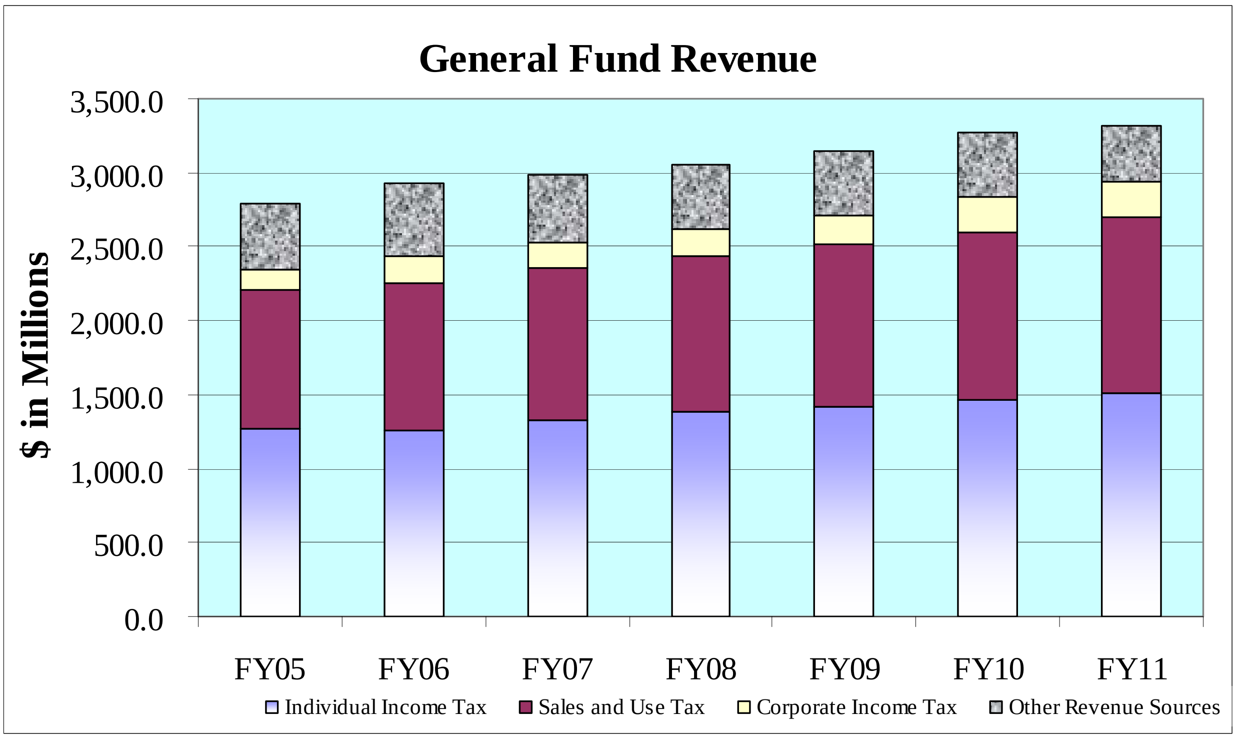
REPORT OF THE MAINE STATE REVENUE FORECASTING COMMITTEE

March 2007



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Report of the Maine State Revenue Forecasting Committee
March 2007 Forecast

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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 has recently included forecasts of revenue accruing to the Fund for a Healthy Maine and the dedicated revenue from the Medicaid/MaineCare provider taxes. This forecast incorporates the revised economic forecast presented by the Consensus Economic Forecasting Commission (CEFC) for its February 1st reporting deadline. The RFC met on February 23rd and March 26th to deliberate and discuss the recommendations of Maine Revenue Services and other revenue analyses. The March 26th meeting was timed to allow the RFC to gather additional information about corporate income tax collections after the March 15th filing deadline. The RFC provided a preliminary report prior to the March 1st statutory deadline, but delayed issuing a final report until it had a chance to review the data from the corporate income tax.

A. Economic Forecast Update

The winter revenue update began with the winter economic forecast in January. The Consensus Economic Forecasting Commission (CEFC) met on January 23, 2007 to review and update its November 2006 forecast. After reviewing the most recent economic data, the CEFC forecasted slightly stronger growth in both wage and salary employment and personal income, and slightly lower inflation, as measured by the Consumer Price Index. Table I-A below summarizes the incremental change of the CEFC forecast. The full CEFC report is included in Appendix E.

TABLE I-A

Consensus Economic Forecasting Commission

Comparison of February and November Economic Forecasts

Calendar Years	2006	2007	2008	2009	2010	2011
• Wage & Salary Employment (Annual Percentage Change)						
> Consensus 11/2006	0.5	0.4	0.6	0.8	0.7	0.7
> Consensus 2/2007	0.5	0.7	0.8	0.8	0.7	0.7
Difference	0.0	0.3	0.2	0.0	0.0	0.0
• Personal Income (Annual Percentage Change)						
> Consensus 11/2006	5.2	4.3	4.5	4.5	4.3	4.2
> Consensus 2/2007	5.6	4.3	4.5	4.5	4.3	4.2
Difference	0.4	0.0	0.0	0.0	0.0	0.0
• Consumer Price Index (Annual Percentage Change)						
> Consensus 11/2006	3.5	2.5	2.2	2.2	2.2	2.2
> Consensus 2/2007	3.2	2.1	2.2	2.1	2.1	2.1
Difference	-0.3	-0.4	0.0	-0.1	-0.1	-0.1

The CEFC affirmed its forecast for 2006 wage and salary employment growth to be 0.5%, but increased the estimates for 2007 and 2008 to 0.7% and 0.8%, respectively. The adjustments were based, in part, on stronger than expected preliminary employment figures presented by the Maine Department of Labor (MDOL). In addition, the slowdown in the housing sector was noted as being less severe than originally thought. The commission did not change its job growth forecast for 2009 (0.8%), 2010 (0.7%) and 2011 (0.6%).

Based on new data from the federal Bureau of Economic Analysis (BEA), the commission increased its estimate of 2006 personal income growth from 5.2% to 5.6%, but kept growth rates after that year unchanged.

The CEFC also reduced its inflation estimate for all but one year. New federal data on the prices of goods and services used to measure inflation show that price increases slowed in the second half of 2006. The combination of lower energy costs, higher interest rates and a cooling housing market reduced price pressures. The inflation forecast for 2006 is 3.2%, with future years staying in the 2.1% to 2.2% range.

B. Capital Gains Forecast

A major variable within the tax models that is not included in the economic forecast is a projection of net capital gains. Table I-B on the next page provides a summary of the current assumptions with some historical data. These assumptions remain unchanged from the December 2006 revenue forecast. Starting with the March 2006 forecast, the RFC has assumed that capital gains liability will return to its historical average of approximately 6% of total liability for Maine residents by the end of the forecast period (see far right column in Table I-B).

C. Corporate Profits

A major variable of the tax models that drives the corporate income tax forecast is corporate profitability. Like Capital Gains, this forecast is not part of the CEFC economic forecast. The RFC used Global Insight's February 2007 forecast of pre-tax corporate profits. That national forecast calls for 33% growth in calendar year 2005, 19% growth in calendar year 2006 and relatively flat growth thereafter. Global Insight's February forecast of corporate profits varied slightly from their November forecast which was the basis of the RFC's December revenue forecast. Maine is insulated from significant regional variances in corporate profitability as a result of the State'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.

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*	$1,688.5	10.6%	$117.0	11.5%	9.8%
2006*	$1,856.4	9.9%	$127.6	9.1%	10.1%
2007*	$1,856.8	0.0%	$127.8	0.2%	9.8%
2008*	$1,732.1	-6.7%	$116.8	-8.6%	8.7%
2009*	$1,600.9	-7.6%	$107.3	-8.2%	7.7%
2010*	$1,486.0	-7.2%	$95.5	-11.0%	6.6%
2011*	$1,309.4	-11.9%	$85.9	-10.1%	5.7%

** Represent Projections*

D. Oil Prices

The recent experience in Maine’s sales tax collections seemed to demonstrate a substantial effect from variations in oil prices. Sales tax collections dropped below budgeted projections at about the same time as energy prices began their steep ascent in the spring of 2005. With the recent tax model updates, 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. The forecast of oil prices remains unchanged from the December forecast and relies on Global Insights’ November 2006 US economic forecast. While oil prices dropped temporarily to the $50 per barrel range in the beginning of this calendar year, oil prices have since rebounded back to the $60 per barrel range. The RFC assumptions remain unchanged that oil prices will increase to $64 a barrel on average in 2007 then gradually decline to just under $62 a barrel in 2011. This is consistent with the assumptions of the CEFC.

E. Legislative Changes

The RFC bases the revenue forecast on current law. This forecast includes all legislative changes through the 122nd Legislature and also includes the revenue impacts that were enacted by PL 2007, c.1, the Emergency FY07 Supplemental Budget, which was enacted in mid-February. Table I-E below summarizes the adjustments to budgeted revenue enacted by PL 2007, c. 1.

Table I-E
Summary of 123rd Legislature's Changes - PL 2007, c. 1
General Fund

	FY07	FY08	FY09	FY10	FY11
Individual Income	$74,237	$469,647	$1,006,440	$994,266	$603,727
Corporate Income	$188,755	$1,127,650	$2,247,116	$2,388,947	$1,531,035
Revenue Sharing	($13,413)	($83,060)	($169,185)	($175,927)	($111,008)
Other Revenue	$90,626	$697,000	$697,000	$697,000	$697,000
Totals	**$340,205**	**$2,211,237**	**$3,781,371**	**$3,904,286**	**$2,720,754**

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 that are being modified in this forecast. Appendix G contains the materials presented by Maine Revenue Services on February 23, 2007 to support the forecast recommendations for the major tax categories.

A. General Fund

For the **General Fund,** the revisions, driven primarily by the Corporate Income Tax changes, represent a $74.3 million decrease of budgeted revenue for the budget period under consideration by this Legislature. The changes to the Corporate Income Tax represent a reversal of a substantial portion of the upward revision that the RFC recommended in its December 2006 forecast. At that time, the indications were that corporate income tax payments were showing very healthy growth consistent with national trends. It now appears that the spike in receipts at the end of FY06 was a timing issue that is being reversed as this fiscal year moves forward. It is important to note that, while Maine's corporate income tax is growing at a slower rate than the nation as a whole, the annual growth rate implicit in this forecast is still a solid 11% between FY05 and FY08. Consistent with most national forecasts, the RFC is forecasting much slower growth in corporate receipts beyond FY08.

Apart from the downward revision to the Corporate Income Tax, the modest changes in the economic forecast resulted in only slight changes to the other categories in the General Fund revenue forecast. However, during the current fiscal year ending June 30, 2007 (FY07), this forecast does represent an unanticipated downward revision for budget decision makers. In addition to the Corporate Income Tax change, Individual Income Tax was adjusted downward by

$1.5 million for timing issues related to bonus depreciation recapture and $5.0 million related to additional Business Equipment Tax Reimbursement program expenditures above expectations. The Telecommunications Personal Property Tax (within the Public Utilities Tax category) was adjusted for changes in the valuation of those assets. Income from Investments was adjusted downward by just over $3.0 million annually to reflect a reduction in cash balances and consequently earnings as a result of utilizing internal borrowing rather than Tax Anticipation Note financing.

These negative adjustments were partially offset by some positive adjustments in the General Fund. Revenue from Liquor Sales and Operations and revenue from Liquor Taxes were adjusted upward as were Racino revenues. Revenue collected by the Department of Health and Human Services was also adjusted upward in each year of the forecast.

The amount of revenue realized by the Milk Handling Fee and the Transfer to the Maine Milk Pool are directly determined by milk prices. Because milk prices are very volatile and difficult to forecast, the committee plans to revisit these revenue sources during each forecast session. These revenue sources were first effective in FY06, but became significant revenue items in FY07 when milk prices dropped. The inverse relationship between milk prices and these revenue sources increased the magnitude of these revenue items. Milk prices are now projected to be higher than the December forecast, resulting in a decline in magnitude and a net positive increase to revenue for these 2 categories.

Table II-A - General Fund Summary

	FY07	FY08	FY09	FY10	FY11
Current Forecast	$3,020,947,915	$3,078,691,800	$3,162,051,521	$3,265,921,996	$3,320,959,326
Annual % Growth	3.0%	1.9%	2.7%	3.3%	1.7%
Net Increase (Decrease)	($33,736,442)	($21,003,856)	($19,583,936)	($20,190,670)	($11,407,826)
Revised Forecast	$2,987,211,473	$3,057,687,944	$3,142,467,585	$3,245,731,326	$3,309,551,500
Annual % Growth	1.9%	2.4%	2.8%	3.3%	2.0%
Summary of Revenue Revisions by Major Revenue Category					
Sales and Use Tax	$0	$0	$0	$0	$0
Service Provider Tax	$0	$0	$0	$0	$0
Individual Income Tax	($6,527,000)	$2,296,000	$6,824,000	$7,340,000	$4,951,000
Corporate Income Tax	($27,320,000)	($26,460,000)	($30,520,000)	($31,240,000)	($19,240,000)
Cigarette and Tobacco Tax	$0	$0	$0	$0	$0
Public Utilities Tax	($2,803,254)	($1,043,013)	($995,603)	($948,193)	($948,193)
Insurance Companies Tax	$0	$0	$0	$0	$0
Estate Tax	$0	$0	$0	$0	$0
Prop. Tax - Unorganized Territory	$0	$0	$0	$0	$0
Income from Investments	($3,047,681)	($3,076,000)	($3,076,000)	($3,076,000)	($3,076,000)
Transfer to Municipal Rev. Sharing	$1,726,197	$1,256,528	$1,232,192	$1,242,800	$743,028
Transfer from Lottery Commission	$0	$0	$0	$0	$0
Other Revenues	$4,235,296	$6,022,629	$6,951,475	$6,490,723	$6,162,339
Total Revisions - Increase (Decrease)	**($33,736,442)**	**($21,003,856)**	**($19,583,936)**	**($20,190,670)**	**($11,407,826)**

B. Highway Fund

For the **Highway Fund**, some modest downward revisions in Fuel Taxes resulted from the lower inflation projections in the Consensus Economic Forecasting Commission forecast. The adjustments result in a $5.0 million downward revision for the 2008-2009 biennium.

Table II-B - Highway Fund Summary

	FY07	FY08	FY09	FY10	FY11
Current Forecast	$330,757,329	$340,996,299	$347,196,520	$350,245,413	$356,494,765
Annual % Growth	1.3%	3.1%	1.8%	0.9%	1.8%
Net Increase (Decrease)	$0	($2,100,239)	($2,912,734)	($2,990,234)	($3,643,229)
Revised Forecast	$330,757,329	$338,896,060	$344,283,786	$347,255,179	$352,851,536
Annual % Growth	1.3%	2.5%	1.6%	0.9%	1.6%
Summary of Revenue Revisions by Major Revenue Category					
Fuel Taxes	$0	($2,100,239)	($2,912,734)	($2,990,234)	($3,643,229)
Motor Vehicle Registration & Fees	$0	$0	$0	$0	$0
Inspection Fees	$0	$0	$0	$0	$0
Fines, Forfeits and Penalties	$0	$0	$0	$0	$0
Income from Investments	$0	$0	$0	$0	$0
Other Revenues	$0	$0	$0	$0	$0
Total Revisions - Increase (Decrease)	**$0**	**($2,100,239)**	**($2,912,734)**	**($2,990,234)**	**($3,643,229)**

C. Fund for a Healthy Maine (FHM)

The **Fund for a Healthy Maine (FHM)** received modest upward adjustments in revenue projections from additional interest earnings and from the strong performance of the Racino revenue. Over the 3 year budget period, this will increase revenue by just under $640,000.

Table II-C - Fund for a Healthy Maine Summary

	FY07	FY08	FY09	FY10	FY11
Current Forecast	$46,189,344	$60,408,950	$62,815,948	$67,818,647	$71,548,715
Annual % Growth	-1.5%	30.8%	4.0%	8.0%	5.5%
Net Increase (Decrease)	$231,280	$167,761	$239,938	$239,938	$239,938
Revised Forecast	$46,420,624	$60,576,711	$63,055,886	$68,058,585	$71,788,653
Annual % Growth	-1.0%	30.5%	4.1%	7.9%	5.5%
Summary of Revenue Revisions by Major Revenue Category					
Base Payments	$0	$0	$0	$0	$0
Racino Revenue	$211,280	$147,761	$219,938	$219,938	$219,938
Income from Investments	$20,000	$20,000	$20,000	$20,000	$20,000
Total Revisions - Increase (Decrease)	**$231,280**	**$167,761**	**$239,938**	**$239,938**	**$239,938**

D. MaineCare Dedicated Revenue Taxes

In aggregate, the forecast for **Medicaid/MaineCare Dedicated Revenue Taxes** were also revised upward in aggregate based on recent experience. As noted in the committee's February letter, the adjustment to the MaineCare Taxes does not take into account a recent federal restriction added to these taxes that must be addressed by legislative action to change the rate of the tax to bring it within the federal restrictions.

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

	FY07	FY08	FY09	FY10	FY11
Current Forecast	$121,526,004	$122,825,633	$124,157,752	$125,523,174	$126,922,732
Annual % Growth	2.9%	1.1%	1.1%	1.1%	1.1%
Net Increase (Decrease)	$3,895,963	$4,244,849	$4,602,459	$4,969,007	$5,344,719
Revised Forecast	$125,421,967	$127,070,482	$128,760,211	$130,492,181	$132,267,451
Annual % Growth	6.2%	1.3%	1.3%	1.3%	1.4%
Summary of Revenue Revisions by Major Revenue Category					
Nursing Facility Tax	($2,323,466)	($2,381,553)	($2,441,091)	($2,502,119)	($2,564,672)
Residential Treatment Facilities Tax	$16,789	$17,209	$17,639	$18,080	$18,532
Hospital Tax *	$3,268,453	$3,268,453	$3,268,453	$3,268,453	$3,268,453
Service Provider Tax (PNMIs)	$2,934,187	$3,340,740	$3,757,458	$4,184,593	$4,622,406
Total Revisions - Increase (Decrease)	**$3,895,963**	**$4,244,849**	**$4,602,459**	**$4,969,007**	**$5,344,719**

III. CONCLUSIONS

While the adjustments made during the March forecast update certainly create challenges for the Administration and the Legislature as they work toward a biennial budget, it only represents a 1% change in the total annual forecast of General Fund revenues. Nothing in the national or state economies has fundamentally changed during the intervening months between the December and March revenue forecasts to materially affect this forecast. The recommendations in this forecast correct for a misinterpretation of last year's corporate receipts, and should be viewed as such.

As noted in the December 2006 report, the RFC remains cautious about the unpredictable nature of income from capital gains. In Maine, the decisions of a relatively small number of taxpayers can substantially affect individual income tax revenue through capital gains realizations. The percentage of income tax liability of this higher income group has been increasing in recent years and as a result can create significant volatility in revenue from the individual income tax. The latest data from state and federal income tax returns show that the vast majority of recent taxable income gains have gone to households with incomes greater than $100,000 a year. The source of these gains has been from bonus income, capital gains, dividend, and business income that traditionally go to upper-income taxpayers.

Any shock to the U.S. economy, either internally or externally, could result in a reversal of these revenues that is disproportionate to the underlying impact on traditional economic measures. It is with this understanding that the committee once again wants to convey to the Administration and the Legislature that there is a high level of risk that surrounds this aspect of the forecast. In addition to the volatility related to capital gains, the very uncertain global economic and geo-political environment adds the potential for significant "shocks" to the forecast that could significantly affect revenue.

Appendix A - General Fund

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GENERAL FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2007

Source	FY04 Actual	% Chg.	FY05 Actual	% Chg.	FY06 Actual	% Chg.	FY07 Budget	% Chg.	Recom. Chg.	FY07 Revised	% Chg.
Sales and Use Tax	917,243,245	7.0%	896,576,322	-2.3%	946,174,276	5.5%	974,740,367	3.0%	0	974,740,367	3.0%
Service Provider Tax	0	N/A	44,645,517	N/A	47,028,430	5.3%	48,911,765	4.0%	0	48,911,765	4.0%
Individual Income Tax *	1,156,715,909	7.9%	1,270,225,329	9.8%	1,254,506,663	-1.2%	1,333,646,508	6.3%	(6,527,000)	1,327,119,508	5.8%
Corporate Income Tax	111,616,051	22.4%	135,862,913	21.7%	188,015,558	38.4%	199,398,755	6.1%	(27,320,000)	172,078,755	-8.5%
Cigarette and Tobacco Tax	96,604,646	-1.8%	96,350,704	-0.3%	156,951,370	62.9%	164,502,981	4.8%	0	164,502,981	4.8%
Public Utilities Tax	27,991,188	-4.4%	25,403,214	-9.2%	20,627,030	-18.8%	19,695,000	-4.5%	(2,803,254)	16,891,746	-18.1%
Insurance Companies Tax	72,206,153	1.6%	75,669,053	4.8%	76,065,864	0.5%	76,336,389	0.4%	0	76,336,389	0.4%
Estate Tax	32,075,501	5.1%	32,255,727	0.6%	75,330,514	133.5%	52,465,498	-30.4%	0	52,465,498	-30.4%
Prop. Tax - Unorganized Territory	10,709,308	7.8%	10,622,666	-0.8%	11,559,305	8.8%	11,597,312	0.3%	0	11,597,312	0.3%
Income from Investments	2,310,207	-1.5%	5,854,625	153.4%	8,271,869	41.3%	4,565,000	-44.8%	(3,047,681)	1,517,319	-81.7%
Transfer to Municipal Rev. Sharing	(111,464,335)	-8.2%	(119,712,814)	-7.4%	(124,222,180)	-3.8%	(130,391,566)	-5.0%	1,726,197	(128,665,369)	-3.6%
Transfer from Lottery Commission	41,272,645	4.6%	49,328,102	19.5%	50,879,647	3.1%	50,334,250	-1.1%	0	50,334,250	-1.1%
Other Revenues **	326,259,040	66.2%	267,763,694	-17.9%	220,637,339	-17.6%	215,145,656	-2.5%	4,235,296	219,380,952	-0.6%
Total - General Fund Revenue	**2,683,539,557**	**12.1%**	**2,790,845,053**	**4.0%**	**2,931,825,687**	**5.1%**	**3,020,947,915**	**3.0%**	**(33,736,442)**	**2,987,211,473**	**1.9%**
Change in Biennial Totals									**(33,736,442)**		
*** 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%	(44,957,021)	-5.0%	0	(44,957,021)	-5.0%
- Business Equipment Tax Reimbursement (BETR)			0	N/A	(67,065,810)	N/A	(62,000,708)	7.6%	(5,000,000)	(67,000,708)	0.1%
- 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%	22,309,074	-9.3%	0	22,309,074	-9.3%
- Milk Handling Fee	0	N/A	0	N/A	1,867,527	N/A	3,485,207	86.6%	(1,055,032)	2,430,175	30.1%
- Liquor Sales and Operations	102,182,743	291.9%	49,845,027	-51.2%	2,560,044	-94.9%	3,750,000	46.5%	650,000	4,400,000	71.9%
- Liquor Taxes and Fees	17,485,024	2.0%	17,432,377	-0.3%	18,814,733	7.9%	19,027,489	1.1%	937,238	19,964,727	6.1%
- Finance Industry Fees	9,572,280	3.0%	18,641,800	94.7%	20,471,110	9.8%	20,567,380	0.5%	0	20,567,380	0.5%
- Corporation Fees & Licenses	3,600,455	3.4%	5,637,743	56.6%	6,385,451	13.3%	5,815,012	-8.9%	0	5,815,012	-8.9%
- Hunting and Fishing License Fees	16,898,278	21.1%	16,691,165	-1.2%	16,840,079	0.9%	15,705,573	-6.7%	0	15,705,573	-6.7%
- Boat, ATV and Snowmobile Fees	3,974,511	60.0%	4,148,890	4.4%	3,476,885	-16.2%	3,870,938	11.3%	0	3,870,938	11.3%
- Parimutuel and Gaming Revenue	1,036,539	-4.6%	1,362,611	31.5%	5,262,230	286.2%	7,566,052	43.8%	490,489	8,056,541	53.1%
- Fines, Forfeits and Penalties	38,219,275	41.6%	35,506,972	-7.1%	37,781,055	6.4%	42,453,483	12.4%	(535,000)	41,918,483	11.0%
- Targeted Case Management (HHS)	34,762,095	4.6%	34,518,055	-0.7%	25,687,188	-25.6%	22,977,870	-10.5%	632,024	23,609,894	-8.1%
- HHS Services Rendered	9,481,895	89.2%	7,966,194	-16.0%	9,613,394	20.7%	9,890,228	2.9%	1,790,795	11,681,023	21.5%
- State Cost Allocation Program	10,438,262	-5.0%	12,891,574	23.5%	13,281,561	3.0%	14,592,926	9.9%	0	14,592,926	9.9%
- Unclaimed Property Transfer	16,763,948	104.9%	10,000,000	-40.3%	14,880,517	48.8%	13,703,693	-7.9%	0	13,703,693	-7.9%
- Education Efficiency Fund Transfer	0	N/A	0	N/A	0	N/A	0	N/A	0	0	N/A
- Tourism Transfer	(7,213,282)	N/A	(7,554,190)	-4.7%	(7,762,689)	-2.8%	(8,221,338)	-5.9%	0	(8,221,338)	-5.9%
- Transfer to Maine Milk Pool	0	N/A	0	N/A	(2,616,160)	N/A	(12,574,554)	-380.6%	1,576,667	(10,997,887)	-320.4%
- Other Miscellaneous	46,860,796	69.5%	36,562,039	-22.0%	29,498,834	-19.3%	30,226,623	2.5%	(251,885)	29,974,738	1.6%
IF&W Total Revenue ***	21,902,902	24.5%	21,817,659	-0.4%	21,530,955	-1.3%	20,764,533	-3.6%	0	20,764,533	-3.6%

*** 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 abov

GENERAL FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2007

Source	FY08 Budget	% Chg.	Recom. Chg.	FY08 Revised	% Chg.	FY09 Budget	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Sales and Use Tax	1,005,068,924	3.1%	0	1,005,068,924	3.1%	1,046,414,548	4.1%	0	1,046,414,548	4.1%
Service Provider Tax	51,181,910	4.6%	0	51,181,910	4.6%	53,452,742	4.4%	0	53,452,742	4.4%
Individual Income Tax *	1,378,915,055	3.4%	2,296,000	1,381,211,055	4.1%	1,405,890,341	2.0%	6,824,000	1,412,714,341	2.3%
Corporate Income Tax	212,797,650	6.7%	(26,460,000)	186,337,650	8.3%	223,637,116	5.1%	(30,520,000)	193,117,116	3.6%
Cigarette and Tobacco Tax	163,774,241	-0.4%	0	163,774,241	-0.4%	162,497,725	-0.8%	0	162,497,725	-0.8%
Public Utilities Tax	18,520,000	-6.0%	(1,043,013)	17,476,987	3.5%	17,460,000	-5.7%	(995,603)	16,464,397	-5.8%
Insurance Companies Tax	76,751,673	0.5%	0	76,751,673	0.5%	77,169,754	0.5%	0	77,169,754	0.5%
Estate Tax	44,973,169	-14.3%	0	44,973,169	-14.3%	51,854,974	15.3%	0	51,854,974	15.3%
Prop. Tax - Unorganized Territory	11,958,218	3.1%	0	11,958,218	3.1%	12,332,279	3.1%	0	12,332,279	3.1%
Income from Investments	4,500,000	-1.4%	(3,076,000)	1,424,000	-6.2%	4,500,000	0.0%	(3,076,000)	1,424,000	0.0%
Transfer to Municipal Rev. Sharing	(137,694,104)	-5.6%	1,256,528	(136,437,576)	-6.0%	(142,519,951)	-3.5%	1,232,192	(141,287,759)	-3.6%
Transfer from Lottery Commission	49,834,250	-1.0%	0	49,834,250	-1.0%	49,834,250	0.0%	0	49,834,250	0.0%
Other Revenues **	198,110,814	-7.9%	6,022,629	204,133,443	-7.0%	199,527,743	0.7%	6,951,475	206,479,218	1.1%
Total - General Fund Revenue	**3,078,691,800**	**1.9%**	**(21,003,856)**	**3,057,687,944**	**2.4%**	**3,162,051,521**	**2.7%**	**(19,583,936)**	**3,142,467,585**	**2.8%**
Change in Biennial Totals								**(40,587,792)**		
*** Detail of Property Tax Reimbursement Programs Deducted from Individual Income Tax Revenue**										
- Maine Resident Property Tax Program	(46,253,766)	-2.9%	0	(46,253,766)	-2.9%	(47,573,249)	-2.9%	0	(47,573,249)	-2.9%
- BETR - Business Equipment Tax Reimb.	(68,490,826)	-10.5%	0	(68,490,826)	-2.2%	(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	14,565,275	-34.7%	0	14,565,275	-34.7%	15,314,869	5.1%	0	15,314,869	5.1%
- Milk Handling Fee	3,022,775	-13.3%	(2,523,298)	499,477	-79.4%	3,390,107	12.2%	(2,890,630)	499,477	0.0%
- Liquor Sales and Operations	4,250,000	13.3%	250,000	4,500,000	2.3%	4,250,000	0.0%	250,000	4,500,000	0.0%
- Liquor Taxes and Fees	19,105,388	0.4%	937,238	20,042,626	0.4%	19,185,186	0.4%	937,238	20,122,424	0.4%
- Finance Industry Fees	20,565,980	0.0%	0	20,565,980	0.0%	20,565,980	0.0%	0	20,565,980	0.0%
- Corporation Fees & Licenses	6,079,012	4.5%	0	6,079,012	4.5%	6,343,012	4.3%	0	6,343,012	4.3%
- Hunting and Fishing License Fees	16,300,487	3.8%	0	16,300,487	3.8%	16,300,487	0.0%	0	16,300,487	0.0%
- Boat, ATV and Snowmobile Fees	3,870,938	0.0%	0	3,870,938	0.0%	3,870,938	0.0%	0	3,870,938	0.0%
- Parimutuel and Gaming Revenue	7,447,834	-1.6%	301,303	7,749,137	-3.8%	10,773,016	44.6%	448,481	11,221,497	44.8%
- Fines, Forfeits and Penalties	40,621,808	-4.3%	0	40,621,808	-3.1%	40,696,808	0.2%	0	40,696,808	0.2%
- Targeted Case Management (HHS)	23,244,657	1.2%	365,237	23,609,894	0.0%	23,516,483	1.2%	93,411	23,609,894	0.0%
- HHS Services Rendered	9,890,228	0.0%	1,783,855	11,674,083	-0.1%	9,890,228	0.0%	1,783,855	11,674,083	0.0%
- State Cost Allocation Program	15,640,940	7.2%	0	15,640,940	7.2%	17,566,608	12.3%	0	17,566,608	12.3%
- Unclaimed Property Transfer	22,835,500	66.6%	0	22,835,500	66.6%	25,210,825	10.4%	0	25,210,825	10.4%
- Education Efficiency Fund Transfer	(14,907,337)	N/A	0	(14,907,337)	N/A	(21,473,917)	-44.0%	0	(21,473,917)	-44.0%
- Tourism Transfer	(8,607,905)	-4.7%	0	(8,607,905)	-4.7%	(8,999,364)	-4.5%	0	(8,999,364)	-4.5%
- Transfer to Maine Milk Pool	(9,604,800)	23.6%	4,940,400	(4,664,400)	57.6%	(10,810,000)	-12.5%	6,421,600	(4,388,400)	5.9%
- Other Miscellaneous	23,790,034	-21.3%	(32,106)	23,757,928	-20.7%	23,936,477	0.6%	(92,480)	23,843,997	0.4%
IF&W Total Revenue ***	21,369,439	2.9%	(2,147)	21,367,292	2.9%	21,376,597	0.0%	(3,093)	21,373,504	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 abov

GENERAL FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2007

Source	FY10 Projection	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Projection	% Chg.	Recom. Chg.	FY11 Revised	% Chg.
Sales and Use Tax	1,087,398,354	3.9%	0	1,087,398,354	3.9%	1,132,180,055	4.1%	0	1,132,180,055	4.1%
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 *	1,459,028,563	3.8%	7,340,000	1,466,368,563	3.8%	1,512,436,698	3.7%	4,951,000	1,517,387,698	3.5%
Corporate Income Tax	231,998,947	3.7%	(31,240,000)	200,758,947	4.0%	241,771,035	4.2%	(19,240,000)	222,531,035	10.8%
Cigarette and Tobacco Tax	161,043,480	-0.9%	0	161,043,480	-0.9%	159,641,550	-0.9%	0	159,641,550	-0.9%
Public Utilities Tax	16,400,000	-6.1%	(948,193)	15,451,807	-6.2%	16,200,000	-1.2%	(948,193)	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	56,852,600	9.6%	0	56,852,600	9.6%	4,771,020	-91.6%	0	4,771,020	-91.6%
Prop. Tax - Unorganized Territory	12,702,247	3.0%	0	12,702,247	3.0%	13,083,315	3.0%	0	13,083,315	3.0%
Income from Investments	4,500,000	0.0%	(3,076,000)	1,424,000	0.0%	4,500,000	0.0%	(3,076,000)	1,424,000	0.0%
Transfer to Municipal Rev. Sharing	(148,488,866)	-4.2%	1,242,800	(147,246,066)	-4.2%	(154,527,794)	-4.1%	743,028	(153,784,766)	-4.4%
Transfer from Lottery Commission	49,834,250	0.0%	0	49,834,250	0.0%	49,834,250	0.0%	0	49,834,250	0.0%
Other Revenues **	201,466,835	1.0%	6,490,723	207,957,558	0.7%	205,233,247	1.9%	6,162,339	211,395,586	1.7%
Total - General Fund Revenue	**3,265,921,996**	**3.3%**	**(20,190,670)**	**3,245,731,326**	**3.3%**	**3,320,959,326**	**1.7%**	**(11,407,826)**	**3,309,551,500**	**2.0%**
Change in Biennial Totals								**(31,598,496)**		
*** 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	10.4%	0	16,907,180	10.4%	18,867,770	11.6%	0	18,867,770	11.6%
- Milk Handling Fee	3,340,145	-1.5%	(2,840,668)	499,477	0.0%	3,390,107	1.5%	(2,890,630)	499,477	0.0%
- Liquor Sales and Operations	4,500,000	5.9%	0	4,500,000	0.0%	4,500,000	0.0%	0	4,500,000	0.0%
- Liquor Taxes and Fees	19,266,104	0.4%	937,238	20,203,342	0.4%	19,348,758	0.4%	937,238	20,285,996	0.4%
- Finance Industry Fees	20,565,980	0.0%	0	20,565,980	0.0%	20,565,980	0.0%	0	20,565,980	0.0%
- Corporation Fees & Licenses	6,343,012	0.0%	0	6,343,012	0.0%	6,343,012	0.0%	0	6,343,012	0.0%
- Hunting and Fishing License Fees	16,300,487	0.0%	0	16,300,487	0.0%	16,300,487	0.0%	0	16,300,487	0.0%
- Boat, ATV and Snowmobile Fees	3,870,938	0.0%	0	3,870,938	0.0%	3,870,938	0.0%	0	3,870,938	0.0%
- Parimutuel and Gaming Revenue	11,425,598	6.1%	465,171	11,890,769	6.0%	11,604,610	1.6%	470,475	12,075,085	1.6%
- Fines, Forfeits and Penalties	40,710,808	0.0%	0	40,710,808	0.0%	40,715,808	0.0%	0	40,715,808	0.0%
- Targeted Case Management (HHS)	23,793,745	1.2%	(183,851)	23,609,894	0.0%	24,076,553	1.2%	(466,659)	23,609,894	0.0%
- HHS Services Rendered	9,890,228	0.0%	1,783,855	11,674,083	0.0%	9,890,228	0.0%	1,783,855	11,674,083	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	26,471,366	5.0%	0	26,471,366	5.0%	27,794,935	5.0%	0	27,794,935	5.0%
- Education Efficiency Fund Transfer	(21,960,963)	-2.3%	0	(21,960,963)	-2.3%	(22,716,399)	-3.4%	0	(22,716,399)	-3.4%
- Tourism Transfer	(9,418,380)	-4.7%	0	(9,418,380)	-4.7%	(9,847,824)	-4.6%	0	(9,847,824)	-4.6%
- Transfer to Maine Milk Pool	(10,810,000)	0.0%	6,421,600	(4,388,400)	0.0%	(10,810,000)	0.0%	6,421,600	(4,388,400)	0.0%
- Other Miscellaneous	23,827,915	-0.5%	(92,622)	23,735,293	-0.5%	23,890,956	0.3%	(93,540)	23,797,416	0.3%
IF&W Total Revenue ***	21,382,802	0.0%	(3,228)	21,379,574	0.0%	21,389,885	0.0%	(4,146)	21,385,739	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 abov

General Fund - Individual Income Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$1,156,715,909	$1,270,225,329	$1,254,210,746	$1,333,646,508	$1,378,915,055	$1,405,890,341	$1,459,028,563	$1,512,436,698
Annual % Growth	7.9%	9.8%	-1.3%	6.3%	3.4%	2.0%	3.8%	3.7%
Net Increase (Decrease)				($6,527,000)	$2,296,000	$6,824,000	$7,340,000	$4,951,000
Revised Forecast	$1,156,715,909	$1,270,225,329	$1,254,210,746	$1,327,119,508	$1,381,211,055	$1,412,714,341	$1,466,368,563	$1,517,387,698
Annual % Growth	7.9%	9.8%	-1.3%	5.8%	4.1%	2.3%	3.8%	3.5%

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 $71.8 million in the December 2005 revenue forecast. The current year variance through January is $18.5 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 $11.8 million (-6.8%) through January. Refunds have surged ahead of projections very early in the processing season, accounting for $6.1 million of the negative variance. Fiscal year-to-date withholding payments were up 4.1% over FY05 amounts and have been tracking very close to revised projections (less than -0.1% variance through January).

Forecast Recommended Changes:

The individual income tax forecast is adjusted to account for stronger than expected BETR reimbursement and the new economic forecast. A technical adjustment was also made to reflect a change in the timing of the bonus depreciation recapture, increasing the estimate in later fiscal years at the expense of earlier fiscal years. Overall this line is performing very close to the December forecast.

General Fund - Individual Income Tax - Business Equipment Tax Reimbursement (BETR)

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$0	$0	($67,065,810)	($62,000,708)	($68,490,826)	($69,059,334)	($65,653,487)	($60,047,934)
Annual % Growth	N/A	N/A	N/A	-7.6%	10.5%	0.8%	-4.9%	-8.5%
Net Increase (Decrease)				($5,000,000)	$0	$0	$0	$0
Revised Forecast	$0	$0	($67,065,810)	($67,000,708)	($68,490,826)	($69,059,334)	($65,653,487)	($60,047,934)
Annual % Growth	N/A	N/A	N/A	-0.1%	2.2%	0.8%	-4.9%	-8.5%

Revenue Source Summary:

Beginning with FY06, taxpayer reimbursement under the Business Equipment Tax Reimbursement (BETR) program is accounted for as a deduction from the individual income tax line rather than an expenditure from General Fund appropriations for that purpose. Certain persons and property such as office furniture, lamps and lighting fixtures and gambling machines or devices are not eligible for reimbursement (see 36 MRSA Chapter 915 for specific exclusions). Retail property will also be excluded for property tax years beginning after April 1, 2006. BETR reimbursement is 100% of the property taxes paid on eligible property, except that for claims filed for the application period that begins on August 1, 2006 the reimbursement is 90% of the taxes. Eligible property is subject to reimbursement for up to 12 property tax years, but the 12 years must be reduced by one year for each year during which a taxpayer included the same property in its investment credit base. The amounts reflected in the table above represent gross program costs prior to the adjustment for state-municipal revenue sharing.

Revenue Source Forecast Factors and Trends:

BETR expenditures are forecast through the property tax model. New business investment in equipment is the primary driving force in the expenditures of this program. The program was expected to grow on a compounded basis as new investment was layered on to previously eligible equipment during the first 12 years of the program. After the 12th year, the property eligible in the first year is dropped from the program so that the growth of the program will slow dramatically. FY08 is the first year when business equipment in the program for 12 years will drop out. The increase in FY08 in the table above reflects the one-time reduction in FY07 at 90% reimbursement instead of 100%.

The program's expenditures were below expectations in FY06 by $4.4 million.

Forecast Recommended Changes:

BETR reimbursements will be $5 million more in FY07 than orginally forecasted. The forecast for FY08 and beyond was not changed at this time. Once the committee fully understands the reason for the increase in reimbursement in FY07, the other years in the budget window will likely be adjusted.

General Fund - Corporate Income Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$111,616,051	$135,862,913	$188,015,558	$199,398,755	$212,797,650	$223,637,116	$231,998,947	$241,771,035
Annual % Growth	22.4%	21.7%	38.4%	6.1%	6.7%	5.1%	3.7%	4.2%
Net Increase (Decrease)				($27,320,000)	($26,460,000)	($30,520,000)	($31,240,000)	($19,240,000)
Revised Forecast	$111,616,051	$135,862,913	$188,015,558	$172,078,755	$186,337,650	$193,117,116	$200,758,947	$222,531,035
Annual % Growth	22.4%	21.7%	38.4%	-8.5%	8.3%	3.6%	4.0%	10.8%

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:

The recommended changes to the Corporate Income tax represent a reversal of a substantial portion of the upward revision that the Revenue Forecasting Committee recommended in its December 2006 forecast. At that time, the indications were that corporate income tax payments were showing very healthy growth consistent with national trends. It now appears that the spike in receipts at the end of FY06 was a timing issue that is being reversed as FY07 moves forward. It is important to note that while Maine's corporate income tax is growing at a slower rate than the nation as a whole, the annual growth rate implicit in this forecast is still a solid 11% between FY05 and FY08. Consistent with most national forecasts, the Revenue Forecasting Committee is forecasting much slower growth in corporate receipts beyond FY08. 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 - Public Utilities Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$27,779,775	$25,004,898	$20,627,030	$19,695,000	$18,520,000	$17,460,000	$16,400,000	$16,200,000
Annual % Growth	-4.6%	-10.0%	-17.5%	-4.5%	-6.0%	-5.7%	-6.1%	-1.2%
Net Increase (Decrease)				($2,803,254)	($1,043,013)	($995,603)	($948,193)	($948,193)
Revised Forecast	$27,779,775	$25,004,898	$20,627,030	$16,891,746	$17,476,987	$16,464,397	$15,451,807	$15,251,807
Annual % Growth	-4.6%	-10.0%	-17.5%	-18.1%	3.5%	-5.8%	-6.2%	-1.3%

Revenue Source Summary:

This revenue is derived by the state tax on Telecommunications Personal Property. This property is exempt from ordinary local property taxation. The tax is assessed on May 30th of each year and must be paid by August 15th of that year. The tax rate decreased to 26 mills for taxes assessed in 2004 and will decrease one additional mill each year until 2010 when it reaches 20 mills pursuant to 36 MRSA §457. Prior to FY 06 excise tax on railroad companies accrued to the General Fund and was also included in this category. Effective October 1, 2005 railroad company taxes accrue to the State Transit, Aviation and Rail Transportation Fund, an enterprise fund established by the Department of Administrative and Financial Services.

Revenue Source Forecast Factors and Trends:

The Telecommunications Personal Property Tax base is eroding due to changes in the competitive nature of the market for telecommunications services. This coupled with the annual one mill reduction in the tax rate through tax year 2010 results in a declining revenue source.

Forecast Recommended Changes:

The changes to this line reflect an amended return for last year by a taxpayer that resulted in a $1.7 million refund in FY07. This adjustment has implications for this fiscal year's revenue and other years in the current budget window.

General Fund - Income from Investments

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$2,310,207	$5,854,625	$8,271,869	$4,500,000	$4,500,000	$4,500,000	$4,500,000	$4,500,000
Annual % Growth	-1.5%	153.4%	41.3%	-45.6%	0.0%	0.0%		
Net Increase (Decrease)				($3,076,000)	($3,076,000)	($3,076,000)	($3,076,000)	($3,076,000)
Revised Forecast	$2,310,207	$5,854,625	$8,271,869	$1,424,000	$1,424,000	$1,424,000	$1,424,000	$1,424,000
Annual % Growth	-1.5%	153.4%	41.3%	-82.8%	0.0%	0.0%	0.0%	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 - Interest rates had been near historic lows for several years based on Federal Reserve Board monetary policy. As the Feds tightened the money supply, interest rates rose and helped improve earnings in FY05 and FY06. Economy.com predicts 3-month Treasury Bill rates peaking in FY07.

Budget - Decisions were made to use the Rainy Day Fund and other reserves to fund ongoing programs. This reduced earnings early in this decade. Positive revenue variances and higher earnings rates contributed to higher than expected earnings in FY06. In FY07 cash flow has softened, in part because collections of MaineCare interim payments at DHHS have been below anticipation, contributing to lower balances in General Fund 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. No change in policy is expected.

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. This trend should reverse as Individual Income Tax payments in April are traditionally very positive for the state's revenue cycle.

Historical Data and Assumptions

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	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	$0
Pool Earnings Rate								
Current Forecast	1.32%	2.39%	4.51%	5.50%	5.50%	5.50%	5.50%	5.50%
Revised Forecast				5.50%	5.50%	5.50%	5.50%	5.50%

Forecast Recommended Changes:

A cash position that had shown some improvement that was reflected in the previous forecast has softened and expectations for improvement in the near future are not optimistic. This revised estimate now assumes that, despite higher interest rates than last year, earnings will drop to $1,424,000 and remain steady over the next few years. An annual reduction of $3,076,000 beginning in FY07 from the current baseline is therefore recommended.

General Fund - Transfer to Municipal Revenue Sharing

	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09	FY10	FY11
Current Forecast	($111,464,335)	($119,712,814)	($124,222,180)	($130,391,566)	($137,694,104)	($142,519,951)	($148,488,866)	($154,527,794)
Annual % Growth	-8.2%	-7.4%	-3.8%	-5.0%	-5.6%	-3.5%	-4.2%	-4.1%
Net Increase (Decrease)				$1,726,197	$1,256,528	$1,232,192	$1,242,800	$743,028
Revised Forecast	($111,464,335)	($119,712,814)	($124,222,180)	($128,665,369)	($136,437,576)	($141,287,759)	($147,246,066)	($153,784,766)
Annual % Growth	-8.2%	-7.4%	-3.8%	-3.6%	-6.0%	-3.6%	-4.2%	-4.4%

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 122nd 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 for 2 years by the 121st Legislature. The percentage is now schedule to increase from 5.1% to 5.2% on July 1, 2007.

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. For this forecast, the downward revision to the Corporate Income Tax dominates the change to the revenue sharing base.

General Fund - Milk Handling Fee

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$0	$0	$1,867,527	$3,485,207	$3,022,775	$3,390,107	$3,340,145	$3,390,107
Annual % Growth	N/A	N/A	N/A	86.6%	-13.3%	12.2%	-1.5%	1.5%
Net Increase (Decrease)				($1,055,032)	($2,523,298)	($2,890,630)	($2,840,668)	($2,890,630)
Revised Forecast	$0	$0	$1,867,527	$2,430,175	$499,477	$499,477	$499,477	$499,477
Annual % Growth	N/A	N/A	N/A	30.1%	-79.4%	0.0%	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. 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 significant decrease in projected revenue from the Milk Handling Fee represents a more targeted approach to predicting revenue from this source and is based on the projected Class I price per gallon of milk as forecast by Robert Wellington, Agriculture Economist with the Agri-Mark Cooperative. Revenue projections from the Milk Handling Fee are subject to frequent change and will likely need to be adjusted for each scheduled report of the Revenue Forecasting Committee.

General Fund - Liquor Sales and Operations

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$102,182,743	$49,845,027	$2,560,044	$3,750,000	$4,250,000	$4,250,000	$4,500,000	$4,500,000
Annual % Growth	291.9%	-51.2%	-94.9%	46.5%	13.3%	0.0%	5.9%	0.0%
Net Increase (Decrease)				$650,000	$250,000	$250,000	$0	$0
Revised Forecast	$102,182,743	$49,845,027	$2,560,044	$4,400,000	$4,500,000	$4,500,000	$4,500,000	$4,500,000
Annual % Growth			-94.9%	71.9%	2.3%	0.0%	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 aforementioned 10 year lease with the private entity, the State collected one-time payments from the private entity in the amounts of $75,000,000 in FY04 and $50,000,000 in FY05; these payments were budgeted as revenue amounts for the respective fiscal years and were deposited as revenue accordingly. As a result of the lease agreement and the one-time payments, the State had been foregoing budgeted revenue from Liquor Sales and Operations for the duration of the lease which includes FY06 through FY11.

Forecast Recommended Changes:

Most recently, aggregate sales have continued to significantly exceed the contractual threshold thereby triggering revenue sharing with the State. Accordingly, revenue estimates have been increased by $650,000 in FY07 and by $250,000 for each of FY08 and FY09. The long-term stable profit sharing amount of $4,500,000 originally projected for FY10 and FY11 is now assumed to be achieved beginning in FY08.

General Fund - Liquor Taxes and Fees

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$17,485,024	$17,432,377	$18,814,733	$19,027,489	$19,105,388	$19,185,186	$19,266,104	$19,348,758
Annual % Growth	2.0%	-0.3%	7.9%	1.1%	0.4%	0.4%	0.4%	0.4%
Net Increase (Decrease)				$937,238	$937,238	$937,238	$937,238	$937,238
Revised Forecast	$17,485,024	$17,432,377	$18,814,733	$19,964,727	$20,042,626	$20,122,424	$20,203,342	$20,285,996
Annual % Growth			7.9%	6.1%	0.4%	0.4%	0.4%	0.4%

Revenue Source Summary:

Description of Revenue Source: 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. Most recently, PL 2005, c. 457, Part XX established that, as of October 1, 2005, flavored malt beverages would be no longer be taxed as malt beverages and instead would be taxed at the higher rate established for low-alcohol spirits.

Forecast Recommended Changes:

The increased projections for revenue collected by the Department of Public Safety reflect changes in public consumption trends for different types of alcoholic beverages. In addition, the original projections were based on the assumption that manufacturers would reformulate flavored malt beverage products to avoid the higher tax rate. This has not happened.

General Fund - Pari-mutuel and Gaming Revenue

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$1,036,539	$1,362,611	$5,262,230	$7,566,052	$7,447,834	$10,773,016	$11,425,598	$11,604,610
Annual % Growth	-4.6%	31.5%	286.2%	43.8%	-1.6%	44.6%	6.1%	1.6%
Net Increase (Decrease)				$490,489	$301,303	$448,481	$465,171	$470,475
Revised Forecast	$1,036,539	$1,362,611	$5,262,230	$8,056,541	$7,749,137	$11,221,497	$11,890,769	$12,075,085
Annual % Growth	-4.6%	31.5%	286.2%	53.1%	-3.8%	44.8%	6.0%	1.6%

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 that 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 attached spreadsheet details the assumptions that produce the revised estimate for revenue from the slot machine facility in Bangor. FY07 revenue amounts were adjusted to reflect actual revenue through February. The assumptions dealing with average total slot income per machine per day were the only other modifications in this forecast compared with the December 2006 forecast. In general, with the exception of the winter months of 2008, the forecast assumptions were increased to be consistent with actual experience over the past 16 months. The committee remained cautious about increasing the forecast too much in the winter months based on the unusual experiences of this past winter.

Revenue Forecasting Committee - March 2007 - Racino Revenue

GENERAL FUND REVENUE	2005-06 Actual	2006-07	2007-08	2008-09	2009-10	2010-11
December 2006 Forecast - General Fund Revenue	$4,346,725	$6,684,052	$6,565,834	$9,891,016	$10,525,598	$10,704,610
Incremental Effect of March 2007 Forecast		$490,489	$301,303	$448,481	$465,171	$470,475
March 2007 Forecast - Revised General Fund Revenue	$4,346,725	$7,174,541	$6,867,137	$10,339,497	$10,990,769	$11,175,085

FUND FOR A HEALTHY MAINE REVENUE	2005-06 Actual	2006-07	2007-08	2008-09	2009-10	2010-11
December 2006 Forecast - Fund for a Healthy Maine Revenue	$1,771,173	$3,097,701	$3,052,445	$4,652,986	$4,819,650	$4,819,650
Incremental Effect of March 2007 Forecast		$211,280	$147,761	$219,938	$219,938	$219,938
March 2007 Forecast - Fund for a Healthy Maine Revenue	$1,771,173	$3,308,981	$3,200,206	$4,872,924	$5,039,588	$5,039,588

Detail of Current Revenue Forecast - Distribution of Total Slot Income

			2005-06 Actual	2006-07	2007-08	2008-09	2009-10	2010-11
Gross Slot Income (Coin/Voucher In)	A		$309,840,487	$584,034,689	$556,557,500	$847,465,000	$876,450,000	$876,450,000
Player's Share (Payback Value)	B		$289,030,355	$545,104,531	$518,989,869	$790,261,113	$817,289,625	$817,289,625
General Fund - Administration (1% of Gross Slot Income)	C	1.0%	$3,098,405	$5,840,347	$5,565,575	$8,474,650	$8,764,500	$8,764,500
"Net Slot Machine Income" (=A-B-C)			$17,711,727	$33,089,811	$32,002,056	$48,729,238	$50,395,875	$50,395,875
Licensees' Share of "Net Slot Machine Income"		**61.0%**	**$10,804,153**	**$20,184,785**	**$19,521,254**	**$29,724,835**	**$30,741,484**	**$30,741,484**

Distribution of State Share of "Net Slot Machine Income"	**39.0%**	**2005-06 Actual**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**
General Fund (other)	3.0%	$531,352	$992,694	$960,062	$1,461,877	$1,511,876	$1,511,876
General Fund (After 48 months - November 2009)	1.0%	$0	$0	$0	$0	$319,643	$503,959
Fund for Healthy Maine	10.0%	$1,771,173	$3,308,981	$3,200,206	$4,872,924	$5,039,588	$5,039,588
University of Maine Scholarship Fund	2.0%	$354,235	$661,796	$640,041	$974,585	$1,007,918	$1,007,918
Maine Community College System - Scholarship Funds	1.0%	$177,117	$330,898	$320,021	$487,292	$503,959	$503,959
Resident Municipalities	1.0%	$177,117	$330,898	$320,021	$487,292	$503,959	$503,959
Purse Supplements	10.0%	$1,771,173	$3,308,981	$3,200,206	$4,872,924	$5,039,588	$5,039,588
Sire Stakes Fund	3.0%	$531,352	$992,694	$960,062	$1,461,877	$1,511,876	$1,511,876
Fund to Encourage Racing at Commercial Tracks	4.0%	$708,469	$1,323,592	$1,280,082	$1,949,170	$2,015,835	$2,015,835
Fund to Stabilize Off-Track Betting (48 months - until Oct 2009)	2.0%	$354,235	$661,796	$640,041	$974,585	$368,633	$0
Fund to Stabilize Off-Track Betting (after 48 months - Nov 2009)	1.0%	$0	$0	$0	$0	$319,643	$503,959
Agricultural Fair Support Fund	3.0%	$531,352	$992,694	$960,062	$1,461,877	$1,511,876	$1,511,876

Revenue Summary	2005-06 Actual	2006-07	2007-08	2008-09	2009-10	2010-11
General Fund						
General Fund Administration	$3,098,405.00	$5,840,347	$5,565,575	$8,474,650	$8,764,500	$8,764,500
General Fund (Other)	$531,351.80	$992,694	$960,062	$1,461,877	$1,831,519	$2,015,835
Licensing revenue	$585,985.25	$329,500	$329,500	$389,500	$382,750	$382,750
Reimbursement - Background Checks	$130,983.39	$12,000	$12,000	$13,470	$12,000	$12,000
Subtotal - General Fund	**$4,346,725**	**$7,174,541**	**$6,867,137**	**$10,339,497**	**$10,990,769**	**$11,175,085**
Fund for Healthy Maine	**$1,771,173**	**$3,308,981**	**$3,200,206**	**$4,872,924**	**$5,039,588**	**$5,039,588**
Other Special Revenue Funds						
Harness Racing Commission	$3,896,580	$7,279,757	$7,040,453	$10,720,433	$10,767,451	$10,583,134
HRC - Subtotal	$3,896,580	$7,279,757	$7,040,453	$10,720,433	$10,767,451	$10,583,134
PUS- host municipalities	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000
University of Maine Scholarship Fund	$354,235	$661,796	$640,041	$974,585	$1,007,918	$1,007,918
Maine Community College System Scholarships	$177,117	$330,898	$320,021	$487,292	$503,959	$503,959
Resident Municipalities	$177,117	$330,898	$320,021	$487,292	$503,959	$503,959
Subtotal - Other Special Revenue Funds	**$4,630,049**	**$8,628,349**	**$8,345,536**	**$12,694,602**	**$12,808,287**	**$12,623,970**

Details and Assumptions

Calculated Gross Slot Machine Income Per Month	# of days	2005-06 Actual	2006-07	2007-08	2008-09	2009-10	2010-11
Total Gross Slot Income - Fiscal Year		**$309,840,487**	**$584,034,689**	**$556,557,500**	**$847,465,000**	**$876,450,000**	**$876,450,000**
July	31	$0	$58,000,282	$51,537,500	$50,065,000	$79,050,000	$79,050,000
August	31	$0	$45,683,294	$51,537,500	$81,375,000	$81,375,000	$81,375,000
September	30	$0	$49,496,760	$49,875,000	$78,750,000	$78,750,000	$78,750,000
October	31	$0	$49,186,407	$51,537,500	$81,375,000	$81,375,000	$81,375,000
November	30	$26,353,621	$49,511,516	$49,875,000	$78,750,000	$78,750,000	$78,750,000
December	30	$25,680,177	$51,644,600	$42,750,000	$67,500,000	$67,500,000	$67,500,000
January	31	$42,054,745	$46,136,272	$42,702,500	$67,425,000	$67,425,000	$67,425,000
February	28	$38,052,564	$48,888,058	$38,570,000	$60,900,000	$60,900,000	$60,900,000
March	31	$41,217,878	$51,537,500	$42,702,500	$67,425,000	$67,425,000	$67,425,000
April	29	$40,340,452	$41,325,000	$41,325,000	$65,250,000	$65,250,000	$65,250,000
May	31	$52,463,113	$44,175,000	$47,120,000	$74,400,000	$74,400,000	$74,400,000
June	30	$43,677,937	$48,450,000	$47,025,000	$74,250,000	$74,250,000	$74,250,000

Player's Share of Slot Machine Income Per Month	2005-06 Actual	2006-07	2007-08	2008-09	2009-10	2010-11
Total Player's Share - Fiscal Year	**$289,030,355**	**$545,104,531**	**$518,989,869**	**$790,261,113**	**$817,289,625**	**$817,289,625**
July	$0	$54,067,349	$48,058,719	$46,685,613	$73,714,125	$73,714,125
August	$0	$42,633,685	$48,058,719	$75,882,188	$75,882,188	$75,882,188
September	$0	$46,146,894	$46,508,438	$73,434,375	$73,434,375	$73,434,375
October	$0	$45,994,468	$48,058,719	$75,882,188	$75,882,188	$75,882,188
November	$24,521,586	$46,266,489	$46,508,438	$73,434,375	$73,434,375	$73,434,375
December	$23,932,523	$48,267,141	$39,864,375	$62,943,750	$62,943,750	$62,943,750
January	$39,145,785	$43,138,794	$39,820,081	$62,873,813	$62,873,813	$62,873,813
February	$35,487,203	$45,622,618	$35,966,525	$56,789,250	$56,789,250	$56,789,250
March	$38,440,827	$48,058,719	$39,820,081	$62,873,813	$62,873,813	$62,873,813
April	$37,632,335	$38,535,563	$38,535,563	$60,845,625	$60,845,625	$60,845,625
May	$49,023,676	$41,193,188	$43,939,400	$69,378,000	$69,378,000	$69,378,000
June	$40,846,420	$45,179,625	$43,850,813	$69,238,125	$69,238,125	$69,238,125

Licensing and Application Revenues:	#	Fee	2005-06 Actual	2006-07	2007-08	2008-09	2009-10	2010-11
Slot Machine Operator- Initial Application Fee	1	$200,000	$0	$0	$0	$0	$0	$0
Slot Machine Operator- Annual Renewal Fee		$75,000	$150,000	$75,000	$75,000	$75,000	$75,000	$75,000
Transfer of Operator Renewal Fee to host municipality			($25,000)	($25,000)	($25,000)	($25,000)	($25,000)	($25,000)
Slot Machine Distributor - Initial Application Fee	3	$200,000	$400,000	$0	$0	$0	$0	$0
Slot Machine Distributor - Annual Renewal Fee	3	$75,000	$0	$225,000	$225,000	$225,000	$225,000	$225,000
Slot Machines - Initial Registration Fee		$100	$32,700	$0	$0	$52,500	$0	$0
Slot Machines - Annual Renewal Fee		$100	$0	$47,500	$47,500	$47,500	$100,000	$100,000
Gambling Services Vendors	2	$2,000	$10,000	$4,000	$4,000	$4,000	$4,000	$4,000
Number of Licensed Employees			128	120	120	120	150	150
Application Fees from Licensed Employees		$250	$6,050	$0	$0	$7,500	$0	$0
Licensed Employees - Annual Renewal Fees		$25	$0	$3,000	$3,000	$3,000	$3,750	$3,750
Other Revenue deposited as Licensing Revenue			$12,235	$0	$0	$0	$0	$0
Total License Fees			**$585,985**	**$329,500**	**$329,500**	**$389,500**	**$382,750**	**$382,750**
Licensee Background Check Cost Reimbursement			$130,983	$12,000	$12,000	$13,470	$12,000	$12,000

Number of Machines	2005-06 Actual	2006-07	2007-08	2008-09	2009-10	2010-11
July	0	475	475	475	1,000	1,000
August	0	475	475	1,000	1,000	1,000
September	0	475	475	1,000	1,000	1,000
October	0	475	475	1,000	1,000	1,000
November	475	475	475	1,000	1,000	1,000
December	475	475	475	1,000	1,000	1,000
January	475	475	475	1,000	1,000	1,000
February	475	475	475	1,000	1,000	1,000
March	475	475	475	1,000	1,000	1,000
April	475	475	475	1,000	1,000	1,000
May	475	475	475	1,000	1,000	1,000
June	475	475	475	1,000	1,000	1,000

Payback % Average for Month	2005-06 Actual	2006-07	2007-08	2008-09	2009-10	2010-11
July	0.00%	93.22%	93.25%	93.25%	93.25%	93.25%
August	0.00%	93.32%	93.25%	93.25%	93.25%	93.25%
September	0.00%	93.23%	93.25%	93.25%	93.25%	93.25%
October	0.00%	93.51%	93.25%	93.25%	93.25%	93.25%
November	93.05%	93.45%	93.25%	93.25%	93.25%	93.25%
December	93.19%	93.46%	93.25%	93.25%	93.25%	93.25%
January	93.08%	93.50%	93.25%	93.25%	93.25%	93.25%
February	93.26%	93.32%	93.25%	93.25%	93.25%	93.25%
March	93.26%	93.25%	93.25%	93.25%	93.25%	93.25%
April	93.29%	93.25%	93.25%	93.25%	93.25%	93.25%
May	93.44%	93.25%	93.25%	93.25%	93.25%	93.25%
June	93.52%	93.25%	93.25%	93.25%	93.25%	93.25%

Average Total Slot Income Per Machine Per Day	2005-06 Actual	2006-07	2007-08	2008-09	2009-10	2010-11
Average for the Fiscal Year	**$2,776.40**	**$3,422**	**$3,225**	**$2,483**	**$2,413**	**$2,413**
July	$0.00	3,488.74	$3,500	$3,400	$2,550	$2,550
August	$0.00	3,434.83	$3,500	$2,625	$2,625	$2,625
September	$0.00	3,473.46	$3,500	$2,625	$2,625	$2,625
October	$0.00	3,698.23	$3,500	$2,625	$2,625	$2,625
November	$2,133.90	3,722.67	$3,500	$2,625	$2,625	$2,625
December	$2,002.35	3,197.81	$3,000	$2,250	$2,250	$2,250
January	$2,529.61	3,468.89	$2,900	$2,175	$2,175	$2,175
February	$2,861.10	3,675.79	$2,900	$2,175	$2,175	$2,175
March	$3,099.09	$3,500	$2,900	$2,175	$2,175	$2,175
April	$3,145.45	$3,000	$3,000	$2,250	$2,250	$2,250
May	$3,155.68	$3,000	$3,200	$2,400	$2,400	$2,400
June	$3,284.06	$3,400	$3,300	$2,475	$2,475	$2,475

General Fund - Fines, Forfeits and Penalties

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$38,219,275	$35,506,972	$37,781,055	$42,453,483	$40,621,808	$40,696,808	$40,710,808	$40,715,808
Annual % Growth		-7.1%	6.4%	12.4%	-4.3%	0.2%	0.0%	0.0%
Net Increase (Decrease)				($535,000)				
Revised Forecast	$38,219,275	$35,506,972	$37,781,055	$41,918,483	$40,621,808	$40,696,808	$40,710,808	$40,715,808
Annual % Growth		-7.1%	6.4%	11.0%	-3.1%	0.2%	0.0%	0.0%

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 have continued to run behind with hope that departmental actions such as issuing license suspensions for unpaid fines may provide some minor increases to offset these losses.

Forecast Recommended Changes:

The only adjustment is a one-time reduction of $535,000 in FY07 from fines collected by the Judicial Department.

JUDICIAL DEPT.	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$31,067,886	$31,924,868	$34,742,819	$40,023,485	$38,323,485	$38,323,485	$38,323,485	$38,323,485
Annual % Growth		2.8%	8.8%	15.2%	-4.2%	0.0%	0.0%	0.0%
Net Increase (Decrease)				($535,000)	$0	$0	$0	$0
Revised Forecast	$31,067,886	$31,924,868	$34,742,819	$39,488,485	$38,323,485	$38,323,485	$38,323,485	$38,323,485
Annual % Growth		2.8%	8.8%	13.7%	-3.0%	0.0%	0.0%	0.0%

The projected revenue estimates for fines collected by other state agencies other than the Judicial Department are as follows: (no adjustments at this time)

OTHER DEPT'S.	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$7,151,389	$3,582,103	$3,038,236	$2,429,998	$2,298,323	$2,373,323	$2,387,323	$2,392,323
Annual % Growth		-49.9%	-15.2%	-20.0%	-5.4%	3.3%	0.6%	0.2%
Net Increase (Decrease)				$0	$0	$0	$0	$0
Revised Forecast	$7,151,389	$3,582,103	$3,038,236	$2,429,998	$2,298,323	$2,373,323	$2,387,323	$2,392,323
Annual % Growth		-49.9%	-15.2%	-20.0%	-5.4%	3.3%	0.6%	0.2%

General Fund - Targeted Case Management (HHS)

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$34,762,095	$34,518,055	$25,687,188	$22,977,870	$23,244,657	$23,516,483	$23,793,745	$24,076,553
Annual % Growth	4.6%	-0.7%	-25.6%	-10.5%	1.2%	1.2%	1.2%	1.2%
Net Increase (Decrease)				$632,024	$365,237	$93,411	($183,851)	($466,659)
Revised Forecast	$34,762,095	$34,518,055	$25,687,188	$23,609,894	$23,609,894	$23,609,894	$23,609,894	$23,609,894
Annual % Growth	4.6%	-0.7%	-25.6%	-8.1%	0.0%	0.0%	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 FY06 actual revenue and FY07 revenue through February 2007. It is further assumed revenue from this source will be maintained at the FY07 level for the forecast period. The forecast does not reflect a potential impact that may arise as a result of a TCM audit being conducted by the federal Department of Health and Human Services, Office of the Inspector General (OIG).

General Fund - HHS Services Rendered

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$9,481,895	$7,966,194	$9,613,394	$9,890,228	$9,890,228	$9,890,228	$9,890,228	$9,890,228
Annual % Growth	89.2%	-16.0%	20.7%	2.9%	0.0%	0.0%	0.0%	0.0%
Net Increase (Decrease)				$1,790,795	$1,783,855	$1,783,855	$1,783,855	$1,783,855
Revised Forecast	$9,481,895	$7,966,194	$9,613,394	$11,681,023	$11,674,083	$11,674,083	$11,674,083	$11,674,083
Annual % Growth	89.2%	-16.0%	20.7%	21.5%	-0.1%	0.0%	0.0%	0.0%

Revenue Source Summary:

This revenue category includes reimbursement for services provided within several DHHS programs, the vast majority of these revenue comes from Medicaid billings. 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.

Forecast Recommended Changes:

Estimates are updated to reflect FY06 actual revenue and FY07 revenue through February 2007. The forecast assumes a further increase in revenue from this source above budgeted levels of $1.8 million annually beginning in FY07. This increase is primarily the result of an assumed increase federal reimbursement under the department's cost allocation plan.

General Fund - Transfers to Maine Milk Pool

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$0	$0	($2,616,160)	($12,574,554)	($9,604,800)	($10,810,000)	($10,810,000)	($10,810,000)
Annual % Growth	N/A	N/A	N/A	380.6%	-23.6%	12.5%	0.0%	0.0%
Net Increase (Decrease)				$1,576,667	$4,940,400	$6,421,600	$6,421,600	$6,421,600
Revised Forecast	$0	$0	($2,616,160)	($10,997,887)	($4,664,400)	($4,388,400)	($4,388,400)	($4,388,400)
Annual % Growth	N/A	N/A	N/A	320.4%	-57.6%	-5.9%	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 significant decreases in the projected amounts of General Fund revenue that will need to be transferred to the Maine Milk Pool are based on current forecasts which will be updated for each future meeting of the Revenue Forecasting Committee.

General Fund - Other Miscellaneous

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$46,860,796	$36,562,039	$29,498,834	$30,226,623	$23,790,034	$23,936,477	$23,827,915	$23,890,956
Annual % Growth	69.5%	-22.0%	-19.3%	2.5%	-21.3%	0.6%	-0.5%	0.3%
Net Increase (Decrease)				($251,885)	($32,106)	($92,480)	($92,622)	($93,540)
Revised Forecast	$46,860,796	$36,562,039	$29,498,834	$29,974,738	$23,757,928	$23,843,997	$23,735,293	$23,797,416
Annual % Growth	69.5%	-22.0%	-19.3%	1.6%	-20.7%	0.4%	-0.5%	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. Provided below is a summary of the major one-time or temporary revenue adjustments that have affected the revenue growth pattern of this group. This group includes many miscellaneous one-time items that distort trends. The list below summarizes the effect of some of the significant one-time or temporary revenue initiatives.

Unusual/Temporary Revenue	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Revenue Sharing Adjustments	$13,570,000	$9,600,000	$0	$5,000,000	$0	$0	$0	$0
School Construction Recovery	$0	$0	$5,900,000	$0	$0	$0	$0	$0
HHS - Intergovernmental Transfers	$6,847,242	$1,681,272	$0	$0	$0	$0	$0	$0
HHS Audit Settlements	$3,490,837	$1,199,437	$0	$0	$0	$0	$0	$0
Transfer of Limestone Rental	$0	$0	$855,223	$1,109,723	$0	$0	$0	$0
Adjustments to Clean Election Fund	$0	$0	($2,000,000)	$800,000	$0	$0	$0	$0
Total Unusual/Temp. Revenue	**$23,908,079**	**$12,480,709**	**$4,755,223**	**$6,909,723**	**$0**	**$0**	**$0**	**$0**
Adjusted Total	**$22,952,717**	**$24,081,330**	**$24,743,611**	**$23,065,015**	**$23,757,928**	**$23,843,997**	**$23,735,293**	**$23,797,416**
Adjusted Annual % Growth	**8.2%**	**4.9%**	**2.8%**	**-6.8%**	**3.0%**	**0.4%**	**-0.5%**	**0.3%**

Summary of Revenue Adjustments to March 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.

Administration - Revenue Services - Unclaimed Bottle Deposits (1195)

FY07	FY08	FY09	FY10	FY11
$514,007	$514,007	$514,007	$514,000	$514,000

Based on FY06 actual collections and collections through February of FY07, revenue from unclaimed bottle deposits was increased in this forecast to $650,000 per year in revenue throughout the forecast period.

Conservation - Division of Forest Protection - Sale of Forest Products (2666)

FY07	FY08	FY09	FY10	FY11
($233,002)	$21,500	$0	$0	$0

The projected decrease in budgeted revenue collected by the Division of Forest Protection for RSC 2666 (Sale of Forest Products) in FY07 reflects a variety of factors including reduced wood harvesting volume and a late winter start. The one-time increase for FY08 further reflects the late winter start and the delayed collection of revenue that was originally forecast to be collected in FY07.

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

	FY07	FY08	FY09	FY10	FY11
	($170,490)	($170,490)	($170,490)	($170,490)	($170,490)

The projected decreases in budgeted revenue collected by the Bureau of Parks and Lands for RSC 2610 (Recreational Use of Parks) is tied to declining attendance at state parks in recent years.

Health and Human Services (Formerly DHS) - Old Age Supplemental Insurance Payments (2543)

	FY07	FY08	FY09	FY10	FY11
	($323,411)	($360,595)	($398,523)	($398,523)	($398,523)

Based on FY06 actual collections and collections through February of FY07, the forecast for revenue from payments the Department of Health and Human Services receives for children in state custody was revised downward for the forecast period.

Health and Human Services (Formerly DHS) - Community Services Center - License Application Fees (1446)

	FY07	FY08	FY09	FY10	FY11
	($108,343)	($108,343)	($108,343)	($108,343)	($108,343)

Estimates are updated to reflect FY06 actual revenue and FY07 revenue through February 2007.

Health and Human Services - All Other Miscellaneous Revenue Adjustments

	FY07	FY08	FY09	FY10	FY11
	$69,354	$73,962	$73,962	$73,962	$73,962

Estimates are updated to reflect FY06 actual revenue and FY07 revenue through February 2007.

Inland Fisheries and Wildlife - Administrative Services - Tax on Internal Engine Combustion Fuel (0321)

	FY07	FY08	FY09	FY10	FY11
	$0	($2,147)	($3,093)	($3,228)	($4,146)

The negative adjustments in the revenue estimates for RSC 0321 (Tax on Internal Engine Combustion Fuel) reflects lower inflation projections for fuel tax indexing.

Appendix B - Highway Fund

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HIGHWAY FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2007

Source	FY04 Actual	% Chg.	FY05 Actual	% Chg.	FY05 Budget	FY06 Actual	% Chg.	FY07 Budget	% Chg.	Recom. Chg.	FY07 Revised	% Chg.
Fuel Taxes	212,600,843	13.1%	220,484,728	3.7%	220,838,729	221,575,309	0.5%	227,484,941	2.7%	0	227,484,941	2.7%
Motor Vehicle Registration & Fees	82,577,755	-0.5%	84,645,422	2.5%	81,378,234	87,658,962	3.6%	86,476,317	-1.3%	0	86,476,317	-1.3%
Inspection Fees	4,708,196	12.9%	4,260,059	-9.5%	4,281,459	4,373,692	2.7%	4,379,756	0.1%	0	4,379,756	0.1%
Fines, Forfeits and Penalties	1,918,703	-24.2%	1,518,580	-20.9%	1,890,359	1,809,813	19.2%	2,018,239	11.5%	0	2,018,239	11.5%
Income from Investments	720,046	-46.2%	1,440,739	100.1%	1,059,903	1,833,806	27.3%	795,000	-56.6%	0	795,000	-56.6%
Other Revenues	9,502,442	2.5%	13,728,627	44.5%	13,817,473	9,294,574	-32.3%	9,603,076	3.3%	0	9,603,076	3.3%
Total - Highway Fund Revenue	**312,027,986**	**8.3%**	**326,078,155**	**4.5%**	**323,266,157**	**326,546,157**	**0.1%**	**330,757,329**	**1.3%**	**0**	**330,757,329**	**1.3%**
Change in Biennial Totals										**0**		

HIGHWAY FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2007

Source	FY08 Budget	% Chg.	Recom. Chg.	FY08 Revised	% Chg.	FY09 Budget	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Fuel Taxes	236,650,637	4.0%	(2,100,239)	234,550,398	3.1%	242,698,100	2.6%	(2,912,734)	239,785,366	2.2%
Motor Vehicle Registration & Fees	86,908,059	0.5%	0	86,908,059	0.5%	86,789,607	-0.1%	0	86,789,607	-0.1%
Inspection Fees	4,433,458	1.2%	0	4,433,458	1.2%	4,489,821	1.3%	0	4,489,821	1.3%
Fines, Forfeits and Penalties	2,018,239	0.0%	0	2,018,239	0.0%	2,018,239	0.0%	0	2,018,239	0.0%
Income from Investments	795,000	0.0%	0	795,000	0.0%	795,000	0.0%	0	795,000	0.0%
Other Revenues	10,190,906	6.1%	0	10,190,906	6.1%	10,405,753	2.1%	0	10,405,753	2.1%
Total - Highway Fund Revenue	**340,996,299**	**3.1%**	**(2,100,239)**	**338,896,060**	**2.5%**	**347,196,520**	**1.8%**	**(2,912,734)**	**344,283,786**	**1.6%**
Change in Biennial Totals								**(5,012,973)**		

HIGHWAY FUND REVENUE

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2007

Source	FY10 Projection	% Chg.	Recom. Chg.	FY09 Revised	% Chg.	FY11 Projection	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Fuel Taxes	248,058,193	3.5%	(2,990,234)	245,067,959	2.2%	253,922,031	2.4%	(3,643,229)	250,278,802	2.1%
Motor Vehicle Registration & Fees	84,433,980	-2.7%	0	84,433,980	-2.7%	84,774,764	0.4%	0	84,774,764	0.4%
Inspection Fees	4,496,057	0.1%	0	4,496,057	0.1%	4,502,326	0.1%	0	4,502,326	0.1%
Fines, Forfeits and Penalties	2,018,239	0.0%	0	2,018,239	0.0%	2,018,239	0.0%	0	2,018,239	0.0%
Income from Investments	795,000	0.0%	0	795,000	0.0%	795,000	0.0%	0	795,000	0.0%
Other Revenues	10,443,944	0.4%	0	10,443,944	0.4%	10,482,405	0.4%	0	10,482,405	0.4%
Total - Highway Fund Revenue	**350,245,413**	**1.7%**	**(2,990,234)**	**347,255,179**	**0.9%**	**356,494,765**	**1.8%**	**(3,643,229)**	**352,851,536**	**1.6%**
Change in Biennial Totals								**(6,633,463)**		

Highway Fund - Fuel Taxes

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$212,600,843	$220,484,728	$221,575,309	$227,484,941	$236,650,637	$242,698,100	$248,058,193	$253,922,031
Annual % Growth	13.1%	3.7%	0.5%	2.7%	4.0%	2.6%	2.2%	2.4%
Net Increase (Decrease)				$0	($2,100,239)	($2,912,734)	($2,990,234)	($3,643,229)
Revised Forecast	$212,600,843	$220,484,728	$221,575,309	$227,484,941	$234,550,398	$239,785,366	$245,067,959	$250,278,802
Annual % Growth	13.1%	3.7%	0.5%	2.7%	3.1%	2.2%	2.2%	2.1%

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 February 2007 report, the Consensus Economic Forecasting Commission (CEFC) made the following changes in its Consumer Price Index estimates: decreased calendar year 2006 from 3.5% to 3.2%, decreased calendar year 2007 from 2.5% to 2.1%, left calendar year 2008 unchanged at 2.2% and decreased calendar years 2009, 2010 and 2011 from 2.2% to 2.1%. The effect of the CEFC adjustments to the Consumer Price Index estimations decreased projected fuel tax revenue for each of FY08, FY09, FY10 and FY11.

Actual and Projected Tax Rates

	7/1/2003 Act.	7/1/2004 Act.	7/1/2005 Act.	7/1/2006 Act.	7/1/2007	7/1/2008	7/1/2009	7/1/2010
Gasoline Tax								
Current Forecast	$0.246	$0.252	$0.259	$0.268	$0.277	$0.284	$0.290	$0.297
Revised Forecast					**$0.276**	**$0.282**	**$0.288**	**$0.294**
Special Fuel Tax								
Current Forecast	$0.257	$0.263	$0.270	$0.279	$0.289	$0.296	$0.303	$0.309
Revised Forecast					**$0.288**	**$0.294**	**$0.301**	**$0.307**

Appendix C - Fund for a Healthy Maine

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FUND FOR A HEALTHY MAINE REVENUE
(TOBACCO SETTLEMENT REVENUE)
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2007

Source	FY04 Actual	% Chg.	FY05 Actual	% Chg.	FY06 Actual	% Chg.	FY07 Budget	% Chg.	Recom. Chg.	FY07 Revised	% 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%	43,021,643	-4.4%	0	43,021,643	-4.4%
Racino Revenue **	0	N/A	0	N/A	1,771,173	N/A	3,097,701	74.9%	211,280	3,308,981	86.8%
Income from Investments	54,830	-92.0%	91,444	66.8%	124,780	36.5%	70,000	-43.9%	20,000	90,000	-27.9%
Attorney General Reimbursements and Other Income	0	N/A	220	N/A	39	-82.2%	0	N/A	0	0	N/A
Total - Tobacco Settlement Revenue	**49,007,794**	**-13.2%**	**49,124,793**	**0.2%**	**46,907,751**	**-4.5%**	**46,189,344**	**-1.5%**	**231,280**	**46,420,624**	**-1.0%**
Change in Biennial Totals									**231,280**		

** 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 2007

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	57,286,505	33.2%	0	57,286,505	33.2%	58,092,962	1.4%	0	58,092,962	1.4%
Racino Revenue **	3,052,445	-1.5%	147,761	3,200,206	-3.3%	4,652,986	52.4%	219,938	4,872,924	52.3%
Income from Investments	70,000	0.0%	20,000	90,000	0.0%	70,000	0.0%	20,000	90,000	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	**60,408,950**	**30.8%**	**167,761**	**60,576,711**	**30.5%**	**62,815,948**	**4.0%**	**239,938**	**63,055,886**	**4.1%**
Change in Biennial Totals								**407,699**		

** 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 2007

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	62,928,997	8.3%	0	62,928,997	8.3%	66,659,065	5.9%	0	66,659,065	5.9%
Racino Revenue **	4,819,650	3.6%	219,938	5,039,588	3.4%	4,819,650	0.0%	219,938	5,039,588	0.0%
Income from Investments	70,000	0.0%	20,000	90,000	0.0%	70,000	0.0%	20,000	90,000	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	**67,818,647**	**8.0%**	**239,938**	**68,058,585**	**7.9%**	**71,548,715**	**5.5%**	**239,938**	**71,788,653**	**5.5%**
Change in Biennial Totals								**479,876**		

** 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	FY08	FY09	FY10	FY11
Current Forecast	$0	$0	$1,771,173	$3,097,701	$3,052,445	$4,652,986	$4,819,650	$4,819,650
Annual % Growth	N/A	N/A	N/A	74.9%	-1.5%	52.4%	3.6%	0.0%
Net Increase (Decrease)				$211,280	$147,761	$219,938	$219,938	$219,938
Revised Forecast	$0	$0	$1,771,173	$3,308,981	$3,200,206	$4,872,924	$5,039,588	$5,039,588
Annual % Growth	N/A	N/A	N/A	86.8%	-3.3%	52.3%	3.4%	0.0%

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	FY08	FY09	FY10	FY11
Current Forecast	$54,830	$91,444	$124,780	$70,000	$70,000	$70,000	$70,000	$70,000
Annual % Growth	-92.0%	66.8%	36.5%	-43.9%	0.0%	0.0%	0.0%	0.0%
Net Increase (Decrease)				$20,000	$20,000	$20,000	$20,000	$20,000
Revised Forecast	$54,830	$91,444	$124,780	$90,000	$90,000	$90,000	$90,000	$90,000
Annual % Growth	-92.0%	66.8%	36.5%	-27.9%	0.0%	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 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 payments, which came in December, 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.

Forecast Recommended Changes:

The forecast assumes an increase in earnings above budgeted levels for the forecast period based on the level of earnings for FY06 significantly exceeding budgeted levels. With the continued decrease in FHM balances and the timing of the TSP's, it is assumed interest earnings for the forecast period will not achieve the FY06 level.

Appendix D
Medicaid/MaineCare Dedicated Revenue Taxes

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MEDICAID/MAINECARE DEDICATED REVENUE TAXES

REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2007

Source	FY04 Actual	% Chg.	FY05 Actual **	% Chg.	FY06 Actual ***	% Chg.	FY07 Budget	% Chg.	Recom. Chg.	FY07 Revised	% Chg.
Nursing Facility Tax	30,501,448	38.3%	29,241,327	-4.1%	31,397,376	7.4%	32,182,310	2.5%	(2,323,466)	29,858,844	-4.9%
Residential Treatment Facility (ICFs/MR) Tax	1,617,662	3.4%	1,958,739	21.1%	1,868,534	-4.6%	1,915,247	2.5%	16,789	1,932,036	3.4%
Hospital Tax *	16,383,319	N/A	48,907,135	198.5%	54,050,888	10.5%	56,212,924	4.0%	3,268,453	59,481,377	10.0%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	0	N/A	15,430,099	N/A	30,779,242	99.5%	31,215,524	1.4%	2,934,187	34,149,711	11.0%
Total - Health Care Provider Taxes	**48,502,429**	**105.4%**	**95,537,301**	**97.0%**	**118,096,040**	**23.6%**	**121,526,005**	**2.9%**	**3,895,963**	**125,421,968**	**6.2%**
Change in Biennial Totals									**3,895,963**		

* 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 2007

Source	FY08 Budget	% Chg.	Recom. Chg.	FY08 Revised	% Chg.	FY09 Budget	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Nursing Facility Tax	32,986,868	2.5%	(2,381,553)	30,605,315	2.5%	33,811,540	2.5%	(2,441,091)	31,370,449	2.5%
Residential Treatment Facility (ICFs/MR) Tax	1,963,128	2.5%	17,209	1,980,337	2.5%	2,012,206	2.5%	17,639	2,029,845	2.5%
Hospital Tax *	56,212,924	0.0%	3,268,453	59,481,377	0.0%	56,212,924	0.0%	3,268,453	59,481,377	0.0%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	31,662,713	1.4%	3,340,740	35,003,453	2.5%	32,121,082	1.4%	3,757,458	35,878,540	2.5%
Total - Health Care Provider Taxes	**122,825,633**	**1.1%**	**4,244,849**	**127,070,482**	**1.3%**	**124,157,752**	**1.1%**	**4,602,459**	**128,760,211**	**1.3%**
Change in Biennial Totals								**8,847,308**		

* 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 2007

Source	FY10 Forecast	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Forecast	% Chg.	Recom. Chg.	FY11 Revised	% Chg.
Nursing Facility Tax	34,656,828	2.5%	(2,502,119)	32,154,709	2.5%	35,523,249	2.5%	(2,564,672)	32,958,577	2.5%
Residential Treatment Facility (ICFs/MR) Tax	2,062,511	2.5%	18,080	2,080,591	2.5%	2,114,074	2.5%	18,532	2,132,606	2.5%
Hospital Tax *	56,212,924	0.0%	3,268,453	59,481,377	0.0%	56,212,924	0.0%	3,268,453	59,481,377	0.0%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	32,590,911	1.5%	4,184,593	36,775,504	2.5%	33,072,485	1.5%	4,622,406	37,694,891	2.5%
Total - Health Care Provider Taxes	**125,523,174**	**1.1%**	**4,969,007**	**130,492,181**	**1.3%**	**126,922,732**	**1.1%**	**5,344,719**	**132,267,451**	**1.4%**
Change in Biennial Totals								**10,313,726**		

* 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	FY08	FY09	FY10	FY11
Current Forecast	$30,501,448	$29,241,327	$31,397,376	$32,182,310	$32,986,868	$33,811,540	$34,656,828	$35,523,249
Annual % Growth	38.3%	-4.1%	7.4%	2.5%	2.5%	2.5%	2.5%	2.5%
Net Increase (Decrease)				($2,323,466)	($2,381,553)	($2,441,091)	($2,502,119)	($2,564,672)
Revised Forecast	$30,501,448	$29,241,327	$31,397,376	$29,858,844	$30,605,315	$31,370,449	$32,154,709	$32,958,577
Annual % Growth	38.3%	-4.1%	7.4%	-4.9%	2.5%	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 through February 2007.

Residential Treatment Facility (ICF's/MR) Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$1,617,662	$1,958,739	$1,868,534	$1,915,246	$1,963,128	$2,012,206	$2,062,511	$2,114,074
Annual % Growth	3.4%	21.1%	-4.6%	2.5%	2.5%	2.5%	2.5%	2.5%
Net Increase (Decrease)				$16,789	$17,209	$17,639	$18,080	$18,532
Revised Forecast	$1,617,662	$1,958,739	$1,868,534	$1,932,035	$1,980,337	$2,029,845	$2,080,591	$2,132,606
Annual % Growth	3.4%	21.1%	-4.6%	3.4%	2.5%	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 through February 2007.

Hospital Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$16,383,319	$48,907,135	$54,050,888	$56,212,924	$56,212,924	$56,212,924	$56,212,924	$56,212,924
Annual % Growth	N/A	198.5%	10.5%	4.0%	0.0%	0.0%	0.0%	0.0%
Net Increase (Decrease)				$3,268,453	$3,268,453	$3,268,453	$3,268,453	$3,268,453
Revised Forecast	$16,383,319	$48,907,135	$54,050,888	$59,481,377	$59,481,377	$59,481,377	$59,481,377	$59,481,377
Annual % Growth	N/A	198.5%	10.5%	10.0%	0.0%	0.0%	0.0%	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 is then fixed thereafter.

Forecast Recommended Changes:

The forecast has been updated to reflect actual FY07 collections through February 2007, and an updated estimate of revenue that will be generated when the second major annual payment is made in May 2007.

Service Provider Tax (Dedicated Revenue)

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	$0	$15,430,099	$30,779,242	$31,215,524	$31,662,714	$32,121,082	$32,590,911	$33,072,485
Annual % Growth	N/A	N/A	99.5%	1.4%	1.4%	1.4%	1.5%	1.5%
Net Increase (Decrease)				$2,934,187	$3,340,740	$3,757,458	$4,184,593	$4,622,406
Revised Forecast	$0	$15,430,099	$30,779,242	$34,149,711	$35,003,454	$35,878,540	$36,775,504	$37,694,891
Annual % Growth	N/A	N/A	99.5%	11.0%	2.5%	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. The PNMI portion of the tax was first in effect for state fiscal year 2005, with actual revenue reflecting approx. 11 months of collections. The forecast for the PNMI tax is based on a full 12 months of services for state fiscal year 2006 trended forward for future years at 2.5%. The forecast for the other MaineCare service providers added for FY06 is based on enacted amounts that were based on estimated MaineCare service volume, updated for actual collections to date.

Forecast Recommended Changes:

The forecast has been updated to reflect actual FY07 collections through February 2007.

APPENDIX E

Consensus Economic Forecasting Commission Report

Report of the
CONSENSUS ECONOMIC FORECASTING COMMISSION
February 1, 2007

Commissioners

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Professor of Public Policy and Management
University of Southern Maine

Eleanor Baker
Managing Principal
Baker Newman Noyes, LLC

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Michael Allen, *Maine Revenue Services*
Dana Evans, *Maine Department of Labor*
David Douglass, *Maine State Planning Office*
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Jerome Stanhope, *Maine Revenue Services*

Summary

The Maine Consensus Economic Forecasting Commission (CEFC) met on January 23, 2007. As required by statute, the CEFC updated its November 2006 economic forecast for Maine. After reviewing the most recent economic data, the commission forecasted slightly stronger growth in both wage and salary employment and personal income, and slightly lower inflation, as measured by the Consumer Price Index.

The CEFC affirmed its forecast for 2006 wage and salary employment growth to be 0.5%, but increased the estimates for 2007 and 2008 to 0.7% and 0.8%, respectively. The adjustments were based, in part, on stronger than expected preliminary employment figures presented by the Maine Department of Labor (MDOL). In addition, the slowdown in the housing sector was noted as being less severe than originally thought. The commission did not change its job growth forecast for 2009 (0.8%), 2010 (0.7%), and 2011 (0.6%).

Based on new data from the federal Bureau of Economic Analysis (BEA), the commission increased its estimate of 2006 personal income growth from 5.2% to 5.6%.

The CEFC also reduced its inflation estimate for all but one year. New BLS data on the prices of goods and services used to measure inflation show that price increases slowed in the second half of 2006. The combination of lower energy costs, higher interest rates, and a cooling housing market reduced price pressures. The inflation forecast for 2006 is 3.2%, with future years staying in the 2.1 to 2.2% range.

Calendar Years	2006	2007	2008	2009	2010	2011
Wage & Salary Employment (Annual % Change)						
CEFC Forecast 11/2006	**0.5**	**0.4**	**0.6**	**0.8**	**0.7**	**0.6**
CEFC Forecast 02/2007	**0.5**	**0.7**	**0.8**	**0.8**	**0.7**	**0.6**
Personal Income (Annual % Change)						
CEFC Forecast 11/2006	**5.2**	**4.3**	**4.5**	**4.5**	**4.3**	**4.2**
CEFC Forecast 02/2007	**5.6**	**4.3**	**4.5**	**4.5**	**4.3**	**4.2**
Inflation (CPI-U Annual % Change)						
CEFC Forecast 11/2006	**3.5**	**2.5**	**2.2**	**2.2**	**2.2**	**2.2**
CEFC Forecast 02/2007	**3.2**	**2.1**	**2.2**	**2.1**	**2.1**	**2.1**

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

Maine Department of Labor

MDOL's Labor Market Information Services presented preliminary December 2006 employment figures indicating that non-farm jobs and resident employment have both increased since November and are also higher than December 2005. MDOL indicated that, after annual revisions, the annual average non-farm wage and salary employment estimate for 2005 is expected to remain at 611,700 and the 2006 annual average will be revised upward from 613,600 to about 615,000. The 1,400 net job increase was based on updated Quarterly Census of Employment and Wages (QCEW) data for the first three quarters of 2006. Job gains between 2005 and 2006 occurred primarily in the health care, professional and business services, local government, construction, and leisure and hospitality service sectors, offsetting losses in the manufacturing sector.

Employment measured on a place of residence basis showed, an additional 7,600 people with jobs found work in 2006, while 5,900 people entered the labor force. As a result, the preliminary estimated unemployment rate for 2006 fell from the 4.8% average rate in 2005 to 4.6%. For the month of December, the unemployment rate was 4.7%, a level it had held for several months. That is not statistically different from the national rate of 4.5%.

Maine Revenue Services

Maine Revenue Services reported that General Fund revenue is running 0.7% below budget through the first six months of the current fiscal year and 4.3% below budget for the month of December. The primary factor resulting in less than expected revenue is a 38.4%, or $16.9 million, drop in December's corporate income tax receipts. This decrease is not inline with previous months' receipts and MRS is currently investigating possible reasons for the decrease. MRS also noted that future individual income tax receipts are likely to be above current forecasts because of higher than expected unearned income growth (capital gains, dividends, interest, and rent).

Taxable retail sales in Maine grew 3% in the first eleven months of 2006 compared to the same period in 2005. Restaurant/Lodging and Other Retail stores saw the strongest sales growth, 5% and 8%, respectively. The weakest growth was in the Automotive and Transportation category, were taxable sales actually declined by 2%. This likely reflects a shift in consumer demand toward smaller, more fuel efficient vehicles and the exhaustion of significant sales incentives offered by dealers over the last few years. Building Supply sales grew 3% during the same time period, but the year-to-date average reflects particularly strong growth in the first quarter of 2006. In November 2006, Building Supply sales were 10% lower than November 2005. Despite the shift in spending between sectors, total retail sales are still tracking with the current 3.5% annual growth estimate.

Maine State Planning Office

The State Planning Office reported that the Maine economy grew moderately in 2006, finding stability despite the potential threats of high energy prices, rising interest rates, and a declining housing market. Oil prices have receded from summer highs, the Federal Reserve stopped raising interest rates mid-year, and to date the effects of the declining housing market have been relatively contained.

However, signs of the national housing slowdown reaching Maine, which emerged in late summer, continued through the fall. The first quarter of 2006 saw record home sales, with existing homes selling at a seasonally adjusted annual rate of 36,400. By the third quarter, sales had dropped 27% from that peak to 26,700. Despite the drop, the Office of Federal Housing Oversight's Home Price Index for Maine still grew 1% between the second and third quarters. However, recent data suggests this may not hold. The median price of single-family homes sold in September-November was 2.5% lower than the same period last year.

Sales of single-family homes were down 14.1% in September-November, compared to the same months last year. In the first eleven months of 2006, the value of residential construction contracts awarded was nearly 15% less than in 2005. Contracts in New England as a whole were down nearly 14% and ranged from a 6% decline in Connecticut to a 23% drop in New Hampshire.

Maine's Coincident Economic Index (CEI), a proxy for Gross State Product (GSP), grew by 1.5% in the first eleven months of 2006 compared to the same period in 2005. That was less than half the national growth rate of 3.2%. However, CEI and GSP can differ from year to year. In 2005, Maine's CEI declined by 0.3% while actual GSP grew by 4.0%.

Inflation slowed somewhat in 2006 but remained above recent historical levels, mainly due to energy prices. The Consumer Price Index (CPI-U) rose 3.2% in 2006, slightly less than 2005's 3.4% increase. The rate of inflation slowed at the end of the year as gas prices eased and the effect of earlier interest rate hikes circulated through the economy. In January, CPI was 4.0% above the year-ago month and the target federal funds rate was 4.25%. The Federal Reserve raised interest rates steadily until reaching 5.25% at the end of June, where it stayed for the rest of the year. In December, CPI growth was just 2.5% above the year-ago month.

The price of oil has recently dropped from the speculative highs of over $70 per barrel to below $60. However, it remains well above the average of $30 per barrel seen in the three years prior to the March 2003 start of the Iraq war. Forecasts from Economy.com indicate that the price of oil should trend downward to below $50 per barrel by the end of 2008.

Consensus Forecast

The CEFC made several upward adjustments to its November economic forecast. In making these adjustments, the commission considered new economic data and trends at the national level.

The commission increased its forecast for annual growth in non-farm wage and salary employment based on an improved economic outlook. It increased its 2007 forecast from 0.4% to 0.7%. The rate for 2008 rose from 0.6% to 0.8%. In making the adjustments, the CEFC noted that the Economy.com model, used by the New England Economic Partnership and the State Planning Office, inaccurately assumes the impact of closing the Brunswick Naval Air Station to occur during 2008. However, the Navy has reported a closing date in 2011, with the shut down phased over the period 2009-2011.. Based on this information, the impact of the base closure will be spread over the last three years of the current forecast horizon..

The commissioners also discussed the potential impact of labor force constraints, suggesting that slow population growth will limit the future size of the available workforce. Baby boomers will begin reaching retirement age, 65, in 2010. It was noted that over the relatively short timeframe of the current forecast, population growth is not correlated with the labor force participation rate. In the years after 2011, however, labor force constraints may become an issue.

In the first three quarters of 2006, total personal income grew at an annual percentage rate of 5.4%. Based on this new data, the commission increased its forecast for 2006 personal income growth from 5.2% to 5.6%. It also increased its 2006 forecast for several of the components of personal income. Wage and salary income rose from 4.8% to 5.0%. "Other Labor" income, which includes benefits such as health insurance, rose from 4.5% to 5.2%. The commission left its forecast for 2007 to 2011 unchanged for these components and for total personal income.

The CEFC increased its growth forecast for dividends, interest, and rent by a full percentage point for 2006 through 2009. This was based on data indicating the continued strength of corporate profit and expectations of declining interest rates. Reviewing the different components, the commission noted that growth would mostly occur in dividends. Rents will feel the impact of the cooling housing market. The growth in imputed rent from home ownership should decrease because of the likely decrease in home prices. However, the Commission noted that dividends, interest, and rent are highly volatile data series, meaning they are very difficult to forecast with any precision.

The commission reduced its forecast of Consumer Price Index growth from 3.4% to 3.2% for 2006. The new rate is equal to the preliminary 2006 results reported by the Bureau of Labor Statistics. Forecasts of future inflation were also reduced slightly, based on expectations of lower energy prices and stable inflation.

Maine Consensus Economic Forecasting Commission

January 2007 Forecast

	2001	2002	2003	2004	History 2005	Forecast 2006	2007	2008	2009	2010	2011
CPI-U* (Annual Change)	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.1%	2.2%	2.1%	2.1%	2.1%
Maine Unemployment Rate	3.8%	4.4%	5.0%	4.6%	4.8%	4.6%	5.0%	5.0%	4.8%	4.7%	4.7%
3-Month Treasury Bill Rate**	3.4%	1.6%	1.0%	1.4%	3.1%	4.7%	4.7%	4.6%	4.6%	4.4%	4.4%
10-Year Treasury Note Rate**	5.0%	4.6%	4.0%	4.3%	4.3%	4.8%	4.9%	5.4%	5.6%	5.6%	5.5%
Employment (thousands)											
Maine Wage & Salary Employment*	608.1	606.4	606.7	611.7	611.7	615.0	619.1	623.8	628.5	632.6	636.1
Natural Resources	2.7	2.6	2.5	2.6	2.7	2.7	2.7	2.7	2.7	2.7	2.6
Construction	29.8	29.4	30.5	30.7	30.5	31.1	31.2	31.2	31.1	31.6	31.8
Manufacturing	74.6	68.0	64.1	63.0	61.4	59.9	59.5	59.1	59.0	58.8	58.5
Trade/Trans./Public Utils.	123.7	123.3	123.2	125.2	125.4	125.4	125.5	125.7	125.9	126.3	126.8
Information	12.1	11.6	11.3	11.2	11.2	11.3	11.5	11.6	11.8	11.9	12.1
Financial Activities	35.1	35.1	35.1	34.9	34.1	34.3	34.7	35.0	35.1	35.4	35.8
Prof. & Business Services	51.8	51.4	50.3	49.6	50.1	51.9	53.3	54.8	55.7	56.5	57.5
Education & Heath Services	100.8	104.9	107.3	110.9	112.2	114.1	115.4	116.7	118.9	120.6	121.7
Leisure & Hospitality Services	56.4	57.3	58.4	58.8	59.0	59.1	60.1	61.0	62.1	62.7	63.0
Other Services	19.1	19.8	20.3	20.0	20.0	20.1	20.2	20.4	20.7	20.8	21.0
Government	102.0	103.1	103.7	104.7	105.1	105.1	105.1	105.6	105.5	105.3	105.3
Agricultural Employment	17.7	18.0	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*	-	-0.3%	0.0%	0.8%	0.0%	0.5%	0.7%	0.8%	0.8%	0.7%	0.6%
Natural Resources	-	-3.7%	-3.8%	4.0%	3.8%	0.4%	-0.4%	-0.4%	-0.4%	-0.2%	-2.8%
Construction	-	-1.3%	3.7%	0.7%	-0.7%	1.9%	0.4%	0.0%	-0.3%	1.6%	0.6%
Manufacturing	-	-8.8%	-5.7%	-1.7%	-2.5%	-2.4%	-0.8%	-0.6%	-0.2%	-0.3%	-0.5%
Trade/Trans./Public Utils.	-	-0.3%	-0.1%	1.6%	0.2%	0.0%	0.1%	0.2%	0.2%	0.3%	0.4%
Information	-	-4.1%	-2.6%	-0.9%	0.0%	0.9%	1.5%	1.1%	1.7%	0.8%	1.7%
Financial Activities	-	0.0%	0.0%	-0.6%	-2.3%	0.6%	1.2%	0.9%	0.3%	0.9%	1.1%
Prof. & Business Services	-	-0.8%	-2.1%	-1.4%	1.0%	3.6%	2.8%	2.7%	1.6%	1.4%	1.8%
Education & Heath Services	-	4.1%	2.3%	3.4%	1.2%	1.7%	1.1%	1.1%	1.9%	1.4%	0.9%
Leisure & Hospitality Services	-	1.6%	1.9%	0.7%	0.3%	0.2%	1.7%	1.5%	1.8%	1.0%	0.5%
Other Services	-	3.7%	2.5%	-1.5%	0.0%	0.5%	0.2%	1.2%	1.2%	0.7%	1.0%
Government	-	1.1%	0.6%	1.0%	0.4%	0.0%	0.0%	0.5%	-0.1%	-0.2%	0.0%
Agricultural Employment	-	1.3%	-1.0%	-4.2%	-1.5%	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Seasonally Adjusted (millions)											
Personal Income*	35,107.1	35,998.5	37,588.0	39,313.7	40,713.6	42,994.5	44,859.4	46,886.0	49,013.4	51,121.0	53,291.1
Wage & Salary Disbursements*	17,982.9	18,551.6	19,277.0	20,213.1	20,612.9	21,650.9	22,552.7	23,491.8	24,486.7	25,488.7	26,500.3
Supplements to Wages & Salaries*	4,058.4	4,422.4	4,710.2	5,004.5	5,255.5	5,531.1	5,777.6	6,037.6	6,309.3	6,559.6	6,819.1
Non-Farm Proprietors' Income*	2,768.0	2,630.7	2,704.2	3,031.7	3,239.4	3,385.2	3,537.5	3,696.7	3,863.0	4,029.1	4,202.4
Farm Proprietors' Income	27.3	-35.8	0.9	32.5	29.9	31.2	32.5	33.8	35.2	36.6	38.1
Dividends, Interest, & Rent*	6,338.2	6,089.3	6,048.0	5,796.3	5,772.0	6,149.9	6,517.7	6,911.3	7,329.2	7,696.9	8,085.1
Dividends	1,538.3	1,673.7	1,878.2	1,916.4	1,841.4	1,996.1	2,154.8	2,325.0	2,508.7	2,684.3	2,872.2
Interest	4,078.3	3,797.6	3,623.3	3,352.8	3,543.5	3,766.8	3,975.8	4,198.5	4,431.5	4,622.0	4,820.8
Rent	721.6	618.0	546.5	527.1	387.1	387.1	387.1	387.9	389.0	390.6	392.1
Transfer Payments*	6,017.5	6,477.5	7,033.3	7,486.8	8,155.7	8,754.0	9,200.0	9,600.0	10,120.0	10,600.0	11,073.0
Less: Contributions to Social Ins.	2,811.7	2,846.9	2,891.6	3,001.1	3,140.4	3,340.0	3,600.0	3,850.0	4,130.0	4,380.0	4,600.0
Residence Adjustment	726.5	709.6	706.0	749.9	788.6	844.0	890.0	950.0	999.4	1,050.0	1,100.0
Farm Income	111.4	70.7	92.5	127.8	114.7	121.1	126.3	132.1	138.0	144.0	150.0
Annual Growth Rate											
Personal Income*	-	2.5%	4.4%	4.6%	3.6%	5.6%	4.3%	4.5%	4.5%	4.3%	4.2%
Wage & Salary Disbursements*	-	3.2%	3.9%	4.9%	2.0%	5.0%	4.2%	4.2%	4.2%	4.1%	4.0%
Supplements to Wages & Salaries*	-	9.0%	6.5%	6.2%	5.0%	5.2%	4.5%	4.5%	4.5%	4.0%	4.0%
Non-Farm Proprietors' Income*	-	-5.0%	2.8%	12.1%	6.9%	4.5%	4.5%	4.5%	4.5%	4.3%	4.3%
Farm Proprietors' Income	-	NA	NA	3584.5%	-8.0%	4.3%	4.1%	4.1%	4.1%	4.1%	4.1%
Dividends, Interest, & Rent*	-	-3.9%	-0.7%	-4.2%	-0.4%	6.5%	6.0%	6.0%	6.0%	5.0%	5.0%
Dividends		8.8%	12.2%	2.0%	-3.9%	8.4%	8.0%	7.9%	7.9%	7.0%	7.0%
Interest		-6.9%	-4.6%	-7.5%	5.7%	6.3%	5.6%	5.6%	5.6%	4.3%	4.3%
Rent		-14.4%	-11.6%	-3.6%	-26.6%	0.0%	0.0%	0.2%	0.3%	0.4%	0.4%
Transfer Payments*	-	7.6%	8.6%	6.4%	8.9%	7.3%	5.1%	4.3%	5.4%	4.7%	4.5%

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.

APPENDIX G

Materials Distributed by Maine Revenue Services on February 23, 2007

Maine Revenue Services
Economic Research Division

STATE OF MAINE
Undedicated Revenues - General Fund
For the Seventh Month Ended January 31, 2007
For the Fiscal Year Ending June 30, 2007
Comparison to Budget

PRELIMINARY 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 6-30-2007
Sales and Use Tax	98,428,040	97,688,620	739,420	0.8%	532,632,786	531,091,737	1,541,049	0.3%	974,740,367
Service Provider Tax	3,973,029	4,559,091	(586,062)	(12.9%)	23,872,777	23,857,966	14,811	0.1%	48,911,765
Individual Income Tax	148,537,510	144,220,000	4,317,510	3.0%	700,695,087	694,240,057	6,455,030	0.9%	1,333,572,271
Corporate Income Tax	6,378,309	8,000,000	(1,621,691)	(20.3%)	79,080,476	97,613,414	(18,532,938)	(19.0%)	199,210,000
Cigarette and Tobacco Tax	11,716,437	11,988,258	(271,821)	(2.3%)	96,340,926	97,597,796	(1,256,870)	(1.3%)	164,502,981
Public Utilities Tax	-	-	-	-	(116,564)	-	(116,564)	-	19,695,000
Insurance Companies Tax	47,717	7,626	40,091	525.7%	11,583,827	11,497,888	85,939	0.7%	76,336,389
Estate Tax	3,835,804	3,505,457	330,347	9.4%	31,082,351	27,927,299	3,155,052	11.3%	52,465,498
Property Tax - Unorg Territory	-	-	-	-	10,403,375	10,150,628	252,747	2.5%	11,597,312
Income from Investments	(237,792)	444,197	(681,989)	(153.5%)	1,614,549	2,660,767	(1,046,218)	(39.3%)	4,565,000
Transfer to Municipal Revenue Sharing	(13,123,161)	(12,977,856)	(145,305)	(1.1%)	(68,150,337)	(68,686,961)	536,624	0.8%	(130,378,153)
Transfer from Liquor Commission	3,300	-	3,300	-	14,971	-	14,971	-	-
Transfer from Lottery Commission	4,251,427	3,798,827	452,600	11.9%	29,901,429	29,440,907	460,522	1.6%	50,334,250
Other Revenues	16,326,569	15,563,687	762,882	4.9%	112,598,300	109,838,975	2,759,325	2.5%	215,055,030
Total Collected	280,137,189	276,797,907	3,339,282	1.2%	1,561,553,951	1,567,230,473	(5,676,522)	(0.4%)	3,020,607,710

NOTES: (1) Included in the above is $13,123,161 for the month and $68,150,337 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 December 2006.

(3) 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, 2007 and 2006
For the Fiscal Years Ending June 30, 2007 and 2006
Comparison to Prior Year

PRELIMINARY AND TENTATIVE

FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

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	98,428,040	94,741,670	3,686,370	3.9%	532,632,786	513,456,218	19,176,567	3.7%
Service Provider Tax	3,973,029	4,399,393	(426,364)	(9.7%)	23,872,777	23,022,256	850,521	3.7%
Individual Income Tax	148,537,510	131,958,647	16,578,864	12.6%	700,695,087	655,250,268	45,444,819	6.9%
Corporate Income Tax	6,378,309	4,128,062	2,250,247	54.5%	79,080,476	94,895,605	(15,815,129)	(16.7%)
Cigarette and Tobacco Tax	11,716,437	10,765,660	950,777	8.8%	96,340,926	87,587,651	8,753,275	10.0%
Public Utilities Tax	-	2,264	(2,264)	(100.0%)	(116,564)	2,264	(118,828)	(5247.7%)
Insurance Companies Tax	47,717	5,346	42,371	792.6%	11,583,827	11,890,563	(306,736)	(2.6%)
Estate Tax	3,835,804	1,665,593	2,170,212	130.3%	31,082,351	49,367,404	(18,285,053)	(37.0%)
Property Tax - Unorg Territory	-	-	-	-	10,403,375	9,560,399	842,976	8.8%
Income from Investments	(237,792)	539,841	(777,634)	(144.0%)	1,614,549	3,458,620	(1,844,071)	(53.3%)
Transfer to Municipal Revenue Sharing	(13,123,161)	(11,996,616)	(1,126,545)	(9.4%)	(68,150,337)	(65,617,842)	(2,532,496)	(3.9%)
Transfer from Liquor Commission	3,300	-	3,300	-	14,971	11,850	3,121	26.3%
Transfer from Lottery Commission	4,251,427	3,516,937	734,490	20.9%	29,901,429	28,970,856	930,573	3.2%
Other Revenues	16,326,569	16,288,135	38,434	0.2%	112,598,300	107,308,351	5,289,948	4.9%
Total Collected	280,137,189	256,014,932	24,122,257	9.4%	1,561,553,951	1,519,164,465	42,389,487	2.8%

STATE OF MAINE
Undedicated Revenues - General Fund
For the Seventh Month Ended January 31, 2007
For the Fiscal Year Ending June 30, 2007
Comparison to Budget

PRELIMINARY AND TENTATIVE

FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

EXHIBIT III

Detail of Other Revenues	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 6-30-2007
0100's All Others	1,274,444	1,559,967	(285,523)	(18.3%)	15,440,677	16,522,643	(1,081,966)	(6.5%)	25,786,038
0300's Aeronautical Gas Tax	19,988	18,907	1,081	5.7%	153,854	142,408	11,446	8.0%	252,461
0400's Alcohol Excise Tax	1,127,390	1,150,729	(23,339)	(2.0%)	10,200,177	10,026,239	173,938	1.7%	15,951,087
0700's Corporation Taxes	132,179	70,513	61,666	87.5%	1,122,181	563,108	559,073	99.3%	5,815,012
1000's Banking Taxes	2,482,250	1,724,959	757,291	43.9%	12,928,940	12,291,767	637,173	5.2%	20,567,380
1100's Alcoholic Beverages	319,407	204,022	115,385	56.6%	2,256,940	1,646,438	610,502	37.1%	3,212,395
1200's Amusements Tax	-	-	-	-	2,400	3,000	(600)	(20.0%)	3,000
1300's Harness Racing/Parimutuels/Slots	617,746	525,628	92,118	17.5%	4,631,720	4,394,929	236,791	5.4%	7,224,552
1400's Business Taxes	1,047,353	992,524	54,829	5.5%	5,614,402	5,589,280	25,122	0.4%	10,008,244
1500's Motor Vehicle Licenses	334,309	276,739	57,570	20.8%	2,121,926	1,966,866	155,060	7.9%	3,999,840
1700's Inland Fisheries & Wildlife	1,636,187	1,848,270	(212,083)	(11.5%)	10,018,675	8,551,166	1,467,509	17.2%	15,705,573
1900's Hospital Excise & Other	44,326	35,581	8,745	24.6%	208,212	215,179	(6,967)	(3.2%)	418,037
2000's Fines, Forfeits & Penalties	3,578,192	3,248,981	329,211	10.1%	22,804,295	24,423,468	(1,619,173)	(6.6%)	42,453,483
2200's Federal Revenues	1,332,283	798,549	533,734	66.8%	8,320,298	10,601,299	(2,281,001)	(21.5%)	14,378,708
2300's County Revenues	-	-	-	-	-	-	-	-	-
2400's Revenues from Cities & Towns	1,141	-	1,141	-	70,502	30,000	40,502	135.0%	60,000
2500's Revenues from Private Sources	379,921	174,567	205,354	117.6%	1,362,612	1,481,477	(118,865)	(8.0%)	6,104,309
2600's Current Service Charges	1,416,177	2,202,901	(786,724)	(35.7%)	17,821,423	14,675,488	3,145,935	21.4%	30,319,697
2700's Transfers from Other Funds	577,407	729,850	(152,443)	(20.9%)	(2,506,219)	(3,358,603)	852,384	25.4%	12,669,614
2800's Sales of Property & Equipment	5,870	1,000	4,870	487.0%	25,285	72,823	(47,538)	(65.3%)	125,600
Total Other Revenues	16,326,569	15,563,687	762,882	4.9%	112,598,299	109,838,975	2,759,324	2.5%	215,055,030

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, 2007 and 2006
For the Fiscal Years Ending June 30, 2007 and 2006
Comparison to Prior Year

PRELIMINARY AND TENTATIVE

FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

EXHIBIT IV

	Month				Year to Date			
Detail of Other Revenues	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)
0100's All Others	1,274,444	1,553,480	(279,035)	(18.0%)	15,440,677	17,913,595	(2,472,918)	(13.8%)
0300's Aeronautical Gas Tax	19,988	27,053	(7,064)	(26.1%)	153,854	511,361	(357,507)	(69.9%)
0400's Alcohol Excise Tax	1,127,390	1,100,778	26,613	2.4%	10,200,177	9,069,502	1,130,675	12.5%
0700's Corporation Taxes	132,179	117,297	14,882	12.7%	1,122,181	1,134,713	(12,532)	(1.1%)
1000's Banking Taxes	2,482,250	2,287,090	195,160	8.5%	12,928,940	11,949,520	979,420	8.2%
1100's Alcoholic Beverages	319,407	182,570	136,837	75.0%	2,256,940	1,603,265	653,675	40.8%
1200's Amusements Tax	-	-	-	-	2,400	2,710	(310)	(11.4%)
1300's Harness Racing/Parimutuels/Slots	617,746	564,444	53,303	9.4%	4,631,720	1,662,601	2,969,119	178.6%
1400's Business Taxes	1,047,353	994,609	52,744	5.3%	5,614,402	4,367,670	1,246,731	28.5%
1500's Motor Vehicle Licenses	334,309	141,505	192,803	136.3%	2,121,926	1,793,322	328,604	18.3%
1700's Inland Fisheries & Wildlife	1,636,187	2,039,941	(403,754)	(19.8%)	10,018,675	10,444,896	(426,222)	(4.1%)
1900's Amnesty, Hosp Excise & Other	44,326	29,239	15,087	51.6%	208,212	206,143	2,069	1.0%
2000's Fines, Forfeits & Penalties	3,578,192	2,626,529	951,663	36.2%	22,804,295	19,403,204	3,401,091	17.5%
2200's Federal Revenues	1,332,283	2,639,534	(1,307,251)	(49.5%)	8,320,298	7,498,057	822,241	11.0%
2300's County Revenues	-	-	-	-	-	-	-	-
2400's Revenues from Cities & Towns	1,141	(5,889)	7,030	119.4%	70,502	13,236	57,266	432.7%
2500's Revenues from Private Sources	379,921	278,534	101,386	36.4%	1,362,612	1,854,849	(492,238)	(26.5%)
2600's Current Service Charges	1,416,177	2,026,811	(610,634)	(30.1%)	17,821,423	20,124,301	(2,302,877)	(11.4%)
2700's Transfers from Other Funds	577,407	(316,049)	893,455	282.7%	(2,506,219)	(2,275,358)	(230,861)	(10.1%)
2800's Sales of Property & Equipment	5,870	660	5,210	789.4%	25,285	30,764	(5,479)	(17.8%)
Total Other Revenues	16,326,569	16,288,135	38,434	0.2%	112,598,299	107,308,351	5,289,948	4.9%

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, 2007
For the Fiscal Year Ending June 30, 2007
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 6-30-2007
Fuel Taxes	17,579,769	18,922,448	(1,342,679)	(7.1%)	115,902,925	116,695,671	(792,746)	(0.7%)	227,484,941
Motor Vehicle Registration & Fees	6,426,538	6,302,712	123,826	2.0%	46,098,179	45,940,507	157,672	0.3%	86,476,317
Inspection Fees	272,618	214,587	58,031	27.0%	2,740,108	2,695,339	44,769	1.7%	4,379,756
Fines, Forfeits & Penalties	114,904	156,888	(41,984)	(26.8%)	1,013,164	1,156,778	(143,614)	(12.4%)	2,018,239
Earnings on Investments	43,955	50,000	(6,045)	(12.1%)	469,612	506,643	(37,031)	(7.3%)	795,000
All Other	339,503	572,970	(233,467)	(40.7%)	6,021,032	6,478,076	(457,044)	(7.1%)	9,603,076
Total Revenue	24,777,287	26,219,605	(1,442,318)	(5.5%)	172,245,021	173,473,014	(1,227,993)	(0.7%)	330,757,329

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

STATE OF MAINE

PRELIMINARY AND TENTATIVE

Exhibit VI

Undedicated Revenues - Highway Fund
For the Seventh Month Ended January 31, 2007 and 2006
For the Fiscal Years Ending June 30, 2007 and 2006
Comparison to Prior Year

FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

	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	17,579,769	18,045,609	(465,840)	(2.6%)	115,902,925	114,789,282	1,113,643	1.0%
Motor Vehicle Registration & Fees	6,426,538	6,514,385	(87,846)	(1.3%)	46,098,179	46,751,990	(653,811)	(1.4%)
Inspection Fees	272,618	213,621	58,997	27.6%	2,740,108	2,673,189	66,919	2.5%
Fines, Forfeits & Penalties	114,904	134,300	(19,397)	(14.4%)	1,013,164	1,056,699	(43,535)	(4.1%)
Earnings on Investments	43,955	90,987	(47,031)	(51.7%)	469,612	956,578	(486,966)	(50.9%)
All Other	339,503	634,557	(295,054)	(46.5%)	6,021,032	6,378,016	(356,984)	(5.6%)
Total Revenue	24,777,287	25,633,458	(856,171)	(3.3%)	172,245,021	172,605,755	(360,735)	(0.2%)

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

Economic Assumptions

See Appendix E for a copy of the report of the Consensus Economic Forecasting Commission

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Moody's Economy.com U.S. Macro Outlook

By Mark Zandi in West Chester
February 14, 2007

View Moody's Economy.com Macro Forecast here.

- The economy is performing about as well as could be expected more than five years into the current expansion.
- Investors are euphoric over the economy's performance and prospects, sending stock prices soaring and credit spreads narrowing.
- With investor exuberance running so thick, the likelihood that investors will make a large collective misstep is on the rise.

More than five years into the current expansion, the economy is performing about as well as could be expected. After all the revisions come in, annualized real GDP growth will be just below 3% in last year's fourth quarter, and appears on track to be about the same in the first quarter of this year. The economy's potential is estimated at 3%.

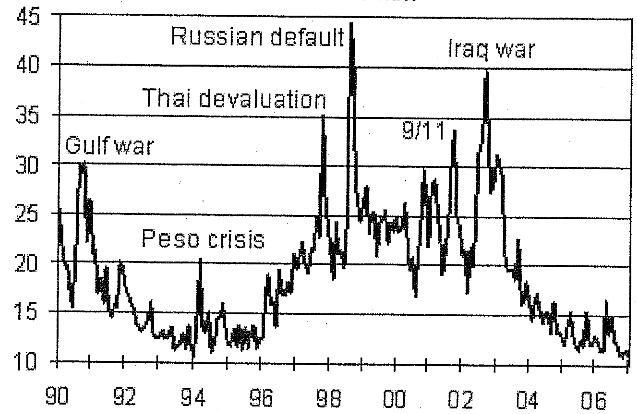
This just below-potential growth is fortuitous as the economy is operating at just beyond full employment. The current 4.6% unemployment rate is consistent with a job market that is a bit too tight; full employment is estimated to be closer to a 5% unemployment rate.

Sub-potential growth and lower prices for energy goods and other commodities have taken the edge off of inflation. Underlying inflation is just above the top end of the Federal Reserve's target—2.5% as measured by core CPI inflation—but has moderated substantially in recent months, and appears set to fall back within target in the coming months.

Policymakers appear very comfortable with the economy's performance and near-term prospects and are signaling that monetary policy will remain unchanged for the foreseeable future. The current 5.25% federal funds rate target is expected to remain in place through the remainder of this year.

Investors are euphoric over the economy's performance and prospects. Stock prices have gone nearly straight up since last summer, rising a stunning more than 15%. Stock investors are also sanguine about the market's near-term prospects. The Chicago Board of Trade's VIX index, which measures expected volatility in stock prices implied in options traded on a wide range of S&P 500 stocks, is at a record low.

Investors Are Extraordinarily Confident...
CBOE VIX index

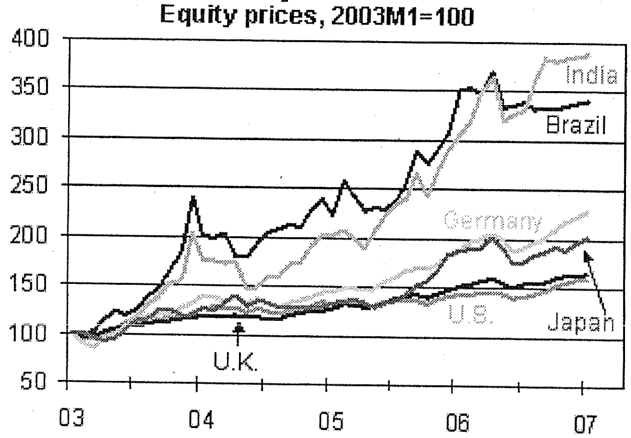


Bond investors are equally upbeat. Credit spreads have narrowed sharply and are about as narrow as they have ever been. The difference between yields on Baa corporate bonds, the lowest-rated investment grade bond, and 10-year Treasuries is only 150 basis points. Below investment grade, or junk corporate, bonds are trading at just over 300 basis points relative to Treasuries. For context, the Baa-Treasury spread was as high as 375 basis points and the junk-Treasury spread was closer to 1,000 basis points in the wake of the stock market crash and accounting scandals early in the decade.

Conditions in the derivatives market largely reflect sky-high investor optimism. The benchmark CDX derivatives index, tracking 125 investment-grade corporate credit default swaps (CDS), is poised to break another record. A CDS acts much like an insurance policy, insuring against the possibility of a bond default. Credit concerns are so low that in effect, the premiums on these policies are hovering near record lows.

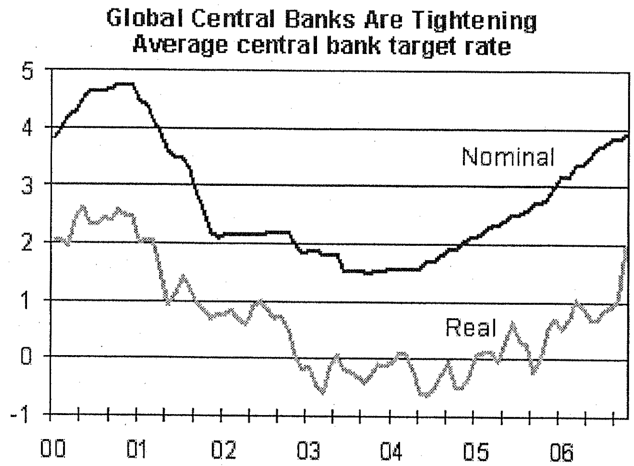
The optimism extends beyond U.S. financial markets. Stock prices are up much more strongly in many other bourses, in countries ranging from Germany and the U.K. to China and Russia. Emerging market debt spreads are also paper thin, even on bonds issued by recent deadbeats such as Ecuador and Argentina. It is also worth noting that commercial property prices are up significantly in nearly every corner of the world.

...Very Confident
Equity prices, 2003M1=100



With investor exuberance running so thick, the likelihood that investors will make a large collective misstep is on the rise. Global financial events—characterized by falling asset prices, widening credit spreads and a surge in volatility—are rare, but they often happen at this point in the business cycle when the global economy is operating near capacity and central banks are wary of building inflationary pressures and are thus tightening monetary policy. The last such event was the 1997-1998 Asian financial crisis and Russian bond default.

Indeed, most global central banks are tightening today, including the European Central Bank, the Bank of England, the Chinese Central Bank and the Indian Central Bank. The Federal Reserve is on hold, but is poised to quickly tighten unless U.S. growth slows and inflation moderates as scripted.



Global monetary policy was until recently highly stimulatory, fueling global growth and providing ample liquidity to investors. Indeed, only a couple of years ago central banks were arguably providing an unprecedented amount of liquidity to the global economy.

Another source of global liquidity, namely the large U.S. current account deficit, also appears to be at an inflection point. The current account deficit more than doubled during the first half of the decade, rising to an unprecedented 7% of GDP. Trade with China and the surging import bill for energy and other commodities sent a flood of dollars overseas that has found its way back into global asset markets. Chinese holdings of Treasury bonds have gone from essentially nothing at the beginning of the decade to some $350 billion currently.

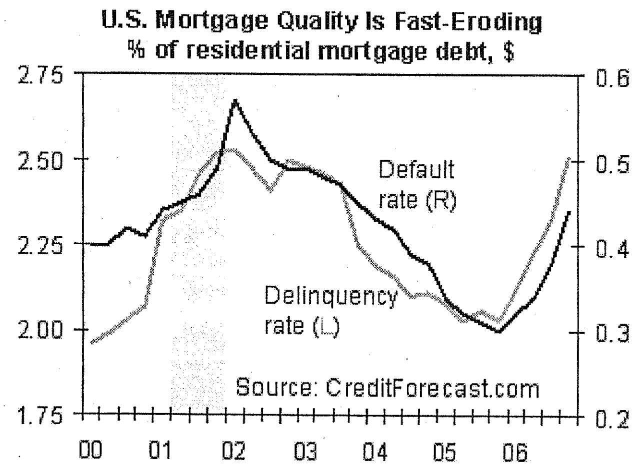
With energy and other commodity prices down substantially in recent months, the Chinese slowly revaluing the yuan and the U.S. trade deficit with the rest of the world narrowing due to previous dollar depreciation and stronger global growth, the U.S.current account deficit has peaked. This fountain of global liquidity, which to date has enabled global investors to aggressively scarf up stocks, bonds, real estate and nearly any other asset, is increasingly less free-flowing.

There are two potential triggers for a global financial event. The first is a sustained tightening effort by the Bank of Japan. It is the only major central bank that continues to pump out liquidity, in an effort to jumpstart the Japanese economy into a self-sustaining expansion with a bit of inflation. The BoJ would desperately like to normalize interest rates—the key target rate is still only 25 basis points—but remains stymied by the lack of growth in wages and consumer spending and the continued specter of deflation. The Japanese economy will eventually find its footing, allowing the BoJ to tighten, but this doesn't appear likely to happen anytime soon.

Another more pressing potential catalyst for a global financial event lies in the U.S.

residential mortgage-backed securities market. The RMBS market has mushroomed in recent years along with the previously booming housing market, and is now the largest part of the global fixed income market. Investor demand for U.S. RMBS has been so avaricious that U.S. mortgage lenders became emboldened to dramatically lower underwriting standards, as they knew there would be a ready buyer for anything they originated. Subprime, interest-only, negative amortization and alt-A lending soared.

The credit performance of these mortgage loans is now eroding quickly, however. The downturn in the housing market , combined with poor underwriting, is driving soaring delinquency and default rates. The erosion in credit conditions is upending a growing list of lenders, and while the securities market has so far weathered the storm well, stresses on those investors who bought into the riskiest RMBS tranches must be mounting. It is not difficult to imagine that these stresses could become overwhelming, spooking all investors and precipitating a global financial event.



While the odds of a global financial event are rising, and are about as high as they have been since the late 1990s, they are still very low. It is not misplaced to have faith in the resilience of the global financial system, particularly given the rapid financial innovation of the past decade. The back-office operations that support trading and the regulatory oversight needed to keep markets honest have also significantly improved.

Even more important, the odds that such an event, were one to occur, would derail the economic expansion are even lower. The economy is fundamentally strong, as is clear from robust corporate profitability, sturdy job and income gains and solid consumer spending. Moreover, policymakers would not stand still; the Federal Reserve and other central banks would ease aggressively to ensure that financial problems wouldn't become broader economic ones.

Thus, despite the hand-wringing over the potential for a global financial event, far and away the most likely outcome is a much more sanguine one. The baseline is for real GDP growth of 2.7% in 2007, a slightly higher unemployment rate later this summer and core inflation moving to within the Fed's target by the spring. Indeed, while growth will be sub-potential through the middle of the year, it is coming in a bit stronger than previously projected as the spillovers from housing and manufacturing into the rest of the economy appear less pronounced than expected. This change is just enough to prompt a change in the outlook for monetary policy: instead of two 25 basis point rate cuts this summer, as previously assumed, policymakers are now expected to hold the fed funds rate at its current 5.25% throughout 2007.

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Moody's Economy.com U.S. Macro Outlook

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U.S. Macro Outlook

	Units	06Q2	06Q3	06Q4	07Q1E	07Q2F	07Q3F	07Q4F	2006	2007E	2008F
Composition of Economic Activity, SAAR											
Gross Domestic Product	bcw$	11,388.1	11,443.5	11,541.6	11,609.0	11,684.4	11,770.8	11,865.5	11,422.4	11,732.4	12,113.3
Change	%AR	2.6	2.0	3.5	2.4	2.6	3.0	3.3	3.4	2.7	3.2
Personal Expenditures											
Consumption	bcw$	8,055.0	8,111.2	8,199.2	8,263.4	8,316.5	8,364.5	8,412.1	8,092.3	8,339.1	8,536.1
Change	%AR	2.6	2.8	4.4	3.2	2.6	2.3	2.3	3.2	3.1	2.4
Durables	bcw$	1,190.3	1,208.8	1,226.5	1,234.5	1,234.0	1,229.0	1,228.7	1,204.0	1,231.6	1,231.5
Change	%AR	-0.1	6.4	6.0	2.6	-0.2	-1.6	-0.1	5.1	2.3	0.0
Motor Vehicles	bcw$	443.7	452.9	450.2	454.5	453.8	448.9	448.5	448.0	451.4	446.1
Change	%AR	-1.3	8.6	-2.4	3.8	-0.6	-4.2	-0.4	-1.1	0.8	-1.2
Nondurables	bcw$	2,350.7	2,359.7	2,399.5	2,414.7	2,425.5	2,438.9	2,451.6	2,363.1	2,432.7	2,480.7
Change	%AR	1.4	1.5	6.9	2.6	1.8	2.2	2.1	3.8	2.9	2.0
Services	bcw$	4,535.5	4,566.6	4,599.5	4,640.8	4,683.5	4,723.2	4,758.4	4,549.0	4,701.5	4,850.5
Change	%AR	3.7	2.8	2.9	3.6	3.7	3.4	3.0	2.5	3.4	3.2
Investment											
Fixed Investment	bcw$	1,906.8	1,901.3	1,865.8	1,878.8	1,893.7	1,914.9	1,941.6	1,897.1	1,907.3	2,011.8
Change	%AR	-1.6	-1.1	-7.3	2.8	3.2	4.6	5.7	3.0	0.5	5.5
Nonresidential	bcw$	1,302.8	1,334.2	1,332.8	1,359.7	1,380.5	1,401.0	1,422.9	1,314.7	1,391.0	1,468.0
Change	%AR	4.4	10.0	-0.4	8.3	6.3	6.1	6.4	7.4	5.8	5.5
Structures	bcw$	271.9	282.0	284.0	293.3	301.3	309.3	317.1	274.4	305.3	330.7
Change	%AR	20.3	15.7	2.8	13.9	11.3	11.1	10.4	9.1	11.3	8.3
Equipment	bcw$	1,041.2	1,060.8	1,056.0	1,071.0	1,083.8	1,096.3	1,110.4	1,050.7	1,090.4	1,141.9
Change	%AR	-1.4	7.7	-1.8	5.8	4.9	4.7	5.2	6.7	3.8	4.7
Residential	bcw$	600.5	570.2	540.7	526.7	520.8	521.5	526.3	582.5	523.8	551.4
Change	%AR	-11.1	-18.7	-19.2	-10.0	-4.4	0.5	3.8	-4.2	-10.1	5.3
Single Family	bcw$	327.1	300.8	269.9	256.1	250.3	250.7	253.5	310.7	252.6	271.8
Change	%AR	-19.3	-28.5	-35.2	-19.0	-8.7	0.7	4.4	-7.6	-18.7	7.6
Multifamily	bcw$	43.3	44.1	46.1	45.7	45.8	46.2	46.8	44.3	46.1	48.9
Change	%AR	-1.8	7.6	19.4	-3.1	0.6	3.2	5.2	12.9	4.2	5.9
Other	bcw$	229.9	225.5	225.4	225.6	225.4	225.2	226.7	227.5	225.7	231.2
Change	%AR	0.9	-7.4	-0.2	0.3	-0.4	-0.2	2.6	-1.9	-0.8	2.4
Inventory Change	bcw$	53.7	55.4	35.3	20.6	19.9	24.1	32.1	46.4	24.2	50.0
NonFarm	bcw$	52.2	53.3	33.4	19.6	18.9	23.1	31.1	43.9	23.2	49.0
Farm	bcw$	1.9	2.5	2.1	1.0	1.0	1.0	1.0	2.7	1.0	1.0
Trade											
Net Exports	bcw$	-624.2	-628.8	-581.4	-581.5	-578.0	-572.9	-569.9	-617.8	-575.5	-564.9
Exports	bcw$	1,288.5	1,310.0	1,341.5	1,365.2	1,387.0	1,411.2	1,436.5	1,302.3	1,400.0	1,508.2
Change	%AR	6.2	6.8	10.0	7.3	6.5	7.2	7.4	8.9	7.5	7.7
Merchandise	bcw$	919.5	940.4	960.4	977.1	992.2	1,008.5	1,026.8	931.6	1,001.2	1,079.9

Change	%AR	*6.0*	*9.4*	*8.8*	*7.1*	*6.3*	*6.8*	*7.4*	*10.5*	*7.5*	*7.9*
Services	bcw$	369.6	370.3	381.8	388.1	394.8	402.6	409.7	371.3	398.8	428.4
Change	%AR	*6.7*	*0.8*	*13.0*	*6.8*	*7.0*	*8.2*	*7.2*	*5.2*	*7.4*	*7.4*
Imports	bcw$	1,912.7	1,938.8	1,922.9	1,946.7	1,964.9	1,984.0	2,006.4	1,920.1	1,975.5	2,073.1
Change	%AR	*1.4*	*5.6*	*-3.2*	*5.0*	*3.8*	*3.9*	*4.6*	*5.8*	*2.9*	*4.9*
Merchandise	bcw$	1,631.6	1,660.1	1,638.9	1,657.9	1,673.2	1,689.3	1,708.3	1,640.6	1,682.2	1,765.5
Change	%AR	*-0.1*	*7.2*	*-5.0*	*4.7*	*3.7*	*3.9*	*4.6*	*5.9*	*2.5*	*5.0*
Services	bcw$	283.1	281.3	285.9	288.8	291.7	294.7	298.1	281.7	293.3	307.6
Change	%AR	*9.8*	*-2.6*	*6.6*	*4.2*	*4.1*	*4.1*	*4.6*	*5.3*	*4.1*	*4.9*
Government											
Expenditrues and Investment	bcw$	1,991.2	1,999.4	2,017.7	2,022.7	2,027.3	2,035.2	2,044.7	1,998.8	2,032.5	2,075.3
Change	%AR	*0.8*	*1.7*	*3.7*	*1.0*	*0.9*	*1.6*	*1.9*	*2.1*	*1.7*	*2.1*
Federal Defense	bcw$	489.3	487.8	501.8	501.6	501.7	502.6	503.1	492.7	502.3	506.8
Change	%AR	*-2.0*	*-1.2*	*12.0*	*-0.2*	*0.1*	*0.7*	*0.4*	*1.9*	*1.9*	*0.9*
Federal Nondefense	bcw$	247.0	250.9	244.9	243.6	242.2	241.1	241.9	249.0	242.2	246.8
Change	%AR	*-9.2*	*6.4*	*-9.2*	*-2.1*	*-2.3*	*-1.8*	*1.3*	*2.2*	*-2.7*	*1.9*
Government Balance											
NIPA Basis	b$	-163.1	-165.6	-187.5	-142.0	-167.3	-184.3	-188.5	-165.8	-170.5	-234.8
Unified Budget	b$ FY	-275.7	-248.2	-209.2	-136.7	-207.8	-336.6	-392.4	-1,326.2	-1,321.8	-1,216.5
Consumers											
Personal Saving Rate	%AR	-1.4	-1.2	-1.0	-0.6	-0.4	-0.2	0.0	-1.0	-0.3	0.5
Retail Sales & Food Services	b$	4,361.6	4,400.9	4,404.1	4,466.0	4,526.5	4,567.8	4,614.4	4,373.3	4,543.7	4,724.2
Change	%AR	*3.3*	*3.7*	*0.3*	*5.7*	*5.5*	*3.7*	*4.1*	*6.3*	*3.9*	*4.0*
Vehicle Sales	m	16.3	16.6	16.3	16.4	16.2	16.0	16.0	16.5	16.2	15.9
Housing Starts	m	1.9	1.7	1.6	1.5	1.5	1.5	1.6	1.8	1.5	1.7
Producers											
Industrial Production	1992=100	111.2	112.3	112.2	112.7	113.3	113.9	114.6	111.3	113.6	116.6
Change	%AR	*6.5*	*4.0*	*-0.5*	*1.9*	*2.1*	*2.1*	*2.6*	*4.1*	*2.1*	*2.6*
Manufacturing Capacity Utilization	%	80.4	80.8	80.0	79.9	79.9	79.9	80.0	80.3	79.9	80.3
Labor Markets											
Total Employment	m	135.9	136.4	136.9	137.2	137.5	137.8	138.1	136.2	137.6	139.2
Change	%AR	*1.5*	*1.6*	*1.5*	*0.8*	*0.7*	*0.9*	*1.0*	*1.9*	*1.1*	*1.1*
Unemployment Rate	%	4.6	4.7	4.5	4.6	4.7	4.8	4.8	4.6	4.7	4.8
Prices											
Consumer Price Index	1982=100	201.7	203.2	202.1	203.2	204.7	205.7	206.8	201.6	205.1	209.4
Change	%AR	*5.0*	*2.9*	*-2.2*	*2.3*	*3.0*	*2.0*	*2.1*	*3.2*	*1.8*	*2.1*
Producer Price Index	1982=100	165.4	166.7	164.4	165.0	166.5	167.7	168.4	164.8	166.9	170.0
Change	%AR	*6.6*	*3.2*	*-5.5*	*1.5*	*3.7*	*2.8*	*1.7*	*4.7*	*1.3*	*1.9*
West Texas Intermediate	$/Bbl	70.5	70.4	60.1	57.3	59.7	56.9	54.3	66.1	57.0	50.0
Financial Markets											
Federal Funds	%	4.9	5.2	5.2	5.3	5.3	5.3	5.3	5.0	5.3	5.3
Prime Rate	%	7.9	8.3	8.3	8.3	8.3	8.3	8.3	8.0	8.3	8.3
10-Year Treasury	%	5.1	4.9	4.6	4.7	4.8	5.0	5.1	4.8	4.9	5.3

Jan

FRB Broad Index	97=100	108.5	108.0	107.4	106.4	105.7	105.0	104.9	108.5	105.5	104.2
Change	%AR	*-6.0*	*-2.0*	*-2.3*	*-3.7*	*-2.6*	*-2.4*	*-0.5*	*-2.0*	*-2.8*	*-1.2*

Contribution to Real GDP

	Units	06Q2	06Q3	06Q4	07Q1E	07Q2F	07Q3F	07Q4F
Personal Consumption Expenditure	%AR	1.83	1.99	3.12	2.25	1.85	1.67	1.64
Gross Private Domestic Investment	%AR	- 0.28	- 0.19	- 1.28	0.46	0.52	0.74	0.93
Inventories	%AR	0.45	0.06	- 0.72	- 0.52	- 0.03	0.15	0.28
Net Exports	%AR	0.45	- 0.16	1.69	0.00	0.12	0.18	0.10
Exports	%AR	0.69	0.76	1.12	0.83	0.76	0.84	0.88
Imports	%AR	0.24	0.93	- 0.57	0.84	0.64	0.67	0.78
Government	%AR	0.15	0.29	0.65	0.17	0.16	0.27	0.33
Total	%AR	2.56	1.96	3.47	2.36	2.62	2.99	3.26

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

Moody's Economy.com U.S. Regional Outlook

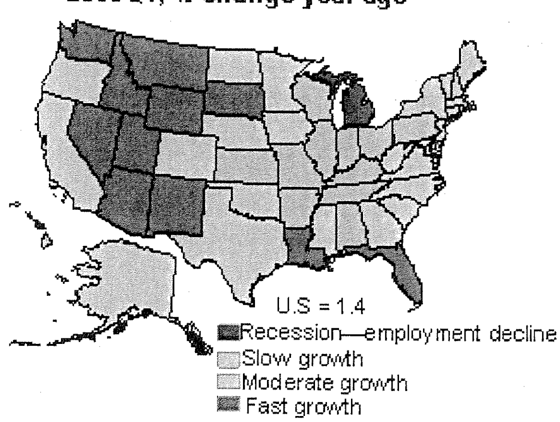
By Steve Cochrane in West Chester
February 21, 2007

View Moody's Economy.com Regional Forecast here.

- Weakness in the auto industry is weighing on economic growth in the Midwest. The downturn in housing markets is a problem in Florida, California and parts of the Southwest and Northeast.
- Growth is slowing the most in the South and West due to the downturn in housing. However, these regions continue to see above average growth.
- Growth is slower but more stable in the Midwest and Northeast. Incomes in the Northeast are benefiting from big bonuses in financial services.
- Aerospace and technology are supporting growth in the West.
- Regional growth patterns will converge in 2007.

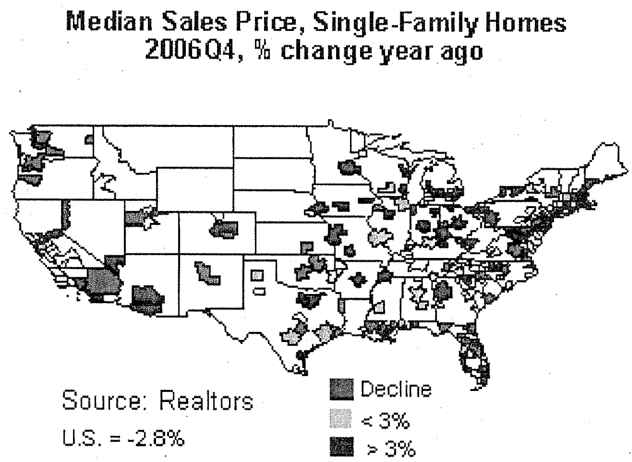
The causes of slower economic growth in the U.S.—the downturn in housing markets and restructuring among the U.S.domestic automakers—are creating the current regional economic patterns. The greatest weakness is in the industrial Midwest, particularly in Michigan and Ohio, where the auto industry is most concentrated. Slower growth is being seen in Florida, California and the nearby metro areas of Las Vegas and Phoenix, and in parts of the Northeast due to the downturn in regional housing markets. Some emerging weakness is also evident in the broader manufacturing belt, extending from the Midwest down toward the Gulf Coast, as makers of a broad range of durable goods work off accumulated inventories .

West Leads Employment Growth
2006Q4, % change year ago



Despite the downturn in house prices and slower construction activity in the Southwest and Florida, these areas remain among the fastest growing labor markets in the country. These areas are expected to slow further, however, as they feel the full effect of reduced construction activity and deteriorating household credit quality in construction employment, consumer spending and further house-price weakness. In the Northeast the housing cycle is hurting New England the fastest and hardest. Washington, D.C., particularly its condominium market, is also suffering.

The South's slowdown is primarily focused in southern Florida, where housing markets were the most overheated and there is an excess of inventory for condominiums. The weakness, however, extends up the Atlantic coast and over to the southern Gulf coast of Florida.



While house-price declines are steepest in southern Florida, prices are also falling in Phoenix and Las Vegas, where there had been considerable investor buying in recent years. Southern California is not immune to this trend either, with prices falling in Orange County and San Diego. But strength in broader growth drivers are buoying the southern California economy. Moderate declines in house prices are also being seen in New England and the Washington, D.C. metro area.

During the fourth quarter, the house-price declines in the Midwest extended for the first time beyond the industrial heartland that is so hobbled by broad employment cutbacks in the auto industry. As of the fourth quarter weakening housing markets extended west to the major metro areas of the upper Midwest and south toward Memphis, Little Rock and even Atlanta. Thus, housing markets that were not particularly juiced up by the housing boom of 2005 and 2006 are giving back some of the house-price appreciation of recent years.

Notwithstanding the impact of the housing and auto industries, the Northeast and Midwest labor markets are remaining remarkably stable. Job growth may be slow in these regions, but was stable through the end of 2006. This is unlike the South and West, where labor markets are expanding more quickly, but their pace of job growth has slowed.

To its advantage, the Northeast is less dependent on construction activity and housing finance than are the South and West. Further, income gains from financial services will give a strong boost to the region's real estate and consumer services industries in the near term, particularly in the Greater New York City area. Indeed, whereas housing markets in Boston and Washington, D.C. are weakening, the New York City housing market, particularly at the high end, is very strong thanks to demand generated from bonus income in the area's financial services industries.

In the Midwest—apart from Michigan and Ohio, where auto production is most highly concentrated—improving demographic patterns, high farm commodity prices, investment in alternative energy production such as ethanol, and stable demand for industrial machinery and equipment are supporting the economy.

In the West, commercial aerospace production is providing the greatest support for the economy. This is concentrated in the Pacific Northwest, where the Boeing Corp. is headquartered, and in the Southwest, including southern California, where there is considerable concentration in aerospace components. Strong commodity prices have boosted the more rural Mountain states, although this cycle may unwind in the near term. The San Francisco Bay Area has broad support from financial services, tech-producing industries and international trade.

Factors that will contribute to regional comparative advantages include an improving profit outlook for spatially concentrated industries such as airlines, internet services and medical supplies. Continued business investment spending will support areas with high concentrations of information technology-producing industries and industrial equipment. The broad and stable growth of the global economy will continue to support centers of global trade and services.

The near-term outlook will see less differentiation of economic performance among the regions. Over the past 15 years, periods of wide differentiation between the leaders and laggards occurred during times of great imbalances in investment spending. During the late 1990s, the imbalance was in the form of the technology bubble, with a large misallocation of investment in technology-producing and technology-using industries that favored the West and, to a certain extent, the Northeast. Over the past two years misallocation of investment in residential real estate has driven the South and West economies well ahead of those in the Northeast and Midwest.

Once imbalances correct, regional growth patterns normally converge again, and this is expected to be the case in 2007 and 2008. Slower construction activity will cause the growth rate of real gross product in the South and West to slow considerably, bringing them back closer in line with the slower but more stable Northeast and Midwest.

Regional disparities will be more evident in the near term for employment growth, for four reasons. First, in the industrial Midwest productivity gains in the U.S. domestic auto industry are expected to accelerate as capital investment soars but the automakers and parts suppliers cut back on their workforces, at least through the middle of this year. Thus job growth is expected to remain weak within the region, particularly in Michigan and parts of Ohio and Indiana.

Second, very strong profitability for financial services firms in the Northeast has resulted in large bonus payments in late 2006 and 2007 that will lead to household investment in real estate and other sectors within the region. But the financial services industry itself is not expected to hire significantly due to the uncertainty of the interest rate environment for 2007.

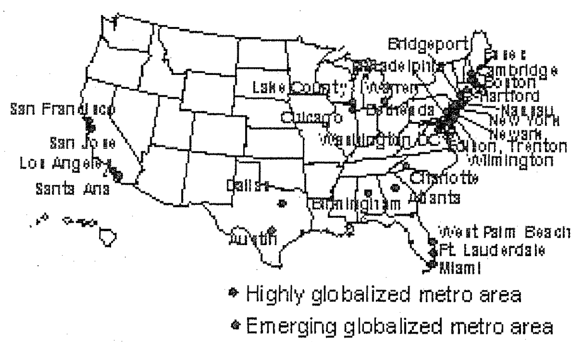
Third, strong U.S.and global business investment spending will provide a boost to tech-producing industries located largely in the West, and to other durable goods makers located in the Plains states and parts of the industrial Midwest. These industries will continue to support employment growth, offsetting further job losses in auto-related industries.

Fourth, housing markets will remain stable in large parts of the South, stretching from the Carolinas and Georgia through Dallas/Ft. Worth and elsewhere in Texas. Homebuilding is a labor-intensive industry that will continue to boost payroll employment in much of the South outside of Florida.

Thus, productivity growth is likely to be stronger in the Northeast and the Midwest in the near term, giving a boost to income growth in these regions. Job growth, however, will be stronger in the South and West.

Over the long term metro areas linked to global trade will enjoy some comparative advantage as the expansion of the global economy continues. One should expect that coastal ports and exporters of high-value commodities and services will benefit from this trend. As measured by the Moody's Economy.com Index of Globalization, the metro areas that gain from global trade are concentrated in the Northeast and the West Coast, although every region has some exposure to global trade that will support economic growth over the long term.

Most Globally Linked U.S. Metro Areas
Moody's Economy.com index of globalization



In the near term the negative risks to regional economies outweigh the positives. The downside risks arise from three primary factors. The first is weak demand for housing and autos. Overheated and oversupplied housing markets are still expected to limit growth in Florida, California and the Southwest, where falling house prices and a preponderance of adjustable-rate mortgages put household credit quality at risk. This is compounded by the risk to subprime mortgage lenders, who are witnessing a sharp slowdown in the pace of mortgage originations as lending standards have tightened, and rising rates for defaults and foreclosures. The areas most exposed to the subprime mortgage lending industry are southern California, in particular Orange County, and Florida. Already, several such lenders have filed for bankruptcy and a significant amount of consolidation in the industry is still expected. This will lead to payroll cutbacks and some abandonment of office space in these areas.

Second, further auto-related layoffs put the industrial Midwest at risk. This month Chrysler announced cutbacks at four locations: it will close its Newark, Delaware plant in 2009 and its Cleveland parts distribution plant this December, and will eliminate a shift this year at its Warren, Michigan plan and one next year in St. Louis. Even with these cuts, there is a possibility that the Chrysler Group could be sold, leading to further job losses. And it is inevitable that parts suppliers to Chrysler and other automakers will undertake job cuts as well. UAW contracts will provide some income protection for workers at auto assembly plants, but greater income losses are expected as parts suppliers shut down and workers are released with fewer benefits.

The third broad downside risk relates to the potential for further easing in prices for energy, agriculture and other commodities that could limit recent gains seen in the Mountain and Plains states. Energy prices have firmed in recent weeks with the price of crude oil back close to $60 per barrel; this implies that investment in Midwest ethanol plants and exploration and development of oil and coal resources in the northern Mountain and northern Plains states will continue. Some of these activities would likely falter, however, if the price of oil were to drop and stay below $50 for an extended period of time.

In addition, profits in consumer-driven financial services are at risk as mortgage default rates rise, and as this trend extends into credit card portfolios. This could be particularly painful if the Federal Reserve raises its policy interest rate above its current 5.25%. In this case, not only would adjustable-rate mortgages reset to higher rates than expected, but rates on revolving consumer credit would also rise; both of these trends would hit moderate-income families and many households that are new homeowners in expensive markets, adding additional risk to housing markets on the coasts, and in the near term to financial service centers.

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U.S. Economic Preview 2/12/2007

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US Regional Forecast - State Employment Growth

Printer-friendly Format | Latest Forecast Analysis

Last updated on: 2/21/2007

US Regional Forecast - State Employment Growth

	Annualized % Change							% Change		
	06Q3	06Q4	07Q1E	07Q2F	07Q3F	07Q4F	08Q1F	2006	2007E	2008F
United States	1.6	1.5	0.8	0.7	0.9	1.0	1.2	1.9	1.1	1.1
New England	0.5	0.9	0.6	1.0	1.0	1.2	1.1	0.7	0.8	1.1
Connecticut	0.4	1.2	1.3	1.2	1.1	1.4	1.5	0.6	1.1	1.3
Maine	0.4	0.8	1.3	0.4	0.5	0.6	0.5	0.3	0.8	0.6
Massachusetts	0.8	-0.3	1.1	1.1	0.9	1.0	0.9	0.8	0.8	0.9
New Hampshire	0.4	0.7	1.0	1.5	1.3	1.5	1.5	1.0	1.0	1.4
Rhode Island	-0.2	-0.5	-0.2	0.0	2.5	2.3	1.2	0.4	0.4	1.7
Vermont	1.4	0.3	0.6	1.2	0.9	1.1	0.9	0.8	0.9	1.0
Middle Atlantic	1.0	0.8	0.6	1.0	0.7	0.9	0.8	0.8	0.8	0.7
New Jersey	0.2	0.2	0.8	0.7	0.8	0.9	1.1	0.8	0.6	0.9
New York	1.3	0.4	0.5	1.2	0.6	0.8	0.7	0.8	0.8	0.7
Pennsylvania	1.0	1.2	1.1	1.0	0.8	0.9	0.6	0.9	1.0	0.7
South Atlantic	1.6	1.3	1.8	1.6	1.4	1.7	1.7	2.2	1.6	1.7
Delaware	1.5	2.5	0.9	1.2	0.9	1.4	1.2	1.6	1.4	1.6
District of Columbia	-0.6	2.4	1.4	0.5	-0.3	0.5	0.4	1.5	0.8	0.3
Florida	2.4	2.3	2.0	2.1	2.0	2.2	2.4	3.3	2.2	2.3
Georgia	1.4	1.4	1.7	1.7	1.7	1.7	1.6	2.1	1.6	1.6
Maryland	1.1	2.5	1.3	1.2	0.9	1.3	1.4	1.3	1.4	1.3
North Carolina	1.1	0.4	1.7	1.4	1.3	1.8	1.7	1.8	1.3	1.6
South Carolina	1.1	0.6	1.7	1.6	1.2	1.7	1.6	2.4	1.4	1.6
Virginia	1.4	1.4	1.2	1.3	1.0	1.3	1.3	1.7	1.3	1.3
West Virginia	0.8	2.1	1.3	0.9	0.6	0.8	1.0	1.1	1.2	0.8
East North Central	0.6	-0.3	0.9	0.8	0.6	1.0	1.0	0.5	0.6	0.9
Illinois	2.3	0.2	0.9	0.9	0.6	0.9	0.9	1.1	1.0	0.8
Indiana	0.8	0.9	1.3	1.0	0.8	1.3	1.5	0.7	1.0	1.2
Michigan	-1.6	0.6	-1.7	0.5	0.7	1.1	1.1	-0.5	-0.2	1.0
Ohio	-0.4	-0.4	0.6	0.8	0.6	0.8	0.8	0.4	0.4	0.7
Wisconsin	-0.3	0.8	1.1	1.2	0.6	1.2	0.9	1.0	0.8	0.9
West North Central	1.8	1.7	0.0	1.4	1.3	1.5	1.4	1.5	1.1	1.3
Iowa	1.8	1.2	1.5	1.5	0.9	1.2	1.3	1.8	1.4	1.1
Kansas	-0.3	0.2	1.7	1.7	1.2	1.4	1.4	0.5	1.1	1.3
Minnesota	2.4	0.5	1.3	1.4	1.4	1.5	1.3	2.0	1.5	1.3
Missouri	1.0	-0.4	0.7	1.2	1.2	1.6	1.5	1.0	0.7	1.4

Nebraska	1.4	0.0	1.0	1.1	1.0	1.4	1.3	1.8	0.9	1.2
North Dakota	1.1	2.8	1.8	2.0	2.1	1.5	1.1	1.8	1.9	1.3
South Dakota	1.9	1.3	1.2	1.3	1.4	1.5	1.3	2.5	1.5	1.3
East South Central	0.4	1.7	0.4	1.6	1.2	1.6	1.5	1.3	1.1	1.4
Alabama	0.1	-0.8	1.9	2.0	1.4	1.8	1.6	1.7	1.1	1.5
Kentucky	0.5	-0.5	0.9	1.1	1.0	1.4	1.5	1.1	0.7	1.3
Mississippi	2.0	3.9	2.5	1.8	0.8	1.4	1.0	0.9	2.1	1.1
Tennessee	0.0	1.0	1.4	1.5	1.3	1.6	1.5	1.2	1.3	1.4
West South Central	1.9	2.6	1.9	1.9	2.0	2.1	2.2	1.3	2.0	2.0
Arkansas	1.2	-0.1	1.5	1.5	1.2	1.5	1.5	1.2	1.1	1.5
Louisiana	4.9	1.7	2.9	1.8	1.0	1.2	1.3	-5.0	2.3	1.3
Oklahoma	0.6	2.3	1.2	1.1	0.9	1.1	1.2	1.9	1.2	1.1
Texas	2.1	2.4	2.1	2.0	2.4	2.4	2.6	2.5	2.2	2.3
Mountain	4.3	3.2	2.5	2.1	2.0	2.2	2.4	3.8	2.8	2.2
Arizona	4.9	3.8	2.6	2.9	2.6	2.9	2.8	4.9	3.3	2.8
Colorado	2.4	1.2	1.5	1.2	1.2	1.5	2.5	2.1	1.5	2.0
Idaho	1.9	4.5	1.9	1.6	1.3	2.1	2.1	4.6	2.4	1.9
Montana	7.3	4.7	1.5	1.5	1.1	1.2	1.1	3.1	2.9	1.1
Nevada	4.5	3.7	2.8	2.6	2.3	2.5	2.4	5.3	3.3	2.5
New Mexico	4.3	1.7	2.3	2.2	2.9	2.2	2.5	2.7	2.4	2.3
Utah	6.0	4.4	2.1	1.8	1.6	1.6	1.8	4.5	3.1	1.7
Wyoming	4.1	5.4	3.4	3.5	3.1	3.0	2.2	4.2	3.9	2.4
Pacific	1.6	1.4	1.0	1.2	1.3	1.8	1.8	1.8	1.3	1.7
Alaska	1.4	0.1	4.1	0.5	0.2	0.7	0.6	1.6	1.6	0.8
California	1.5	1.4	0.6	1.1	1.1	1.8	1.8	1.5	1.1	1.6
Hawaii	2.4	2.2	1.3	0.8	1.2	1.7	1.2	2.7	1.6	1.3
Oregon	2.7	-0.1	1.6	2.2	1.8	2.0	1.9	3.1	1.6	1.9
Washington	1.8	2.4	1.7	1.8	1.9	2.1	2.2	3.1	2.0	2.1

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U.S. EXECUTIVE SUMMARY

FEBRUARY 2007

Taking Off Again?

Highlights

- Growth is running closer to trend (3%) than had appeared. We now see GDP growth averaging 2.7% from mid-2006 to mid-2007. Growth also averages 2.7% in calendar 2007, after hitting 3.4% in 2006, and the pace picks up gradually as the year progresses.
- The downturn in the housing market is still a drag on growth. But the rest of the economy (notably the consumer) is proving very resilient.
- Exports remain a strong support to growth; business capital spending should rebound after a weak fourth quarter.
- The Federal Reserve has no need to change interest rates any time soon. We see one small cut later in the year, as core inflation becomes more comfortable.

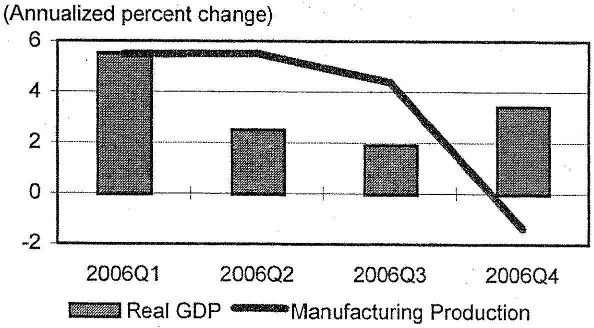
The Forecast in Brief

The incoming data over the past couple of months have surprised to the upside, indicating that the U.S. economy ended 2006 with solid momentum. It would be premature to say that the economy is taking off again—there are question-marks over just how strong the fourth quarter was, there is still further downside to come in housing activity, and there are some inventory overhangs to be dealt with—but the landing has been about as soft as could have been hoped. In response to the recent evidence, we have **raised our forecast for GDP growth in 2007 from 2.3% to 2.7%.** As a result, **Federal Reserve interest rate cuts have become much less likely**. The good news is that they are not needed.

The first estimate of **fourth-quarter growth came in strong, at 3.5%.** Just two months ago, a number not far above 1% had looked likely, showing just how robust the most recent run of data has been. The growth outcome is the more remarkable because it came despite big drags from housing construction and from a rundown in light-vehicle inventories. Consumer spending growth of 4.4%, aided by falling gasoline prices, led the way. Foreign trade was a huge positive contributor to growth (1.6 percentage points), as exports surged while imports fell. **Growth probably will not be so strong in the first quarter**, as it is hard to see foreign trade repeating the trick, but the anticipated 2.5% growth would be very respectable, considering that housing will again be a big drag.

One note of caution: it may turn out that the fourth quarter was not quite as robust as 3.5% after all. As of February 8, the data released on construction spending and inventories since the GDP figure was published suggest that growth will be revised down by about one percentage point, to 2.5% (though data yet to come on retail inventories and foreign trade could change that result). Such a revision would not overturn the view that the economy is coping very well with the housing downturn—and could even have positive implications for future growth, if it means that inventory adjustments are further advanced than previously thought.

Strong Fourth-Quarter GDP Despite Manufacturing Decline
(Annualized percent change)



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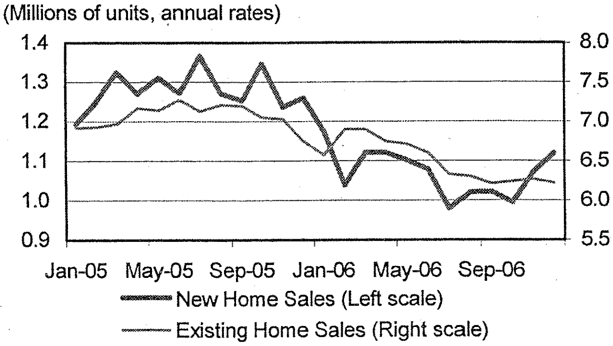
But it would bring the fourth-quarter GDP picture a bit more into line with the much less buoyant picture from the manufacturing sector.

The **signals remain less positive from manufacturing**, where fourth-quarter output showed the first quarterly decline (down 1.4%) since the second quarter of 2003, and the ISM index (slipping back below 50 in January) has indicated a shaky start to 2007. Autos have led the way down, but the declines are broader than that, and also reflect spillover from the housing downturn and fourth-quarter softness in business equipment spending. Although the housing drag should diminish and the equipment dip should prove temporary, an inventory adjustment appears necessary before growth will resume.

The latest news from the **housing sector** shows stability in existing home sales and some improvement in new home sales. We are not yet convinced that sales have hit bottom (warm weather may have helped temporarily), but the period of free-fall is over. However, the high inventory backlog will keep housing starts depressed, and the drag on the economy from falling construction activity will remain powerful during the first half of 2007. The **housing downturn** chopped 1.2 percentage points off GDP growth in the fourth quarter, through its direct effects on construction alone, and we expect a drag averaging 0.9 percentage point in the first half of 2007. We also assume an unprecedented, but small, decline in national nominal home prices during 2007.

As house prices decline, that will remove the fuel that has allowed **consumer spending** growth to outpace real income gains in recent years, producing a **saving rate** that has been negative for nearly two years. Even with energy prices (notably oil) below their peaks—meaning that pay gains are now outstripping inflation again—some readjustment of spending relative to income will still be required. But with real disposable incomes growing faster in 2007 than in 2006 (3.7% versus 2.7%), thanks largely to lower energy prices, consumer spending growth in 2007 can beat 2006 (at 3.3%, compared with 3.2%) even as the saving rate begins to correct upwards.

Hints of Stabilization in Home Sales
(Millions of units, annual rates)



High utilization rates and the need to remain competitive are spurring business fixed investment. But **business equipment spending** will need to be watched carefully; it declined slightly in the fourth quarter. And as we look into 2007, profits growth will fall sharply with slower output growth than in 2006 and some catch-up in wages. But we believe that the fourth-quarter decline exaggerates any underlying slowdown (orders for capital equipment picked up as the quarter ended), and look for a rebound in the first quarter.

The biggest positive difference in 2006 for investment was that a broad-based recovery in **nonresidential construction** took hold. Although the decline in home-building will begin to weigh on commercial construction in 2007, we still expect nonresidential structures spending growth to average 8.2% in 2007, only slightly below the 9.1% pace of 2006.

Growth in the economy has had a very beneficial impact on the **federal budget deficit.** We expect the deficit to narrow—again—in fiscal year 2007, hitting $225 billion (1.6% of GDP). Sharp revenue gains, fueled by surging profits and bonuses, are driving the improvement. We believe that higher tax rates in one form or another will be needed eventually to keep the deficit under control, given long-term demographic pressures on entitlement spending, but the recent deficit improvement has made the issue less immediate.

Improved economic growth around the world, plus a declining dollar, mean that **exports** will be an important source of strength going forward, even though global growth is expected to be a bit slower in 2007 than in 2006. Export gains should average in the high single-digits again in 2007, and will be a key driver of growth.

We believe that the long-term decline in the **dollar** will continue in 2007. Foreign interest rates will rise during 2007, while U.S. rates should be little changed. We anticipate that by the end of 2007, the euro will approach $1.40 and the yen will approach 110/dollar.

The **current-account deficit** is likely to have peaked at $858 billion (6.5% of GDP) in 2006. This year should see the first narrowing of the gap (to $807 billion) since the recession year of 2001, as exports gain on imports, in both real and nominal terms. A declining oil bill is the single biggest reason for the falling trade gap—but the non-oil deficit has turned as well.

Inflation has probably topped out, but is still too high for the Federal Reserve's comfort. Headline CPI inflation has been driven primarily by energy prices, and after exceeding 4% year-on-year (y/y) in mid-2006, should average below 2% y/y this year, helping to dampen inflation expectations. **Core inflation** remains outside the Fed's 1-2% comfort zone, although the recent news has been benign, taking core PCE inflation down to 2.2% y/y in December. We expect below-trend growth, diminished oil price "pass-through," and slower increases in housing costs to ease core inflation below 2% in the second half of 2007. But the Fed is still nervous about **labor costs**, which pose the main upside threat to inflation. Labor markets still look tight and productivity growth has slowed—but the fourth-quarter readings on labor costs were not worrying.

With downside growth risks fading, and inflation at present still outside the Fed's comfort zone, there is no reason for the Fed to cut **interest rates**. We have therefore removed the 50 basis points of rate cuts we had assumed for midyear. We still retain one rate cut in the second half of the year on the view that as inflation returns to the "comfort zone," the Fed will feel able to ease very slightly on the brakes. This implies a 5.0% federal funds rate at year-end, beyond which we assume no further changes. The risks are tilted towards no cut at all.

The Soft Landing, Such As It Was, Seems to Be Over—Now What?

The data releases of the last few weeks show that 2006 ended with a roar rather than a whimper. While the 3.5% real GDP growth overstates the underlying strength of the economy, and may well be revised down, the much ballyhooed soft landing—if indeed there was one—is probably over. As a result, attention is now shifting away from the downside risks to the economy (from housing) to potential upside risks to inflation (from a strong labor market). However, since core inflation has been edging down in recent months, inflationary pressures are unlikely to manifest themselves until the end of this year, at the earliest—if at all.

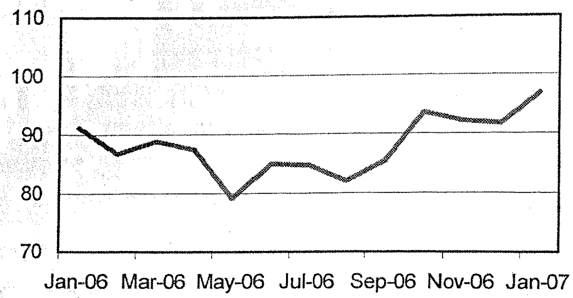
In last month's *U.S. Executive Summary*, we compared the Federal Reserve's and the bond market's views on the outlook. Recent data confirm that the Fed has been closer to the mark on the robustness of growth, but that the bond market may have a better read on the benign inflation outlook. The bottom line for the Fed is that unless there is a relapse in growth, it will be in no hurry to cut interest rates. At the same time, unless or until core inflation reverses course, the Fed will not be tempted to raise rates.

The Economy Is Likely to Grow Slightly Below Trend for Much of this Year. The acceleration of real GDP growth from 2.0% in the third quarter to 3.5% in the fourth quarter was helped by warm weather in the Northeast and a sharp drop in imports. The acceleration in real final domestic demand was more modest—from 2.0% to 2.4%. Another way of looking at this is that while the 2.0% real GDP rise in the third quarter understated the strength of the economy, the 3.5% increase in the fourth quarter exaggerated that strength. The average growth in the second half of 2006—at 2.75%—is probably a better estimate of the current rate of expansion in the U.S. economy.

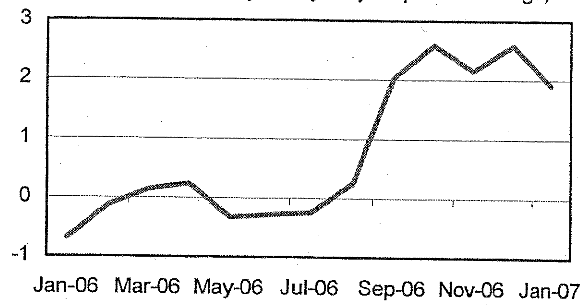
So, the soft landing has turned out to be much softer than expected. However, a sustained return to trend growth (of around 3%) seems unlikely until the end of this year or the beginning of next year. While there are clear signs of strength in the economy (consumer spending, exports, and government spending), there also major sources of weakness (housing) that will keep growth below trend early this year.

The 4.4% growth in consumer spending in the fourth quarter was, in part, the result of one-off events such as the large drop in gasoline prices and unusually warm weather. However, Global Insight believes that the fundamentals

Consumer Sentiment Has Improved...
(Reuters/Michigan Consumer Sentiment Index)



...As Real Earnings Growth Has Turned Positive
(Hourly earnings deflated by CPI, year/year percent change)



driving personal consumption expenditures will sustain growth at around 3%.

Net exports were also a major contributor to the fourth-quarter GDP surge—adding 1.6 percentage points to the growth rate. Exports rose 10.0%, while imports fell 2.3%. The drop in imports was probably a fluke. Nevertheless, we expect exports to grow more than twice as fast as imports this year (8.1% versus 3.4%).

Similarly, we do not expect the 4.5% defense-induced spike in federal spending to be sustained. We only expect 2.5% growth this year (the 2006 average was 2.0%).

At the same time, the free-fall in residential construction will continue in the first half of this year, at a rate of around 14.5%, before stabilizing by year-end.

One source of uncertainty about the outlook is nonresidential fixed investment, which has shown a saw-tooth pattern over the past year. We currently expect capital spending to keep contributing to growth, but probably at a somewhat slower rate than last year (5.7% versus 7.4%).

The bottom line is that real GDP growth will likely come in at 2.5% in the first quarter, but trend up to around 3.0% by year-end as housing stabilizes.

The Big Question Now Is: When Will Wage Inflation Accelerate? The really good news for the Fed is that the mild slowdown in the economy has coincided with a deceleration in core inflation—the core PCE deflator rose only 1.7% (annualized) over the past three months. Whether one caused the other is the subject of some debate, given that there is not much slack in the economy. Other factors, such as the large drop in oil prices and less upward pressure on rents, have helped.

Equally good news—but just as puzzling—is the deceleration (by some measures) in wage inflation. The employment cost index rose 0.8% in the fourth quarter, compared with 1.0% in the third quarter. Moreover, the strong 3.0% growth in productivity during the last three months of 2006 helped keep unit labor cost growth to only 1.7% (compared with 3.2% in the third quarter). On the other hand, hourly compensation in the nonfarm business sector rose 4.8% in the fourth quarter (compared with 3.1% in the third).

The deceleration in wage inflation is a little difficult to reconcile with the very strong job growth in the fourth quarter (half a million jobs according to the payroll survey and a million jobs according to the household survey). One answer is strong labor-force growth. In fact, after dropping from 2001 to 2004, the labor-force participation has been rising, and is at a three-and-a-half-year high. This suggests that there is still a pool of untapped labor in the economy.

When will labor-supply constraints begin to bind and when will wage inflation accelerate? This is one of the biggest—if not the biggest—uncertainty facing the Fed today. Global Insight expects that wage inflation will not become an issue until 2009. Specifically, we predict the employment cost index to rise at an annual rate of around 3.0% throughout most of this year and then gradually increase to 3.5% by the end of 2009. At the same time, we expect productivity growth to hold at a steady rate of around 2.0%. By this measure, unit labor costs will continue to remain quite tame. However, slower productivity growth and/or faster wage growth would spoil this pretty picture.

The Fed Has the Economy Where It Wants It, So Monetary Policy Will Stay on Hold for a While. Modest growth and gradually decelerating core inflation are exactly what Chairman Bernanke and his Fed colleagues have been predicting since early last year. They can take comfort in a good forecast and a good call on interest rates. This means that the Fed is unlikely to make a significant upward or downward adjustment to interest rates unless wage inflation becomes a problem or growth slumps.

Key Forecast Assumptions

Oil Price Projection Lowered. Oil prices (WTI) have fallen below $60/barrel, but after almost hitting $50 in mid-January, they have now moved back into the high $50s as the weather has turned colder. We now assume a $55.41 average price for the first quarter (down from $63.25 in the January forecast), and have reduced our price assumption for 2007 to an average $58.10/barrel (from $64.44 in our January forecast). We assume the price hovers just above $60/barrel over the rest of the decade.

Weather Is Driving Natural Gas Prices. Colder weather has brought the price of natural gas back up to around $8 per million Btu (Henry Hub cash price), after the very mild start to the winter pushed prices briefly below $6. Even though the price has bounced higher, the mild start to the year meant that our previous $8.36 price assumption for the first quarter is proving too high, and we now assume an average price of $6.80 per million Btu this quarter. For 2007 overall, we assume a price of $7.21 (down from $8.18 in our January forecast).

Federal Reserve on Hold for Now. Three rate cuts, which we had previously assumed for 2007, will not be needed, given the better growth backdrop. We assume that the Fed will hold the federal funds rate at 5.25% through the first half of the year. We still assume one 25-basis-point rate cut in September 2007, recognizing the return of inflation to the Fed's 1-2% comfort zone. The funds rate then remains on extended hold, at 5.0%.

Dollar Decline to Continue. The current-account deficit and the prospect that yield differentials will move against the dollar should continue to pull the currency down. The dollar dropped about 5% against major currencies during 2006 (fourth quarter-to-fourth quarter basis), and we anticipate a further 4% decline this year, reaching rates of $1.38/euro, 111 yen/dollar, and C$1.13/dollar at the end of 2007. We expect China to allow the pace of renminbi revaluation to accelerate, to help cool its rapidly growing economy. We assume that the currency will appreciate about 7% against the dollar over the next 12 months.

Foreign GDP Growth Expected to Slow. Growth in major-currency trading partners accelerated to 2.7% in 2006, from 2.3% in 2005, but we expect some easing back to 2.3% in 2007 (mainly driven by Canada and the Eurozone). Real goods exports saw double-digit gains in 2006, and we expect close to that in 2007, with a weaker dollar helping to offset the slower foreign growth.

Tax Burden to Rise. We do not believe that budget-deficit reduction will be achieved by spending restraint alone. 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. We do not anticipate any major tax initiatives before the 2008 presidential elections, though, and assume that temporary "fixes" will prevent the AMT from kicking in violently under this Congress.

Government Spending Projection Raised. Spending for the wars in Iraq and Afghanistan continues to climb. We have raised our assumption for growth in real federal defense purchases to 3.5% for calendar 2007 (from 0.8%); spending growth was 1.9% in 2006. Overall federal purchases rise 2.5% in 2007, up from 2.0% growth in 2006.

Minimum Wage to Rise. We assume that the new Congress will raise the federal minimum wage from $5.15 to $7.25/hour, in three annual increments of $0.70, beginning on July 1, 2007. Beyond that, we assume that the minimum wage roughly keeps pace with price inflation.

by Nariman Behravesh and Nigel Gault

Risks to the Forecast

Productivity rose 2.1% in 2006, matching the average for the last 50 years. Growth was still the weakest since 1997, though. Going forward, Global Insight expects productivity growth to average about 2.2% over the next 10 years, or a bit above its historical trend. Still, with many new technologies in the pipeline, the risks for productivity are mostly on the upside. In late January, for example, Intel and IBM separately reported a major breakthrough in microchip design. The new design will reduce heating leakage, as processors are made smaller. This means that more computing power will be packed into the tiny wafers that run computers, cell phones, and video games. Intel called this advance "the biggest change in transistor technology since the late 1960s," and said it would begin marketing the technology later this year. The academic literature agrees that advances in information technologies accounted for the surge in productivity after 1995.

The optimistic scenario incorporates the view that productivity growth will be strong many, many years into the future. This alternative forecast also focuses on the momentum being created by the investment recovery. As the decade-long expansion of the 1990s showed, once an economy gets up a head of steam, it is difficult to slow it down. Indeed, the optimistic scenario resembles the late 1990s, when it seemed that the good times would last forever.

The pessimistic scenario focuses on the upward pressures on global commodity prices—notably for energy—and the downward trend in the dollar, with their negative implications for inflation, bond yields, and domestic demand. The simulation also includes a deeper housing downturn than in the baseline. This alternative 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.

The Expansion Keeps Rolling (25% Probability). Seven assumptions distinguish the optimistic scenario from the baseline forecast. First, total factor productivity, a concept that roughly measures how innovations augment economic growth, is stronger. Underlying this assumption is the view that the information-driven technology boom, which may have accelerated in recent years, continues. In the optimistic scenario, rapid productivity growth is the main reason why economic growth and employment gains are higher and inflation and budget deficits are lower than in the baseline. It is also one reason why the dollar is stronger. In conjunction with productivity gains, the stronger currency will help contain inflation.

Second, foreign economic growth is stronger, which boosts U.S. exports and strengthens domestic manufacturing. In this scenario, both developing and industrialized economies grow faster than in the baseline. As a result, real exports exhibit faster growth over the forecast period.

Third, the optimistic alternative assumes a stronger dollar, resulting in expansion of U.S. demand for foreign goods and services. In the near term, stronger economic growth compounds the effect of the stronger dollar, lowering net exports and enlarging the current-account deficit. As productivity gains improve U.S. competitiveness, however, both the trade and current-account deficits begin to narrow, gradually reducing the gap with the baseline forecast.

Fourth, business investment is stronger. Today's level of business spending is below average by historical standards. In 2006, business fixed investment accounted for 10.5% of GDP, nearly a full percentage point below the average over the previous 30 years despite strong fundamentals—namely, an economy growing faster than trend and low interest rates. In this scenario, business spending (particularly on equipment and software) is much higher than in the baseline throughout the forecast period. By 2010, for example, it accounts for 11.2% of GDP, compared with 10.5% in the baseline.

Fifth, the federal government budget deficit in the optimistic scenario is lower than in the baseline. As the U.S. economy performs better, tax revenues increase and federal transfer payments decrease, leading to smaller deficits. Also contributing are lower interest rates, which result in lower federal interest payments.

Sixth, housing starts are stronger. The main factors driving starts up in the optimistic scenario are better job growth, lower interest rates, higher consumer confidence, and lower long-term mortgage rates.

Finally, the optimistic scenario assumes that energy prices are lower than in the baseline. Oil prices drop back into the low $50s/barrel region, $7.50-8.50 below the baseline, and wellhead natural gas prices are also lower.

These assumptions produce a rosier outlook, where strength feeds on strength. The current slowdown proves temporary. Real GDP growth rebounds to 3.8% by the third quarter of 2007, compared with only 2.8% in the baseline. For 2007, growth comes in at 3.1%, versus 2.7% in the baseline; 2008 growth is also much stronger, at 3.9%, compared with 3.0%. Although both economic growth and the labor markets are stronger, inflation is lower, due mainly to the strong productivity gains. As measured by the personal consumption expenditures deflator, excluding food and energy prices, core inflation registers only 1.4% in 2007 (fourth quarter-to-fourth quarter basis) and remains safely within the Federal Reserve's 1-2% tolerance band throughout the forecast period, rather than flirting with the upper boundary, as in the baseline. The lower inflation rate allows the Fed to keep the federal funds rate below the baseline value.

A Hard Landing (15% Probability). After a quarter-century of declining inflation, signs of reacceleration are emerging. Soaring oil prices, a downtrend in the dollar, a long period of accommodative monetary policy, tightening labor markets, and loose fiscal policy may have produced the conditions for a serious acceleration of inflation. The Federal Reserve is counting on continuing strong productivity gains to keep inflation at bay—but perhaps this is too sanguine a view. Indeed, labor markets are so tight that the unemployment was near a five-year low of 4.6% in January.

The pessimistic alternative assumes that there is less spare capacity than thought, both globally and in the U.S. economy. Rapid technological advances and high oil prices may have rendered obsolete much of the idled capacity that theoretically remains on the books. It assumes that the dollar weakens quickly as foreign investors take fright at the spiraling U.S. trade deficit. Interest rates rise as foreign investors diversify away from the dollar, and the federal deficit widens relative to the baseline. The falling dollar adds to the upward pressure on inflation.

In the pessimistic scenario, core inflation keeps gathering momentum. The Fed responds by accelerating the pace of tightening. Despite the more aggressive stance, both the stock and bond markets slip on signs that the Fed may have let inflation build up an unstoppable momentum. The Fed cannot permit this acceleration to continue, and so it continues hiking interest rates. The federal funds rate averages 7.6% in the fourth quarter of 2007, compared with 5.0% in the baseline.

This simulation also has a deeper housing downturn than the baseline. Housing starts drop to 1.42 million units in 2007 (compared with 1.54 million in the baseline). The median price of existing homes drops more than 8% below the baseline in late 2007.

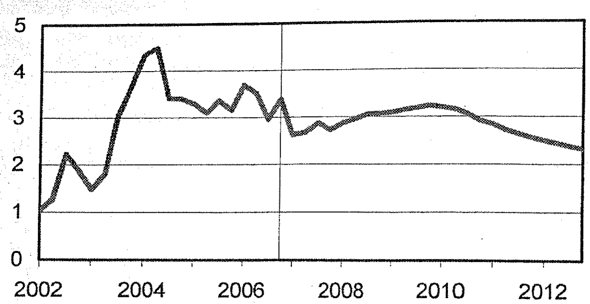
Between the higher interest rates and persistently high energy prices, consumer confidence suffers. Consumers rein in their discretionary spending and the U.S. economy slows. Core inflation stabilizes—but fails to retreat sufficiently, worrying the Federal Reserve. At the same time, hiring falters, causing the unemployment rate to climb. The Fed, forced to choose between fighting inflation and encouraging economic and employment growth, focuses on the long-term consequences of its policy and chooses to battle inflation—and, in fact, inflation eventually tapers off. Debt-laden consumers retrench further. Finally, early in 2008, with the unemployment rate at 5.6% and the federal funds rate at 7.75%, the Fed eases up. With the weaker dollar boosting trade, GDP growth begins to accelerate, bringing the unemployment rate down. As investment activity picks up, potential output increases relative to actual output, easing the upward pressure on prices.

The economy nearly sinks into recession in the pessimistic alternative and falls well below its potential, with GDP growth at just 1.6% for all of 2007. Production shifts from satisfying domestic demand to serving foreign demand, which responds strongly to the weaker dollar. The ground lost relative to the baseline is never made up, though, and real GDP is more than 6.0% below its baseline level at the end of 2017.

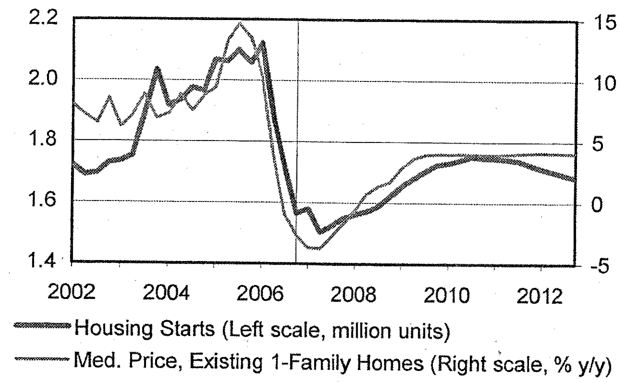
by Patrick Newport and Kenneth Beauchemin

Forecast at a Glance

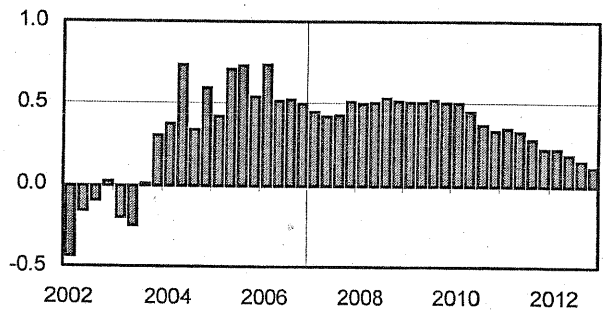
GDP Growth Slips in 2007
(Percent change from a year earlier)



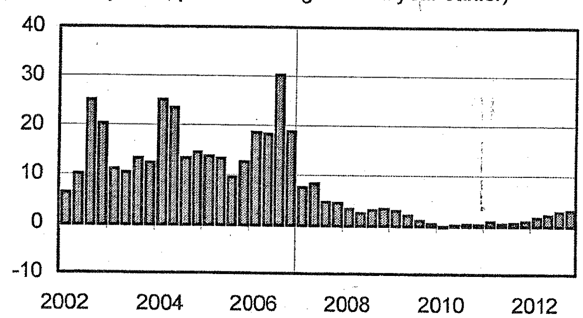
Housing Hits Bottom This Year



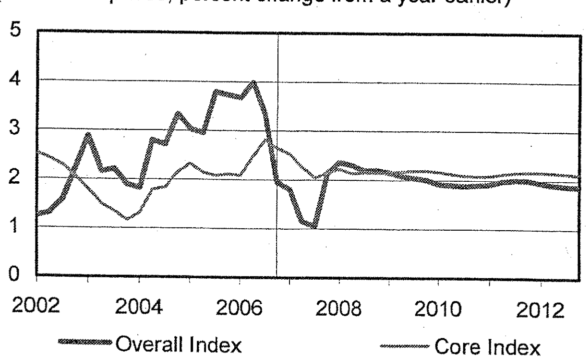
Employment Growth Supports the Consumer
(Payroll employment, quarterly change, millions)



Profits Growth Will Slow
(Economic profits, percent change from a year earlier)



Inflation Has Peaked
(Consumer prices, percent change from a year earlier)



Interest Rates Hover Around 5%
(Percent)

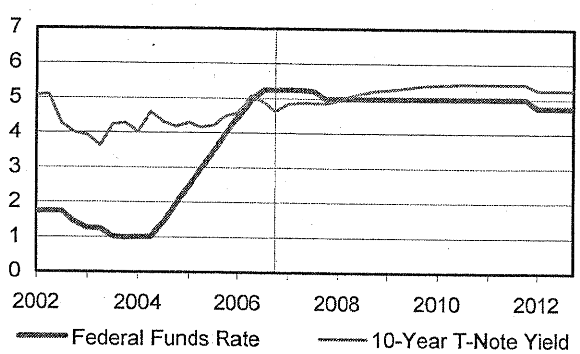


TABLE 1

Monthly Economic Indicators

	Dec. 2005	Jan. 2006	Jun. 2006	Jul. 2006	Aug. 2006	Sep. 2006	Oct. 2006	Nov. 2006	Dec. 2006	Jan. 2007	2004	2005	2006
Industrial Markets													
Industrial Prod. Total (2002=100.0)	109.1	109.1	111.9	112.3	112.5	112.2	112.1	112.0	112.4		103.6	106.9	111.3
Percent Change	0.8	0.0	0.9	0.4	0.2	-0.3	-0.1	-0.1	0.4		2.5	3.2	4.1
Percent Change Year Earlier	3.6	3.3	4.3	4.7	4.6	6.0	4.7	3.5	3.0				
Capacity Utilization, Manufacturing (%)	79.8	80.3	80.8	80.9	81.1	80.9	80.2	80.0	80.4		76.6	78.8	80.4
Unemployment Rate (%)	4.9	4.7	4.6	4.8	4.7	4.6	4.4	4.5	4.5	4.6	5.5	5.1	4.6
Payroll Employment (Mil.)	134.904	135.110	136.030	136.252	136.438	136.636	136.745	136.941	137.147	137.258	131.423	133.696	136.173
Change (Mil.)	0.202	0.206	0.124	0.222	0.186	0.198	0.109	0.196	0.206	0.111	1.433	2.273	2.477
Leading Indicator (1992=1.000)	1.382	1.386	1.378	1.375	1.371	1.377	1.376	1.376	1.380		1.328	1.362	1.378
Percent Change	0.2	0.3	0.1	-0.2	-0.3	0.4	-0.1	0.0	0.3		7.1	2.5	1.2
New Orders, Mfg. (Bil. $)	400.2	389.2	407.5	403.6	402.6	409.6	391.0	395.8	405.2		349.6	379.2	399.9
Percent Change	0.6	-2.7	1.5	-1.0	-0.3	1.7	-4.5	1.2	2.4		7.5	8.5	5.4
Inv. Chg., Mfg. & Trade (Bil. $)	8.5	6.4	11.6	8.7	8.7	4.1	2.2	4.9			87.2	53.7	
Merchandise Trade Bal. (Bil. $)	-68.7	-71.0	-68.7	-72.0	-73.2	-68.7	-63.3	-62.8			-650.9	-767.5	
Consumer Markets													
Disposable Income (Bil. 2000$)	8220	8254	8253	8288	8315	8386	8421	8442	8456		8011	8105	8323
Percent Change	0.4	0.4	0.3	0.4	0.3	0.9	0.4	0.3	0.2		3.6	1.2	2.7
Personal Income (Bil. $)	10526	10665	10842	10907	10965	11022	11055	11087	11148		9731	10239	10897
Percent Change	0.5	1.3	0.4	0.6	0.5	0.5	0.3	0.3	0.5		6.2	5.2	6.4
Personal Saving Rate (%)	-0.3	-0.3	-1.5	-1.6	-1.2	-0.7	-0.7	-1.0	-1.2		2.0	-0.4	-1.0
Consumer Expenditures (Bil. $)	8955	9034	9271	9339	9353	9348	9373	9424	9491		8212	8742	9271
Percent Change	0.4	0.9	0.3	0.7	0.1	0.0	0.3	0.5	0.7		6.6	6.5	6.0
Retail Sales (Bil. $)	351.0	361.7	362.4	367.4	367.5	365.3	364.5	366.6	369.9		3837.0	4113.8	4373.3
Percent Change	0.2	3.1	-0.5	1.4	0.0	-0.6	-0.2	0.6	0.9		6.2	7.2	6.3
Non-Auto. Retail Sales (Bil. $)	276.5	284.3	289.5	291.4	291.7	288.9	287.5	289.6	292.6		2974.1	3219.8	3461.0
Percent Change	-0.1	2.8	0.0	0.7	0.1	-1.0	-0.5	0.7	1.0		7.2	8.3	7.5
New Light-Vehicle Sales (Mil.)	17.1	17.5	16.1	17.1	16.0	16.6	16.1	16.0	16.7	16.7	16.9	16.9	16.5
Housing Starts (Mil.)	2.002	2.265	1.833	1.760	1.659	1.724	1.478	1.572	1.642		1.950	2.073	1.819
New Home Sales (Mil.)	1.259	1.173	1.078	0.979	1.021	1.022	0.995	1.069	1.120		1.201	1.280	1.070
Existing Home Sales (Mil.)	6.750	6.570	6.600	6.330	6.300	6.210	6.240	6.270	6.220		6.722	7.064	6.500
Chg. Consumer Install. Credit (Bil. $)	3.9	10.7	12.0	15.3	13.4	3.7	2.3	13.7	6.0		114.6	93.1	105.0
Prices and Wages													
CPI, All Urban Consumers	1.977	1.990	2.023	2.032	2.037	2.027	2.017	2.017	2.028		1.889	1.953	2.016
Percent Change Year Earlier	3.4	4.0	4.3	4.2	3.8	2.1	1.3	2.0	2.6		2.7	3.4	3.2
Core Cons. Price Defl. (2000=100.0)	110.6	110.8	112.0	112.1	112.4	112.6	112.8	112.9	113.0		107.3	109.6	112.0
Percent Change Year Earlier	2.1	2.0	2.3	2.3	2.4	2.4	2.4	2.2	2.2		2.0	2.1	2.2
PPI, Finished Goods	1.599	1.603	1.617	1.615	1.621	1.598	1.572	1.603	1.618		1.485	1.557	1.603
Percent Change Year Earlier	5.5	5.7	4.9	3.9	3.8	0.9	-1.5	0.9	1.2		3.6	4.9	2.9
PPI, Industrial Commodities (NSA)	1.665	1.683	1.706	1.713	1.724	1.693	1.652	1.686	1.694		1.476	1.602	1.689
Percent Change Year Earlier	9.5	10.2	8.9	7.7	7.2	2.0	-3.2	0.6	1.7		6.1	8.6	5.4
Avg. Private Hourly Earnings ($)	16.37	16.43	16.73	16.79	16.84	16.88	16.94	16.99	17.06	17.09	15.69	16.13	16.75
Percent Change Year Earlier	3.1	3.3	4.0	3.9	4.1	4.1	3.9	4.2	4.2	4.0	2.1	2.8	3.9
West Texas Int. Crude Oil ($/bbl.)	59.43	65.51	70.96	74.41	73.05	63.87	58.88	59.37	62.03	54.24	41.45	56.46	66.10
Percent Change Year Earlier	37.3	7.6	-4.9	5.0	18.1	9.1	3.8	-2.8	9.8	29.8	33.1	36.2	17.1
Henry Hub Spot Natural Gas ($/mmbtu)	13.05	8.67	6.20	6.20	7.16	4.90	5.77	7.40	6.75	6.60	5.90	8.81	6.74
Percent Change Year Earlier	97.4	41.6	-13.3	-18.8	-24.5	-58.7	-57.0	-28.0	-48.3	-23.9	7.4	49.4	-23.5
Financial Markets													
Federal Funds Rate (%)	4.16	4.29	4.99	5.24	5.25	5.25	5.25	5.25	5.24	5.25	1.35	3.21	4.96
3-Month T-Bill Rate (%)	3.89	4.24	4.79	4.95	4.96	4.81	4.92	4.94	4.85	4.98	1.37	3.15	4.73
Commercial Bank Prime Rate (%)	7.15	7.26	8.02	8.25	8.25	8.25	8.25	8.25	8.25	8.25	4.34	6.19	7.96
Moody's Aaa Corp. Bond Yield (%)	5.37	5.29	5.89	5.85	5.68	5.51	5.51	5.33	5.32	5.40	5.63	5.24	5.59
10-Year Treasury Note Yield (%)	4.47	4.42	5.11	5.09	4.88	4.72	4.73	4.60	4.56	4.76	4.27	4.29	4.79
Conv. Mortgage Rate, FHLMC (%)	6.27	6.15	6.68	6.76	6.52	6.40	6.36	6.24	6.14	6.22	5.84	5.87	6.41
M1 Money Supply (Bil. $)	1373	1379	1376	1371	1372	1364	1369	1371	1366		1345	1372	1374
Percent Change	-0.2	0.4	-0.9	-0.3	0.0	-0.6	0.4	0.1	-0.4		5.2	-0.1	-0.5
M2 Money Supply (Bil. $)	6669	6714	6811	6836	6863	6887	6936	6977	7021		6261	6534	6841
Percent Change	0.4	0.7	0.4	0.4	0.4	0.3	0.7	0.6	0.6		5.6	3.9	5.2
Trade-Weighted US$, 18 Countries													
Morgan Guaranty Index (1990=100.0)	91.7	90.2	89.2	89.1	88.5	88.9	89.3	88.6	88.0	89.2	92.6	90.4	89.3
Percent Change	-0.7	-1.6	1.3	-0.1	-0.6	0.4	0.5	-0.8	-0.7	1.4	-5.0	-2.4	-1.2
Percent Change Year Earlier	3.8	1.5	-2.0	-2.7	-2.1	-1.6	-2.4	-4.1	-4.1	-1.1			
Real Morgan Guaranty Index	91.0	89.8	88.1	87.1	86.8	87.1	86.8	87.3	87.1	88.2	92.3	90.3	88.1
Percent Change	-0.6	-1.3	1.4	-1.1	-0.4	0.4	-0.4	0.5	-0.2	1.3	-6.1	-2.2	-2.5
Percent Change Year Earlier	3.0	0.5	-3.5	-5.1	-4.0	-3.2	-4.2	-4.7	-4.3	-1.8			

TABLE 2

Summary of the U.S. Economy

	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3
Composition of Real GDP, Percent Change, Annual Rate													
Gross Domestic Product	2.0	3.5	2.5	2.8	2.8	2.9	3.1	3.1	3.2	2.9	3.2	3.3	3.3
Final Sales of Domestic Product	1.9	4.2	2.5	2.8	3.0	2.9	3.3	3.0	3.1	2.8	3.1	3.2	3.2
Total Consumption	2.8	4.4	3.3	2.9	3.0	2.9	3.2	2.7	3.0	2.9	3.0	3.1	3.0
Durables	6.4	6.0	7.1	-0.4	1.6	2.5	4.5	2.6	5.6	4.6	4.1	6.4	4.3
Nondurables	1.5	6.9	4.5	2.6	3.0	2.8	3.1	2.5	2.5	2.4	2.8	2.6	2.7
Services	2.8	2.9	2.0	3.6	3.3	3.0	3.0	2.8	2.8	2.8	3.0	2.7	2.9
Nonresidential Fixed Investment	10.0	-0.4	7.5	8.5	4.6	4.0	4.0	4.3	4.7	4.0	4.3	5.2	5.2
Equipment & Software	7.7	-1.8	6.5	7.0	6.7	6.0	5.6	5.1	5.6	6.7	7.1	7.8	6.2
Information Processing Equipment	10.0	1.8	11.1	8.2	8.8	9.3	8.7	8.7	8.6	8.2	8.2	7.8	7.6
Computers & Peripherals	22.0	8.0	21.1	21.6	21.5	21.6	19.2	20.4	21.0	21.3	20.6	20.3	19.0
Communications Equipment	10.9	-7.5	7.7	7.4	7.6	7.8	6.2	5.7	5.2	4.9	4.7	5.0	5.1
Industrial Equipment	0.2	-3.6	4.0	1.6	1.7	0.1	0.8	1.0	0.6	2.4	3.0	3.9	4.9
Transportation equipment	13.6	-11.7	-0.8	15.9	11.0	6.0	5.4	1.6	4.8	10.7	11.8	16.5	5.8
Aircraft	-35.6	-33.6	667.9	25.8	10.6	13.9	18.7	7.8	7.8	8.1	5.1	7.3	4.8
Other Equipment	3.9	-0.8	3.0	1.6	2.1	2.5	2.2	2.0	2.8	3.1	3.5	3.5	3.8
Structures	15.7	2.8	9.8	12.0	0.2	-0.3	0.2	2.6	2.4	-2.3	-2.3	-1.1	2.7
Commercial & Health Care	25.6	2.4	8.9	17.6	-4.5	-1.0	1.0	-1.7	-1.4	-2.8	-1.5	-3.2	2.0
Manufacturing	11.3	-14.5	14.4	4.7	18.1	18.6	14.5	15.1	11.4	12.4	0.4	6.9	22.8
Power & Communication	16.0	-3.8	-1.7	22.1	21.6	19.2	9.2	5.6	7.0	-2.7	-0.5	3.3	4.1
Mining & Petroleum	10.0	4.8	16.7	6.3	-6.5	-12.9	-7.7	4.6	2.6	-11.2	-10.9	-7.1	-6.2
Other	7.3	11.8	7.5	6.4	1.5	0.5	-2.1	2.2	3.3	3.4	3.0	2.5	3.0
Residential Fixed Investment	-18.6	-19.2	-15.2	-13.6	-6.2	-3.3	2.3	0.0	1.5	0.4	4.7	4.4	4.1
Exports	6.8	10.0	7.5	8.4	8.3	8.6	8.5	8.4	8.9	9.2	8.5	8.8	8.8
Imports	5.6	-3.2	7.0	3.7	4.6	4.7	4.3	3.6	4.8	5.8	5.3	5.4	5.7
Federal Government	1.3	4.5	3.3	2.3	3.3	1.6	1.1	1.0	0.5	0.0	-1.0	-0.2	0.3
State & Local Government	1.9	3.3	2.8	1.4	2.1	2.2	1.5	1.5	1.4	1.4	1.5	1.4	1.4
Billions of Dollars													
Real GDP	11443.5	11541.6	11613.2	11692.4	11772.4	11855.7	11946.3	12037.5	12132.1	12218.8	12315.6	12416.0	12517.9
Nominal GDP	13322.6	13487.2	13663.8	13828.1	13987.6	14146.6	14330.6	14508.6	14696.3	14870.6	15067.0	15260.2	15461.5
Prices & Wages, Percent Change, Annual Rate													
GDP Deflator	1.9	1.5	2.6	2.1	1.9	1.7	2.1	1.9	2.0	1.9	2.1	1.9	2.0
Consumer Prices	2.9	-2.2	1.6	2.3	2.6	2.0	2.5	2.1	2.1	2.1	2.3	1.8	2.0
Producer Prices, Finished Goods	0.2	-3.3	1.9	1.2	4.7	3.1	3.6	2.0	2.0	1.8	1.9	0.5	0.9
Employment Cost Index - Total Comp.	3.6	3.2	2.9	3.0	3.1	2.9	3.1	3.0	3.5	3.2	3.4	3.4	3.8
Other Key Measures													
Oil - WTI ($ per barrel)	70.50	60.06	55.41	57.00	60.00	60.00	62.17	61.33	61.17	61.00	63.00	61.33	61.67
Productivity (%ch., saar)	-0.1	3.0	1.4	2.4	2.2	2.1	1.9	2.0	2.0	1.7	2.0	2.1	2.1
Total Industrial Production (%ch., saar)	4.0	-0.5	2.1	2.7	1.9	1.8	1.8	2.3	2.5	2.6	2.8	2.9	2.9
Factory Operating Rate	80.9	80.2	80.1	80.2	80.0	79.9	79.7	79.7	79.6	79.5	79.5	79.5	79.5
Nonfarm Inven. Chg. (Bil. 2000 $)	53.3	33.4	34.9	34.2	28.6	28.7	22.7	25.3	27.2	30.9	35.8	38.6	43.5
Consumer Sentiment Index	84.0	92.5	94.3	91.4	91.2	91.0	90.1	90.7	91.2	91.2	91.1	92.0	92.4
Light Vehicle Sales (Mil. units, saar)	16.58	16.27	16.35	16.34	16.47	16.49	16.57	16.55	16.64	16.68	16.73	16.79	16.81
Housing Starts (Mil. units, saar)	1.714	1.564	1.580	1.504	1.523	1.548	1.562	1.571	1.588	1.617	1.654	1.679	1.703
Exist. House Sales (Total, Mil. saar)	6.280	6.243	6.266	6.053	5.854	5.793	5.802	5.745	5.754	5.800	5.796	5.809	5.853
Unemployment Rate (%)	4.7	4.5	4.6	4.7	4.8	4.8	4.7	4.7	4.7	4.7	4.6	4.6	4.5
Payroll Employment (%ch., saar)	1.6	1.5	1.3	1.2	1.3	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Federal Surplus (Unified, nsa, bil. $)	-41.7	-80.4	-130.8	43.0	-56.5	-73.9	-123.4	15.5	-47.7	-72.0	-135.7	28.1	-46.2
Current Account Balance (Bil. $)	-902.2	-806.7	-804.2	-796.7	-811.7	-816.0	-821.5	-810.3	-806.1	-808.5	-819.9	-819.7	-821.7
Financial Markets, NSA													
Federal Funds Rate (%)	5.25	5.25	5.25	5.25	5.21	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
3-Month Treasury Bill Rate (%)	4.91	4.91	4.99	5.00	4.94	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.90
10-Year Treasury Note Yield (%)	4.90	4.63	4.83	4.88	4.87	4.86	4.94	5.06	5.16	5.22	5.26	5.29	5.34
30-Year Fixed Mortgage Rate (%)	6.57	6.25	6.29	6.35	6.34	6.33	6.41	6.54	6.65	6.72	6.77	6.82	6.88
S&P 500 Stock Index	1288	1389	1432	1437	1445	1464	1478	1498	1524	1551	1573	1586	1603
(Four-Quarter % change)	5.2	12.9	11.6	12.1	12.2	5.3	3.2	4.2	5.5	5.9	6.5	5.9	5.1
Exchange Rate, Major Trading Partners	0.805	0.803	0.806	0.793	0.782	0.771	0.759	0.751	0.743	0.737	0.730	0.722	0.718
(% change, annual rate)	-2.1	-0.7	1.4	-6.1	-5.6	-5.4	-6.2	-4.4	-3.8	-3.4	-3.9	-4.0	-2.1
Incomes													
Personal Income (% ch., saar)	5.9	4.9	6.1	5.8	5.7	5.5	5.7	5.7	5.7	5.8	6.0	5.9	5.9
Real Disposable Income (%ch., saar)	4.1	5.4	4.2	3.3	3.4	3.7	3.7	3.8	3.5	3.3	3.8	3.7	3.7
Saving Rate (%)	-1.2	-1.0	-0.8	-0.7	-0.6	-0.5	-0.4	-0.1	0.0	0.1	0.2	0.4	0.5
After-Tax Profits (Billions of $)	1363	1361	1359	1382	1402	1397	1402	1411	1425	1426	1417	1413	1411
(Four-quarter % change)	24.3	16.0	5.8	3.5	2.8	2.6	3.2	2.1	1.6	2.1	1.1	0.1	-1.0

TABLE 3
Summary of the U.S. Economy

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Composition of Real GDP, Percent Change													
Gross Domestic Product	3.7	0.8	1.6	2.5	3.9	3.2	3.4	2.7	3.0	3.2	3.1	2.7	2.4
Final Sales of Domestic Product	3.8	1.6	1.2	2.5	3.5	3.5	3.1	2.9	3.0	3.1	3.1	2.7	2.4
Total Consumption	4.7	2.5	2.7	2.8	3.9	3.5	3.2	3.3	3.0	3.0	3.2	3.0	2.6
Durables	7.3	4.3	7.1	5.8	6.4	5.5	5.1	3.9	3.2	4.9	6.1	5.9	3.9
Nondurables	3.8	2.0	2.5	3.2	3.6	4.5	3.8	3.7	2.8	2.6	2.7	2.5	2.3
Services	4.5	2.4	1.9	1.9	3.5	2.6	2.5	2.9	3.0	2.8	2.9	2.8	2.4
Nonresidential Fixed Investment	8.7	-4.2	-9.2	1.0	5.9	6.8	7.4	5.7	4.5	4.6	3.9	3.9	3.1
Equipment & Software	9.4	-4.9	-6.2	2.8	7.3	8.9	6.7	4.6	5.9	6.6	4.7	4.9	4.0
Information Processing Equipment	17.4	-1.8	-4.7	5.8	10.1	8.5	9.0	7.5	8.7	8.0	7.0	7.1	7.2
Computers & Peripherals	21.1	2.0	5.0	13.1	14.2	17.9	17.1	17.9	20.7	20.4	18.9	18.5	18.4
Communications Equipment	30.0	-7.6	-21.1	1.0	10.2	12.4	11.7	2.6	6.4	4.9	4.7	5.5	6.6
Industrial Equipment	7.7	-8.5	-7.7	2.9	-4.1	8.2	6.1	1.6	0.9	3.0	4.0	1.2	-0.6
Transportation equipment	-4.1	-11.2	-11.8	-9.7	13.2	12.9	0.6	1.9	6.3	9.4	-0.2	3.7	0.2
Aircraft	2.8	2.8	-28.6	-25.4	-6.4	-23.9	-21.4	42.5	13.0	6.7	6.0	3.1	0.3
Other Equipment	3.6	-3.3	-3.1	6.0	5.6	7.0	6.6	2.3	2.3	3.3	3.3	3.0	2.8
Structures	6.8	-2.3	-17.1	-4.1	2.2	1.1	9.1	8.2	1.4	-0.3	1.9	1.3	0.6
Commercial & Health Care	6.3	-5.3	-15.7	-6.6	2.6	-0.8	7.1	8.8	-0.2	-1.0	5.7	4.0	2.5
Manufacturing	-6.1	-10.3	-41.6	-7.3	5.1	21.1	12.1	7.6	14.6	9.0	12.6	7.5	3.8
Power & Communication	14.7	3.0	-2.4	-12.9	-12.6	-6.6	3.3	8.8	11.4	1.9	2.9	1.8	-3.5
Mining & Petroleum	27.8	17.8	-23.3	18.1	13.2	11.0	11.2	7.1	-4.5	-7.0	-12.8	-12.4	-7.4
Other	2.9	-4.7	-16.0	-4.5	3.1	-5.2	13.4	8.3	1.2	2.9	2.0	2.0	2.5
Residential Fixed Investment	0.8	0.4	4.8	8.4	9.9	8.6	-4.2	-14.2	-1.6	2.9	3.6	1.7	-0.3
Exports	8.7	-5.4	-2.3	1.3	9.2	6.8	8.9	8.1	8.6	8.8	8.0	7.0	7.1
Imports	13.1	-2.7	3.4	4.1	10.8	6.1	5.8	3.4	4.4	5.4	5.6	5.6	4.6
Federal Government	0.9	3.9	7.0	6.8	4.3	1.5	2.0	2.5	1.4	-0.1	0.5	-0.2	0.6
State & Local Government	2.7	3.2	3.1	0.2	0.5	0.5	2.1	2.5	1.7	1.4	1.2	1.2	1.2
Billions of Dollars													
Real GDP	9817.0	9890.7	10048.9	10301.1	10703.5	11048.6	11422.4	11733.4	12083.7	12465.7	12848.8	13193.7	13510.5
Nominal GDP	9817.0	10128.0	10469.6	10960.8	11712.5	12455.8	13253.9	13906.5	14601.5	15360.7	16153.5	16938.1	17704.8
Prices & Wages, Percent Change													
GDP Deflator	2.2	2.4	1.7	2.1	2.8	3.0	2.9	2.1	2.0	2.0	2.0	2.1	2.1
Consumer Prices	3.4	2.8	1.6	2.3	2.7	3.4	3.2	1.5	2.3	2.1	1.9	2.0	1.9
Producer Prices, Finished Goods	3.8	1.9	-1.3	3.2	3.6	4.9	2.9	1.2	2.9	1.4	0.8	0.9	0.7
Employment Cost Index - Total Comp.	4.5	4.1	3.5	3.8	3.8	3.1	2.9	3.1	3.1	3.4	3.5	3.6	3.6
Other Key Measures													
Oil - WTI ($ per barrel)	30.35	25.96	26.11	31.12	41.47	56.56	66.12	58.10	61.42	61.96	61.75	61.79	60.22
Productivity (%ch.)	2.8	2.6	4.1	3.7	3.0	2.3	2.1	1.8	2.0	2.0	2.0	2.0	2.2
Total Industrial Production (%ch.)	4.5	-3.5	0.0	1.1	2.5	3.2	4.1	2.2	2.1	2.7	2.7	2.6	2.2
Factory Operating Rate	80.1	73.9	73.0	74.2	76.6	78.8	80.4	80.1	79.6	79.5	79.3	79.0	78.6
Nonfarm Inven. Chg. (Bil. 2000 $)	57.8	-31.8	15.2	14.0	47.0	19.6	43.9	31.6	26.5	39.9	41.9	41.5	37.5
Consumer Sentiment Index	107.6	89.2	89.6	87.6	95.2	88.6	87.3	92.0	90.8	92.1	92.9	91.9	90.6
Light Vehicle Sales (Mil. units)	17.34	17.12	16.82	16.64	16.87	16.95	16.50	16.41	16.61	16.80	17.20	17.70	17.78
Housing Starts (Mil. units)	1.573	1.601	1.710	1.854	1.950	2.073	1.819	1.539	1.585	1.690	1.743	1.738	1.696
Exist. House Sales (Total, Mil. units)		5.327	5.657	6.176	6.722	7.064	6.500	5.992	5.775	5.839	6.041	6.193	6.197
Unemployment Rate (%)	4.0	4.7	5.8	6.0	5.5	5.1	4.6	4.7	4.7	4.5	4.4	4.4	4.5
Payroll Employment (%ch.)	2.2	0.0	-1.1	-0.3	1.1	1.7	1.9	1.4	1.4	1.5	1.3	0.9	0.6
Federal Surplus (Unified, FY, bil. $)	236.1	126.9	-160.3	-375.2	-411.1	-321.0	-248.2	-224.7	-229.6	-225.7	-196.0	-147.5	-121.7
Current Account Balance (Bil. $)	-415.2	-389.0	-472.4	-527.5	-665.3	-791.5	-857.6	-807.1	-811.6	-821.8	-819.5	-825.1	-782.7
Financial Markets, NSA													
Federal Funds Rate (%)	6.24	3.89	1.67	1.13	1.35	3.21	4.96	5.18	5.00	5.00	5.00	5.00	4.8
3-Month Treasury Bill Rate (%)	5.81	3.43	1.61	1.01	1.36	3.13	4.72	4.96	4.90	4.90	4.90	4.90	4.67
10-Year Treasury Note Yield (%)	6.03	5.02	4.61	4.02	4.27	4.29	4.79	4.86	5.09	5.32	5.42	5.43	5.25
30-Year Fixed Mortgage Rate (%)	8.06	6.97	6.54	5.82	5.84	5.86	6.42	6.33	6.58	6.85	7.00	7.03	6.85
S&P 500 Stock Index	1427	1192	996	964	1131	1207	1311	1445	1513	1596	1697	1823	1945
(Percent change)	7.6	-16.4	-16.5	-3.2	17.3	6.8	8.6	10.2	4.7	5.5	6.4	7.4	6.7
Exchange Rate, Major Trading Partners	1.000	1.060	1.044	0.916	0.840	0.825	0.813	0.788	0.748	0.723	0.732	0.740	0.746
(Percent change)	4.9	6.0	-1.5	-12.3	-8.2	-1.9	-1.4	-3.1	-5.2	-3.3	1.2	1.2	0.8
Incomes													
Personal Income (% ch.)	8.0	3.5	1.8	3.2	6.2	5.2	6.4	5.5	5.7	5.9	5.8	5.4	5.0
Real Disposable Income (%ch.)	4.8	1.9	3.1	2.2	3.6	1.2	2.7	3.7	3.6	3.6	3.5	3.2	2.8
Saving Rate (%)	2.4	1.8	2.4	2.1	2.0	-0.4	-1.0	-0.6	-0.1	0.4	0.8	0.9	1.1
After-Tax Profits (Billions of $)	508	504	576	665	844	1119	1336	1385	1416	1411	1394	1393	1422
(Percent change)	-1.7	-0.9	14.3	15.4	27.0	32.6	19.3	3.7	2.3	-0.4	-1.1	-0.1	2.1

TABLE 1
Alternative Scenarios of the U.S. Economy

	2006:4	2007:1	2007:2	2007:3	2007:4	2008:1	2006	2007	2008	2009	2010	2011	2012
The Expansion Keeps Rolling (Prob. = 25%)													
Composition of Real GDP, Percent Change, Annual Rate													
Gross Domestic Product	3.5	2.7	3.5	3.8	3.8	3.9	3.4	3.1	3.9	3.8	3.5	2.9	2.7
Total Consumption	4.4	3.7	3.5	3.9	3.7	3.8	3.2	3.6	3.7	3.6	3.5	3.3	2.9
Nonresidential Fixed Investment	-0.4	8.6	9.5	7.6	7.3	8.0	7.4	6.7	8.0	7.5	5.4	4.2	3.6
Residential Fixed Investment	-19.2	-14.7	-11.4	-0.6	3.2	7.6	-4.2	-12.7	3.2	4.9	3.9	1.7	-0.4
Exports	10.0	7.3	9.0	9.4	8.5	8.3	8.9	8.3	8.8	9.3	8.6	7.6	7.8
Imports	-3.2	8.9	5.4	7.7	7.2	6.5	5.8	4.8	6.6	6.7	6.2	5.8	5.0
Federal Government	4.5	3.3	2.3	3.3	1.6	1.1	2.0	2.5	1.4	-0.1	0.5	-0.3	0.6
State & Local Government	3.3	2.8	1.5	2.3	2.6	1.9	2.1	2.5	2.0	1.8	1.4	1.3	1.2
Prices & Wages, Percent Change, Annual Rate													
Consumer Prices	-2.2	0.6	1.0	1.7	1.4	1.9	3.2	0.9	1.6	1.6	1.5	1.5	1.3
Producer Prices, Finished Goods	-3.3	-1.3	-0.8	3.3	2.4	2.9	2.9	-0.2	2.1	1.0	0.4	0.4	0.1
Employment Cost Index - Total Comp.	3.2	2.7	2.7	2.9	2.5	2.8	2.9	3.0	2.8	3.3	3.5	3.4	3.2
Other Key Measures													
Oil - WTI ($ per barrel)	60.06	51.63	49.37	51.95	51.94	53.82	66.12	51.22	53.17	53.65	53.44	53.48	52.14
Productivity (%ch., saar)	3.0	1.8	3.3	2.9	2.6	2.3	2.1	2.2	2.5	2.2	2.3	2.4	2.6
Manufacturing Production (%ch., saar)	-0.5	1.8	3.6	3.0	2.9	2.7	4.1	2.5	3.1	3.4	3.1	2.9	2.7
Nonfarm Inven. Chg. (Bil. 2000 $)	33.4	38.2	44.3	43.1	45.8	41.7	43.9	42.9	45.7	54.2	51.3	47.9	46.0
Consumer Sentiment Index	92.5	95.8	94.0	94.3	94.8	94.3	87.3	94.7	95.2	97.3	97.9	96.2	94.7
Light Vehicle Sales (Mil. units, saar)	16.27	16.38	16.45	16.76	16.95	17.14	16.50	16.64	17.25	17.54	17.87	18.22	18.29
Housing Starts (Mil. units, saar)	1.564	1.581	1.534	1.599	1.650	1.679	1.819	1.591	1.723	1.853	1.906	1.892	1.840
Unemployment Rate (%)	4.5	4.6	4.7	4.7	4.7	4.6	4.6	4.7	4.5	4.1	3.8	3.9	4.0
Payroll Employment (%ch., saar)	1.5	1.4	1.4	1.7	2.0	1.9	1.9	1.5	1.9	1.8	1.5	0.9	0.6
Federal Surplus (Unified, FY, bil. $)	-80.4	-130.1	46.5	-50.5	-65.4	-110.5	-248.2	-214.5	-176.7	-137.3	-85.8	-45.2	-36.5
Financial Markets, NSA													
Federal Funds Rate (%)	5.25	5.25	5.25	5.10	4.87	4.75	4.96	5.12	4.75	4.75	4.75	4.75	4.49
10-Year Treasury Note Yield (%)	4.63	4.81	4.83	4.70	4.64	4.61	4.79	4.75	4.75	4.95	5.02	5.01	4.83
Incomes													
Personal Income (% ch., saar)	4.9	6.2	5.9	5.8	5.7	5.6	6.4	5.6	5.7	5.9	5.7	5.1	4.5
After-Tax Profits (Four-qtr.% change)	16.0	5.2	4.2	4.3	4.5	6.1	19.3	4.6	3.7	-1.0	-2.3	-1.3	1.3
Hard Landing (Prob. = 15%)													
Composition of Real GDP, Percent Change, Annual Rate													
Gross Domestic Product	0.8	1.3	1.7	2.5	2.6	3.0	3.4	1.6	1.3	2.7	2.5	2.3	2.1
Total Consumption	0.6	1.3	0.8	1.5	1.7	2.0	3.2	2.4	1.0	1.9	2.5	2.5	2.1
Nonresidential Fixed Investment	-1.6	-2.1	-1.8	1.1	2.2	3.2	7.4	4.1	-0.5	3.1	3.2	4.0	3.9
Residential Fixed Investment	-21.9	-13.3	-9.0	-0.8	2.7	9.6	-4.2	-18.7	-13.2	5.6	7.6	3.8	0.3
Exports	6.9	6.2	5.9	7.5	7.9	7.8	8.9	6.4	6.4	7.6	7.1	6.2	5.9
Imports	-5.7	-4.4	-4.2	0.0	4.3	5.3	5.8	0.7	-3.1	4.4	6.0	5.6	4.7
Federal Government	1.6	1.1	1.0	0.5	0.0	-0.9	2.0	2.5	1.4	-0.1	0.5	-0.2	0.6
State & Local Government	1.4	0.8	0.5	0.3	0.7	0.5	2.1	2.0	0.9	0.6	0.9	0.9	1.0
Prices & Wages, Percent Change, Annual Rate													
Consumer Prices	3.1	3.4	3.1	3.2	3.1	3.4	3.2	2.4	3.3	3.2	3.2	3.2	3.1
Producer Prices, Finished Goods	4.7	4.7	3.1	3.3	3.1	3.2	2.9	2.8	4.4	2.8	2.3	2.2	1.9
Employment Cost Index - Total Comp.	3.3	3.4	3.2	3.5	3.3	3.6	2.9	3.5	3.4	3.6	4.0	4.3	4.6
Other Key Measures													
Oil - WTI ($ per barrel)	68.42	69.67	68.83	68.67	68.50	70.50	66.12	66.31	68.92	69.46	69.25	69.29	67.72
Productivity (%ch., saar)	1.5	1.6	1.8	2.2	1.8	1.9	2.1	1.1	1.6	1.7	1.1	1.3	1.6
Manufacturing Production (%ch., saar)	-0.5	-0.6	0.0	0.9	1.7	1.6	4.1	0.5	-0.4	1.3	1.4	1.6	0.5
Nonfarm Inven. Chg. (Bil.2000 $)	-25.2	-38.0	-34.6	-22.7	-1.5	21.2	43.9	-0.7	-24.2	40.0	36.2	33.8	32.3
Consumer Sentiment Index	78.3	76.6	77.7	79.9	81.7	82.8	87.3	84.0	79.0	84.7	86.4	86.0	84.5
Light Vehicle Sales (Mil. units, saar)	14.84	14.64	14.37	14.58	14.94	15.13	16.50	15.56	14.63	15.40	15.96	16.71	16.88
Housing Starts (Mil. units, saar)	1.302	1.281	1.283	1.311	1.370	1.435	1.819	1.416	1.311	1.506	1.613	1.636	1.610
Unemployment Rate (%)	5.4	5.6	5.7	5.8	5.8	5.7	4.6	5.0	5.7	5.6	5.3	5.1	5.2
Payroll Employment (%ch., saar)	0.2	0.3	0.4	0.8	1.1	1.2	1.9	0.9	0.4	1.2	1.4	1.1	0.7
Federal Surplus (Unified, FY, bil. $)	-97.4	-159.0	-27.2	-94.8	-121.6	-188.2	-248.2	-248.7	-378.4	-432.3	-412.0	-374.0	-355.1
Financial Markets, NSA													
Federal Funds Rate (%)	7.59	7.75	7.50	7.25	7.00	6.75	4.96	6.50	7.38	6.44	5.94	5.75	5.50
10-Year Treasury Note Yield (%)	6.56	6.70	6.61	6.56	6.49	6.44	4.79	5.75	6.59	6.39	6.39	6.42	6.28
Incomes													
Personal Income (% ch., saar)	5.0	5.2	4.9	5.0	5.7	6.8	6.4	5.6	5.1	6.3	6.8	6.4	6.1
After-Tax Profits (Four-qtr.% change)	-9.7	-7.7	-5.3	-0.3	5.4	7.3	19.3	-4.2	-2.1	5.2	0.0	1.8	3.1

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Heating Fuel Prices

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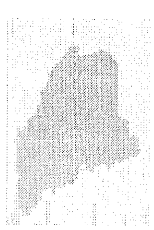


For Immediate Release

Contact: Betsy Elder 287-8927

February 20, 2007

#2 Heating Fuel, Kerosene and Propane Prices Up Slightly

Augusta--- The Office of Energy Independence and Security (OEIS) survey of home heating prices today found the current statewide average cash price for No. 2 heating oil to be up $0. since last week at $2.33 per gallon and $0.02 higher than last year at this time. It is importan note that this price is a statewide average and that prices in a given geographic region of the may be considerably higher or lower than the statewide average. Within the OEIS sample, th lowest actual heating oil price of $2.05 per gallon was found in the north while the high-end price of $2.48 per gallon was found in the central region. New England (PADD 1A) heating inventories are reflecting the increase in demand due to cold weather. As of February 9th, th stood at 7.448 million barrels or 1.724 million barrels less than last year at this time. The tab below provides current Maine cash prices in dollars rounded to the nearest penny.

As of February 20, 2007

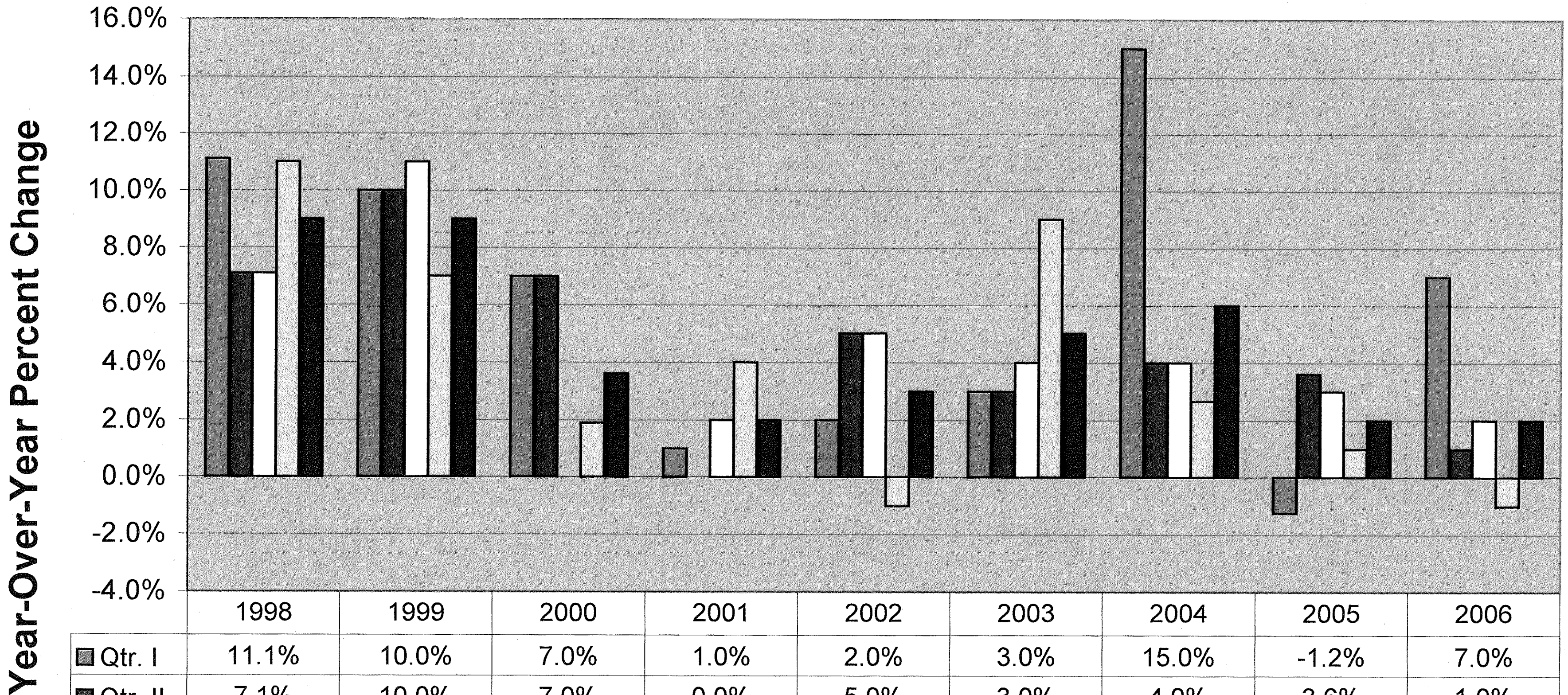
H EATING OIL	**Statewide**	**Southwest**	**Central**	**Eastern**	**Western**	**Northern**
Average	2.33	2.31	2.39	2.36	2.34	2.23
High	2.48	2.44	2.48	2.43	2.43	2.35
Low	2.05	2.13	2.28	2.24	2.15	2.05
KEROSENE	2.74	2.73	2.81	2.79	2.74	2.62
PROPANE	2.38					
B-5 Bio-heat	2.399					

The statewide kerosene price average is up $0.02 since last week at $2.74 per gallon which i $0.05 higher than last year at this time. Today's propane price survey found the statewide average to be up $0.04 from last week at $2.38 per gallon. This is $0.15 higher than last year this time. This average price for propane represents the price per gallon for a 600-800 gallon domestic heating application. Maine propane supplies are tight due to a complex of factors including the Canadian National railroad strike. Many Maine propane distributors are being forced to limit the volume of their deliveries to residential and commercial customers.

Maine's energy information website at www.maineenergyinfo.com provides energy saving t for homeowners, including expected costs and paybacks. Simple energy conservation steps c save hundreds of dollars this year in energy bills. For more information about the Maine Hor Performance with Energy Star whole house energy efficiency program, visit

Sales & Use Tax

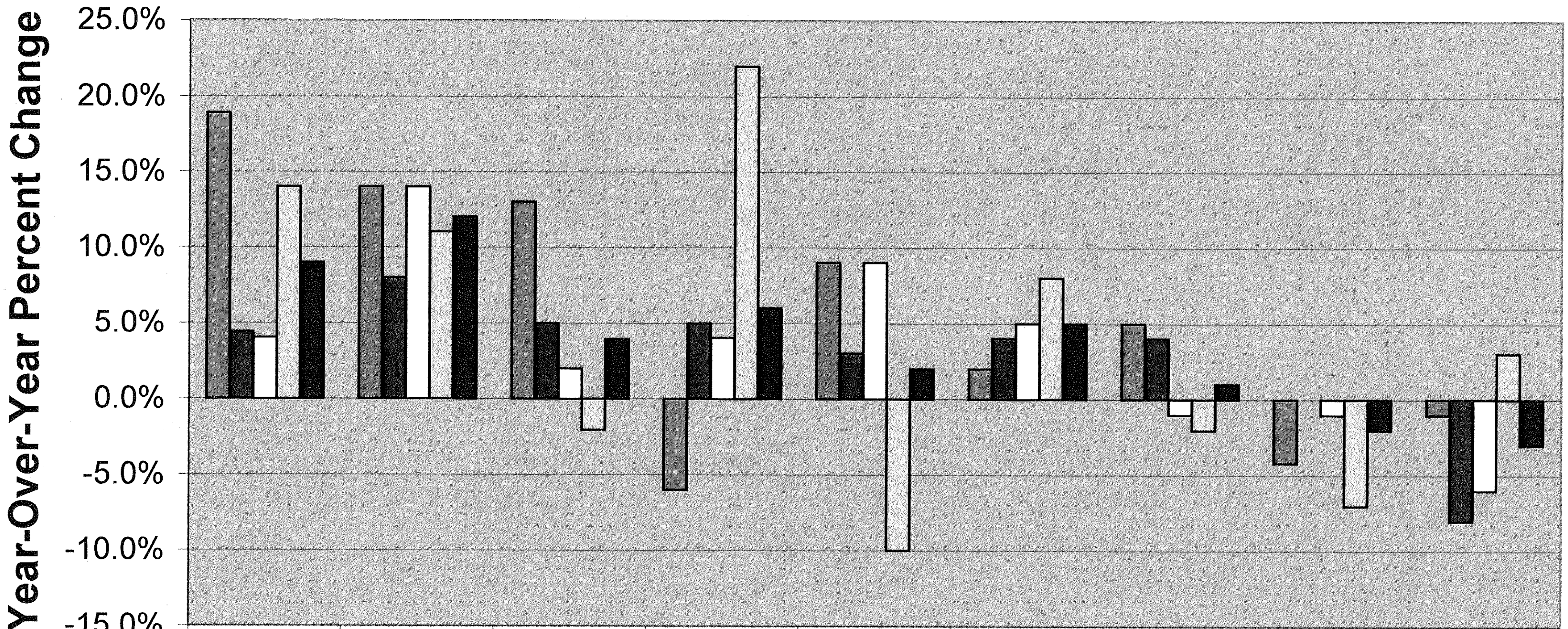
Total Taxable Sales



	1998	1999	2000	2001	2002	2003	2004	2005	2006
Qtr. I	11.1%	10.0%	7.0%	1.0%	2.0%	3.0%	15.0%	-1.2%	7.0%
Qtr. II	7.1%	10.0%	7.0%	0.0%	5.0%	3.0%	4.0%	3.6%	1.0%
Qtr. III	7.1%	11.0%	0.0%	2.0%	5.0%	4.0%	4.0%	3.0%	2.0%
Qtr. IV	11.0%	7.0%	1.9%	4.0%	-1.0%	9.0%	2.7%	1.0%	-1.0%
Year	9.0%	9.0%	3.6%	2.0%	3.0%	5.0%	6.0%	2.0%	2.0%

Quarter & Calendar Year

Auto/Transportation Taxable Sales

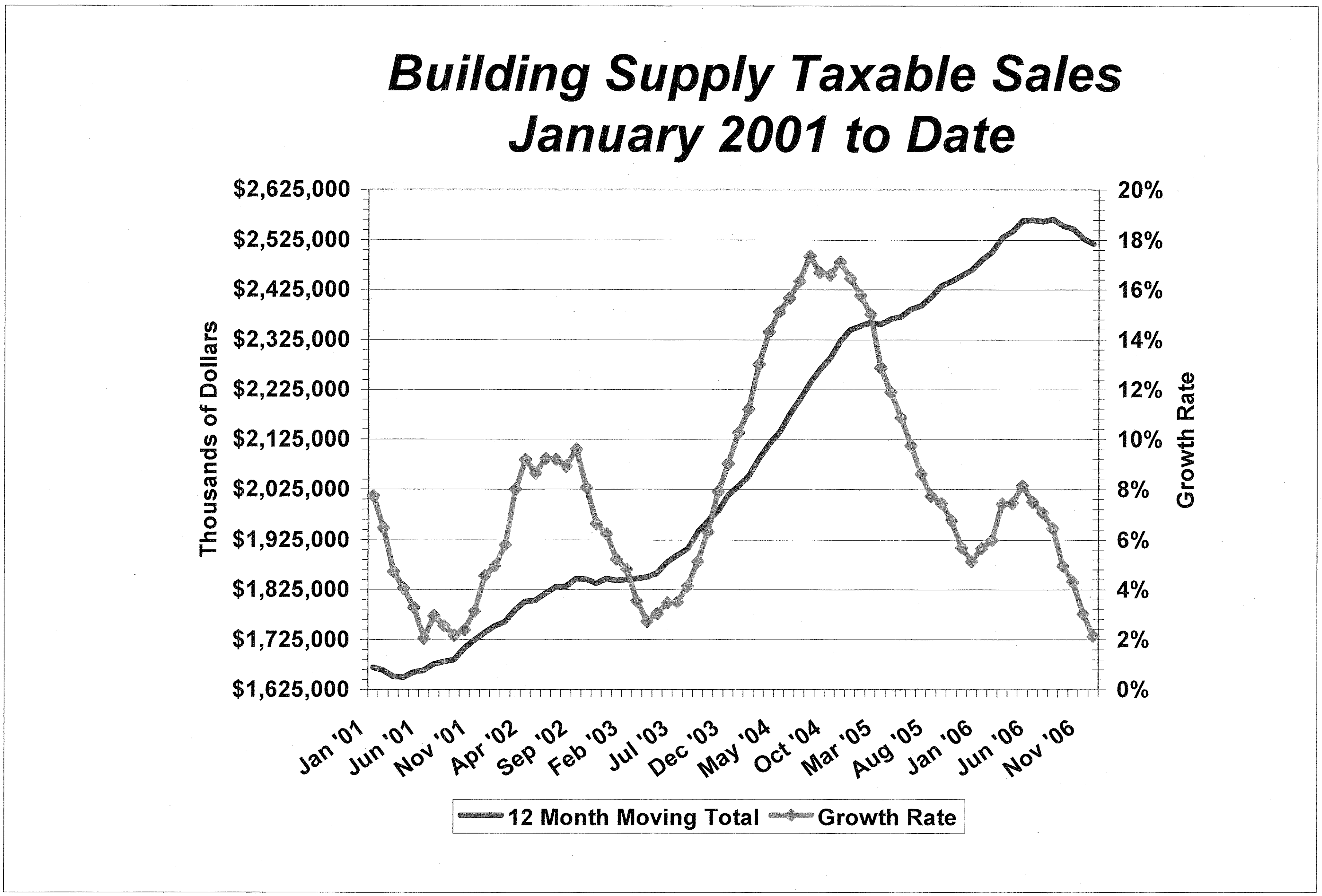


	1998	1999	2000	2001	2002	2003	2004	2005	2006
Qtr. I	18.9%	14.0%	13.0%	-6.0%	9.0%	2.0%	5.0%	-4.2%	-1.0%
Qtr. II	4.4%	8.0%	5.0%	5.0%	3.0%	4.0%	4.0%	0.0%	-8.0%
Qtr. III	4.0%	14.0%	2.0%	4.0%	9.0%	5.0%	-1.0%	-1.0%	-6.0%
Qtr. IV	14.0%	11.0%	-2.0%	22.0%	-10.0%	8.0%	-2.0%	-7.0%	3.0%
Year	9.0%	12.0%	3.9%	6.0%	2.0%	5.0%	1.0%	-2.0%	-3.0%

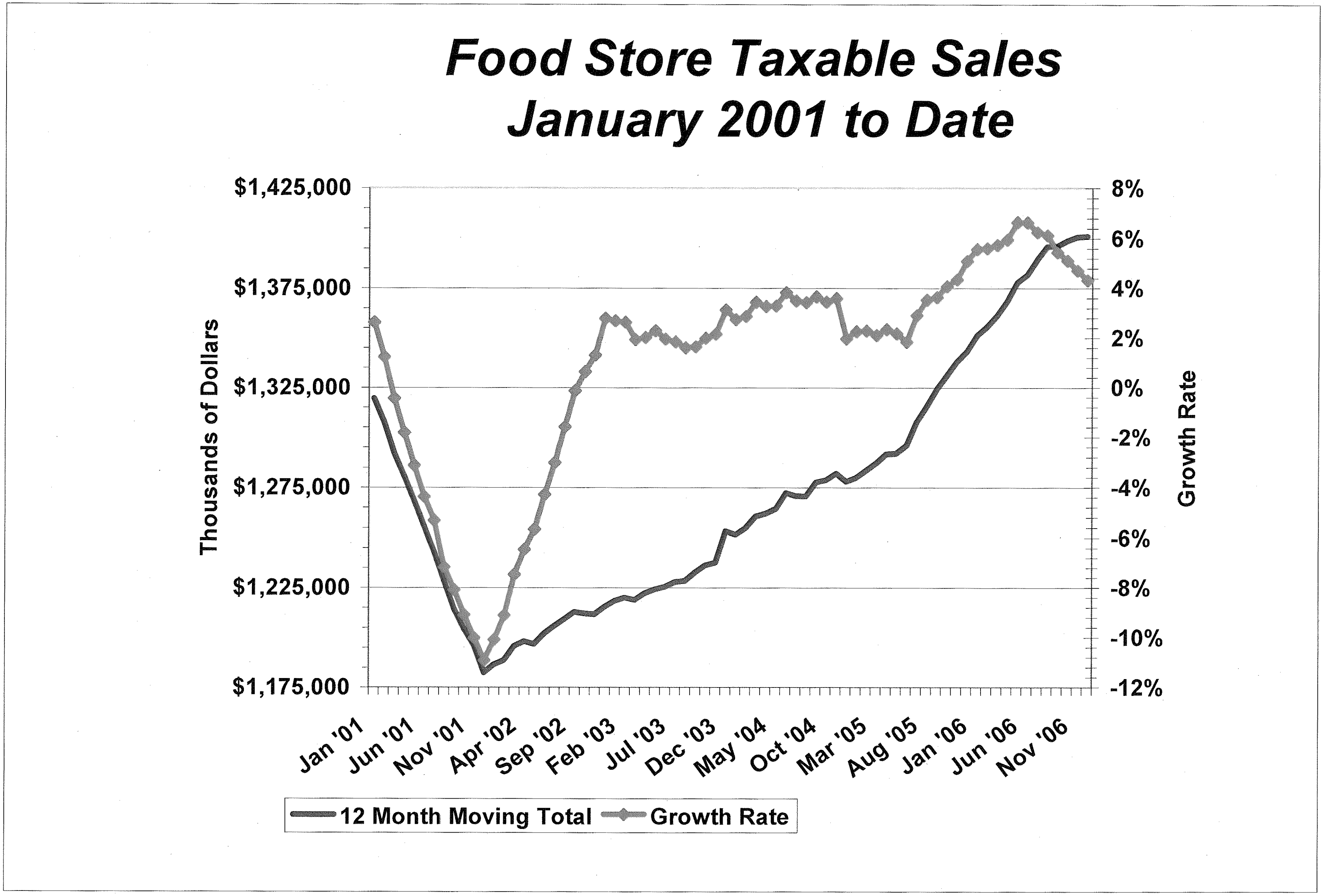
Quarter & Calendar Year

Maine Revenue Services
Taxable Sales by Sector
In Thousands of Dollars

	Dec. '06	% Ch.	Dec. '05	% Ch.	Dec. '04	Average Last 3 Mos. Vs. Last Yr. % Change	Moving Total Last 12 Mos. Vs. Prior % Change	YTD Growth CY'06 vs. '05 Thru. Dec. % Change
Building Supply	$212,460	-5%	$223,127	5%	$212,095	-5%	2%	2%
Food Store	$125,713	0%	$125,336	4%	$120,072	2%	4%	4%
General Merchandise	$348,451	-14%	$406,984	3%	$395,202	-6%	1%	1%
Other Retail	$265,755	-4%	$276,367	5%	$262,754	-4%	6%	6%
Auto/Transportation	$277,712	-6%	$295,535	-3%	$304,816	3%	-3%	-3%
Restaurant/lodging	$171,957	2%	$168,865	9%	$154,353	5%	5%	5%
Consumer Sales	$1,402,049	-6%	$1,496,215	3%	$1,449,291	-2%	2%	2%
Business Operating	$261,647	2%	$257,581	2%	$252,701	2%	6%	6%
Total	$1,663,696	-5%	$1,753,796	3%	$1,701,992	-1%	2%	2%



Maine Revenue Services Economic Research Division 2/20/2007



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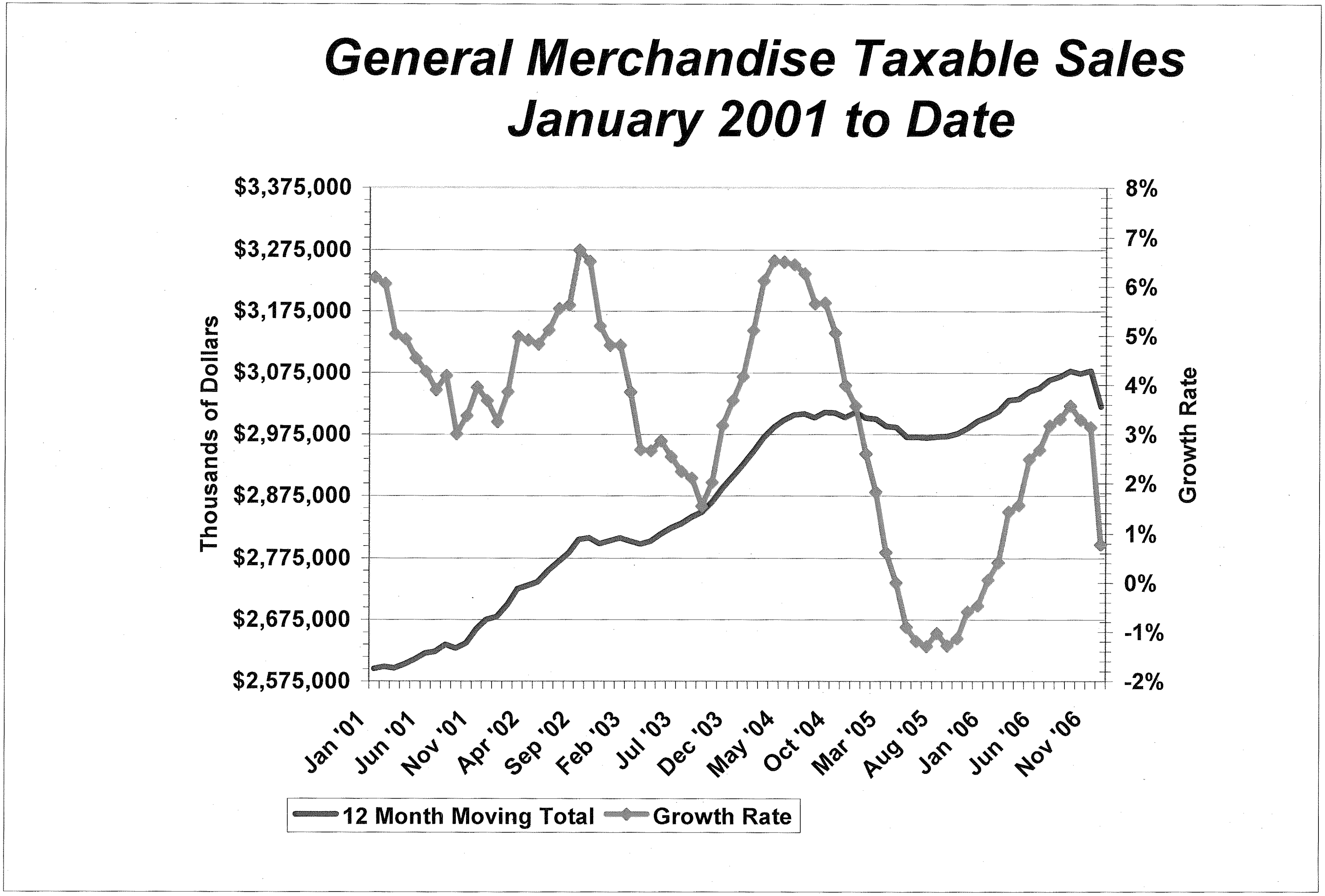

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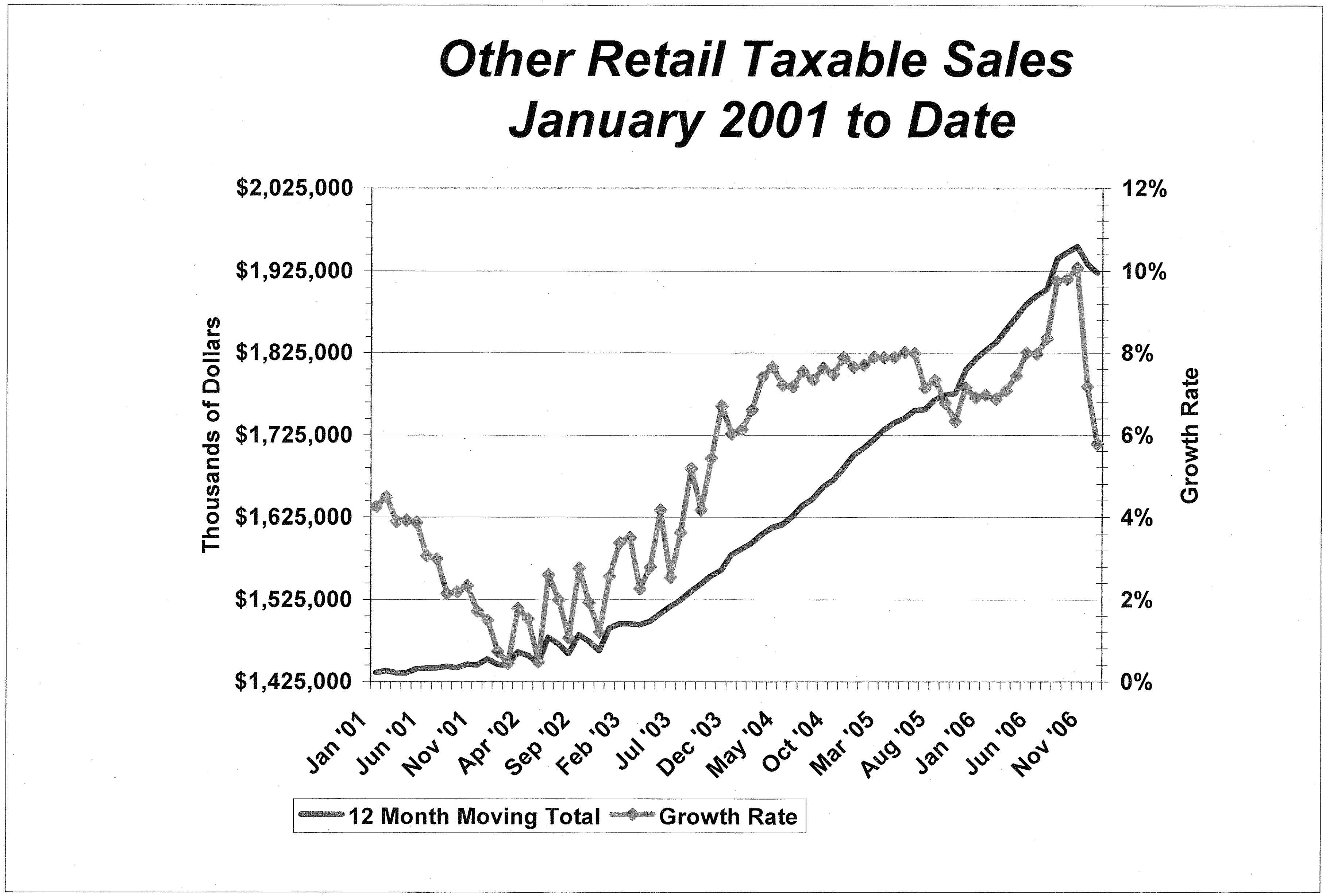

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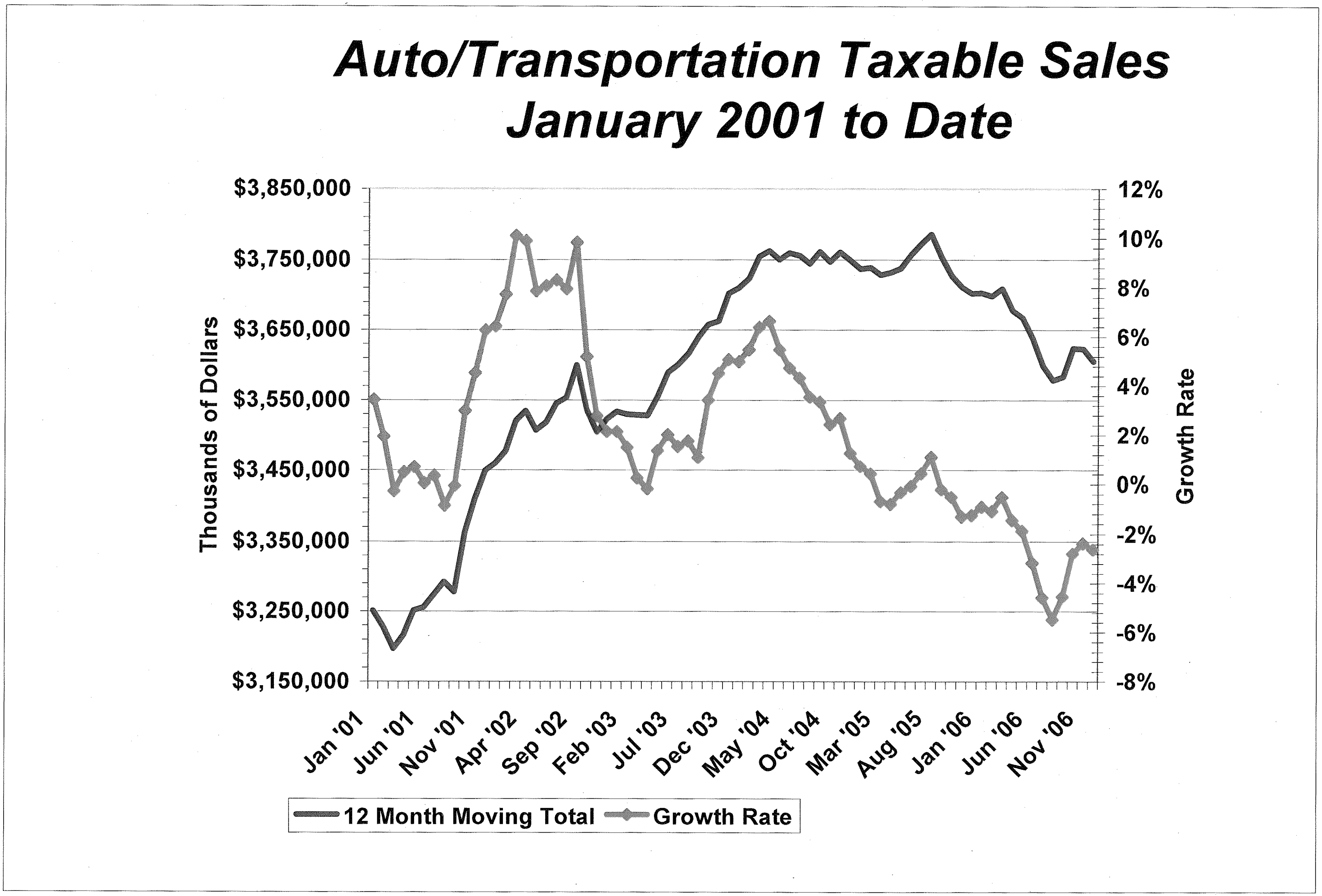

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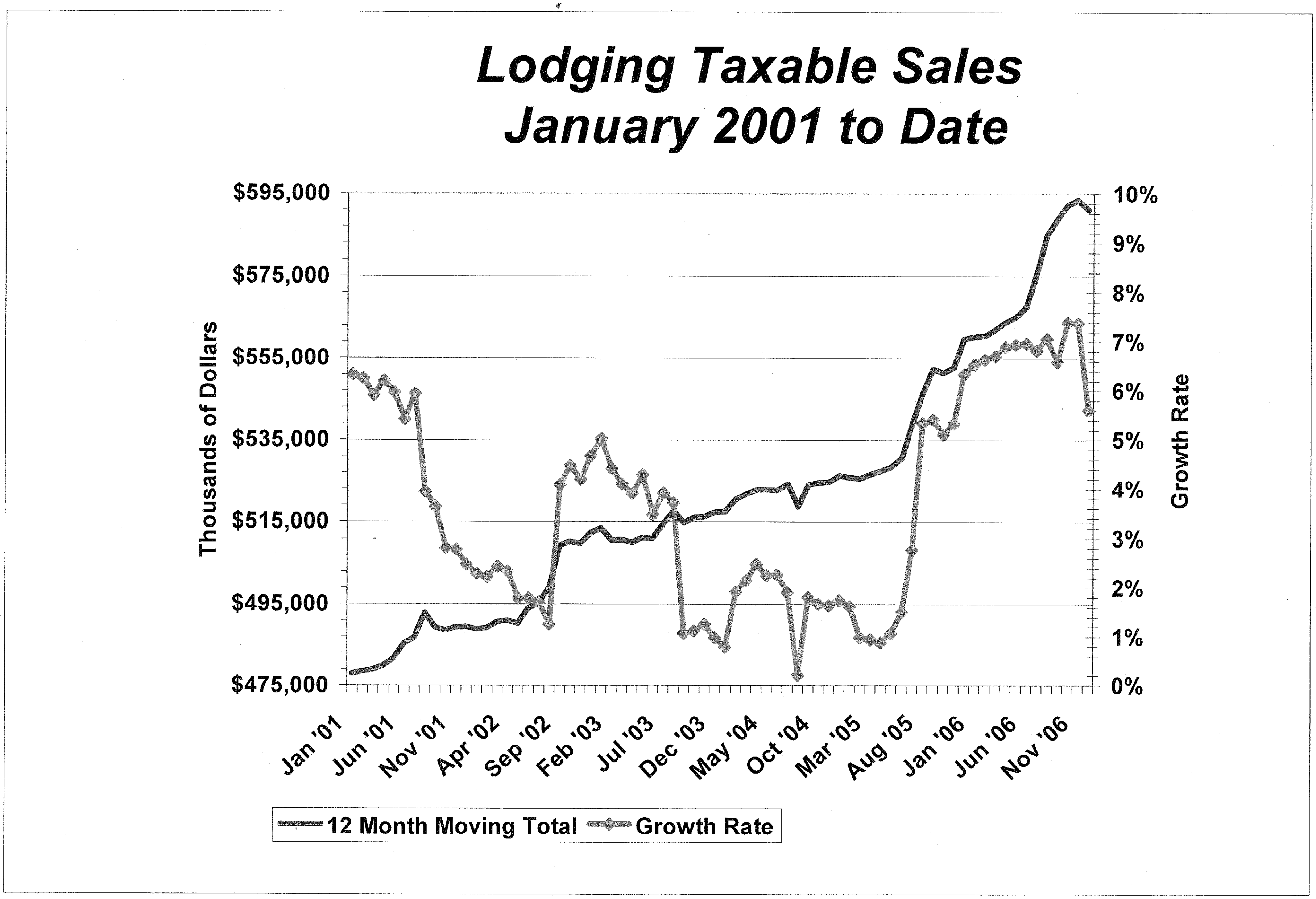

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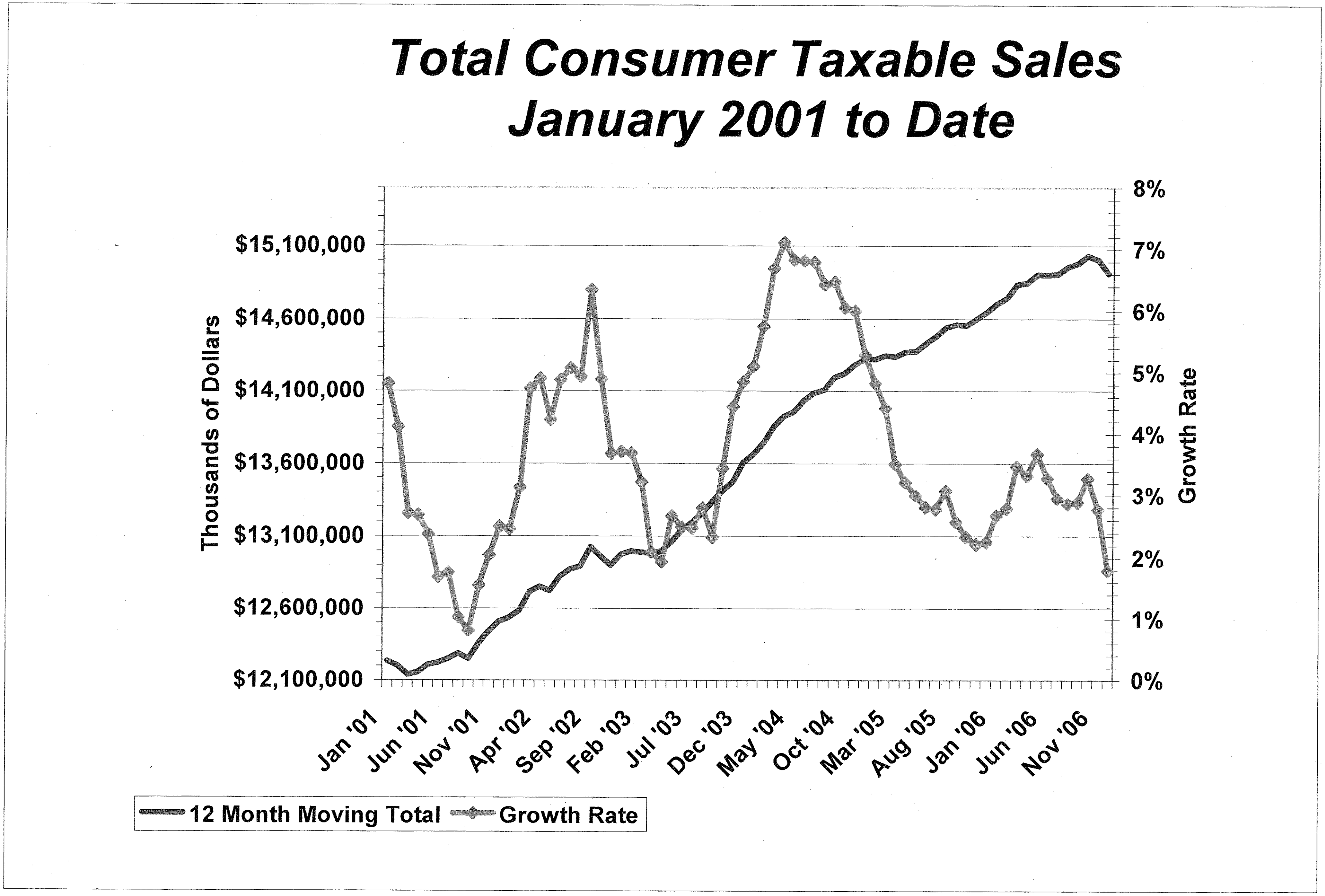

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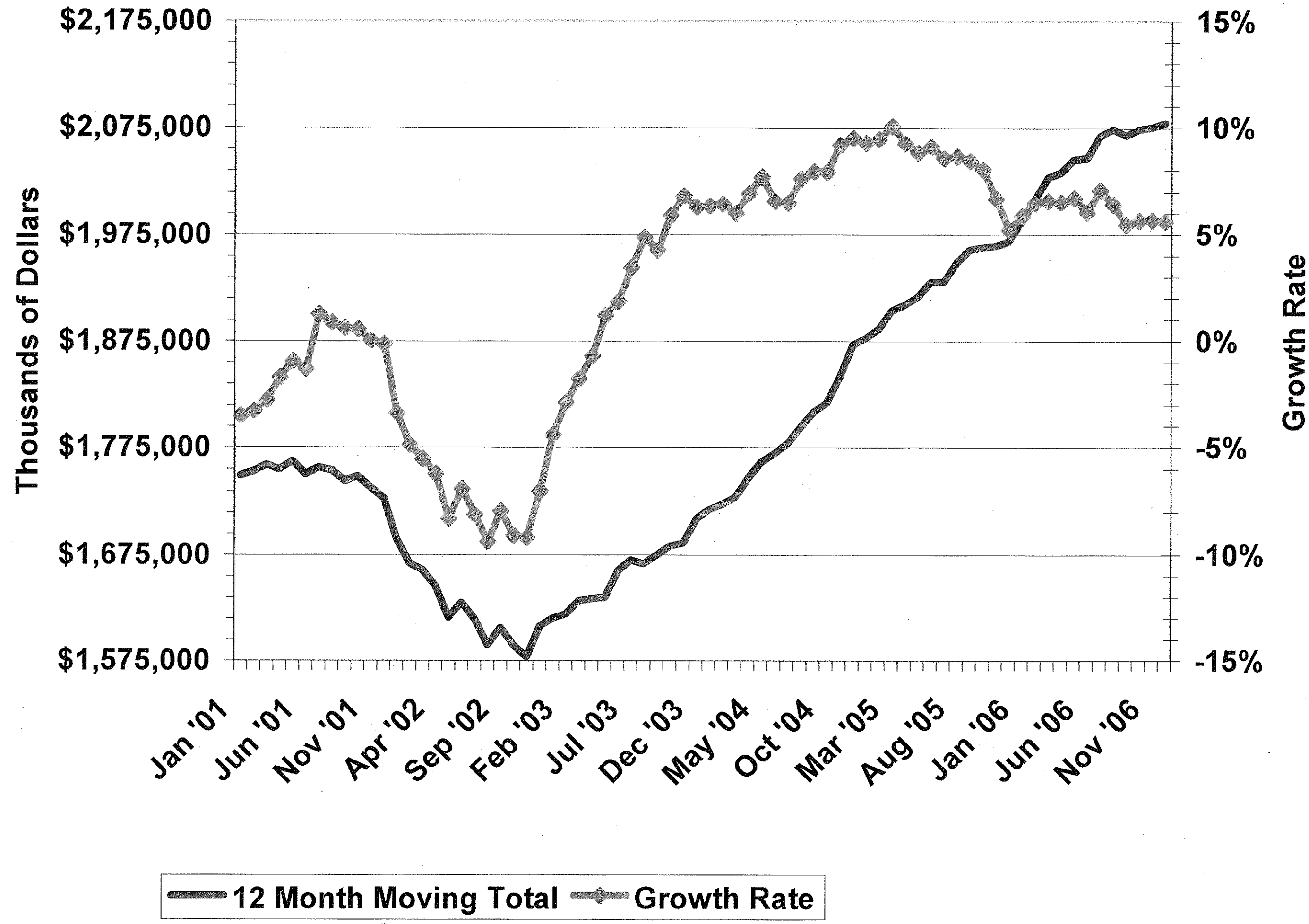
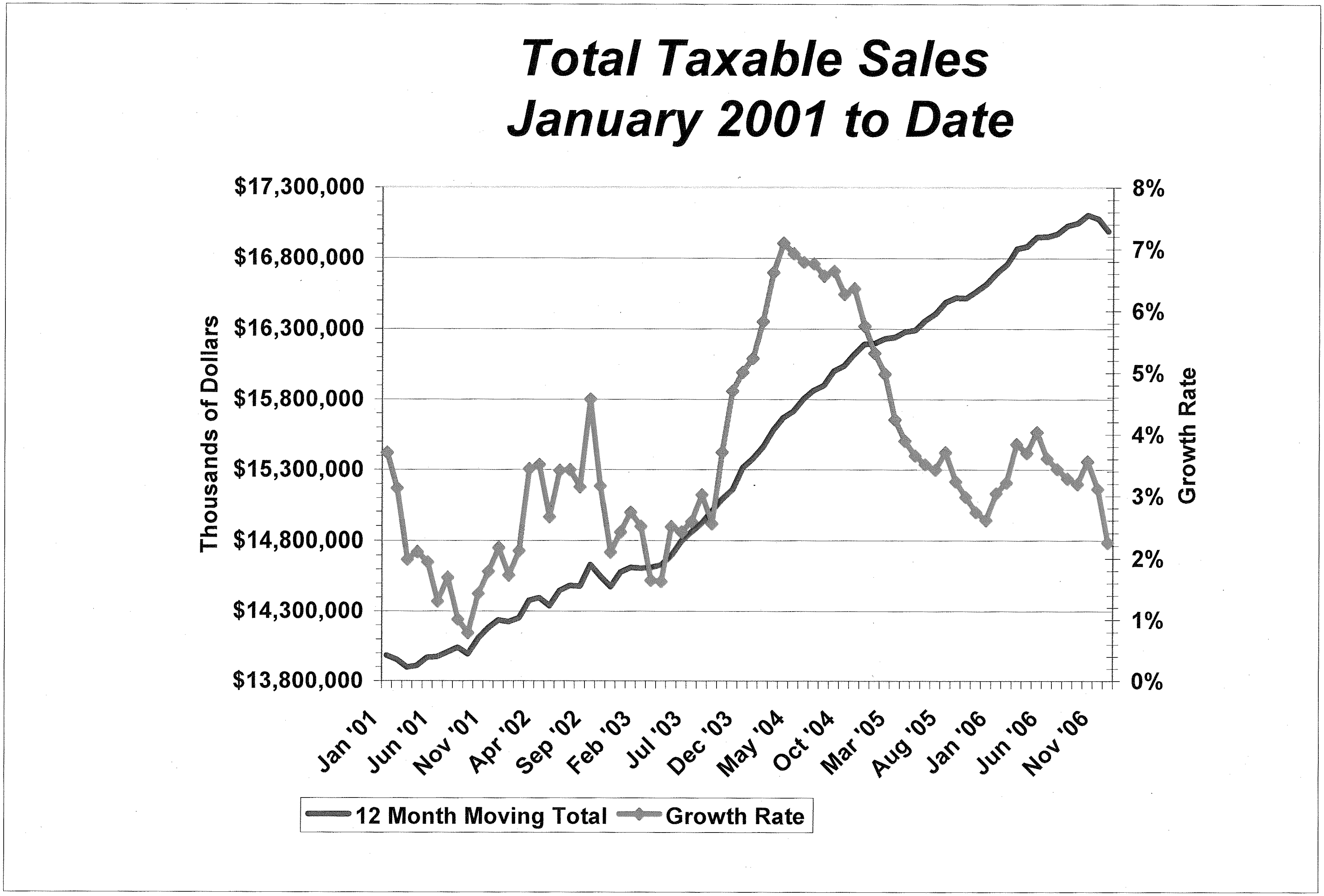
Business Operating Taxable Sales
January 2001 to Date

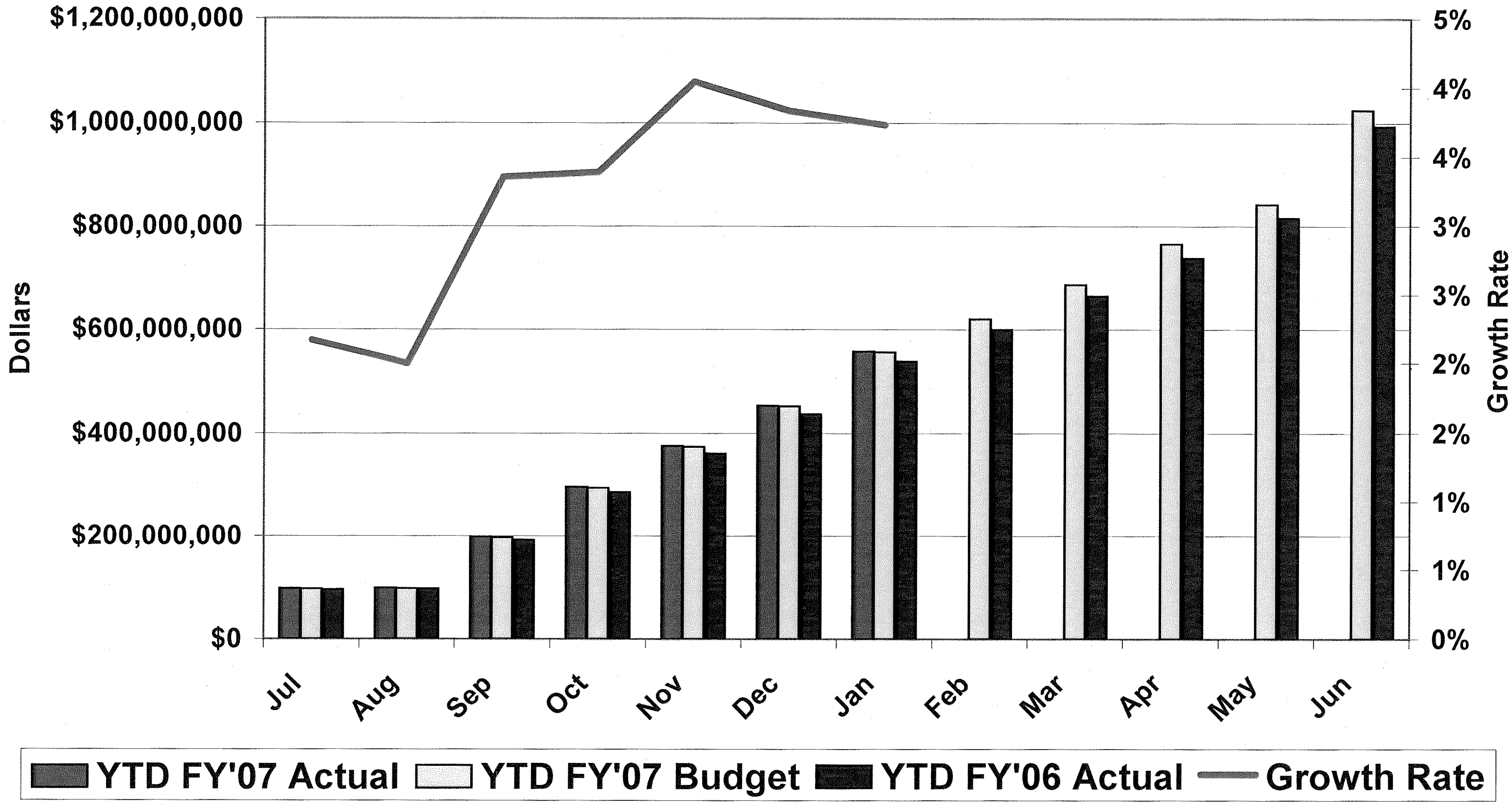


Maine Revenue Services Economic Research Division 2/20/2007



Maine Revenue Services Economic Research Division 2/20/2007

Sales & Service Provider Tax Revenue
FY'07 Actual, Budget & FY'06 Actual

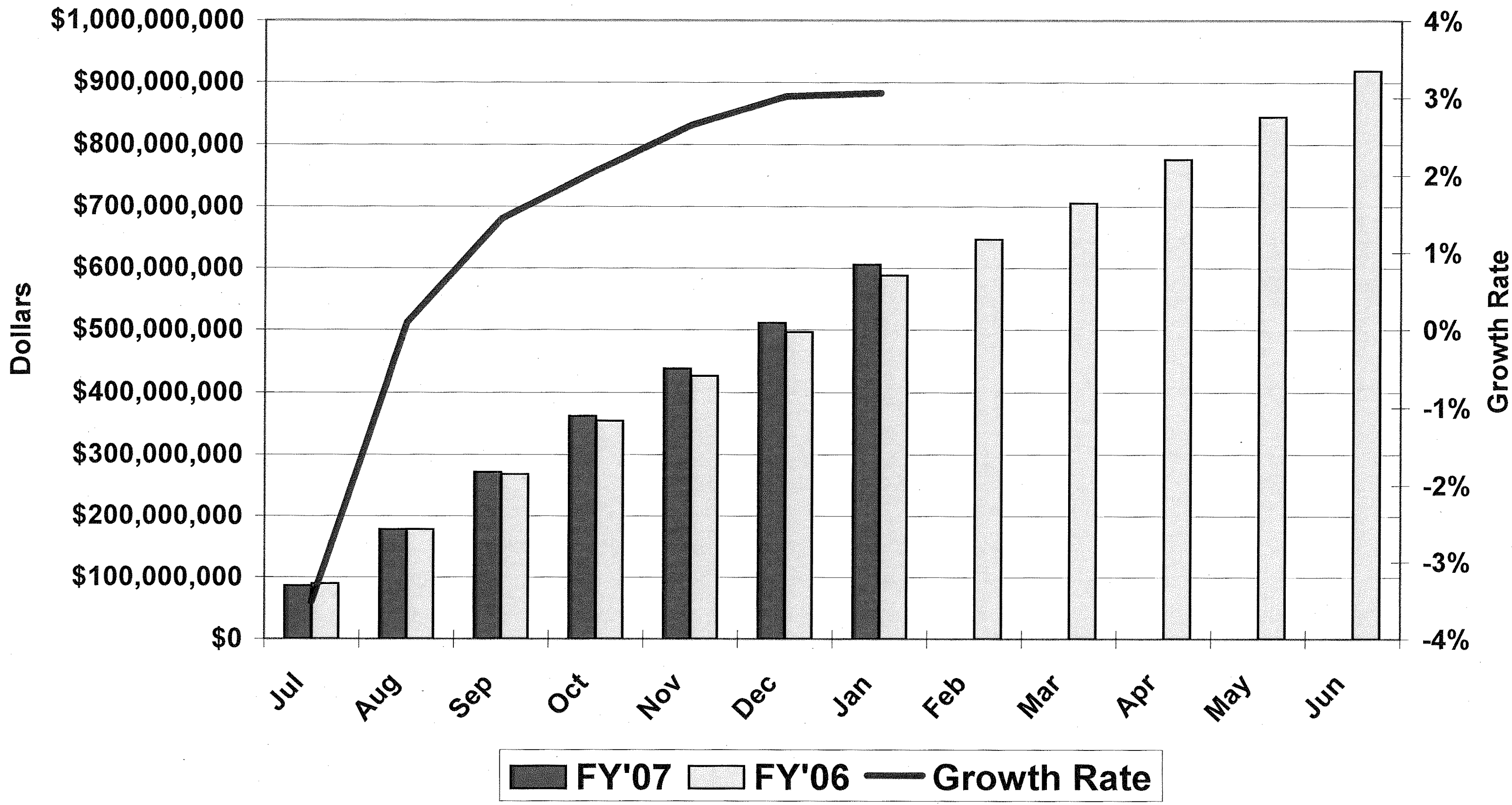


Maine Revenue Services Economic Research Division 2/21/2007

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

Month	FY'07 Actual	FY'07 Budget	FY'06 Actual	FY'05 Actual	FY'07 Actual vs. Budget	FY'07 Budget vs. FY'06 Actual	FY'07 Actual vs. FY'06 Actual	FY'06 Actual vs. FY'05 Actual
Jul	$97,636,332	$97,304,175	$95,563,538	$91,816,108	0.3%	1.8%	2.2%	4.1%
Aug	$1,233,000	$322,359	$1,369,702	$1,718,008	282.5%	-76.5%	-10.0%	-20.3%
Sep	$99,371,172	$99,083,865	$94,871,741	$90,688,073	0.3%	4.4%	4.7%	4.6%
Oct	$96,837,762	$97,122,797	$93,595,668	$90,398,099	-0.3%	3.8%	3.5%	3.5%
Nov	$80,635,458	$80,083,126	$75,709,519	$76,527,267	0.7%	5.8%	6.5%	-1.1%
Dec	$78,390,770	$78,785,670	$76,227,244	$72,527,980	-0.5%	3.4%	2.8%	5.1%
Jan	$102,401,069	$102,247,711	$99,141,063	$92,560,936	0.1%	3.1%	3.3%	7.1%
Feb	$0	$64,298,901	$62,521,542	$53,292,504	-100.0%	2.8%	-100.0%	17.3%
Mar	$0	$67,151,495	$65,274,214	$60,385,181	-100.0%	2.9%	-100.0%	8.1%
Apr	$0	$78,630,477	$73,697,434	$71,238,466	-100.0%	6.7%	-100.0%	3.5%
May	$0	$77,327,360	$77,747,307	$71,318,421	-100.0%	-0.5%	-100.0%	9.0%
Jun	$0	$181,294,196	$177,483,736	$168,750,795	-100.0%	2.1%	-100.0%	5.2%
Total	$556,505,563	$1,023,652,132	$993,202,708	$941,221,838	-45.6%	3.1%	-44.0%	5.5%
YTD Jan	$556,505,563	$554,949,703	$536,478,475	$516,236,471	0.3%	3.4%	3.7%	3.9%

Sales Tax Cash Receipts
Year-to-Date FY'07 & FY'06



Maine Revenue Services Economic Research Division 2/21/2007

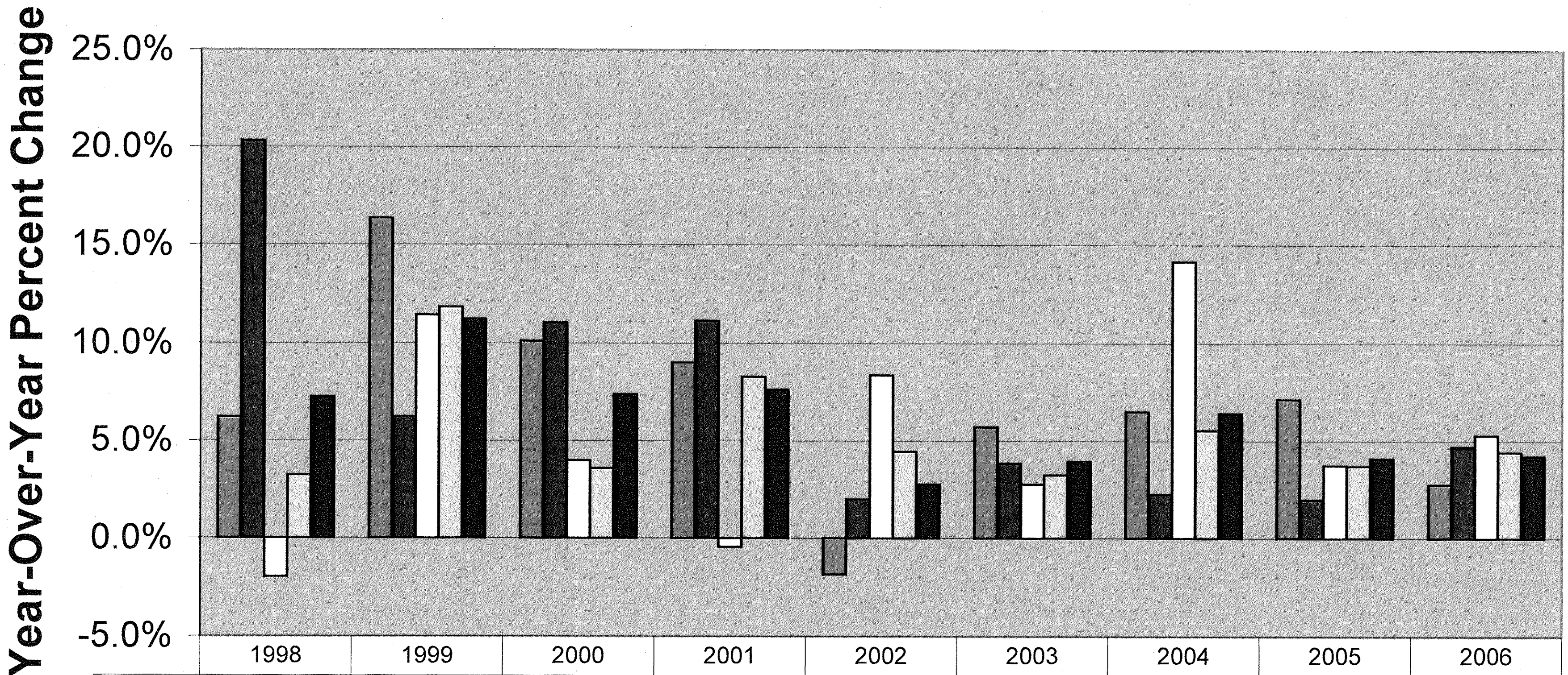
Maine Revenue Services
Sales Tax Cash Receipts

	FY'07	FY'06	YTD FY'07	YTD FY'06	Growth Rate	YTD Growth Rate
Jul	$86,034,835	$89,179,635	$86,034,835	$89,179,635	-3.5%	-3.5%
Aug	$91,832,520	$88,529,634	$177,867,355	$177,709,269	3.7%	0.1%
Sep	$93,495,551	$89,811,678	$271,362,906	$267,520,947	4.1%	1.4%
Oct	$90,134,771	$86,662,301	$361,497,677	$354,183,248	4.0%	2.1%
Nov	$75,501,328	$71,555,977	$436,999,005	$425,739,225	5.5%	2.6%
Dec	$73,900,046	$70,206,514	$510,899,051	$495,945,739	5.3%	3.0%
Jan	$94,949,605	$91,912,517	$605,848,656	$587,858,256	3.3%	3.1%
Feb	$0	$58,251,775	$605,848,656	$646,110,031	-100.0%	-6.2%
Mar	$0	$59,314,068	$605,848,656	$705,424,099	-100.0%	-14.1%
Apr	$0	$71,081,648	$605,848,656	$776,505,747	-100.0%	-22.0%
May	$0	$67,719,529	$605,848,656	$844,225,276	-100.0%	-28.2%
Jun	$0	$74,477,133	$605,848,656	$918,702,409	-100.0%	-34.1%

Maine Revenue Services Economic Research Division. 2/21/2007

Individual Income Tax

Individual Income Tax Withholding



	1998	1999	2000	2001	2002	2003	2004	2005	2006
Qtr. I	6.2%	16.3%	10.1%	9.0%	-1.9%	5.7%	6.5%	7.1%	2.7%
Qtr. II	20.3%	6.2%	11.0%	11.1%	2.0%	3.8%	2.2%	2.0%	4.7%
Qtr. III	-2.0%	11.4%	4.0%	-0.4%	8.4%	2.8%	14.1%	3.7%	5.3%
Qtr. IV	3.2%	11.8%	3.6%	8.3%	4.5%	3.2%	5.5%	3.7%	4.4%
Year	7.3%	11.2%	7.4%	7.6%	2.7%	3.9%	6.4%	4.1%	4.2%

Quarter & Calendar Year

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
	In Billions of Dollars	Percentage Change from Previous Year	In Billions of Dollars	Percentage Change from Previous Year	In 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	4	50	-14	6.3
2004	499	54	72	41	61	21	7.5
2005	643	29	97	34	84	38	9.0
2006	729	13	110	14	103	23	9.9
2007	708	-3	107	-3	109	5	9.5
2008	699	-1	102	-4	105	-4	8.3
2009	698	*	102	-1	102	-3	7.8
2010	796	14	116	14	102	*	7.4
2011	547	-31	103	-12	116	14	7.3
2012	649	19	123	20	112	-4	6.5
2013	661	2	125	1	124	11	6.8
2014	676	2	127	2	126	2	6.5
2015	694	3	130	2	128	2	6.3
2016	715	3	133	3	131	2	6.1
2017	738	3	137	3	135	3	5.9

Source: Congressional Budget Office.

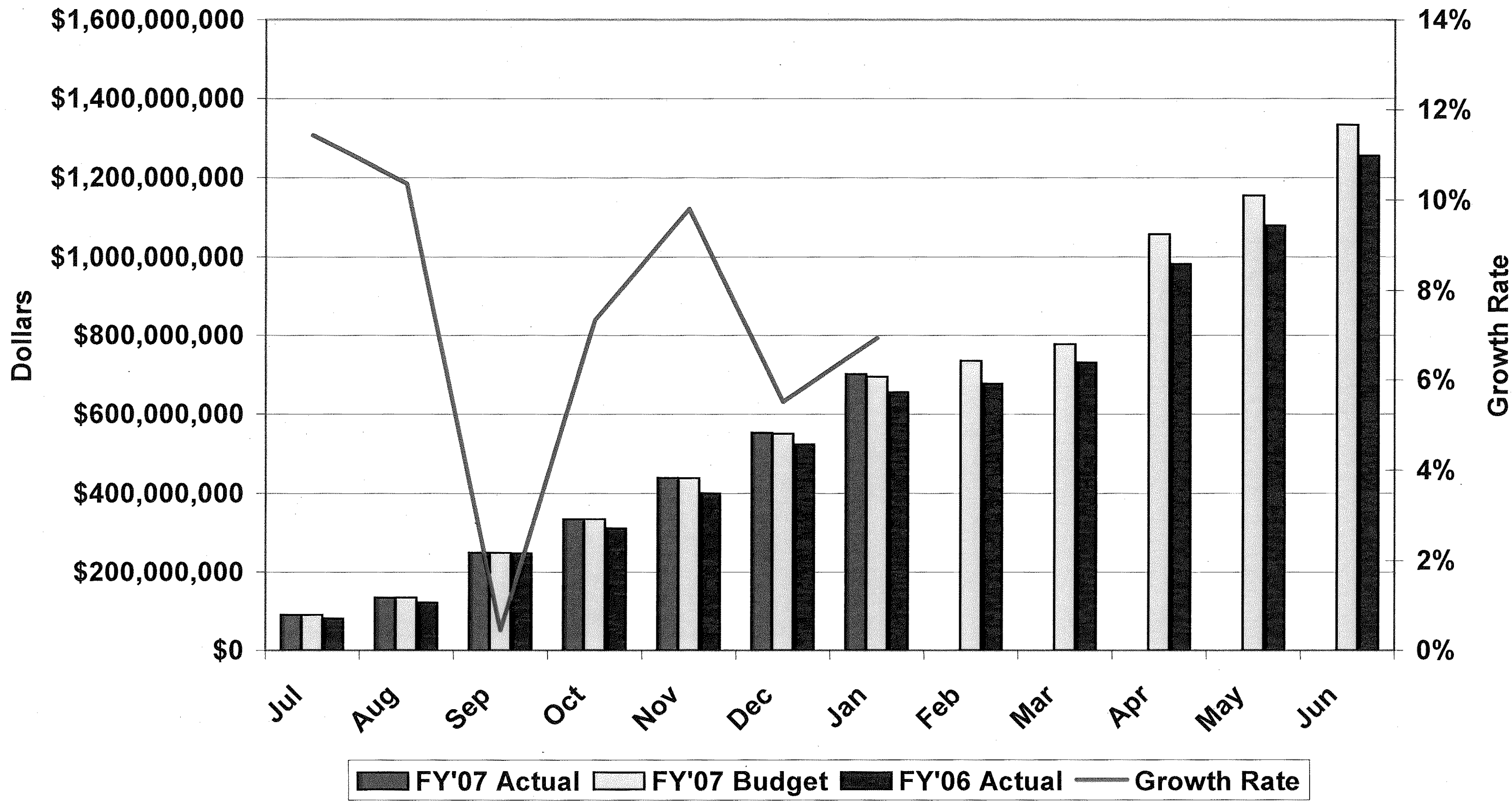
Note: Capital gains realizations represent net positive long-term gains. Data for realizations and liabilities after 2002 and tax receipts in all years are estimated or projected by CBO. Data on realizations and liabilities before 2003 are estimated by the Treasury Department.

* = between zero and 0.5 percent.

a. Calendar year basis.

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

YTD Individual Income Tax Revenue
FY'07 Actual, Budget & FY'06 Actual

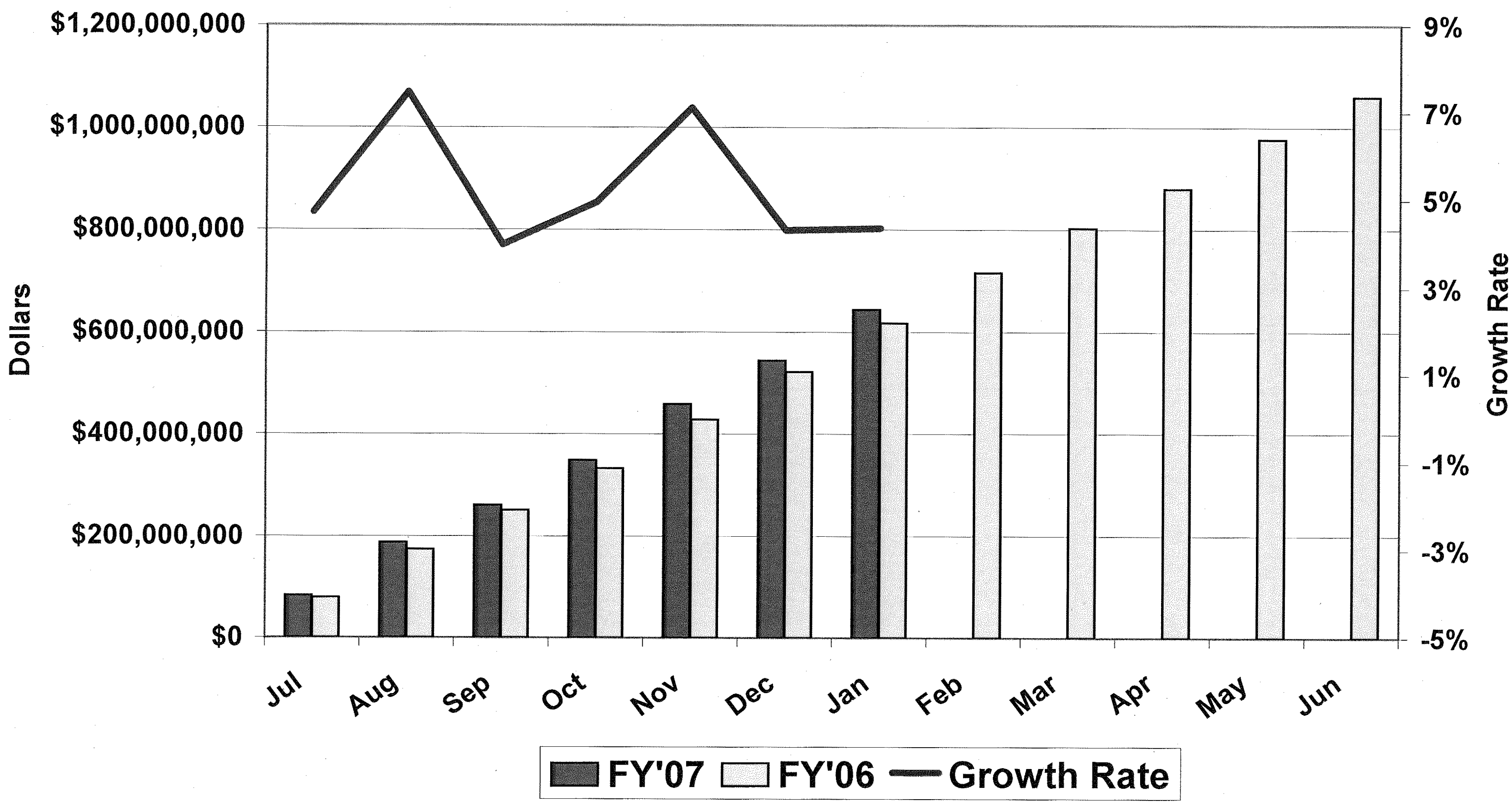


Maine Revenue Services Economic Research Division 2/21/2007

Maine Revenue Services
Individual Income Tax Revenue

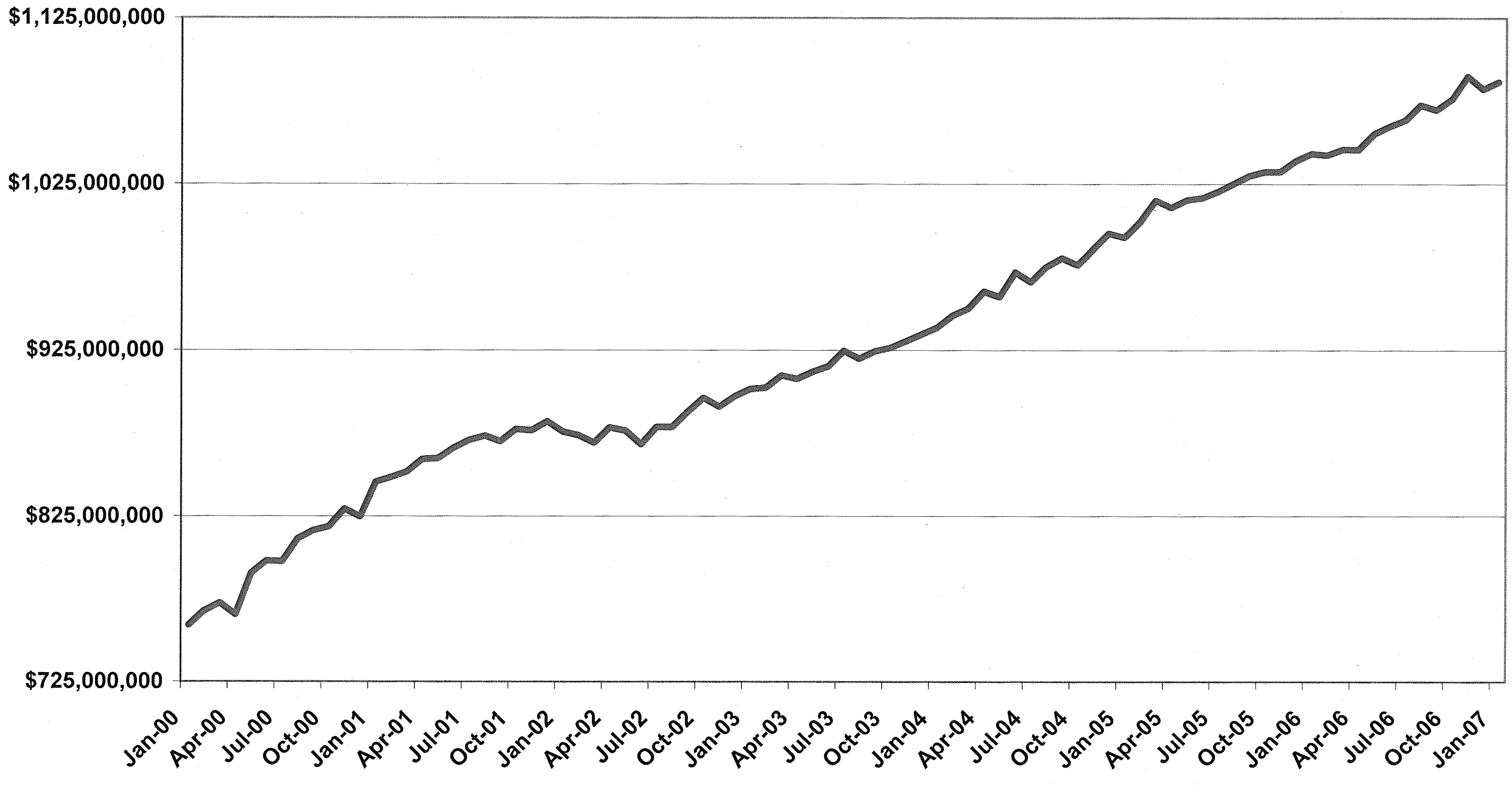
	FY'07 Actual	FY'07 Budget	FY'06 Actual	FY'05 Actual	FY'07 Actual vs. Budget	FY'07 Budget vs. FY'06 Actual	FY'07 Actual vs. FY'06 Actual	FY'06 Actual vs. FY'05 Actual
Jul	$90,829,254	$90,829,255	$81,512,002	$79,007,870	0.0%	11.4%	11.4%	3.2%
Aug	$44,386,435	$44,386,436	$41,008,817	$46,368,424	0.0%	8.2%	8.2%	-11.6%
Sep	$114,238,155	$114,238,155	$125,826,676	$116,291,674	0.0%	-9.2%	-9.2%	8.2%
Oct	$84,923,088	$84,923,089	$63,159,155	$83,726,670	0.0%	34.5%	34.5%	-24.6%
Nov	$104,500,615	$104,153,122	$88,172,229	$99,127,735	0.3%	18.1%	18.5%	-11.1%
Dec	$113,280,029	$111,490,000	$123,612,742	$119,454,517	1.6%	-9.8%	-8.4%	3.5%
Jan	$148,537,510	$144,220,000	$131,958,647	$148,098,576	3.0%	9.3%	12.6%	-10.9%
Feb	$0	$39,703,506	$21,631,009	$42,476,859	-100.0%	83.5%	-100.0%	-49.1%
Mar	$0	$43,310,000	$53,241,988	$41,279,330	-100.0%	-18.7%	-100.0%	29.0%
Apr	$0	$279,267,700	$251,414,316	$242,229,663	-100.0%	11.1%	-100.0%	3.8%
May	$0	$98,225,079	$97,373,930	$79,599,103	-100.0%	0.9%	-100.0%	22.3%
Jun	$0	$178,825,929	$175,595,152	$172,564,907	-100.0%	1.8%	-100.0%	1.8%
Total	$700,695,086	$1,333,572,271	$1,254,506,663	$1,270,225,328	-47.5%	6.3%	-44.1%	-1.2%
YTD Jan	$700,695,086	$694,240,057	$655,250,268	$692,075,466	0.9%	6.0%	6.9%	-5.3%

1040 Withholding
Year-to-Date FY'07 & FY'06



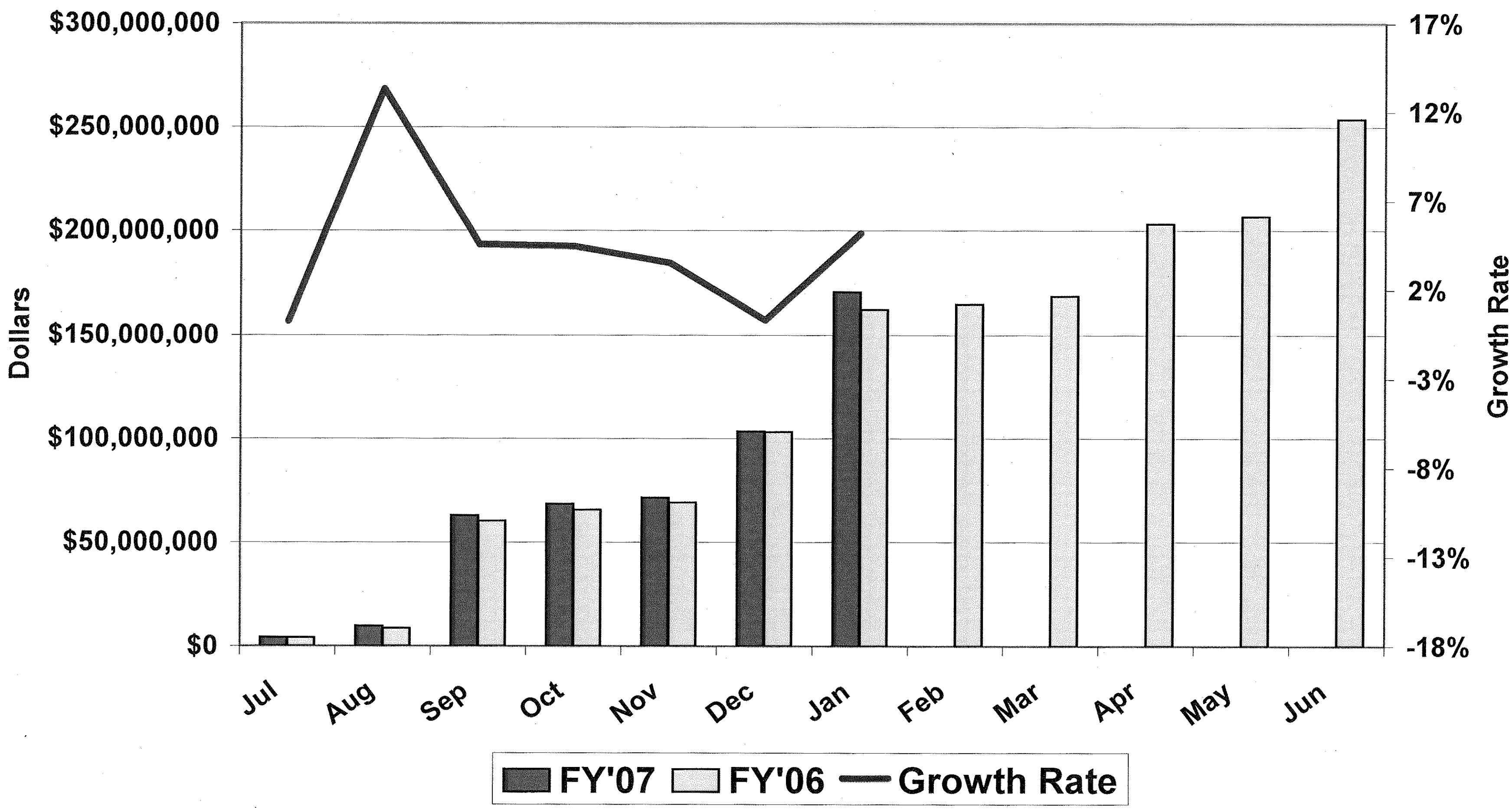
Maine Revenue Services Economic Research Division 2/21/2007

Withholding Tax Revenue 12 Month Moving Total



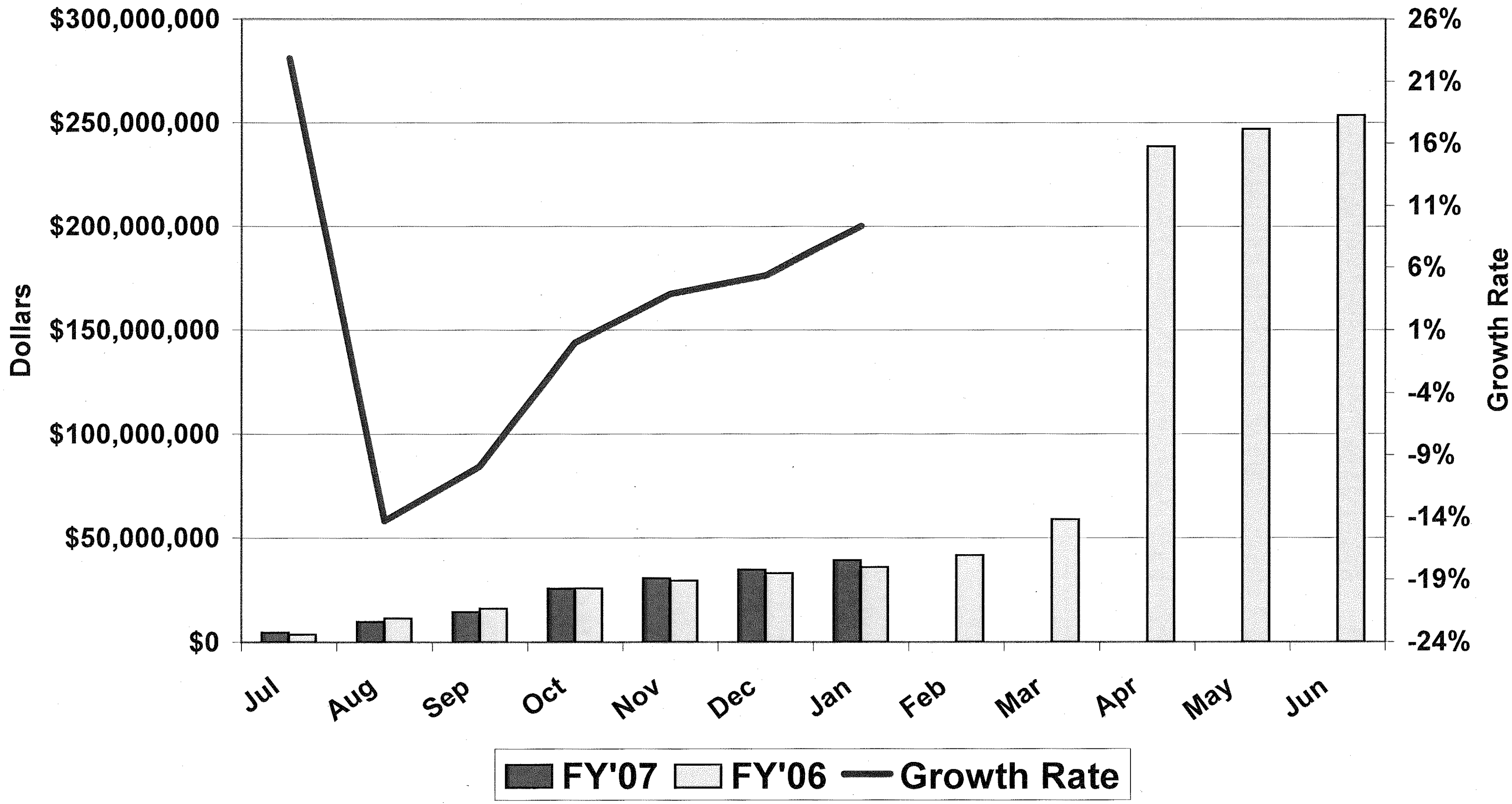
Maine Revenue Services Research Division 2/21/2007

1040 Estimated Payments
Year-to-Date FY'07 & FY'06



Maine Revenue Services Economic Research Division 2/21/2007

1040 Final Payments
Year-to-Date FY'07 & FY'06



Maine Revenue Services Economic Research Division 2/21/2007

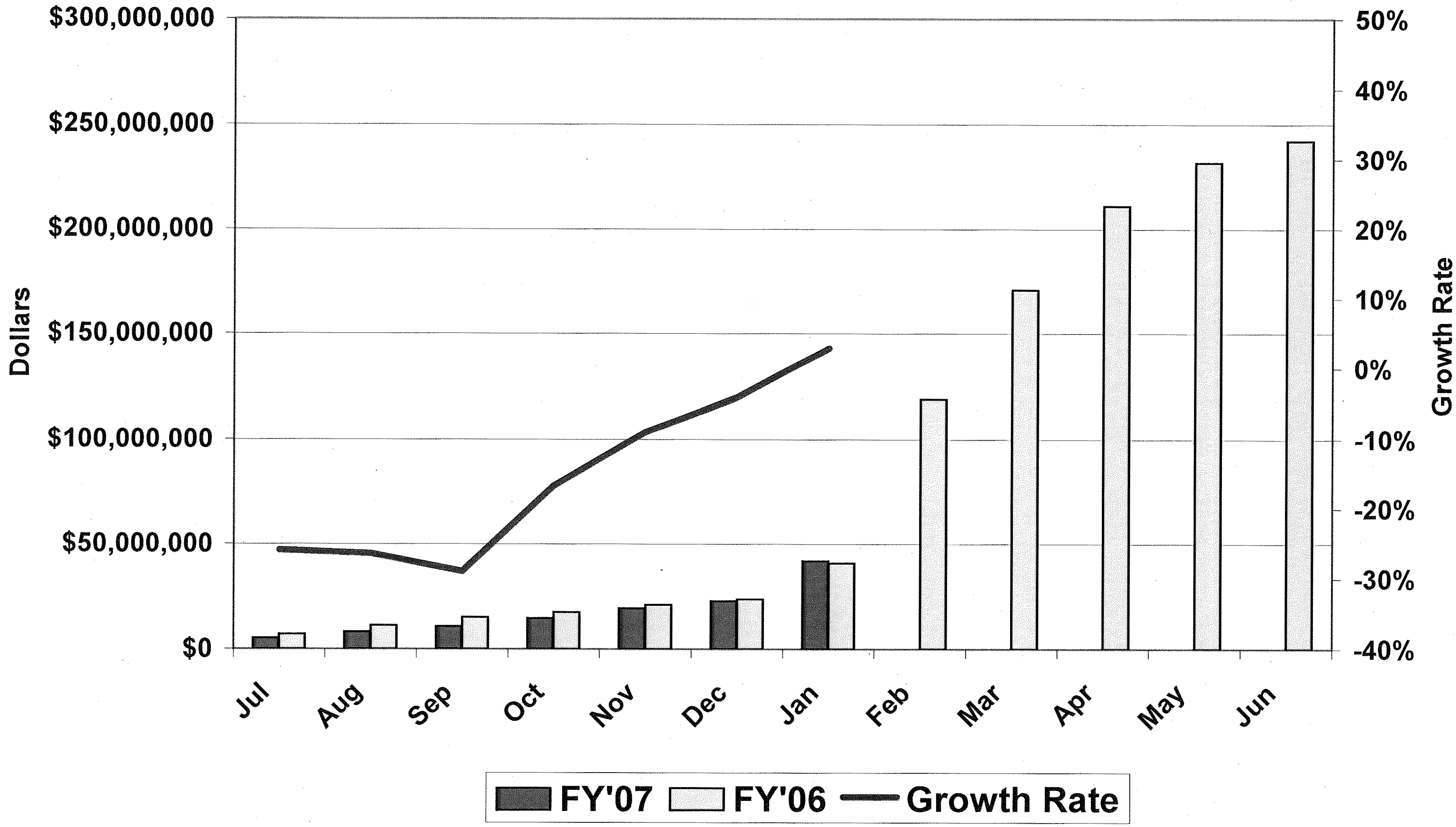
Maine Revenue Services
Individual Income Tax Withholding, Estimated Payments and Final Payments

	1040 Withholding			1040 Estimated Payments			1040 Final Payments		
	FY'07	FY'06	Growth Rate	FY'07	FY'06	Growth Rate	FY'07	FY'06	Growth Rate
Jul	$83,598,836	$79,823,176	4.7%	$4,195,018	$4,183,949	0.3%	$4,644,833	$3,781,077	22.8%
Aug	$103,918,897	$94,671,384	9.8%	$5,563,522	$4,428,790	25.6%	$5,011,255	$7,488,098	-33.1%
Sep	$73,091,168	$76,131,695	-4.0%	$53,220,634	$51,617,323	3.1%	$4,739,993	$4,711,283	0.6%
Oct	$88,194,143	$81,701,685	7.9%	$5,486,161	$5,315,815	3.2%	$11,206,338	$9,630,450	16.4%
Nov	$109,277,581	$95,362,806	14.6%	$3,162,695	$3,647,357	-13.3%	$4,997,795	$3,848,840	29.9%
Dec	$85,386,090	$93,310,382	-8.5%	$31,807,698	$33,900,310	-6.2%	$4,167,038	$3,541,510	17.7%
Jan	$101,417,190	$96,933,541	4.6%	$67,083,876	$59,056,792	13.6%	$4,490,473	$2,903,270	54.7%
Feb	$0	$98,536,395	-100.0%	$0	$2,489,625	-100.0%	$0	$5,690,580	-100.0%
Mar	$0	$86,111,371	-100.0%	$0	$3,950,937	-100.0%	$0	$17,337,511	-100.0%
Apr	$0	$76,239,663	-100.0%	$0	$34,589,899	-100.0%	$0	$179,623,327	-100.0%
May	$0	$97,786,016	-100.0%	$0	$3,710,211	-100.0%	$0	$8,322,120	-100.0%
Jun	$0	$82,812,477	-100.0%	$0	$46,767,575	-100.0%	$0	$6,712,408	-100.0%

Year-To-Date

	1040 Withholding			1040 Estimated Payments			1040 Final Payments		
	FY'07	FY'06	Growth Rate	FY'07	FY'06	Growth Rate	FY'07	FY'06	Growth Rate
Jul	$83,598,836	$79,823,176	4.7%	$4,195,018	$4,183,949	0.3%	$4,644,833	$3,781,077	22.8%
Aug	$187,517,733	$174,494,560	7.5%	$9,758,540	$8,612,739	13.3%	$9,656,088	$11,269,175	-14.3%
Sep	$260,608,901	$250,626,255	4.0%	$62,979,174	$60,230,062	4.6%	$14,396,081	$15,980,458	-9.9%
Oct	$348,803,044	$332,327,940	5.0%	$68,465,335	$65,545,877	4.5%	$25,602,419	$25,610,908	0.0%
Nov	$458,080,625	$427,690,746	7.1%	$71,628,030	$69,193,234	3.5%	$30,600,214	$29,459,748	3.9%
Dec	$543,466,715	$521,001,128	4.3%	$103,435,728	$103,093,544	0.3%	$34,767,252	$33,001,258	5.4%
Jan	$644,883,905	$617,934,669	4.4%	$170,519,604	$162,150,336	5.2%	$39,257,725	$35,904,528	9.3%
Feb	$644,883,905	$716,471,064	-10.0%	$170,519,604	$164,639,961	3.6%	$39,257,725	$41,595,108	-5.6%
Mar	$644,883,905	$802,582,435	-19.6%	$170,519,604	$168,590,898	1.1%	$39,257,725	$58,932,619	-33.4%
Apr	$644,883,905	$878,822,098	-26.6%	$170,519,604	$203,180,797	-16.1%	$39,257,725	$238,555,946	-83.5%
May	$644,883,905	$976,608,114	-34.0%	$170,519,604	$206,891,008	-17.6%	$39,257,725	$246,878,066	-84.1%
Jun	$644,883,905	$1,059,420,591	-39.1%	$170,519,604	$253,658,583	-32.8%	$39,257,725	$253,590,474	-84.5%

Individual Income Tax Refunds
Year-to-Date FY'07 & FY'06



Maine Revenue Services Economic Research Division 2/21/2007

Maine Revenue Services
Individual Income Tax Refunds

	Month		Year-To-Date		
	FY'07	FY'06	FY'07	FY'06	Growth Rate
Jul	$5,243,096	$7,075,872	$5,243,096	$7,075,872	-26%
Aug	$2,938,773	$4,041,598	$8,181,869	$11,117,470	-26%
Sep	$2,475,143	$3,876,243	$10,657,012	$14,993,713	-29%
Oct	$3,842,940	$2,401,833	$14,499,952	$17,395,546	-17%
Nov	$4,617,990	$3,595,677	$19,117,942	$20,991,223	-9%
Dec	$3,576,620	$2,666,969	$22,694,562	$23,658,192	-4%
Jan	$19,292,729	$17,163,808	$41,987,291	$40,822,000	3%
Feb	$0	$78,069,523	$41,987,291	$118,891,523	-65%
Mar	$0	$52,057,514	$41,987,291	$170,949,037	-75%
Apr	$0	$40,143,163	$41,987,291	$211,092,200	-80%
May	$0	$20,666,882	$41,987,291	$231,759,082	-82%
Jun	$0	$10,409,059	$41,987,291	$242,168,141	-83%

Maine Revenue Services Economic Research Division. 2/21/2007

Individual Income Tax: Baseline Forecast FY07 - FY11

	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium
Actuals & November, 2006 Forecast /1	**$1,156,715,909**	**$1,270,225,329**	**$2,426,941,238**	**$1,254,510,746**	**$1,333,572,271**	**$2,588,083,017**	**$1,378,445,408**	**$1,404,883,901**	**$2,783,329,309**	**$1,458,034,297**	**$1,511,832,971**	**$2,969,867,268**
Growth Rate	7.9%	9.8%	13.3%	-1.2%	6.3%	6.6%	3.4%	1.9%	7.5%	3.8%	3.7%	6.7%
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	$62,000,708	$129,066,518	$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	$44,957,021	$87,753,091	$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	$1,440,530,000	$2,804,902,626	$1,493,190,000	$1,532,890,000	$3,026,080,000	$1,593,300,000	$1,649,840,000	$3,243,140,000
Growth Rate	7.9%	12.1%	14.5%	5.3%	5.6%	14.3%	3.7%	2.7%	7.9%	3.9%	3.5%	7.2%
Technical Adjustments /3	$0	$0	$0	$0	($3,670,000)	($3,670,000)	($877,000)	$3,924,000	$3,047,000	$5,130,000	$3,325,000	$8,455,000
Economic Assumptions /4				$0	$2,143,000	$2,143,000	$3,173,000	$2,900,000	$6,073,000	$2,210,000	$1,626,000	$3,836,000
Total Adjustments to Prior Forecast	$0	$0	$0	$0	($1,527,000)	($1,527,000)	$2,296,000	$6,824,000	$9,120,000	$7,340,000	$4,951,000	$12,291,000
New Forecast	**$1,156,715,909**	**$1,296,255,556**	**$2,426,941,238**	**$1,364,372,626**	**$1,439,003,000**	**$2,586,556,017**	**$1,495,486,000**	**$1,539,714,000**	**$2,792,449,309**	**$1,600,640,000**	**$1,654,791,000**	**$2,982,158,268**
Growth Rate	7.9%	9.8%	13.3%	5.3%	5.5%	6.6%	3.9%	3.0%	8.0%	4.0%	3.4%	6.8%
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)	($44,957,021)	($87,753,091)	($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)	($62,000,708)	($129,066,518)	($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**	**$1,332,045,271**	**$2,586,556,017**	**$1,380,741,408**	**$1,411,707,901**	**$2,792,449,309**	**$1,465,374,297**	**$1,516,783,971**	**$2,982,158,268**
				-1.2%	6.2%	6.6%	3.7%	2.2%	8.0%	3.8%	3.5%	6.8%

1/ November, 2006 forecast with FY04, FY05, and FY06 actuals.

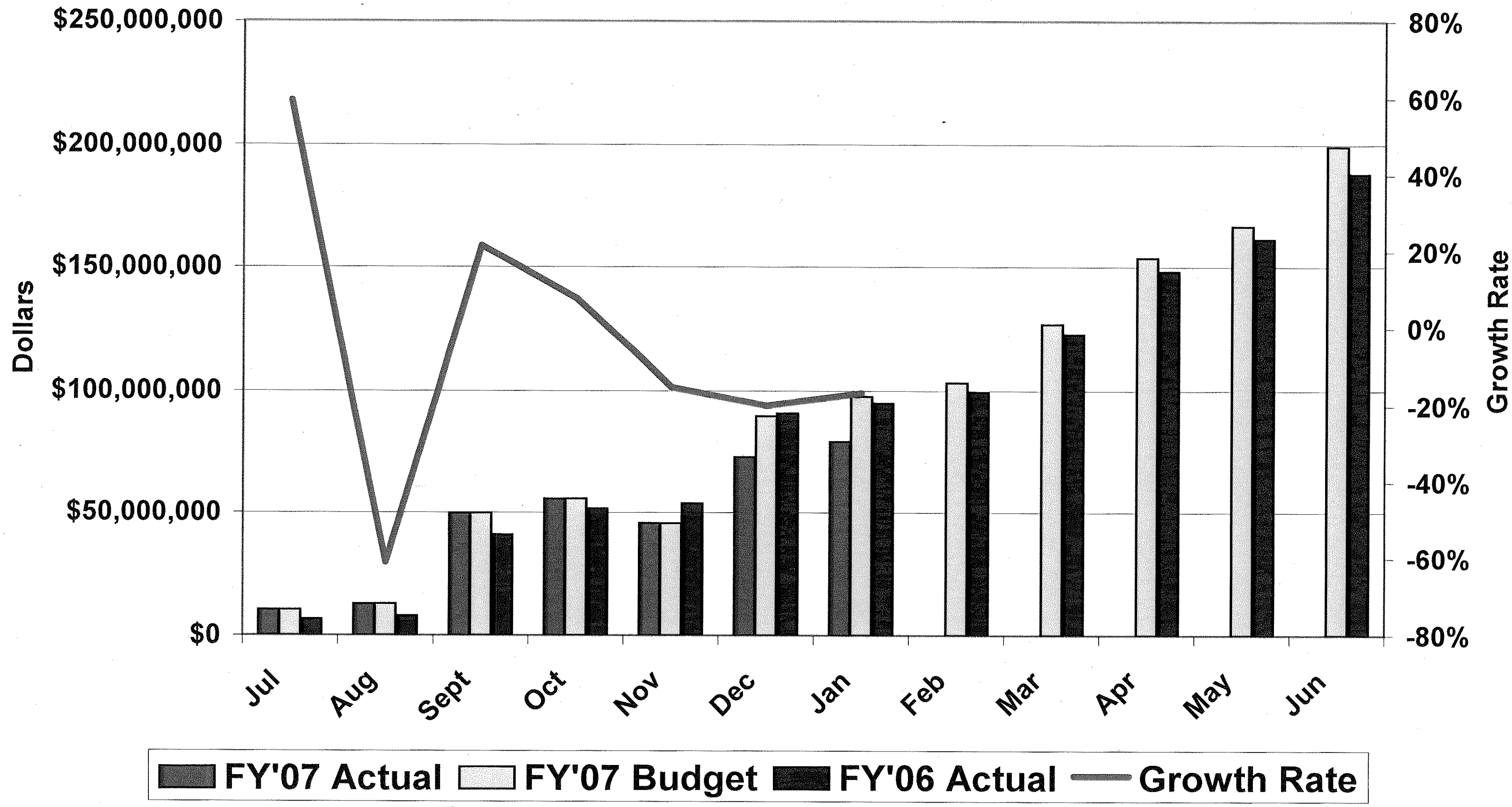
2/ Adjusts for Maine Residents Property Tax Relief Program, BETR transfers and reimbursement to municipalities for Business Equipment Property Tax Exemption.

/ 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.

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

Corporate Income Tax

YTD Corporate Income Tax Revenue
FY'07 Actual, Budget & FY'06 Actual

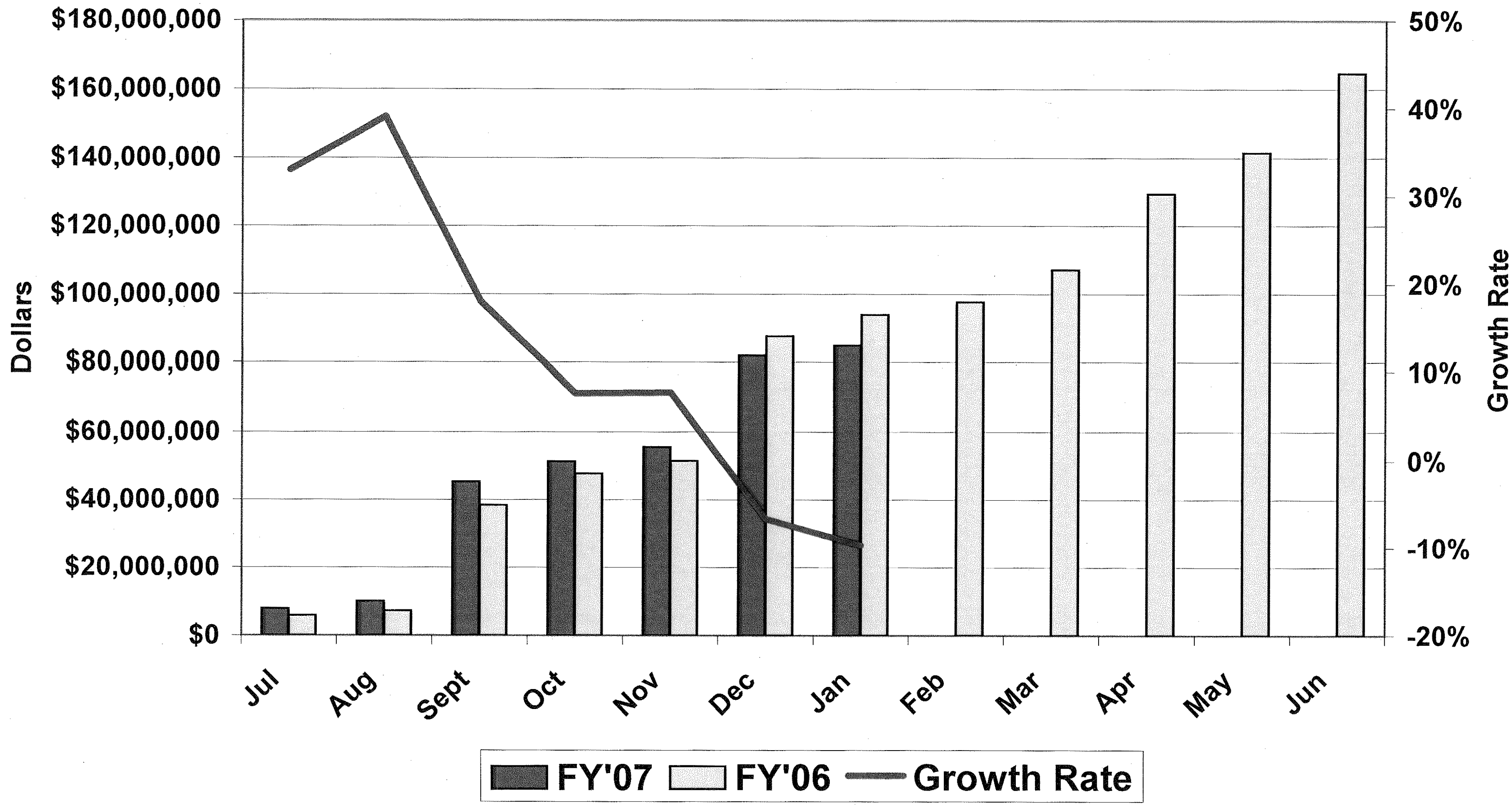


Maine Revenue Services Economic Research Division 2/21/2007

Maine Revenue Services
Corporate Income Tax Revenue

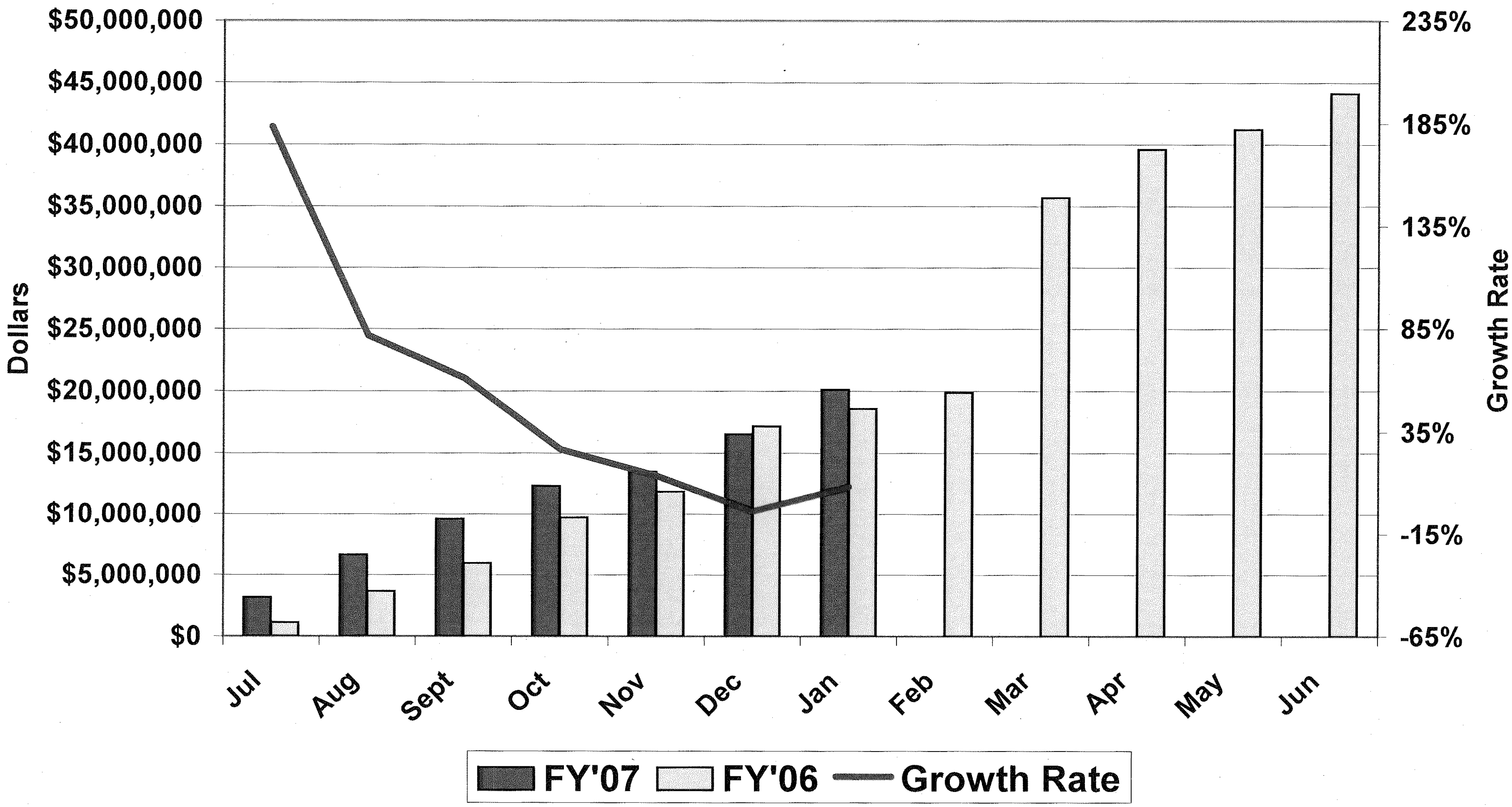
	FY'07 Actual	FY'07 Budget	FY'06 Actual	FY'05 Actual	FY'07 Actual vs. Budget	FY'07 Budget vs. FY'06 Actual	FY'07 Actual vs. FY'06 Actual	FY'06 Actual vs. FY'05 Actual
Jul	$10,487,769	$10,487,770	$6,572,991	$5,652,128	0.0%	59.6%	59.6%	16.3%
Aug	$2,275,148	$2,275,148	$1,350,981	$383,290	0.0%	-68.4%	-68.4%	252.5%
Sept	$37,010,069	$37,010,068	$33,014,931	$26,575,624	0.0%	12.1%	12.1%	24.2%
Oct	$5,870,974	$5,870,974	$10,678,165	$6,879,835	0.0%	-45.0%	-45.0%	55.2%
Nov	($10,030,546)	($10,030,546)	$2,120,808	$91,650	0.0%	-573.0%	-573.0%	2214.0%
Dec	$27,088,753	$44,000,000	$37,029,667	$21,142,998	-38.4%	18.8%	-26.8%	75.1%
Jan	$6,378,309	$8,000,000	$4,128,062	$7,037,070	-20.3%	93.8%	54.5%	-41.3%
Feb	$0	$5,497,877	$4,578,212	$1,897,822	-100.0%	20.1%	-100.0%	141.2%
Mar	$0	$23,600,000	$23,021,793	$12,229,975	-100.0%	2.5%	-100.0%	88.2%
Apr	$0	$27,000,000	$25,605,958	$18,746,782	-100.0%	5.4%	-100.0%	36.6%
May	$0	$13,000,000	$13,227,133	$3,913,964	-100.0%	-1.7%	-100.0%	237.9%
Jun	$0	$32,498,709	$26,686,857	$31,311,776	-100.0%	21.8%	-100.0%	-14.8%
Total	$79,080,476	$199,210,000	$188,015,558	$135,862,914	-60.3%	6.0%	-57.9%	38.4%
YTD Jan	$79,080,476	$97,613,414	$94,895,605	$67,762,595	-19.0%	2.9%	-16.7%	40.0%

Corporate Estimated Payments
Year-to-Date FY'07 & FY'06



Maine Revenue Services Economic Research Division 2/21/2007

Corporate Final Payments
Year-to-Date FY'07 & FY'06



Maine Revenue Services Economic Research Division 2/21/2007

Maine Revenue Services

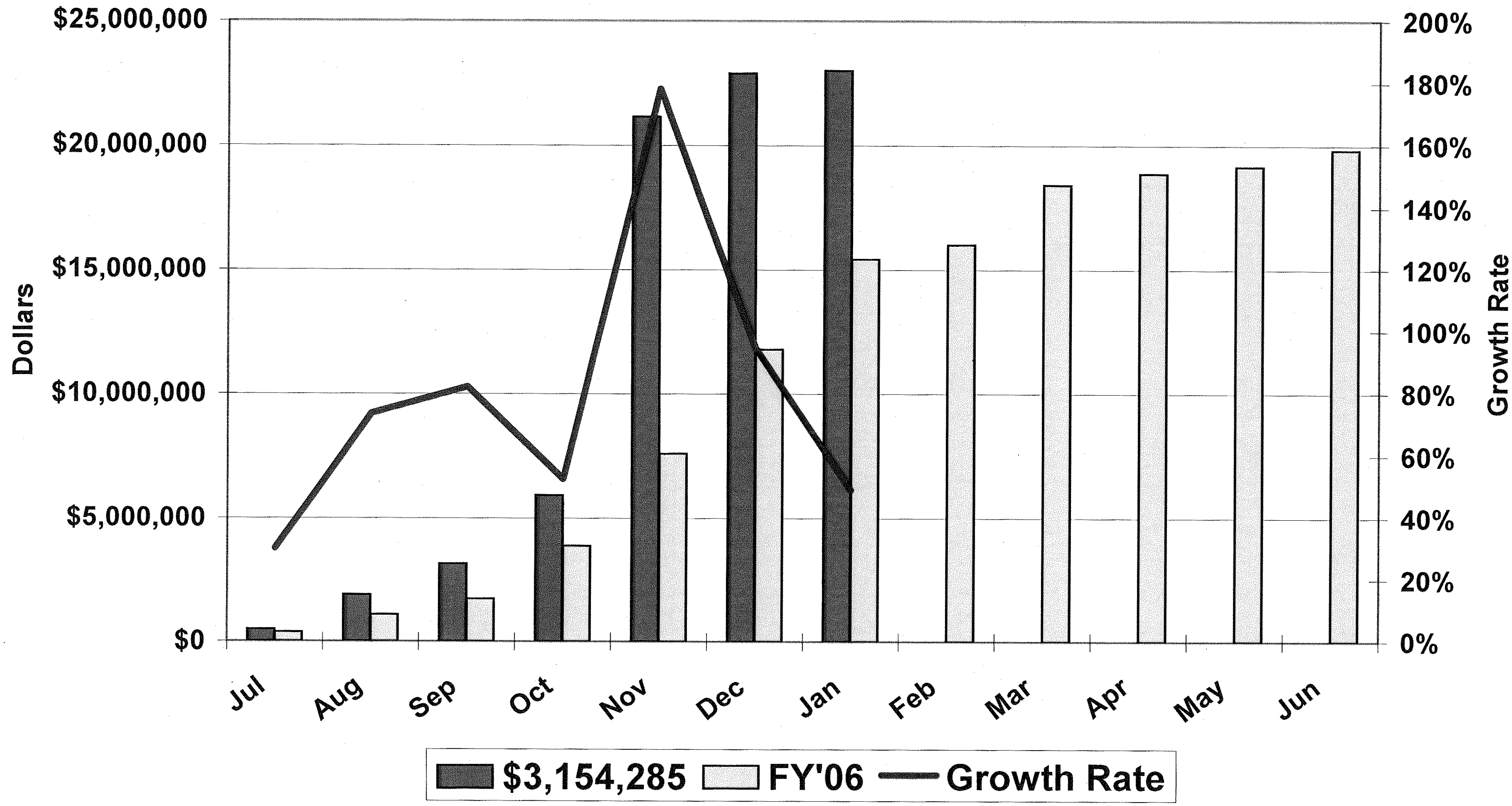
Corporate Income Tax Estimated Payments

	Month			Year-To-Date		
	FY'07	FY'06	Growth Rate	FY'07	FY'06	Growth Rate
Jul	$7,811,556	$5,871,828	33.0%	$7,811,556	$5,871,828	33.0%
Aug	$2,177,546	$1,309,795	66.3%	$9,989,102	$7,181,623	39.1%
Sept	$35,371,060	$31,230,893	13.3%	$45,360,162	$38,412,516	18.1%
Oct	$5,995,458	$9,293,911	-35.5%	$51,355,620	$47,706,427	7.6%
Nov	$4,144,731	$3,798,678	9.1%	$55,500,351	$51,505,105	7.8%
Dec	$26,392,168	$36,190,426	-27.1%	$81,892,519	$87,695,531	-6.6%
Jan	$2,983,632	$6,266,175	-52.4%	$84,876,151	$93,961,706	-9.7%
Feb	$0	$3,739,568	-100.0%	$84,876,151	$97,701,274	-13.1%
Mar	$0	$9,448,871	-100.0%	$84,876,151	$107,150,145	-20.8%
Apr	$0	$22,249,905	-100.0%	$84,876,151	$129,400,050	-34.4%
May	$0	$12,124,764	-100.0%	$84,876,151	$141,524,814	-40.0%
Jun	$0	$23,090,301	-100.0%	$84,876,151	$164,615,115	-48.4%

Corporate Income Tax Final Payments and Back Taxes

	Month			Year-To-Date		
	FY'07	FY'06	Growth Rate	FY'07	FY'06	Growth Rate
Jul	$3,161,870	$1,115,193	183.5%	$3,161,870	$1,115,193	183.5%
Aug	$3,481,527	$2,538,795	37.1%	$6,643,397	$3,653,988	81.8%
Sept	$2,952,262	$2,296,797	28.5%	$9,595,659	$5,950,785	61.3%
Oct	$2,711,038	$3,755,665	-27.8%	$12,306,697	$9,706,450	26.8%
Nov	$1,166,671	$2,128,308	-45.2%	$13,473,368	$11,834,758	13.8%
Dec	$3,049,466	$5,328,624	-42.8%	$16,522,834	$17,163,382	-3.7%
Jan	$3,586,116	$1,394,439	157.2%	$20,108,950	$18,557,821	8.4%
Feb	$0	$1,297,545	-100.0%	$20,108,950	$19,855,366	1.3%
Mar	$0	$15,848,178	-100.0%	$20,108,950	$35,703,544	-43.7%
Apr	$0	$3,898,820	-100.0%	$20,108,950	$39,602,364	-49.2%
May	$0	$1,616,022	-100.0%	$20,108,950	$41,218,386	-51.2%
Jun	$0	$2,887,254	-100.0%	$20,108,950	$44,105,640	-54.4%

Corporate Income Tax Refunds Year-to-Date FY'07 & FY'06



Maine Revenue Services Economic Research Division 2/21/2007

Maine Revenue Services
Corporate Income Tax Refunds

	Month		Year-to-Date		
	FY'07	FY'06	FY'07	FY'06	Growth Rate
Jul	$485,759	$373,068	$485,759	$373,068	30%
Aug	$1,408,865	$717,461	$1,894,624	$1,090,529	74%
Sep	$1,259,661	$640,530	$3,154,285	$1,731,059	82%
Oct	$2,778,200	$2,154,964	$5,932,485	$3,886,023	53%
Nov	$15,223,033	$3,722,588	$21,155,518	$7,608,611	178%
Dec	$1,751,386	$4,158,121	$22,906,904	$11,766,732	95%
Jan	$111,394	$3,666,874	$23,018,298	$15,433,606	49%
Feb	$0	$582,061	$23,018,298	$16,015,667	44%
Mar	$0	$2,410,454	$23,018,298	$18,426,121	25%
Apr	$0	$439,322	$23,018,298	$18,865,443	22%
May	$0	$289,385	$23,018,298	$19,154,828	20%
Jun	$0	$666,555	$23,018,298	$19,821,383	16%

Corporate Income Tax: General Fund Baseline Forecast FY07 - FY11

	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium
Actuals & November, 2006 Forecast /1	**$111,616,051**	**$135,862,913**	**$247,478,964**	**$188,015,557**	**$199,210,000**	**$387,225,557**	**$211,670,000**	**$221,390,000**	**$433,060,000**	**$229,610,000**	**$240,240,000**	**$469,850,000**
Growth Rate	22.4%	21.7%	46.8%	38.4%	6.0%	56.5%	6.3%	4.6%	11.8%	3.7%	4.6%	8.5%
Technical Adjustments to Prior Forecast /2	$0	$0	$0	$0	($19,190,000)	($19,190,000)	($19,070,000)	($18,960,000)	($38,030,000)	($16,160,000)	($15,675,200)	($31,835,200)
Economic Forecast /3	$0	$0	$0	$0	$2,350,000	$2,350,000	$3,750,000	$2,980,000	$6,730,000	$1,050,000	($3,564,800)	($2,514,800)
Total Adjustments to Prior Forecast	$0	$0	$0	$0	($16,840,000)	($16,840,000)	($15,320,000)	($15,980,000)	($31,300,000)	($15,110,000)	($19,240,000)	($34,350,000)
New Forecast	**$111,616,051**	**$135,862,913**	**$247,478,964**	**$188,015,557**	**$182,370,000**	**$370,385,557**	**$196,350,000**	**$205,410,000**	**$401,760,000**	**$214,500,000**	**$221,000,000**	**$435,500,000**
Growth Rate	22.4%	21.7%	46.8%	38.4%	-3.0%	49.7%	7.7%	4.6%	8.5%	4.4%	3.0%	8.4%

1/ November, 2006 forecast with FY04, FY05, FY06 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 2007 forecast of Corporate. pre-tax profits.

Highway Fund

Maine Revenue Services
February 2007 Highway Fund Motor Fuel Tax Revenue Forecast 2007 - 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	$182,174,941	$189,750,637	$194,918,100	$199,398,193	$204,512,031
Growth rate		1.0%	3.1%	4.2%	2.7%	2.3%	2.6%
Tax rate per gallon	$0.252	$0.259	$0.268	$0.277	$0.284	$0.290	$0.297
Percentage increase in tax rate		2.8%	3.5%	3.4%	2.5%	2.1%	2.4%
February 2007 forecast			$182,174,941	$188,200,398	$192,685,366	$197,067,959	$201,518,802
Growth rate			3.1%	3.3%	2.4%	2.3%	2.3%
Tax rate per gallon			$0.268	$0.276	$0.282	$0.288	$0.294
Percentage increase in tax rate			3.5%	3.0%	2.2%	2.1%	2.1%
Variance			$0	($1,550,239)	($2,232,734)	($2,330,234)	($2,993,229)

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	$45,310,000	$46,900,000	$47,780,000	$48,660,000	$49,410,000
Growth rate		-1.3%	1.1%	3.5%	1.9%	1.8%	1.5%
Tax rate per gallon	$0.263	$0.270	$0.279	$0.289	$0.296	$0.303	$0.309
Percentage increase in tax rate			3.3%	3.6%	2.4%	2.4%	2.0%
February 2007 forecast			$45,310,000	$46,350,000	$47,100,000	$48,000,000	$48,760,000
Growth rate			1.1%	2.3%	1.6%	1.9%	1.6%
Tax rate per gallon			$0.279	$0.288	$0.294	$0.301	$0.307
Percentage increase in tax rate			3.3%	3.2%	2.1%	2.4%	2.0%
Variance			$0	($550,000)	($680,000)	($660,000)	($650,000)

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	$227,484,941	$236,650,637	$242,698,100	$248,058,193	$253,922,031
Growth rate		0.5%	2.7%	4.0%	2.6%	2.2%	2.4%
February 2007 forecast			$227,484,941	$234,550,398	$239,785,366	$245,067,959	$250,278,802
Growth rate			2.7%	3.1%	2.2%	2.2%	2.1%
Variance			$0	($2,100,239)	($2,912,734)	($2,990,234)	($3,643,229)
Biennium			$0		($5,012,973)		($6,633,463)

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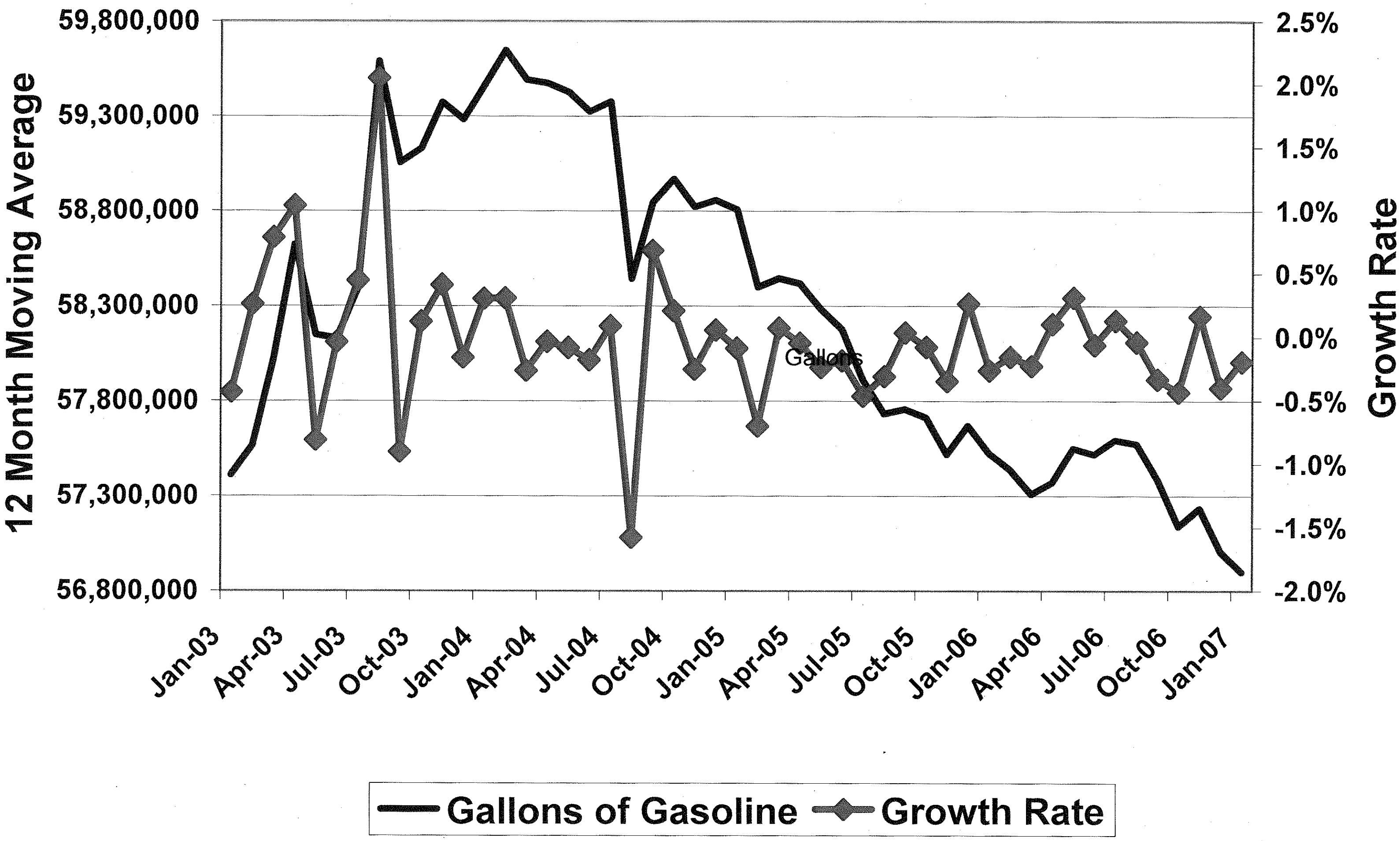
Maine Revenue Services
Gasoline Tax Revenue Forecast FY'07 - FY'11
February 2007

	FY'07	FY'08	FY'09	FY'10	FY'11
Gas tax forecast - Highway Fund	$182,174,941	$188,200,398	$192,685,366	$197,067,959	$201,518,802
Percentage Change		3.3%	2.4%	2.3%	2.3%
Tax rate in cents per gallon	$0.268	$0.276	$0.282	$0.288	$0.294
Forecasted inflation adjustment		3.0%	2.2%	2.1%	2.1%

		FY'07	FY'08	FY'09	FY'10	FY'11		
Net to the Highway Fund		$182,174,941	$188,200,398	$192,685,366	$197,067,959	$201,518,802		
Transfer $100,000 to STAR Fund		($100,000)	($100,000)	($100,000)	($100,000)	($100,000)		
Gross to the Highway Fund		$182,274,941	$188,300,398	$192,785,366	$197,167,959	$201,618,802	97.499%	
DIF&W and Snowmobile Fund	0.9045%	$1,690,963	$1,746,861	$1,788,468	$1,829,125	$1,870,416	0.9045%	
General Fund - DIF&W - 14.93%		$252,461	$260,806	$267,018	$273,088	$279,253		14.930%
Snowmobile Trail Fund - 85.07%		$1,438,502	$1,486,055	$1,521,450	$1,556,037	$1,591,163		85.070%
All-terrain Vehicles	0.1525%	$285,099	$294,523	$301,538	$308,393	$315,355	0.1525%	
ATV Enforcement Fund- 50%		$142,549	$147,262	$150,769	$154,197	$157,677		50.000%
ATV Recreational Fund - 50%		$142,549	$147,262	$150,769	$154,197	$157,677		50.000%
Motorboats	1.4437%	$2,698,997	$2,788,218	$2,854,628	$2,919,522	$2,985,427	1.4437%	
Dept. of Marine Resources - 24.6%		$663,953	$685,902	$702,238	$718,202	$734,415		24.600%
Boating Facilities Fund - 75.4%		$2,035,044	$2,102,316	$2,152,390	$2,201,320	$2,251,012		75.400%
Total revenue		$186,950,000	$193,130,000	$197,730,000	$202,225,000	$206,790,000	100.000%	
			3.3%	2.4%	2.3%	2.3%		

Gallons of Gasoline Derived from Revenue Before Refunds



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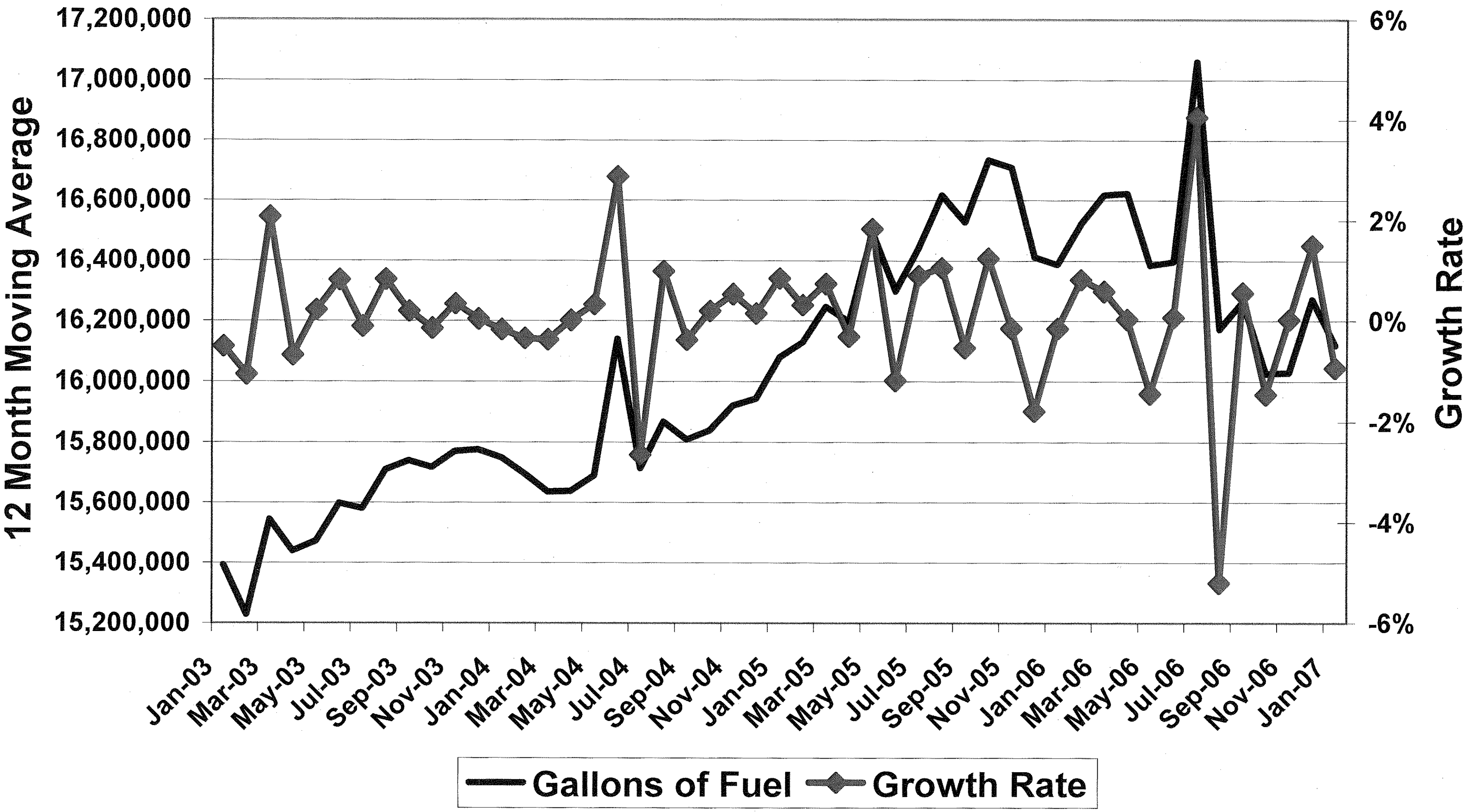
Gallons of Special Fuel Derived from Revenue Before Refunds



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CPI-U Annual Average All Items
Actual and CEFC Forecast as of January 2007

2002	179.9		
2003	184.0	2.3%	
2004	188.9	2.7%	Adjust '06 motor fuel tax rates
2005	195.3	3.4%	Adjust '07 motor fuel tax rates
2006	201.6	3.2%	Adjust '08 motor fuel tax rates
2007	205.8	2.1%	Adjust '09 motor fuel tax rates
2008	210.4	2.2%	Adjust '10 motor fuel tax rates
2009	214.8	2.1%	Adjust '11 motor fuel tax rates
2010	219.3	2.1%	
2011	223.9	2.1%	

	Gas tax rate		Spec. Fuel Tax	
FY'06	$0.2590		$0.2700	
FY'07	$0.2678	3.4%	$0.2792	3.4%
FY'08	$0.2764	3.2%	$0.2881	3.2%
FY'09	$0.2822	2.1%	$0.2942	2.1%
FY'10	$0.2884	2.2%	$0.3006	2.2%
FY'11	$0.2944	2.1%	$0.3069	2.1%

Rates rounded to the nearest 1/10th of a percent each year.

	Gas tax rate		Spec. Fuel Tax	
FY'06	$0.259		$0.270	
FY'07	$0.268	3.5%	$0.279	3.3%
FY'08	$0.276	3.1%	$0.288	3.3%
FY'09	$0.282	2.1%	$0.294	2.1%
FY'10	$0.288	2.2%	$0.301	2.2%
FY'11	$0.294	2.1%	$0.307	2.1%