

2012-2013 Shortfall Preliminary Estimates

Office of Fiscal and
Program Review
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The Great Recession

- The impact of the “Great Recession” fell squarely on the shoulders of the 124th Legislature
- Downturn was worse than the recession during the early 1990’s
- How did the 124th Legislature deal with the recession and what it means for the 125th

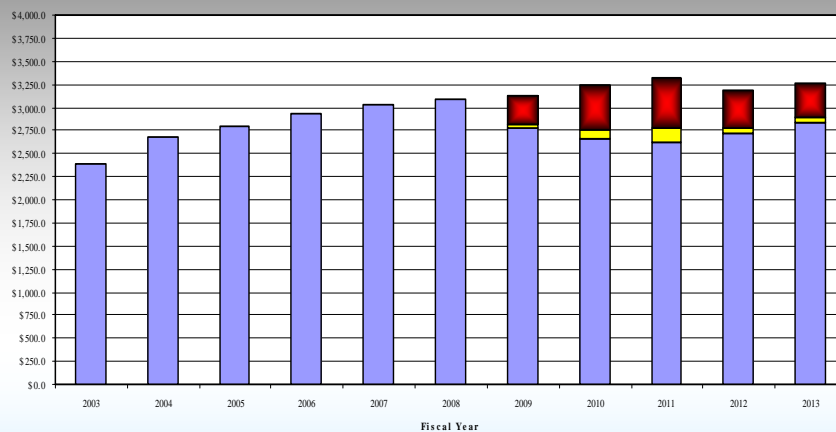
124th Legislature's Shortfall General Fund Revenue Revisions

	FY 2009	FY 2010	FY 2011
December 2008 Revisions *	(\$140.3)	(\$177.2)	(\$152.7)
May 2009 Revision	(\$129.3)	(\$195.6)	(\$244.2)
December 2009 Revision	\$0	(\$209.4)	(\$174.2)
March 2010 Revision	\$0	\$29.8	\$21.2
Total RFC Revisions	(\$269.6)	(\$552.4)	(\$550.0)
3-Year Total		(\$1,372.0)	

*Included in Baseline Revenue

General Fund Revenue

General Fund Revenue - Effect of Revenue Forecasts - 124th Legislature



124th Action to Address Shortfall

- Federal Stimulus (ARRA) Funding provided a significant infusion to avoid additional cuts or revenue increases
 - State Fiscal Stabilization Funds offset \$190.3M of General Fund spending over 3 years with \$66.9M in FY 2011
 - Enhanced Medicaid Match resulted in direct General Fund deappropriations of \$530.1M over 3 years with \$196.7M in FY 2011 excluding pending extension
 - These amounts do not include the indirect effects on Fund for a Healthy Maine and MaineCare dedicated revenue spending, which also held down General Fund costs

Transfers/Reserves The “Bad” News

- 124th Legislature relied heavily on available reserves (3-year totals):
 - Maine Budget Stabilization Fund - \$123.5M
 - Working Capital Reserve - \$40.6M
 - Retiree Health Insurance Equity - \$49.9M
 - Transfers from Other Funds - \$30.7M
 - Lapsed GF Balances - \$33.9M

Transfers/Reserves The “Good” News

- Some positive developments in 124th Actions
 - Borrowing between fiscal years required \$79M of additional savings in FY 2011
 - Provided additional budgeted transfers to MBSF of \$8.1M (\$5.6M of this amount was reserved at FY 2010 close and increases budgeted ending balance)
 - FY 2010 Revenue Surplus will replenish reserves through the “Cascade” by:
 - Maine Budget Stabilization Fund - \$19.6M
(also \$7M reserve for rail purchase was intended for MBSF)
 - Reserve for Working Capital - \$11.2M

Legislative Revenue Adjustments

- 124th one-time revenue increases result in decline of \$81.3M from FY 2011 to FY 2012
 - Revenue Sharing Fixed Adjustment - \$35.3M
 - Tax Enforcement Initiatives - \$18.1M
 - Tax Relief Program Changes – \$15.9M
 - Milk Pool Transfer Cap - \$7.1M
 - Temporary Hospital Assessment - \$4.2M

Appropriation Adjustments

- Summary of General Fund Major Categories' appropriation adjustments and Baseline Budget estimates highlight major one-time adjustments of the 124th
- See separate handout
- Various one-time appropriations require upward adjustments to appropriations to establish FY 2012 baseline appropriations
- Upward adjustments total roughly \$330M – approximately 80% are to offset the loss of federal stimulus

Baseline Budget

- Baseline Budget for the 2012-2013 Biennium starts with authorized ongoing positions in FY 2011 and appropriates sufficient funds for salary and benefits less attrition factor (very similar to “Current Services” approach)
- Baseline Budget includes no Capital Expenditures and flat funds FY 2011 All Other funding after adjusting for one-time items

Baseline Budget Shortfall

- General Fund revenue projections will fall short of preliminary estimates of General Fund Baseline Appropriations by a total of \$385.1M for the 2012-2013 biennium
- Constitutionally required funding for debt service and retirement costs will add another \$172M above Baseline Appropriations
- GPA at 55% will add \$240M more

Baseline Budget Shortfall (cont.)

- The shortfall/structural gap would be roughly \$800M before adding inflation increases for the Higher Education institutions and other state programs
- Then, there is the Department of Health and Human Services and Medicaid
- OFPR is still analyzing Medicaid and other DHHS spending