



STATE OF MAINE
DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES
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SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

JANET T. MILLS
GOVERNOR

KIRSTEN LC FIGUEROA
COMMISSIONER

September 30, 2024

To Whom It May Concern:

Enclosed please find the Four-Year Revenue and Expenditure Forecast completed per statute every other year by the Department of Administrative and Financial Services' Bureau of the Budget.

This report compares the most recent revenue forecasting against current appropriation and allocation funding requirements in law. This includes for example, a baseline of 55 percent of total cost of K-12 education, 5 percent spending for Municipal Revenue Sharing, and all other programming and statutory initiatives with compulsory funding obligations.

The final result – often called the structural gap – is the amount of money by which revenues would have to increase, expenses would have to decrease, existing laws would have to be amended, or some combination thereof would have to be achieved in order for revenues to meet expenditures, as identified by law. It is important to note, however, that many of the funding obligations considered in the report are, with Legislative approval, routinely not met and, therefore, this report should not be considered an accurate reflection of an actual budget shortfall facing State government. Instead, this report can offer a starting point for work sessions and conversations throughout the State's biennial budget process as State leaders, including the Legislature, carefully identify the appropriate mix of policies and strategies that ought to be utilized in pursuit of a balanced budget.

The forecasts of revenues, appropriations and allocations contained in this report, as constructed under current law and current trends, result in a projected General Fund structural gap (revenues less than allocations) for the 2026-2027 biennium of \$636,710,439 and a projected Highway Fund structural gap (revenues less than allocations) for the 2026-2027 biennium of \$312,539,996.

Sincerely,

A handwritten signature in blue ink that reads "Kirsten LC Figueroa".

Kirsten LC Figueroa
Commissioner



STATE OF MAINE
DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES
Bureau of the Budget
State House Station #58
Augusta, Maine 04333

Date: September 30, 2024

To: Honorable Janet T. Mills, Governor
Honorable Troy D. Jackson, President of the Senate
Honorable Rachel Talbot Ross, Speaker of the House
Members, Joint Standing Committee on Appropriations and Financial Affairs

From: Darryl Stewart, Acting State Budget Officer

Subject: Four Year Revenue and Expenditure Forecast Report for the General Fund and Highway Fund for the 2024-2025 and 2026-2027 Biennia

The State of Maine Bureau of the Budget presents the state budget forecast for the General Fund and the Highway Fund for the 2024-2025 biennium and the 2026-2027 biennium in accordance with Title 5 §1665, sub-§7. As required by statute, the forecast is based on the current structure of state revenues and expenditures and provides a platform for long term financial planning.

The forecasts of revenues, appropriations and allocations contained in this report, as constructed under current law and current trends, result in a projected General Fund structural gap (revenues less than appropriations) for the 2026-2027 biennium of \$636,710,439 and a projected Highway Fund structural gap (revenues less than allocations) for the 2026-2027 biennium of \$312,539,996.

cc: Kirsten Figueroa, Commissioner, Department of Administrative and Financial Services
Jeremy Kennedy, Chief of Staff, Office of the Governor
Chris Nolan, Director, Office of Fiscal & Program Review, Maine Legislature
Suzanne Gresser, Executive Director of the Maine Legislature

**STATE OF MAINE REVENUE AND EXPENDITURE PROJECTION
GENERAL FUND AND HIGHWAY FUND FISCAL YEARS 2024 - 2027**

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STATE OF MAINE BUDGET FORECAST 2024-2025 BIENNIUM AND 2026-2027 BIENNIUM

I. INTRODUCTION

Title 5 § 1665, subsection 7 requires submission of a four-year budget forecast for the General Fund and the Highway Fund by September 30th of each even-numbered year to provide a basis for long term budget planning for the State's two undedicated funds. The forecast compares the structure of current revenues and expenditures on a consistent trend basis for both funds. This projection shows the capacity of the State's General Fund and Highway Fund resources to support the current level of State government services projected forward.

This report provides a four-year budget forecast for the 2024-2025 biennium and the 2026-2027 biennium. As required by statute, the projected revenues and expenditures used for the forecast are based on current law and current program trends. The expected outcome is a reasonable and consistent estimation of the General Fund and Highway Fund budgets for fiscal year 2026 and fiscal year 2027 based on currently available financial and program information.

The General Fund and Highway Fund revenues used in this forecast report represent the March 2024 projections of the Revenue Forecasting Committee (RFC) updated for any actions taken in the remainder of the 131st Legislature's Second Regular Session. Similarly, the expenditure information reflects all General Fund appropriations and Highway Fund allocations approved through the Second Regular Session of the 131st Legislature. The projection for the 2026-2027 biennium uses approved baseline appropriations and allocations for fiscal year 2025 adjusted to reflect estimated changes in normal operational costs, estimated costs associated with critical infrastructure needs and any additional costs anticipated to comply with current law.

It is important to stress that this forecast must be developed using current law as its basis. Therefore, projections for expenditures in the next biennium include estimated costs to comply with specific targets existing in statute like the obligation for the State to pay 55 percent of the cost of K-12 education and the statute requiring a municipal revenue sharing rate of 5 percent. The level of estimated expenditures needed to fully fund existing programs at current service levels is also captured in the projection. For example, expenditures for programs that were being phased in in fiscal year 2025 at less than a full 12 months of funding are projected at 12 months of funding in fiscal years 2026-2027. Historically, it has been common for budget proposals to change the funding targets in underlying statutes or take other actions as necessary to maintain a balanced budget as constitutionally required.

At this time, the structural gap projected for the General Fund in the 2026-2027 biennium totals approximately \$637 million. The structural gap projected for the Highway Fund in the 2026-2027 biennium totals approximately \$313 million.

II. GENERAL FUND

A. BUDGET STATUS Fiscal Years 2024-2027

GENERAL FUND STATUS						
	Fiscal Years 2024-2025 BUDGET			Fiscal Years 2026-2027 FORECAST		
	FY 2024	FY 2025	TOTAL	FY 2026	FY 2027	TOTAL
BALANCE	165,038,741		165,038,741	11,377,814		11,377,814
ADJUSTMENTS *	(119,704,800)	(249,934,113)	(369,638,913)			
REVENUE	5,352,762,657	5,333,253,940	10,686,016,597	5,424,649,560	5,597,580,185	11,022,229,745
TOTAL RESOURCES	5,398,096,598	5,083,319,827	10,481,416,425	5,436,027,374	5,597,580,185	11,033,607,559
ADJUSTMENTS						
APPROPRIATIONS	5,076,393,804	5,393,644,807	10,470,038,611	5,770,532,912	5,899,785,086	11,670,317,998
PROJECTED BALANCE (SHORTFALL)	321,702,794	(310,324,980)	11,377,814	(334,505,538)	(302,204,901)	(636,710,439)

* Includes transfers and adjustments in budget bills and other enacted laws as well as year-end adjustments for unbudgeted lapsed balances, lapsed encumbrances, statutory transfers and other accounting adjustments.

Discussion

The budgeted General Fund adjusted fund balance for fiscal year 2024 was \$321,702,794 and a fund balance of \$11,377,814 is projected for the end of 2024-2025 biennium. Current projections for the 2026-2027 biennium assume a beginning balance of \$11,377,814 and General Fund revenues of \$11,022,229,745. Projected General Fund appropriations for the biennium are \$11,670,317,998 which results in a General Fund structural gap of \$636,710,439 at the end of the biennium.

Revenues projected for fiscal years 2024-2027 are from the RFC’s March 2024 forecast with adjustments to reflect laws enacted during the remainder of the 131st Legislature’s Second Regular Session. Similarly, the expenditure information in this forecast reflects all General Fund appropriations approved through the Second Regular Session of the 131st Legislature. The projection for the 2026-2027 biennium uses the fiscal year 2025 legislatively approved appropriations adjusted for the effect of one-time and phased-in actions with expected fiscal impacts in fiscal years 2026 and 2027. More detailed projections on a department or program basis are made where appropriate to reflect specific trends in those areas.

Statute requires that the four-year forecast presented in this report be based on current law. *Consequently, it is important to stress that the forecasted expenditures, by law, must assume the following:*

- **State share cost of Education at 55%** as per Title 20-A § 15671 sub-§ 1-A. The State achieved the 55% statutory target for the first time during the 2022-2023 biennium. Maintaining funding at the 55% level is estimated to cost an additional **\$102.4 million** for the 2026-2027 biennium. The State’s 55% share for this forecast was calculated in accordance with Title 20-A § 15671 sub-§ 7 ¶ B and **does not** include the cost of teacher retirement, retired teacher health insurance and life insurance for which the State also provides funding. The estimated increase for teacher retirement, retired teacher health insurance and life insurance is **\$29.5 million**.

- ***State-Municipal Revenue Sharing at 5%*** as per Title 30-A § 5681. The State achieved this statutory target during the 2022-2023 biennium. Maintaining revenue sharing at this level results in an estimated increase in transfers to the Local Government Fund from the General Fund of ***\$24.4 million*** over the 2026-2027 biennium when compared to transfers in the 2024-2025 biennium as transfers will fluctuate with General Fund revenues the State receives. Revenue sharing is funded by a percentage of sales, service provider, personal and corporate income tax receipts.
- ***Annual Medicaid rate adjustments per Title 22, §3173-J, §3174-V, and §7402.*** Statutory changes result in annual Medicaid rate adjustments based on both a CPI factor and changes to the State's minimum wage. The estimated cost of these adjustments for the 2026-2027 biennium is ***\$135.6 million***.

Historically, it has been common for budget proposals to change the targets in these underlying statutes, resulting in either one-time or ongoing savings that were necessary to close projected structural gaps and maintain a balanced budget as constitutionally required.

Sections II.B and II.C of this report provide additional detail, including tables and charts, of the projected General Fund revenues and expenditures used in this forecast.

B. REVENUE PROJECTION Fiscal Years 2024-2027

GENERAL FUND REVENUE PROJECTION									
SOURCE	Fiscal Years 2024-2025 BUDGET				Fiscal Years 2026-2027 PROJECTION				
	FY 2024	FY 2025	YR. TO YR. % CHANGE	TOTAL BIENNIUM	FY 2026	YR. TO YR. % CHANGE	FY 2027	YR. TO YR. % CHANGE	TOTAL BIENNIUM
Sales and Use Tax	2,262,233,688	2,286,696,482	1.08%	4,548,930,170	2,324,465,191	1.65%	2,358,085,239	1.45%	4,682,550,430
Service Provider Tax	49,629,447	46,766,813	-5.77%	96,396,260	45,255,247	-3.23%	43,773,387	-3.27%	89,028,634
Individual Income Tax	2,388,991,094	2,454,470,720	2.74%	4,843,461,814	2,547,321,320	3.78%	2,687,118,706	5.49%	5,234,440,026
Corporate Income Tax	459,752,873	428,000,000	-6.91%	887,752,873	416,000,000	-2.80%	431,999,998	3.85%	847,999,998
Cigarette & Tobacco Tax	144,147,993	156,582,458	8.63%	300,730,451	159,546,124	1.89%	161,067,270	0.95%	320,613,394
Insurance Company Tax	108,489,900	124,140,000	14.43%	232,629,900	131,030,000	5.55%	136,370,000	4.08%	267,400,000
Inheritance & Estate Tax	29,051,766	27,440,000	-5.55%	56,491,766	27,720,000	1.02%	27,820,000	0.36%	55,540,000
Fines, Forfeits and Penalties	11,890,589	11,783,639	-0.90%	23,674,228	11,783,639		11,783,639		23,567,278
Income from Investments	62,564,325	38,007,512	-39.25%	100,571,837	28,855,016	-24.08%	22,342,879	-22.57%	51,197,895
Transfer from Lottery	88,673,283	70,000,000	-21.06%	158,673,283	70,000,000		70,000,000		140,000,000
Trans for Tax Relief Progs	(82,873,750)	(86,210,000)	4.03%	(169,083,750)	(89,380,000)	3.68%	(92,710,000)	3.73%	(182,090,000)
Trans. to Muni. Rev. Share	(260,093,499)	(264,668,127)	1.76%	(524,761,626)	(270,070,273)	2.04%	(279,079,267)	3.34%	(549,149,539)
Other Taxes and Fees	146,278,244	152,314,161	4.13%	298,592,405	140,531,475	-7.74%	141,307,063	0.55%	281,838,538
Other Revenues	51,560,940	(3,651,440)	-107.08%	47,909,500	(7,896,829)	116.27%	(10,721,410)	35.77%	(18,618,239)
HWF Sales Tax Transfer	(107,534,228)	(115,418,279)	7.33%	(222,952,507)	(117,511,351)	1.81%	(118,577,319)	0.91%	(236,088,670)
Liquor Ops Fund Transfer		7,000,000		7,000,000	7,000,000		7,000,000		14,000,000
TOTAL REVENUE	5,352,762,665	5,333,253,940	-0.36%	10,686,016,605	5,424,649,560	1.71%	5,597,580,185	3.19%	11,022,229,745

Fiscal Year 2024 figures reflect actuals as of Year-End

Discussion

The RFC in its December 2023 report re-projected revenues upward by \$264.6 million for the 2024-2025 biennium. The March 2024 RFC forecast also re-projected revenues upward for the 2024-2025 biennium by another \$76.9 million. Following the March revenue forecast and bills enacted by the Legislature through the remainder of the Second Regular Session, the projected General Fund adjusted balance is approximately \$11.4 million for the end of the biennium. For the 2026-2027 biennium, in the December 2023 report, the RFC re-projected revenues upward by \$256.5 million and in the March 2024 report re-projected revenues downward by \$72.6 million¹. Primary drivers of the increased revenues in the December 2023 forecast were the Sales and Use Tax and Individual Income Tax lines; in the March 2024 forecast the main driver was Corporate Income Tax.

Revenues projected for fiscal years 2024-2027 in this four-year forecast are from the RFC's recent March 2024 forecast and reflect all actions through the Second Regular Session of the 131st Legislature. The RFC's revenue forecast reflects the economic forecast issued by the Consensus Economic Forecasting Commission in February 2024 and the State's actual revenue performance for the first seven months of fiscal year 2024.

The RFC's March 2024 Revenue Forecast report, which details the factors and assumptions underlying the revenue projection, can be found on the Revenue Forecasting Committee's website at <https://legislature.maine.gov/doc/10858>. The following pie charts depict the percent of General Fund revenue associated with each revenue source.

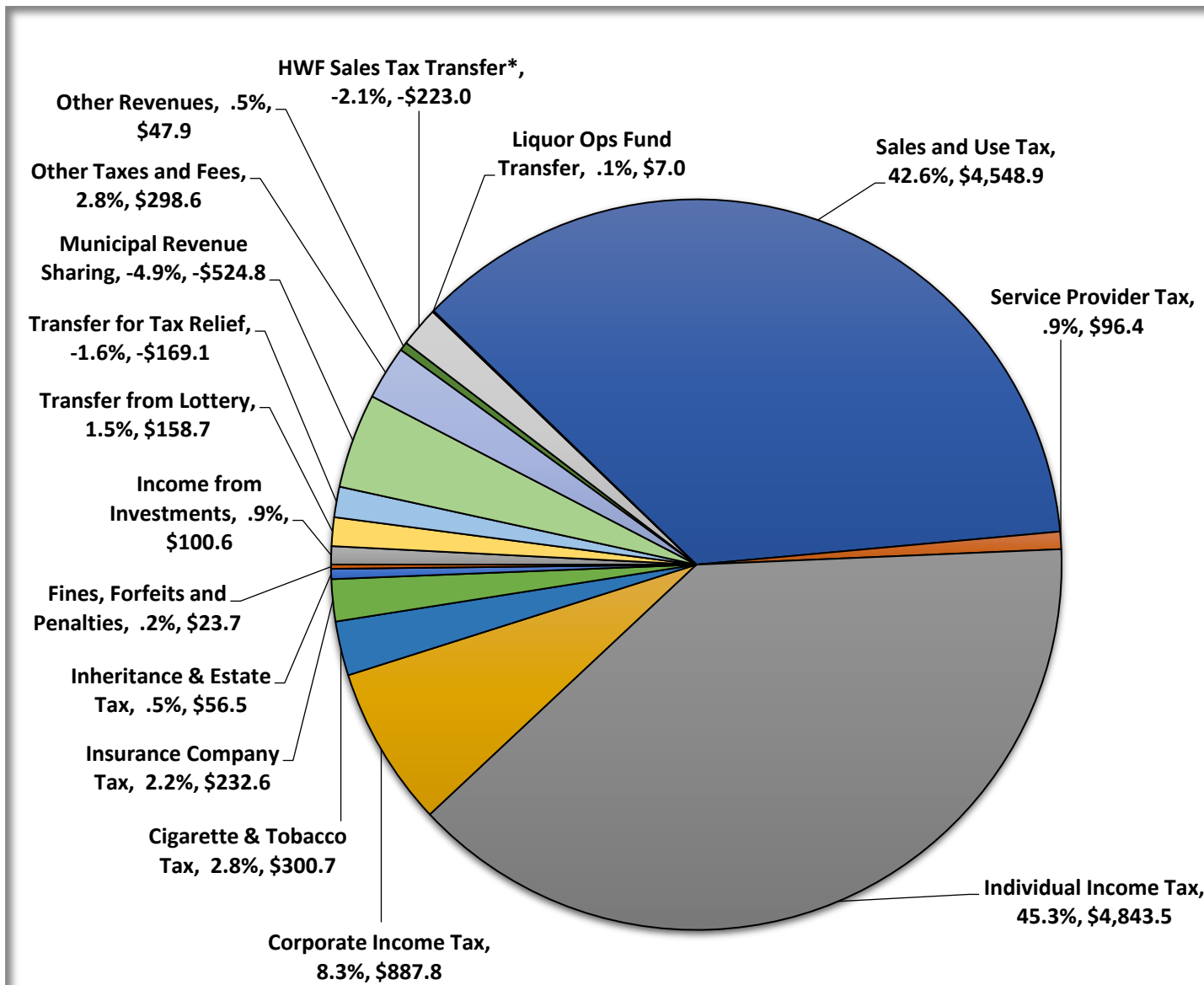
¹**Report of the Maine State Revenue Forecasting Committee - March 2024:** *"It is important to note the March 2024 RFC forecast includes a significant increase in General Fund payments (transfers) to the Maine Milk Pool required as a result of a major substantive rule submitted by the Maine Milk Commission to the Legislature in January that will become law as proposed if not acted upon by the Legislature this session. Without these estimated increased milk pool transfers, the March 2024 update would have revised General Fund revenue upward by \$83.0 million for FY24 and by \$24.7 million for FY25 for a combined increase of \$107.8 million (1.0%) for the 2024-2025 biennium. Without the estimated increased milk pool transfers, 2026-2027 biennium General Fund revenue estimates would have been revised downward by \$2.9 million (0.03%) for the biennium, with a forecasted rate of year-over-year growth of 1.7% for FY26 and 3.4% for FY27."* Subsequently, Resolves 2023, chapter 174 (LD 2188) adjusted the target prices, decreased the transfer from the General Fund to the tier program in fiscal years 2025, 2026 and 2027 and increased General Fund revenue by \$26,087,585, \$26,294,402 and \$26,282,483, respectively.

Fiscal Years 2024–2025

General Fund Budgeted Revenues - \$10,686.1

*Includes Transfers for Municipal Revenue Sharing of (\$524.8),
Transfers to Tax Relief Programs of (\$169.1)
and Highway Fund Sales Tax Transfer (\$222.9)*

Dollars in Millions



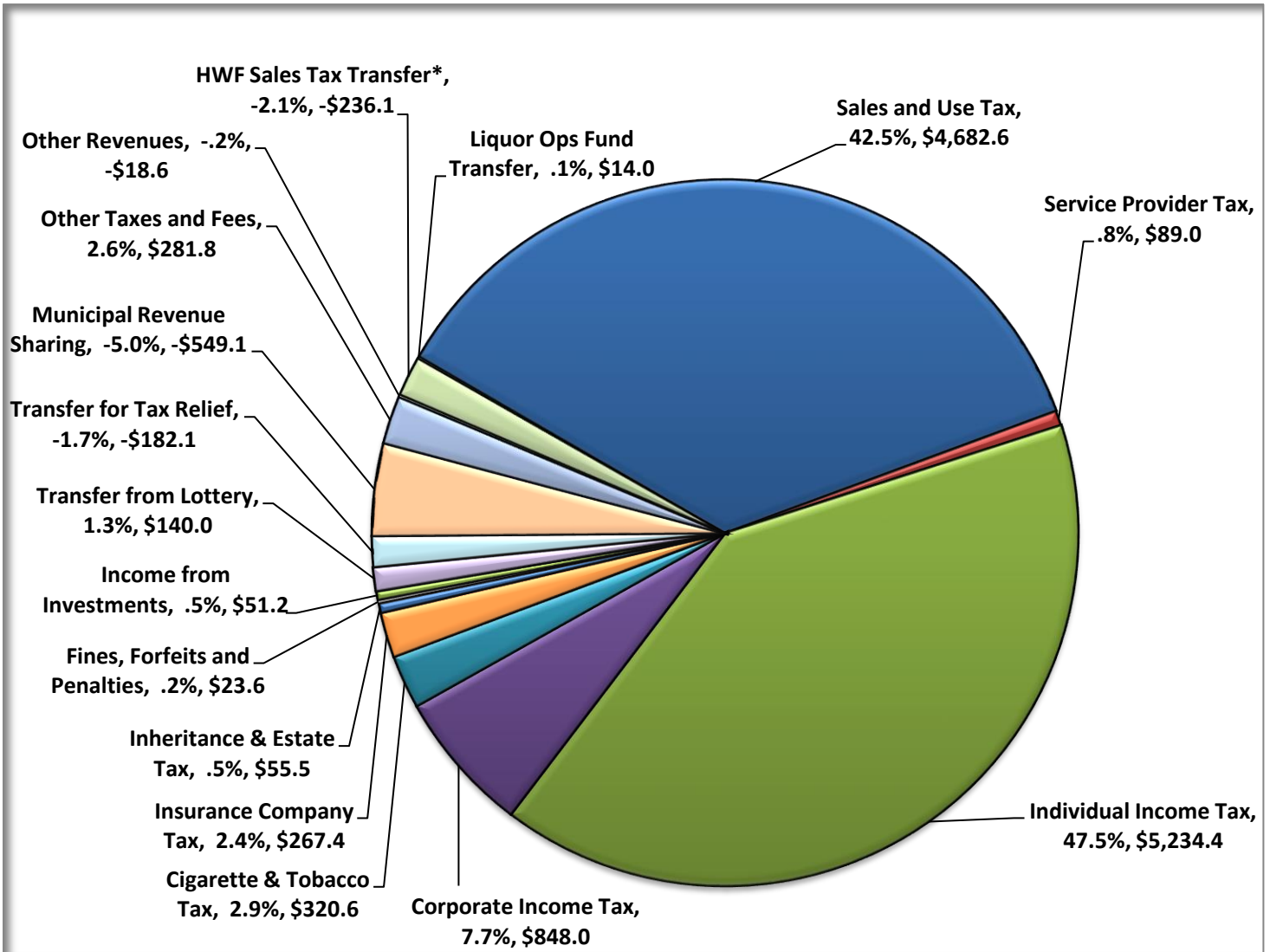
*Beginning in fiscal year 2024, Public Law 2023, chapter 189, Part I, requires that 40% of the 5.5% of the sales and use tax collected by the Bureau of Motor Vehicles related to motor vehicles be transferred from the General Fund to the Highway Fund.

Fiscal Years 2026–2027

General Fund Projected Revenues - \$11,022.2

*Includes Transfers for Municipal Revenue Sharing of (\$549.1),
Transfers to Tax Relief Programs of (\$182.1)
and Highway Fund Sales Tax Transfer (\$236.1)*

Dollars in Millions



*Beginning in fiscal year 2024, Public Law 2023, chapter 189, Part I, requires that 40% of the 5.5% of the sales and use tax collected by the Bureau of Motor Vehicles related to motor vehicles be transferred from the General Fund to the Highway Fund.

C. EXPENDITURE FORECAST Fiscal Years 2024-2027

GENERAL FUND EXPENDITURE FORECAST CHART

MAJOR PROGRAM CATEGORIES POLICY AREA / AGENCY / PROGRAM	Fiscal Years 2024-2025 BUDGET				Fiscal Years 2026-2027 BUDGET				
	FY 2024	FY 2025	YR. TO YR. % CHANGE	BIENNIUM TOTAL	FY 2026	YR. TO YR. % CHANGE	FY 2027	YR. TO YR. % CHANGE	BIENNIUM TOTAL
Homestead Property Tax Exemption	103,500,000	105,364,497	1.80%	208,864,497	92,000,000	-12.68%	95,000,000	3.26%	187,000,000
Government Facilities Authority	24,955,674	28,155,674	12.82%	53,111,348	28,155,674		28,155,674		56,311,348
Debt Service - Treasury	119,024,973	106,027,145	-10.92%	225,052,118	99,800,429	-5.87%	87,466,787	-12.36%	187,267,216
Other Agencies And Programs	245,517,931	229,524,210	-6.51%	475,042,141	250,489,457	9.13%	258,500,265	3.20%	508,989,722
Total Policy Area - Governmental Support & Operations	492,998,578	469,071,526	-4.85%	962,070,104	470,445,560	0.29%	469,122,726	-0.28%	939,568,286
Total Policy Area - Economic Development & Work Force Training	63,703,164	64,899,838	1.88%	128,603,002	63,261,786	-2.52%	63,884,880	0.98%	127,146,666
General Purpose Aid for Local Schools	1,376,441,847	1,417,212,559	2.96%	2,793,654,406	1,454,464,022	2.63%	1,483,413,427	1.99%	2,937,877,449
Teacher Retirement/Retired Teachers' Health Insurance	263,186,452	269,096,690	2.25%	532,283,142	280,508,737	4.24%	286,895,338	2.28%	567,404,075
Child Development Services	49,833,321	51,622,725	3.59%	101,456,046	51,622,725		51,622,725		103,245,450
Other Agencies And Programs	474,698,091	510,976,405	7.64%	985,674,496	510,767,308	-0.04%	513,704,571	0.58%	1,024,471,879
Total Policy Area - Education	2,164,159,711	2,248,908,379	3.92%	4,413,068,090	2,297,362,792	2.15%	2,335,636,061	1.67%	4,632,998,853
Medical Care - Payments To Providers	636,647,163	737,492,956	15.84%	1,374,140,119	851,603,141	15.47%	890,373,188	4.55%	1,741,976,329
Nursing Facilities	139,828,254	162,946,323	16.53%	302,774,577	170,905,703	4.88%	177,030,946	3.58%	347,936,649
Foster Care/Adoption Assistance	75,266,979	71,673,783	-4.77%	146,940,762	85,367,920	19.11%	85,421,999	0.06%	170,789,919
Community Mental Health	42,246,400	54,180,589	28.25%	96,426,989	54,052,383	-0.24%	54,227,339	0.32%	108,279,722
Mental Health Medicaid	44,042,981	50,764,946	15.26%	94,807,927	58,925,657	16.08%	60,204,603	2.17%	119,130,260
Community Developmental Services	18,341,920	15,136,582	-17.48%	33,478,502	16,181,170	6.90%	16,344,892	1.01%	32,526,062
Developmental Services - Medicaid	251,436,899	285,900,371	13.71%	537,337,270	354,518,549	24.00%	368,847,430	4.04%	723,365,979
Mental Health Services - Children	23,266,930	21,375,643	-8.13%	44,642,573	20,202,671	-5.49%	20,275,244	0.36%	40,477,915
Mental Health Services - Child Medicaid	39,861,176	42,162,356	5.77%	82,023,532	44,617,678	5.82%	46,531,480	4.29%	91,149,158
Substance Abuse Services	25,872,956	29,719,684	14.87%	55,592,640	29,061,585	-2.21%	29,131,691	0.24%	58,193,276
Substance Abuse Services- Medicaid	13,276,494	13,829,135	4.16%	27,105,629	14,123,550	2.13%	14,208,447	0.60%	28,331,997
Other Agencies And Programs	442,617,712	476,302,815	7.61%	918,920,527	535,990,990	12.53%	543,367,605	1.38%	1,079,358,595
Total Policy Area - Health & Human Services	1,752,705,864	1,961,485,183	11.91%	3,714,191,047	2,235,550,997	13.97%	2,305,964,864	3.15%	4,541,515,861
Total Policy Area - Natural Resources Development & Protection	131,952,975	125,776,397	-4.68%	257,729,372	142,787,662	13.53%	148,625,223	4.09%	291,412,885
Corrections	230,460,429	235,976,826	2.39%	466,437,255	251,571,531	6.61%	255,634,342	1.61%	507,205,873
Judicial Branch	105,391,605	115,580,920	9.67%	220,972,525	120,066,497	3.88%	126,744,982	5.56%	246,811,479
Other Agencies And Programs	123,968,970	161,359,425	30.16%	285,328,395	177,980,011	10.30%	182,282,003	2.42%	360,262,014
Total Policy Area - Justice & Protection	459,821,004	512,917,171	11.55%	972,738,175	549,618,039	7.16%	564,661,327	2.74%	1,114,279,366
Total Policy Area - Transportation, Safety & Development									
Total Policy Area - Arts, Heritage & Cultural Enrichment	11,052,508	10,586,313	-4.22%	21,638,821	11,506,076	8.69%	11,890,005	3.34%	23,396,081
Total Policy Area - Business Licensing and Regulation									
GRAND TOTAL GENERAL FUND EXPENDITURES	5,076,393,804	5,393,644,807	6.25%	10,470,038,611	5,770,532,912	6.99%	5,899,785,086	2.24%	11,670,317,998

Discussion

The enacted 2024-2025 biennial budget² included an additional \$1,949.7 million in General Fund appropriations over the biennium when compared to the 2022-2023 biennium. Nearly seventy percent of this increase, \$1,365 million, was in the baseline budget. It is crucial to note that the 2022-2023 biennium included several unusual one-time adjustments, artificially lowering the overall General Fund appropriation. The enhanced federal financial participation in the Medicaid program, a result of federal relief for the states during the COVID-19 public health emergency, lowered the 2022-2023 General Fund budget by \$185 million. Additionally, the Legislature enacted one-time changes to the funding of the Homestead Property Tax Exemption program and the Maine Commission on Indigent Legal Services, now the Maine Commission on Public Defense Services, by moving costs to Other Special Revenue Funds accounts and thereby lowering the General Fund appropriations by approximately \$215 million. The 131st Legislature enacted another budget bill during its First Special Session that increased appropriations by \$445 million, and another \$127.4 million in appropriations was approved in the enacted 2024-2025 supplemental budget. Other miscellaneous laws enacted by the 131st Legislature included \$11.7 million in additional appropriations for the 2024-2025 biennium.

The projection for the 2026-2027 biennium uses the fiscal year 2025 legislatively approved appropriations adjusted for the effect of one-time actions and phased-in actions with expected fiscal impacts in fiscal years 2026 and 2027. Salaries and wages projected for the 2026-2027 biennium anticipate growth from merit increases and collective bargaining approved by the 131st Legislature but not from any salary adjustments related to future collective bargaining. The projection for the 2026-2027 biennium also reflects estimated changes in normal operational costs, estimated costs associated with critical infrastructure needs and any additional costs anticipated to comply with current law beyond what is included in the current baseline budget.

Overall, policy area trends between fiscal years 2024 and 2026 are at least partially explained by:

- Positions – There was an increase in the number of positions or portions of positions being supported by the General Fund beginning during the 2024-2025 biennium due to authorized new positions or reallocations of funding for existing positions - particularly in the Health and Human Services, Justice and Protection and Government Support & Operations policy areas. The projections for the 2026-2027 biennium do not assume any additional positions.
- One-time Actions - One-time funding was provided to various agencies in fiscal year 2025 to address current needs. Agencies in the Health and Human Services, Education and Economic Development and Workforce Training policy areas were the primary recipients of these one-time funds. Since the funding was one-time, it is not reflected in the projections for fiscal years 2026 and 2027 thus explaining some of the year over year decreases between fiscal year 2025 and 2026.
- Projections for fiscal years 2026 and 2027 reflect increased operating and support costs for internal services across state government related to information technology and finance and human resources support. These increases are predominantly growth from merit increases and collective bargaining approved by the 131st Legislature but not from any salary adjustments related to future collective bargaining.

² The biennial budget for 2024-2025 was effectively enacted in two bills passed by the 131st Legislature. PL 2023 Chapter 17 was enacted in the First Regular Session of the 131st Legislature and primarily represented the baseline budget for the biennium. PL 2023 Chapter 412 was enacted in the First Special Session of the 131st Legislature and encompassed new initiatives proposed by the Governor or legislators for the 2024-2025 biennium.

Other key factors associated with notable year over year changes in projected expenditures for major programs and policy areas include:

- Homestead Property Tax Exemption – A provision enacted in the biennial budget³ for fiscal years 2022-2023 increased the reimbursement to municipalities from 70% to 73% for property tax years beginning April 1, 2022 and to 76% for property tax year beginning April 1, 2023. The increase and cap at 76% was implemented during the First Special Session of the 131st Legislature. The 2026-2027 forecast projects a reduction to total spending in the Homestead Property Tax Exemption Reimbursement program. Even as the reimbursement rate has increased, overall reimbursements are projected to decrease due to rapid increases in the real estate market reducing the values of the homestead relative to the market value of residential properties. With the market slowing, anticipated stabilization of the reimbursement with gradual increases in future years is expected.
- Justice and Protection – Maine Commission on Public Defense Services: Appropriations were enacted in the 2024-2025 biennial² and supplemental budget to support increased billing rates for assigned legal representation to \$150 per hour and the establishment of new public defender offices in multiple counties. Between the newly established positions and/or transferred existing positions there was an increase of 58 positions over the biennium. The impact of the changes increased appropriations by approximately \$30 million over the biennium.
- Debt Service – Treasury – The 2026-2027 biennium amounts represent the debt service requirements for those bonds issued through fiscal year 2024. The debt service requirements for the 2026-2027 biennium may be higher than projected assuming either additional bond sales of bonds already authorized and/or the Legislature approves sending additional bond proposals to the voters in calendar year 2025.
- Education –
 - General Purpose Aid appropriations enacted in the 2024-2025 biennial² and supplemental budgets raised the State share of education funding to 55%. This percentage is calculated in accordance with Title 20-A § 15671 sub-§ 7 ¶ B and **does not** include the cost of teacher retirement, retired teacher health insurance and life insurance in the total cost of education. Similarly, the State’s appropriation for those items **does not count** toward the State’s share.⁴ This calculation method was also used in determining the General Purpose Aid expenditure projection for the 2026-2027 biennium that assumes continuing to fund the State share at 55% as required by current law.
 - Projected expenditures for Teacher Retirement/Retired Teacher Health Insurance are based on actuarial valuations provided by the Maine Public Employees Retirement System and the Office of the State Controller. The actuarial valuation projects teacher salary and wage growth of 2.75 percent for the 2026-2027 biennium based upon the actuarial assumption for inflation and general salary increase.
 - Improving Child Development Services: \$9 million for year one of the three-year phase-in of the oversight of educational plans for preschool-age children with disabilities from the CDS agency to public schools; \$4 million to fund infrastructure upgrades at those schools that voluntarily assume the education of children ages 3 through 5; \$1 million to

³ This provision was in PL 2023 Chapter 412.

⁴ Some prior four-year revenue and expenditure forecasts have calculated the State’s 55% share of the total cost of education to include teacher retirement, retired teacher health insurance and life insurance in the total cost of education per Title 20-A § 15671 sub-§ 7 ¶ C.

support an early childhood special education pathways pilot project; and nearly \$2.6 million for increased Child Development Services staffing costs due to negotiated salary and wages increases.

- Nearly \$11.5 million additional funding will be necessary for universal free meals in K-12 public schools in accordance with PL 2021, Chapter 398 Part OOOO.
- One-time funding of nearly \$3 million was provided in fiscal year 2025 for facilities related costs of education in the unorganized territory.
- Support for Higher Education: Nearly \$54 million in higher education funding to: 1) support a 4.5 percent increase for Maine’s public higher education institutions, including the University of Maine System, the Maine Community College System, and Maine Maritime Academy; 2) increase by \$5 million the Maine Economic Improvement Fund which provides ongoing investment for research and development; and 3) an ongoing increase of \$2 million per year for Maine Maritime Academy, permanently increasing their share of state funding.
- Health and Human Services – Significant adjustments to appropriations implemented over the 2024-2025 biennium make it challenging to discern baseline current law trends in the Health and Human Services policy area. This was a mix of initiatives that were fully implemented during both 2024 and 2025 and those with a later start in 2025 resulting in growth within the biennium and more significant growth in 2026-2027. One-time appropriation adjustments included:
 - Enacted budgets for the 2024-2025 biennium included deappropriations of \$38 million in 2024 as a result of the phase out of the enhanced Federal Medical Assistance Percentage (FMAP) rate the State has been receiving during the COVID-19 public health emergency.
 - A one-time deappropriation of \$40 million, \$20 million in each year, was enacted for 2024 and 2025. This reduction was intended to reflect anticipated lower costs in the Medicaid program. The 2026-2027 baseline budget restores the \$20 million in each year.
 - One-time appropriations of approximately \$8.5 million over the 2024-2025 biennium were enacted for increases in child welfare payments linked to an increased number of children in foster care.

The following ongoing changes to appropriations in the Health and Human Services policy area are also notable. The fiscal impact of the actions underlying the changes are reflected in the projections for the 2026-2027 biennium:

- Changes in the State’s normal FMAP rate resulted in a net increase of approximately \$16.2 million in General Fund appropriations for fiscal year 2025. The FMAP rate decreased for federal fiscal year 2025 resulting in this increased need for General Fund dollars to support Medicaid programs. The projections for fiscal year 2026 and 2027 include another expected decrease in the FMAP rate for federal fiscal year 2025 resulting in an increase in General Fund appropriations of approximately \$11 million over the upcoming biennium.

- Enacted budgets for the 2024-2025 biennium provided additional appropriations to expand coverage and capacity or enhance existing services across several program areas including: behavioral health crisis receiving centers, mobile crisis rates and services, nursing facility rate reform, psychiatric residential treatment facilities, high fidelity wrap around services and Section 21 services. The fiscal year 2025 appropriations carried over into the baseline for fiscal years 2026 and 2027. An additional \$68.6 million is included in the projections for fiscal years 2026 and 2027 related to these services.
- Additional funding was approved in the 2024-2025 biennium for mandated annual inflation adjustments, rebasing of nursing facilities, and rate increases across a broad spectrum of Medicaid providers and services, including increased wages for direct support workers. Projections for the next biennium also include additional appropriations for these purposes currently estimated at \$50.4 million for fiscal year 2026 and \$85.2 million in fiscal year 2027.
- The 2026-2027 projections include a one-time request of \$29.3 million in fiscal year 2027 to accommodate an additional payment cycle (53 rather than the typical 52). Also within Medicaid is a request for nearly \$102 million in each year of the biennium to address increased costs and enrollment within the program and \$7 million each year associated with higher Clawback payments.
- Additional funding will be necessary for child welfare payments linked to a continued increased number of children in foster care. The 2024-2025 budgets included an \$8.6 million one-time increase. This is not included in the 2026-2027 baseline. The forecast for 2026-2027 includes requests of \$16.8 million in 2026 and \$16.9 million in 2027 to address the continued need.
- Additional funding requests are included for the General Assistance program totaling over \$27 million and \$13 million for the state-funded Supplemental Nutrition Assistance Program in the 2026-2027 biennium.

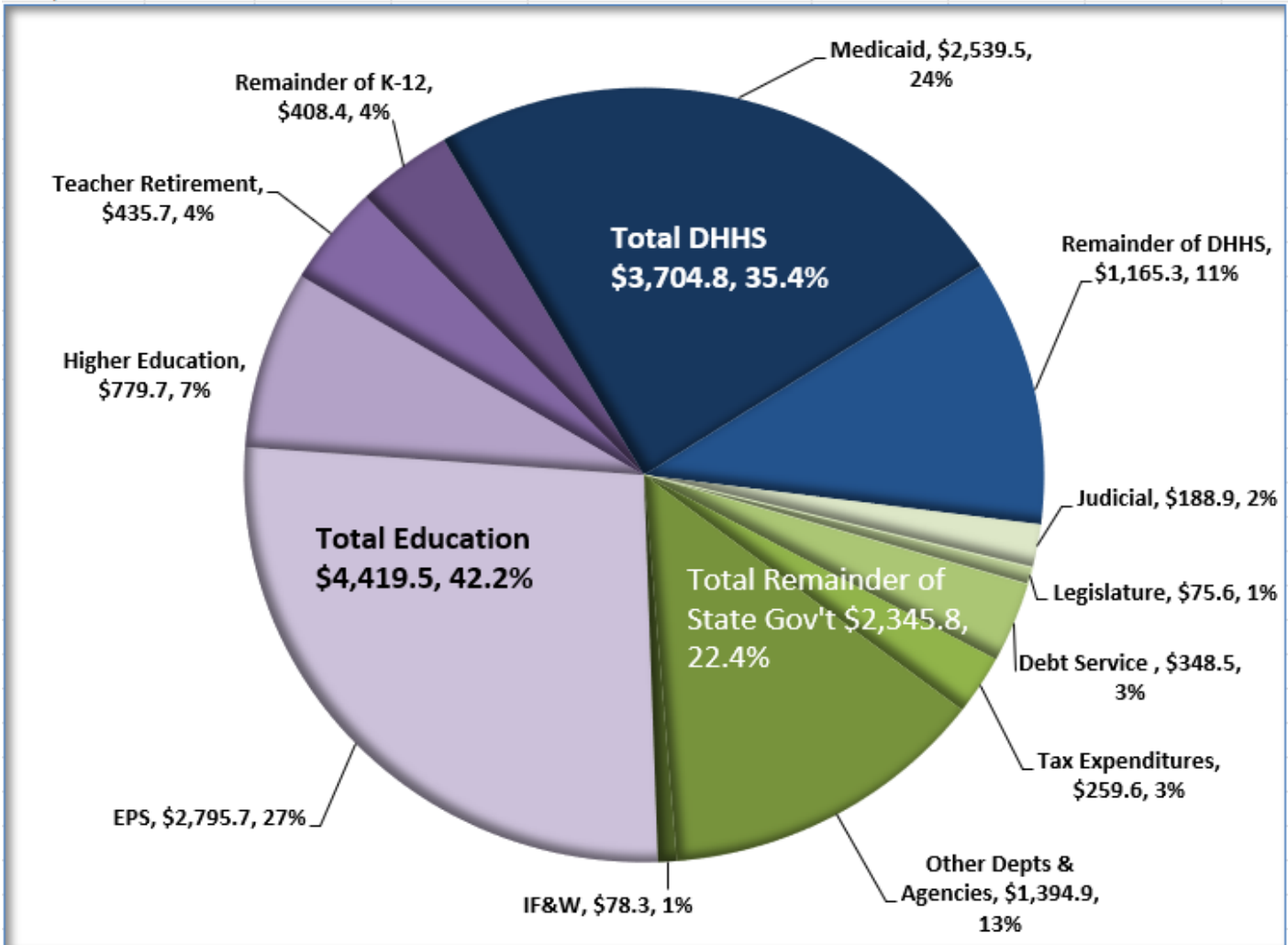
The following pie charts depict the percent breakdown of General Fund appropriations by expenditure category for each of the biennia covered in this report.

Fiscal Years 2024–2025

General Fund Budgeted Appropriations

\$10,470.1

Dollars in Millions

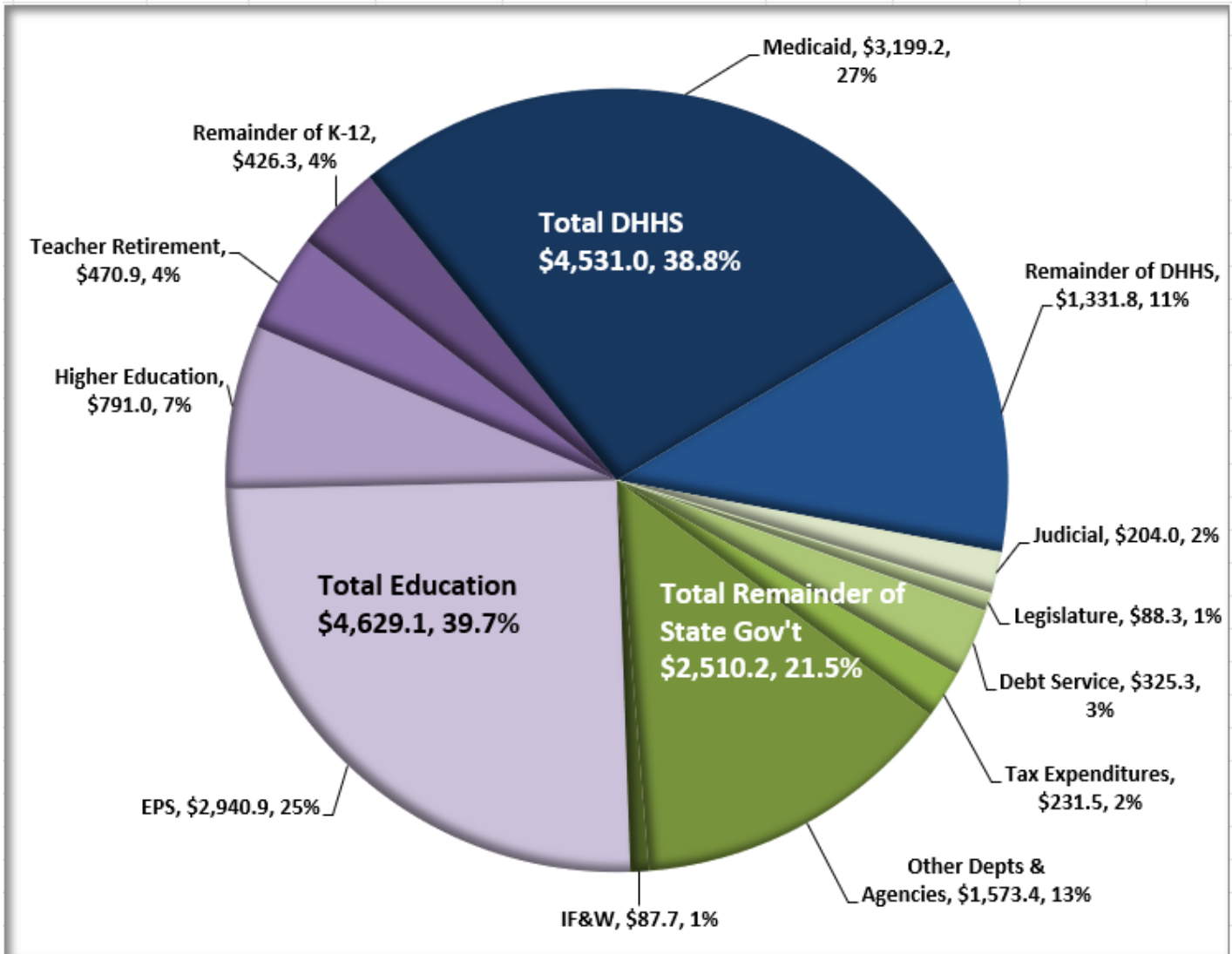


Fiscal Years 2026-2027

General Fund Forecasted Appropriations

\$11,670.3

Dollars in Millions



III. HIGHWAY FUND

A. BUDGET STATUS Fiscal Years 2024-2027

HIGHWAY FUND STATUS						
	Fiscal Years 2024-2025 BUDGET			Fiscal Years 2026-2027 FORECAST		
	FY 2024	FY 2025	TOTAL	FY 2026	FY 2027	TOTAL
BALANCE	16,731,769		16,731,769	6,916,118		6,916,118
ADJUSTMENTS *	1,470,535	(11,000,000)	(9,529,465)			
REVENUE	510,869,139	503,560,608	1,014,429,747	504,184,363	503,727,720	1,007,912,083
TOTAL RESOURCES	529,071,443	492,560,608	1,021,632,051	511,100,481	503,727,720	1,014,828,201
ADJUSTMENTS **	8,565,063	13,123,849	21,688,912			
ALLOCATIONS	490,354,538	502,672,483	993,027,021	659,930,068	667,438,129	1,327,368,197
PROJECTED BALANCE (SHORTFALL)	30,151,842	(23,235,724)	6,916,118	(148,829,587)	(163,710,409)	(312,539,996)
* Includes transfers and adjustments in budget bills and other enacted laws as well as year-end adjustments for unbudgeted lapsed balances, lapsed encumbrances, and other accounting adjustments.						
** Includes statutory year-end transfers.						

Discussion

The budgeted Highway Fund adjusted fund status for fiscal year 2024 was \$30,151,842 and is projected to be \$6,916,118 at the end of 2024-2025 biennium. Current projections for the 2026-2027 biennium assume a beginning balance of \$6,916,118 and Highway Fund revenues of \$1,007,912,083. Projected Highway Fund allocations for the biennium are \$1,327,368,197 which result in a projected budget gap for the Highway Fund of \$312,539,996.

Revenues projected for fiscal years 2024-2027 are from the RFC's March 2024 forecast with adjustments to reflect laws enacted during the remainder of the 131st Legislature's Second Regular Session. Similarly, the expenditure information in this forecast reflects all Highway Fund allocations approved through the Second Regular Session of the 131st Legislature. The projection for the 2026-2027 biennium uses the fiscal year 2025 legislatively approved allocations adjusted for the effect of one-time and phased-in actions with expected fiscal impacts in fiscal years 2026 and 2027. More detailed projections on a department or program basis are made later in this report where appropriate to reflect specific trends in those areas.

Additionally, the allocations projected for the 2026-2027 biennium include **\$420.4 million**⁵ over baseline allocations to support the achievement of the **Department of Transportation's capital program goals** as established in Title 23 § 73 sub-§ 7, including the State match for available federal grants. It is important to stress that this four-year forecast, by law, must assume this state share. Associated with this is another **\$33 million** in allocations projected for the biennium **for Local Road Assistance** in accordance with Title 23, § 1803-B which requires the Local Road Assistance program to be funded at 9% of the Highway Fund allocations to the Department of

⁵ The \$420.4 million includes \$333 million in capital funding for the Highway and Bridge program, \$45.8 million in the Highway Light Capital program, and \$41.6 million for the Multimodal Transportation Fund.

Transportation. The reader is advised to bear this in mind when assessing the *estimated* structural gap and the potential for closing it.

The State continues to be challenged with insufficient resources coming into the Highway Fund to support all improvements in the State's transportation infrastructure that are expected to be funded by this fund. Over the most recent biennia, in addition to several one-time transfers from the General Fund Unappropriated Surplus, the following notable ongoing statutory changes have been implemented to address these structural funding challenges:

- PL 2021, c. 398, p. ZZZ amended Title 5 § 1536, to direct 20% of the excess General Fund remaining after certain other priority transfers be transferred annually to the MaineDOT for highway and bridge projects. Additionally, it stipulated that if the stabilization fund is at the statutory limit, the excess funds must be transferred to the MaineDOT. The combined impact of these changes for the most recent two fiscal years is as follows:
 - At the close of 2022-23, approximately \$18 million was transferred to the Highway Fund for use in 2023-24; and,
 - At the close of 2023-24, approximately \$75 million was transferred to the Highway Fund for use in 2024-25.
- PL 2023, chapter 189, part H, requires that liquor operations amounts received pursuant to Title 28-A, section 90, exceeding \$7 million to be deposited as undedicated revenue to the Highway Fund. The projected positive impact to the Highway Fund of this change in the 2024-2025 and 2026-2027 biennia is approximately \$119 and \$118 million, respectively.
- PL 2023, chapter 189, part I, requires the transfer of 40% of the amount of motor vehicle sale and use revenue collected at the rate of 5.5%, after the reduction to the Local Government Fund, from the General Fund to the Highway Fund. The projected positive impact to the Highway Fund of this change in the 2024-2025 and 2026-2027 biennia is approximately \$223 and \$236 million, respectively.

Sections III.B and III.C of this report provide additional detail, including tables and charts, of the projected Highway Fund revenues and expenditures used in this forecast.

B. REVENUE PROJECTION Fiscal Years 2024-2027

HIGHWAY FUND REVENUE PROJECTION									
SOURCE	Fiscal Years 2024-2025 BUDGET				Fiscal Years 2026-2027 BUDGET				
	FY 2024	FY 2025	YR. TO YR. % CHANGE	Total BIENNIUM	FY 2026	YR. TO YR. % CHANGE	FY 2027	YR. TO YR. % CHANGE	TOTAL BIENNIUM
Fuel Tax	215,968,705	211,999,565	-1.84%	427,968,270	211,137,788	-0.41%	210,121,997	-0.48%	421,259,785
Motor Vehicle Registrations & Fees	104,285,634	97,538,198	-6.47%	201,823,832	97,538,198		97,538,198		195,076,396
Inspection Fees	3,086,749	3,202,500	3.75%	6,289,249	3,202,500		3,202,500		6,405,000
Miscellaneous Taxes & Fees	1,774,184	1,416,470	-20.16%	3,190,654	1,416,470		1,416,470		2,832,940
Fines Forfeits & Penalties	1,090,913	606,412	-44.41%	1,697,325	606,412		606,412		1,212,824
Income from Investments	2,762,727	1,974,719	-28.52%	4,737,446	1,367,179	-30.77%	860,359	-37.07%	2,227,538
Other Revenues	14,219,242	12,404,465	-12.76%	26,623,707	12,404,465		12,404,465		24,808,930
HWF Sales Tax Transfer	107,534,228	115,418,279	7.33%	222,952,507	117,511,351	1.81%	118,577,319	0.91%	236,088,670
Liquor Ops Fund Transfer	60,146,757	59,000,000	-1.91%	119,146,757	59,000,000		59,000,000		118,000,000
TOTAL REVENUE	510,869,139	503,560,608	-1.43%	1,014,429,747	504,184,363	0.12%	503,727,720	-0.09%	1,007,912,083
Fiscal Year 2024 figures reflect actuals as of Year-End									

Discussion

The RFC in its December 2023 report re-projected revenues upward by \$1.3 million for the 2024-2025 biennium. The March 2024 RFC forecast also re-projected revenues upward for the 2024-2025 biennium by another \$19.2 million. Following the March 2024 revenue forecast and bills enacted in the Second Regular Session of the 131st Legislature, the projected Highway Fund adjusted balance was approximately \$6.9 million for the end of the biennium. In the December 2023 forecast the RFC re-projected the 2026-2027 biennium downward by \$3.9 million, but in the March 2024 forecast, re-projected revenues upward by \$22.8 million for the 2026-2027 biennium. The primary drivers in projected revenues for the Highway Fund were the result of decreases in overall motor fuels revenue offset by forecasted increases in motor vehicle registration and fees, the estimate for the automotive sales tax transfer from the General Fund, and the liquor operations fund transfer.

Revenues projected for fiscal years 2024-2027 in this four-year forecast are from the RFC's March 2024 report and reflect all actions through the Second Regular Session of the 131st Legislature. The revenue forecast reflects the economic forecast issued by the Consensus Economic Forecasting Commission in February 2024 and the State's actual revenue performance for the first seven months of fiscal year 2024.

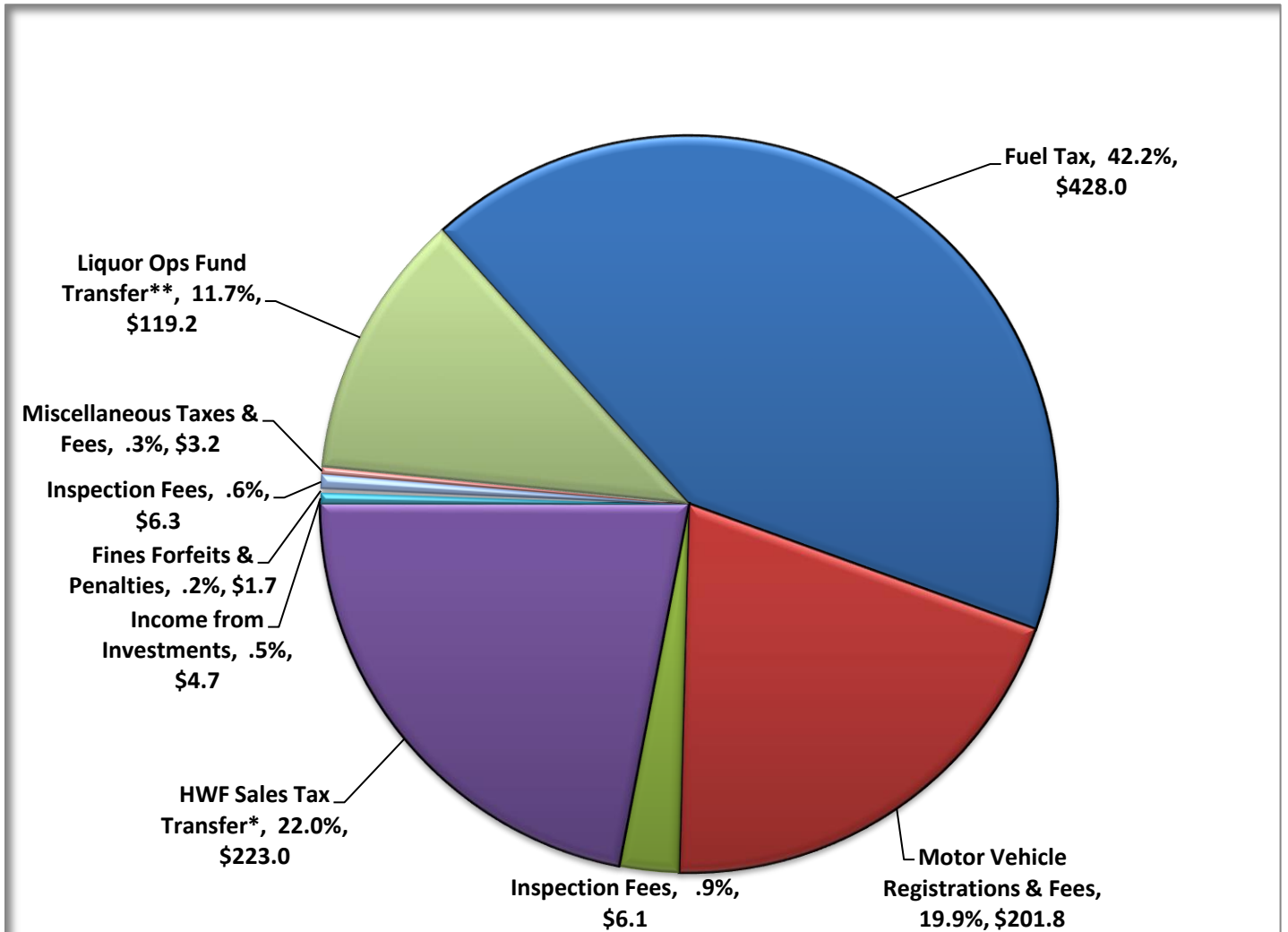
The RFC's March 2024 Revenue Forecast report, which details the factors and assumptions underlying the revenue projection, can be found on the Revenue Forecasting Committee's website at <https://legislature.maine.gov/doc/10858>. The following pie charts depict the percent of Highway Fund revenue associated with each revenue source for each of the biennia covered in this report.

Fiscal Years 2024-2025

Highway Fund Budgeted Revenues

\$1,014.5

Dollars in Millions



*Public Law 2023, chapter 189, Part I requires that 40% of the 5.5% of the sales and use tax collected by the Bureau of Motor Vehicles related to motor vehicles be transferred from the General Fund to the Highway Fund.

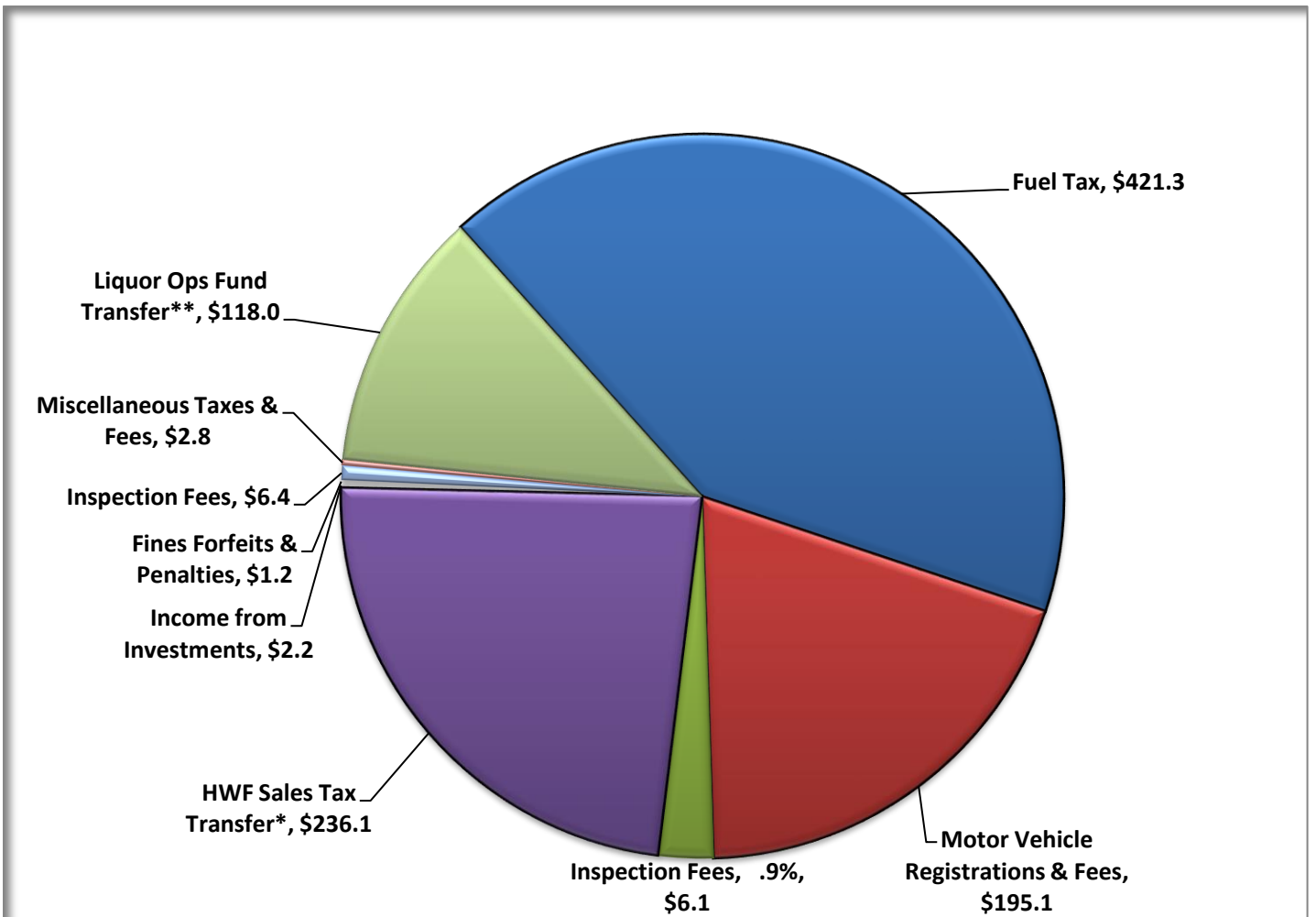
**Public Law 2023, chapter 189, Part H requires amounts received pursuant to Title 28-A, section 90, exceeding \$7 million to be deposited as undedicated revenue to the Highway Fund.

Fiscal Years 2026–2027

Highway Fund Projected Revenues

\$1,007.9

Dollars in Millions



*Public Law 2023, chapter 189, Part I, requires that 40% of the 5.5% of the sales and use tax collected by the Bureau of Motor Vehicles related to motor vehicles be transferred from the General Fund to the Highway Fund.

**Public Law 2023, chapter 189, Part H requires amounts received pursuant to Title 28-A, section 90, exceeding \$7 million to be deposited as undedicated revenue to the Highway Fund.

C. EXPENDITURE FORECAST Fiscal Years 2024-2027

HIGHWAY FUND EXPENDITURE FORECAST CHART									
MAJOR PROGRAM CATEGORIES POLICY AREA / AGENCY / PROGRAM	Fiscal Years 2024-2025 BUDGET				Fiscal Years 2026-2027 BUDGET				
	FY 2024	FY 2025	YR. TO YR. % CHANGE	BIENNIUM TOTAL	FY 2026	YR. TO YR. % CHANGE	FY 2027	YR. TO YR. % CHANGE	BIENNIUM TOTAL
Administration Motor Vehicles	49,892,422	51,819,471	3.86%	101,711,893	56,032,482	8.13%	58,592,949	4.57%	114,625,431
Other Agencies And Programs	3,031,483	3,330,007	9.85%	6,361,490	3,476,572	4.40%	3,561,388	2.44%	7,037,960
Total Policy Area - Governmental Support & Operations	52,923,905	55,149,478	4.21%	108,073,383	59,509,054	7.91%	62,154,337	4.45%	121,663,391
Total Policy Area - Natural Resources Development & Protection	33,654	33,816	0.48%	67,470	33,816		33,816		67,632
State Police	24,027,636	27,878,589	16.03%	51,906,225	29,948,433	7.42%	30,939,118	3.31%	60,887,551
Other Agencies And Programs	11,318,783	12,290,816	8.59%	23,609,599	14,384,710	17.04%	14,925,769	3.76%	29,310,479
Total Policy Area - Justice & Protection	35,346,419	40,169,405	13.64%	75,515,824	44,333,143	10.37%	45,864,887	3.46%	90,198,030
Maintenance & Operations	201,532,863	204,530,736	1.49%	406,063,599	221,517,884	8.31%	224,914,342	1.53%	446,432,226
Highway & Bridge Capital	95,653,672	127,562,580	33.36%	223,216,252	215,991,195	69.32%	216,552,034	0.26%	432,543,229
Highway & Bridge Light Capital	37,980,000	7,630,000	-79.91%	45,610,000	26,075,001	241.74%	25,575,001	-1.92%	51,650,002
Local Road Assistance Program	24,994,010	25,343,795	1.40%	50,337,805	41,095,996	62.15%	41,529,149	1.05%	82,625,145
Debt Service									
Other Agencies And Programs	41,890,015	42,252,673	0.87%	84,142,688	51,373,979	21.59%	50,814,563	-1.09%	102,188,542
Total Policy Area - Transportation Safety & Development	402,050,560	407,319,784	1.31%	809,370,344	556,054,055	36.52%	559,385,089	0.60%	1,115,439,144
TOTAL HIGHWAY FUND EXPENDITURES	490,354,538	502,672,483	2.51%	993,027,021	659,930,068	31.28%	667,438,129	1.14%	1,327,368,197

Discussion

The enacted 2024-2025 biennial budget included an additional \$296.1 million in Highway Fund allocations over the biennium when compared to the 2022-2023 biennium. Another \$5.4 million in allocations was enacted in the 2024-2025 supplemental budget. Other miscellaneous laws enacted by the 131st Legislature included \$50,000 in additional allocations for the 2024-2025 biennium.

The projection for the 2026-2027 biennium uses the fiscal year 2025 legislatively approved allocations adjusted for the effect of one-time actions and phased-in actions with expected fiscal impacts in fiscal years 2026 and 2027. Salaries and wages projected for the 2026-2027 biennium anticipate growth from merit increases and collective bargaining approved by the 131st Legislature but not for any salary adjustments related to future collective bargaining. The projection for the 2026-2027 biennium also reflects estimated changes in normal operational costs and any additional costs anticipated to comply with current law beyond what is included in the current baseline budget.

The Transportation Safety & Development policy area shown in the preceding table reflects budgeted Highway Fund expenditures for fiscal years 2024 and 2025 associated with the Maine Department of Transportation (MaineDOT) that were enacted in budget bills and other laws. Current law also requires transfer of all but \$100,000 in unallocated Highway Fund balance at the end of each fiscal year to MaineDOT to be used for highway and bridge improvements. Funds transferred to MaineDOT at the end of fiscal years 2023 and 2024 totaled \$8,565,063 and \$13,123,849, respectively. This effectively increases the available Highway Funds directed to highway and bridges for 2024 and 2025 over the budgeted amount shown in the table.

Other key factors associated with notable year over year changes in projected expenditures for major programs and policy areas include:

- Administration Motor Vehicles – Approximately 94% of total expenditures in the Government Support & Operations policy area across the two biennia are for the Administration Motor Vehicles program in the Department of the Secretary of State - with nearly all of it in Personal Services. Two positions were added in this program beginning in 2025 accounting for the year over year change from 2024. The Bureau of Motor Vehicles generates substantial revenue for the Highway Fund with more than \$208.1 million expected for the 2024-2025 biennium and more than \$207.8 million projected for revenues in the 2026-2027 biennium.
- State Police – Year over year increased expenditures across both biennia primarily reflect the increase in Personal Services for 16 new State Police positions and range changes for a variety of State Police positions, as approved in the 2024-2025 supplemental budgets. Personal Services costs associated with salaries and wages and collectively bargained items such as stipends, allowances, differentials and premium pay also contribute to the increased expenditures across both biennia.
- Transportation – As previously discussed, projections for the 2026-2027 biennium include \$420.4 million in expenditures associated with the MaineDOT's capital programs established in Title 23 § 73 sub-§ 7.
 - Highway and Bridge Capital - Of that \$420.4 million, the projections include \$333 million to meet the capital goals in the Highway and Bridget Capital

program. The Infrastructure Investment and Jobs Act (IIJA) passed by Congress in November 2021 will continue to provide expanded grant opportunities for Maine in the coming biennium.

- Highway Light Capital – Of the \$420.4 million, the projections include \$23 million in each fiscal year for 700 miles of light capital paving each year, along with other work.
- Multimodal Transportation - Of the \$420.4 million, the projections include \$41.6 million to meet the capital goals in the Multimodal Transportation program.
- Local Road Assistance – Title 23, § 1803-B requires the Local Road Assistance (LRA) program, which provides funding to municipalities, to be funded at 9% of the Highway Fund allocations to MaineDOT. Consequently, the allocations for LRA fluctuate with the level of allocations provided for MaineDOT. The increase in projected LRA expenditures for 2026-2027 are primarily associated with the increases for the Highway and Bridge Capital and Highway Light Capital programs described in the bullets above. The additional LRA related to the goals in Title 23 § 73 sub-§ 7 are projected at \$32.9 million in the 2026-2027 biennium.
- Debt Service – Beginning in fiscal year 2022, there is no longer any Highway Fund debt service due. Since the 2009-2010 biennium, debt service for new general obligation bonds issued for transportation has been paid by the General Fund.

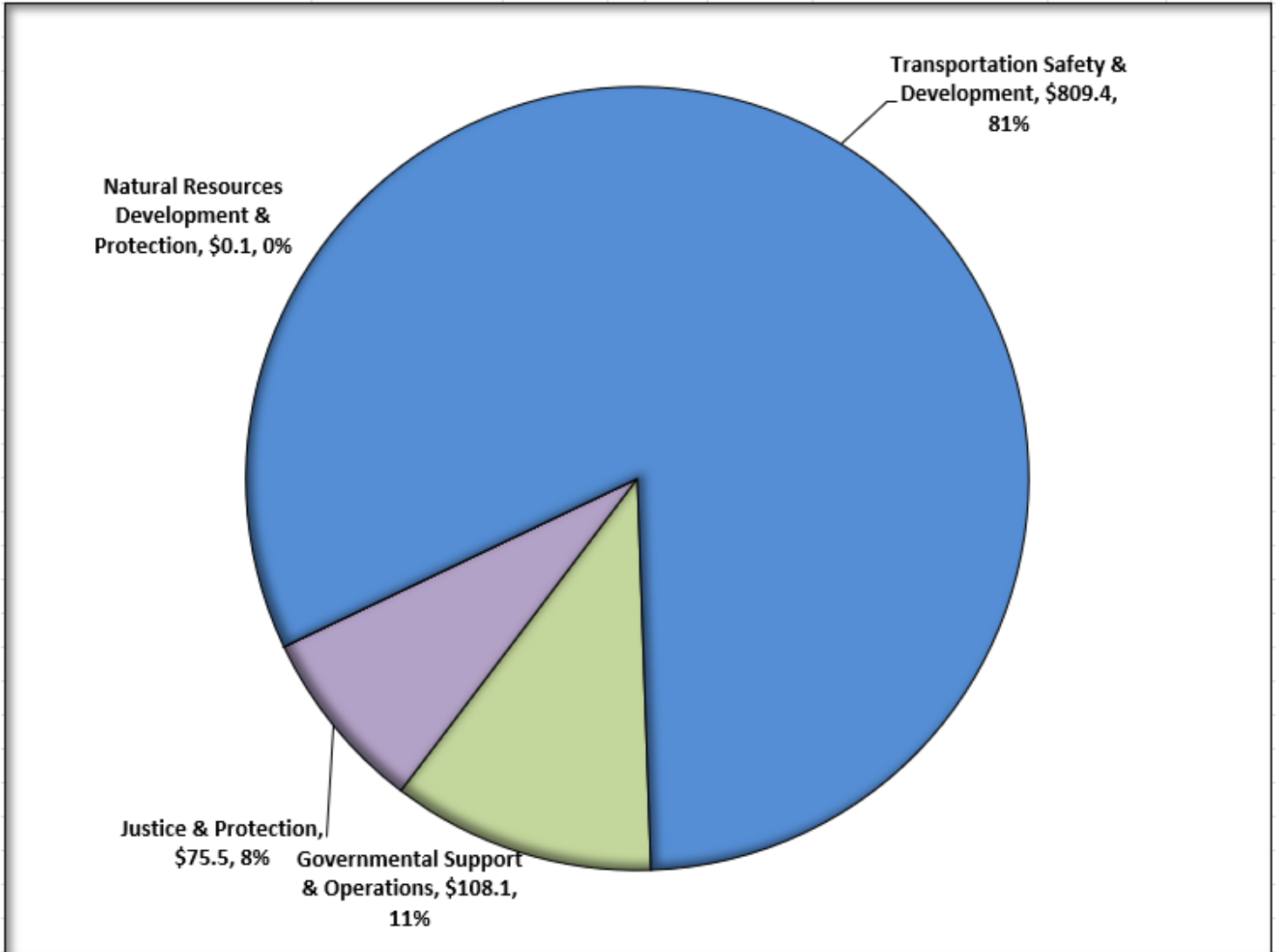
The following pie charts depict the percent breakdown of Highway Fund allocations by expenditure category for each of the biennia covered in this report.

Fiscal Years 2024–2025

Highway Fund Budgeted Allocations⁶

\$993.0

Dollars in Millions



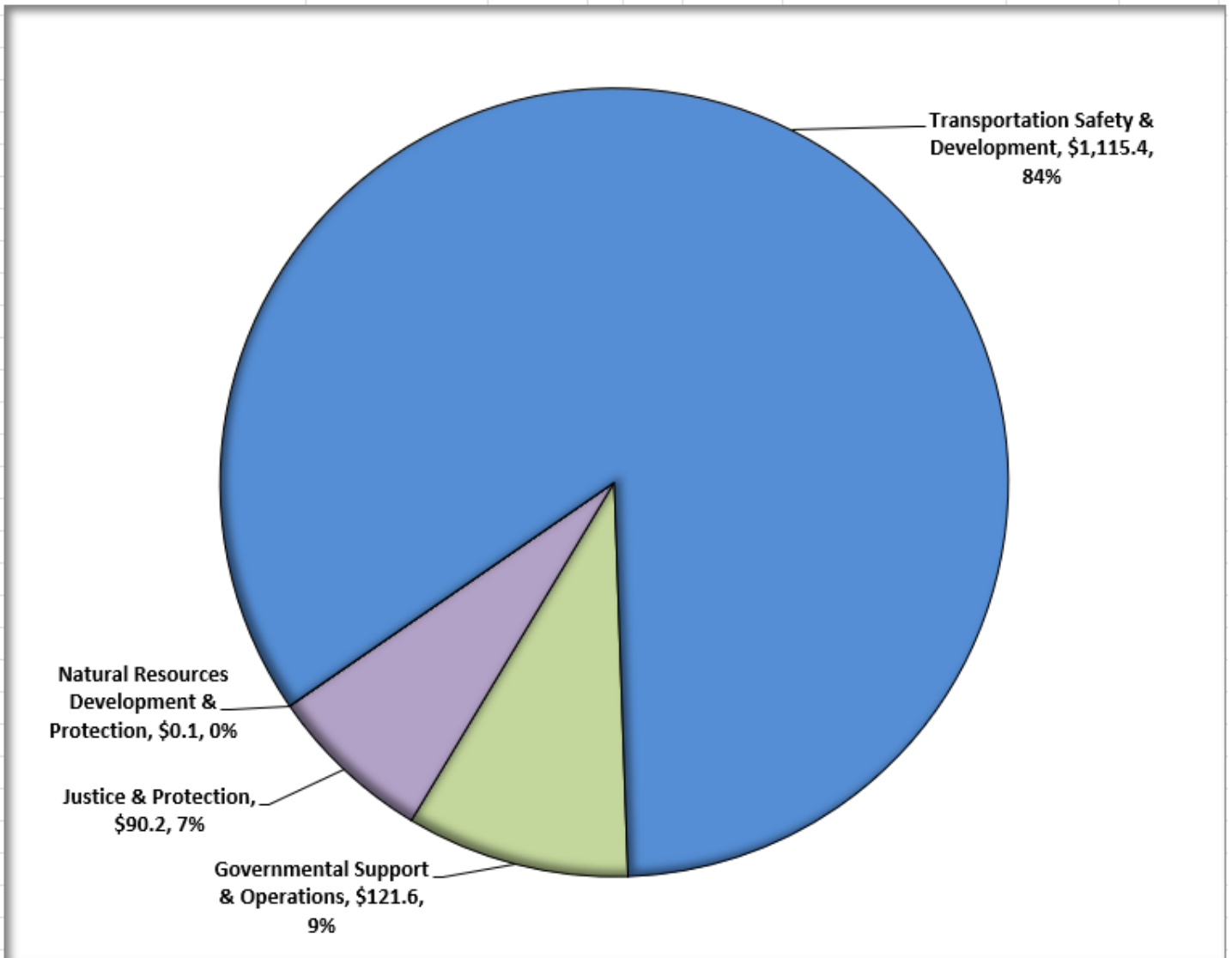
⁶ Approximately \$101.7 million of the \$108.1 million for the Government Support & Operations policy area is for the Administration of Motor Vehicles. The Bureau of Motor Vehicles is expected to generate more than \$208.1 million in Highway Fund revenue for the 2024-2025 biennium.

Fiscal Years 2026–2027

Highway Fund Forecasted Allocations⁷

\$1,327.3

Dollars in Millions



⁷ Nearly \$114.6 million of the \$121.7 million for the Government Support & Operations policy area is for the Administration of Motor Vehicles. The Bureau of Motor Vehicles is projected to generate more than \$207.8 million in Highway Fund revenue for the 2026-2027 biennium.

IV. SUMMARY

This report provides a summary and detailed projection of revenues, appropriations and allocations for the General Fund and the Highway Fund for the 2024-2025 biennium and the 2026-2027 biennium. The base level projections for the General Fund and Highway Fund include the March 2024 projection of the Revenue Forecasting Committee and reflect all actions through the Second Regular Session of the 131st Legislature.

The forecasts of revenues, appropriations and allocations contained in this report, when constructed under current law and current trends, result in a projected shortfall of \$636,710,439 in the General Fund for the 2026-2027 biennium. The shortfall projected for the Highway Fund for the 2026-2027 biennium is \$312,539,996.