New Issue – Book-Entry-Only

This Official Statement provides information about the Bonds. Some of the information appears on this cover page for ready reference. A prospective investor should read the entire Official Statement to make an informed investment decision.

$85,470,000
STATE OF MAINE
GENERAL OBLIGATION BONDS
Consisting of
$18,590,000 2022 Series A
(Federally Taxable)
And
$66,880,000 2022 Series B

Dated: Date of Delivery | **Due: as shown on the inside cover**

Bond Ratings See "RATINGS" herein.

Interest Payment Dates June 1 and December 1, commencing December 1, 2022.

Redemption The Bonds are not subject to redemption prior to maturity.

Source of Payment The Bonds will be general obligations of the State of Maine ("the State") and the full faith and credit of the State are pledged to the punctual payment of principal of and interest on the Bonds, with the State Treasurer being obligated under the Maine Constitution to set aside available General Fund revenues to the extent needed to make said payments if legislative appropriations are insufficient, as more fully described herein. See "DESCRIPTION OF THE BONDS" herein.

Tax Matters In the opinion of Locke Lord LLP, Bond Counsel to the State, interest on the Series A Bonds is included in the gross income of the owners of the Series A Bonds for federal income tax purposes. Interest on the Series B Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended. Interest on the Series B Bonds will not be included in computing the alternative minimum taxable income for individuals. Under existing law, interest on the Bonds is excluded from gross income for State income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

Purpose The Bonds are being issued to finance certain capital expenditures of the State. See "DESCRIPTION OF THE BONDS" herein.

Initial Denominations Multiples of $5,000.

Closing July 27, 2022.

Global Book-Entry System The Bonds, when issued, will be registered in the name of Cede & Co., as the nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository") of the Bonds. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased.

Bond Counsel Locke Lord LLP. See "TAX MATTERS" herein.

Municipal Advisor Hilltop Securities Inc. See "MUNICIPAL ADVISOR" herein.

Issuer Contact Henry E.M. Beck, Esq., Treasurer of State. See "MISCELLANEOUS" herein.

Goldman Sachs & Co. LLC | **Raymond James**

J.P. Morgan | **Siebert Williams Shank & Co., LLC**

Official Statement dated July 12, 2022

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

$85,470,000
State of Maine
General Obligation Bonds

$18,590,000
General Obligation Bonds, 2022 Series A
(Federally Taxable)

Maturity (June 1)	Principal Amount	Interest Rate	Yield	CUSIP[†] No.
2023	$7,965,000	3.750%	3.122%	56052AG59
2024	8,610,000	3.875	3.322	56052AG67
2025	2,015,000	4.000	3.490	56052AG75

$66,880,000
General Obligation Bonds, 2022 Series B

Maturity (June 1)	Principal Amount	Interest Rate	Yield	CUSIP[†] No.
2025	$6,595,000	5.000%	1.860%	56052AG83
2026	8,610,000	5.000	1.970	56052AG91
2027	8,610,000	5.000	2.040	56052AH25
2028	8,610,000	5.000	2.220	56052AH33
2029	8,610,000	5.000	2.360	56052AH41
2030	8,615,000	5.000	2.440	56052AH58
2031	8,615,000	5.000	2.520	56052AH66
2032	8,615,000	5.000	2.580	56052AH74

No dealer, broker, salesperson or other person has been authorized by the State or the underwriters listed on the cover page hereof (the "Underwriters") to give any information or to make any representation, other than those contained in this Official Statement. If given or made, such other information or representation must not be relied upon as having been authorized by the State or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstance create any implication that there has been no change in the affairs of the State since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

 The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and none of the State or the Underwriters makes any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future.

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Governor

Janet T. Mills
State House Station 1
Augusta, Maine

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Henry E.M. Beck, Esq.
State House Station 39
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Commissioner of Administrative and Financial Services

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Lincoln, Rhode Island

Counsel to Goldman Sachs & Co. LLC, as representative of the Underwriters

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Augusta, Maine

$85,470,000
STATE OF MAINE
GENERAL OBLIGATION BONDS
Consisting of
$18,590,000 2022 Series A
(Federally Taxable)
and
$66,880,000 2022 Series B

INTRODUCTION

This Official Statement, including the cover page hereof and the Appendices hereto, sets forth certain information in connection with the issuance by the State of Maine (the "State" or "Maine") of its $18,590,000 General Obligation Bonds, 2022 Series A (Federally Taxable) (the "Series A Bonds") and its $66,880,000 General Obligation Bonds, 2022 Series B (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds"). The Bonds are authorized by, and are being issued pursuant to, Article IX, Section 14, of the Constitution of the State and certain laws of the State which were ratified by voters of the State voting in elections thereon. See Appendix D hereto. The Bonds will be general obligations of the State.

DESCRIPTION OF THE BONDS

The Bonds will bear interest from the date of their delivery payable semiannually on June 1 and December 1 of each year, commencing December 1, 2022, until payment of the principal of the Bonds. Interest on the Bonds will be paid on the interest payment dates, and principal of the Bonds will be paid at maturity, to The Depository Trust Company, New York, New York ("DTC") or its nominee as registered owner of the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, disbursement of such payments to DTC is the responsibility of the State, disbursement of such payments to the Direct Participants (as defined under the heading "The Depository Trust Company" below) is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (as defined under the heading "The Depository Trust Company" below) is the responsibility of the Direct Participants or Indirect Participants (as defined under the heading "The Depository Trust Company" below) as more fully described herein. See "The Depository Trust Company" below. The Bonds will bear interest at the rates and will mature on the dates and in the amounts set forth on the inside cover page hereof. Interest on the Bonds will be computed on the basis of a 30-day month and a 360-day year.

The Bonds are not subject to redemption prior to maturity.

The Bonds are general obligations of the State and the full faith and credit of the State are pledged to the punctual payment of principal of and interest on the Bonds. Article V, Part Third, Section 5 of the Constitution of the State provides that **if sufficient funds are not appropriated to pay the principal of and interest on all bonded debt (including the Bonds), when due, then the Treasurer of State is obligated to set apart from the first General Fund revenues thereafter received an amount sufficient to make payment of principal of and interest on the Bonds as such principal and interest become due.**

The Bonds are being issued to finance certain capital expenditures of the State. See Appendix D hereto.

INFORMATION CONCERNING THE STATE

Certain information regarding the State is included in Appendix A hereto. The State's audited financial statements for the fiscal year ended June 30, 2021 and certain other selected financial information pertaining to the State are included in Appendix B hereto. Certain information with respect to revenues of the State is included in Appendix C hereto. Certain information regarding authorized and outstanding debt of the State is included in Appendix D hereto. Certain information derived from actuarial valuation reports for the retirement programs administered by the Maine Public Employees Retirement System is included in Appendix E hereto. Selected economic information pertaining to the State is included in Appendix F hereto.

LITIGATION

There is no controversy or litigation of any nature now pending or, to the knowledge of the Department of the Attorney General, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds, or any law or other authorization with respect to the issuance or sale of the Bonds, or the payment of the Bonds, or the existence or powers of the State, or the title to their respective offices of the present officers of the State who are responsible for the issuance, sale, execution or delivery of the Bonds. See "Litigation" in Appendix A hereto.

TAX MATTERS

Series B Bonds – Tax Exempt Bonds

In the opinion of Locke Lord LLP, Bond Counsel to the State ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is of the further opinion that interest on the Series B Bonds will not be included in computing the alternative minimum taxable income of Bondholders who are individuals. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series B Bonds. Failure to comply with these requirements may result in interest on the Series B Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series B Bonds. The State has covenanted to comply with such requirements to ensure that interest on the Series B Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Series B Bonds is excluded from gross income for Maine income tax purposes. Bond Counsel expresses no opinion regarding any other Maine tax consequences arising with respect to the Series B Bonds.

Bond Counsel also has not opined as to the taxability of the Series B Bonds or the income therefrom under the laws of any state other than Maine. A complete copy of the proposed form of opinion of Bond Counsel with respect to the Series B Bonds is set forth in Appendix G hereto.

To the extent the issue price of any maturity of the Series B Bonds is less than the amount to be paid at maturity of such Series B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series B Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Series B Bonds which is excluded from gross income for federal income tax purposes and is exempt from Maine personal income taxes. For this purpose, the issue price of a particular maturity of the Series B Bonds is the reasonably expected initial offering price to the public or the first price at which a substantial amount of such maturity of the Series B Bonds is sold to the public, as applicable. The original issue discount with respect to any maturity of the Series B Bonds accrues daily over the term to maturity of such Series B Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series B Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series B Bonds. Beneficial owners of the Series B Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series B Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series B Bonds in the original offering to the public at the reasonably expected initial offering price to the public, or, if applicable, the first price at which a substantial amount of such Series B Bonds is sold to the public.

Series B Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Series B Bonds, or, in some cases, at the earlier redemption date of such Series B Bonds ("Premium Series B Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and for Maine personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Series B Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a beneficial owner's basis in a Premium Series B Bond will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Holders of Premium Series B Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Prospective beneficial owners should be aware that certain requirements and procedures contained or referred to in the relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series B Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series B Bonds may adversely affect the value of, or the tax status of interest on, the Series B Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the Maine legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series B Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series B Bonds will not have an adverse effect on the tax status of interest on the Series B Bonds or the market value or marketability of the Series B Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series B Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

The Series B Bonds are not subject to special mandatory redemption, and the interest rates on the Series B Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Series B Bonds. Prospective beneficial owners are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Series B Bonds is excluded from gross income for federal income tax purposes and is exempt from Maine personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds may otherwise affect a beneficial owner's federal or state tax liability. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Series B Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of these other tax consequences will depend upon the particular tax status of the beneficial owner or the beneficial owner's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and beneficial owners should consult with their own tax advisors with respect to such consequences.

Series A Bonds – Federally Taxable Bonds

In the opinion of Bond Counsel, based upon an analysis of existing law, interest on the Series A Bonds is includable in gross income for federal income tax purposes under the Code. Bond Counsel expresses no opinion regarding any other federal tax law consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Series A Bonds.

Bond Counsel is also of the opinion that, under existing law, interest on the Series A Bonds is excluded from gross income for Maine income tax purposes. Bond Counsel expresses no opinion regarding any other Maine tax consequences arising with respect to the Series A Bonds. Bond Counsel also has not opined as to the taxability of the Series A Bonds or the income therefrom under the laws of any state other than Maine. A complete copy of the proposed form of opinion of Bond Counsel with respect to the Series A Bonds is set forth in Appendix G hereto.

The following discussion summarizes certain U.S. federal income tax considerations relating to the acquisition, ownership, and disposition of the Series A Bonds and it may not contain all of the information that may be important to a particular investor. It is based on provisions of the Code, Treasury Regulations promulgated thereunder, and administrative and judicial interpretations thereof, all in effect or proposed on the date hereof and all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the Internal Revenue Service ("IRS") with respect to any of the U.S. federal income tax consequences discussed below. Accordingly, no assurance can be given that the IRS will agree with the views expressed in this summary, or that a court will not sustain any challenge by the IRS in the event of litigation.

The following relates only to Series A Bonds that are acquired in the initial offering for an amount of cash equal to the initial offering price (i.e., the price at which a substantial amount of such Series A Bonds is first sold to the public) and that are held as “capital assets” within the meaning of Section 1221 of the Code (i.e., generally, property held for investment).

This discussion does not address all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to investors who may be subject to special tax treatment (regardless of whether or not such persons constitute U.S. Holders (defined below)), such as banks and other financial institutions, retirement plans, employee stock ownership plans, certain U.S. expatriates, banks, real estate investment trusts, regulated investment companies, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships or other pass-through entities for U.S. federal income tax purposes (or investors in such entities), S corporations, estates and trusts, investors who hold their Series A Bonds as part of a hedge, straddle, or an integrated or conversion transaction, investors whose “functional currency” is not the U.S. dollar, or persons subject to the alternative minimum tax. In addition, this discussion does not include any description of the tax laws of any state, local, or non-U.S. jurisdiction that may be applicable to a particular investor and does not consider any aspects of U.S. federal tax law other than income taxation.

As used herein, “U.S. Holder” means a beneficial owner of a Series A Bond that is, for U.S. federal income tax purposes: (i) an individual citizen or resident, as defined in Section 7701(b) of the Code, of the United States, (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if (A) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust or (B) the trust validly elected to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Series A Bond (other than a partnership) who is not a U.S. Holder.

The U.S. federal income tax treatment of an entity classified as a partnership for U.S. federal income tax purposes that holds the Series A Bonds generally will depend on such partner’s particular circumstances and on the activities of the partnership. Partners in such partnerships should consult their own tax advisors regarding the consequences of acquiring, owning and disposing of the Series A Bonds (including their status as U.S. Holders or Non-U.S. Holders).

U.S. Holders

Interest. Stated interest on the Series A Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

“Original issue discount” will arise for U.S. federal income tax purposes in respect of any Series A Bonds if its stated redemption price at maturity exceeds its issue price by more than a de minimis amount (as determined for U.S. federal income tax purposes). For any Series A Bonds issued with original issue discount, the amount of original issue discount is equal to the excess of the stated redemption price at maturity of that Series A Bond over its issue price. The stated redemption price at maturity of a Series A Bond is the sum of all scheduled amounts payable on such Series A Bond other than qualified stated interest. U.S. Holders generally will be required to include any original issue discount in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders of Series A Bonds issued with original issue discount generally will be required to include in income increasingly greater amounts of original issue discount in successive accrual periods.

"Premium" generally will arise for U.S. federal income tax purposes in respect of any Series A Bond to the extent its issue price exceeds its stated principal amount. A U.S. Holder of a Series A Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series A Bond.

Market Discount. A holder who acquires a Series A Bond in a secondary market transaction may be subject to U.S. federal income tax rules providing that accrued market discount will be subject to taxation as ordinary income on the sale or other disposition of a "market discount bond." Dispositions subject to this rule include a redemption or retirement of a Series A Bond. The market discount rules may also limit a holder's deduction for interest expense for debt that is incurred or continued to purchase or carry a Series A Bond. A market discount bond is defined generally as a debt obligation purchased subsequent to issuance, at a price that is less than the principal amount of the obligation, subject to a de minimis rule. The Code allows a taxpayer to compute the accrual of market discount by using a ratable accrual method or a constant interest rate method. Also, a taxpayer may elect to include the accrued discount in gross income each year while holding the bond, as an alternative to including the total accrued discount in gross income at the time of a disposition, in which case the tax basis of the bond will be increased by the amount of discount included in gross income and the interest expense deduction limitation described above will not apply.

Disposition of the Series A Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the State), reissuance or other disposition of a Series A Bond will be a taxable event for U.S. federal income tax purposes. In such event, a U.S. Holder generally will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series A Bond which will be taxed in the manner described above under "Interest") and (ii) the U.S. Holder's adjusted tax basis in the Series A Bond at the time of disposition. A U.S. Holder's adjusted basis in a Series A Bond will generally equal the purchase price paid by the U.S. Holder for the Series A Bond, increased by the amount of any original issue discount previously included in income by such U.S. Holder with respect to such Series A Bond and decreased by any payments previously made on such Series A Bond, other than payments of qualified stated interest, or decreased by any amortized premium. Any such gain or loss generally will be capital gain or loss and will be long term capital gain or loss if such Series A Bond is held by the U.S. Holder for more than one year. Long-term capital gain of non-corporate U.S. Holders is generally subject to tax at preferential rates. The deductibility of capital losses is subject to limitations.

A material modification of the terms of any Series A Bond may result in a deemed reissuance thereof, in which event a beneficial owner of the modified Series A Bonds generally will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the beneficial owner's adjusted tax basis in the Series A Bond.

Net Investment Income Tax. Section 1411 of the Code generally imposes a 3.8% Medicare contribution tax on the net investment income of certain individuals, trusts, and estates to the extent their income exceeds certain threshold amounts. For these purposes, "net investment income" may include, among other things, interest and gains from the sale or other disposition of the Series A Bonds. Prospective investors are advised to consult their tax advisors regarding the possible implications of this additional tax on their investment in the Series A Bonds.

Information Reporting and Backup Withholding. In general, a U.S. Holder will be subject to backup withholding with respect to interest on the Series A Bonds, and the proceeds of a sale or other disposition of the Series A Bonds (including a redemption or retirement), at the applicable tax rate of 28%, unless such holder (a) is an entity that is exempt from backup withholding (including corporations) and, when required, demonstrates this fact, or (b) provides the payor with its taxpayer identification number ("TIN"), certifies that the TIN provided to the payor is correct and that the holder has not been notified by the IRS that such holder is subject to backup withholding due to underreporting of interest or dividends, and otherwise complies with applicable requirements of the backup withholding rules. In addition, such payments to U.S. Holders that are not exempt entities will generally be subject to information reporting requirements. A U.S. Holder who does not provide the payor with its correct TIN may be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against such holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS.

Non-U.S. Holders

The following discussion applies only to Non-U.S. Holders. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to Non-U.S. Holders in light of their particular circumstances. For example, special rules may apply to a Non-U.S. Holder that is a "controlled foreign corporation" or a "passive foreign investment company," and, accordingly, Non-U.S. Holders should consult their own tax advisors to determine the effect of U.S. federal, state, local and non U.S. tax laws, as well as tax treaties, with regard to an investment in the Series A Bonds.

Interest. Subject to the discussions below under the headings "FATCA Withholding" and "Information Reporting and Backup Withholding," a Non-U.S. Holder will not be subject to U.S. federal income or withholding taxes in respect of interest paid or accrued on a Series A Bond (including original interest discount income) if the interest qualifies for the "portfolio interest exemption." This generally will be the case if each of the following applicable requirements are satisfied:

- the interest is not effectively connected with a U.S. trade or business;

- the Non-U.S. Holder is not, and is not treated as, a bank receiving interest on an extension of credit pursuant to a loan agreement entered into in the ordinary course of its trade or business, as described in Section 881(c)(3)(A) of the Code;

- certain certification requirements are met. Under current law, the certification requirement will be satisfied in any of the following circumstances;

- If a Non-U.S. Holder provides to the payor a statement on an applicable IRS Form W-8 (or suitable successor form), together with all appropriate attachments, signed under penalties of perjury, identifying the Non-U.S. Holder by name and address and stating, among other things, that the Non-U.S. Holder is not a United States person;

- If a Series A Bond is held through a securities clearing organization, bank, or another financial institution that holds customers' securities in the ordinary course of its trade or business, (i) the Non-U.S. Holder provides such a form to such organization or institution, and (ii) such organization or institution, under penalty of perjury, certifies to the payor that it has received such statement from the beneficial owner or another intermediary and furnishes the payor with a copy thereof; and

- If a financial institution or other intermediary that holds the Series A Bond on behalf of the Non-U.S. Holder has entered into a withholding agreement with the IRS and submits an IRS Form W-8IMY (or suitable successor form) and certain other required documentation to the payor.

If the requirements of the portfolio interest exemption described above are not satisfied, a 30% withholding tax will apply to the gross amount of interest on the Series A Bonds that is paid to a Non-U.S. Holder, unless either: (a) an applicable income tax treaty reduces or eliminates such tax, and the Non-U.S. Holder claims the benefit of that treaty by providing a properly completed and duly executed IRS Form W-8BEN or Form W-8BEN-E, as applicable (or suitable successor or substitute form), establishing qualification for benefits under the treaty, or (b) the interest is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States and the Non-U.S. Holder provides an appropriate statement to that effect on a properly completed and duly executed IRS Form W-8ECI (or suitable successor form).

If a Non-U.S. Holder is engaged in a trade or business in the United States and its investment in a Series A Bond is effectively connected with the conduct of that trade or business, the Non-U.S. Holder generally will be required to pay U.S. federal income tax on that interest on a net income basis in the same manner as a U.S. Holder and the 30% withholding tax described above will not apply provided the duly executed IRS Form W-8ECI is provided to the Issuing and Paying Agent. If a Non-U.S. Holder is eligible for the benefits of an income tax treaty between the U.S. and its country of residence, and the Non-U.S. Holder claims the benefit of the treaty by properly submitting an IRS Form W-8BEN or Form W-8BEN-E, as applicable, any interest income that is effectively connected with a U.S. trade or business will be subject to U.S. federal income tax in the manner specified by the treaty and generally will only be subject to such tax if such income is attributable to a permanent establishment (or a fixed base in the case of an individual) maintained by the Non-U.S. Holder in the United States. In addition, a Non-U.S. Holder that is treated as a foreign corporation for U.S. federal income tax purposes may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable income tax treaty) of its earnings and profits for the taxable year, subject to adjustments, that are effectively connected with its conduct of a trade or business in the United States.

Disposition of the Series A Bonds. Subject to the discussions below under the headings "FATCA Withholding" and "Information Reporting and Backup Withholding," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement, reissuance or other disposition of a Series A Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States (and, in the case of certain income tax treaties, is attributable to a permanent establishment or "fixed base" within the United States); or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement, reissuance or other disposition and certain other conditions are met. If the first exception applies, the Non-U.S. Holder will generally be subject to U.S. federal income tax on the net gain derived from the sale, exchange, redemption, retirement at maturity, or other taxable disposition of the Series A Bonds in the same manner as a U.S. Holder unless an applicable income tax treaty provides otherwise. If the second exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% (except as otherwise provided by an applicable income tax treaty) on the amount by which its U.S.-source capital gains exceed its U.S.-source capital losses. In addition, corporate Non-U.S. Holders may be subject to a 30% (or lower applicable treaty rate) branch profits tax on any such effectively connected earnings and profits attributable to such gain.

U.S. Federal Estate Tax. A Series A Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to such Series A Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

FATCA Withholding. The Foreign Account Tax Compliance Act ("FATCA") together with administrative guidance and certain intergovernmental agreements entered into thereunder generally imposes a 30% U.S. withholding tax on certain U.S. source payments, including interest, and, after December 31, 2018, on gross proceeds from a disposition of property of a type which can produce U.S. source interest ("withholdable payments"), paid to (i) a "foreign financial institution" (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) its compliance (or deemed compliance) with FATCA (which may alternatively be in the form of compliance with an intergovernmental agreement with the United States) in a manner which avoids withholding, or (ii) a "non-financial foreign entity" (as specifically defined in the Code)" which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) adequate information regarding certain substantial United States beneficial owners of such entity (if any). The 30% withholding tax under FATCA applies regardless of whether the foreign financial institution or non-financial foreign entity receives payments as a beneficial owner or intermediary and whether the applicable payment otherwise is exempt from U.S. withholding (e.g., as "portfolio interest" or as capital gain upon the sale, exchange, redemption or other disposition of a Series A Bond). Interest paid with respect to the Series A Bonds and, after December 31, 2018, gross proceeds from the sale or disposition of the Series A Bonds, may be subject to the 30% withholding tax if the holder fails to comply with FATCA. Non-U.S. Holders are urged to consult their own tax advisors with respect to these information reporting rules and due diligence requirements and the potential application of FATCA to them.

Information Reporting and Backup Withholding. In general, the amount of any interest paid on the Series A Bonds in each calendar year, and the amount of U.S. federal income tax withheld, if any, with respect to these payments will be reported to the IRS and each Non-U.S. Holder.

Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under an applicable income tax treaty or other information exchange agreement.

Non-U.S. Holders who have provided certification as to their non-U.S. status or who have otherwise established an exemption will generally not be subject to backup withholding tax on payments of interest if the payor does not have actual knowledge or reason to know that such certification is unreliable or that the conditions of the exemption are in fact not satisfied.

Payments of the proceeds from the disposition of a Series A Bond (including a redemption or retirement) to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting, but generally not backup withholding, may apply to those payments if the broker is one of the following: (a) a United States person, (b) a "controlled foreign corporation" for U.S. federal income tax purposes, (c) a foreign person, 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a U.S. trade or business, or (d) a foreign partnership with specified connections to the United States, unless the Non-U.S. Holder certifies as to its non-U.S. status or otherwise establishes an exemption.

Payment of the proceeds from a disposition of a Series A Bond (including a redemption or retirement) to or through the United States office of a broker will be subject to information reporting and backup withholding unless the Non-U.S. Holder certifies as to its non-U.S. status or otherwise establishes an exemption from information reporting and backup withholding.

Backup withholding is not an additional tax, and amounts withheld as backup withholding are allowed as a refund or credit against a holder's federal income tax liability, provided that the required information as to withholding is furnished to the IRS.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular Beneficial Owner of Series A Bonds in light of the Beneficial Owner's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Series A Bonds, including the application and effect of state, local, foreign and other tax laws.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

Upon delivery of the Bonds, the State will furnish an opinion of the Department of the Attorney General, dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the levy or collection of any taxes to pay principal of or interest on the Bonds. In addition, such opinion will state that, based on consultations with certain officers of the State, there is no litigation of any nature now pending or threatened by or against the State wherein an adverse judgment or ruling could have a material adverse effect on the financial condition of the State or adversely affect the power of the State to levy, collect or enforce the collection of taxes or other revenues for the payment of its Bonds which has not been disclosed in this Official Statement.

Treasurer's Certificate

Upon delivery of the Bonds, the State will furnish a certificate of the Treasurer of State, dated the date of delivery of the Bonds, to the effect that to the best of his knowledge this Official Statement does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made herein, in light of the circumstances under which they were made, not misleading.

Legal Opinions

The opinions of Locke Lord LLP with respect to the validity and tax status of the Bonds will be delivered at the time of delivery of the Bonds in substantially the forms set forth in Appendix G to this Official Statement.

Except as to matters expressly set forth in its opinions delivered in connection with the issuance of the Bonds, the scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of any statement made in this Official Statement, and they make no representation that they have independently verified the same other than matters expressly set forth as its opinions.

Secondary Market Disclosure

In connection with the issuance of the Bonds, the State will undertake in the Bonds to provide annual financial information and notices of certain events pursuant to Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c-2-12). Such undertakings of the State are summarized in Appendix H hereto.

The following information describes the instances in the previous five (5) years in which the State failed to comply, in all material respects, with the terms of certain of its previous undertakings entered into pursuant to the Rule.

The State has provided continuing disclosure undertakings with respect to its general obligation bonds issued from time to time and with respect to certain bonds issued from time to time by the Maine Governmental Facilities Authority ("MGFA") and agreed therein to provide audited financial statements and annual financial information and operating data within one year after the June 30 end of each of its fiscal years. In order to fulfill such continuing disclosure undertakings, it has been the State's practice to post its official statements with respect to such bonds on the Municipal Securities Rulemaking Board's Electronic Municipal Markets Access website ("EMMA") and to associate such official statements with CUSIP numbers to which such continuing disclosure undertakings apply. The State has determined that while its annual financial information and audited financial statements were filed with EMMA in a timely manner each year, such filings did not specifically associate such filings with the MGFA bonds CUSIP numbers to which its continuing disclosure undertakings apply. On June 14, 2017, the State's official statement dated June 7, 2017 (as supplemented on July 3, 2017 and July 5, 2017), which included annual financial information and operating data for the fiscal year ended June 30, 2016 ("FY2016 Annual Financial Information"), was posted on EMMA. However, that filing did not specifically associate such official statement with CUSIP numbers to which continuing disclosure undertakings apply. On July 14, 2017, a continuing disclosure filing was made with respect to the FY2016 Annual Financial Information. The State's filing of its annual financial information for the year ended June 30, 2020 ("FY2020") was posted on EMMA on June 2, 2021, but did not include certain appendices that should have been included. A corrective filing has been made.

The Maine Municipal Bond Bank (the "Bank") has issued its Grant Anticipation Bonds (Maine Department of Transportation ("MaineDOT")) (the "GARVEE Bonds") and its Transportation Infrastructure Revenue Bonds (the "TransCap Bonds") on behalf of MaineDOT, and, in connection with such bonds, entered into substantially similar continuing disclosure agreements with the trustee for such bonds and the State, acting by and through the Treasurer of State and the Commissioner of MaineDOT. The State determined that annual financial information and operating data for the GARVEE Bonds for fiscal year 2019 was timely filed, except for one series of GARVEE Bonds. A corrective filing was made in November, 2020 at the time the annual report for fiscal year 2020 was filed.

With respect to the TransCap Bonds, the financial information and operating data of the State for the fiscal year ended June 30, 2016 was filed on July 14, 2017. In addition the State has determined that certain annual filings for the TransCap Bonds were not linked to all of the CUSIP numbers of the outstanding TransCap Bonds and has made corrective filings.

The State did not file separate failure to file notices because, except for the disclosures above related to the TransCap Bonds, the filings when made contained a cover sheet accompanying the financial information stating that the required information was being filed late or was otherwise a corrective filing. The State has implemented procedures to ensure timely filing in the future.

THE DEPOSITORY TRUST COMPANY

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series A Bond certificate will be issued in the aggregate principal amount of each maturity thereof and will be deposited with DTC. One fully-registered Series B Bond certificate will be issued in the aggregate principal amount of each maturity and related interest rate thereof and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a whollyowned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the State and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy to the State as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Payments of principal of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

THE STATE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS OF THE BONDS. NO ASSURANCES CAN BE PROVIDED THAT IN THE EVENT OF BANKRUPTCY OR INSOLVENCY OF DTC OR A DIRECT PARTICIPANT OR INDIRECT PARTICIPANT THROUGH WHICH A BENEFICIAL OWNER HOLDS INTERESTS IN THE BONDS, PAYMENT WILL BE MADE BY DTC, THE DIRECT PARTICIPANT OR THE INDIRECT PARTICIPANT ON A TIMELY BASIS.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE HOLDER OF ALL OF THE BONDS, REFERENCES HEREIN TO THE OWNERS OR HOLDERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS. THEREFORE, ANY STATEMENTS IN THE OFFICIAL STATEMENT SUMMARIZING THE TERMS OF PAYMENT OF THE BONDS, ANY REQUIREMENTS OF NOTICE TO HOLDERS OF THE BONDS AND ANY RIGHTS OF CONSENT OF THE HOLDERS OF THE BONDS SHALL APPLY TO CEDE & CO., AS HOLDER OF THE BONDS, AND NO REPRESENTATIONS ARE MADE IN RESPECT OF THE FOREGOING TO THE BENEFICIAL OWNERS OF THE BONDS.

RATINGS

Moody's Investors Service, Inc. and S&P Global Ratings, have assigned their municipal bond ratings of **"Aa2"** with a "stable" outlook and **"AA"** with a "stable" outlook, respectively, to the Bonds. The State has furnished such rating agencies with certain information and materials concerning the Bonds and the State, some of which is not included in this Official Statement. Generally, each such rating agency bases its ratings on such information and materials and also on such investigations, studies and assumptions as each may undertake or establish independently.

The ratings are not a recommendation to buy, sell or hold the Bonds and each such rating should be evaluated independently and should not be relied on in making any investment decision. Such ratings reflect only the respective views of each rating agency, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that a rating will continue for any given period of time or that a rating will not be revised or withdrawn entirely by any or all of such rating agencies if, in its or their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market prices of the Bonds.

UNDERWRITING

Goldman Sachs & Co. LLC, ("Goldman Sachs"), as representative of the Underwriters identified on the outside front cover page hereof (collectively, the "Underwriters") has agreed to purchase the Bonds at a price of $95,864,436.69, which purchase price reflects an Underwriters' discount, from the public offering price of the Bonds, in the amount of $245,271.71. The purchase contract relating to the Bonds provides that the Underwriters will purchase all of the Bonds, if any Bonds are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract, subject to the approval of certain legal matters by Preti, Flaherty, Beliveau & Pachios, LLP, counsel to Goldman Sachs, in its capacity as representative of the Underwriters. The initial public offering prices of the Bonds stated on the inside cover page hereof may be changed, from time to time, by the Underwriters. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into unit investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) and others at a price lower than the public offering price of the Bonds stated on the inside cover page hereof.

J.P. Morgan Securities LLC ("JPMS"), an underwriter of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase the Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the State and to persons and entities with relationships with the State, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the State (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the State. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MUNICIPAL ADVISOR

Hilltop Securities Inc., Lincoln, Rhode Island, is acting as Municipal Advisor (the "Municipal Advisor") to the State in connection with the issuance of the Bonds. The Municipal Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. In addition, the Municipal Advisor has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies or rating agencies. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds, and receipt by the State of payment therefor. The State may engage the Municipal Advisor to perform other services, including without limitation, providing certain investment services with regard to the investment of Bond proceeds. The participation of the Municipal Advisor should not be seen as a recommendation to buy or sell the Bonds and investors should seek the advice of their accountants, lawyers and registered representatives for advice as appropriate.

MISCELLANEOUS

Any provisions of the constitution of the State, of all laws and of other documents set forth or referred to in this Official Statement are only summarized, and such summaries do not purport to be complete statements of any of such provisions. Only the actual text of such provisions can be relied upon for completeness and accuracy.

This Official Statement, including all appendices hereto, contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the State and various State agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the State and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as "may," "should," "intends," "expects," "believes," "anticipates," "estimates" and others.

All estimates and assumptions in this Official Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in this Official Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The various tables may not add due to rounding of figures.

Neither the Office of the State Auditor, nor any other independent accountants, have compiled, examined or performed any procedures with respect to any financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information.

The information, estimates and assumptions and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made pursuant to this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the State or its agencies, authorities or political subdivisions since the date of this Official Statement, except as expressly stated.

References to website addresses in this Official Statement, including all appendices hereto are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, the Rule.

Questions regarding this Official Statement or requests for additional information concerning the State should be directed to Henry E.M. Beck, Esq., Treasurer of State, 39 State House Station, Augusta, Maine 04333, telephone: 207-624-7477; facsimile: 207-287-2367.

STATE OF MAINE

By: /s/ Henry Beck
Treasurer of State

Dated: July 12, 2022

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STATE OF MAINE INFORMATION STATEMENT

APPENDIX A

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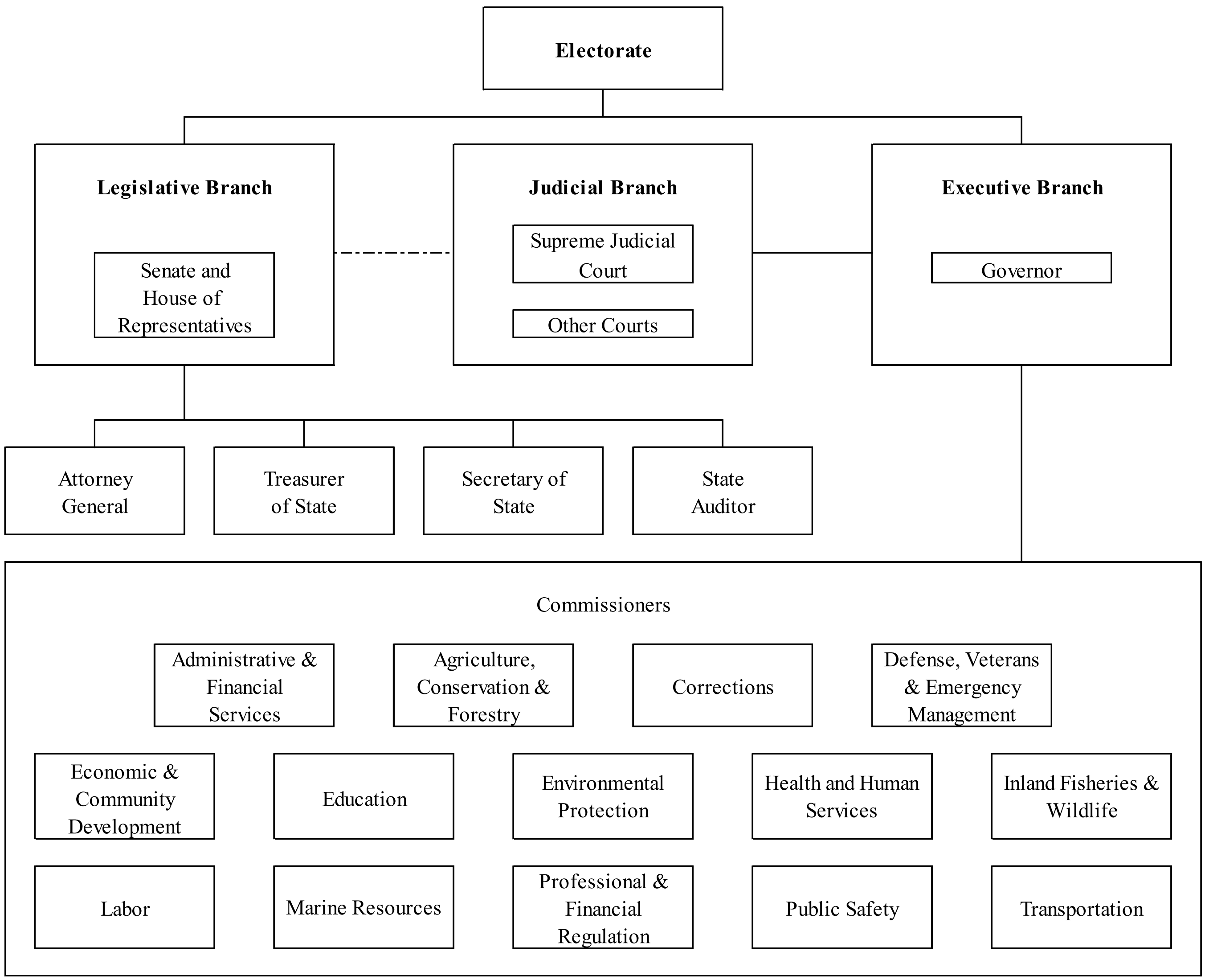
GOVERNMENTAL ORGANIZATION

The State of Maine (the "State" or "Maine") became the twenty-third state of the United States in 1820. The government of the State is divided into three distinct branches, the legislative, executive and judicial, as outlined in the chart below.



Executive Branch

The Offices of Governor, Secretary of State, Treasurer of State and Attorney General are created by the Constitution of the State. The Governor is elected quadrennially at a general election and is limited to two consecutive four-year terms of office. The first term of the present Governor, Janet T. Mills, began in January 2019. The Secretary of State, Treasurer of State and Attorney General are each elected biennially by a joint ballot of the state Senators and Representatives in convention. A person may not serve more than four consecutive terms as either Secretary of State, Treasurer of State or Attorney General.

Governor. The executive power of the State, including the power to recommend measures to the Legislature, and the power to appoint, with the advice and consent of the Senate, certain officers of State government, is vested in the Governor. The Governor is responsible for the enforcement of the laws of the State.

Governor's Cabinet. The Governor's cabinet, which assists the Governor in administration and policymaking, includes the commissioners who head the 14 executive departments and who serve at the pleasure of the Governor.

Secretary of State. The Secretary of State, a constitutional officer, serves as executive head of the Department of the Secretary of State, and is authorized to keep the office at the seat of government, have the custody of the State seal and preserve all records in such office at the expense of the State; to keep and preserve the records of all the official acts and proceedings of the Governor, Senate and House of Representatives, and, when required, lay the same before either branch of the Legislature, and perform such other duties as are enjoined by the Constitution or required by law. The Secretary of State attends to the Governor, Senate and House of Representatives as they shall respectively require; appoints and renews all notaries public commissions; prepares commissions for appointees, and certificates of election to office for presentation to the Governor under the seal of the State; distributes printed information and instructions, ballots and blanks for all election returns required by law to clerks of the several towns; files articles of incorporation; files notices of certain security interests and performs other receiving, filing and recording functions for which fees may be collected; files rules adopted pursuant to the Administrative Procedure Act; annually registers motor vehicles and issues licenses for operators thereof; issues certificates of title, licenses new and used car dealers; maintains official State records considered to be permanently valuable; administers the State's address confidentiality program and the Office of the Small Business Advocate; and supervises the Department's subdivisions as required by statute and recommends to the Legislature such changes as may be required to modernize and improve the functions and services rendered by the Department.

Treasurer of State. The Treasurer of State, a constitutional officer, is authorized to receive and keep records of all items of income accruing to the State; to deposit such items in banks, reconcile said balances and temporarily invest idle funds; to sell bonds and notes of the State as approved by law and keep records pertaining to such debt; to maintain monthly exhibits concerning these moneys; to enter into contracts or agreements with banks for custodial care and servicing of negotiable securities belonging to the State; and to establish accounts with such banks for servicing State agencies. The Treasurer of State also administers the Unclaimed Property Program. The Treasurer of State is an ex officio member of the boards of a number of authorities and bodies established by the State, including the Maine Municipal Bond Bank, the Maine Public Employees Retirement System ("MainePERS" or "System"), the Maine Health and Higher Educational Facilities Authority, the Maine Governmental Facilities Authority, the Maine State Housing Authority, the Finance Authority of Maine, the Maine Public Utility Financing Bank, the Adaptive Equipment Loan Board, the Board of Emergency Municipal Finance, the Indian Housing Mortgage Insurance Committee, and the Dirigo Health Agency Board of Trustees.

The Treasurer of State is responsible daily for the investment of those funds not required to meet current expenditures. Daily deposits are placed in local depositories statewide, wired daily to a central working account and invested fully. All check disbursements are made by the Treasurer of State on warrants issued by the State Controller. Funds are disbursed on bank accounts established under competitive bidding. Funds are transferred from receipt accounts to disbursement accounts by wire as needed to meet balance requirements.

The Treasurer of State maintains a record of all receipts, disbursements and transfer activity and balances to the State Controller monthly. The Treasurer of State maintains the records of the investments of the State through the State investment pool. The investment pool comprises the entire cash availability of the State (all funds) as well as component units that elect to participate. Monthly transfers of earnings are made by the Treasurer of State to participating funds. The Treasurer of State compiles a listing of State investments held monthly.

When there is money in the State Treasury that is not needed to meet current obligations, the Treasurer of State may invest, with the concurrence of the State Controller or the Commissioner of Administrative and Financial Services and with the consent of the Governor, those amounts in bonds, notes, certificates of indebtedness or other obligations of the United States and its agencies and instrumentalities that mature not more than 36 months from the date of investment, or in repurchase agreements that mature within the succeeding 12 months that are secured by obligations of the United States and its agencies and instrumentalities, prime commercial paper, tax-exempt obligations and corporate bonds rated "AAA" that mature not more than 36 months from the date of investment, or banker's acceptances or so-called "no-load" shares of any investment company registered under applicable Federal law that complies with certain Federal guidelines and maintains a constant share price.

Attorney General. The Attorney General's primary responsibility is to protect public rights and preserve order through serving as the State's chief law officer and legal representative of the State. In this capacity, the Attorney General ensures enforcement of Maine laws through instituting, conducting, and maintaining such actions and proceedings as the public interest may require. No State agency may appear and advocate positions before a court without the approval of the Attorney General.

The Department of the Attorney General is authorized to (a) appear for the State, or any State agency or official, in all civil actions and proceedings in which the State is a party or interested, or in which the official acts of such officers are questioned in State or Federal courts or Federal agencies; (b) control and direct the investigation and prosecution of homicides and other major crimes, including frauds against the State; (c) render all legal services required by State officers, boards and commissions in matters relating to their official duties; (d) issue written opinions upon questions of law submitted by the Governor, the head of any State department or agency, or by either branch of the Legislature or any member of the Legislature on legislative matters; (e) enforce due application of funds given or appropriated to public trusts and charities within the State and prevent breaches of trust in the administration thereof; (f) consult with and advise the District Attorneys in matters relating to their duties, and, in the discretion of the Attorney General, act in place of or with them in instituting and conducting prosecutions for crime; and (g) administer and enforce the State unfair trade practices and antitrust laws.

Beyond the general purposes discussed above, the Attorney General has a wide range of duties which the office is specifically directed to perform. Those duties include a review and approval as to form and legality of all regulations of State agencies subject to the Administrative Procedure Act. Among other specific statutory functions, the Attorney General must also review and approve write-offs of debts owed to the State, enforce standards of conduct of the legal profession and participate in making investment decisions regarding the State trust funds.

Office of the State Auditor

The Office of the State Auditor is headed by the State Auditor, who is elected by the Legislature by a joint ballot of the Senators and Representatives in convention to hold office for a term of four years. A person may not serve more than two consecutive terms as State Auditor. The Office of the State Auditor is authorized to audit all accounts and other financial records of State government, including the Judiciary and the Executive Department of the Governor, except the Governor's expense account, and to report annually on this audit, and at such other times as the Legislature may require; to review and study departmental budgets and capital programs for better and efficient management of State government; to serve as a staff agency to the Legislature or to the Governor in making investigations of any phase of the State's finances; and to perform audits of all accounts and financial records of any organization, institution or other entity receiving or requesting an appropriation or grant from the State; to issue reports on such audits and investigations; and to conduct financial and compliance audits of financial transactions and accounts kept by or for State agencies subject to federal single audit requirements.

The Legislature

The legislative power of the State is vested in a Senate and a House of Representatives (collectively, the "Legislature"), each of which has a negative on the other. The Senate consists of 35 members and the House of Representatives consists of 151 members, all of whom are elected for two-year terms from single-member districts. A person may not serve more than four consecutive terms as either a senator or a representative.

The Legislature is organized into 18 Joint Standing Committees, each comprised of 3 Senators and 10 Representatives, except where noted below. Current Joint Standing Committees are: Agriculture, Conservation and Forestry; Appropriations and Financial Affairs; Labor and Housing; Criminal Justice and Public Safety; Education and Cultural Affairs; Health and Human Services; Inland Fisheries and Wildlife; Health Coverage, Insurance and Financial Services; Judiciary; Veterans and Legal Affairs; Marine Resources; Environment and Natural Resources; State and Local Government; Taxation; Transportation; Energy, Utilities and Technology; and Government Oversight (comprised of 6 Senators and 6 Representatives). In 2018, a new permanent joint standing committee was established to focus on economic development and workforce needs, the Committee On Innovation (comprised of 3 Senators and 11 Representatives), Development, Economic Advancement and Business. From time to time, the Legislature has established joint select committees on such matters as property tax reform, health care reform, research and development, corrections, tribal affairs, rules and marijuana legalization implementation.

The Legislature of the State convenes in even-numbered years on the first Wednesday of December following the general election in what is designated the first regular session of the Legislature and also convenes on the first Wednesday after the first Tuesday of January in the subsequent even-numbered year in what is designated the second regular session of the Legislature. The business of the second regular session of the Legislature is limited to budgetary matters, legislation in the Governor's call, legislation of an emergency nature admitted by the Legislature, legislation referred to committees for study and report by the Legislature in the first regular session and legislation presented to the Legislature by written petition of the voters pursuant to the Constitution of the State. The Legislature may convene at such other times in special session on the call of the President of the Senate and the Speaker of the House, with the consent of the majority of the members of the Legislature of each political party, all members of the Legislature having first been polled. The Governor may, on extraordinary occasions, also convene special sessions of the Legislature.

The Constitution requires the Legislature to enact appropriate statutory limits on the length of the first and second regular sessions. Under the statute currently in effect, the first regular session of the Legislature adjourns no later than the third Wednesday in June and the second regular session of the

Legislature adjourns no later than the third Wednesday in April. The Legislature, in the case of emergency, may by a vote of two-thirds of the members of each of the Senate and House of Representatives present and voting, extend the date for adjournment by no more than five legislative days, and, in the case of further emergency, further extend the date for adjournment by five additional legislative days. The times for adjournment for the first and second regular sessions may also be extended for one additional legislative day for the purpose of considering any veto by the Governor of any bill or resolution passed by the Legislature.

The Legislature, with certain exceptions, is authorized to make and establish all reasonable laws and regulations for the defense and benefit of the people of the State, not repugnant to the Constitution of the State, nor to that of the United States. Legislation enacted by the Legislature may be vetoed by the Governor. The Governor's veto may be overridden by the subsequent vote of at least two-thirds of each of the House of Representatives and the Senate. The Governor also has "line-item" veto power to decrease appropriations or allocations and to increase deappropriations or deallocations within one day after the Governor receives legislation for approval. The Governor's "line-item" veto may be overridden by the subsequent vote of at least a majority of each of the House of Representatives and the Senate. Legislation does not become effective until 90 days after the recess of the session of the Legislature in which it was passed, unless in case of emergency the Legislature shall, by a vote of two-thirds of all the members elected to each of the House of Representatives and the Senate, otherwise direct.

The Constitution of the State provides that, upon written petition by voters equal to not less than 10% of the total vote cast in the last gubernatorial election preceding such petition and filed on or before the ninetieth day after recess of the Legislature requesting that legislation passed by the Legislature but not then in effect be submitted to referendum for ratification by a majority of those voting thereon. Such legislation does not take effect, if at all, until thirty days after the Governor has announced that such legislation has been ratified by the voters. Any such ratification vote would take place at the next statewide or general election, not less than 60 days after the Governor has proclaimed that sufficient signatures have been submitted.

The Constitution of the State provides that, by written petition, voters equal to not less than 10% of the total vote cast in the last gubernatorial election preceding such petition and filed before a regular session of the Legislature may propose legislation to the Legislature for its consideration. The legislation, unless adopted by the Legislature without change, must be submitted to referendum in the next November after the Legislature recesses.

Pursuant to the Constitution of the State, legislative enactments, including bills, orders or resolutions, may originate in either the Senate or the House of Representatives, and may be altered, amended, or rejected in the other. All bills for raising a revenue, however, shall originate in the House of Representatives, but the Senate may propose amendments as in other cases, provided that the Senate shall not, under color of amendment, introduce any new matter which does not relate to raising a revenue.

The Judiciary

The judicial power of the State is vested in the Supreme Judicial Court and such other courts as the Legislature may establish. The Legislature has established the Superior Court and the District Court. The courts are administered by the Administrative Office of the Courts under the direction of the State Court Administrator, who is appointed by and serves at the pleasure of the Chief Justice. In addition, the Constitution of the State provides for probate courts in each of the 16 counties of the State.

The Supreme Judicial Court is the highest court in Maine, and as the Law Court is the court of final appeal. It consists of the Chief Justice and six Associate Justices, each of whom is appointed by the Governor with the consent of the Legislature for a seven-year term.

The Superior Court and the District Court are both trial courts of limited, complementary jurisdiction. The Superior Court offers jury trials and the District Court does not. The Superior Court consists of a Chief Justice and 16 justices, who are appointed by the Governor with the consent of the Legislature for a seven-year term. The Superior Court holds sessions in each of the 16 counties.

The District Court consists of a Chief Judge, a Deputy Chief Judge and 34 judges, each of whom is appointed by the Governor with the consent of the Legislature for a seven-year term. There are 13 districts and several divisions of the court.

Independent Authorities and Agencies

The State has established several independent authorities and agencies, the budgets of which are not included in the annual budget of the State. Certain of these authorities and agencies receive appropriations from the State from time-to-time. Certain of these authorities and agencies are authorized by the statutes creating such authorities and agencies to issue bonds and to undertake financial obligations, payment of which are secured in part by special reserve funds ("Capital Reserves") to which the State may appropriate funds in order to maintain the Capital Reserves at amounts determined by such statutes or by such authorities and agencies (a "Capital Reserve Provision"). While the bonds and obligations of such authorities and agencies and the Capital Reserve Provisions do not constitute legally enforceable obligations of the State or create any debt on behalf of the State, the Constitution of the State does not prohibit future Legislatures from appropriating sums requested by any such authority or agency in compliance with its Capital Reserve Provision. Certain of these authorities and agencies have been authorized by statute to insure or guarantee repayment of certain loans and bonds. See "Fiscal Management - Constitutional Debt Limit" and "Certain Public Instrumentalities" herein.

County and Municipal Government

The State is divided into 16 county governments responsible for various functions, including the operation of county jails and registries of probate and deeds. Each county government assesses the costs of its operations upon the cities, towns and Unorganized Territories located within the county.

The State is further divided into 22 cities, 433 towns, 34 plantations, and 4 Indian nations or territories, which exercise the functions of municipal government, including the provision of elementary and secondary education. There are also a number of unorganized townships and coastal and inland islands and three Indian Reservations. Cities are governed by several variations of the mayor and council form of government. In most towns, executive power has been placed in a board of three, five, or seven selectmen, elected to terms of from one to three years and legislative power has been retained by the voters themselves, who assemble in periodic open town meetings. There are various regional districts for school, water supply, solid waste, wastewater disposal and other purposes.

Municipal revenues consist of property taxes, local aid (including State subsidies for education and revenue sharing), local receipts (including motor vehicle and watercraft excise taxes, fines, license and permit fees, charges for local services and investment income) and other sources.

COVID-19 IMPACT

COVID-19 Outbreak. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, was declared a pandemic by the World Health Organization and led to a declaration of a national state of emergency in the United States in March 2020. Since then, as in jurisdictions nationwide, the State of Maine has made emergency declarations and issued public health orders to ensure the health of citizens while balancing other needs. These actions and the effects of COVID-19 have significantly disrupted economic activity throughout the world, including within the State, and have caused volatility in financial markets.

The following information provides an overview of impacts to Maine as a result of the COVID-19 pandemic ("COVID-19"), as well as an outline of certain known impacts on the State's economy and its financial condition to date. As the worldwide fight against COVID-19 continues, full economic and fiscal impacts will become clearer.

Maine was well poised economically before the onset of COVID-19: the State's population had grown for four straight years; the unemployment rate was lower than the national average; the State's pension plan was funded at 82% with the fifth lowest discount rate of all the states; and, the State's Unemployment Insurance trust fund was the 11th strongest in the country. Additionally, due to Maine's large cash reserve balance, the State had not issued bond anticipation notes since 2015 or tax anticipation notes as short-term borrowing to cover cash flows since 2006. Even with a tax payment delay at the onset of the pandemic to coincide with extended federal deadlines, the State did not need to issue any tax anticipation notes during fiscal year 2020 or during fiscal year 2021 and does not expect to do so in fiscal year 2022. The decision to delay the tax payment date did impact cash flow, but Maine's liquidity/cash pool strength was a primary consideration when making the decision to extend the filing and payment deadlines.

Overview of the State response to COVID-19. From the early days of the pandemic, the Administration of Governor Mills (the "Administration") has taken a proactive approach to protecting its citizens, economy, and the social supports necessary for continued economic activity – and has balanced those efforts with a strong public health response that, relative to other states, has been particularly effective. As a result, the State maintained a relatively low positivity rate and hospitalization rate through May 2022. The State has experienced increases in positivity, cases, and hospitalizations due to spread of the Omicron variant over the winter and the B.A.2 variant this spring. Even with this resurgence, the State has not reached its capacity for hospitalizations, ICU, or ventilator usage. Similarly, the State's handling of its finances amid the COVID-19 pandemic has resulted in relatively less dramatic impacts than experienced in other jurisdictions.

The Administration has rolled out extensive statewide testing and laboratory infrastructure and, more recently, is deploying vaccinations allocated to Maine at a relatively speedy pace. In addition, the Administration's fight against the virus has included executive orders or other action meant to protect the public health and avoid or reduce community spread of the virus. These measures have included efforts to ensure social distancing and masking, two of the most important factors in containing the spread of COVID-19, and include restricting access to certain businesses and activities, issuing "stay at home" and "stay safer at home" directives for most citizens, restricting nonessential travel, requiring self-quarantining by persons traveling into the State, suspension of lodging and short-term rental operations, and limiting movement of all persons in Maine to those necessary to obtain or provide essential services or conduct essential activities. These prevention measures have ebbed and flowed in real-time based upon the prevalence of the disease.

The Governor ended the state of emergency on June 30, 2021.

Vaccines have been developed in response to the public health crisis and vaccination guidelines have been and continue to be formed at both the state and federal levels. In February 2021, the Governor announced that the State had adopted an age-based approach to expanding vaccine eligibility in an effort to focus on those populations most at risk and to ensure the speed and efficiency of the vaccination effort in the state. The Governor's announcement indicates a projected timeline in which beginning on March 24, 2021, the State's residents aged 50 and older were eligible for the vaccine and beginning April 7, 2021, the State's residents aged 16 and older (including children pending authorization of vaccine eligibility) will be eligible for vaccination. Furthermore, the Governor announced in March 2021 that the State will align its vaccination plan with the federal directives prioritizing vaccination of schoolteachers, school staff, and childcare workers. Maine has been in the top ten states for its percentage of residents who have received the COVID-19 vaccine. The State's progress on the vaccination of Maine residents in order to move towards the reopening process and limiting the spread of disease has continually been reviewed and evaluated as additional vaccines are developed and federal directives and guidelines of the vaccination effort evolve. In early November, 2021, in line with recommendations of the United States Centers for Disease Control and Prevention, the Governor announced vaccinations were available to all residents over age 5. As of May 10, 2022, more than 75 percent of Maine people over age 5 have received at least one shot of the COVID-19 vaccine. (https://www.maine.gov/covid19/vaccines/dashboard)

As of May 10, 2022, Maine's economic activity had returned to 91% of its pre-pandemic levels, equal with the national average of 93% according to the Moody's Analytics/CNN Back to Normal Index. See https://www.cnn.com/business/us-economic-recovery-coronavirus.

Throughout the course of the pandemic, the Administration has focused on maintaining consistency and stability, honing in on the importance of a strong public health response, adopting austerity measures where possible, and ensuring sound financial footing into the future while also keeping intact both Maine's Budget Stabilization Fund and the services so crucial to Maine people at this time. An overview of this fiscal effort is outlined below.

Impact on State Economy. Like in all states across the nation, the economic impact of COVID-19 to date has been significant. On a seasonally adjusted basis, Maine lost 95,300 jobs in March and April 2020 and has regained 90,300 jobs through May 2022. The unemployment rate rose to 9.2% in May 2020, as compared to 2.8% in February 2020, recovering to 3.2% in May 2022. The labor force participation rate is 59.0% in May 2022, compared to 62.2% in February 2020. The largest job losses, in March and April 2020, occurred in the leisure and hospitality sector, which remains 2,700 jobs below February 2020 levels as of May 2022 on a seasonally adjusted basis.

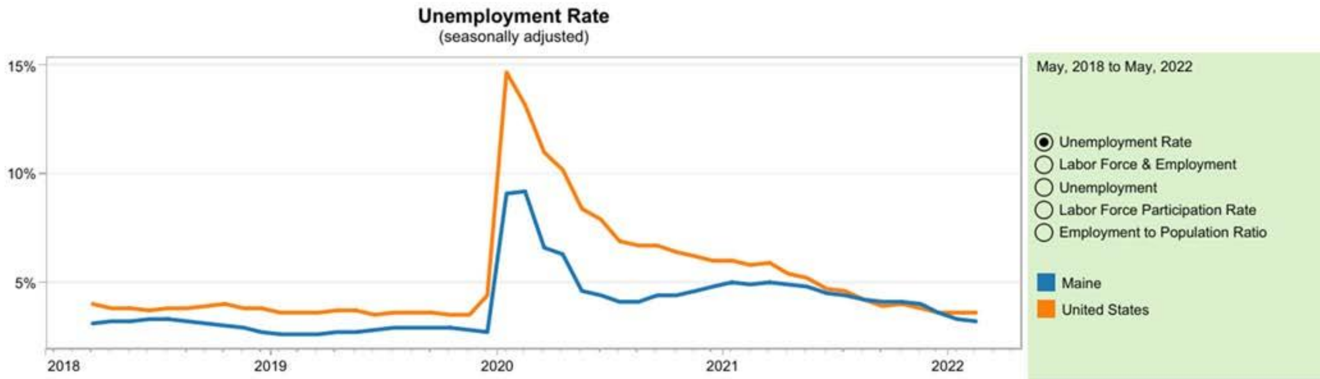


Chart source: Maine Department of Labor, Center for Workforce Research and Information (https://www.maine.gov/labor/cwri/laus.html)

Currently, Maine's May 2022 monthly unemployment rate of 3.2% is not significantly different from the U.S. rate of 3.6% and is the fourth lowest in New England (behind New Hampshire, Vermont and Rhode Island). Real GDP for Maine grew 5.2% for calendar year 2021, coming in at 24th in the U.S., while growth for the fourth quarter of 2021 was 6.8% (seasonally adjusted at annual rates), ranking 20th in the U.S.

Total personal income for Maine grew 7.2% in calendar year 2021, led by a 9.0% increase in net earnings and a 7.3% increase in transfer receipts. Growth in the wages and salaries component of personal income was 9.4% in Maine. The growth rates for total personal income and wage and salary income were both higher than the February 2022 forecast by Maine's economic forecasting group (6.5% and 7.7%, respectively).

The Federal government's six rounds of COVID-19 relief allocated more than $17.9 billion to Maine, of which approximately $6.7 billion was awarded as grants, some of which passed through State government, while other funding was provided directly to other entities such as healthcare providers and institutions of higher education. Approximately $11.2 billion was awarded directly to others in the form of Paycheck Protection Program grants and Economic Injury Disaster loans to small businesses, unemployment benefits, emergency food assistance and stimulus checks to Maine families. This Federal support has stimulated Maine's economy and positively impacted State revenue projections that were initially downgraded at the onset of the pandemic (see below).

The initial Federal relief included $1.25 billion in Coronavirus Relief Fund ("CRF") moneys, which were committed by this Administration to: improve access to Medicaid; safely reopen Maine's public education system; enhance childcare resources; offer additional direct grants to the state's small businesses, healthcare organizations and agriculture enterprises; purchase personal protective equipment for Maine's healthcare network; support health and safety within congregate living settings; empower municipalities to deploy public health and prevention programs; provide rent relief to Maine renters; social supports for those required to quarantine or isolate; purchase and deploy vital laboratory testing infrastructure; and ensure the viability of Maine's unemployment insurance trust fund, which remains solvent with a balance of $523.9 million as of the end of April 2022. This equates to approximately 18.5 months of benefits and exceeds the USDOL's recommended minimum of 18 months. In April 2022, USDOL's State Unemployment Insurance Trust Fund Solvency Report ranked Maine as the 4th most solvent state unemployment trust fund. Based on current unemployment levels, Maine does not expect to borrow to maintain solvency. Maine continues to advocate to the Federal government for Federal support which would boost solvency and minimize any impact on Maine's business community.

The American Rescue Plan Act of 2021 ("ARP") provided additional funding to Maine. Of the $4.6 billion investment expected in Maine, approximately $3.1 billion is earmarked by the Federal government. This would be for recovery efforts like bolstering public health including COVID-19 testing and vaccinations, stimulus payments to Maine families, business supports, and broadband infrastructure.

The remaining approximately $1.5 billion was dedicated by the Federal government as "State and Local Fiscal Recovery Funds." The "State" portion is approximately $1 billion in discretionary funds, to be used by the Governor and Legislature to respond to the pandemic and support economic recovery – referred to as the Maine Jobs & Recovery Plan (the "MJRP"). Approximately $500 million is "Local" Federal funds to Maine's towns, cities, and counties, some of which funnels through the State and some of which goes direct. Maine allocated the $1 billion in discretionary funding through Public Laws of Maine 2021 chapter 78 An Act To Provide Allocations for the Administration of State Fiscal Recovery Funds and chapter 483 An Act To Provide Allocations for the Distribution of State Fiscal Recovery Funds, making Maine one of the first states to fully allocate their award. See also "Expected Federal Support" below.

Impact on State Finances. Like in all other states in the nation, the financial and budgetary impacts from the public health crisis created by COVID-19 have been significant. While the ultimate impacts are not fully knowable at this time, the financial impact to State revenues was not as severe as originally forecast.

As soon as the COVID-19 public health crisis became clear in March 2020, the Administration and the Legislature worked to finalize a supplemental budget, limiting it to address immediate needs with a focus on addressing the impact of COVID-19. The increased revenue forecast (as of March 1, 2020), which was completed prior to the onset of the COVID-19 crisis, was included as budgeted resources but excluded from spending. Due to this effort, which took place during the 2nd Regular Session of the 129th Legislature and including the supplemental budget enacted in March, Maine's General Fund total appropriation for fiscal year 2020 was $193 million less than its total projected resources.

In order to give Maine people and businesses some relief at the beginning of the COVID-19 crisis and in alignment with a decision announced by the Federal government, the State extended the payment deadline for Maine individual and corporate income tax payments (final and estimated) from April 15, 2020, to July 15, 2020. The Federal and State governments also extended the payment deadline of the June 15, 2020 estimated payments to July 15, 2020. To reflect the change in payment date, the State accrued $304.8 million of budgeted revenue, adjusted for any actual payments received. Accruing these deferred tax revenues kept the revenues aligned in the fiscal year in which they were earned. This deferred payment date resulted in lower than budgeted income tax collections through the remainder of fiscal year 2020, but the accrual reflected that these receipts were earned and expected by the State.

In addition, at the onset of the pandemic, the Administration instructed all departments to apply an emergency-basis scrutiny to spending and hiring, including freezing certain already-vacant positions and limiting access to all unencumbered balances from the previous fiscal year.

In July 2020, the non-partisan Revenue Forecasting Committee projected that the State of Maine would face a $528 million revenue shortfall in the General Fund for fiscal year 2021 as a result of the

COVID-19 pandemic. Prior to the release of that report, the Administration and Legislature had anticipated some of the shortfall and, thus, an additional $422 million in savings were required to ensure the State would meet its mandate for a balanced budget based on the forecasts at that time.

In early September 2020, Governor Mills signed a curtailment order to maintain budget stability amid the COVID-19 pandemic. Specifically designed to avoid deep programmatic cuts and, thereby, protect Maine's safety net infrastructure and preserve critical public health, public safety and education funding that Maine people rely on, the Executive Order curtailed allocations to the State's General Fund by approximately $221.8 million and allotments to the Highway Fund by approximately $23.0 million. More specifically, the curtailment order: a) replaced approximately $97 million in State spending with one-time Federal funding from the Coronavirus Aid, Relief, and Economic Security ("CARES") Act Coronavirus Relief Funds (CRF) for authorized public health and safety costs and b) adopted approximately $125 million in departmental cost savings and efficiencies. These departmental cost savings included improved Medicaid federal reimbursement rates ("FMAP"); utilizing other non-General Funds for departmental functions managing expenses by freezing many vacant positions; delaying technology updates; reducing spending on contracts; and cancelling conferences, projects and related travel.

The State did not incur any additional fiscal year 2020 expenditures due to COVID-19 that were not covered by existing State and Federal resources, including the CARES Act funding.

Maine's fiscal experience tracked that of most other states throughout fiscal year 2021 with revenues consistently and substantially exceeding forecasts as described below. Similar to fiscal year 2020, the State did not incur any additional expenditures due to COVID-19 that were not covered by existing State and Federal resources. At the end of fiscal year 2021, there was a budgeted General Fund unappropriated surplus balance of approximately $155.2 million. As described in "State Budgets – 2022-2023 Biennium" revenue forecasts increased for fiscal years 2022 and 2023 by over 14% allowing for a supplemental budget that not only invests in State programs but returns more than $729.3 million to an estimated 858,000 qualifying Maine tax payers in the form of $850 direct relief payments.

Expected Federal Support. The State has received and expects to continue to receive financial support from the Federal government through a variety of mechanisms and legislative actions. In particular, the FMAP percentage for Medicaid reimbursements has been increased resulting in estimated positive budgetary impact of $80-90 million in fiscal year 2020 and an estimated $40-45 million for each quarter thereafter for as long as the Federal national emergency declaration remains in effect. Historically, the State would be entitled to reimbursement for 75% of eligible costs of responding to COVID-19 from FEMA; however changes from the Biden Administration have enabled between 90-100% of eligible costs to be recovered. The State received $1.25 billion of Coronavirus Relief Fund monies under the CARES Act for costs incurred in connection with responding to COVID-19 between March 1, 2020, and December 30, 2020 (extended to December 30, 2021 as part of the Consolidated Appropriations Act, 2021). The CARES Act also provided additional funding statewide under various programs of up to $1.8 billion. Some portion of these direct payments to programs could reduce the overall COVID-19 expenses funded through State General Fund revenues. The foregoing programs are subject to various conditions and restrictions contained in the applicable legislative acts or in interpretive guidance provided by various Federal agencies and the estimated funding amounts provided herein are subject to adjustment. Additionally, the Governor and/or Legislature may need to take certain actions to request and receive Federal funding. However, the State expects that it will qualify and satisfy various conditions such that Federal moneys are available to provide budgetary relief in the current and next fiscal year. The

Consolidated Appropriations Act, 2021 provided additional funding for various efforts in Maine including funding for education, higher education, healthcare providers, unemployment extensions, citizen stimulus checks, and business Paycheck Protection Program loans. This act did not contain additional direct financial assistance to the State.

On March 11, 2021, the ARP, a $1.9 trillion COVID-19 relief package, was signed into law. The ARP includes $350 billion in additional aid for state and local governments, including the State, along with additional funding for other areas like education, rental assistance and others. Estimates for the amount of ARP funding impacting Maine is nearly $4.6 billion. The ARP includes over $1.5 billion in State and Local Fiscal Recovery Funds, $200 million in Emergency Rental Assistance, $129 million for capital projects and $411 million targeted to K-12 education. Economic impact (stimulus) payments from the ARP are projected at $1.7 billion. The ARP also includes $10 billion for Coronavirus Capital Projects Fund, which will provide for payments to states, territories and tribal governments for critical capital projects that would directly enable work, education and health monitoring, including remote operations, in response to the pandemic. The ARP contains a broad definition of allowable uses, including lost revenue (but limited to revenue loss due to the pandemic relative to the fiscal year prior to the start of the pandemic), negative economic impact of the pandemic, and necessary investments in water, sewer or broadband infrastructure. Notably, the ARP funds may not be used to offset tax cuts or delay a tax, nor can these funds be deposited into a pension fund. The ARP requires all allocated funds to be obligated by December 31, 2024 and expended by December 31, 2026.

Unlike the CRF, which was meant to be immediate, stopgap relief to plug acute holes and build a pandemic response, the ARP funds are meant to support a long term recovery strategy. The ARP offers an unprecedented opportunity to support continued recovery from the COVID-19 pandemic, to improve the lives and livelihoods of Maine people, to make investments in solving Maine’s long-term challenges, to develop strategies for new opportunities, and to strengthen our state for years to come.

In June and July of 2021, the Legislature enacted and the Governor signed into law, PL2021, chapter 78 and chapter 483, which allocates $997 million of the State’s discretionary ARP funding. This effort, known as the MJRP, includes 114 projects across 23 State entities.

The MJRP draws heavily on recommendations from the Governor’s Economic Recovery Committee and the State’s 10-Year Economic Development Strategy, transforming them into real action to improve the lives of Maine people and strengthen the economy. Governor Mills has specifically honed in on strategic investments to relieve the significant toll of the COVID-19 pandemic on Maine’s people, communities, and economy, while addressing known, systemic challenges that have constrained the State’s ability to grow and thrive, broadly divided into three categories: immediate economic recovery from the pandemic; long-term economic growth for Maine; and infrastructure revitalization.

As of June 14, 2022, of the more than 142 business cases (across 114 initiatives), 102 have been fully approved through a two-part process that confirms federal eligibility, reporting parameters, and metric structure. This represents a total of approximately $837 million in Federal funds deployed or ready to be deployed into Maine’s economy. Through the same timeframe, more than $213 million of the $837 million has been expended or obligated.

Through the MJRP funding, in less than 7 months, the State has awarded $11 million in recovery grants to 604 Maine businesses, including $6 million in initial grants to 224 forestry businesses (83 percent of these forestry businesses have ten employees or fewer, and 80 percent are located in Aroostook, Penobscot, Somerset, Oxford, or Piscataquis counties), $5 million in economic recovery grants to 380 small businesses across all 16 counties, provided health insurance premium support to 5,700 small businesses and 27,900 employees covering 44,500 lives, funded 286 PreK student slots and converted 123 existing PreK slots from part day/part week to full day/full week through first round of PreK infrastructure grants, and enrolled 305 students in short-term training courses across the Maine Community College System.

The State's progress also stands out nationally. A recent analysis by the Center for Budget Priorities compared how states are using ARPA fiscal relief funds as of the end of 2021. It reported that Maine is one of only four states to have appropriated 100 percent of its fiscal relief funds. It also highlighted the high level of investment that Maine has dedicated to economic development, finding that; Maine has allocated a larger share of its funding for business assistance than all states but Wisconsin, Maine's share of workforce investments is larger than all states but Massachusetts and Montana, and Maine's share of higher education investments is larger than all states except for North Dakota.

Conclusion. As the pandemic continues, the full financial impact of COVID-19 on the State, its economy, and its financial position will continue to evolve as circumstances and events change. It is not possible at present to project with any reasonable degree of certainty the impact on State revenues, expenditures, reserves, budget, or financial position, nor is it possible to predict the short-term and long-term impact of COVID-19 on the Maine economy and its individual sectors. No assurance can be given regarding future events or impacts because many actions and events are unpredictable, unknowable at this time, and outside the control of the State.

The Administration intends to continue its financial diligence and prudent management practices moving forward as its combats the COVID-19 pandemic. It is expected that the Administration's response to both the public health and financial concerns associated with COVID-19 to date and the State's available reserves puts the State in a reasonable position moving forward.

CLIMATE RESILIENCY

Governor Mills has made combatting the causes of climate change and planning for greater climate resiliency among her top priorities. The Administration established the Maine Climate Council, which in December, 2020 released a four-year climate action plan, "Maine Won't Wait". The plan sets strategies to meet the State's legally required greenhouse gas emission reduction targets and to ensure that Maine's communities, infrastructure, and economy are resilient to the current and future impacts of climate change.

Informed by the climate action plan, a clean energy economy plan, and the State's economic plan, Governor Mills prioritized investments in clean energy innovation and related workforce development, including significant new renewable energy requirements in Maine's electric grid, increased energy storage, grid resiliency planning, incentives to increase the electrification of heating and transportation, and the promotion of offshore wind energy. Governor Mills set a goal to double the number of clean energy jobs in Maine by 2030 (to 30,000 jobs from 15,000).

Climate hazard risk mitigation planning and adaptation work is a high priority. In 2019, Governor Mills signed an executive order directing State agencies to account for climate change projections when siting and designing new State facilities and other construction projects, and to consider continuity of operations and resilient building systems for critical State facilities. The Maine Department of Transportation is undertaking a vulnerability assessment to rank key transportation assets' risk to sea level rise, allowing the State to prioritize the most critical resilience improvements. By 2023, the State expects to have assessed the vulnerability of remaining State-owned assets to flooding and other climate hazards and develop climate-ready design guidance for State infrastructure. To inform this work, Maine's Department of Environmental Protection will promulgate official sea-level rise projections based on the Climate Council's science sub-committee recommendation of 1.5 feet of projected rise by 2050 and 3.9 feet by 2100. The Department of Environmental Protection will also undertake a review of land use regulations and permitting to provide for consistent application of the sea level rise projections.

In 2020, the State launched a pilot community resilience planning program to support towns with technical assistance for resiliency planning and small grants for implementation. The pilot program, along with grants and assistance from the Maine Coastal Program for coastal flood hazard planning, supported adaptation planning and infrastructure improvements in geographically diverse targeted communities. The fiscal year 2022 State budget includes $4.75 million for an expanded, State-wide version of this program, called the Community Resilience Partnership, which provides grants and technical assistance to municipalities and tribes for climate resilience planning, clean energy transitions, and energy efficiency projects.

In addition, the State is implementing a variety of climate focused recommendations as part of its general economic recovery initiatives including investments in critical infrastructure and supports for businesses and families, utilizing state funds, federal ARPA dollars, and new federal infrastructure investment opportunities. These funds will make significant investments in resilient infrastructure and climate mitigation actions, including state assets, transportation systems, municipal wastewater and drinking projects, broadband, energy efficiency, and other state and local adaptation needs.

The Administration views these investments as a transformational opportunity to improve the resilience of State and community infrastructure, and make progress on the State's climate action goals.

CYBERSECURITY

The State has designated CARES Act funding to strengthen the security posture of Maine's remote workforce during the pandemic and to support COVID-related operations, as well as increased funding for targeted improvements to the State's information security capabilities in the biennial budget. In addition to funding, the Administration has taken other actions to ensure the continuity of governmental operations.

The fiscal year 2021 supplemental budget request included $1.7 million in cybersecurity services and tools. While cybersecurity funds beyond the $1.7 million were not approved by the Legislature due to the COVID-19 crisis, the funding approved maintained critical information security operations to protect the State of Maine's network.

The State's Office of Information Technology successfully leveraged CARES Act funds to strengthen and accelerate cybersecurity protections for the State. Approximately $4 million was used to provide security for a remote workforce of unprecedented scale and duration and secure crisis action operations through vulnerability remediation, improving continuous monitoring, strengthening network defenses and risk management processes.

The Administration demonstrated its commitment to continual improvement of the State's cybersecurity posture as highlighted through the establishment of Executive Order 25 fiscal year 20/21, "An Order Establishing the State of Maine Cybersecurity Advisory Council". The purpose of this Council is to strengthen the security and resiliency of the State's information technology infrastructure to protect against cybersecurity risks and ensure an effective cybersecurity communication chain to the Governor's Office.

The State takes the threats to citizen data seriously. The most recently enacted supplemental fiscal year 2022-2023 biennial budget bill and the MJRP includes a combined $8.2 million in General Funds and ARP funds in each fiscal year to support and maintain Maine's cybersecurity program and investments.

The Administration has set aside $40 million of ARP discretionary State recovery funds for modernizing the way Maine citizens interact with State government. The pandemic has illustrated the need for accessible, safe, and efficient State government services and programs – especially those that can be managed online or through remote programs. These funds will invest in targeted upgrades to make State systems more user friendly, as well as the cybersecurity measures that are needed to ensure safe State operations.

The 2022-2023 supplemental budget (PL21, chapter 635) included over $1 million to support 8 new Information Technology positions supporting statewide cyber security efforts. These positions are essential to supporting enterprise security, statewide information security and modernization efforts that are essential building blocks for advancing the State's information security program. It supports the State's efforts to safeguard its most valuable information assets, strengthen our incident response capabilities, and adopt comprehensive information security measures for protecting the enterprise. This will provide better response time to incidents and daily tasks than the current model and it will reduce reliance on external vendor resources, which are increasing in cost. This law also includes $975,000 as the match for the first two years of the four-year allocation of $13 million of dedicated federal cybersecurity funds through the Infrastructure Investment and Jobs Act. The State's Chief Information Officer will coordinate a statewide cybersecurity initiative with municipalities to build a strong and resilient cyber future, with 80 percent of the spend to benefit local governments including a minimum of 25 percent benefiting rural areas.

FISCAL MANAGEMENT

Department of Administrative and Financial Services

The Department of Administrative and Financial Services ("DAFS"), under the supervision and control of the Commissioner of Administrative and Financial Services, is the principal fiscal department of State government. The Commissioner of DAFS has certain duties and authorities, including serving as Governor Mills' principal fiscal aide, coordinating financial planning and programming activities of the State government for review and action by Governor Mills, preparing and reporting to Governor Mills and the Legislature such financial data or statistics as may be required or requested by them, planning with respect to the fiscal needs of State government and ensuring that all publications stating the salary of a State employee also state the value of the employee's fringe benefits. DAFS includes the Bureau of the Budget, headed by the State Budget Officer, the Office of the State Controller, headed by the State Controller, and the Bureau of Maine Revenue Services ("MRS"), headed by the State Tax Assessor and the Associate Commissioner for Tax Policy.

Constitutional Debt Limit

Article IX, Section 14, of the Constitution of the State provides that the Legislature shall not at any time create any debt or debts, liability or liabilities, on behalf of the State, which shall singly, or in the aggregate, with previous debts and liabilities incurred, exceed $2,000,000, (i) except to suppress insurrection, to repel invasion, or for purposes of war; (ii) except for temporary loans to be paid out of money raised by taxation during the fiscal year in which they are made; and (iii) excepting also that whenever two-thirds of both the Senate and the House of Representatives shall deem it necessary, by proper enactment ratified by a majority of the electors voting thereon at a general or special election, the Legislature may authorize the issuance of bonds on behalf of the State at such times and in such amounts and for such purposes as may be approved by such action. Appendix D, "Selected Information Regarding Authorized and Outstanding Debt of the State - Authorized Expenditures," herein sets forth information regarding bonds currently authorized pursuant to certain enactments which have been ratified by a majority of the voters at various elections. Temporary loans to be paid out of moneys raised by taxation during any fiscal year shall not exceed in the aggregate during the fiscal year in question an amount greater than 10% of all the moneys appropriated, authorized and allocated by the Legislature from undedicated revenues to the General Fund and dedicated revenues to the Highway Fund for that fiscal year, exclusive of proceeds or expenditures from the sale of bonds, or greater than 1% of the total valuation of the State, whichever is the lesser.

The Constitution also allows the Legislature to authorize the issuance of bonds (i) in the amount of up to $4,000,000 to guarantee student loans; (ii) to insure payments on up to $4,000,000 of mortgage loans for war veterans; and (iii) to insure payments on up to $90,000,000 of mortgage loans for industrial, manufacturing, fishing, agricultural and recreational enterprises. The Finance Authority of Maine is authorized to guarantee student loans and to insure payments on certain mortgage loans. See "Certain Public Instrumentalities – Finance Authority of Maine." The Constitution also allows the Legislature to authorize the issuance of bonds to insure payments on up to $1,000,000 of mortgage loans for Indian housing. The Maine State Housing Authority is authorized to insure payments on mortgage loans for Indian housing. See "Certain Public Instrumentalities – Maine State Housing Authority" herein. Although the Constitution also allows the Legislature to authorize the issuance of bonds to insure the payment of revenue bonds of the Maine School Building Authority on school projects not exceeding $6,000,000, the statutory authorization for insurance of Maine School Building Authority revenue bonds has been repealed. No bonds are outstanding pursuant to any of the authorizations described in this paragraph.

Overview of the Budget Process

The budget of the State government must present a complete financial plan for each fiscal year of the ensuing period of two fiscal years, commencing July 1 in odd-numbered years. The budget must set forth all proposed expenditures for the administration, operation and maintenance of the departments and agencies of State government, all interest and debt redemption charges during each fiscal year and all expenditures for capital projects to be undertaken and executed during each fiscal year of such two-year period. In addition, the budget must set forth the anticipated revenues of the State government and any other means of financing expenditures proposed for each fiscal year of such two-year period.

The State budget consists of a budget message by the Governor (or the Governor-elect) that outlines the financial policy of the State government for the ensuing period of four fiscal years, describing in connection therewith the important features of the financial plan. The Governor's budget overview must also lay out a vision for the State's long-range financial plan and describe how the proposed budget complements that longer vision, which includes the current biennium and the two succeeding biennia.

The budget document includes a general budget summary setting forth the aggregate figures of the budget showing the balance between total proposed expenditures and total anticipated revenues, together with other means of financing the budget for each fiscal year of the ensuing two fiscal years, contrasted with the corresponding figures for the last completed fiscal year and the fiscal year in progress. For information regarding the revenue projection process, see "Fiscal Management – Revenue Forecasting" below. The budget document specifically describes the estimated loss in revenue during the last completed fiscal year and the fiscal year in progress and the anticipated loss in revenue for each fiscal year of such two-year period caused by tax expenditures provided by law. The general budget summary must be supported by explanatory schedules or statements, classifying the expenditures contained therein by organization units, objects and funds, and the income by organization units, sources and funds. The budget document also includes statements of the bonded indebtedness of the State government showing the debt redemption requirements, the debt authorized and unissued, and the condition of the sinking funds.

Pursuant to Public Laws of Maine 2005, chapter 2 ("2005 Chapter 2"), the total General Fund appropriation for each of the two fiscal years in the biennial budget may not exceed the General Fund appropriation limit established by law, except as otherwise provided by law. See "Fiscal Management – General Fund Appropriation Limit." 2005 Chapter 2 became effective for fiscal biennia of the State beginning July 1, 2005, was amended pursuant to Public Laws of Maine 2005, chapters 621, 636, 683 and Public Laws of Maine 2015, chapter 267 ("2015 Chapter 267") and is further subject to modification or repeal at any time by the Legislature.

On or before September 1 of even-numbered years, all departments and other agencies of the State government and corporations and associations receiving or desiring to receive State funds must prepare and submit to the State Budget Officer estimates of their expenditure and appropriation requirements for each fiscal year of the ensuing two-year fiscal period contrasted with the corresponding figures of the last completed fiscal year and the estimated figures for the fiscal year in progress. The growth in the State's General Fund appropriations pursuant to 2005 Chapter 2, as amended by Public Laws of Maine 2005, chapters 621, 636, 638 and 2015 Chapter 267, is limited by law to the average personal income growth for the prior ten calendar years, ending with the most recent calendar year for which data is available, in the State as estimated by the Department of Commerce, Bureau of Economic Analysis. State General Purpose Aid for Local Schools ("GPA") program for kindergarten to grade 12 education is excluded from the General Fund appropriation limit until such time as the State's share of education funding reaches 55% of total state and local education funding. See "Fiscal Management – General Fund Appropriation Limit" and "State Budgets" below.

The Governor (or the Governor-elect), with the assistance of the State Budget Officer, reviews the budget estimates and may alter, revise, increase or decrease the items of the estimates as may be deemed necessary in view of the needs of the various departments and agencies and the total anticipated income of the State government during the ensuing two-year fiscal period. The State Budget Officer, at the direction of the Governor (or the Governor-elect), then prepares a State budget document in the form required by law. The Governor must transmit the budget to the Legislature not later than the Friday following the first Monday in January of odd-numbered years. A Governor-elect in the first term of office must transmit the State budget to the Legislature not later than the Friday following the first Monday in February in odd-numbered years.

Not later than June 1 of each year, the head of each department and agency of State government must submit to the State Bureau of the Budget a work program for the ensuing fiscal year. Such work program must include all appropriations, revenues, transfers and other funds made available to that department or agency for its operation and maintenance and for the acquisition of property, and must show the requested allotments of said sums by quarters for the entire fiscal year, classified to show allotments requested for specific amounts for personal services, capital expenditures and amounts for all other departmental expenses. The Governor, with the assistance of the State Budget Officer, reviews the requested allotments with respect to the work program of each department or agency and may revise, alter or change its allotments before approving the same. The aggregate of such allotments may not exceed the total sums made available to each department or agency for the fiscal year in question. The State Budget Officer transmits a copy of the allotments as approved by the Governor to the head of the department or agency concerned and also a copy to the State Controller. The State Controller authorizes all expenditures to be made from the sums available on the basis of such allotments and not otherwise. Thereafter, the head of any department or agency of the State government may request, and the Governor may approve, revisions of the allotments for the remaining quarters of a fiscal year.

Whenever it appears to the Commissioner of Administrative and Financial Services that the anticipated revenue and other available funds of the State will not be sufficient to meet the expenditures authorized by the Legislature, the Commissioner so reports in writing to the Governor and to certain officers of the Legislature. After receiving the report, the Governor may temporarily curtail allotments equitably so that expenditures will not exceed the anticipated income and other available funds. The Governor, upon the curtailment of any allotment, notifies certain officers of the Legislature of the specific allotments curtailed, the extent of curtailment of each allotment and the effect of each curtailment on the objects and purposes of the program so affected.

No State department or agency may make expenditures of any Federal funds or expenditures in anticipation of receipt of Federal funds for any new or expanded programs, unless such Federal funds are approved by the Legislature. The Governor may authorize the expenditure of such Federal funds for a period not to exceed twelve calendar months and shall notify the Office of Fiscal and Program Review of the Legislature of such action.

Revenue Forecasting

Statutory Responsibilities. The Consensus Economic Forecasting Commission (the "Commission" or "CEFC") is responsible for providing the Governor, the Legislature and the Revenue Forecasting Committee (the "RFC") with analyses, findings and recommendations representing State economic assumptions relevant to revenue forecasting. The CEFC consists of five members appointed as follows: two members are appointed by the Governor; one member recommended by the Speaker of the House for appointment by the Governor; one member recommended by the President of the Senate for appointment by the Governor; and one member appointed by the other members of the Commission. Each CEFC member must have professional credentials and demonstrated expertise in economic forecasting. A member may not be a Legislator or an employee of the Executive, Legislative or Judicial branches. The CEFC meets at least three times a year.

The CEFC develops macroeconomic secular trend forecasts for the current fiscal biennium and the next two fiscal biennia. No later than February 1 of each even-numbered year, the CEFC submits to the Governor, the RFC and certain members of the Legislature analyses, findings and recommendations for economic assumptions related to revenue forecasting for the current biennium and the next two fiscal biennia. No later than April 1 and November 1 of each odd-numbered year and no later than November 1 of each even-numbered year, the CEFC submits to the Governor, the RFC and certain members of the Legislature the Commission's findings and recommendations for adjustments to the economic assumptions provided on February 1 of each even-numbered year.

The RFC is responsible for providing the Governor, the Legislature and the State Budget Officer with analyses, findings and recommendations relating to the projection of revenues for the General Fund and the Highway Fund based on economic assumptions recommended by the CEFC. The RFC includes the State Budget Officer, the Associate Commissioner for Tax Policy, the State Economist, an economist on the faculty of the University of Maine System selected by the chancellor, the Director of the Office of Fiscal and Program Review of the Legislature and another member of the Legislature's nonpartisan staff familiar with revenue estimating issues appointed by the Legislative Council. The RFC meets at least three times a year.

The RFC develops current fiscal biennium and two ensuing fiscal biennia revenue projections using the economic assumptions recommended by the CEFC. No later than March 1 of each even-numbered year, the RFC submits to the Governor, certain members of the Legislature and the State Budget Officer analyses, findings and recommendations for General Fund and Highway Fund revenue projections for the next two fiscal biennia. No later than May 1 and December 1 of each odd-numbered year and no later than March 1 and December 1 of each even-numbered year, the RFC submits to the Governor, certain members of the Legislature and the State Budget Officer analyses, findings and recommendations for adjustments to General Fund and Highway Fund revenue for the current and ensuing fiscal biennia.

The State Budget Officer uses the revenue projections of the RFC in setting revenue estimates for inclusion in the State budget and in preparing General Fund and Highway Fund revenue and expenditure forecasts for the budget.

A "stress-test" requirement was enacted in Public Laws of Maine 2017, chapter 284 ("2017 Chapter 284") requiring the CEFC to provide the State Economist, the State Budget Officer and the Associate Commissioner for Tax Policy with at least two alternative economic recession scenarios of varying levels of severity. The alternative scenarios are required to be included in the CEFC's report due February 1st of each even-numbered year, and also must include assumptions for calendar years that encompass the current and next two biennia. By October 1st of each even-numbered year the CEFC and RFC will jointly issue a report to the Governor, the Legislative Council and the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs that utilizes the alternative economic scenarios recommended by the CEFC. The report includes analyses and findings that detail the stress impact such economic recession scenarios would have on the current General Fund revenue projections of sales and income tax revenues. In addition, the report must include an analysis of the sufficiency of the current level of the Budget Stabilization Fund and an estimate of the reserves in the Maine Budget Stabilization Fund ("MBSF") necessary to offset the declines in revenue as a result of potential economic recession scenarios.

At their January 30, 2020, meeting the CEFC identified two additional hypothetical recession scenarios of varying severity to meet the Commission's statutory requirement related to the stress-testing of revenues. The CEFC decided to designate two alternative scenarios provided by Moody's Analytics in January 2020 as the moderate and severe recession scenarios. While the scenarios describe a particular set of specific events surrounding the recessions, the CEFC does not ascribe to these specifics, instead selecting the scenarios based on the numbers and growth rates that seemed reasonable as generic "moderate" and "severe" recessions. These scenarios should provide plausible economic inputs for an analysis of the General Fund revenue projections in both a moderate and severe downturn.

At the CEFC's off-cycle forecast meeting held in June 2020, it was decided to replace the original "severe" recession scenario with the CEFC's official July 1, 2020, baseline forecast. Given that conditions at that time (the early months of the COVID-19 pandemic) represented a sharp and severe recession, it made sense to use the revised off-cycle forecast in place of a hypothetical scenario. The "moderate" recession scenario was not changed from the original designation and the February 1, 2020, CEFC forecast continues to represent the baseline for the stress test.

The moderate recession scenario was compared to the Moody's Analytics baseline scenario for January 2020 to create a ratio that eliminates any extra variation stemming from the differences between the Moody's baseline and the CEFC forecast. This ensures that the alternative scenario captures only the differences resulting from the economic conditions and not from a differing baseline. Additionally, the moderate recession scenario forecast was adjusted so that the recession began in the first quarter of 2020. For 2019, the CEFC forecast was used; the alternative economic scenarios were then used to provide forecasts for 2020-2025.

The CEFC designated in their February 2022 report two alternative scenarios provided by Moody's Analytics in January 2022 as the hypothetical recession scenarios for the stress-test due October 1, 2022. As in 2020, the CEFC selected the scenarios based on the numbers and growth rates that seemed reasonable as generic "moderate" and "severe" recessions, with the "moderate" scenario intended to reflect pressures from higher rates of inflation. Both scenarios will be adjusted to reflect the CEFC's February 2022 baseline forecast and will show hypothetical downturns beginning in the first quarter of calendar year 2023.

The RFC makes all determinations necessary to calculate the General Fund appropriation limit established by law. See "Fiscal Management – General Fund Appropriation Limit" herein.

Calendar Year 2020, 2021 and 2022 Reports. Prior to the onset of the COVID-19 crisis, the most recent forecasts of the CEFC and RFC were issued as of February 1, 2020 and March 1, 2020, respectively. In light of the COVID-19 crisis, off-cycle forecasts were issued by the CEFC and RFC on July 1, 2020 and August 1, 2020. The CEFC and RFC have issued revised forecasts since then according to the statutory schedule, with the most recent CEFC forecast issued February 1, 2022, and the most recent RFC forecast issued March 1, 2022. The most recent forecasts of the CEFC and RFC may be found on the web pages for the Consensus Economic Forecasting Commission and the Revenue Forecasting Committee on the State of Maine website https://www.maine.gov.

The most recent CEFC forecast was released February 1, 2022, and the most recent RFC forecast was released March 1, 2022.

The table below shows the key economic variables from the CEFC reports used in the revenue forecast.

Calendar Years	2020	2021	2022	2023	2024	2025	2026	2027
Wage & Salary Employment (Annual Percentage Change)								
CEFC Forecast 02/2020	0.5	0.2	0.1	0.0	0.0	0.0		
CEFC Forecast 11/2021	-6.4	3.7	2.3	1.0	0.7	0.7		
CEFC Forecast 02/2022	-6.4	3.7	1.8	1.0	0.4	0.2	0.0	0.0
Personal Income (Annual Percentage Change)								
CEFC Forecast 02/2020	4.1	4.0	3.7	3.5	3.5	3.5		
CEFC Forecast 11/2021	7.9	5.2	0.5	4.6	4.8	4.6		
CEFC Forecast 02/2022	7.9	6.5	1.7	5.0	4.9	4.6	4.6	4.5
Wage and Salary Income (Annual Percentage Change)								
CEFC Forecast 02/2020	4.1	3.7	3.4	3.2	3.2	3.2		
CEFC Forecast 11/2021	2.9	5.5	5.0	5.0	5.0	4.0		
CEFC Forecast 02/2022	2.9	7.7	6.5	5.5	5.0	4.0	4.3	4.3
CPI (Annual Percentage Change)								
CEFC Forecast 02/2020	1.9	2.0	2.0	2.0	2.0	2.0		
CEFC Forecast 11/2021	1.2	4.4	3.5	2.1	2.1	2.1		
CEFC Forecast 02/2022	1.2	4.7	5.0	4.0	2.5	2.5	2.5	2.5

The economic variables in the CEFC forecast play a prominent role in the revenue forecast. Maine Revenue Services' Office of Tax Policy tax models use the CEFC economic variables to help project revenue from the major taxes. Data related to non-tax revenue lines are provided by a number of different state agencies and reviewed by staff in the Office of Fiscal and Program Review and the Bureau of the Budget to come up with consensus recommendations.

The following table highlights the changes to the General Fund revenue forecast accepted by the RFC on March 1, 2022.

General Fund Summary

	FY21 Actual	FY22	FY23	FY24	FY25
Current Forecast	$4,520,591,145	$4,622,327,266	$4,704,460,506	$4,886,311,120	$5,048,378,090
Annual % Growth	13.9%	2.3%	1.8%	3.9%	3.3%
Net Increase (Decrease)	$0	$234,855,224	$176,839,781	$162,631,910	$198,124,938
Revised Forecast	$4,520,591,145	$4,857,182,490	$4,881,300,287	$5,048,943,030	$5,246,503,028
Annual % Growth	13.9%	7.4%	0.5%	3.4%	3.9%

The CEFC most recently updated its forecast as of February 1, 2022. At the time of the forecast, based on information from the Maine Department of Labor, the CEFC expected an upward revision to employment for 2020 of around 2,000 jobs. This was not reflected in the forecast levels that anticipated employment will return to pre-pandemic levels between 2023 and 2024 and continue growing to 639,500 (approximately 641,000 once 2020 revisions are accounted for) in 2025 before leveling off. The upward revision to employment happened as expected, with an average of 2,100 more jobs in 2020. The employment forecast reflects downward revisions in 2022, 2024, and 2025 as the State's demographics weigh against continued migration into the State. The forecast for total personal income growth was revised up for 2021-2024 to account for stronger growth in wages and salaries and supplements to wages and salaries in 2021-2023. Growth in the Consumer Price Index came in at 4.7% for 2021, up from the CEFC's forecast of 4.4%. The CEFC revised its forecast up for 2022-2025 to reflect that the higher energy prices, increased demand, and supply constraints that have recently led to increased inflation are expected to continue through 2022 and into 2023 before abating.

General Fund revenue estimates were revised upward by $234.9 million for fiscal year 2022 and by $176.8 million for fiscal year 2023 for a total increase of $411.7 million (4.4%) for the 2022-2023 biennium. The forecasted rate of year-over-year growth for General Fund revenue for fiscal year 2022 is 7.4% and for fiscal year 2023 is 0.5%. The forecast for fiscal year 2024 General Fund revenue was revised upward by $162.6 million and for fiscal year 2025 by $198.1 million for a total increase of $360.8 million (3.6%) for the 2024-2025 biennium. These General Fund revenue changes are largely the result of positive adjustments to the individual and corporate income tax and the sales tax lines.

Changes to the General Fund individual income tax were primarily the result of revenue performance during tax year 2021 indicating that tax year 2021 grew by more than previously forecasted, and more optimistic assumptions of wage and salary growth over the remainder of the forecast period. The February CEFC forecast assumes that wages and salaries will increase 7.7% during calendar year 2021, 6.5% for the calendar year 2022, 5.5% for calendar year 2023, 5.0% for calendar year 2024, and 4.0% in calendar year 2025. The wages and salaries forecast results in an increase in forecasted individual income tax liability of $41.7 million in tax year 2021, $75 million in tax year 2022, $89 million in tax year 2023, and approximately $95 million in tax years 2024 and 2025. Stronger growth in capital gains realizations increases 2021 tax liability by $33 million but has limited impact relative to the December forecast after tax year 2021 as projected decreases in capital gains realizations eventually reduces tax liability from capital gains to levels consistent with tax periods leading up to the pandemic. The revenue increase in fiscal year 2022 is larger than the later years partly because of timing in receipts. The new forecast assumed that taxpayers shifted income into tax year 2021 and out of future tax years in reaction to discussions throughout calendar year 2021 of potential tax increases at the federal level. This behavior by high-income taxpayers will boost fiscal year 2022 revenues at the expense of future fiscal years.

The corporate income tax line had been growing at unusually high year-over-year rates for the last 18 months. Last fiscal year corporate income tax receipts increased by 31.5%, and through the first seven months of fiscal year 2022 they increased by 56.6%. In the March revenue forecast the RFC increased the corporate income tax forecast by $75.0 million in fiscal year 2022, $62.0 million in fiscal year 2023, and by $112.3 million in the 2024-2025 biennium. Until more detailed information provided on income tax returns is received and analyzed it will be difficult to understand why corporate income tax revenues have been so high. Three possible explanations that have been discussed are: (1) corporate profits, particularly for larger companies, are much stronger than previously estimated; (2) the unique aspects of the pandemic economy have interacted with key provisions of the 2017 federal tax reform act (TCJA) to increase revenue; and (3) corporations in reaction to tax increases discussed in Congress during 2021 shifted income into calendar year 2021 to avoid potential future tax increases.

The annual positive adjustments to the General Fund sales and use tax forecast were relatively minor compared to the December revenue forecast and reflected a positive variance of $12.1 million through January, 2022 and the new economic forecast from the CEFC. While the sales tax forecast assumes year-over-year growth will slow starting in calendar year 2022, the CEFC's economic forecast estimates Maine households will experience income growth capable of sustaining the current level of spending on taxable goods and services. After fiscal year 2022, annual sales tax growth is forecasted to be between 3.0% and 3.5%, reflecting higher inflation and a gradual shift back to in-person non-taxable services as consumers adjust their mix of spending to where it was pre-pandemic.

General Fund Appropriation Limit

Pursuant to 2005 Chapter 2, as amended by Public Laws of Maine 2005, chapters 621, 636, 683 and 2015 Chapter 267, the rate of growth of General Fund appropriations in a fiscal year is limited to the average personal income growth (the "Growth Limit Factor").

"Average personal income growth" means the average for the prior ten calendar years, ending with the most recent calendar year for which data is available, of the percent change in personal income in the State as estimated by the BEA.

As of December 1 of each even-numbered year, a General Fund appropriation limit is established for the ensuing two fiscal years. For the first fiscal year, the General Fund appropriation limit is equal to the "biennial base year appropriation" multiplied by one plus the Growth Limit Factor. For the second fiscal year, the General Fund appropriation limit is the General Fund appropriation limit of the first year multiplied by one plus the Growth Limit Factor. As amended in 2015 Chapter 267, "biennial base year appropriation" means the General Fund appropriation enacted for fiscal year 2016-17 as of December 1, 2016 and for subsequent fiscal years, the amount of the General Fund appropriation limit for the current fiscal year as of December 1 of even-numbered years.

The General Fund appropriation limit applies to all General Fund appropriations, except certain education costs. 2005 Chapter 2 provides that the additional cost for certain essential educational programs and services ("Essential Programs and Services") for kindergarten to grade 12 education ("K-12 Education") that exceeds the fiscal year 2004-05 appropriation for GPA is excluded from the General Fund appropriation limit until the State share of that cost reaches 55% of the total State and local cost (the "EPS Costs").

The table below shows the Growth Limit Factor and Appropriation Limit from fiscal year 2014 to present.

Fiscal Year	Growth Limit Factor	Appropriation Limit (approximate)
2014	1.37%	$3.6 billion
2015	1.37%	$3.6 billion
2016	1.08%	$3.6 billion
2017	1.08%	$3.7 billion
2018	2.84%	$3.8 billion
2019	2.84%	$4.0 billion
2020	2.77%	$4.1 billion
2021	2.77%	$4.2 billion
2022	3.30%	$4.5 billion
2023	3.30%	$4.6 billion

Current law provides that the State will pay 55% of the total State and local cost of K-12 Education beginning in fiscal year 2022, not including teacher retirement and retired teachers' health and life insurance, and that the General Fund appropriation limit will include the State share of the cost of K-12 Education beginning with fiscal year 2022. Public Laws of Maine 2021, chapter 398 authorized the funding to achieve this goal for the first time in the State's history. See "Certain Expenditures and Obligations - Education Funding" herein.

The General Fund appropriation limit may be exceeded for certain extraordinary circumstances which must be outside the control of the Legislature, including (a) catastrophic events, such as natural disaster, terrorism, fire, war and riot, (b) unfunded or underfunded State or Federal mandates, (c) citizens' initiatives or other referendum, (d) court orders or decrees or (e) loss of Federal funding. Extraordinary circumstances do not include changes in economic conditions, revenue shortfalls, increases in salaries or benefits, new programs or program expansions that go beyond existing program criteria and operation. The General Fund appropriation limit may be temporarily increased for such other purposes only by a vote of both Houses of the Legislature in a separate measure that identifies the intent of the Legislature to exceed the General Fund appropriation limit. 2005 Chapter 2 is also subject to modification or repeal at any time by the Legislature.

Budget Stabilization Fund, Other Reserves

"Baseline General Fund revenue" and other available budgeted General Fund resources that exceed the General Fund appropriation limit plus the EPS Costs must be transferred to the Maine Budget Stabilization Fund (the "Budget Stabilization Fund"). Prior to July 1, 2021, if the Budget Stabilization Fund was at its limit of 18% of General Fund revenue of the immediately preceding fiscal year, then amounts that would otherwise have been transferred to the Budget Stabilization Fund were required to be transferred to the Property Tax Relief Fund for Maine Residents. Public Laws of Maine 2021 chapter 398 amended the statute and beginning with fiscal year 2022 amounts that would previously have gone to the Property Tax Relief Fund will instead go to a Highway and Bridge Capital program, Other Special Revenue Funds account. "Baseline General Fund revenue" means the recommended General Fund revenue forecast reported by the RFC in its December 1 report in even-numbered years, increased by the estimated amount of net General Fund revenue decrease, if any, for all enacted changes reducing the state and local tax burden included in that forecast.

State law sets out how excess General Fund at year end is to be distributed among priority reserves with a portion of the remainder after those priority transfers going to the Budget Stabilization Fund. The State's two primary reserves are the Budget Stabilization Fund and the Reserve for Operating Capital. The Reserve for Operating Capital is one of the priority transfers and receives $2.5 million. The Budget Stabilization Fund currently receives 80% of what is remaining after priority transfers.

The table below shows the balances in each reserve at fiscal year end from fiscal year 2014 to present.

Fiscal Year	Budget Stabilization Fund	Reserve for Operating Capital
2014	$68.2 million	$4.9 million
2015	$111.1 million	$7.4 million
2016	$112.4 million	$9.9 million
2017	$196.2 million	$12.4 million
2018	$272.9 million*	$14.9 million
2019	$297.2 million*	$11.4 million
2020	$258.7 million	$13.9 million
2021	$491.9 million	$5.4 million

*2018 Balance includes $65 million designated for the Reserve for Riverview Psychiatric Center

*2019 Balance includes $60.3 million designated for the Reserve for Riverview Psychiatric Center

Legislation enacted from time to time changes the priority order of distributions for excess funds at year-end on a one-time or permanent basis which in turn impacts how much is remaining to transfer to the Budget Stabilization Fund. Additionally, enacted budget bills may include direct transfers of General Fund unappropriated surplus to the Budget Stabilization Fund. Legislative actions relevant to priority year-end transfers and transfers to the Budget Stabilization Fund since 2017 are summarized below.

In fiscal year 2018, a net $76.6 million was transferred into the Budget Stabilization Fund, resulting in an ending balance of $272.9 million. The State Controller transferred $2.0 million from the Budget Stabilization Fund to the General Fund unappropriated surplus in accordance with Public Laws of Maine 2017, chapter 284 Part CCCCCCC-2. Part EEEEEEE of this same law established a $65 million Reserve for Riverview Psychiatric Center from the funds within the Budget Stabilization Fund. The purpose of the Reserve for Riverview Psychiatric Center was to provide General Fund resources of up to $65 million based on the Centers for Medicaid and Medicare Services disallowance of disproportionate share hospital payments. See "State Budgets", "Certain Expenditures and Obligations - Health and Human Services Funding" herein for further information.

Public Laws of Maine 2019, chapter 343 ("2019 Chapter 343") transferred $19.8 million into the Budget Stabilization Fund and set aside an additional $14.5 million into the Riverview Psychiatric Reserve (being held within the Budget Stabilization Fund) bringing the total amount set aside in the Reserve to $79.5 million. During fiscal year 2019, $19.2 million was transferred to the Department of Health and Human Services ("DHHS") from the Reserve for Riverview Psychiatric Center. During fiscal year 2020, the remaining $60.3 million in the Reserve for Riverview Psychiatric Center was transferred to the DHHS. The State has now paid all outstanding debts to the Centers for Medicaid and Medicare Services related to the disallowance of disproportionate share hospital payments. See "State Budgets" and "Certain Expenditures and Obligations – Health and Human Services Funding" herein for further information.

Public Laws of Maine 2019, chapter 616 ("2019 Chapter 616"), authorized an additional transfer of $17.4 million to the Budget Stabilization Fund during fiscal year 2020.

At the close of fiscal year 2020, after the priority transfers for the replenishment of the State Contingent Account at the maximum of $350,000 and the transfer to the Reserve for General Fund Operating Capital of $2.5 million, there was no remaining amount available for distribution to the Budget Stabilization Fund and the Tax Relief Fund for Maine Residents, respectively. The final reserve balances in the General Fund on June 30, 2020 were $258.7 million in the Budget Stabilization Fund and $13.9 million in the Reserve for General Fund Operating Capital and $375 thousand in the Property Tax Relief Fund for Maine Residents.

Public Laws of Maine 2019, chapter 448 ("2019 Chapter 448") amended the Tax Relief Fund for Maine Residents to create the Property Tax Relief Fund for Maine Residents. The fund must be used to provide relief payments to property tax payers when the amount available in the fund is sufficient to make a relief payment of at least $100 to each property tax payer receiving a homestead exemption in the State during the most recent property tax year, to pay for the Treasurer of State's costs in administering relief payments and to make State payments to municipalities for costs related to relief payments pursuant to a mandate under the Constitution of Maine, Article IX, Section 21. In fiscal year 2020, the Treasurer of

State distributed $32.5 million from the Tax Relief Fund for Maine residents in accordance with applicable law.

Public Laws of Maine 2019, Chapter 618 authorized the transfer of up to $11 million from the balance available in the Reserve for General Fund Operating Capital to a COVID-19 response fund established by the State Controller to address funding needs related to COVID-19 through January 15, 2021. The Governor authorized transfer of the $11 million to the Department of Health and Human Services in fiscal year 2021 for COVID-19 testing and related costs thus reducing the balance in the Reserve for Operating Capital.

Public Laws of Maine 2021, chapter 1 ("2021 Chapter 1") authorized a transfer of $8 million to the Budget Stabilization Fund during fiscal year 2021, which brought the balance in this fund to $267.9 million. Public Laws of Maine 2021 chapter 398 (2021 Chapter 398), included measures to direct General Funds to MaineDOT's highway and bridge projects. The measures are a recognition of the persistent and growing gap between projected Highway Fund revenues and the funds needed for Maine's transportation infrastructure. Consistent with the Governor's recommendations, the bill enacted by the Legislature authorized a one-time transfer of $50 million from fiscal year 2021 General Fund unappropriated surplus to MaineDOT for use in fiscal year 2022. Additionally, the law amended the required statutory year-end distributions of any General Fund revenue that exceeds budget in any fiscal year. Beginning with fiscal year 2021, 20% of the excess General Fund remaining after certain other priority transfers is transferred to MaineDOT for highway and bridge projects. MaineDOT received about $56 million from the "cascade" at the end of fiscal year 2021. Additionally, the law provides that if the Budget Stabilization Fund is at its statutory limit, then the funds that would normally flow to it are transferred to MaineDOT instead. Public Laws of Maine 2021 chapter 635 ("2021 Chapter 635") included similar transfers of General Fund to MaineDOT for highway and bridge projects in fiscal year 2022. MaineDOT will receive a one-time transfer of $50 million from General Fund unappropriated surplus and, assuming actual revenues exceed projected, $35 million will be transferred to MaineDOT from the "cascade" as a priority transfer before the 20% of any remaining fiscal year 2022 balance is calculated.

Public Laws of Maine 2021, chapter 1 also authorized the transfer of up to $2.9 million from the balance available in the Reserve for General Fund Operating Capital to a COVID-19 response fund established by the State Controller to address funding needs related to COVID-19 through June 30, 2021 and chapter 398 extended that authorization through June 30, 2022. Any remaining balance in the COVID-19 response fund on July 1, 2023 must be transferred by the State Controller to the General Fund Reserve for Operating Capital. Chapter 635 increased the amount to $8,500,000 and extended the authoriziation through June 30, 2023. All amounts received as reimbursement for expenses originally paid by the COVID-19 response fund, up to $8,500,000, from any funding source, must also be returned to the Reserve for General Fund Operating Capital.

Actual revenues over the course of fiscal year 2021 consistently exceeded revenue projections. By the end of fiscal year 2021, actual General Fund revenues of $4,520,591,145 had surpassed even the May 2021 revenue forecast and revenues that exceeded budget were distributed in accordance with applicable law. Distributions included required transfers of nearly $56 million to the MaineDOT Highway and Bridge Capital account, $50 million to a newly created Highway and Bridge Reserve account, $2.5 million to the Reserve for Operating Capital and $223.6 million to the Budget Stabilization Fund. At the end of the fiscal year, there was a budgeted General Fund unappropriated surplus balance of about $155.2 million and the balance in the Budget Stabilization Fund was $491.9 million. The total Budget Stabilization Fund balance represents 10.9% of the State's 2021 fiscal year General Fund revenue.

Public Laws of Maine 2021, chapter 635 also included other required transfers of surplus revenues: $15 million for the funding and establishment of an Education Stabilization Fund to help the State maintain its commitment – achieved for the first time ever under Governor Mills – to fund public schools at 55 percent in the future. And, $3.3 million as the state portion of expenses related to events declared by the President of the United States as emergency or major disaster.

Citizen Initiative Petitions

Recent citizen initiatives include the following:

Marijuana Legalization

Maine voters approved the recreational use, retail sale and taxation of marijuana by approval of the Marijuana Legalization Act ("MLA") on November 8, 2016. The MLA included the assessment of a sales tax of 10%.

Additional legislation enacted in 2017, Public Laws of Maine 2017 Chapter 1, delayed the effective date of certain portions of this law until February 1, 2018. On May 2, 2018, Public Laws of Maine 2017, chapter 409 ("2017 Chapter 409"), An Act to Implement a Regulatory Structure for Adult Use Marijuana, became law over then-Governor LePage's objection. This legislation retained the 10% sales tax on adult use marijuana but introduced new excise taxes on cultivation.

Public Laws of Maine 2017, chapter 452 ("2017 Chapter 452"), An Act to Amend Maine's Medical Marijuana Law, was enacted by the Legislature following a veto by then-Governor LePage. This legislation became effective on December 13, 2018 and marked the most significant series of changes to Maine Medical Use of Marijuana Program ("MMMP") and the State's medical marijuana program since its inception. Among other things, 2017 Chapter 452 removed employment restrictions on caregivers, allowing for an unlimited number of assistants, established and allowed registered caregivers to operate a retail store, and allowed dispensaries to convert their status from nonprofit to for-profit.

The State of Maine has a well-established medical cannabis program which was first established in 2011. Since that time, the program has grown from eight dispensaries, nearly 600 caregivers, and 796 patients to a fully commercialized industry consisting of 13 dispensaries, approximately 3,000 registered caregivers, and more than 100,000 qualifying patients. Data from Maine Revenue Services indicates that medical cannabis registrants generated approximately $290 million in taxable sales in calendar year 2020.

Since the inauguration of Governor Mills in January 2019 and the corresponding establishment of the Office of Marijuana Policy ("OMP") in February 2019, the State of Maine has been working to develop the rules required by the MLA and honor the will of Maine voters. In March 2019, OMP began the rulemaking process and by June had submitted provisionally adopted rules to the 129th Legislature. Governor Mills signed LD 719 (Public Laws of Maine 2019, chapter 491), An Act To Amend the Adult Use Marijuana Law, on June 27, 2019, with the legislation going into effect on September 19, 2019.

The law made several changes to the MLA and, most importantly, authorized OMP to proceed with final adoption of adult use rules. OMP began accepting adult use business applications in November 2019 for testing facilities and December 2019 for cultivation, manufacturing, and stores. The first conditional licenses were issued in March 2020. Following the indefinite postponement of the launch of Maine's adult use industry, in April 2020, due to the ongoing COVID-19 pandemic, OMP announced final implementation plans for August 2020. Maine's adult-use (21+), or recreational, cannabis program began retail sales to the public in October 2020. In total, the program has 196 active licensees operating, 85 of which are retail establishments. Several hundred more applications are currently pending across all four license types at the state and local level. According to OMP's inventory tracking system, calendar year 2021 saw nearly $82 million in gross sales within this nascent industry. The current revenue forecast estimates $18.6 million in total tax revenues in fiscal year 2022 and $26 million in fiscal year 2023.

OMP continues to issue active adult use licenses on a rolling basis. Additionally, towns and cities throughout Maine continue to opt-in to the adult use program, expanding the number of municipalities eligible to host these new businesses.

Public Laws of Maine 2021, chapter 669 An Act To Promote Equity and Increase Opportunities in the Cannabis Industry by Reducing Restrictions Related to Convictions for Drug Offenses and To Replace the Term "Marijuana" with the Term "Cannabis" in the Maine Revised Statutes was passed by the Legislature this session. As a non-emergency law, this will take effect 90 days after adjournment at which time the Office of Marijuana Policy will be renamed the Office of Cannabis Policy.

Other Citizen Initiatives

On June 22, 2018, Public Laws of Maine 2017, chapter 418, An Act to Increase Transparency in the Direct Initiative Process became law and prohibits a notary public to administer an oath to a circulator of a petition for a direct initiative or people's veto referendum if the notary public also provides services that are not notarial acts to initiate or promote a direct initiative or people's veto referendum. Finally, the law includes requirements for reporting contributions aggregating in excess of $100,000 for the purpose of initiating or influencing a people's veto referendum or direct initiative. For more information on citizens initiatives approved by voters see "Certain Expenditures and Obligations - General Fund Expenditures" below.

During 2018, two citizen initiatives were approved by the Secretary of State for circulation. While a petition was not submitted to the Secretary of the State for either of them, both had the laws they were pursuing enacted during the First Regular Session of the 129th Legislature. An Act to Enact the Maine Death with Dignity Act (Public Laws of Maine 2019, chapter 271) authorizes a person who is 18 years of age or older, who meets certain qualifications and who has been determined by the person's attending physician to be suffering from a terminal disease, as defined in the Act, to make a request for medication prescribed for the purpose of ending the person's life. Public Laws of Maine 2019, chapter 156, An Act Authorizing Earned Employee Leave, requires covered employers to provide employees with up to 40 hours of paid personal leave per calendar year effective January 1, 2021.

In October 2019, the Secretary of State certified the petition for a citizen initiative seeking to veto Public Laws of Maine 2019, chapter 154 ("2019 Chapter 154"), An Act To Protect Maine Children and Students from Preventable Diseases by Repealing Certain Exemptions from the Laws Governing Immunization Requirements, that was enacted during the First Regular Session of the 129th Legislature. 2019 Chapter 154 removed exemptions from immunization requirements that were based on religious or philosophical beliefs for students in elementary, secondary schools and postsecondary schools, and employees of nursery schools and health care facilities, effective September 1, 2021. This initiative appeared on the March 2020 ballot and was rejected by the voters.

The Secretary of State certified the petition for a citizen initiative seeking to Reject the New England Clean Energy Connect ("NECEC") Transmission Project. Although the Secretary of the

State certified the signatures for this initiative, pending litigation ensued and the Maine Supreme Court ruled that this matter was not a proper subject for a citizen initiative. However, on March 11, 2021 the Secretary of State notified the Legislature that the citizen initiative petition for “An Act To Require Legislative Approval of Certain Transmission Lines, Require Legislative Approval of Certain Transmission Lines and Facilities and Other Projects on Public Reserved Lands and Prohibit the Construction of Certain Transmission Lines in the Upper Kennebec Region” was valid. This initiative was approved by voters at the November 2, 2021 Referendum Election and became law. The approval of this initiative petition is not expected to impact the State’s finances. NECEC has challenged the constitutionally of the resulting law. The Superior Court recently denied a preliminary injunction seeking to stop the law from going into effect and the case is now with the State’s Law Court.

There will be no citizen initiatives on the November 8, 2022 ballot, as none of the initiatives that are presently circulating were submitted by the January 31, 2022 filing deadline. The next ballot on which initiatives could appear would be the November 2023 ballot. The list of circulating petitions may be viewed at https://www.maine.gov/sos/cec/elec/citizens/index.html.

The Accounting System

The DAFS, through the Office of the State Controller, is authorized to maintain an official system of general accounts (unless otherwise provided by law) embracing all the financial transactions of the State; to examine and approve all contracts, orders and other documents to ascertain that moneys have been duly appropriated and allotted to meet such obligations and will be available when such obligations will become due and payable; to audit and approve bills, invoices, accounts, payrolls and all other evidence of claims, demands or charges against the State government (State government is defined to include the Judiciary and the Executive Department of the Governor); to implement internal control standards applicable to State agencies and departments; and to exercise certain other rights, powers and duties as more fully prescribed by law.

The principal Funds established by the State for budgetary accounting purposes are the Governmental Funds (which include the General Fund, the Special Revenue Funds and the Capital Projects Funds), the Proprietary Funds (which include the Enterprise Funds and the Internal Service Funds) and the Fiduciary Funds (which include the Trust and Agency Funds). The Funds are used as follows:

The **Governmental Funds** account for the general governmental activities of the State. The **General Fund** is used to account for all governmental transactions that are not accounted for in another fund. Sales tax, individual and corporate income taxes and other business taxes provide most of the funds available for appropriation by the Legislature for general governmental operations, such as education, human services, corrections, the judiciary and the Legislature. The General Fund is the State’s major operating fund.

The **Special Revenue Funds** account for specific revenue sources, other than expendable trusts or major capital projects that are legally restricted to expenditures for specified purposes. The Special Revenue Funds include the following:

The **Highway Fund** is used to account for revenues derived from registration of motor vehicles, operators’ licenses, gasoline tax and other dedicated revenues, except for Federal matching funds and bond proceeds used for capital projects. The Legislature allocates this Fund for the operation of various

Department of Transportation programs, including construction and maintenance of highways and bridges, for a portion of the State Police administration and for other State programs.

The **Other Special Revenue Funds** are used to account for various special purpose funds which have been established on a self-supporting basis. Revenues are generated by taxes, licenses, fees and Federal matching funds and grants.

Capital Projects Funds account for financial resources used to acquire or construct major capital assets other than those financed by proprietary funds. These resources are derived primarily from proceeds of general obligation bonds. The State also includes in this Fund the proceeds from bond issues for uses other than major capital facilities.

The **Proprietary Funds** account for the State's ongoing activities that are similar to those found in the private sector. The **Enterprise Funds** account for transactions related to resources received and used to finance self-supporting activities of the State. The costs of providing goods and services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

The **Internal Service Funds** account for the financing and sale of goods or services between agencies of the State or other governmental units on a user charge basis.

The **Fiduciary Funds** account for assets held by the State acting as either a trustee or an agent for individuals, private organizations and other governmental units or other Funds. The **Expendable Trust Funds** account for assets held in a trustee capacity where principal and income may be expended for the funds' designated operations. The **Nonexpendable Trust Funds** account for assets held in a trustee capacity where only income may be expended for the funds' designated operations. **Agency Funds** account for assets which the State, as custodian, holds for others.

In addition, the State has established the **General Long-Term Obligations Account Group** to establish control and accountability for long-term obligations of the State, including those related to general obligation bonds, capital leases, certificates of participation and compensated absences, not accounted for in Proprietary Funds or Nonexpendable Trust Funds. The State has also established the **General Fixed Assets Account Group** to establish control and accountability for all capital assets of the State not accounted for in Proprietary Funds. The State records its general long-term obligations and capital assets in the government-wide statement of net assets.

The accounting system is designed to assure that expenditures do not exceed amounts authorized by legislative appropriation and to conform, to the extent possible, to standards of the Governmental Accounting Standards Board ("GASB") and its predecessor, the National Council on Governmental Accounting. Financial transactions are recorded in the General Fund, the Highway Fund and certain other funds as described above and in Appendix B hereof.

Accounting Reports and Practices

The State Controller prepares an Annual Comprehensive Financial Report in accordance with standards established by GASB. This report is the official financial report of the State government.

The State Controller's annual financial report for the fiscal year ended June 30, 2021 is set forth in two separate publications. The first publication consists of the Basic Financial Statements of the State of Maine for the year ended June 30, 2021, which are set forth in Section I of Appendix B. Certain information which is included in the second publication and certain information which has been derived from provisions of the State Controller's annual financial reports for certain prior fiscal years comparable to the second publication is included in Section II of Appendix B. The information set forth in Section II of Appendix B is based on budgetary and legal requirements.

The Basic Financial Statements of the State of Maine for the year ended June 30, 2021, which are set forth in Section I of Appendix B, have been prepared by the State Controller and have been audited by the Office of the State Auditor in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing standards,* issued by the Comptroller General of the United States. The Office of the State Auditor has issued an unmodified opinion on the Basic Financial Statements.

Because of the variety of activities and programs run by the State, the State Controller has established several specialized accounting conventions, which are consistently applied within the fund accounting system. For more information on the basis of accounting used by the State, see Appendix B, Section I, "Notes to the Financial Statements, June 30, 2021."

Annual financial reports prepared by the State Controller for the fiscal year ending June 30, 2021 and for prior fiscal years are available upon request directed to Gregory Olson, Deputy State Treasurer, 39 State House Station, Augusta, Maine 04333, telephone: 207-624-7468; facsimile: 207-287-2367. The Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021 and for prior fiscal years are also available at https://www.maine.gov/osc/financial-reporting/annual-comprehensive-financial-report.

The State Auditor is required by law to audit the Basic Financial Statements included within the Annual Comprehensive-Financial Report prepared by the State Controller for each fiscal year. The State Auditor's Independent Audit Opinion dated December 10, 2021 with respect to the fiscal year ending June 30, 2021 is set forth in Appendix B hereto. Single audit reports prepared by the Office of the State Auditor for the fiscal year ending June 30, 2020 and for certain prior fiscal years are available upon request directed to the Deputy State Treasurer and are also available at https://www.maine.gov/audit/osa-reports/annual-single-audit.html.

STATE BUDGETS

Laws authorizing General Fund and Highway Fund expenditures for fiscal years 2018 through 2023 have been enacted and provide for such expenditures in the amounts set forth in the table below. Amounts listed for fiscal years 2022-2023 include laws enacted during the First Regular Session, First Special Session, and Second Regular Session of the 130th Maine Legislature.

Fiscal Year Ending June 30	General Fund Expenditures Authorized	Highway Fund Expenditures Authorized
2018	$3,514,673,944	$337,446,481
2019	$3,708,113,987	$338,863,722
2020	$3,933,881,622	$346,282,263
2021	$3,894,517,647	$318,294,234
2022	$4,073,526,967	$348,983,256
2023	$4,614,634,446	$339,367,505

For information regarding fiscal years 2018 through 2023 expenditures, see "Certain Expenditures and Obligations – General Fund Expenditures" below.

2018-2019 Biennium. On January 6, 2017, the Governor released the final budget recommendation for the term of Governor LePage for the 2018-2019 biennium. The recommended appropriations for the 2018-2019 biennium were 1.63% or $109,457,559 in excess of the total appropriations for the 2016-2017 biennium. On May 25, 2017, the then Governor of Maine submitted revisions (the "Change Package") to the 2018-2019 biennial budget recommendation to the Committee on Appropriations and Financial Affairs.

Public Laws of Maine 2017, chapter 284 was passed and signed into law by the Governor on July 4, 2017, four days into the start of the new 2018 State fiscal year, with total General Fund appropriations of $7,103,305,775 for the 2018-2019 biennium, an increase of $368,535,757 or 5.5%, as compared to the prior biennium. 2017 Chapter 284 included compromise tax policy changes of the repeal of the income tax surcharge of 3% imposed on that portion of Maine taxable income in excess of $200,000 and the repeal of the Fund to Advance Public Kindergarten to Grade Twelve Education that was passed by referendum in November of 2016. In addition, the percentage increase of State reimbursement to municipalities for property taxes lost as a result of the Maine Resident Homestead Property tax exemption, from 50% to 62.5%, was delayed one year from its previously scheduled increase for property tax years beginning April 1, 2017 to become effective for property tax years beginning April 1, 2018. The budget included the administration's proposal that updated the process of forecasting the State's revenues by placing into statute the requirement that at least two additional economic forecasts that assume potential economic recession scenarios for the current fiscal biennium and the next two biennia be issued to the State Budget Officer, the State Economist and the Associate Commissioner for Tax Policy by the CEFC. Additional joint reporting is also required from the CEFC and the RFC detailing the impact on General Fund revenue projections of sales and income taxes and an estimate of reserves needed to offset revenue declines reported in the required alternative scenarios.

Additional resources for the 2018-2019 biennium over and above ongoing revenues projected at $7,060,004,883 for the biennium, included the utilization of one-time balances of approximately $40 million that were transferred to the General Fund and one-time authorization to carry certain balances to delay providing additional appropriations until the 2020-2021 biennium. These one-time resources consistedof settlement funds in the Department of the Attorney General and a number of program fund balances with the largest in the Department of Professional and Financial Regulation of $16.2 million in fiscal year 2018.

On September 12, 2018, LD 1655, An Act to Update References to the United States Internal Revenue Code of 1986 Contained in the Maine Revised Statutes, became law without the Governor's signature (Public Laws of Maine 2017, chapter 474). This law primarily provided conformity with the TCJA and other changes passed by the federal government through March 23, 2018. This law also included other changes to individual and corporate tax laws. The enacted amendment to the bill would result in an estimated loss of General Fund revenue of $22 million in fiscal year 2019 and $47 million in the 2020-2021 biennium.

On December 1, 2018, the RFC issued a regularly scheduled update to its forecast. The December report reflected an adjustment upward of General Fund revenues of $99.2 million in fiscal year 2019. The December report also reflected an adjustment upward of General Fund revenues for the 2020-2021 biennium of $263.2 million after adjustment for statutory changes. The 2020-2021 biennium adjustment composed of $117.5 million for fiscal year 2020 and $145.7 million for fiscal year 2021. Most of the positive re-projection was from sales and use and individual income taxes.

2020-2021 Biennium. On February 8, 2019, Governor Mills released the 2020-2021 Biennial Budget (LD 1001) recommendation, which called for total General Fund expenditures in fiscal years 2020 and 2021 of $3.96 billion and $4.08 billion, respectively. Governor Mills' proposal sought to address challenges, seize opportunities, and implement the voters will without increasing taxes or utilizing the Budget Stabilization Fund. The budget proposal included a significant focus on health and education.

On May 1, 2019, the RFC issued a regularly scheduled update to its forecast. The May report reflected an adjustment upward of General Fund revenues of $66.7 million in fiscal year 2019. The May report also reflected an adjustment upward of General Fund revenues for the 2020-2021 biennium of $20.7 million. The 2020-2021 biennium adjustment was composed of $13.2 million for fiscal year 2020 and $7.5 million for fiscal year 2021.

On May 13, 2019, Governor Mills submitted changes to the proposed biennial budget. The change package included technical corrections to items in LD 1001, prioritized investments needed to reduce unsustainable caseloads in the State's child welfare system, funded repairs to the State's school infrastructure, paid off the debt to CMS, and built the State's budget resiliency by adding to the Budget Stabilization Fund.

2019 Chapter 343 was passed and signed into law by the Governor on June 17, 2019 with total General Fund appropriations of $7,987,100,705 for the 2020-2021 biennium, an increase of $883,794,930 or 12.4% as compared to the prior biennium. 2019 Chapter 343 expanded health care, improved Maine's education system, provided property tax relief and invested in the State's rainy day fund (Budget Stabilization Fund). The law allocated $125 million for Medicaid expansion which is expected to be matched with nearly $700 million in federal funds. 2019 Chapter 343 raised the State share of education funding to nearly 51%, which included $115 million in new State support for education; allocated $18 million to the School Revolving Loan Fund, which provides critical funding to repair school infrastructure; and paved the way for a $40,000 minimum teacher salary, initially reimbursing towns at 100% to offset the cost on local budgets. The law also provided additional resources to the University of Maine System, the Community College System, and the Maine Maritime Academy, to help keep tuition fees down, and provided $3 million in scholarship funds through the Maine State Grant Program. 2019 Chapter 343 provided $75 million in property tax relief for hardworking Mainers, seniors, families and small businesses and increased revenue sharing to local municipalities from 2.5% to 3% in 2020 and to almost 4% in 2021. Other provisions of the law added 62 new Child and Family Services staff to address unmanageable caseloads and better protect Maine children from abuse and neglect; supported efforts to combat the opioid crisis by funding prevention efforts and eliminating red tape that prevents people from getting help; allocated $4 million to fund Department of Economic Development initiatives including broadband and rural development grants; funded a comprehensive planning group to establish policy initiatives and benchmarks to meet 30-year goals for climate emissions reductions; and supported a 10-year plan to triple in-state renewable energy generation. Appropriations for the Indigent Legal Services programs continued to be set aside in an Other Special Revenue account reserve in fiscal year 2020 but the set aside was discontinued for fiscal year 2021 when Indigent Legal Services appropriations will remain as General Fund appropriations. Finally, 2019 Chapter 343 transferred $19.8 million to the Budget Stabilization Fund and set aside an additional $14.5 million to the Reserve for Riverview Psychiatric Center.

Several laws were passed in the First Regular Session of the 129th Legislature that increased General Fund revenues for the 2020-2021 biennium. An Act Regarding the Collection of the Sales and Use Tax by Marketplace Facilitators (Public Laws of Maine 2019, chapter 441) created a process that ensures marketplace facilitators collect and remit sales tax on sales of property and services facilitated on its marketplace and is expected to result in General Fund revenue increase of $12,410,000 in fiscal year 2020 and $16,620,000 in fiscal year 2021. An Act To Amend the Laws Governing the Maine Capital Investment Credit To Ensure Fairness for Maine Businesses and To Reduce Taxes on Lower-income Working Families (Public Laws of Maine 2019, chapter 527) made changes to the Maine Capital Investment Credit, increasing the earned income tax credit rate and expanding eligibility for the earned income tax credit. It is expected to result in a General Fund revenue increase of $2,052,000 in fiscal year 2020 and $4,051,750 in fiscal year 2021. Both bills also include General Fund appropriation for additional administrative costs. An Act To Prevent and Reduce Tobacco Use with Adequate Funding and by Equalizing the Taxes on Tobacco Products and To Improve Public Health (Public Laws of Maine 2019, chapter 530) also enacted during the First Regular Session included increases in both General Fund revenues and appropriations for various purposes. Part A of the bill increased the tobacco products tax from 20% to 43% of the wholesale sales price and provided an exemption to tobacco products tax for electronic smoking devices and liquids used with medical marijuana. The resulting General Fund revenue increase is expected to be $5,339,958 in fiscal year 2020 and $9,669,640 in fiscal year 2021. Part A also included General Fund appropriations to the Department of Health and Human Services of $2,550,000 in fiscal year 2020 and $4,850,000 in fiscal year 2021 for evidence-based tobacco use prevention and cessation services and for tobacco use cessation medications and counseling provided to MaineCare members. Part B of the law included General Fund appropriations to the Department of Health and Human Services of $1,662,060 in fiscal year 2020 and $3,329,640 in fiscal year 2021 to increase the reimbursement rate for ambulance services under the MaineCare program. Part C included additional General Fund appropriations to the Department of Health and Human Services of $1,374,645 in fiscal year 2020 and $2,787,005 in fiscal year 2021 for the Department of Health and Human Services to amend certain rules relevant to MaineCare Benefits. Finally, Part D of the bill transferred $946,925 from the Hospital Tax, Other Special Revenue Funds account in the Department of Health and Human Services to the unappropriated surplus of the General Fund in each year of the biennium.

2019 Chapter 448 amended the Tax Relief Fund for Maine Residents to create the Property Tax Relief Fund for Maine Residents. The fund must be used to provide relief payments to property tax payers when the amount available in the fund is sufficient to make a relief payment of at least $100 to each property tax payer receiving a homestead exemption in the State during the most recent property tax year, to pay for the Treasurer of State's costs in administering relief payments and to make State payments to municipalities for costs related to relief payments pursuant to a mandate under the Constitution of Maine, Article IX, Section 21. In accordance with the law, the Treasurer of State has determined that the balance in the fund, \$32.9 million at June 30, 2019, is sufficient to make these payments.

On December 1, 2019, the RFC issued a regularly scheduled update to the forecast. The December report reflected an adjustment upward of General Fund revenues for the 2020-2021 biennium of a total of \$74.6 million, composed of an upward adjustment of \$52.6 million in fiscal year 2020, and an upward adjustment of \$22 million in fiscal year 2021. The December report also reflected an adjustment upward of General Fund revenues for the 2022-2023 biennium of \$39.2 million, composed of an adjustment upward of \$24.9 million in fiscal year 2022 and an adjustment upward of \$14.3 million in fiscal year 2023.

On March 1, 2020, the RFC issued a regularly scheduled update to the forecast. The March report revised General Fund revenue estimates upward by \$40.0 million for fiscal year 2020 and by \$34.1 million for fiscal year 2021. The forecast for the 2022-2023 biennium was revised upward by \$31.6 million for fiscal year 2022 and by \$33.3 million for fiscal year 2023. The primary reason for the increase during this period was from individual income and sales and use taxes. The strong underlying Maine economy was producing equally strong revenue growth through the first seven months of fiscal year 2020. See "Fiscal Management – Revenue Forecasting" above for an explanation of the revenue adjustments. Finally, see "Certain Expenditures and Obligations - Revenues of the State" for additional information below.

Governor Mills released her 2020-2021 Supplemental Budget on February 3, 2020. The supplemental budget proposal increased spending over the biennium by approximately \$126 million focusing on education, infrastructure, health and welfare, economic development and workforce training while also adding over \$20 million to the Budget Stabilization Fund. Her proposal included funding a number of infrastructure requests including some originally proposed as part of a bond package earlier in the 129th Legislative Session. This included funding for \$4 million for armories, \$4.5 million for uncontrolled sites, \$4.5 million for water treatment facilities, and \$1 million for the repair of dams that had not been discussed earlier in the session. The Governor also included \$10 million in General Fund appropriations for the Department of Transportation - \$8 million for roads and bridge repairs and \$2 million for multi-modal transportation facilities. The proposal also included \$37 million for General Purpose Aid for Local Schools, additional funding for higher education, one-time increases for adult education and career and technical education. The Department of Health and Human Services requests included funding for additional child welfare staffing, foster care payments, the Section 29 waitlist, and rate increases for some Medicaid services with the intent to raise the wages of direct care staff.

Following the March 1, 2020 revenue forecast, the administration began work on a change package to the supplemental budget which would obligate or save the additional resources. Simultaneously the public health crisis around COVID-19 and the resulting economic impacts began to materialize nationally and in Maine. Plans regarding the Governor's change package shifted. The recommendation included a smaller supplemental budget, addressing pressing fiscal year 2020 infrastructure demands, the increased funding for General Purpose Aid to Local Education, and some investment in human services programs to include funding for COVID-19. The Governor's recommendation was to leave resources unappropriated in order to offset any potential revenue loss in fiscal year 2020.

Public Laws of Maine 2019, chapter 616 was passed by the Legislature March 17th and signed by the Governor on March 18, 2020. The supplemental budget included funding in 2020 for the payroll system project, \$1.0 million dollars for repairs and maintenance to State buildings, and \$1.7 million for information system security enhancements. Funding for the hepatitis C treatments at the Department of Corrections was included, as was funding to support Mountain View Correctional Facility based on the change in their capacity. A central point to the Governor's supplemental budget was $37 million to increase fiscal year 2021 funding for the Department of Education. This was included and enabled the State to increase its contribution toward the total cost of education by 1 percentage point. Additional funding was also provided to the Department for Adult Education and contractual obligations with the Child Development Services. Funding for increased access to the Section 29 Medicaid waiver was included as well as funding to increase rates for several policy sections with the intention that the increases go toward direct care worker compensation. The supplemental budget also authorized 20 new positions within the Office of Child and Family Services. It also included $10 million in General Fund resources for the Department of Transportation. The projected fiscal year 2020 unappropriated fund balance after the actions of the Second Regular Session of the 129th Legislature was approximately $193 million.

In response to the COVID-19 public health emergency, An Act To Address Funding Needs Related to COVID-19, Public Laws of Maine 2019, chapter 618, was enacted on March 18, 2020. This legislation authorized the transfer of up to $11,000,000 from the balance available in the Reserve for General Fund Operating Capital to a COVID-19 response fund established by the State Controller to address funding needs related to the novel coronavirus known as COVID-19, through January 15, 2021.

Given the ongoing impacts of the pandemic, the RFC issued a special "off-cycle" revenue forecast on August 1, 2020. The RFC re-projected revenues downward for fiscal year 2021 by $527.8 million and downward for the 2022-2023 biennium by $883.2 million. The projection reflected the economic impacts of the COVID-19 pandemic as best possible at that time. The most severe impacts were expected in fiscal year 2021 with continuing impacts through the 2022-2023 biennium. This projected decrease in revenues was primarily attributable to the impact of the COVID-19 pandemic on Individual Income Tax and Sales and Use Tax lines.

In September 2020, the Governor ordered curtailment of allotments (expenditures) to the General Fund by approximately $221.8 million in response to the RFC's special "off-cycle" August 2020 revenue forecast. Of the nearly $222 million in fiscal year 2021 curtailments, approximately $97 million was a replacement of state spending with one-time federal funding from the CARES Act, Coronavirus Relief Funds ("CRF") and approximately $125 million came from adopting departmental cost savings and efficiencies and enhanced federal funding.

On December 1, 2020, the RFC issued a regularly scheduled update to the forecast. The December report reflected an adjustment upward of General Fund revenues for the 2020-21 biennium with a fiscal year 2021 increase of $272.8 million, as compared to the August, 2020 forecast of a decrease of $527.8 million resulting in $3,542.5 million. The December report also reflected an adjustment upward of General Fund revenues for the 2022-2023 biennium of $487.4 million, composed of an adjustment upward of $232 million in fiscal year 2022 and an adjustment upward of $255.4 million in fiscal year 2023.

Subsequent to the December 2020 revenue projection, the Bureau of the Budget updated its four year revenue and expenditure forecast through the fiscal year ending June 30, 2023. As required by State law, the four year revenue and expenditure forecast assumes the continuation of current laws and includes reasonable and predictable estimates of growth in revenues and expenditures based on national and local trends and program operations. At the time of the forecast, the projected shortfall using the December 2020 forecasted revenues was $661.7 million for the 2022-2023 biennium. An alternate forecast using March 2020 forecasted revenues illustrated the impact of the pandemic on the projected budget gap. The projected General Fund budget shortfall for the 2022–2023 biennium using March 2020 forecasted revenues was about $160.5 million and was more indicative of the true structural gap between revenues and expenditures. However, the State was not yet able to predict the actual impact of the COVID-19 crisis on State revenues.

The projected gap assumed increases in GPA of $292.5 million in the 2022-2023 biennium to meet the statutory requirement for a 55% state share of education costs. Also in accordance with current law, the gap assumed the return to 5% for state-municipal revenue sharing beginning in fiscal year 2022, from 3% set in fiscal year 2020 and 3.75% in fiscal year 2021.

2022-2023 Biennium. On January 8, 2021, the Governor released her recommended supplemental budget for fiscal year 2021 and budget for the 2022-2023 biennium. Intending to bring fiscal year 2021 in balance and provide sound footing for 2022-2023, the supplemental budget included items from the Governor's September 2020 curtailment order, additional savings associated with increases in federal Medicaid funding, and provided support for critical public health efforts, technology and infrastructure needs. Additionally, the supplemental budget proposed adding $41 million to the Maine Budget Stabilization Fund and $25.5 million to the MaineCare Stabilization Fund.

The biennial budget recommendation called for General Fund expenditures of $4.189 billion in fiscal year 2022, an increase of $36.2 million or less than 1%, as compared to budgeted expenditures for fiscal year 2021, and $4.206 billion in fiscal year 2023, an increase of $17.2 million or less than half of 1%, as compared to the fiscal year 2022 proposal. The budget recommendation utilized the revenue numbers from the December 2020 revenue forecast. At the Governor's direction, the biennial budget balanced increases in departmental spending with reductions elsewhere, while avoiding layoffs and ensuring vital services. The budget continued to reflect the Governor's priorities with increases to funding for K-12 education, increasing the State contribution to 51.83%, additional investments the Maine Center for Disease Control and Prevention, funding for legislatively enacted rebasing and rate increases in the Medicaid program, and maintaining level support for municipal revenue sharing at 3.75%. The recommended budget did not enact new programs or increase broad-based taxes. Additional resources for the budget were identified through review of unobligated balances throughout State government.

2021 Chapter 1, the fiscal year 2021 supplemental budget, was enacted by the Legislature on March 12, 2021 and signed by the Governor on March 17, 2021. The law enacted nearly all of the proposed curtailments put in place to address the then projected revenue shortfall. Additionally, it included tax conformity items, including the treatment of Paycheck Protection Program loans provided by the federal government. 2021 Chapter 1 authorized the transfer of $8 million to the Maine Budget Stabilization Fund in fiscal year 2021, bringing the balance to $267.9 million.

On March 30, 2021, the Legislature passed a 'back to basics' biennial budget for fiscal years 2022 and 2023 by simple majority vote and then adjourned. The Legislature reconvened in a First Special Session on April 28, 2021 and continued to consider the remaining items in the Governor's Recommended Biennial Budget for the General Fund and Other Funds, as well as other pending bills.

The "back to basics" budget was enacted as Public Laws of Maine 2021, chapter 29 ("2021 Chapter 29"). It was signed by the Governor on March 31, 2021 and effective June 30, 2021. 2021 Chapter 29 provided funding for baseline budgets, maintained level support for municipal revenue sharing at 3.75%, increased funding for K-12 education, increasing the State contribution to 51.83%, and required amounts for teacher retirement costs. The "back to basics" budget also provided funding to continue required rate increases within the Department of Health and Human Services, recognized savings from enhanced federal participation in the Medicaid program, and identified funding for domestic violence and sexual assault prevention and victim services. Additionally, it enacted savings initiatives proposed by departments during the 2021 curtailment process.

On May 1, 2021, the RFC issued a regularly scheduled update to its forecast. The May report reflected an adjustment upward of General Fund revenues of $479.4 million in fiscal year 2021. The May report also reflected an adjustment upward of General Fund revenues for the 2022-2023 biennium of $460.5 million. The 2022-2023 biennium adjustment was composed of $241.3 million for fiscal year 2022 and $219.2 million for fiscal year 2023. Following enactment of the fiscal year 2021 supplemental budget and the release of the May 1, 2021 revenue forecast of the RFC, the unappropriated balance for the General Fund at the end of fiscal year 2021 was estimated to be approximately $506 million.

A Governor's Change Package for the 2022-2023 biennial budget was submitted to the Legislature on May 14, 2021. The change package built on and adjusted the biennial budget items that remained following the passage of 2021 Chapter 29 based on the most up-to-date revenue information from the May 2021 revenue forecast. The change package included transfers to be made during fiscal year 2021 that, if enacted into law, would have left an unappropriated balance of approximately $208.7 million at the end of fiscal year 2021.

The change package made a historic investment in Maine public schools to meet the State's obligation to pay 55% of the cost of K-12 education for the first time in Maine's history by proposing an additional appropriation of $187 million over the upcoming biennium. The proposal included a number of revisions and rate increases within the MaineCare program, including the addition of a full dental benefit for adults, investment in the State's public health system, and a set aside of $90 million in the MaineCare Stabilization Fund to support the proposed rate increases in the future. The Governor's change package also proposed funding a number of infrastructure needs including $87 million for capital constructions and repair costs for State owned buildings, $50 million to the School Revolving Renovation Fund, and $17.8 million for investments into the State's forest fire air fleet, National Guard Facilities, dams, and culverts. The change package also included a focus on the climate with $7.6 million target toward climate related projects, $7.3 million for offshore wind work and research, and set aside $40 million to address the agricultural and environmental impact of perfluoroalkyl and polyfluoroalkyl substances ("PFAS"). The proposal restored the municipal revenue sharing program to 5% in 2023 from the current 3.75% resulting in an additional $80 million going to municipalities. There were one-time tax year 2021 changes to the State's earned income tax credit and property tax fairness credit as well as an ongoing change to the property tax fairness credit which will expand eligibility providing tax relief to Maine taxpayers. Finally, the proposal added $52 million to the Budget Stabilization Fund bringing the Fund to its highest level ever. The proposal, which was balanced and did not raise taxes, left an unappropriated balance of approximately $23.8 million at the end of the 2022-2023 biennium.

Consistent with the Governor's recommendations, the "Part II" budget for the General Fund and Other Funds enacted late in the legislative session as PL 2021 Chapter 398 ("2021 Chapter 398"), effective July 1, 2021, utilized the additional revenue from the May 2021 revenue forecast for approximately $351 million in transfers of fiscal year 2021 General Fund unappropriated revenue. The transfers went to Other Special Revenue accounts in agencies for a variety of one-time purposes intended to address critical needs and other priorities for the Administration and the law included associated allocations for agencies to utilize that funding in fiscal years 2022 and 2023. Purposes included COVID-relief payments for Maine workers ($149.8 million) and investments in: capital construction and repairs for state owned buildings ($50 million); school renovations; the State's forest fire air fleet ($6.7 million), National Guard Facilities ($6.8 million), dams, and culverts ($2 million); Medicare Stabilization Fund ($40 million); Land for

Maine's Future; and addressing the agricultural and environmental impact of PFAS ($30 million). Additional authorized one-time transfers of General Fund unappropriated surplus to Other Special Revenue accounts in fiscal years 2022 and 2023 provided funding for student financial aid through the Finance Authority of Maine and medical payments to providers. A one-time transfer also shifted nearly $200 million in baseline funding for homestead exemptions from a General Fund appropriation to Other Special Revenue Fund allocations for fiscal years 2022 and 2023. Funding for indigent legal services, approximately $9.3 million in each fiscal year, was also shifted from a General Fund appropriation to an Other Special Revenue allocation on an ongoing basis. Additionally, the bill authorized a transfer of the $50 million in the Highway and Bridge Reserve account to MaineDOT's Highway and Bridge Capital program.

PL 2021 Chap 398 also authorized a number of one-time tax relief measures to support Maine people and the economy through the COVID-19 pandemic, as well as an ongoing change to the property tax fairness credit which expands eligibility to increase tax relief to Mainers. Additionally, the law includes increased funding for K-12 and higher education, state-municipal revenue sharing, healthcare system supports and expanded dental care coverage for low-income Mainers.

The projected General Fund unappropriated balance for the end of the 2022-2023 biennium, after all actions of the 130th Legislature's First Regular and Special Sessions was approximately $40.8 million.

On December 1, 2021, the RFC issued a regularly scheduled update to the forecast. The December report adjusted General Fund revenues upward for the 2022-2023 biennium by a total of $822.2 million, composed of an upward adjustment of $443.2 million in fiscal year 2022, and an adjustment upward of $379.1 million in fiscal year 2023. The December report also reflected an adjustment upward of General Fund revenues for the 2024-2025 biennium of $821.6 million. Following this forecast, the projected General Fund unappropriated balance for the 2022-2023 biennium is approximately $863 million.

On March 1, 2022, the RFC issued a regularly scheduled update to the forecast. The March report adjusted General Fund revenues upward for the 2022-2023 biennium by a total of $411.7 million, composed of an upward adjustment of $234.9 million in fiscal year 2022, and an adjustment upward of $176.8 million in fiscal year 2023. The March report also reflected an adjustment upward of General Fund revenues for the 2024-2025 biennium of $360.8 million. Following this forecast, the projected General Fund unappropriated balance for the 2022-2023 biennium was approximately $423.5 million.

The Governor's recommended supplemental budget for fiscal years 2022 and 2023, which was released in February 2022, was revised with a change package released on March 18, 2022. The Governor's revised supplemental budget proposal constrained net new appropriations to just $172 million and utilized additional General Fund revenue from the March 2022 revenue forecast for one-time transfers to Other Special Revenue accounts in agencies to address a variety of critical needs. The transfers, which totaled approximately $919 million in fiscal year 2022 and $77 million in fiscal year 2023, included contributions to several reserve funds - $10 million to the Budget Stabilization Fund, $30 million to the Medicaid Stabilization Fund and $30 million to a new Education Stabilization Fund. Additionally, the Governor's proposal included several tax relief measures with fiscal year 2023 General Fund impact totaling approximately $86 million, two of which were continuation of measures enacted in 2021 Chapter 398.

The fiscal year 2022-2023 General Fund Supplemental Budget was enacted as 2021 Chapter 635 in April 2022. 2021 Chapter 635 is largely consistent with the Governor's recommendations and includes net General Fund appropriations of about $172 million, one-time transfers of $892.5 million in fiscal year 2022 and $40.8 million in fiscal year 2023 and tax relief measures reducing fiscal year 2023 General Fund revenue by approximately $126.3 million.

General Fund appropriations in 2021 Chapter 635 are a mix of one-time and ongoing impacts. One-time appropriations include support for higher education, career and technical education materials and supplies, child welfare, hospitals, nursing homes, long-term care facilities, and emergency housing assistance. Ongoing appropriations support child care workers and early childhood educators, universal free meals in public schools, behavioral health, in-home and community services, and increased wages for direct support workers and professionals under the MaineCare program.

Tax relief measures in 2021 Chapter 635 to increase the value of the Earned Income Tax Credit and the maximum benefit under the Property Tax Fairness Credit were continuations of measures enacted in 2021 Chapter 398. An additional provision from the Governor's proposal, estimated to reduce fiscal year 2023 revenue by $56 million, overhauled the Education Opportunity Tax Credit to transform it into a powerful, nation-leading tool to retire student debt for graduates and help employers to draw people from all walks of life to work and live in the State of Maine. Lastly, Chapter 635 includes a provision to increase the amount of retirement pension exempt from state income tax beginning with tax year 2022 and this is estimated to reduce General Fund revenue by $36.8 million in fiscal year 2023.

Of the $930.5 million in one-time fiscal year 2022 transfers included in Chapter 635, $729.3 million is for one-time $850 checks directly to an estimated 858,000 Maine people to assist with the increased cost of living. Other General Fund transfers in fiscal years 2022 and 2023 are directed to: highway and bridge projects, efforts to address PFAS contamination, cost of living payments for retired teachers and State employees, electric vehicle incentives, a two years of free community college pilot, and an affordable housing voucher program.

Finally, Chapter 635 also includes language establishing transfers to MaineDOT and a new Education Stabilization Fund as priorities for fiscal year 2022 General Fund revenues that exceed projections and are distributed through the "cascade". The transfer to MaineDOT's Highway and Bridge Reserve is $35 million and the transfer to the Education Stabilization Fund is $15 million. The Education Stabilization Fund is intended to help the State maintain its commitment – achieved for the first time ever under Governor Mills – to fund public schools at 55 percent in the future.

CERTAIN EXPENDITURES AND OBLIGATIONS

General Fund Expenditures

The following table sets forth, by certain major categories, General Fund expenditures set forth in 2017 Chapter 284, the budget for fiscal years 2018 and 2019, miscellaneous laws through the Second Special Session of the 128th Maine Legislature, and the supplemental budget for fiscal year 2019 passed in the First Regular Session of the 129th Legislature, 2019 Chapter 4.

	2018	2019
Governmental Support and Operations	$299,946,180	$335,644,707
Economic Development & Workforce Training	46,456,072	43,591,773
Education	1,540,899,346	1,639,195,260
Arts, Heritage & Cultural Enrichment	8,033,733	9,225,056
Natural Resources Development & Protection	77,826,452	81,197,362
Health & Human Services	1,181,235,088	1,248,885,662
Justice & Protection	360,277,073	350,374,167
Total	$3,514,673,944	$3,708,113,987

The following table sets forth, by certain major categories, General Fund expenditures set forth in 2019 Chapters 343 and 616 and 2021 Chapter 1, the budgets for fiscal years 2020 and 2021, and miscellaneous laws through the First Regular Session of the 130th Maine Legislature, which ended on March 30, 2021.

	2020	2021
Governmental Support and Operations	$346,340,601	$379,884,469
Economic Development & Workforce Training	44,734,671	44,257,865
Education	1,744,483,077	1,818,781,006
Arts, Heritage & Cultural Enrichment	8,981,085	8,574,982
Natural Resources Development & Protection	86,063,675	68,477,595
Health & Human Services	1,327,485,138	1,267,070,594
Justice & Protection	365,793,375	307,471,136
Total	$3,933,881,622	$3,894,517,647

The following table sets forth, by certain major categories, General Fund expenditures set forth in 2021 Chapters 29 398, and 635 the budget for fiscal years 2022 and 2023, and miscellaneous laws through the 2nd Regular Session of the 130th Legislature, which ended on May 9, 2022.

	2022	2023
Governmental Support and Operations	$316,837,109	$328,625,332
Economic Development & Workforce Training	46,757,856	60,989,562
Education	1,935,184,697	2,050,434,670
Arts, Heritage & Cultural Enrichment	9,387,566	10,337,497
Natural Resources Development & Protection	95,517,162	107,628,657
Health & Human Services	1,267,031,131	1,639,996,840
Justice & Protection	402,811,446	416,121,888
Business Licensing and Regulation	0	500,000
Total	$4,073,526,967	$4,614,634,446

Total General Fund spending over the 2022-2023 biennium is budgeted to be approximately $8.7 billion and for fiscal years 2022 and 2023 is 4.5% and 18.5%, respectively, over budgeted fiscal year 2021 spending. These percentages are distorted by the continuation of enhanced federal funding for the Medicaid program through the COVID-19 public health emergency. Fiscal year 2023 does not anticipate any enhanced federal match while both fiscal years 2021 and 2022 do. Of the $8.7 billion, 45.9% is attributable to education, 33.5% to health and human services, and 20.7% to other purposes of State government. For additional information regarding General Fund actual and budgeted expenditures during fiscal years 2018 through 2023, and for information regarding Highway Fund actual and budgeted expenditures during fiscal years 2018 through 2023, see Appendices B and C hereto. See also "Certain Public Instrumentalities" herein.

Education Funding

At the initiative of certain citizens of the State, pursuant to the Constitution of the State, the voters of the State voted to enact legislation known as the School Finance Act of 2003 (the "Initiated School Finance Act") at a statewide election held June 8, 2004. The Initiated School Finance Act required that the Legislature each year provide at least 55% of the cost of the total allocation for K-12 Education from General Fund revenue sources, and 100% of the State and local cost of providing all special education services mandated under federal or State law. The Initiated School Finance Act was amended by 2005 Chapter 2 to provide that, beginning in fiscal year 2009, the Legislature each year will provide, as a target, (a) 55% of the statewide adjusted total cost of the components of Essential Programs and Services, and (b) 100% of a school administrative unit's special education costs calculated pursuant to applicable State law.

2017 Chapter 284 established the State's cost of K-12 Education fiscal year 2018 contribution at $1,212,439,272, an increase of $52,992,268 or 4.5%, as compared to the fiscal year 2017 contribution. The State's contribution towards the total cost of education including the unfunded actuarial liability ("UAL") component of teacher retirement, retired teachers' health insurance and retired teachers' life insurance was 52.02% in fiscal year 2018. 2017 Chapter 284 met the requirement initially established by 2013 Chapter 368 that the State must begin increasing the State share percentage of the funding for the cost of essential programs and services by at least one percentage point per year over the percentage of the previous year until the State share percentage of the total cost of funding K-12 Education reaches 55%. An additional one-time transfer of $5 million in each year from the General Fund to the Fund for Efficient Delivery of Educational Services continued to support the goals towards local and regional initiatives to improve educational opportunity and student achievement. Finally, the 2018-2019 biennial budget required the Commissioner of Education to review models for State support for direct instruction and equitable teacher compensation, review other components of the school funding formula and review system administration allocations, reporting findings and recommendations to the Legislature's Joint Standing Committee on Education and Cultural Affairs beginning in January of 2019.

The State's cost of K-12 Education fiscal year 2019 contribution was appropriated at $1,296,846,278 in 2017 Chapter 284, an increase of $84,465,354 or 7.0%, as compared to the fiscal year 2018 contribution. The State's contribution towards the total cost of education including the UAL component of teacher retirement, retired teachers' health insurance and retired teachers' life insurance was 53.02% in fiscal year 2019. LD 1869, An Act To Establish the Total Cost of Education and the State and Local Contributions to Education for Fiscal Year 2018-19 and To Provide That Employees of School Management and Leadership Centers Are Eligible To Participate in the Maine Public Employees Retirement System, sets forth the details of the total cost of funding K-12 Education for fiscal year 2019, as required by MRSA 20-A, section 15689-E. This bill also provided that employees of school management and leadership centers established under MRSA 20-A, chapter 123 are eligible to participate in the MainePERS. This bill was carried over to any special session of the 128th Legislature pursuant to Joint Order SP 748. Until detailed appropriations were enacted in fiscal year 2019, the Department of

Education was basing school subsidies on estimates issued earlier in the fiscal year. A number of enacted changes in 2017 Chapter 284 resulted in a notable increase in funding to education and resulted in targeting more funds towards classroom expenditures. The repeal of the Operating Transition percentage in MRSA 20-A, section 15671 increased the transition percentage from 97% to 100% providing over $42 million in increased funding for education. In addition, modification of the provisions funding for special education added over $30 million. An additional $10 million was directed to new and expanding preschool programs. Finally, the change in the Student to Teacher ratio for new early childhood programs from 17:1 to 15:1 requires a funding increase of over $8 million. On July 8, 2018, LD 1869 was passed into law without the Governor's signature (Public Laws of Maine Chapter 446) as an emergency law which established the state and local contributions for education for fiscal year 2019. The fiscal impact of the bill was provided through General Fund appropriations and other special revenue fund allocations enacted in the original 2018-2019 biennial budget, 2017 Chapter 284. The bill did not provide employees of school management and leadership centers eligibility to participate in the MainePERS. Another measure, Public Laws of Maine 2017, chapter 460 ("2017 Chapter 460"), provided one-time funding for a budgetary shortfall of $3.7 million in fiscal year 2019 for Child Development Services. A task force was created to study the short-term and long-term costs and benefits of the Department of Education's proposed plan to restructure the Child Development Services system. This task force was never convened.

One of the focus areas in Governor Mills' biennial budget proposal for the 2020-2021 biennium was K-12 Education. LD 1001 proposed that the State's cost of K-12 Education fiscal year 2020 contribution be at $1,384,741,768, an increase of $87,835,852 or 6.8%, as compared to the fiscal year 2019 contribution. The State's contribution towards the total cost of education including the UAL component of teacher retirement, retired teachers' health insurance and retired teachers' life insurance, in the Governor's proposed budget, would have been 55% in fiscal year 2020. In addition to funds towards the State share of the total cost of education, LD 1001 included $10 million to increase the minimum starting salary for teachers to $40,000 per year. Additional funding was proposed for the Department's four year transition plan for the development of statewide public preschool program. Ongoing funding for the Child Development Services program amounting to over $7.5 million in each year was also included in the Governor's recommended biennial budget. LD 1001 as ultimately enacted by the Legislature in 2019 Chapter 343 raised the State share of education funding to nearly 51%, not including the UAL component of teacher retirement, retired teachers' health insurance and retired teachers' life insurance. This included $115 million in new State support for education; allocated $18 million to the School Revolving Loan Fund, which provides critical funding to repair school infrastructure; and paved the way for a $40,000 minimum teacher salary, initially reimbursing towns at 100% to offset the cost on local budgets. The law also provided: nearly a 3.3% increase for higher education and training programs - University of Maine System, the Community College System, and the Maine Maritime Academy - to help keep tuition fees down; $3 million in scholarship funds through the Maine State Grant Program; $900,000 for adult education; $3 million for adult degree completion; and $2 million for early college.

Public Laws of Maine 2019, chapter 616 provided approximately $37 million in additional resources for the fiscal year 2021 appropriation to General Purpose Aid for local education. This increased the State's share of the total cost of education by 1 percentage point to 51.78% in fiscal year 2021. Additionally, the law provided $2 million for equipment replacements at career and technical education centers throughout the State. The Adult Education program also received a one-time increase to their fiscal year 2021 appropriation in the amount of $1.2 million to be focused on workforce development.

The curtailment of fiscal year 2021 General Fund allotments ordered by the Governor in September 2020 had little to no impact on programs administered by the Department of Education.

Curtailments for the Department totaled $845,204 and were primarily comprised of administrative and operational efficiencies in reduced travel, training and contract expenses. Total curtailments of approximately $3 million ordered for the three higher education institutions were to be achieved by managing administrative and operational costs for the remainder of fiscal year 2021. Appropriation adjustments for these curtailments were included in 2021 Chapter 1. An additional $2 million was appropriated to the General Purpose Aid for Local Education account to account for the increase in high school students participating in early college classes. This resulted in a change to the percentage of State funding for education increasing it from 51.78% to 51.83% in 2021.

The 2022-2023 biennial budget, 2021 Chapter 29, increased funding for General Purpose Aid for Local Education by over $45 million over the biennium, enabling the State to maintain its contribution at 51.83% for fiscal year 2022. The Governor's proposed "Part II" budget for the fiscal year 2022-2023 biennium was released on May 14, 2021, and it proposed an additional appropriation of $187 million to K-12 education over the 2022-2023 biennium to meet the State's obligation to pay 55% of the cost of K-12 education for the first time in Maine's history beginning in fiscal year 2022. The Governor's proposal was enacted in 2021 Chapter 398 making a historic investment in Maine public schools and keeping a promise from the Governor to meet the State's obligation to pay 55 percent of the cost of K-12 education. 2021 Chapter 398 also provides a 3 percent baseline increase to the University of Maine System, the Maine Community College System, and Maine Maritime Academy, which will help hold down tuition increases. Additionally, it includes a commitment for the State to pay debt services costs for equipment at Career and Technical Education Centers as an investment in workforce training.

The Governor's recommended supplemental budget for the 2022-2023 biennium maintained funding for K-12 education at 55% and directed $30 million in one-time General Fund appropriation to a new Education Stabilization Fund to help maintain that funding commitment into the future. The proposal also provided nearly $27 million in ongoing General Fund dollars, to be combined with the $10 million previously set aside by the Governor and Legislature, to fully fund universal free meals in public schools.

The Governor's proposal also included several one-time initiatives to tackle Maine's workforce shortage and improve opportunities for Maine students. Twenty million in one-time General Fund dollars was dedicated to providing up to two years of free community college for all students from the high school graduating classes of 2020, 2021, 2022 and 2023 who enroll in a Maine community college full-time. Additionally, the Governor recommended nearly $8 million in one-time General Fund dollars to help the University of Maine System keep tuition flat for in-state students and provides ongoing funds for University System to invest in updating and renovating its campus buildings. Another $3.2 million in one-time General Fund dollars was provided to offset cost increases of career and technical education materials and supplies. The proposal also included provisions to overhaul the Education Opportunity Credit to provide an annual $2,500, up to $25,000 lifetime maximum, refundable tax credit benefit for student loan debt relief.

Lastly, the Governor's recommended supplemental budget provided more than $12 million in ongoing General Fund dollars to increase pay for child care workers and early childhood educators to strengthen Maine's child care system. This was in addition to the significant investments the Maine Jobs & Recovery Plan makes in expanding child care and Pre-K education.

The Legislature enacted all of these proposals in 2021 Chapter 635 though the funding to capitalize the Education Stabilization Fund was set at $15 million in one-time funds available as part of the fiscal year 2022 year end cascade and the funding for career and technical education was reduced to $1.6 million.

Although schools re-opened in the fall of 2020, remote learning has continued to be critical to the hybrid learning models being utilized as schools continue to respond to the impacts of the COVID-19 pandemic. Federal funding associated with Covid-19 continues to be used to support schools in a variety of ways, including but not limited to personal protective equipment (PPE), facility reconfigurations, air system upgrades, additional transportation and teacher costs, COVID-19 testing for students and staff, and supporting teacher training and knowledge in remote learning techniques.

Health and Human Services Funding

After education, health and human services and programs comprise the second most significant area of expenditure, at approximately $2.84 billion or 33.4% of General Fund appropriations for the 2022-2023 biennium. Furthermore, General Fund expenditures for the State's Medicaid program, MaineCare, are the largest, comprising $1.9 billion or 67.5%, of all health and human services spending for the 2022-2023 biennium.

In the Governor's recommended 2018-2019 biennial budget, the DHHS was able to support more than $30 million in new funding requirements driven by federal mandates, including increased Medicare Part B and Part D costs as well as an increased Medicaid rate for Federally Qualified Health Centers. Additionally, through a variety of strategic and operational initiatives the DHHS continued to employ, the DHHS forecasted the ability to continue to offset increasing costs in areas such as long term care and pharmacy costs in the 2018-2019 biennium. The DHHS continued to focus on Maine's neediest and most vulnerable, putting forward spending priorities to eliminate the wait list for Section 29 (MaineCare Benefits Manual, support services for adults with intellectual disabilities or pervasive developmental disorders) of $12.2 million. Ongoing welfare reform efforts included a reduction in the time limits for the State's Temporary Assistance for Needy Families ("TANF") program from 60 months to 36 months, the alignment of services for legal noncitizens to the federal standards, the elimination of the General Assistance program producing savings of $12.1 million and the removal of Good Cause Exemptions, with the provision remaining for Domestic Violence, all of which were initiatives directed towards the overarching goal of promoting independence and self-sufficiency to help put Mainers back to work.

The May 2017 Governor's Change Package to the 2018-2019 biennial budget recommended an adjustment to continue the State's contract for the Tobacco Help Line and associated pharmacy contract benefit at a cost of $2.26 million per fiscal years 2018 and 2019, in the Fund for a Healthy Maine. Additionally, the Governor's Change Package included updates of estimates of savings for State-funded Cash Benefits, State-funded TANF Benefit and State-funded Supplemental Nutrition Assistance Program benefits to non-citizens who do not meet federal eligibility requirements, to a total savings of $2.26 million in fiscal year 2018 and $2.96 million in fiscal year 2019. Finally, the Governor's Change Package withdrew the original recommendation to repeal the Maine Rx Plus Program, which lowers the price of prescription drugs for Maine citizens with incomes up to 350% of the Federal Poverty Level.

During the 128th First Regular Session in 2017 other spending bills had been set aside and placed on the Special Appropriations Table, including several requesting General Fund appropriations for the DHHS. The bills sought funding for various services, including dental services for adults with intellectual disabilities or autistic disorder, opiate addiction treatment access, recalculation of rates for services for persons with disabilities, increases for certain chiropractic reimbursement rates and brain injury services under MaineCare, and funding for the waiting list for home and community based benefits for members with intellectual disabilities or autistic disorder.

2017 Chapter 284 also included additional one-time appropriations of $14.2 million in fiscal year 2018 to address wage costs increasing reimbursement rates for certain services for home-based and community-based care for individuals with intellectual disabilities or autism spectrum disorder. The Legislature adopted the Governor's proposals with respect to rebasing the hospital tax year from 2012 to 2014 and additional funding of $2.5 million in fiscal years 2018 and 2019 for supplemental hospital pool payments. Finally, a compromise welfare reform package was agreed upon that adopted into the law the requirements for the DHHS to place photographs on electronic benefit cards, restrict the number of replacement cards issued, provide for verification of the integrity of reported information by applicants for public assistance, provide restrictions for those convicted of certain crimes that are not in compliance with the terms of sentencing or parole and restrict those that receive $5,000 of lottery winnings in one calendar month from receiving certain benefits until financial eligibility is re-established. The welfare reforms also allow the consideration of the job outlook for individuals pursuing any degree or certification under the TANF. The changes remove the "good cause" provisions from participation in the Additional Support for People in Retraining and Employment program, lack of transportation, if the individual has regular access through the DHHS. New reporting requirements to the Legislature are established as well for the DHHS on welfare fraud, provider contracts, grant funding, out of state travel costs, spending in the MaineCare, TANF, statewide food supplement and municipal general assistance programs. Finally, beginning in fiscal year 2018, the DHHS was directed to provide increased benefits to provide heating assistance in the amount of $3 million annually, a 20% increase in the monthly TANF maximum benefit, based on payments made on January 1, 2017, and establish a new program, Working Cars for Working Families, directing the DHHS to allocate $6 million per year through fiscal year 2022 for the program from TANF block grant funds.

In November of 2017, Maine voters approved LD 1039, An Act To Enhance Access to Affordable Health Care, expanding Maine's Medicaid program, MaineCare, to provide healthcare coverage for qualified adults under age 65 with incomes at or below 138% of the Federal Poverty Level. The new law required the DHHS to submit a State plan amendment within 90 days of the effective date of the measure and implement the expansion within 180 days of the effective date of the measure. The new law did not formally include any additional appropriations or allocations to support the implementation. The fiscal note that accompanied the bill estimated net annual appropriations required of $54.5 million after a projected $27 million in estimated General Fund savings in other State programs. The Joint Standing Committee on Appropriations and Financial Affairs met in early December 2017 for a briefing by the Legislature's Fiscal Office staff on the projected fiscal impact of the implementation of the new law. In May of 2018, LD 837, An Act to Provide Supplemental Appropriations and Allocations for the Operations of State Government, established 103 positions in the office for family independence in the DHHS to handle increased workload due to the expansion of eligibility for MaineCare. Additionally, the bill included one-time funding for technology updates and testing for the DHHS's Maine Integrated Health Management Solution website. At the end of April 2018, Maine Equal Justice Partners, Consumers for Affordable Health Care and a number of individuals filed a petition in Maine Superior Court seeking to compel the DHHS to submit the required State plan amendment and commence rule-making to ensure individuals are enrolled for services available under the approved Law. On June 4, 2018 the Maine Superior Court issued an order directing the Commissioner of the Maine DHHS to submit a State plan amendment to the United States DHHS, Centers for Medicare and Medicaid Services by June 11, 2018. The State appealed the decision to the Law Court and requested a stay of the order. On June 11, the Law Court remanded the matter to the Superior Court to determine the immediate enforceability of the court's order pending appeal or for any stay or injunction pending appeal. The Superior Court affirmed its earlier decision and the State again asked the Law Court to issue a stay. A stay was issued on June 20, 2018.

The Law Court heard arguments on July 18, 2018. On August 23, 2018 the Law Court indicated that then-Governor LePage's administration must follow an earlier court order to submit a Medicaid expansion plan to the federal government.

On June 20, 2018, LD 837 as amended, was passed to be engrossed and sent to then Governor LePage. The amended version also included the establishment of a MaineCare Expansion Fund for the 2018-2019 biennium only to be used to fund expansion in addition to the other DHHS funds available. A transfer from the General Fund unappropriated surplus of $31,159,210 was directed to be made within ten days of the effective date of the Act to the MaineCare Expansion fund. The funds were to be used exclusively for the expansion of Medicaid as enacted by the Initiated Bill 2017, Chapter 1, An Act To Enhance Access to Affordable Health Care. Any money remaining in the MaineCare Expansion Fund would lapse to the General Fund unappropriated surplus on June 30, 2019. In addition, the bill provided for a second transfer of funding to the MaineCare program from the Fund for a Healthy Maine by the Governor, upon the request of the Commissioner of Health and Human Services in consultation with the State Budget Officer. On July 2, 2018, then Governor LePage vetoed the bill and the veto was sustained by the Legislature.

On January 3, 2019, Governor Mills signed an executive order directing the DHHS to implement Medicaid expansion that was approved by voters in November of 2017 to provide life-saving, affordable health care coverage for more than 70,000 Mainers. The DHHS immediately began enrolling eligible members. The projected expense for fiscal year 2019 was expected to be absorbed within the DHHS's existing resources for the biennium. Governor Mills' biennial budget proposal, LD 1001, included approximately $140 million for fiscal years 2020 and 2021 to support the State's share of projected Medicaid expansion costs. On April 3, 2019, Maine received formal notification that the State Plan Amendment implementing Medicaid expansion was approved by the federal government, retroactive to July 2, 2018. While remaining committed to provide access to care for the State's most vulnerable residents, the State employs aggressive care management techniques, continues to standardize provider reimbursement rates and has developed more capacity in the area of third party recovery.

Additional funding was also included in LD 1001 to continue the rate increases and to fund portions of the wait lists referenced in 2017 Chapter 459 and 2017 Chapter 460, and to increase reimbursement for medication assisted treatment as a way to address the opioid epidemic. LD 1001 also provided $10 million over the biennium to focus on evidence based smoking cessation and intervention efforts.

2017 Chapter 409, LD 1719, An Act to Implement a Regulatory Structure for Adult Use Marijuana, transitioned the administration and enforcement of the Maine Medical Use of Marijuana Act from the DHHS to the DAFS. The bill includeed net deallocations to DHHS of $1,056,295 beginning in fiscal year 2019 for the transfer from the Medical Use of Marijuana Fund within the DHHS to the Medical Use of Marijuana Fund within the DAFS. $140,751 was appropriated to the Maternal and Child Health Block Grant Match program in DHHS to restore 1.2 Public Service Coordinator II positions and $29,636 was allocated to the Maine Center for Disease Control and Prevention to restore 0.5 Office Assistant II positions that are moving with the Medical Use of Marijuana Fund as it moves to DAFS.

On July 9, 2018, Public Laws of Maine 2017, chapter 459 ("2017 Chapter 459") extended rate increases provided in 2017 chapter 284, Part MMMMMMM to MaineCare member adults with intellectual disabilities or autism to fiscal year 2019 and ongoing. This provided General Fund appropriations beginning in fiscal year 2019 of $22.8 million, for certain services for home-based and community-based care, including shared living and family-centered support. The law also directed the DHHS to conduct a substantive rate review of these rates as they apply to adults with intellectual disabilities or autism, including public comment every two years. In addition, 2017 Chapter 459 provided General Fund appropriations of $3.7 million beginning in fiscal year 2019 increasing reimbursement rates provided under consumer directed services, home and community based services for the elderly and adults with disabilities, private duty nursing and in-home and community based services for the elderly and other adults.

Public Laws of Maine 2017, chapter 460 included General Fund appropriations of $5.2 million beginning in fiscal year 2019 to add up to 50 additional members each month beginning in October 2018 up to a total of 300 members for the waiting lists related to MaineCare member adults with intellectual disabilities or autistic disorder. This law also provided General Fund appropriations of $11.1 million for rate increases in nursing and other related residential facilities. The law created a commission to study long-term care workforce issues with a report due in November of 2018 including findings and recommendations for training, recruitment and retention of direct care workers. In addition, this law provided General Fund appropriations of $2.8 million for the establishment and increase of existing reimbursement rates for children's habilitative services, $6.1 million to ensure a net increase in funding of 2% over rates in 2009 specifically related to wages and benefits for employees of those providers such as targeted case services, allowances for community support services, developmental and behavioral clinic services and other related services. This also funded a 15% rate increase for, among other matters, evidence-based treatment through a hub-and-spoke model for opioid use disorder of $6.7 million, with a report which was completed in February, 2019 on the progress and implementation, and a one-time 20% increase in outpatient psychosocial treatments for children that included a directive to conduct a rate study which was completed in January 2019.

Governor Mills' recommended biennial budget for 2020-2021 (LD 1001) included nearly $140 million of State resources over the biennium for the Medicaid expansion. The proposed budget dedicated $29 million to a Medicaid Reserve Account for unforeseen Medicaid related costs. The Governor's budget also addressed public health needs. Utilizing tobacco settlement funds, $5.5 million in one-time funding was proposed to address the State's ongoing opioid epidemic and $10 million was directed toward evidence based efforts to stem the increase in tobacco and nicotine use among the State's teens and young adults. LD 1001 as enacted by the Legislature in 2019 Chapter 343 provided: $125 million for Medicaid expansion, which was expected to be matched with nearly $700 million in federal funds; $5 million to support domestic violence and sexual assault services; an additional $10 million from the Fund for a Healthy Maine for smoking prevention and cessation; and an additional $14.5 million to the Reserve for Riverview Psychiatric Center. The law also added 62 new Child and Family Services staff to better protect Maine's children from abuse and neglect, providing relief with unmanageable caseloads; and supported efforts to combat the opioid crisis, including $5.5 million from the Fund for a Healthy Maine to support prevention efforts and increase the weekly rate for medication-assisted treatment and elimination of the 24-month limit for medication-assisted treatment.

During the First Regular Session of the 129th Legislature, Public Laws of Maine 2019, Chapter 530 (An Act To Prevent and Reduce Tobacco Use with Adequate Funding and by Equalizing the Taxes on Tobacco Products and To Improve Public Health), was enacted. The law included increased General Fund appropriations to the Department of Health and Human Services for several purposes. Part A provided $2,550,000 in fiscal year 2020 and $4,850,000 in fiscal year 2021 for evidence-based tobacco use prevention and cessation services and for tobacco use cessation medications and counseling provided to MaineCare members. Part B of the law provided $1,662,060 in fiscal year 2020 and $3,329,640 in fiscal year 2021 to increase the reimbursement rate for ambulance services under the MaineCare program. Finally, Part C of the law provided $1,374,645 in fiscal year 2020 and $2,787,005 in fiscal year 2021 related to the amendment of certain rules relevant to MaineCare Benefits.

On January 12, 2020, Public Laws of Maine 2019, chapter 533 (An Act To Clarify and Amend MaineCare Reimbursement Provisions for Nursing and Residential Care Facilities), was enacted providing one-time rate increases for the 2020-2021 biennium to residential care facilities and nursing facilities supplemental wages allowances. This increased General Fund spending on these programs by approximately $1 million over the biennium. Public Laws of Maine 2018, chapter 616, the Governor's 2020-2021 supplemental budget, included additional funding for the MaineCare Section 29 Waiver allowing the Department of Health and Human Services to provide services to those on the waitlist through January 2020. The budget provided support to the Health and Environmental Testing Lab, and increased rates for Assisted Living Facilities, Consumer Directed Care and Nursing Services. In recognition of the strain on the Office of Child and Family Services, 20 new staff were authorized. In light of the public health crisis, the legislation also included $648, 211 in one-time funding to the Maine Center for Disease Control and Prevention (MECDC) to respond to COVID-19. Additionally, personal services funding was provided address recruitment and retention issues within the Public Health Nurse group also within the MECDC.

In September 2020, to address the impacts of COVID-19 on General Fund revenues, the Governor curtailed General Fund allotments to health and human services by approximately $105 million in areas that had minimal or no programmatic impact. Approximately $74.3 million of the total curtailment aligned allotment with projected actual expenses given the availability of additional federal funding through enhanced Federal Medicaid Assistance Program (FMAP) and Children's Health Insurance Program rate of an additional 6.2% provided due to the pandemic. Another $10.3 million of the curtailed allotments were related to existing position vacancies in the Department of Health and Human Service. Administrative and operational efficiencies made up the remainder of the curtailment. These curtailments were included as appropriation adjustments in 2021 Chapter 1, in addition to a reduction related to the continuation of the enhanced FMAP rate through the 3rd quarter of fiscal year 2021. Additionally, the supplemental budget provided one-time funding for retainer payments to providers of rehabilitation and personal care services – primarily community support and other day services.

The "Back to Basics" biennial budget enacted by the Legislature for fiscal years 2022 and 2023 (2021 Chapter 29) included funding for nursing facility cost of living adjustments and rate increases for a number of Medicaid services already initiated or committed including private non-medical institutions (MaineCare Benefits Manual Section 97 Appendix C and D, Rural Health Centers, Federally Qualified Health Centers, Adult Family Care Homes, and Sections 21 and 29). Numerous savings initiatives identified in 2021 were continued for the 2022-2023 biennium.

On May 14, 2021, the Governor proposed a Change Package to the items remaining from her recommended 2022-2023 biennial budget after the passage of 2021 Chapter 29. The Legislature considered these items as a "Part II" biennial budget for 2022 – 2023 that was subsequently enacted as Public Laws of Maine 2021 Chapter 398. The "Part II" budget included further reductions related to the continuation of the enhanced FMAP rate provided due to the pandemic. It also provided funding for numerous healthcare initiatives that include, but are not limited to: one-time support for hospitals, nursing facilities and private non-medical institutions in responding to the pandemic; rate increases for a broad spectrum of Medicaid providers and services; investments in the State's public health capacity; provision of a full adult dental benefit for low-income Mainers; wage increases for direct care workers; and healthcare benefits for children who would be eligible for federal benefits but for their immigration status.

Among the rate increases funded in 2021 Chapter 398 are increased reimbursement rates for residential substance use disorder treatment, one of several efforts focused on combatting the opioid epidemic in Maine. The new rates took effect November 1, 2021. The 2022-2023 biennial budget also includes more than $110 million in investments to support prevention, early intervention, harm reduction, all levels of treatment, crisis care, and recovery assistance as part of the DHHS' work to transform the system of services for people with behavioral health challenges.

Governor Mills also proposed, and the Legislature enacted, the Made for Maine Health Coverage Act 2019 Chapter 653 that authorized the DHHS to run a State-based Health Insurance Marketplace as part of a larger plan to improve private health insurance for Maine people and small businesses. The State-Based Marketplace is central to the Administration's work to improve access to affordable health care. Open enrollment in the CoverME.gov Marketplace began on November 1, 2021 giving Maine people better access to affordable health insurance options.

The Governor's recommended supplemental budget for the 2022 – 2023 biennium included $19.7 million in ongoing General Fund appropriations, which would leverage $17.1 million in Federal funding, to bolster Maine's behavioral health system. Additionally, the Governor proposed $30 million in ongoing General Fund support to fully implement updated rates for direct support worker wages, add and accelerate new cost-of-living adjustments for rates, and raise rates to be sufficient to pay direct support professionals at 125 percent of minimum wage.

The recommended supplemental budget also proposed several initiatives to support hospitals and long-term care facilities. The Governor proposed $25 million in one-time funding to Maine hospitals, $6.8 million of which was from the General Fund, as well as $25 million in one-time funding to long-term care facilities, $7.5 million of which was from the General Fund, to help these Maine health care organizations deal with one-time pandemic related costs. Other proposed initiatives included: $7.6 million for nursing and residential care facilities, of which $1.9 million was one-time General Fund dollars, to assist with labor costs through June 30, 2022; $5 million in one-time General Fund dollars to support private non-medical institutions to provide care for residents who are older or have disabilities; and $6.1 million in ongoing General Fund money for in-home and community services to help keep older Maine residents in their homes rather than in residential care facilities or hospitals.

Lastly, the Governor's supplemental budget proposal for fiscal years 2022 and 2023 included nearly $8 million to improve Maine's child welfare system and $22 million in one-time General Fund dollars to create an Emergency Housing Relief Fund at MaineHousing to address homelessness. The $8 million for child welfare, of which $6.2 million was one-time General Fund dollars, provided funding for additional child protective staff and implementation of timely recommendations from child welfare experts and Maine lawmakers. The $22 million for emergency housing assistance provided funding for rental assistance or appropriate housing for those who are staying in hotels or to create additional permanent supportive housing for people with disabilities, mental health challenges, or substance use disorder.

The Legislature enacted all of these proposals in 2021 Chapter 635, increasing the ongoing General Fund support for updated rates for direct support worker wages to $35 million and the total support for child welfare system improvements to $10 million, $6.2 million of which was one-time General Fund dollars. Additionally, the enacted supplemental budget provides $3.2 million in General Fund dollars, which will leverage more than $9 million in Federal funding, to expand the Children's Health Insurance Program, otherwise known as CHIP, to provide comprehensive coverage to an additional 40,000 Maine kids.

Debts of the State

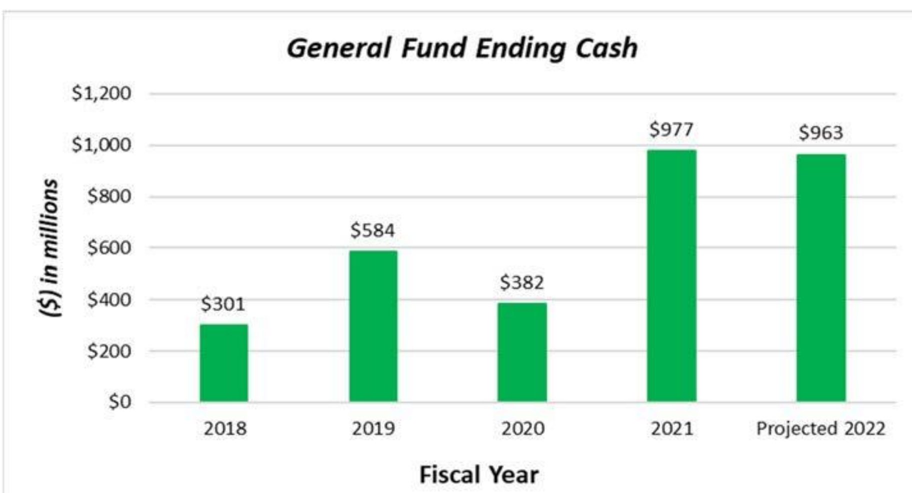
As of April 30, 2022, there were outstanding general obligation bonds of the State in the principal amount of $589,665,000, all of which are to be paid from the General Fund. As of April 30, 2022, the State has no outstanding bond anticipation notes. Debt service requirements to maturity for the outstanding general obligation bonds are set forth in Appendix D herein.

As of April 30, 2022, there are no outstanding tax anticipation notes of the State. As of April 30, 2022, the State's General Fund has not had to borrow from other funds within the State investment pool during fiscal year 2022 for cash flow purposes.

The State does use interfund borrowing to fund capital projects in anticipation of the annual general obligation bond issue. As of April 30, 2022, the State has used $47.6 million of cash from the State investment pool, for which it plans to be reimbursed from the proceeds of bonds to be issued by the State. The State plans to continue using internal cash borrowing to fund capital projects in subsequent fiscal years. There was no external cash flow borrowing in fiscal year 2021 or fiscal year 2022. If external borrowing were required, a combination of bond anticipation notes and a proposed line of credit could be used. The timing and amount of any such borrowings will depend upon the actual cash flow needs of the State.

As of April 30, 2022, there is indebtedness authorized by the voters of the State for certain purposes, but unissued as either bonds or notes, in the aggregate principal amount of $167,130,000. As of April 30, 2022, the aggregate principal amount of bonds of the State authorized by the Constitution and implementing legislation for certain purposes, but unissued, is $99,000,000. See "Fiscal Management – Constitutional Debt Limit" and "Certain Public Instrumentalities – Finance Authority of Maine" and "– Maine State Housing Authority" herein.

The State's General Fund ending cash position as of June 30 for the fiscal years 2018-2022 is shown below.



For additional information concerning long-term debts of the State, see Appendix D hereto.

Lease Financing Agreements

From time to time, the State enters into lease agreements for the purpose of acquiring or financing capital equipment and buildings. A lease agreement is secured solely by the equipment or building which is the subject of such agreement and is not a pledge of the full faith and credit of the State. Lease payment obligations are subject to appropriation by the Legislature. In certain instances, the State has issued certificates of participation in the lease payments to be made pursuant to certain lease agreements. As of February 28, 2022, the aggregate principal amount of such lease obligations outstanding was $63,963,610. For additional information regarding such lease agreements, see Appendix D hereto. For information regarding rental payments to be made by the State, subject to appropriation, to the Maine Governmental Facilities Authority, see "Certain Public Instrumentalities - Maine Governmental Facilities Authority."

Defined Benefit Retirement Programs

Overview

MainePERS administers three defined benefit pension plans (the "Programs") on behalf of the State with approximately the following membership as of June 30, 2021: the State Employee and Teacher Retirement Program, with 40,099 active, 38,393 inactive non-vested, 8,387 terminated vested and 37,690 retired members and surviving beneficiaries; the Judicial Retirement Program, with 60 active, 1 inactive non-vested, 2 terminated vested and 85 retired members and surviving beneficiaries; and the Legislative Retirement Program, with 178 active, 101 inactive non-vested, 124 terminated vested and 222 retired members and surviving beneficiaries (collectively "State Plans"). In addition, MainePERS administers the Participating Local District Consolidated Plan on behalf of 311 participating state and local public entities ("PLDs"). MainePERS also administers a group life insurance plan which provides or makes available life insurance benefits for active and retired MainePERS members and employees of certain PLDs. As of June 30, 2020, MainePERS's group life insurance plan, for actuarial purposes, was comprised of approximately 32,225 active members and 19,154 retirees, which includes 5,498 PLD active members and 2,879 PLD retirees and surviving beneficiaries. A full actuarial valuation of the group life insurance program is done on a biennial basis, the most recent as of June 30, 2020. The next full valuation will be completed as of June 30, 2022. The State has no retirement or group life insurance obligations to the PLDs or to their covered employees. The trust fund balances associated with each plan administered by MainePERS are segregated. The funds are commingled only for investment purposes. The administrative operating expenses of MainePERS are charged against each trust fund balance as directed by statute and in accordance with generally accepted accounting standards. The budgeted administrative operating expenses of MainePERS for fiscal year 2023 are $17,755,530, as compared to $17,119,995 for fiscal year 2022 and $16,170,715 for fiscal year 2021.

MainePERS's retirement programs provide defined retirement benefits based on members' three-year average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten-year requirement was reduced by legislative action to five years for State employees and teachers; separate legislation enacted the same reduced requirement for judges, legislators, and employees of PLDs). Vesting also occurs upon the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for "regular service retirement plan" State employees and teachers, judges and legislative members is age 60, 62 or 65[1]. The normal retirement age is determined based upon the amount of service to which a member is credited as of a specific date. For "regular service retirement plan" PLD members, normal retirement age is 60 or 65, depending upon when plan membership commenced. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MainePERS also provides disability and death benefits which are established by statute for State employees and teacher members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts has been set by MainePERS's Board of Trustees at the 10-year US Treasury Bond yield at the end of the prior calendar year, currently 1.52%. Employer contributions for terminated members are not refunded and remain assets of the applicable plan.

Other Available Information

The following documents related to MainePERS and the Programs are incorporated herein by reference:

- MainePERS Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021 available at https://www.mainepers.org/wp-content/uploads/pdfs/annual-reports/ACFR21.pdf
- Actuarial Valuation Report for each of the retirement programs administered by MainePERS as of June 30, 2021 available at https://www.mainepers.org/administration/valuations/.
- Final Report of the State Employee and Teacher Retirement Program experience study, dated June 8, 2021 available at https://www.mainepers.org/wp-content/uploads/2022/01/MainePERS-Experience-Study-Report-2020_2021-FINAL.pdf.
- Final Report of the 2020 Group Life Insurance Program Premium Study, dated July 16, 2020 available at https://www.mainepers.org/wp-content/uploads/pdfs/bond-disclosure/MELIFE0W_2020-Premium-Study-Report-FINAL.pdf.

"Pension Designs Based on Participation in Social Security" dated February 10, 2022 available at https://www.mainepers.org/wp-content/uploads/2022/02/Resolves-2021-Chapters-66-and-72-Report.docx-FINAL-corr-date.pdf.

- "New Pension Plan Design and Implementation Plan" dated March 2012 prepared by the New Pension Plan Working Group available at https://www.mainepers.org/wp-content/uploads/pdfs/bond-disclosure/NPP_Report_3-5-2012.pdf.
- New Pension Plan proposed legislation and plan document submitted to the Joint Standing Committee on Appropriations and Financial Affairs on January 15, 2013 available at

[1] Because of the nature of their jobs, certain employees, typically those in law enforcement positions, are members of a "special service retirement plan," rather than the "regular service retirement plan" which covers most employees. Special plans typically differ from regular plans in the areas of retirement eligibility requirements, benefit determination, and contribution rates. Special plans are typically more expensive than regular plans.

https://www.mainepers.org/wp-content/uploads/pdfs/bond-disclosure/NPPI-Package-01172013.pdf.

- New State/Teacher Retirement Plan Report to the Legislature, "New State/Teacher Plan 2 Proposed Legislation and Implementation Plan" submitted to the Joint Standing Committee on Appropriations and Financial Affairs on May 6, 2013 available at https://www.mainepers.org/wp-content/uploads/pdfs/bond-disclosure/NPP-Report-Final-05072013.pdf.
- New State/Teacher Retirement Plan Report to the Legislature, "State/Teacher Plan Review" submitted to the Joint Standing Committee on Appropriations and Financial Affairs on April 9, 2018 available at https://www.mainepers.org/wp-content/uploads/pdfs/bond-disclosure/State-Teacher-Report-to-the-Appropriations-Committee-4.9.18-FINAL.pdf.
- New State/Teacher Retirement Plan Report to the Legislature, "State/Teacher Plan Review" submitted to the Joint Standing Committee on Labor and Housing on February 27, 2020 available at https://www.mainepers.org/wp-content/uploads/pdfs/bond-disclosure/State-Teacher-Retirement-Plan-Resolve-2017-Chapter-57-2-27-20.pdf.

For additional information about MainePERS contained in this Information Statement, see also Note 9 and Required Supplementary Information in the State's financial statements on pages B-70 – B-80 and B-124 – B-142 herein and "Appendix E – Maine Public Employees Retirement System State Employees and Public School Teachers Actuarial Balance Sheet, June 30, 2021".

Funding Policy and Status

The costs of the State Plans, including those of the State Employee and Teacher Retirement Program, generally consist of two elements:

Normal Costs - the present value of future pension benefits earned by employees in the current year. Normal costs are based on each year's projected annual collective employee earnings. Based on the rate-setting process as described below in the Unfunded Actuarial Accrued Liability ("UAAL") section of this document, the State's share of normal cost for the 2020-2021 biennium was projected to be $65,657,512. The State's share of the normal cost for the 2022-2023 biennium is projected to be $63,866,709. Most State employees and teachers are required by statute to contribute 7.65% of their earnings. As previously noted, some State employees may pay a higher rate as a result of participation in a so-called "special plan", which typically permit a member to retire younger or with fewer years of service. Other State employees may pay a lesser rate as a result of a collective bargaining agreement or other arrangement with the State.

Unfunded Actuarial Accrued Liability ("UAAL") - the amount by which the actuarial liability for current and former employees is greater than pension assets. The actuarial liability is the present value of prospective pensions owed to members when they retire based on service as of the calculation date.

State Employee and Teacher Retirement Program annual and/or biennial costs are defined as those normal and UAAL costs required by State law and the Maine Constitution to fund the plan. The State's employer normal cost contributions, along with current member contributions, support benefits currently being earned by active members. The State's UAAL contribution is a payment on the amortized debt that represents the liability for benefits in excess of the amount supported by assets of the System. The Maine Constitution requires that the June 30, 1996 UAAL be fully funded in not more than 31 years from July

1, 1997. In addition, the Maine Constitution requires that unfunded liabilities resulting from experience losses must be retired over an established maximum number of years. The original period of not to exceed 10 years was changed to not to exceed 20 years by a Constitutional Amendment passed in November 2017.

Maine is one of 14 states that do not participate in Social Security for State employees, judges, legislators or teachers while they are active members of the State Plans. Neither the State nor covered plan members contribute any amounts to Social Security. This means that covered members do not earn Social Security credits.

The State appropriates funding for pension costs associated with the State Plans, covering all State employees and teachers, legislators and judges. Retirement, disability and death benefits provided by the System are funded by employee contributions as set by statute and by employer contributions determined on an actuarial basis. An actuarial valuation is prepared annually and the valuation completed in the even year for each of the State's three defined benefit plans is used to determine the State's employer contribution requirements for the ensuing biennium. For example, the valuation as of June 30, 2018 was used to set contributions for the 2020-2021 biennium, and a roll forward projection of the valuation as of June 30, 2020 was used to establish the contributions to be made in the 2022-2023 biennium. A roll forward projection of the valuation as of June 30, 2022 will be used to establish the contributions to be made in the 2024-2025 biennium.

For State employees and teachers, the State's actuarially determined contribution (the "ADC"), previously referred to as the annual required contribution for years prior to 2014, is comprised of the normal cost contribution plus the payment required to amortize the State Employee and Teacher Retirement Program's UAAL. As of June 30, 2021, the actuarial value of assets of the State Employee and Teacher Retirement Program (which does not include members of the judicial and legislative programs) was $13,460,870,272 and the actuarial accrued liability was $16,392,351,328 resulting in a UAAL of $2,931,481,056 and a funded ratio of 82.1%. The State is obligated under an amendment to the Maine Constitution adopted in 1995 to amortize the UAAL of the State Employee and Teacher Retirement Program as of June 30, 1996 by no later than the end of fiscal year 2028. As of June 30, 2021, 7 years remained in the current, constitutionally mandated amortization period for the unfunded liability of the State Employee and Teacher Retirement Program. The Maine Constitution also prohibits the creation of new unfunded liabilities other than those arising from experience losses. Any such liabilities are required to be amortized within 20 years. The constitutional requirement does not apply to the Legislative Retirement Program or the Judicial Retirement Program. MainePERS monitors all relevant proposed bills to ensure continued compliance with the constitutional requirement. MainePERS estimates that approximately $1.24 billion of the UAAL as of June 30, 2021 is allocable to experience losses arising since June 30, 1996 and of that amount, approximately $223 million is expected to be amortized by June 30, 2028 with the remaining $1.06 billion to be amortized by June 30, 2040.

The judicial retirement plan had an actuarial surplus of $5,419,988 at June 30, 2021. The legislative retirement plan had an actuarial surplus of $4,370,964 at June 30, 2021.

The ADC determined for the 2020-2021 biennial budget was based upon an estimate of the assets and liabilities as of June 30, 2018. The estimated assets included the June 30, 2018 assets (at market value), with a projection of total cash flows for the year. The liabilities included the June 30, 2017 liabilities, rolled forward based on projected actuarial assumptions for fiscal year 2018. This process allows the System to provide employer contribution rates to the State as early as possible in the biennial budget process. This same methodology was used to determine the ADC for the 2022-2023 biennial budget. The amount paid by the State in fiscal years 2018, 2019, 2020 and 2021 was $279,730,000, $293,580,000, $331,164,000, and $351,528,000 respectively. The amounts projected to be paid by the State, using the rate-setting process as described above, in fiscal years 2022 and 2023 are $361,332,000 and $371,022,000, respectively.

The State has generally funded its ADC for State employees, teachers, judges and legislators as shown in the table below. Differences between the ADC and the actual contribution may be the result of the differences between projected and actual salary amounts for any given year. Differences may also be the result of additional contributions paid by the State, as previously required by statute, from General Fund surplus money available at the close of a given fiscal year. In 2013, the statute was amended by the 126th Legislature such that General Fund surplus money is no longer allocated to MainePERS.

Valuation Date 6/30/YY	**Actuarially Determined Contribution**	**Actual Contribution**	**Percent Contributed**
2021	$351,528,000	$351,528,000	100.0%
2020	331,164,000	331,164,000	100.0
2019	293,580,000	293,580,000	100.0
2018	279,730,000	279,730,000	100.0
2017	273,630,000	273,630,000	100.0
2016	257,620,000	257,620,000	100.0
2015	264,812,000	264,812,000	100.0
2014	264,275,000	264,275,000	100.0
2013	264,381,000	264,381,000	100.0
2012	252,830,000	252,830,000	100.0
2011	328,075,000	333,944,000	101.8
2010	317,992,000	329,207,000	103.5
2009	320,112,000	320,112,000	100.0
2008	305,361,000	305,361,000	100.0
2007	303,076,000	303,075,774	100.0
2006	286,439,000	303,438,610	106.0
2005	261,698,000	274,697,901	105.0
2004	251,483,000	273,482,848	108.8
2003	252,709,000	263,209,148	104.2
2002	242,486,000	242,486,089	100.0

As of June 30, 2021, the State reported a net pension liability ("NPL") of $2,699,395,000 for the State Employee and Teacher Plan. The State reported a net pension asset ("NPA") of $1,318,000 for the Judicial Plan and $3,721,000 for the Legislative Plan. The NPL or NPA is calculated as the difference between the total pension liability ("TPL") and the market value of assets held by the plan. The NPL was calculated using a discount rate of 6.75%. If the discount rate used was one percentage point lower or one percentage higher, the collective net pension liability of the State Plans, measured as of June 30, 2020 for fiscal year 2021, would have been $4.1 billion or $975 million, respectively. GASB Statement No. 68 replaced Statement No. 27 and now requires the NPL to be reported rather than the Net Pension Obligation ("NPO") required by Statement No. 27. The NPO was the cumulative difference between the annual pension cost and the employer's contributions to the plan, adjusted for interest and the effect of the actuarial amortization of past under- or over-contributions.

The following table sets forth a projection of the contributions expected to be made by the State to pay both the normal cost and to amortize the UAAL of the State Employee and Teacher Retirement Program for the period from fiscal year 2022 through fiscal year 2028. The dollar amounts (expressed as millions) are shown both as future year dollars and current year dollars (discounted at a 2.75% rate). The amounts shown in the table below include the results of the most recently completed actuarial valuation used in the determination of employer contribution requirements, which was as of June 30, 2020.

Projected Contributions

Fiscal Year	Normal Cost future dollars*	Normal Cost current dollars*	UAL Cost future dollars*	UAL Cost current dollars*	Total Cost future dollars*	Total Cost current dollars*
2022	$83	$81	$338	$329	$421	$410
2023	86	81	347	329	433	410
2024	88	81	377	348	465	429
2025	90	81	388	348	478	429
2026	93	81	404	353	497	434
2027	96	81	415	353	511	434
2028	98	81	429	355	527	436

*All costs in millions.

The amounts in the preceding table are based on projections derived from the 2020 actuarial assumptions and other information then known to the State and the System. The actual amounts required to be contributed by the State in the future will likely differ from these amounts and, depending upon actual circumstances, such differences may be substantial. The actual contributions to be made by the State for any future fiscal year, including the amount required to amortize the then UAAL, will be based upon actual investment results and other factors as they occur in the future and the applicable actuarial valuation used to certify the contribution rates for such year and will reflect all actuarial assumptions and circumstances then in effect. The State cannot predict with certainty what the actual dollar amount of required contributions to the System will be for fiscal years beyond fiscal year 2023.

At its meeting on July 9, 2020, the MainePERS Board of Trustees voted to adopt 10-year asset smoothing for the rates established by the 2020 valuation for fiscal years 2022 and 2023. This decision recognizes the unique economic challenges to employers and members caused by the COVID-19 pandemic and will help to maintain contribution rates at a level close to those currently being paid. Future contribution rates are expected to be determined based on the previous and long-standing 3-year smoothing methodology. Using 10-year smoothing results in pension costs for fiscal years 2022 and 2023 that are approximately $18 million less than the costs if calculated under the 3-year smoothing methodology.

Pursuant to 2013 Chapter 368, beginning in fiscal year 2013-14, the employer normal cost for teacher members must be paid by local school administrative units. Those costs were previously paid by the State. The amount paid by the local school administrative units was $48,680,300, $50,611,500, $53,800,200 and $56,360,600 in fiscal years 2018, 2019, 2020 and 2021, respectively. Based on the 2020 projections used to establish pension costs for fiscal years 2022 and 2023, the employer normal cost is projected to be $53,907,517 in fiscal year 2022 and $55,389,974 in fiscal year 2023. The amount of employer normal cost paid will be based on actual payroll. The State continues to pay the employer unfunded liability costs for teacher members.

Actuarial Assumption Changes. State law provides that at least once in each six-year period, the System's actuary is to make an investigation into account program demographics and changes in program demographics, employment patterns and projections, relevant economic measures and expectations and other factors that the Board or actuary considers significant. The actuary must also make recommendations for certain modifications of the actuarial assumptions, as needed. The System conducted an experience study in 2021, which has resulted in the adoption of different assumptions, as described below. The final report of the most recent experience study, is available at https://www.mainepers.org/wp-content/uploads/2022/01/MainePERS-Experience-Study-Report-2020_2021-FINAL.pdf.

In July 2021, The MainePERS Board of Trustees approved a reduction in the discount rate assumption from 6.75% to 6.50%. The impact of the reduction in the discount rate was estimated to increase the UAAL by approximately $456 million. Changes in other actuarial assumptions, with the most significant change resulting in improved mortality, were estimated to increase the UAAL by approximately an additional $720 million. When extremely favorable market returns, as discussed below, are considered, the net increase in the UAAL is estimated to be $316 million. These changes will first be reflected in the required contributions established for fiscal years 2024 and 2025.

Actuarial Valuation. By State law, the System's assets and liabilities are calculated annually by the System's actuaries. Each even year's valuation serves as the basis for the State's ADC in the biennium that begins two years from the date of the valuation. This report is delivered to the State in late October and contains an actuarial valuation of the plans administered by the System as of the end of the most recent fiscal year and sets out the ADC for the upcoming biennium. The report also includes, for each plan, a description of the actuarial assumptions and methods used, a brief summary of the principal plan provisions and a summary of member data. The actuarial reports for the fiscal year ended June 30, 2021 (the most recently completed actuarial reports) are incorporated by reference herein and are available at https://www.mainepers.org/administration/valuations.

The actuarial valuation calculates the actuarial accrued liability for each of the defined benefit plans, which represents the present value of benefits the System will pay to its retired members and active members upon retirement, based on certain demographic and economic assumptions. Some examples of these assumptions include an expected rate of return on assets, age of retirement of active members, future salary increases for current employees and assumed mortality rates for retirees and beneficiaries. If the actual experience of a plan differs from these assumptions, the UAAL of the plan may increase or decrease to the extent of any such variance. This could have a resulting impact on the ADC, which may increase or decrease the amount of the State's contribution to the plans.

The actuarial valuation also compares the actuarial accrued liability with the actuarial value of assets and any excess of that liability over the assets forms the UAAL of the system. The actuarial valuation will express the percentage that a plan is funded through a "funded ratio," which represents the actuarial value of assets of the plan divided by the actuarial accrued liability of such plan. The actuarial valuation will also state an ADC, which is a recommended amount that the State and other sponsoring employers contribute to the applicable plan. The ADC consists of two components: (1) normal cost, which represents the portion of the present value of retirement benefits that are allocable to active members' current year service, and (2) an amortized portion of the UAAL.

With respect to the expected rate of return of assets, the actual rate of return on investments depends on the performance of its investment portfolio. The value of the securities and other investments in the investment portfolio changes from one fiscal year to the next, which, in turn, causes increases or decreases in the funded ratio of each plan and in the UAAL. For fiscal year 2021, the assumed rate of return was 6.75%. For fiscal year 2021, the actuarial rate of return of the assets was 12.71% as compared to a market rate of return of 26.50%. Information about the System's Investment Program is available at www.mainepers.org/Investments/. For fiscal year 2022, as of June 24, 2022, the estimated market rate of return on investments was -1.5%. This estimate is preliminary and subject to change once final results are known through June 30, 2022.

The 2021 Actuarial Valuation includes an analysis of the impact of both higher and lower actual market rates of return, as compared to the current assumed rate of return of 6.50%. If the Programs were to earn 7.50% annual returns, the State's contribution rate would decline from the projected rate in the 2021 Valuation of 21.72% and the UAAL on a market value of assets basis would be paid in full by 2025 rather than the 2026 date projected based on 6.50% returns. The 1996 UAAL would still be paid off by 2028 under the 6.50% scenario, but continued recognition of investment gains would accelerate the point the plan reaches 100% funded status, projected to be 2026 if all assumptions are exactly met between now and then. If, however, the Programs were to earn 5.50% annual returns, the point at which the UAAL on a market value of assets basis would be paid in full is deferred indefinitely. The NPL (in $ thousands) for the State Employee and Teacher Pension Plan (SETP) at the current discount rate of 6.50% is $1,491,707. If the rate were 1% higher, the NPL (in $ thousands) would be ($216,518). If the rate were 1% lower, the NPL (in $ thousands) would be $3,537,630.

Again, as noted above, the actual future circumstances will likely vary from those assumed in the 2021 Valuation and thereby result in potentially significantly different required contribution amounts.

The following table sets out the actual rate of investment return as compared to the actuarial assumed rate of return (taking into account the 3-year smoothing method described below) for the calendar years 2021 through 1991, inclusive. It should be noted that this amount only represents a portion of the year to date return as certain investments have not yet been reported. In addition, the next actuarial valuation that will be used to determine required contributions will be based on the actual rate of investment return as of June 30, 2022.

Calendar Year	Actual Rate of Investment Return	Actuarial Assumed Rate of Return*
2021	19.50%	6.50%
2020	10.60	6.75
2019	13.16	6.75
2018	1.90	6.75
2017	15.80	6.875
2016	7.50	6.875
2015	0.10	7.125
2014	5.40	7.125
2013	14.80	7.25
2012	12.86	7.25
2011	0.22	7.25
2010	12.20	7.75
2009	21.50	7.75
2008	-27.60	7.75
2007	9.10	7.75
2006	11.30	7.75
2005	7.70	8.00
2004	13.10	8.00
2003	25.60	8.00
2002	-10.30	8.00
2001	-5.00	8.00
2000	-3.80	8.00
1999	15.30	8.00
1998	15.30	8.00
1997	18.50	8.00
1996	13.50	8.00
1995	25.70	8.00
1994	-0.10	8.00
1993	13.90	8.00
1992	7.20	8.00
1991	23.90	8.50

*Changes effective July 1 of stated year

In addition to the above-described assumptions, the actuarial valuations of the plans use the entry age normal ("EAN") method to calculate the actuarial value of assets and actuarial accrued liability. The System believes that the EAN method is a more accurate indicator of actuarial funding progress and it is now, in fact, the predominant method used by public retirement systems throughout the United States.

An additional actuarial method used in arriving at the actuarial valuation is so-called "smoothing," whereby the difference between the market value of assets and the actuarial value of assets is smoothed over a period of three years to offset the effects of volatility of market values in any single year. The following chart presents, for each program, the actuarial accrued liability, the actuarial value of assets, the UAL, the funded ratio of the plan based on the actuarial value of assets, the market value of assets, the funded ratio of the plan based on the market value of assets and the ratio of the actuarial value of assets over the market value of assets.

State & Teachers

Valuation date 6/30/YY	Actuarial Accrued Liability	Actuarial Assets	Unfunded Actuarial Liability	Funded Ratio (AVA)	Market Assets	Funded Ratio (MVA)	Actuarial Assets Over Market
2021	$16,392,351,328	$13,460,870,272	$2,931,481,056	82.10%	$14,900,644,020	90.90%	90.30%
2020	14,865,460,130	12,249,961,306	2,615,498,824	82.40	12,044,916,279	81.00	101.70
2019	14,547,222,913	11,894,672,150	2,652,550,763	81.80	12,035,563,047	82.70	98.80
2018	14,031,187,845	11,419,986,652	2,611,201,193	81.40	11,632,179,683	82.90	98.20
2017	13,484,886,512	10,904,082,221	2,580,804,291	80.90	10,893,291,864	80.80	100.10
2016	13,069,954,948	10,512,524,178	2,557,430,770	80.40	9,960,335,390	76.20	105.60
2015	12,616,287,054	10,375,552,498	2,240,734,556	82.20	10,242,097,022	81.20	101.30
2014	12,320,158,783	10,017,512,006	2,302,646,777	81.31	10,337,615,927	83.90	96.90
2013	11,830,649,882	9,177,749,627	2,652,900,255	77.58	9,091,347,964	76.85	101.00
2012	11,553,306,281	8,880,730,120	2,672,576,161	76.87	8,453,862,754	73.20	105.10
2011	11,281,665,186	8,736,885,121	2,544,780,065	77.44	8,677,947,874	76.90	100.70
2010	12,617,144,005	8,313,459,810	4,303,684,195	65.90	7,239,332,094	57.40	114.80
2009	12,321,219,332	8,325,951,236	3,995,268,096	67.60	6,620,849,642	53.70	125.80
2008	11,668,032,511	8,631,557,629	3,036,474,882	74.00	8,311,970,624	71.20	103.80
2007	11,157,770,138	8,245,520,019	2,912,250,119	73.90	8,668,381,195	77.70	95.10
2006	10,547,299,194	7,504,219,546	3,043,079,648	71.10	7,503,201,781	71.10	100.00
2005	9,999,250,038	6,964,597,457	3,034,652,581	69.70	6,997,802,832	70.00	99.50
2004	9,442,389,399	6,452,570,244	2,989,819,155	68.30	6,280,951,942	66.50	102.70
2003	9,442,389,399	6,452,570,244	2,989,819,155	68.30	6,280,951,942	66.50	102.70

Judicial

Valuation date 6/30/YY	Actuarial Accrued Liability	Actuarial Assets	Unfunded Actuarial Liability	Funded Ratio (AVA)	Market Assets	Funded Ratio (MVA)	Actuarial Assets Over Market
2021	$75,787,564	$81,207,552	$-5,419,988	107.2%	$89,893,506	118.60%	90.30%
2020	72,197,110	74,766,188	-2,569,078	103.60	73,514,720	101.80	101.70
2019	69,316,540	72,775,425	-3,458,885	105.00	73,637,441	106.20	98.80
2018	68,291,924	69,934,400	-1,642,476	102.40	71,233,840	104.30	98.20
2017	65,000,144	66,776,230	-1,176,086	102.70	66,710,150	108.70	100.10
2016	63,721,271	64,265,782	-544,511	100.90	60,890,109	102.20	105.60
2015	58,911,617	57,074,951	1,836,666	96.90	56,340,825	95.60	101.30
2014	54,560,642	55,419,017	-858,375	101.57	57,189,900	104.80	96.90
2013	52,374,785	51,055,251	1,319,534	97.50	50,574,604	96.60	101.00
2012	46,340,678	49,735,004	-3,394,326	107.32	47,344,407	102.20	105.10
2011	47,868,297	49,324,784	-1,456,487	103.00	48,992,049	102.40	100.70
2010	53,149,699	47,677,635	5,472,064	89.70	41,517,520	78.10	114.80
2009	50,543,320	48,478,344	2,064,976	95.90	38,550,289	76.30	125.80
2008	47,634,452	50,418,942	-2,784,490	105.80	48,552,160	101.90	103.80
2007	46,842,351	48,225,053	-1,382,702	103.00	50,698,214	108.20	95.10
2006	43,102,409	44,350,649	-1,248,240	102.90	44,344,633	102.90	100.00
2005	41,804,673	41,842,216	-37,543	100.10	42,041,709	100.60	99.50
2004	36,388,731	39,210,995	-2,822,264	107.80	38,168,105	104.90	102.70
2003	41,931,130	41,842,216	88,914	99.80	42,041,709	100.30	99.50

Legislative							
Valuation date 6/30/YY	Actuarial Accrued Liability	Actuarial Assets	Unfunded Actuarial Liability	Funded Ratio (AVA)	Market Assets	Funded Ratio (MVA)	Actuarial Assets Over Market
2021	$10,678,471	$15,049,435	$-4,370,964	140.90%	$16,659,121	156.00%	90.30%
2020	9,728,689	13,679,070	-3,950,381	140.60	13,450,104	138.30	101.70
2019	9,066,764	13,092,938	-4,026,174	144.00	13,248,022	146.10	98.80
2018	8,559,950	12,523,131	-3,963,181	146.30	12,755,821	149.00	98.20
2017	8,163,310	11,908,009	-3,744,699	145.90	11,896,225	145.70	110.10
2016	7,679,458	11,405,769	-3,726,311	148.50	10,806,661	140.70	105.60
2015	7,558,293	11,219,880	-3,661,587	148.40	11,075,564	146.50	101.30
2014	7,505,193	10,775,701	-3,270,508	143.31	11,120,032	148.20	96.90
2013	6,872,614	9,771,955	-2,899,341	142.20	9,679,959	140.90	101.00
2012	6,243,939	9,322,419	-3,078,780	149.31	8,874,321	142.10	105.10
2011	5,725,193	9,040,180	-3,314,987	157.90	8,979,197	156.80	100.70
2010	6,073,364	8,634,635	-2,561,271	142.20	7,519,010	123.80	114.80
2009	5,499,809	8,717,885	-3,218,076	158.50	6,932,518	126.10	125.80
2008	5,605,005	9,099,133	-3,494,128	162.30	8,762,234	156.30	103.80
2007	5,095,638	8,721,571	-3,625,933	171.20	9,168,846	179.90	95.10
2006	7,944,468	7,944,468	0	100.00	7,943,390	100.00	100.00
2005	7,406,475	7,406,475	0	100.00	7,441,788	100.50	99.50
2004	6,827,478	6,827,478	0	100.00	6,645,888	97.30	102.70
2003	7,406,475	7,406,475	0	100.00	7,441,788	100.50	99.50

ALL STATE PLANS							
Valuation date 6/30/YY	Actuarial Accrued Liability	Actuarial Assets	Unfunded Actuarial Liability	Funded Ratio (AVA)	Market Assets	Funded Ratio (MVA)	Actuarial Assets Over Market
2021	$16,478,817,363	$13,557,127,259	$2,921,690,104	82.30%	$15,007,196,647	91.10%	90.30%
2020	14,947,385,929	12,338,406,564	2,608,979,365	82.55	12,131,881,103	81.20	101.70
2019	14,625,606,217	11,980,540,513	2,645,065,704	81.90	12,122,448,510	82.90	98.80
2018	14,108,039,719	11,502,444,183	2,605,595,536	81.50	11,716,169,344	83.05	98.20
2017	13,558,049,966	10,982,766,460	2,575,883,506	81.01	10,971,898,239	80.93	100.10
2016	13,141,445,677	10,588,195,729	2,553,159,948	80.60	10,032,032,160	76.30	105.60
2015	12,682,756,964	10,443,847,329	2,238,909,635	82.35	10,309,513,411	81.30	101.30
2014	12,382,224,618	10,083,706,724	2,298,517,894	81.40	10,405,925,859	84.00	96.90
2013	11,889,897,281	9,238,576,833	2,651,320,448	77.70	9,151,602,527	77.00	101.00
2012	11,605,890,598	8,939,787,543	2,666,103,055	77.00	8,510,081,482	73.30	105.10
2011	11,335,258,676	8,795,250,085	2,540,008,591	77.60	8,735,919,120	77.10	100.70
2010	12,676,367,069	8,369,772,080	4,306,594,989	66.00	7,288,368,624	57.50	114.80
2009	12,377,262,461	8,383,147,465	3,994,114,996	67.70	6,666,332,449	53.90	125.80
2008	11,721,271,967	8,691,075,704	3,030,196,263	74.10	8,369,285,018	71.40	103.80
2007	11,209,708,127	8,302,466,643	2,907,241,484	74.10	8,728,248,255	77.90	95.10
2006	10,598,346,071	7,556,514,663	3,041,831,408	71.30	7,555,489,804	71.30	100.00
2005	10,048,461,186	7,013,846,148	3,034,615,038	69.80	7,047,286,328	70.10	99.50
2004	9,485,605,608	6,498,608,717	2,986,996,891	68.50	6,325,765,935	66.70	102.70
2003	9,491,727,004	6,501,818,935	2,989,908,069	68.50	6,330,435,439	66.70	102.70
2002	8,511,834,626	5,920,475,637	2,591,358,989	69.60	5,129,650,969	60.30	115.40

For further information regarding the actuarial method and significant assumptions used to determine the ADC, see the Actuarial Valuation Report for each of the retirement programs administered by MainePERS which are available at https://www.mainepers.org/administration/valuations, and also "Actuarial Assumption Changes" above.

Neither the State nor MainePERS is able to predict the impact the current COVID-19 crisis may have on the funded status of the retirement plans or the resulting annual contributions required by the State.

Recent and Proposed Legislative Changes. The Legislature has in the past adopted laws that have had the effect of both increasing and decreasing future retirement benefits payable under one or more of the State Plans. Any increases in retirement benefits have the effect of increasing the actuarial accrued liability of the plan, which also has the effect of increasing the ADC with respect to the State Plans. Any decreases in benefits have the effect of limiting the future growth of the actuarial accrued liability of the plan, which also has the effect of limiting the growth of the ADC for the State for the plan in future years.

The 129th Legislature enacted Public Laws Chapter 540 ("2022 Chapter 540), An Act to Clarify the State's Commitments Concerning Certain Public Service Retirement Benefits. This legislation includes retiree cost-of-living adjustments ("COLA") in the contractual commitment statutory language, essentially guaranteeing the payment of future COLAs as currently accounted for in the existing actuarial assumptions. 2022 Chapter 540 limits the State's ability, and the Legislature's authority, to make future changes to the COLA provisions that would decrease, eliminate or freeze COLAs. Any negative future impact would be from factors such as market losses and be reflected in future actuarial valuations for the State's defined benefit pension plans and the State's resulting actuarially determined contribution for the plans.

The 130th Legislature enacted two Resolves, Chapter 66 (L.D. 1105), Resolve, Directing the Maine Public Employees Retirement System to Convene a Working Group to Investigate Public Pension Options, and Chapter 72 (L.D. 620), Resolve, to Develop a Plan for Teachers to Collect Social Security. Providing a different pension plan could impact the costs of the existing plan as well as create new costs for a new plan. Costs associated with these bills, if enacted, would be determined as new plan design options are developed. Additional legislation would be required to enact and fund a new plan or to provide Social Secuirty coverage under the existing plan. The Resolves required MainePERS to report to the Legislature no later than December 1, 2021. A request was submitted to the Legislature for an extension of this deadline, in order to complete the work. A combined report, addressing both Resolve 66 and Resolve 72 was submitted on February 10, 2022, and a copy is available at https://www.mainepers.org/wp-content/uploads/2022/02/Resolves-2021-Chapters-66-and-72-Report.docx-FINAL-corr-date.pdf.

The 130th Legislature also enacted Public Laws, Chapters 231 (L.D. 99) and 234 (L.D. 319), which require divestment from, and prohibit the System from investing in, fossil fuel companies and for-profit prisons, respectively, to the extent such actions are "in accordance with sound investment criteria and consistent with fiduciary obligations." Because these laws permit MainePERS to continue to make investment decisions "in accordance with sound investment criteria and consistent with fiduciary obligations," they are not expected to have a material effect on the financial condition of the System.

The 130th Legislature enacted PL 2021, c. 635, Part NN, which authorized the payment of an additional 1% cost-of-living adjustment (COLA) to eligible retirees from the State-sponsored plans, and also increased the "COLA base," the amount subject to COLA, for September 2022 to $24,186.25. This

COLA base amount reflects the full 5.4%, June 30, 2021, CPI-U, the index on which COLA is based. Because the Maine Constitution prohibits the creation of new unfunded actuarial liabilities for new benefits, the State of Maine submitted payment to MainePERS for the cost of this benefit enhancement.

Group Life Insurance Program. MainePERS also administers a group life insurance program which is available to eligible participants. As of June 30, 2021, the State reported a total net other post-employment benefit liability of $104.7 million. The ADC for fiscal year 2021 was $11.0 million and the annual contribution paid was $9.9 million, representing 90% of the ADC. As the result of a group life insurance premium study in 2012, the actuary recommended an increase in premiums to be more consistent with actual and projected program costs. The Board of Trustees adopted increased rates, which were implemented beginning in fiscal year 2014. Differences between the ADC and the actual premium may also be the result of the differences between projected and actual coverage amounts for the year. A group life insurance premium study was completed in 2016 and recommended changes to premium levels commenced with the 2018-2019 biennial budget. An updated study was completed in 2020 and recommended premium levels commenced with the 2022-2023 biennial budget. A copy of the premium study can be found at https://www.mainepers.org/wp-content/uploads/pdfs/bond-disclosure/MELIFE0W_2020-Premium-Study-Report-FINAL.pdf.

Post-Employment Health Care Benefits

The State has a statutory, single-employer defined benefit healthcare Other Post-Employment Benefits ("OPEB") plan that is administered through a trust. The State funds post-retirement health care benefits for most retired State employees and legislators, as authorized by Title 5 MRSA § 285. The State pays 100% of post-retirement health insurance premiums for State employee retirees who were first employed on or before July 1, 1991. A pro rata portion, ranging from 0% for retirees with less than five years participation to 100% for retirees with ten or more years of participation, is paid for eligible individuals first employed after July 1, 1991. Retirees who are not eligible for Medicare retain coverage in the same group health plan as active employees. Retirees must pay for Medicare Part B coverage to be eligible to participate in the State-funded Companion Plan. Coverage for retirees who are not eligible for Medicare includes basic hospitalization; supplemental major medical and prescription drugs; and costs for treatment of mental health, alcoholism, and substance abuse.

The State also committed to pay a statutorily determined portion of the retiree healthcare premiums for retired Teachers and retired First Responders as authorized by Title 20-A MRSA § 13451 and Title 5 MRSA § 286-M, respectively. First Responders are defined in statute as retired county or municipal law enforcement officers and municipal firefighters who participate in an employer-sponsored retirement plan. The plans are currently funded on a pay-as-you-go basis with the State directly paying insurers.

Title 5 MRSA § 286-B authorizes an Irrevocable Trust Fund for OPEB to meet the State's unfunded liability obligations for retiree health benefits for eligible participants in the State Employee Plan who are the beneficiaries of the irrevocable trust fund. Annually, beginning with the fiscal year starting July 1, 2007, the Legislature shall appropriate funds to meet the State's obligations under any group health plan, policy or contract purchased by the State Employee Health Commission. Unfunded liabilities may not be created except those resulting from experience losses. Unfunded liability resulting from experience losses must be retired over a period not to exceed 10 years. The unfunded liability for retiree health benefits for eligible participants must be retired in 30 years or less from July 1, 2007. Public Law 2007, Chapter 240, amended Title 5 Chapter 421 by establishing the Irrevocable Trust for OPEB. MainePERS holds and invests long-term funds in the irrevocable trust fund. Its fiduciary responsibilities include setting investment policy in order to fund the plan in accordance with a projected disbursement schedule that does not begin before the year 2027.

A special funding situation exists for the Teachers and First Responder Plans. The State is statutorily responsible for contributions to the Teachers Plan and the First Responders Plan that cover the retirees of other governmental entities. The State is the sole contributing entity for teachers and for the first responders; therefore, making the contribution on behalf of the employing jurisdictions at a 45% level for the current portion of the health plan costs. Plan members are not included in the Trust. Public Laws of Maine 2011, Chapter 380 Pt. Y § 2 established separate Irrevocable Trust Funds for OPEB to meet the State's unfunded liability obligations for retiree health benefits for eligible participants in the Teachers Plan and the First Responders Plan who are the beneficiaries of the irrevocable trust funds. Annually, beginning with the fiscal year starting July 1, 2011 for eligible first responders and July 1, 2015 (as amended by Public Laws of Maine 2013, Chapter 368 Pt. H §2) for eligible teachers, the Legislature shall appropriate funds to meet the State's obligations to retire the unfunded liability for eligible first responders in 30 years or less from July 1, 2007.

As of June 30, 2021 there were 8,848 retired eligible State employees, 10,292 retired teachers, and 121 retired eligible first responders. The value of the assets of the Retiree Health Insurance Post-Employment Benefits (RHIPEB) Investment Trust has grown from a balance of $133.9 million as of June 30, 2012 to $382.9 million as of June 30, 2021. The balance as of November 30, 2021 was $388.4 million.

The OPEB expense paid by the State for state and teacher retirees in fiscal year 2021 was $116.7 million. The amounts budgeted by the State in fiscal years 2021 and 2022 are $118.9 million and $117.2 million, respectively.

The net OPEB liability for the State Employee Plan as of June 30, 2021 was $854.1 million. The total OPEB liability for the Teachers Plan and First Responders Plan as of June 30, 2021 was $1.906 billion and $31.9 million, respectively.

GASB Statement No. 74 established different reporting requirements for OPEB plans based on whether or not plan assets accumulated for benefits are placed in trusts (or equivalent arrangements). The State Employee Plan met the requirements for funded OPEB trusts or their equivalents. The State is currently funding this plan on a pay-as-you-go basis plus a percentage of actuarially determined contributions. The State's portion of the Teachers and First Responders Plans are not being funded by assets in a separate trust under GASB No. 75. The State is currently funding these plans on a pay-as-you-go basis.

The State implemented GASB Statement No. 75 effective in fiscal year 2018. For information regarding OPEB liabilities of the State Employees Healthcare, State Employees Group Life, Teachers Group Life, Teachers Healthcare and First Responders Healthcare at June 30, 2020, determined by an actuarial valuation and based on actuarial assumptions as of that date, refer to Appendix B under "Notes to the Financial Statements, Note 10" and "Required Supplementary Information, Other Post-Employment Benefit Plans", herein.

Employee Relations

As of May 2022, the State had approximately 11,143 Executive Branch employees.

The State Employees Labor Relations Act allows State employees in the Executive Branch to engage in collective bargaining. There are now eight bargaining units within the Executive Branch. The Maine Employees Association (MSEA-SEIU) is the bargaining agent for four bargaining units (Administrative Services; Operations, Maintenance and Support Services; Professional and Technical Services; and Supervisory Services) which represent the majority of State employees. The American Federation of State, County, and Municipal Employees (AFSCME) represent the employees in State institutions; the Maine State Troopers Association (MSTA) represents the State Police; the Maine State Law Enforcement Association (MSLEA) represents many in law enforcement activities outside of State Police; and the newly formed Fraternal Order of Police's (FOP) Maine State Law Enforcement Supervisors bargaining unit representing law enforcement supervisors who oversee positions covered by MSLEA and MSTA.

The Commissioner of Administrative and Financial Services, acting through the Office of Employee Relations within the Bureau of Human Resources, is the Governor's designee for collective bargaining and is responsible for the negotiations and all other employee relations functions. In September and October 2021, respectively, AFSCME and MSEA-SEIU ratified successor contracts effective through June 30, 2023, which include a $2000 lump sum; a minimum wage increase to $15.00; and a 2% salary increase in December 2021; and a 4% increase in July 2022. In December 2021, MSTA ratified their successor contract through June 2023, which includes a $2000 lump sum and 2% increase in March 2022; a 4% increase in July 2022; and changes to availability and standby pay. In January 2022, MSLEA ratified their successor contract effective through June 2023, which includes a $2000 lump sum; a 2% increase in March 2022; and a 4% increase in July 2022. In February 2022, FOP ratified their successor contract effective through June 2023, which includes a $2000 lump sum; a 2% increase in March 2022; and a 4% increase in July 2022. All of these ratified contracts also include an additional two weeks of paid parental leave—for a total of four weeks—along with more flexibility in the use of the four weeks. The economic items consistent with the terms of the agreements for these five bargaining agents are authorized in Public Laws of Maine 2021, chapter 486 ("2021 Chapter 486") and funded through a transfer of balances from personal services salary savings lapsing at the end of each fiscal year to the General Fund salary plan program.

The Governor is also authorized to grant Executive Branch employees who are excluded from bargaining similar and equitable treatment consistent with the terms of the agreements. Under this authority, the Governor granted both confidential employees and employees whose salary are subject to the Governor's adjustment or approval the same 2% general salary increase and $2000 lump sum payment effective December 2021; the 4% increase effective July 2022; and the two additional weeks of paid parental leave.

Collective bargaining has also been extended to employees of the Judicial Department, the University of Maine System, the Maine Community College System, Maine Maritime Academy, and to employees of counties, municipalities and special districts including public school teachers. The Judicial Department reached an agreement with the Law Enforcement unit that included a 2% cost of living adjustment on April 15, 2022 and a 2.5% cost of living adjustment on January 1, 2023. In addition, the agreement included the equivalent of an extra 4% step increase in November 2021, a salary scale adjustment of an add a step/drop a step in March 2022, and a lump payment of $650 in October 2021. The

Judicial Department reached an agreement with the Administrative, Supervisory and Professional units that included a 2% cost of living adjustment on September 1, 2021 and a 1.5% cost of living adjustment on July 1, 2022. In addition, the agreement includes a salary scale adjustment of approximately 4% by dropping the bottom step of the pay scale and adding a new top step in December 2021, and a lump payment of $650 in August 2021. These economic items are authorized in Public Laws of Maine 2021 Chapter 443 and funded through a transfer of balances from personal services salary savings lapsing at the end of each fiscal year to the General Fund salary plan program. Judicial Branch employees who are excluded from collective bargaining are also granted similar and equitable treatment consistent with the terms of the agreements.

Interfund Transactions

Due to Other Funds are amounts owed by one State fund to another for goods sold or services rendered. Due from Other Funds are amounts to be received from one State fund by another for goods sold or services rendered. The following is a summary of amounts due from other funds and due to other funds as of June 30, 2021:

Interfund Receivables

June 30, 2021

(Expressed in Thousands)

	Due to Other Funds				
Due from Other Funds	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 5,172	$ 11,986	$ -
Highway	82	92	18,953	18	-
Federal	5	-	182	1,745	-
Other Special Revenue	25,808	479	1,025	1,289	16
Other Governmental	-	-	-	-	-
Employment Security	-	-	6,408	-	-
Non-Major Enterprise	2,334	8	-	-	-
Internal Service	11,220	3,574	29,485	5,151	-
Fiduciary	46,197	-	-	-	-
Total	$ 85,646	$ 4,153	$ 61,225	$ 20,189	$ 16

Due from Other Funds	**Employment Security**	**Non-Major Enterprise**	**Internal Service**	**Fiduciary**	**Total**
General	$ -	$ 4,999	$ 32,494	$ -	$ 54,651
Highway	-	-	10	-	19,155
Federal	3,835	-	-	-	5,767
Other Special Revenue	-	8,836	323	-	37,776
Other Governmental	-	-	-	-	-
Employment Security	-	-	-	-	6,408
Non-Major Enterprise	-	-	-	-	2,342
Internal Service	-	419	6,646	7	56,502
Fiduciary	-	-	-	-	46,197
Total	$ 3,835	$ 14,254	$ 39,473	$ 7	$ 228,798

REVENUES OF THE STATE

General

In order to fund its programs and services, the State collects a variety of taxes and receives revenues from other non-tax sources, including the federal government and various fees, fines, reimbursements, interest earnings and transfers from non-budgetary sources. For additional information concerning revenues of the State, see "Fiscal Management - Revenue Forecasting" herein and Appendices B and C.

The following tables for fiscal years 2019-2023 reflect applicable baseline forecasts, each as updated with laws enacted through the Second Regular Session of the 130th Maine Legislature and as updated by the March 2022 RFC meeting. See "State Budgets" herein.

CATEGORY	**Fiscal year 2019 baseline budget December 2014 RFC**	**Fiscal year 2019 budget as Revised by the May 2019 RFC**	**Fiscal year 2019 Actual**
Sales and Use Tax	$1,294,195,576	$1,502,180,767	$1,503,771,784
Service Provider Tax	54,450,424	59,222,124	59,012,956
Individual Income Tax	1,701,311,000	1,705,158,151	1,701,005,768
Corporate Income Tax	230,826,711	244,750,000	252,866,884
Cigarette and Tobacco Tax	129,400,000	133,588,615	125,977,694
Insurance Companies Tax	82,765,000	74,450,000	77,277,183
Estate Tax	37,094,841	13,640,409	15,851,350
Fines, Forfeits and Penalties	22,966,512	18,678,774	15,485,118
Income from Investments	597,719	11,027,054	12,474,570
Transfer from Lottery Commission	57,123,279	59,000,000	62,675,109
Transfer for Tax Relief Programs	(75,888,623)	(70,568,623)	(68,087,807)
Transfer to Municipal Revenue Sharing	(167,417,561)	(73,699,854)	(74,095,532)
Other Taxes and Fees	128,473,167	145,046,332	150,110,769
Other Revenues	28,103,853	11,594,367	14,185,246
Total Undedicated Revenues	**$3,524,001,898**	**$3,834,068,116**	**$3,834,006,376**

CATEGORY	Fiscal year 2020 baseline budget December 2016 RFC	Fiscal year 2020 through the 129th 2nd Regular Session	Fiscal year 2020 Actual
Sales and Use Tax	$1,475,000,000	$1,617,738,944	$,1555,713,076
Service Provider Tax	60,000,000	57,024,000	58,012,511
Individual Income Tax	1,686,800,000	1,810,313,500	1,835,972,805
Corporate Income Tax	178,750,000	217,280,000	216,131,489
Cigarette and Tobacco Tax	131,800,000	141,621,642	137,331,317
Insurance Companies Tax	74,700,000	75,950,000	82,145,116
Estate Tax	12,850,000	20,450,000	21,079,344
Fines, Forfeits and Penalties	22,242,017	12,319,191	9,986,146
Income from Investments	2,421,028	12,304,505	12,121,418
Transfer from Lottery Commission	54,900,000	57,000,000	64,589,742
Transfer for Tax Relief Programs	(69,500,000)	(76,815,000)	(74,637,969)
Transfer to Municipal Revenue Sharing	(165,459,224)	(111,897,672)	(113,613,360)
Other Taxes and Fees	130,034,000	138,146,069	139,144,510
Other Revenues	18,059,135	26,855,866	25,367,559
Total Undedicated Revenues	**$3,612,596,956**	**3,998,291,045**	**3,969,343,702**

CATEGORY	Fiscal year 2021 baseline budget December 2016 RFC	Fiscal year 2021 as Revised by the March 2020 RFC	Fiscal year 2021 As Revised by the December 2020 RFC	Fiscal year 2021 As Revised by the May 2021 RFC	Fiscal year 2021 Actual
Sales and Use Tax	$1,529,000,000	$1,695,071,678	$1,593,571,678	$1,770,861,678	$1,804,226,077
Service Provider Tax	60,350,000	56,454,000	56,562,000	52,562,000	51,350,442
Individual Income Tax	1,764,300,000	1,851,681,250	1,695,661,250	1,806,896,250	2,069,715,593
Corporate Income Tax	186,600,000	211,990,000	202,855,000	246,035,000	284,316,774
Cigarette and Tobacco Tax	129,500,000	149,277,906	144,401,400	142,690,000	147,228,383
Insurance Companies Tax	80,200,000	81,900,000	84,400,000	84,350,000	84,462,691
Estate Tax	13,300,000	11,800,000	18,050,000	40,050,000	40,399,594
Fines, Forfeits and Penalties	22,243,017	12,425,166	9,387,746	10,154,186	8,720,806
Income from Investments	2,421,028	7,688,587	5,383,431	6,296,062	6,748,690
Transfer from Lottery Commission	54,900,000	57,000,000	60,000,000	65,000,000	70,647,717
Transfer for Tax Relief Programs	(73,000,000)	(77,667,000)	(75,667,000)	(74,462,300)	(75,987,519)
Transfer to Municipal Revenue Sharing	(180,431,859)	(144,497,422)	(137,573,408)	(148,226,685)	(156,047,730)
Other Taxes and Fees	130,124,253	139,962,981	144,027,645	147,077,207	157,423,377
Other Revenues	17,302,215	20,633,306	14,217,173	21,659,434	27,386,250
Total Undedicated Revenues	**$3,736,808,654**	**4,073,720,452**	**3,815,276,915**	**4,170,942,832**	**4,520,591,145**

CATEGORY	Fiscal year 2022 baseline budget December 2020 RFC	Fiscal year 2022 through the March 2022 RFC	Fiscal year 2023 baseline budget December 2020 RFC	Fiscal year 2023 through the March 2022 RFC
Sales and Use Tax	$1,712,642,422	2,042,852,322	$1,791,923,237	2,114,521,337
Service Provider Tax	55,997,000	51,000,000	55,437,000	50,000,000
Individual Income Tax	1,753,820,000	2,174,750,000	1,833,704,375	2,184,940,230
Corporate Income Tax	220,408,737	330,033,737	228,388,199	335,848,199
Cigarette and Tobacco Tax	148,971,771	150,220,000	151,559,736	151,740,000
Insurance Companies Tax	88,250,000	88,250,000	88,700,000	88,800,000
Estate Tax	14,750,000	40,000,000	16,750,000	24,150,000
Fines, Forfeits and Penalties	12,430,166	8,264,201	12,434,166	11,913,139
Income from Investments	3,326,083	6,979,207	949,998	8,166,254
Transfer from Lottery Commission	60,000,000	65,000,000	60,000,000	60,000,000
Transfer for Tax Relief Programs	-77,250,000	-77,380,000	-80,800,000	-81,040,000
Transfer to Municipal Revenue Sharing	-190,421,383	-212,935,551	-198,700,281	-239,879,655
Other Taxes and Fees	144,145,560	154,166,433	146,953,264	152,987,122
Other Revenues	25,697,361	35,981,141	16,305,947	19,153,661
Total Undedicated Revenues	**$3,972,767,717**	**4,857,182,490**	**$4,123,605,641**	**4,881,300,287**

Certain State Taxes

Individual Income Tax. The State assesses individual income taxes at progressive rates from 5.8% to 7.15% (for tax years beginning on or after January 1, 2016), based on classifications or brackets of taxable income, depending upon filing status and after specified deductions and exemptions. Taxable income of resident individuals is derived from federal adjusted gross income. The dollar amounts of the tax rate tables are indexed for inflation. A $4,300 personal exemption is allowed for the taxpayer and spouse if married filing jointly. A $300 nonrefundable credit is allowed for every qualified child and dependent eligible for the federal child tax credit. For resident taxpayers not itemizing deductions, the standard deduction is $12,550 in tax year 2021 (indexed for inflation) for single filers, $25,100 for joint filers and $18,800 for head of household filers. Nonresident Maine taxpayers are taxed in a similar fashion, but they are allowed a credit for their non-Maine sourced income.

Sales and Use Taxes. A sales tax is imposed on the value of all tangible personal property and taxable services sold at retail in the State. The rate of tax is 8% on the value of liquor sold in licensed establishments, 9% on the value of rental of living quarters in any hotel, rooming house, tourist or trailer camp, 10% on the value of rental for a period of less than one year of an automobile, 8% on the value of prepared food, and 5.5% on the value of all other tangible personal property and taxable services. The 9% rate on rental of living quarters was increased from 8% effective January 1, 2016. A use tax is imposed at the rates provided for sales taxes, on the storage, use or other consumption in the State of tangible personal property or a service, the sale of which would be subject to sales tax.

No sales or use tax is imposed on sales, storage or use of certain tangible personal property. Some of the major exemptions are grocery staples (which do not include liquor, or prepared food); prescription medicines; certain products used in agricultural and aqua cultural production; certain motor fuels; coal, oil, wood and all other fuels, except electricity, when bought for cooking and heating in residential units; the first 750 kilowatt hours of residential electricity per month; fuel oil or coal, the by-products from the burning of which become an ingredient or component part of tangible personal property for later sale; packaging materials; certain periodicals; sales to incorporated hospitals, licensed and incorporated non-profit nursing homes, licensed and incorporated non-profit boarding care facilities, medical research facilities, schools, regularly organized churches and similar institutions; water pollution and air pollution control facilities certified by the State Commissioner of Environmental Protection; and 95% of the sale price of all fuel and electricity purchased for use at a manufacturing facility.

Corporate Income Tax. An income tax is imposed upon the Maine net income of taxable corporations at progressive rates from 3.5% on Maine net income not over $350,000 to 8.93% on Maine net income in excess of $3,500,000. The tax computed using Maine net income is then apportioned to Maine. Maine net income is derived from taxable income of the taxpayer under the laws of the United States, adjusted by certain modifications, including additions for certain tax deductions, certain net operating losses and certain depreciation deductions, and subtractions for income exempt by law from taxation by the State, certain apportionable dividend income and certain net operating losses.

Certain Motor Fuel Taxes. An excise tax is imposed at the rate of $0.300 per gallon on internal combustion engine fuel (gasoline) sold or used within the State. An excise tax is imposed on all suppliers of special fuel sold and on all users of special fuel used in the State at the rate of $0.312 per gallon of distillate. Low-energy fuel such as liquefied natural gas, propane, methane and butane is taxed at a rate based on the energy content of each fuel as compared to gasoline. Special fuels include all combustible gases and liquids used in an internal combustion engine, except fuel subject to the gasoline tax. Indexing of motor fuel excise tax rates was repealed effective July 1, 2013.

Estate Tax. 2015 Chapter 267 reformed the estate tax with respect to decedents dying after December 31, 2015. The exclusion amount increases from $2,000,000 to $5,450,000 (the previous federal exemption amount which is indexed for inflation). A progressive rate structure applies: 8% on estate value of more than $5,800,000 but less than or equal to $8,800,000; 10% on estate value of more than $8,800,000 but less than or equal to $11,800,000; 12% on estate value of more than $11,800,000.

Pursuant to the Constitution of the State, all revenues derived from fees, excises and license taxes relating to registration, operation and use of vehicles on public highways, and to fuels used for propulsion of such vehicles shall be expended solely for the cost of administration, State enforcement of traffic laws, statutory refunds and adjustments, and the cost of construction, reconstruction, maintenance and repair of public highways and bridges and for the payment of interest and principal on bonds issued for, and the payment of obligations incurred in, the construction and reconstruction of highways and bridges. Such funds may not be diverted for any other purpose.

Tobacco Master Settlement Agreement

The State entered into the tobacco master settlement agreement (the "Settlement Agreement") on November 23, 1998 with certain tobacco manufacturers to settle a suit the State brought against those tobacco manufacturers. The State is one of 46 states and 5 U.S. territories (the "Settling States") that executed the Settlement Agreement with the manufacturers. The lawsuit included a variety of claims, including claims to recover smoking related Medicaid costs (the "Claims"). Pursuant to the Settlement Agreement, the manufacturers who have joined the Settlement Agreement ("Participating Manufacturers") have agreed to make certain annual payments that are allocated among all the Settling States.

Certain initial and annual payments by the Participating Manufacturers that were allocated to the State pursuant to the Settlement Agreement commenced December 1999. The initial payments ended in 2003 and the annual payments are expected to continue in perpetuity.

The State expects to expend the annual payments received from the Participating Manufacturers for smoking prevention, cessation and control activities, prenatal and young children's care, child care for children up to 15 years of age, health care for children and adults, prescription drugs for adults who are elderly or disabled, dental and oral health care to low-income persons who lack adequate dental coverage, substance abuse prevention and treatment and comprehensive school health programs, pursuant to 22 MRSA §1511(6).

In addition, certain payments (the "Strategic Contribution Payments") to be made by the Participating Manufacturers and allocated among certain Settling States in recognition of strategic contributions made by specific Settling States, including Maine, to the negotiation of the Settlement Agreement were established pursuant to the Settlement Agreement. The Strategic Contribution Payments began in 2008 and were made annually until 2017.

Since 2000, annual payments received by the State pursuant to the Settlement Agreement have generally ranged from approximately $45,000,000 to approximately $67,000,000. The State received $49,858,299 in fiscal year 2022 pursuant to the Settlement Agreement. As discussed below, this amount was higher than normal as a result of the State entering into an agreement in February 2018 resolving certain disputes between the State and the Participating Manufacturers that had arisen under the Settlement Agreement.

Pursuant to the Settlement Agreement, Participating Manufacturers may dispute annual payment amounts. Participating Manufacturers have disputed certain amounts of each year's payment since 2003. The predominant dispute, though not the only dispute, is that certain Participating Manufacturers have claimed that they are entitled to a downward adjustment in the amount they owe because of loss of market share to non-Participating Manufacturers (the "NPM Adjustment"). A state's payment for a given year is not subject to the NPM Adjustment if the State demonstrates that, during that year, it diligently enforced its "qualifying statute," in keeping with the terms of the Settlement Agreement. Following a multi-year proceeding, a three-judge arbitration panel ruled on September 11, 2013 that Maine had diligently enforced its qualifying statute throughout 2003 and therefore was not subject to the NPM Adjustment for that year's payment.

On February 16, 2018, Maine and several other states entered into an agreement with the Participating Manufacturers to resolve disputes regarding the applicability of the NPM Adjustment for all years from 2004 through 2017. This settlement resulted in the State receiving amounts beyond its usual payments in fiscal years 2018 and 2019.

State Investment Pool

As described above under the heading "Governmental Organization – Executive Branch – Treasurer of State," when there is money in the State Treasury that is not needed to meet current obligations, the Treasurer of State may, with the concurrence of the State Controller or the Commissioner of Administrative and Financial Services and with the consent of the Governor, invest those amounts in certain instruments authorized by State law. The Treasurer of State maintains the records of the investments of the State through the State investment pool. The average daily balance of the State investment pool was $2,914,452,533 in fiscal year 2021. The balance of the State investment pool as of April 30, 2022 was approximately $4.45 billion, including $13.9. million in Coronavirus Relief Funds, which are not currently available to make up for reduced revenues, only COVID-19 related expenditures, and $474.7 million in American Recovery Program funds.

Collateralized bank accounts, repurchase agreements and certificates of deposit collateralized by U.S. Treasuries and Agencies and direct holdings in U.S. Treasuries make up the cash pool portfolio. On November 30, 2021, the weighted average final maturity of the pool was 265 days.

CERTAIN PUBLIC INSTRUMENTALITIES

Maine Governmental Facilities Authority

The Maine Governmental Facilities Authority ("MGFA") is authorized to assist in financing the acquisition, construction, improvement, reconstruction or equipping of, or construction of an addition or additions to, structures designed for use as court facilities or State offices and the acquisition, construction, improvement, reconstruction or repair of equipment or other personal property, all of which are rented to agencies of the State. MGFA was created in 1987 and was known as the Maine Court Facilities Authority until 1997 when its name was changed and its purposes were broadened. No securities may be issued without the prior approval of the Legislature. Neither the full faith and credit nor the taxing power of the State or of any political subdivision of the State is pledged to the payment of the principal of, redemption premium, if any, or interest on MGFA's bonds. MGFA has no taxing power. As of June 30, 2021, the audited aggregate principal amount of MGFA's bonds outstanding was $377.79 million. The State has agreed, subject to appropriation, to make rental payments to be applied to payment of MGFA's bonds. Debt service on MGFA's bonds for the State fiscal year ending June 30, 2022 is $19.39 million.

Finance Authority of Maine

The Finance Authority of Maine ("FAME") was created in 1983 to undertake various economic development finance programs and to assume the responsibilities of several smaller State authorities. FAME is currently authorized to insure repayment of commercial loans and to require the State to fund its insurance obligations, from proceeds of bonds of the State or from other sources, provided that insurance obligations and bonds of the State issued to fund insurance obligations shall not exceed in the aggregate at any one time outstanding the principal amount of $90,000,000 plus an additional $4,000,000 with respect to loans for eligible veterans. As of June 30, 2021, amounts outstanding pursuant to these authorizations were $80,238,583 and $138,9850 respectively. See "Fiscal Management - Constitutional Debt Limit" herein. Since the creation of FAME in 1983, the Treasurer of State has not been asked to issue bonds of the State to pay off defaulted loans insured by FAME pursuant to these authorizations.

In 1990, FAME was authorized to provide certain student financial assistance services, including continuation of a student loan insurance program meeting certain federal requirements in order to secure loans to students attending institutions of higher education under the Federal Family Education Loan Program ("FFELP"). Pursuant to this authorization, FAME entered into agreements with the United States Secretary of Education relating to federal programs of low-interest insured loans to students in institutions of higher education. However, as of December 1, 2019, FAME transferred its FFELP obligations to a new guarantor for the State of Maine, the Education Credit Management Corporation and FAME no longer has any obligations under the FFELP program. The Constitution allows the Legislature to authorize the issuance of bonds in the amount of up to $4,000,000 to secure funds for loans to Maine students attending institutions of higher education. See “Fiscal Management - Constitutional Debt Limit” herein. Since 1977, the Treasurer of State has not been asked to issue bonds of the State to pay off defaulted loans insured pursuant to the bond issuance authorization set forth in the Constitution.

FAME may also issue bonds and other obligations which shall not be a debt or liability of any municipality, the State or any political subdivision thereof. The statutes governing FAME include Capital Reserve Provisions. As of June 30, 2021, the aggregate principal amount outstanding of FAME’s obligations undertaken pursuant to its Capital Reserve Provisions was $0 for waste motor oil disposal site remediation projects, $0 for major business expansion projects, and $38,337,000 for other commercial projects.

The Maine Educational Loan Authority (“MELA”) was established in 1988 to carry out programs making financial and other assistance available to students and their parents to finance costs of attendance at institutions of higher education. In October 2015, FAME merged with MELA. FAME assumed all obligations and assets of MELA. Educational loans are made with the proceeds of tax exempt bonds. Bonds issued under this program do not constitute or create any debt or debts, liability or liabilities, on behalf of the State or of any political subdivision of the State, or a loan of the credit of the State or a pledge of the faith and credit of the State or of any political subdivision. As of June 30, 2021, the aggregate principal amount of MELA's bonds outstanding, which were issued pursuant to its Capital Reserve Provisions, was $93,530,000.

The State has not been asked to restore either FAME’s or MELA’s Capital Reserve since the inception of their Capital Reserve Provisions. See “Governmental Organization - Independent Authorities and Agencies” herein.

Maine State Housing Authority

The Maine State Housing Authority (“MSHA”) was created in 1969 to undertake various programs related to housing. The bonds and other obligations of MSHA shall not be a debt of any municipality, the State or any political subdivision thereof and neither the State nor any municipality nor any political subdivision thereof shall be liable thereon. As of December 31, 2021, MSHA had an amount of $1,497,590,000 of housing bonds outstanding which require a capital reserve. The statutes governing MSHA include Capital Reserve Provisions. The State has not been asked to restore MSHA’s Capital Reserves since the inception of its Capital Reserve Provisions. See “Governmental Organization - Independent Authorities and Agencies” herein. MSHA also had an amount of $53,950,000 of Maine Energy, Housing and Economic Recovery Bonds for a grand total of $1,551,540,000 outstanding.

MSHA is also authorized to insure repayment of mortgage loans on Indian housing and to require the State to fund these insurance obligations, from proceeds of bonds of the State or from other sources, provided that insurance obligations shall not exceed in the aggregate at any one time outstanding the principal amount of $1,000,000. As of December 31, 2021, MSHA’s Indian housing mortgage insurance obligations were approximately $0. See “Fiscal Management – Constitutional Debt Limit” herein.

Maine Municipal Bond Bank

The Maine Municipal Bond Bank ("MMBB") was created in 1972 to lend money to counties, cities, towns, school administrative districts, community school districts, and quasi-municipal corporations to finance certain capital expenditures (the "Original Program"). Bonds and notes issued by the MMBB shall not be in any way a debt or liability of the State and shall not create any debt or debts, liability or liabilities, on behalf of the State or be or constitute a pledge of the full faith and credit of the State. As of June 30, 2021, the aggregate principal amount of the MMBB's bonds outstanding was $1,552,691,380 of which (a) $4,510,000 is attributable to loans to certain municipalities to assist in financing certain wastewater and drinking water treatment facilities pursuant to a revolving loan fund program, (b) $173,615,000 is attributable to certain grant anticipation bonds payable solely from annual federal highway grants to the State, (c) $104,605,000 is attributable to certain transportation revenue bonds payable solely from certain State revenues, (d) $32,846,380 is for Qualified School Construction Bonds, (e) $74,095,000 is attributable to certain liquor revenue bonds payable solely from certain State revenues and (f) substantially all of the balance is attributable to the Original Program. The statutes governing the MMBB include Capital Reserve Provisions. The State has not been asked to restore the MMBB's Capital Reserves since the inception of its Capital Reserve Provisions. See "Governmental Organization – Independent Authorities and Agencies" herein.

Maine Health and Higher Educational Facilities Authority

The Maine Health and Higher Educational Facilities Authority ("MHHEFA") was created in 1971 to provide the means to expand, enlarge and establish health care, hospital, nursing home and other related facilities and to assist institutions of higher education in the State to provide facilities and structures. Bonds and notes issued by MHHEFA do not constitute or create any debt or debts, liability or liabilities, on behalf of the State or any political subdivision thereof other than MHHEFA or a loan of credit of the State or a pledge of the faith and credit of the State or of any political subdivision other than MHHEFA. As of June 30, 2021, the aggregate principal amount of MHHEFA's bonds outstanding secured by the Capital Reserve was $612,380,000. The statutes governing MHHEFA include a Capital Reserve Provision. The State has not been asked to restore MHHEFA's Capital Reserve since the inception of its Capital Reserve Provision. See "Governmental Organization - Independent Authorities and Agencies" herein.

Loring Development Authority

Loring Development Authority ("LDA") was established in 1993 to acquire and manage the former Loring Air Force Base in northern Maine. LDA may issue bonds that pledge the full faith and credit of the State, provided that such bonds are authorized by the Legislature and ratified by the electors in accordance with the Constitution of Maine, Article IX, Section 14. Otherwise, bonds of LDA are payable solely from the income, proceeds, revenues and funds of LDA ("Revenue Bonds") and do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The statutes governing LDA include a Capital Reserve Provision. See "Governmental Organization - Independent Authorities and Agencies" herein. As of June 30, 2021, the aggregate principal amount of outstanding LDA Revenue Bonds was $193,256. These Revenue Bonds are not a debt of the State and the State is not liable for debt service owed on these Revenue Bonds.

University of Maine System

The University of Maine System (the "University System") includes the University of Maine, established in 1865, and all other public institutions of higher education in Maine, except the Maine Maritime Academy and the seven colleges of the Maine Community College System. Money borrowed by the University System and evidences of indebtedness issued by the University System do not constitute any debt or liability of the State or of any municipality or political subdivision of the State, but shall be payable solely from the revenues of the University System or any project for which they are issued. As of June 30, 2021, the aggregate principal amount of the University System's bonds outstanding was $117,502,000.

Maine Turnpike Authority

The Maine Turnpike Authority ("MTA") was created in 1941 and has constructed and operates and maintains a turnpike approximately 109 miles long between Kittery and Augusta. Bonds issued by MTA shall not be deemed to be a debt of the State, but such bonds shall be payable exclusively from tolls. The bonds shall not directly or indirectly or contingently obligate the State to levy or pledge any form of taxation whatever therefor or to make any appropriation for the payment thereof. As of December 31, 2021, the aggregate principal amount of MTA's bonds outstanding was $576,675,000.

Maine Public Utility Financing Bank

The Maine Public Utility Financing Bank ("MPUFB") was created in 1981 to lend money to public utilities in the State. Bonds and notes issued by MPUFB do not constitute a debt or liability of the State or of any municipality therein or any political subdivision thereof, or a pledge of the faith and credit of the State or of any such municipality or political subdivision. As of June 30, 2021, there were no outstanding bonds of MPUFB.

Maine Port Authority

The Maine Port Authority ("MPA") was established in 1945 and is authorized to acquire, construct and operate any kind of port terminal facility within the State and to acquire and construct any railroad facility within the State. Bonds of MPA do not constitute a debt of the State, or of any agency or political subdivision thereof, but are payable solely from the revenues of MPA, and neither the faith nor credit nor taxing power of the State, or any political subdivision thereof, is pledged to the payment of MPA's bonds. As of June 30, 2021, there were no outstanding bonds of MPA.

LITIGATION

The State is a party to numerous lawsuits. Such lawsuits include actions to recover monetary damages from the State, disputes over individual or corporate income taxes, disputes over sales or use taxes, and actions to alter the regulations or administrative practices of the State in such manner as to cause additional costs to the State. The State is not aware of any pending or threatened litigation or claim against the State, the outcome of which will have a material adverse effect on the financial condition of the State. The matters set forth under the heading "Primary Government – Litigation" in Note 17 Commitments and Contingencies to the Financial Statements attached as Appendix B hereto should be noted.

ACA Connects – America's Communications Assoc., at al. v. Frey. Trade associations are challenging on constitutional grounds 35-A M.R.S. § 9301, which restricts internet service providers from using, disclosing, or selling customers' personal information. Although plaintiffs are not seeking monetary damages, an adverse judgment could result in an order requiring the State to pay plaintiffs' attorneys' fees. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Bryan C. v. Lambrew, et al. Plaintiffs are six foster children in DHHS's custody and their guardians ad litem. They make various allegations regarding the administration of psychotropic drugs to these six foster children and a putative class of all other foster children in DHHS's custody, including overmedication, a lack of informed consent, inadequate record-keeping, and an inadequate secondary review process. Plaintiffs are seeking declaratory and injunctive relief. Plaintiffs are not seeking monetary damages but, if they prevail, they could be awarded attorneys' fees in excess of $1 million. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Carson, et al. v. Makin. Three families filed a lawsuit against the Commissioner of the Maine Department of Education alleging that a state program that pays the tuition for certain children who attend private schools violates the First Amendment and the Equal Protection Clause because sectarian schools are excluded from the program. The case was argued at the United States Supreme Court on December 8, 2021. On June 21, 2022, the Supreme Court issued a decision holding that the exclusion of sectarian schools violates the First Amendment's Free Exercise Clause. Although no monetary damages are sought, the plaintiffs, as prevailing parties, may be entitled to attorneys' fees. Because of the duration of this litigation, such fees could be significant. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Deferral of Federal Financial Participation. On December 28, 2020, the Centers for Medicare and Medicaid Services ("CMS") issued a deferral notice to Maine DHHS for approximately $4.2 million in federal financial participation for Medicaid expenditures for the third quarter of federal fiscal year 2020 (7/1 – 9/30/2020). CMS issued four additional deferrals, totaling approximately $15.7 million, for federal financial participation for Medicaid expenditures during the fourth quarter of 2020, and the first, second, and third quarters of federal fiscal year 2021 (10/1/2020 – 9/30/2021). The basis for the deferral is CMS's contention that a service provider tax imposed on, among others, Private Non-Medical Institutions (36 M.R.S. § 2552) is an impermissible source of non-federal share. CMS will likely issue additional deferral notices for subsequent quarters. DHHS intends to appeal the deferrals, and the probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Dr. Doe v. Maine Board of Dental Practice et al. Dr. Doe has filed a lawsuit against the Maine Board of Dental Practice and 11 individuals in connection with the Board's emergency suspension of his license to practice medicine and subsequent disciplinary proceedings. Dr. Doe alleges that agents and employees of the Board violated his due process rights. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Express Scripts, Inc. v. State Tax Assessor. Taxpayers are challenging the method by which they are required to apportion certain sales to Maine under the Maine Corporate Income Tax. If the taxpayers prevail, they may be entitled to a refund of approximately $1 million from the State. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

NextEra Energy Maine, LLC v. Maine Revenue Services. NextEra has appealed to the Maine Board of Tax Appeals two MRS decisions denying corporate tax refunds totaling $4.6 million for tax years 2013, 2014, and 2015. NextEra claims that a Florida affiliate was not part of its unitary business and that the affiliate's income should not have been included in NextEra's apportionable Maine income. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

The Hershey Company et al. v. State Tax Assessor. Hershey has filed a Petition for Review against the State Tax Assessor challenging the denial of a refund of all corporate taxes paid between 2014 and 2017, which totaled in excess of $2.8 million. Hershey claims that under federal law, its limited activities in Maine, during the years at issue, protect it from State corporate income taxes. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Wescott v. DOC, et al: Michael Wescott alleges that while he was housed at Long Creek (then called Maine Youth Center), between 1995 and 2001, he was sexually assaulted by multiple unnamed staff members during unclothed body searches and that he was subject to unconstitutional restraint, force, isolation, and other abuses. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Workday, Inc. v. Department of Administrative and Financial Services. Workday asserts breach of contract and tort claims against the State of Maine but has not initiated litigation. If Workday does initiate litigation, the State has various defenses and would likely assert counterclaims. The probability that Workday's claims will result in future losses to the State in excess of $1 million is undetermined at this time.

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APPENDIX B

State of Maine

Annual Comprehensive Financial Report

For the Fiscal Year Ended

June 30, 2021

Prepared by

Office of the State Controller

ANNUAL COMPREHENSIVE FINANCIAL REPORT

STATE OF MAINE

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

JANET T. MILLS
Governor

KIRSTEN LC FIGUEROA
Commissioner
Department of Administrative & Financial Services

DOUGLAS E. COTNOIR, CPA, CIA
State Controller

Prepared by the Office of the State Controller

The State of Maine Annual Comprehensive Financial Report can be made available in alternative formats upon request, to ensure that it is accessible to people with disabilities. This notice is provided as required by Title II of the Americans with Disabilities Act of 1990.

If you wish to be deleted from our mailing list, or your address has changed, please contact the Office of the State Controller at (207) 626-8420 or write to:

State of Maine
Office of the State Controller
Financial Reporting and Analysis Division
14 State House Station
Augusta, ME 04333-0014

or e-mail us at:
financialreporting@maine.gov

Information relating to the State of Maine is available at the following web site:

http://www.maine.gov

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STATE OF MAINE
ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2021

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MAINE

INTRODUCTORY SECTION

STATE OF MAINE
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES
OFFICE OF THE STATE CONTROLLER
14 STATE HOUSE STATION AUGUSTA, MAINE 04333-0014

SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

KIRSTEN LC FIGUEROA
COMMISSIONER

DOUGLAS E. COTNOIR, CPA, CIA
STATE CONTROLLER

December 10, 2021

To the Honorable Janet T. Mills, Governor,
The Honorable Members of the Legislature, and
Citizens of the State of Maine

We are pleased to present the State of Maine's Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR) prepared in accordance with Generally Accepted Accounting Principles (GAAP). The annual ACFR, required by Title 5 MRSA § 1547, is compiled and published by the Office of the State Controller (OSC). The report is the primary means of reporting the State's financial activities. The objective of this report is to provide a clear picture of our government as a single, unified entity, as well as providing traditional fund based financial statements.

INTRODUCTION TO THE REPORT

Responsibility
The OSC is responsible for the accuracy, fairness and completeness of the financial statements presented in this report. The statements have been prepared in accordance with GAAP. To the best of our knowledge and belief, the information presented is accurate in all material respects and includes all disclosures necessary to enable the reader to gain a reasonable understanding of Maine's financial position and activities.

Adherence to Generally Accepted Accounting Principles
As required by State statute, we have prepared the ACFR in accordance with GAAP applicable to State and local governments, as promulgated by the Governmental Accounting Standards Board (GASB). The State also voluntarily follows the recommendations of the Government Finance Officers Association of the United States and Canada (GFOA) for the contents of government financial reports.

Format of Report
This ACFR is presented in three sections: Introductory, Financial and Statistical. The Introductory Section contains this letter including an overview of current initiatives, the list of principal elected and appointed officials, and the State government organization chart. The Financial Section contains: the Independent Auditor's Report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A), which provides an introduction, overview and analysis of the Basic Financial Statements; the Basic Financial Statements, which present the government-wide financial statements and fund financial statements for governmental funds, proprietary funds, fiduciary funds and similar component units, and component units, together with notes to the financial statements; Required Supplementary Information other than MD&A, which presents budgetary comparison schedules, schedules of pension funding progress, other post-employment benefit plans funding progress, and information about infrastructure assets; and the supplemental financial data, which includes the combining financial statements and schedules.

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This letter of transmittal is designed to complement MD&A where the financial analysis is now presented. The State's MD&A can be found immediately following the Independent Auditor's Report from the State Auditor. The Statistical Section contains selected trend information and statistical data on financial, economic and demographic measures.

Internal Control Structure

The OSC prepared these financial statements and assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, the OSC has established a comprehensive internal control framework that is designed to protect the State's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State of Maine's financial statements in conformity with GAAP.

Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

As a recipient of federal financial assistance for federal programs, the State is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these federal programs. The internal control structure is subject to periodic evaluation by management and by the Office of the State Auditor as part of the annual Single Audit.

Independent Auditors

Pursuant to Title 5 MRSA § 243, the State Auditor has performed an examination of the Basic Financial Statements in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards. The auditor's opinion is presented in the financial section of this report. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the Basic Financial Statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The State Auditor rendered an unmodified opinion on the Basic Financial Statements for this fiscal year.

Also, pursuant to § 243 the State Auditor has undertaken a Single Audit of the State as a whole, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, as required by federal law. The standards governing Single Audit engagements require the auditor to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance with legal requirements involving the administration of federal awards. This statewide federal Single Audit Report, including the auditor's opinion in accordance with generally accepted government auditing standards, is published separately.

The State Auditor is statutorily mandated to audit all accounts and other financial records of State Government or any department or agency of State Government, including the Judiciary and the Executive Department of the Governor, except the Governor's Expense Account, and to report annually, and at such other times as the Legislature may require.

GASB Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The State of Maine was the twenty-third state admitted to the Union on March 15, 1820 under the Missouri Compromise. By this time the population of Maine had reached nearly 300,000. The newly admitted state had nine counties and 236 towns. The city of Portland was the original site of the capital of Maine upon its admission to the Union. The Capital moved to Augusta in 1832 as a more central location from which to govern. The State has an area of 33,215 square miles and 3,500 miles of continuous coastline. Maine boasts 6,000 lakes and approximately 17 million acres of forest land. Geographically, the State includes 16 counties. The most populous county is Cumberland which includes Maine's largest city, Portland.

Reporting Entity

The Governor and Legislature govern all funds and accounts for every executive agency, board, commission, public trust, authority and component unit. The State of Maine financial reporting entity reflected in the ACFR, which is more fully described in Note 1 to the Basic Financial Statements, includes these funds, agencies, organizations, boards, commissions, authorities and major component units in accordance with GASB Statement No. 14 as amended by GASB Statement No. 39 and GASB Statement No. 61. There are 7 major component units, 5 non-major component units, one blended component unit, and one fiduciary component unit included in the ACFR. The major component units are discretely presented in the financial statements, and the blended component unit is included as separate funds in the fund financial statements. The fiduciary component unit is presented in the fiduciary fund and similar component unit financial statements, along with the other fiduciary activities of the State. The fiduciary activities are not included in the government-wide financial statements because the resources of these funds are not available to support the State's own programs.

The departments of the primary government record their daily financial operations in the State accounting system called AdvantageME operated by the OSC.

Budgetary Control

The Governor presents a biennial budget for the General Fund and the Special Revenue Funds to the Legislature for enactment or revision. The State Constitution provides the Governor a "line item" veto, which allows an Executive dollar substitution for those amounts disapproved, as long as an appropriation or allocation is not increased (or a deappropriation or deallocation decreased) either in the specified line or in any other line in the legislative document.

Once passed and signed, the budget becomes the financial plan for the State for the next biennium. It includes proposed expenditures for all departments and agencies, interest and debt redemption charges, and expenditures for capital projects to be undertaken and executed during each fiscal year. The budget also includes anticipated revenues and any other means of financing expenditures. In accordance with statute, the State Budget Officer must use the projections of the Revenue Forecasting Committee to prepare the General Fund and Highway Fund budgets.

The total General Fund appropriation for each fiscal year of the biennium in the Governor's budget submission to the Legislature may not exceed the General Fund appropriation of the previous fiscal year multiplied by one plus the average real personal income growth rate, as defined in Title 5 MRSA § 1665, subsection 1. This appropriation limitation may be exceeded only by the amount of the additional costs or the lost federal revenue from the following exceptional circumstances: unfunded or under-funded new federal mandates; losses in federal revenues or other revenue sources; citizens' initiatives or referenda that require increased State spending; court orders or decrees that require additional State resources to comply with the orders or decrees; and sudden or significant increases in demand for existing State services that are not the result of legislative changes that increased eligibility or increased benefits. The Governor may designate exceptional circumstances that are not explicitly defined, but meet the intent of this statute. "Exceptional circumstances" means an unforeseen condition or conditions over which the Governor and the Legislature have little or no control. Exceptional circumstances do not apply to new programs or program expansions that go beyond existing program criteria and operation.

The State maintains budgetary control at the account and line category levels. The head of each department and agency of State government must submit a work program to the Bureau of the Budget for the ensuing fiscal year. The work program is classified to show allotments requested for specific amounts for personal services, capital expenditures, and all other departmental expenses. These are the levels at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Controller authorizes all expenditures to be made from the amounts available on the basis of these allotments and not otherwise.

Budget revisions during the year, reflecting program changes or intradepartmental administrative transfers, require the approval of the State Budget Officer and the Governor. Except in specific instances, only the Legislature may transfer appropriations between departments. Agency requests for increases in appropriations, allocations, or funding for new programs are presented to the Legislature as a supplemental budget.

The State uses encumbrance accounting as an extension of formal budgetary control. This requires that purchase orders, contracts, and other commitments be recorded to reserve a portion of an appropriation or allocation for expenditure. Appropriated and allocated balances are available for subsequent expenditure to the extent that there are approved encumbrances at the end of a fiscal year. Unencumbered appropriations in the General Fund and in the Highway Fund are carried forward to a subsequent year only when authorized by law, otherwise the balances lapse at year-end. For financial statement purposes, unless amounts would create deficits, fund balance is classified based on existing resources, if any, which will liquidate the encumbrances outstanding at June 30 (shown as restrictions, commitments or assignments of fund balance).

Maine Budget Stabilization Fund

The Maine Budget Stabilization Fund, established in Title 5 § 1532, to replace the Maine Rainy Day Fund, is a designation of the unassigned General Fund fund balance intended to be used when revenues are under budget and critical services must be preserved. The Governor may also allocate funds from the Budget Stabilization Fund for payment of death benefits for law enforcement officers, firefighters and emergency medical services persons or to supplement school funding in situations where a municipality suffers a sudden and severe change in their property valuation.

Balances in the fund do not lapse; but carry forward each year. The money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. In addition to interest earnings, the fund is capitalized at the close of each fiscal year. In fiscal year 2021 a net $233.2 million was transferred into the fund, resulting in an ending balance of $491.9 million.

MAJOR INITIATIVES AND FUTURE PROJECTS

Fiscal Stability

Maine, like many other states, ultimately avoided the pandemic-induced fiscal distress initially projected for fiscal year 2021 and beyond. The State entered the pandemic on solid fiscal footing and the Governor and Legislature made wise, bipartisan decisions to continue managing State government in a fiscally sound manner, including investing federal COVID-19 funds strategically and appropriately. These actions ensured the solvency of the Unemployment Insurance Trust Fund and the MaineCare Stabilization Fund, maintained tax rates, and enacted or expanded programs primarily designed to tamp down local property tax burdens for lower- and middle-income households all while continuing to respond with nation-leading effectiveness to the COVID-19 pandemic.

The unprecedented federal fiscal and monetary policies Vignificantly impacted Maine’s economy, raising the volume and mix of economic activity, which in turn increased revenues to unexpected levels. Currently, 0Dine’s economy, as measured by GDP, has surpassed pre-pandemic levels, our impressive bond ratings have been upheld by Moody’s and 6tandard & 3RRU¶V State government is in the black, and the State’s savings have more than doubled with the Budget Stabilization Fund at its highest level ever.

The March 2020 revenue forecast, issued just prior to the pandemic-induced closing of non-essential businesses, revised General Fund revenue estimates upward by $40 million for FY 2020 and by $34.1 million for FY 2021. Highway Fund revenues were also increased by $812,205 for the 2020-2021 biennium. Following the March 1, 2020 revenue forecast, however, the public health crisis around COVID-19 and the resulting economic impacts began to materialize nationally and in Maine.

The enacted 2020-2021 supplemental budget approved additional General Fund resources for infrastructure needs, education, health and welfare, workforce development, and transportation as well as transferring $17.4 million to the Budget Stabilization Fund, all of which have been priorities for the Governor since taking office. Consistent with the Governor’s recommendation, however, the enacted supplemental budget left WKe increased revenue from the March 2020 forecast unappropriated and the projected General Fund unappropriated fund balance after the actions of the Second Regular Session of the 129th Legislature was approximately $113 million for the end of the biennium. The Legislature did not enact a Highway Fund supplemental budget and left $6.7 million in unappropriated surplus for the 2020-2021 biennium.

The Legislature also enacted Public Law 2019, Chapter 618 prior to adjourning, which authorized the transfer of up to $11 million from the balance available in the Reserve for General Fund Operating Capital to a COVID-19 response fund established by the State Controller to address funding needs related to COVID-19 through January 15, 2021.

These actions made it possible for the State to absorb the substantial GF and HF revenue declines experienced in the last quarter of FY 2020. Additional actions taken by the Governor to minimize expenses in FY 2020 and utilize federal COVID-19 relief funding increased potential resources available for FY 2021. The Budget Stabilization Fund remained untouched and had a balance of $258.8 million at the beginning of FY 2021.

Given the ongoing LPpacts of the pandemic, a special ³RII-cycle” revenue forecast was completed on August 1, 2020. The Revenue Forecasting Committee (RFC) re-projected revenues downward for fiscal year 2021 by $527.8 million and downward for the 2022-2023 biennium by $883.2 million. The projection reflected the expected economic impacts of the COVID-19 pandemic as best possible at that time. The most severe impacts were expected in fiscal year 2021 with continuing impacts through the 2022-2023 biennium. This projected decrease in revenues was primarily attributable to the expected impact of the COVID-19 pandemic on Individual Income Tax and Sales and Use Tax lines. Highway Fund revenues were also reduced by $30.8 million in FY 2021 and $30.5 million for the 2022-2023 biennium.

The Governor ordered curtailment of allotments to the State's General Fund by $221.8 million in September 2020 to partially close the FY 2021 budget gap. Of this amount, approximately $97 million was covered by one-time Federal funding from the Coronavirus Relief Fund and approximately $125 million came from adopting departmental cost savings and efficiencies with minimal impact to programs and services. The Governor's order also included curtailment of $23 million in Highway Fund allotments.

On December 1, 2020, the RFC issued a regularly scheduled update to the forecast. The forecast adjusted General Fund revenues upward for FY 2021 with an increase of $272.8 million over the August 2020 forecast. The December report also reflected an adjustment upward of General Fund revenues for the 2022-2023 biennium of $487.4 million. Highway Fund revenue projections were increased by $11.4 million in FY 2021 and $9.1 million for the 2022-2023 biennium. Projections for both General Fund and Highway Fund remained lower in all fiscal years than the RFC's pre-pandemic March 2020 forecast.

The *RYHUQRU¶V Recommended FY 2021 Emergency Supplemental Budget presented to the Legislature for consideration in January 2021 was based on the December 2020 revenue forecast and included the September 2020 curtailments. The Governor's budget resolved the FY 2021 EXGJHW gaps (revenue shortfall) in the General and Highway Funds without making major spending cuts to programs or drawing on the Budget Stabilization Fund. The FY 2021 supplemental budget enacted by the Legislature in March 2021 authorized nearly all of the proposed curtailments put in place to address the revenue shortfall. Additionally, it included tax conformity items, including the treatment of Paycheck Protection Program (PPP) loans provided by the federal government. It also authorized the transfer of $8 million to the Budget Stabilization Fund in FY 2021, bringing the balance to $267.9 million.

Actual revenues over the course of FY 2021 consistently exceeded revenue projections and this was reflected in the next regularly scheduled revenue forecast on May 1, 2021. The May forecast increased General Fund revenues by $479.4 million for FY 2021 and $460.5 million for the 2022-2023 biennium. Consistent with the Governor's recommendations, PL 2021 Chap 398 enacted late in the legislative session utilized this additional revenue for approximately $351 million in transfers of year end FY 2021 GF unappropriated revenue to Other Special Revenue accounts in agencies for a variety of one-time purposes intended to address critical needs and other priorities for the Administration. These purposes included COVID-relief payments for Maine workers and investments in: capital construction and UHSDLUV for state owned buildings; school renovations; state's forest fire air fleet, National Guard facilities, dams, and culverts; MaineCare Stabilization Fund; Land for 0DLQH's Future; and addressing the agricultural and environmental impact of perfluoroalkyl and polyfluoroalkyl substances (PFAS).

The May 2021 revenue forecast, however, decreased Highway Fund revenues by $0.2 million for FY 2021 and by $7.0 million for the 2022-2023 biennium largely due to negative adjustments to the motor fuels tax lines. Highway Fund revenues relative to the RFC's pre-pandemic March 1, 2020 forecast were now projected to be $19.6 million lower in FY 2021 and $28.4 million lower for the 2022-2023 biennium. The enacted 2022-2023 biennial budget for the Highway Fund, PL 2021 Chap 224 included reductions in Highway Fund allocations to adjust to the lower revenue projection and provided allocations for additional federal COVID-19 funding available for transportation programs.

By the end of FY 2021, actual General Fund revenues had surpassed even the May 2021 revenue forecast and revenues that exceeded budget were distributed in accordance with statute. Distributions included required transfers of nearly $56 million to the Maine Department of Transportation (MaineDOT) Highway and Bridge Capital account, $50 million to a newly created Highway and Bridge Reserve account, $2.5 million to the Reserve for Operating Capital and $223.6 million to the Budget Stabilization Fund. At the end of the fiscal year, there was a General Fund unappropriated surplus balance of about $155.2 million and the balance in the Budget Stabilization Fund was $491.9 million. Actual Highway Fund revenues for FY 2021 also exceeded budgeted projections and at the end of the fiscal year the Highway Fund had an unallocated surplus of nearly $28 million.

The Governor submitted her Recommended Biennial Budget for fiscal years 2022 and 2023 on January 8, 2021. On March 30, 2021, the Legislature passed a 'back to basics' 2022-2023 biennial budget for the General Fund and Other Funds by simple majority vote and then adjourned. PL 2021 Chap 29, signed by the Governor on March 31, 2021 and effective June 30, 2021, provided funding for baseline budgets, maintained level support for municipal revenue sharing at 3.75%, increased funding for K-12 education, which included increasing the State contribution to 51.83%, and provided required amounts for teacher retirement costs. The "back to basics" budget also provided funding to continue required rate increases within the Department of Health and Human Services, recognized savings from enhanced federal participation in the Medicaid program, and identified funding for domestic violence and sexual assault prevention and victim services. Additionally, it enacted ongoing savings initiatives that had been identified by departments during the FY 2021 curtailment process and transferred approximately $84 million into the GF from prior year unspent balances in various carrying accounts and $20 million that was available from the liquor operations fund.

The Legislature considered the remaining items in the Governor's Recommended Biennial Budget for the General Fund and Other Funds during a special legislative session, as well as items in the Governor's Change Package for the biennial budget submitted to the Legislature on May 14, 2021. The Change Package built on and adjusted the biennial budget based on the most up-to-date revenue information from the May 2021 revenue forecast.

The "Part II" budget for the General)Xnd and Other Funds ultimately enacted as an emergency in PL 2021 Chap 398, effective July 1, 2021, included the $351 million in transfers of FY 2021 GF unappropriated revenue previously mentioned and the associated allocations for agencies to utilize that funding in fiscal years 2022 and 2023. Additional authorized one-time transfers of GF unappropriated surplus to Other Special Revenue accounts in FY22 and FY23 provided funding for student financial aid through the Finance Authority of Maine and medical payments to providers. A one-time transfer also shifted nearly $200 million in baseline funding for homestead exemptions from a GF appropriation to Other Special Revenue Fund allocations for FY 2022 and FY 2023. Funding for indigent legal services, approximately $9.3 million in each fiscal year, was also shifted from a GF appropriation to an Other Special Revenue allocation on an ongoing basis. Additionally, the bill authorized a transfer of the $50 million in the Highway and Bridge Reserve account to MaineDOT's Highway and Bridge Capital program.

PL 2021 Chap 398 also authorized a number of one-time tax relief measures to support Maine people and the economy through the COVID-19 pandemic, as well as an ongoing change to the property tax fairness credit which expands eligibility to increase tax relief to Mainers. Additionally, the law includes increased funding for K-12 and higher education, state-municipal revenue sharing, healthcare system supports and expanded dental care coverage for low-income Mainers.

The current projected GF unappropriated balance for the end of the 2022-2023 biennium, after all actions of the 130th Legislature's)Lrst Regular and Special Sessions is approximately $40.8 million. The projected HF unallocated balance for the end of the 2022-2023 biennium is about $210,000.

American Rescue Plan Act

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), signed into law on March 27, 2020, provided $1.25 billion in Coronavirus Relief Funds (CRF) to the State of Maine. Subsequently, the President signed the American Rescue Plan Act of 2021 (ARPA) on March 11, 2021, which provided $997.5 million in Coronavirus State Fiscal Recovery Funds (SFRF) to the State of 0Dine. MDLQs received its first tranche, $498.7 million in state fiscal year 2021. The Governor put forward in LD 1733, a proposal for the use of the SFRF.

The enacted bill, referred to as the Maine Jobs and Recovery Act (PL 2021 Chap 483), focuses this federal funding on FY 2022 and 2023 initiatives intended to support the recommendations of the Governor's Economic Recovery Committee and the goals and action plans captured in the 10-year strategic economic development plan for the State released by the Governor in November 2019.

The initiatives in PL 2021 Chap 483 include significant funding for grants, loans and other financial support for industries, businesses, healthcare providers and organizations struggling to recover from economic effects of the pandemic. Other initiatives make substantial workforce investments through education and skills training programs, workforce housing, childcare, worker attraction, and business supports including programs to expand pre-K and childcare infrastructure, and programs targeted directly at addressing pressing workforce needs in health care and clean energy fields. Other investments from the Jobs Plan include critical infrastructure investments, such as expanding broadband, enhancing state parks, accelerating weatherization and energy efficiency projects, and upgrading municipal stormwater and drinking water projects.

Coordination of the Jobs Plan is led by the Maine Department of Administrative and Financial Services and the Governor's Office RI Policy Innovation and the Future, WKURugh a new Maine Jobs & Recovery Plan 2Ifice. This Office will oversee the transparent and accountable implementation of the Jobs Plan, including ensuring that proposed expenditures are permissible under U.S. Treasury eligibility guidance, the final version of which remains pending.

Liquidity and Reserves

The State's cash position has continued to show significant improvement during FY 2021 and into FY 2022, even without consideration of the federal CARES Act and ARPA funding. Again, internal borrowing for cash flow purposes was not needed at any time in the 2021 fiscal year.

During FY 2021, $223.6 million was transferred into the Budget Stabilization Fund (BSF) from General Fund Unappropriated Surplus. The Governor's supplemental budget, Public Law 2021, Chapter 1 transferred $8 million into the fund and an additional $1.8 million of interest earnings was deposited into the fund. The final balance in the BSF on June 30, 2021 was $491.9 million. TKH total BSF balance represents 10.9% of the State's 2021 fiscal year General Fund revenue.

Stress-Testing State Revenues

Following adjournment of the 129th Legislature , the Department of Administrative and Financial Services (DAFS) utilized the 2018 report on ³6WUHVV-Testing Maine General Fund Revenues & Reserves FY19-FY23" to quickly inform the Governor of the expected revenue shortfall, due to the COVID-19 pandemic, over the final quarter of FY 2020 and the sufficiency of reserves to manage that shortfall.

Using the severe recession scenario from the 2018 report, DAFS estimated that the FY 2020 revenue shortfall could be as much as $200 million or 5% of the approximately $4 billion revenue forecast. The supplemental budget, enacted as the Legislature adjourned, left a FY 2020 balance of $193.2 million in the General Fund. Based on this initial analysis, it appeared that the State could absorb the estimated revenue shortfall without significant budget adjustments.

The impact of the pandemic-induced recession and fiscal and monetary stimulus on the economy has been unprecedented, resulting in the actual FY 2020 revenue shortfall being half that projected using the 2018 stress-test report. The Maine specific stress-test, however, provided a quick and reasonable assessment of the impact of an unprecedented pandemic-induced recession on state revenues, and proved to be more accurate than many other estimates provided by out-of-state non-government entities.

The stress-test report also includes an analysis of the sufficiency of the current level of the Budget Stabilization Fund (BSF) and an estimate of the reserves in the BSF necessary to offset the declines in General Fund revenue because of potential economic recession scenarios. At the time of the October 1, 2020 stress-test report, the BSF balance of $258.8 million was not sufficient to fully offset the revenue shortfalls estimated as the result of a moderate and severe recession. However, the BSF was at a level that would provide the Governor and Legislature time during the early stages of a moderate or severe recession to make the changes necessary to bring the budget back into balance. Both the 2018 and 2020 reports concluded that a BSF of 18 percent of the previous fiscal year's General Fund revenue ($715 million in the 2020 report), the current statutory maximum, would be necessary to fully offset the revenue declines from a moderate recession. The significant increase in FY 2021 revenue resulted in the State increasing the BSF to $491.9 million, approximately 10.9 percent of FY 2021 revenue.

Education

The curtailment of fiscal year 2021 General Fund allotments ordered by the Governor in September 2020 had little to no impact on programs administered by the Department of Education. Curtailments for the Department totaled $845,204 and were primarily comprised of administrative and operational efficiencies in reduced travel, training and contract expenses. Total curtailments of approximately $3 million ordered for the three higher education institutions were to be achieved by managing administrative and operational costs for the remainder of fiscal year 2021.

Appropriation adjustments for these curtailments were included in the FY 2021 Emergency Supplemental Budget enacted as PL 2021 Chap 1. Consistent with the Governor's recommendations, the supplemental budget also authorized additional funding for General Purpose Aid for Local Schools, increasing the State's contribution to the total cost of education to 51.83% in FY 2021. Additionally, the law provided $2 million for equipment replacements at career and technical education centers throughout the State. The Adult Education program also received a one-time increase to their FY 2021 appropriation in the amount of $1.2 million to be focused on workforce development and the Maine Community College System received $2.5 million for short-term training through the Maine Quality Centers.

The 2022-2023 biennial budget, 2021 Chapter 29, increased funding for General Purpose Aid for Local Education by more than $45 million over the biennium, enabling the State to maintain its contribution at 51.83% for fiscal year 2022. The "Part II" biennial budget for 2022 ± 2023 subsequently enacted increased funding to General Purpose Aid for Local Education even more, making a historic investment in Maine public schools and keeping a promise from the Governor to meet the State's obligation to pay 55 percent of the cost of K-12 education for the first time in the State's history beginning in FY 2022. PL 2021 Chap. 398 also provides a 3 percent baseline increase to the University of Maine System, the Maine Community College System, and Maine Maritime Academy, which will help hold down tuition increases.

Although schools re-opened in the fall of 2020, remote learning has continued to be critical to the hybrid learning models being utilized as schools continue to respond to the impacts of the COVID-19 pandemic. Federal funding associated with Covid-19 continues to be used to support schools in a variety of ways, including but not limited to personal protective equipment (PPE), facility reconfigurations, air system upgrades, additional transportation and teacher costs, COVID-19 testing for students and staff, and supporting teacher training and knowledge in remote learning techniques.

Healthcare

In September 2020, the Governor curtailed General Fund allotments to health and human services by approximately $105 million in areas that had minimal or no programmatic impact. Approximately $74.3 million of the total curtailment aligned allotment with projected actual expenses given the availability of additional federal funding through enhanced Federal Medicaid Assistance Program (FMAP) and Children's Health Insurance Program rate of an additional 6.2% provided due to the pandemic. Another $10.3 million of the curtailed allotments were related to existing position vacancies in the Department of Health and Human Service. Administrative and operational efficiencies made up the remainder of the curtailment.

These curtailments were included as appropriation adjustments in the FY 2021 Emergency Supplemental Budget (PL 2021 Chap 1), in addition to a reduction related to the continuation of the enhanced FMAP rate through the 3rd quarter of fiscal year 2021. Additionally, the supplemental budget provided one-time funds for retainer payments to providers of rehabilitation and personal care services ± primarily community support and other day services.

The biennial budget for fiscal years 2022 and 2023 (PL 2021 Chap 29) included funding for nursing facility cost of living adjustments and rate increases for a number of Medicaid services already initiated or committed including private non-medical institutions. Numerous savings initiatives identified in 2021 were continued for the 22-23 biennium.

The "Part II" biennial budget for 2022 ± 2023 subsequently enacted (PL 2021 Chap 398) included further reductions related to the continuation of the enhanced FMAP rate provided due to the pandemic. It also provided funding for numerous healthcare initiatives that include but are not limited to: one-time support for hospitals, nursing facilities and private non-medical institutions in responding to the pandemic; rate increases for a broad spectrum of Medicaid providers and services; investments in the State's public health capacity; provision of a full adult dental benefit for low-income Mainers; wage increases for direct care workers; and, healthcare benefits for children who would be eligible for federal benefits but for their immigration status.

In addition to expanding access to MaineCare for more than 85,000 Maine people, Governor Mills' Made for 0DLQe Health Coverage Act authorized the Department of Health and Human Services to run a State-based Health Insurance Marketplace as part of a larger plan to improve private health insurance for Maine people and small businesses. The State-Based Marketplace is central to the Administration's work to improve access to affordable health care. Open enrollment in the CoverME.gov Marketplace began on November 1, 2021 giving Maine people better access to affordable health insurance options.

One of the Governor's highest priorities continues WR be PLWLJating the public health LPSacts of the &29,'-19 pandemic to ensure the safety of Mainers. Substantial federal funds have supplemented State funds committed to prevention and response efforts, as well as financial supports for healthcare providers intended to address impacts from the pandemic. Compared to other states, Maine has a had a strong and effective response to the pandemic and has had a nation-leading vaccination rate.

Combatting the opioid epidemic in Maine has remained another of the Governor's top health-related priorities and efforts to address this continuing crisis are also supported by both federal and State funds. Recent efforts include increasing reimbursement rates for residential substance use disorder treatment and extending a key employment program for Maine people affected by the opioid crisis. The new reimbursement rates were funded through the 2022 ± 2023 "Part II" biennial budget signed into law by the Governor in July and recently approved by the U.S. &HQWHUV for Medicare and Medicaid Services. The new rates will take effect Nov. 1, 2021. Additionally, the Maine Department of Labor is extending its Connecting with Opportunities Initiative, a program for Maine people affected by the opioid epidemic to receive education, skills training, and job search assistance through the end of 2022. The Initiative also prepares Maine people for careers in fields that directly treat substance use disorders, such as counseling, addiction treatment, and mental health care. Funded by a federal grant to MDOL in 2020, more than 400 Maine people have entered the program to date.

Additional efforts include DHHS' work to transform the system of services for people with behavioral health challenges, including more than $110 million in investments as part of the biennial budget to support prevention, early intervention, harm reduction, all levels RI treatment, crisis care, and recovery assistance. The Administration's OPTIONS program has placed liaisons around the State to connect people who have overdosed to recovery services and treatment, promote drug prevention and harm reduction strategies, and distribute naloxone, the lifesaving overdose medication. From March through July of 2021, OPTIONS liaisons have supported 495 people across the state.

Transportation

The Maine Department of Transportation (MaineDOT) traditionally receives its funding from the State Highway Fund, the TransCap Trust Fund, federal funds, proceeds from authorized bond sales, and other sources. In 2019, MaineDOT released a $2.44 billion work plan for all MaineDOT work activities for calendar years 2019 through 2021. The work plan consists of $1.5 billion in capital work over three years, consisting of $1.2 billion for highway and bridge projects and $297 million in multi-modal projects.

Despite pandemic-induced reductions of almost $23 million in Highway Fund allocations for FY 2021, MaineDOT was able to fully move forward with its planned activities using available bond and federal resources for transportation projects in lieu of declining Highway Fund resources. Reductions in Highway Fund FY 2022 and FY 2023 allocations to MaineDOT programs contained in the enacted biennial budget, PL 2021 Chap 224, are primarily associated with adjusting for actual employee benefit costs and managing position vacancies and administrative costs within available resources. MaineDOT has also directed additional federal COVID funding available for FY 2021 and FY 2022 to its Highway and Bridge Capital and Highway Light Capital programs.

Notably, WKH General Fund "Part II" budget, PL 2021 Chap 398, included measures to direct General)XQGs to MaineDOT's highway and bridge SURjects. 7Ke measures are a recognition RI the SHUsistent and growing gap between SURjected Highway Fund revenues and the funds needed for Maine's transportation infrastructure. Consistent with the Governor's recommendations, the bill enacted by WKH Legislature authorized a one-time transfer of $50 million from FY 2021 General Fund unappropriated surplus to MaineDOT for use in FY 2022. Additionally, the law amended the required statutory year-end distributions of any General Fund revenue that exceeds budget in any fiscal year. Beginning with FY 2021, 20% of the excess General Fund remaining after certain other priority transfers is transferred to MaineDOT for highway and bridge projects. MaineDOT received about $56 million from the "cascade" at the end of FY 2021. Additionally, the law provides that if the Budget Stabilization Fund is at its statutory limit, then the funds that would normally flow to it are transferred to MaineDOT instead.

Property Tax Relief

The enacted biennial budget for fiscal years 2020-2021 allocated an additional $75 million in property tax relief for hardworking Mainers, seniors, families and small businesses and increased revenue sharing to local municipalities from 2.5% to 3% in 2020 and to 3.75% in 2021. Additional provisions increased the Homestead Exemption for Maine residents by $5,000, to $25,000, and expanded eligibility for the Property Tax Fairness Credit that will allow another 13,000 Mainers to get property tax relief.

Public Law 2019, Chapter 448 amended the Tax Relief Fund for Maine Residents to create the Property Tax Relief Fund for Maine Residents. During FY 2020, more than $30 million in the fund was used to provide relief payments to each property taxpayer receiving a homestead exemption in the State during the most recent property tax year, to pay for the Treasurer of State's costs in administering the relief payments and to reimburse municipalities for costs related to the relief payments.

The FY 2021 Emergency Supplemental Budget (PL 2021 Chap 1) maintained the State-municipal revenue sharing rate at 3.75% but rates were increased in the "Part II" biennial budget for FY 2022 and FY 2023. PL 2021 Chap 398 raises municipal revenue sharing to 4.5% in FY 2022 and then fully restores revenue sharing to its statutorily required 5% in FY 2023. Chapter 398 also maintains the reimbursement to municipalities for the Homestead Property Tax Exemption at 70% in FY 2022 and increases by 3% each year thereafter until it reaches 100%. The increases in revenue sharing rates and Homestead reimbursement, along with increasing the funding level for the total cost of K-12 education to 55% are intended to help mitigate property tax increases at the local level.

Looking to the Future

Innovation and planning for Maine's future remain among the Governor's top priorities. Her recommended budgets consistently allocate funding for Maine's forward-looking initiatives and for revitalized planning efforts across state government. Additionally, the Governor's Maine Jobs & Recovery Plan, approved by the Legislature, invests nearly $1 billion in federal American Rescue Plan funds to achieve three goals: immediate economic recovery from the pandemic; long-term economic growth for Maine; and infrastructure revitalization. As previously described, these investments are intended to address known, systemic challenges that have constrained Maine's ability to thrive, with priority focus on expanding Maine's workforce.

The Governor's Office of Policy Innovation and the Future plays a critical role in efforts to identify Maine's long-term challenges, develop goals and strategies, and then help coordinate between State agencies to achieve them. Areas of focus include climate change, early childhood education, and economic issues like workforce development, broadband and the State's rural and innovation economies. Notable activities on these fronts include, but are not limited to:

- <u>Maine Won't Wait, a four-year Climate Action Plan</u> - On December 1, 2020, the Maine Climate Council — an assembly of scientists, industry leaders, bipartisan local and state officials, and engaged citizens established by the Governor in June 2019 — released a four-year Climate Action Plan entitled Maine Won't Wait. The Plan is intended to put Maine on a trajectory to decrease greenhouse gas emissions by 45% by 2030 and 80% by 2050, and achieve carbon neutrality by 2045. Maine Won't Wait is the consensus result of painstaking study, dialogue, discussion, and public deliberation involving more than 200 Maine people to determine the steps Maine must take to combat climate change. Significant and sustained investments, well-financed programs, properly-capitalized lending entities, the support and engagement of Maine people and a broad coalition of state, local, regional, and tribal governments, nonprofits, academic institutions, and private interests will be needed to successfully implement the Climate Action Plan. The Plan encompasses eight strategies supported by 30 objectives and related action steps. Maine Won't Wait also outlines short and long-term funding options and suggested metrics for measuring progress.

- Maine Offshore Wind Initiative - Harnessing the wind resources off the coast of Maine is seen as key for achieving the State's goal of using 100 percent renewable energy by 2050. In 2019, Governor Mills created the Maine Offshore Wind Initiative, a multi-faceted approach to pursue a thoughtful, responsible path for offshore wind. Elements of the initiative include a comprehensive economic plan for an offshore wind industry in Maine, the Maine Offshore Wind Roadmap; the research array for floating offshore wind; a study of port infrastructure to support offshore wind focusing on Searsport; regional collaboration through the Gulf of Maine Task Force; and forging offshore wind research and development partnerships. Recently, the Mills Administration applied to the federal government to lease a 15.2-square-mile area in the Gulf of 0Dine for the nation's first research site in federal waters for floating offshore wind. On this site, which is nearly 30 miles offshore, the State hopes to deploy a small-scale research array of 12 or fewer wind turbines on innovative floating hulls designed at WKH University of Maine. This project will advance UMaine's patented technology and will foster leading research into how floating offshore wind interacts with Maine's marine environment, fishing industry, shipping and navigation routes, and more.

- Maine Connectivity Authority - The Maine Connectivity Authority, the new State entity charged with achieving universal availability of high-speed broadband in Maine, was proposed by Governor Mills and enacted through bipartisan legislation in June 2021. The Authority is governed by a seven-member board and the Governor has recently announced her nominee for the first President of the Authority. The Authority is empowered to own physical broadband infrastructure, such as poles and wires, and hold equity in broadband projects. It is also empowered to provide grants and loans and partner with the private sector and local communities to leverage investment and coordinate buildout of infrastructure. In 2020, the Governor secured the approval of a $15 million bond proposal for broadband, the first new investment in internet expansion in more than a decade. Twenty projects in 11 counties across Maine will receive funding from the bond. The Governor also dedicated $21 million through the Maine Jobs & Recovery Plan, which, when combined with the $129 million through the American Rescue Plan, will provide a total of $150 million to the Maine Connectivity Authority to expand access to affordable broadband.

- Children's Cabinet - The Children's Cabinet's strategic plans lay out two overarching goals that all Maine children enter kindergarten prepared to succeed and all Maine youth enter adulthood healthy, connected to the workforce and/or education. Despite the impacts of the pandemic, the Mills Administration, led by the Children's Cabinet have continued to make significant progress toward those goals including targeting State goYHUQment resources on several efforts. Among other things, the Children's Cabinet provided funding for childcare for essential workers; created scholarships to train early childhood educators; created free, comprehensive on-line pre-K through grade 12 learning modules and social emotional curricula for teachers across the State; and, trained more than 125 behavioral health clinicians to serve children in need. These efforts and RWhers are highlighted in Maine Children's Cabinet 2020 Annual Report. The *RYHrnor also sees quality early childcare and education as critical to the healthy development of young children and to the long-term growth of Maine's economy and supports investments in Maine's childcare infrastructure to increase the availability and quality of childcare, especially in underserved communities in rural Maine.

OTHER INFORMATION

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the State of Maine for its annual comprehensive financial report for the fiscal year ended June 30, 2020. This is the fourteenth consecutive year that Maine has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we will be submitting it to the GFOA to determine its eligibility for another certificate.

The Certificate of Achievement is the highest recognition a government may receive for excellence in financial reporting. We thank the finance community and our auditors for their contributions in achieving this award.

State government continues to have many accomplishments of which it can be proud. Consistent with the vision of Governor Mills to improve and enhance the fiscal administration of governmental operations, the Office of the State Controller continues to improve and refine its skills to meet the challenges of financial management in the 21st century. The Office provides assistance to many State agencies to help ensure the integrity and accountability of the SURJUDPV WKH\ deliver to 0DLQH¶V citizens. We SDUWQHU with ILQancial and program PDQDJHUV to find WKH best solutions to the State's financial challenges. In an environment where economic resources are limited and agencies are coping with budget constraints, the challenge of maintaining effective controls is greater than ever. We will continue to partner with each department, at its highest levels, to ensure that the tools are available to help each agency assess its risks and target controls to manage those risks effectively and within its budgetary constraints whenever possible.

Each year the preparation of the ACFR requires the efforts of the finance people throughout the State from virtually all agencies, departments and component units. We sincerely appreciate the dedicated efforts of all of these individuals. We are especially proud of the dedication and contributions of the staff of the Office of the State Controller, who strive to maintain the public's trust in our ILQDncial operations. Their efforts culminate in the ACFR each year.

Sincerely,

Douglas E. Cotnoir, CPA, CIA
State Controller

Shirley A. Browne, CIA
Deputy State Controller

Sandra J. Royce, CPA
Director, Financial Reporting & Analysis


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STATE OF MAINE

OFFICIALS OF STATE GOVERNMENT

AS OF JUNE 30, 2021

EXECUTIVE

Janet T. Mills, *Governor*

LEGISLATIVE

Troy D. Jackson, *President of the Senate*

Ryan M. Fecteau, *Speaker of the House*

<u>Constitutional/Statutory Officers</u>

Aaron Frey, *Attorney General*

Matthew Dunlap, *State Auditor*

Shenna Bellows, *Secretary of State*

Henry Beck, *State Treasurer*

JUDICIAL

Valerie Stanfill, *Chief Justice of the State Supreme Court*