

A Summary of the Governor's Proposed Biennial Budget for FY 2016 -2017



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Dear Friends,

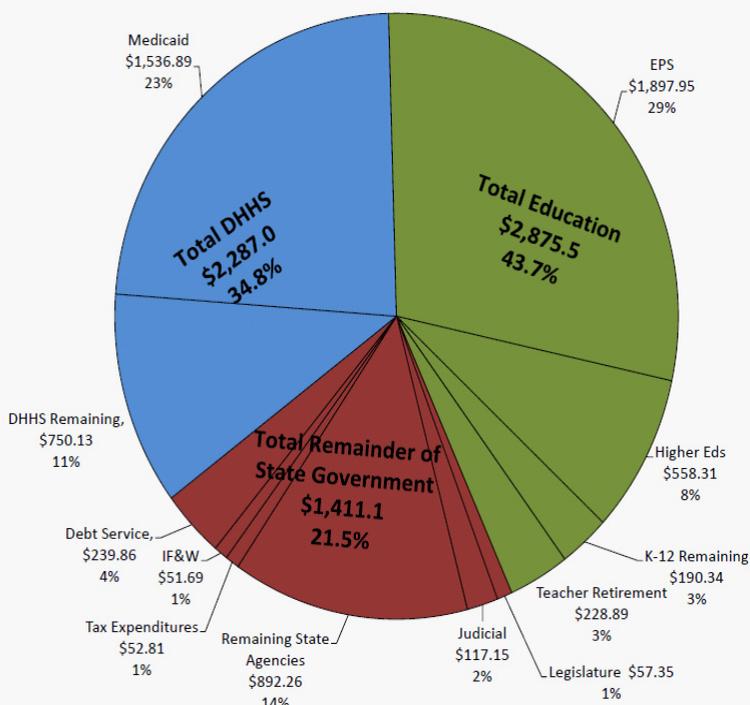
Below you will find a brief overview of the Governor's proposed Biennial Budget for the next two fiscal years while not a complete summary it attempts to cover some of the major proposals. We hope you find it helpful. Please contact us with any questions or concerns.

*Best,
 Stan and Sara*

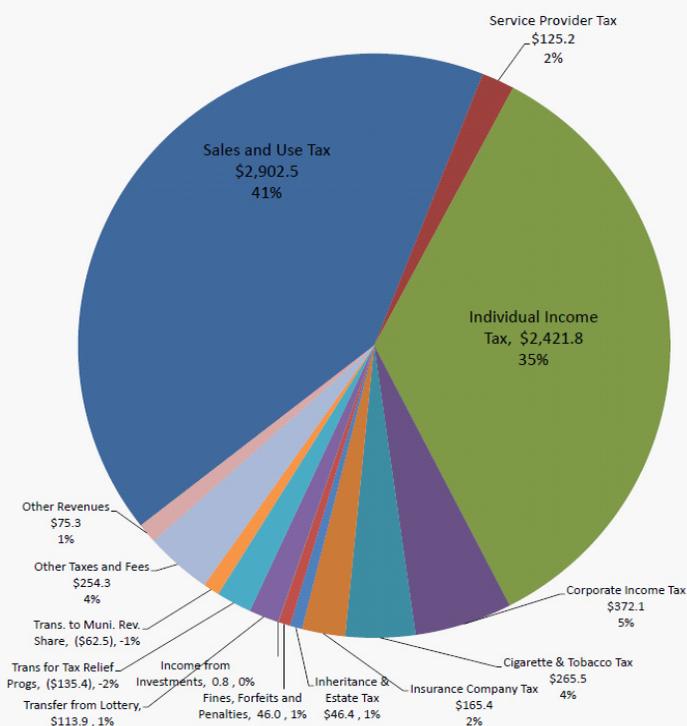
The General Fund Budget - The General Fund is the primary operating fund of Maine State Government. It receives revenue from general state revenue sources not otherwise accounted for in another fund. The largest sources of revenue are from the Individual Income Tax, Sales and Use Tax, Cigarette Tax and Corporate Income Tax. These four major taxes account for more than 90% of General Fund revenue. This General Fund budget is roughly \$6.5 billion for two years. This does not include federal funds of other special or dedicated sources of revenue such as the Highway Fund.

Where the money goes and where it comes from - proposed

**Fiscal Years 2016-2017
 General Fund Projected Appropriations
 \$6,573.6
 Dollars in Millions**



**Fiscal Years 2016-2017
 General Fund Forecasted Revenues
 \$6,591.2
 Dollars in Millions**



Major initiatives in the proposed budget

TAX Changes: The budget proposes several state and local tax changes resulting in well over \$300 million in reduced revenue (possibly more) to state and local communities when fully implemented.

- **Significant Income Tax Changes**
 - Reduces top individual income tax rate from 7.95% to 5.75%
 - Exempts military pensions
 - Increases exemption on other pensions to \$35,000
 - Eliminates deduction system in favor of credit system

- **Sales Tax Changes**
 - 6.5% general rate for sales and use and on prepared foods (restaurants)
 - 8% tax on lodging and short-term auto rentals
 - Expands sales tax to most services and entertainment
- **Property Tax Changes**
 - Eliminates the municipal revenue sharing program in FY 2017 (flat funds FY 2016)
 - Requires municipalities to tax nonprofits with real estate in excess of \$500,000
 - Repeals BETR program by transferring property to BETE program
 - Transfers telecommunications excise tax to municipalities
 - Doubles homestead exemption for individuals 65 and older
 - Eliminates homestead exemption for individuals under 65
 - Expands current property tax fairness credit (increased refund amounts)
- **Other Tax Changes**
 - Eliminates the estate tax
 - Reduces the top corporate income tax rate from 8.93% to 6.75%

Other significant items in the proposed budget

- **Changes in Agriculture Conservation and Forestry department**
 - Forest rangers - position eliminations and reassignment of duties
 - Increased commercial forestry on public land
- **Increased resources for drug investigations and prosecutions**
- **Increases to the Maine State Grant Program (Higher Education)**
- **Health and Human Services proposals (Selected)**
 - Funding for Consent Decree services
 - Funding for some wait list services
 - Increased staffing at Riverview Psychiatric Center
 - Reduction in State support for General Assistance
 - Change how community mental health services are billed
 - Reduces reimbursements to Critical Access Hospitals from 109% to 101% of allowable costs
 - 10% rate reduction in Community Support Service programs for Children with cognitive impairments and functional limitations
 - Significant cuts to the Fund for a Healthy Maine
 - Eliminate methadone treatment
 - Reduce eligibility in the Medicare Savings Program (Drugs for the Elderly program)
 - Eliminate state support for legal noncitizens
- **214 eliminated positions**
- **Close Madawaska District Court house**
- **Increased Funding for University of Maine System (UMS)**
- **Increased Funding for Maine Maritime Academy (MMA)**

What is not in the budget

- **Funding for or changes to support County Jails**
- **Tax Conformity (Passed in a separate bill)**
- **Funding against a possible recoupment of federal funds spent at Riverview**
- **Additional funding for the Maine Community College System**

Schedule

- **Joint public hearings began in February and last for up to 6 weeks**
- **Policy committees will work their sections of the budget (likely April and May) and report their recommendations back to Appropriations (AFA)**
- **AFA will work from the reportbacks to craft a budget (April through June)**
- **A budget must be in place before June 30**