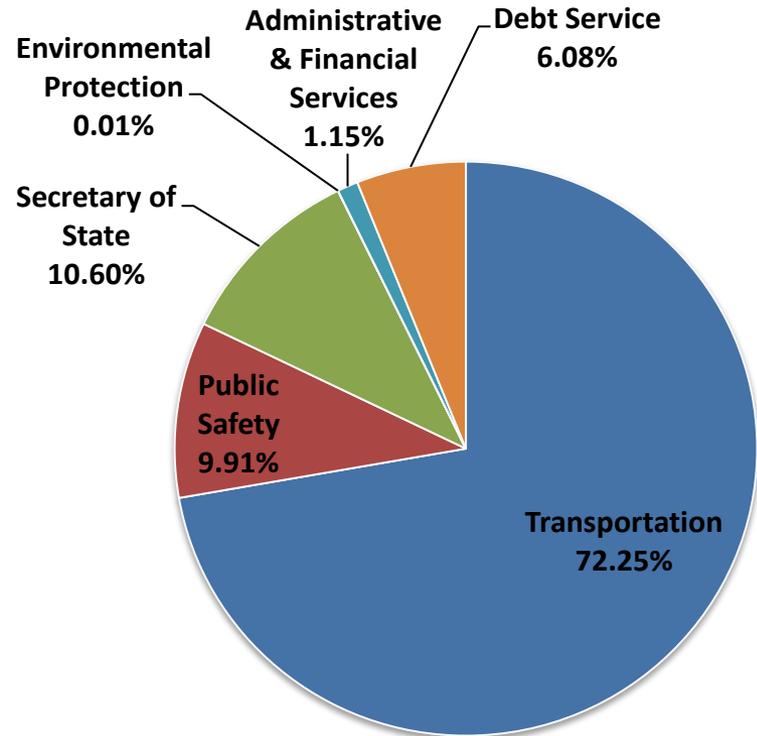
Highway Fund Summary

The *highway fund* constitutes 4% or \$621 million of the total biennial budget. Money for the highway fund comes primarily from the gas tax and licensing fees. More than 60% of these funds are spent on highway maintenance and highway and bridge improvement.

Revenues
2010-11 Biennium



Allocations
2010-11 Biennium



Highway Fund Observations

- **The American Society of Civil Engineers rates 29% of Maine's major roads in poor or fair condition and the U.S. Department of Transportation rates 33% of Maine bridges as structurally deficient or functionally obsolete.**
- **Highway Fund allocations are lower in 2010 and 2011 than they have been in 18 of the last 20 years.**
- **Maine Department of Transportation has been cutting its budget for five years, including trimming the work force by 10%.**
- **Highway Fund revenues are projected to fall \$720 million short of what would be required to continue currently reduced levels of road work.**

Special Revenue Funds Summary

***Special revenue funds* accounted for 18% or \$1.4 billion of spending in FY2010 and come from taxes, assessments and fees from a variety of sources. These include payments for child support, hospital assessments used to offset unpaid medical expenses, and fees from targeted industries such as the real estate transfer tax designated for affordable housing and oil handling fees for environmental protections. 47% of these “special” funds support health and human services.**