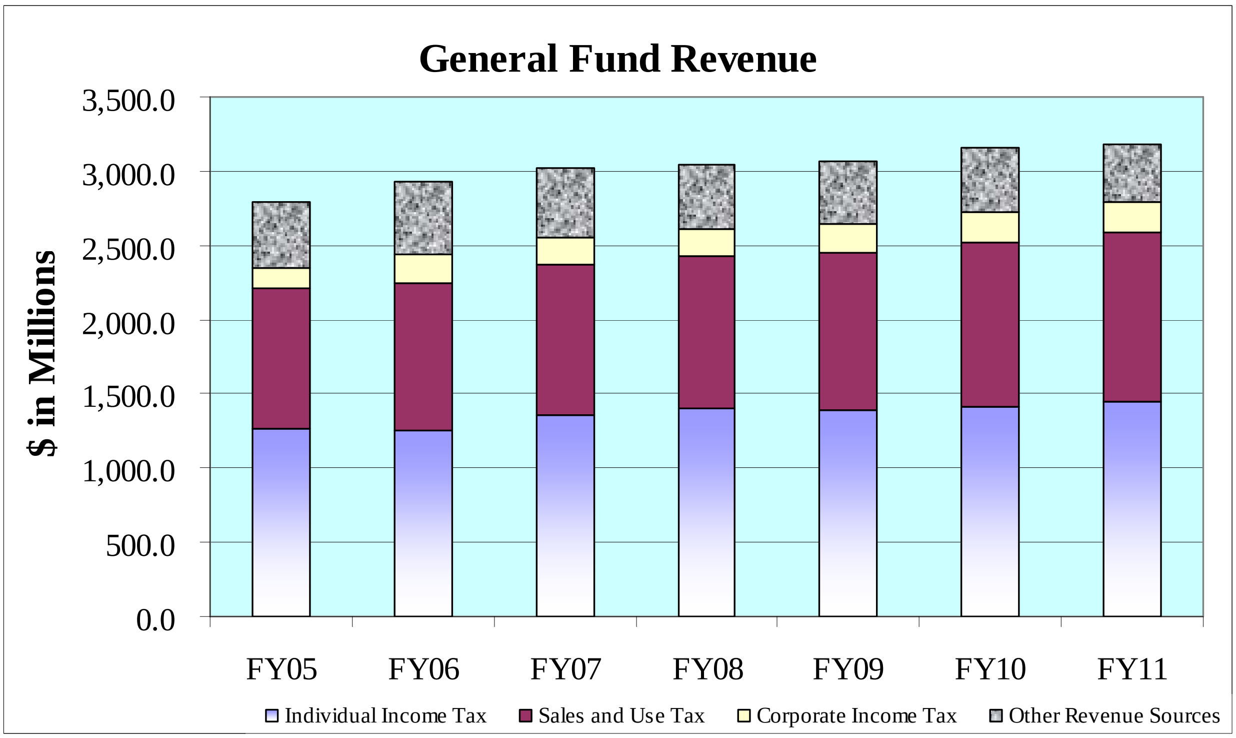
REPORT OF THE MAINE STATE REVENUE FORECASTING COMMITTEE

March 2008



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Report of the Maine State Revenue Forecasting Committee
March 2008 Forecast

TABLE OF CONTENTS

I. INTRODUCTION AND BACKGROUND TO REVENUE FORECAST

This report represents the conclusion to the winter forecast for the March 1st statutory reporting deadline of the Revenue Forecasting Committee (RFC). A description of the revenue forecasting process is provided in Appendix F. This report and appendices provide a description of all the key elements of the General Fund and Highway Fund revenue forecasts. In addition to the statutorily required updates of General Fund and Highway Fund, the RFC also includes forecasts of revenue accruing to the Fund for a Healthy Maine and the dedicated revenue from the Medicaid/MaineCare provider taxes. This forecast updates the revenue forecasts through the fiscal year ending June 30, 2011. This forecast also reflects all legislative changes through the 1st Regular Session of the 123rd Legislature and incorporates the revised economic forecast presented by the Consensus Economic Forecasting Commission (CEFC) for its February 1st reporting deadline. The RFC met on February 25th to deliberate and discuss the recommendations of Maine Revenue Services and other revenue analyses.

A. Economic Forecast Update

The March 2008 revenue update began with the winter economic forecast in January. The Consensus Economic Forecasting Commission (CEFC) met on January 22nd to review and update its November 2007 forecast. Based on economic data available through the end of calendar year 2007, the CEFC reduced projections of employment growth and income growth with the greatest reductions in calendar year 2008. The inflation forecast was also lowered for each year of the forecast period. Table I-A below summarizes the incremental change of the CEFC forecast. The full report of the CEFC is included in Appendix E.

TABLE I-A

Consensus Economic Forecasting Commission

Comparison of November 2007 and February 2008 Economic Forecasts

Calendar Years	2007	2008	2009	2010	2011
• Wage & Salary Employment (Annual Percentage Change)					
> Consensus 11/2007	0.5	0.3	0.6	0.7	0.7
> Consensus 2/2008	0.5	0.0	0.6	0.7	0.6
Difference	0.0	-0.3	0.0	0.0	-0.1
• Personal Income (Annual Percentage Change)					
> Consensus 11/2007	4.9	4.4	4.5	4.5	4.6
> Consensus 2/2008	5.1	3.5	4.1	4.2	4.1
Difference	0.2	-0.9	-0.4	-0.3	-0.5
• Consumer Price Index (Annual Percentage Change)					
> Consensus 11/2007	2.8	2.5	2.5	2.5	2.5
> Consensus 2/2008	2.8	2.3	2.1	2.1	2.2
Difference	0.0	-0.2	-0.4	-0.4	-0.3

The downward revisions in this revenue forecast for the General Fund and the Highway Fund are driven primarily by the rapidly deteriorating economic picture reflected in this economic forecast. In the quarter, since the last meeting of the CEFC, the extent and the economic effects of the subprime mortgage crisis continued to worsen. In the short time between the conclusion of the economic forecast and the time when Maine Revenue Services was establishing the other economic variables used in this forecast (see next sections), the economic picture continued to worsen. The national forecasts by the major forecasting firms became much more pessimistic. To the extent that the core economic values do not completely reflect the most recent economic data, there is some additional downward risk in the economic and revenue forecasts presented in this report.

B. Capital Gains Forecast

A major variable that is not included in the economic forecast is a projection of net capital gains. This variable has introduced some significant volatility into the forecast of individual income tax collections since Maine's exceptional capital gains growth during the stock market "bubble" of the late 1990's. The RFC and Maine Revenue Services, like their counterparts in other states and the federal government, have had much difficulty trying to accurately forecast this variable. Maine data is not captured at the state level and may only be accessed through federal tax data. That information is shared with Maine Revenue Services, but it lags by as much as 2 years. Since November 1999, Maine Revenue Services has been required to provide a report on the net capital gains and losses realized by taxpayers filing Maine individual income tax returns. That report was provided to the Legislature through the RFC's December 2007 report in Appendix G. Table I-B on page 3 summarizes the current assumptions. The differences from the assumptions included in the December 2007 report are:

- 2006 projections (note they are still projections due to filing extensions that will change the data) have been decreased from 24.4% growth to 16.0% growth as a result of additional data from the IRS;

- 2007 projections have been decreased from 10% growth to 8% growth based on the weak performance of the stock market during the final months of 2007; and

The forecast for tax years 2008 through 2011 retain the assumption of a 15% decline per year. This decline is required to bring assumed capital gains liability back to its historical average of approximately 6% of total tax liability for Maine residents by the end of the forecast period (see far right column in Table I-B below). This assumption pulls roughly $30 million per year out of the individual income tax liability. Beginning in 2001, it took only 2 years and a drop of 54.3% in 2001 to get to the longer term percentage of tax liability. The RFC assumes that this decline will happen gradually over 4 years, thereby reducing the extent of the risk to the forecast by a major downward correction in the markets. This assumption will require adjustment each forecast as new federal data becomes available.

Table I-B
Maine Resident - Net Capital Gains

Tax Year	Capital Gains Realizations ($ Millions)	Capital Gains Realizations Annual % Change	Capital Gains Tax Liability ($ Millions)	Capital Gains Tax Liability Annual % Change	Capital Gains % of Resident Tax Liability
1995	$551.7		$38.3		6.2%
1996	$799.7	45.0%	$57.3	49.6%	8.4%
1997	$1,218.7	52.4%	$104.5	82.4%	13.6%
1998	$1,551.0	27.3%	$120.0	14.8%	13.9%
1999	$1,867.2	20.4%	$141.7	18.1%	15.5%
2000	$2,360.4	26.4%	$179.6	26.7%	17.3%
2001	$1,079.3	-54.3%	$74.1	-58.7%	7.6%
2002	$908.8	-15.8%	$59.1	-20.3%	6.1%
2003	$1,069.4	17.7%	$69.4	17.4%	6.8%
2004	$1,526.9	42.8%	$104.9	51.2%	9.2%
2005	$1,960.3	28.4%	$137.0	30.6%	11.3%
2006*	$2,273.6	16.0%	$161.1	17.6%	12.5%
2007*	$2,455.5	8.0%	$175.8	9.1%	13.0%
2008*	$2,087.2	-15.0%	$145.2	-17.4%	10.7%
2009*	$1,774.1	-15.0%	$120.7	-16.9%	8.7%
2010*	$1,508.0	-15.0%	$99.5	-17.6%	7.0%
2011*	$1,281.8	-15.0%	$86.1	-13.4%	5.9%

* Represents Projections

C. Corporate Profits

A major variable of the tax models that drives the corporate income tax forecast is corporate profitability. Again, this forecast is not part of the CEFC economic forecast. The RFC used Global Insight's February 2008 forecast of pre-tax corporate profits. Table I-C on the next page presents a comparison of Global Insight's forecasts used in the December 2007 forecast and the current national forecast, which calls for a 4.2% increase in calendar year 2007, then a significant decline in profitability in calendar year 2008 (-14.8%), a rebound in 2009 and then slight decline in 2010 and a modest increase in 2011. The dominant taxpayers in Maine's corporate income tax liability mix have shifted to national retailers and energy companies. As a result, Maine is insulated from significant regional variances in corporate profitability as a result of Maine's method of corporate income taxation. For national companies operating in Maine, the amount of corporate income tax due to Maine is calculated by apportioning total profits earned in the continental United States by the amount of business that they conduct in Maine based on sales, payroll and property. Maine's apportionment formula was modified during the 123rd Legislature, 1st Regular Session to be based solely on sales effective for beginning in 2007 tax years.

Table I-C
Corporate Profit Growth (Percentage Annual Change)

	2006	2007	2008	2009	2010	2011
December 2007 Forecast	14.3%	4.8%	-2.1%	3.3%	-0.5%	-0.1%
March 2008 Forecast	14.3%	4.2%	-14.8%	20.9%	-0.1%	0.7%

D. Oil Prices

Recent experience in Maine's sales tax collections seems to demonstrate a substantial effect from variations in oil prices, which is most noticeable during the winter months. Sales tax collections dropped below budgeted projections at about the same time as energy prices began their steep ascent in the spring of 2005. Maine Revenue Services has added this variable to the sales and excise tax model so that the model might better capture the effect that oil and fuel price changes have on taxable sales and fuel purchases. Relying on Global Insights' February 2008 US economic forecast, the RFC used the assumption that oil prices, which are currently in the $90 per barrel range and have spiked above the $100 per barrel mark, averaged out to $72.18 for calendar year 2007. The assumption is that oil prices will stay in roughly the $75 per barrel range for the remainder of the forecast period. This is roughly $10 per barrel higher than the March 2007 forecast's assumptions. The difference between this forecast and the December 2007 forecast is a slight increase in calendar year 2007 and a 2008 average that is roughly $3 per barrel higher.

Table I-D
Oil Price Assumptions
(West Texas Intermediate - Price per barrel - Calendar Year Average)

	2006	2007	2008	2009	2010	2011
December 2007 Forecast	$66.12	$72.15	$75.66	$74.33	$74.02	$73.42
March 2008 Forecast	$66.12	$72.18	$78.53	$74.33	$74.02	$73.42

E. Legislative Changes

The RFC bases the revenue forecast on current law. This forecast includes all legislative changes through the 123rd Legislature's 1st Regular Session. The budgeted amounts in the tables in Appendices A through D do not reflect changes that may have been enacted during the 2nd Regular Session, which began on January 2, 2008. As of this writing, there was only one significant revenue impact in legislation enacted during the 2nd Regular Session. That law was actually enacted at the end of the 1st Regular Session, but was not signed by the Governor. It became law during the early part of the 2nd Regular Session without the Governor's signature when it was not returned to the Legislature. LD 1790, PL 2007, c. 470, sets aside 7.5% of the excise taxes on gasoline and special fuels and dedicates that portion of the tax that would otherwise accrue to the Highway Fund. This reduction to budgeted Highway Fund revenue is not reflected in the tables in this report, but the Office of Fiscal and Program Review has reported the additional effect of this legislation on the available balance of budgeted revenue to the Highway Fund.

II. OVERVIEW OF REVENUE PROJECTIONS

This section provides a summary of the revenue projections in this forecast. These summaries are supplemented by additional detail in 4 corresponding appendices, which provide descriptions of the major revenue categories. Appendix G contains the materials presented by Maine Revenue Services on February 25th to support the forecast recommendations for the major tax categories.

A. General Fund

For the **General Fund,** revenues were revised downward by $94.8 million over the 2008-2009 biennium, $26.9 million in FY 2008 and $67.9 million in FY 2009. This revision comes one quarter after the December 2007 revenue revision which included a similar downward revision of $95.2 million over the current biennium. Of the $94.8 million adjustment to the General Fund revenue for the current biennium, roughly $75 million is associated with the major tax lines that produce the vast majority of General Fund revenue. These changes to General Fund tax receipts are a reflection of a deteriorating national economy that has been significantly impacted by a tightening in credit markets as the correction in the residential housing market continues to unfold, and high volatile energy prices that are putting considerable stress on low and middle income households, particularly here in Maine. Taken together, these two factors are limiting household borrowing and drawing disposable income away from taxable goods and services and toward non-taxable energy products. This forecast represents a continuation of the recognition of this further squeeze on disposable income, even taking into account the federal economic stimulus package. As a result, tax lines associated with consumption, such as the sales tax and cigarette excise tax are now projected to be lower in this biennium by $29.5 million and $5.6 million, respectively.

Table II-A - General Fund Summary

	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$3,019,595,389	$3,067,920,438	$3,136,529,661	$3,206,392,774	$3,236,866,340
Annual % Growth	3.0%	1.6%	2.2%	2.2%	1.0%
Net Increase (Decrease)		($26,870,994)	($67,910,570)	($65,977,780)	($73,965,529)
Revised Forecast	$3,019,595,389	$3,041,049,444	$3,068,619,091	$3,140,414,994	$3,162,900,811
Annual % Growth	3.0%	0.7%	0.9%	2.3%	0.7%
Summary of Revenue Revisions by Major Revenue Category					
Sales and Use Tax		($6,827,961)	($22,731,976)	($35,583,027)	($44,045,075)
Individual Income Tax		($421,000)	($18,092,000)	($14,835,000)	($13,122,000)
Corporate Income Tax		($12,430,000)	($10,814,298)	($1,045,313)	($2,070,000)
Cigarette and Tobacco Tax		($2,920,000)	($2,680,000)	($1,094,958)	($1,452,319)
Estate Tax		($695,929)	($1,184,791)	($527,510)	($606,439)
Income from Investments		$50,447	$0	$0	$0
Transfer to Municipal Rev. Sharing		$1,003,627	$2,633,552	$2,676,094	$3,080,328
Transfer from Lottery Commission		($1,000,000)	$1,000,000	$1,000,000	$1,000,000
Other Revenues		($3,630,178)	($16,041,057)	($16,568,066)	($16,750,024)
Total Revisions - Increase (Decrease)		**($26,870,994)**	**($67,910,570)**	**($65,977,780)**	**($73,965,529)**

The slowing national economy is also beginning to affect corporate profitability. Unlike the previous revenue forecast, this forecast is now based on a national economy that will experience extremely slow growth at best and a mild recession at worst during this calendar year. As a result, corporate profits are estimated to decline by 14.8% in 2008, which translates into a reduction in corporate income tax receipts of approximately $23.2 million in the 2008-2009 biennium.

While the individual income tax is not expected to deviate much from the previous forecast in this fiscal year, the forecast for FY09 and beyond is reduced substantially because of the much lower projection of income growth during 2008 by the CEFC. While Maine has not been as dramatically affected by the sub-prime mortgage crisis as some other states, for the first time since the December 2006 forecast, the RFC projects a reduction in the Real Estate Transfer Tax totaling $7.3 million for the 2008-2009 biennium.

The majority of the remaining $12.3 million of net reductions to the General Fund forecast for this biennium is related to revenue collections by the Department of Health and Human Services (DHHS). Of the total $15.0 million reductions to Targeted Case Management revenue of DHHS, $12.2 million of this change is associated with the federal Medicaid rule changes.

Appendix A provides additional explanations and detail of the General Fund revenue changes recommended in this forecast.

B. Highway Fund

For the **Highway Fund**, revenues were projected lower by $2.3 million in FY08 and $2.0 million in FY 2009. High oil prices, which had been expected to return to more normal (lower) levels sooner than what is now expected, lower Fuel Taxes revenue by decreasing demand for diesel fuel and gasoline. The gasoline tax, like other consumption taxes, is the most severely affected, while diesel fuel consumption seems to be less affected by consumer decisions.

Table II-B - Highway Fund Summary

	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$330,821,083	$328,637,877	$339,173,861	$343,978,189	$348,933,780
Annual % Growth	1.3%	-0.7%	3.2%	1.4%	1.4%
Net Increase (Decrease)		($2,280,838)	($1,981,227)	$2,989,937	$2,024,366
Revised Forecast	$330,821,083	$326,357,039	$337,192,634	$346,968,126	$350,958,146
Annual % Growth	1.3%	-1.3%	3.3%	2.9%	1.1%
Summary of Revenue Revisions by Major Revenue Category					
Fuel Taxes		($240,727)	($901,973)	$3,135,254	$1,991,262
Motor Vehicle Registration & Fees		($1,816,583)	($700,000)	$234,241	$412,968
Inspection Fees		$35,000	($15,000)	($15,000)	($15,000)
Fines, Forfeits and Penalties		($223,190)	($223,190)	($223,190)	($223,190)
Other Revenues		($35,338)	($141,064)	($141,368)	($141,674)
Total Revisions - Increase (Decrease)		**($2,280,838)**	**($1,981,227)**	**$2,989,937**	**$2,024,366**

The RFC also lowered motor vehicle registration fees and title fees. While some of this is not consumption-driven and is related to competition for long-term trailer registrations and some problems with receipts from municipalities, the bulk of the changes reflect declining motor vehicle sales. See Appendix B for additional detail of the Highway Fund revenue changes recommended in the table on the previous page.

C. Fund for a Healthy Maine (FHM)

The **Fund for a Healthy Maine (FHM)** revenue forecast was revised downward slightly due to a small downward adjustment in interest earnings to reflect lower balances in the fund and an adjustment in FY08 to reflect the effect of winter weather and some FY08 changes to assumptions for slot machine revenue. The total change to Fund for a Healthy Maine revenue during the 2008-2009 biennium is less than $0.1million. See Appendix C for the additional explanations of the changes summarized below.

Table II-C - Fund for a Healthy Maine Summary

	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$50,950,512	$61,353,071	$65,626,578	$70,567,505	$69,667,817
Annual % Growth	8.6%	20.4%	7.0%	7.5%	-1.3%
Net Increase (Decrease)		($78,318)	($12,000)	($12,000)	($12,000)
Revised Forecast	$50,950,512	$61,274,753	$65,614,578	$70,555,505	$69,655,817
Annual % Growth	8.6%	20.3%	7.1%	7.5%	-1.3%
Summary of Revenue Revisions by Major Revenue Category					
Racino Revenue		($66,318)	$0	$0	$0
Income from Investments		($12,000)	($12,000)	($12,000)	($12,000)
Total Revisions - Increase (Decrease)		**($78,318)**	**($12,000)**	**($12,000)**	**($12,000)**

D. MaineCare Dedicated Revenue Taxes

In aggregate, **Medicaid/MaineCare Dedicated Revenue Taxes** were revised upward on a net basis by $1.0 million for the 2008-2009 biennium. These adjustments are based on updated trends with an additional quarter of actual experience and, within the Hospital Tax, a delay in the receipt of a tax payment between FY08 and FY09.

Table II-D - Medicaid/MaineCare Dedicated Revenue Taxes Summary

	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$125,704,185	$129,627,152	$131,380,798	$133,178,281	$135,020,703
Annual % Growth	6.4%	3.1%	1.4%	1.4%	1.4%
Net Increase (Decrease)		($346,130)	$1,342,884	$517,145	$530,074
Revised Forecast	$125,704,185	$129,281,022	$132,723,682	$133,695,426	$135,550,777
Annual % Growth	6.4%	2.8%	2.7%	0.7%	1.4%
Summary of Revenue Revisions by Major Revenue Category					
Nursing Facility Tax		$1,391,679	$1,426,471	$1,462,133	$1,498,686
Residential Treatment Facilities Tax		($280,201)	($287,206)	($294,386)	($301,745)
Hospital Tax *		($838,355)	$838,355	$0	$0
Service Provider Tax (PNMIs)		($619,253)	($634,736)	($650,602)	($666,867)
Total Revisions - Increase (Decrease)		**($346,130)**	**$1,342,884**	**$517,145**	**$530,074**

III. CONCLUSIONS

The additional General Fund and Highway Fund downward revisions of this revenue forecast, just one quarter after the December 2007 revisions represent a significant challenge for the Governor and the Legislature. The rapidly changing economic picture and its immediate effect on consumption-related tax revenue has dropped budgeted General Fund revenue by a total of $64.6 million in FY 2008 in these 2 forecasts, with effectively only a quarter left in the fiscal year to make the necessary adjustments to bring the budget back into balance. The back-to-back reductions of the December 2007 and March 2008 forecasts total $189.9 million for the General Fund and $21.1 million for the Highway Fund in the current biennium, both represent reductions of roughly 3.0%.

As noted earlier, this revenue forecast is driven largely by the deteriorating national economy. The RFC is once again expressing its concerns about the substantial amount of economic risk that still surrounds this forecast. In the short time frame since the January meeting of the CEFC, most national economic forecasts, including the models upon which the CEFC forecast was based, have been updated with much more pessimistic outlooks. While some of the economic variables, primarily corporate profitability and oil prices not established within the CEFC economic forecast, reflect the more pessimistic forecasts, some of the core components of the economic forecast underlying this revenue forecast may not have captured recent events, leaving a greater potential for downside risks when the forecast is revised again later this fall.

Appendix A - General Fund

Table of Contents

GENERAL FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2008

Source	FY04 Actual	% Chg.	FY05 Actual	% Chg.	FY06 Actual	% Chg.	FY07 Actual	% Chg.	FY07 Budget	FY07 Variance	% Var.
Sales and Use Tax	917,243,245	7.0%	896,576,322	-2.3%	946,174,276	5.5%	971,455,721	2.7%	974,740,367	(3,284,646)	-0.3%
Service Provider Tax	0	N/A	44,645,517	N/A	47,028,430	5.3%	49,400,532	5.0%	48,911,765	488,767	1.0%
Individual Income Tax *	1,156,715,909	7.9%	1,270,225,329	9.8%	1,254,506,663	-1.2%	1,353,934,495	7.9%	1,347,436,142	6,498,353	0.5%
Corporate Income Tax	111,616,051	22.4%	135,862,913	21.7%	188,015,558	38.4%	183,851,533	-2.2%	172,038,386	11,813,147	6.9%
Cigarette and Tobacco Tax	96,604,646	-1.8%	96,350,704	-0.3%	156,951,370	62.9%	158,953,466	1.3%	158,502,981	450,485	0.3%
Public Utilities Tax	27,991,188	-4.4%	25,403,214	-9.2%	20,627,030	-18.8%	16,317,029	-20.9%	16,891,746	(574,717)	-3.4%
Insurance Companies Tax	72,206,153	1.6%	75,669,053	4.8%	76,065,864	0.5%	74,452,542	-2.1%	76,336,389	(1,883,847)	-2.5%
Estate Tax	32,075,501	5.1%	32,255,727	0.6%	75,330,514	133.5%	54,820,038	-27.2%	55,465,498	(645,460)	-1.2%
Prop. Tax - Unorganized Territory	10,709,308	7.8%	10,622,666	-0.8%	11,559,305	8.8%	11,376,293	-1.6%	11,597,312	(221,019)	-1.9%
Income from Investments	2,310,207	-1.5%	5,854,625	153.4%	8,271,869	41.3%	1,215,836	-85.3%	1,517,319	(301,483)	-19.9%
Transfer to Municipal Rev. Sharing	(111,464,335)	-8.2%	(119,712,814)	-7.4%	(124,222,180)	-3.8%	(130,490,756)	-5.0%	(129,699,458)	(791,298)	0.6%
Transfer from Lottery Commission	41,272,645	4.6%	49,328,102	19.5%	50,879,647	3.1%	50,624,741	-0.5%	50,334,250	290,491	0.6%
Other Revenues **	326,259,040	66.2%	267,763,694	-17.9%	220,637,339	-17.6%	223,683,920	1.4%	220,834,877	2,849,043	1.3%
Total - General Fund Revenue	**2,683,539,557**	**12.1%**	**2,790,845,053**	**4.0%**	**2,931,825,687**	**5.1%**	**3,019,595,389**	**3.0%**	**3,004,907,574**	**14,687,815**	**0.5%**
Change in Biennial Totals											
*** Detail of Property Tax Reimbursement Programs Deducted from Individual Income Tax Revenue**											
- Maine Resident Property Tax Program			(26,030,227)	N/A	(42,796,070)	-64.4%	(44,440,759)	-3.8%	(44,957,021)	516,262	-1.1%
- Business Equipment Tax Reimbursement (BETR)			0	N/A	(67,065,810)	N/A	(66,553,092)	0.8%	(67,000,708)	447,616	-0.7%
- Municipal Business Equipment Tax Reimbursement			0	N/A	0	N/A	0	N/A	0	0	N/A
**** Detail of Other Revenues:**											
- Real Estate Transfer Tax	22,196,221	106.1%	24,113,439	8.6%	24,595,580	2.0%	22,206,638	-9.7%	22,309,074	(102,436)	-0.5%
- Milk Handling Fee	0	N/A	0	N/A	1,867,527	N/A	2,561,972	37.2%	2,430,175	131,797	5.4%
- Liquor Sales and Operations	102,182,743	291.9%	49,845,027	-51.2%	2,560,044	-94.9%	4,440,935	73.5%	4,400,000	40,935	0.9%
- Liquor Taxes and Fees	17,485,024	2.0%	17,432,377	-0.3%	18,814,733	7.9%	20,283,406	7.8%	19,964,727	318,679	1.6%
- Finance Industry Fees	9,572,280	3.0%	18,641,800	94.7%	20,471,110	9.8%	22,004,030	7.5%	21,567,380	436,650	2.0%
- Corporation Fees & Licenses	3,600,455	3.4%	5,637,743	56.6%	6,385,451	13.3%	6,639,084	4.0%	5,815,012	824,072	14.2%
- Hunting and Fishing License Fees	16,898,278	21.1%	16,691,165	-1.2%	16,840,079	0.9%	16,401,841	-2.6%	15,705,573	696,268	4.4%
- Boat, ATV and Snowmobile Fees	3,974,546	60.0%	4,148,936	4.4%	3,477,043	-16.2%	4,162,079	19.7%	3,636,271	525,808	14.5%
- Parimutuel and Gaming Revenue	1,036,539	-4.6%	1,362,611	31.5%	5,262,230	286.2%	8,604,917	63.5%	8,389,322	215,595	2.6%
- Fines, Forfeits and Penalties	38,219,275	41.6%	35,506,972	-7.1%	37,781,055	6.4%	41,415,132	9.6%	41,918,483	(503,351)	-1.2%
- Targeted Case Management (HHS)	34,762,095	4.6%	34,518,055	-0.7%	25,687,188	-25.6%	23,550,288	-8.3%	23,609,894	(59,606)	-0.3%
- HHS Services Rendered	9,481,895	89.2%	7,966,194	-16.0%	9,613,394	20.7%	11,125,914	15.7%	11,681,023	(555,109)	-4.8%
- State Cost Allocation Program	10,438,262	-5.0%	12,891,574	23.5%	13,281,561	3.0%	15,428,622	16.2%	14,592,926	835,696	5.7%
- Unclaimed Property Transfer	16,763,948	104.9%	10,000,000	-40.3%	14,880,517	48.8%	10,499,528	-29.4%	13,703,693	(3,204,165)	-23.4%
- Tourism Transfer	(7,213,282)	N/A	(7,554,190)	-4.7%	(7,762,689)	-2.8%	(8,221,338)	-5.9%	(8,221,338)	0	0.0%
- Transfer to Maine Milk Pool	0	N/A	0	N/A	(2,616,160)	N/A	(10,158,802)	-288.3%	(10,997,887)	839,085	-7.6%
- Other Miscellaneous	46,860,761	69.5%	36,561,993	-22.0%	29,498,676	-19.3%	32,739,674	11.0%	30,330,549	2,409,125	7.9%
IF&W Total Revenue ***	21,902,902	24.5%	21,817,659	-0.4%	21,530,955	-1.3%	21,663,828	0.6%	20,764,533	899,295	4.3%

*** IF&W Revenue is a component of the Other Revenue line but is not included in the Detail of Other Revenue because it includes Other Revenue classified above.

GENERAL FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2008

Source	FY08 Budget	% Chg.	Recom. Chg.	FY08 Revised	% Chg.	FY09 Budget	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Sales and Use Tax	985,065,063	1.4%	(6,827,961)	978,237,102	0.7%	1,030,088,524	4.6%	(22,731,976)	1,007,356,548	3.0%
Service Provider Tax	51,181,910	3.6%	0	51,181,910	3.6%	53,452,742	4.4%	0	53,452,742	4.4%
Individual Income Tax *	1,400,953,225	3.5%	(421,000)	1,400,532,225	3.4%	1,412,984,780	0.9%	(18,092,000)	1,394,892,780	-0.4%
Corporate Income Tax	194,600,000	5.8%	(12,430,000)	182,170,000	-0.9%	199,984,298	2.8%	(10,814,298)	189,170,000	3.8%
Cigarette and Tobacco Tax	157,706,180	-0.8%	(2,920,000)	154,786,180	-2.6%	156,088,502	-1.0%	(2,680,000)	153,408,502	-0.9%
Public Utilities Tax	17,476,987	7.1%	0	17,476,987	7.1%	16,464,397	-5.8%	0	16,464,397	-5.8%
Insurance Companies Tax	76,751,673	3.1%	0	76,751,673	3.1%	77,169,754	0.5%	0	77,169,754	0.5%
Estate Tax	45,258,169	-17.4%	(695,929)	44,562,240	-18.7%	50,709,673	12.0%	(1,184,791)	49,524,882	11.1%
Prop. Tax - Unorganized Territory	12,611,986	10.9%	0	12,611,986	10.9%	12,353,336	-2.1%	0	12,353,336	-2.1%
Income from Investments	901,571	-25.8%	50,447	952,018	-21.7%	(4,024,682)	-546.4%	0	(4,024,682)	-522.8%
Transfer to Municipal Rev. Sharing	(134,221,812)	-2.9%	1,003,627	(133,218,185)	-2.1%	(138,102,080)	-2.9%	2,633,552	(135,468,528)	-1.7%
Transfer from Lottery Commission	49,834,250	-1.6%	(1,000,000)	48,834,250	-3.5%	49,834,250	0.0%	1,000,000	50,834,250	4.1%
Other Revenues **	209,801,236	-6.2%	(3,630,178)	206,171,058	-7.8%	219,526,167	4.6%	(16,041,057)	203,485,110	-1.3%
Total - General Fund Revenue	**3,067,920,438**	**1.6%**	**(26,870,994)**	**3,041,049,444**	**0.7%**	**3,136,529,661**	**2.2%**	**(67,910,570)**	**3,068,619,091**	**0.9%**
Change in Biennial Totals								**(94,781,564)**		
*** Detail of Property Tax Reimbursement Programs Deducted from Individual Income Tax Revenue**										
- Maine Resident Property Tax Program	(46,253,766)	-4.1%	0	(46,253,766)	-4.1%	(47,573,249)	-2.9%	0	(47,573,249)	-2.9%
- BETR - Business Equipment Tax Reimb.	(68,490,826)	-2.9%	0	(68,490,826)	-2.9%	(69,059,334)	-0.8%	0	(69,059,334)	-0.8%
- Municipal Business Equip. Tax Reimb.	0	N/A	0	0	N/A	(11,373,516)	N/A	0	(11,373,516)	N/A
**** Detail of Other Revenues:**										
- Real Estate Transfer Tax	19,565,275	-11.9%	(2,560,982)	17,004,293	-23.4%	20,314,869	3.8%	(4,768,654)	15,546,215	-8.6%
- Milk Handling Fee	558,818	-78.2%	215,506	774,324	-69.8%	2,381,714	326.2%	(70)	2,381,644	207.6%
- Liquor Sales and Operations	4,500,000	1.3%	1,034,300	5,534,300	24.6%	4,500,000	0.0%	1,050,000	5,550,000	0.3%
- Liquor Taxes and Fees	20,042,626	-1.2%	355,000	20,397,626	0.6%	20,122,424	0.4%	75,000	20,197,424	-1.0%
- Finance Industry Fees	21,565,980	-2.0%	863,830	22,429,810	1.9%	21,365,980	-0.9%	0	21,365,980	-4.7%
- Corporation Fees & Licenses	6,646,012	0.1%	0	6,646,012	0.1%	7,467,012	12.4%	0	7,467,012	12.4%
- Hunting and Fishing License Fees	16,240,944	-1.0%	0	16,240,944	-1.0%	16,249,867	0.1%	0	16,249,867	0.1%
- Boat, ATV and Snowmobile Fees	3,636,271	-12.6%	0	3,636,271	-12.6%	3,636,271	0.0%	0	3,636,271	0.0%
- Parimutuel and Gaming Revenue	8,631,176	0.3%	(60,594)	8,570,582	-0.4%	12,824,311	48.6%	(41,970)	12,782,341	49.1%
- Fines, Forfeits and Penalties	41,182,968	-0.6%	1,438,750	42,621,718	2.9%	41,287,968	0.3%	1,162,285	42,450,253	-0.4%
- Targeted Case Management (HHS)	20,045,007	-14.9%	(3,576,797)	16,468,210	-30.1%	20,045,007	0.0%	(11,435,305)	8,609,702	-47.7%
- HHS Services Rendered	4,363,607	-60.8%	(295,877)	4,067,730	-63.4%	4,363,607	0.0%	(295,877)	4,067,730	0.0%
- State Cost Allocation Program	15,140,940	-1.9%	0	15,140,940	-1.9%	17,566,608	16.0%	0	17,566,608	16.0%
- Unclaimed Property Transfer	9,775,369	-6.9%	0	9,775,369	-6.9%	9,775,369	0.0%	0	9,775,369	0.0%
- Tourism Transfer	(8,708,437)	-5.9%	0	(8,708,437)	-5.9%	(8,911,584)	-2.3%	(78,293)	(8,989,877)	-3.2%
- Transfer to Maine Milk Pool	(347,260)	96.6%	(378,009)	(725,269)	92.9%	(2,338,875)	-573.5%	41,430	(2,297,445)	-216.8%
- Other Miscellaneous	26,961,940	-17.6%	(665,305)	26,296,635	-19.7%	28,875,619	7.1%	(1,749,603)	27,126,016	3.2%
IF&W Total Revenue ***	21,298,620	-1.7%	(103,495)	21,195,125	-2.2%	21,321,007	0.1%	(104,508)	21,216,499	0.1%

*** IF&W Revenue is a component of the Other Revenue line but is not included in the Detail of Other Revenue because it includes Other Revenue classified above.

GENERAL FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2008

Source	FY10 Projection	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Projection	% Chg.	Recom. Chg.	FY11 Revised	% Chg.
Sales and Use Tax	1,079,368,008	4.8%	(35,583,027)	1,043,784,981	3.6%	1,129,584,645	4.7%	(44,045,075)	1,085,539,570	4.0%
Service Provider Tax	55,590,852	4.0%	0	55,590,852	4.0%	57,814,486	4.0%	0	57,814,486	4.0%
Individual Income Tax *	1,432,186,735	1.4%	(14,835,000)	1,417,351,735	1.6%	1,461,052,033	2.0%	(13,122,000)	1,447,930,033	2.2%
Corporate Income Tax	204,175,313	2.1%	(1,045,313)	203,130,000	7.4%	204,200,000	0.0%	(2,070,000)	202,130,000	-0.5%
Cigarette and Tobacco Tax	154,354,033	-1.1%	(1,094,958)	153,259,075	-0.1%	152,782,116	-1.0%	(1,452,319)	151,329,797	-1.3%
Public Utilities Tax	15,451,807	-6.2%	0	15,451,807	-6.2%	15,251,807	-1.3%	0	15,251,807	-1.3%
Insurance Companies Tax	77,594,734	0.6%	0	77,594,734	0.6%	78,021,464	0.5%	0	78,021,464	0.5%
Estate Tax	54,569,248	7.6%	(527,510)	54,041,738	9.1%	5,145,335	-90.6%	(606,439)	4,538,896	-91.6%
Prop. Tax - Unorganized Territory	12,739,356	3.1%	0	12,739,356	3.1%	13,137,280	3.1%	0	13,137,280	3.1%
Income from Investments	901,571	122.4%	0	901,571	122.4%	901,571	0.0%	0	901,571	0.0%
Transfer to Municipal Rev. Sharing	(145,228,685)	-5.2%	2,676,094	(142,552,591)	-5.2%	(149,767,136)	-3.1%	3,080,328	(146,686,808)	-2.9%
Transfer from Lottery Commission	49,834,250	0.0%	1,000,000	50,834,250	0.0%	49,834,250	0.0%	1,000,000	50,834,250	0.0%
Other Revenues **	214,855,552	-2.1%	(16,568,066)	198,287,486	-2.6%	218,908,490	1.9%	(16,750,024)	202,158,466	2.0%
Total - General Fund Revenue	**3,206,392,774**	**2.2%**	**(65,977,780)**	**3,140,414,994**	**2.3%**	**3,236,866,341**	**1.0%**	**(73,965,529)**	**3,162,900,812**	**0.7%**
Change in Biennial Totals								**(139,943,309)**		
*** Detail of Property Tax Reimbursement Programs Deducted from Individual Income Tax Revenue**										
- Maine Resident Property Tax Program	(48,073,804)	-1.1%	0	(48,073,804)	-1.1%	(50,473,026)	-5.0%	0	(50,473,026)	-5.0%
- BETR - Business Equipment Tax Reimb.	(65,653,487)	4.9%	0	(65,653,487)	4.9%	(60,047,934)	8.5%	0	(60,047,934)	8.5%
- Municipal Business Equip. Tax Reimb.	(21,538,412)	-89.4%	0	(21,538,412)	-89.4%	(27,486,069)	-27.6%	0	(27,486,069)	-27.6%
**** Detail of Other Revenues:**										
- Real Estate Transfer Tax	16,907,180	-16.8%	(5,290,155)	11,617,025	-25.3%	18,867,770	11.6%	(5,438,955)	13,428,815	15.6%
- Milk Handling Fee	2,381,714	0.0%	(70)	2,381,644	0.0%	2,381,714	0.0%	(70)	2,381,644	0.0%
- Liquor Sales and Operations	4,500,000	0.0%	1,050,000	5,550,000	0.0%	4,500,000	0.0%	1,050,000	5,550,000	0.0%
- Liquor Taxes and Fees	20,203,342	0.4%	75,000	20,278,342	0.4%	20,285,996	0.4%	75,000	20,360,996	0.4%
- Finance Industry Fees	21,365,980	0.0%	0	21,365,980	0.0%	21,365,980	0.0%	0	21,365,980	0.0%
- Corporation Fees & Licenses	8,024,012	7.5%	0	8,024,012	7.5%	8,591,012	7.1%	0	8,591,012	7.1%
- Hunting and Fishing License Fees	16,249,867	0.0%	0	16,249,867	0.0%	16,249,867	0.0%	0	16,249,867	0.0%
- Boat, ATV and Snowmobile Fees	3,636,271	0.0%	0	3,636,271	0.0%	3,636,271	0.0%	0	3,636,271	0.0%
- Parimutuel and Gaming Revenue	13,574,624	5.9%	(58,500)	13,516,124	5.7%	14,157,955	4.3%	(58,500)	14,099,455	4.3%
- Fines, Forfeits and Penalties	41,351,968	0.2%	1,062,285	42,414,253	-0.1%	41,406,968	0.1%	1,062,285	42,469,253	0.1%
- Targeted Case Management (HHS)	20,045,007	0.0%	(11,435,306)	8,609,701	0.0%	20,045,007	0.0%	(11,435,305)	8,609,702	0.0%
- HHS Services Rendered	4,363,607	0.0%	(295,877)	4,067,730	0.0%	4,363,607	0.0%	(295,877)	4,067,730	0.0%
- State Cost Allocation Program	16,442,672	-6.4%	0	16,442,672	-6.4%	17,447,328	6.1%	0	17,447,328	6.1%
- Unclaimed Property Transfer	9,775,369	0.0%	0	9,775,369	0.0%	9,775,369	0.0%	0	9,775,369	0.0%
- Tourism Transfer	(9,365,681)	-5.1%	12,337	(9,353,344)	-4.0%	(9,811,800)	-4.8%	(18,012)	(9,829,812)	-5.1%
- Transfer to Maine Milk Pool	(2,338,875)	0.0%	41,430	(2,297,445)	0.0%	(2,338,875)	0.0%	41,430	(2,297,445)	0.0%
- Other Miscellaneous	27,738,495	-3.9%	(1,729,210)	26,009,285	-4.1%	27,984,321	0.9%	(1,732,020)	26,252,301	0.9%
IF&W Total Revenue ***	21,329,704	0.0%	(100,039)	21,229,665	0.1%	21,335,160	0.0%	(101,444)	21,233,716	0.0%

*** IF&W Revenue is a component of the Other Revenue line but is not included in the Detail of Other Revenue because it includes Other Revenue classified above.

General Fund - Sales and Use Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$917,243,245	$896,576,322	$946,174,276	$971,455,721	$985,065,063	$1,030,088,524	$1,079,368,008	$1,129,584,644
Annual % Growth	7.0%	-2.3%	5.5%	2.7%	1.4%	4.6%	4.8%	4.7%
Net Increase (Decrease)					($6,827,961)	($22,731,976)	($35,583,027)	($44,045,075)
Revised Forecast	$917,243,245	$896,576,322	$946,174,276	$971,455,721	$978,237,102	$1,007,356,548	$1,043,784,981	$1,085,539,569
Annual % Growth	7.0%	-2.3%	5.5%	2.7%	0.7%	3.0%	3.6%	4.0%

Revenue Source Summary:

The sales tax is imposed at the rate of 5% of the sale price on retail sales of tangible personal property and taxable services; at 7% on temporary rentals of living quarters in hotels, rooming houses, tourist and trailer camps, the sale of liquor by the drink and prepared food; and at 10% on the short-term rental of automobiles. The tax is also imposed on casual sales of motor vehicles, camper trailers, truck campers, livestock trailers, special mobile equipment, boats and aircraft. Sales of new manufactured housing (mobile homes and modular homes) are subject to the 5% tax, usually at 50% of the selling price. Many exemptions and exclusions exist, including grocery staples.

The use tax is imposed at the same rate as the sales tax on the sale price of tangible personal property and taxable services purchased at retail sale beyond the collection jurisdiction of the State for use, storage or other consumption in Maine, unless substantial (12 months) use was made of the property elsewhere before it was brought to Maine. An exception is made for motor vehicles registered as automobiles that were purchased and actually used in another state before being brought to Maine, if the purchaser was a resident of the other state at the time of purchase. The use tax does not apply to purchases on which Maine sales tax has been paid, and credit is allowed for sales or use tax paid in another jurisdiction up to the amount of the Maine tax.

Beginning in FY05, certain services previously included in this category were moved to the Service Provider Tax (see next page in Appendix for this revenue category). This change accounts for the negative growth in FY05.

Revenue Source Forecast Factors and Trends:

Sales and Use Tax is one of the major revenue sources tied to economic activity with projections developed using Maine Revenue Services tax models with input from the economic variables forecast by the Consensus Economic Forecasting Commission (CEFC). Sales and Use Tax projections in the tax models are derived primarily from aggregate Personal Income growth assumptions. Total employment growth is used to predict business purchases. Inflation projections are also used for those elements of the sales and excise tax models that are based on units sold in order to produce an inflation adjusted dollar value.

Sales and Use Tax revenue has been under budget consistently since the beginning of the heating season late last fall. The Committee made a late adjustment in June 2005 revising the forecast for this line downward by $15.0 million. Sales and Use Tax revenue was under budget after this revision by $3.1 million (-0.3%). The growth of this revenue line, which had been very strong after the FY02 (4.9% growth in FY03 and 7.0% growth in FY04), dropped to 2.6% in FY05 (after adjusting and adding back in the components that were separated into the Service Provider Tax).

Taxable Sales Trends - For calendar year 2007, taxable sales were up 1% over the previous year. The strongest growth was in the restaurant/lodging and business operating categories, up 4%, followed by the food store sector, up 3%. The general merchandise sector was up 1%, auto/transportation sales and other retail sales were flat, and building supply sales were down 4%. See Appendix G for more detail on taxable sales growth.

Forecast Recommended Changes:

The reduction in the forecast for personal income and inflation, high energy prices and a forecast of declining motor vehicle sales contributed to the downward reprojection of sales and use tax revenue.

General Fund - Individual Income Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$1,156,715,909	$1,270,225,329	$1,254,506,663	$1,353,934,495	$1,400,953,225	$1,412,984,780	$1,432,186,735	$1,461,052,033
Annual % Growth	7.9%	9.8%	-1.2%	7.9%	3.5%	0.9%	1.4%	2.0%
Net Increase (Decrease)					($421,000)	($18,092,000)	($14,835,000)	($13,122,000)
Revised Forecast	$1,156,715,909	$1,270,225,329	$1,254,506,663	$1,353,934,495	$1,400,532,225	$1,394,892,780	$1,417,351,735	$1,447,930,033
Annual % Growth	7.9%	9.8%	-1.2%	7.9%	3.4%	-0.4%	1.6%	2.2%

Revenue Source Summary:
This category includes all revenue from individual income tax including penalties and interest associated with the collection of individual income tax. It also includes income tax on fiduciaries and income tax from Partnerships, Limited Liability Corpora

Beginning in FY05, Individual Income Tax revenue was reduced by the amount of the payments under the Maine Residents Property Tax Program (Tax and Rent Refund or Circuit Breaker). Amounts necessary for the benefit payments are transferred from Individual Income Tax revenue to a reserve account for payment. Beginning in FY06, a similar arrangement was established for the Business Equipment Tax Reimbursement (BETR) program. Estimates of these transfers and the effect that they have on the forecast of Individual Income are detailed in separate sections. The amounts above reflect net amounts after the transfers for these tax reimbursement programs, but do not reflect the transfer to the Local Government Fund for State-Municipal Revenue Sharing.

Revenue Source Forecast Factors and Trends:
The individual income tax simulation model is the most complicated and involves the input of multiple economic variables. The individual components of Personal Income, which include salaries and wages; dividend interest and rents; proprietor's income; supplements to wages and salaries; and transfer payments are fed into the model. Other factors include: inflation projections that drive statutory indexing provisions (tax brackets and standard deduction amounts); total employment growth and unemployment rate affecting assumed number of tax filings; and the 3-month and 10-year Treasury Rates that drive interest earnings assumptions and the mortgage interest deduction.

A major variable that is not included in the consensus economic forecast is net capital gains realizations. This variable has produced some significant volatility in the individual income tax collections. A detailed discussion is included in the body of the report.

Current Year Variance - Individual Income Tax collections have dropped below projections in recent months. This category was adjusted upward by $18.2 million in the December 2007 revenue forecast. The current year variance through January is -$11.3 million (-2.4% of budget), excluding the variances associated with the BETR and Circuit Breaker programs. Estimated payments were under budget in December and January resulting in a negative variance of $18.6 million (-9.5%) through January. Refunds associated with the filing of 2007 tax returns are slightly below budget through January, and are expected to remain close to budget through the remainder of the fiscal year. Fiscal year-to-date withholding payments were up .6% over FY07 amounts and have been tracking very close to revised projections (less than 0.6% variance through January).

Forecast Recommended Changes:
The lower personal income forecast from the CEFC for calendar year 2008 results in a downward re-projection in individual income tax receipts of $18.1 million in FY09. Most of the net revenue on this line in the second-half of FY08 reflects economic activity during calendar year 2007, which was no substantially altered by the CEFC in their February report, therefore the forecast for FY08 is adjusted by only -$.421 million.

General Fund - Corporate Income Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$111,616,051	$135,862,913	$188,015,558	$183,851,533	$194,600,000	$199,984,298	$204,175,313	$204,200,000
Annual % Growth	22.4%	21.7%	38.4%	-2.2%	5.8%	2.8%	2.1%	0.0%
Net Increase (Decrease)					($12,430,000)	($10,814,298)	($1,045,313)	($2,070,000)
Revised Forecast	$111,616,051	$135,862,913	$188,015,558	$183,851,533	$182,170,000	$189,170,000	$203,130,000	$202,130,000
Annual % Growth	22.4%	21.7%	38.4%	-2.2%	-0.9%	3.8%	7.4%	-0.5%

Revenue Source Summary:

This revenue is derived by a corporate income tax imposed on all corporations subject to federal income tax and having nexus with Maine, with the exception of financial institutions subject to the franchise tax and insurance companies subject to the premium tax. The tax is levied on Maine net income which is federal taxable income as modified by Maine law. In the case of a corporation doing business both within and outside of the State, Maine net income is determined by apportioning the modified federal taxable income according to a formula using payroll, property and sales. Tax rates are progressive from 3.5% to 8.93%. The amounts reflected in the table above are prior to the deduction for state-municipal revenue sharing. A small portion of this revenue line includes taxes received from financial institutions through the Franchise Tax.

Revenue Source Forecast Factors and Trends:

Revenue projections are driven by the corporate income tax model with assumptions for inflation (CPI-U), total employment growth and growth by sector. The model also relies on a forecast of corporate pre-tax profits from Global Insight.

Forecast Recommended Changes:

Consistent with most national forecasts, the Revenue Forecasting Committee is forecasting a decline in corporate receipts. The new forecast of corporate profits is based on a mild recession scenario that results in an estimated 15% reduction in corporate profits in calendar year 2008, and a subsequent recovery (20% increase in pre-tax profits) in calendar year 2009. As with individual income tax, the forecast for corporate income tax also reflects a technical adjustment to adjust the assumptions regarding the timing of the bonus depreciation recapture, increasing the estimate in later fiscal years at the expense of earlier fiscal years.

General Fund - Cigarette and Tobacco Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$96,604,646	$96,350,704	$156,951,370	$158,953,466	$157,706,180	$156,088,502	$154,354,033	$152,782,116
Annual % Growth	-1.8%	-0.3%	62.9%	1.3%	-0.8%	-1.0%	-1.1%	-1.0%
Net Increase (Decrease)					($2,920,000)	($2,680,000)	($1,094,958)	($1,452,319)
Revised Forecast	$96,604,646	$96,350,704	$156,951,370	$158,953,466	$154,786,180	$153,408,502	$153,259,075	$151,329,797
Annual % Growth	-1.8%	-0.3%	62.9%	1.3%	-2.6%	-0.9%	-0.1%	-1.3%

Revenue Source Summary:

This revenue category includes revenue from the cigarette tax and tobacco products tax. The cigarette tax is imposed on all cigarettes held in this State for retail sale and a tax on the wholesale price of other tobacco products. The rate of the cigarette tax was 50 mills per cigarette or $1.00 per pack before September 19, 2005. Beginning September 19, 2005 the cigarette tax rate was increased to $2.00 per pack. On October 1, 2005 the rate of tax on smokeless tobacco products was increased from 62% of the wholesale price to 78% and the tax on cigars, pipe tobacco and other tobacco intended for smoking was increased from 16% of the wholesale price to 20%.

Revenue Source Forecast Factors and Trends:

The cigarette tax forecast is developed using Maine Revenue Services Sales and Excise Tax model.

Forecast Recommended Changes:

The February 2008 revenue forecast for the cigarette tax was reduced based on the January 2008 CEFC economic forecast. The projection for the tobacco products tax has not been changed.

General Fund - Estate Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$32,075,501	$32,255,727	$75,330,514	$54,820,038	$45,258,169	$50,709,673	$54,569,248	$5,145,335
Annual % Growth	5.1%	0.6%	133.5%	-27.2%	-17.4%	12.0%	7.6%	-90.6%
Net Increase (Decrease)					($695,929)	($1,184,791)	($527,510)	($606,439)
Revised Forecast	$32,075,501	$32,255,727	$75,330,514	$54,820,038	$44,562,240	$49,524,882	$54,041,738	$4,538,896
Annual % Growth	5.1%	0.6%	133.5%	-27.2%	-18.7%	11.1%	9.1%	-91.6%

Revenue Source Summary:

This revenue is derived primarily by the state tax imposed upon the transfer of the estate of every person who was a Maine resident at the time of death. For deaths occurring before January 1, 2002 the tax is equal to the amount by which the credit allowed against the federal estate tax for state death taxes exceeds the amount of such taxes actually paid to other states, provided that the allowance for such taxes may not exceed that percentage of the federal tax credit which the other states' portion of the estate is to the total estate. Beginning in 2002, the federal estate tax and the federal credit for state death taxes are being phased out. The federal credit was reduced to 75% in 2002, 50% in 2003, 25% in 2004 and completely eliminated beginning in 2005. For deaths occurring after 2002, the Maine estate tax is equal to the tax that would be owed using the formula for calculating the federal credit for state death taxes in effect on December 31, 2002 (exclusive of any reduction in the maximum credit amount) and based on the unified credit amount as of December 31, 2000.

A similar tax is imposed on real and tangible personal property having Maine situs passing by reason of the death of a person not a Maine resident, at the same percentage of the federal allowance for state death taxes that the value of the property taxable in Maine bears to the total estate.

Revenue Source Forecast Factors and Trends:

The estate tax is forecast using Maine Revenue Services tax models. The models are supplemented with a look at actual tax file data through queries of the data base to pick out the unusual large returns. Actual FY 06 revenue was over budget by $5.2M and significantly over FY 05 amounts. This significant growth is due to a few unusually large estate tax payments for deaths in 2005. FY07 and FY08 FYTD reflect estates consistent with long-term trends and the increase in the state tax exemption to $1 million for deaths occurring on or after January 1, 2006.

Forecast Recommended Changes: The forecast for the 2008-2009 and 2010-2011 biennia are based on a forecast of the growth in household net worth from Global Insight. The on-going correction in the residential housing market and the forecasted recession in calendar year 2008 is projected to reduce household net worth and therefore the forecast of estate tax receipts.

General Fund - Income from Investments

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$2,310,207	$5,854,625	$8,271,869	$1,215,836	$901,571	($4,024,682)	$901,571	$901,571
Annual % Growth	-1.5%	153.4%	41.3%	-85.3%	-25.8%	-546.4%	-122.4%	0.0%
Net Increase (Decrease)					$50,447	$0	$0	$0
Revised Forecast	$2,310,207	$5,854,625	$8,271,869	$1,215,836	$952,018	($4,024,682)	$901,571	$901,571
Annual % Growth	-1.5%	153.4%	41.3%	-85.3%	-21.7%	-522.8%	-122.4%	0.0%

Revenue Source Summary:

This category represents the Treasurer of State's investment of excess money in the state treasury that is not needed to meet current obligations (see 5 MRSA section 135). The Treasurer of State is authorized to invest these funds in bonds, notes, certificates of indebtedness or other obligations specified in statute. Earnings on these investments are credited to the General Fund unless specifically designated otherwise. Occasionally, there are credits to this revenue category for small miscellaneous items collected by the State. These items are generally insignificant and unpredictable.

Revenue Source Forecast Factors and Trends:

The major factors that affect earnings are the rates of return on investments and the balances of cash available for investment. These factors are heavily influenced by the economy, the budget, the reliance on Tax Anticipation Notes (TAN's) and the Treasurer's investment policies.

Economy - After a period of rising interest rates based on Federal Reserve Board monetary policy that tightened the money supply and helped improve earnings in FY05 and FY06, a recent loosening of the the money supply in response to a slower economy has lowered expectations for the earnings rate in the Cash Pool.

Budget - In FY07 cash flow softened, in part because collections of MaineCare interim payments at DHHS were below anticipation, contributing to lower balances in General Fund cash. Revenue shortfalls in several areas are lowering investable cash balances in FY08 which will hurt earnings. In FY09 teacher retirement payments are being made at the beginning of the fiscal year, greatly reducing available cash.

Investment Policy - The Treasurer's investment policy (type of investment vehicle purchased, liquidity to meet daily needs, selection criteria for specific investments, etc.) affects the rate of return on the pool. A new policy to restrict certain outside agency funds from benefitting from the distribution of float earnings will increase the credit to the General Fund. The freezing of a $20,000,000 investment in commercial paper has meant a loss of earnings in FY08 for this non-performing asset.

TAN Amounts - See below for assumptions. With no Tax Anticipation Note (TAN) being issued in FY07, a reduced cash position has meant higher internal borrowing within the Treasurer's Cash Pool. No TANs are assumed to be issued in the foreseeable future.

Historical Data and Assumptions

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
TAN								
Current Forecast	$275,000,000	$190,000,000	$123,625,000	$0	$0	$0	$0	$0
Revised Forecast					$0	$0	$0	$0
Pool Earnings Rate								
Current Forecast	1.32%	2.39%	4.51%	5.88%	4.50%	4.50%	4.50%	4.50%
Revised Forecast					4.50%	4.50%	4.50%	4.50%

Forecast Recommended Changes:

This forecast recognizes interest on settlements collected by the Department of Health and Human Services in FY08, based on actual collections through February. The core assumptions for earnings on the cash pool remain unchanged in this forecast.

General Fund - Transfer to Municipal Revenue Sharing

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	($111,464,335)	($119,712,814)	($124,222,180)	($130,490,756)	($134,221,812)	($138,102,080)	($145,228,685)	($149,767,136)
Annual % Growth	-8.2%	-7.4%	-3.8%	-5.0%	-2.9%	-2.9%	-5.2%	-3.1%
Net Increase (Decrease)					$1,003,627	$2,633,552	$2,676,094	$3,080,328
Revised Forecast	($111,464,335)	($119,712,814)	($124,222,180)	($130,490,756)	($133,218,185)	($135,468,528)	($142,552,591)	($146,686,808)
Annual % Growth	-8.2%	-7.4%	-3.8%	-5.0%	-2.1%	-1.7%	-5.2%	-2.9%

Revenue Source Summary:

These amounts above represent transfers made on the last day of each month from the General Fund to the Local Government Fund or the Disproportionate Tax Burden Fund. Amounts equal to 5.1%, increasing to 5.2% on July 1, 2007, of the taxes collected and credited to the General Fund under the individual income tax, the corporate income tax, the franchise tax on financial institutions, the General Fund portion of the service provider tax and the sales and use taxes are transferred. The amounts transferred are distributed to municipalities each month based on a formula.

Revenue Source Forecast Factors and Trends:

See discussion of Individual Income Tax, Sales and Use Tax, Corporate Income Tax and Service Provider Tax for trends. The monthly transfers are inverse determined by these major tax sources. The 123rd Legislature delayed by an additional 2 years, the increase in the percentage of the major taxes that gets transferred each month. This increase was also delayed by the 121st and the 122nd Legislatures. The percentage is now schedule to increase from 5.1% to 5.2% on July 1, 2009.

Forecast Recommended Changes:

The increase of revenue or the reduction in the transfer results in the inverse relationship to the overall downward revision in the taxes included in the revenue sharing base.

General Fund - Transfer from Lottery Commission

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$41,272,645	$49,328,102	$50,879,647	$50,624,741	$49,834,250	$49,834,250	$49,834,250	$49,834,250
Annual % Growth	4.6%	19.5%	3.1%	-0.5%	-1.6%	0.0%	0.0%	0.0%
Net Increase (Decrease)					($1,000,000)	$1,000,000	$1,000,000	$1,000,000
Revised Forecast	$41,272,645	$49,328,102	$50,879,647	$50,624,741	$48,834,250	$50,834,250	$50,834,250	$50,834,250
Annual % Growth	4.6%	19.5%	3.1%	-0.5%	-3.5%	4.1%	0.0%	0.0%

Revenue Source Summary:

Revenue from the sales of lottery tickets, net of the costs of administering the lottery and the set aside of funds for prizes, is transferred to the State as General Fund revenue. In addition to its own instant ticket games, the Maine Lottery participates with the New Hampshire and Vermont lotteries as a member of the Tri-State Lottery to offer Tri-State Pick 3 and Pick 4, Triple Play and Megabucks. Maine is also one of 29 jurisdictions participating in Powerball. Pursuant to Title 12 M.R.S.A, Chapter 714, the Maine Lottery also administers a wildlife lottery game to raise funds for the Maine Outdoor Heritage Fund. Maine Law (Title 8 M.R.S.A., §387) requires that at least 45% of sales must be returned to the players in the form of prizes.

Revenue Source Forecast Factors and Trends:

Lottery revenues are considered to be the result of discretionary spending by Maine's citizens; this type of discretionary spending tends to fairly predictable. Most recent major change was the addition of Powerball as an additional game offered by the Maine State Lottery in the fall of 2004. The Lottery is a mature industry and its revenue remains relatively flat; aggressive marketing such as constantly changing instant tickets games are required to maintain sales. Revenue is also significantly affected by the size of jackpots in the Megabuck and Powerball games, which is very unpredictable.

Forecast Recommended Changes:

Based on the performance of revenue through February, revenue is projected to increase each year over the forecast period. However, FY08 is being adjusted downward to reflect an accounting adjustment based on an audit finding. Lottery revenue is being adjusted downward by $2.7 million in FY08 as a result of this finding, Projections for FY09 through FY11 reflect no growth after an initial modest increase over FY07 revenue amounts.

General Fund - Real Estate Transfer Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$22,196,221	$24,113,439	$24,595,580	$22,206,638	$19,565,275	$20,314,869	$16,907,180	$18,867,770
Annual % Growth	106.1%	8.6%	2.0%	-9.7%	-11.9%	3.8%	-16.8%	11.6%
Net Increase (Decrease)					($2,560,982)	($4,768,654)	($5,290,155)	($5,438,955)
Revised Forecast	$22,196,221	$24,113,439	$24,595,580	$22,206,638	$17,004,293	$15,546,215	$11,617,025	$13,428,815
Annual % Growth	106.1%	8.6%	2.0%	-9.7%	-23.4%	-8.6%	-25.3%	15.6%

Revenue Source Summary:

A tax is imposed on each deed that transfers title to real property in the state or on the transfer of a controlling interest in an entity with a fee interest in real property in the state at the rate of $2.20 for each $500 or fractional part of the value of the real property. There are certain exemptions. Of the total tax, ½ is imposed on the grantor and ½ is imposed on the grantee. Ninety percent of the tax collected during the previous month is forwarded by each Registrar of Deeds to the State Tax Assessor. The remaining 10% is retained by the county and accounted for as reimbursement for services rendered in collecting the tax. Of the 90% that is forwarded to the State, ½ of the revenue attributable to the transfer of title to real property is credited to the Maine State Housing Authority's Housing Opportunities for Maine (H.O.M.E.) Fund, an Other Special Revenue program established by 30-A M.R.S.A. §4853. The remainder is credited to the General Fund.

In FY04, FY05 and FY06 $7,500,000 of the portion that would ordinarily be credited to the H.O.M.E. Fund was credited to the General Fund. In FY07, $7,687,067 of the portion ordinarily credited to the H.O.M.E. Fund was credited to the General Fund. In FY08 and FY09, $5,000,000 of the portion credited to the H.O.M.E. Fund will again be credited to the Genreal Fund.

Beginning July 1, 2002, transfers of controlling interests are subject to the same tax. After the deduction of 10% county share, the remaining 90% of proceeds from the tax on the transfers of controlling interests accrues to the General Fund.

Revenue Source Forecast Factors and Trends:

Real estate market was growing very fast throughout most of FY05. In the June 2005 forecast, this line was revised downward by $1,000,000 for FY05 based on 2 months of negative variances. However, the positive variance at the end of FY05 nearly completely reversed that revision, coming in ahead of the revised forecast by $807,093. The FY06 positive variance was $2.1 million. In FY07, the forecast was projected to decline. The decline in FY07 was greater than anticipated resulting in a negative variance of $0.1 million or (0.5%).

Forecast Recommended Changes:

The revised revenue projection is based on the Winter 2008 Global Insight forecast of existing simgle family home sales and the median price of existing homes in Maine.

General Fund - Milk Handling Fee

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$0	$0	$1,867,527	$2,561,972	$558,818	$2,381,714	$2,381,714	$2,381,714
Annual % Growth	N/A	N/A	N/A	37.2%	-78.2%	326.2%	0.0%	0.0%
Net Increase (Decrease)					$215,506	($70)	($70)	($70)
Revised Forecast	$0	$0	$1,867,527	$2,561,972	$774,324	$2,381,644	$2,381,644	$2,381,644
Annual % Growth	N/A	N/A	N/A	37.2%	-69.8%	207.6%	0.0%	0.0%

Revenue Source Summary:
PL 2005, c. 396 imposed a fee on the handling of packaged milk for retail sale in the State. The fee rate is determined monthly in relation to the price of milk. The fee ranges from $0.00 per gallon when the price of milk is $18.50 per hundredweight or more to $0.12 per gallon when the price of milk is below $16.00 per hundredweight. PL 2007, c. 269 revised the fee to range from $0.00 per gallon when the price of milk is $24.00 per hundredweight or more to $0.36 per gallon when the price dips below $15.50 per hundredweight. Below $15.00 the rate increases $0.06 per gallon for each $0.50 drop in the price of milk.

Budgeted revenue for the Milk Handling Fee is calculated on a monthly basis by first determining what the corresponding fee is for the monthly price of milk as established by federal order. Once the correct milk handling fee has been determined, that fee is multiplied by the estimated number of gallons that will be sold based on previous years' consumption patterns. There is no fee on the handling in this state of packaged milk for sale in containers that were less than one quart or 20 or more quarts in volume, or packaged milk that is sold to an institution that is owned or operated by the State or Federal Government.

Revenue Source Forecast Factors and Trends:
The price of milk is relatively volatile and is difficult to accurately predict on a long-term basis. Since the amount of the Milk Handling Fee at any one time is based on the price of milk, long term revenue forecasts will be subject to frequent change.

Forecast Recommended Changes:
The short-term forecast of milk prices has been revised resulting in an increase of budgeted revenue in FY08, but a slightly lower estimate in FY 09 and beyond.

General Fund - Liquor Sales and Operations

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$102,182,743	$49,845,027	$2,560,044	$4,440,935	$4,500,000	$4,500,000	$4,500,000	$4,500,000
Annual % Growth	291.9%	-51.2%	-94.9%	73.5%	1.3%	0.0%	0.0%	0.0%
Net Increase (Decrease)					$1,034,300	$1,050,000	$1,050,000	$1,050,000
Revised Forecast	$102,182,743	$49,845,027	$2,560,044	$4,440,935	$5,534,300	$5,550,000	$5,550,000	$5,550,000
Annual % Growth			-94.9%	73.5%	24.6%	0.3%	0.0%	0.0%

Revenue Source Summary:

In July 2004, the State signed a ten year lease with a private entity for the sale and distribution of spirits subject to price regulation by the Bureau of Alcoholic Beverages and Lottery Operations. Throughout the term the private entity is guaranteed a gross profit baseline percentage of 36.8%. Revenue sharing with the state is determined on a calendar year basis when aggregate profits exceed 36.8% at which time an amount equal to 50% of the gross profit overage is deposited in the General Fund.

Revenue Source Forecast Factors and Trends:

As a result of the lease with the private entity, the State collected one-time payments from the private entity of $75,000,000 in FY04 and $50,000,000 in FY05. The revenue collected through the profit sharing arrangement of the lease has grown over the last few years. With the exception of FY05, the first year of operations for the leasee, profits have grown substantially each year. The growth for 2007 is attributed a 2.0% increase in cases sold and a 4.8% increase in sales. 45 more retails stores selling distilled spirits have been added since the privatization. Product margins have been managed over the last three years so that any growth in sales is reflected in profits.

Forecast Recommended Changes:

The estimates for the profits from Liquor Operations are increased in FY08 based on a preliminary, unaudited report of the lessee on calendar year 2007 operations. Estimates in future years are increased to bring future years in line with the current year amounts. While Maine Beverage is projecting similar growth for 2008 and affecting FY09 profit sharing, only a modest increase is included due to doubts about the current economic situation. Projections for FY10 and FY11 have been increased to the revised FY09 level.

General Fund - Liquor Taxes and Fees

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$17,485,024	$17,432,377	$18,814,733	$20,283,406	$20,042,626	$20,122,424	$20,203,342	$20,285,996
Annual % Growth	2.0%	-0.3%	7.9%	7.8%	-1.2%	0.4%	0.4%	0.4%
Net Increase (Decrease)					$355,000	$75,000	$75,000	$75,000
Revised Forecast	$17,485,024	$17,432,377	$18,814,733	$20,283,406	$20,397,626	$20,197,424	$20,278,342	$20,360,996
Annual % Growth			7.9%	7.8%	0.6%	-1.0%	0.4%	0.4%

Revenue Source Summary:

This revenue category is comprised of two principal revenue sources: taxes on alcoholic beverages and fees levied entities that are involved in the production, retailing and wholesaling of alcoholic beverages. The overwhelming majority of taxation and licensing revenue is collected by for the General Fund by the Liquor Enforcement program within the Department of Public Safety.

Revenue Source Forecast Factors and Trends:

The collection of revenue derived from the various taxes on alcoholic beverages is based on trends of the consumption of alcoholic beverages; variations in this trend are generally tied to shifts in public taste for certain types of alcoholic beverages and tend to take place gradually over a number of years. Revenue that is collected from the wide variety of licensing fees appears to be fairly stable and is somewhat limited by various statutory requirements. Effective October 1, 2005, flavored malt beverages are no longer taxed as malt beverages and instead are taxed at the higher rate established for low-alcohol spirits.

Forecast Recommended Changes:

Based on the revised estimates of the sales volume for spirits by Maine Beverage Company, the premium tax on spirits is increased by $75,000 annually beginning in FY08. In addition, based on performance through January 2008, beer excise and premium taxes are increased on a proportional basis for FY08 only.

General Fund - Finance Industry Fees

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$9,572,280	$18,641,800	$20,471,110	$22,004,030	$21,565,980	$21,365,980	$21,365,980	$21,365,980
Annual % Growth	3.0%	94.7%	9.8%	7.5%	-2.0%	-0.9%	0.0%	0.0%
Net Increase (Decrease)					$863,830	$0	$0	$0
Revised Forecast	$9,572,280	$18,641,800	$20,471,110	$22,004,030	$22,429,810	$21,365,980	$21,365,980	$21,365,980
Annual % Growth	3.0%	94.7%	9.8%	7.5%	1.9%	-4.7%	0.0%	0.0%

Revenue Source Summary:

Securities Act Fees - 32 M.R.S.A. c. 135 (§16302, 16305 & §16410) The Maine Office of Securities within the Department of Professional and Financial Regulation oversees the registration of securities and the licensing of broker-dealers, agents, investment advisers, and investment adviser representatives. The $30 annual renewal fee for agents and investment adviser representatives accrues as dedicated revenue to fund the operations of the Maine Office of Securities. The remainder of the fees collected by the office, which include: agent initial license fees, broker-dealer fees, investment adviser fees, investment adviser representative initial fees, securities registration and exemption fees, and federal-covered securities notice filing fees, accrue to the General Fund. The revenue collected from the securities registration filing fee now accounts for more than 90% of this revenue source.

Revenue Source Forecast Factors and Trends:

PL 2003, c. 673, Part RRR, increased the fee for most security registration filings from $500 to $1,000 effective August 1, 2004.

PL 2005, c. 12, Part KKKK increased initial and renewal license fees for broker-dealers from $200 to $250, renewal license fees for investment advisers from $100 to $200, and initial license fees for agents and investment adviser representatives from $40 to $50 effective June 29, 2005. PL 2005, c. 65, repealed the Revised Maine Securities Act (32 MRSA, c.105) replacing it with the Maine Uniform Securities Act (32 MRSA, c.135) and replaced these statutorily defined fees with upper limits within which the Office establishes the fees. With the exception of the investment advisor representative annual renewal fee, which was lowered to $30 effective December 31, 2005, the fees have been set at the same level that existed under the prior securities act.

Forecast Recommended Changes:

The forecast has been updated to reflect FY08 collections through January 2008. The updated forecast includes a one-time $750,000 increase in the revenue estimated to be collected this year from the securities registration fee (from $19.8 million to $20.55 million). This adjustment is in addition to the December 2007 forecasted increase in this fee of $800,000 per year. Two other smaller one-time adjustments are made in FY08 based on collections to date.

General Fund - Pari-mutuel and Gaming Revenue

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$1,036,539	$1,362,611	$5,262,230	$8,604,917	$8,631,176	$12,824,311	$13,574,624	$14,157,955
Annual % Growth	-4.6%	31.5%	286.2%	63.5%	0.3%	48.6%	5.9%	4.3%
Net Increase (Decrease)					($60,594)	($41,970)	($58,500)	($58,500)
Revised Forecast	$1,036,539	$1,362,611	$5,262,230	$8,604,917	$8,570,582	$12,782,341	$13,516,124	$14,099,455
Annual % Growth	-4.6%	31.5%	286.2%	63.5%	-0.4%	49.1%	5.7%	4.3%

Revenue Source Summary:

For pari-mutuel revenue, the State collects a commission on live harness racing, race track simulcasting and off-track betting on horse racing. The commission for intrastate pools is 18% on regular wagers and 26% on exotic wagers. The commission on interstate common pools is the amount established by the State where the wager is pooled. Amounts collected as commissions are distributed among the General Fund and several dedicated funds or retained by or returned to race tracks and off-track betting facilities.

Gaming revenue is collected from slot machines that are currently authorized to be located on the premises of one commercial racetrack in Bangor and from various licensing and registration fees that are levied upon the private entities that own and operate the slot machines. Under current law (8 MRSA § 1036), 1% of the gross slot income (the amount collected from slot machine players) is distributed to the General Fund as well as 3% of the net slot machine income (the amount that is distributed to the owner and various governmental purposes after paybacks to the winning players).

Revenue Source Forecast Factors and Trends:

To a certain extent, the collection of budgeted pari-mutuel revenue is dependent on favorable weather and overall economic conditions; protracted periods of inclement weather and poor economic trends will adversely effect both the attendance at commercial racetracks and the availability of discretionary resources to make wagers. Through February, FY07 pari-mutuel revenue has been running about 11% ahead of budgeted revenue, which was revised downward in the December 2006 revenue forecast.

The forecasting of gaming revenue has been significantly hampered by changing timelines in the opening of a slot machine facility in Bangor. Recently, Penn National, the licensed slot machine operator, opened a temporary facility in early November of 2005 with 475 registered slot machines. In addition, the best available information appears to indicate that Penn National will be opening a larger, permanent facility with 1,000 registered slot machines in August of 2008.

For this forecast, the Revenue Forecasting Committee has 16 months of actual data from which the Revenue Forecasting Committee has revised the spreadsheet tha calculates the revenue from the racino initiative to provide more detailed assumptions based on actual experience. Actual receipts continue to surpass expectations, particularly during the winter months. A mild winter may have contributed to enhanced revenue from this source as other normal winter activities were curtailed and there were few bad travel days that kept people away from the facility.

Forecast Recommended Changes:

The spreadsheet on the following details the assumptions that produce the revised estimate for revenue from the slot machine facility in Bangor. FY08 revenue amounts were adjusted to reflect actual revenue through January. There were 2 changes to the assumptions that produced this revenue revision. The date of the opening of the new facility was moved up one month sooner, that opening is now projected to be at the beginning of July 2008. The other assumption change was the payout percentage, which is projected lower when the new facility opens to reflect the change in the mix of machines to lower denomination slot machines that have a lower payback percentage.

In addition, pari-mutuel revenue is reduced beginning in FY08 and is adjusted in each year to remain constant through FY11.

Revenue Forecasting Committee - March 2008 - Racino Revenue

GENERAL FUND REVENUE	2006-07 Actual	2007-08	2008-09	2009-10	2010-11
December 2007 Forecast - General Fund Revenue	$7,703,401	$7,749,176	$11,942,311	$12,674,624	$13,257,955
Incremental Effect of December 2007 Forecast		($22,594)	($3,970)	($2,500)	($2,500)
March 2008 Forecast - Revised General Fund Revenue	$7,703,401	$7,726,582	$11,938,341	$12,672,124	$13,255,455

FUND FOR A HEALTHY MAINE REVENUE	2006-07 Actual	2007-08	2008-09	2009-10	2010-11
December 2007 Forecast - Fund for a Healthy Maine Revenue	$3,538,805	$3,833,790	$6,436,969	$6,610,613	$6,794,888
Incremental Effect of December 2007 Forecast		($66,318)	$0	$0	$0
March 2008 Forecast - Fund for a Healthy Maine Revenue	$3,538,805	$3,767,472	$6,436,969	$6,610,613	$6,794,888

Detail of Current Revenue Forecast - Distribution of Total Slot Income

			2006-07 Actual	2007-08	2008-09	2009-10	2010-11
Gross Slot Income (Coin/Voucher In)	A		$610,387,395	$594,801,961	$953,625,000	$979,350,000	$1,006,650,000
Player's Share (Payback Value)	B		$568,895,474	$551,179,219	$879,719,063	$903,450,375	$928,634,625
General Fund - Administration (1% of Gross Slot Income)	C	1.0%	$6,103,874	$5,948,020	$9,536,250	$9,793,500	$10,066,500
"Net Slot Machine Income" (=A-B-C)			$35,388,046	$37,674,723	$64,369,688	$66,106,125	$67,948,875
Licensees' Share of "Net Slot Machine Income"		**61.0%**	**$21,586,708**	**$22,981,581**	**$39,265,509**	**$40,324,736**	**$41,448,814**

Distribution of State Share of "Net Slot Machine Income"	39.0%	2006-07 Actual	2007-08	2008-09	2009-10	2010-11
General Fund (other)	3.0%	$1,061,641.39	$1,130,242	$1,931,091	$1,983,184	$2,038,466
General Fund (After 48 months - November 2009)	1.0%	$0.00	$0	$0	$424,440	$679,489
Fund for Healthy Maine	10.0%	$3,538,804.64	$3,767,472	$6,436,969	$6,610,613	$6,794,888
University of Maine Scholarship Fund	2.0%	$707,760.93	$753,494	$1,287,394	$1,322,123	$1,358,978
Maine Community College System - Scholarship Funds	1.0%	$353,880.46	$376,747	$643,697	$661,061	$679,489
Resident Municipalities	1.0%	$353,880.46	$376,747	$643,697	$661,061	$679,489
Purse Supplements	10.0%	$3,538,804.64	$3,767,472	$6,436,969	$6,610,613	$6,794,888
Sire Stakes Fund	3.0%	$1,061,641.39	$1,130,242	$1,931,091	$1,983,184	$2,038,466
Fund to Encourage Racing at Commercial Tracks	4.0%	$1,415,521.86	$1,506,989	$2,574,788	$2,644,245	$2,717,955
Fund to Stabilize Off-Track Betting (48 months - until Oct 2009)	2.0%	$707,760.93	$753,494	$1,287,394	$473,243	$0
Fund to Stabilize Off-Track Betting (after 48 months - Nov 2009)	1.0%	$0.00	$0	$0	$424,440	$679,489
Agricultural Fair Support Fund	3.0%	$1,061,641.39	$1,130,242	$1,931,091	$1,983,184	$2,038,466

Revenue Summary	2006-07 Actual	2007-08	2008-09	2009-10	2010-11
General Fund					
General Fund Administration	$6,103,874.00	$5,948,020	$9,536,250	$9,793,500	$10,066,500
General Fund (Other)	$1,061,641.39	$1,130,242	$1,931,091	$2,407,624	$2,717,955
Licensing revenue	$504,897.00	$634,850	$459,000	$459,000	$459,000
Reimbursement - Background Checks	$32,988.52	$13,470	$12,000	$12,000	$12,000
Subtotal - General Fund	**$7,703,400.91**	**$7,726,582**	**$11,938,341**	**$12,672,124**	**$13,255,455**
Fund for Healthy Maine	**$3,538,804.64**	**$3,767,472**	**$6,436,969**	**$6,610,613**	**$6,794,888**
Other Special Revenue Funds					
Harness Racing Commission	$7,785,370.21	$8,288,439	$14,161,333	$14,118,909	$14,269,264
HRC - Subtotal	$7,785,370.21	$8,288,439	$14,161,333	$14,118,909	$14,269,264
PUS- host municipalities	$25,000.00	$25,000	$25,000	$25,000	$25,000
University of Maine Scholarship Fund	$707,760.93	$753,494	$1,287,394	$1,322,123	$1,358,978
Maine Community College System Scholarships	$353,880.46	$376,747	$643,697	$661,061	$679,489
Resident Municipalities	$353,880.46	$376,747	$643,697	$661,061	$679,489
Subtotal - Other Special Revenue Funds	**$9,225,892.06**	**$9,820,427**	**$16,761,121**	**$16,788,154**	**$17,012,220**

Details and Assumptions

Number of Machines	2006-07 Actual	2007-08	2008-09	2009-10	2010-11
July	475	479	1,000	1,000	1,000
August	475	479	1,000	1,000	1,000
September	475	479	1,000	1,000	1,000
October	475	479	1,000	1,000	1,000
November	475	479	1,000	1,000	1,000
December	477	479	1,000	1,000	1,000
January	479	491	1,000	1,000	1,000
February	479	491	1,000	1,000	1,000
March	479	491	1,000	1,000	1,000
April	479	491	1,000	1,000	1,000
May	479	491	1,000	1,000	1,000
June	479	491	1,000	1,000	1,000

Payback % Average for Month	2006-07 Actual	2007-08	2008-09	2009-10	2010-11
July	93.22%	92.98%	92.25%	92.25%	92.25%
August	93.32%	92.83%	92.25%	92.25%	92.25%
September	93.23%	92.71%	92.25%	92.25%	92.25%
October	93.51%	92.63%	92.25%	92.25%	92.25%
November	93.45%	92.87%	92.25%	92.25%	92.25%
December	93.46%	92.80%	92.25%	92.25%	92.25%
January	93.50%	92.62%	92.25%	92.25%	92.25%
February	93.32%	92.50%	92.25%	92.25%	92.25%
March	93.24%	92.50%	92.25%	92.25%	92.25%
April	92.44%	92.50%	92.25%	92.25%	92.25%
May	93.09%	92.50%	92.25%	92.25%	92.25%
June	92.56%	92.50%	92.25%	92.25%	92.25%

Average Total Slot Income Per Machine Per Day	2006-07 Actual	2007-08	2008-09	2009-10	2010-11
Average for the Fiscal Year	**$3,516.43**	**$3,349**	**$2,625**	**$2,696**	**$2,771**
July	3,488.74	3,815.32	$2,775	$2,850	$2,950
August	3,434.83	3,668.08	$2,775	$2,850	$2,950
September	3,473.46	3,671.65	$2,775	$2,850	$2,950
October	3,698.23	3,588.28	$2,775	$2,850	$2,950
November	3,722.67	3,544.26	$2,600	$2,650	$2,700
December	3,187.07	2,580.57	$2,425	$2,475	$2,550
January	3,439.92	3,025.09	$2,425	$2,475	$2,550
February	3,645.10	$3,100	$2,425	$2,475	$2,550
March	3,727.29	$3,200	$2,425	$2,475	$2,550
April	3,570.05	$3,300	$2,500	$2,600	$2,650
May	3,533.61	$3,400	$2,800	$2,900	$2,950
June	3,276.16	$3,300	$2,800	$2,900	$2,950

General Fund - Fines, Forfeits and Penalties

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$38,219,275	$35,506,972	$37,781,055	$41,415,132	$41,182,968	$41,287,968	$41,351,968	$41,406,968
Annual % Growth		-7.1%	6.4%	9.6%	-0.6%	0.3%	0.2%	0.1%
Net Increase (Decrease)					$1,438,750	$1,162,285	$1,062,285	$1,062,285
Revised Forecast	$38,219,275	$35,506,972	$37,781,055	$41,415,132	$42,621,718	$42,450,253	$42,414,253	$42,469,253
Annual % Growth		-7.1%	6.4%	9.6%	2.9%	-0.4%	-0.1%	0.1%

Revenue Source Summary:

Revenue derived from fines, forfeitures and penalties is primarily collected through the efforts of the Violations Bureau and the courts within the Judicial Department. There is also fine revenue collected by the Department Environmental Protection, the Department of Inland Fisheries and Wildlife, the Department of Agriculture and other miscellaneous agencies. These funds statutorily accrue to the state's General Fund as undedicated revenue. There are some instances where fines, forfeitures and penalties are credited to other funds, such as fines from certain traffic infractions against motor carriers credited to the Highway Fund. There are other situations where funds are statutorily dedicated for other specific purposes.

Revenue Source Forecast Factors and Trends:

The major factors that affect this revenue source are the number of violators being prosecuted by law enforcement, the ability of violators to pay fines and the collection effort implemented by the Judicial Branch.

In FY06, computer conversion problems and slowed collection efforts by the Judicial Department resulted in a revenue shortfall of ($2,761,941) for fines, forfeits and penalties even after a downward adjustment of ($2,500,000). In FY07, the Judicial Branch revenue collections continued to run behind and finished the year with a negative variance of ($1,049,426). Judicial Department fine revenue collections have improved in FY08 and was over budget for the fiscal year-to-date through January by $1,632,008.

Forecast Recommended Changes:

Fines, forfeits and penalties collected by the Judicial Department have been adjusted upward by $1,200,000 annually beginning in FY08. In addition to the on-going increase, an additional $200,000 in FY08 in added to the forecast on a one-time basis from eliminating back logs.

JUDICIAL DEPT.	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$31,067,886	$31,924,868	$34,742,819	$38,439,059	$38,814,645	$38,814,645	$38,814,645	$38,814,645
Annual % Growth		2.8%	8.8%	10.6%	1.0%	0.0%	0.0%	0.0%
Net Increase (Decrease)					$1,400,000	$1,200,000	$1,200,000	$1,200,000
Revised Forecast	$31,067,886	$31,924,868	$34,742,819	$38,439,059	$40,214,645	$40,014,645	$40,014,645	$40,014,645
Annual % Growth		2.8%	8.8%	10.6%	4.6%	-0.5%	0.0%	0.0%

The projected revenue adjustments for fines collected by other state agencies other than the Judicial Department are as follows:

OTHER DEPT'S.	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$7,151,389	$3,582,103	$3,038,236	$2,976,073	$2,368,323	$2,473,323	$2,537,323	$2,592,323
Annual % Growth		-49.9%	-15.2%	-2.0%	-20.4%	4.4%	2.6%	2.2%
Net Increase (Decrease)					$38,750	($37,715)	($137,715)	($137,715)
Revised Forecast	$7,151,389	$3,582,103	$3,038,236	$2,976,073	$2,407,073	$2,435,608	$2,399,608	$2,454,608
Annual % Growth		-49.9%	-15.2%	-2.0%	-19.1%	1.2%	-1.5%	2.3%

General Fund - Targeted Case Management (HHS)

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$34,762,095	$34,518,055	$25,687,188	$23,550,288	$20,045,007	$20,045,007	$20,045,007	$20,045,007
Annual % Growth	4.6%	-0.7%	-25.6%	-8.3%	-14.9%	0.0%	0.0%	0.0%
Net Increase (Decrease)				$0	($3,576,797)	($11,435,305)	($11,435,305)	($11,435,305)
Revised Forecast	$34,762,095	$34,518,055	$25,687,188	$23,550,288	$16,468,210	$8,609,702	$8,609,702	$8,609,702
Annual % Growth	4.6%	-0.7%	-25.6%	-8.3%	-30.1%	-47.7%	0.0%	0.0%

Revenue Source Summary:

This revenue source reflects Medicaid reimbursement for case management services provided by the Department of Health and Human Services' Office of Elder Services, Office of Children and Family Services, and the Maine Center for Disease Control and Prevention, as well as reimbursement for services provided by adult mental health caseworkers and case management for persons with mental retardation.

Revenue Source Forecast Factors and Trends:

Major factors include: the volume and timeliness of claims submitted and paid by Medicaid for these services; the rates billed and allowable for these services, and the prevailing federal match rate for these services. Ongoing implementation issues with the new Medicaid claims processing system (MECMS) has resulted in a disruption in the payment of all Medicaid claims including these for Targeted Case Management Services (i.e., services provided). The decline in revenue from this source in recent years is attributed to a decline in caseload in the individual revenue line projections for case management services provided by the Office of Children and Family Services and in case management provided by adult mental health caseworkers and case management for persons with mental retardation..

Forecast Recommended Changes:

Estimates are updated to reflect FY07 actual revenue and FY08 revenue collected through January 2008. It is further assumed that as a result of changes in federal regulations targeted case management revenue generated by the Office of Elder Services and the Office of Children and Family Services will be significantly reduced if not eliminated beginning March 1, 2008. The forecast does not reflect a potential impact that may arise as a result of audit findings by the federal Department of Health and Human Services, Office of the Inspector General (OIG) that may result in a significant repayment of prior year revenue.

General Fund - HHS Services Rendered

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$9,481,895	$7,966,194	$9,613,394	$11,125,914	$4,363,607	$4,363,607	$4,363,607	$4,363,607
Annual % Growth	89.2%	-16.0%	20.7%	15.7%	-60.8%	0.0%	0.0%	0.0%
Net Increase (Decrease)					($295,877)	($295,877)	($295,877)	($295,877)
Revised Forecast	$9,481,895	$7,966,194	$9,613,394	$11,125,914	$4,067,730	$4,067,730	$4,067,730	$4,067,730
Annual % Growth	89.2%	-16.0%	20.7%	15.7%	-63.4%	0.0%	0.0%	0.0%

Revenue Source Summary:

This revenue category includes reimbursement for services provided within several DHHS programs. These revenues have historically included reimbursement for room and board at the Aroostook Residential Center, an ICF/MR facility in Presque Isle, reimbursement for residents' day programming at the Center, reimbursement for room and board at Freeport Towne Square (FTS) and the Pineland Center. These revenues also include reimbursement for day habilitation provided at FTS for residents of FTS and Medicaid reimbursement for day habilitation services provided by Freeport Towne Square to people who do not reside there, revenue generated by the Elizabeth Levinson Center from the School Nutrition Program through the Department of Education and reimbursement for room and board at the Elizabeth Levinson Center, an ICF/MR facility in Bangor.

This revenue category also reflects Medicaid reimbursement for the administrative costs associated with the portion of the Department and Health and Human Service's operations that involve the Medicaid program. The vast majority of this revenue is based on the 50% administrative match rate and represents the federal Medicaid program's "share" of these costs based on an approved cost allocation plan.

Revenue Source Forecast Factors and Trends:

Major factors include: the volume and timeliness of claims submitted and paid by Medicaid for these services; the rates billed and allowable for these services, and the prevailing federal match rate for these services. Ongoing implementation issues with the new Medicaid claims processing system has resulted in a delay in the payment of all Medicaid claims including these services. Consistent with the enacted closure and sale of the Freeport Towne Square facility (PL 2005, c.457, Pt. NN), the estimates for the forecast period assumes revenue from the Freeport Towne Square source (2629) will be reduced and then eliminated for 2007 and beyond. The federal approval and implementation of a new administrative cost allocation plan has also been a major factor affecting this revenue source.

Forecast Recommended Changes:

Estimates are updated to reflect FY07 actual revenue and FY08 revenue through January 2008. The forecast continues to reflect the significant negative adjustment in revenue from this source made in the December 2007 forecast primarily the result of a decrease in federal reimbursement for the current fiscal year under the Department's newly approved cost allocation plan. This reduced level of federal cost allocation plan revenue is assumed to continue for the forecast period. As the Department gains additional experience in implementing its new cost allocation plan, this assumption may need to be revisited in subsequent forecasts. The Administration's proposal included in LD 2173 - the 2008-2009 Supplemental Budget - to privatize the Elizabeth Levinson Center would also result in a significant reduction in revenue from this source.

General Fund - Tourism Transfer

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	($7,213,282)	($7,554,190)	($7,762,689)	($8,221,338)	($8,708,437)	($8,911,584)	($9,365,681)	($9,811,800)
Annual % Growth	N/A	4.7%	2.8%	5.9%	5.9%	2.3%	5.1%	4.8%
Net Increase (Decrease)					$0	($78,293)	$12,337	($18,012)
Revised Forecast	($7,213,282)	($7,554,190)	($7,762,689)	($8,221,338)	($8,708,437)	($8,989,877)	($9,353,344)	($9,829,812)
Annual % Growth	N/A	4.7%	2.8%	5.9%	5.9%	3.2%	4.0%	5.1%

Revenue Source Summary:

The amounts above reflect transfers to the Tourism Marketing Promotion Fund within the Department of Economic and Community Development, Office of Tourism. Beginning July 1, 2003 and every July 1st thereafter, the State Controller transfers to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the 7% tax imposed on tangible personal property and taxable services pursuant to Title 36, section 1811, for the first 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund as described by Title 30-A, section 5681, subsection 5. Beginning on October 1, 2003 and every October 1st thereafter, the State Controller transfers to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the 7% tax imposed on tangible personal property and taxable services pursuant to Title 36, section 1811, for the last 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund. The tax amount may not consider any accruals.

The amount transferred from General Fund sales and use tax revenues does not affect the calculation of the transfer to the Local Government Fund.

Revenue Source Forecast Factors and Trends:

This transfer is driven by the revenue forecast of the meals and lodging portion of the sales tax. Given the detail available for the 7% tax portion of the Sales and Use Tax, the Sales Tax model is used to budget for this category.

Forecast Recommended Changes:

The forecast was updated with the sales tax micro-simulation model which incorporates the latest economic forecast.

General Fund - Transfers to Maine Milk Pool

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$0	$0	($2,616,160)	($10,158,802)	($347,260)	($2,338,875)	($2,338,875)	($2,338,875)
Annual % Growth	N/A	N/A	N/A	288.3%	-96.6%	573.5%	0.0%	0.0%
Net Increase (Decrease)					($378,009)	$41,430	$41,430	$41,430
Revised Forecast	$0	$0	($2,616,160)	($10,158,802)	($725,269)	($2,297,445)	($2,297,445)	($2,297,445)
Annual % Growth	N/A	N/A	N/A	288.3%	-92.9%	216.8%	0.0%	0.0%

Revenue Source Summary:

Current law (7 MRSA §3153-D) requires the Administrator of the Maine Milk Pool to certify monthly amounts of General Fund undedicated revenue that must be transferred to the Maine Milk Pool. The certified amounts are based on a complicated series of factors which include milk production rates and milk prices. Milk prices are generally determined by the availability of milk supply which in turn is affected by weather conditions and the level of federal support programs. There is an inverse relationship between milk prices and the amounts transferred to the Maine Milk Pool for redistribution to milk producers (Maine's dairy farmers). As milk prices fall, the amount of the transfers certified by the Administrator of the Maine Milk Pool will increase.

Current law requires the Administrator of the Maine Milk Pool to establish the level of support payments to milk producers from the Maine Milk Pool through a determination of the most recent milk production ranges and milk costs. Budgeted transfers to the Maine Milk Pool are calculated on a monthly basis by first estimating the farmer price which is the sum of the monthly Milk Income Loss Contract payment, the monthly Boston Blend Price (expressed in hundredweight) and the average premium. The farmer price is then compared to the target price which corresponds to an individual farmer's tier (small, medium or large); if the tier target price is greater than the the farmer price then the payment to that farmer will equal the difference between the two multiplied by that month's production in terms of hundredweight; the total of estimated payments to each farmer is the budgeted monthly transfer to the Maine Milk Pool. The establishment of the amount of support payments from the Maine Milk Pool dictates the amounts of undedicated revenue that must be transferred from the General Fund to the Maine Milk Pool.

Revenue Source Forecast Factors and Trends:

Previous forecasts for these transfers to the Maine Milk Pool have not made adequate use of updated forecasts regarding milk price and production levels that determine the amounts to be transferred from the General Fund to the Maine Milk Pool. The decisions of the Maine Milk Commission have also increased the amounts to be transferred and distributed.

Forecast Recommended Changes:

The short-term adjustment reflects a more recent forecast of milk prices. Projections for FY10 and FY11 are based on the estimate for FY09.

General Fund - Other Miscellaneous

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$46,860,796	$36,562,039	$29,498,834	$30,226,623	$24,495,994	$25,044,523	$24,948,588	$25,017,920
Annual % Growth	69.5%	-22.0%	-19.3%	2.5%	-19.0%	2.2%	-0.4%	0.3%
Net Increase (Decrease)					($665,305)	($1,749,603)	($1,729,210)	($1,732,020)
Revised Forecast	$46,860,796	$36,562,039	$29,498,834	$30,226,623	$23,830,689	$23,294,920	$23,219,378	$23,285,900
Annual % Growth	69.5%	-22.0%	-19.3%	2.5%	-21.2%	-2.2%	-0.3%	0.3%

Revenue Source Summary:

This group reflects all the other General Fund revenue sources collected by the various departments and agencies that are not otherwise classified in the General Fund Summary Table.

Summary of Revenue Adjustments to December 2007 Forecast:

Presented below are the major adjustments made to the various revenue sources in this category with a brief description of the reason for the change.

Administrative and Financial Services - Maine Revenue Services - Container Fee (1195)

FY08	FY09	FY10	FY11
$220,500	$100,000	$100,000	$100,000

This revenue from certain bottle deposit initiators from unclaimed deposits is adjusted upward to reflect increased revenue in this area. FY08 is increased more than the on-going adjustment as a result of back payments.

Attorney General - Administration - Attorney General (2690)

FY08	FY09	FY10	FY11
$862,725	$0	$0	$0

Reflects the receipt of funds recovered as a result of a court order and settlements.

Corrections - State Prison (2691&2296) and Long Creek Youth Development Center (2296)

FY08	FY09	FY10	FY11
($250,000)	($250,000)	($250,000)	($250,000)

Reflects a reduction in housing federal and county prisoners.

Conservation - Parks -General Operations - Recreational Use of Parks (2610)

FY08	FY09	FY10	FY11
$350,000	$100,000	$100,000	$100,000

The Penobscot Narrows Observatory opened last summer and Parks has experienced a significant revenue increase from the visitors to the Observatory. For FY08, a one-time increase of $350,000 reflects the additional fees from the Observatory. Revenue is predicted to be up on an ongoing basis, but not as much as in the first year. An on-going annual increase of $100,000 beginning in FY09 is reflected.

Conservation - Land Use Regulation Commission - Filing Fees (2632)

FY08	FY09	FY10	FY11
($60,000)	($60,000)	($60,000)	($60,000)

Adjusts the revenue associated with filing fees to reflect recent trends that have failed to achieve budgeted level of revenues in recent years.

Conservation - Division of Forest Policy Management - Other Settlements (2830)

FY08	FY09	FY10	FY11
$63,400	$30,000	$30,000	$30,000

Adjusts revenue to recognize current variance and increases the on-going amounts based on recent trends.

Health and Human Services (DHS) - Foster Care 0137 (2543)

FY08	FY09	FY10	FY11
($833,666)	($833,666)	($833,666)	($833,666)

Decreases estimates based on collections through January 2008 for Old Age Supplemental Insurance payments that DHHS receives for costs incurred by the State on behalf of children in state care. The Department had increased its estimate for this revenue source by $1.2 million per year in the December 2007 forecast.

Health and Human Services (DHS) - Child Support (2520) and Mis Services & Fees (2637)

FY08	FY09	FY10	FY11
($72,818)	($23,670)	($23,670)	($23,670)

Adjusts estimates of child support payments in FY 08 from non-custodial parents for the care of children in State care based on collections to date. The Department has not fully implemented the PL 2007 c. 240 initiative that was budgeted to generate $528,000 per year for the biennium but still expects to do so for FY 09 and beyond. Also adjusts revenue estimates from fees charged for child protective background checks based on experience to date.

Health and Human Services (BDS) - OSA Driver Education and Evaluation Program 0700 (1515)

FY08	FY09	FY10	FY11
($484,940)	($484,940)	($484,940)	($484,940)

Decreases estimates from fees charged to participants in the Office of Substance Abuse, Driver Education and Evaluation program.

Inland Fisheries and Wildlife - Administrative Services - Gasoline Tax (0321)

FY08	FY09	FY10	FY11
($4,280)	($5,293)	($824)	($2,229)

Reduces revenue consistent with changes made to the Gas Tax for Highway Fund revenue estimates.

Marine Resources - Administrative Services - Lobster Crab Fishing License (1452)

FY08	FY09	FY10	FY11
($25,000)	($25,000)	($25,000)	($25,000)

Reflects a decline in the number of licenses for lobster and crab fishing.

Marine Resources - Marine Patrol - Sale of Equipment (2806)

FY08	FY09	FY10	FY11
$20,240	$0	$0	$0

Recognizes revenue received from the unusual sale of surplus equipment.

Public Safety - Liquor Enforcement - Games of Change (1248)

FY08	FY09	FY10	FY11
($160,492)	$0	$0	$0

This is recently enacted revenue source by PL 2007, c. 205 generates General Fund revenue when dedicated revenue collections exceed the cost of administration. That is not expected to happen in this first year of operation and the total amount of General Fund revenue booked by this legislation is reduced to $0.

Secretary of State - Bureau of Motor Vehicles - Excise Tax Non-resident Motor Vehicles (0186)

FY08	FY09	FY10	FY11
($265,380)	($271,184)	($258,187)	($259,478)

These fees are collected from owners who do not have a primary residence in Maine. It appears other states are tightening the reins on residents registering their vehicles in other states where the rates are lower. This line has been in a steady decline since FY 2005 from 30% to 52% under budget. Based on the current trends, revenues are revised downward by 45% each year beginning in FY08.

Secretary of State - Bureau of Motor Vehicles - Misc Services and Fees (2637)

FY08	FY09	FY10	FY11
($25,594)	($25,850)	($22,923)	($23,037)

This line represents a $1.00 fee collected for each vehicle sold from Dealer retail sales. Vehicle sales are trending downward; therefore, revenues are decreased by 13% each year. This amounts to ($25,594) in FY08, ($25,850) in FY09, ($22,923) in FY10 and ($23,037) in FY11.

Appendix B - Highway Fund

Table of Contents

HIGHWAY FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2008

Source	FY04 Actual	% Chg.	FY05 Actual	% Chg.	FY06 Actual	% Chg.	FY07 Actual	% Chg.	FY07 Budget	FY07 Variance	% Chg.
Fuel Taxes	212,600,843	13.1%	220,484,728	3.7%	221,575,309	0.5%	226,824,018	2.4%	227,484,941	(660,923)	-0.3%
Motor Vehicle Registration & Fees	82,577,755	-0.5%	84,645,422	2.5%	87,658,962	3.6%	87,291,874	-0.4%	86,476,317	815,557	0.9%
Inspection Fees	4,708,196	12.9%	4,260,059	-9.5%	4,373,692	2.7%	4,342,519	-0.7%	4,379,756	(37,237)	-0.9%
Fines, Forfeits and Penalties	1,918,703	-24.2%	1,518,580	-20.9%	1,809,813	19.2%	1,668,000	-7.8%	2,018,239	(350,239)	-17.4%
Income from Investments	720,046	-46.2%	1,440,739	100.1%	1,833,806	27.3%	1,105,987	-39.7%	795,000	310,987	39.1%
Other Revenues	9,502,442	2.5%	13,728,627	44.5%	9,294,574	-32.3%	9,588,686	3.2%	9,603,076	(14,390)	-0.1%
Total - Highway Fund Revenue	**312,027,986**	**8.3%**	**326,078,155**	**4.5%**	**326,546,157**	**0.1%**	**330,821,083**	**1.3%**	**330,757,329**	**63,754**	**0.0%**

HIGHWAY FUND REVENUE
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2008

Source	FY08 Budget	% Chg.	Recom. Chg.	FY08 Revised	% Chg.	FY09 Budget	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Fuel Taxes	223,609,445	-1.4%	(240,727)	223,368,718	-1.5%	235,120,126	5.1%	(901,973)	234,218,153	4.9%
Motor Vehicle Registration & Fees	87,770,064	0.5%	(1,816,583)	85,953,481	-1.5%	86,666,967	-1.3%	(700,000)	85,966,967	0.0%
Inspection Fees	4,433,458	2.1%	35,000	4,468,458	2.9%	4,489,821	1.3%	(15,000)	4,474,821	0.1%
Fines, Forfeits and Penalties	2,018,239	21.0%	(223,190)	1,795,049	7.6%	2,018,239	0.0%	(223,190)	1,795,049	0.0%
Income from Investments	1,000,000	-9.6%	0	1,000,000	-9.6%	1,000,000	0.0%	0	1,000,000	0.0%
Other Revenues	9,806,671	2.3%	(35,338)	9,771,333	1.9%	9,878,708	0.7%	(141,064)	9,737,644	-0.3%
Total - Highway Fund Revenue	**328,637,877**	**-0.7%**	**(2,280,838)**	**326,357,039**	**-1.3%**	**339,173,861**	**3.2%**	**(1,981,227)**	**337,192,634**	**3.3%**
Change in Biennial Totals								**(4,262,065)**		

HIGHWAY FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2008

Source	FY10 Projection	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Projection	% Chg.	Recom. Chg.	FY11 Revised	% Chg.
Fuel Taxes	242,529,081	3.2%	3,135,254	245,664,335	4.9%	246,918,052	1.8%	1,991,262	248,909,314	1.3%
Motor Vehicle Registration & Fees	84,017,913	-3.1%	234,241	84,252,154	-2.0%	84,539,803	0.6%	412,968	84,952,771	0.8%
Inspection Fees	4,496,057	0.1%	(15,000)	4,481,057	0.1%	4,502,326	0.1%	(15,000)	4,487,326	0.1%
Fines, Forfeits and Penalties	2,018,239	0.0%	(223,190)	1,795,049	0.0%	2,018,239	0.0%	(223,190)	1,795,049	0.0%
Income from Investments	1,000,000	0.0%	0	1,000,000	0.0%	1,000,000	0.0%	0	1,000,000	0.0%
Other Revenues	9,916,899	0.4%	(141,368)	9,775,531	0.4%	9,955,360	0.4%	(141,674)	9,813,686	0.4%
Total - Highway Fund Revenue	**343,978,189**	**1.4%**	**2,989,937**	**346,968,126**	**2.9%**	**348,933,780**	**1.4%**	**2,024,366**	**350,958,146**	**1.1%**
Change in Biennial Totals								**5,014,303**		

Highway Fund - Fuel Taxes

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$212,600,843	$220,484,728	$221,575,309	$226,824,018	$223,609,445	$235,120,126	$242,529,081	$246,918,052
Annual % Growth	13.1%	3.7%	0.5%	2.4%	-1.4%	5.1%	3.2%	1.8%
Net Increase (Decrease)					($240,727)	($901,973)	$3,135,254	$1,991,262
Revised Forecast	$212,600,843	$220,484,728	$221,575,309	$226,824,018	$223,368,718	$234,218,153	$245,664,335	$248,909,314
Annual % Growth	13.1%	3.7%	0.5%	2.4%	-1.5%	4.9%	4.9%	1.3%

Revenue Source Summary:

An excise tax is imposed upon internal combustion engine fuel sold or used within this State. Beginning July 1, 2003, the rate is indexed annually for inflation. Refund of the gasoline tax paid (less 1¢ per gallon) is provided for fuel used in commercial motor boats, tractors used for agricultural purposes, vehicles used on rail and tracks or in stationary engines or in mechanical or industrial arts. Fuel used for these purposes is subject to the 5% use tax if the gasoline tax is refunded. Full refund is provided for certain common carrier passenger service vehicles.

Revenue Source Forecast Factors and Trends:

The collection of budgeted fuel taxes is somewhat dependent on a fairly strong economy and reasonable retail prices for gasoline. In FY06 with fuel prices at very high levels, fuel taxes were under budget by $5.2 million, a -2.3% variance. Through the first quarter of FY07, fuel taxes continued to run under budget and were $2.9 million under (a -6.6% variance) despite an improvement in gasoline prices.

Forecast Recommended Changes:

In its January 2008 report, the Consensus Economic Forecasting Commission (CEFC) made the following changes in its Consumer Price Index estimates: decreased calendar year 2008 from 2.5% to 2.3%, decreased calendar years 2009 and 2010 from 2.5% to 2.1%, and decreased calendar year 2011 from 2.5% to 2.2%. The effect of the CEFC adjustments to the Consumer Price Index estimations had a very small positve impact on the forecast, but the impact of current and forecasted high motor fuel prices resulted in a further decline in projected fuel tax revenue for the current biennium.

Actual and Projected Tax Rates

	7/1/2003 Act.	7/1/2004 Act.	7/1/2005 Act.	7/1/2006 Act.	7/1/2007 Act.	7/1/2008	7/1/2009	7/1/2010
Gasoline Tax								
Current Forecast	$0.246	$0.252	$0.259	$0.268	$0.276	$0.284	$0.291	$0.298
Revised Forecast						**$0.284**	**$0.291**	**$0.297**
Special Fuel Tax								
Current Forecast	$0.257	$0.263	$0.270	$0.279	$0.288	$0.296	$0.304	$0.311
Revised Forecast						**$0.296**	**$0.303**	**$0.309**

Highway Fund - Motor Vehicle Registration and Fees

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$82,577,755	$84,645,422	$87,658,962	$87,291,874	$87,770,064	$86,666,967	$84,017,913	$84,539,803
Annual % Growth	-0.5%	2.5%	3.6%	-0.4%	0.5%	-1.3%	-3.1%	0.6%
Net Increase (Decrease)					($1,816,583)	($700,000)	$234,241	$412,968
Revised Forecast	$82,577,755	$84,645,422	$87,658,962	$87,291,874	$85,953,481	$85,966,967	$84,252,154	$84,952,771
Annual % Growth	-0.5%	2.5%	3.6%	-0.4%	-1.5%	0.0%	-2.0%	0.8%

Revenue Source Summary:

The Secretary of State oversees the administration of the various motor vehicle registrations and operator's licenses. All fees collected by the Secretary of State from motor vehicle registration and operator's license accrue to the Highway Fund, except that a portion of the fees and contributions collected for Conservation plates, lobster plates, Black Bear plates and University of Maine System plates accrue as dedicated revenue to be used for special purposes and a portion of excise taxes on nonresident fees accrues to the General Fund.

Revenue Source Forecast Factors and Trends:

The largest element within this revenue category is Registration - Motor Vehicles (RSC # 1501), which is comprised of registrations for commercial vehicles, long-term trailers, passenger vehicles, trailers and decal stamps. This group represents roughly 3/4 of the revenue within this category. The next largest categories, represently roughly 20% of the revenue in this category are Automobile Driver License fees (RSC #1502) and Motor Vehicle Title Fees (RSC # 1504).

Most recently, in FY07, actual revenue from Motor Vehicle Registration and Fees exceeded budgeted amount by $815,557 which is much less of a variance than the previous two fiscal years. However, the collection of revenues from long-term trailer rentals was down by $282,052 or 3% in FY07 compared to FY 06 actual revenues.

Forecast Recommended Changes:

The following reprojections are recommended for the current forecast period:

- Motor Vehicle Registrations (RSC 1501) - ($543,454) in FY08, ($200,000) in FY09. Registrations were down ($1,399,767) through January 2008. Some of this variance results from the timing of when revenues are received from the municipalities. Towns indicated that staffing shortages and the warrant system contributed toward the delay in sending their municipal cash reports to the Bureau of Motor Vehicles. The other area contributing to lower than projected collections is long term trailer registrations. The number of long term trailer registrations is down 8.5% year-to-date through February 2008.

- Title Law (RSC 1504) - ($1,273,129) in FY08 or 12.1% and ($500,000) or 5.2% in FY09, $234,241 in FY10 and $412,968 in FY11. The decreases in FY08 and FY09 represent the decline in the number of title issuances from sagging vehicle sales. The positive growth in FY10 and FY11 reflects the gradual rebound of projected revenues.

Highway Fund - Inspection Fees

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$4,708,196	$4,260,059	$4,373,691	$4,342,519	$4,433,458	$4,489,821	$4,496,057	$4,502,326
Annual % Growth	12.9%	-9.5%	2.7%	-0.7%	2.1%	1.3%	0.1%	0.1%
Net Increase (Decrease)					$35,000	($15,000)	($15,000)	($15,000)
Revised Forecast	$4,708,196	$4,260,059	$4,373,691	$4,342,519	$4,468,458	$4,474,821	$4,496,057	$4,502,326
Annual % Growth	12.9%	-9.5%	2.7%	-0.7%	2.9%	0.1%	0.5%	0.1%

Revenue Source Summary:

Motor Vehicle Inspection fees are collected for the Highway Fund by the Department of Public Safety and are comprised primarily of the State's share of the various inspection and licensing fees that are charged for the motor vehicle inspection process. The Department of Transportation and the Bureau of Motor Vehicles within the Department of the Secretary of State also collect relatively smaller amounts of motor vehicle inspection related fees.

Revenue Source Forecast Factors and Trends:

Variances in the collection of budgeted revenue from motor vehicle inspection fees are usually tied to timing issues relating to the collection and recording of this revenue. The delay in the timely collection and recording of motor vehicle inspection revenue frequently occurs on a monthly basis and can thus extend from the end of one fiscal year to the beginning of the next.

Most recently, the collection of motor vehicle inspection fee revenue has often reflected the adverse effects of the timing issue:

	Budgeted	Actual	Variance
FY 03	$3,683,907	$4,169,773	$485,866
FY 04	$3,461,771	$4,708,196	$1,246,425
FY 05	$4,281,459	$4,260,059	($21,400)
FY 06	$4,397,970	$4,373,691	($24,278)
FY 07	$4,379,756	$4,342,519	($37,237)

Forecast Recommended Changes:

Based upon actual revenue, the Department of Transportation is recommending one-time increases in FY08 in Traffic Movement Permits and Permit to Open Highways of $5,000 and $45,000, respectively. Additionally, the Department of Public Safety is recommending an annual decrease of $15,000 to Motor Vehicle Inspection Stickers. This decrease is based upon the actual revenue from the last three fiscal years, as well as the overall decline in vehicle sales.

Highway Fund - Fines, Forfeits and Penalties

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$1,918,703	$1,518,620	$1,809,833	$1,668,000	$2,018,239	$2,018,239	$2,018,239	$2,018,239
Annual % Growth	-24.2%	-20.9%	19.2%	-7.8%	21.0%	0.0%	0.0%	0.0%
Net Increase (Decrease)					($223,190)	($223,190)	($223,190)	($223,190)
Revised Forecast	$1,918,703	$1,518,620	$1,809,833	$1,668,000	$1,795,049	$1,795,049	$1,795,049	$1,795,049
Annual % Growth	-24.2%	-20.9%	19.2%	-7.8%	7.6%	0.0%	0.0%	0.0%

Revenue Source Summary:

This revenue category includes revenue, collected primarily by the Judicial System for the Highway Fund, related to fines and penalties emanating from certain traffic infractions.

Revenue Source Forecast Factors and Trends:

Highway Fund fine revenue has been falling short of budgeted revenue for the last 4 fiscal years (see below). The negative variances in revenue collections in FY06 and FY07 were mainly attributable to computer programming difficulties in electronically transmitting motor vehicle license suspensions for nonpayment of fines between the Judicial Branch Violations Bureau and the Bureau of Motor Vehicles and to staffing shortages in the State Police division that enforces trucking violations. The State Police division will be fully staffed by the end of FY08.

	Budgeted	Actual	Variance
FY04	$2,122,901	$1,917,903	($204,998)
FY05	$1,890,359	$1,518,620	($371,739)
FY06	$1,973,665	$1,809,833	($163,832)
FY07	$2,018,239	$1,668,000	($350,239)

Forecast Recommended Changes:

The reduction in the revenue budget for FY08 is mainly attributable to staffing shortages in the State Police division that handles trucking violations throughout the state which is the main source of highway revenue in the Judicial Branch. These shortages resulted in less enforcement. The State Police division has recently reached full staffing levels, however it is uncertain if this will have an impact on future year's revenue because of the changes in the trucking industry due to fuel costs. It is recommended that this reduction continue until the impact can be determined.

Highway Fund - Other Revenue

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$9,502,442	$13,728,627	$9,294,574	$9,588,686	$9,806,671	$9,878,708	$10,443,944	$10,482,405
Annual % Growth	2.5%	44.5%	-32.3%	3.2%	2.3%	0.7%	5.7%	0.4%
Net Increase (Decrease)					($35,338)	($141,064)	($141,368)	($141,674)
Revised Forecast	$9,502,442	$13,728,627	$9,294,574	$9,588,686	$9,771,333	$9,737,644	$10,302,576	$10,340,731
Annual % Growth	2.5%	44.5%	-32.3%	3.2%	1.9%	-0.3%	5.8%	0.4%

Revenue Source Summary:

The Other Revenue category is comprised of miscellaneous revenue collected by the Departments of Transportation, Secretary of State, Public Safety and Administrative and Financial Services. Major revenue sources within this category are shown in the table below:

Revenue Source	Department	Revenue Source Code
Reimbursements from the Maine Turnpike Authority	Public Safety	2693
Sale of Autos	Public Safety	2821
Recovered Cost	Public Safety	2690
Highway Fund StaCap Reimbursement	DAFS	2737
Miscellaneous Services & Fees	Sec of State	2637
Services and Fees Charged to Other Departments	Sec of State	2691
Contributions From Other Special Revenue	Sec of State	2719

Revenue Source Forecast Factors and Trends:

For the most part, revenue trends in this category are based simply on previous experience and are not tied to overall economic factors. The comparatively large amount of revenue collected in this category for FY05 is due to the one-time payment of $5,000,000 from the Maine Turnpike Authority to the Highway Fund for the purchase of the Payne River Bridge.

Summary of Revenue Adjustments to March 2008 Forecast

Presented below are the adjustments made to the various revenue sources in this category with a brief description of the reason for the change.

Public Safety -Traffic Safety - Commercial Vehicle Enforcement - Recovered Cost (2690)

FY08	FY09	FY10	FY11
$65,119	$0	$0	$0

Reflects an adjustment based on actual revenue through February 2008.

Secretary of State - Bureau of Motor Vehicles - Services and Fees Charged to Other Departments (2691)

FY08	FY09	FY10	FY11
($60,310)	($60,914)	($61,218)	($61,524)

This revenue category reflects the amount the Bureau of Motor Vehicles receives for collecting sales tax documents for newly registered vehicles for Maine Revenue Services. The Bureau of Motor Vehicles is recommending an annual decrease to this category based upon the overall decline in vehicle sales.

Secretary of State - Bureau of Motor Vehicles - Contribution from Other Special Revenue (2719)

FY08	FY09	FY10	FY11
($80,147)	($80,150)	($80,150)	($80,150)

This revenue category includes deposits made into the Highway Fund from the Municipal Excise Tax Reimbursement Fund of revenue remaining in this fund after all reimbursements have been made to municipalities. This adjustment is based upon actual revenue and reimbursements through February 2008.

Transportation - Administration - Sale of Plans and Specifications (2656)

FY08	FY09	FY10	FY11
$10,000	$0	$0	$0

Reflects an adjustment based on actual revenue through February 2008.

Transportation - Administration - Miscellaneous Income (2686)

FY08	FY09	FY10	FY11
$50,000	$0	$0	$0

This revenue category includes amounts reimbursed by MSEA for time incurred by Union officers. The Department of Transportation currently has two employees who are Union officers. This adjustment is based on actual revenue through February 2008.

Transportation - Administration - Sale of Equipment (2806)

FY08	FY09	FY10	FY11
($10,000)	$0	$0	$0

Reflects an adjustment based on actual revenue through February 2008.

Transportation - Administration - Other Settlements (2830)

FY08	FY09	FY10	FY11
($10,000)	$0	$0	$0

This revenue category reflects reimbursements of under $500 in damage to transportation infrastructure, typically light poles, guardrails, signs, etc. This adjustment is based on actual revenue through February 2008.

Appendix C - Fund for a Healthy Maine

Table of Contents

FUND FOR A HEALTHY MAINE REVENUE
(TOBACCO SETTLEMENT REVENUE)
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2008

Source	FY04 Actual	% Chg.	FY05 Actual	% Chg.	FY06 Actual	% Chg.	FY07 Actual	% Chg.	FY07 Budget	FY07 Variance	% Chg.
Initial Payments	0	-100.0%	0	N/A	0	N/A	0	N/A	0	0	N/A
Base Payments	48,952,964	24.4%	49,033,129	0.2%	45,011,759	-8.2%	47,113,687	4.7%	46,749,694	363,993	0.8%
Racino Revenue **	0	N/A	0	N/A	1,771,173	N/A	3,538,805	99.8%	3,570,300	(31,495)	-0.9%
Income from Investments	54,830	-92.0%	91,444	66.8%	124,780	36.5%	297,803	138.7%	90,000	207,803	230.9%
Attorney General Reimbursements and Other Income	0	N/A	220	N/A	39	-82.2%	217	453.5%	0	217	N/A
Total - Tobacco Settlement Revenue	**49,007,794**	**-13.2%**	**49,124,793**	**0.2%**	**46,907,751**	**-4.5%**	**50,950,512**	**8.6%**	**50,409,994**	**540,518**	**1.1%**

** Racino Revenue includes a portion of the State's share of proceeds from slot machines at commercial race tracks.

FUND FOR A HEALTHY MAINE REVENUE
(TOBACCO SETTLEMENT REVENUE)
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2008

Source	FY08 Budget	% Chg.	Recom. Chg.	FY08 Revised	% Chg.	FY09 Budget	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Initial Payments	0	N/A	0	0	N/A	0	N/A	0	0	N/A
Base Payments	57,439,281	33.5%	0	57,439,281	22.9%	59,109,609	2.9%	0	59,109,609	2.9%
Racino Revenue **	3,833,790	23.8%	(66,318)	3,767,472	5.5%	6,436,969	67.9%	0	6,436,969	70.9%
Income from Investments	80,000	14.3%	(12,000)	68,000	-24.4%	80,000	0.0%	(12,000)	68,000	0.0%
Attorney General Reimbursements and Other Income	0	N/A	0	0	N/A	0	N/A	0	0	N/A
Total - Tobacco Settlement Revenue	**61,353,071**	**32.8%**	**(78,318)**	**61,274,753**	**21.6%**	**65,626,578**	**7.0%**	**(12,000)**	**65,614,578**	**7.1%**
Change in Biennial Totals								**(90,318)**		

** Racino Revenue includes a portion of the State's share of proceeds from slot machines at commercial race tracks.

FUND FOR A HEALTHY MAINE REVENUE
(TOBACCO SETTLEMENT REVENUE)
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2008

Source	FY10 Projection	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Projection	% Chg.	Recom. Chg.	FY11 Revised	% Chg.
Initial Payments	0	N/A	0	0	N/A	0	N/A	0	0	N/A
Base Payments	63,876,892	8.1%	0	63,876,892	8.1%	62,792,929	-1.7%	0	62,792,929	-1.7%
Racino Revenue **	6,610,613	2.7%	0	6,610,613	2.7%	6,794,888	2.8%	0	6,794,888	2.8%
Income from Investments	80,000	0.0%	(12,000)	68,000	0.0%	80,000	0.0%	(12,000)	68,000	0.0%
Attorney General Reimbursements and Other Income	0	N/A	0	0	N/A	0	N/A	0	0	N/A
Total - Tobacco Settlement Revenue	**70,567,505**	**7.5%**	**(12,000)**	**70,555,505**	**7.5%**	**69,667,817**	**-1.3%**	**(12,000)**	**69,655,817**	**-1.3%**
0								**(24,000)**		

** Racino Revenue includes a portion of the State's share of proceeds from slot machines at commercial race tracks.

Fund for a Healthy Maine - Racino Revenue

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$0	$0	$1,771,173	$3,538,805	$3,833,790	$6,436,969	$6,610,613	$6,794,888
Annual % Growth	N/A	N/A	N/A	99.8%	8.3%	67.9%	2.7%	2.8%
Net Increase (Decrease)					($66,318)	$0	$0	$0
Revised Forecast	$0	$0	$1,771,173	$3,538,805	$3,767,472	$6,436,969	$6,610,613	$6,794,888
Annual % Growth	N/A	N/A	N/A	99.8%	6.5%	70.9%	2.7%	2.8%

Revenue Source Summary:

This revenue category includes the Fund for a Healthy Maine's share of the gaming revenue from slot machines operated associated with the commercial race track in Bangor. For a more detail description of this source, see the General Fund description under category of "General Fund - Parimutuel and Gaming Revenue." Pursuant to 8 MRSA, §1036, the Fund for a Healthy Maine receives 10% of the "Gross Slot Income."

Revenue Source Forecast Factors and Trends:

See description and detailed spreadsheet under the General Fund - Parimutuel and Gaming Revenue category.

Forecast Recommended Changes:

See description and detailed spreadsheet under the General Fund - Parimutuel and Gaming Revenue category.

Fund for a Healthy Maine - Income from Investments

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$54,830	$91,444	$124,780	$297,803	$80,000	$80,000	$80,000	$80,000
Annual % Growth	-92.0%	66.8%	36.5%	138.7%	-73.1%	0.0%	0.0%	0.0%
Net Increase (Decrease)					($12,000)	($12,000)	($12,000)	($12,000)
Revised Forecast	$54,830	$91,444	$124,780	$297,803	$68,000	$68,000	$68,000	$68,000
Annual % Growth	-92.0%	66.8%	36.5%	138.7%	-77.2%	0.0%	0.0%	0.0%

Revenue Source Summary:

This revenue category reflects the cash pool earnings on the balances in the Fund for a Healthy Maine (FHM), the Other Special Revenue Funds account in the Department of Administrative and Financial Services, where tobacco settlement payments (TSP's) are deposited along with the Fund for a Healthy Maine's share of revenue from slot machines operated at commercial race tracks, "Racino" revenue. It also includes interest on settlement payments paid by contractors/providers of FHM services. It does not reflect interest earnings on the balances in the accounts to which Fund for a Healthy Maine resources are transferred for expenditure.

Revenue Source Forecast Factors and Trends:

With the ending of the initial December payments and the reduction of balances in the Fund for a Healthy Maine, FHM programs have been relying on cash advances from the General Fund pursuant to 22 MRSA §1511, sub-§9 to operate until the TSP's are received in April of each year. The FHM balances available to earn interest in the cash pool have significantly decreased, with most of the interest earned in the final quarter of the state fiscal year when the TSP's are received. Recent and additional projected drops in interest rates are expected to lower earnings.

Forecast Recommended Changes:

Continued low interest rates on short-term investments and the timing of the cash flows in the Fund for a Healthy Maine will reduce earnings to the Fund. The Revenue Forecasting Committee has lowered earnings by $12,000 beginning in FY 08 and running through the forecast period.

Appendix D
Medicaid/MaineCare Dedicated Revenue Taxes

Table of Contents

MEDICAID/MAINECARE DEDICATED REVENUE TAXES

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2008

Source	FY04 Actual	% Chg.	FY05 Actual**	% Chg.	FY06 Actual***	% Chg.	FY07 Actual	% Chg.	FY07 Budget	FY07 Variance	% Chg.
Nursing Facility Tax	30,501,448	38.3%	29,241,327	-4.1%	31,397,376	7.4%	30,061,513	-4.3%	29,858,844	202,668	0.7%
Residential Treatment Facility (ICFs/MR) Tax	1,617,662	3.4%	1,958,739	21.1%	1,868,534	-4.6%	1,880,205	0.6%	1,932,036	(51,831)	-2.7%
Hospital Tax *	16,383,319	N/A	48,907,135	198.5%	54,050,888	10.5%	59,807,056	10.6%	59,481,377	325,679	0.5%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	0	N/A	15,430,099	N/A	30,779,242	99.5%	33,955,412	10.3%	34,149,711	(194,299)	-0.6%
Total - Health Care Provider Taxes	**48,502,429**	**105.4%**	**95,537,301**	**97.0%**	**118,096,040**	**23.6%**	**125,704,185**	**6.4%**	**125,421,968**	**282,217**	**0.2%**
Change in Biennial Totals											

* Reflects revenue from the hospital tax first enacted under PL 2003, c. 513 and amended under PL 2003, c. 673, but does not include revenue from previous hospital taxes and assessments.

** The hospital tax rate increased from 0.74% of net operating revenue in FY 04 to 2.23% in FY 05.

***The MaineCare service provider tax was expanded in FY06 to include: community support services (effective 6/29/05), day habilitation services (effective 7/1/05), personal support services (effective 7/1/05) and residential training services (effective 7/1/05).

MEDICAID/MAINECARE DEDICATED REVENUE TAXES
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2008

Source	FY08 Budget	% Chg.	Recom. Chg.	FY08 Revised	% Chg.	FY09 Budget	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Nursing Facility Tax	30,813,051	2.5%	1,391,679	32,204,730	7.1%	31,583,377	2.5%	1,426,471	33,009,848	2.5%
Residential Treatment Facility (ICFs/MR) Tax	1,927,210	2.5%	(280,201)	1,647,009	-12.4%	1,975,390	2.5%	(287,206)	1,688,184	2.5%
Hospital Tax *	59,481,377	-0.5%	(838,355)	58,643,022	-1.9%	59,481,377	0.0%	838,355	60,319,732	2.9%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	37,405,514	10.2%	(619,253)	36,786,261	8.3%	38,340,654	2.5%	(634,736)	37,705,918	2.5%
Total - Health Care Provider Taxes	**129,627,152**	**3.1%**	**(346,130)**	**129,281,022**	**2.8%**	**131,380,798**	**1.4%**	**1,342,884**	**132,723,682**	**2.7%**
Change in Biennial Totals								**996,754**		

* Reflects revenue from the hospital tax first enacted under PL 2003, c. 513 and amended under PL 2003, c. 673, but does not include revenue from previous hospital taxes and assessments.

** The hospital tax rate increased from 0.74% of net operating revenue in FY 04 to 2.23% in FY 05.

***The MaineCare service provider tax was expanded in FY06 to include: community support services (effective 6/29/05), day habilitation services (effective 7/1/05), personal support services (effective 7/1/05) and residential training services (effective 7/1/05).

MEDICAID/MAINECARE DEDICATED REVENUE TAXES
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2008

Source	FY10 Projection	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Projection	% Chg.	Recom. Chg.	FY11 Revised	% Chg.
Nursing Facility Tax	32,372,961	2.5%	1,462,133	33,835,094	2.5%	33,182,285	2.5%	1,498,686	34,680,971	2.5%
Residential Treatment Facility (ICFs/MR) Tax	2,024,775	2.5%	(294,386)	1,730,389	2.5%	2,075,394	2.5%	(301,745)	1,773,649	2.5%
Hospital Tax *	59,481,377	0.0%	0	59,481,377	-1.4%	59,481,377	0.0%	0	59,481,377	0.0%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	39,299,168	2.5%	(650,602)	38,648,566	2.5%	40,281,647	2.5%	(666,867)	39,614,780	2.5%
Total - Health Care Provider Taxes	**133,178,281**	**1.4%**	**517,145**	**133,695,426**	**0.7%**	**135,020,703**	**1.4%**	**530,074**	**135,550,777**	**1.4%**
Change in Biennial Totals								**1,047,219**		

* Reflects revenue from the hospital tax first enacted under PL 2003, c. 513 and amended under PL 2003, c. 673, but does not include revenue from previous hospital taxes and assessments.

** The hospital tax rate increased from 0.74% of net operating revenue in FY 04 to 2.23% in FY 05.

***The MaineCare service provider tax was expanded in FY06 to include: community support services (effective 6/29/05), day habilitation services (effective 7/1/05), personal support services (effective 7/1/05) and residential training services (effective 7/1/05).

Nursing Facility Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$30,501,448	$29,241,327	$31,397,376	$30,061,513	$30,813,051	$31,583,377	$32,372,961	$33,182,285
Annual % Growth	38.3%	-4.1%	7.4%	-4.3%	2.5%	2.5%	2.5%	2.5%
Net Increase (Decrease)					$1,391,679	$1,426,471	$1,462,133	$1,498,686
Revised Forecast	$30,501,448	$29,241,327	$31,397,376	$30,061,513	$32,204,730	$33,009,848	$33,835,094	$34,680,971
Annual % Growth	38.3%	-4.1%	7.4%	-4.3%	7.1%	2.5%	2.5%	2.5%

Revenue Source Summary:

Effective July 1, 2001, PL 2001, c. 714, established a new tax on nursing homes equal to 6% of each facility's annual net operating revenue. Nursing home tax revenue accrues to Other Special Revenue funds. The nursing home tax is dedicated to support nursing home and other long-term care programs, with a part of the proceeds of the tax used to replace reductions in General Fund appropriations for these purposes.

Revenue Source Forecast Factors and Trends:

Given this tax is based on nursing home net operating revenue, the amount of the tax collected is driven primarily by reimbursements from Medicaid, the largest payer for nursing home services, with reimbursements from other payers (i.e., Medicare, private insurance, and self payers) accounting for the remaining revenue. Medicaid reimbursements to these facilities are driven by Medicaid reimbursement rates and the volume of services.

Forecast Recommended Changes:

The forecast has been updated to reflect actual FY07 collections and FY 08 collections through January 2008. Future year growth assumption are unchanged. The forecast was not revised to reflect the possible impact of Section 403 of the federal Tax Relief and Health Care Act of 2006 (TRHCA), PL 109-432, that will limit Medicaid provider taxes to 5.5% of the revenues received by the taxpayer effective for fiscal year years beginning after January 1, 2008, and before October 1, 2011. Conformity with this federal change will require a change to Maine statute similar to that proposed in Part X of LD 2173, the Governor's 2008-2009 supplemental budget bill.

Residential Treatment Facility (ICF's/MR) Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$1,617,662	$1,958,739	$1,868,534	$1,880,205	$1,927,210	$1,975,390	$2,024,775	$2,075,394
Annual % Growth	3.4%	21.1%	-4.6%	0.6%	2.5%	2.5%	2.5%	2.5%
Net Increase (Decrease)					($280,201)	($287,206)	($294,386)	($301,745)
Revised Forecast	$1,617,662	$1,958,739	$1,868,534	$1,880,205	$1,647,009	$1,688,184	$1,730,389	$1,773,649
Annual % Growth	3.4%	21.1%	-4.6%	0.6%	-12.4%	2.5%	2.5%	2.5%

Revenue Source Summary:

Effective July 1, 2001, PL 2001, c. 714, established a new tax on residential treatment facilities (also known as intermediate care facilities for the mentally retarded or ICF's/MR) equal to 6% of each facility's annual gross patient services revenue. Residential treatment facility tax revenue accrues to Other Special Revenue funds and is dedicated for behavioral and developmental services, with a part of the proceeds of the tax used to replace reductions in General Fund appropriations for these services.

Revenue Source Forecast Factors and Trends:

Given this tax is based on residential treatment facility gross patient services revenue, the amount of the tax collected is driven by reimbursements from Medicaid, which accounts for almost all of the revenue for these facilities. Medicaid reimbursements to these facilities are driven by Medicaid reimbursement rates and the volume of services.

Forecast Recommended Changes:

The forecast has been updated to reflect actual FY07 collections and FY08 collections through January 2008. Future year growth assumption are unchanged. The forecast was not revised to reflect the possible impact of Section 403 of the federal Tax Relief and Health Care Act of 2006 (TRHCA), PL 109-432, that will limit Medicaid provider taxes to 5.5% of the revenues received by the taxpayer effective for fiscal year years beginning after January 1, 2008, and before October 1, 2011. Conformity with this federal change will require a change to Maine statute similar to that proposed in Part X of LD 2173, the Governor's 2008-2009 Supplemental Budget Bill.

Hospital Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$16,383,319	$48,907,135	$54,050,888	$59,807,056	$59,481,377	$59,481,377	$59,481,377	$59,481,377
Annual % Growth	N/A	198.5%	10.5%	10.6%	-0.5%	0.0%	0.0%	0.0%
Net Increase (Decrease)					($838,355)	$838,355	$0	$0
Revised Forecast	$16,383,319	$48,907,135	$54,050,888	$59,807,056	$58,643,022	$60,319,732	$59,481,377	$59,481,377
Annual % Growth	N/A	198.5%	10.5%	10.6%	-1.9%	2.9%	-1.4%	0.0%

Revenue Source Summary:

For fiscal years beginning on or after July 1, 2003, a hospital tax was imposed equal to .74% of each hospital's annual net operating revenue. For fiscal years beginning on or after July 1, 2004, the hospital tax imposed was increased to 2.23% of each hospital's net operating revenue. While the hospital tax is dedicated to support hospital and other MaineCare programs, a portion of the proceeds replaces reductions in General Fund appropriations for these purposes. This hospital tax was added in PL 2003, c. 513 and amended in PL 2003, c. 673 and is distinct from the hospital assessment repealed in 1998 and the one-time hospital assessment in effect for 2003.

Revenue Source Forecast Factors and Trends:

The hospital tax rate was increased to 2.23 % for 2005. The tax base was originally fixed after 2005, but PL 2005, c. 12 allowed for growth in the tax base through FY07. The tax base and rate are then fixed thereafter.

Forecast Recommended Changes:

The forecast has been modified for FY 08 and FY 09 to reflect an anticipated one-time delay in collections for FY 08. Future year growth assumption are unchanged.

Service Provider Tax (Dedicated Revenue)

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	$0	$15,430,099	$30,779,242	$33,955,412	$37,405,515	$38,340,654	$39,299,168	$40,281,647
Annual % Growth	N/A	N/A	99.5%	21.1%	10.2%	2.5%	2.5%	2.5%
Net Increase (Decrease)					($619,253)	($634,736)	($650,602)	($666,867)
Revised Forecast	$0	$15,430,099	$30,779,242	$33,955,412	$36,786,262	$37,705,918	$38,648,566	$39,614,780
Annual % Growth	N/A	N/A	99.5%	10.3%	8.3%	2.5%	2.5%	2.5%

Revenue Source Summary:

Enacted in PL 2003, c. 673, Part V, effective July 1, 2004, revenue from this tax on private non-medical institution (PNMI) services accrues to Other Special Revenue fund accounts in the Department of Health and Human Services and is used to fund MaineCare services, with a part of the proceeds of the tax used to replace General Fund appropriations for these purposes. (Note: revenue from services subject to this tax that were formerly taxed under the sales and use tax, accrue to the general fund - see general fund description). MaineCare-related services subject to this tax have been expanded to include: community support services (effective 6/29/05), day habilitation services (effective 7/1/05), personal support services (effective 7/1/05) and residential training services (effective 7/1/05).

Revenue Source Forecast Factors and Trends:

Revenue from this tax is dependent on the volume of payments in a given year for the services (mostly MaineCare) subject to the tax.

Forecast Recommended Changes:

The forecast has been updated to reflect actual FY07 collections and FY 08 collections through January 2008. Future year growth assumption are unchanged.

REVENUE FORECASTING COMMITTEE

Appendix E

Consensus Economic Forecasting Commission Report

Commissioners

Charles Colgan, Chair
Professor of Public Policy and Management
University of Southern Maine

Eleanor Baker
Managing Principal
Baker Newman Noyes, LLC

John Davulis
Chief Economist
Central Maine Power Co.

Michael Donihue
Professor of Economics
Colby College

Charles Lawton
Senior Economist
Planning Decisions, Inc.

Summary

The Maine Consensus Economic Forecasting Commission (CEFC) convened on January 22, 2008 to update its November 2007 forecast. The new forecast projects a slowdown in national and state economic activity in 2008. Economic data released since the commission's last meeting in October indicate a weaker labor market and a slowdown in retail sales. The weaker national economy, which is slowing because of high oil prices, a decline in residential construction, and the impact of subprime mortgage losses on the financial markets, is the primary reason for the current reductions in the CEFC's Maine economic forecast.

At the time of the commission's meeting, Congress and the President were negotiating a federal response to the weakening of the national economy. Knowing the general size and scope of the proposed economic stimulus package, the CEFC considered its potential impact in Maine when developing this forecast. Just prior to the commission's meeting the Federal Reserve announced it would lower the discount rate by 0.75%. The commission also incorporated that information into its forecast.

The commission lowered its two primary growth indicators for 2008 and projected a slow recovery in 2009. Facing the national economic slowdown, the CEFC projects no net increase in Maine nonfarm wage and salary employment in 2008 and 0.6% annual growth in 2009, staying in the 0.6 to 0.7% range through 2011. The reduced job growth will lead to lower wage and salary growth. The commission lowered its personal income growth forecast for 2008 from 4.4% to 3.5%. The commission slightly increased its forecast for the Consumer Price Index, a measure of household inflation, to 2.3% in 2008, returning to 2.1%-2.2% in later years as the national economy stabilizes.

The table below outlines the forecast's major indicators.

Calendar Years	2007	2008	2009	2010	2011
Wage & Salary Employment (Annual Percentage Change)					
CEFC Forecast 10/2007	**0.5**	**0.3**	**0.6**	**0.7**	**0.7**
CEFC Forecast 1/2008	**0.5**	**0.0**	**0.6**	**0.7**	**0.6**
Personal Income (Annual Percentage Change)					
CEFC Forecast 10/2007	**4.9**	**4.4**	**4.5**	**4.5**	**4.6**
CEFC Forecast 1/2008	**5.1**	**3.5**	**4.1**	**4.2**	**4.1**
CPI (Annual Percentage Change)					
CEFC Forecast 10/2007	**2.8**	**2.5**	**2.5**	**2.5**	**2.5**
CEFC Forecast 1/2008	**2.8**	**2.3**	**2.1**	**2.1**	**2.2**

In making these adjustments, the CEFC drew upon information presented by several state agencies. The following sections summarize their reports.

Maine Department of Labor

The most recent labor market reports, reflecting employment conditions through December 2007, show a slight increase in nonfarm wage and salary jobs coupled with a slight decrease in resident employment, resulting in a slight increase in unemployment. In December 2007, nonfarm wage and salary employment in Maine, representing the number of people on the payrolls of Maine companies, rose by 1,000 compared to November 2007. This increase was driven by above average job growth in accommodation and food services as the winter tourism sector responded to early snowfall. Residential employment, which is a broader measure that includes nonfarm wage and salary employees, agricultural workers, the self employed, and Maine residents employed by out-of-state companies, fell 1,700 over the same time period. The decrease may reflect in part the decline in housing construction reducing demand for self-employed contractors. Overall, the unemployment rate rose from 4.9% in November to 5.1% in December. Both months exceeded December 2006's unemployment rate of 4.6%.

Changes in employment by industry for December 2007 also reflect long-term trends. Employment in manufacturing fell by 1,500 in December 2007 compared to December 2006. The slowdown in housing continues to impact job growth in construction and financial services. These sectors were down 1,000 and 200, respectively, from December 2006. These losses were offset by continued growth in education and health services, which increased 3,100. The preliminary 2007 numbers show net job growth of 0.5% for the year. Nationally, nonfarm wage and salary jobs grew 1.3% in 2007.

Maine Revenue Services

The latest taxable retail sales figures indicate an increase in sales in November with early reports for December suggesting weaker sales. Total sales increased 4% in November over the same period last year. General Merchandise and Other Retail stores reported strong year over year growth of 7% and 6%, respectively. November's early, pre-holiday price reductions and December's snowstorms were cited as potential reasons for the weakening of sales between November and December.

General Fund revenues through the first six months of the 2008 fiscal year are currently 0.6% below budget. Reported tax revenue for the month of December was 4.6% below budget. Multiple revenue sources are coming in below earlier estimates. Sales and use tax (-2.1%), individual income tax (-2.0%), corporate income tax (-4.7%), and cigarette and tobacco taxes (-9.5%) were all below budget in December. Cigarette and tobacco tax revenues continue to fall below historical levels, with year to date revenue down 7.3% compared to last year.

Maine State Planning Office

The latest economic indicators show that Maine's economy expanded slowly through the end of 2007. The Maine Coincident Economic Activity Index, an economic indicator that is a proxy for overall growth in Maine's Gross Domestic Product, increased 1.8% in November 2007 compared to November 2006. For the same month, the combined indicator for all fifty states increased 2.6%. Although the rest of the nation grew at a higher rate than Maine during November, over the last eleven months Maine's growth has increased as the national growth rate has decreased.

In the first three quarters of 2007, personal income increased 5.1% over the first three quarters of 2006. The strongest growth was from Transfer Payments, which increased 8.2%, and Dividends, Interest, and Rent, which grew 5.9% through the third quarter of 2007. Wage and Salary income, which makes up just over half of total personal income, increased 4.5% during the same time period.

Inflation, as measured by the Consumer Price Index, ended 2007 up 2.8% over the 2006 annual average. In December the index increased 4.1% over December 2006, reflecting large price increases for food and energy. The core inflation index, which excludes the more volatile prices for food and energy, increased 2.4% over December of last year.

The decline in housing sales and construction and the persistence of high energy prices are likely to limit near-term economic growth. The housing market continues to slow down, with existing Maine home sales dropping 13.5% in the 4th quarter over 2006 and the number of housing permits for new residential construction issued in November down 46% from November 2006. Despite the reduced sales, the median sale price of existing single family homes has dropped only 1.3% below the peak median price of $249,100 reported in the third quarter of 2005. The slowdown will have a direct impact on employment in construction and financial services, which will have a secondary impact in other areas of the economy.

Since the CEFC last met, the price of oil increased 22%, reaching over $90 per barrel by the end of December. The increase in oil is keeping the price of home heating oil above historical averages. The statewide average price for residential heating oil was $3.36 per gallon in the first week of January, or 47% above the year ago price. High energy prices absorb disposable income, decreasing spending in other areas of the economy. Price forecasts from Economy.com and the Energy Information Agency indicate a gradual reduction in prices, but returning to levels above historical prices.

Consensus Forecast

In light of the latest economic data and the resulting changes in the forecast models, the CEFC reduced it economic forecast for 2008 and following years. This round of adjustments primarily reflects lower expectations for national growth and sustained high energy prices. In considering these change, the CEFC referred to economic forecasts from Global Insight, Economy.com, the New England Economic Partnership, and Colby College, all of which projected lower growth than previously forecast. The CEFC also adjusted its 2007 forecast based on more recent economic data.

The commission reduced its wage and salary employment growth forecast from 0.3% in 2008 to 0.0%, with growth in later years returning to 0.6%-0.7%. The extent to which the housing sector reduces overall employment growth will depend on how much the current inventory of houses exceeds demand. The demand for secondary and retirement housing from out-of-state residents is likely to be sustained by the lower prices of Maine compared to other states, particularly those in southern New England. At the same time, lenders may tighten credit standards and reduce the availability of mortgages for potential homebuyers. The construction and financial services sectors will continue to be weak until the current supply of housing is absorbed. The commission also discussed the housing market’s effect on consumer spending. In recent years, rising home values have increased household equity and spurred consumer spending. A decline in home prices will likely reduce or reverse this trend.

Slower employment growth will reduce gains in employment earnings and reduce pressure for wage and salary increases. The commission lowered its personal income growth forecast to 3.5% in 2008 and 4.1% to 4.2% in 2009 through 2011. The Dividend, Interest and Rent component of personal income is also expected to grow slower than previously forecast as corporate profits decline with reduced national economic activity.

The commission increased its inflation forecast for 2007 to 2.8%, reflecting further increases in energy prices captured by the Consumer Price Index. In 2008, CPI inflation is expected to decline as slower economic growth leads to less household consumption, keeping price increases down. In later years, CPI inflation should decline in tandem with energy price projections.

Maine Consensus Economic Forecasting Commission
February 2008 Forecast

	2003	2004	2005	History 2006	Forecast 2007	2008	2009	2010	2011
CPI-U* (Annual Change)	2.3%	2.7%	3.4%	3.2%	2.8%	2.3%	2.1%	2.1%	2.2%
Maine Unemployment Rate**	5.0%	4.6%	4.8%	4.6%	4.6%	5.1%	4.9%	4.7%	4.6%
3-Month Treasury Bill Rate**	1.0%	1.4%	3.1%	4.7%	4.4%	3.4%	4.2%	4.6%	4.3%
10-Year Treasury Note Rate**	4.0%	4.3%	4.3%	4.8%	4.9%	5.4%	5.6%	5.6%	5.5%
	Employment (thousands)								
Maine Wage & Salary Employment*	606.7	611.7	611.8	614.7	617.8	617.9	621.3	625.7	629.6
Natural Resources	2.5	2.6	2.7	2.8	2.8	2.7	2.7	2.7	2.7
Construction	30.5	30.8	30.7	31.4	31.3	30.1	30.6	30.7	30.9
Manufacturing	64.1	63.0	61.4	60.2	59.4	58.9	58.7	58.5	58.3
Trade/Trans./Public Utils.	123.2	125.2	125.2	125.5	126.5	126.3	126.2	126.8	126.9
Information	11.4	11.2	11.2	11.2	11.3	11.3	11.4	11.6	11.6
Financial Activities	35.1	34.9	34.2	33.6	33.2	33.3	33.4	33.7	34.0
Prof. & Business Services	50.3	49.6	50.3	51.7	52.8	53.3	54.6	55.7	56.9
Education & Heath Services	107.3	110.9	112.2	114.0	116.3	118.1	120.1	122.3	124.3
Leisure & Hospitality Services	58.4	58.8	59.2	59.7	60.0	60.2	60.8	61.6	62.8
Other Services	20.3	20.0	20.0	19.6	19.4	19.5	19.7	19.8	19.9
Government	103.7	104.7	104.8	105.0	104.9	104.0	103.2	102.2	101.2
Agricultural Employment	17.8	17.1	16.8	17.1	17.1	17.1	17.1	17.1	17.1
	Annual Growth Rate								
Maine Wage & Salary Employment*	0.0%	0.8%	0.0%	0.5%	0.5%	0.0%	0.6%	0.7%	0.6%
Natural Resources	-3.8%	2.6%	3.8%	3.4%	-1.0%	-0.8%	-0.6%	-0.4%	-0.4%
Construction	3.7%	0.9%	-0.4%	2.4%	-0.3%	-3.8%	1.6%	0.5%	0.4%
Manufacturing	-5.7%	-1.7%	-2.6%	-1.9%	-1.3%	-0.9%	-0.3%	-0.2%	-0.4%
Trade/Trans./Public Utils.	-0.1%	1.7%	0.0%	0.2%	0.8%	-0.1%	-0.1%	0.5%	0.1%
Information	-2.6%	-1.2%	-0.5%	0.4%	1.2%	0.0%	0.7%	1.3%	0.7%
Financial Activities	0.0%	-0.7%	-2.1%	-1.6%	-1.3%	0.4%	0.3%	0.8%	0.9%
Prof. & Business Services	-2.1%	-1.5%	1.5%	2.8%	2.1%	1.0%	2.4%	2.2%	2.0%
Education & Heath Services	2.3%	3.4%	1.2%	1.6%	2.0%	1.6%	1.6%	1.8%	1.7%
Leisure & Hospitality Services	1.9%	0.7%	0.7%	0.8%	0.5%	0.4%	0.9%	1.3%	2.0%
Other Services	2.5%	-1.5%	0.0%	-2.0%	-1.1%	0.6%	0.8%	0.7%	0.5%
Government	0.6%	0.9%	0.0%	0.2%	-0.1%	-0.9%	-0.7%	-1.0%	-0.9%
Agricultural Employment	-1.0%	-4.2%	-1.5%	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%

	2003	2004	2005	2006	2007	2008	2009	2010	2011
	Seasonally Adjusted (millions)								
Personal Income*	37532.8	39510.5	40634.0	42199.5	44368.6	45906.1	47801.1	49792.1	51848.1
Wage & Salary Disbursements*	19277.0	20211.3	20608.5	21427.3	22412.9	23117.6	23992.9	24914.0	25841.7
Supplements to Wages & Salaries*	4711.3	4902.5	5107.0	5286.3	5468.6	5620.1	5800.8	6026.4	6271.7
Non-Farm Proprietors' Income*	2704.0	3092.3	3271.5	3395.5	3463.4	3591.6	3749.3	3912.8	4073.9
Farm Proprietors' Income	-0.3	14.8	5.0	24.5	25.6	26.4	27.4	28.5	29.5
Dividends, Interest, & Rent*	6048.0	6144.8	5928.8	6295.0	6729.4	7108.9	7551.7	8010.0	8455.4
Dividends	1878.2	1916.4	1841.4	1996.1	2179.7	2262.8	2376.8	2490.9	2596.8
Interest	3623.3	3352.8	3543.5	3766.8	4162.3	4457.8	4783.3	5127.7	5466.1
Rent	546.5	527.1	387.1	387.1	387.9	388.6	389.8	391.4	392.9
Transfer Payments*	7033.3	7486.8	8155.7	8294.0	8949.2	9226.7	9590.5	9964.5	10403.0
Less: Contributions to Social Ins.	2936.8	3083.3	3184.0	3334.8	3463.3	3603.3	3762.4	3933.8	4108.0
Residence Adjustment	698.3	740.0	764.8	812.3	856.9	898.9	932.2	949.3	975.9
Farm Income	91.5	105.8	80.5	103.5	108.3	111.7	115.9	120.3	124.8
	Annual Growth Rate								
Personal Income*	4.4%	5.3%	2.8%	3.9%	5.1%	3.5%	4.1%	4.2%	4.1%
Wage & Salary Disbursements*	3.9%	4.8%	2.0%	4.0%	4.6%	3.1%	3.8%	3.8%	3.7%
Supplements to Wages & Salaries*	6.5%	4.1%	4.2%	3.5%	3.5%	2.8%	3.2%	3.9%	4.1%
Non-Farm Proprietors' Income*	2.8%	14.4%	5.8%	3.8%	2.0%	3.7%	4.4%	4.4%	4.1%
Farm Proprietors' Income	NA	NA	-66.1%	390.0%	4.6%	3.1%	3.8%	3.8%	3.7%
Dividends, Interest, & Rent*	-0.7%	1.6%	-3.5%	6.2%	6.9%	5.6%	6.2%	6.1%	5.6%
Dividends	12.2%	2.0%	-3.9%	8.4%	9.5%	4.8%	6.0%	5.8%	5.3%
Interest	-4.6%	-7.5%	5.7%	6.3%	10.2%	6.6%	7.0%	6.6%	6.2%
Rent	-11.6%	-3.5%	-26.6%	0.0%	0.2%	0.2%	0.3%	0.4%	0.4%
Transfer Payments*	8.6%	6.4%	8.9%	1.7%	7.9%	3.1%	3.9%	3.9%	4.4%
Less: Contributions to Social Ins.	1.6%	5.0%	3.3%	4.7%	3.9%	4.0%	4.4%	4.6%	4.4%
Residence Adjustment	-0.5%	6.0%	3.3%	6.2%	5.5%	4.9%	3.7%	1.8%	2.8%
Farm Income	30.9%	15.6%	-23.9%	28.6%	4.6%	3.1%	3.8%	3.8%	3.7%

*CEFC Forecast

**Maine Unemployment Rate, and 3-month Treasury Bill and 10-year Treasury Bond rates from Moody's Economy.com - December 2007
Remaining lines derived from the CEFC forecast by CEFC staff and reviewed by the CEFC.

REVENUE FORECASTING COMMITTEE

Appendix F

Historical Background and Methodology of Maine's Revenue Forecasting Process

APPENDIX F

Historical Background and Methodology of Maine's Revenue Forecasting Process

History

The Revenue Forecasting Committee was established by Governor John R. McKernan, Jr. on May 25, 1992 by Executive Order 14 FY91/92 in order to provide the Governor, the Legislature, and the State Budget Officer with an analysis and recommendations related to the projection of General Fund and Highway Fund revenue. Its creation was in response to a recommendation by the Special Commission on Government Restructuring. Committee membership originally included the State Budget Officer, the State Tax Assessor, the State Economist, the Director of the Office of Fiscal and Program Review, and an economist on the faculty of the University of Maine System selected by the Chancellor.

The original Executive Order called upon the Revenue Forecasting Committee to submit recommendations for State revenue projections for the upcoming fiscal biennium, as well as adjustments to current biennium General Fund and Highway Fund revenue estimates. In accomplishing its task, the Committee was directed to utilize the economic assumptions developed by the Consensus Economic Forecasting Commission.

In 1995, Public Law 1995, c. 368 enacted in statute the Consensus Economic Forecasting Commission and the Revenue Forecasting Committee, adopting both the structure and the intent of the original Executive Order.

Public Law 1997, chapter 655 enacted a number of changes to Title 5, chapter 151-B. There were three major changes: first, the revenue projections developed by the Committee would no longer be advisory but would be used by the Executive Branch in setting budget estimates and out-biennium forecasts; second, the State Budget Officer was empowered to convene a meeting of the Committee to review any new data that might become available; and third, the Committee was expanded from five to six members, with the sixth member being an analyst from the Office of Fiscal and Program Review designated by the Director of that office.

Public Law 2001, chapter 2, enacted a further change to the appointment process of the sixth member making that appointment less specific by requiring that member to be non-partisan staff appointed by the Legislative Council.

Methodology

Both the General Fund and the Highway Fund revenue projections are actually an aggregation of several individual revenue source forecasts. For the General Fund, many departments and agencies collect revenue under different authority. Highway Fund revenue, although more limited in the number of sources, also has multiple revenue sources. Since each of these individual revenue sources is distinctly different in terms of size (and thus relative importance to total revenue) and factors that influence growth (such as tax law, economic growth, interest rates, size of lottery jackpots, number of patrolmen, etc.), the Committee uses different approaches for evaluating various revenue source forecasts.

In order to ensure that the Committee's review process is as efficient and effective as possible, it divides its revenue line review into three parts:
-Major revenue sources directly tied to economic activity
-Major revenue sources tied to other "non-economic" factors
-Minor revenue sources

Major revenue sources tied to economic forecast

In general, major revenue lines directly tied to economic activity are forecast using econometric equations. These equations define a mathematical relationship between historical revenue growth and relevant economic trends, then project revenue growth based on the defined relationship and expected future performance of the economic variable chosen. For example, revenues derived from the collection of individual income tax are very closely tied to growth in Maine personal income. Thus, an equation is estimated that defines income tax revenue in terms of personal income (and other relevant variables), then the forecast of personal income growth in Maine is used to estimate future income tax collections. The Revenue Forecasting Committee then reviews the equation, the underlying economic assumptions, and the overall revenue forecast level to ensure that they are logical and plausible given our knowledge of current economic conditions and revenue growth. It is the Committee’s understanding, and truly the spirit of “consensus forecasting”, that model results need not be blindly accepted and should be closely examined.

Maine Revenue Services is instrumental in the development of the forecast for the major taxes, the major revenue sources tied to economic activity. The Research Division maintains the econometric models that are used to develop the forecast. Maine Revenue Services also has access to a tax “data warehouse” in order to query tax data and refine the model outputs and equations. The economic variables forecast by the CEFC are fed into the models.

Major revenue sources tied to “non-economic” factors and Other Minor Revenue Sources

Both the major revenue sources tied to other "non-economic" factors and the other minor revenue sources are generally prepared by the department or agency responsible for collecting the particular revenue stream. Their experience with and expertise in tracking revenue growth is used in place of an equation to project future revenue activity. For example, the level of participation in Maine's lottery is not easily or clearly tied to any particular economic indicator, like income or employment. Revenue derived from lottery ticket sales can, however, be projected based on past lottery sales, the likelihood of a large jackpot occurring within a twelve month period and planned changes in product mix or marketing strategy. Therefore, the Department of Administrative and Financial Services reviews past lottery trends and evaluates any changes in marketing strategy and estimates the lottery's revenue performance over the upcoming biennium. Additional factors reviewed by the Committee include the projected Cost of Goods Sold and Administrative Expense to arrive at an estimated Net Profit to be transferred to the General Fund. The Revenue Forecasting Committee then reviews their forecast to ensure that their logic is sound and to ensure that this particular line forecast is consistent with expectations for other revenue lines.

To further streamline the review of the hundreds of minor revenue sources, the committee has employed a strategy that has the analysts of the Office of Fiscal and Program Review and the Bureau of the Budget work with the "collecting" agencies to develop the forecast for each of the hundreds of minor revenue sources. This review is particularly concentrated in even numbered years before the beginning of the 1st Regular Session of the Legislature when the biennial budget for the upcoming biennium is first considered. Agencies are required to submit their estimates to the Bureau of the Budget as part of the biennial budget development process in the fall of even number years. Every revenue source is reviewed by the Office of Fiscal and Program Review and the Bureau of the Budget with the agencies for consistency with the economic forecast, historic trends and enacted law changes that may affect future revenue rates, bases or flows.

When preparing a formal review of the biennial budget in odd numbered years to decide if revisions are necessary, the Revenue Forecasting Committee uses a similar, though streamlined, process. The major tax models are re-estimated using any updated economic and capital gains assumptions as well as current baseline data. The budget to actual performance of the other revenue lines is examined by a subcommittee of the Budget Office and the Office of Fiscal and Program Review and, when significant variances exist, the subcommittee recommends to the full Committee which agencies should develop and present new projections for the Committee's consideration.

Length of Forecast

By statute, the revenue forecast must project revenue for the upcoming biennium and the subsequent biennium. For the start of a biennium, December of even numbered years, this forecast will encompass a span of 5 fiscal years – the current fiscal year, the next biennial budget to be approved in the upcoming legislative session and a projection of the following biennium. This projection for the following biennium was added as a long-range planning tool to help establish a look at the health of the next biennial budget to be developed 2 years later and adopted by a new Legislature. This projection of revenue is combined with projections of expenditures for the General Fund and Highway Fund to develop estimates of the "structural gap" or "structural surplus" of each fund.

Current Tax Law

The Revenue Forecasting Committee bases all revenue projections on current state tax law and other state laws with future effective dates that affect state revenue sources. The

Committee is careful to watch for sunsets and future effective dates of laws that will affect revenue and build those enacted law changes into the forecast. The Committee does not attempt to second-guess how the law may be changed during the upcoming Legislative session. The Fiscal Note Process overseen by the Office of Fiscal and Program Review establishes and tracks the revenue effects associated with legislative changes. These legislative revenue changes are then included in the base revenue forecast. The Revenue Forecasting Committee at its next meeting then adopts or amends those estimates of the legislative revenue changes.

Forecast Schedule

The Revenue Forecasting Committee has 2 statutory reporting dates each year: December 1st and March 1st. The timing of these reports is based on the schedule of the budget process and the Legislature's session schedule. The Governor is required to submit a biennial budget during the first regular session of each Legislature. That process begins in even numbered years with agencies submitting budget requests by September 1st. That process concludes with when the Governor submits his budget proposals to the Legislature by a statutory deadline, the first Friday after the 1st Monday in January (approximately one month later for a newly elected Governor). The revenue forecasting fall forecast begins with the economic forecast by the Consensus Economic Forecasting Commission that must report by November 1st. The December 1st deadline of the revenue forecast provides the Governor with an update of the revenue forecast that the Governor must use as the basis for submitting balanced General Fund and Highway Fund budgets. That 1st forecast of the biennium updates the current projections for the upcoming budget biennium and it provides the 1st projections of the following biennium.

In December of odd-numbered years, the forecast is updated for the next legislative session (the 2nd Regular Session of the Legislature) that begins in January of even-number years. The annual March 1st reporting deadline is scheduled to provide the Legislature with a "mid-session" update so that they might have the most up-to-date forecast for the conclusion of their budget decisions.

REVENUE FORECASTING COMMITTEE

Appendix G

Maine Revenue Services Materials
Presented to the
Revenue Forecasting Committee

February 25, 2008

Maine Revenue Services
Economic Research Division

Maine Revenue Services' Recommendations to the Revenue Forecasting Committee

	FY2008	FY2009	Biennium	FY2010	FY2011	Biennium
Sales & Use and Service Provider Taxes	($6,827,961)	($22,731,976)	($29,559,937)	($35,583,027)	($44,045,075)	($79,628,102)
Individual Income Tax (Excluding BETR and T&R)	($421,000)	($18,092,000)	($18,513,000)	($14,835,000)	($13,122,000)	($27,957,000)
Corporate Income Tax	($12,430,000)	($10,814,298)	($23,244,298)	($1,045,313)	($2,070,000)	($3,115,313)
Cigarette & Tobacco Taxes	($2,920,000)	($2,680,000)	($5,600,000)	($1,094,958)	($1,452,319)	($2,547,277)
Estate Tax	($695,929)	($1,184,791)	($1,880,720)	($527,510)	($606,439)	($1,133,949)
Real Estate Transfer Tax	($2,560,982)	($4,768,654)	($7,329,636)	($5,290,155)	($5,438,955)	($10,729,110)
Total Adjustments to Current Forecast	($25,855,872)	($60,271,719)	($86,127,591)	($58,375,963)	($66,734,788)	($125,110,751)
General Fund	($24,852,245)	($57,638,167)	($82,490,412)	($55,699,869)	($63,654,460)	($119,354,329)
Local Government Fund	($1,003,627)	($2,633,552)	($3,637,179)	($2,676,094)	($3,080,328)	($5,756,422)

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STATE MAINE
Undedicated Revenues - General Fund
For the Seventh Month Ended January 31, 2008
For the Fiscal Year Ending June 30, 2008
Comparison to Budget

PRELIMINA AND TENTATIVE

FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

EXHIBIT I

	Month				Year to Date				
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Total Budgeted Fiscal Year Ending 6-30-2008
Sales and Use Tax	96,055,709	99,582,747	(3,527,038)	(3.5%)	535,259,894	540,376,759	(5,116,865)	(0.9%)	985,065,063
Service Provider Tax	4,413,499	4,131,950	281,549	6.8%	26,018,109	24,827,689	1,190,420	4.8%	51,181,910
Individual Income Tax	148,719,712	169,174,028	(20,454,316)	(12.1%)	728,706,421	751,388,356	(22,681,935)	(3.0%)	1,400,953,225
Corporate Income Tax	4,068,428	6,550,000	(2,481,572)	(37.9%)	82,070,803	86,150,000	(4,079,197)	(4.7%)	194,600,000
Cigarette and Tobacco Tax	12,756,144	11,955,612	800,532	6.7%	91,173,441	91,524,114	(350,673)	(0.4%)	157,706,180
Public Utilities Tax	(245)	-	(245)	-	347,735	-	347,735	-	17,476,987
Insurance Companies Tax	62,383	23,560	38,823	164.8%	13,503,087	11,803,801	1,699,286	14.4%	76,751,673
Estate Tax	3,520,695	3,800,000	(279,305)	(7.4%)	14,656,739	18,700,000	(4,043,261)	(21.6%)	45,258,169
Property Tax - Unorg Territory	-	-	-	-	10,238,664	10,403,375	(164,711)	(1.6%)	12,611,986
Income from Investments	147,923	(799,476)	947,399	118.5%	2,085,954	1,300,524	785,430	60.4%	901,571
Transfer to Municipal Revenue Sharing	(12,916,125)	(14,251,374)	1,335,249	9.4%	(69,974,817)	(71,295,082)	1,320,265	1.9%	(134,221,812)
Transfer from Lottery Commission	4,109,815	3,833,400	276,415	7.2%	29,185,662	28,750,524	435,138	1.5%	49,834,250
Other Revenues	17,089,662	14,245,700	2,843,962	20.0%	108,585,003	105,967,538	2,617,465	2.5%	209,801,236
Total Collected	278,027,599	298,246,147	(20,218,548)	(6.8%)	1,571,856,697	1,599,897,598	(28,040,901)	(1.8%)	3,067,920,438

NOTES: (1) Included in the above is $12,994,049 for the month and $70,052,741 year to date, that was set aside for Revenue Sharing with cities and towns.

(2) Figures reflect estimates of the Maine State Revenue Forecasting Committee approved in November 2007.

(3) This report has been prepared from preliminary month end figures and is subject to change.

STATE MAINE
Undedicated Revenues - General Fund
For the Seventh Month Ended January 31, 2008 and 2007
For the Fiscal Years Ending June 30, 2008 and 2007
Comparison to Prior Year

PRELIMINA AND TENTATIVE

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EXHIBIT II

	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)
Sales and Use Tax	96,055,709	98,428,040	(2,372,331)	(2.4%)	535,259,894	532,632,786	2,627,109	0.5%
Service Provider Tax	4,413,499	3,973,029	440,470	11.1%	26,018,109	23,872,777	2,145,333	9.0%
Individual Income Tax	148,719,712	148,537,510	182,202	0.1%	728,706,421	700,695,087	28,011,334	4.0%
Corporate Income Tax	4,068,428	6,378,309	(2,309,881)	(36.2%)	82,070,803	79,080,476	2,990,327	3.8%
Cigarette and Tobacco Tax	12,756,144	11,716,437	1,039,706	8.9%	91,173,441	96,340,926	(5,167,484)	(5.4%)
Public Utilities Tax	(245)	-	(245)	-	347,735	(116,564)	464,299	398.3%
Insurance Companies Tax	62,383	47,717	14,666	30.7%	13,503,087	11,583,827	1,919,260	16.6%
Estate Tax	3,520,695	3,835,804	(315,109)	(8.2%)	14,656,739	31,082,351	(16,425,612)	(52.8%)
Property Tax - Unorg Territory	-	-	-	-	10,238,664	10,403,375	(164,711)	(1.6%)
Income from Investments	147,923	(237,792)	385,716	162.2%	2,085,954	1,614,549	471,405	29.2%
Transfer to Municipal Revenue Sharing	(12,916,125)	(13,123,161)	207,037	1.6%	(69,974,817)	(68,150,337)	(1,824,479)	(2.7%)
Transfer from Lottery Commission	4,109,815	4,251,427	(141,612)	(3.3%)	29,185,662	29,901,429	(715,767)	(2.4%)
Other Revenues	17,089,662	16,329,869	759,793	4.7%	108,585,003	112,613,271	(4,028,268)	(3.6%)
Total Collected	278,027,599	280,137,189	(2,109,590)	(0.8%)	1,571,856,697	1,561,553,951	10,302,746	0.7%

STATE OF MAINE
Undedicated Revenues - General Fund
For the Seventh Month Ended January 31, 2008
For the Fiscal Year Ending June 30, 2008
Comparison to Budget

PRELIMINARY AND TENTATIVE

FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

EXHIBIT III

Detail of Other Revenues	Month: Actual	Month: Budget	Month: Variance Over/(under)	Month: Percent Over/(under)	Year to Date: Actual	Year to Date: Budget	Year to Date: Variance Over/(under)	Year to Date: Percent Over/(under)	Total Budgeted Fiscal Year Ending 6-30-2008
0100's All Others	999,993	1,084,840	(84,847)	(7.8%)	12,615,505	13,424,958	(809,453)	(6.0%)	23,155,009
0300's Aeronautical Gas Tax	19,529	20,731	(1,202)	(5.8%)	153,691	172,167	(18,476)	(10.7%)	251,677
0400's Alcohol Excise Tax	1,104,233	1,098,041	6,192	0.6%	10,507,104	10,095,063	412,041	4.1%	16,965,964
0700's Corporation Taxes	154,162	70,680	83,482	118.1%	989,804	920,578	69,226	7.5%	6,646,012
1000's Banking Taxes	2,587,030	1,703,800	883,230	51.8%	13,841,680	13,046,984	794,696	6.1%	21,565,980
1100's Alcoholic Beverages	137,934	306,686	(168,752)	(55.0%)	2,064,839	2,094,944	(30,105)	(1.4%)	3,726,662
1200's Amusements Tax	-	18,082	(18,082)	(100.0%)	2,410	73,078	(70,668)	(96.7%)	163,492
1300's Harness Racing/Parimutuels/Slots	679,397	628,963	50,434	8.0%	4,679,102	4,808,218	(129,116)	(2.7%)	8,037,176
1400's Business Taxes	719,995	816,981	(96,986)	(11.9%)	3,681,561	3,953,231	(271,670)	(6.9%)	7,173,015
1500's Motor Vehicle Licenses	476,613	429,862	46,751	10.9%	2,527,190	2,394,617	132,573	5.5%	4,700,336
1700's Inland Fisheries & Wildlife	2,734,428	1,793,254	941,174	52.5%	10,758,819	8,733,428	2,025,391	23.2%	16,240,944
1900's Hospital Excise & Other	50,524	53,491	(2,967)	(5.5%)	209,039	241,820	(32,781)	(13.6%)	418,202
2000's Fines, Forfeits & Penalties	3,732,143	3,202,650	529,493	16.5%	25,631,826	23,799,669	1,832,157	7.7%	41,182,968
2200's Federal Revenues	950,791	1,297,942	(347,151)	(26.7%)	5,906,089	6,384,791	(478,702)	(7.5%)	12,440,657
2300's County Revenues	-	-	-	-	-	-	-	-	-
2400's Revenues from Cities & Towns	1,640	-	1,640	-	85,884	30,000	55,884	186.3%	60,000
2500's Revenues from Private Sources	41,145	309,892	(268,747)	(86.7%)	1,269,277	1,989,389	(720,112)	(36.2%)	7,948,014
2600's Current Service Charges	2,789,727	1,631,055	1,158,672	71.0%	15,692,092	14,282,228	1,409,864	9.9%	22,873,842
2700's Transfers from Other Funds	(89,620)	(221,250)	131,630	59.5%	(2,144,839)	(593,625)	(1,551,214)	(261.3%)	16,121,286
2800's Sales of Property & Equipment	-	-	-	-	113,931	116,000	(2,069)	(1.8%)	130,000
Total Other Revenues	17,089,662	14,245,700	2,843,962	20.0%	108,585,003	105,967,538	2,617,465	2.5%	209,801,236

NOTE: This report has been prepared from preliminary month end figures and is subject to change.

STATE OF MAINE

Undedicated Revenues - General Fund
For the Seventh Month Ended January 31, 2008 and 2007
For the Fiscal Years Ending June 30, 2008 and 2007
Comparison to Prior Year

PRELIMINARY AND TENTATIVE

FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

EXHIBIT IV

Detail of Other Revenues	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)
0100's All Others	999,993	1,274,444	(274,451)	(21.5%)	12,615,505	15,440,677	(2,825,171)	(18.3%)
0300's Aeronautical Gas Tax	19,529	19,988	(459)	(2.3%)	153,691	153,854	(163)	(0.1%)
0400's Alcohol Excise Tax	1,104,233	1,127,390	(23,158)	(2.1%)	10,507,104	10,200,177	306,927	3.0%
0700's Corporation Taxes	154,162	132,179	21,984	16.6%	989,804	1,122,181	(132,377)	(11.8%)
1000's Banking Taxes	2,587,030	2,482,250	104,780	4.2%	13,841,680	12,928,940	912,740	7.1%
1100's Alcoholic Beverages	137,934	319,407	(181,472)	(56.8%)	2,064,839	2,256,940	(192,101)	(8.5%)
1200's Amusements Tax	-	-	-	-	2,410	2,400	10	0.4%
1300's Harness Racing/Parimutuels/Slots	679,397	617,746	61,650	10.0%	4,679,102	4,631,720	47,382	1.0%
1400's Business Taxes	719,995	1,047,353	(327,358)	(31.3%)	3,681,561	5,614,402	(1,932,841)	(34.4%)
1500's Motor Vehicle Licenses	476,613	334,309	142,304	42.6%	2,527,190	2,121,926	405,264	19.1%
1700's Inland Fisheries & Wildlife	2,734,428	1,636,187	1,098,241	67.1%	10,758,819	10,018,675	740,144	7.4%
1900's Amnesty, Hosp Excise & Other	50,524	44,326	6,198	14.0%	209,039	208,212	827	0.4%
2000's Fines, Forfeits & Penalties	3,732,143	3,578,192	153,951	4.3%	25,631,826	22,804,295	2,827,531	12.4%
2200's Federal Revenues	950,791	1,332,283	(381,492)	(28.6%)	5,906,089	8,320,298	(2,414,209)	(29.0%)
2300's County Revenues	-	-	-	-	-	-	-	-
2400's Revenues from Cities & Towns	1,640	1,141	499	43.7%	85,884	70,502	15,382	21.8%
2500's Revenues from Private Sources	41,145	379,921	(338,776)	(89.2%)	1,269,277	1,362,612	(93,335)	(6.8%)
2600's Current Service Charges	2,789,727	1,419,477	1,370,250	96.5%	15,692,092	17,836,395	(2,144,303)	(12.0%)
2700's Transfers from Other Funds	(89,620)	577,407	(667,027)	(115.5%)	(2,144,839)	(2,506,219)	361,380	14.4%
2800's Sales of Property & Equipment	-	5,870	(5,870)	(100.0%)	113,931	25,285	88,646	350.6%
Total Other Revenues	17,089,662	16,329,869	759,793	4.7%	108,585,003	112,613,271	(4,028,267)	(3.6%)

NOTE: This report has been prepared from preliminary month end figures and is subject to change.

Office of the State Controller

STATE OF MAINE

Undedicated Revenues - Highway Fund
For the Seventh Month Ended January 31, 2008
For the Fiscal Year Ending June 30, 2008
Comparison to Budget

PRELIMINARY AND TENTATIVE

FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

Exhibit V

	Month				Year to Date				
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Total Budgeted Fiscal Year Ending 6-30-2008
Fuel Taxes	17,657,712	17,631,956	25,756	0.1%	116,015,920	115,011,912	1,004,008	0.9%	223,609,445
Motor Vehicle Registration & Fees	6,270,060	6,129,464	140,596	2.3%	46,030,094	47,371,314	(1,341,220)	(2.8%)	87,770,064
Inspection Fees	215,489	278,475	(62,986)	(22.6%)	2,655,790	2,867,538	(211,748)	(7.4%)	4,433,458
Fines, Forfeits & Penalties	136,860	157,406	(20,546)	(13.1%)	1,045,069	1,158,214	(113,145)	(9.8%)	2,018,239
Earnings on Investments	130,538	45,000	85,538	190.1%	885,140	685,000	200,140	29.2%	1,000,000
All Other	722,860	408,619	314,241	76.9%	6,630,788	6,144,552	486,236	7.9%	9,806,671
Total Revenue	25,133,519	24,650,920	482,599	2.0%	173,262,802	173,238,530	24,272	0.0%	328,637,877

NOTE: This report has been prepared from preliminary month end figures and is subject to change.

STATE OF MAINE

Undedicated Revenues - Highway Fund
For the Seventh Month Ended January 31, 2008 and 2007
For the Fiscal Years Ending June 30, 2008 and 2007
Comparison to Prior Year

PRELIMINARY AND TENTATIVE

FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

Exhibit VI

	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)
Fuel Taxes	17,657,712	17,579,769	77,943	0.4%	116,015,920	115,902,925	112,995	0.1%
Motor Vehicle Registration & Fees	6,270,060	6,426,538	(156,478)	(2.4%)	46,030,094	46,098,179	(68,085)	(0.1%)
Inspection Fees	215,489	272,618	(57,129)	(21.0%)	2,655,790	2,740,109	(84,319)	(3.1%)
Fines, Forfeits & Penalties	136,860	114,904	21,956	19.1%	1,045,069	1,013,165	31,904	3.1%
Earnings on Investments	130,538	43,955	86,583	197.0%	885,140	469,612	415,528	88.5%
All Other	722,860	339,503	383,357	112.9%	6,630,788	6,021,031	609,757	10.1%
Total Revenue	25,133,519	24,777,287	356,232	1.4%	173,262,802	172,245,021	1,017,781	0.6%

NOTE: This report has been prepared from preliminary month end figures and is subject to change.

Economic Assumptions

Assumptions Used in Sales & Excise Model

(1) Total Personal Income

(2) Inflation (CPI-U)

(3) Total Employment Growth
  (a) Growth by Sector

(4) Forecast of CPI for Energy Prices (Global Insight – Feb. 2008)

(5) Forecast of new passenger car & light truck registrations in Maine (Global Insight – Feb. 08)

(6) Forecast of average price of new vehicle (Global Insight – Feb. 2008)

Assumptions Used in Individual Income Tax Model

(7) Total Personal Income
  (a) Growth by Component

(8) Inflation (CPI-U)

(9) Total Employment Growth

(10) Unemployment Rate

(11) 3-Month Treasury Bill Rate

(12) 10-Year Treasury Note Rate

Assumptions Used in Corporate Income Tax Model

(13) Inflation (CPI-U)

(11) Total Employment Growth
  (a) Growth by Sector

(12) Forecast of Before-Tax Corporate Book Profits (Global Insight – Feb. 2008)

Tax Year 2007 -
Residents Only

Plan X: Current Law - Federal and State Law
Plan Y: Current Law - Federal Stimulus Rebates - Final Agreement

Distribution of Federal Rebates by AGI

(upper bracket is inclusive)	Returns (Units)	Totals (Units)
Infinity (-) < 0	8,515	4,056,333
0 < 10000	51,320	20,447,842
10000 < 20000	82,064	46,997,124
20000 < 30000	82,251	58,950,728
30000 < 50000	104,517	98,231,816
50000 < 75000	82,990	98,796,800
75000 < 100000	47,727	63,269,716
100000 < 200000	40,493	54,680,036
200000 < Infinity (+)	1	544
TOTALS:	499,876	445,430,944

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U.S. Macro Outlook: The Shape of Recession

By Mark Zandi in West Chester
February 11, 2008

- Falling employment, slumping retailing and vehicle sales, and waning confidence signal that a recession has begun.
- The recession is expected to last through June, with unemployment rising to nearly 6%.
- An aggressive, and arguably unprecedented, monetary and fiscal response will mitigate the downturn's severity.
- Recovery will begin later this year; whether it lasts will depend on global financial conditions.
- Financial stress demands that policy target the housing and mortgage markets even more aggressively, before the current stimulus wears off.

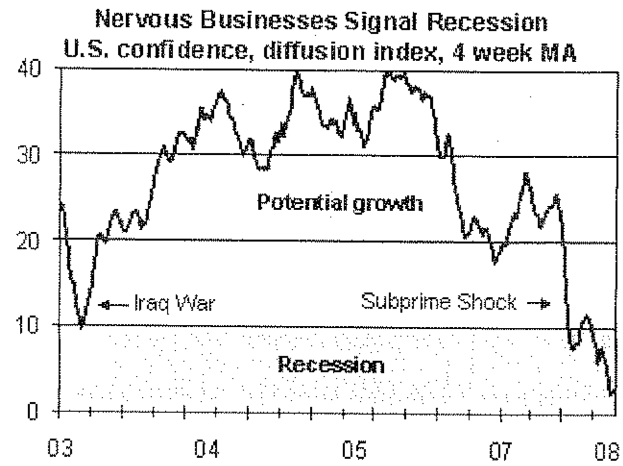
There is little doubt that the U.S. economy is contracting. Employment and vehicle sales are falling, retailers report slumping sales, business and consumer confidence is flagging, and employment insurance claims are on the rise. The negative, self-reinforcing dynamic that characterizes recession—with higher unemployment undermining consumer confidence and spending, prompting firms to cut payrolls in turn, adding to unemployment—appears to be in full swing.

The U.S. is expected to experience a recession during the first half of 2008. After effectively stalling in the fourth quarter of 2007, real GDP is expected to decline in both the first and second quarters of this year. The recession probably began in December, and is expected to be short and mild, certainly no worse than the 2001 downturn. In that eight-month episode, the unemployment rate rose slightly more than two percentage points from its trough to its peak. This suggests the current recession will last into this summer, and that unemployment will peak at nearly 6%.

Contracting economy

The U.S. economy has been struggling since last summer, when the subprime financial shock began to roil global financial markets. With the financial turmoil and its economic fallout intensifying, the economy seems to have been contracting since late November.

This is the clear signal being sent by participants in Moody's Economy.com's weekly survey of business confidence. Respondents to the survey are asked nine questions: Some are broad, regarding their general feelings about current and prospective conditions; others are specific, regarding payroll and pricing decisions. A diffusion index measuring the net percentage of positive vs negative responses to all nine questions has been a very accurate barometer of current economic conditions. Based on historical relationships, a diffusion index of 20% to 30% is consistent with an economy expanding near its potential. A reading below 10% is consistent with a contracting economy. The index now stands at 3% (see chart).



Of particular concern is the recent sharp decline in responses to questions about payrolls and equipment investment. Businesses have been worried about general economic conditions since last summer, but until mid-January they did not change their responses regarding payrolls and investment. That they have pulled back in recent weeks is consistent with the decline in January payroll employment and the plunge in the ISM survey of service companies. With businesses cutting payrolls and investment, a recession now appears unavoidable.

What kind of recession?

Recessions are defined as persistent and broad-based declines in economic activity, and are determined by a group of academic economists at the National Bureau of Economic Research. There is no explicit formula for dating recessions; the NBER forecasters make a subjective judgment based on a wide range of data. The most commonly used series are payroll employment, real retail sales, personal income less transfer payments, and industrial production. Two consecutive quarterly declines of real GDP is the oft-cited determinant of recession, but this is simply a rule of thumb. Indeed, in the 2001 recession, real GDP did not decline in consecutive quarters.

The 10 previous recessions since World War II have varied widely in length and severity. On average, real GDP declined peak to trough by nearly 2% and employment fell by 2.5% (see table). Unemployment rose by well over three percentage points from its cyclical low to its ultimate peak, generally well after the official end of the recession. The last two recessions, in 2001 and 1990-1991, were particularly short and mild, each lasting only eight months, with employment falling by less than 1.5% and unemployment rising by 2½ percentage points.

Business Cycle Since World War II

		Duration in Months		Peak-to-Trough % Change				
		Recession	Expansion	Real	Industrial	Nonfarm	Jobless Rate	
Trough	Peak	Peak to Trough	Trough to Peak	GDP	Production	Employment	Low	High
June 2008		7		-0.4%	-2.3%	-0.2%		6.1%
November 2001	December 2007	8	71	-0.4%	-6.3%	-1.2%	4.4%	6.3%
March 1991	March 2001	8	122	-1.5%	-4.3%	-1.3%	3.9%	7.8%
November 1982	July 1990	16	92	-2.8%	-9.5%	-3.2%	5.2%	10.8%
July 1980	July 1981	6	12	-2.2%	-6.2%	-1.2%	7.2%	7.8%
March 1975	January 1980	16	58	-3.4%	-14.8%	-1.8%	5.6%	9.0%
November 1970	November 1973	11	36	-0.2%	-5.8%	-1.2%	4.6%	6.1%
February 1961	December 1969	10	106	-0.5%	-6.2%	-2.3%	3.4%	7.1%
April 1958	April 1960	8	24	-3.2%	-12.7%	-4.0%	4.8%	7.4%
May 1954	August 1957	10	39	-1.9%	-9.0%	-3.0%	3.7%	6.1%
October 1949	July 1953	11	45	-1.6%	-8.6%	-5.0%	2.5%	7.9%
October 1945	November 1948	--	37	--	--	--	3.4%	--
Average		**11**	**59**	**-1.9%**	**-8.6%**	**-2.6%**	**4.4%**	**7.8%**

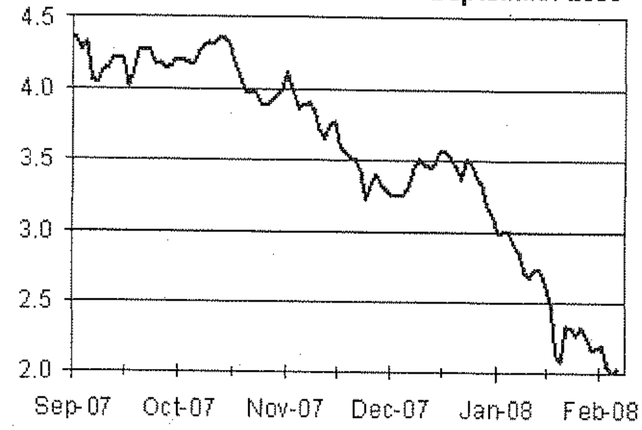
Sources: NBER, BEA, FRB, BLS, Economy.com

The current recession is expected to last seven months, extending from December to June. Real GDP is expected to fall in both the first and second quarters of this year after effectively stalling in the last quarter of 2007. During this period, real GDP is expected to decline nearly half a percentage point, and a total of 250,000 jobs are expected to be lost between December and July. The unemployment rate will rise from its current 4.9% to a peak of near 6% in the spring of 2009.

he 2008 recession is thus expected to be the mildest downturn of the post-World War II period. Supporting this view is the recent very aggressive response by policymakers to the weakening economy. The Federal Reserve is slashing the federal funds rate target, and Congress and the Bush administration have coalesced around a sizable fiscal stimulus plan. While these actions will not forestall the recession, they will mitigate the severity of the downturn.

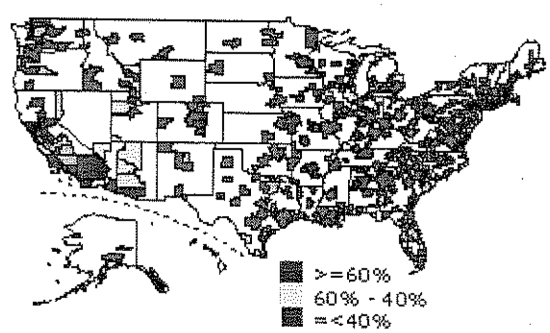
The dramatic 125-basis point cut in the funds rate target in late January, on top of the 100-basis point cut in rates prior to that is unprecedented. The current 3% funds rate target is consistent with most forecasts of the economy's near-term prospects, with at least half of professional forecasters now expecting a recession, and there is unanimity that the risks to the economy are firmly on the downside. Historically, when the economy is in recession, the real funds rate is negative. Given that core inflation is hovering near 2%, this would imply a funds rate of 2%. This is where the futures market for federal funds, and also Moody's Economy.com, thinks the funds will be by midyear (see chart).

The Federal Reserve Turns Aggressive
Federal funds future contract for September 2008



As surprising as the Federal Reserve's recent actions is the speed with which the Bush administration and Congress have come to terms on a fiscal stimulus package. The package costs just over $150 billion and will be implemented this summer. The legislation includes tax rebates for lower- and middle-income households amounting to $100 billion, and business investment incentives worth the remaining $50 billion. Mortgage loan caps on FHA, Fannie Mae and Freddie Mac have also been increased to facilitate more lending in particularly hard-hit places such California, southern Florida, and around D.C. and New York City (see chart). The package also authorizes more tax-exempt bond issuance by states to fund homeowners' refinancing efforts.

Lifting the Loan Caps Helps These Markets
Non-conforming share of 06 originations, U.S. = 50%



Sources: 2006 HMDA,Moody's Economy.com

The aggressive monetary and fiscal steps taken now should provide a measurable lift to the economy by the second half of this year. Assuming the funds rate is 2% by midyear, and that the $150 billion stimulus bill is implemented this summer, annualized real GDP growth will receive a boost of two percentage points in the second half of 2008. This will make the difference between a year-long and seven-month recession, save nearly 1 million jobs, and result in an unemployment rate more than a half percentage point lower than would otherwise be the case.

What kind of recovery?

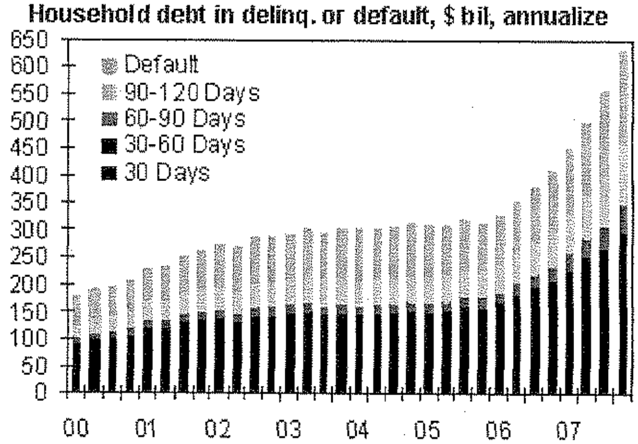
Whether the economic recovery is sustained after the stimulus wears off in early 2009 depends on conditions in the global financial system. The economy will continue to struggle as long as credit ›d equity markets and the banking system are unable to find their footing. Given the numerous stress lines in the system, it will likely take a more aggressive policy response, specifically targeted to the problems in the nation's housing and mortgage markets, to ensure the financial system settles before the stimulus wanes.

Aside from the mounting mortgage losses, the most obvious immediate threat is posed by the financial difficulties of the bond insurers. The collective efforts of the Treasury Department and major banks to shore up the insurers may very well prove unsuccessful. This would lead to a further round of writedowns as those with insurance would have to acknowledge their greater potential losses, and unsettle other parts of the credit markets, including the municipal bond market as some investors are forced to sell their holdings.

The nation's large regional banks and even smaller community banks, which to date have been able to avoid most of the problems, also appear vulnerable as credit problems spread from residential mortgages to consumer lending. Well over $600 billion in household debt is now either delinquent or in default, double what it was just a couple of years ago (see chart). Judging from the recent surge in delinquency across the entire country, this will get much worse before it gets better. Banks' construction and land-development lending and commercial mortgage lending will also surely suffer substantive losses in coming quarters.

Lenders Face Big Losses on All Household Debt

Household debt in delinq. or default, $ bil, annualize



The large credit default swap market will also be tested in coming months as corporate credit quality begins to weaken. Corporate bond defaults and losses on commercial and industrial loans are sure to rise. As pressure mounts on the CDS market, it is conceivable that some of its participants will fail to make good on their obligations. A new round of angst will wash over the financial system.

Policymakers will thus need to do more to address fundamental problems in the housing and mortgage markets. Efforts to date to shore up the housing and mortgage market have been laudable, but appear inadequate. These include Hope Now, a Treasury-sponsored consortium of mortgage lenders, services and investors to facilitate mortgage loan-modification efforts, and the elimination of mortgage borrowers' tax liability on forgiven mortgage debt. Expanding the FHA program and allowing Fannie and Freddie to expand their lending will also be helpful, but given the GSE's own financial problems and rising credit concerns, they will be circumspect in extending credit. All of these steps signal policymakers' increasing willingness to tackle the current problems, but none are big enough to resolve them.

Indeed, if financial conditions don't soon improve, policymakers will need to take larger and more direct measures. For example, proposed legislation to allow for cramdowns on first mortgage loans in a Chapter 13 bankruptcy filing may very well gain political traction if industry modification efforts do not soon accelerate, and foreclosures rise quickly as the presidential election approaches. These cramdowns could include reducing a mortgage's principal to the appraised value of the home; a lower interest rate, and/or changes in a loan's maturity. Under current bankruptcy law, first mortgages are exempt from any such changes; thus homeowners are unable to effectively use bankruptcy to avoid foreclosure.

Even more creative steps are possible. One would be a Treasury-financed fund to buy up mortgages and mortgage-backed securities, perhaps via auction. This would provide liquidity to the frozen securities market and reduce pressure on the financial system, while allowing people to stay in their homes until each case can be considered. While such a plan may sound extreme, so did freezing ARM payments and lifting the GSE's loan caps just a few weeks ago.

Conclusions

The economy is contracting and is expected to decline further through the first half of 2008. The intensifying housing crash, continued financial turmoil, and increasingly reluctant consumers are too much for the economy to bear. This recession should be mild and the subsequent recovery should be sturdy, but that assumes the global financial system soon finds its bearings. With the system feeling right now as if it is only one event away from freezing completely, policymakers almost certainly need to step up their efforts soon.

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	Units	07Q1	07Q2	07Q3	07Q4E	08Q1F	08Q2F	08Q3F	2006	2007E	2008F
Composition of Economic Activity, SAAR											
Gross Domestic Product	bcw$	11,412.6	11,520.1	11,658.9	11,677.4	11,669.9	11,661.3	11,763.4	11,319.4	11,567.3	11,743.8
Change	%AR	*0.6*	*3.8*	*4.9*	*0.6*	*-0.3*	*-0.3*	*3.5*	*2.9*	*2.2*	*1.5*
Personal Expenditures											
Consumption	bcw$	8,215.7	8,244.3	8,302.2	8,342.7	8,345.9	8,336.6	8,384.8	8,044.0	8,276.2	8,378.8
Change	%AR	*3.7*	*1.4*	*2.8*	*2.0*	*0.2*	*-0.4*	*2.3*	*3.1*	*2.9*	*1.2*
Durables	bcw$	1,223.2	1,228.4	1,241.9	1,254.7	1,247.8	1,236.0	1,249.3	1,180.5	1,237.1	1,249.1
Change	%AR	*8.8*	*1.7*	*4.5*	*4.2*	*-2.2*	*-3.7*	*4.4*	*3.8*	*4.8*	*1.0*
Motor Vehicles	bcw$	451.5	448.2	442.3	445.9	436.0	423.4	431.9	437.3	447.0	432.8
Change	%AR	*11.3*	*-2.9*	*-5.2*	*3.3*	*-8.6*	*-11.1*	*8.3*	*-3.1*	*2.2*	*-3.2*
Nondurables	bcw$	2,386.6	2,383.8	2,396.9	2,408.0	2,409.2	2,407.0	2,414.3	2,337.6	2,393.8	2,414.7
Change	%AR	*3.0*	*-0.5*	*2.2*	*1.9*	*0.2*	*-0.4*	*1.2*	*3.7*	*2.4*	*0.9*
Services	bcw$	4,630.7	4,656.7	4,689.5	4,708.1	4,717.0	4,721.6	4,749.3	4,545.5	4,671.3	4,743.1
Change	%AR	*3.1*	*2.3*	*2.8*	*1.6*	*0.8*	*0.4*	*2.4*	*2.7*	*2.8*	*1.5*
Investment											
Fixed Investment	bcw$	1,815.2	1,829.3	1,826.0	1,814.1	1,794.6	1,780.6	1,796.1	1,874.7	1,821.2	1,800.7
Change	%AR	*-4.4*	*3.2*	*-0.7*	*-2.6*	*-4.2*	*-3.1*	*3.5*	*2.4*	*-2.9*	*-1.1*
Nonresidential	bcw$	1,321.7	1,356.6	1,387.2	1,412.7	1,429.0	1,435.8	1,455.3	1,306.7	1,369.6	1,449.8
Change	%AR	*2.1*	*11.0*	*9.3*	*7.5*	*4.7*	*1.9*	*5.5*	*6.6*	*4.8*	*5.9*
Structures	bcw$	282.7	299.5	311.1	322.7	334.1	341.6	347.5	268.6	304.0	343.3
Change	%AR	*6.5*	*26.1*	*16.4*	*15.7*	*15.0*	*9.3*	*7.0*	*8.4*	*13.2*	*12.9*
Equipment	bcw$	1,045.2	1,057.4	1,073.5	1,083.4	1,088.2	1,087.6	1,101.2	1,050.6	1,064.9	1,099.9
Change	%AR	*0.3*	*4.7*	*6.2*	*3.8*	*1.8*	*-0.2*	*5.1*	*5.9*	*1.4*	*3.3*
Residential	bcw$	506.3	490.6	463.3	432.7	397.0	376.2	372.1	569.5	473.2	382.2
Change	%AR	*-16.3*	*-11.9*	*-20.5*	*-23.9*	*-29.2*	*-19.4*	*-4.2*	*-4.6*	*-16.9*	*-19.2*
Single Family	bcw$	240.2	231.2	215.5	188.7	171.0	157.9	156.2	302.7	218.9	162.6
Change	%AR	*-29.8*	*-14.2*	*-24.5*	*-41.2*	*-32.6*	*-27.1*	*-4.5*	*-7.8*	*-27.7*	*-25.7*
Multifamily	bcw$	38.4	36.7	35.2	34.9	34.7	31.5	28.8	39.1	36.3	30.8
Change	%AR	*-12.5*	*-16.6*	*-15.4*	*-3.4*	*-1.9*	*-32.4*	*-30.4*	*3.4*	*-7.1*	*-15.1*
Other	bcw$	229.4	224.5	214.4	211.4	203.1	198.6	199.1	227.9	219.9	200.6
Change	%AR	*1.8*	*-8.3*	*-16.8*	*-5.5*	*-14.8*	*-8.7*	*1.0*	*-1.1*	*-3.5*	*-8.8*
Inventory Change	bcw$	0.1	5.8	30.6	-3.4	-10.3	-23.4	-12.8	40.3	8.3	-11.5
NonFarm	bcw$	-5.8	1.3	26.0	-6.9	-11.3	-24.4	-13.8	41.7	3.6	-12.5
Farm	bcw$	5.0	3.6	1.0	1.0	1.0	1.0	1.0	-1.0	2.7	1.0
Trade											
Net Exports	bcw$	-612.1	-573.9	-533.1	-521.0	-515.0	-499.8	-486.4	-624.4	-560.0	-498.6
Exports	bcw$	1,354.7	1,379.5	1,441.2	1,455.0	1,475.3	1,495.6	1,520.0	1,304.1	1,407.6	1,510.0
Change	%AR	*1.1*	*7.5*	*19.1*	*3.9*	*5.7*	*5.6*	*6.7*	*8.4*	*7.9*	*7.3*
Merchandise	bcw$	957.6	973.1	1,031.4	1,037.6	1,049.6	1,061.2	1,076.9	927.4	999.9	1,071.1
Change	%AR	*0.9*	*6.6*	*26.2*	*2.4*	*4.7*	*4.5*	*6.1*	*9.9*	*7.8*	*7.1*

Services	bcw$	397.2	406.5	410.5	418.0	426.2	434.9	443.6	377.1	408.0	439.3
Change	%AR	*1.6*	*9.7*	*4.0*	*7.5*	*8.1*	*8.4*	*8.3*	*4.8*	*8.2*	*7.7*
Imports	bcw$	1,966.8	1,953.4	1,974.3	1,975.9	1,990.1	1,995.3	2,006.4	1,928.6	1,967.6	2,008.5
Change	%AR	*3.9*	*-2.7*	*4.3*	*0.3*	*2.9*	*1.0*	*2.2*	*5.9*	*2.0*	*2.1*
.chandise	bcw$	1,675.7	1,663.4	1,683.2	1,684.5	1,695.6	1,697.7	1,705.7	1,646.9	1,676.7	1,709.1
Change	%AR	*4.2*	*-2.9*	*4.8*	*0.3*	*2.7*	*0.5*	*1.9*	*6.0*	*1.8*	*1.9*
Services	bcw$	293.1	291.8	293.2	293.5	296.6	299.6	302.7	283.8	292.9	301.4
Change	%AR	*2.4*	*-1.7*	*1.8*	*0.5*	*4.2*	*4.1*	*4.2*	*5.2*	*3.2*	*2.9*
Government											
Expenditrues and nvestment	bcw$	1,994.7	2,014.8	2,033.6	2,046.7	2,056.6	2,069.3	2,083.7	1,981.4	2,022.4	2,076.5
Change	%AR	*-0.5*	*4.1*	*3.8*	*2.6*	*2.0*	*2.5*	*2.8*	*1.8*	*2.1*	*2.7*
Federal Defense	bcw$	491.5	501.7	513.9	513.1	513.3	515.2	517.9	491.5	505.1	516.6
Change	%AR	*-10.8*	*8.6*	*10.0*	*-0.6*	*0.2*	*1.5*	*2.1*	*1.9*	*2.8*	*2.3*
Federal Nondefense	bcw$	248.3	248.9	249.7	251.0	253.0	254.9	256.9	250.7	249.5	255.9
Change	%AR	*3.7*	*0.9*	*1.2*	*2.1*	*3.3*	*3.0*	*3.1*	*2.8*	*-0.5*	*2.6*
Government Balance											
NIPA Basis	b$	-218.5	-206.8	-232.6	-149.5	-219.6	-398.0	-458.2	-220.1	-201.9	-360.7
Unified Budget	b$ FY	-162.8	-162.8	-162.8	-162.8	-375.5	-375.5	-375.5	-248.2	-162.8	-375.5
Consumers											
Personal Saving Rate	%AR	1.0	0.3	0.6	0.2	0.9	2.6	3.0	0.4	0.5	2.1
Retail Sales & Food Services	b$	4,437.5	4,496.3	4,537.2	4,590.5	4,599.6	4,600.5	4,660.6	4,338.1	4,515.4	4,648.2
Change	%AR	*5.7*	*5.4*	*3.7*	*4.8*	*0.8*	*0.1*	*5.3*	*6.2*	*4.1*	*2.9*
Vehicle Sales	m	16.4	16.0	15.9	16.1	15.6	15.1	15.7	16.5	16.1	15.6
Hou Starts	m	1.5	1.5	1.3	1.2	1.0	0.9	0.9	1.8	1.3	1.0
Producers											
Industrial Production	1992=100	112.2	113.2	114.2	113.9	113.9	113.9	114.5	111.2	113.4	114.3
Change	%AR	*1.1*	*3.5*	*3.6*	*-1.0*	*0.2*	*-0.1*	*2.0*	*4.0*	*1.9*	*0.8*
Manufacturing Capacity Utilization	%	79.6	80.0	80.4	79.6	79.1	78.7	78.6	80.2	79.9	78.7
Labor Markets											
Total Employment	m	137.4	137.9	138.1	138.4	138.5	138.4	138.4	136.2	138.0	138.5
Change	%AR	*1.5*	*1.2*	*0.8*	*0.9*	*0.3*	*-0.3*	*0.0*	*1.9*	*1.3*	*0.4*
Unemployment Rate	%	4.5	4.5	4.7	4.8	5.1	5.4	5.5	4.6	4.6	5.4
Prices											
Consumer Price Index	1982=100	204.1	207.1	208.0	210.2	211.4	212.5	213.4	201.6	207.3	213.0
Change	%AR	*3.8*	*6.0*	*1.9*	*4.3*	*2.3*	*2.1*	*1.7*	*3.2*	*2.9*	*2.7*
Producer Price Index	1982=100	166.7	172.8	173.7	177.5	179.5	180.6	180.9	164.8	172.7	180.6
Change	%AR	*6.4*	*15.5*	*1.9*	*9.0*	*4.7*	*2.4*	*0.8*	*4.7*	*4.8*	*4.6*
West Texas Intermediate	$/Bbl	58.1	65.0	75.5	94.6	93.1	87.5	79.1	66.1	73.3	82.6
Financial Markets											
Federal Funds	%	5.3	5.3	5.1	4.5	3.2	2.3	2.2	5.0	5.0	2.6
Prime Rate	%	8.3	8.3	8.2	7.5	6.2	5.3	5.2	8.0	8.1	5.6
0-Year Treasury	%	4.7	4.8	4.7	4.3	3.7	3.8	4.4	4.8	4.6	4.2
FRB Broad Index	Jan 97=100	107.2	104.6	102.7	99.1	98.8	98.3	97.6	108.7	103.4	97.9
Ch	%AR	*-1.0*	*-9.2*	*-7.2*	*-13.1*	*-1.3*	*-2.1*	*-2.7*	*-2.0*	*-4.8*	*-5.3*

Contribution to Real GDP

	Units	07Q1	07Q2	07Q3	07Q4E	08Q1F	08Q2F	08Q3F

Personal Consumption Expenditure	%AR	2.60	1.03	2.07	1.39	0.11	- 0.32	1.69
Gross Private Domestic Investment	%AR	- 0.72	0.51	- 0.12	- 0.41	- 0.67	- 0.48	0.54
Inventories	%AR	- 0.61	0.21	0.89	- 1.18	- 0.24	- 0.45	0.37
Net Exports	%AR	- 0.52	1.37	1.46	0.42	0.21	0.52	0.47
Exports	%AR	0.13	0.89	2.20	0.47	0.69	0.69	0.86
Imports	%AR	0.65	- 0.48	0.75	0.06	0.49	0.17	0.39
Government	%AR	- 0.09	0.72	0.68	0.45	0.34	0.43	0.51
Total	%AR	0.60	3.82	4.91	0.64	- 0.26	- 0.29	3.55

This analysis can be found on The Dismal Scientist at:
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.S. Regional Outlook: Weakness Is Spreading

By Steve Cochrane in West Chester
February 19, 2008

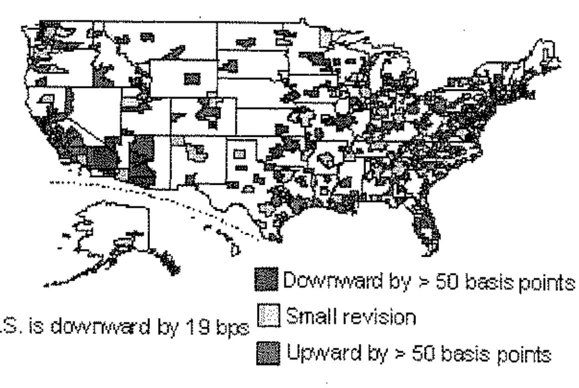
View the Moody's Economy.com Regional Forecast here.

- No region is dodging the weakness now evident in the U.S. economy.
- Recession is evident in Arizona, California, Florida, Michigan and Nevada, with many more states concentrated in the Midwest, middle South and Northeast teetering on the edge.
- New York and other areas where financial services are concentrated are at high risk.

No region is dodging the weakness in the U.S. economy. This is evident from a broad set of indicators. Employment growth is slowing in all four regions of the country. Job growth has come nearly to a halt in the Midwest as manufacturers reduce production and carefully manage inventories. Previously stable growth in the Northeast is also beginning to unravel as layoffs have begun among financial and business service providers. Downturns in the South and West continue as their housing and credit markets spiral downward, curtailing consumer spending and reducing tax revenue for the hardest hit states.

The pervasive weakness is further evident in the expected downward revisions to payroll employment estimates nationwide. Usually during downturns in the business cycle, initial employment estimates overstate job growth, as it is difficult to model turning points for rates of business births and deaths. The data upon which the revisions—due to be released in March—will be based indicate that downward revisions will be made in every section of the country save the Carolinas, much of Texas, and a large part of the Pacific Northwest.

Potential Employment Revisions, 2007Q2
Difference between growth rates, QCEW vs BLS790



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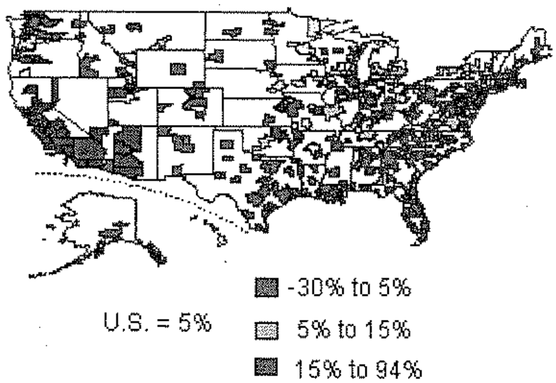
.ie severity of the downturn is revealed by unemployment rates , which are particularly steep in California, Florida, and the Greater New York and Chicago areas. Indeed, California and Florida are in recession today, and parts of the Northeast and the Chicago area are at high risk of falling into recession in coming months. Nevada, Arizona and Michigan are also already in recession.

Together with California and Florida, these five states account for about 25% of U.S. GDP. States at high risk include Maine, Connecticut, Rhode Island, Virginia, Ohio, Illinois, Wisconsin, Minnesota, Kentucky, Georgia, Missouri, Arkansas, Montana, Alaska and Hawaii. This group accounts for another 15% of the economy. With indications that the U.S. economy began to contract in December, these areas, plus centers of financial services such as New York City, Chicago, Boston and Charlotte, likely will be in recession during the first half of this year.

Unemployment Spreads to Northeast and Midwest
Number of unemployed, 07Q4, % change year ago



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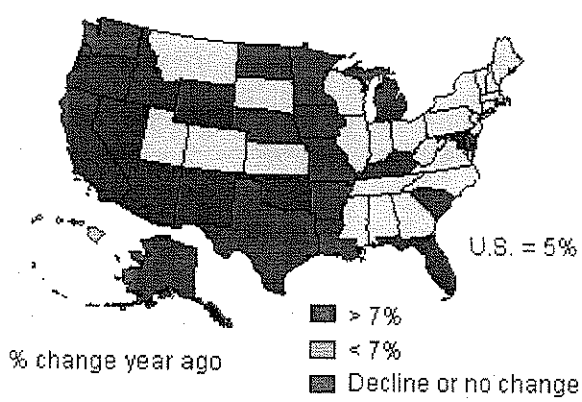
Weak job growth or increases in the unemployment rate might simply mean that firms are being cautious in hiring—as they may very well be, as indicated by a sharp drop in the Moody's Economy.com Survey of Business Confidence —and not actively laying off workers. However, rising initial claims for unemployment insurance, which are an indication of layoffs, were evident throughout the West and in Florida, Maryland and Rhode Island in December. Further, recent weekly claims in New York show a nearly 15% year-on-year rise for the latter weeks of December and the early weeks of January. These figures are a direct indication of where layoffs are occurring, reflecting the potential for recession in the near term. The spread of weakening credit quality from residential mortgages to commercial credit and consumer lending generates further downside risk for layoffs in metro areas such as New York; Chicago; Boston; Wilmington, DE; Charlotte, NC; Minneapolis; and San Francisco.

Layoffs Are Rising in the West
Initial claims for unemployment insurance, 2007Q4



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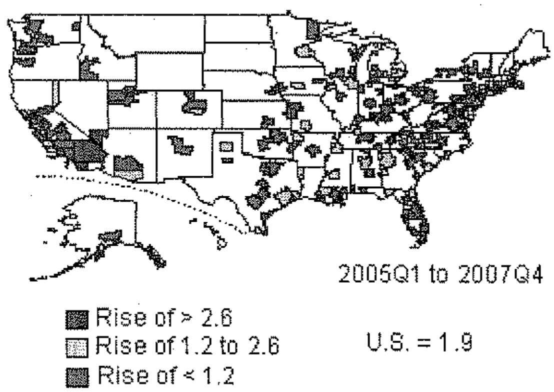
The housing downturn continues to affect employment in construction and housing-related industries. Homebuilding will weaken further where foreclosures add to the available housing stock. Nationwide, housing starts have fallen by more than half in the past two years, and they continue to fall. The decline is greatest in California; Nevada; Arizona; Florida; Washington, D.C.;

Michigan; Ohio; Wisconsin; Long Island; and southern New England. Prices are declining in all of these areas, with the deepest drops occuring in the West, Florida and Detroit.

Fueling the housing fire sale is a volatile mix of subprime lending and investor purchasing. ıbprime lending is most highly concentrated in California, where affordability is such a problem. Parts of Florida, New York, Chicago and the Southwest also have high exposure. Investor purchases are most highly concentrated in Florida, the Mountain West, and second-home locations on the Atlantic and Gulf coasts and other areas with physical amenities. Mortgage delinquencies are now highest in California's Central Valley, with Florida, Washington, D.C. and southern New England not far behind.

Credit Risk in Calif., Florida, DC and New England
Change in first mortgage delinquency rate, ppts



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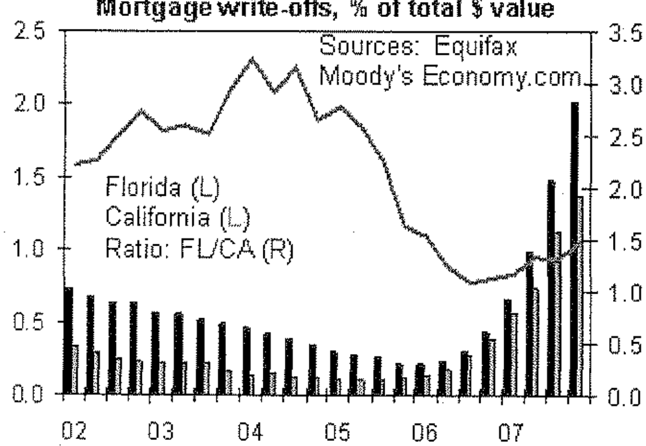
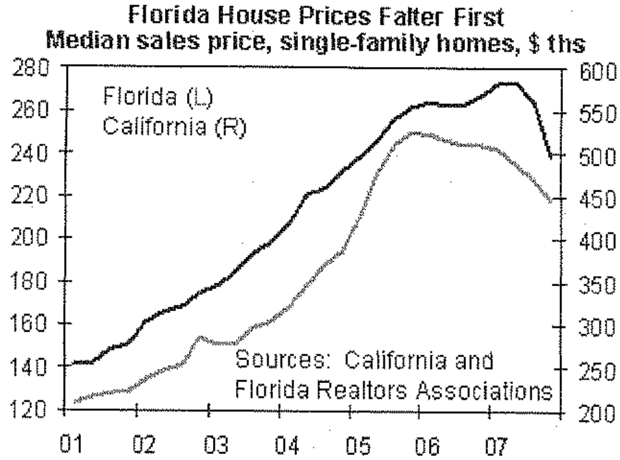
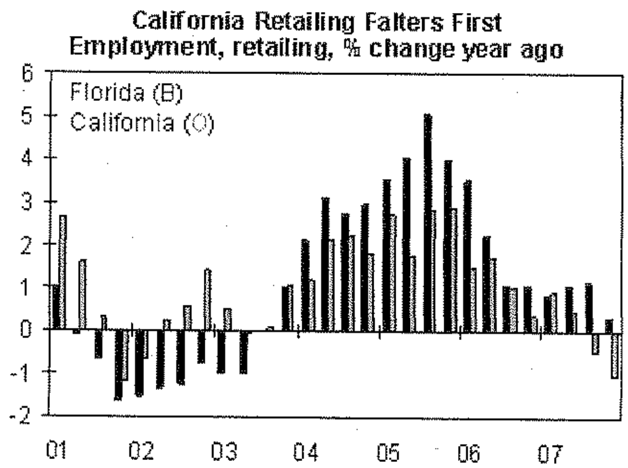
e mix of buyers influences each market's pace of correction. For example, foreclosures are rising faster in Florida than in California. This is likely the result of investor buyers in Florida quickly disposing of illiquid assets that are falling in value. In contrast, in California, where the market has been driven more by first-time buyers with subprime mortgages, homebuyers may be making a greater effort to stay in their homes and refinance or renegotiate the terms of their loans.

Florida Foreclosures Surge Past California
Mortgage write-offs, % of total $ value

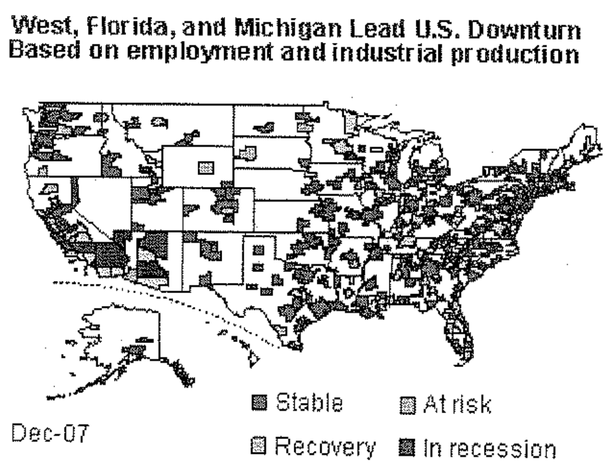


These trends are also evident in the earlier decline of house prices in Florida, a full year before the clines in California. Yet now that the market has finally faltered in California, it seems to be adjusting more quickly. Moreover, the secondary impact on retailing in California is more severe as distressed homeowners pull back on spending. This is evident in the decline in local retailing employment for the past year. Florida's decline began later, offset, in part, by a still-vibrant tourism industry.





Projections for regional economies have been lowered across most of the Atlantic coast, industrial Midwest and middle South, as well as for nearly the entire West. In the region extending from the upper Midwest to Texas, the outlook is more stable. More muted housing and credit cycles and some positive exposure to energy-producing industries and rising prices of agricultural commodities support that region. Recession is likely to spread through the Northeast as financial services revenues level off and firms cut costs.



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Downside risks are prevalent in most regions as consumer spending weakens. This is particularly evident on the West Coast and in Florida, Washington, D.C. and the Northeast, where in 2005 and 2006 strong borrowing against home equity had bolstered spending. Risks will rise further as consumer credit quality falters and other sources of cash for spending disappear. Additionally, if business confidence remains weak, a falloff in investment spending will hurt the industrial Midwest and tech production centers on the coasts and in Texas.

International tourist destinations will see some upside potential, although areas with significant foreign tourism are limited to places such as Florida, New York City, Los Angeles, San Francisco and Las Vegas. Moreover, even in Las Vegas, wary U.S. visitors are gambling less, and overall gaming revenue weakened in 2007 despite the strength of foreign arrivals. The weak dollar can go only so far in propping up the economies of travel destinations. Further upside potential arises from export trade, most notably that originating in the Midwest or Pacific Northwest, and from the profitability of tech-producing industries in California, the Northeast and Texas because of their large business components overseas.

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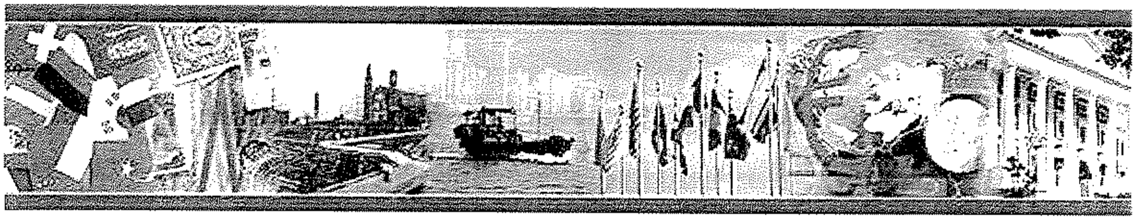
US Regional Forecast - State Employment Growth

	Annualized % Change							% Change		
	07Q3	07Q4	08Q1E	08Q2F	08Q3F	08Q4F	09Q1F	2007	2008E	2009E
United States	0.8	0.9	0.6	0.6	0.8	0.9	1.0	1.3	0.8	1.1
New England	1.2	0.2	0.2	0.2	0.3	0.5	0.6	1.0	0.4	0.7
Connecticut	1.0	0.4	0.2	0.1	0.3	0.5	0.3	1.1	0.4	0.5
Maine	-0.4	-0.6	0.0	0.2	0.4	0.6	0.6	0.5	0.1	0.7
Massachusetts	1.3	0.4	0.1	0.0	0.2	0.3	0.6	1.1	0.4	0.6
New Hampshire	4.0	-0.9	0.9	0.6	0.7	0.8	1.1	1.2	0.9	1.2
Rhode Island	0.8	1.1	0.0	0.7	1.0	1.1	1.3	1.1	0.8	1.2
Vermont	-0.7	0.9	0.4	0.5	0.7	0.9	0.9	0.5	0.5	1.0
Middle Atlantic	0.9	0.7	0.1	0.0	0.2	0.2	0.5	0.8	0.3	0.5
New Jersey	1.0	0.8	0.1	0.1	0.5	0.5	0.8	0.6	0.4	0.9
New York	1.2	0.9	-0.1	-0.2	-0.1	0.0	0.3	1.0	0.3	0.4
Pennsylvania	0.3	0.4	0.3	0.2	0.3	0.2	0.4	0.8	0.3	0.4
South Atlantic	1.0	1.0	0.9	0.7	0.9	1.1	1.5	1.5	1.0	1.5
Delaware	0.7	1.1	0.5	0.0	1.2	1.4	1.9	0.8	0.7	1.7
District of Columbia	1.1	1.9	0.4	-0.2	0.4	0.8	0.6	1.5	0.8	0.7
Florida	0.7	1.0	1.4	1.2	1.5	1.6	2.3	1.5	1.3	2.2
Georgia	1.1	1.9	0.8	0.6	0.8	1.2	1.3	1.7	1.1	1.5
Maryland	2.4	1.1	0.5	0.2	0.4	0.7	1.0	1.2	0.8	1.0
North Carolina	-0.5	0.8	0.9	0.7	1.1	1.3	1.6	1.9	0.8	1.5
South Carolina	2.1	0.7	0.8	1.0	1.2	1.4	1.5	1.4	1.0	1.4
Virginia	1.6	0.2	0.3	0.1	0.0	0.2	0.7	1.5	0.5	0.9
West Virginia	-0.4	0.8	0.2	-0.1	0.1	0.2	0.5	0.4	0.2	0.6
East North Central	0.2	0.0	1.1	0.2	0.2	0.5	0.6	0.0	0.4	0.6
Illinois	0.0	0.1	1.4	0.3	0.6	0.4	0.5	0.9	0.6	0.7
Indiana	2.1	0.7	0.9	0.7	0.6	0.7	0.9	0.3	0.9	0.9
Michigan	-1.8	-2.3	2.8	0.2	0.0	0.7	0.9	-1.4	0.0	0.8
Ohio	0.2	0.8	-0.2	-0.1	0.0	0.2	0.2	-0.1	0.1	0.4
Wisconsin	1.8	1.1	0.4	0.2	0.1	0.7	0.4	0.5	0.7	0.6
West North Central	0.5	0.5	0.9	0.6	0.7	0.8	0.8	1.3	0.7	0.9
Iowa	0.6	1.0	0.7	0.5	0.6	0.6	0.7	1.3	0.7	0.7
Kansas	3.2	0.3	0.7	0.6	0.9	1.0	0.9	2.3	1.0	1.0
Minnesota	-1.1	0.3	0.6	0.7	0.8	0.9	0.9	0.7	0.4	1.1
Missouri	-0.1	0.9	1.5	0.6	0.6	0.6	0.8	0.9	0.8	0.9
Nebraska	1.0	-0.9	0.7	0.6	0.7	0.7	1.0	1.6	0.4	0.9
North Dakota	2.0	1.7	0.7	0.8	1.1	0.6	0.9	2.0	1.2	0.9
South Dakota	2.3	0.7	0.7	0.8	1.0	0.9	0.9	2.2	1.1	1.0
East South Central	1.1	1.5	1.0	0.8	0.9	0.9	0.9	1.1	1.0	1.1
Alabama	1.6	1.9	2.0	1.2	1.5	1.2	1.2	1.5	1.6	1.4

Kentucky	-0.3	0.8	0.1	0.5	1.0	1.1	1.0	0.6	0.4	1.1
Mississippi	1.9	1.4	0.7	0.5	0.4	0.3	0.1	1.8	0.9	0.3
Tennessee	1.2	1.6	1.0	0.8	0.8	0.9	1.0	0.8	1.0	1.1
West South Central	1.9	1.8	1.5	1.3	1.4	1.5	1.7	2.2	1.6	1.6
Arkansas	-0.5	1.2	0.9	0.9	1.0	1.1	1.2	0.8	0.8	1.3
Louisiana	3.5	2.1	0.5	0.6	1.3	1.5	1.5	3.3	1.4	1.2
Oklahoma	2.7	1.1	0.7	0.6	0.7	0.9	0.9	1.4	1.1	1.0
Texas	1.7	1.9	1.9	1.5	1.5	1.7	1.9	2.3	1.8	1.9
Mountain	1.6	0.5	0.6	0.7	1.0	1.6	2.1	2.6	1.0	1.9
Arizona	2.3	-1.7	-0.2	0.4	1.2	2.5	3.6	2.9	0.4	2.8
Colorado	1.7	1.2	1.1	1.0	1.3	1.6	1.8	2.0	1.3	1.9
Idaho	2.2	2.2	1.5	1.2	1.3	1.2	1.5	2.6	1.6	1.5
Montana	1.8	1.5	0.7	0.5	0.6	0.7	0.6	3.0	1.3	0.6
Nevada	-1.6	0.0	-0.5	-0.2	-0.1	1.1	1.6	2.0	-0.3	1.6
New Mexico	1.1	2.0	1.8	1.1	1.3	1.6	1.7	1.6	1.5	1.8
Utah	3.2	2.0	1.3	0.9	1.1	1.1	1.4	4.5	1.8	1.4
Wyoming	1.9	1.9	1.4	1.5	1.3	1.3	1.2	3.5	1.5	1.3
Pacific	0.7	0.4	0.6	0.8	1.0	1.3	1.4	1.4	0.8	1.4
Alaska	0.0	1.8	0.3	0.5	0.9	1.3	1.5	1.4	0.9	1.5
California	0.3	0.0	0.4	0.6	0.9	1.2	1.4	1.2	0.5	1.4
Hawaii	2.0	1.0	1.4	1.3	1.5	1.4	1.3	2.1	1.5	1.4
Oregon	0.7	2.0	1.5	1.3	1.5	1.7	1.8	1.3	1.5	1.8
Washington	2.6	1.6	1.5	1.2	1.2	1.5	1.5	2.0	1.6	1.6

This analysis can be found on The Dismal Scientist at:
http://www.economy.com/dismal/pro/data/outlook.asp?type=4



Global Insight Report: U.S. Economy (U.S. Economy)

Report printed on 19 February 2008

CONTENTS

Forecast Summary

Executive Summary, February 2008

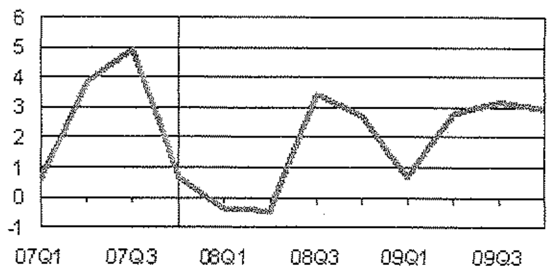
- We believe that the economy has slipped into a mild recession for the first half of 2008.
- The downturn is spreading beyond housing, as credit tightens.
- Monetary and fiscal stimulus should produce a rebound in growth during the second half of the year.
- The export outlook still looks positive, and must remain so, if the economy is to avoid a deeper downturn.
- The Fed is likely to cut interest rates at least twice more.

The Forecast in Brief

The weight of evidence now suggests that **the economy has slipped over the edge into a mild recession** for the first half of this year. We now expect GDP declines of 0.4% in the first quarter and 0.5% in the second. Growth should rebound to 3.4% in the third quarter and 2.7% in the fourth when monetary and fiscal stimulus kicks in, but then slip back below 1.0% in the first quarter of 2009 as the boost to consumer spending from tax rebates fades. On a year-over-year basis, GDP growth remains well above zero, with the average rate for 2008 coming in at 1.4%.

GDP Expected to Contract in First-Half 2008

(Real GDP, percent change, annual rate)

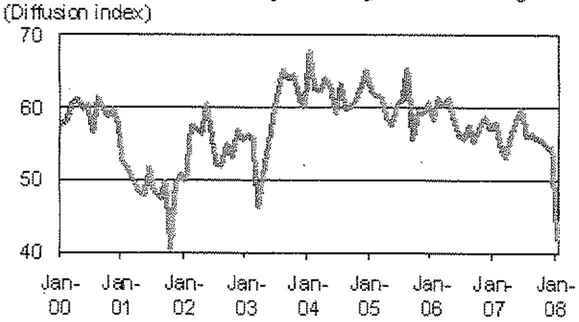


With housing activity and prices yet to hit bottom—and still falling sharply—**the downturn is now spreading more broadly** through the economy. The consumer has long been under stress and is now showing signs of cracking. We expect consumer spending to be roughly flat in the first half of the year. Worryingly, employment growth has continued to fade, and turned slightly negative in January.

The most striking evidence yet of recession was the **collapse in the ISM nonmanufacturing index** for January, which pointed to a contraction across most of the service sector. While we would not base a recession call on one, possibly rogue, monthly reading of this index alone, it is in effect the final straw, following quickly behind the January employment report and the latest Federal Reserve survey of bank lending practices, which showed credit tightening sharply and broadly.

ISM Nonmanufacturing Activity Index Plunges

(Diffusion index)



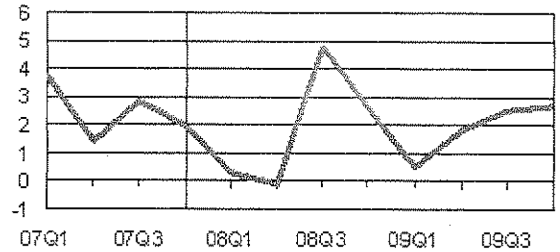
Not all indicators are showing recession—the ISM's manufacturing index actually rebounded above the 50 threshold in January, helped by very strong export orders. It is still possible that the economy will escape with just two to three quarters of very weak growth. Without an outright GDP decline, even if the unemployment rate rises throughout this period, we cannot imagine that the episode would be called a "recession." But the **weight of the evidence now suggests that recession is more likely than not.**

The recession threat has caused policy-makers to jump into action. The **Federal Reserve** has cut interest rates sharply, by 125 basis points during January, and has indicated a willingness to move again if needed. The Fed's fear is a downward spiral in which credit losses, the credit crunch, and the declining economy reinforce each other. We expect the Fed to take the federal funds rate down to 2.0% by the end of April.

Elsewhere in Washington, looming elections have concentrated the minds of politicians. Congress and the White House have agreed upon a **fiscal-stimulus package** of $152 billion for fiscal 2008. Our baseline, completed before the bill was finalized, assumes a very similar package ($153 billion). We are dubious about the help that sweetened depreciation allowances ($43 billion) will provide to investment, but we do anticipate that the consumer side of the package (we assumed **$110 billion in personal tax rebates**) will give a jolt to the economy after the rebates go out in midyear. We expect consumer spending growth of 4.8% (annualized) in the third quarter, even assuming that consumers spend only about 20% of the rebate in the first three months after receipt.

Tax Rebates Will Temporarily Boost Consumer Spending Growth

(Real consumption, percent change, annual rate)



Our baseline assumes that rebates go out at the end of the second quarter. If the IRS can move faster than that, as the government hopes, and get checks out in June (or possibly May), then the rebates would give some help to the second quarter, but would do less for the third. **By early 2009, the fiscal stimulus will be fading away**—making for a weak first quarter—but the economy should be in better shape to move forward thereafter, as the Fed's rate cuts will be helping and housing activity should be past its trough.

For now, **housing** remains the biggest drag on growth. We expect housing starts to hit bottom in the second quarter of 2008, at just 850,000 units (annual rate), lower than our previous expectation of almost 1.0 million. On an annual basis, starts should drop to a low of 900,000 in 2008. We expect that an unprecedented decline in nominal home prices occurred during 2007, of 2.7% for the OFHEO index on a fourth quarter-to-fourth quarter basis, followed by a steeper 6.4% drop this year.

The housing downturn is spilling into the **consumer sector**. Consumer sentiment has hit its lowest levels since the immediate aftermath of Hurricane Katrina—levels that, in the past, have often signaled recession. Consumer spending growth slowed to 2.0% in the fourth quarter, and the news got worse as the quarter proceeded. The consumer is highly vulnerable, squeezed by a weakening labor market, falling home prices, tighter credit availability, and high energy prices.

A **weaker labor market** is removing a key support for consumer spending. We expect payroll employment gains of just 12,000 on average in 2008, with declines averaging 59,000 per month in the first half followed by increases averaging 83,000 per month in the second. This year, even with the rebate boost, we see consumer spending growth slipping to 1.6%, well below the 2.9% gain in incomes. Light-vehicle sales fall to 15.2 million units in 2008—their worst year since 1997.

Slower growth in consumer and housing demand will make businesses more cautious about **capital spending**. Equipment spending growth was 6.2% in the third quarter of 2007, slowed to 3.8% in the fourth, and is likely to show declines in the first half of 2008. **We are doubtful that the stimulus package will do much for equipment spending.** In effect, the bonus depreciation amounts to an interest-free loan from the government to businesses (the beneficial cash-flow effect is reversed over the equipment's lifetime).We think that investment spending will be more influenced by the weak outlook for domestic end-markets. But we do expect some bunching of spending at the end of the year, just before bonus depreciation expires, followed by a weak first quarter of 2009.

Nonresidential construction boosted GDP growth throughout 2007. But the decline in home-building and the recent sharp tightening in credit conditions will begin to weigh on commercial construction, and weaker hiring will hold down office construction. After a very strong 13.2% increase in 2007, nonresidential construction spending should rise just 1.6% in 2008 and then fall 9.4% in 2009.

Growth in the economy has had a very beneficial impact on the **federal budget deficit**, but the good news is now ending. Faster spending growth and slower revenue growth, combined with the cost of the stimulus package, will raise the deficit to $406 billion in fiscal 2008.

Global growth is slowing, but along with a weakening dollar, is still supporting U.S. export growth. Growth in Asia still looks solid, although there are signs that European growth is losing steam, partly because U.S. goods are gaining at Europe's expense as the dollar slides, and partly because some housing markets there (e.g., United Kingdom) are turning down. Falling interest rates and slowing U.S. growth have sent the **greenback to new lows**. This is bad news for U.S. consumers, but it is dramatically improving the competitiveness of U.S. producers. Strong improvements in foreign trade, helped by the huge cumulative decline in the dollar since 2002, are a crucial part of the story for 2008—and a key reason why our baseline shows only a mild recession. We expect domestic spending growth of just 0.5% in 2008, but GDP growth will be much stronger than that, at 1.4%, helped by an export gain of around 8%.

The **current-account deficit** peaked at $811 billion (6.1% of GDP) in 2006. Last year (2007) should record the first narrowing of the gap (to $752 billion) since the recession year of 2001, as exports gained on imports, in both real and nominal terms. A further sharp improvement (to $692 billion) is in store for 2008.

Inflation concerns have been put firmly on the back burner, because growth is the key risk—but they should not be forgotten. Headline CPI inflation is running at just above 4%, driven by rising energy and food costs. **Core PCE inflation** (at 2.2% y/y in December) is now outside the Fed's 1–2% comfort zone, and would be ringing alarm bells were it not for the quick deterioration in the growth outlook. We expect weaker growth to pull oil prices below $80/barrel in the second quarter, which will help to lower headline inflation, although cost pressures already in the pipeline suggest that core PCE inflation will likely remain stubbornly above the Fed's comfort zone this year. If the economy were to skirt recession and surge forward convincingly during the second half of this year, the Fed would need to speedily scale back its rate cuts.

Another Mild Recession?

The number of times that the "R word" appears in the electronic and print media is on the rise, although it still has not yet reached the frequencies last seen during the 2001 downturn. There is little doubt that the U.S. economy will suffer through a mild—possibly, very mild—contraction during the first half of this year, followed by a rebound in the second half, which will be fueled by monetary and fiscal stimulus. There is at least a 60% chance that this mild contraction will be called a recession by the National Bureau of Economic Research, which will probably not make the call for another year.

In many respects, the 2008 downturn will be similar to the 2001 recession, which was the mildest on record. But there are also some distinct differences.

Similarities to 2001. There are many parallels between the last recession and the current economic slump. First and foremost, both were caused by bursting bubbles. The 2001 recession was triggered by the crash in the stock market, led by high-tech, and the related sharp contraction in capital spending, especially on information and telecommunications technologies. The 2008 recession was set off by the bursting of the U.S. housing bubble and the associated meltdown in the subprime mortgage market. While the boom and bust in stock prices during the late 1990s and early 2000s was much more pronounced than what has happened to housing, the rise in inflation-adjusted home prices over the past decade was unprecedented.

A second—and very important—similarity between the two downturns is the low level of inflation and interest rates. The 25-year decline in inflation and interest rates (both short and long term), dubbed the "Great Moderation," is still intact. In fact, by some measures, both inflation and interest rates are lower now than in 2001. Specifically, wage inflation as measured by the employment cost index is nearly 1% below its 2001 level. Similarly, mortgage rates and 10-year Treasury yields are roughly 100–150 basis points below where they were in the last recession.

A third—and equally important—parallel is the application of both fiscal and monetary stimulus. The size of the monetary stimulus was much larger in 2001. During that year alone, the Fed cut the federal funds rate more than 400 basis points (and kept cutting through 2003). This time around, Global Insight expects the peak-to-trough drop in the funds rate to be closer to 325 basis points. On the fiscal side, the rebates in the stimulus package, which is working its way through Congress, are more than twice as big as the ones enacted in 2001; however, the earlier ones were part of a much larger, multi-year set of tax cuts.

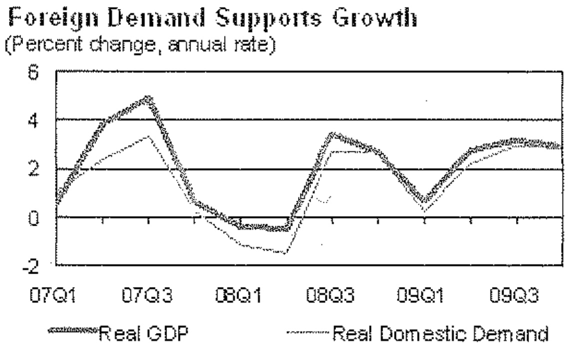
Low inflation and interest rates, along with fiscal and monetary stimulus, were key factors behind the 2001 recession being the mildest on record. The 2008 recession will likely be another mild one.

Differences with 2001. Each downturn is unique, and this one is no exception. One of the biggest differences with 2001 is that commodity prices are higher—300% to 400% higher. The good news is that the impact on core inflation has been very small. The bad news is that high oil and gasoline prices are hurting consumer spending, especially for low-income households.

Another more positive difference is that, outside of housing and related industries, there is no serious inventory overhang. Inventory-to-sales ratios are lower than in 2001, and there is no glut of capital goods that precipitated the investment-led downturn that year.

Similarly, the corporate sector is in much better financial shape than during the runup to the last recession. During the late 1990s, the growth in earnings was quite poor and companies were heavily indebted. In each year between 2003 and 2006, though, pre-tax profits grew by double digits (more than 30% in both 2004 and 2005). Even with an anticipated drop in profits this year, the level of profits is historically very high and the cash-flow position of many companies remains strong. This will help most industries weather the current economic slump better than last time around.

Perhaps the biggest difference—and the really good news—is the boost coming from net exports. In 2001, the U.S. dollar was strong and rest-of-world growth was weak. This time around, it is exactly the opposite. The dollar has fallen against most currencies and, for the moment, growth in other parts of the world is holding up better than in the United States. This means that exports are a lifeline from the global economy to the U.S. economy. Global Insight expects that net exports will add almost 1 percentage point to GDP growth this year, making the difference between a mild recession and a deeper recession.



How much of a company's or sector's sales and profits are from overseas will determine how well it weathers the current economic storm. Companies that sell into the domestic market are already suffering. Companies with significant sales and earnings overseas will have an easier time. For example, as of the third quarter of 2007, domestic profits of U.S. corporations were shrinking, while foreign profits grew 15–20%.

Bottom Line: A Mild Recession in the First Half of 2008. Most countries define a recession as two consecutive quarters of negative economic growth. In the United States, the definition is more complicated and opaque—and, therefore, more confusing. The National Bureau of Economic Research is official arbiter of whether or not the economy has suffered a recession. The NBER looks at a variety of indicators, to make its determination. It defines a recession as a "significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales." It also usually waits until the data are revised before making its call, usually 12–18 months after the fact.

In the 2001 recession, there were no two consecutive quarters of negative growth. Instead, there were three nonconsecutive quarters of negative growth, each one preceded and followed by positive quarters. Based on Global Insight's current baseline forecast, there is about a 60–70% chance that the NBER will call a recession.

Key Forecast Assumptions

Fiscal-Stimulus Package. The forecast incorporates a fiscal-stimulus package broadly along the lines of the one approved by the House and the Senate. We assume a package worth $153 billion in fiscal 2008 (or 1.1% of GDP), of which $110 billion is for households via tax rebates and $43 billion is for businesses through a 50% bonus depreciation. We assume that household tax rebates are delivered at midyear.

Oil Prices Assumed to Ease Lower. Our forecast assumes that oil has overshot its supply/demand fundamentals. We expect prices to continue to pull back from their highs near $100/barrel to a first-quarter average of $87.28/barrel and a second-quarter average of $78.00/barrel. Thereafter, prices should remain in the low $70s over the next 10 years. We expect retail gasoline prices to hold roughly steady at $3.01/gallon in the first and second quarters. Gasoline prices usually rise on a seasonal basis in the second quarter, but that will be balanced by the anticipated fall in crude oil prices.

Natural Gas Prices to Edge Higher. As winter demand rises, we expect natural gas prices to average $7.65 per million Btu (Henry Hub cash price) in the first quarter of 2008, up from $6.90 in the fourth quarter. We expect natural gas to run in the $8–9 range during 2009–10.

Federal Reserve Expected to Loosen Further. We assume that the Fed will cut the target federal funds rate by 50 basis points at its March 18 meeting and another 50 basis points at its April 30 meeting, taking the rate down to 2.0%, where it stays for the rest of 2008. Faster growth in 2009 leads the Fed to partially reverse its cuts, returning the funds rate to 3.75% by the end of next year.

Dollar Decline to Continue. Slower U.S. growth and falling interest rates are a recipe for a weaker dollar. But declines from now on are expected to be milder—since other trading partners are now cutting interest rates too. The dollar fell about 10% against major currencies in 2007 (fourth quarter-to-fourth quarter basis), and should drop another 2% during 2008. We assume end-2008 values of $1.47/euro, 101 yen/dollar, and C$1.02/dollar. The U.S. currency has probably hit bottom against the Canadian dollar already, and we expect a trough against the euro in mid-2008 (at around $1.55/euro).

We expect China to allow a faster pace of renminbi revaluation, helping to cool the country's rapidly expanding economy. We assume that the Chinese currency will appreciate 8.9% against the dollar over the next 12 months.

Foreign Growth Is Cooling. We project GDP growth in the United States' major-currency trading partners at 2.0% in 2008, down from 2.6% in 2007. Growth for other trading partners should ease from 5.6% in 2007 to 5.1% in 2008.

Productivity Growth Has Slowed. We expect productivity gains to average just 1.7% for 2008. Average productivity growth over the next 10 years (2008–18) is projected at 2.0%, below the 2.6% average since 1997.

Tax Burden to Rise. The forecast assumes that Congress will not allow all of the Bush administration's personal tax reductions to expire as scheduled at the end of 2010. But we expect some increase in the income-tax burden, whether through the capricious impact of the Alternative Minimum Tax (AMT) or through some kind of tax reform that raises a similar amount of revenues. A temporary "fix" has prevented the AMT from kicking in violently during the 2007 tax year, and we expect a similar fix for 2008.

Defense Spending Growth Quickens. Spending for the wars in Iraq and Afghanistan continues to climb. We expect real federal defense purchases to rise 5.5% in calendar 2008, up from 2.8% growth in calendar 2007. Overall federal purchases will rise 4.1% in 2008, up from 1.7% growth in 2007.

by Nariman Behravesh and Nigel Gault

	Quarterly			Annual					
	07:4	**08:1**	**08:2**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Real GDP (Percent change)	0.6	-0.4	-0.5	2.2	1.4	2.2	3.0	3.2	2.7
Federal Funds Rate (Percent)	4.50	3.24	2.17	5.02	2.35	2.72	4.48	4.75	4.75
Ten-Year Treasury Yield (Percent)	4.26	3.52	3.13	4.63	3.26	3.82	5.15	5.37	5.37
Oil Prices, WTI (Dollars/barrel)	90.50	87.28	78.00	72.18	78.53	74.33	74.02	73.42	72.27
Consumer Price Index (Percent change)	4.3	2.8	0.9	2.9	2.5	1.6	1.9	1.8	1.9
Housing Starts (Millions)	1.15	0.95	0.85	1.34	0.90	1.18	1.47	1.68	1.71
Consumer Sentiment (Univ. of Michigan)	78	78	75	86	77	81	84	89	89
Unemployment Rate (Percent)	4.8	5.0	5.4	4.6	5.3	5.6	5.5	5.1	4.9

GLOBAL INSIGHT

U.S. Economy

This information was last updated on Fri 08 Feb 2008, 3:53 PM EST (20:53 GMT)

Risks and Alternatives: Analysis

The latest economic updates have not been good. Not only has the economy likely slipped into recession, its long-term fundamentals have also deteriorated. According to the Bureau of Labor Statistics, labor productivity—the key measure of an economy's long-run health—rose just 1.6% in 2007, after increasing only 1.0% in 2006. This is a sharp drop from the 3.5% rates registered during 2002–04. Advances in information technology boosted the productivity numbers earlier this decade, but this boost has fizzled. Over the next 10 years, Global Insight expects productivity to advance about 1.9% annually, just below its average for the past 50 years.

In the optimistic scenario, resurgent business spending plus a less-dramatic collapse in the housing market provides the thrust necessary for the descending economy to only touch its wheels on the runway before ascending back to cruising altitude. The fiscal-stimulus package, already in the pipeline, lights the afterburner and pushes growth much higher in the second half of 2008. Taking the long view, robust innovation in the high-tech sector dominates short-term cyclical concerns and fuels stronger productivity growth, providing rapidly improving living standards, in concert with a lower inflation profile.

The pessimistic scenario incorporates an even steeper housing downturn than in the baseline. This, combined with another spike in oil prices, quickly drags the whole economy into recession. But high energy prices, weak productivity growth, and the downward trend in the dollar keep inflation stubbornly at the upper limits of Federal Reserve tolerance. Then, as the economy turns up again, so does inflation. The pessimistic forecast resembles the late 1970s, when it seemed the bad times would never end. Indeed, as the 1970s demonstrated, economic malaise is difficult to shake as well.

Double-Dip Recession (25% Probability). The pessimistic scenario assumes that the housing recession deepens even more than in the baseline, and that near-term oil prices spike above $90 per barrel. This fatal combination sends the economy into a recession similar in depth and duration to the 1991 recession. Real GDP drops 1.4%, peak to trough, falling over the first two quarters of 2008. The economy then gets a breather, as the stimulus package and the Fed rate cuts take effect, and growth inches toward 1.0% in the second half of 2008. But then the effects of the stimulative monetary and fiscal policies wear off, and the economy slips back into reverse.

Housing starts drop to 717,000 units in 2008 (compared with 900,000 in the baseline). The median price of existing homes falls 10% below the baseline in 2009. Home sales are also much lower. The weakness in housing undermines consumer confidence. This, along with the drop in wealth associated with falling home prices and a slowdown in job growth, causes consumers to retrench—causing a drop in consumer spending during the first two quarters of 2008 (the first quarterly drops since 1991). Hit especially hard are auto sales, which fall to 14.0 million in 2008 and 13.9 million in 2009 (versus 15.2 million and 15.6 million units, respectively, in the baseline), and "other" consumer durables (i.e., jewelry, sporting equipment, motorcycles and pleasure boats, and aircraft). In the baseline, consumer spending contributes 1.1 percentage points to GDP growth in 2008, enough to offset the 1.0-point drag from residential investment. But in the pessimistic alternative, the 1.4-percentage-point drag from residential investment is greater than consumer spending's meager 0.5-point contribution.

Capital spending is also weaker, as firms respond to a bleaker outlook by scuttling long-term projects. Both nonresidential construction and equipment/software investment drop throughout 2008. Foreign economic growth is also lower, which cuts into export growth.

As in the baseline, the Federal Reserve continues to cut interest rates to prop up the economy. In the near term, inflation stays low, but only because the economy is so weak. The productivity slowdown, high energy prices, and a weakening dollar take their toll, and prices soon start to creep up. In late 2008, the Fed responds by hiking interest rates, but its response is a bit too little, too late, and inflation continues to edge higher. Eventually, core inflation stabilizes—but at just above 3%, more than a full percentage point above the baseline rate.

Over the longer term, GDP growth remains slower than in the baseline, mainly because productivity advances only 1.5% on average over the next 10 years, compared with 1.9% in the baseline. Inflation is higher because of the slower productivity gains and a weaker dollar, and also because the Fed, after allowing inflation to creep above 3%, decides to stabilize it at that higher level, rather than risk another recession by bringing it down.

In the pessimistic scenario, real GDP drops 0.1% in 2008 and grows 0.4% in 2009, compared with growth of 1.4% and 2.2%, respectively, in the baseline. Employment drops for five straight quarters (the economy loses 1.9 million jobs), industrial production falls for six consecutive quarters, and real GDP drops for two straight quarters in 2008 and for another quarter in 2009. Like the recessions of 1991 and 2001, the pessimistic scenario recession is mild compared to earlier postwar recessions. Unlike the last two recessions, however, the economy remains on the ropes longer and emerges from the downturn weaker, facing more storm clouds ahead.

Touch and Go (25% Probability). Renewed strength in total factor productivity growth provides the key assumption distinguishing the optimistic scenario from the baseline forecast. Total factor productivity, a measure of how technological progress augments economic growth, is enhanced by reinvigorated innovation in the technology sector, like during the late 1990s. Stronger productivity gains, coupled with a dose of raw optimism, facilitate enhanced business spending and a milder housing contraction. These, in turn, allow meager, but positive, GDP growth during the first half of 2008, and then a strong takeoff off in the second. The fiscal-stimulus package currently in the pipeline adds fuel to the fire during the latter half of 2008. Productivity growth remains higher than baseline gains throughout the 10-year forecast period, providing for stronger long-term growth, more employment, and lower budget deficits. Combined with a stronger currency, the productivity gains also help to contain inflation.

Business fixed investment growth, although down from 4.5% in 2007, registers a respectable 3.5% rate in 2008, compared with just 1.5% in the baseline forecast. Business spending, which averaged 10.7% of GDP in 2007, remains more robust thereafter, reaching 10.9% of GDP in 2012, compared with 10.2% in the baseline.

The contraction in residential investment is less severe in the optimistic scenario, with housing starts beginning to recover in the second half of 2008, averaging 1.029 million units for the year, compared with only 0.900 million units in the baseline forecast.

Foreign economic growth is also stronger, boosting U.S. exports and strengthening domestic manufacturing. As a result, real exports exhibit faster growth over the forecast period, despite the stronger dollar.

Finally, the optimistic scenario assumes that energy prices are lower than in the baseline. Oil prices run about $10/barrel below baseline levels, while wellhead natural gas prices are also lower. Faster supply growth also produces a loosening in other tight commodity markets.

Under these assumptions, the economic outlook is much brighter. After slowing to a 0.3% crawl in the first quarter of 2008 (compared with -0.4% in the baseline), real GDP growth bounces back to 1.4% in the second quarter and 5.3% in the third (versus -0.5% and 3.4% in the baseline) and averages 2.2% for the year (versus 1.4% in the baseline). Growth remains faster in 2009 as well, averaging 3.0% (compared with 2.2% in the baseline).

Although economic growth and labor markets are stronger, inflation is lower, due mainly to the rapid productivity gains. Year-on-year core personal consumption expenditure (PCE) inflation falls to the middle region of the Federal Reserve's 1–2% tolerance band in 2009, and remains comfortably below the upper boundary throughout the forecast period. In contrast, core PCE inflation hovers near the 2% mark throughout the baseline forecast. With the economy holding up much better than in the baseline, the Fed does not have to cut interest rates aggressively in the optimistic scenario. But low inflation means that interest rates are lower in the long term than in the baseline.

by Kenneth Beauchemin and Patrick Newport

Global Insight, Inc. - Regional Services Group

Maine

February 2008 Update

Winter 2007/08 Forecast

Based on US Macro Forecast February 2008

Monthly Historical Data (Pct. Ch. Year Ago) / Quarterly Forecast (Pct. Ch. Ann. Rate)

	2007M 9	2007M10	2007M11	2007M12	2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2
Employment (NAICS) & Labor Force (Thousands)										
Total Non-Agricultural	617.8	617.0	618.6	619.5	617.8	616.9	616.9	617.5	618.1	619.8
Percent Change	0.6	0.7	0.7	0.7	-0.4	-0.5	0.0	0.4	0.4	1.1
Construction & Mining	33.2	33.3	33.3	33.2	32.1	31.1	30.3	29.9	29.6	29.6
Percent Change	-2.6	-1.8	-2.6	-3.2	-13.0	-12.8	-8.8	-6.3	-3.9	-0.2
Manufacturing	58.7	58.2	58.1	57.8	57.8	57.6	57.1	56.9	56.8	56.6
Percent Change	-1.7	-2.0	-2.2	-2.5	-1.8	-1.4	-2.9	-1.5	-1.0	-1.4
Trade, Trans, & Utilities	126.2	126.4	127.0	127.1	126.9	126.5	126.5	126.7	126.7	127.3
Percent Change	0.6	1.1	1.4	1.3	0.1	-1.1	-0.1	0.7	-0.2	1.9
Information	11.4	11.4	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.2
Percent Change	0.8	0.9	1.0	0.1	-0.6	-0.6	-0.3	0.6	-1.5	-0.8
Financial Activities	33.0	33.2	33.2	33.3	33.2	33.1	33.2	33.2	33.4	33.5
Percent Change	-1.2	-1.2	-1.2	-0.6	-0.8	-0.8	1.2	0.4	1.4	2.1
Prof & Business Svcs	52.8	52.8	52.9	53.1	52.9	52.8	53.0	53.6	53.8	54.0
Percent Change	2.1	2.1	1.9	2.3	-0.1	-0.7	1.6	4.0	1.8	1.2
Educ & Health Services	117.0	117.1	117.4	117.6	118.1	118.9	119.7	119.8	120.1	121.2
Percent Change	2.5	2.5	2.6	2.7	2.5	2.8	2.7	0.2	1.3	3.5
Leisure & Hospitality	59.8	59.7	60.1	60.9	60.4	60.5	60.6	60.9	61.2	61.2
Percent Change	0.3	0.7	0.5	0.7	1.1	0.9	0.2	2.4	1.9	-0.2
Other Services	19.7	19.9	20.1	19.9	19.9	19.9	19.9	19.9	19.8	19.7
Percent Change	1.5	2.6	3.1	2.6	-0.6	-0.3	-0.4	-0.4	-0.9	-2.0
Government	106.1	105.1	105.2	105.2	105.2	105.2	105.2	105.4	105.5	105.6
Percent Change	0.4	0.1	0.3	0.3	0.0	0.1	-0.1	0.6	0.5	0.4
Resident Employment	674.7	676.3	677.7	675.9	676.8	677.1	678.2	679.5	680.2	681.4
Percent Change	-0.8	-0.7	-0.7	-1.1	0.1	0.1	0.7	0.7	0.5	0.7
Labor Force	709.1	710.7	712.4	712.5	713.1	714.9	716.2	717.4	718.9	720.3
Number Unemployed	34.4	34.4	34.7	36.6	36.3	37.8	38.0	38.0	38.6	38.9
Unemplyment Rate (%)	4.8	4.8	4.9	5.1	5.1	5.3	5.3	5.3	5.4	5.4

Quarterly Historical Data (Pct. Ch. Ann. Rate) / Quarterly Forecast (Pct. Ch. Ann. Rate)

	2007Q1	2007Q2	2007Q3	2007Q4	2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2
Income & Gross State Product (Billions $)										
(Real Income Values are in 2000 $)										
Total Personal Income	43.7	44.2	44.7	45.1	45.4	45.7	46.0	46.5	46.9	47.4
Pct Ch Ann Rate	9.2	4.6	5.0	3.2	3.1	2.3	3.2	4.2	3.9	4.0
Real Personal Income	37.6	37.6	37.9	37.9	37.9	38.0	38.1	38.4	38.6	38.8
Pct Ch Ann Rate	5.6	0.3	3.1	-0.7	0.5	0.9	1.6	3.0	1.9	1.9
Real Disposable Income	33.3	33.4	33.6	33.6	33.6	33.7	35.0	34.1	34.3	34.5
Real Per Capita Income (Ths)	28.6	28.6	28.8	28.7	28.8	28.8	28.9	29.1	29.2	29.4
Avg Annual Wage (Ths)	34.8	35.1	35.5	35.7	36.0	36.2	36.5	36.7	37.0	37.2
Wages & Salaries	22.1	22.3	22.5	22.7	22.8	23.0	23.1	23.3	23.5	23.7
Gross State Product	47.9	48.5	49.0	49.3	49.5	49.6	50.2	50.7	51.0	51.5
Real Gross State Product (2000$)	40.1	40.4	40.7	40.7	40.6	40.5	40.8	41.1	41.1	41.4
Housing & Other Economic Indicators (Thousands)										
Total Housing Starts	5.5	5.9	4.5	4.1	3.3	2.9	2.8	2.8	3.0	3.2
Single-Family	5.1	5.4	3.6	3.6	2.9	2.5	2.5	2.5	2.6	2.7
Multifamily	0.4	0.5	0.9	0.6	0.4	0.4	0.3	0.4	0.4	0.4
Households	548.7	549.5	549.6	549.7	549.9	550.2	550.5	550.8	551.3	551.9
Total Population	1,316.6	1,317.2	1,317.4	1,317.6	1,317.8	1,318.0	1,318.4	1,319.1	1,320.0	1,321.1
Pct Ch Ann Rate	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.4
New Car Registrations	56.2	57.7	46.2	46.9	43.4	40.7	40.7	42.1	40.6	41.7
Retail Sales (Billions $)	19.8	20.1	20.2	20.4	20.3	20.2	20.5	20.7	20.7	20.9
CPI (Pct Ch Year Ago)	2.2	2.3	1.6	4.2	3.8	2.5	2.7	1.8	1.5	1.8
Indust Prod Index (Pct Ch Ann Rate)	4.0	7.2	3.8	-8.4	-1.0	0.9	5.2	5.5	2.2	3.8

STATE OF MAINE
OFFICE OF THE GOVERNOR
1 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0001

JOHN ELIAS BALDACCI
GOVERNOR

JOHN M. KERRY
DIRECTOR
OFFICE OF ENERGY
INDEPENDENCE AND SECURITY

For Immediate Release
February 19, 2008

Contact: Ian Burnes
287-8927

Heating Fuel Prices Rise Again

Augusta--- The Office of Energy Independence and Security (OEIS) survey of home heating oil prices today found the current statewide average cash price for No. 2 heating oil to be up by $.08 since the last week at $3.28 per gallon and $.95 higher than last year at this time. It is important to note that the price for heating oil is a statewide average and that prices in a given geographic region of the state may be considerably higher or lower than the statewide average. Within the OEIS sample, the lowest actual heating oil price of 2.99 per gallon was found in the Southwestern region. The high-end price of $3.42 per gallon was in found in the Eastern and Central regions. The price of WTI crude oil has climbed to $98.74 per barrel, up 7.1% from last week. This is a major driver of refined product prices, including heating oil. As of February 8, New England (PADD1a) heating oil inventories stood at 9,695 thousand barrels, or 34 thousand barrels more than last year at this time. The table below provides current Maine cash prices in dollars rounded to the nearest penny.

As Of February 19, 2008

HEATING OIL	Statewide	Southwest	Central	Eastern	Western	Northern
Average	3.28	3.23	3.31	3.37	3.27	3.24
High	3.42	3.40	3.42	3.42	3.38	3.30
Low	2.99	2.99	3.21	3.30	3.19	3.10
KEROSENE	3.69	3.66	3.71	3.78	3.66	3.62
PROPANE	2.94					
B-5 Bio-heat	3.30					

The statewide kerosene price average is up by $0.08 since last week at $3.69 per gallon and $.95 higher than last year at this time. Today's propane price survey found the statewide average to be $2.94 per gallon which is $0.01 less than last week and $0.56 higher than last year at this time. This average price for propane represents the price per gallon for a 600-800 gallon domestic heating application.

Three factors came together to push the price of crude oil up over the course of the last week despite macroeconomic indicators pointing to a slowing economy. The first is a steady decline in the international buying power of the dollar. All oil is traded in dollars, so as the dollar drops the price of oil climbs. The second factor is a concern that OPEC will cut its production quotas at their meetings at the beginning of March. The final factor is an explosion at a major oil refinery on the Gulf Coast.

Maine's energy information website at www.maineenergyinfo.com provides energy saving tips for homeowners, including expected costs and paybacks. Simple energy conservation steps can save hundreds of dollars this year in energy bills. For more information about the Maine Home Performance with Energy Star whole house energy efficiency program, visit www.mainehomeperformance.org

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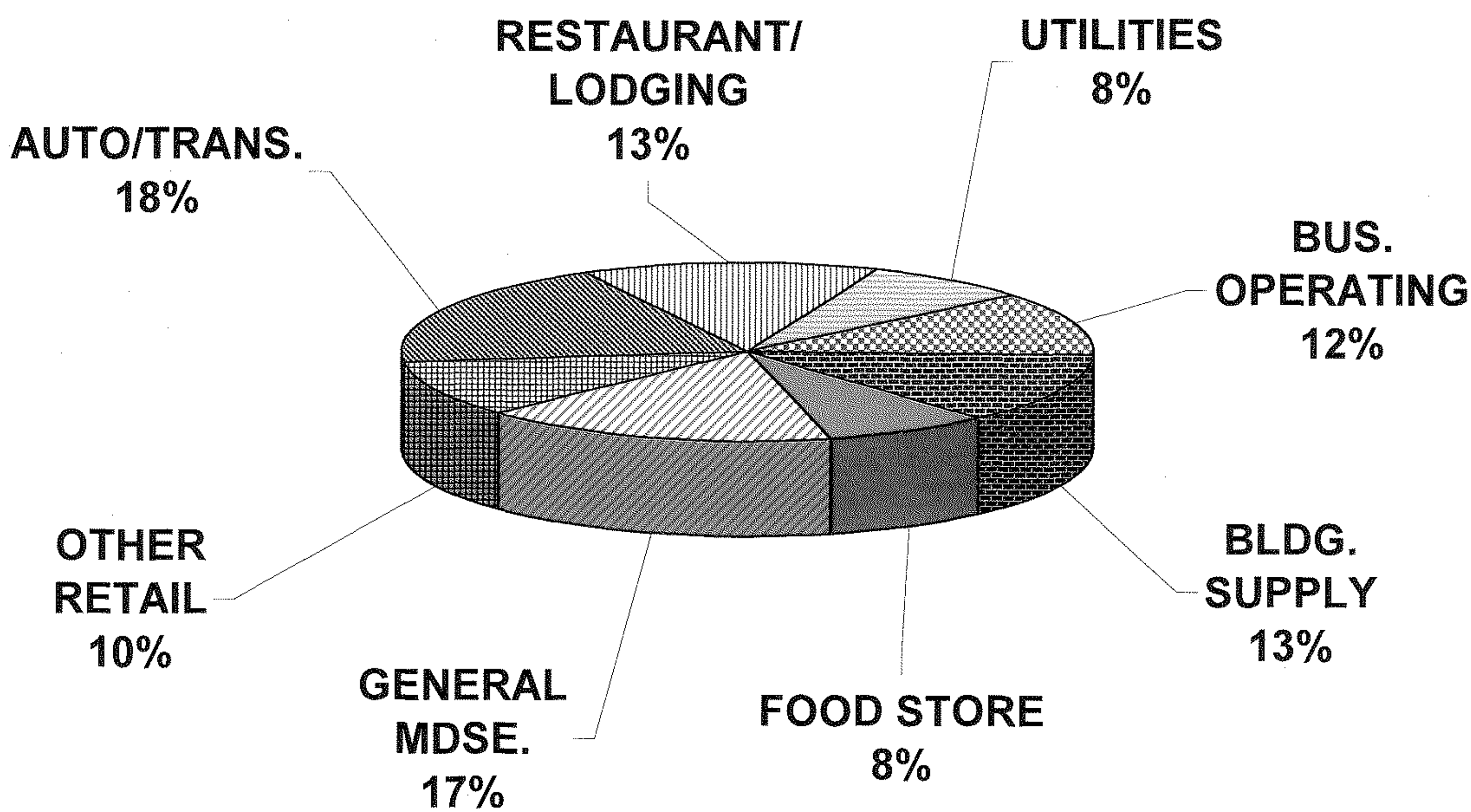
Sales & Use Tax

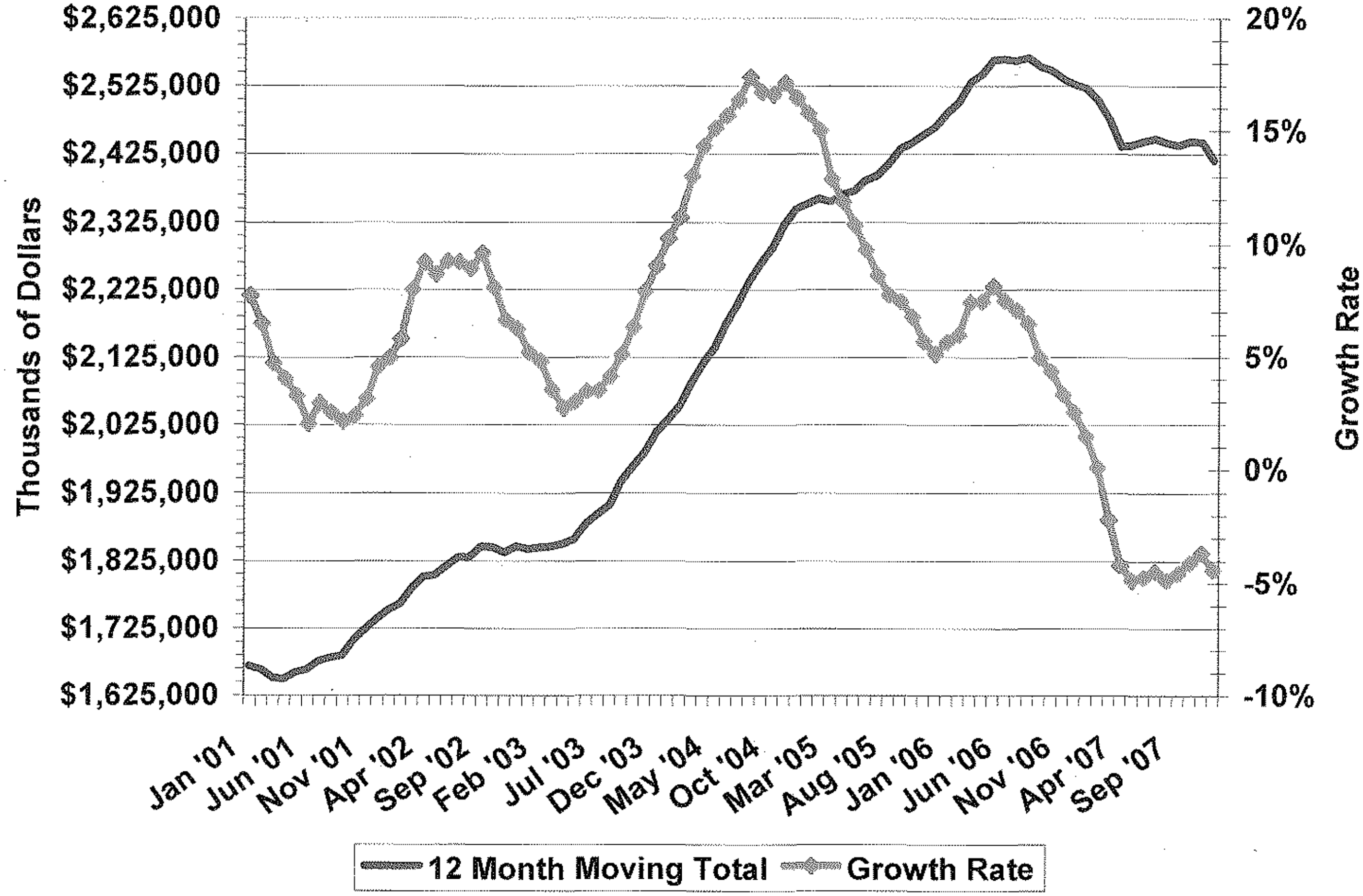
Maine Revenue Services
Taxable Sales by Sector
In Thousands of Dollars

	Dec. '07	% Ch.	Dec. '06	% Ch.	Dec. '05	Average Last 3 Mos. Vs. Last Yr. % Change	Moving Total Last 12 Mos. Vs. Prior % Change	YTD Growth CY'07 vs. '06 Thru. Dec. % Change
Building Supply	$187,967	-13%	$214,991	-4%	$223,165	-4%	-4%	-4%
Food Store	$125,100	-1%	$126,749	1%	$125,346	1%	3%	3%
General Merchandise	$385,170	-8%	$420,597	3%	$407,010	-1%	1%	1%
Other Retail	$262,701	-5%	$275,307	0%	$276,646	1%	0%	0%
Auto/Transportation	$258,952	-8%	$282,225	-5%	$295,576	-2%	0%	0%
Restaurant/lodging	$165,837	-8%	$179,627	5%	$170,340	0%	4%	4%
Consumer Sales	$1,385,726	-8%	$1,499,496	0%	$1,498,083	-1%	0%	0%
Business Operating	$274,530	2%	$268,267	4%	$258,045	7%	4%	4%
Total	$1,660,255	-6%	$1,767,763	1%	$1,756,127	0%	1%	1%

2007 Maine Taxable Sales by Sector

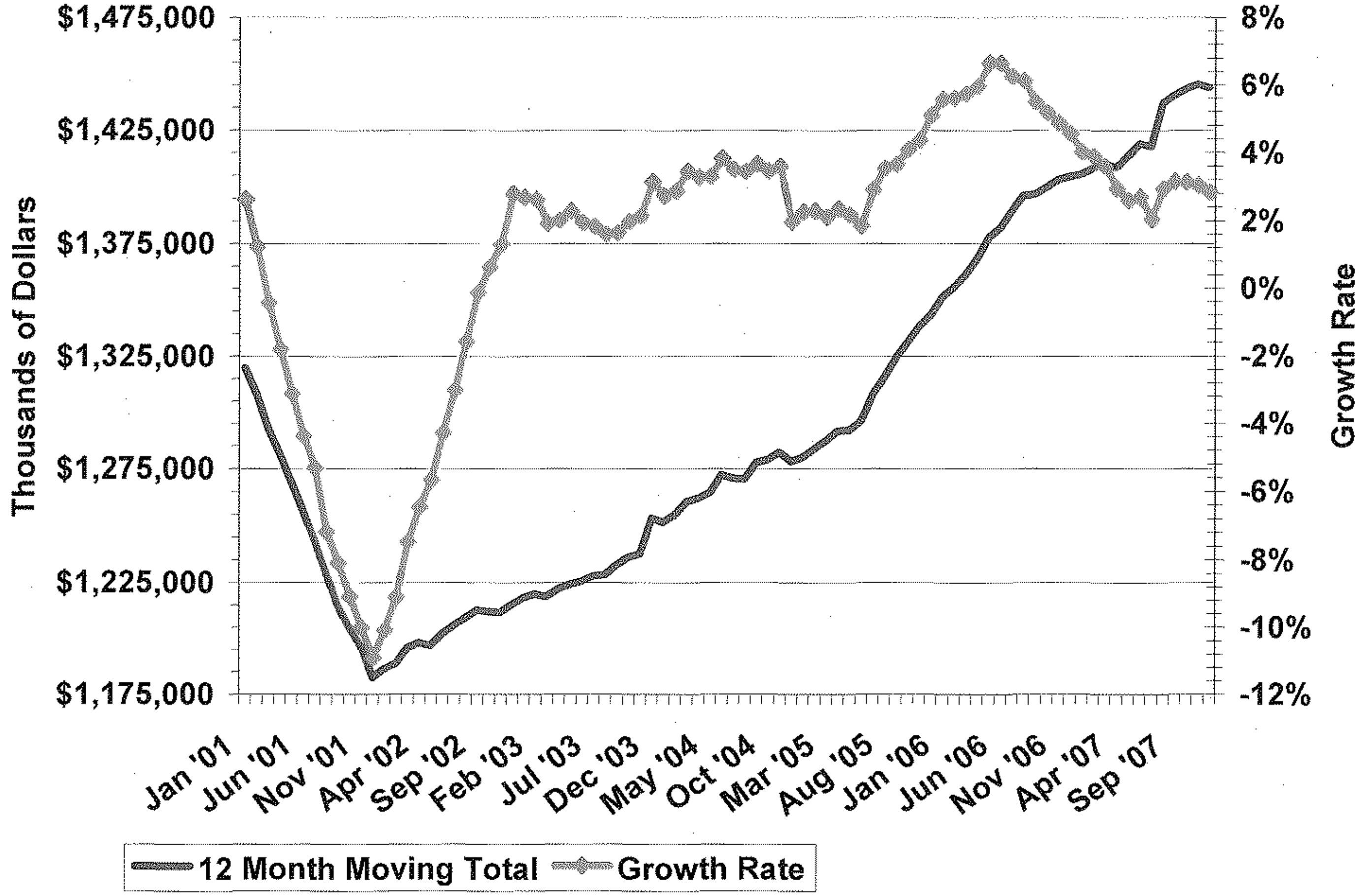


Building Supply Taxable Sales
January 2001 to Date



Maine Revenue Services Economic Research Division 2/15/2008

Food Store Taxable Sales
January 2001 to Date



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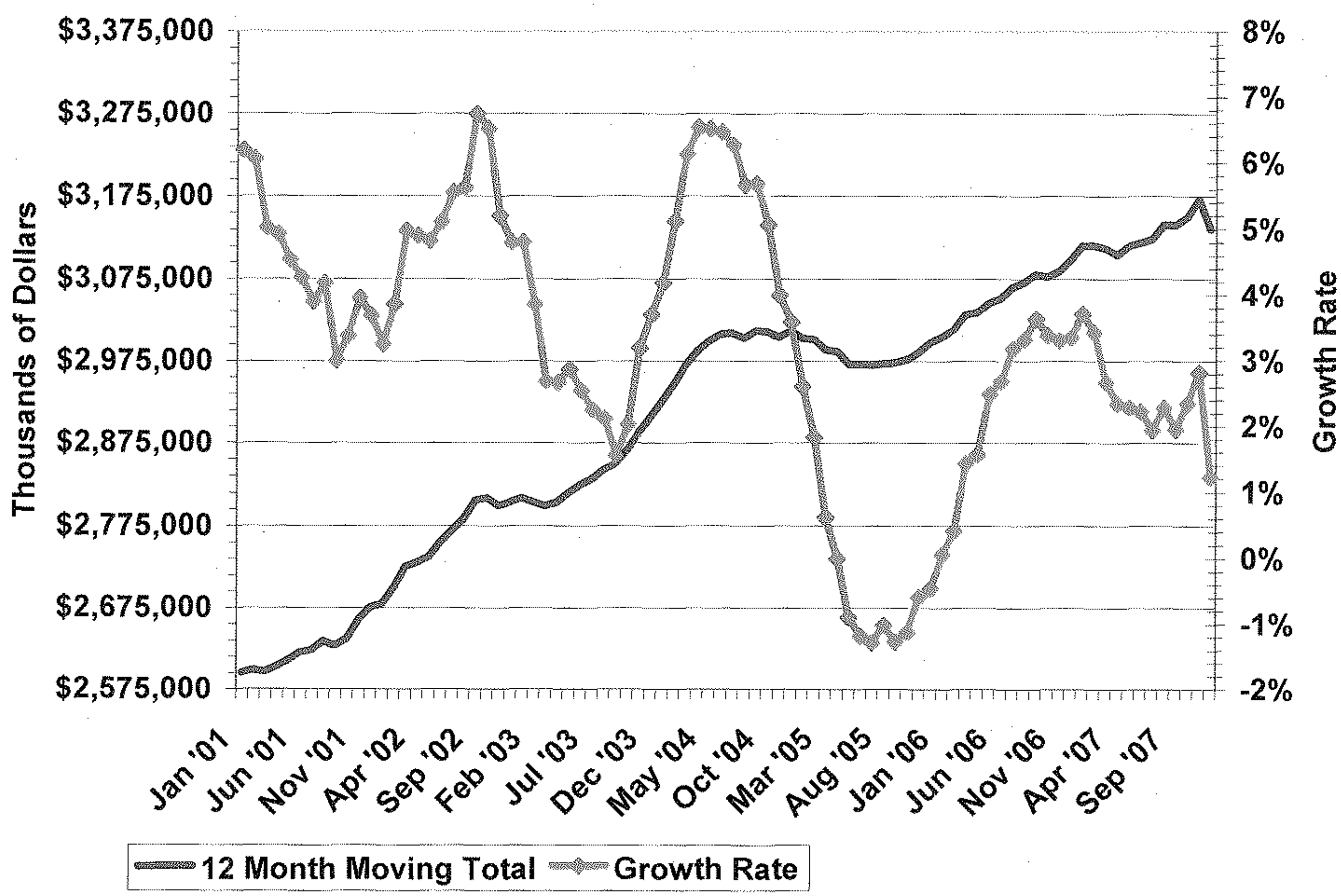
General Merchandise Taxable Sales
January 2001 to Date



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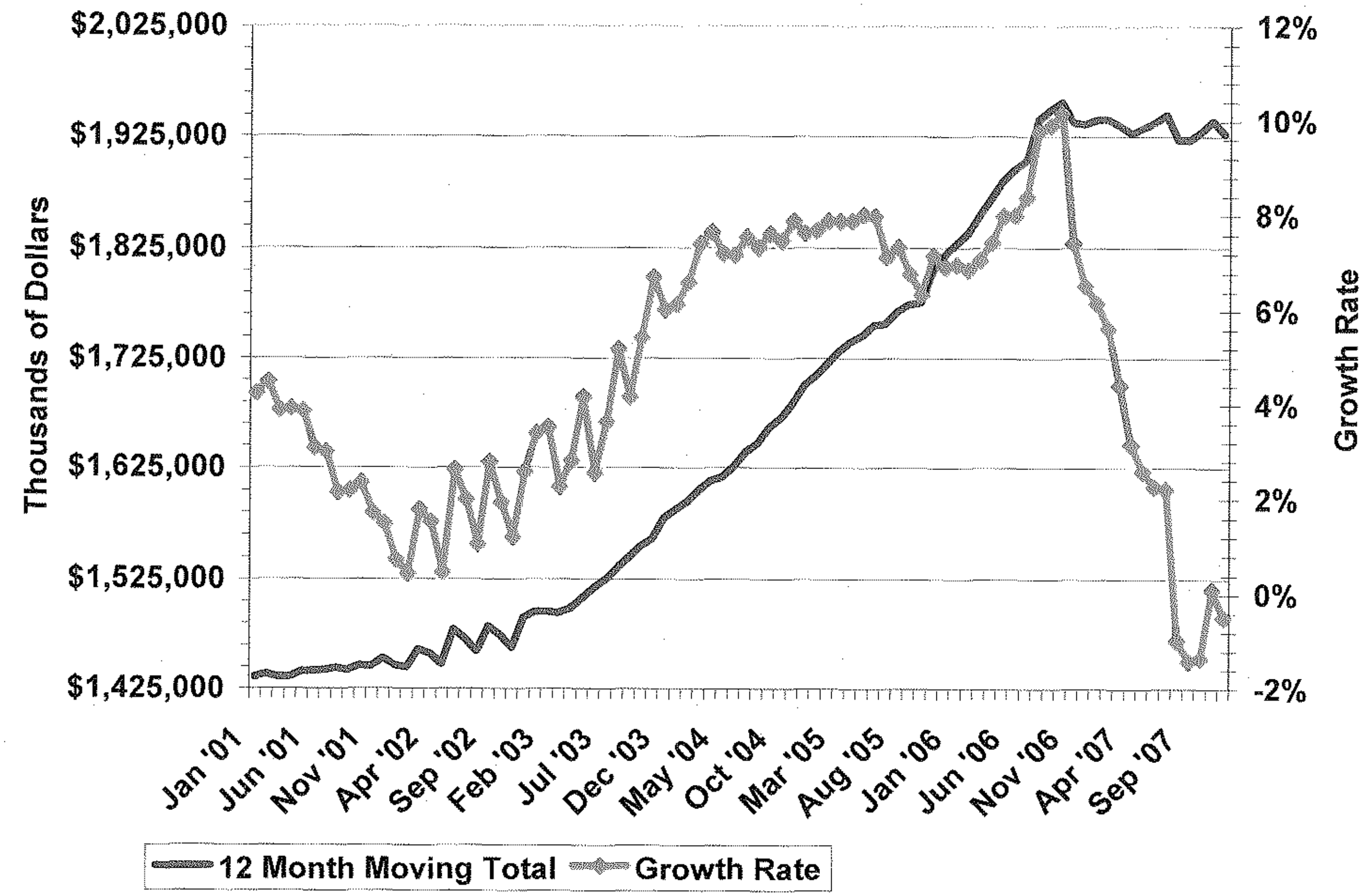
Other Retail Taxable Sales
January 2001 to Date



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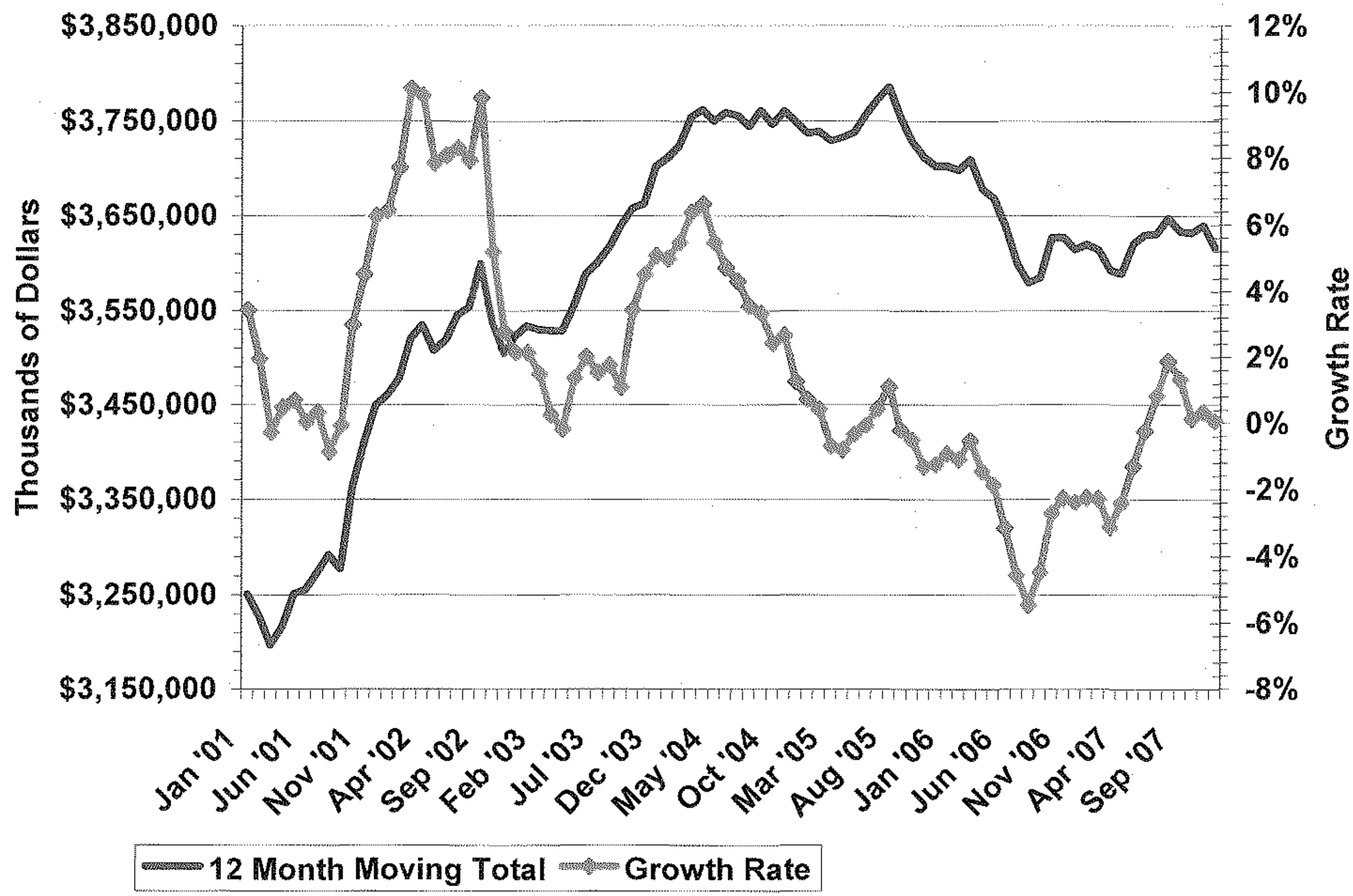
Auto/Transportation Taxable Sales
January 2001 to Date



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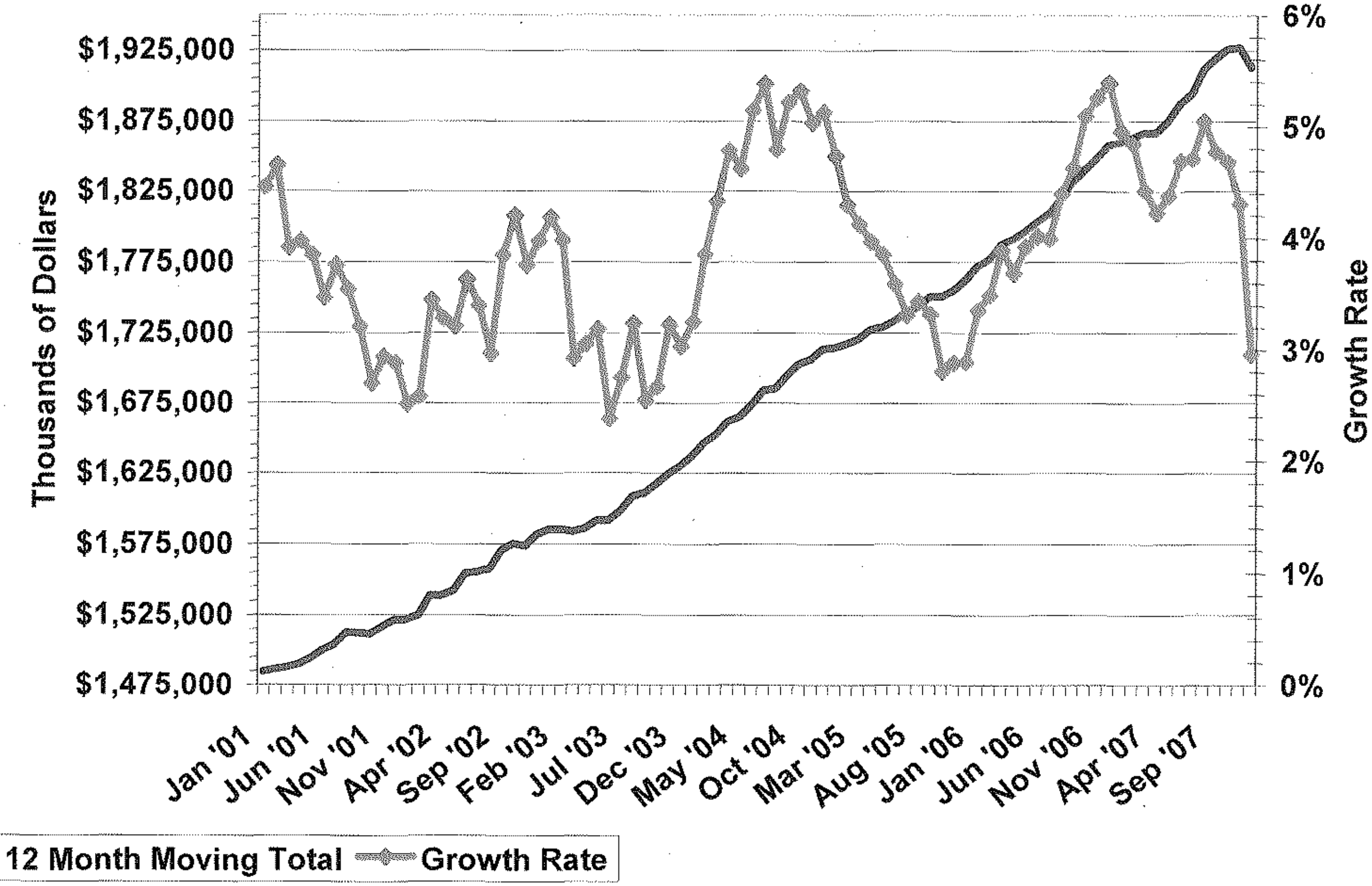
Restaurant Taxable Sales
January 2001 to Date



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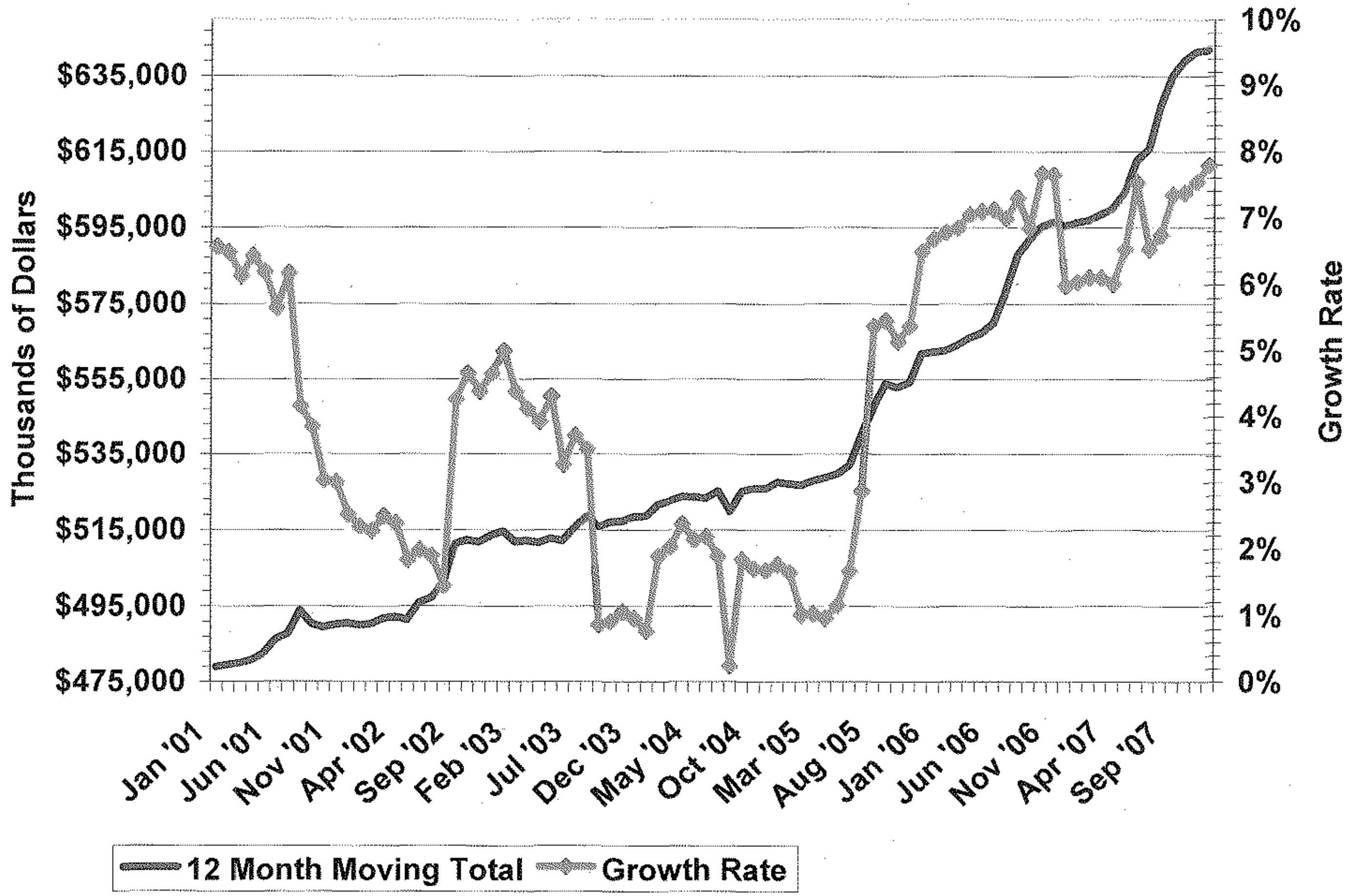
Lodging Taxable Sales
January 2001 to Date



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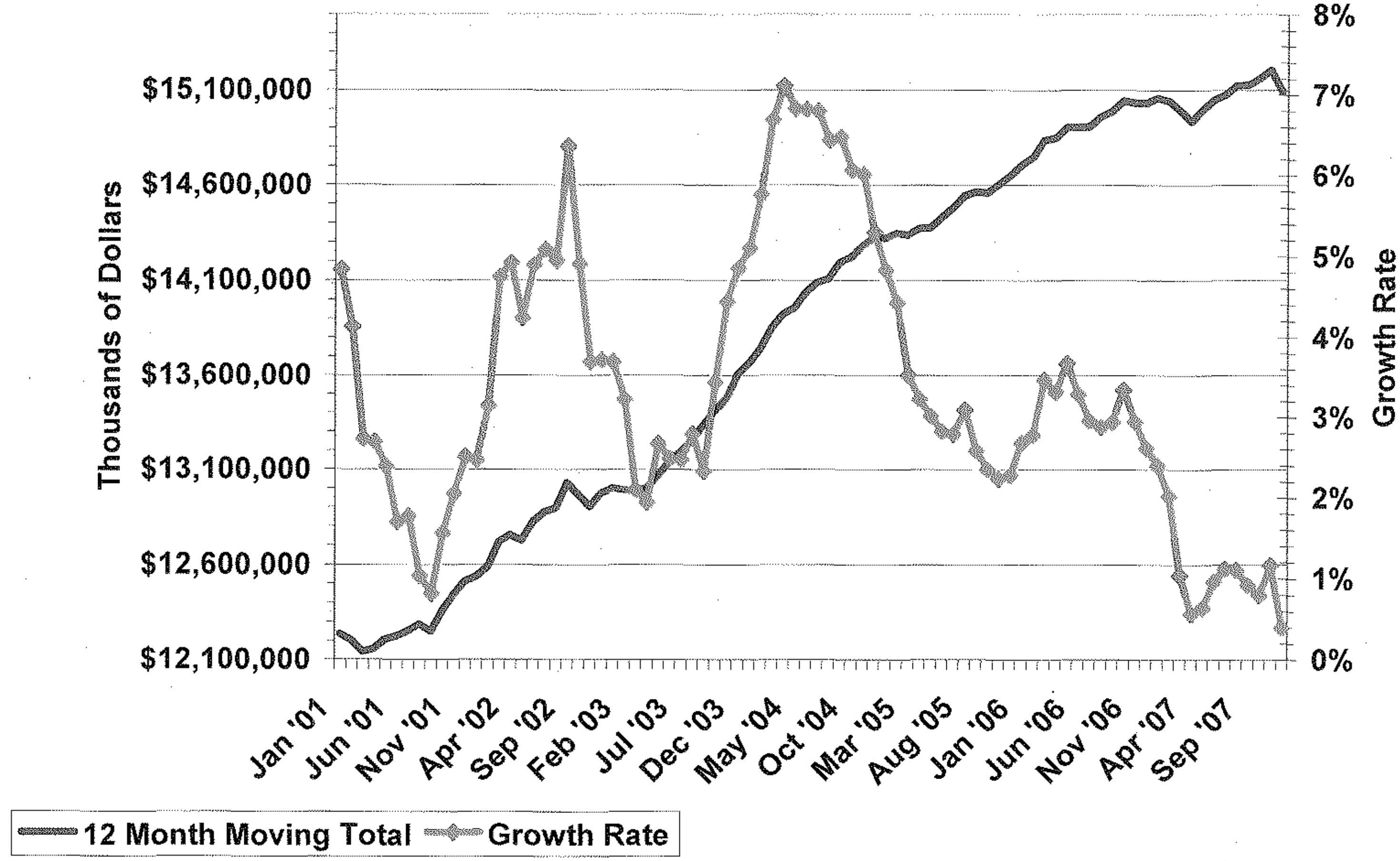
Total Consumer Taxable Sales
January 2001 to Date



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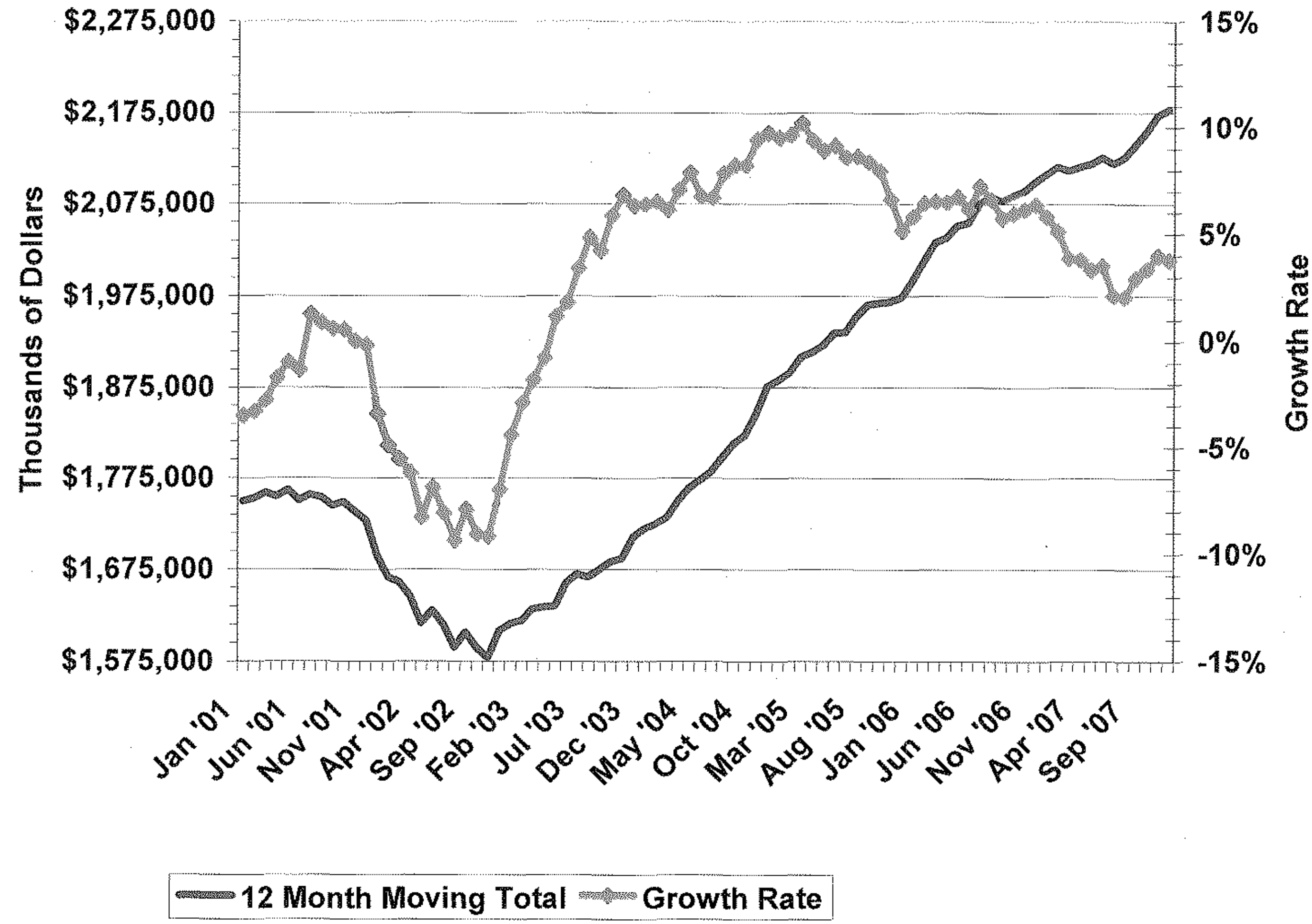
Business Operating Taxable Sales
January 2001 to Date



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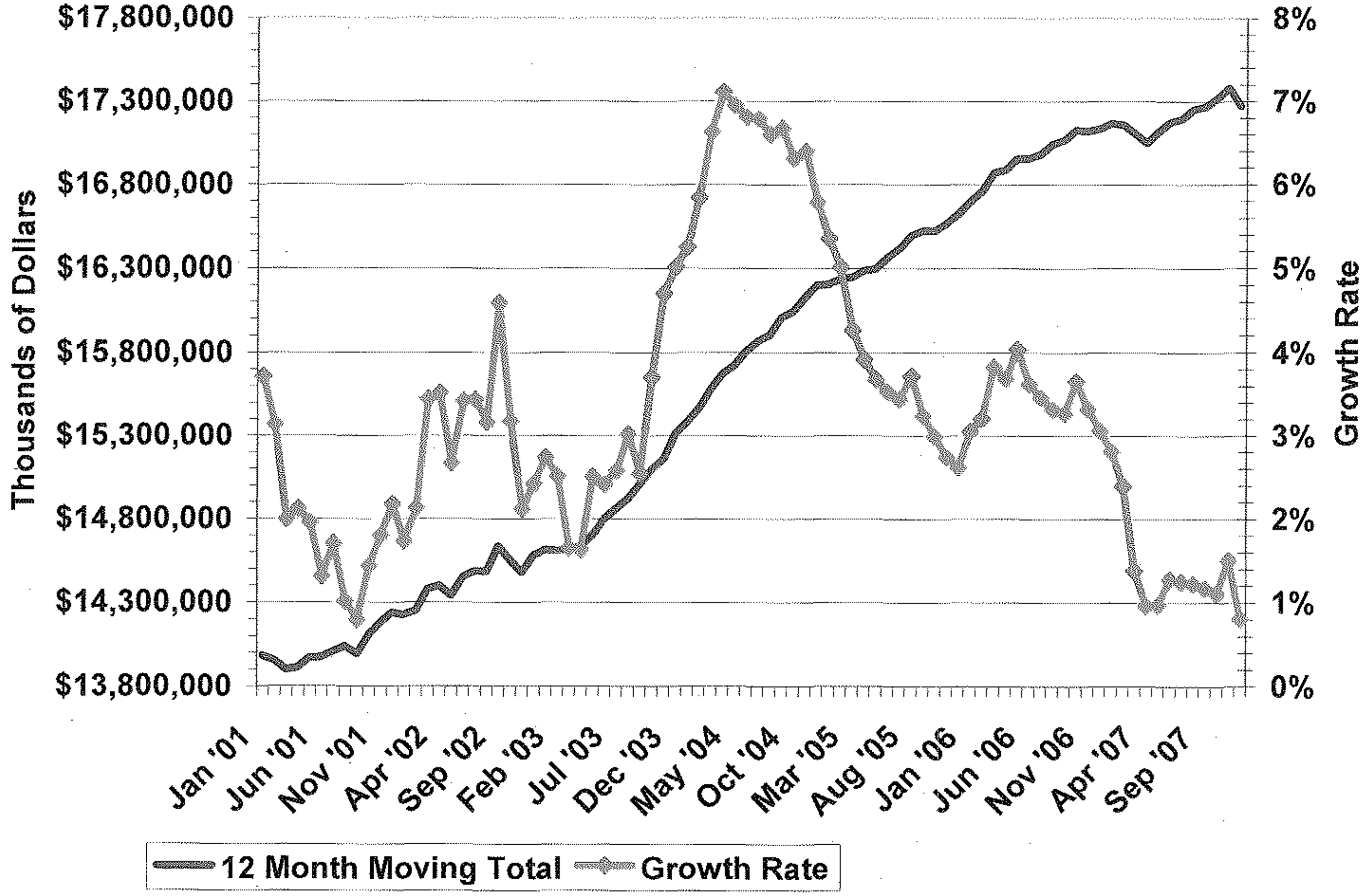
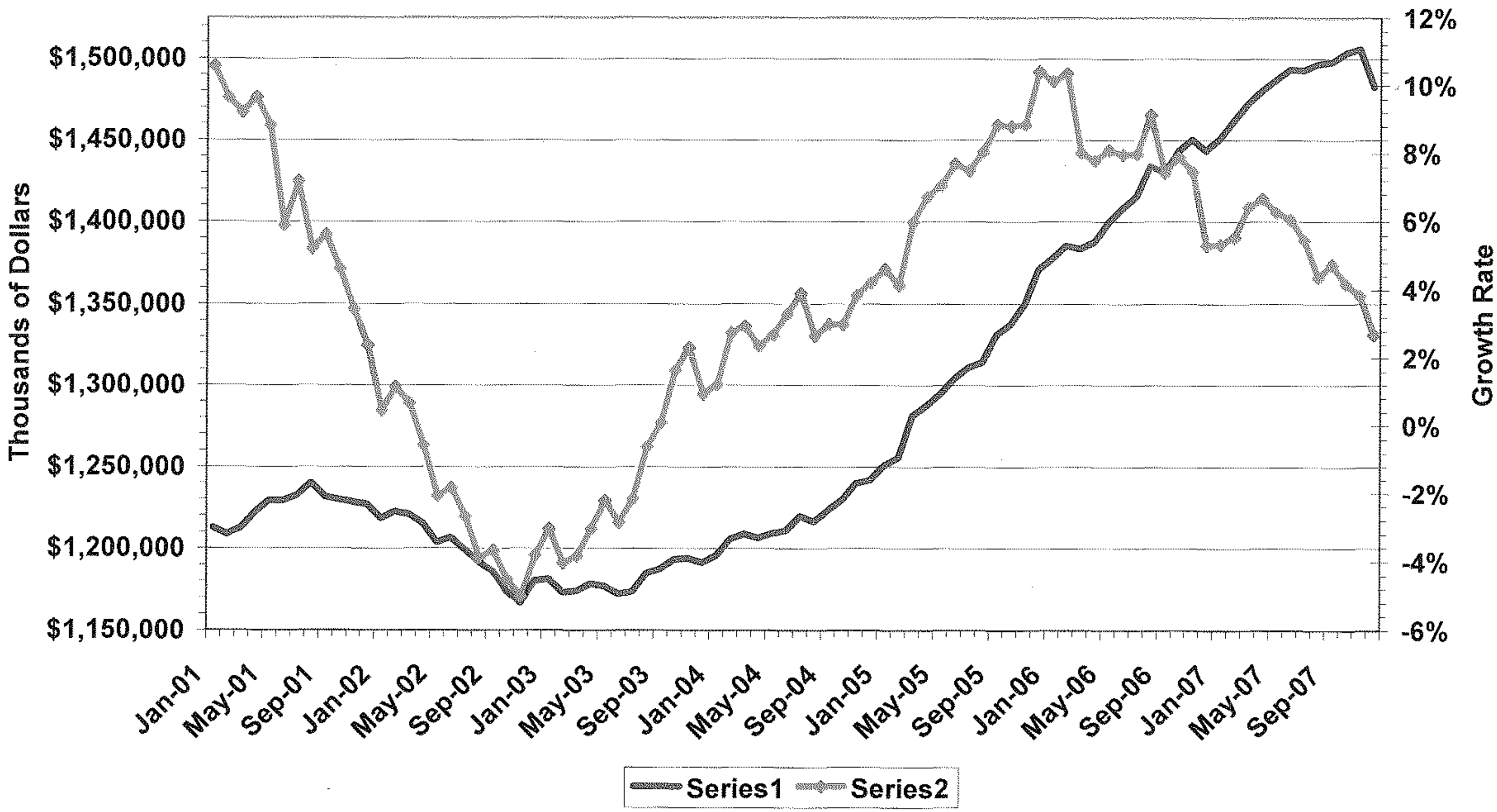
Total Taxable Sales
January 2001 to Date

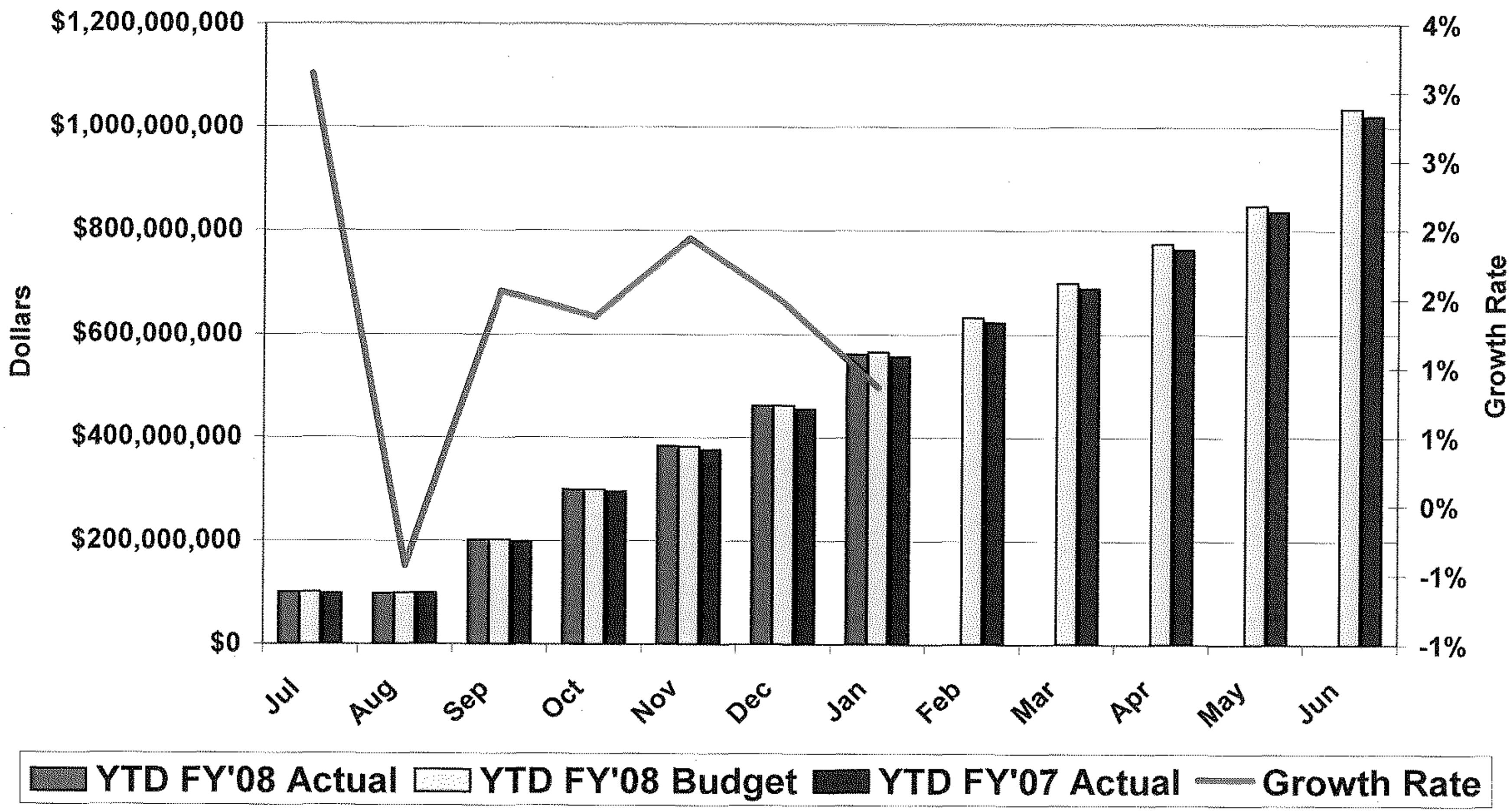


Maine Revenue Services Economic Research Division 2/15/2008

Utility Taxable Sales
January 2001 to Date



Sales & Service Provider Tax Revenue
FY'08 Actual, Budget & FY'07 Actual

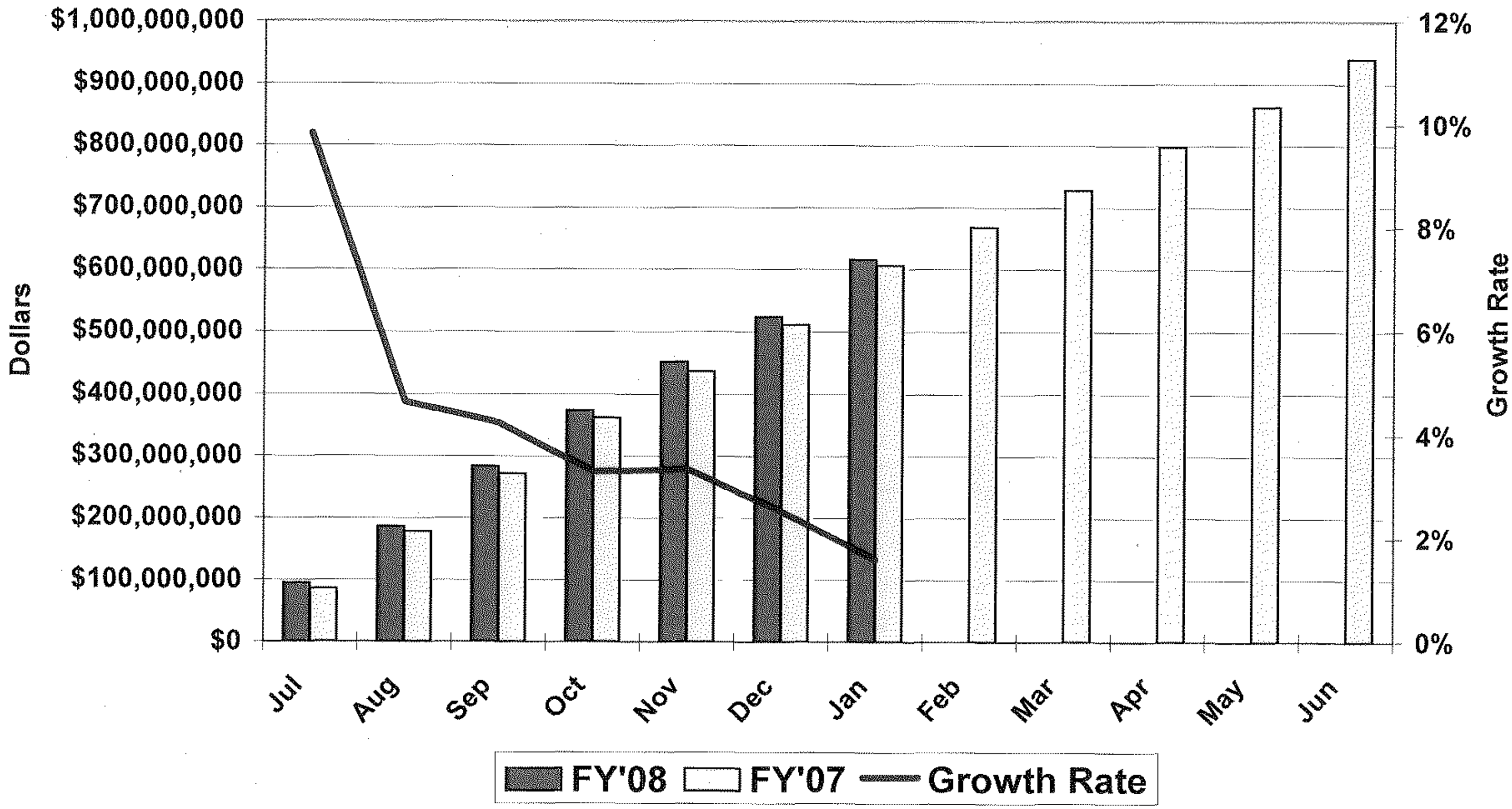


Maine Revenue Services Economic Research Division 2/19/2008

Maine Revenue Services
Sales & Use Tax and General Fund Service Provider Tax Revenue

Month	FY'08 Actual	FY'08 Budget	FY'07 Actual	FY'06 Actual	FY'08 Actual vs. Budget	FY'08 Budget vs. FY'07 Actual	FY'08 Actual vs. FY'07 Actual	FY'07 Actual vs. FY'06 Actual
Jul	$100,695,273	$100,692,169	$97,636,332	$95,563,538	0.0%	3.1%	3.1%	2.2%
Aug	($2,248,640)	($2,033,525)	$1,233,000	$1,369,702	10.6%	-264.9%	-282.4%	-10.0%
Sep	$102,884,842	$102,661,919	$99,371,172	$94,871,741	0.2%	3.3%	3.5%	4.7%
Oct	$97,816,164	$97,583,002	$96,837,762	$93,595,668	0.2%	0.8%	1.0%	3.5%
Nov	$83,857,052	$83,311,508	$80,635,458	$75,709,519	0.7%	3.3%	4.0%	6.5%
Dec	$77,804,104	$79,274,678	$78,390,770	$76,227,244	-1.9%	1.1%	-0.7%	2.8%
Jan	$100,469,208	$103,714,697	$102,401,069	$99,141,063	-3.1%	1.3%	-1.9%	3.3%
Feb	$0	$67,369,759	$66,603,722	$62,521,542	-100.0%	1.2%	-100.0%	6.5%
Mar	$0	$65,457,323	$64,710,220	$65,274,214	-100.0%	1.2%	-100.0%	-0.9%
Apr	$0	$75,953,914	$75,102,886	$73,697,434	-100.0%	1.1%	-100.0%	1.9%
May	$0	$74,340,529	$73,480,822	$77,747,307	-100.0%	1.2%	-100.0%	-5.5%
Jun	$0	$187,921,000	$184,453,041	$177,483,736	-100.0%	1.9%	-100.0%	3.9%
Total	$561,278,003	$1,036,246,973	$1,020,856,254	$993,202,708	-45.8%	1.5%	-45.0%	2.8%
YTD Jan	$561,278,003	$565,204,448	$556,505,563	$536,478,475	-0.7%	1.6%	0.9%	3.7%

Sales Tax Cash Receipts
Year-to-Date FY'08 & FY'07



Maine Revenue Services Economic Research Division 2/6/2008

Maine Revenue Services
Sales Tax Cash Receipts

	FY'08	FY'07	YTD FY'08	YTD FY'07	Growth Rate	YTD Growth Rate
Jul	$94,490,211	$86,034,835	$94,490,211	$86,034,835	9.8%	9.8%
Aug	$91,648,120	$91,832,520	$186,138,331	$177,867,355	-0.2%	4.7%
Sep	$96,721,370	$93,495,551	$282,859,701	$271,362,906	3.5%	4.2%
Oct	$90,525,216	$90,134,771	$373,384,917	$361,497,677	0.4%	3.3%
Nov	$78,192,985	$75,501,328	$451,577,902	$436,999,005	3.6%	3.3%
Dec	$72,211,934	$73,900,046	$523,789,836	$510,899,051	-2.3%	2.5%
Jan	$91,691,894	$94,949,605	$615,481,730	$605,848,656	-3.4%	1.6%
Feb	$0	$62,068,877	$615,481,730	$667,917,533	-100.0%	-7.9%
Mar	$0	$59,532,642	$615,481,730	$727,450,175	-100.0%	-15.4%
Apr	$0	$70,396,653	$615,481,730	$797,846,828	-100.0%	-22.9%
May	$0	$64,987,419	$615,481,730	$862,834,247	-100.0%	-28.7%
Jun	$0	$77,587,405	$615,481,730	$940,421,652	-100.0%	-34.6%

Maine Revenue Services Economic Research Division. 2/6/2008

Sales & Use and Service Provider Taxes: Baseline Forecast FY08 - FY11

	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium
Actuals & November, 2007 Forecast /1	**$917,243,245**	**$941,221,839**	**$1,858,465,084**	**$993,202,707**	**$1,020,856,253**	**$2,014,058,960**	**$1,036,246,973**	**$1,083,541,266**	**$2,119,788,239**	**$1,134,958,860**	**$1,187,399,131**	**$2,322,357,991**
Growth Rate	7.0%	2.6%	9.7%	5.5%	2.8%	8.4%	1.5%	4.6%	5.2%	4.7%	4.6%	9.6%
Technical Adjustments to Prior Forecast /2	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Economic Assumptions /3	$0	$0	$0	$0	$0	$0	($6,827,961)	($22,731,976)	($29,559,937)	($35,583,027)	($44,045,075)	($79,628,102)
Total Adjustments to Prior Forecast	$0	$0	$0	$0	$0	$0	($6,827,961)	($22,731,976)	($29,559,937)	($35,583,027)	($44,045,075)	($79,628,102)
New Forecast	**$917,243,245**	**$941,221,839**	**$1,858,465,084**	**$993,202,707**	**$1,020,856,253**	**$2,014,058,960**	**$1,029,419,012**	**$1,060,809,290**	**$2,090,228,302**	**$1,099,375,833**	**$1,143,354,056**	**$2,242,729,889**
Growth Rate	7.0%	2.6%	9.7%	5.5%	2.8%	8.4%	0.8%	3.0%	3.8%	3.6%	4.0%	7.3%

1/ November, 2007 forecast with FY04, FY05, FY06, and FY07 actuals.

2/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions. Examples of technical changes may be new data, model updates and changes, and court cases that affect revenues.

3/ This line shows the incremental change in baseline revenues as a result of the new economic forecast released by the Consensus Economic Forecasting Committee. In addition, Global Insight's February 2008 forecast is used to estimate the impact of energy prices on sales tax receipts and to target automobile sales growth.

Maine Revenue Services
Economic Research Division

25-Feb-08

2/20/2008

Maine R[illegible]nue Services
Model Sales Tax Revenue for Selected Categories from the February 2008 Forecast
(millions of dollars)

Fiscal Years	2007	2008		2009		2010		2011	
Personal Consumption									
Total motor vehicles	$138.8	$120.7	-13.0%	$110.3	-8.6%	$116.6	5.7%	$123.9	6.2%
New autos	$61.20	$53.2	-13.0%	$48.7	-8.6%	$51.4	5.7%	$54.6	6.2%
Used Autos	$34.62	$30.1	-13.0%	$27.5	-8.6%	$29.1	5.7%	$30.9	6.2%
Other motor vehicles	$42.93	$37.4	-13.0%	$34.1	-8.6%	$36.1	5.7%	$38.3	6.2%
Restaurants	$132.29	$134.9	2.0%	$139.0	3.0%	$144.5	4.0%	$148.7	2.9%
Lodging	$41.77	$44.8	7.3%	$48.2	7.5%	$52.5	9.0%	$56.7	7.9%
Shoes	$10.90	$11.1	1.4%	$11.3	2.6%	$11.7	3.4%	$12.0	2.4%
Women's clothing	$40.83	$42.3	3.5%	$44.1	4.3%	$46.5	5.4%	$48.5	4.4%
Men's clothing	$24.8	$25.7	3.5%	$26.8	4.3%	$28.3	5.4%	$29.5	4.4%
Jewelry and watches	$13.6	$14.2	5.0%	$15.0	5.6%	$16.1	6.9%	$17.0	5.8%
Toilet articles and preps	$18.7	$19.9	6.5%	$21.3	6.9%	$23.0	8.3%	$24.7	7.3%
Furniture	$17.2	$18.0	4.6%	$19.0	5.3%	$20.2	6.4%	$21.3	5.5%
Drugs	$17.4	$17.5	0.2%	$17.8	1.6%	$18.2	2.4%	$18.4	1.3%
Personal consumption	$745.2	$745.3	0.0%	$758.9	1.8%	$796.7	5.0%	$830.7	4.3%
Business Intermediate	$195.4	$201.3	3.0%	$205.9	2.3%	$212.1	3.0%	$218.7	3.1%
Business Investment	$80.3	$83.5	4.0%	$86.5	3.6%	$89.8	3.9%	$93.2	3.8%

Maine Revenue Services
Transfers to the Tourism Marketing Promotion Fund
February 2008 Forecast

5% of the tax on meals and lodging is dedicated to the Tourism Marketing Promotion Fund. Revenue is credited to the fund in July and October of each year based on revenue collected in the prior fiscal year after revenue sharing has been deducted.

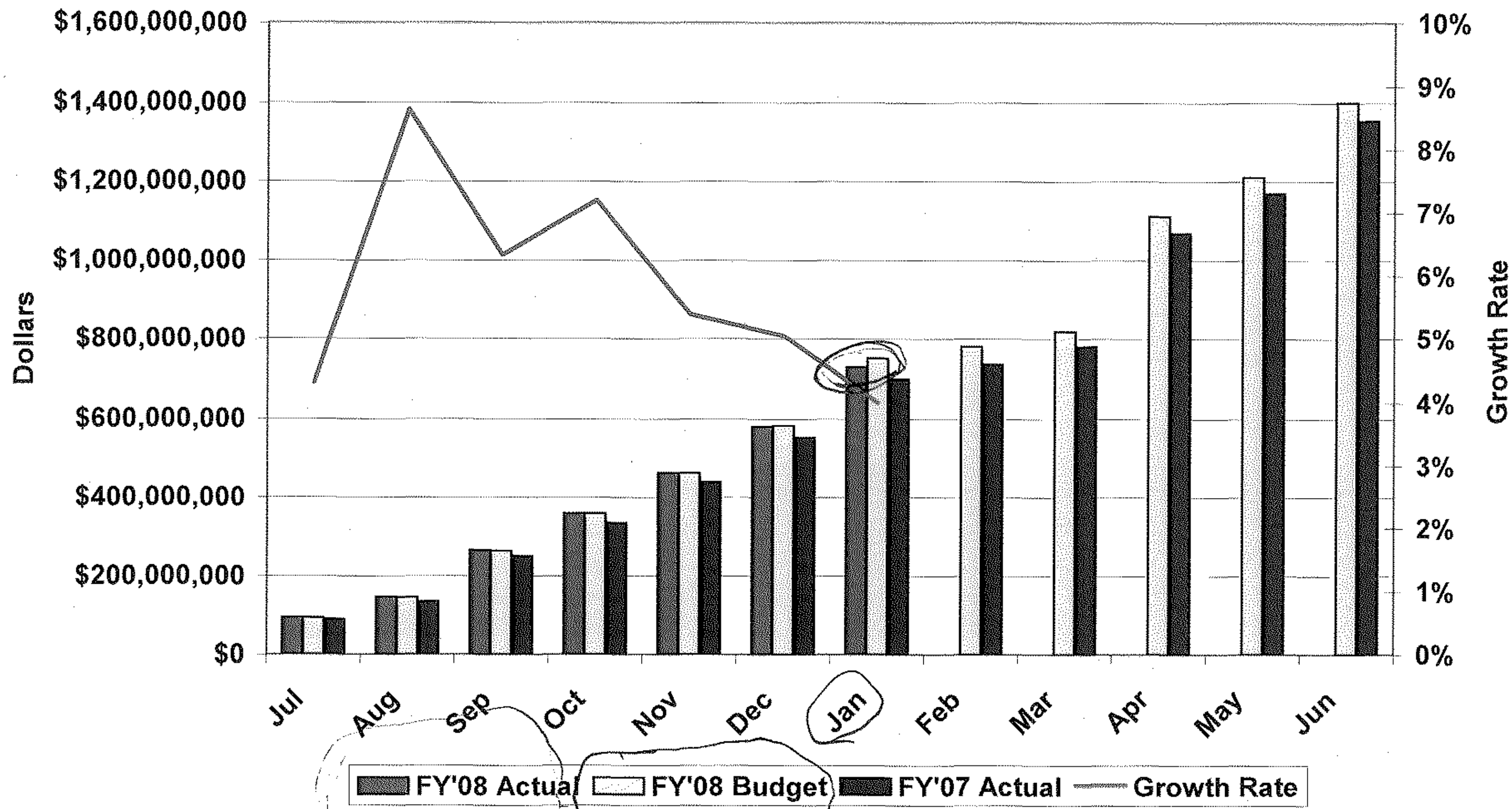
Actual FY'07 meals/lodge tax revenue	$183,528,705	
General Fund portion	$174,168,741	94.9%
FY'08 Transfer to Tourism - budget	$8,607,905	
Actual FY'08 transfer	$8,708,437	5.0%
Variance	$100,533	

	FY'08	FY'09	FY'10	FY'11
Meals and lodging revenue forecast	$189,460,000	$197,120,000	$207,380,000	$216,150,000
Growth rate	3.2%	4.0%	5.2%	4.2%
General Fund	$179,797,540	$187,066,880	$196,596,240	$204,910,200
General Fund percentage	94.9%	94.9%	94.8%	94.8%

February 2008 forecast	FY'09	FY'10	FY'11	FY'12
5% to Tourism Fund	$8,989,877	$9,353,344	$9,829,812	$10,245,510
Current budget	$8,911,585	$9,365,681	$9,811,800	
Variance	$78,293	($12,337)	$18,012	

Individual Income Tax

YTD Individual Income Tax Revenue
FY'08 Actual, Budget & FY'07 Actual



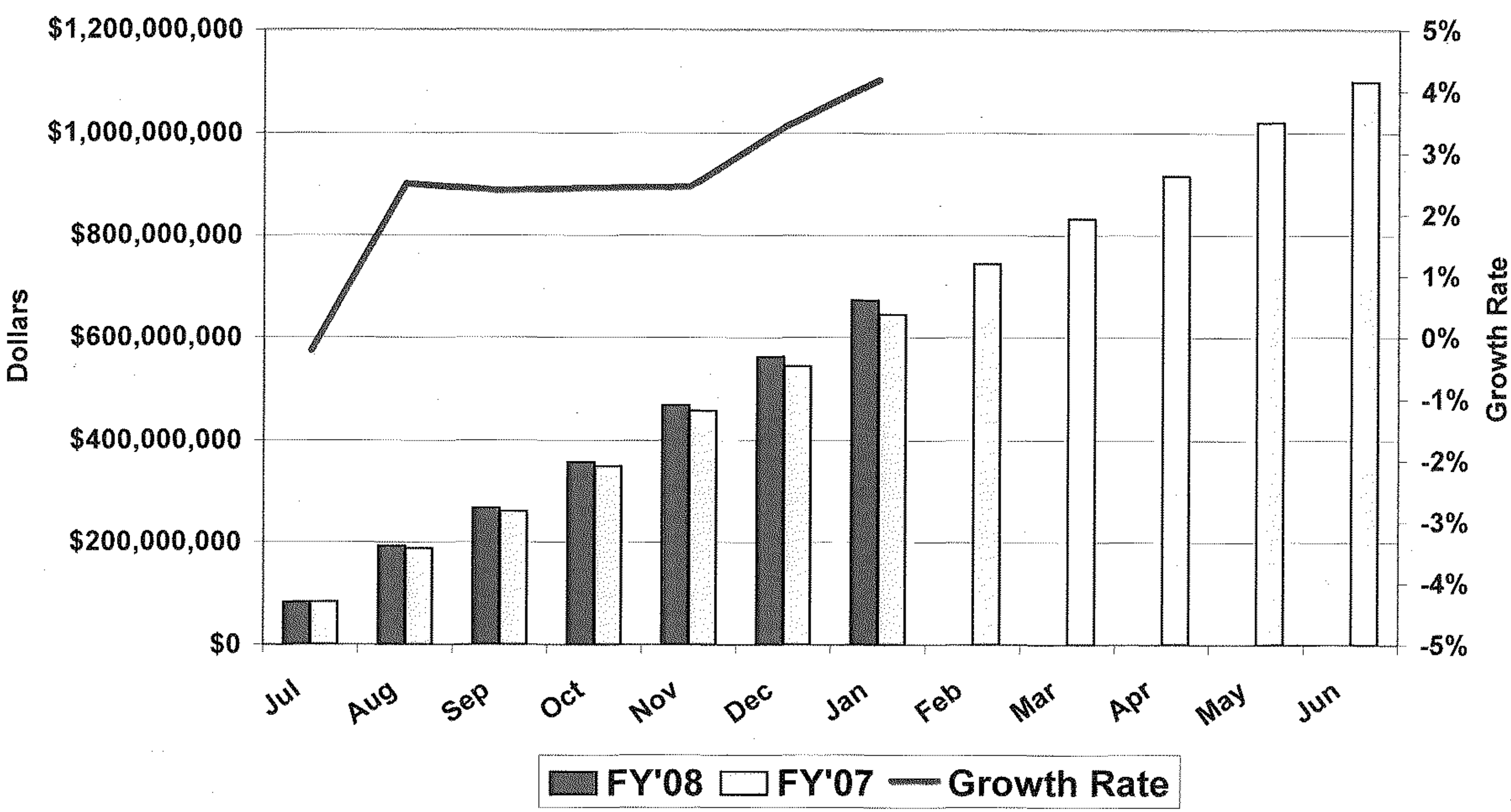
Maine Revenue Services Economic Research Division 2/19/2008

Maine Revenue Services
Individual Income Tax Revenue

	FY'08 Actual	FY'08 Budget	FY'07 Actual	FY'06 Actual	FY'08 Actual vs. Budget	FY'08 Budget vs. FY'07 Actual	FY'08 Actual vs. FY'07 Actual	FY'07 Actual vs. FY'06 Actual
Jul	$94,757,222	$94,739,505	$90,829,254	$81,512,002	0.0%	4.3%	4.3%	11.4%
Aug	$52,138,736	$51,648,133	$44,386,435	$41,008,817	0.9%	16.4%	17.5%	8.2%
Sep	$118,358,298	$117,594,977	$114,238,155	$125,826,676	0.6%	2.9%	3.6%	-9.2%
Oct	$93,194,975	$94,473,789	$84,923,088	$63,159,155	-1.4%	11.2%	9.7%	34.5%
Nov	$104,070,393	$103,861,183	$104,500,615	$88,172,229	0.2%	-0.6%	-0.4%	18.5%
Dec	$117,467,085	$119,896,741	$113,280,029	$123,612,742	-2.0%	5.8%	3.7%	-8.4%
Jan	$148,719,712	$169,174,028	$148,537,510	$131,958,647	-12.1%	13.9%	0.1%	12.6%
Feb	$0	$29,176,011	$34,907,426	$21,631,009	-100.0%	-16.4%	-100.0%	61.4%
Mar	$0	$38,437,249	$44,066,066	$53,241,988	-100.0%	-12.8%	-100.0%	-17.2%
Apr	$0	$292,562,052	$288,532,021	$251,414,316	-100.0%	1.4%	-100.0%	14.8%
May	$0	$98,692,718	$101,176,024	$97,373,930	-100.0%	-2.5%	-100.0%	3.9%
Jun	$0	$190,696,839	$184,557,871	$175,595,152	-100.0%	3.3%	-100.0%	5.1%
Total	$728,706,421	$1,400,953,225	$1,353,934,494	$1,254,506,663	-48.0%	3.5%	-46.2%	7.9%
YTD Jan	$728,706,421	$751,388,356	$700,695,086	$655,250,268	-3.0%	7.2%	4.0%	6.9%

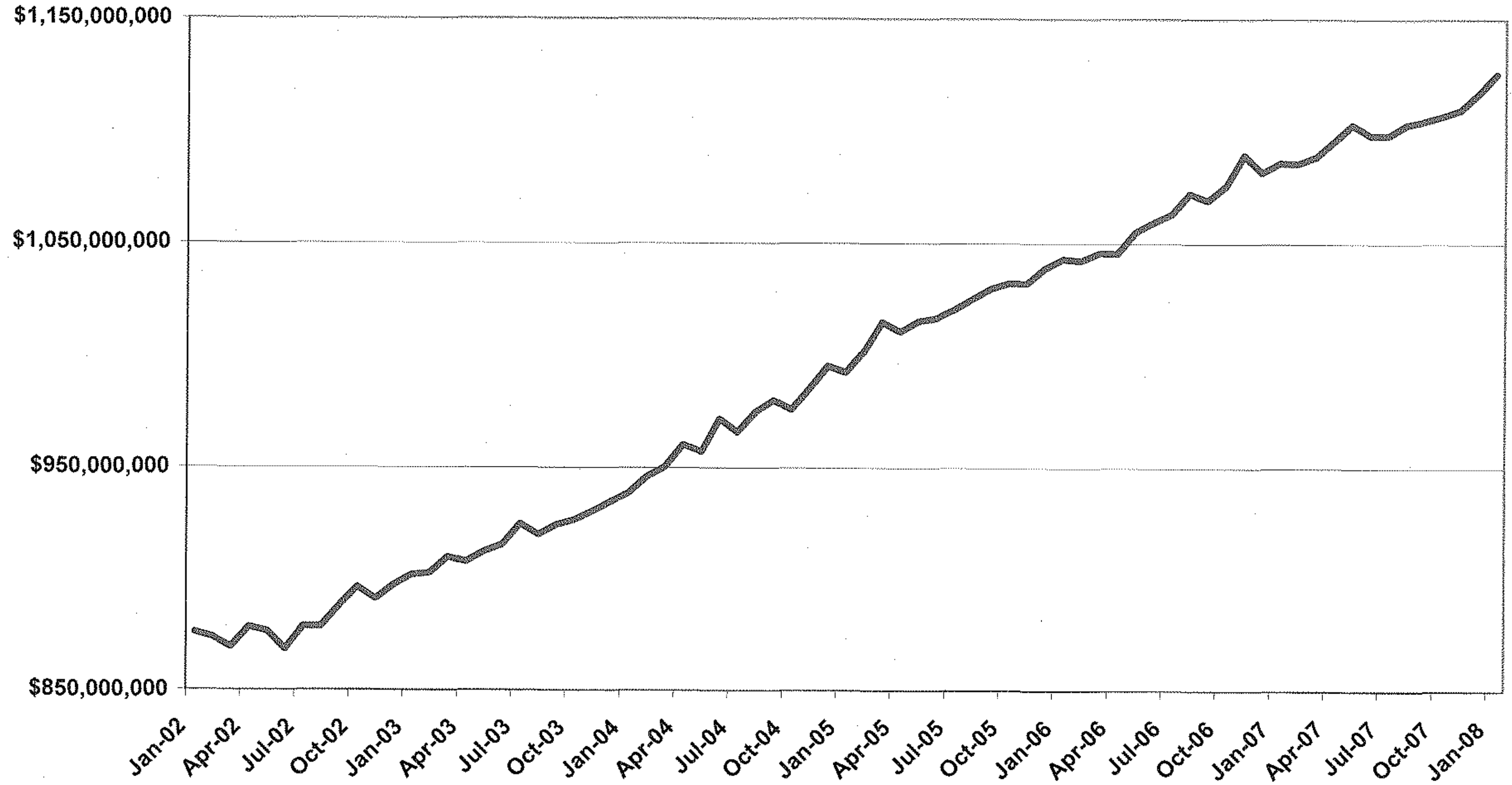
Maine Revenue Services Economic Research Division. 2/19/2008

1040 Withholding
Year-to-Date FY'08 & FY'07



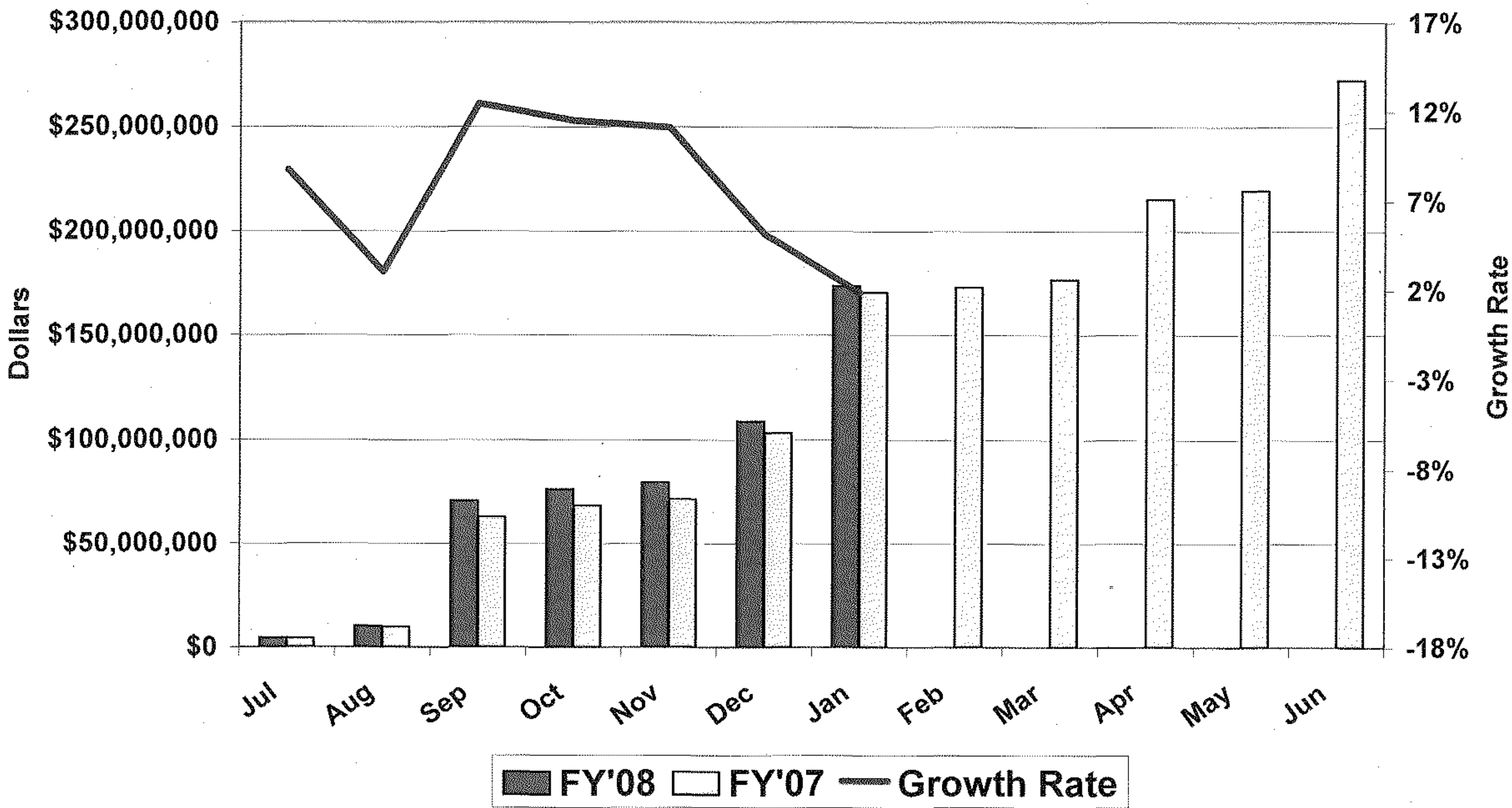
Maine Revenue Services Economic Research Division 2/6/2008

Withholding Tax Revenue
12 Month Moving Total



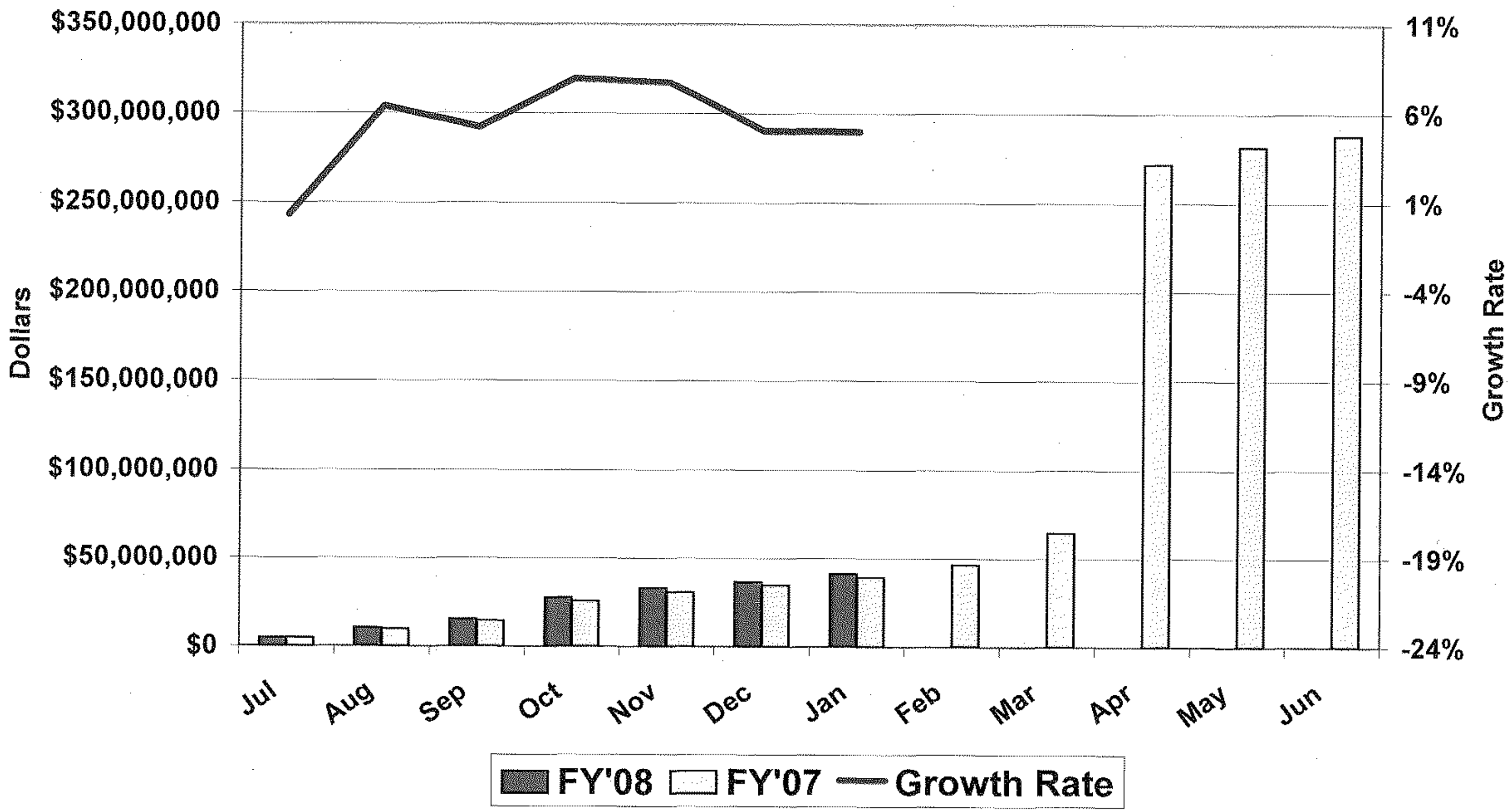
Maine Revenue Services Research Division 2/6/2008

1040 Estimated Payments
Year-to-Date FY'08 & FY'07



Maine Revenue Services Economic Research Division 2/6/2008

1040 Final Payments
Year-to-Date FY'08 & FY'07



Maine Revenue Services Economic Research Division 2/6/2008

Maine Revenue Services

Individual Income Tax Withholding, Estimated Payments and Final Payments

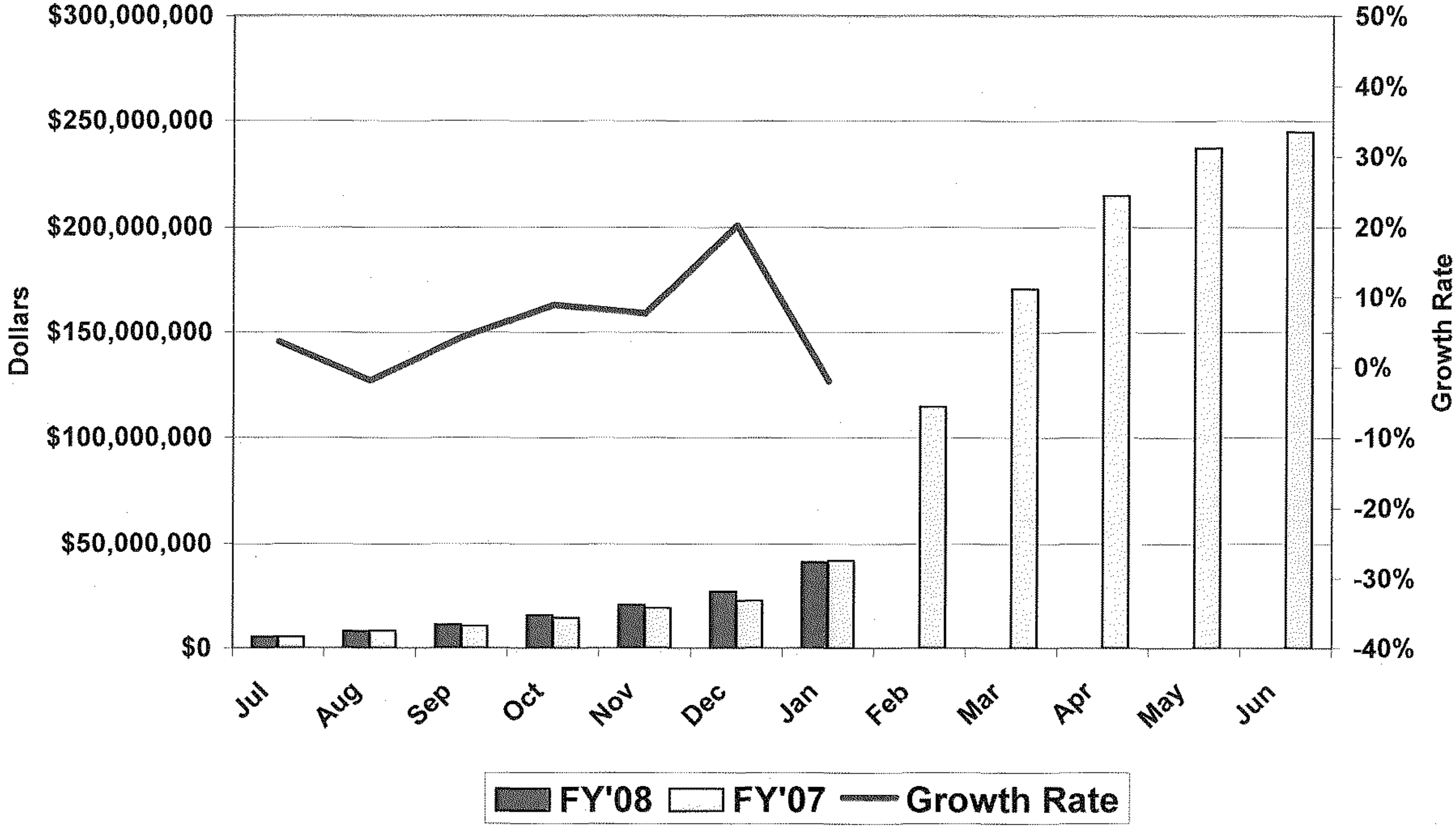
	1040 Withholding			1040 Estimated Payments			1040 Final Payments		
	FY'08	FY'07	Growth Rate	FY'08	FY'07	Growth Rate	FY'08	FY'07	Growth Rate
Jul	$83,412,245	$83,598,836	-0.2%	$4,562,923	$4,195,018	8.8%	$4,658,736	$4,644,833	0.3%
Aug	$108,802,415	$103,918,897	4.7%	$5,493,361	$5,563,522	-1.3%	$5,614,350	$5,011,255	12.0%
Sep	$74,628,128	$73,091,168	2.1%	$60,753,488	$53,220,634	14.2%	$4,872,685	$4,739,993	2.8%
Oct	$90,467,876	$88,194,143	2.6%	$5,536,440	$5,486,161	0.9%	$12,490,097	$11,206,338	11.5%
Nov	$112,012,977	$109,277,581	2.5%	$3,243,293	$3,162,695	2.5%	$5,327,680	$4,997,795	6.6%
Dec	$92,779,409	$85,386,090	8.7%	$29,170,837	$31,807,698	-8.3%	$3,551,776	$4,167,038	-14.8%
Jan	$109,760,903	$101,417,190	8.2%	$64,940,383	$67,083,876	-3.2%	$4,705,560	$4,490,473	4.8%
Feb	$0	$98,195,645	-100.0%	$0	$2,420,345	-100.0%	$0	$7,162,915	-100.0%
Mar	$0	$89,124,176	-100.0%	$0	$3,799,113	-100.0%	$0	$18,164,822	-100.0%
Apr	$0	$83,223,876	-100.0%	$0	$38,482,232	-100.0%	$0	$207,511,031	-100.0%
May	$0	$105,017,024	-100.0%	$0	$4,293,354	-100.0%	$0	$9,759,859	-100.0%
Jun	$0	$78,209,603	-100.0%	$0	$52,824,632	-100.0%	$0	$6,225,441	-100.0%

Year-To-Date

	1040 Withholding			1040 Estimated Payments			1040 Final Payments		
	FY'08	FY'07	Growth Rate	FY'08	FY'07	Growth Rate	FY'08	FY'07	Growth Rate
Jul	$83,412,245	$83,598,836	-0.2%	$4,562,923	$4,195,018	8.8%	$4,658,736	$4,644,833	0.3%
Aug	$192,214,660	$187,517,733	2.5%	$10,056,284	$9,758,540	3.1%	$10,273,086	$9,656,088	6.4%
Sep	$266,842,788	$260,608,901	2.4%	$70,809,772	$62,979,174	12.4%	$15,145,771	$14,396,081	5.2%
Oct	$357,310,664	$348,803,044	2.4%	$76,346,212	$68,465,335	11.5%	$27,635,868	$25,602,419	7.9%
Nov	$469,323,641	$458,080,625	2.5%	$79,589,505	$71,628,030	11.1%	$32,963,548	$30,600,214	7.7%
Dec	$562,103,050	$543,466,715	3.4%	$108,760,342	$103,435,728	5.1%	$36,515,324	$34,767,252	5.0%
Jan	$671,863,953	$644,883,905	4.2%	$173,700,725	$170,519,604	1.9%	$41,220,884	$39,257,725	5.0%
Feb	$671,863,953	$743,079,550	-9.6%	$173,700,725	$172,939,949	0.4%	$41,220,884	$46,420,640	-11.2%
Mar	$671,863,953	$832,203,726	-19.3%	$173,700,725	$176,739,062	-1.7%	$41,220,884	$64,585,462	-36.2%
Apr	$671,863,953	$915,427,602	-26.6%	$173,700,725	$215,221,294	-19.3%	$41,220,884	$272,096,493	-84.9%
May	$671,863,953	$1,020,444,626	-34.2%	$173,700,725	$219,514,648	-20.9%	$41,220,884	$281,856,352	-85.4%
Jun	$671,863,953	$1,098,654,229	-38.8%	$173,700,725	$272,339,280	-36.2%	$41,220,884	$288,081,793	-85.7%

Maine Revenue Services Economic Research Division. 2/6/2008

Individual Income Tax Refunds Year-to-Date FY'08 & FY'07



Maine Revenue Services Economic Research Division 2/14/2008

Maine Revenue Services
Individual Income Tax Refunds

	Month		Year-To-Date		
	FY'08	FY'07	FY'08	FY'07	Growth Rate
Jul	$5,429,237	$5,243,096	$5,429,237	$5,243,096	4%
Aug	$2,590,045	$2,938,773	$8,019,282	$8,181,869	-2%
Sep	$3,086,309	$2,475,143	$11,105,591	$10,657,012	4%
Oct	$4,677,166	$3,842,940	$15,782,757	$14,499,952	9%
Nov	$4,791,032	$4,617,990	$20,573,789	$19,117,942	8%
Dec	$6,707,364	$3,576,620	$27,281,153	$22,694,562	20%
Jan	$13,839,204	$19,292,729	$41,120,357	$41,987,291	-2%
Feb	$0	$72,372,030	$41,120,357	$114,359,321	-64%
Mar	$0	$56,234,371	$41,120,357	$170,593,692	-76%
Apr	$0	$44,204,662	$41,120,357	$214,798,354	-81%
May	$0	$22,544,930	$41,120,357	$237,343,284	-83%
Jun	$0	$7,498,402	$41,120,357	$244,841,686	-83%

Maine Revenue Services Economic Research Division. 2/14/2008

Table 4-3.

Actual and Projected Capital Gains Realizations and Taxes

	Capital Gains Realizations[a]		Capital Gains Tax Liabilities[a]		Capital Gains Tax Receipts[b]		Capital Gains Tax Receipts as a Percentage of Individual Income Tax Receipts
	Billions of Dollars	Percentage Change From Previous Year	Billions of Dollars	Percentage Change From Previous Year	Billions of Dollars	Percentage Change From Previous Year	
1990	124	-20	28	-21	32	-14	6.8
1991	112	-10	25	-11	27	-17	5.7
1992	127	14	29	16	27	1	5.6
1993	152	20	36	25	32	20	6.3
1994	153	*	36	*	36	12	6.7
1995	180	18	44	22	40	10	6.8
1996	261	45	66	50	54	36	8.3
1997	365	40	79	19	72	33	9.8
1998	455	25	89	12	84	16	10.1
1999	553	21	112	26	99	19	11.3
2000	644	17	127	14	119	20	11.8
2001	349	-46	66	-48	100	-16	10.0
2002	269	-23	49	-25	58	-42	6.8
2003	323	20	51	5	50	-14	6.3
2004	499	54	74	43	61	22	7.6
2005	690	38	101	37	86	40	9.3
2006	798	16	117	16	108	26	10.4
2007	863	8	127	8	122	12	10.5
2008	822	-5	117	-8	123	1	10.1
2009	800	-3	113	-3	115	-6	8.6
2010	899	12	128	13	115	*	8.3
2011	611	-32	112	-13	131	14	8.1
2012	717	17	133	18	115	-12	6.6
2013	722	1	133	*	133	15	7.1
2014	731	1	133	1	133	*	6.8
2015	744	2	135	1	134	1	6.5
2016	760	2	138	2	136	1	6.2
2017	780	3	141	2	139	2	6.0
2018	803	3	145	3	142	3	5.8

Source: Congressional Budget Office.

Note: * = between zero and 0.5 percent.

Capital gains realizations are the sum of net capital gains from tax returns reporting a net gain. Data for realizations and liabilities after 2004 and data for tax receipts in all years are estimated or projected by CBO. Data on realizations and liabilities before 2005 are estimated by the Treasury Department.

a. Calendar year basis.

b. Fiscal year basis. This measure is CBO's estimate of when tax liabilities are paid to the Treasury.

Individual Income Tax: Baseline Forecast FY08 - FY11

	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium
Actuals & November, 2007 Forecast /1	**$1,156,715,909**	**$1,270,225,329**	**$2,426,941,238**	**$1,254,510,746**	**$1,353,934,495**	**$2,608,445,241**	**$1,400,953,225**	**$1,412,984,780**	**$2,813,938,005**	**$1,432,186,735**	**$1,461,052,033**	**$2,893,238,768**
Growth Rate	7.9%	9.8%	13.3%	-1.2%	7.9%	7.5%	3.5%	0.9%	7.9%	1.4%	2.0%	2.8%
Personal Property Tax Exemption /2	$0	$0	$0	$0	$0	$0	$0	$11,373,516	$11,373,516	$21,538,412	$27,486,069	
BETR Reimbursement /2	$0	$0	$0	$67,065,810	$66,553,092	$133,618,902	$68,490,826	$69,059,334	$137,550,160	$65,653,487	$60,047,934	$125,701,421
Tax & Rent Claims /2	$0	$26,030,227	$26,030,227	$42,796,070	$44,440,759	$87,236,829	$46,253,766	$47,573,249	$93,827,015	$48,073,804	$50,473,026	$98,546,830
Individual Income Tax Before T&R Claims	$1,156,715,909	$1,296,255,556	$2,452,971,465	$1,364,372,626	$1,464,928,346	$2,829,300,972	$1,515,697,817	$1,540,990,879	$3,056,688,696	$1,567,452,438	$1,599,059,062	$3,166,511,500
Growth Rate	7.9%	12.1%	14.5%	5.3%	7.4%	15.3%	3.5%	1.7%	8.0%	1.7%	2.0%	3.6%
Technical Adjustments /3							$0	$0	$0	$0	$0	$0
Economic Assumptions /4							($421,000)	($18,092,000)	($18,513,000)	($14,835,000)	($13,122,000)	($27,957,000)
Total Adjustments to Prior Forecast							($421,000)	($18,092,000)	($18,513,000)	($14,835,000)	($13,122,000)	($27,957,000)
New Forecast	**$1,156,715,909**	**$1,296,255,556**	**$2,426,941,238**	**$1,364,372,626**	**$1,464,928,346**	**$2,608,445,241**	**$1,515,276,817**	**$1,522,898,879**	**$2,795,425,005**	**$1,552,617,438**	**$1,585,937,062**	**$2,865,281,768**
Growth Rate	7.9%	9.8%	13.3%	5.3%	7.4%	7.5%	3.4%	0.5%	7.2%	2.0%	2.1%	2.5%
Personal Property Tax Exemption	$0	$0	$0	$0	$0	$0	$0	($11,373,516)	($11,373,516)	($21,538,412)	($27,486,069)	($49,024,481)
Tax & Rent Claims	$0	$26,030,227	26,030,227	($42,796,070)	($44,440,759)	($87,236,829)	($46,253,766)	($47,573,249)	($93,827,015)	($48,073,804)	($50,473,026)	($98,546,830)
BETR Reimbursement	$0	$0	$0	($67,065,810)	($66,553,092)	($133,618,902)	($68,490,826)	($69,059,334)	($137,550,160)	($65,653,487)	($60,047,934)	($125,701,421)
Total Individual Income Tax	**$ 1,156,715,909**	**$1,270,225,329**	**$2,426,941,238**	**$1,254,510,746**	**$1,353,934,495**	**$2,608,445,241**	**$1,400,532,225**	**$1,394,892,780**	**$2,795,425,005**	**$1,417,351,735**	**$1,447,930,033**	**$2,865,281,768**
				-1.2%	7.9%	7.5%	3.4%	-0.4%	7.2%	1.6%	2.2%	2.5%

1/ November, 2007 forecast with FY04, FY05, FY06, and FY07 actuals.

2/ Adjusts for Maine Residents Property Tax Relief Program, BETR transfers and reimbursement to municipalities for Business Equipment Property Tax Exemption.

3/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions. Examples of technical changes may be new data, model updates and changes, and court cases that affect revenues.

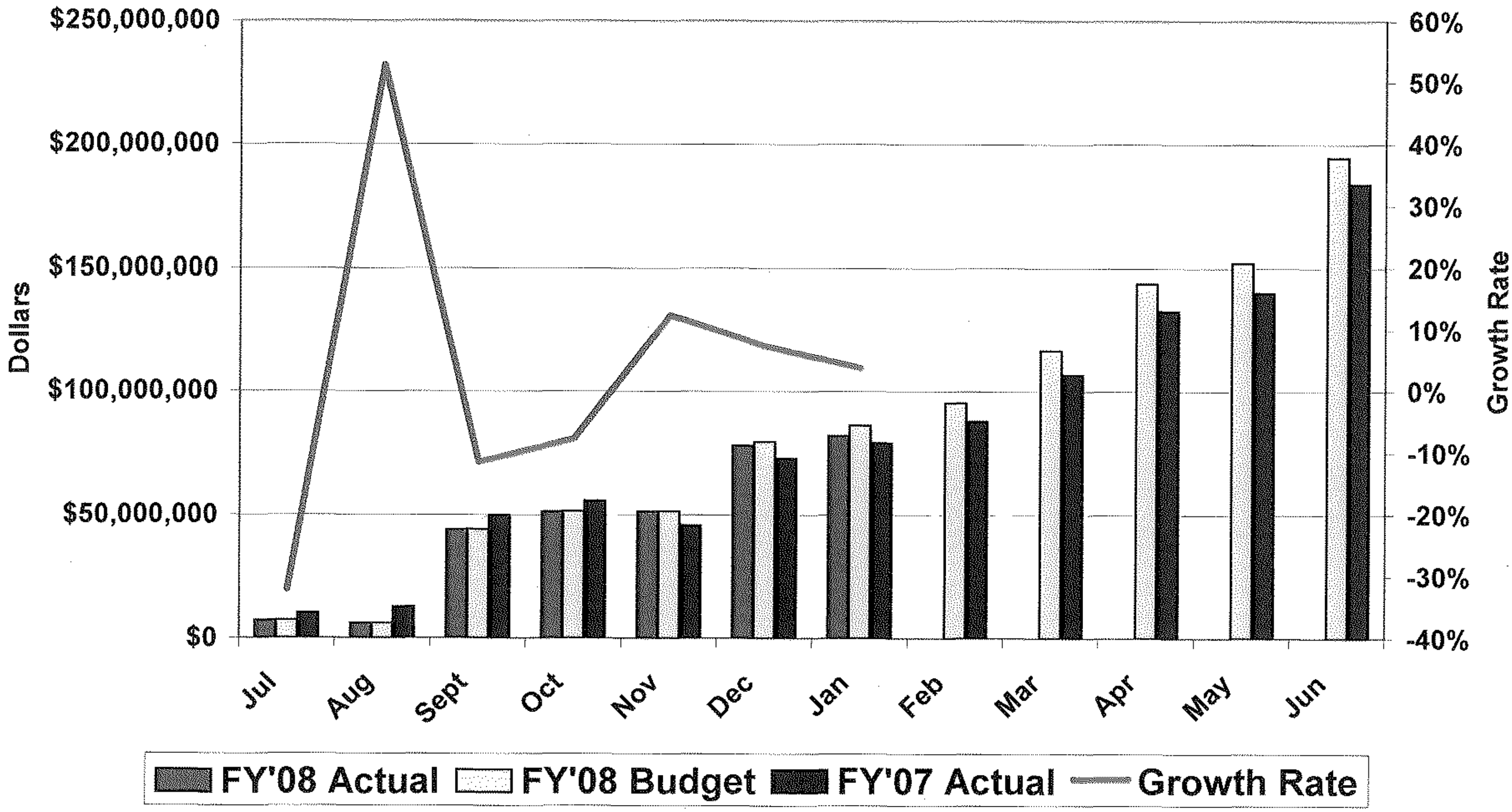
4/ This line shows the incremental change in baseline revenues as a result of a new economic forecast.

Maine Revenue Services
Research Division

25-Feb-08

Corporate Income Tax

YTD Corporate Income Tax Revenue
FY'08 Actual, Budget & FY'07 Actual



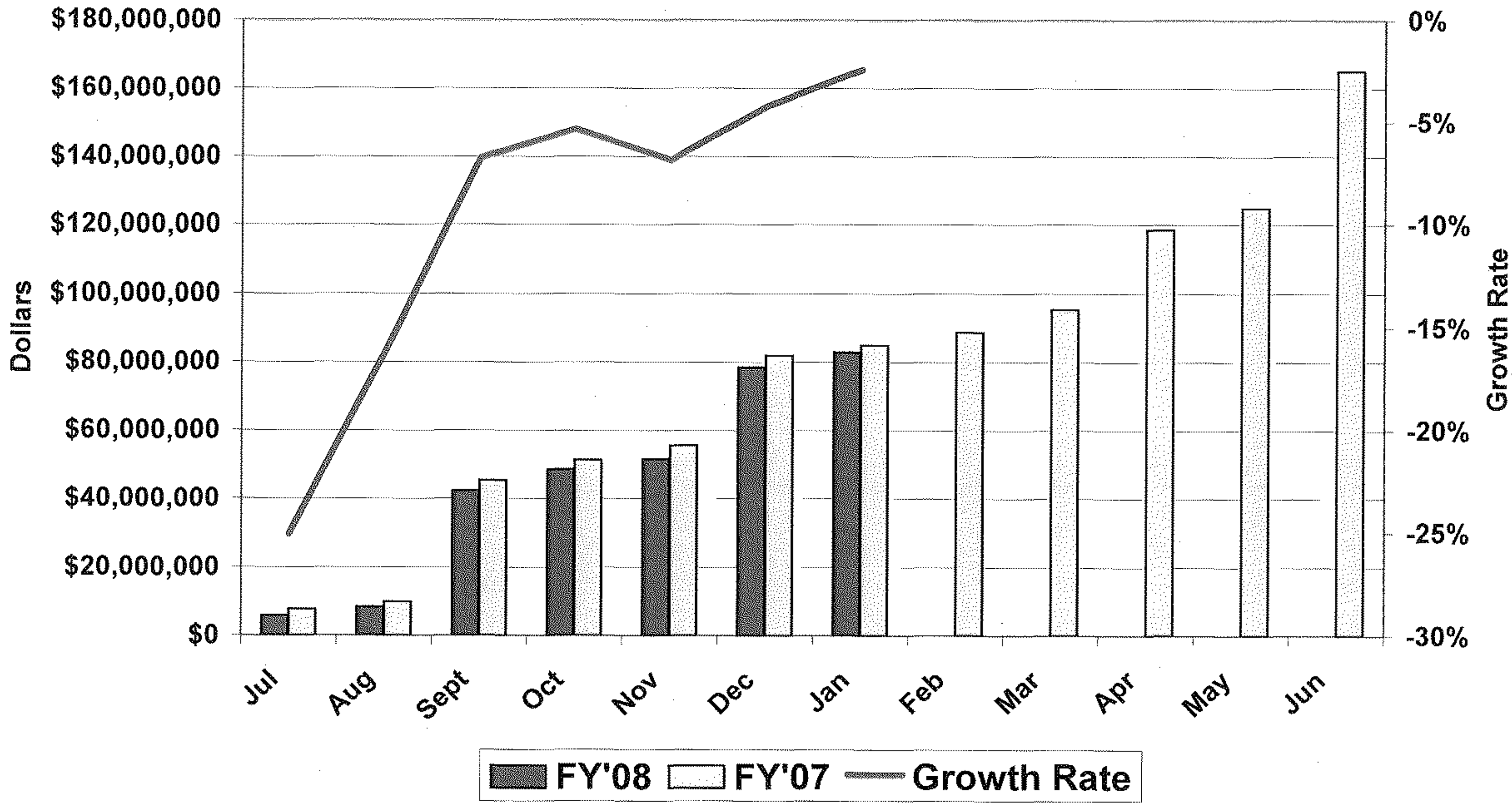
Maine Revenue Services Economic Research Division 2/19/2008

Maine Re..nue Services
Corporate Income Tax Revenue

	FY'08 Actual	FY'08 Budget	FY'07 Actual	FY'06 Actual	FY'08 Actual vs. Budget	FY'08 Budget vs. FY'07 Actual	FY'08 Actual vs. FY'07 Actual	FY'07 Actual vs. FY'06 Actual
Jul	$7,127,701	$7,300,000	$10,487,769	$6,572,991	-2.4%	-30.4%	-32.0%	59.6%
Aug	($1,099,888)	($1,200,000)	$2,275,148	$1,350,981	-8.3%	152.7%	148.3%	68.4%
Sept	$37,994,766	$38,000,000	$37,010,069	$33,014,931	0.0%	2.7%	2.7%	12.1%
Oct	$7,301,509	$7,300,000	$5,870,974	$10,678,165	0.0%	24.3%	24.4%	-45.0%
Nov	($90,558)	$100,000	($10,030,546)	$2,120,808	-190.6%	-101.0%	-99.1%	-573.0%
Dec	$26,768,846	$28,100,000	$27,088,753	$37,029,667	-4.7%	3.7%	-1.2%	-26.8%
Jan	$4,068,428	$6,550,000	$6,378,309	$4,128,062	-37.9%	2.7%	-36.2%	54.5%
Feb	$0	$9,100,000	$8,781,686	$4,578,212	-100.0%	3.6%	-100.0%	91.8%
Mar	$0	$21,300,000	$18,679,646	$23,021,793	-100.0%	14.0%	-100.0%	-18.9%
Apr	$0	$27,350,000	$26,196,013	$25,605,958	-100.0%	4.4%	-100.0%	2.3%
May	$0	$8,100,000	$7,456,077	$13,227,133	-100.0%	8.6%	-100.0%	-43.6%
Jun	$0	$42,600,000	$43,657,636	$26,686,857	-100.0%	-2.4%	-100.0%	63.6%
Total	$82,070,804	$194,600,000	$183,851,534	$188,015,558	-57.8%	5.8%	-55.4%	-2.2%
YTD Jan	$82,070,804	$86,150,000	$79,080,476	$94,895,605	-4.7%	8.9%	3.8%	-16.7%

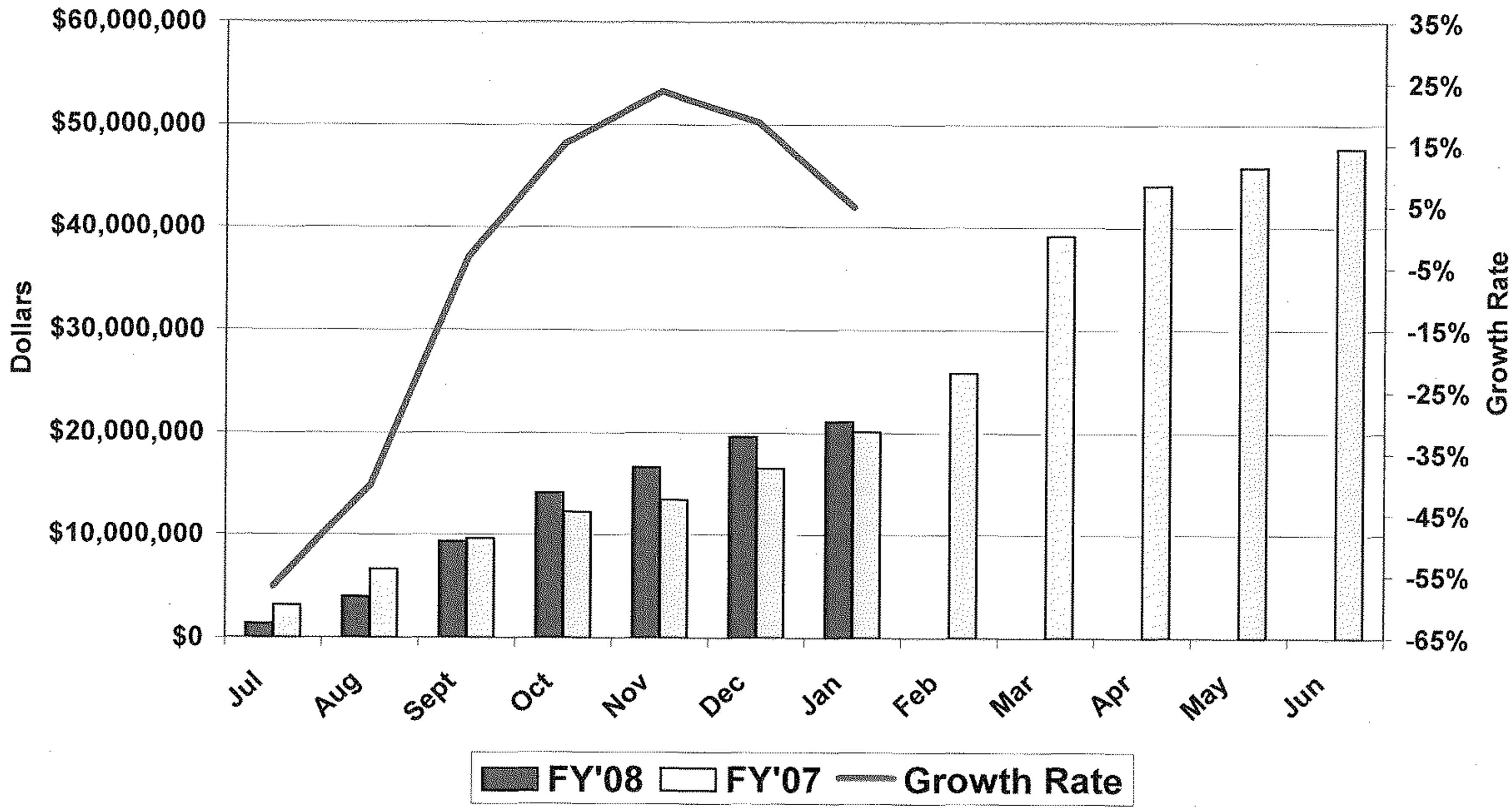
Maine Revenue Services Economic Research Division. 2/19/2008

Corporate Estimated Payments
Year-to-Date FY'08 & FY'07



Maine Revenue Services Economic Research Division 2/6/2008

Corporate Final Payments
Year-to-Date FY'08 & FY'07



Maine Revenue Services Economic Research Division 2/6/2008

Maine Revenue Services

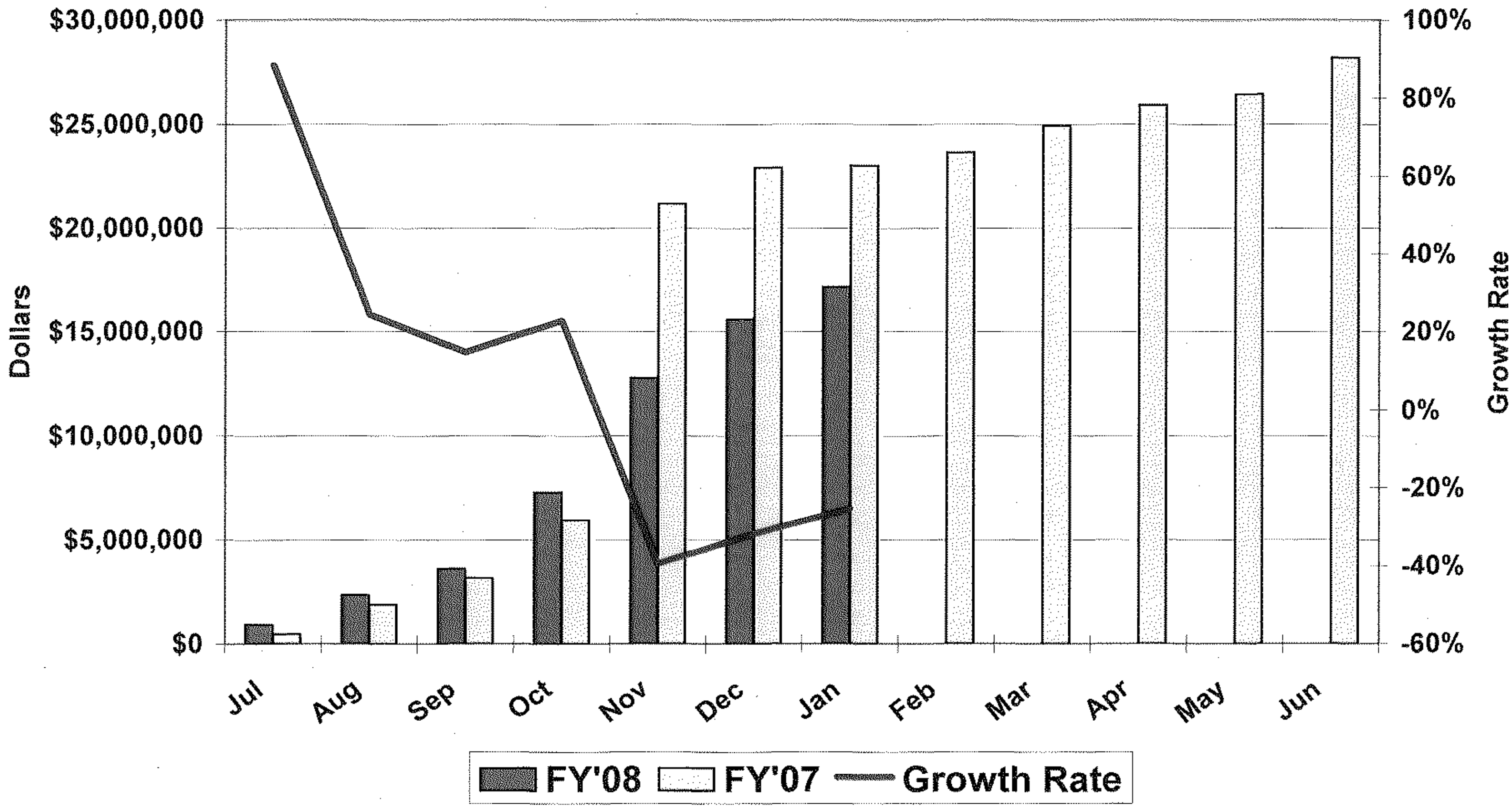
Corporate Income Tax Estimated Payments

	Month			Year-To-Date		
	FY'08	FY'07	Growth Rate	FY'08	FY'07	Growth Rate
Jul	$5,855,003	$7,811,556	-25.0%	$5,855,003	$7,811,556	-25.0%
Aug	$2,514,546	$2,177,546	15.5%	$8,369,549	$9,989,102	-16.2%
Sept	$33,935,035	$35,371,060	-4.1%	$42,304,584	$45,360,162	-6.7%
Oct	$6,298,149	$5,995,458	5.0%	$48,602,733	$51,355,620	-5.4%
Nov	$3,094,456	$4,144,731	-25.3%	$51,697,189	$55,500,351	-6.9%
Dec	$26,726,816	$26,392,168	1.3%	$78,424,005	$81,892,519	-4.2%
Jan	$4,388,639	$2,983,632	47.1%	$82,812,644	$84,876,151	-2.4%
Feb	$0	$3,866,056	-100.0%	$82,812,644	$88,742,207	-6.7%
Mar	$0	$6,645,505	-100.0%	$82,812,644	$95,387,712	-13.2%
Apr	$0	$23,121,430	-100.0%	$82,812,644	$118,509,142	-30.1%
May	$0	$6,477,116	-100.0%	$82,812,644	$124,986,258	-33.7%
Jun	$0	$40,150,304	-100.0%	$82,812,644	$165,136,562	-49.9%

Corporate Income Tax Final Payments and Back Taxes

	Month			Year-To-Date		
	FY'08	FY'07	Growth Rate	FY'08	FY'07	Growth Rate
Jul	$1,369,073	$3,161,870	-56.7%	$1,369,073	$3,161,870	-56.7%
Aug	$2,602,227	$3,481,527	-25.3%	$3,971,300	$6,643,397	-40.2%
Sept	$5,309,590	$2,952,262	79.8%	$9,280,890	$9,595,659	-3.3%
Oct	$4,897,473	$2,711,038	80.6%	$14,178,363	$12,306,697	15.2%
Nov	$2,487,708	$1,166,671	113.2%	$16,666,071	$13,473,368	23.7%
Dec	$2,942,977	$3,049,466	-3.5%	$19,609,048	$16,522,834	18.7%
Jan	$1,481,462	$3,586,116	-58.7%	$21,090,510	$20,108,950	4.9%
Feb	$0	$5,724,264	-100.0%	$21,090,510	$25,833,214	-18.4%
Mar	$0	$13,287,329	-100.0%	$21,090,510	$39,120,543	-46.1%
Apr	$0	$4,911,244	-100.0%	$21,090,510	$44,031,787	-52.1%
May	$0	$1,792,525	-100.0%	$21,090,510	$45,824,312	-54.0%
Jun	$0	$1,842,077	-100.0%	$21,090,510	$47,666,389	-55.8%

Corporate Income Tax Refunds
Year-to-Date FY'08 & FY'07



Maine Revenue Services Economic Research Division 2/14/2008

Maine Revenue Services
Corporate Income Tax Refunds

	Month		Year-to-Date		
	FY'08	FY'07	FY'08	FY'07	Growth Rate
Jul	$914,990	$485,759	$914,990	$485,759	88%
Aug	$1,441,893	$1,408,865	$2,356,883	$1,894,624	24%
Sep	$1,258,085	$1,259,661	$3,614,968	$3,154,285	15%
Oct	$3,663,219	$2,778,200	$7,278,187	$5,932,485	23%
Nov	$5,508,977	$15,223,033	$12,787,164	$21,155,518	-40%
Dec	$2,811,871	$1,751,386	$15,599,035	$22,906,904	-32%
Jan	$1,527,926	$111,394	$17,126,961	$23,018,298	-26%
Feb	$0	$624,722	$17,126,961	$23,643,020	-28%
Mar	$0	$1,275,305	$17,126,961	$24,918,325	-31%
Apr	$0	$1,001,089	$17,126,961	$25,919,414	-34%
May	$0	$520,740	$17,126,961	$26,440,154	-35%
Jun	$0	$1,759,292	$17,126,961	$28,199,446	-39%

Maine Revenue Services Economic Research Division. 2/14/2008

Corporate Income Tax: General Fund Baseline Forecast FY08 - FY11

	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium
Actuals & November, 2007 Forecast /1	**$111,616,051**	**$135,862,913**	**$247,478,964**	**$188,015,557**	**$183,851,533**	**$371,867,090**	**$194,600,000**	**$199,984,298**	**$394,584,298**	**$203,175,313**	**$204,200,000**	**$407,375,313**
Growth Rate	22.4%	21.7%	46.8%	38.4%	-2.2%	50.3%	5.8%	2.8%	6.1%	1.6%	0.5%	3.2%
Technical Adjustments to Prior Forecast /2	$0	$0	$0	$0	$0	$0	($6,660,000)	($4,994,298)	($11,654,298)	($5,065,313)	($6,090,000)	($11,155,313)
Economic Forecast /3	$0	$0	$0	$0	$0	$0	($5,770,000)	($5,820,000)	($11,590,000)	$4,020,000	$4,020,000	$8,040,000
Total Adjustments to Prior Forecast	$0	$0	$0	$0	$0	$0	($12,430,000)	($10,814,298)	($23,244,298)	($1,045,313)	($2,070,000)	($3,115,313)
New Forecast	**$111,616,051**	**$135,862,913**	**$247,478,964**	**$188,015,557**	**$183,851,533**	**$371,867,090**	**$182,170,000**	**$189,170,000**	**$371,340,000**	**$202,130,000**	**$202,130,000**	**$404,260,000**
Growth Rate	22.4%	21.7%	46.8%	38.4%	-2.2%	50.3%	-0.9%	3.8%	-0.1%	6.9%	0.0%	8.9%

1/ November, 2007 forecast with FY04, FY05, FY06 and FY07 actuals.

2/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions. Examples of technical changes may be new data, model updates and changes, and court cases that affect revenues.

3/ This line shows the incremental change in baseline revenues as a result of a new economic forecast. The new economic forecast is a combination of the CEFC forecast and Global Insight's February 2008 forecast of Corporate pre-tax profits.

Maine Revenue Services
Economic Research Division

25-Feb-08

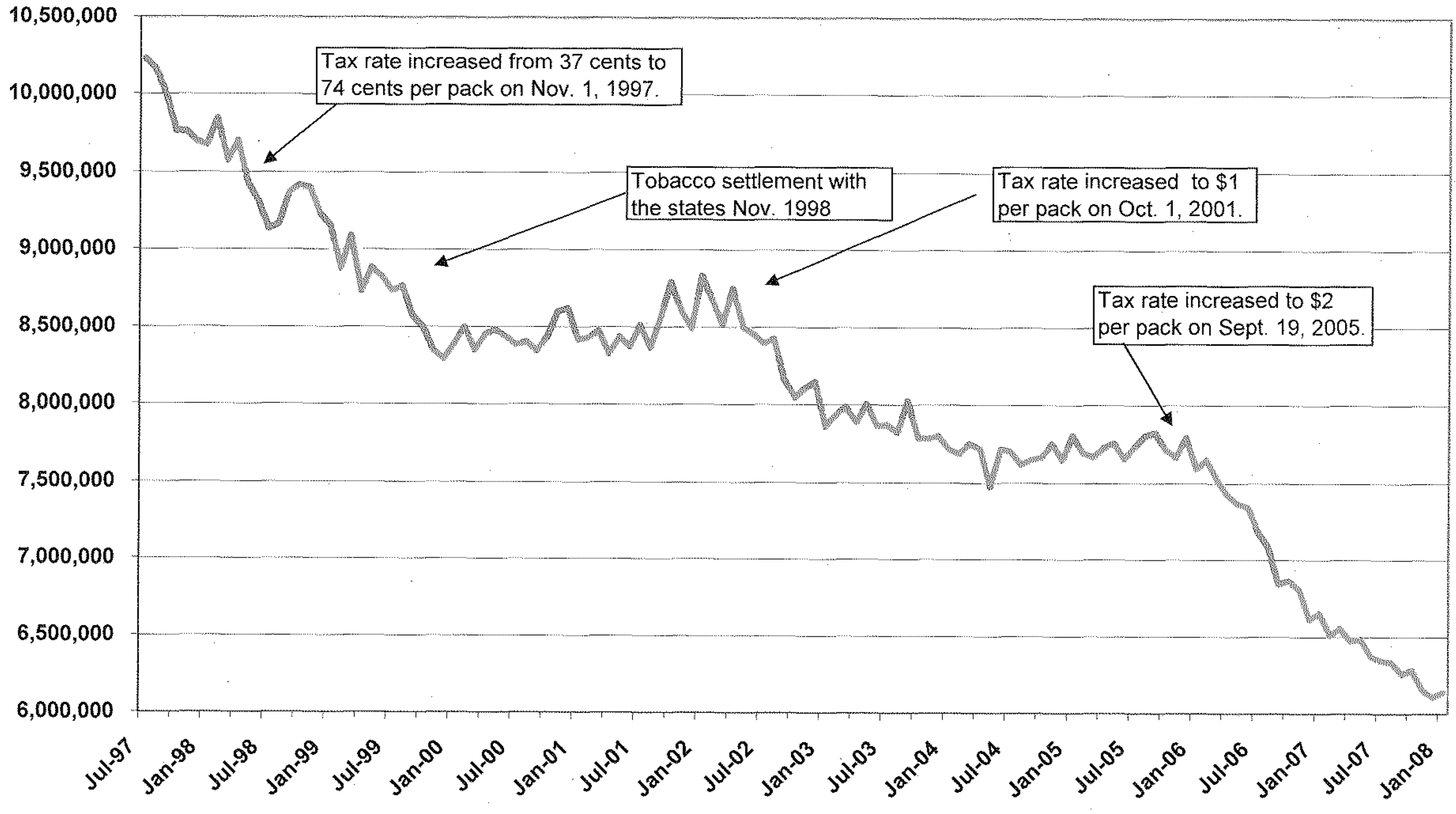
Cigarette & Tobacco Taxes

2/20/2008

Maine Re..nue Services
Cigarette and Tobacco Tax
February 2008 Forecast

	FY'06	FY'07	FY'08	FY'09	FY'10	FY'11
Cigarette Tax						
Actual '06 - '07 & current budget	$151,497,467	$152,957,212	$151,590,000	$149,850,000	$148,054,958	$146,392,319
Growth rate		1.0%	-0.9%	-1.1%	-1.2%	-1.1%
Feb 2008 forecast			$148,670,000	$147,170,000	$146,960,000	$144,940,000
Growth rate			-2.8%	-1.0%	-0.1%	-1.4%
Variance			($2,920,000)	($2,680,000)	($1,094,958)	($1,452,319)
Tobacco Products Tax						
Actual '06 - '07 & current budget	$5,453,903	$5,996,254	$6,116,179	$6,238,503	$6,299,075	$6,389,796
Growth rate		9.9%	2.0%	2.0%	1.0%	1.4%
Feb. 2008 forecast			$6,116,179	$6,238,503	$6,299,075	$6,389,796
Growth rate			2.0%	2.0%	1.0%	1.4%
Variance			$0	$0	$0	$0
Total Cigarette & Tobacco Taxes						
Actual '06 - '07 & current budget	$156,951,370	$158,953,466	$157,706,179	$156,088,503	$154,354,033	$152,782,115
Growth rate		1.3%	-0.8%	-1.0%	-1.1%	-1.0%
Feb. 2008 forecast			$154,786,179	$153,408,503	$153,259,075	$151,329,796
Growth rate			-2.6%	-0.9%	-0.1%	-1.3%
Variance			($2,920,000)	($2,680,000)	($1,094,958)	($1,452,319)

Packages of Cigarettes Sold Derived from Revenue
12 Month Moving Average Jul '97 to Date



Maine Revenue Services Economic Research Division 2/19/2008

Estate Tax

Estate Tax: General Fund Baseline Forecast FY08 - FY11

	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium
Actuals & November, 2007 Forecast /1	**$32,075,501**	**$32,255,727**	**$64,331,228**	**$75,330,514**	**$54,820,038**	**$130,150,552**	**$45,258,169**	**$50,709,673**	**$95,967,842**	**$54,569,248**	**$5,145,335**	**$59,714,583**
Growth Rate	5.1%	0.6%	19.3%	133.5%	-27.2%	102.3%	-17.4%	12.0%	-26.3%			
Technical Adjustments to Prior Forecast /2	$0	$0	$0	$0	$0	$0	($1,666,676)	($570,000)	($2,236,676)	($593,750)	($618,688)	($1,212,438)
Economic Assumptions /3	$0	$0	$0	$0	$0	$0	$970,747	($614,791)	$355,956	$66,240	$12,249	$78,489
Total Adjustments to Prior Forecast	$0	$0	$0	$0	$0	$0	($695,929)	($1,184,791)	($1,880,720)	($527,510)	($606,439)	($1,133,949)
New Forecast	**$32,075,501**	**$32,255,727**	**$64,331,228**	**$75,330,514**	**$54,820,038**	**$130,150,552**	**$44,562,240**	**$49,524,882**	**$94,087,122**	**$54,041,738**	**$4,538,896**	**$58,580,634**
Growth Rate	5.1%	0.6%	19.3%	133.5%	-27.2%	102.3%	-18.7%	11.1%	-27.7%	9.1%	-91.6%	-37.7%

1/ November, 2007 forecast with FY04, FY05, FY06 and FY07 actuals.

2/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions. Examples of technical changes may be new data, model updates and changes, and court cases that affect revenues.

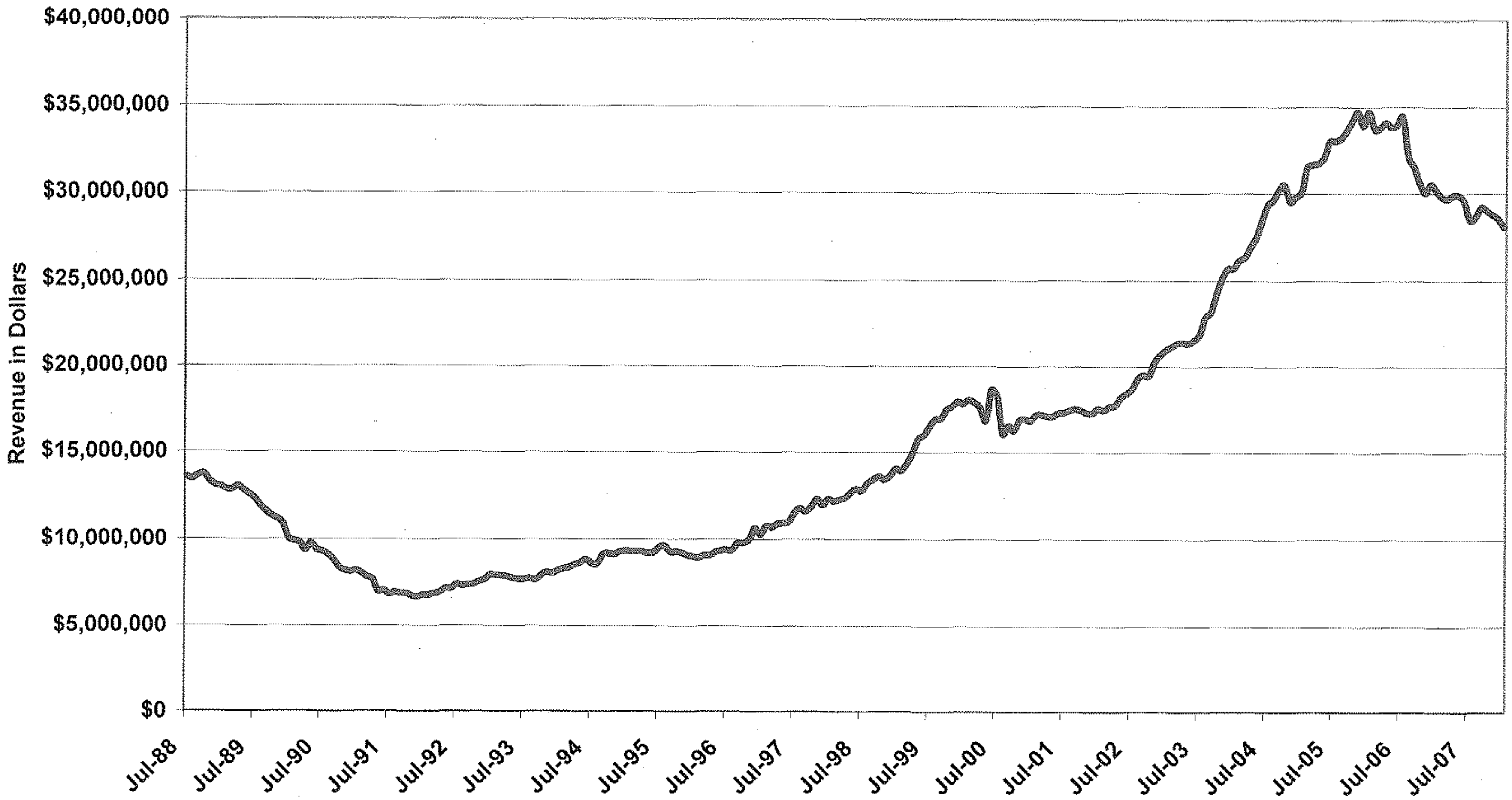
3/ This line shows the incremental change in baseline revenues as a result of a new economic forecast. The new economic forecast is Global Insight's February, 2008 forecast of Household Net Worth.

Other Taxes

Maine Revenue Services
February 2008 Forecast

	FY'05	FY'06	FY'07	FY'08	FY'09	FY'10	FY'11
Real Estate Transfer Tax - General Fund							
Actual and current budget	$24,113,439	$24,595,580	$22,206,638	$19,565,275	$20,314,869	$16,907,180	$18,867,770
February 2008 forecast				$17,004,293	$15,546,215	$11,617,025	$13,428,815
Additional General Fund revenue				($2,560,982)	($4,768,654)	($5,290,155)	($5,438,955)
Real Estate Transfer Tax - H.O.M.E. Fund							
Actual and current budget	$8,881,845	$9,356,426	$7,281,652	$9,265,275	$10,014,869	$16,607,180	$18,567,770
February 2008 forecast				$6,704,293	$5,246,215	$11,317,025	$13,128,815
Additional HOME Fund revenue				($2,560,982)	($4,768,654)	($5,290,155)	($5,438,955)
Real Estate Transfer Tax - Total							
Actual and current budget	$32,995,284	$33,952,006	$29,488,291	$28,830,550	$30,329,738	$33,514,361	$37,435,541
Growth rate		2.9%	-13.1%	-2.2%	5.2%	10.5%	11.7%
February 2008 forecast				$23,708,586	$20,792,430	$22,934,050	$26,557,630
Variance				($5,121,964)	($9,537,309)	($10,580,311)	($10,877,911)
Growth rate				-19.6%	-12.3%	10.3%	15.8%

Real Estate Transfer Tax Revenue
12 Month Moving Total July 1988 to Date



Maine Revenue Services Economic Research Division 2/20/2008

Highway Fund

Maine Re[illegible]nue Services

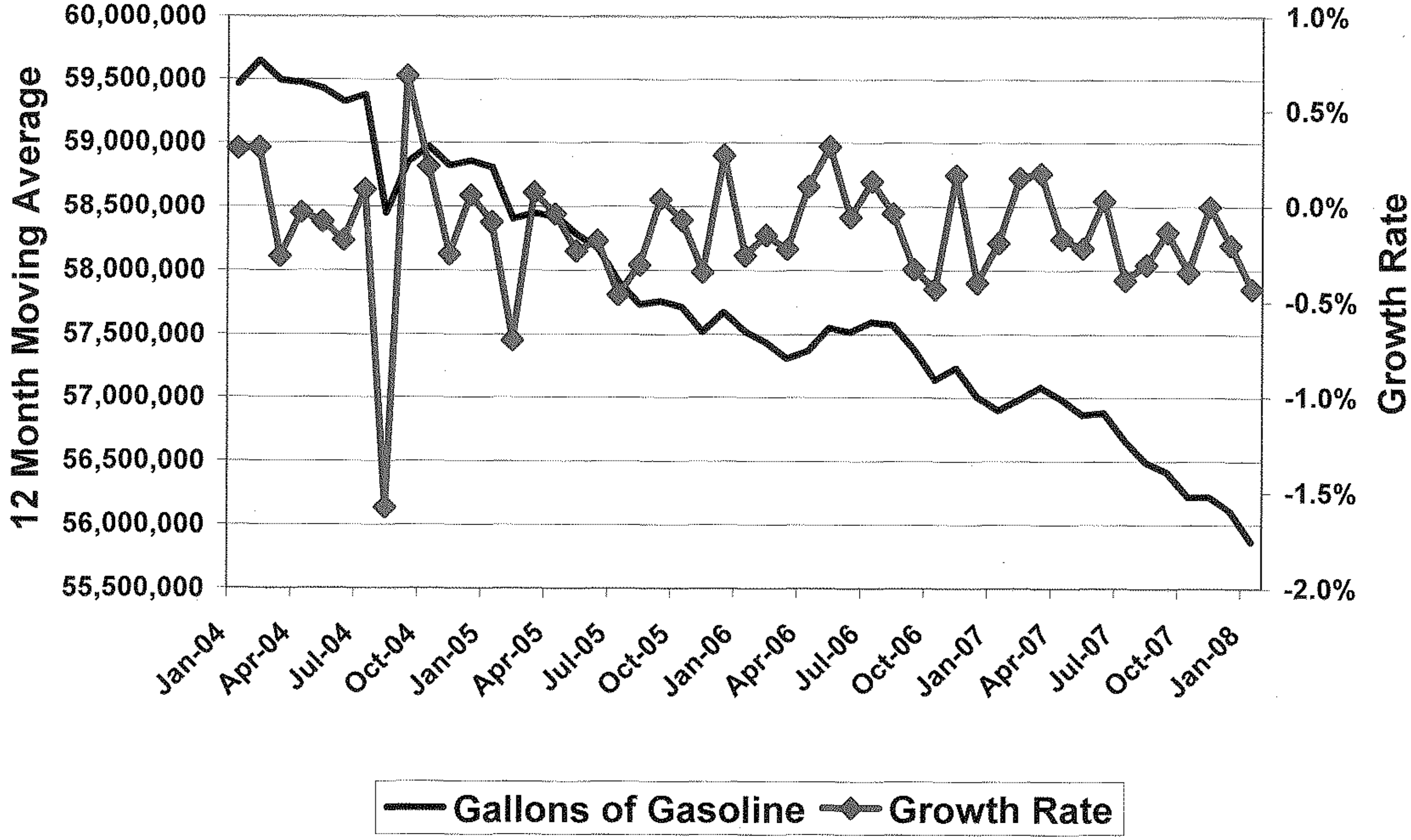
February 2008 Highway Fund Motor Fuel Tax Revenue Forecast 2008 - 2011

Gasoline Tax Revenue	FY'05	FY'06	FY'07	FY'08	FY'09	FY'10	FY'11
Actual & current budget	$175,084,215	$176,769,409	$181,018,162	$181,609,445	$191,330,126	$197,609,081	$201,548,052
Growth rate		1.0%	2.4%	0.3%	5.4%	3.3%	2.0%
Tax rate per gallon	$0.252	$0.259	$0.268	$0.276	$0.284	$0.291	$0.298
Percentage increase in tax rate		2.8%	3.4%	3.2%	2.8%	2.5%	2.5%
February 2008 forecast				$178,518,718	$187,508,153	$197,014,335	$199,939,314
Growth rate				-1.4%	5.0%	5.1%	1.5%
Tax rate per gallon				$0.276	$0.284	$0.291	$0.297
Percentage increase in tax rate				3.2%	2.8%	2.3%	2.1%
Variance				($3,090,727)	($3,821,973)	($594,746)	($1,608,738)

Special Fuel Tax Revenue	FY'05	FY'06	FY'07	FY'08	FY'09	FY'10	FY'11
Actual & current budget	$45,400,514	$44,805,900	$45,805,856	$42,000,000	$43,790,000	$44,920,000	$45,370,000
Growth rate		-1.3%	2.2%	-8.3%	4.3%	2.6%	1.0%
Tax rate per gallon	$0.263	$0.270	$0.279	$0.288	$0.296	$0.304	$0.311
Percentage increase in tax rate			3.4%	3.2%	2.8%	2.5%	2.5%
February 2008 forecast				$44,850,000	$46,710,000	$48,650,000	$48,970,000
Growth rate				-2.1%	4.1%	4.2%	0.7%
Tax rate per gallon				$0.288	$0.296	$0.303	$0.309
Percentage increase in tax rate				3.2%	2.8%	2.3%	2.1%
Variance				$2,850,000	$2,920,000	$3,730,000	$3,600,000

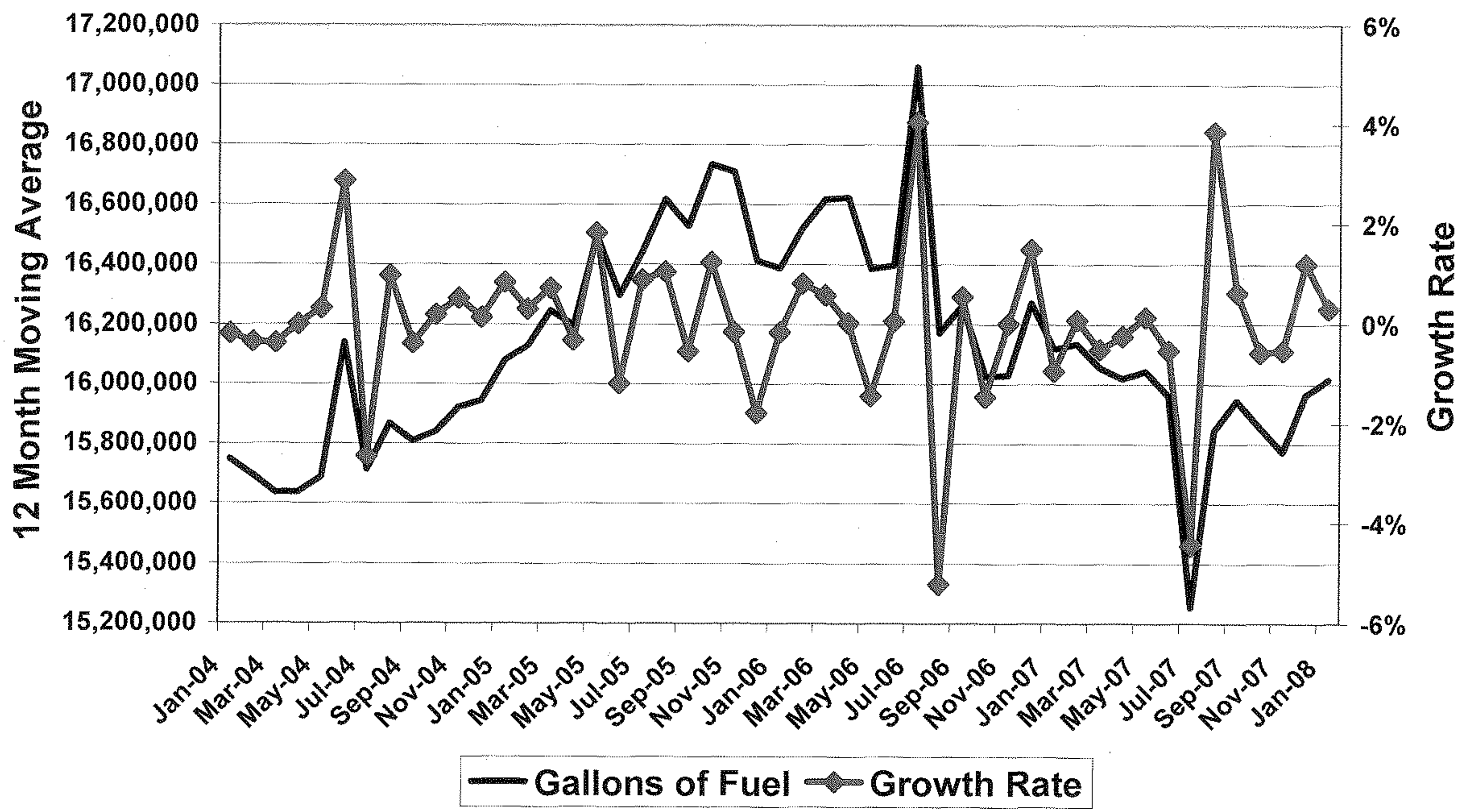
Total Motor Fuel Tax Revenue	FY'05	FY'06	FY'07	FY'08	FY'09	FY'10	FY'11
Actual & current budget	$220,484,728	$221,575,309	$226,824,018	$223,609,445	$235,120,126	$242,529,081	$246,918,052
Growth rate		0.5%	2.4%	-1.4%	5.1%	3.2%	1.8%
February 2008 forecast				$223,368,718	$234,218,153	$245,664,335	$248,909,314
Growth rate				-1.5%	4.9%	4.9%	1.3%
Variance				($240,727)	($901,973)	$3,135,254	$1,991,262
Biennium					($1,142,700)		$5,126,516

Gallons of Gasoline Derived from Revenue Before Refunds



Maine Revenue Services Economic Research Division 2/21/2008

Gallons of Special Fuel Derived from Revenue Before Refunds



Maine Revenue Services Economic Research Division 2/21/2008