



Maine State Budget Primer 2019

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Appreciation

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Table of Contents

Introduction	3
Budget Basics	4
Biennial Budget Process.....	5
Sources of State Revenue	7
State Funds	8
General Fund	9
Education	11
Health & Human Services.....	12
Highway Fund	13
Other Special Revenue Funds	14
Fund for a Healthy Maine.....	14
Federal Funds	15
Transfers to Local Governments	16
Revenue Sharing.....	16
Tax Expenditures	17
Tax-supported Debt	18
Long-term Unfunded Debt.....	19
Reserve Funds	20
Stress Test	20
Surplus Funds: The “Cascade”	21
Endnotes	21
Glossary of Budget Terms	22

Introduction

Maine's state government currently spends over \$7 billion each year, from both state and federal sources. Managing that money is a principal responsibility of Maine's Governor and Legislature. The state budget is the document that outlines how that money will be collected and spent.

This primer explains the process by which the Governor and Legislature create the budget, and its various categories of revenue and spending. It is an overview. It draws on information from the [Maine Department of Administrative and Financial Services](#), the [Maine Department of Education](#), the [Maine Public Employees Retirement System](#), the Legislature's [Office of Fiscal and Program Review](#) (OFPR), and the [Maine State Treasurer](#). Those offices are valuable sources of additional information and expertise. Except where noted, the budget statistics presented in this primer are from OFPR's Compendium of State Fiscal Information released in January 2018.

Maine operates on a July 1-June 30 fiscal year. Throughout this primer, years refer to the year in which the fiscal year ends. For instance, "2018" refers to the fiscal year that started on July 1, 2017 and ended on June 30, 2018.

Maine by the Numbers (±)

1,335,907 residents¹

704,280 acres of state land²

700,099 people in the work force³

180,650 students in PK–12 public schools⁴

109,481 cases annually filed in state courts⁵

53,934 business establishments⁶

45,965 students in public colleges and universities⁷

8,800 miles of state-maintained roads⁸

2,433 adults in the state correctional system⁹

1,820 children in state care¹⁰

189 legislators¹¹

1 state budget

Budget Basics

It covers two fiscal years. The state budget covers one biennium, which is two fiscal years. The budget negotiated during the 2019 legislative session will be for the biennium that begins on July 1, 2019 and lasts for the following 24 months, ending on June 30, 2021.

It must be balanced. The Maine Constitution requires that the state budget be balanced. Except for a few narrow situations (such as repelling invasion), the State is not permitted to take on debt for current expenditures.

It must be within revenue projections. The revenue side of the State's balanced budget comes from projections by the Revenue Forecasting Committee. Spending proposed in the Governor's budget may not exceed those projections.

It must fund some items. The Maine Constitution requires the State to make debt payments and fund the state retirement system. A collection of federal mandates, court orders, and consent decrees impose additional requirements.

It must be within the state spending cap. There is a law that limits the growth of most state appropriations. Each year, appropriations may increase by no more than the 10-year average growth of personal income in Maine. (Appropriations that increase the State's share of statewide education spending toward 55% are exempt from the cap. See page 11.)

It may be revised. The State's finances must be monitored to ensure that revenues and expenses remain balanced. If expenses exceed revenues, then the Governor or the Legislature may propose changes in a supplemental budget that revises the biennial budget. In the event of a revenue shortfall, the Governor may also reduce spending by Executive Order until the Legislature has an opportunity to make changes.

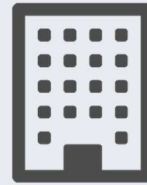
The Governor proposes the first draft; the Legislature passes the final draft. The Governor submits a budget to the Legislature prior to the start of each biennium. The Legislature then reviews and revises the Governor's budget and passes its own version, which the Governor then signs, vetos, or allows to become law without his/her signature.

It must go into effect July 1 (the first day of the state's fiscal year) for state government to operate. There are two ways that can happen:

- The Legislature can pass the budget as an emergency bill anytime prior to July 1. Emergency bills require a 2/3 vote and become effective immediately.
- Although rare, the Legislature can pass the budget as a regular, non-emergency bill at least 90 days before July 1. Non-emergency bills require a majority vote and go into effect 90 days after the Legislature adjourns. The Legislature can adjourn after passing the budget and call itself back into session to work on other bills.

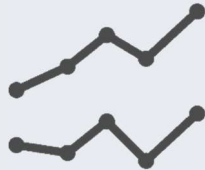
Biennial Budget Process

1



State agencies submit budget requests to the Bureau of the Budget by September 1.

2



The Consensus Economic Forecasting Commission (CEFC) projects future economic conditions by November 1.

3



Using the CEFC's projections, the Revenue Forecasting Committee projects state revenues by December 1.

4



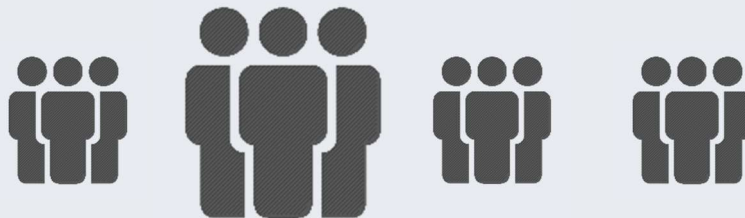
The Governor submits a draft budget to the Legislature by the Friday following the 1st Monday of January.

5



The Legislature holds public hearings on the budget.

6



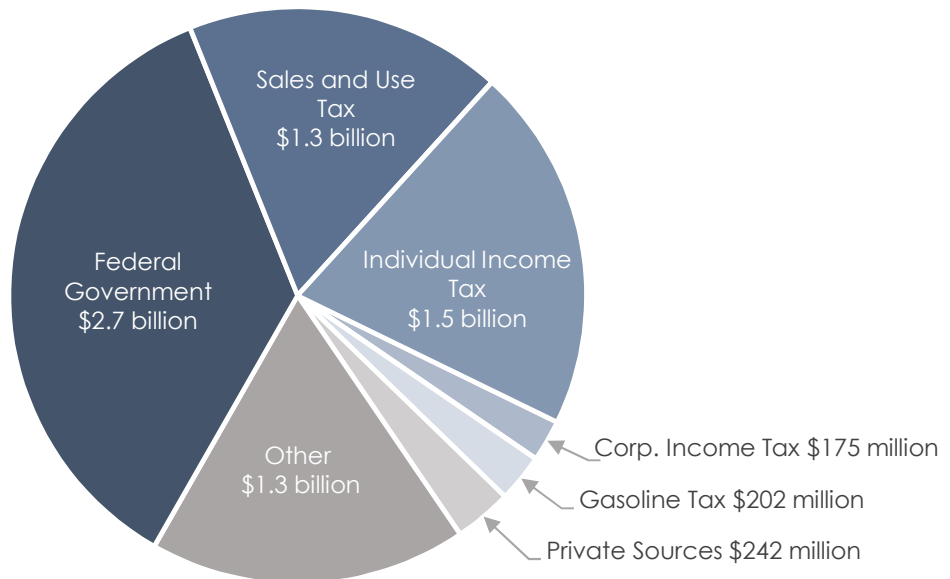
The Legislature's policy committees make recommendations to the Appropriations and Financial Affairs Committee ("Appropriations") on the budgets of the departments and agencies in their oversight.



Sources of State Revenue

The State of Maine receives revenue from many sources, including individual tax payers, businesses, and the federal government. The chart below shows the largest sources of operating revenue. Federal funds, mainly for MaineCare (Medicaid) but also for education, transportation, workforce training, and other programs account for about one-third (36%) of all state revenues. "Other" includes the cigarette tax, service provider tax, motor vehicle fees, service charges, and numerous smaller categories.

Maine's total operating revenues were \$7.5 billion in 2017.*



Since 1990, state and local government has accounted for about 10% of Maine's economy on average. The chart below shows how this percentage falls when other sectors of the economy are doing well and rises when other sections are struggling, as during recessions.

State and local government spending as a percentage of Maine's economy¹²



*Operating funds don't include Enterprise Funds and Trust and Agency Funds.

State Funds

The State has an extensive bookkeeping system that assigns all revenues to specific funds and accounts. There are four categories of operating funds.

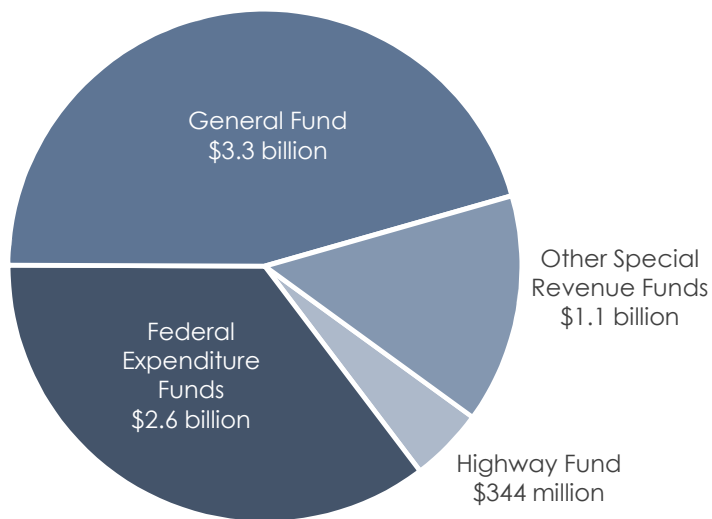
The **General Fund** is the State's largest discretionary fund. It is the primary funding source for state agencies, the Legislature, and the Judiciary.

The **Highway Fund** was constitutionally established to direct highway-related revenue for highway purposes. It is used to maintain Maine's transportation infrastructure and for state enforcement of traffic laws.

"Other Special Revenue" Funds usually come from a dedicated source and are restricted by law to a specific use; for example, payment for care at the State's mental health facilities, or fees for professional licenses and exams that pay to administer those programs.

Federal Expenditure Funds receive federal funds, which are generally restricted to specific uses. Many flow to Maine residents, communities, and service providers through programs administered by state agencies. Over 70% are matching Medicaid and transportation funds.

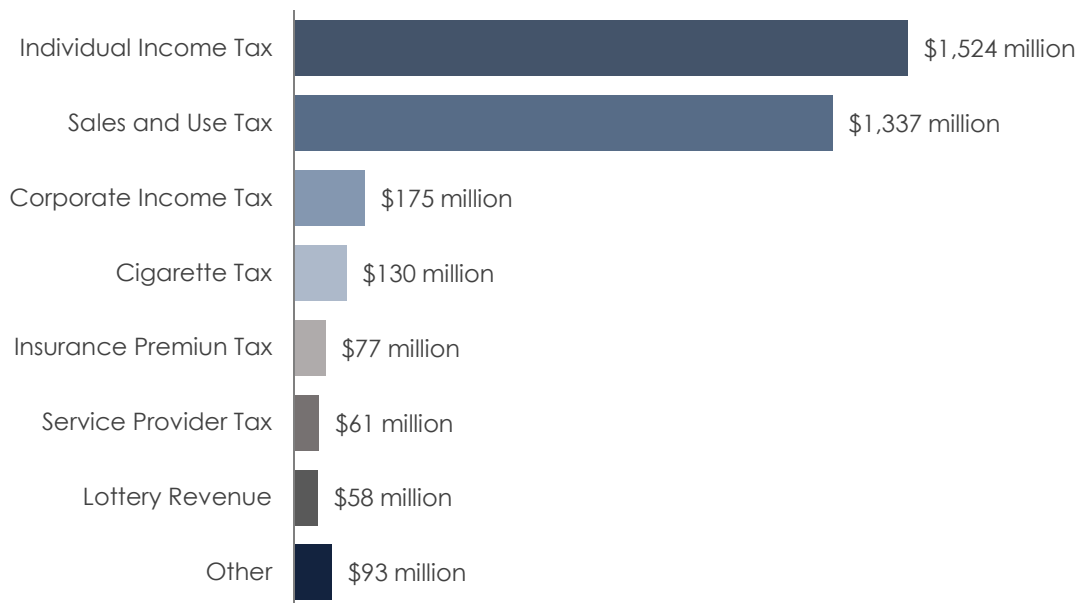
In 2017, 65% of Maine state government operating expenditures were from state funds; 35% were federal funds.



General Fund

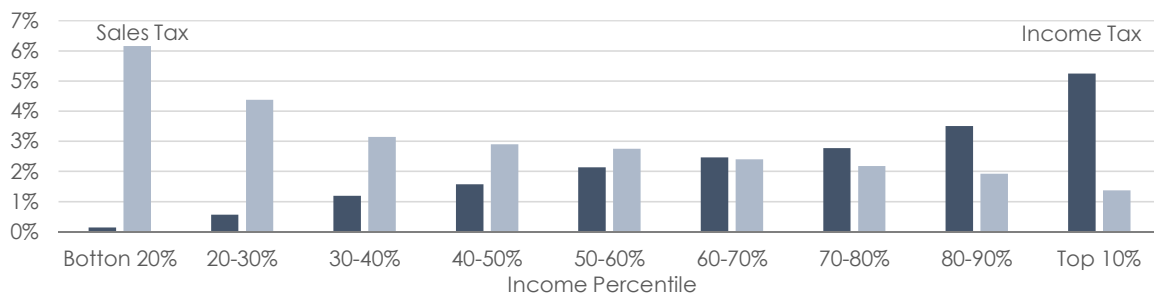
The General Fund is the state's largest discretionary fund. It is the primary funding source for state agencies, the Legislature, and the Judiciary. It supports everything from education and human services to law enforcement and wildlife management. Income and sales taxes account for over 80% of General Fund revenue.

General Fund revenues totaled \$3.5 billion in 2017.



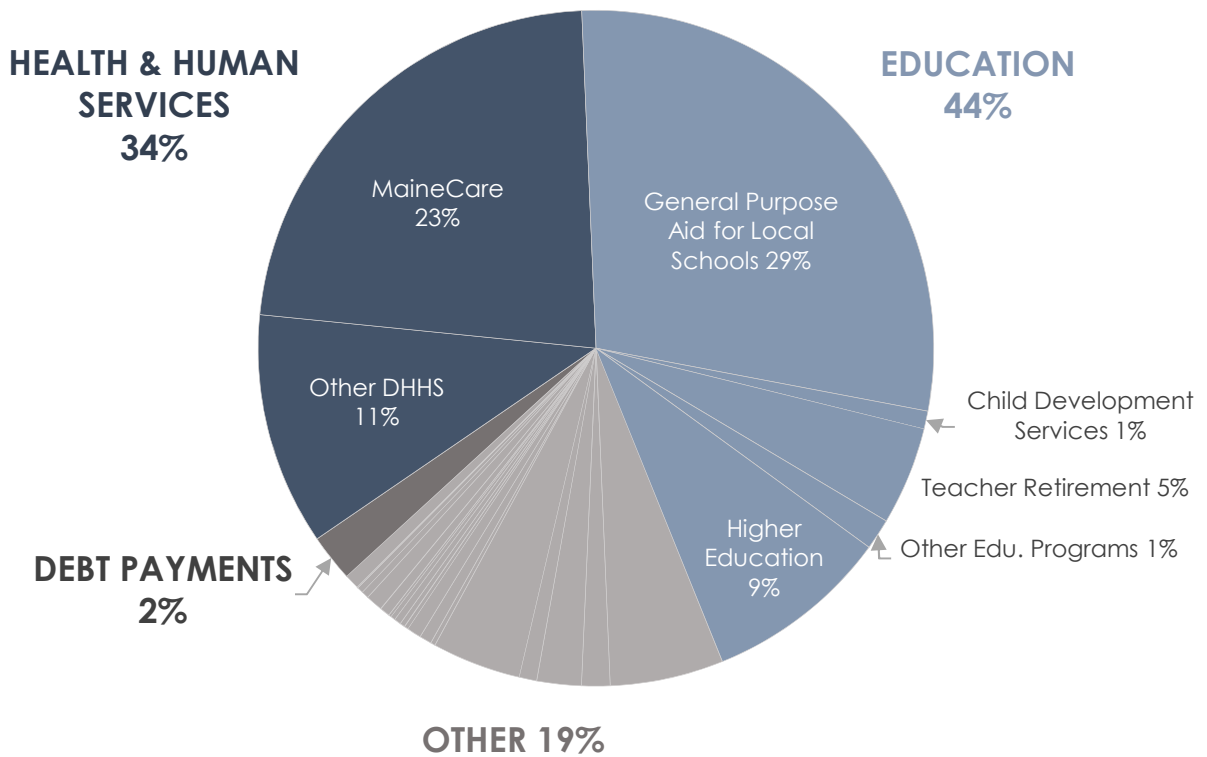
Maine residents pay different amounts of taxes based on their incomes and spending habits. The chart below shows state taxes paid as a percentage of income for families in different income groups. Lower-income families pay a higher percentage of their income in sales taxes while higher-income families pay a higher percentage in income taxes. (Information on property taxes is not included here but is available from Maine Revenue Services.)

Maine income and sales taxes as a percentage of family income¹³



Education and health and human services together account for nearly 80% of General Fund expenditures. Debt payments are about 2%. The remaining 18% includes all other state agencies, the Legislature, and the Judiciary.

General Fund expenditures totaled \$3.3 billion in 2017.



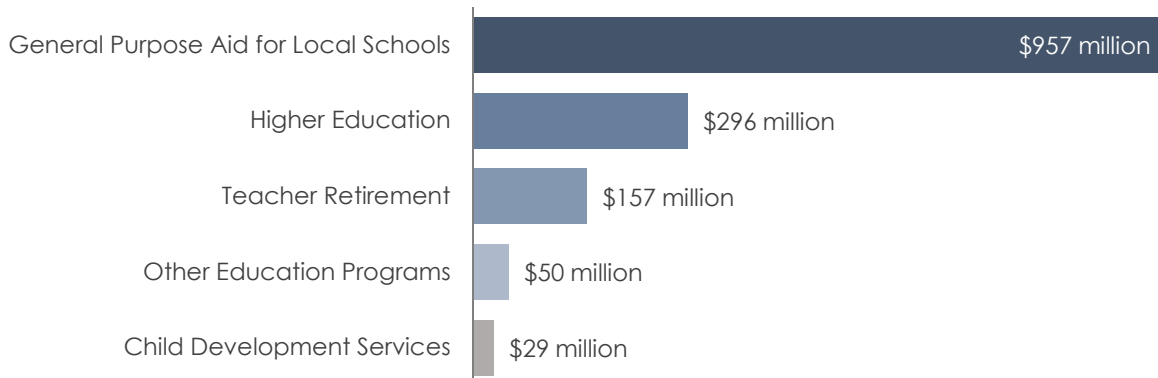
OTHER categories

Corrections	5.43%	Labor	0.35%
Administrative & Financial Services	4.26%	Marine Resources	0.30%
Judiciary	2.12%	Agriculture, Food & Rural Resources	0.22%
Public Safety	1.36%	Environmental Protection	0.22%
Legislature	0.84%	Defense, Veterans & Emergency Mgmt	0.24%
Inland Fisheries & Wildlife	0.81%	Cultural Agencies	0.19%
Conservation	0.69%	Executive Department	0.13%
Indigent Legal Services	0.48%	Treasurer of State	0.05%
Attorney General	0.58%	Additional "Other" categories	0.70%
Economic & Community Development	0.32%		

Education

Education is one of the State's largest expenses, totaling 44% of General Fund appropriations in 2017. Almost 2/3 of that is General Purpose Aid for Local Schools (GPA), the pool of state funds given to Maine's over 600 public PK-12 schools. About 1/5 is higher education.

In 2017, Maine spent \$1.5 billion on PK-12 and higher education.



Allocating State Education Funds

The State divides GPA among Maine's public PK-12 schools through a complex process that can be loosely summarized in three steps.

- Determine each school's financial need** using the EPS formula (see below).
- Determine the amount to be raised locally.** Municipalities contribute to their schools' needs up to a certain mill rate (estimated to be 8.50 in 2019).¹⁴ The mill rate is based on the expectation that municipalities collectively pay 45% of statewide K-12 education costs and the State pays 55%.
- Whatever is not paid locally is paid by the State.**

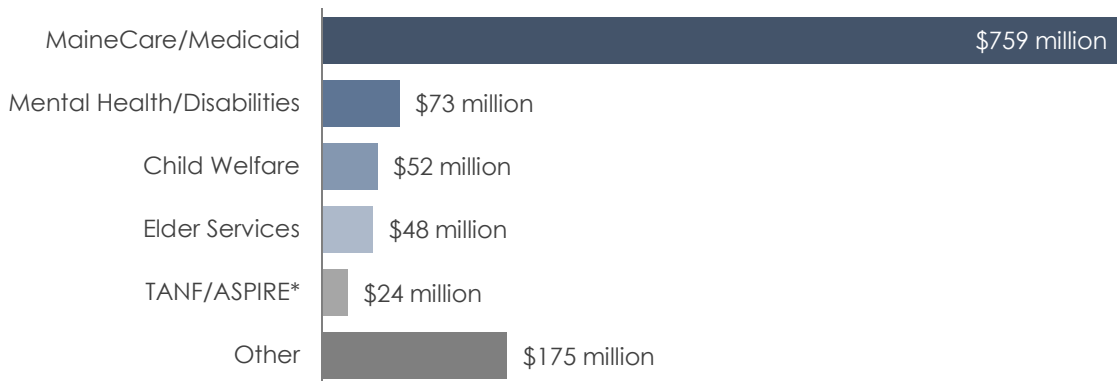
What is EPS? Essential Programs and Services (EPS) is the mathematical formula used by the Maine Department of Education to calculate each school's funding needs. EPS uses the size of the student body, the number of special-needs students, and other factors to calculate the funds necessary for those students to achieve the Maine Learning Results. EPS is based on analysis of "high performing, cost effective school units."¹⁵

Why 55%? In 2003, Maine voters passed a referendum directing the State to increase its share of public K-12 education costs to 55%. The State has not yet reached this goal. For 2018-2019, the State is expected to fund 53.37% when including its contribution to teacher retirement.¹⁶

Health & Human Services

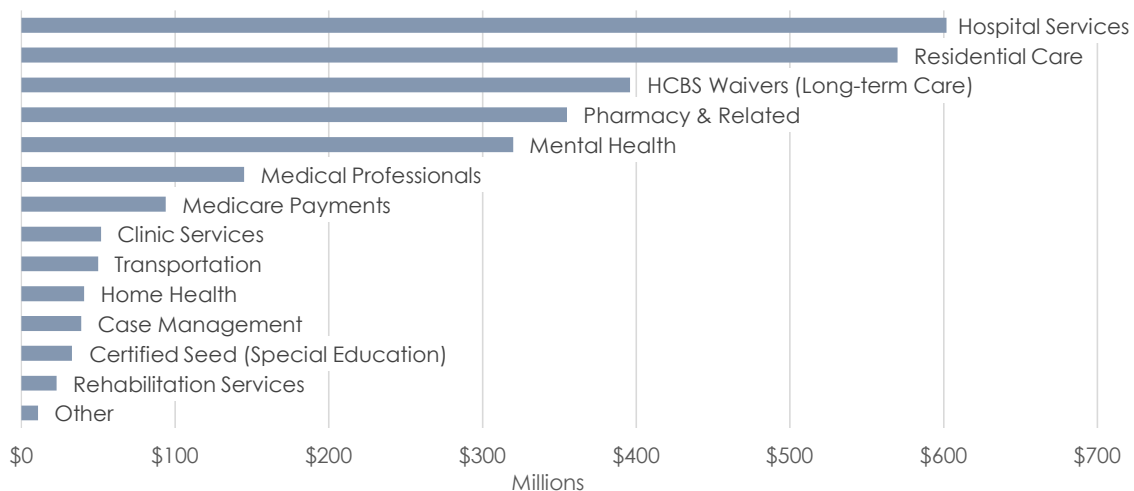
Maine's Department of Health and Human Services (DHHS) accounted for 34% of General Fund appropriations in 2017. Over 2/3 of DHHS's budget is MaineCare, Maine's program for Medicaid and the federal Children's Health Insurance Program. MaineCare helps pay for medical care of children and adults from low-income households. In 2017, for every \$1 the State spent on MaineCare, the federal government contributed \$2.18.

Maine's Health & Human Services budget was \$1.1 billion in 2017.



In 2017, about 22% of MaineCare expenditures were for hospital services and 36% were for residential and long-term care.¹⁷ The chart below shows the amount paid in various categories.

MaineCare 2017 expenditures by service type

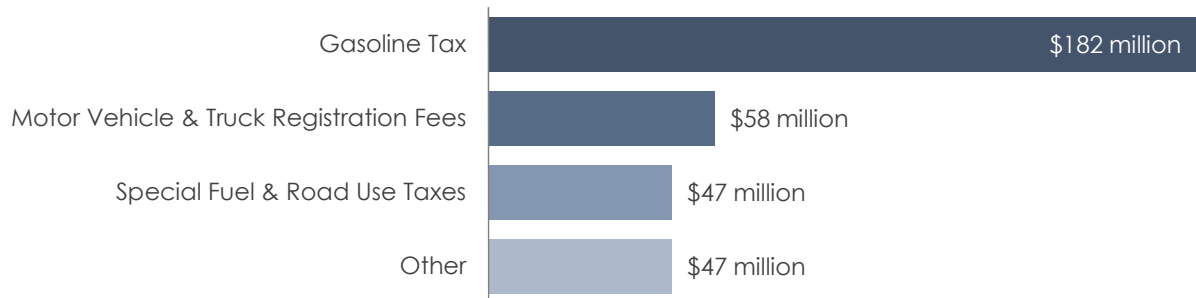


* Temporary Aid for Needy Families/Additional Support for People in Retraining and Employment

Highway Fund

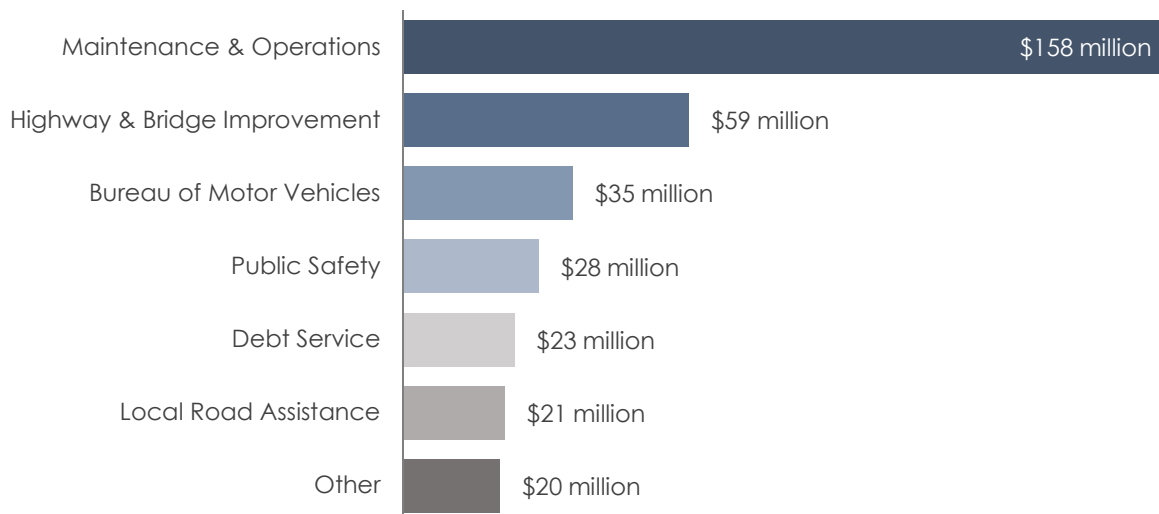
Maine's state government maintains approximately 8,800 miles of roads. The Highway Fund pays to maintain that infrastructure and enforce traffic laws. It was constitutionally established to direct highway-related revenue for highway purposes. The Highway Fund does not include funding for the Maine Turnpike Authority (MTA). The Legislature approves the MTA's budget in a process separate from the state budget process.

Highway Fund revenues totaled \$334 million in 2017.



The gasoline tax accounts for over half of the Highway Fund's revenue. However, a small portion of gasoline taxes (about 2.5%) goes to the General Fund to support infrastructure and law enforcement for "non-highway" vehicles such as motor boats, snowmobiles, and all-terrain vehicles (ATVs).

Highway Fund expenditures totaled \$344 million in 2017.



Other Special Revenue Funds

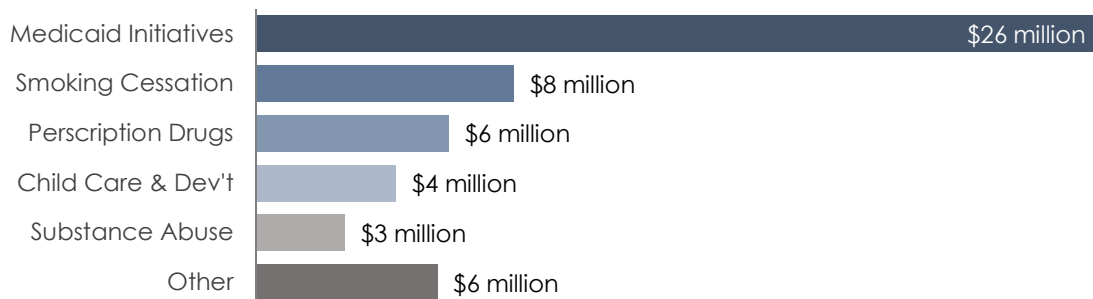
Maine has numerous Other Special Revenue funds for specific uses. For example, payments for care at the State's mental health facilities support those institutions; payments for services from the State Police go to that department; fees for professional licenses and exams pay to administer those programs; proceeds from the milk handling fee, the blueberry tax, and the potato tax go to programs that support those industries.

Other Special Revenue expenditures totaled \$1.1 billion in 2017.

Health and Human Services	\$495 million
Transportation	\$123 million
Municipal Revenue Sharing	\$65 million
Maine Municipal Bond Bank	\$40 million
Agricultural, Food, and Rural Resources	\$39 million
Education (including Higher Education)	\$37 million
Environmental Protection	\$32 million
Administrative and Financial Services	\$31 million
Professional and Financial Regulation	\$26 million
Public Safety	\$23 million
Other	\$149 million

Fund for a Healthy Maine

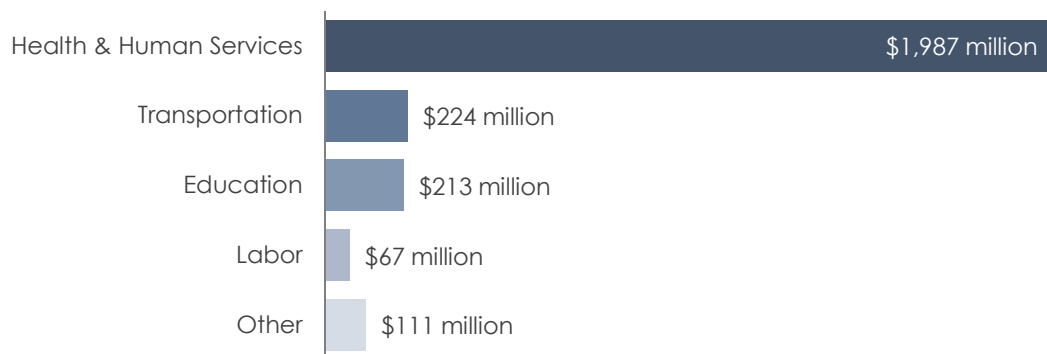
In 1999, the State established the Fund for a Healthy Maine (FHM) to handle payments from tobacco manufacturers stemming from a national lawsuit seeking compensation for smoking-related health care costs. The use of FHM funds is limited to a list of health-related purposes established in law. In 2017, FHM received \$51 million from the tobacco settlement and \$4 million from Maine's two casinos.



Federal Funds

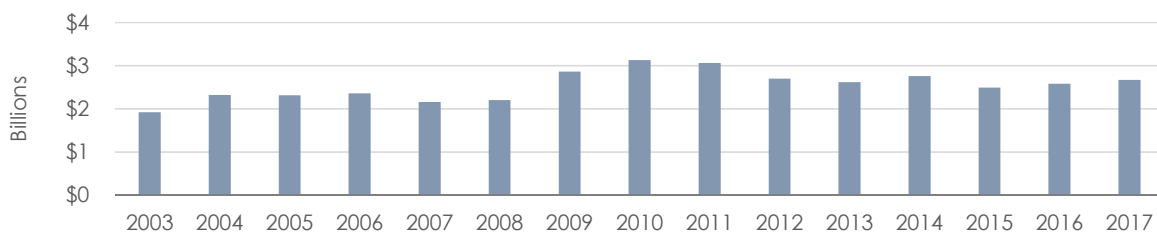
The State of Maine receives several billion dollars in federal funds every year. Most is restricted to specific uses and comes as a federal match of state funds. Much of it flows through state agencies to Maine residents, service providers, and communities. The Department of Health and Human Services receives over 75% of Maine's federal funds, mainly for MaineCare (Maine's program for Medicaid and the federal Children's Health Insurance Program).

Maine's federal fund expenditures totaled \$2.6 billion in 2017.



Since 2003, revenue from the federal government has grown 2.9% per year on average. The chart below shows a temporary increase in revenue following the 2007-2009 recession when Maine and other states received funds from the American Recovery and Reinvestment Act (ARRA) of 2009. ARRA temporarily increased Medicaid matching funds.

Maine's federal revenues peaked at \$3.1 billion in 2010.



Transfers to Local Governments

Each year, the State transfers roughly one-third of General Fund revenue to municipal and county governments. Those funds reduce the amount raised through local property taxes. The transfers below do not include federal funds passed through state agencies to local governments.

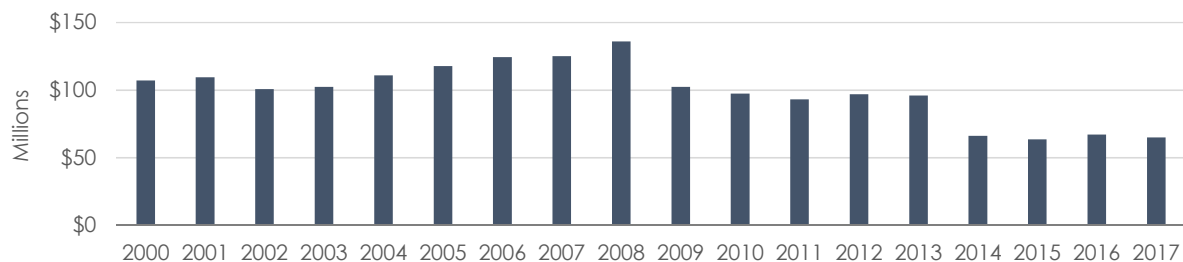
Category ¹⁸	Major Items	2017
Education	K-12 schools and teachers' retirement	\$1,119 million
Property Tax Reimbursement	Homestead and business equipment exemptions	\$79 million
Revenue Sharing	Unrestricted funds given to municipalities	\$65 million
Criminal Justice	Jails and district attorneys	\$23 million
Transportation	Block grants including bond proceeds	\$23 million
General Assistance	Basic-needs aid distributed by municipalities	\$12 million
Natural Resource Agencies	Off-road vehicle programs and environ'l protection	\$7 million
Emergency & Disaster Assistance	Disaster assistance	\$555,000
Economic Development	Community development grants	\$50,000
Total		\$1,329 million
Percentage of General Fund Revenue		38.5%

Revenue Sharing

Each month, the State sends 2% of its revenue from income, sales, and some service provider taxes to municipalities for the purpose of property tax relief. (That percentage was 5% until 2016 and will return to 5% in 2020.)

These “Revenue Sharing” funds are distributed through a two-part formula. The “Revenue Sharing I” formula divides 80% of funds between all municipalities based on their population and tax burden. The “Revenue Sharing II” formula distributes the remaining 20% to municipalities with disproportionately high tax burdens.

In 2017, Maine sent \$65 million to municipalities through Revenue Sharing.



Tax Expenditures

“Tax expenditures” are provisions in law that reduce tax revenues. They are referred to as expenditures because they function the same as government spending, only through the tax code. They are sometimes called “tax breaks.” They are generally intended to encourage certain activities or provide relief for individuals in certain circumstances. Examples include the sales tax exemption for groceries, credits such as the Earned Income Credit and the Research Expense Tax Credit, and deductions such as the income tax deduction for interest on student loans. By law, the Governor’s budget document must include a list of current tax expenditures and the Legislature must vote on whether to continue them.

Sales Tax Expenditures Over \$50 Million, 2019¹⁹

Consumer purchases of medical services	\$613 million
Business purchases of legal, business, administrative and support services	\$492 million
Business purchases of financial services	\$225 million
Rental charges on continuous residence for more than 28 days	\$218 million
Consumer purchases of financial services	\$203 million
Property used in manufacturing production	\$200 million
Sales to the state and political subdivisions	\$194 million
Grocery staples	\$179 million
Prescription drugs	\$99 million
Certain motor vehicle fuels	\$93 million
Business purchases of transportation services	\$86 million
Consumer purchases of personal, household, and business services	\$83 million
Consumer purchases of education services	\$80 million
Consumer purchases of amusement and recreational services	\$75 million
Consumer purchases of social services	\$55 million
Coal, oil, and wood for cooking and heating homes	\$54 million
Machinery and equipment	\$50 million

Income Tax Expenditures Over \$15 Million, 2019²⁰

Items due to conformity with federal tax code	\$770-870 million
Deduction for Social Security benefits taxable at federal level	\$92 million
Reimbursement for Business Equipment Tax Exemption (paid to municipalities)	\$43 million
Sales Tax Fairness Credit	\$34 million
Deduction for pension income	\$32 million
Credit for Educational Opportunity	\$25 million
Reimbursement for taxes paid on certain business property (BETR)	\$23 million
Employment Tax Increment Financing	\$17 million
Property Tax Fairness Credit	\$16 million
Credit for Rehabilitation of Historic Properties	\$15 million
New Markets Capital Investment Credit	\$15 million

Tax-supported Debt

Bonds are financial tools that allow the State to borrow money. When the State sells (“issues”) bonds, the purchasers give the State money to make a desired investment (a road, bridge, building, etc). The State repays the money with interest over a number of years. Bonds allow the State to pay for an investment gradually, over its lifetime, rather than up front. Maine’s state government utilizes a variety of bonds. They differ in their approval process and the source of funds used to repay them.

- **General Obligation** bonds commit the full faith and credit of the State; the Constitution requires the Legislature and State Treasurer to repay them. These bonds require approval by 2/3 of both the House and Senate, and a majority of voters. They are repaid with General Fund or Highway Fund revenue.
- Bonds repaid with specific revenue streams require legislative approval. They include **Liquor Revenue** Bonds (repaid with future revenues from the contract to distribute liquor in Maine), **Transcap** Bonds (future fuel tax revenues and motor vehicle fees), **Motor Oil Revenue** Bonds (future motor-oil tax revenue), **GARVEE** bonds (future federal transportation funds), and Tax-Supported **Certificates of Participation** (future lease payments).
- The **Maine Government Facilities Authority** (MGFA) issues bonds for facilities leased by public entities such as courts, prisons, and state agencies. These bonds require approval by a majority of MGFA’s board and 2/3 of both the House and Senate. The bonds are repaid with future lease payments, which come from the operating budgets of the entities leasing the facilities.

Maine has no legal debt limit. Some policymakers refer to an informal “5% Rule,” which suggests that general obligation debt payments should not exceed 5% of operating revenue. Total debt payments for 2017 were 4.62% of General and Highway fund revenue. In 2018, bond-rating agencies Standard & Poor’s and Moody’s ranked Maine’s general obligation debt (i.e., the State of Maine’s credit) as “very strong” and “high quality.”²¹

Maine's tax-supported debt was \$1.1 billion as of June 30, 2018.²²

General Obligations Bonds	\$376 million	GARVEE Bonds	\$117 million
Maine Gov't Facilities Authority	\$206 million	Certificates of Participation	\$72 million
Transcap Bonds	\$147 million	Capital Leases	\$57 million
Liquor Revenue Bonds	\$140 million	Motor Oil Revenue Bonds	\$9 million

Long-term Unfunded Debt

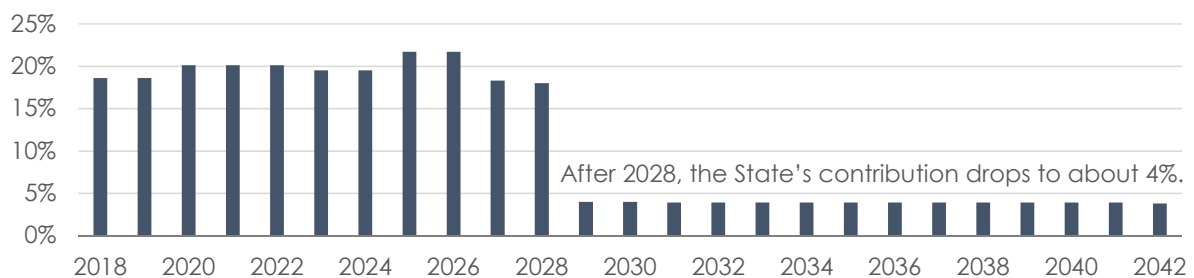
The State of Maine has long-term unfunded debt in the form of future retirement benefits that exceed the projected value of funds available to pay them. The benefits have been promised to past and current employees. This debt is called an “unfunded actuarial liability.”

The State Employees & Teachers Retirement plan has an unfunded actuarial liability (UAL) of \$2.6 billion as of June 30, 2017, and three other plans have smaller UALs.

Plan ²³	Liabilities	Assets	Difference	Plan Status
State Employees & Teachers Retirement	\$13.5B	\$10.9B	-\$2.6B	Unfunded liability
Participating Local Districts (PLD) Retirement	\$3.0M	\$2.6M	-\$0.4M	Unfunded liability
Judicial Retirement	\$65.0M	\$66.8M	\$1.8M	Funded
Legislative Retirement	\$8.2M	\$11.9M	\$3.7M	Funded
Group Life Insurance for PLD Plans	\$25.5M	\$15.1M	-\$10.4M	Unfunded liability
Group Life Insurance for State/Teacher Plans	\$183.7M	\$86.9M	-\$96.8M	Unfunded liability

The State is making payments to eliminate the State Employees & Teachers unfunded liability. In 1995, Maine voters passed a constitutional amendment requiring the State to eliminate the liability by 2028. The payments are in the form of employer payroll contributions that increase slowly over three decades. The State is on track to reach the 2028 goal.* However, the largest contributions are yet to come.

Maine’s projected contribution to the State Employees & Teachers Retirement plan is over 21% of payroll in 2025 and 2026.²⁴

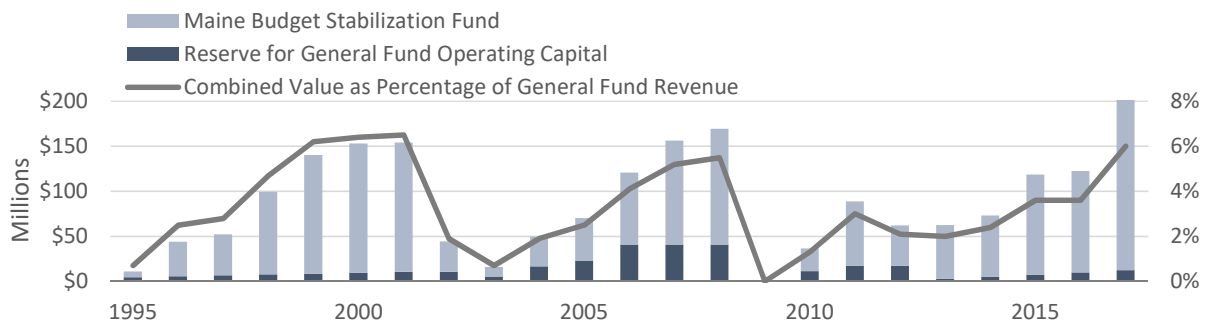


The State also has an unfunded actuarial liability related to retirees’ future health insurance costs. According to the Maine Office of the Treasurer, this was \$1.7 billion as of June 30, 2017.²⁵

*The constitutional amendment regarding repayment of market shortfalls, approved by voters in November 2017, did not affect the 1995 law regarding unfunded actuarial liability. See Maine Public Employees Retirement System, “MainePERSpective” August 2017.

Reserve Funds

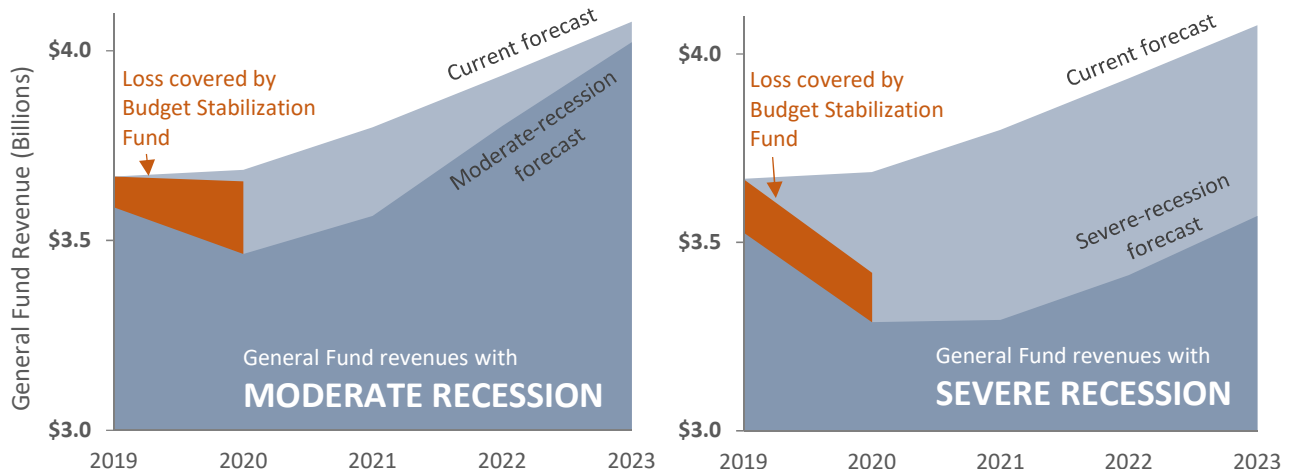
Maine has two major reserve funds. The **Maine Budget Stabilization Fund** may offset General Fund shortfalls or pay death benefits for police and fire fighters. Any revenue over the State's spending cap (page 4) goes to this fund. It may also receive direct appropriations or surplus revenue through the "cascade" (page 21). The **Reserve for General Fund Operating Capital** helps the State manage cash flow. For instance, if an expense arises early in the year before the State has enough revenue to pay it, then the State may use this reserve fund.



Stress Test

A new law requires the CEFC and RFC to estimate the impact of a recession on General Fund revenues.²⁶ This "stress test" also assesses the adequacy of the Budget Stabilization Fund to cover the hypothetical revenue losses. As of June 2018, this fund held \$273 million. The CEFC and RFC estimate that a moderate or severe recession would reduce revenues below current projections by \$715 million or \$2.1 billion, respectively, from 2019 to 2023.

Revenue losses during a recession would exceed the current balance of the Budget Stabilization Fund.²⁷



Surplus Funds: The “Cascade”

Sometimes the State reaches the end of the year with a General Fund surplus. This happens when revenues exceed projections or expenditures fall short of projections. In this case, the State Controller allocates the surplus to six accounts in order of priority established by law. The Governor's State Contingent Account receives funds first. If there are additional funds remaining, they “cascade” to the second priority. Lower-priority accounts receive funds only if there is money remaining after filling higher-priority accounts.

1st Priority: State Contingent Account (up to \$350,000)



2nd Priority: FAME's Loan Insurance Reserve (\$1,000,000)



3rd Priority: Reserve for General Fund Operating Capital (\$2,500,000)



4th Priority: Retiree Health Insurance Fund (\$2,000,000)



5th Priority: Budget Stabilization Fund (80% of remaining funds) and Tax Relief Fund for Maine Residents (20% of remaining funds)

Endnotes

1 U.S. Census Bureau, July 1, 2017 population estimate. **2** Maine Department of Agriculture, Conservation, and Forestry, Bureau of Parks and Land, “Maine State Comprehensive Outdoor Recreation Plan 2014-2019.” **3** U.S. Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics, 2017 labor force. **4** Maine Department of Education, October 1, 2017 attending enrollment. **5** State of Maine Judicial Branch, FY2018 trail court case filings. **6** BLS, Quarterly Census of Employment and Wages, 2017 establishments. **7** University of Maine System and Maine Community College System, Fall 2017 enrollment. **8** Maine Department of Transportation, “Roads Report,” December 2016. **9** Maine Department of Corrections, total in-state and out-of-state population, October 15, 2018. **10** Maine Children's Alliance, “2017 Maine Kids Count,” children in state care or custody in December 2015. **11** Maine's Senate has 35 members. The House of Representatives has 151 members plus three non-voting representatives of the Penobscot Nation, the Passamaquoddy Tribe, and the Houlton Band of Maliseets. **12** State and local government operations as a percentage of Maine's share of gross domestic product; Sources: U.S. Bureau of Economic Analysis and the National Bureau of Economic Research. **13** Maine Revenue Services, “Maine Tax Incidence Study 2016-2017,” March 2015. MRS will release its next tax incident report in February 2019. **14** Maine State Board of Education, “School Funding Update 2018-2019,” January 10, 2018. **15** Maine Department of Education, “EPS 101” Presentation. **16** Maine State Board of Education, “School Funding Update 2018-2019,” January 10, 2018. **17** Maine Office of Fiscal and Program Review **18** Maine Office of Fiscal and Program Review, “Summary of Major State Funding Dispersed to Municipalities and Counties,” December 2017. **19** Maine Revenue Services, “Maine State Tax Expenditure Report 2018-2019,” February 2017. **20** Ibid. **21** Standard & Poor's Financial Services, “S&P Global Rating Definitions,” August 19, 2018; and Moody's Investor Services, “Rating Symbols and Definitions,” June 2018. **22** Maine Office of the Treasurer, “Maine Debt Snapshot – 6/30/18.” **23** Cheiron, Inc., Maine Public Employees Retirement System Actuarial Valuation Reports as of June 30, 2017. **24** Ibid. **25** Maine Office of the Treasurer **26** Consensus Economic Forecasting Commission and Revenue Forecasting Committee, “Stress-testing Maine General Fund Revenues and Reserves: FY19-FY23,” October 1, 2018. The revenue losses are estimated for sales and individual income taxes. **27** Ibid.

Glossary of Budget Terms

This glossary explains many of the terms used in this primer. The [Office of Policy and Legal Analysis](http://www.maine.gov/legis/opla/glossary.htm) has a longer list of legislative terms at: www.maine.gov/legis/opla/glossary.htm.

Appropriation A budget amount that represents how much the State approves to spend on a particular program or item. It may be different from the amount the State eventually spends, which is called an "expenditure."

Biennium A biennium is two fiscal years. It starts on the first day (July 1) of one fiscal year and ends on the last day (June 30) of the following fiscal year.

Bond A financial tool that allows the State to borrow money. The purchaser of the bond gives the State a large sum of money. In return, the State promises to repay the bond with interest over a number of years. See page 18.

Cascade The mechanism by which surplus General Fund revenues are allocated at the close of a fiscal year. See page 21.

Concensus Economic Forecasting Commission (CEFC) A panel of five professionals that creates the economic forecast on which the RFC's projections of state revenues are based. See page 5.

Enact When there are no further amendments to be made to a bill (and it is ready to become an act), it is passed to be "enacted."

Engross Refers to writing a new version of a bill that incorporates all adopted amendments. An amended bill must be engrossed before the House or Senate can vote to enact it.

Essential Programs and Services (EPS) A mathematical formula used by the Maine Department of Education to calculate the funding needs of local K-12 schools. See page 11.

Expenditure An amount that represents how much the State spent on a particular program or item. It may be different from the budgeted amount, which is called an "appropriation."

Fiscal note A calculation by the Office of Fiscal and Program Review of a proposed piece of legislation's impact on the State's finances.

Fiscal year A twelve-month period starting on July 1 and ending on June 30. Fiscal years are referred to by the year in which they end. "FY2017" means the fiscal year ending on June 30, 2017.

General Purpose Aid for Local Schools (GPA) The pool of state funds used to pay for local K-12 education. The State divides GPA funds among schools using the EPS school funding formula. See page 11.

Mill expectation The maximum property tax mill rate that municipalities are required to raise for local K-12 schools. See page 11.

Revenue Sharing A program that directs a portion of state tax revenue to municipalities for property tax relief. See page 16.

Revenue Forecasting Commission (RFC) A panel of state and legislative officials, plus one outside economist, that projects the amount of revenue the State will receive. See page 5.

Supplemental budget A budget that adjusts state spending in the current fiscal year in response to changes in revenue, changes in need, new laws, or judicial actions.

Tax expenditure A provision in law that reduces tax revenues, such as a tax credit, exemption, or deduction. Sometimes called a "tax break." See page 17.

Unfunded actuarial liability A liability created when future retirement benefits promised to employees exceed the projected value of funds available to pay them. See page 19.

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