PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 8, 2021

NEW ISSUE – BOOK ENTRY ONLY

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Maine Governmental Facilities Authority, (i) under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants described herein, (y) interest on the Series 2021A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (z) interest on the Series 2021A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, and (ii) under existing statutes, interest on the Series 2021B Refunding Bonds (Federally Taxable) is included in gross income for federal income tax purposes. In addition, in the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes, interest on the Series 2021A Bonds and on the Series 2021B Refunding Bonds (Federally Taxable) is exempt from the State of Maine income tax imposed on individuals. See "TAX MATTERS" herein.

$47,805,000*
MAINE GOVERNMENTAL FACILITIES AUTHORITY
$12,200,000* Lease Rental Revenue Bonds, Series 2021A
$35,605,000* Lease Rental Revenue Refunding Bonds, Series 2021B (Federally Taxable)

Dated: Date of Delivery **Due:** October 1 as shown on the inside cover page hereof

The Lease Rental Revenue Bonds, Series 2021A (the "Series 2021A Bonds") and the Lease Rental Revenue Refunding Bonds, Series 2021B (Federally Taxable) (the "Series 2021B Refunding Bonds"; together with the Series 2021A Bonds, the "Offered Bonds") of the Maine Governmental Facilities Authority (the "Authority") will be issued under and pursuant to a General Bond Resolution adopted by the Authority on August 18, 1999, as supplemented (collectively, the "Resolution"), and certificates of determination of an officer of the Authority as to the Offered Bonds. The Series 2021A Bonds are being issued to pay a portion of the costs of financing capital repairs and improvements to State-owned facilities and associated hazardous waste cleanup on State-owned properties pursuant to the Act (as defined herein) (the "2021A Projects") and financing the cost of issuance of the Series 2021A Bonds. The Series 2021B Refunding Bonds are being issued to refund certain outstanding maturities of the Authority's Lease Rental Revenue Bonds, Series 2011A (the "Series 2011A Bonds") and Lease Rental Revenue Bonds, Series 2013A (the "Series 2013A Bonds"), and to finance the cost of issuance of the Series 2021B Refunding Bonds. See "PLAN OF REFUNDING" herein. The Offered Bonds will be secured by the Lease Payments (as defined herein) to be paid by the State of Maine (the "State"), acting through certain departments of the State and certain branches of the State government (collectively, the "Lessee"), pursuant to the Master Lease Agreement, dated as of August 1, 1999, as amended, by and between the Authority and the Lessee (collectively, the "Lease Agreement"). The Lessee is required under the Lease Agreement to make Lease Payments in an amount at least equal to the principal of, redemption premium, if any, and interest on all Bonds Outstanding including the Offered Bonds. However, the Lessee's obligation to make Lease Payments and any other obligation of the Lessee under the Lease Agreement are subject to and dependent upon appropriations being made by the Legislature of the State of Maine for such purpose. See "SOURCES OF PAYMENT AND SECURITY FOR THE OFFERED BONDS" herein.

The Offered Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Offered Bonds. Individual purchases of the Offered Bonds of each Series will each be made in book-entry form in the denomination of $5,000 or any integral multiple thereof. Purchasers of the Offered Bonds will not receive physical certificates representing their beneficial ownership interest in the Offered Bonds purchased, but will receive a credit balance on the books of their respective nominees. So long as Cede & Co. is the registered owner, as nominee for DTC, references herein to the registered owners of the Offered Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Offered Bonds. Interest on the Offered Bonds will be payable on April 1 and October 1 of each year, commencing on October 1, 2021, from funds held under the Resolution by Wilmington Trust, National Association, as Trustee, to Cede & Co., as the registered owner of the Offered Bonds. So long as DTC or its nominee, Cede & Co., is the registered owner of the Offered Bonds, such payments will be made directly to Cede & Co. Disbursement of such payments to the DTC Participants (as defined herein) is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein under "THE OFFERED BONDS—Book-Entry System."

The Offered Bonds will be subject to redemption prior to maturity as described herein. "See THE OFFERED BONDS" herein.

The Offered Bonds are limited revenue obligations of the Authority. The Lessee's obligation to make Lease Payments, the Offered Bonds and the Lease Agreement do not constitute a debt or liability of the State of Maine or any political subdivision of the State of Maine other than the Authority within the meaning of any constitutional or statutory limitation, or a loan of the credit of the State of Maine, or a pledge of the faith and credit of the State of Maine or any political subdivision of the State of Maine other than the Authority, or a contractual obligation in excess of the amounts appropriated therefor, and the State of Maine has no continuing legal or moral obligation to appropriate money for said payments or other obligations under the Lease Agreement. Payments of the principal of, redemption premium, if any, and interest on the Offered Bonds will be made solely from amounts derived under the terms of the Lease Agreement, including the Lease Payments, and certain amounts from time to time on deposit under the Resolution. The Lessee's obligation to make Lease Payments and any other obligation of the Lessee under the Lease Agreement are subject to and dependent upon appropriations being made by the Legislature of the State of Maine for such purpose. Neither the faith and credit nor the taxing power of the State of Maine or of any political subdivision of the State of Maine is pledged to the payment of the principal of, redemption premium, if any, or interest on the Offered Bonds. The Authority has no taxing power.

The Offered Bonds are offered when, as and if issued and received by the underwriters listed below (the "Underwriters"), subject to the approval of legality of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority, and certain other conditions described herein. Certain legal matters will be passed upon for the Lessee by the Attorney General of the State and for the Authority by its general counsel, Verrill Dana LLP, Portland, Maine. Hilltop Securities Inc. is serving as municipal advisor to the Maine Governmental Facilities Authority in connection with the issuance of the Offered Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine. It is anticipated that the Offered Bonds will be available for delivery to DTC in New York, New York on or about February __, 2021.

Raymond James **BofA Securities**

Dated: January __, 2021

* Preliminary, subject to change.

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

$47,805,000*
Maine Governmental Facilities Authority

$12,200,000* Lease Rental Revenue Bonds, Series 2021A

Maturity* (October 1)	Principal Amount*	Interest Rate	Yield	CUSIP† No. 56041M
2023	$440,000			
2024	465,000			
2025	490,000			
2026	515,000			
2027	540,000			
2028	570,000			
2029	595,000			
2030	630,000			
2031	660,000			
2032	690,000			
2033	720,000			
2034	750,000			
2035	780,000			
2036	810,000			
2037	845,000			
2038	875,000			
2039	900,000			
2040	925,000			

$35,605,000* Lease Rental Revenue Refunding Bonds, Series 2021B (Federally Taxable)

$31,220,000* Serial Bonds

Maturity* (October 1)	Principal Amount*	Interest Rate	Yield	CUSIP† No. 56041M
2021	$ 180,000			
2022	2,105,000			
2023	2,110,000			
2024	2,400,000			
2025	3,985,000			
2026	2,390,000			
2027	2,420,000			
2028	2,460,000			
2029	4,310,000			
2030	4,385,000			
2031	4,475,000			

$4,385,000* _____% Term Bond Due October 1, 2033*, Yield ____% CUSIP No. 56041M_____†

* Preliminary, subject to change.

† Copyright, American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Offered Bonds. The Authority is not responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Offered Bonds or as indicated above. The CUSIP number for a specific maturity of a Series is subject to change after the issuance of the Offered Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of certain maturities of a Series of the Offered Bonds.

No dealer, broker, salesperson or other person has been authorized by the Maine Governmental Facilities Authority or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information and representations must not be relied upon as having been authorized.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE OFFERED BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE OFFERED BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY 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 Offered 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 opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Maine Governmental Facilities Authority or the State since the date hereof. This Official Statement is provided in connection with the sale of the Offered Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.

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OFFICIAL STATEMENT
of
MAINE GOVERNMENTAL FACILITIES AUTHORITY
relating to its
$47,805,000*
$12,200,000* Lease Rental Revenue Bonds, Series 2021A
$35,605,000* Lease Rental Revenue Refunding Bonds, Series 2021B (Federally Taxable)

INTRODUCTION

This Official Statement, including the cover page and appendices hereto (the "Official Statement"), provides information with respect to the $12,200,000* Lease Rental Revenue Bonds, Series 2021A (the "Series 2021A Bonds") and the $35,605,000* Lease Rental Revenue Refunding Bonds, Series 2021B (Federally Taxable) (the "Series 2021B Refunding Bonds" and, together with the Series 2021A Bonds, collectively, the "Offered Bonds"), of the Maine Governmental Facilities Authority (the "Authority").

The Series 2021A Bonds are being issued pursuant to the Maine Governmental Facilities Authority Act, 4 MRSA §1601 and following, as amended (the "Act"), the General Bond Resolution adopted by the Authority on August 18, 1999 (the "General Bond Resolution"), as supplemented through a Twenty-Third Supplemental Bond Resolution adopted by the Authority on December 10, 2020 (the "Twenty-Third Supplemental Bond Resolution"), and a certificate of determination of an officer of the Authority to be dated the date of issuance of the Series 2021A Bonds. The Series 2021A Bonds are being issued to pay a portion of the costs of financing capital repairs and improvements to State-owned facilities and associated hazardous waste cleanup on State-owned properties, pursuant to Section 1610-L of the Act (the "2021A Projects"); and the cost of issuance of the Series 2021A Bonds. See "ESTIMATED APPLICATION OF OFFERED BOND PROCEEDS" herein.

The Series 2021B Refunding Bonds are being issued pursuant to the Act, the General Bond Resolution, as supplemented through a Twenty-Fourth Supplemental Bond Resolution adopted by the Authority on December 10, 2020 (the "Twenty-Fourth Supplemental Bond Resolution"; the General Bond Resolution, as supplemented through the Twenty-Third Supplemental Bond Resolution and the Twenty-Fourth Supplemental Bond Resolution, is collectively referred to as the "Resolution"), and a certificate of determination of an officer of the Authority to be dated the date of issuance of the Series 2021B Refunding Bonds. The Series 2021B Refunding Bonds are being issued to refund certain outstanding maturities of the Authority's Lease Rental Revenue Bonds, Series 2011A (the "Series 2011A Bonds") and of the Authority's Lease Rental Revenue Bonds, Series 2013A (the "Series 2013A Bonds", and, together with the Series 2011A Bonds, the "Bonds to be Refunded"), and pay a portion of the cost of issuance of the Series 2021B Refunding Bonds. See "ESTIMATED APPLICATION OF OFFERED BOND PROCEEDS" herein.

Pursuant to one or more lease agreements, those projects financed or refinanced with the proceeds of the Offered Bonds and not otherwise owned by the Authority, have been or will be leased or subleased by the State of Maine (the "State"), acting through certain departments of the State and certain branches of the State government (collectively, the "Lessee"), or by one or more other legal entities, to the Authority; and, pursuant to a Master Lease Agreement, dated as of August 1, 1999 (the "Master Lease Agreement"), as amended by a First through and including a Twenty-Fifth Amendment to Master Lease Agreement, dated as of February 2, 2021 (together with all further supplements thereof and amendments thereto, the "Lease Agreement"), the 2021A Projects and those other projects that have been financed or refinanced with the proceeds of Bonds (as defined below) under the Resolution have been or will be leased or subleased by the Authority to the Lessee.

The principal of, premium, if any, and interest on the Offered Bonds will be payable from the lease payments (the "Lease Payments") to be made pursuant to the Lease Agreement by the Lessee directly to

* Preliminary, subject to change.

Wilmington Trust, National Association, as Trustee under the Resolution (the "Trustee"). The Lessee is required under the Lease Agreement to make Lease Payments in an amount at least equal to the principal of, redemption premium, if any, and interest on all Bonds Outstanding including the Offered Bonds. However, the Lessee's obligation to make Lease Payments and any other obligation of the Lessee under the Lease Agreement are subject to and dependent upon appropriations being made by the Legislature of the State of Maine for such purpose. See "SOURCES OF PAYMENT AND SECURITY FOR THE OFFERED BONDS" herein.

Certain financial and other information with respect to the State is set forth in Appendices A through F in Part II of this Official Statement entitled "INFORMATION CONCERNING THE STATE OF MAINE" ("Part II"). The information in Part II was provided by the State to the Authority as of the date of this Official Statement, and the Authority makes no representation or warranty as to the accuracy or completeness of the information in Part II. Inclusion of Part II in this Official Statement does not provide any assurance that there has been no change in the information in Part II after the date of this Official Statement. The Treasurer of State of the State delivered a certificate to the effect, among other things, that, to the best of his knowledge after reasonable investigation, as of the date of this Official Statement, (i) there has been no material adverse change in the financial position or results of operation of the State except as set forth in Part II; (ii) Part II contains no untrue statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (iii) no event has occurred requiring a supplement to Part II, except for any event described in such a supplement which has been made available to the public. Questions regarding Part II or requests for additional information concerning the State should be directed to Henry E.M. Beck, Esq., State Treasurer, 39 State House Station, Augusta, Maine 04333, telephone: 207-624-7477; facsimile: 207-287-2367.

Certain capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings given to such terms in Appendix A – "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL BOND RESOLUTION – Certain Definitions" herein.

As of the date hereof, the Authority had bonds outstanding in the aggregate principal amount of $360,330,000, all of which were issued pursuant to the Resolution.

The Offered Bonds are being issued pursuant to the Resolution and a certificate of determination of an authorized officer of the Authority with respect to each Series of the Offered Bonds to be delivered on the date of issuance of the Offered Bonds. Additional Bonds may be issued from time to time in various Series under the General Bond Resolution pursuant to a Supplemental Resolution. See Appendix A – "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL BOND RESOLUTION – Additional Bonds" herein. Upon the issuance of a Series of Additional Bonds under the General Bond Resolution, it is provided in the General Bond Resolution that the Authority and the Lessee shall enter into an amendment to the Lease Agreement to subject any new project to the terms of the Lease Agreement and to cause the Lease Payments to be increased and computed to amortize in full the principal of, redemption premium, if applicable, and interest on all Series of Bonds Outstanding including such Series of Additional Bonds and any other costs in connection therewith.

Under the General Bond Resolution, the Authority is authorized to issue Additional Bonds secured on a parity with the Authority's Series 2010A Bonds, Series 2011A Bonds, Series 2013A Bonds, Series 2014A Bonds, Series 2014B Bonds, Series 2015A Bonds, Series 2015B Bonds, Series 2016A Refunding Bonds, Series 2016B Bonds, Series 2017A Bonds, Series 2018A Bonds, Series 2020A Bonds and the Offered Bonds (collectively, the "Bonds") to finance the Cost of a Project. No such Additional Bonds may be issued under the General Bond Resolution unless certain conditions set forth therein are met.

THE AUTHORITY

The Authority was created in 1997 by Maine Public Laws of 1997, Chapter 523 ("Chapter 523") as the successor to the Maine Court Facilities Authority which was created in 1987. Chapter 523 amended the Act and broadened the Authority's purposes. Pursuant to Chapter 523, the Authority expressly assumed all rights, liabilities, indebtedness and duties entered into by the Maine Court Facilities Authority as of the effective date of the Act. Chapter 523 expressly stated that "[a]ll properties, rights in land, buildings and equipment and any funds, money, revenues and receipts or assets of the Maine Court Facilities Authority or due to the Maine Court Facilities Authority belong to the Maine Governmental Facilities Authority as successor," and that upon such succession, the Maine Court Facilities Authority ceased to exist. Under the Act, the Authority is a body corporate and politic and a public instrumentality of the State. The Authority was created by the Act for the purpose of assisting in financing the acquisition, construction, improvement, reconstruction and equipping of additions to structures designed for use as governmental facilities. To accomplish its purposes, the Authority is authorized by the Act to acquire real or personal property, prepare and plan projects, furnish and equip projects and provide for financing and refinancing of such projects. The Act also authorizes the Authority to issue bonds and notes to fulfill its corporate purposes.

As shown below, the Authority has heretofore issued $892,030,000 aggregate principal amount of its bonds, of which $360,330,000 are outstanding as of the date of this Official Statement:

Series Name	**Issue Date**	**Original Principal Amount**	**Outstanding Principal Amount**
1988	11/01/1988	$ 6,490,000	$ 0
1990	08/30/1990	8,500,000	0
1993*	09/29/1993	16,255,000	0
1996	10/31/1996	5,990,000	0
1999	09/01/1999	86,945,000	0
2000	07/12/2000	51,855,000	0
2000B	11/10/2000	6,995,000	0
2001	09/06/2001	36,485,000	0
2002	12/04/2002	10,860,000	0
2003**	09/11/2003	18,425,000	0
2004A	04/22/2004	750,000	0
2004B	04/22/2004	1,000,000	0
2004C*	04/22/2004	27,750,000	0
2005A*	03/08/2005	54,210,000	0
2005B	11/17/2005	8,890,000	0
2007A	05/31/2007	10,985,000	0
2008A	06/19/2008	40,565,000	0
2009A	10/29/2009	11,960,000	0
2010A*	04/01/2010	25,600,000	1,575,000
2011A†	10/26/2011	33,000,000	21,085,000
2013A†	06/13/2013	30,290,000	22,540,000
2014A**	06/19/2014	10,055,000	2,940,000
2014B	07/10/2014	2,900,000	1,235,000
2015A*	07/16/2015	41,115,000	110,000
2015B	11/19/2015	21,190,000	11,745,000
2016A*	10/06/2016	24,950,000	19,935,000
2016B	10/06/2016	17,980,000	14,145,000
2017A	08/24/2017	58,535,000	52,620,000
2018A	09/27/2018	50,510,000	46,635,000
2020A	01/16/2020	170,995,000	165,765,000
TOTAL:		$892,030,000	$360,330,000

* Refunding bonds.
** Refunding and new money bonds.
† To be refunded in whole or in part with the Series 2021B Refunding Bonds

The 1988 Bonds, the 1990 Bonds, the 1993 Bonds and the 1996 Bonds were issued under resolutions of the Authority which are unrelated to the Resolution.

Pursuant to the Act, no securities other than revenue refunding securities may be issued by the Authority without the prior approval of the State Legislature. In addition to the Outstanding Bonds, there has been enacted legislation authorizing bonds outstanding at any one time of not more than:

(i) $55,000,000 (of which no bond authorization* will remain after $14,500,000* of bond authorization is used through the issuance of the Series 2021A Bonds) to finance a portion of the costs of the 2021A Projects; and

(ii) $67,500,000 (of which $5,545,000 of bond authorization remains) to pay for various judicial projects.

The issuance of the Offered Bonds will not cause any statutory authorizations for the issuance of bonds by the Authority to be exceeded.

The powers of the Authority are vested in its members. The Authority consists of five members, one of whom is the State Treasurer, serving as an ex-officio, voting member, one of whom is the Commissioner of Administrative and Financial Services, serving as an ex-officio, voting member, and three other members who each serve a term of five years and are appointed by the Governor, subject to review and confirmation by the State Legislature.

The present members of the Authority, their principal occupations or offices and the expiration dates of their current terms are as follows:

Name and Position of Member	Principal Occupation	Term Expires†
Timothy L. Thompson, Chair	Manager, Living Wealth Partners	10/09/20
Joel C. Allumbaugh, Vice Chair	CEO, National Worksite Benefit Group	10/09/21
Stacey L. Morrison	CEO/Owner, Ganneston Construction	10/09/22
Kirsten LC Figueroa	Commissioner, State of Maine Department of Administrative & Financial Services	Ex-officio
Henry E.M. Beck, Esq.	Treasurer of State, State of Maine	Ex-officio

The Executive Director of the Authority is Teresea Hayes. Ms. Hayes also serves as Executive Director of the Maine Municipal Bond Bank and the Maine Public Utility Financing Bank. The Authority's office is located at 127 Community Drive, P.O. Box 2268, Augusta, Maine 04338, and its telephone number is (207) 622-9386.

* Preliminary, subject to change.

† All members serve until the appointment and qualification of a successor. The State Treasurer, if not reelected, serves for a period of not less than 30 days after the end of his or her term and until qualification of a successor

ESTIMATED APPLICATION OF OFFERED BOND PROCEEDS

The proceeds to be received from the sale of the Series 2021A Bonds are expected to be applied as follows:

Sources of Funds	
Principal Amount of the Series 2021A Bonds	$
Net Premium on the Series 2021A Bonds	
Total Sources of Funds	$
Uses of Funds	
Deposit to Project Fund Account for 2021A Projects	
Cost of Issuance of Series 2021A Bonds (including underwriters' discount)	
Total Uses of Funds	$

The proceeds to be received from the sale of the Series 2021B Refunding Bonds are expected to be applied as follows:

Sources of Funds	
Principal Amount of the Series 2021B Refunding Bonds	$
Total Sources of Funds	$
Uses of Funds	
Deposit to Escrow Fund under the Trust Agreement referred to below for refunding of the Bonds to be Refunded as described under the heading "PLAN OF REFUNDING" below	
Cost of Issuance of Series 2021B Refunding Bonds (including underwriters' discount)	
Total Uses of Funds	$

PLAN OF REFUNDING*

The Series 2021B Refunding Bonds are being issued to pay the principal and interest on the Series 2011A Bonds due October 1, 2021 and to refund those maturities of the Bonds more fully described in the table below (collectively, the "Bonds to be Refunded"). It is currently expected that the Bonds to be Refunded will be redeemed at a redemption price of 100% on the redemption dates set forth in the table below. The list of Bonds to be Refunded below is not final and is subject to change prior to the sale of the Series 2021B Refunding Bonds. The Authority reserves the right not to refund any or all of the Bonds to be Refunded listed below and to refund any or all of its obligations not listed below.

* Preliminary, subject to change.

Lease Rental Revenue Bonds, Series 2011A*

Maturity Date (October 1)	Principal Amount to be Refunded	Interest Rate	Redemption Date	Redemption Price
2022	$1,625,000	4.000%	October 1, 2021	100%
2023	1,685,000	4.000	October 1, 2021	100
2024	1,755,000	4.000	October 1, 2021	100
2025	1,825,000	4.000	October 1, 2021	100
2026	1,900,000	4.000	October 1, 2021	100
2027	1,975,000	4.000	October 1, 2021	100
2028	2,055,000	4.250	October 1, 2021	100
2029	2,140,000	4.250	October 1, 2021	100
2030	2,230,000	4.250	October 1, 2021	100
2031	2,325,000	4.500	October 1, 2021	100
Total	$19,515,000			

Lease Rental Revenue Bonds, Series 2013A*

Maturity Date (October 1)	Principal Amount to be Refunded	Interest Rate	Redemption Date	Redemption Price
2025	$1,590,000	5.000%	October 1, 2023	100%
2029	1,840,000	5.000	October 1, 2023	100
2030	1,935,000	5.000	October 1, 2023	100
2033†	6,340,000	4.000	October 1, 2023	100
Total	$11,705,000			
Grand Total	$31,220,000*			

The Series 2011A Bonds due on October 1, 2021 and the Bonds to be Refunded were issued pursuant to the Resolution. The Series 2011A Bonds due on October 1, 2021 and the Bonds to be Refunded are currently outstanding in the aggregate principal amount of $32,790,000* and the refunding of the Bonds to be Refunded will achieve debt service savings for the Authority and the Lessee. In order to accomplish the refunding of the Bonds to be Refunded, substantially all of the proceeds of the sale of the Series 2021B Refunding Bonds will be deposited into a special trust fund created by a refunding escrow trust agreement (the "Trust Agreement") to be entered into between the Authority and the Trustee.

The moneys so deposited and held in trust in such special trust fund will be used to acquire direct obligations of the United States of America (the "Defeasance Securities"), the principal of and interest on which, when due, will provide moneys sufficient for, and the Defeasance Securities will be deposited with the Trustee pursuant to the Resolution upon the issuance and delivery of the Series 2021B Refunding Bonds, and will be held in trust for, the payment of the principal or Redemption Price of, as the case may be, each Series of the Bonds to be Refunded, and the interest due and to become due on such Series of the Bonds to be Refunded on and prior to their respective maturity or redemption dates.

The accuracy of the arithmetical computations of the adequacy of the amounts of maturing principal of and interest on the Defeasance Securities to pay when due the principal and Redemption Price of, as the case may be, and interest on each Series of the Bonds to be Refunded will be verified by American Municipal Tax-Exempt Compliance Corp. Avon, Connecticut, an independent tax compliance specialty firm ("AMTEC") and Michael Torsiello, CPA, a certified public accountant, ("CPA"; together with AMTEC, the "Verification Agent"). In the opinion of Bond Counsel to the Authority, and in reliance upon such verification of mathematical computations, upon making such deposits with the Trustee pursuant to the Resolution, and upon the issuance of certain irrevocable instructions to the Trustee, the above-stated maturities of the Bonds to be

* Preliminary, subject to change.
† Final Maturity of Term Bond due October 1, 2033, inclusive of sinking fund Installments due October 1, 2031 and October 1, 2032.

Refunded will, under the terms of the Resolution, in each case be deemed to have been paid, and the covenants, agreements and other obligations of the Authority to the holders of the Bonds to be Refunded will be discharged and satisfied.

SOURCES OF PAYMENT AND SECURITY FOR THE OFFERED BONDS

Under the terms of the Resolution, the Offered Bonds are payable from (a) Lease Payments received by the Trustee from the Lessee under the Lease Agreement and (b) all amounts from time to time deposited in the funds created under the General Bond Resolution, including the proceeds received from the sale of the Bonds and investment earnings on amounts from time to time on deposits in such accounts and subaccounts, except amounts, if any, on deposit in the Rebate Fund. The Lease Agreement establishes Lease Payments payable at times and in amounts equal to the principal of and interest on the Bonds, the Trustee's fees and all other enumerated expenses. The Lease Agreement also provides that such Lease Payments will be made directly to the Trustee.

The Lessee's obligation to make the Lease Payments under the Lease Agreement is absolute and unconditional, subject to and dependent upon appropriations being made by the State Legislature for such purpose, and each Lease Payment is payable without any right of set-off or counterclaim, regardless of any contingencies, and whether or not the Lessee possesses or uses the Leased Premises. The Lessee's obligation to make Lease Payments will continue until all Lease Payments and all other amounts due under the Lease Agreement have been paid, unless sooner terminated in accordance with the provisions of the Lease Agreement.

The Bonds are limited revenue obligations of the Authority. The Lessee's obligations to make Lease Payments, the Offered Bonds and the Lease Agreement do not constitute a debt or liability of the State or any political subdivision of the State other than the Authority within the meaning of any constitutional or statutory limitation, or a loan of the credit of the State or a pledge of the faith and credit of the State or any political subdivision of the State other than the Authority, nor a contractual obligation in excess of the amounts appropriated therefor, and the State has no continuing legal or moral obligation to appropriate money for said payments or other obligations under the Lease Agreement. Payments of the principal of, redemption premium, if any, and interest on the Offered Bonds will be made solely from amounts derived under the terms of the Lease Agreement, including the Lease Payments, and certain amounts from time to time on deposit under the Resolution. Neither the 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 the Offered Bonds. The Authority has no taxing power.

Debt Service Reserve Fund

The Offered Bonds are not secured by the Debt Service Reserve Fund.

Although under any Supplemental Resolution authorizing a particular Series of Bonds one or more reserve accounts may be established for the purpose of securing only Bonds of such Series, no such reserve accounts are created under the Resolution for the sole benefit of the Offered Bonds.

Additional Bonds

Additional Bonds on a parity with the Bonds then Outstanding may be issued by the Authority pursuant to the General Bond Resolution. See Appendix A – "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL BOND RESOLUTION" for a description of the requirements that must be met under the General Bond Resolution prior to the issuance of additional Bonds.

Legislative Appropriation

Pursuant to the Lease Agreement, the Lessee has agreed to seek appropriations in the budget process for the purpose of providing funds to make the Lease Payments. See Part II – "STATE OF MAINE INFORMATION STATEMENT," in APPENDIX A of this Official Statement, "FISCAL MANAGEMENT – Overview of the Budget Process" for a description of the State's budget process.

Non-appropriation

In the event the Lease Agreement is terminated due to non-appropriation, the State is under no obligation to make any further payments. Under such circumstances, the Authority and the Lessee shall have no further rights or obligations thereunder. Furthermore, the Bondholders have no right or interest in the Leased Premises.

THE OFFERED BONDS

General

Each Series of the Offered Bonds will be issued as fully registered bonds in the denomination of $5,000 or any integral multiple thereof. Each Series of the Offered Bonds shall be dated the date of their delivery and shall bear interest at the rates and mature on the dates as respectively set forth on the inside cover page hereof. Interest on the Offered Bonds will be payable on April 1 and October 1 of each year, commencing on October 1, 2021, and principal of the Offered Bonds is payable on October 1 of each year as set forth on the inside cover page hereof.

Book-Entry System

Beneficial ownership interests in the Offered Bonds will be available in book-entry form only. Purchases and sales by the Beneficial Owners of each Series of the Offered Bonds can be made in denominations of $5,000 or any integral multiple thereof. Purchasers of beneficial ownership interests in the Offered Bonds will not receive certificates representing their interests in Offered Bonds purchased and will not be Holders under the Resolution, except as described below.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Offered Bonds. The Offered 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 Bond certificate will be issued for each maturity and related interest rate of each Series of the Offered Bonds, each in the aggregate principal amount of such maturity and related interest rate of such Series, and will be deposited with DTC.

DTC 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, thereby eliminating 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 wholly-owned 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.

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"). 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 Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC's records. The ownership interest of each actual purchaser of the Offered Bonds (a "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, but Beneficial Owners are 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 Offered 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 the Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered 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 the Offered 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 Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered 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 Offered Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Offered Bonds, such as redemptions and defaults. For example, Beneficial Owners of the Offered Bonds may wish to ascertain that the nominee holding the Offered 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 Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Offered Bonds of a Series within a maturity and related interest rate are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity and related interest rate to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Offered Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Authority 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 Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest and redemption premium, if any, on the Offered 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 Authority or the Trustee, on a payment 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, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to the 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 Offered Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Offered Bond certificates are required to be printed and delivered.

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

The preceding information in this subsection "Book-Entry System" concerning DTC and DTC's book-entry system has been extracted from a schedule prepared by DTC as sample disclosure language in connection with the issuance of the Offered Bonds, and has not been independently verified by the Authority. No representation is made by the Authority as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

Neither the Authority nor the Trustee shall have any responsibility or obligation to any DTC Participant, any Beneficial Owner or other persons claiming a beneficial ownership interest in the Offered Bonds under or through DTC or any DTC Participant, with respect to: (i) the accuracy of any records maintained by DTC or any DTC Participant with respect to the beneficial ownership interest in the Offered Bonds; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of, premium, if any, or interest on the Offered Bonds to any Beneficial Owner or other person for the Offered Bonds; or (iii) the delivery to any Beneficial Owner of the Offered Bonds, or any other person, of any notice which is permitted or required to be given to owners under the Resolution. Neither the Authority nor the Trustee shall have any responsibility with respect to obtaining consents from anyone other than the registered owners.

No assurance can be given by the Authority or the Trustee that DTC will distribute to the Participants or the Participants will distribute to the Beneficial Owners: (i) payment of debt service on the Offered Bonds paid to DTC or its nominee, as the registered owner; or (ii) any redemption or other notices, or that DTC or the DTC Participants will serve or act on a timely basis or in a manner described in this Official Statement.

Optional Redemption

The Series 2021A Bonds maturing after October 1, 20__ are subject to optional redemption, in whole or in part, and if in part, in such order of maturity and related interest rate as the Authority shall determine, or by lot if less than a full maturity and related interest rate, at any time on and after October 1, 20__, and prior to their respective maturities, upon notice as provided in the Resolution, at the Redemption Price of one hundred percent (100%) of the principal amount to be redeemed, plus accrued interest to the redemption date.

The Series 2021B Refunding Bonds maturing after October 1, 20__ are subject to optional redemption, in whole or in part, and if in part, in such order of maturity and related interest rate as the Authority shall determine, or by lot if less than a full maturity and related interest rate, at any time on and after October 1, 20__, and prior to their respective maturities, upon notice as provided in the Resolution, at the Redemption Price of one hundred percent (100%) of the principal amount to be redeemed, plus accrued interest to the redemption date.

Mandatory Redemption

The Series 2021A Bonds are subject to mandatory redemption in whole or in part, and if in part in such order of maturity and related interest rate as the Authority shall determine, or by lot if less than a full maturity and related interest rate, at any time, and prior to their respective maturities, upon notice as provided in the Resolution, at the Redemption Price of 100% of the principal amount thereof, plus accrued interest to the redemption date, from the net proceeds of any insurance proceeds or condemnation awards received with respect to the Leased Premises financed from the proceeds of the Series 2021A Bonds to the extent such insurance proceeds or condemnation awards are not applied to the restoration of all or a portion of the Leased Premises or paid to the Authority.

The Series 2021B Refunding Bonds are subject to mandatory redemption in whole or in part, and if in part in such order of maturity and related interest rate as the Authority shall determine, or by lot if less than a full maturity and related interest rate, at any time, and prior to their respective maturities, upon notice as provided in the Resolution, at the Redemption Price of 100% of the principal amount thereof, plus accrued interest to the redemption date, from the net proceeds of any insurance proceeds or condemnation awards received with respect to the Leased Premises financed from the proceeds of the Bonds to be Refunded to the extent such insurance proceeds or condemnation awards are not applied to the restoration of all or a portion of the Leased Premises or paid to the Authority.

The Lease Agreement obligates the Authority to maintain insurance on the Leased Premises at the expense of the Lessee. See Appendix B – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER LEASE AGREEMENT – Fire or Other Casualty; Insurance" herein.

Special Redemption

The Series 2021A Bonds are subject to redemption in whole or in part, and, if in part, in such order of maturity and related interest rate as the Authority shall determine, at any time, from amounts on deposit in a sub-account of the Project Construction Account not used to finance the 2021A Projects, and not applied to any substitute authorized project, and prior to their respective maturities, upon notice as provided in the Resolution, at the Redemption Price of 100% of the principal amount thereof, plus accrued interest to the redemption date.

Notice of Redemption

The Trustee is required to give notice of any redemption of the Offered Bonds at the direction of the Authority, which notice shall specify the Series, maturities and related interest rate of the Offered Bonds to be redeemed, the redemption date and the place or places of payment and, if less than all of the Offered Bonds of any Series, maturity and related interest rate are to be redeemed, the respective portions thereof to be redeemed. Notice of redemption shall be mailed by the Trustee, postage prepaid, not less than thirty (30) days nor more than sixty (60) days before the redemption date, to the registered owner of any Offered Bond or portion thereof to be redeemed. All Offered Bonds so called for redemption will cease to bear interest on the specified date set for redemption, provided funds for their redemption have been duly deposited with the Trustee pursuant to the Resolution, and, thereafter, the owners of such Offered Bonds called for redemption shall have no rights in respect thereof, except to receive payment of the redemption price and accrued interest to the date of redemption.

Sinking Fund Installments

Sinking Fund Installments have been established in accordance with the Resolutions for the Series 2021B Refunding Bonds maturing October 1, 2033*. Such Sinking Fund Installments shall become due and shall be applied to the redemption at par (100%) or payment at maturity of the Series 2021B Refunding Bonds due October 1, 2033* on October 1 of each of the designated years in the principal amounts shown in the following table:

Series 2021B Refunding Bonds Maturing October 1, 2033*

Year*	**Sinking Fund Installment***
2032	$2,170,000
2033 (final maturity)	$2,215,000

* Preliminary, subject to change.

RATINGS

Moody's Investors Service Inc. and S&P Global Ratings have assigned ratings of "Aa3" (outlook: Stable) and "AA-" (outlook: Stable), respectively, to the Offered Bonds based solely on their respective evaluations of the Offered Bonds. Such ratings and outlooks express only the views of the rating agency providing the same. Certain information and materials were provided to such rating agencies to be considered in evaluating the Offered Bonds. Any desired explanation of the significance of any such rating or outlook should be obtained from the rating agency providing the same. There is no assurance that a particular rating or outlook will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of such rating agency, circumstances so warrant. Any such change in or withdrawal of any such rating or outlook could have an adverse effect on the market price of the Offered Bonds. The ratings and outlooks are not recommendations to buy, sell or hold the Offered Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery of the Offered Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. The approving opinion of Bond Counsel to the Authority will be delivered with the Offered Bonds in substantially the form included in this Official Statement as Appendix D. Certain legal matters will be passed upon for Raymond James & Associates, Inc. and BofA Securities, Inc. (collectively, the "Underwriters") by their counsel, Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine, for the Lessee by the Attorney General of the State, for the Authority by its general counsel, Verrill Dana LLP, Portland, Maine, and for the Trustee by its counsel, Hinckley, Allen & Snyder LLP, Providence, Rhode Island.

TAX MATTERS

SERIES 2021A BONDS

Opinion of Bond Counsel to the Authority with Respect to the Series 2021A Bonds

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2021A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series

2021A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering its opinion, Bond Counsel to the Authority has relied on certain representations, certifications of fact and statements of reasonable expectations made by the Authority, the Lessee and others in connection with the Series 2021A Bonds, and Bond Counsel to the Authority has assumed compliance by the Authority and the Lessee with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2021A Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Series 2021A Bonds is exempt from the State of Maine income tax imposed on individuals.

Bond Counsel to the Authority expresses no opinion regarding any other federal, state or local tax consequences with respect to the Series 2021A Bonds. Bond Counsel to the Authority renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel to the Authority also expresses no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than Hawkins Delafield & Wood LLP ("HD&W") (if such opinion of other counsel shall have been given without consultation with HD&W, or after consultation with HD&W and to which HD&W shall not concur) on the exclusion from gross income for federal income tax purposes of interest on the Series 2021A Bonds or on the exemption of interest on the Series 2021A Bonds under the State of Maine income tax imposed on individuals.

Certain Ongoing Federal Tax Requirements and Covenants with Respect to the Series 2021A Bonds

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2021A Bonds in order that interest on the Series 2021A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2021A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2021A Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority and the Lessee have each covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2021A Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences with Respect to the Series 2021A Bonds

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2021A Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2021A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2021A Bonds.

Prospective owners of the Series 2021A Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Series 2021A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount with Respect to the Series 2021A Bonds

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series 2021A Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity (a bond with the same maturity date, interest rate and credit terms) means the first price at which at least ten percent (10%) of such maturity was sold to the public (i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Series 2021A Bonds). In general, the issue price for each maturity of the Series 2021A Bonds is expected to be the initial public offering price for each maturity of the Series 2021A Bonds set forth on the inside front cover page of this Official Statement. Bond Counsel to the Authority further is of the opinion that, for any Series 2021A Bond having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bond under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2021A Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium with Respect to the Series 2021A Bonds

In general, if an owner acquires a Series 2021A Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2021A Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series 2021A Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding with Respect to the Series 2021A Bonds

Information reporting requirements will apply to interest paid on tax-exempt obligations, including the Series 2021A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification", or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding”, which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2021A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2021A Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2021A Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2021A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2021A Bonds.

Prospective purchasers of the Series 2021A Bonds should consult their own tax advisors regarding the foregoing matters.

SERIES 2021B REFUNDING BONDS

Opinion of Bond Counsel to the Authority with Respect to the Series 2021B Refunding Bonds

In the opinion of HD&W, under existing statutes, interest on the Series 2021B Refunding Bonds (the “Federally Taxable Bonds”) is included in gross income for federal income tax purposes and, under Section 1611 of the Act, is exempt from the State of Maine income tax imposed on individuals.

Certain Federal Income Tax Consequences with Respect to the Federally Taxable Bonds

The following discussion is a brief summary of the principal United States federal income tax consequences of the acquisition, ownership and disposition of the Federally Taxable Bonds by original purchasers of the Federally Taxable Bonds who are “U.S. Holders,” as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Federally Taxable Bonds will be held as “capital assets”; and (iii) does not discuss all of the United States federal income tax consequences that may be relevant to a U.S. Holder in light of its particular circumstances or to U.S. Holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Federally Taxable Bonds as a position in a “hedge” or “straddle,” U.S. Holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, U.S. Holders who acquire Federally Taxable Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Certain taxpayers that are required to prepare certified financial statements and file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Federally Taxable Bonds at the time that such income, gain or loss is taken into account on such financial statements instead of under the rules described below.

U.S. Holders of Federally Taxable Bonds should consult with their own tax advisors concerning the United States federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Federally Taxable Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Original Issue Discount with Respect to the Federally Taxable Bonds

In general, if Original Issue Discount ("OID") is greater than a statutorily defined de minimis amount, a U.S. Holder of a Federally Taxable Bond must include in federal gross income (for each day of the taxable year, or a portion of the taxable year, in which such U.S. Holder holds such Federally Taxable Bond) the daily portion of OID, as it accrues (generally on a constant-yield method) and regardless of the U.S. Holder's method of accounting. "OID" is the excess of (i) the "stated redemption price at maturity" over (ii) the "issue price." For purposes of the foregoing: "issue price" means the first price at which a substantial amount of the Federally Taxable Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); "stated redemption price at maturity" means the sum of all payments, other than "qualified stated interest," provided by such Federally Taxable Bond; "qualified stated interest" is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate; and "de minimis amount" is an amount equal to 0.25 percent of the Federally Taxable Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity. A U.S. Holder may irrevocably elect to include in gross income all interest that accrues on a Federally Taxable Bond using the constant-yield method, subject to certain modifications.

Bond Premium with Respect to Federally Taxable Bonds

In general, if a Federally Taxable Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the Federally Taxable Bond other than "qualified stated interest" (a "Federally Taxable Premium Bond"), that Federally Taxable Premium Bond will be subject to Section 171 of the Code, relating to bond premium. In general, if the U.S. Holder of a Federally Taxable Premium Bond elects to amortize the premium as "amortizable bond premium" over the remaining term of the Federally Taxable Premium Bond, determined based on constant-yield principles (in certain cases involving a Federally Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the U.S. Holder will make a corresponding adjustment to the U.S. Holder's basis in the Federally Taxable Premium Bond. Any such election is generally irrevocable and applies to all debt instruments of the U.S. Holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the U.S. Holder of a Federally Taxable Premium Bond may realize a taxable gain upon disposition of the Federally Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the U.S. Holder's original acquisition cost.

Disposition and Defeasance of the Federally Taxable Bonds

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Federally Taxable Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder's adjusted tax basis in the Federally Taxable Bond.

The Authority may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Federally Taxable Bonds to be deemed to be no longer outstanding under the Resolution (a "defeasance"). (See "APPENDIX A - Release of Lien of the Resolution" herein). For federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Federally Taxable Bonds subsequent to any such defeasance could also be affected.

Information Reporting and Backup Withholding with Respect to the Federally Taxable Bonds

In general, information reporting requirements will apply to non-corporate U.S. Holders of the Federally Taxable Bonds with respect to payments of principal, payments of interest, and the accrual of OID on a Federally Taxable Bond and the proceeds of the sale of a Federally Taxable Bond before maturity within the United States. Backup withholding may apply to U.S. Holders of Federally Taxable Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the Internal Revenue Service.

U.S. Holders

The term "U.S. Holder" means a beneficial owner of a Federally Taxable Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Federally Taxable Bonds under state law or otherwise prevent beneficial owners of the Federally Taxable Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Federally Taxable Bonds.

Prospective purchasers of the Federally Taxable Bonds should consult their own tax advisors regarding the foregoing matters.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the mathematical computations of the adequacy of the maturing principal amounts of and interest on the Defeasance Securities held in trust pursuant to the Trust Agreement to pay when due all principal or Redemption Price of, as the case may be, and interest on the Bonds to be Refunded, will be verified by the Verification Agent.

The Verification Agent will deliver to the Authority, on or before the settlement date of the Series 2021B Refunding Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, (i) the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Defeasance Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements of the Bonds to be Refunded and (ii) the net present value savings achieved by the issuance of the Series 2021B Refunding Bonds.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the Authority and its representatives. The Verification Agent has restricted its procedures to recalculating the computations provided by the Authority and its representatives and has not evaluated or examined the assumptions or information used in the computations.

UNDERWRITING

The Offered Bonds are being purchased by the Underwriters. The Underwriters have agreed to purchase the Series 2021A Bonds at a price of $____________, which purchase price reflects an underwriters' discount from the public offering price of the Series 2021A Bonds in the amount of $_____________and a net issue premium of $___________. The Underwriters have agreed to purchase the Series 2021B Refunding Bonds at a price of $____________, which purchase price reflects an underwriters' discount from the public offering price of the Series 2021B Refunding Bonds in the amount of $_____________and a net issue premium of $___________. The purchase contract relating to the Offered Bonds provides that the Underwriters will purchase all of the Offered Bonds, if any Offered Bonds are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract. The initial public offering prices may be changed, from time to time, by the Underwriters. The Authority has been advised by the Underwriters that (i) the Underwriters presently intend to make a market in the Offered Bonds, (ii) they are not, however, obligated to do so, (iii) any market making may be discontinued at any time, and (iv) there can be no assurance that an active public market for the Offered Bonds will develop. The Underwriters may offer and sell the Offered Bonds to certain dealers (including dealers depositing Offered Bonds into unit investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) and others at prices lower than the respective public offering prices stated on the inside cover page hereof. The Underwriters have agreed to allocate the book-running lead management credit to Raymond James and BofA in the amounts of fifty percent (50%) each.

BofA Securities, Inc. ("BofA"), an underwriter of the Offered Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA may compensate MLPF&S as a dealer for its selling efforts with respect to the Offered Bonds.

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 respective 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 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.

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 Authority (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Authority.

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 Authority in connection with the issuance of the Offered Bonds. The Municipal Advisor has not independently verified the factual 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 tax status of the Offered Bonds or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies or rating agencies. The Authority 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 Offered Bonds and investors should seek the advice of their accountants, lawyers and registered representatives for advice as appropriate.

The Municipal Advisor has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has received the information in this Official Statement in accordance with, and as part of, its responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

SECONDARY MARKET DISCLOSURE

Continuing Disclosure Agreement

The State will covenant in the Continuing Disclosure Agreement by and among the Authority, the State and the Trustee (the "Continuing Disclosure Agreement"), for the benefit of the Holders and Beneficial Owners (each as defined in the Resolution) of the Offered Bonds, to provide certain financial information and operating data relating to the State (the "Annual Financial Information") within one year after the end of each fiscal year, commencing with the fiscal year ending June 30, 2021, and the Authority and the State will separately covenant in the Continuing Disclosure Agreement for the benefit of such Holders and Beneficial Owners to provide notices of the occurrence of certain enumerated events. The Continuing Disclosure Agreement requires that the Annual Financial Information be filed by the State with the Municipal Securities Rulemaking Board (the "MSRB"). The Continuing Disclosure Agreement requires that notices of certain events be provided by the Authority and the State to the Trustee and filed by the Trustee with the MSRB. The specific nature of the information to be contained in the Annual Financial Information or the notices of events is set forth in Appendix C – "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule").

Continuing Disclosure History

Maine Governmental Facilities Authority. Except as described below, in the previous five years, the Authority has complied with its previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

State of Maine. Except as described below, in the previous five years, the State has complied with its previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of 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 Authority and agreed therein to provide audited financial statements and annual financial information and operating data within one year after the June 30 end 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 MSRB's Electronic Municipal Markets Access website ("EMMA") and to associate such official statements with CUSIP numbers to which such 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.

In connection with certain transportation grant anticipation bonds (Maine Department of Transportation (“MaineDOT”)) (the “GARVEE Bonds”) issued by the Maine Municipal Bond Bank (the “Bank”), the Bank has 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 has 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.

The Bank has also issued certain transportation infrastructure revenue bonds (the “TransCap Bonds”) and, in connection with such TransCap Bonds, entered into substantially similar continuing disclosure agreements with the trustee for such TransCap Bonds and MaineDOT. The financial information and operating data of the State for the fiscal year ended June 30, 2016 was filed on July 14, 2017. The State has determined that the following filings were not linked to all of the CUSIP numbers of the outstanding TransCap Bonds: the 2019 annual financial information filing was only linked to the 2015A TransCap Bonds, the 2011 TransCap Bonds were not linked to the 2015 through 2019 annual financial information filings of the State and the 2008 TransCap Bonds were not linked to the 2016 through 2019 annual financial information filings of the State. On May 29, 2020, a continue disclosure filing was made to correct these annual financial information 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.

LITIGATION

There is no controversy or litigation of any nature now pending, or to the knowledge of the Authority, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Offered Bonds, or the existence or powers of the Authority, or prohibiting the Authority from refunding the Bonds to be Refunded with proceeds of the Series 2021B Refunding Bonds or financing the 2021A Projects with the proceeds of the Series 2021A Bonds.

MISCELLANEOUS

The foregoing summaries or descriptions of the Offered Bonds, the Continuing Disclosure Agreement, the Resolution, the Lease Agreement, the Trust Agreement and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof, and do not constitute complete statements of such provisions and do not summarize all the pertinent portions of such provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the Authority and the Underwriters or owners of any of the Offered Bonds. The execution and distribution of this Official Statement have been duly authorized by the Authority.

The information set forth in Part II has been provided by the State, and the Authority makes no representation or warranty as to the accuracy or completeness of such information. The information relating to DTC and the book-entry-only system described under the heading “THE OFFERED BONDS—Book-Entry System” has been provided by DTC.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

By: ______________________________________
Teresea Hayes
Executive Director

Dated: January __, 2021

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL BOND RESOLUTION

The following is a summary of certain provisions of the General Bond Resolution. The summary does not purport to be comprehensive and is subject to all of the terms and provisions of the General Bond Resolution, to which reference is hereby made, and copies of which are available from the Authority or the Trustee.

Certain Definitions

The following are definitions in summary form of certain terms contained in the General Bond Resolution.

Act shall mean the Maine Governmental Facilities Authority Act, being 4 MRSA §1601 et seq., as amended.

Additional Bonds shall mean one or more Series of additional bonds, notes or other obligations, other than the Series 1999 Bonds, issued, executed, authenticated and delivered under the Resolution.

Amortized Value shall mean, when used with respect to securities purchased at a premium above or a discount below par, the value as of any given date obtained by dividing the total amount of the premium or discount at which such securities were purchased by the number of days remaining to maturity on such securities at the time of such purchase and by multiplying the amount so calculated by the number of days having passed since the date of such purchase; and (i) in the case of securities purchased at a premium, by deducting the product thus obtained from the purchase price; and (ii) in the case of securities purchased at a discount, by adding the product thus obtained to the purchase price.

Arbitrage and Use of Proceeds Certificate shall mean, with respect to a Series of Bonds, the Arbitrage and Use of Proceeds Certificate to be delivered on the date of issuance and delivery of such Series of Bonds by the Authority.

Authorized Representative or Authorized Officer shall mean the Executive Director of the Authority or any member of the Authority, or, when used with reference to an act or document, any other person authorized by resolution or the by-laws of the Authority to perform such act or sign such document.

Bond or **Bonds** shall mean the Series 1999 Bonds authorized and issued pursuant to the Resolution and any Additional Bonds.

Bond Counsel shall mean a firm of attorneys specializing in the field of municipal finance and nationally recognized as expert in the field.

Bondholder, or **Holder**, or **Holder of Bonds**, or any similar term, shall mean any person or party who shall be the registered owner of any Outstanding Bond or Bonds.

Business Day shall mean any day which shall not be a Saturday, Sunday or legal holiday or a day on which banks located in the city of the principal office in which the Trustee and, with respect to any Series of Bonds held by a securities depository, such securities depository, are located are authorized by law or executive order to close.

Capitalized Interest Account shall mean the account by that name established by the Resolution.

Cash Equivalent shall mean a Letter of Credit, Insurance Policy, Surety, Guaranty or other Security Arrangement (each as defined and provided for in a Supplemental Resolution providing for the issuance of a Series of Bonds rated by the Rating Agencies or in another Supplemental Resolution), provided by an institution which has received a rating of its claims paying ability from the Rating Agencies at least equal to the then existing rating on such Series of Bonds or whose unsecured long-term debt securities are rated at least the then existing rating on such Series of Bonds (or "A-1" or "P-1", as applicable, if the Cash Equivalent has a remaining term at the time of acquisition not exceeding one year) by the Rating Agencies; provided, however, that a Cash Equivalent may be provided by an institution which has received a rating of its claims paying ability which is lower than that set forth above or whose unsecured long-term (or short-term) debt securities are rated lower than that set forth above, so long as the providing of such Cash Equivalent does not, as of the date it is provided, in and of itself, result in the reduction or withdrawal of the then existing rating assigned to the such Series of Bonds by any of the Rating Agencies.

Code shall mean the Internal Revenue Code of 1986 (Title 26 of the United States Code), as amended.

Cost and **Cost of the Project** shall mean together with any other proper item of cost not specifically mentioned herein but authorized pursuant to the Act, the cost of construction, acquisition, building, alteration, enlargement, reconstruction, renovation, remodeling, improvement, equipping or furnishing of a Project and the financing or refinancing thereof, including interest on a Series of Bonds from the date thereof to the date when such interest shall be paid by the Authority from Lease Payments, the cost of acquisition of any land or interest (including rights, easements and franchises) therein required as the site of a Project or for use in connection therewith, the cost of preparation of the site of a Project (including, without limitation, utility extensions and access roads) and of any land to be used in connection therewith, the cost of any indemnity and surety bonds and premiums on insurance, administrative expenses of the Lessee, the cost of reserves or a Credit Facility, all related direct administrative expenses and allocable portions of direct costs of the Authority, legal fees, fees and expenses of trustees, depositories and paying agents for a Series of Bonds, cost of issuance of a Series of Bonds and financing charges and fees and expenses of financial advisers and consultants in connection therewith, costs of audits, the cost of all machinery, apparatus, furniture, fixtures and equipment, cost of engineering, architectural services, design, plans, specifications and surveys, estimates of cost, and all other expenses necessary or incident to determining the feasibility or practicability of a Project, and such other expenses not specified herein as may be necessary or incident to the construction, acquisition, building, alteration, enlargement, reconstruction, renovation, remodeling, improvement, equipping and furnishing of a Project, the financing or refinancing thereof and the placing of the same in use and operation.

Cost of Issuance shall mean the items of expense to be paid or reimbursed directly or indirectly by the Authority and related to the authorization, sale and issuance of a Series of Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee, fees to any Credit Facility Provider in connection with a Credit Facility, legal fees and charges, professional consultants' fees, costs of credit ratings, fees and charges of execution, transportation and safekeeping of a Series of Bonds, and other costs, charges and fees in connection with the foregoing.

Cost of Issuance Account shall mean the account by that name established by the Resolution.

Counsel's Opinion shall mean an opinion signed by an attorney or firm of attorneys selected by the Authority. Any such attorney may be a lawyer in the regular employment of the Authority.

Credit Facility shall mean (i) an unconditional and irrevocable letter of credit with respect to a Series of Bonds in form and drawn on a bank or banks acceptable to the Authority (which bank or banks must be rated by each of the Rating Agencies in a category at least equal to the rating category of such Series of Bonds (or "A-1" or "P-1", as applicable, if the Credit Facility has a remaining term at the time it is provided not exceeding one year); provided, however, that such letter of credit may be provided by a bank or banks whose rating is lower than that set forth above, so long as the providing of such letter of credit does not, as of the date it is provided, in and of itself, result in a reduction or withdrawal of the then existing rating assigned to such Series of Bonds by any of the Rating Agencies; (ii) cash; (iii) a certified or bank check; (iv) Investment Securities; or (v) any other credit facility similar to the above in purpose and effect, including, but not limited to, a guaranty, standby loan or purchase commitment, insurance policy, surety bond or financial security bond or any combination thereof, which is approved by each of the Rating Agencies.

Credit Facility Provider shall mean the issuer of or obligor under a Credit Facility.

Debt Service Fund shall mean the Fund by that name established by the Resolution.

Debt Service Reserve Fund shall mean the Fund by that name established by the Resolution.

Debt Service Reserve Fund Requirement shall mean, as of any date of calculation, the aggregate of the amounts specified as the Debt Service Reserve Fund Requirement for each Series of Bonds in the Supplemental Resolution authorizing the issuance of a Series of Bonds; provided, however, that a Supplemental Resolution may provide that the Debt Service Reserve Fund Requirement for the Series of Bonds authorized thereunder may be funded, in whole or in part, through Cash Equivalents and such method of funding shall be deemed to satisfy all provisions of the Resolution with respect to the Debt Service Reserve Fund Requirement and the amounts required to be on deposit in the Debt Service Reserve Fund.

Defeasance Securities shall mean Federal Securities and/or Municipal Obligations.

Federal Securities shall mean, to the extent permitted by law for investment as herein contemplated, (i) any direct and general obligations of, or any obligations the timely payment of principal of and interest on which are fully guaranteed by, the United States of America; and (ii) certificates of ownership of the principal of or interest on direct and general obligations of, or obligations guaranteed by, the United States of America, which obligations are held in trust, including CATS, TIGRS, STRPS and such other similar obligations.

Fiscal Year shall mean the twelve (12) consecutive calendar months commencing with the first day of July and ending on the last day of the following June.

Interest Account shall mean the account by that name established by the Resolution.

Investment Obligations shall mean and include any of the following obligations, to the extent the same are at the time legal for investment of funds of the Authority under the Act:

1. (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS (United States Treasury Obligations), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated (collectively United States Obligations).

2. Federal Housing Administration debentures.

3. Obligations of government-sponsored agencies which are not backed by the full faith and credit of the U.S. government:

-Federal Home Loan Mortgage Corporation (FHLMC)

Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) Senior Debt obligations

-Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives)

Consolidated systemwide bonds and notes

-Federal Home Loan Banks (FHL Banks)

Consolidated debt obligations

-Federal National Mortgage Association (FNMA)

Senior debt obligations

Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

-Student Loan Marketing Association (SLMA)

Senior debt obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)

-Financing Corporation (FICO)

Debt obligations

-Resolution Funding Corporation (REFCORP)

Debt obligations

4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than one year) of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A "or better by S&P.

5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least $5 million; certificates of deposit secured at all times by collateral described in 1. and/or 2. above, issued by commercial banks, savings and loan associations or mutual savings banks where the collateral is held by a third party and the Trustee has a perfected first security interest in the collateral.

6. Commercial paper rated, at the time of purchase, "A-1" or better by S&P and "Prime-1" by Moody's.

7. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-g", "AAAm" or "AA-m" by S&P and, if rated by Moody's, rated "Aaa", "Aa1" or "Aa2".

8. State Obligations

(a) Direct general obligations of any state of the United States or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(b) Direct, general short-term obligations of any state agency or subdivision described in (a) above and rated "A-1+" by S&P and "Prime-1" by Moody's.

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (a) above and rated "AA" or better by S&P and "Aa" or better by Moody's.

9. Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(a) the municipal obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions; and

(b) the municipal obligations are secured by cash or United States Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations.

10. Repurchase agreements:

(a) if the Repurchase Agreement has a term of less than seven years:

(i) and the Agreement is to be uncollateralized with United States Obligations:

(1) with any domestic bank or foreign bank with senior unsecured debt ratings of at least "AA-" by S&P and "Aa3" by Moody's;

(2) with registered broker/dealers subject to the Securities Investors Protection Corporation Liquidation Act which is rated, or whose parent is rated, at least "AA-" by S&P and "Aa3" by Moody's;

(3) with domestic or Canadian life insurance companies with a claims-paying or financial strength rating of "AAA" and "Aaa" by S&P and Moody's, respectively;

(4) with wholly-owned and guaranteed financial institution subsidiaries of (y) one of the institutions referred to in (1), (2) or (3) above, or (z) an insurance holding company rated "AAA" and "Aaa" by S&P and Moody's, respectively;

(5) with a domestic financial guaranty insurance company or an affiliate of a domestic financial guaranty insurance company, whose obligations are fully guaranteed by an affiliate or the parent company which has a rating of "AAA" and "Aaa" by S&P and Moody's, respectively; or

(6) with a structured entity rated "AAA" by S&P and "Aaa" by Moody's;

(ii) and the Agreement is to be collateralized with United States Obligations (which securities must be valued weekly, marked to market at current market price plus accrued interest; the value of the securities must be equal to 104% of the amount of cash transferred by the Authority under the Agreement plus accrued interest; provided that if the value of the securities declines to below 104%, then additional cash and/or securities must be transferred; and if the securities are Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, the value of the securities must be 105% as provided above):

(1) with any domestic bank or foreign bank with senior unsecured debt ratings of at least "A-" by S&P and "A3" by Moody's;

(2) with registered broker/dealers subject to the Securities Investors Protection Corporation Liquidation Act which is rated, or whose parent is rated, at least "A-" by S&P and "A3" by Moody's;

(3) with wholly-owned and guaranteed financial institution subsidiaries of (y) one of the institutions referred to in (1) or (2) above, or (z) an insurance holding company rated "AAA" and "Aaa" by S&P and Moody's, respectively;

(4) with a domestic financial guaranty insurance company or an affiliate of a domestic financial guaranty insurance company, whose obligations are fully guaranteed by an affiliate or the parent company which has a rating of at least "A-" and "A3" by S&P and Moody's, respectively; or

(5) with a structured entity rated "AA-" by S&P and "Aa3" by Moody's;

(b) if the Repurchase Agreement has a term of seven years or greater:

(i) and the Agreement is to be uncollateralized with United States Obligations:

(1) with any domestic bank with senior unsecured debt ratings of at least "AA" by S&P and "Aa2" by Moody's; with any foreign bank with senior unsecured debt ratings of at least one triple A by either S&P or Moody's and at least double-A by the other rating agency (i.e., "AAA" by S&P and "Aa2" by Moody's or "AA" by S&P and "Aaa" by Moody's);

(2) with domestic or Canadian life insurance companies with a claims-paying or financial strength rating of "AAA" and "Aaa" by S&P and Moody's, respectively;

(3) with wholly-owned and guaranteed financial institution subsidiaries of (y) one of the institutions referred to in (1) or (2) above, or (z) an insurance holding company rated "AAA" and "Aaa" by S&P and Moody's, respectively; or

(4) with a domestic financial guaranty insurance company or an affiliate of a domestic financial guaranty insurance company, whose obligations are fully guaranteed by an affiliate or the parent company which has a rating of "AAA" and "Aaa" by S&P and Moody's, respectively;

(ii) and the Agreement is to be collateralized with United States Obligations (which securities must be valued weekly, marked to market at current market price plus accrued interest; the value of the securities must be equal to 104% of the amount of cash transferred by the Authority under the Agreement plus accrued interest, provided that if the value of the securities declines to below 104%, then additional cash and/or securities must be transferred;

and if the securities are Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, the value of the securities must be 105% as provided above):

(1) with any domestic bank with senior unsecured debt ratings of at least "AA" by S&P and "Aa2" by Moody's; with any foreign bank with senior unsecured debt ratings of at least one triple A by either S&P or Moody's and at least double-A by the other rating agency (i.e., "AAA" by S&P and "Aa2" by Moody's or "AA" by S&P and "Aaa" by Moody's);

(2) with wholly-owned and guaranteed financial institution subsidiaries of (y) one of the institutions referred to in (1) above, or (z) an insurance holding company rated "AAA" and "Aaa" by S&P and Moody's, respectively; or

(3) with a domestic financial guaranty insurance company or an affiliate of a domestic financial guaranty insurance company, whose obligations are fully guaranteed by an affiliate or the parent company which has a rating of "AAA" and "Aaa" by S&P and Moody's, respectively.

11. Investment Agreements with such entities having such ratings (based on more than seven years, or seven years or less, and uncollateralized or collateralized, as applicable) for whom the Authority may enter into Repurchase Agreements as provided in 10. above; provided, that, by the terms of the Investment Agreement:

(a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the Investment Agreement is for the Project Construction Account or the Capitalized Interest Account, construction draws) on the Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice (which notice may be amended or withdrawn at any time prior to the specified withdrawal date); provided that the Trustee shall be required to give notice in accordance with the terms of the Investment Agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the Investment Agreement must provide that if during its term the provider's rating by either Moody's or S&P falls below the rating permitted for such provider as set forth above, the provider must, at the direction of the Authority or the Trustee, within ten (10) days of receipt of such direction, either (y) collateralize the Investment Agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Authority, the Trustee or a third party acting solely as agent therefor (the Holder of the Collateral) United States Treasury Obligations which are free and clear of any third-party liens or claims at the collateral level set forth in 10. above; or (z) repay the principal of and accrued but unpaid interest on the investment (the choice of (y) or (z) above shall be that of the Authority or the Trustee, as appropriate), in either case with no penalty or premium to the Authority or the Trustee; and

(d) the Investment Agreement must provide that if during its term:

(i) the provider shall default in its payment obligations, the provider's obligations under the Investment Agreement shall, at the direction of the Authority, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or the Trustee, as appropriate, and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. (an event of insolvency), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or the Trustee, as appropriate.

Lease Agreement shall mean the Master Lease Agreement, dated as of August 1, 1999, with respect to a Project or Projects or part of a Project the Costs of all or a portion of which are being financed or refinanced through the issuance of a Series of Bonds pursuant to the Resolution, between the Authority, as lessor, and the Lessee, as tenant, providing, among other things, (y) for the lease by the Authority to the Lessee of the Authority's interest in such Project, Projects or part of a Project (which interest of the Authority may be fee title, a leasehold estate or other interest capable of being leased), and (z) for the obligation of the Lessee to pay rentals or other payments thereunder to be considered executory only to the extent of money made available therefor by the State Legislature, with no liability of the Lessee to make such rentals or other payments beyond the money so made available by the State Legislature for such purpose.

Leased Premises or **Premises** shall mean, with respect to a Project or Projects or part of a Project, those certain premises, facilities and other property or interests therein leased by the Authority to the Lessee pursuant to the Lease Agreement.

Lease Payments shall mean the lease rental payments due and payable by the Lessee to the Authority in accordance with the applicable provisions of the Lease Agreement.

Lessee shall mean the State of Maine acting either directly on its own behalf or on behalf of any agency, instrumentality or department of the State of Maine or any branch of State Government, as shall be the lessee of the Authority under the Lease Agreement.

Moody's shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Moody's shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, by notice to the Trustee.

Municipal Obligations shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (i) which are not callable at the option of the obligor prior to maturity or as to which irrevocable notice has been given by the obligor to call on the date specified in the notice; and (ii) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of direct obligations of the United States of America, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (iii) which fund is sufficient, as verified by an independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this paragraph, as appropriate; and (iv) which are rated, based on the escrow, in the highest rating category of the Rating Agencies; provided, however, that the interest on any Municipal Obligation may, but is not required to, be excluded from gross income under Section 103 of the Code.

Outstanding, when used with reference to Bonds, shall mean, as of any date, Bonds which have been delivered under the provisions of the Resolution, except: (i) any Bonds cancelled by the Trustee at or prior to such date; (ii) Bonds for the payment or redemption of which monies equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee in trust (whether at or prior to the maturity or redemption date); provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as provided in the Resolution or provision satisfactory to the Trustee shall have been made for the giving of such notice; (iii) Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the Resolution; and (iv) Bonds or portions of Bonds deemed to have been paid as provided in the Resolution.

Principal Account shall mean the account by that name established by the Resolution.

Project shall mean

(a) in the case of any Series of Additional Bonds, and together with any other project not specifically mentioned herein but authorized pursuant to the Act,

(i) the acquisition, construction, improvement, reconstruction or equipping of, or construction of an addition or additions to, any structure designed for use as a court facility, State office or State activity space and intended to be used primarily by the State, any agency, instrumentality or department of the State or by any branch of State government. The structure may include facilities for the use of related agencies of State, county or local government. Project, projects or part of any project includes all real and personal property, lands, improvements, driveways, roads, approaches, pedestrian access roads, parking lots, parking facilities, rights-of-way, utilities, easements and other interests in land, machinery and equipment and all fixtures, appurtenances and facilities either on, above or under the ground that are used or usable in connection with the structure, and also includes landscaping, site preparation, furniture, machinery, equipment and other similar items necessary or convenient for the operation of a particular facility or structure in the manner for which its use is intended. Project, projects or part of any of project also includes the acquisition, construction, improvement, reconstruction or repair of any equipment, device, technology, software or other personal property intended to be used primarily by the State, any agency, instrumentality or department of the State or by any branch of State Government or any related agency of state, county or local government. Project, projects or part of any project does not include such items as fuel, supplies or other items which are customarily considered as a current operating charge; and

(ii) the issuance of revenue refunding securities as provided in Section 1610 of the Act; and

(b) in the case of any Series of Bonds for the purpose of financing all or a portion of the Cost of the Project.

Project Construction Account shall mean the account by that name established by the Resolution.

Rating Agencies shall mean, collectively, (i) S&P when the Bonds are rated by S&P and (ii) Moody's when the Bonds are rated by Moody's or, if neither S&P nor Moody's is maintaining a rating on the Bonds, then any other nationally recognized rating agency when the Bonds are rated by such agency, pursuant to a request for a rating by the Authority.

Rebate Amount shall mean, with respect to a Series of Bonds, amounts determined pursuant to the provisions of the Accounting Memorandum attached as an exhibit to the related Arbitrage and Use of Proceeds Certificate.

Rebate Fund shall mean the fund by that name established by the Resolution.

Record Date shall mean the close of business on the fifteenth day of the month preceding an interest payment date, or, if such fifteenth day is not a Business Day, the next succeeding Business Day.

Redemption Account shall mean the account by that name established by the Resolution.

Redemption Price shall mean, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Resolution.

Refunding Bonds shall mean a Series of Bonds issued under the Resolution for the purpose of refunding all Outstanding Bonds or all or any part of one or more Series of Outstanding Bonds.

Resolution shall mean the General Bond Resolution, as from time to time amended or supplemented.

Revenue Fund shall mean the Fund by that name established by the Resolution.

S&P shall mean Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, S&P shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, by notice to the Trustee.

Series shall mean all of the Bonds designated as being of the same Series authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Resolution.

Series 1999 Bonds shall mean the Authority's $86,945,000 Lease Rental Revenue Bonds, Series 1999, authorized, issued, executed, authenticated and delivered under the Resolution.

Sinking Fund Installment shall mean the amount required by the Resolution as payable on a single future date for the retirement of any Outstanding Bonds of a Series which are expressed to mature after such future date, but does not include any amounts payable by reason only of the maturity of a Bond.

Sinking Fund Installment Account shall mean the account by that name established by the Resolution.

State shall mean the State of Maine.

Supplemental Resolution shall mean a resolution supplemental to or amendatory of the Resolution, adopted by the Authority in accordance with the Resolution.

Additional Bonds

So long as the Lease Agreement is in effect, one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of financing in whole or in part the Costs of the Project including, without limitation, (a) completing a Project or any part thereof; (b) providing funds in excess of insurance proceeds to repair, relocate, replace, rebuild or restore a Project in the event of damage, destruction or taking by eminent domain; (c) providing extensions, additions, improvements or facilities to a Project; or (d) refunding in whole or in part Outstanding Bonds of one or more Series. Such Series of Additional Bonds shall be payable from the Lease Payments payable by the Lessee under the Lease Agreement. Prior to the issuance of a Series of Additional Bonds, the Authority and the Lessee shall enter into an amendment to the Lease Agreement, which shall provide, among other things, that the Lease Payments payable under the Lease Agreement shall be increased and computed so long as to amortize in full the principal of, redemption premium, if applicable, and interest on all Series of Bonds Outstanding including such Series of Additional Bonds and any other costs in connection therewith.

Each Series of Additional Bonds issued pursuant to the Resolution shall be equally and ratably secured under the Resolution with the Series 1999 Bonds and all other Series of Additional Bonds, if any, issued pursuant to the Resolution, without preference, priority or distinction of any Bond over any other Bonds except as expressly provided in or permitted by the Resolution and any Supplemental Resolution, including without limitation with respect to pledges for the benefit of Credit Facility Providers.

All or any part of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds or any part of one or more Series of Outstanding Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other monies available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Act, the Resolution and of the Supplemental Resolution authorizing said Series of Refunding Bonds.

Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee (in addition to the receipt by it of certain documents specified in the Resolution) of:

(1) Irrevocable instructions from the Authority to the Trustee, satisfactory to it, to give due notice of redemption pursuant to the Resolution to the Holders of all the Outstanding Bonds to be refunded prior to maturity on the redemption date specified in such instructions; and

(2) Either:

(a) monies in an amount sufficient to effect payment at maturity or upon redemption at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date, which monies shall be held by the Trustee in a separate account irrevocably in trust for and assigned to the respective Holders of the Outstanding Bonds being refunded, or

(b) Defeasance Securities in such principal amounts, having such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the defeasance provisions of the Resolution, and any monies required pursuant to said provisions, which Defeasance Securities and monies shall be held in trust.

The Authority shall furnish to the Trustee at the time of delivery of the Series of Refunding Bonds an opinion of independent certified public accountants as to the sufficiency of the monies and/or Defeasance Securities held by the Trustee (and/or any escrow agent as shall be appointed in connection therewith) as required to effect such payment at maturity or earlier redemption.

No Series of Additional Bonds shall be issued (other than Refunding Bonds to refund in whole all Outstanding Bonds under the Resolution) unless the Lease Agreement is in effect and at the time of issuance there is no Event of Non Appropriation or Event of Default thereunder or event of default under the Resolution nor any event which upon notice or lapse of time or both would become an Event of Non Appropriation or Event of Default under the Lease Agreement or an event of default under the Resolution.

Certain Project Trust Accounts

The Resolution establishes a special trust account, which shall be deposited with and held by the Trustee and which is designated as the "Project Construction Account". Upon the issuance, sale and delivery of a Series of Bonds pursuant to the Resolution to finance all or part of the Cost of the Project, there shall be deposited to the credit of a special sub-account(s) of the Project Construction Account established for the related Project or Projects (except that in the case of a Series of Refunding Bonds, there shall instead be deposited in such other account or with such other person such portion of the proceeds of the Series of Bonds as specified in the certificate of an Authorized Representative of the Authority delivered to the Trustee) from the proceeds of such Series of Bonds that amount specified in a certificate of an Authorized Representative of the Authority delivered to the Trustee. No moneys shall be disbursed from a sub-account in the Project Construction Account with respect to any Project unless such Project shall be made subject to the Lease Agreement. Monies deposited in a sub-account of the Project Construction Account shall be used by the Authority for payment of the Cost of the Project of the related Project.

The Authority by the Resolution has also created and established a special trust account which shall be deposited with and held by the Trustee and which is designated as the "Cost of Issuance Account". Upon the issuance, sale and delivery of a Series of Bonds there shall be deposited to the credit of a special sub-account(s) of the Cost of Issuance Account from the proceeds of such Series of Bonds that amount specified in a certificate of an Authorized Representative of the Authority delivered to the Trustee. Amounts on deposit in a sub-account of the Cost of Issuance Account shall be expended for the Cost of Issuance of the related Series of Bonds and to pay an amount to the Authority equal to the Authority's initial program fee, and for no other purpose. Upon payment of all Cost of Issuance for the related Series of Bonds, any amount remaining in such sub-account of the Cost of Issuance Account shall be paid to and deposited in a sub-account of the Project Construction Account, the Redemption Account or such other Fund, Account or sub-account so designated in writing by an Authorized Officer of the Authority upon receipt by the Trustee of a certificate of an Authorized Officer stating that such monies are no longer needed for the payment of Cost of Issuance.

The Authority by the Resolution has further created and established a special trust account which shall be deposited with and held by the Trustee and which is designated as the "Capitalized Interest Account". Upon the issuance, sale and delivery of a Series of Bonds there shall be deposited to the credit of a special subaccount(s) of the Capitalized Interest Account established for the related Project or Projects from the proceeds of such Series of Bonds that amount specified in a certificate of an Authorized Representative of the Authority delivered to the Trustee. Such certificate shall be accompanied by a schedule instructing the Trustee to withdraw amounts from such special subaccount(s) to be applied to the payment of the interest on the related Series of Bonds (as the same may be amended from time to time by certificate delivered by an Authorized Representative of the Authority delivered to the Trustee, the "Capitalized Interest Payment Schedule").

The Trustee shall apply the amounts on deposit in each sub-account of the Capitalized Interest Account to the payment of the interest on the related Series of Bonds as the same shall become due in accordance with the related Capitalized Interest Payment Schedule, until the earlier of one year after the completion of the related Project or the exhaustion of amounts in such sub-account (the "Capitalized Interest Period"). On each interest payment date during the Capitalized Interest Period, the Trustee shall transfer from each sub-account of the Capitalized Interest Account to the Interest Account of the Debt Service Fund the amount set forth in the related Capitalized Interest Payment Schedule to pay interest on the related Series of Bonds becoming due on such interest payment date. If any balance of funds shall remain in a sub-account of the Capitalized Interest Account on the date which is one year after the completion of the related Project, the Trustee shall deliver written notice of such balance to the Authority and transfer such funds, at the written direction of an Authorized Officer of the Authority, to the related sub-account of the Project Construction Account for the applicable Project to pay any remaining Costs of the Project, and/or to the Redemption Account of the Debt Service Fund to be applied to the redemption of the related Series of Bonds (or purchase and cancellation of the related Series of Bonds).

In addition, if, on any interest payment date occurring prior to the first anniversary of the completion of a Project, the amount on deposit in the related sub-account of the Capitalized Interest Account is not sufficient to pay that portion of the interest on the related Series of Bonds becoming due on such interest payment date and as set forth on the related Capitalized Interest Payment Schedule, the Trustee shall transfer from the related sub-account of the Project Construction Account to the Interest Account of the Debt Service Fund an amount equal to the deficiency.

Lien of Bondholders

Subject to the applicable provisions of the Resolution,

(i) the monies deposited to the credit of each sub-account of the Project Construction Account, including all obligations held as investments thereof and the proceeds of such investments, shall be held in trust and applied only to pay the Costs of the Project with respect to the related Project, or as otherwise permitted by the Resolution and are pledged to the Trustee, pending such application, for the benefit of the Holders of the Bond until paid out and transferred as provided in the Resolution;

(ii) the monies deposited to the credit of each sub-account of the Cost of Issuance Account, including all obligations held as investments thereof and the proceeds of such investments, shall be held in trust and applied only to pay the Cost of Issuance of the related Series of Bonds and are pledged to the Trustee, pending such application, for the benefit of the Holders of the Bonds, and for the security of the payment of the principal of and interest on the Bonds, and shall at all times be subject to the lien of such pledge until paid out and transferred as provided in the Resolution; and

(iii) the monies deposited to the credit of each sub-account of the Capitalized Interest Account, including all obligations held as investments thereof and the proceeds of such investments, shall be held in trust and applied only for the purpose of paying the interest on the related Series of Bonds in accordance with the applicable Capitalized Interest Payment Schedule and are pledged to the Trustee, pending such application, for the benefit of the Holders of the Bonds, and for the security of the payment of the principal of and interest on the Bonds, and shall at all times be subject to the lien of such pledge until paid out and transferred as provided in the Resolution.

Project Construction Account

All payments from each sub-account of the Project Construction Account shall be subject to the provisions and restrictions of the Resolution and the Authority covenants that it will not cause or permit to be paid from any sub-account of the Project Construction Account any sums except in accordance with such provisions and restrictions. In addition to the withdrawals permitted by the Resolution with respect to amounts on deposit in any sub-account of the Project Construction Account, the Authority may direct the Trustee to apply such amounts to the payment of a portion of the purchase price of Investment Obligations which Investment Obligations are to be held by the Trustee pursuant to the provisions of the Resolution.

The Trustee shall from time to time pay out, or permit the withdrawal of, monies in a sub-account of the Project Construction Account for the purpose of paying all or a portion of the Costs of the Project for the related Project, upon receipt by the Trustee of a written requisition of the Authority signed by an Authorized Officer or its duly authorized agent accompanied by a certificate signed by an Authorized Officer of the Authority certifying that the amount being paid from such sub-account of the Project Construction Account pursuant to such requisition, together with all prior withdrawals from such sub-account of the Project Construction Account with respect to a Project, will not exceed in the aggregate the Cost of the Project for such Project.

Transfer of Surplus or Undisbursed Funds

The Authority covenants that, promptly upon receipt of a certificate from the Lessee as to the completion or abandonment of a Project, as provided for in the Lease Agreement, it will deliver to the Trustee a certificate, signed by an Authorized Officer, certifying receipt of such certificate from the Lessee and stating the amount of money, if any, required for the payment of any Cost of the Project with respect to a Project remaining to be paid and directing that any related amounts remaining in the applicable sub-account of the Project Construction Account in excess of such amount remaining to be paid shall be transferred to the Redemption Account. Upon receipt of each such certificate by the Trustee, the Trustee shall, in accordance with such certificate, transfer such amounts from the applicable sub-account of the Project Construction Account into the Redemption Account for the purchase or redemption of the related Series of Bonds. To the extent that the Cost of the Project of any one Project shall be funded with the proceeds of more than one Series of Bonds issued at a later date, the completion of such Project shall be determined without reference to the disbursement in full of the proceeds of the first Series of Bonds issued for such purpose.

Pledge, Limited Liability

Lease Payments and all Funds and Accounts established by the Resolution (except any amounts deposited in the Rebate Fund), including the investments thereof and the proceeds of such investments, if any, are pledged by the Resolution to the Trustee for the payment of the principal and Redemption Price of and interest on the Bonds in accordance with the terms and provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution; provided, however, the Authority may, pursuant to a Supplemental Resolution authorizing the issuance of a Series of Bonds, also pledge such Lease Payments, Funds and Accounts to one or more Credit Facility Providers who have provided Credit Facilities to secure such Series of Bonds and such further pledge may be either on a parity with or subordinate to the pledge set forth in the Resolution to secure the payment of the Bonds, all as set forth in such Supplemental Resolution; and provided further, however, that the Authority may, pursuant to a Supplemental Resolution, provide that amounts in an Account or sub-account established pursuant to such Supplemental Resolution be excluded from the pledge set forth in the Resolution to secure the payment of the Bonds or otherwise limit such pledge with respect to such Account or sub-account. The pledge of the Resolution shall be valid and binding from and after the date of adoption of the Resolution, and the Lease Payments and all other monies and securities in the Funds, Accounts and sub-accounts established by the Resolution and thereby pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

The Bonds are limited revenue obligations of the Authority. The Lessee's obligation to make Lease Payments, the Bonds and the Lease Agreement do not create or constitute a debt, liability or liabilities of the State of Maine or any political subdivision of the State of Maine other than the Authority within the meaning of any constitutional or statutory limitation or a loan of the credit of the State of Maine or a pledge of the faith and credit of the State of Maine or any political subdivision of the State of Maine other than the Authority, nor a contractual obligation in excess of the amounts appropriated therefor, and the State of Maine has no continuing legal or moral obligation to appropriate money for such payments or other obligations under the Lease Agreement. Lease Payments of the principal of, premium, if any, and interest on the Bonds will be made solely from amounts derived under the terms of the Lease Agreement, including the Lease Payments, and certain amounts from time to time on deposit under the Resolution. Neither the State of Maine nor any political subdivision of the State of Maine shall be obligated to pay the principal or Redemption Price of or interest on the Bonds, except from the Lease Payments pledged therefor pursuant to the Resolution, and neither the faith and credit nor the taxing power of the State of Maine or of any political subdivision of the State of Maine is pledged to the payment of the principal or Redemption Price of or the interest on the Bonds. The issuance of the Bonds shall not directly, indirectly or contingently obligate the State of Maine or any political subdivision of the State of Maine to levy or to pledge any form of taxation whatever or to make any appropriation for their payment. The Lessee's obligation to make Lease Payments and any other obligation of the Lessee under the Lease Agreement are subject to and dependent upon appropriations being made by the Legislature of the State of Maine for such purpose. Neither the faith and credit nor the taxing power of the

State of Maine or of any political subdivision of the State of Maine is pledged to the payment of the principal of, redemption premium, if any, or interest on the Bonds. The Authority has no taxing power.

Establishment of Funds and Accounts

In addition to the special trust accounts and sub-accounts established as provided above, the Resolution also establishes the following special Funds and Accounts:

(1) Revenue Fund

(2) Debt Service Fund
Interest Account
Principal Account
Redemption Account
Sinking Fund Installment Account

(3) Debt Service Reserve Fund

(4) Rebate Fund

Revenue Fund

The Revenue Fund shall be held by the Trustee. All Lease Payments held or collected by the Authority or the Trustee shall be deposited upon receipt in the Revenue Fund. There shall also be deposited in the Revenue Fund all investment income or earnings on amounts held in all Funds and Accounts other than the Rebate Fund. Nothing contained in the Resolution shall be construed to prohibit the deposit of monies or investments in the Revenue Fund from sources other than those set forth above. Monies and the proceeds of sale of securities from time to time in the Revenue Fund shall be paid out and applied for the uses and purposes for which the same are pledged by the provisions of the Resolution, in the manner provided in the Resolution.

On or before each interest payment date on the Bonds, the Trustee shall first withdraw from the Revenue Fund and deposit to the credit of the following Accounts in the Debt Service Fund the following amounts in the following order:

First, to the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, will on such interest payment date be equal to the installment of the interest on the Bonds then becoming due.

Second, to the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will on such date be equal to the amount of the principal of the Bonds then becoming due.

Third, to the Sinking Fund Installment Account an amount which, when added to the amount then on deposit in the Sinking Fund Installment Account, will on such date be equal to the amount of the Sinking Fund Installment for the Bonds then becoming due.

Fourth, to the Debt Service Reserve Fund such amount (or the balance of the monies so remaining in the Revenue Fund if less than the required amount) as shall have been previously withdrawn from the Debt Service Reserve Fund for the purpose of making up deficiencies in the Interest Account, Sinking Fund Installment Account or Principal Account pursuant to the applicable provisions of the Resolution or as shall be required to make the amount on deposit in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement.

On or before each principal payment date or Sinking Fund Installment payment date (but not more frequently than once in any twelve-month period) on the Bonds, following the transfer of amounts from the Revenue Fund to the Accounts in the Debt Service Fund as provided above, the Trustee shall withdraw an amount not to exceed one tenth of one percent (.1%) of the original aggregate principal amount of each Series of the Bonds from the Revenue Fund and pay such amount to the Authority free and clear of the lien of the Resolution as the program fee and compensation due by the Lessee to the Authority.

Debt Service Fund

The Debt Service Fund shall be held by the Trustee and shall be used solely for the purpose of paying the principal and Redemption Price of and interest on the Bonds and of retiring such Bonds at or prior to maturity in the manner provided in the Resolution; provided, however, that if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to make the payments on the Bonds, then amounts in the Debt Service Fund which would have otherwise been used to make such payments may be applied to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution.

The Resolution creates and establishes in the Debt Service Fund an account called the "Interest Account". The Trustee shall, on or before each interest payment date of the Bonds, pay out of the monies then held for the credit of the Interest Account, the amounts required for the payment of the interest becoming due on the Bonds on such interest payment date; provided, however, that if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to make the payments of interest on the Bonds, then amounts in the Debt Service Fund which would have otherwise been used to make such payments may be applied to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution.

The Resolution also creates and establishes in the Debt Service Fund an account called the "Principal Account". The Trustee shall, on or before each principal payment date of the Bonds, pay out of the monies then held for the credit of the Principal Account, the amounts required for the payment of the principal becoming due at maturity on the Bonds on such principal payment date; provided, however, that if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to make the payments of principal on the Bonds, then amounts in the Debt Service Fund which would have otherwise been used to make such payments may be applied to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution.

The Resolution also creates and establishes in the Debt Service Fund an account called the "Sinking Fund Installment Account". The Trustee shall, on or before each Sinking Fund Installment payment date for the Bonds, pay out of the monies then held for the credit of the Sinking Fund Installment Account, the amounts required for the payment of the Sinking Fund Installment becoming due for the Bonds on such Sinking Fund Installment payment date (subject to the credits provided for below); provided, however, that if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to make the payments of Sinking Fund Installments on the Bonds, then amounts in the Debt Service Fund which would have otherwise been used to make such payments may be applied to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution. The Trustee shall call for redemption, in the manner provided in the Resolution, Bonds of a Series and maturity for which Sinking Fund Installments are applicable in a principal amount equal to the Sinking Fund Installment then due with respect to such Bonds. Such call for redemption shall be made even though at the time of mailing of the notice of such redemption sufficient monies therefor shall not have been deposited in the Sinking Fund Installment Account of the Debt Service Fund.

Upon the purchase or redemption (other than through the application of the Sinking Fund Installment Account) of any Bonds of a Series and maturity for which Sinking Fund Installments are applicable, an amount equal to the principal of such Bonds so purchased or redeemed shall be credited against the next ensuing and future Sinking Fund Installments for such Bonds in direct chronological order (unless the Authority shall instruct the Trustee in writing to credit such purchases or redemptions in a different order) of the due dates of such Sinking Fund Installments until the full principal amount of such Bonds so purchased or redeemed shall have been so credited. The portion of any such Sinking Fund Installment remaining after the deduction of such amounts so credited shall constitute and be deemed to be the amount of such Sinking Fund Installment for the purposes of any calculation thereof under the Resolution.

The Authority shall receive a credit in respect of Sinking Fund Installments for any Bonds of a Series and maturity which are subject to mandatory Sinking Fund Installment redemption and which are delivered by the Authority to the Trustee on or before the forty-fifth (45th) day next preceding any Sinking Fund Installment payment date and for any such Bonds which prior to such date have been purchased or redeemed (otherwise than through the operation of the Sinking Fund Installment Account) and cancelled by the Trustee and not theretofore applied as a credit against any Sinking Fund Installment (whether pursuant to the above paragraph or otherwise). Each Bond so delivered, cancelled or previously purchased or redeemed shall be credited by the Trustee at one hundred per cent (100%) of the principal amount thereof against the obligation of the Authority to make Sinking Fund Installments on such Sinking Fund Installment payment date with respect to Bonds of such Series and maturity and the principal amount of such Bonds to be redeemed by operation of the Sinking Fund Installment Account on the due date of such Sinking Fund Installment shall be reduced accordingly, and any excess over such principal amount shall be credited on future Sinking Fund Installments in direct chronological order (unless the Authority shall instruct the Trustee in writing to credit the Bonds so delivered, previously purchased or redeemed in a different order) and the principal amount of Bonds of such Series and maturity to be redeemed by application of Sinking Fund Installment payments shall be accordingly reduced.

The Resolution further creates and establishes in the Debt Service Fund an account called the "Redemption Account". The Authority shall deposit or cause to be deposited in the Redemption Account such monies as shall be designated to be deposited therein pursuant to the provisions of the Resolution.

The Trustee shall promptly apply monies so deposited in the Redemption Account to the purchase of Bonds of such Series and maturity designated by the Authority at such purchase price, not exceeding the Redemption Price which would be payable on the next ensuing date on which such Bonds are redeemable at the option of the Authority as shall be determined by the Authority in its discretion and as shall be set forth in written instructions to the Trustee. The Trustee, to the extent monies are available in the Interest Account, shall pay the interest accrued on the Bonds so purchased to the date of delivery thereof to the Trustee from the Interest Account and any balance of such interest and the balance of the purchase price from monies deposited in the Redemption Account, but no such purchase shall be made by the Trustee within the period of forty-five (45) days next preceding a date on which such Bonds are subject to redemption under the provisions hereof.

In the event the Trustee is unable to purchase Bonds as provided above, the Trustee shall call for redemption on the next applicable redemption date on which such Bonds are redeemable at the option of the Authority, such amounts of Bonds as the Authority, in written instructions to the Trustee, shall determine, at the Redemption Price thereof, as will exhaust such monies as nearly as may be. The Trustee, to the extent monies are available in the Interest Account, shall pay the interest accrued on the Bonds so redeemed to the date of redemption from the Interest Account and any balance of such interest and the Redemption Price from monies deposited in the Redemption Account.

The Authority may, from time to time, by written instructions direct the Trustee to make purchases of Bonds only after receipt of tenders after notice. The Authority may specify the length of notice to be given and the dates on which tenders are to be accepted or may authorize the Trustee to determine the same in its discretion. All such tenders shall be sealed proposals and no tenders shall be considered or accepted at any price exceeding the price specified above for the purchase of Bonds. The Trustee shall accept bids with the lowest price and if the monies available for purchase pursuant to such tenders are not sufficient to permit acceptance of all tenders and there shall be tenders at an equal price above the amount of monies available for purchase, then the Trustee shall select by lot, in such manner as the Trustee shall determine in its discretion, the Bonds tendered which shall be purchased. No purchase of Bonds, either on tenders or otherwise, shall be made by the Trustee within the period of forty-five (45) days next preceding any date on which such Bonds are subject to redemption.

If, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to purchase or redeem Bonds, then amounts in the Redemption Account which would otherwise have been used for such purposes may be applied to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution.

With respect to those Series of Bonds which by the terms of the Supplemental Resolution authorizing such Series are secured by the Debt Service Reserve Fund, in the event there shall be on any interest payment date, a deficiency in the Interest Account, or, in the event there shall be, on any principal payment date, a deficiency in the Principal Account, or, in the event there shall be, on any Sinking Fund Installment payment date, a deficiency in the Sinking Fund Installment Account, the Trustee shall make up such deficiencies from the Debt Service Reserve Fund, by the withdrawal of monies therefrom for that purpose and by the sale or redemption of securities held in the Debt Service Reserve Fund, if necessary, in such amounts as will, at the respective times, provide monies in the Interest Account, the Principal Account and the Sinking Fund Installment Account sufficient to make up any deficiency, and the Trustee shall pay into the Debt Service Reserve Fund from the Revenue Fund, to the extent that monies therein are available for such purpose, the amounts withdrawn therefrom for the purpose of making up any such deficiencies. Whenever the assets of the Debt Service Fund and the Debt Service Reserve Fund shall be sufficient in the aggregate to provide monies to pay, redeem or retire all Bonds secured by the Debt Service Reserve Fund then Outstanding, including such interest thereon as may thereafter become due and payable to maturity or date of redemption, no further payments need be made into the Debt Service Fund or Debt Service Reserve Fund.

If, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to pay the principal, Sinking Fund Installments, Redemption Price of or interest on Bonds, then amounts in the Debt Service Reserve Fund which would otherwise have been used for such purposes may be applied to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution.

The Debt Service Fund shall be drawn upon for the sole purpose of paying the principal, Sinking Fund Installments, Redemption Price of and interest on the Bonds and, if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to pay the principal, Sinking Fund Installments, Redemption Price of or interest on the Bonds, to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution. Monies set aside from time to time with the Trustee for the payment of such principal, Sinking Fund Installments, Redemption Price and interest shall be held in trust for the Holders of the Bonds in respect of which the same shall have been so set aside. Until so set aside for the payment of principal, Sinking Fund Installments, Redemption Price or interest as aforesaid, all monies in the Debt Service Fund shall be held in trust for the benefit of the Holders of all Bonds at the time Outstanding equally and ratably.

Debt Service Reserve Fund

The Debt Service Reserve Fund is to be held by the Trustee. Upon the issuance, sale and delivery of a Series of Bonds pursuant to the Resolution, there shall be deposited to the credit of the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Fund Requirement, which amount may be zero, and the Trustee shall deposit in and credit to such Debt Service Reserve Fund all monies transferred from the Revenue Fund pursuant to the applicable provisions of the Resolution. Monies in the Debt Service Reserve Fund may be used for the payment of the principal, Sinking Fund Installments, Redemption Price of and interest on those Series of Bonds which are secured by the Debt Service Reserve Fund pursuant to the terms of the Supplemental Resolution authorizing the issuance of such Series of Bonds to the extent that other funds are not available.

Whenever there shall be a deposit of monies to the Redemption Account or the Sinking Fund Installment Account pursuant to the provisions of the Resolution which requires or permits the purchase or redemption of Bonds which would result in the reduction of the Debt Service Reserve Fund Requirement upon the purchase or redemption of such Bonds, at the direction of the Authority the Trustee shall, in connection with each such event, withdraw from the Debt Service Reserve Fund and deposit in the Redemption Account or the Sinking Fund Installment Account an amount of monies equal to the reduction of the Debt Service Reserve Fund Requirement which would result upon the redemption of such Bonds upon the next succeeding redemption date or Sinking Fund Installment payment date.

Whenever the Trustee shall determine that, on any maturity or principal payment date of the Bonds then Outstanding, the monies and securities in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement for all Bonds, will be equal to or in excess of the Redemption Price of all of the Bonds secured by the Debt Service Reserve Fund then Outstanding, the Trustee shall, upon the direction of the Authority, use and apply such excess in the Debt Service Reserve Fund to the redemption, on such maturity or principal payment date, of all Bonds secured by the Debt Service Reserve Fund then Outstanding.

Whenever the Trustee shall determine that on the final maturity date of those Series of Bonds which are secured by the Debt Service Reserve Fund then Outstanding, the monies and securities in the Debt Service Reserve Fund will be in excess of the Debt Service Reserve Fund Requirement for all such Bonds, the Trustee shall use and apply such excess in the Debt Service Reserve Fund to the payment, on the final maturity date, of the principal of such Bonds then Outstanding and deposits in the Principal Account and/or the Sinking Fund Installment Account may be reduced proportionately.

If, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to pay the principal, Sinking Fund Installments, Redemption Price of or interest on Bonds, then amounts in the Debt Service Reserve Fund which would otherwise have been used for such purposes may be applied to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution.

The Authority may, at any time, provide to the Trustee one or more Cash Equivalents for deposit in the Debt Service Reserve Fund in an amount not exceeding the amount of the Debt Service Reserve Fund Requirement specified in the Resolution. In the event any such Cash Equivalents are so provided, the Trustee shall make such deposit and transfer funds in an equivalent amount from the Debt Service Reserve Fund to the Revenue Fund.

Rebate Fund

The Trustee, upon the receipt of a certification of the Rebate Amount from an Authorized Representative of the Authority, shall, upon written direction of the Authority delivered pursuant to the related Arbitrage and Use of Proceeds Certificate, deposit in the Rebate Fund on the first Business Day following each Computation Date (as defined in such Arbitrage and Use of Proceeds Certificate), an amount such that the amount held in the Rebate Fund after such deposit is equal to the relevant Rebate Amount calculated pursuant to the related Arbitrage and Use of Proceeds Certificate. In addition, the Trustee shall deposit in the Rebate Fund, on any date, the amounts, if any, set forth in a written direction of the Authority. Any amounts deposited in the Rebate Fund pursuant to the two previous sentences shall be withdrawn from such Fund, Account or sub-account as the Authority shall direct the Trustee in writing or shall come from any other amounts delivered by the Authority to the Trustee.

In the event that on the first day of any Bond Year (as defined in the related Arbitrage and Use of Proceeds Certificate) the amount on deposit in the Rebate Fund exceeds the relevant Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Representative of the Authority, shall withdraw such excess amount and deposit it in the Revenue Fund.

The Trustee, upon the receipt of written instructions from an Authorized Representative of the Authority, shall pay to the United States, out of amounts in the Rebate Fund, (i) not less frequently than once each Computation Date, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to 90% of the Rebate Amount with respect to such Series of Bonds as of the date of such payment and (ii) not later than sixty (60) days after the date on which all Bonds of a Series have been paid in full, 100% of the relevant Rebate Amount as of the date of payment.

The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee. All investment income or earnings on amounts held in the Rebate Fund shall be held in the Rebate Fund.

Earnings

Except as otherwise provided in a Supplemental Resolution with respect to an Account established thereunder which is not pledged to the payment of the Bonds or to any Credit Facility Provider in connection with a Credit Facility securing one or more Series of Bonds, all investment income or earnings on amounts held in the Project Construction Account, the Cost of Issuance Account, the Capitalized Interest Account, the Debt Service Reserve Fund, the Revenue Fund and the Debt Service Fund, including amounts held in any sub-account for any such Account or Fund, shall be transferred to the Revenue Fund, or, at the written direction of the Authority, transferred to such Fund, Account or sub-account as the Authority shall direct the Trustee in writing; provided, however, that (y) investment income or earnings on amounts held in any sub-account of the Project Construction Account or of the Capitalized Interest Account shall remain in and be credited to such respective sub-account; and (z) the transfer of any income or interest earned by, or increment to, the Debt Service Reserve Fund due to the investment thereof shall be made only to the extent that any such transfer will not reduce the value of the obligations purchased as an investment of monies on deposit in the Debt Service Reserve Fund plus any other monies on deposit therein to less than the Debt Service Reserve Fund Requirement.

Investment of Funds and Accounts Held by the Trustee

Upon direction of the Authority confirmed in writing by an Authorized Officer, monies in the Funds, Accounts and sub-accounts established pursuant to the Resolution shall be invested by the Trustee in Investment Obligations so that the maturity date or date of redemption at the option of the holder of such Investment Obligations shall coincide, as nearly as practicable, but shall not be later than, the times at which monies in such Funds, Accounts or sub-accounts will be required for the purposes set forth in the Resolution.

In computing the amount in any Fund, Account or sub-account held by the Trustee under the provisions of the Resolution, obligations purchased as an investment of monies therein shall be valued, except as expressly set forth in the Resolution, on each interest payment date at par if purchased at par, or at their Amortized Value if purchased at other than par; provided, however, that investments of amounts held in the Debt Service Reserve Fund shall be valued at the lower of cost or fair market value as determined by the Trustee one month prior to each interest payment date.

The Trustee shall, upon the direction of the Authority, confirmed in writing by an Authorized Officer, sell at the best price obtainable by the Trustee, or present for redemption, any obligation purchased by it as an investment whenever it shall be necessary in order to provide monies to meet any payment or transfer from the Fund or Account for which such investment was made except that, in the case of investment arrangements involving Investment Obligations or other obligations, the Trustee shall sell such obligations in accordance with the terms of such investment arrangements. The Trustee shall advise the Authority in writing, on or before the twentieth day of each calendar month, of the details of all investments held for the credit of each Fund, Account and sub-account in its custody under the provisions of the Resolution as of the end of the preceding month.

Resignation of Trustee

The Trustee may at any time resign and be discharged of the duties and obligations created by the Resolution by giving not less than sixty (60) days' written notice to the Authority, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, in which event such resignation shall take effect immediately on the appointment of such successor, provided that such resignation shall not take effect unless and until a successor shall have been appointed.

Removal of Trustee

The Trustee shall be removed by the Authority if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the Authority, and signed by the Holders of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Authority. The Authority may also remove the Trustee at any time, except during the existence of an event of default, for such cause as shall be determined in the sole discretion of the Authority, by filing with the Trustee an instrument signed by an Authorized Officer of the Authority.

Appointment of Successor Trustee

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Authority covenants and agrees that it will thereupon appoint a successor Trustee.

If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions within forty-five (45) days after the Trustee shall have given to the Authority written notice or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee may appoint a temporary successor Trustee and the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee appointed in succession to the Trustee shall be a bank or trust company organized under the laws of the State of Maine or a national banking association, authorized to do business in the State of Maine, and having a capital and surplus aggregating at least twenty-five million dollars ($25,000,000), if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

Extension of Payments of Bonds

The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or claims for interest by the purchase or funding of such Bonds or by any other arrangement and in case the maturity of any of the Bonds or claims for interest shall be extended such Bonds or claims for interest shall not be entitled in case of any default under the Resolution to the benefit of the Resolution or to any payment out of any assets of the Authority or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Trustee, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by extended claims for interest.

No Pecuniary Liability of Authority or Officers

No provision, covenant or agreement contained in the Resolution or in the Bonds or any obligations in the Resolution or in the Bonds imposed upon the Authority or the breach thereof, shall constitute or give rise to a charge upon its general credit or impose upon the Authority a pecuniary liability except as set forth in the Resolution.

All covenants, stipulations, promises, agreements and obligations of the Authority contained in the Resolution shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Authority and not of any member, officer, agent or employee thereof in his individual capacity. No recourse shall be had for the payment of the principal or Redemption Price, if any, of, Sinking Fund Installments for, or interest on the Bonds, for the performance of any obligation under the Resolution, or for any claim based thereon or under the Resolution against any such member, officer, agent or employee or against any natural person executing the Bonds. No such member, officer, agent, employee or natural person is or shall become personally liable for any such payment, performance or other claim, and in no event shall any monetary or deficiency judgment be sought or secured against any such member, officer, agent, employee or other natural person.

Power to Issue Bonds and Make Pledges

The Authority is duly authorized pursuant to law to create and issue the Bonds and to adopt the Resolution and to pledge and assign the Lease Payments and other monies, securities, funds and property purported to be pledged and assigned by the Resolution in the manner and to the extent provided in the Resolution. The Lease Payments and other monies, securities, funds and property so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, subject to the provisions of the Resolution regarding permitted pledges to Credit Facility Providers, and all corporate action on the part of the Authority to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of the Resolution. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Lease Payments and other monies, securities, funds and property pledged and assigned under the Resolution and all the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

Agreement of the State

Pursuant to Section 1617 of the Act, the State pledges and agrees with the Holders of the Bonds that the State will not limit or alter the rights vested in the Authority to fulfill the terms of any agreements made with Bondholders, or in any way impair the rights and remedies of such Holders until the Bonds, together with the interest thereon, with interest on any unpaid installment of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully met and discharged. The obligation to make Lease Payments and any other obligations of the Lessee under the Lease Agreement are subject to and dependent upon appropriations being made by the Legislature of the State for such purpose.

Accounts

The Authority shall keep proper books of record and account in which complete and correct entries shall be made of its transactions relating to the Lease Agreement, the Lease Payments and all Funds, Accounts and sub-accounts established by the Resolution, which shall at all times be subject to the inspection of the Trustee (it being understood that the Trustee shall have no obligation to do so) and the Holders of an aggregate of not less than ten per centum (10%) in aggregate principal amount of the Bonds then Outstanding or their representatives duly authorized in writing or any Credit Facility Provider.

Pledge and Assignment of Lease Payments

The Lease Payments are pledged and assigned by the Resolution to the Trustee for the benefit of the Holders of the Bonds and for the application thereof in accordance with the provisions of the Resolution, and the Trustee shall have the legal right to enforce such pledge and assignment and the provisions of the Lease Agreement providing for the payment thereof in the manner provided in the Lease Agreement and the Resolution.

All Lease Payments shall be paid directly to the Trustee for the account of the Authority and deposited by the Trustee in the Revenue Fund. Any Lease Payments which may be received by the Authority shall be paid over to the Trustee as received, and the Authority covenants and agrees so to do. The obligation to make Lease Payments and any other obligations of the Lessee under the Lease Agreement are subject to and dependent upon appropriations being made by the Legislature of the State for such purpose.

Compliance with Lease Agreement

The Authority covenants that it shall take all steps, actions and proceedings as may be necessary in order to require compliance by the Lessee with the covenants, terms and conditions of the Lease Agreement, the breach of which would in any way affect or impair the obligation of the Lessee to pay the Lease Payments at the times and in the manner and amounts provided in the Lease Agreement. The Authority further covenants that, except as provided for in the Lease Agreement and the Resolution, it will not pledge, mortgage, sell or otherwise encumber or alienate its interest in a Project or any part thereof. Nothing contained in this covenant, however, shall require the Authority to exercise any landlord remedies with respect to the Lessee or any Project or Projects under the Lease Agreement.

Waiver of Laws

The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in the Resolution or in the Bonds, and all benefit or advantage of any such law or laws is hereby, to the maximum extent permitted by applicable law, expressly waived by the Authority.

Tax Covenants

The Authority shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall not be included in gross income for federal income tax purposes pursuant to Section 103 of the Code.

Supplemental Resolutions; Adoption and Filing

The Authority may, without consent of the Bondholders, adopt at any time or from time to time Supplemental Resolutions for any one or more of the following purposes, and any such Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer:

(1) To cure any formal defect, omission or ambiguity in the Resolution or in any description of property subject to the lien of the Resolution, if such action is not materially adverse to the interests of the Bondholders (without regard to any Credit Facility);

(2) To grant to or confer upon the Trustee for the benefit of the Bondholders, any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(3) To add to the covenants, agreements, limitations and restrictions of the Authority in the Resolution other covenants, agreements, limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(4) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Resolution, of the Lease Payments or of any other monies, securities or funds, or to subject to the lien or pledge of the Resolution additional revenues, properties or collateral;

(5) To modify or amend such provisions of the Resolution as shall, in the opinion of Bond Counsel, be necessary to assure that the interest on the Bonds not be includable in gross income for federal income tax purposes;

(6) To effect any other change in the Resolution which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Bondholders (without regard to any Credit Facility);

(7) To modify, amend or supplement the Resolution or any Supplemental Resolution in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Resolution or any Supplemental Resolution such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;

(8) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to specify and determine such matters and things referred to in the Resolution and to prescribe the terms and conditions pursuant to which such Series of Bonds may be issued, paid or redeemed;

(9) To provide for such changes as are deemed necessary by the Authority upon delivery to the Trustee of a Credit Facility; or

(10) To modify any of the provisions of the Resolution or any previously adopted Supplemental Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such new Supplemental Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent resolutions;

provided, however that any such Supplemental Resolution which would increase or modify the Lessee's obligations under the Resolution shall require the written consent of the Lessee prior to its adoption.

Supplemental Resolutions Effective with Consent of Bondholders

Except as permitted above, the provisions of the Resolution may be modified at any time or from time to time by a Supplemental Resolution, subject to the consent of Bondholders as provided below, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer.

Amendments of Resolution; Power of Amendment

Except as permitted above, any modification or amendment of the Resolution and of the rights and obligations of the Authority, and of the Holders of the Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution with the written consent given as provided below, (a) of the Holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least two-thirds in principal amount of the Holders of each Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or Sinking Fund Installment therefor, or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series; provided, however, in the determination of whether a modification or amendment of the Resolution adversely affects or diminishes the rights of the Holders of the Bonds of any Series, such determination shall not take into account any Credit Facility in effect with respect to such Series of Bonds at the time such determination is made.

Consent of Bondholders

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the above paragraph. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Authority to the Bondholders in the same manner provided in the Resolution with respect to the redemption of Bonds (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to by the Bondholders as provided below). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Trustee (i) the written consents of Holders of the percentages of Outstanding Bonds specified in the paragraph above; and (ii) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof).

Modification of the Resolution by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Authority of a Supplemental Resolution certified by an Authorized Officer and the consent of the Holders of all of the Bonds then Outstanding.

Exclusion of Bonds

Bonds owned or held by or for the account of the Authority or the Lessee shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Resolution and the Authority shall not be entitled with respect to such Bonds to give any consent or to take any other action provided for in the Resolution.

Events of Default

Each of the following events is hereby declared an "event of default", that is to say; if:

1. default is made in the payment of the principal or Redemption Price of, Sinking Fund Installments for, or interest on any Bond when and as the same shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of two (2) business days; or

2. the Authority shall fail or refuse to comply with the provisions of the Act, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Resolution or any Supplemental Resolution, or in the Bonds contained, and continuance of such default for a period of ninety (90) days after written notice thereof requiring the same to be remedied shall have been given to the Authority by the Trustee, which shall give such notice at the written request of the Holders of not less than five per centum (5%) in aggregate principal amount of the Outstanding Bonds; or

3. the Authority shall file a petition seeking a composition of indebtedness under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or of the State.

Remedies

Upon the happening and continuance of any event of default specified above, then, and in each such case, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(i) by suit, action or proceeding in accordance with applicable law, to enforce all rights of the Bondholders, including the right to require the Authority to collect Lease Payments adequate to carry out the covenants and agreements as to, and pledge of, such, Lease Payments, and other properties pledged by the Resolution and to require the Authority to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(ii) by bringing suit upon the Bonds;

(iii) by action or suit, to require the Authority to account as if it were the trustee of an express trust for the Holders of the Bonds;

(iv) by action or suit, to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; and

(v) in accordance with the provisions of the Act, by declaring all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Holders of not less than twenty-five per centum (25%) in aggregate principal amount of the Outstanding Bonds, to annul such declaration and its consequences.

In the enforcement of any remedy under the Resolution, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and any time remaining, due from the Authority for principal, Redemption Price, interest or otherwise, under any provision of the Resolution or of the Bonds, and unpaid, with interest on overdue payments at the rate of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the Authority for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any monies available for such purpose, in any manner provided by law, the monies adjudged or decreed to be payable.

Priority of Payments After Default

In the event that the funds held by the Trustee following the occurrence of an event of default shall be insufficient for the payment of interest and principal or Redemption Price then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other monies received or collected by the Trustee acting pursuant to the remedy provisions of the Resolution, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee (including counsel's fees and expenses) in the performance of its duties under the Resolution, shall be applied as follows:

(a) unless the principal of all of the Bonds shall be due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; or

(b) if the principal of all the Bonds shall be due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amount due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rate of interest specified in the Bonds.

The above provisions of the Resolution are in all respects subject to the provisions of the Resolution described above under "Extension of Payments of Bonds."

Whenever monies are to be applied by the Trustee pursuant to the above provisions, such monies shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine having due regard to the amount of such monies available for application and the likelihood of additional money becoming available for such application in the future; and the Trustee shall incur no liability whatsoever to the Authority, to the Bondholders or to any other person for any delay in applying any such monies, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such monies, it shall fix the date (which shall be an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Termination of Proceedings

In case any proceedings taken by the Trustee on account of any event of default shall have been discontinued or abandoned for any reason, then in every such case the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, power and duties of the Trustee shall continue as though no such proceeding had been taken.

Bondholders' Direction of Proceedings

Anything in the Resolution to the contrary notwithstanding, the Holders of the majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Resolution; provided that such direction shall not be otherwise than in accordance with law or the provisions of the Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

Limitation on Rights of Bondholders

No Holder of any Bond shall have any right to institute any suit, action or other proceeding under the Resolution, or for the protection or enforcement of any right under the Resolution or any right under law unless such Holder shall have given to the Trustee written notice of the event of default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Holders of not less than twenty-five per centum (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Resolution or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee security and indemnity to its reasonable satisfaction against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Resolution or for any other remedy under the Resolution or under law. It is understood and intended that no one or more Holders of the Bonds secured by the Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution, or to enforce any right under the Resolution or under law with respect to the Bonds or the Resolution, except in the manner provided in the Resolution, and that all proceedings shall be instituted, had and maintained in the manner provided in the Resolution and for the benefit of all Holders of the Outstanding Bonds. Notwithstanding the foregoing provisions, the obligation of the Authority shall be absolute and unconditional to pay the principal or Redemption Price of and interest on the Bonds to the respective Holders thereof at the respective due dates thereof from the Lease Payments and Funds, Accounts and sub-accounts pledged therefor, and nothing in the Resolution shall affect or impair the right of action, which is absolute and unconditional, of such Holders to enforce such payment.

Each Holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Resolution or any Supplemental Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal or Redemption Price of or interest on any Bond on or after the respective due dates thereof expressed in such Bond.

Possession of Bonds by Trustee Not Required

All rights of action under the Resolution or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof at the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the Holders of such Bonds, subject to the provisions of the Resolution.

Remedies Not Exclusive

No remedy in the Resolution conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under the Resolution or now or hereafter existing at law or in equity or by statute.

No Waiver of Default

No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Resolution to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Notice of Event of Default

The Trustee shall give to the Bondholders notice of each event of default of which an officer of the Trustee in its corporate trust department has actual knowledge, or has received written notice, within ninety (90) days after knowledge of the occurrence thereof, unless such event of default shall have been remedied or cured before the giving of such notice. Each such notice of event of default shall be given by the Trustee by mailing written notice thereof to all Holders of Bonds, as the names and addresses of such Holders appear upon the books for registration and transfer of Bonds as kept by the Trustee.

Release of Lien of the Resolution

If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds then Outstanding, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then and in that event the covenants, agreements and other obligations of the Authority to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such release and discharge and the Trustee shall pay over or deliver to the Authority all monies or securities held by it pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Payment of Bonds

Bonds or interest installments for the payment or redemption of which sufficient monies shall then be held by the Trustee (through deposit by the Authority of funds for such payment or redemption or otherwise) whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning of the above paragraph.

All Outstanding Bonds of a Series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the provision of the Resolution entitled "Release of Lien of the Resolution" if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to mail as provided in the Resolution notice of redemption on such date of such Bonds, (b) there shall have been deposited with the Trustee either monies in an amount which shall be sufficient, or Defeasance Securities, the principal of and the interest on which when due will provide monies which, together with the monies, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on such Bonds or portion of all Outstanding Bonds of such Series on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to give notice that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Resolution and stating such maturity or redemption date upon which monies are to be available for the payment of the principal or Redemption Price, if applicable, on such Bonds. Neither the Defeasance Securities nor monies deposited with the Trustee pursuant to the above nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust, for the payment of the principal or Redemption Price, if any, and interest on such Bonds or a portion of such Bonds, as the case may be; provided that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be.

Any income or interest earned by, or increment to, the investment of any such monies so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required hereinabove to pay the principal, Redemption Price, if any, and interest on such Bonds, as realized, be transferred by the Trustee to the Authority, and any such monies so paid by the Trustee to the Authority shall be released of the lien and pledge created by the Resolution.

No Recourse Under Resolution or on Bonds

All covenants, stipulations, promises, agreements and obligations of the Authority contained in the Resolution or any Supplemental Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any member, officer or employee of the Authority in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of, Sinking Fund Installments for or interest on the Bonds or for any claim based thereon or on the Resolution or any Supplemental Resolution against any member, officer or employee of the Authority or any natural person executing the Bonds.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER LEASE AGREEMENT

The following is a summary of certain provisions of the Master Lease Agreement. The summary does not purport to be comprehensive and is subject to all of the terms and provisions of the Master Lease Agreement, to which reference is hereby made, and copies of which are available from the Authority or the Trustee.

Definitions

The terms defined below in summary form, for all purposes of the Lease, have the following meanings:

(a) "Act" shall mean Chapter 33 of Title 4 of the Maine Revised Statutes, as amended from time to time.

(b) "Authority-Leased Project" shall mean any Project comprising part of the Premises and to which the Landlord shall have a leasehold interest.

(c) "Authority-Owned Project" shall mean any Project comprising part of the Premises and to which the Landlord shall have title.

(d) "Bond" shall mean any bonds or the issue of bonds established and created pursuant to the Bond Resolution (hereinafter defined) and issued from time to time under the Bond Resolution including the Series 1999 Bonds (as defined in the Bond Resolution) and any Series of Additional Bonds (as also defined in the Bond Resolution).

(e) "Bond Resolution" shall mean the General Bond Resolution, authorizing the issuance of Maine Governmental Facilities Authority Lease Rental Revenue Bonds, adopted by Landlord on August 18, 1999, entitled "A General Bond Resolution Authorizing the Issuance of Lease Rental Revenue Bonds of the Maine Governmental Facilities Authority; Providing for the Issuance from Time to Time of Such Bonds; Providing for the Payment of Principal and Interest of Such Bonds; and Providing for the Rights of the Holders Thereof", as the same may be amended, restated or supplemented from time to time.

(f) "Debt Service" shall mean the amounts of principal, Sinking Fund Installments, interest and Redemption Price, if any, payable on the Bonds.

(g) "Debt Service Fund" shall mean the Debt Service Fund established by the Bond Resolution.

(h) "Debt Service Payment Date" shall mean each date upon which the principal of, Sinking Fund Installments for, redemption premium, if any, or interest on the Bonds shall be due and payable pursuant to the Bond Resolution.

(i) "Debt Service Reserve Fund" shall mean the Debt Service Reserve Fund established in the Bond Resolution.

(j) "Governmental Authority or Authorities" shall mean (i) the United States of America; (ii) the State of Maine; (iii) any county, city, town or village of the State of Maine having jurisdiction over the Premises or any portion thereof; and (iv) any agency, department, commission, board, bureau, instrumentality or political subdivision of any of the foregoing entities described in (i), (ii) and (iii) above, now existing or hereafter created, having jurisdiction over the Premises or any portion thereof.

(k) "Landlord" shall mean the Maine Governmental Facilities Authority.

(l) "Lease" shall mean the Master Lease Agreement, dated as of August 1, 1999, between the Landlord and the Tenant, and shall include any and all amendments thereof and supplements thereto.

(m) "Premises" shall mean all of those respective Projects described in the Appendices attached to and made a part of the Lease.

(n) "Project" shall mean one of those separate properties described in the Appendices attached to and made a part of the Lease and constituting part of the Premises.

(o) "Revenue Fund" shall mean the Revenue Fund established by the Bond Resolution.

(p) "State Legislature" shall mean the Legislature of the State of Maine.

(q) "Tenant" shall mean the State of Maine, acting either directly or on its own behalf or by and through those agencies, instrumentalities or departments of the State or branches of State government, identified within the Lease.

Premises

Landlord leases, demises and lets unto Tenant, and Tenant take and hire from Landlord, for the term and upon and subject to the terms and conditions set forth in the Lease, the "Premises". Upon the issuance of a Series of Additional Bonds (as defined in the Bond Resolution), Landlord and Tenant shall enter into an amendment to the Lease, to the extent necessary, to include in the Premises demised under the Lease certain of the additional land, buildings, structures, facilities, improvements, machinery, equipment or other property of the Project being financed from the proceeds of such Series of Additional Bonds. Prior to the issuance of a Series of Additional Bonds, and the addition of one or more Projects to the Premises demised under the Lease, the Landlord shall determine as to each Project whether such Project shall constitute an Authority-Owned Project or an Authority-Leased Project.

Term

The term of the Lease shall be for a period commencing on September 1, 1999 and ending on the last date upon which principal or interest on any Bond shall be payable in accordance with its terms, unless sooner terminated or extended as provided in the Lease. Notwithstanding the foregoing, if the Bonds are prepaid in whole, or provision for payment in full thereof shall be made in accordance with the Bond Resolution, then the Lease shall terminate within thirty (30) days after the payment in full of all of the indebtedness evidenced by the Bonds.

Rent; Limited Obligation

Tenant shall pay to Landlord, as rent, during the term of the Lease, the following amounts at the following times: (i) two (2) business days preceding each Debt Service Payment Date, an amount equal to the Debt Service payable on such Debt Service Payment Date less the amount paid or provided for and available to pay Debt Service under the Bond Resolution from monies on deposit in the following accounts established under the Bond Resolution the Revenue Fund, the Capitalized Interest Account (including all sub-accounts held therein) and the Interest Account of the Debt Service Fund; (ii) at the times specified in the Bond Resolution, such sum or sums, if any, as shall be necessary to maintain the Debt Service Reserve Fund at an amount equal to the Debt Service Reserve Fund Requirement; (iii) at the times specified in the Bond Resolution, all Trustee's fees and all administrative costs and expenses of the Trustee; (iv) two (2) business days preceding each Principal Payment Date or Sinking Fund Installment payment date (but not more often than once in each twelve month period), a program fee equal to 0.1% of the original principal amount of each Series of the Bonds; and (v) at the times specified in the Bond Resolution, all Credit Facility Providers' (as defined in the Bond Resolution) fees. Landlord directs that the amounts identified in clauses (i), (ii), (iii), (iv) and (v) above be paid directly to the Trustee, with the amount payable in clause (iv) above to be then remitted by the Trustee to the Landlord, and with the amount payable in clause (v) above to be then remitted to the Credit Facility Providers. In addition to the basic rent referred to in this paragraph, Tenant shall pay as additional rent an amount equal to (y) the insurance premiums paid by Landlord for the insurance required by the Lease, and (z) all such other costs, expenses or charges of any kind whatsoever as the Landlord may incur with respect to the Bonds, the Bond Resolution, the Lease, the Premises, or otherwise, such amounts under clause (y) or (z) to be repaid to Landlord within thirty (30) days after Tenant's receipt of Landlord's written request therefor.

Notwithstanding anything in the Lease to the contrary, the obligation of Tenant to pay rent as provided in the previous paragraph or to pay or expend any other sum of money under the Lease shall not constitute or create a debt or liability of the State of Maine and shall be subject to and dependent upon appropriations being made from time to time by the State Legislature, and the Tenant's liability under the Lease with respect thereto shall be limited to the amount of such appropriations. The Tenant's obligation to pay rent does not constitute a debt or liability of the State or any political subdivision of the State, within the meaning of any constitutional or statutory limitation, or a loan of credit of the State nor a contractual obligation in excess of the amounts appropriated therefor, and the State has no continuing legal or moral obligation to appropriate money for said payments or other obligations under the Lease. The issuance of the Bonds under the Act does not directly, indirectly or contingently obligate the State or any political subdivision of the State to levy or to pledge any form of taxation whatever or to make any appropriation for their payment. Tenant shall include in its biennial budget, or any other applicable budget submission, a request for an appropriation to pay the rent as provided in the paragraph above, and other charges due and payable under the Lease, during the period covered by such budget.

There is expressly reserved to Tenant the right, and Tenant is authorized and permitted, at any time it may choose, to pay rent in addition to the rent otherwise payable under the Lease. Tenant has the right to stipulate that all sums paid by it pursuant to this paragraph be applied either (i) to the purchase or redemption of Bonds; (ii) as a credit against the rent to become due and payable under the Lease; or (iii) to the Landlord or to any Person entitled to payment from the Landlord to the extent of and in accordance with the terms of a Credit Facility or other Cash Equivalent. Such additional rentals described in clause (i) above may then be so deposited in the Redemption Account and applied to the redemption or purchase of Bonds in the manner and to the extent permitted under the Bond Resolution. Such additional rentals described in clause (ii) above shall be deposited in the Revenue Fund; provided, however, that no such additional rental described in clause (i) above shall be so deposited until the Landlord shall have first delivered to the Trustee an opinion of Bond Counsel to the effect that such deposit is authorized or permitted by the Lease and the Bond Resolution and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation. Such additional rentals described in clause (iii) above shall be transferred or applied to or for the order of the Person entitled thereto to the extent of and in accordance with the terms of the related Credit Facility or other Cash Equivalent.

Except as set forth above, the obligation of Tenant to pay rent shall be absolute and unconditional, and the rent shall be payable without any rights of set off, recoupment or counterclaim Tenant might have against Landlord or any assignee thereof or any other Person, whether or not the Project or Projects are completed or used or occupied by or through Tenant or available for use or occupancy by or through Tenant, whether or not all or any part of the Premises has been sold or otherwise disposed of and whether or not Landlord shall be in default of its obligations under the Lease. Tenant shall not be precluded from bringing any action it may otherwise have against Landlord.

Tenant will not terminate the Lease for any cause, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute an eviction or constructive eviction, failure of consideration, failure of title or frustration of purpose, or any damage to or destruction of the Premises, or the taking by eminent domain of title to, or any interest in, or the right of temporary use of all or any part of the Premises, or the sale or other disposition of all or any part of the Premises, or the failure of Landlord to perform and observe any agreement or covenant, whether expressed or implied, or any duty, liability or obligation arising out of or connected with the Lease.

Solely for the purpose of accounting for the separate rental obligations attributable to each Project, but without limiting the obligation of the Tenant to pay rent in the amounts set in the first paragraph under this heading (and subject to the limitations set forth in the second paragraph under this heading), each Project comprising a part of the Premises shall be accountable for rental payments in those amounts and for those payment dates set forth in the respective appendices attached to the Lease, each of which rental payment schedules is subject to modification and substitution within the discussion of the Authority upon written notice of such modification delivered by the Authority to the Tenant

Construction of the Projects

Tenant shall diligently undertake and complete the studies, site acquisition, planning, design, construction, renovation, equipping, reconstruction and development of the Project or Projects on the respective Premises. Landlord is relieved of any obligation to construct or reconstruct the Project or Projects or any part thereof. Landlord shall not be liable in any manner for payment or otherwise to any contractor, subcontractor, laborer or supplier of materials in connection with the purchase of any materials to be incorporated into the Project or Projects on the respective Premises.

Tenant agrees that, whenever requested by Landlord, it shall provide and certify, or cause to be provided and certified, in form satisfactory to the Landlord, such information concerning Tenant, the respective Premises, operations and finances of Tenant and such other matters that Landlord considers necessary, to enable Landlord to complete and publish an official statement, placement memorandum or other similar document relating to the sale of Bonds, or to enable Landlord to make any reports required by law or governmental regulations in connection with any Bonds.

Upon completion of any Project, the Tenant shall promptly deliver to the Landlord a certificate of an authorized representative of the Tenant certifying as to the date of such completion, and the amount, if any, required for the payment of any Cost of the Project with respect to such completed Project required to be paid. To similar effect, upon the abandonment of any Project, the Tenant shall promptly deliver to the Landlord a certificate of an authorized representative of the Tenant certifying as to such abandonment and stating the amount, if any, required for the payment of any Cost of the Project with respect to such abandoned Project required to be paid.

Impositions and Utilities

Tenant covenants and agrees to pay, all of the following items ("Impositions"): (i) water, water meter and sewer rents, rates and charges; (ii) excises; (iii) levies; (iv) license and permit fees; (v) protection, street and highway construction, maintenance and lighting, sanitation and water supply, if any; (vi) fines, penalties and other similar or like governmental charges applicable to the foregoing and any interest or costs with respect thereto; and (vii) any and all other governmental levies, fees, rents, assessments or taxes and charges, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever, and any interest or costs with respect thereto, which at any time prior to or during the term of the Lease (1) are assessed, levied, confirmed, imposed upon, or would grow or become due and payable out of or in respect of, or charged with respect to (A) the Premises or any part thereof, (B) any document to which Landlord or Tenant is a party, creating or transferring an interest or estate in the Premises or any part thereof, (C) the use and occupancy of the Premises or any part thereof by Tenant, or (D) this transaction, and (2) are or would be encumbrances or liens on (A) the Premises, or any part thereof, (B) the sidewalks or streets in front of or adjoining the Premises, (C) any vault, passageway or space in, over or under such sidewalk or street, (D) any other appurtenances of the Premises, (E) other personal property, equipment or other facility used in the operation thereof, or (F) the rent (or any portion thereof) payable by Tenant under the Lease.

Tenant shall pay all charges for fuel, electricity, light, heat or power, sewage, telephone and other utility services, rendered or supplied to, upon or in connection with the Premises during the term of the Lease.

Tenant shall have the right at its own expense to contest the amount or validity, in whole or in part, of any Imposition by appropriate proceedings diligently conducted in good faith.

Use of Premises

Tenant shall use and occupy the Premises solely as a qualified "project" and other purposes now or hereafter permitted under the Act and the Internal Revenue Code of 1986, as amended, and for no other purposes whatsoever.

Tenant, at its sole cost and expense, shall promptly comply with any and all present and future laws, rules, orders, ordinances, regulations, statutes, requirements, codes and executive orders (collectively, "Requirements"), without regard to the nature of the work required to be done, extraordinary as well as ordinary, of any Governmental Authorities now existing or hereafter created, and of any and all of their departments and bureaus, affecting the Premises or any street, avenue and/or sidewalk comprising a part or in front thereof and/or any vault in or under the same, or requiring the removal of any encroachment or affecting the maintenance, use or occupation of the Premises, whether or not the same involve or require any structural changes or additions in or to the Premises, and without regard to whether or not such changes or additions are required on account of any particular use to which the Premises, or any part thereof, may be put. Tenant may contest in good faith the validity of any Requirements or the application thereof at Tenant's sole cost and expense.

Repairs and Alterations

Tenant shall be responsible for, and shall pay or cause to be paid all costs of operating the Premises, maintaining the same in good condition, and making all necessary repairs thereto and reconstructions thereof, interior and exterior, structural and non-structural, and Landlord shall not have any obligation to operate, repair, maintain or reconstruct the Premises.

Tenant shall use its best efforts to discharge or cause to be discharged within sixty (60) days after notice of filing thereof, any mechanic's, laborer's or materialmen's lien against the Premises or any part thereof and any public improvements lien against any asset of or fund of Landlord.

Indemnification of Landlord

Subject to appropriations being made therefor by the State Legislature, Tenant shall, to the fullest extent permitted by law, indemnify and save Landlord harmless from and against any and all liabilities, suits, obligations, fines, damages, penalties, claims, costs, charges and expenses, including, without limitation, reasonable attorneys' fees and disbursements, which may be imposed upon or incurred by or asserted against Landlord by reason of any failure on the part of Tenant to perform its obligations under the Lease.

Fire or Other Casualty; Insurance

In the event that, at any time during the term of the Lease, any one or more of the buildings on the Premises shall be destroyed or damaged in whole or in part by fire or other cause, Landlord shall have no obligation to restore same, and Tenant may, at its option, either repair and restore the damaged buildings to complete architectural units, or demolish and remove the damaged buildings and all rubble from the Premises.

Tenant shall not be entitled to any suspension or abatement of rent by reason of any destruction or damage to the buildings and improvements upon the Premises.

Landlord shall insure the buildings and other improvements now or hereafter constructed upon the Premises against such risks and in such amounts as are commercially reasonable and are agreed upon by Landlord and Tenant.

Eminent Domain

If the whole or substantially all of the Premises or any buildings located thereon shall be taken for a public or quasi-public purpose by any lawful power or authority by the exercise of the rights of condemnation or eminent domain, or by agreement among Landlord, Tenant and those authorized to exercise such right, then, upon demand by Landlord, the entire award in any proceeding with respect to such taking shall be paid to Landlord without deduction therefrom for any estate vested in Tenant by reason of the Lease. As long as any Bond is Outstanding (as defined in the Bond Resolution), no such taking or agreement shall entitle Tenant to terminate the Lease and shall not impair or result in any diminution of the obligations of Tenant under the Lease.

If less than substantially all of the Premises or any buildings located thereon shall be so taken, then, upon demand by Landlord, Tenant, at its sole cost and expense, but only to the extent of available condemnation award proceeds, shall proceed diligently to repair and restore any remaining part not so taken, so that the Premises shall be restored as nearly as possible to the character existing immediately prior to such taking.

However, if all or any portion of the Premises shall be damaged or destroyed by casualty or taken by condemnation or eminent domain, then the insurance or condemnation proceeds, when received, shall be paid into the Redemption Account, if Bonds remain Outstanding (as defined in the Bond Resolution), or to Landlord as Agent if no Bonds remain Outstanding (as defined in the Bond Resolution). Such amounts in the Redemption Account or held by Landlord as Agent shall be held until Tenant has made its election as hereinafter provided. At the election of Tenant (such election to be made within 180 days after receipt by Tenant of notice of Landlord’s or Trustee’s receipt of all such funds), any such funds placed in the Redemption Account or held by Landlord pursuant to the Lease either may be used to redeem the Bonds or may be made available to Tenant to restore the Premises. If Tenant elects not to restore the Premises, any such funds in the Redemption Account or held by Landlord shall be used to redeem the Bonds, and the surplus, if any, shall be the property of Landlord.

Event of Non-Appropriation; Event of Default

An “Event of Non-Appropriation” shall occur under the Lease if, as a result of failure by the State Legislature to appropriate monies to fund amounts due under the Lease, Tenant:

(i) fails to pay when due the rent required to be paid pursuant to the Lease; or

(ii) fails to perform any covenant or agreement on its part required to be performed under the Lease.

Either of the following shall be an “Event of Default” under the Lease:

(i) if for any reason, other than a failure by the State Legislature to appropriate monies for such purpose, Tenant shall fail, for more than two (2) business days, to pay when due the rent required to be paid pursuant to the Lease;

(ii) if for any reason, other than a failure by the State Legislature to appropriate monies for such purpose, Tenant shall fail to perform any covenant or agreement on its part required to be performed (other than the covenant to pay rent under the Lease) and such failure shall have continued for sixty (60) days after written notice of such failure has been received by Tenant.

If an Event of Non-Appropriation shall occur, Landlord may give written notice to Tenant of its election to end the term of the Lease as to any or all of the Projects on the date specified in such notice, which date shall be at least ten (10) days after the giving of such notice, and, upon the date specified in such notice, the Lease and the term demised and all rights of Tenant under the Lease as to any or all of the Projects shall expire and terminate. It is expressly understood and agreed by Landlord and Tenant that Landlord may terminate the Lease only in the case of an Event of Non-Appropriation and for no other reason, and if an Event of Default shall occur, Landlord shall not be entitled to terminate the Lease, but instead shall be entitled to suspend Tenant's right to occupy or use any or all of the Authority-Owned Projects until such Event of Default is cured, or to pursue against any Authority-Owned Project any other rights Landlord may have at law or in equity.

The remedies conferred upon or reserved to Landlord under the immediately preceding paragraph shall be the sole and exclusive remedies available to Landlord in respect to an Event of Non-Appropriation.

The remedies conferred upon or reserved to Landlord in respect of an Event of Default are not intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease or now or hereafter existing at law or in equity or by statute, subject, however, to the application of any such remedy only to Authority-Owned Projects and to the provisions of the second paragraph under the heading "Rents; Limited Obligation" above.

In the event of breach by Tenant of the performance or observance of any obligation, agreement or covenant under the Lease, other than the obligation to pay when due the rent required to be paid under the Lease, Landlord may take whatever action in equity which may appear necessary or desirable to enforce such performance or observance. The remedies conferred upon Landlord in this Section shall be the sole and exclusive remedies available to Landlord in respect to such breach of performance or observance.

Force Majeure

In any case where either party to the Lease is required to do any act (except for the payment of rent and other charges by Tenant), the time for the performance thereof shall be extended by a period equal to any delay caused by or resulting from act of God, war, civil commotion, fire or other casualty, labor difficulties, shortages of energy, labor, materials or equipment, government regulations, delays caused by either party to the other, or other causes beyond such party's reasonable control, whether such time be designated by a fixed date, a fixed time or a "reasonable time".

Tenant's Option to Purchase All or a Portion of the Premises; Extension Terms

Tenant shall have the exclusive right and option to purchase all of the properties included within the Premises, and all appurtenances thereto and all improvements thereon, including any improvements erected thereon by Tenant, upon the expiration of the term of the Lease, as the same may be extended by Tenant as provided below, provided that such right and option may be exercised by Tenant only if all Bonds issued under the Bond Resolution shall no longer be Outstanding at the time of such exercise.

Tenant shall also have the exclusive right and option to purchase a portion (but not all) of the properties included within the Premises, and all appurtenances thereto and all improvements thereon, including any improvements erected thereon by Tenant, upon the related Series of Bonds issued therefor (or related portion of any Series of Bonds) ceasing to be Outstanding.

Tenant shall have the right, at the expiration of the term of the Lease, to extend such term for up to sixty (60) successive periods of one month each, each of such periods to be exercised separately in the manner provided in the Lease, and to be on all the same terms, covenants, provisions and conditions contained in the Lease and at a rental per month of an amount equal to one twelfth of one tenth of one percent of the original principal amount of each Series of the Bonds.

Waivers

Failure of either party to complain of any act or omission on the part of the other party, no matter how long the same may continue, shall not be deemed to be a waiver by said party of any of its rights under the Lease. No waiver by either party at any time, express or implied, of any breach of any provision of the Lease shall be deemed a waiver of a breach of any other provision of the Lease or a consent to any subsequent breach of the same or any other provision. If any action by either party shall require the consent or approval of the other party, the other party's consent to or approval of such action on any one occasion shall not be deemed a consent to or approval of said action on any subsequent occasion or a consent to or approval of any other action on the same or any subsequent occasion. Any and all rights and remedies which either party may have under the Lease or by operation of law, either at law or in equity, upon any breach, shall be distinct, separate and cumulative and shall not be deemed inconsistent with each other; and no one of them, whether exercised by said party or not shall be deemed to be in exclusion of any other; and any two or more of all of such rights and remedies may be exercised at the same time.

Real Estate Taxes

Tenant shall be responsible to pay any and all real estate taxes imposed on or levied against the Premises during the term of the Lease, if any.

Special Covenants

Landlord and Tenant covenant that they shall take no action, nor shall they approve the taking of any action or making any investment or use of the proceeds of Bonds, which would cause the Bonds to be "arbitrage bonds" within the meaning of Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and any proposed or final regulations thereunder as are applicable to the Bonds at the time of such action, investment or use.

Landlord and Tenant shall at all times do and perform all acts and things necessary or desirable and within its power in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation.

APPENDIX C

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Agreement") dated as of February __, 2021 by and among Maine Governmental Facilities Authority (the "Issuer"), the State of Maine (the "State") and Wilmington Trust, National Association, as Trustee (the "Trustee") under a General Bond Resolution (the "Resolution") adopted by the Issuer on August 18, 1999, as supplemented through a Twenty-Third Supplemental Bond Resolution adopted by the Issuer on December 10, 2020 (the "Twenty-Third Supplemental Bond Resolution"), and a Twenty-Fourth Supplemental Bond Resolution adopted by the Issuer on December 10, 2020 (the "Twenty-Fourth Supplemental Bond Resolution"), is executed and delivered in connection with the issuance of the Issuer's $_________ aggregate principal amount of Lease Rental Revenue Bonds, Series 2021A and $________ aggregate principal amount of Lease Rental Revenue Refunding Bonds, Series 2021B (Federally Taxable) (collectively, the "Bonds"). Capitalized terms used in this Agreement which are not otherwise defined in the Resolution shall have the respective meanings specified above or in Article IV hereof. Pursuant to Section 205 of each of the Twenty-Third Supplemental Bond Resolution and the Twenty-Fourth Supplemental Bond Resolution, the parties agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Agreement shall constitute a written undertaking for the benefit of the holders of the Bonds, and is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule. The Trustee has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Agreement, and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures.

Section 1.2. Annual Financial Information. The State, acting by and through the Treasurer, shall provide Annual Financial Information with respect to each fiscal year of the State, commencing with fiscal year ending June 30, 2021, within one year after the end of the respective fiscal year, to the MSRB. The Trustee is under no obligation to verify the content or correctness of, and shall not be responsible for the sufficiency of, said Annual Financial Information or for compliance of the contents of the Annual Financial Information with the Rule or this Agreement.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2 hereof, the State, acting by and through the Treasurer, shall provide Audited Financial Statements, when and if available, to the MSRB. The Trustee is under no obligation to verify the content or correctness of, and shall not be responsible for the sufficiency of, said Financial Statements or for compliance of the contents of the Audited Financial Statements with the Rule or this Agreement. The State, acting by and through the Treasurer, shall file notice of the failure of the State to provide the Annual Financial Information or Audited Financial Statements by the date required herein.

Section 1.4. Notice Event Notices. (a) If a Notice Event occurs (except with respect to a Notice Event of the type described in clause (xii), clause (xiii), clause (xv) or clause (xvi) that is related to the State), the Issuer shall provide, in a timely manner not in excess of nine (9) business days after the occurrence of such Notice Event, notice of such Notice Event to the Trustee. If a Notice Event occurs of the type described in clause (xii), clause (xiii), clause (xv) or clause (xvi) that is related to the State, the State, acting through the Treasurer, shall provide, in a timely manner not in excess of nine (9) business days after the occurrence of such Notice Event, notice of such Notice Event to the Trustee. The Trustee shall provide a copy of each such notice of a Notice Event to the MSRB within one business day after receipt by the Trustee. The Trustee shall have no duty to file a notice of a Notice Event unless it is directed in writing to do so by the Issuer or the State, and shall have no responsibility for verifying any of the information in any such notice or determining whether any such underlying event is a Notice Event.

(b) Any such notice of a defeasance of Bonds shall state whether funds sufficient for the payment of the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) The Trustee shall promptly advise the Issuer and the State whenever, in the course of performing its duties as Trustee under the Resolution, the Trustee has actual notice of an occurrence which, if material, would require the Issuer or the State to provide notice of a Notice Event hereunder; provided, however, that the failure of the Trustee so to advise the Issuer or the State shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Resolution.

Section 1.5. Additional Disclosure Obligations. The Issuer and the State each acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer or the State and that, under some circumstances, additional disclosures or other action may be required to enable the Issuer or the State to fully discharge all of their respective duties and obligations under such laws.

Section 1.6. Additional Information. Nothing in this Agreement shall be deemed to prevent the Issuer or the State from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of a Notice Event hereunder, in addition to that which is required by this Agreement. If the Issuer or the State chooses to do so, neither the Issuer nor the State shall have any obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

ARTICLE II
Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of Section 1.2 or Section 1.3 hereof if the State provides Annual Financial Information by specific reference to documents either (i) available to the public on EMMA or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time. Each of the State and the Issuer may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of it under this Agreement, and may revoke or modify any such designation.

Section 2.3. Notice Event Notices. Each notice of a Notice Event hereunder shall be captioned "Notice of Notice Event" and shall prominently state the title, date and CUSIP numbers of the Bonds.

Section 2.4. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be made available to the public on EMMA.

(b) All notices, documents and information provided to the MSRB shall be transmitted simultaneously with a copy to the Issuer and the State and provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. Fiscal Year. (a) The State's current fiscal year is July 1 – June 30, and the State shall promptly notify the MSRB and the Trustee in writing of each change in the State's fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE III
Effective Date, Termination, Amendment or Enforcement

Section 3.1. Effective Date, Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The State's, the Issuer's and the Trustee's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that (1) the Issuer delivers to the Trustee an opinion of Counsel, addressed to the State, the Issuer and the Trustee, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) the Trustee delivers copies of such opinion to the MSRB. The Trustee shall so deliver such opinion within one Business Day after receipt by the Trustee.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules, regulations or official pronouncements) or in interpretations thereof (including no-action positions), or a change in the identity, nature or status of the State or the Issuer or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the State, the Issuer and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have delivered to the Trustee, an opinion of Counsel unaffiliated with the Issuer or the State (such as bond counsel) and acceptable to the State and the Issuer, addressed to the State, the Issuer and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Resolution with consent of holders of Bonds pursuant to Section 1002 of the Resolution as in effect on the date of this Agreement, and (5) the Trustee shall have delivered copies of such opinion(s) and amendment to the MSRB. The Trustee shall so deliver such opinion(s) and amendment within one Business Day after receipt by the Trustee.

(b) In addition to subsection (a) above, this Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement, which is applicable to this Agreement, (2) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the State, the Issuer and the Trustee, to the effect that performance by the State, the Issuer and the Trustee under this Agreement as so amended will not result in a violation of the Rule and (3) the Trustee shall have delivered copies of such opinion and amendment to the MSRB. The Trustee shall so deliver such opinion and amendment within one Business Day after receipt by the Trustee.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Issuer shall have delivered to the Trustee and the State an opinion of Counsel, addressed to the Issuer, the State and the Trustee, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Trustee shall have delivered copies of such opinion and amendment to the MSRB. The Trustee shall so deliver such opinion and amendment within one Business Day after receipt by the Trustee.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the State in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in accounting principles on the presentation of the financial information. The Trustee shall not be required to accept or acknowledge any amendment of this Agreement if the amendment adversely affects its respective rights or immunities or increases its respective duties hereunder.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement and shall be deemed to be holders of Bonds for purposes of Section 3.3(b) hereof. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the State and the Issuer to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or by the Trustee on behalf of the holders of Outstanding Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The holders' and Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the State's or the Issuer's obligations under this Agreement. Neither any holder of the Bonds nor the Trustee may institute any suit, action or proceeding at law or in equity involving the State (a "Proceeding") as provided in this Section 3.3 unless such holder or the Trustee, as the case may be, shall have filed with the Treasurer and the Attorney General a written request to cure such breach, and the State shall have refused or failed to comply within a reasonable time. Any assertion of beneficial ownership must be included in such written request and must be supported by independent evidence or documents. Proceedings filed by the Trustee, holders or beneficial owners against the State may be subject to the defense of sovereign immunity which may substantially limit the scope and nature of any legal action against the State or of any order of specific performance that may be granted against the State.

(c) Any failure by the State, the Issuer or the Trustee to perform in accordance with this Agreement shall not constitute a default or an event of default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an event of default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted only in a State court of competent jurisdiction located in the City of Augusta, Maine for the equal benefit of all beneficial owners of the Outstanding Bonds; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV
Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the financial information and operating data with respect to the State, for each fiscal year of the State, of the type set forth in Appendices A through F of the Official Statement for the $__________ State of Maine General Obligation Bonds, Series __ dated _________ __, 2021, which can be accessed on EMMA by entering the CUSIP number ____________, and (ii) the information regarding amendments to this Agreement required pursuant to Section 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the State, audited by such auditor as shall then be required or permitted by State law. Audited Financial Statements shall be prepared in accordance with GAAP.

(3) "Beneficial Owner" means any person that has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

(4) "Bondholders" means any holder of the Bonds and any Beneficial Owner thereof.

(5) "Counsel" means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

(6) "EMMA" means MSRB's Electronic Municipal Markets Access system, the current internet web address of which is www.emma.msrb.org.

(7) "GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(8) "Financial Obligation" means a:

(i) debt obligation;

(ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or

(iii) guarantee of clause (i) or clause (ii) above.

Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(9) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(10) "Notice Event" means any of the following events with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material or events affecting the tax status of the Bonds;

(vii) modifications to rights of Bondholders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Issuer or the State; which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer or the State in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer or the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer or the State;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the State or the sale of all or substantially all of the assets of the Issuer or the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) incurrence of a Financial Obligation of the Issuer or the State, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer or the State, any of which affect Bondholders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer or the State, any of which reflect financial difficulties.

(11) "Official Statement" means the Official Statement dated January __, 2021 with respect to the Bonds.

(12) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(13) "SEC" means the United States Securities and Exchange Commission.

(14) "Treasurer" means the Treasurer of State of the State of Maine.

(15) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

(16) "Underwriters" means Raymond James & Associates, Inc. and BofA Securities, Inc.

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ARTICLE V
Miscellaneous

Section 5.1. Responsibilities of Trustee. Article VII of the Resolution is hereby made applicable to this Agreement as if this Agreement were, solely for this purpose, contained in the Resolution.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.3. Notices. Unless otherwise expressly provided, all notices to the Issuer, the State, and the Trustee shall be in writing and shall be deemed sufficiently given if sent by registered or certified mail, postage prepaid, or delivered during business hours to such parties at the address specified in the Resolution or, as to all of the foregoing, to such other address as the addressee shall have indicated by prior written notice to the one giving notice.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

STATE OF MAINE

By: ____________________________________
Henry E.M. Beck, Esq.
Treasurer of State

MAINE GOVERNMENTAL FACILITIES AUTHORITY

By: ____________________________________
Teresea Hayes
Executive Director

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee

By: ____________________________________
Authorized Representative

APPENDIX D

Upon the delivery of the Offered Bonds, Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority, proposes to issue its approving opinion in substantially the following form:

Hawkins Delafield & Wood LLP

7 World Trade Center
New York, NY 10007
www.hawkins.com

February __, 2021

Maine Governmental Facilities Authority
Augusta, Maine

Dear Members:

We have examined a record of proceedings relating to the issuance of the $___________ aggregate principal amount of the Lease Rental Revenue Bonds, Series 2021A (the "Series 2021A Bonds") and the issuance of the $________ aggregate principal amount of the Lease Rental Revenue Refunding Bonds, Series 2021B (Federally Taxable) (the "Series 2021B Refunding Bonds", and, together with the Series 2021A Bonds, collectively, the "Offered Bonds") of the Maine Governmental Facilities Authority (the "Authority"), a body corporate and politic and a public instrumentality and agency of the State of Maine (the "State") created and existing under the laws of the State.

The Series 2021A Bonds are authorized to be issued pursuant to the Maine Governmental Facilities Authority Act, being 4 MRSA §1601 et seq., as amended (the "Act"), the Maine Governmental Facilities Authority General Bond Resolution adopted by the Authority on August 18, 1999 entitled "A General Bond Resolution Authorizing the Issuance of Lease Rental Revenue Bonds of the Maine Governmental Facilities Authority; Providing for the Issuance from Time to Time of Such Bonds; Providing for the Payment of Principal and Interest of Such Bonds; and Providing for the Rights of the Holders thereof" (the "General Bond Resolution"), as supplemented through "A Twenty-Third Supplemental Bond Resolution Authorizing the Issuance of Lease Rental Revenue Bonds, Series 2021A of the Maine Governmental Facilities Authority; Providing for the Issuance of Such Bonds; Providing for the Payment of Principal of and Interest on Such Bonds; and Providing for the Rights of the Holders Thereof", adopted by the Authority on December 10, 2020 (the "Series 2021A Resolution"), and a certificate of determination of an authorized officer of the Authority dated the date hereof (the "Series 2021A Certificate of Determination").

The Series 2021B Refunding Bonds are authorized to be issued pursuant to the Act, the General Bond Resolution, "A Twenty-Fourth Supplemental Bond Resolution Authorizing the Issuance of Lease Rental Revenue Refunding Bonds, Series 2021B (Federally Taxable) of the Maine Governmental Facilities Authority; Providing for the Issuance of Such Bonds; Providing for the Payment of Principal of and Interest on Such Bonds; and Providing for the Rights of the Holders Thereof", adopted by the Authority on December 10, 2020 (the "Series 2021B Resolution; the General Bond Resolution as supplemented through the Series 2021A Resolution and the Series 2021B Resolution, is collectively referred to as the "Resolution"), and a certificate of determination of an authorized officer of the Authority dated the date hereof (the "Series 2021B Certificate of Determination").

Wilmington Trust, National Association is acting as Trustee (the "Trustee") under the Resolution.

The Authority is issuing the Series 2021A Bonds to pay a portion of the costs of financing capital repairs and improvements to State-owned facilities and associated hazardous waste cleanup on State-owned properties pursuant to the Act, and financing the cost of issuance of the Series 2021A Bonds (the "2021A Projects"). The Authority is issuing the Series 2021B Refunding Bonds to (i) refund certain of the outstanding maturities of the Lease Rental Revenue Bonds, Series 2011A, issued by the Authority in the original aggregate principal amount of $33,000,000 (the "Series 2011A Bonds"), (ii) refund certain of the outstanding maturities of the Lease Rental Revenue Bonds, Series 2013A, issued by the Authority in the original aggregate principal amount of $30,290,000 (the "Series 2013A Bonds"), and (iii) pay a portion of the costs of the issuance of the Series 2021B Refunding Bonds. Those maturities of each of the Series 2011A Bonds and the Series 2013A Bonds which are to be refunded are hereinafter referred to collectively as the "Bonds to be Refunded."

Pursuant to a Master Lease Agreement, dated as of August 1, 1999, as amended through a Twenty-Fifth Amendment to Master Lease Agreement, dated as of February 2, 2021 (collectively, the "Lease Agreement"), by and between the Authority and the State, acting either directly on its own behalf or by and through certain agencies, instrumentalities or departments of the State or branches of State government (collectively, the "Lessee"), the Authority will lease or sublease the Premises (as defined in the Lease Agreement) to the Lessee.

We have also examined certificates, opinions and other documents in connection with the refunding of the Bonds to be Refunded, including a certain Trust Agreement, dated as of February 1, 2021 (the "Trust Agreement"), between the Authority and the Trustee, with respect to the Bonds to be Refunded.

The Series 2021A Bonds are dated their date of delivery, except as otherwise provided in the Resolution. The Series 2021A Bonds are issuable only in fully registered form in the denominations of $5,000 or integral multiples thereof. The Series 2021A Bonds will mature on the dates and in the principal amounts, and will bear interest from their date, payable on April 1 and October 1 of each year, commencing on October 1, 2021, at the rates of interest per annum, all as provided in the Resolution and in the Series 2021A Certificate of Determination. The Series 2021A Bonds are subject to redemption as provided in the Resolution and in the Series 2021A Certificate of Determination.

The Series 2021B Refunding Bonds are dated their date of delivery, except as otherwise provided in the Resolution. The Series 2021B Refunding Bonds are issuable only in fully registered form in the denominations of $5,000 or integral multiples thereof. The Series 2021B Refunding Bonds will mature on the dates and in the principal amounts, and will bear interest from their date, payable on April 1 and October 1 of each year, commencing on October 1, 2021, at the rates of interest per annum, all as provided in the Resolution and in the Series 2021B Certificate of Determination. The Series 2021B Refunding Bonds are subject to redemption as provided in the Resolution and in the Series 2021B Certificate of Determination.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2021A Bonds in order that interest on the Series 2021A Bonds be and remain excluded from gross income under Section 103 of the Code. Noncompliance with such requirements may cause interest on the Series 2021A Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority and the Lessee have each covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2021A Bonds from gross income under Section 103 of the Code.

In rendering the opinions set forth in paragraphs 6 and 7 hereof, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the Lessee and others in connection with the Series 2021A Bonds, and we have assumed compliance by the Authority and the Lessee with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2021A Bonds from gross income under Section 103 of the Code.

We are of the opinion that:

1. The Authority has been duly created and is validly existing under the Act and has the right, power and authority to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms.

2. The Resolution creates the valid pledge which it purports to create of the Lease Payments and all Funds and Accounts (as such terms are defined in the Resolution) established by the Resolution (except the Rebate Fund), including the investments thereof and the proceeds of such investments, if any, subject only to the provisions of the Resolution permitting the application thereof to the purposes and on the terms and conditions set forth in the Resolution.

3. The Offered Bonds are valid and binding limited revenue obligations of the Authority payable as provided in the Resolution, and enforceable in accordance with their terms and the terms of the Resolution and are entitled to the benefits of the Act and the Resolution. Pursuant to the Lease Agreement, the Lessee has covenanted to make the Lease Payments, which payments by the Lessee are executory to the extent of the monies made available to the Lessee by the State Legislature, and no monetary liability on account thereof is incurred by the Lessee beyond monies legally made available for such payments by the State Legislature.

4. The Authority has the right and power pursuant to the Act to enter into the Lease Agreement, and the Lease Agreement has been duly authorized, executed and delivered by the Authority, is in full force and effect, and, assuming the due authorization, execution and delivery of the Lease Agreement by the Lessee, constitutes a valid and binding agreement of the Authority enforceable against the Authority in accordance with its terms.

5. The Offered Bonds do not constitute a legally enforceable obligation upon the part of the State nor create a debt on behalf of the State enforceable against the State.

6. Under existing statutes and court decisions, (i) interest on the Series 2021A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2021A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. Under existing statutes, interest on the Series 2021A Bonds is exempt from the State of Maine income tax imposed on individuals. [We further are of the opinion that, for any Series 2021A Bonds having original issue discount (a "Discount Bond"), original issue discount that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on such Series 2021A Bonds.]

7. Under existing statutes, interest on the Series 2021B Refunding Bonds is included in gross income for federal income tax purposes pursuant to Section 103 of the Code, and is exempt from the State of Maine income tax imposed on individuals.

8. The Authority has duly authorized, executed and delivered the Trust Agreement and, assuming due authorization, execution and delivery of the Trust Agreement by the Trustee, the Trust Agreement constitutes the valid and binding agreement of the Authority enforceable against the Authority in accordance with its terms.

9. The Bonds to be Refunded have been paid within the meaning and with the effect expressed in the Resolution and the covenants, agreements and other obligations of the Authority to the holders of the Bonds to be Refunded have been discharged and satisfied. In rendering the opinion set forth in this paragraph 9, we have relied upon the opinion provided by American Municipal Tax-Exempt Compliance Corp. of Avon, Connecticut, an independent tax compliance specialty firm and Michael Torsiello, a certified public accountant, relating to the accuracy of the mathematical computations as to the adequacy of the maturing

principal of and interest to be earned on the direct obligations of the United States of America purchased with the proceeds of the Series 2021B Refunding Bonds, together with the moneys on deposit with such obligations, under the Trust Agreement, to provide for the payment when due of the principal or redemption price of and interest due and to become due on the Bonds to be Refunded to the maturity or first optional redemption date thereof, as the case may be.

Except as stated in paragraphs 6, 7 and 9 above, we express no opinion as to any federal, state or local tax consequences arising with respect to the Offered Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, for any facts or circumstances that may hereafter come to our attention, for any changes in law or in interpretations thereof that may hereafter occur or for any other reason. We express no opinion as to the consequence of any change in law or interpretation thereof, or otherwise, that may hereafter be enacted, arise or occur, and we note that such changes may take place or be proposed from time to time. Furthermore, we express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves (if such opinion of other counsel shall have been given without consultation with us or after consultation with us and to which we shall not concur) on the exclusion from gross income for federal income tax purposes of interest on the Series 2021A Bonds, or the exclusion of interest on the Offered Bonds under the State of Maine tax imposed on individuals.

In rendering this opinion, we are advising you that the enforceability of the Offered Bonds, the Resolution, the Lease Agreement and the Trust Agreement may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 2021A Bond numbered AR-1 and an executed Series 2021B Refunding Bond numbered BR-1, and in our opinion, the form of each of said Bonds and their execution are regular and proper.

Very truly yours,

PART II
of
OFFICIAL STATEMENT
of
MAINE GOVERNMENTAL FACILITIES AUTHORITY
relating to its
Lease Rental Revenue Bonds, Series 2021A
Lease Rental Revenue Refunding Bonds, Series 2021B (Federally Taxable)

INFORMATION CONCERNING THE STATE OF MAINE

The information concerning the State of Maine (the "State"), which is comprised of Appendices A through F to this Part II of this Official Statement entitled "INFORMATION CONCERNING THE STATE OF MAINE" ("Part II"), includes certain financial, economic and other information concerning the State which was provided by the State and the other sources indicated therein as of the date hereof. Part II is authorized by the State to be distributed to prospective purchasers of the Offered Bonds and to the Municipal Securities Rulemaking Board for purposes of Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission. Part II may not be reproduced or used in whole or in part for any other purpose without the express written consent of the Treasurer of State.

The undersigned Treasurer of State of the State delivered a certificate to the effect that, to the best of his knowledge after reasonable investigation, as of the date hereof, (i) there has been no material adverse change in the financial position or results of operation of the State except as set forth in Part II; (ii) Part II contains no untrue statement of a material fact and does not omit to state any material fact necessary to make the statements in Part II, in the light of the circumstances under which they were made, not misleading; and (iii) no event has occurred requiring a supplement to Part II, except for any event described in such a supplement which has been made available to the public.

Any statement in Part II involving any matter of opinion, whether or not expressly so stated, is intended merely as an opinion and not as a representation of fact. The information and expressions of opinions in Part II are subject to change without notice and neither the delivery of Part II nor any sale of the Offered Bonds described in this Official Statement in which Part II is included shall, under any circumstances, create any implication that there has been no change in the affairs of the State, or its agencies, authorities and political subdivisions, since the date hereof.

STATE OF MAINE

By: ______________________
Henry E.M. Beck, Esq.
Treasurer of State

Dated: January __, 2021

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STATE OF MAINE INFORMATION STATEMENT

APPENDIX A

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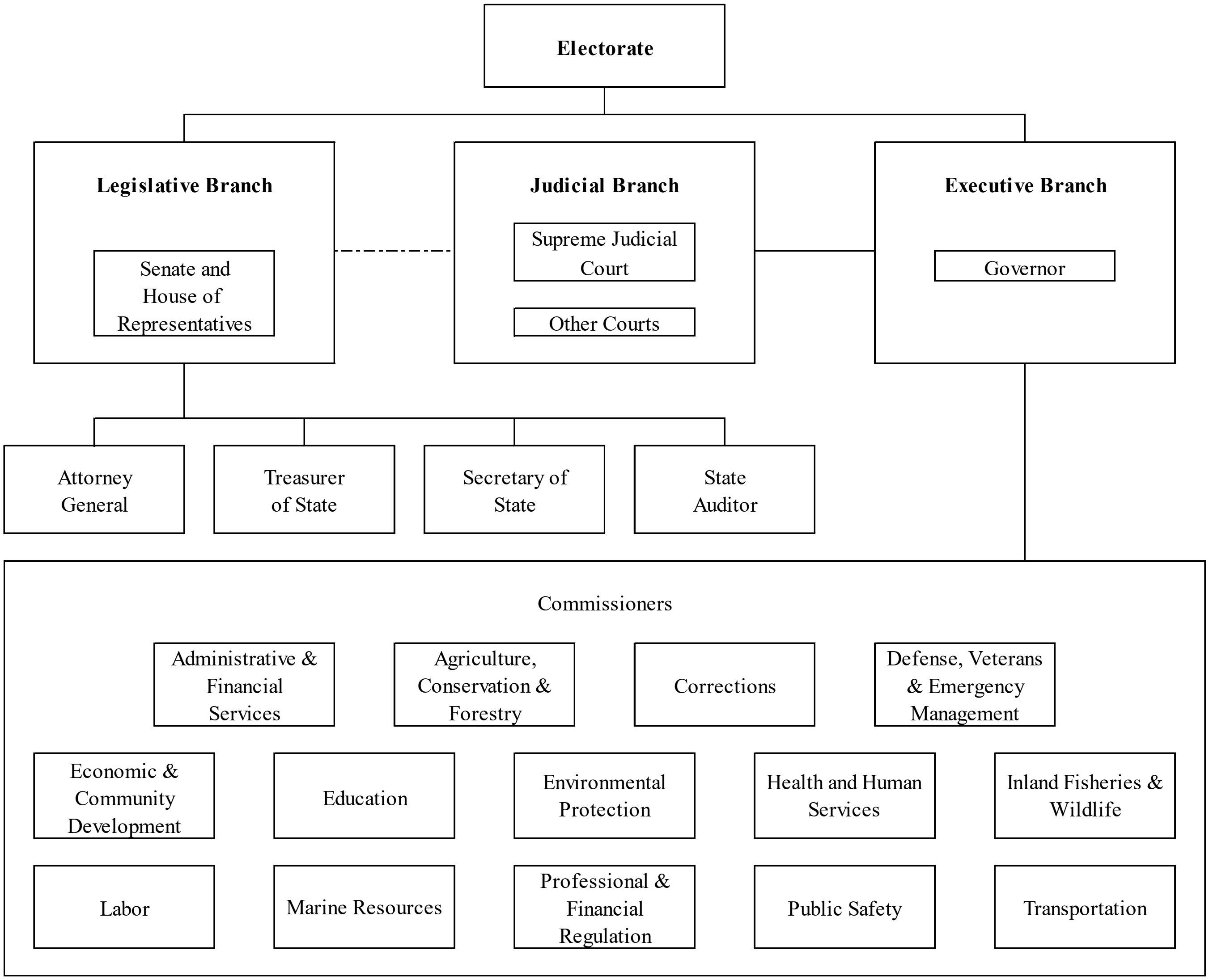
GOVERNMENTAL ORGANIZATION

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 AND SUBSEQUENT EVENTS

COVID-19 Outbreak. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and led to a declaration of a national state of emergency in the United States. 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 *(Source: U.S. Census Bureau)*; the unemployment rate was lower than the national average *(Source: Maine Department of Labor)*; the State's pension plan was funded at 82% with the fifth lowest discount rate of all the states *(Source: National Association of State Retirement Administrators, Issue Brief February 2020)*; and, the State's Unemployment Insurance trust fund was the 11th strongest in the country *(Source: Tax Foundation as of April 25, 2020).* 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 and does not expect to do so during fiscal year 2021. 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 has maintained a relatively low positivity rate and hospitalization rate throughout the COVID-19 pandemic. Similarly, the State's handling of its finances amid COVID-19 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 current state of emergency has been extended to January 20, 2021 and may be further extended if circumstances warrant. While steps toward reopening the State have been steady, options are continually reviewed and adjusted based on progress toward limiting the continued spread of the disease. For instance, there is currently in effect an Executive Order requiring that certain businesses statewide close by 9:00 p.m.

As of early January 2021, Maine's economic activity has reached 80% of pre-pandemic levels, ranking 21st in the nation, and above the national average of 75% *(Source: Moody's Analytics and CNN Business Back-to-Normal Index)*. Maine is ranked relatively higher than many of its colder climate peers.

Throughout, 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. Maine lost 104,500 jobs in March and April and has regained 55,800 jobs through November. The unemployment rate rose to 10.4% in April, as compared to 3.0% in March, recovering to 5.0% in November, but has underestimated the level of job displacement since February due to low labor force participation resulting from childcare, health challenges, and other COVID-related factors. The largest job losses, 41,200 from February to April, occurred in the leisure and hospitality sector, which has regained only 23,000 of those jobs through November.

Currently, Maine's latest monthly unemployment rate of 5.0% is below the U.S. rate of 6.7% and third-lowest in New England (behind Vermont and New Hampshire). Real GDP for Maine has grown 37.3% (seasonally adjusted at annual rates) for the third quarter of 2020, coming in at 12th in the U.S. This followed a drop of -34.4% in the second quarter. Total personal income for Maine fell 19.9% in the third quarter, ranking 40th in the U.S., following a 55.9% increase in the second quarter that was primarily driven by the first round of Federal stimulus checks and increased unemployment insurance benefits; Maine's economic forecasting group currently anticipates continued growth in the wages and salaries component of personal income for the remainder of fiscal year 2021 (see below).

The Federal government's initial round of COVID-19 relief allocated more than $7.6 billion to Maine, of which approximately $2.8 billion was awarded to or passed through to State government, mostly Coronavirus Relief Funds (CRF) and enhanced unemployment benefits; approximately $318 million has no identified distribution methodology at this time; and, approximately $4.5 billion directly to others in the form of Paycheck Protection Program grants and Economic Injury Disaster loans to small businesses, emergency food assistance, healthcare provider relief, higher education funding, 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 Federal relief included $1.25 billion in CRF Funds, 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 and with a balance of $463 million as of the end of December 2020 as compared to $508 million as of the end of December 2019. Though nineteen states had outstanding loans from the Federal Unemployment Account as of December 30, 2020, Maine has not had to borrow to maintain the unemployment insurance trust fund's solvency. 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.

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, they are expected to continue to be significant.

As soon as the COVID-19 public health crisis became clear in March 2020, the Administration and the State of Maine Legislature (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. Thanks 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 fiscal breathing room 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, 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.

To that end, in early September, 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 $221,775,584 and allotments to the Highway Fund by $23,000,822. 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.

Economic Forecasting and Revenues. The State used its 2018 stress test, jointly prepared by the Consensus Economic Forecasting Commission ("CEFC") and the Revenue Forecasting Committee ("RFC"), as a way to estimate the fiscal impact in the early stages of this pandemic. Applying the "worst case scenario" to projected sales and income tax collections between April and June resulted in an estimate of $200 million below budget for fiscal year 2020. Because of several factors - the estimated year end fund balance of $193 million; limiting the use of allotment reserves, which totaled more than $70 million, to emergency purposes only; the Governor's direction to assess all hiring and any spending of prior year balances through an emergency lens; and the deferred tax payment date - the General Fund budget for fiscal year 2020 was not expected to be materially out of balance.

Using the 2018 stress test, the State estimated at the start of fiscal year 2021 a revenue shortfall in the range of $450 - $525 million, which was 11-13% below the March General Fund forecast for fiscal year 2021. This estimate was officially updated when the CEFC/RFC forecasting exercise was completed at the end of July.

The CEFC convened on June 25, 2020 to review and revise its February 1, 2020 forecast. Maine saw strong employment numbers in the first three months of calendar year 2020 before seeing record-setting job losses beginning in April. The CEFC projected that total nonfarm employment would decrease by 8.0% in calendar year 2020, with growth of 4.0% and 2.0% in calendar year 2021 and calendar year 2022, before leveling to 0.0% in calendar years 2023-2025. The forecast anticipated employment declines from around 636,000 in calendar year 2019 to a trough of around 585,000 in calendar year 2020, recovering to around 621,000 in calendar year 2022 before leveling off. This compared to a peak of 639,400 in the previous forecast. Total personal income was revised down to an annual growth rate of

3.9% in calendar year 2020, 0.2 percentage points lower than the February 2020 forecast. The forecast for calendar year 2021 was revised down by 5.2% points for an annual decline of -1.2%. The forecast was largely driven by a substantial increase in personal current transfer receipts, primarily from Federal stimulus checks and increased unemployment benefits in calendar year 2020 that was forecasted to expire by calendar year 2021. Changes to minor income items resulted in upward revisions of 0.1% points in calendar years 2024 and 2025.

In its report, the CEFC emphasized that current conditions are unprecedented, highly uncertain, and include a large number of unknown variables. The economic forecast update represented the best the CEFC could do with the information available at the end of June. Several key assumptions had to be made, encompassing both the public health situation (no subsequent outbreaks of COVID-19 in Maine requiring a lockdown) and economic conditions (further federal stimulus will follow later in calendar year 2020 year that includes support for state and local governments, the unemployed, and lower-income households), increasing the level of uncertainty associated with the forecast.

On August 1, 2020 the RFC released a rare "off-cycle" update of its March 1, 2020 revenue forecast in order to incorporate the new economic forecast released by the CEFC on July 1, 2020 and to provide the Governor and Legislature with a revenue forecast that reflected the impact of the COVID-19 pandemic through mid-July. In its August 2020 update, the RFC revised General Fund (GF) revenue estimates downward by $527.8 million for fiscal year 2021 and by $883.2 million for the fiscal year 2022-2033 biennium. In addition, Highway Fund revenues were reduced by $30.8 million in fiscal year 2021 and $30.5 million in the fiscal year 2022-2023 biennium.

Almost $498.3 million of the -$527.8 million downward reforecast in fiscal year 2021 by the RFC was from sales and use and individual income taxes, and 100% of the fiscal year 2022 and fiscal year 2023 net reductions were attributable to these two revenue categories. In both cases, swift and unprecedented stimulus from the federal government and the Federal Reserve System had helped to moderate the initial impact on State revenues of the historic COVID-19 recession during the final quarter of fiscal year 2020. While the CEFC assumed that Congress would provide an additional $1 trillion of stimulus during calendar year 2020, the temporary nature of that stimulus and a weak recovery for the Maine economy lead to significant ongoing reductions in the State's two largest sources of General Fund (GF) revenue.

In the case of the sales and use taxes approximately 60% of the $238 million reduction in fiscal year 2021 was attributable to taxable prepared foods and lodging. Lodging sales were assumed to be down year-over-year by 50% during the third-quarter of calendar year 2020, the height of the summer tourism season. Lodging sales were assumed to improve slowly over the remainder of calendar year 2020 and are not expected to generate the same level of tax revenue as calendar year 2019 until calendar year 2022. Prepared food sales, mostly restaurant sales, were projected to perform better than lodging, but were assumed to be down approximately 30% year-over-year during the third-quarter of calendar year 2020. Like lodging, prepared food sales were assumed to slowly improve and not get back to the same level of tax revenue as calendar year 2019 until calendar year 2022. These key assumptions by the RFC about lodging and prepared food sales were consistent with the CEFC's employment forecast for the leisure and hospitality industry. The gradual improvement in both sales categories, representing 25% of total sales tax revenue in a typical year, was the primary reason for the lower decrease in sales tax revenue of $152 million in fiscal year 2022 and $131.3 million in fiscal year 2023. One highlight on sales tax was the additional tax revenue the State is collecting because of several recent law changes that require remote sellers to collect and remit sales tax on sales delivered into Maine.

Approximately 75% of the adjustments to individual income tax revenue was primarily the result of the CEFC's assumption of combined wage and salary and unemployment insurance (UI) benefits growth over the forecast period. The CEFC forecast assumed that the initial enhanced UI benefits that were part of the CARES Act, and a continuation of those benefits at some reduced level in the next federal stimulus package, would almost offset the reduction in wages and salaries during calendar year 2020. After calendar year 2020 the CEFC assumed that UI benefits would fall back to normal levels and growth as unemployment declined, but wage and salary growth would be weaker than its previous forecast. These assumptions resulted in a growing gap between the February and July CEFC forecast for the combined level of wage and salary and UI benefits, which had a significant impact on individual income tax liability. Other key factors impacting the individual income tax forecast were; (1) the reversal of the fiscal year 2020 accruals for final and estimated payments in fiscal year 2021, (2) a larger decrease in capital gains realizations than the March forecast, and (3) a reduction in IRA income in tax year 2020 due to federal tax law changes.

The updated forecast was used to begin developing the fiscal year 2021 supplemental budget and fiscal years 2022/2023 biennial budget which is due to the Legislature at the beginning of calendar year 2021.

The CEFC convened on October 23, 2020 to review and revise its July 1, 2020 off-cycle economic forecast. The CEFC noted that record-setting job losses in March and April were followed by sharp but incomplete gains through the summer. The new economic forecast assumes total nonfarm employment will decrease by 8.0% in calendar year 2020, with recovery of 4.0% and 2.0% in calendar years 2021 and 2022, before slowing to 0.1% in calendar years 2023-2025. The forecast anticipates employment will decline from around 636,000 in calendar year 2019 to a trough of around 585,200 in calendar year 2020, recovering to about 622,600 in calendar year 2025. This is a slight improvement over the July 1 forecast, which saw a peak of 620,700 in calendar year 2023 that remained flat through calendar year 2025, reflecting upside risks to the labor market recovery as a result of structural changes.

Total personal income was revised up in all years, notably to 5.3% in calendar year 2020 compared to 3.9% in the prior forecast. These revisions were driven by data showing a stronger rebound of middle- and high-income jobs. Changes to estimates of non-payroll sources of income resulted in additional upward revisions in calendar years 2021 to 2025.

Overall, the CEFC agreed with their original assessment of the economic and public health conditions made during the summer. Since the last forecast, the CEFC identified higher uncertainty regarding the timing of further federal stimulus and remained optimistic about Maine's opportunities to see increased immigration in the upcoming years. The CEFC reiterated that current conditions are unprecedented, highly uncertain, and changing rapidly. Additionally, the CEFC noted their concern that the exacerbation of inequality as different groups experience uneven paces of economic recovery will hold back the overall recovery of the State and place additional demands on State educational and social service programs while threatening to reduce the tax revenues that fund them.

In its December 2020 update, the RFC revised General Fund (GF) revenue estimates upward by \$272.8 million for fiscal year 2021 and by \$487.4 million for the fiscal years 2022/2023 biennium. Relative to the RFC's pre-pandemic March 1, 2020 forecast GF revenues are now projected to be \$255 million lower in fiscal year 2021 and \$395.8 million lower in the fiscal years 2022-2023 biennium. In addition, Highway Fund (HWF) revenues increased by \$11.4 million in fiscal year 2021 and \$9.1 million in the fiscal years 2022/2023 biennium. Relative to the RFC's pre-pandemic March 1, 2020 forecast HWF revenues are now projected to be \$19.3 million lower in fiscal year 2021 and \$21.4 million lower in the fiscal years 2022-2023 biennium.

Almost \$243.9 million of the RFC's upward \$272.8 million reforecast in fiscal year 2021 is from sales and use and individual income taxes, and 88% of the fiscal year 2022 and fiscal year 2023 net increases are attributable to these two revenue categories. In both cases, stimulus from the federal government and the Federal Reserve System has helped to moderate the impact on State revenues of the historic COVID-19 recession during the final quarter of fiscal year 2020 and the first five months of fiscal year 2021. While the CEFC now assumes that Congress will provide an additional stimulus in the first quarter of calendar year 2021, the severity of the recession leads to smaller, but still significant ongoing reductions in the State's two largest sources of GF revenue relative to the RFC's pre-pandemic March forecast.

The $136.5 million upward adjustment in fiscal year 2021 to the sales and use tax forecast reflects a positive variance of $53.5 million through October and preliminary November receipts that point to another monthly variance of $20 million or more. The two primary areas fueling the revenue surplus are lodging and automobile sales. Lodging receipts through October exceeded budget by $14.4 million and are now expected to be approximately $22 million higher for the fiscal year than projected in August. While lodging sales were down 28.6% year-over-year (YOY) during the important July-September quarter, the August revenue forecast assumed a 50% YOY decline during the summer tourism season. After declining over 15% YOY between March and June, sales and use tax receipts related to automobile sales have rebounded, increasing by 17% YOY during the three-month period ending in September. Actual revenue performance through October and a less pessimistic forecast from the CEFC of calendar year 2020 new automobile registrations results in a fiscal year 2021 increase of $42 million in sales and use tax from automobile sales. The RFC has tried to capture the expected decline in taxable services during the coming winter months as the rising rate of rate of COVID-19 impacts consumer purchases of in-person services.

Changes to the projected individual income tax receipts are primarily the result of the CEFC's more optimistic assumption of wage and salary growth over the forecast period. The November CEFC forecast assumes that wages and salaries combined with taxable enhanced unemployment insurance (UI) benefits that were part of the CARES Act, will more than offset the reduction in wages and salaries during calendar year 2020 relative to their February economic forecast. After calendar year 2020 the CEFC assumes that UI benefits will fall back to normal levels and growth as unemployment declines, but that wage and salary growth will be stronger than their previous forecast. Wages and salaries represent a significant portion of taxable income and therefore any increase in their forecasted level leads to higher individual income tax liability. Other key factors impacting the individual income tax forecast are: (1) a smaller decrease in capital gains realizations than the August forecast, (2) slightly stronger growth in business income and (3) a reduction in IRA income in tax year 2020 due to federal tax law changes.

The Administration continues to monitor real time metrics, including traffic counts and unemployment data, and will study the monthly revenues closely each month and intends to make adjustments as needed. The CEFC and RFC will meet jointly in mid-February to discuss forecast assumptions and current conditions ahead of the regular late March CEFC and late April RFC meetings.

The COVID-19 crisis has also caused significant volatility in global and national financial markets. Longer-term adverse economic and financial market performance will also have longer-term State budget consequences due to the effects on the funded status of the State's retirement plans and OPEB liabilities and resulting annual funding requirements. However, it is not possible at this time to estimate those impacts.

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 in fiscal year 2021 for as long as the Federal national emergency declaration remains in effect. The State is also entitled to reimbursement for 75% of eligible costs of responding to COVID-19 from FEMA, which may be received over multiple fiscal years. The State has received to date $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 (now extended to December 30, 2021 as part of the Consolidated Appropriations Act, 2021), which also can be used to cover any State match portion of costs reimbursed by FEMA. 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 GF 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 did provide 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. Discussion continues about additional Federal legislation that provides increased financial assistance to the State but no assurance can be provided regarding future Federal programs or funding.

Conclusion. As the State heads into the second year of the pandemic, 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.

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 Administrative and Financial Services has certain duties and authorities, including serving as the Governor's principal fiscal aide, coordinating financial planning and programming activities of the State government for review and action by the Governor, preparing and reporting to the Governor 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 Commission 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 current conditions 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 RFC makes all determinations necessary to calculate the General Fund appropriation limit established by law. See "Fiscal Management – General Fund Appropriation Limit" herein.

The November 2020 report analyzed the sufficiency of the MBSF relative to three different spending limitations in order to provide decisionmakers with useful information on the size of the MBSF necessary to maintain desired spending levels during an economic downturn. Two of the spending limitations are defined in Title 5 of the Maine Revised Statutes and are the same as the report as issued on

October 1, 2018; the base spending limitation and the General Fund appropriation limitation (commonly referred to as the "LD1 spending limitation" after the enacted legislation that created the MBSF and the General Fund spending limitation). The third spending limitation included in the November report falls between the other two and is defined as the fiscal year 2021 level of appropriations ($4.152 billion) enacted during calendar year 2020 increased by the same Growth Limitation Factor (defined below) as the base spending limitation. For purposes of this report this third spending limitation is referenced as the "alternative limitation".

The two forecasting committees estimated that a hypothetical moderate recession beginning in the first quarter of calendar year 2020 would reduce General Fund revenues relative to the March baseline revenue forecast by approximately $158.7 million or 3.9% in fiscal year 2021 and approximately $203.1 million or 5.0% in fiscal year 2022. Under the moderate recession scenario General Fund revenues would return to the same level as the baseline revenue forecast in fiscal year 2024. The current MBSF level of $258.8 million and other available resources of $184.1 million are projected to be enough to maintain current fiscal year 2021 appropriations of $4.152 billion and half of the difference between the alternative spending limitation in fiscal year 2022 and forecasted revenues. The current MBSF balance would be depleted by the start of fiscal year 2023, falling short of the fiscal year 2023 alternative spending limitation appropriations level by $235.3 million. The two forecasting committees estimate an MBSF balance of 18% of fiscal year 2020 General Fund revenue ($715 million), the current statutory maximum, would be necessary to fully offset the revenue declines from a moderate recession to essentially maintain the alternative spending limitation level of appropriations for the fiscal year 2022- fiscal year 2025 period.

The two forecasting committees estimated that the current severe recession that began in the first quarter of calendar year 2020 will reduce General Fund revenues relative to the March baseline revenue forecast by approximately $527.8 million or 14.1% in fiscal year 2021, $433.7 million or 14.7% in fiscal year 2022, and from $449.5 million to $477.9 million to $498.3 million or over 16% in each fiscal year between fiscal years 2023-2025. The current MBSF level of $258.8 million and other available resources of $184.1 million would be enough to offset 60% of the currently projected fiscal year 2021 revenue shortfall. Annual revenue shortfalls of relative to the current baseline forecast would range between $435 and $500 million over the fiscal year 2022-2025 period. The two forecasting committees estimate the MBSF would require a prohibitive level of funding to fully offset the reduction in revenue during the budget window studied. However, an MBSF balance equal to the current maximum of 18% of fiscal year 2020 General Fund revenue would be enough to fully offset the projected revenue shortfall in fiscal year 2021 and offset approximately two-thirds of the projected revenue decline in fiscal year 2022.

Calendar Year 2020 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, which have been further revised by the most recent forecasts issued as of November 1, 2020 and December 1, 2020, respectively. 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 CEFC met on October 23, 2020 to review and revise its July 1, 2020, off-cycle forecast through 2025. The off-cycle forecast resulted from the extraordinary circumstances of the past eight months and recession caused by the onset of COVID-19. The CEFC has identified higher uncertainty regarding the timing of further federal stimulus and remains optimistic about Maine's opportunities to see increased immigration in the coming years. The Commission reiterated that current conditions are unprecedented, highly uncertain, and changing rapidly. Additionally, the CEFC noted their concern that the exacerbation of inequality as different groups experience uneven paces of economic recovery will hold back the overall recovery of the State and place additional demands on State educational and social service programs while threatening to reduce the tax revenues that fund them.

Record setting job losses in March and April were followed by sharp but incomplete gains through the summer. Total nonfarm employment is projected to decrease by 8.0% in 2020, with recovery of 4.0% and 2.0% in 2021 and 2022, respectively, before slowing to 0.1% in 2023-2025. Total personal income growth was revised up in all years, notably to 5.3% in 2020. This change is largely due to a stronger rebound of middle- and high-income jobs.

Workforce conditions continued to gradually recover from the sharp downturn caused by COVID-19 in the spring of 2020. According to the monthly survey of employer payrolls, 52% of the 104,500 nonfarm jobs lost in March and April had been regained through September. Unemployment estimates from a separate survey of households have understated the magnitude of job displacement that has occurred since the pandemic began. Between February and April of 2020, the estimated number of unemployed increased by less than half as much as the net job loss reported through the payroll survey. In September the number of unemployed was up 19,300 from February, despite the fact that the number of jobs remained down 50,600. This is due to a decline in labor force participation. Many people who lost jobs have not been able to engage in a work search because of childcare, personal safety, or other factors.

National surveys of businesses found an overall perception that remote work does not hurt productivity and that many businesses are planning for a permanent shift to remote work. This may be the biggest legacy of the pandemic on the workforce because it will afford greater geographic flexibility for employers in recruiting and for employees in their choices of places to live. It is possible that Maine could experience an increase in the rate of net in-migration to the State, which could stabilize the size of the labor force in the years ahead as large numbers of baby boomers retire.

The forecast for inflation, as measured by the consumer price index ("CPI"), was revised up in all years through 2025, reflecting the Federal Reserve Bank's aim to keep inflation moderately higher in the future to compensate for lower inflation in previous years. The forecast for 2020 was revised up from 0.9% to 1.3% due to prolonged weak demand and low oil and commodity prices. Future inflation projections are 2.2% in 2021-2022, and 2.1% in 2023-2025.

Single family existing home sales in August 2020 were up 1.3% compared to August 2019, while the median sales price increased 17.4% from a year prior. The first week of October had a year-over-year decline of 6.4% in vehicle miles traveled, up from a decline of 42% in the last week of March. New data from the U.S. Census Bureau shows that 38% of households in Maine have experienced a loss of employment income since March, while other analysis shows employment recovery has been slowest for low-income jobs. Credit and debit card data indicate that consumer spending has begun to stagnate and now sits 13.4% below January levels.

The economic variables in the CEFC forecast play a prominent role in the revenue forecast. Maine Revenue Services' Office of Tax Policy (MRS/OTP) tax models use the CEFC economic variables to help project revenue from the major taxes. Data related to non-tax revenue lines were 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 RFC reviewed MRS/OTP and other staff recommendations at its meeting on November 23, 2020 and agreed to those recommendations. The following table highlights the final changes to the General Fund revenue forecast accepted by the RFC as part of its December 1, 2020 update to the earlier August 2020 revenue forecast.

General Fund revenue estimates are revised upward by $272.8 million for fiscal year 2021 and by $487.4 million for the 2022-2023 biennium. The forecasted rate of year-over-year growth for General Fund revenue in fiscal year 21 is now -3.9%, followed by growth of 4.1% in fiscal year 2022 and 3.8% for fiscal year 2023. Relative to the RFC's pre-pandemic March 1, 2020 forecast, General Fund revenues are now projected to be $255.0 million lower in fiscal year 2021 and $395.8 million lower for the 2022-2023 biennium.

Almost 90% ($243.9 million) of the RFC's $272.8 million reprojection in fiscal year 2021 is from sales and use and individual income taxes, and 88% of the fiscal year 2022 and fiscal year 2023 net increases are attributable to these two revenue lines. In both cases, stimulus from the federal government and the Federal Reserve System has helped to moderate the impact on State revenues of the historic COVID-19 recession during the final quarter of fiscal year 2020 and the first five months of fiscal year 2021. While the CEFC now assumes that Congress will provide an additional stimulus in the first quarter of calendar year 2021, the severity of the recession leads to smaller, but still significant ongoing reductions in the State's two largest sources of GF revenue relative to the RFC's pre-pandemic March forecast.

The $136.5 million upward adjustment in fiscal year 21 to the sales and use tax forecast reflects a positive variance of $53.5 million through October and preliminary November receipts that point to another monthly variance of at least $20 million. The two primary areas fueling the revenue surplus are lodging and automobile sales. Lodging receipts through October exceed budget by $14.4 million and are now expected to be approximately $22 million higher for the fiscal year than projected in August. While lodging sales were down 28.6% year-over-year (YOY) during the important July-September quarter, the August revenue forecast assumed a 50% YOY decline during the summer tourism season. After declining over 15% YOY between March and June, sales and use tax receipts related to automobile sales have rebounded, increasing by 17% YOY during the three-month period ending in September. Actual revenue performance through October and a less pessimistic forecast from the CEFC of calendar year 2020 new automobile registrations results in a fiscal year 21 increase of $42 million in sales and use tax from automobile sales. The RFC also accounts for an expected decline in taxable services during the coming winter months as the rising rate of rate of COVID-19 impacts consumer purchases of in-person services.

Changes to the individual income tax are primarily the result of the CEFC's more optimistic assumption of wage and salary growth over the forecast period. The November 2020 CEFC forecast assumes that wages and salaries combined with taxable enhanced unemployment insurance (UI) benefits that were part of the CARES Act, will more than offset the reduction in wages and salaries during calendar year 2020 relative to their February economic forecast. After calendar year 2020 the CEFC assumes that UI benefits will fall back to normal levels and growth as unemployment declines, but that wage and salary growth will be stronger than their previous forecast. Wages and salaries represent a significant portion of taxable income and therefore any increase in their forecasted level leads to higher individual income tax liability. Other key factors impacting the individual income tax forecast are: (1) a smaller decrease in capital gains realizations than the August forecast, (2) slightly stronger growth in business income and (3) a reduction in IRA income in tax year 2020 due to federal tax law changes.

The CEFC and RFC continue to monitor the economic and fiscal impacts of the COVID-19 pandemic and are planning a joint meeting for mid-February prior to the statutorily required reporting dates of April 1, 2021 and May 1, 2021, respectively.

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 described in the following paragraph. The General Fund appropriation limit was approximately $3.6 billion for fiscal year 2014, fiscal year 2015 and fiscal year 2016, $3.7 billion for fiscal year 2017, $3.8 billion for fiscal year 2018, $4 billion for fiscal year 2019, $4.1 billion for fiscal year 2020 and $4.2 billion for fiscal year 2021. The Growth Limit Factor for the 2014-2015 biennium was 1.37%. The Growth Limit Factor for the 2016-2017 biennium was 1.08%. The Growth Limit Factor for the 2018-2019 biennium was 2.84%. The Growth Limit Factor for the 2020-2021 biennium is 2.77%. The Growth Limit Factor for the 2022-2023 biennium is 3.3%. The General Fund appropriations limit for fiscal year 2022 is approximately $4.5 billion and for fiscal year 2023 approximately $4.6 billion.

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") over 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").

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. 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"). If the Budget Stabilization Fund is 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 must be transferred to the Property Tax Relief

Fund for Maine Residents. "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.

Public Laws of Maine 2013, chapter 595 ("2013 Chapter 595") changed the priority of distribution for fiscal year 2014 only, after the transfers to the State Contingent account, Loan Insurance Reserve and Reserve for Retirement Costs, adding a one-time fixed transfer up to $20 million for the Reserve for Future Funding Needs. The Reserve for Future Funding Needs included a provision to transfer up to $1.3 million, directed to the Maine Department of Health and Human Services ("DHHS") Developmental Services Waiver program, by financial order, in fiscal year 2015 pursuant to 2013 Chapter 595, part X, sections 3 and 4. The remaining authorized one-time transfer of the unappropriated General Fund surplus of $18.7 million was available and placed in an undesignated status in the Reserve for Future Funding Needs. The remainder of the year-end balance was distributed as follows: Budget Stabilization Fund, 48%, a transfer of $8.5 million, Reserve for General Fund Operating Capital, 13%, a transfer of $2.3 million, Retiree Health Internal Service Fund, 9.0%, a transfer of $1.6 million, Capital Construction and Improvements Reserve Fund, 10%, a transfer of $1.8 million, and the Tax Relief Fund for Maine Residents, 20%, a transfer of $3.5 million. The fiscal year 2014 year-end balance in the Budget Stabilization Fund was $68.2 million. The increase in the Budget Stabilization Fund, as compared to the prior year balance, is primarily related to the transfer of 48% of the year-end reserves as authorized in 2013 Chapter 1.

2015 Chapter 267 further changed the priority order of distribution beginning fiscal year ending June 30, 2015. In addition to fixed transfers to the State Contingent account, Loan Insurance Reserve, and Reserve for Retirement Costs (provided for this reserve account specifically in fiscal years 2012, 2013 and 2014), the Reserve for General Fund Operating Capital of $2.5 million and Retiree Health Insurance Internal Service Fund of $2.0 million that would have previously received a percentage transfer of the remaining year-end General Fund unappropriated surplus, were added to the fixed transfers. The Capital Construction and Improvements Reserve Fund transfer, previously included as a percentage transfer of remaining year-end surplus after fixed dollar transfers at 10%, was recommended by the Governor and enacted by the Legislature in 2015 Chapter 267 as a direct ongoing General Fund appropriation for capital construction of $3 million in each fiscal year. The remaining year-end surplus was distributed as follows: Budget Stabilization Fund, 80%, and the Tax Relief Fund for Maine Residents, 20%. Public Laws of Maine, 2015, chapter 16 ("2015 Chapter 16") directed a transfer from the Reserve for Future Funding Needs of $4.3 million back to the General Fund unappropriated surplus to fund the fiscal year 2015 appropriations in that bill. The fiscal year 2015 year-end balance in the Budget Stabilization Fund was $111.1 million, $14.3 million of this total, the remaining balance from the Reserve for Future Funding Needs, transferred to the Budget Stabilization Fund as directed in 2013 Chapter 595. The fiscal 2015 year-end cumulative balance in the General Fund Reserve for Operating Capital was $7.4 million, and the Tax Relief Fund for Maine Residents was $9.5 million. Finally, MRS has estimated that in order to provide the initial minimum reduction of 0.2 percentage points, the balance in the Tax Relief Fund for Maine Residents would need to be approximately $48.6 million and that aggregate unappropriated General Fund surpluses of over $200 million would be needed to generate such a balance in the fund.

The priority order of the distribution of the available reserves fiscal year ending June 30, 2016 was most recently impacted by a one-time change in Public Laws of Maine 2015, chapter 483 ("2015 Chapter 483") and chapter 513. The remaining year-end General Fund unappropriated surplus was adjusted to add an additional one-time fixed transfer of $13.4 million for the establishment of a process to procure biomass resources after the transfer for the Loan Insurance Reserve, $1 million, Reserve for General Fund Operating Capital, $2.5 million, and Retiree Health Insurance Internal Service Fund, $4 million, set forth in 2015 Chapter 267. The fiscal year-end cumulative balance in the Budget Stabilization Fund as of June 30, 2016 was $112.4 million. The fiscal 2016 year-end cumulative balance in the General Fund Reserve for Operating Capital was $9.9 million and the Tax Relief Fund for Maine Residents just under $200,000, the balances in this fund utilized in part for the resources to fund the State's fiscal year 2016 tax conformity.

During fiscal year 2017, two additional one-time transfers were made to the Budget Stabilization Fund: Public Laws of Maine 2015, chapter 481 ("2015 Chapter 481") provided for a $10 million transfer from the funds received pursuant to the court order in *State of Maine v. McGraw-Hill Companies, Inc. and Standard & Poor's Financial Services, LLC*, and Public Laws of Maine 2017 Chapter 2 transferred $35 million from the unappropriated surplus of the General Fund. Finally, at the close of fiscal year 2017, after the priority transfers for the replenishment of the State Contingent Account at the maximum of $350,000, the transfer for the Loan Insurance Reserve, $1 million, Reserve for General Fund Operating Capital, $2.5 million, and Retiree Health Insurance Internal Service Fund, $4 million, $36.8 million and $9.2 million were transferred to the Budget Stabilization Fund and the Tax Relief Fund for Maine Residents, respectively. The cumulative balance in the Budget Stabilization Fund on June 30, 2017 was $196.2 million.

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 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.

Citizen Initiative Petitions

Recent citizen initiatives include the following:

In June of 2015 An Act to Raise the Minimum Wage was approved by the Secretary of State for circulation. This initiative would raise the minimum hourly wage of $7.50 to $9.00 in 2017, and in $1.00 increments up to $12.00 in 2020; and to raise it for service workers who receive tips from the 2016 rate of $3.75 to $5.00 in 2017, and in $1.00 increments up to $12.00 in 2024. In January of 2016 this initiative was submitted to the Secretary of State who determined that valid signatures had been filed. The initiative was transmitted to the Legislature. As the initiative was not enacted by the Legislature, this initiative appeared on the November 2016 ballot and was passed by the voters. Finally, in 2017, a related measure, Public Laws of Maine, chapter 272, An Act to Restore the Tip Credit to Maine's Minimum Wage Law was enacted.

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 Secretary of State initially determined that petitioners had not submitted enough valid signatures. The petitioners appealed the Secretary of State's decision to Superior Court and the judge ruled in favor of the petitioners. 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. As of April 11, 2018, the Joint Select Committee on Marijuana Legalization Implementation reported ought to pass as amended on Legislative Document ("LD") 1719, An Act to Implement a Regulatory Structure for Adult Use Marijuana. On May 2, 2018, Public Laws of Maine 2017, chapter 409 ("2017 Chapter 409") 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. In February 2020, the State reported that medical program registrants sold at least $111.6 million of marijuana to patients in 2019. As of October 2020, medical program registrants had sold at least $221.8 million of marijuana to patients in the calendar year-to-date.

Since the inauguration of Governor Janet 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. The first active licenses were issued to adult use establishments in September 2020 and retail sales to consumers began in early October 2020. In the first full month of sales, nine adult use stores sold $1.4 million of marijuana to adult consumers for recreational purposes. The current revenue forecast estimates $12.7 million in total tax revenues in fiscal year 2021 and $27.7 million in fiscal year 2022.

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.

On November 4, 2016, a new citizen-initiated bill was introduced in the 128th First Legislature session. LD 1039, An Act To Enhance Access to Affordable Health Care, died between the houses as of April 27, 2017. This bill included a fiscal note projecting additional annual General Fund appropriations if fully implemented of $54,495,000. This initiative appeared on the November 2017 ballot and was approved by voters. On January 3, 2019, Governor Mills signed an Executive Order directing the Commissioner of DHHS to submit to the Centers for Medicare and Medicaid Services ("CMS") revisions to the State Plan implementing the voter approved Medicaid expansion. On April 3, 2019, CMS approved the State's plan retroactive to July 2, 2018, which was the date indicated in the 2017 ballot initiative supported by nearly 60% of Maine voters. See "Certain Expenditures and Obligations - Health and Human Services Funding".

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 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. There are several initiatives currently authorized to circulate for signatures, including a new one related to the transmission project, but none have yet been submitted to the Secretary of State for certification. The deadline for submission of an initiative to be on the November 2021 ballot is January 21, 2021.

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 a Comprehensive Annual Financial Report ("CAFR") 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, 2020 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, 2020, 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, 2020, 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. The Office of the State Auditor has issued an unqualified 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, 2020."

Annual financial reports prepared by the State Controller for the fiscal year ending June 30, 2020 and for prior fiscal years are available upon request directed to Matthew Colpitts, Deputy State Treasurer, 39 State House Station, Augusta, Maine 04333, telephone: 207-624-7468; facsimile: 207-287-2367. The CAFR for the fiscal year ended June 30, 2020 and for prior fiscal years are also available at http:// www.maine.gov/osc/finanrept/cafr.shtml .

The State Auditor is required by law to audit the Basic Financial Statements included within the Comprehensive Annual Financial Report prepared by the State Controller for each fiscal year. The State Auditor's Independent Audit Opinion dated December 11, 2020 with respect to the fiscal year ending June 30, 2020 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 http:// www.maine.gov/osc/finanrept/cafr.shtml.

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STATE BUDGETS

Laws authorizing General Fund and Highway Fund expenditures for fiscal years 2016 through 2021 have been enacted and provide for such expenditures in the amounts set forth in the table below. Amounts listed for fiscal years 2019, 2020 and 2021 include laws enacted during the Second Regular Session of the 129th Maine Legislature.

Fiscal Year Ending June 30	General Fund Expenditures Authorized	Highway Fund Expenditures Authorized
2016	$3,331,298,722	$323,554,282
2017	3,403,471,296	331,044,352
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	4,152,371,423	338,390,421

For information regarding fiscal years 2016 through 2021 expenditures, see "Certain Expenditures and Obligations – General Fund Expenditures" below.

Prior to the December 2014 revenue projection, the Bureau of the Budget updated its four year revenue and expenditure forecast in September 2014 through the fiscal year ending June 30, 2017. 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 structural gap was projected to be $461.1 million for the 2016-2017 biennium.

The gap assumed increases in GPA of $296.7 million in the 2016-2017 biennium to achieve the commitment made in 2005 Chapter 2, as amended by 2007 Chapters 240 and 539, for a 55% State share of education costs. The structural gap assumed restoration of State-municipal revenue sharing which reflects an increase over the 2014-2015 biennium of $85 million.

On December 1, 2014, the RFC issued a regularly scheduled update to the forecast. The December report reflected an adjustment upward of General Fund revenues of $45.5 million in fiscal year 2015, $28.4 million in fiscal year 2016 and $39.2 million in 2017. The December report also projected General Fund revenues of $3.4 billion in fiscal year 2018 and $3.5 billion in fiscal year 2019.

On January 9, 2015, the Governor's 2016-2017 Biennial Budget (LD 1019) recommendation was released. The Governor's proposal included significant changes to Maine's tax policies intended to bring relief to Maine families by transitioning from a tax code dependent on earnings to a more modern tax code dependent on consumption. The proposed changes included reductions to Maine's income tax rates, modernization of the sales tax base and increase in the general sales tax rate, the elimination of the estate tax, increases to the amount of pension income exempt from income tax and an exemption for military pension income. The Governor's recommendation also included increased funding for key priorities in the DHHS. The budget proposal provided $52 million in funding over the biennium to assist thousands of people waiting for services through MaineCare waivers. The Governor recommended an increase of $22 million over the biennium to support Nursing Facilities based on 2013 Chapter 594, An Act to Implement the Recommendations of the Commission to Study Long-term Care Facilities. Recognizing the importance of primary care and preventative services, the budget included requests to continue funding so the State could continue to pay the enhanced rates for Health Homes and primary care physicians that were expired or set to expire through the federal Patient Protection and Affordable Care

Act ("Affordable Care Act"). Thirty-eight positions and over $3 million in General Fund resources are included each year for the Riverview Psychiatric Center, in order to assist the hospital in meeting the requirement for re-certification by the federal CMS. Approximately $50 million of the savings made available for funding DHHS key priorities were based on a plan to transition the funding structure of the General Assistance program in order to gain better control of the expenditures and changing eligibility criteria to the federal minimums in the Medicare Savings Program. The proposal also continued to delay the attainment of 55% State funding of education until the fiscal year 2018-2019 biennium and satisfied the remaining structural gap projected in December of 2014.

On May 1, 2015, the RFC issued a regularly scheduled update to the forecast. The May report reflected an upward adjustment of General Fund revenues of $22.1 million in fiscal year 2015, downward $32.3 million in fiscal year 2016 and upward $3.1 million in fiscal year 2017. The May report also projected revenues of $3.4 billion in fiscal year 2018 and $3.5 billion in fiscal year 2019.

On May 7, 2015, the Governor presented a change package to LD 1019 primarily consisting of revisions resulting from the RFC's May 1 report and updated initiatives associated with the Governor's original 2016-2017 Biennial Budget recommendation. The DHHS no longer required additional funding over baseline funding for the State's MaineCare program's projected increase in health costs and an additional fiscal year 2016 cycle payment, based on the most recent MaineCare forecasts for the 2016-2017 biennium. The removal of the $14 million request for MaineCare over the biennium funded new initiatives including $7 million for two 7-bed secure residential facilities to house forensic patients that do not require a hospital level of care, building upon the Governor's recommendation to continue to move forward towards the recertification of Riverview Psychiatric Hospital. In addition, a one-time 4% rate increase, approximately $4 million over the biennium, was proposed to be applied to the assisted living reimbursement rate at Private Non-Medical Institutions beginning July 1, 2015 and a one-time eighteen month pilot project, just over $500,000 for the biennium, for individuals with opioid or alcohol dependency who were recently incarcerated or had been referred by the Department of Corrections or the Drug Court were also included. Other initiatives included the transfer of the DHHS drinking water, subsurface waste and radiation control activities to the Department of Environmental Protection, wage parity in the Department of Corrections, between State correctional and county jail employees who perform similar direct supervision, language to limit the salaries of positions which are currently funded by 100% federal funds in the Department of Defense to the thresholds allowed by the federal authority and the separation of the land and water quality program in the Department of Environmental Protection to establish separate programs for both land and water in the Department. Finally, the Governor's change package included funding and/or language for several bills proposed in the 127th Legislature, LD 13, An Act To Provide an Exemption from Sales Tax and Service Provider Tax to Nonprofit Collaboratives of Libraries, LD 48, An Act To Reduce Registration Fees and Excise Taxes for For-hire Vehicles with Adaptive Equipment Enabling Access by Persons with Disabilities and LD 1343, An Act To Increase Access to Postsecondary Education for Maine National Guard Members.

From February 2015 and well into March 2015, the Appropriations and Financial Affairs Committee conducted public hearings on the Governor's tax recommendations. The joint standing policy committees of the Legislature developed their own prioritized report-backs of the two year budget proposal, which were presented to the Appropriations and Financial Affairs Committee throughout the month of April. On June 30, 2015, the 127th Legislature enacted 2015 Chapter 267, overriding the Governor's veto. 2015 Chapter 267 included a compromise version of the tax reform package presented by the Governor in January, 2015. The compromise version includes a reduction to the State's top marginal individual income tax rate from the current law 7.95% to 7.15% effective January 1, 2016. The individual income tax cuts are offset through the adoption of the current sales and use tax rate of 5.5%, previously scheduled to revert back to 5% on July 1, 2015, expansion of the sales tax base to include taxes on certain foods and drinks at 5.5% (effective January 1, 2016), continuation of the current meals and lodging tax rate of 8%, a subsequent increase in the lodging tax rate to 9% effective January 1, 2016, and an increase in the service provider tax rate from the current 5% to 6% on January 1, 2016, including an expansion of the service provider tax on cable and radio services. In addition, the compromise version included an adjustment to the transfer of certain major General Fund revenue line for the State-municipal revenue sharing program, currently set at 5% to 2% for fiscal years 2016-2019 only.

On December 1, 2015, the RFC issued a regularly scheduled update to the forecast. The December report reflected an adjustment downward of General Fund revenues of $2.2 million in fiscal year 2016, upward in the amount of $4.9 million in fiscal year 2017. The December report also projected upward revenue revisions of $24.5 million in fiscal year 2018 and $35.5 million in fiscal year 2019.

On March 1, 2016, the RFC issued a regularly scheduled update to the forecast. The March report reflected an adjustment downward of General Fund revenues of $67.3 million in fiscal year 2016, and upward in the amount of $5.4 million in fiscal year 2017. The March report also projected revenues upward in the amount of $1.7 million in fiscal year 2018 and $2.7 million in fiscal year 2019.

Beginning in early January of 2016, Public Laws of Maine 2015, chapter 378 ("2015 Chapter 378"), was signed by the Governor that included a comprehensive approach to Maine's drug abuse challenge that embraced initiatives for law enforcement, prevention, treatment and recovery. 2015 Chapter 378 provided $.7 million in fiscal year 2016 and ongoing funding of $3 million in fiscal year 2017. The appropriations were funded in the 2016-2017 biennium through one-time transfers back to the General Fund from the Gambling Control Board and Medical Use of Marijuana Other Special Revenue Funds. Later in the 127th 2nd Regular Session, Public Laws of Maine 2015, chapters 485 ("2015 Chapter 485") and 488 ("2015 Chapter 488"), were signed by the Governor and provided the State additional tools to utilize in approaching Maine's drug abuse challenges. 2015 Chapter 485, increased the penalties for the illegal importation of scheduled drugs by one scheduled crime and created a new crime of aggravated illegal importation. 2015 Chapter 488 established limits on the prescription of opioids, requiring those licensed and whose capability of prescribing is electronic to implement this law by July 1, 2017.

In mid-January 2016, the Governor submitted an emergency bill to conform state tax laws to changes in federal tax laws, for tax years beginning on or after January 1, 2015 and for any prior tax years as specifically provided by the United States Internal Revenue Code of 1986, as amended. The bill repealed, for taxable years beginning on or after January 1, 2016, the addition modification that decouples Maine's individual income tax law from the federal deduction for qualified tuition and related expenses and also decoupled the Maine individual and corporate income taxes from the federal bonus depreciation deductions for tax years beginning on or after January 1, 2015. In addition, the Governor's proposal provided for the Maine Capital Investment Credit for tax years beginning on or after January 1, 2015 with respect to depreciable property placed in service in Maine. This bill was voted out of the Committee and several amendments were subsequently attached. At the same time, the Governor, Legislative Leaders and the Appropriations and Financial Affairs Committee, agreed to a compromise that included additional funding for education as well as tax conformity, resulting in Public Laws of Maine 2015, chapter 388 ("2015 Chapter 388") and 389 ("2015 Chapter 389"). 2015 Chapter 388 provided for the conformity as proposed by the Governor to certain federal tax laws for tax year 2015 and beyond. 2015 Chapter 389 provided supplemental funding for the Department of Education, GPA program, an additional $15 million in fiscal year 2017, and set the State's contribution towards the total cost of education. See "Certain Expenditures and Obligations – Education Funding" below.

Public Laws of Maine 2015, chapters 468 and 472, authorized new issuance of additional securities from the Maine Government Facilities Authority for the Judicial Branch and the Department of Corrections. For the Judicial Branch, additional securities issuance up to $95.6 million were authorized for the costs associated with court facilities in Oxford, Waldo and York County. The Department of

Corrections was authorized to issue up to $149.7 million for capital repairs and improvements to the Maine Correctional Center in South Windham and a facility owned by the Department in Washington County. Public Laws of Maine 2015, chapters 478 ("2015 Chapter 478") and 479 ("2015 Chapter 479"), authorized general obligation bond issuances contingent on the approval by voters. 2015 Chapter 478, authorized a general obligation bond of $100 million which was presented to voters in November 2016, $80 million for Highways and Bridges, and $20 million to ports, harbor, aviation, freight and rail. 2015 Chapter 479, authorized a general obligation bond of $50 million which was presented to voters in June 2017, $45 million to the Maine Technology Institute targeted to Maine's seven technology sectors (biotechnology, composites and advanced materials, environmental, forest products and agriculture, information technology, marine technology and aquaculture and precision manufacturing), and $5 million to the Small Enterprise Growth Fund for lending or investing in small business. These general obligation bonds were subsequently approved by voters.

In April of 2016, Public Laws of Maine 2015, chapter 465, An Act to Improve the Delivery of Services and Benefits to Maine's Veterans and Provide Tuition Assistance to Members of the National Guard was signed by the Governor and enacted. This bill included the work of the Commission to Strengthen and Align Services Provided to Maine's Veterans in Resolve 2015, chapter 48. This bill directs the Department of Defense, Veterans and Emergency Management to serve as the primary source of information for veterans in the State and establishes a Maine National Guard Post Secondary Fund to provide tuition benefits to eligible Maine National Guard Members. The bill is funded through a one-time deappropriation of $2.5 million from the delay in issuance of a $21 million revenue bond for the University of Maine and a one-time transfer of $600,000 from the Gambling Control Board, Other Special Revenue funds. Public Laws of Maine 2015, chapter 481 ("2015 Chapter 481"), transfers funding awarded as a result of the *State of Maine v. McGraw-Hill Companies, Inc. and Standard & Poor's Financial Services, LLC*, of just over $21 million to provide $10 million in additional funding to the Budget Stabilization Fund and the remaining funds for the 2016-2017 biennial cost of a sales tax exemption on fuel used in agriculture, wood harvesting and fishing, cost of living increase for Private Non-medical Homes in the DHHS, additional funds for a substance abuse pilot program in the Department of Public Safety and additional funds for education in the Jobs for Maine's Graduate program and scholarships through the Maine State Grant Program in the Finance Authority of Maine. Finally, 2015 Chapter 483 provided one-time funding for the procurement of biomass resources through a transfer of $13.4 million contingent on available funds at the close of fiscal year 2016. 2015 Chapter 483 authorized one or more 2-year contracts for up to 80 megawatts of biomass resources.

Prior to the December 2016 revenue projection, the Bureau of the Budget updated its four year revenue and expenditure forecast in September 2016 through the fiscal year ending June 30, 2019. 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 structural gap was projected to be $165.3 million for the 2016-2017 biennium.

The gap assumed increases in GPA of $260 million in the 2016-2017 biennium to achieve the commitment made in 2005 Chapter 2, as amended by 2007 Chapters 240 and 539, for a 55% State share of education costs. The structural gap assumed the current law reduction of 5% to 2% for State-municipal revenue sharing to continue through fiscal year 2019.

On December 1, 2016, the RFC issued a regularly scheduled update to the forecast. The December report reflected an adjustment upward of General Fund revenues of $34.2 million in fiscal year 2017, and adjustments downward of $1.5 million in fiscal year 2018 and $30.1 million in 2019. The December report also projected General Fund revenues of $3.6 billion in fiscal year 2020 and $3.7 billion in fiscal year 2021.

On January 6, 2017, the Governor released the final supplemental budget for the 2016-2017 biennium and the final budget recommendation for the term of Governor Paul R. 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.

The Governor's final supplemental proposal included $35 million to the Budget Stabilization Fund, $4.8 million for the rebuild of the State's fish hatcheries in Casco and Grand Lake Stream, and just over $7 million to the University of Maine to support a continued six year freeze on in-state tuition for the 2017 fiscal year and funding for the early college program. In addition to the Governor's proposals submitted in the supplemental budget, the Appropriations and Financial Affairs Committee and the Governor supported another $5 million for additional funding targeted towards the development of Opioid Health Homes. The supplemental budget was voted unanimously by the Appropriations and Financial Affairs Committee to move forward for passage and enacted on March 15, 2017.

The biennial budget proposal continued the work in the then current 2016-2017 biennium and included proposals to augment several citizens initiatives that were passed in November of 2016, specifically, the establishment of the Fund to Advance Public education, legalization of recreational marijuana, and an act to raise the minimum wage. Major tax initiatives included the phase-in of a 5.75% flat tax and elimination of the transfer of funding to the Fund to Advance Public education from the passage of a citizen's initiative from the assessment of a surcharge on household income over $200,000, elimination of the estate tax, expansion of the pension exemption, expansion of the sales tax base and expansion and simplification of the child care credit, a net $313 million reduction in General Fund revenue. In addition to the modification of tax laws in relation to the State's funding, the administration proposed a separate comprehensive property tax package to allow municipalities to collect additional tax revenues through provisions to provide more equitable and predictable treatment of land owned by land trust organizations and expansion of the authorization for municipalities to assess service charges against certain exempt property with a value of $10 million or more. Offsets included nearly $70 million in proposed net savings to the MaineCare program, with major initiatives including the elimination of separate facility based fees for hospital based physicians for a savings of $11.4 million, the reduction in the reimbursement of Critical Access hospitals to 101% for savings of $4.5 million, the rebasing of the Hospital Tax year from 2012 to 2014 for a savings of $15.1 million and the elimination of the eligibility of able-bodied parents with earnings in excess of 40% of the Federal Poverty Limit, generating savings of $33 million. Finally, the Governor's proposal included initiatives investing in the State's infrastructure, both in the Department of Transportation and for State owned facilities. The comprehensive proposal included a funding shift away from the Highway Fund for the State Police of nearly $20 million per fiscal year in part to provide that funding.

On May 1, 2017, the RFC issued a regularly scheduled update to the forecast. The May report reflected an adjustment downward of General Fund undedicated revenues of $16.8 million for total projected undedicated revenues in fiscal year 2017 of $3.413 billion, and adjustments upward of $5.7 million in fiscal year 2018 and $6.0 million in 2019 for total General Fund projected undedicated revenues of $3.550 billion and $3.605 billion in fiscal year 2018 and fiscal year 2019, respectively. The May report also projected General Fund undedicated revenues of $3.623 billion in fiscal year 2020 and $3.741 billion in fiscal year 2021.

On May 25, 2017, the Governor submitted revisions (the "Change Package") to the 2018-2019 biennial budget recommendation to the Committee on Appropriations and Financial Affairs. The proposal included an update to clarify provisions in the tax language originally submitted in the Governor's biennial budget recommendation, but did not make any substantive changes to the original tax proposals. In the Department of Corrections, the Governor proposed statutory language directing the Commissioner of the

Department to submit a recommendation for funding plans to restructure the funding and operation of county jails, correctional facilities, and prisoner population and capacity by February 15, 2018. In addition, the proposal limited funding for County Jail Operations through the month of February of fiscal year 2018 and limited funding for Downeast Correctional Facilities through the month of March of fiscal year 2018 until the final restructuring plans were enacted in the Second Session of the 128th Legislature. The Governor's Change Package withdrew the biennial budget recommendation to establish a new Office of the Public Defender, instead directing the Commissioner of the DAFS and the Director of the Office of Policy and Management to compose a group to study Indigent Legal Services. This proposal limited funding of the current Indigent Legal Services Agency through the month of January 2018 until final plans were enacted in the Second Session of the 128th Legislature.

In early June 2017, the Committee on Appropriations and Financial Affairs concluded major portions of their work on the State's 2018-2019 biennial budget voting out four reports, a majority and two minority reports, with one member voting "Ought not to Pass". These alternative proposals were scheduled for consideration by the full Legislature in the final weeks of the 128th First Regular Session, with the Statutory Adjournment date on June 21, 2017. The proposals drew from the Governor's recommendations, with the majority budget going forward with the implementation of the establishment of the Fund to Advance Public Kindergarten to Grade 12 Education supported by the 3% income tax surcharge on taxable income in excess of $200,000 approved by voters in November of 2016. The two minority proposals eliminated, for tax years beginning in 2017 or after, the 3% income tax surcharge imposed on taxable income in excess of $200,000, funding provided in support of the Fund to Advance Public Kindergarten to Grade 12 Education, which was also eliminated. In addition, during the 128th First Regular Session, other spending bills were set aside and placed on the Special Appropriations Table to be enacted in conjunction with the final budget bill. These spending bills included LD 243, which was subsequently enacted, 2017 Chapter 278, An Act To Amend the Marijuana Legalization Act to Provide Licensing, Rulemaking and Regulatory and Enforcement Authority within the DAFS; Assign Rulemaking, Regulatory and Enforcement Authority Related to Agricultural Purposes to the Department of Agriculture, Conservation and Forestry; and Allocate Funds for Implementation, transferring a total of $1.6 million from the General Fund in fiscal year 2017 only, $1.4 million to the DAFS to the Retail Marijuana Regulatory Coordination Fund and $200,000 to the Joint Select Committee on Marijuana Legalization Implementation.

Public Laws of Maine 2017, chapter 284 ("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.

Current and new debt service funding was provided to support authorized general obligation bonds, a new investment in technology of up to $21 million, construction of new court houses, a new prison facility in Windham and infrastructure funding support, both in the 2018-2019 biennium and the following biennium for the University of Maine. Personnel costs such as retirement contributions for both the State employee and teacher retirement and retiree health programs were fully funded, additionally supporting a third reduction in the discount rate assumption for the State's pension liability from 7.125% to 6.75% since fiscal year 2011. Collective bargaining for the Judicial Branch was funded in the new budget and the Executive Branch collective bargaining was funded in a separate bill. Other major initiatives were also funded, including redirecting existing license fees previously credited to the General Fund to the Department of Marine Resources for the purpose of fisheries research, approximately $678,000 per year, and a new on-going transfer of revenue from the General Fund to the Department of Agriculture, Conservation and Forestry ("ACF") in the amount of $500,000 per year for Agriculture Promotion. In the Department of Corrections, baseline appropriations of $5.4 million for Downeast Correctional Facility were eliminated in fiscal year 2019 as a result of the proposed closing as of June 30, 2018. The Governor's proposed statutory language directing the Commissioner of the Department to submit a recommendation for funding plans to restructure the funding and operation of county jails, correctional facilities, and prisoner population and capacity by February 15, 2018 was accepted as an unallocated provision in Part SSSSS. Compromise proposals for the County Jails and Indigent Legal Services programs were adopted in recognition of the need to address the growth in annual additional requests for funding, including study and reporting provisions and additional funding to address any remaining fiscal year 2017 obligations. Fiscal year 2019 appropriations for both the County Jail and the Indigent Legal Services programs were set aside in an Other Special Revenue account reserve in fiscal year 2019 to enable the costs and structures to be examined in the Second Session of the 128th Legislature. Finally, for the County Jail program, an increase in the rate of assessment to municipalities from the Counties was adopted, from a current law base assessment plus 3% to a new base assessment, provisions of which were adjusted in Public Laws of Maine 2017, chapter 281 plus 4%, the percentage as amended in 2017 Chapter 284 from year-to-year.

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 consist of 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 October 23, 2017, at the Governor's request, the Legislature convened the 128th First Special Session to amend Public Laws of Maine, chapter 215, An Act Recognizing Local Control Regarding Food Systems to ensure compliance with Federal and State food safety laws, rules and regulations and to appropriate funding for the Maine Office of Geographic Information Systems. Public Laws of Maine, chapter 315, An Act to Provide Funding for Geographic Information System Services, provided $1.35 million from the General Fund for State agencies utilizing Geographic Information System services provided by the Office of Information Technology in the DAFS. In addition, LD 1650, An Act to Amend the Marijuana Legalization Act was also considered, at a net cost to the General Fund of $14.5 million in the 2018-2019 biennium, the cost, primarily due to projected revenue losses for a later implementation date in the 2018-2019 biennium, as compared to the current law revenue projections and implementation date. The bill was vetoed by the Governor and subsequently on November 6, 2017, the Governor's veto was sustained by the House. A new bill was introduced in the 128th Second Regular Session, LD 1719, An Act to Implement a Regulatory Structure for Adult Use Marijuana to continue forward with the legislation and address some of the concerns in the veto of LD 1650 in the 2018-2019 biennium. An additional bill, LD 1775, An Act to Further Delay the Implementation of Certain Provisions of the

Marijuana Legalization Act delayed the current law implementation from February 1, 2018 to May 1, 2018 which provided time for the Legislature to continue working on LD 1719. Finally, Public Laws of Maine 2017, chapter 313, An Act to Encourage Regional Planning and Reorganization, shifted the responsibility for the administration of the Fund for the Efficient Delivery of Local and Regional Services from the DAFS to the Department of Economic and Community Development and added capital planning grants, in addition to planning and cooperative service type grants. A net one-time appropriation of $2 million for the Fund was provided in 2017 Chapter 284 in the Department of Economic and Community Development in fiscal year 2018.

2017 Chapter 409, LD 1719, An Act to Implement a Regulatory Structure for Adult Use Marijuana, enacted on May 2, 2018 repealed 7 MRSA, Chapter 417 and designated the DAFS as the sole regulatory agency in the implementation, administration and enforcement of the Marijuana Legalization Act. The role of the ACF was limited to consulting activities related to adoption of certain rules. The bill established excise taxes on marijuana flower and mature marijuana plants, $335 per pound, marijuana trim, $94 per pound, immature marijuana plants and seedlings, $1.50 per immature plant or seedling and marijuana seeds at $0.30 per marijuana seed. The revenue from these excise taxes is directed to the General Fund, except that 12% of this revenue will be credited to the Adult Use Marijuana Public Health and Safety Fund ("PHSF") within DAFS to be used for public health and safety awareness and education programs and for enhanced law enforcement training. The bill also required that 12% of the existing sales tax on marijuana and marijuana products also go to the PHSF. The net impact on General Fund revenue was expected to be an increase of $1,441,584 in fiscal year 2019, and rising to more than $5,000,000 in subsequent years. The PHSF was expected to receive $358,416 in fiscal year 2019, rising to more than $1,800,000 in subsequent years. The bill created manufacturing, retail store, testing and tiered cultivation licenses and set the fee structure that DAFS may charge for each license. License fees were estimated to generate Other Special Revenue Funds revenue of $855,460 in fiscal year 2019 and more than $1,200,000 in subsequent years. The bill created the Adult Use Marijuana Regulatory Coordination Fund and transferred the balance of the Retail Marijuana Regulatory Coordination Fund, $1,224,246, into it. The bill included General Fund appropriations to DAFS of $3,173,339 in fiscal year 2019. Of this amount, $2,028,806 was for 32 ongoing permanent positions, $550,000 was a one-time appropriation to design and/or acquire tracking system and licensing system software and $594,533 was for MRS within DAFS for two Tax Examiner positions, related programming and all other costs to process and audit income tax filings. Two additional Senior Revenue Agent positions would be required beginning in fiscal year 2020. Other Special Revenue Funds allocations to DAFS included $358,416 in fiscal year 2019 for the PHSF, $828,017 including three positions for the Adult Use Marijuana Regulatory Coordination Fund and $1,085,931 for the Medical Use of Marijuana Fund that included 6.25 positions transferred from the DHHS. The bill included a General Fund appropriation of $43,701 and a Highway Fund allocation of $23,962 in fiscal year 2019 to the Department of Public Safety for one Identification Specialist II position and related costs to process criminal history background checks for marijuana establishment operators. Finally, in order to reflect fewer cases related to marijuana offenses, $75,000 was deappropriated from the Maine Commission on Indigent Legal Services. For additional information relating to the impact on the DHHS, see "Certain Expenditures and Obligations - Health and Human Services Funding" below.

During the Second Special Session of the 128th Legislature, the Legislature over-rode the vetoes by the Governor on multiple bills. Public Laws of Maine 2017, chapters 459 and 460 provided rate increases for several Medicaid services and funding to move people off the Section 21 waiver waitlist. On September 7, 2018 the Governor signed An Act to Improve the Child Welfare System, Public Laws of Maine 2018, chapter 471. This law provided rate increases to foster homes, created 42 new positions within the Office of Child and Family Services, and funded salary stipends for several job classifications to address recruitment and retention issues with the Child Welfare system. Public Laws of Maine 2017, chapter 476, An Act to Employ Veterans in Health Care to Meet Workforce Needs and Provide Funding to the Community College System to Support the Training of Nursing Students, provided $850,000 to support nursing programs at four community college campuses throughout the State.

On December 1, 2017, the RFC issued a regularly scheduled update to the forecast. The December report reflected an adjustment upward of General Fund revenues for the 2018-2019 biennium of a total of $6.3 million, composed of an upward adjustment of $17.9 million in fiscal year 2018, and an adjustment downward of $11.7 million in fiscal year 2019. The December report also reflected an adjustment upward of General Fund revenues for the 2020-2021 biennium of $500,000, composed of an adjustment downward of $6.3 million in fiscal year 2020 and an adjustment upward of $6.7 million in fiscal year 2021.

On March 1, 2018, the RFC issued a regularly scheduled update to the forecast. The March report reflected an adjustment upward of General Fund revenues of $38.9 million in fiscal year 2018, and $89.6 million in fiscal year 2019. The March report also projected revenues upward in the amount of $79.2 million in fiscal year 2020 and $70.5 million in fiscal year 2021.

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.

On February 8, 2019, Governor Janet T. Mills released the 2020-2021 Biennial Budget (LD 1001) recommendation. 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 her first day in office, Governor Mills signed an Executive Order directing the DHHS to move ahead with the implementation of Medicaid expansion, as Maine voters had approved in November 2017. The federal government was expected to cover 90% of the cost of Medicaid expansion population while the State would be responsible for an estimated $140 million over the biennium. In addition to this request, Governor Mills recommended an additional $29 million be set aside in a Medicaid Reserve Account in the event it is needed. In 2004, Maine voters directed the State to fund 55% of the cost of K-12 Education from General Fund resources. This percentage has yet to be achieved; however, LD 1001 made a $126 million investment in K-12 Education over the biennium. Additionally, as a means to address the severe teacher shortage facing the State's schools, the budget invested $10 million, setting the new minimum teacher salary at $40,000 per year to assist with recruitment and retention. The Governor's budget also included the first step in a four year plan to fund voluntary universal pre-kindergarten services. Investment in education continues after high school, with the budget proposal providing additional resources to the University of Maine System, the Community College System, the Maine Maritime Academy, and providing $3 million in scholarship funds through the Maine State Grant Program. Governor Mills' budget also proposed increasing resources to local municipalities by increasing Revenue Sharing from the current 2% level to 2.5% in 2020 and 3% in 2021.

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.

Central to the change package was the administration's commitment to the child welfare system. This included the creation of 62 new staff for the Office of Child and Family Services to keep Maine's children safe, an 8% increase in staff and a critical down payment to reduce caseloads. The increase was comprised of 43 caseworker staff, 6 background check unit staff, and 13 intake staff, all to work to help prevent abuse, neglect and unhealthy experiences among the State's children. In support of those goals, another $5.5 million from the Fund for a Healthy Maine was directed for the Governor's opioid response, with an emphasis on school and community-based prevention programs to help youth at risk of substance use and mental health disorders – a goal of the Children's Cabinet. Additionally, the change package proposed 48 new positions – rather than contracting them out – to staff Dorothea Dix Psychiatric Center's new unit, to serve people in need of acute psychiatric care, including those deemed incompetent to stand trial and transferred by jails. Governor Mills announced in February that the nearly-completed facility would be an option for inpatient-level care instead of a step-down facility run by private contractors, as part of a broader plan to also expand outpatient mental health services in the State.

The Governor also planned to invest in the State's decaying school infrastructure by dedicating $20 million in one-time revenue into the School Revolving Renovation Fund. The fund, which provides no-interest loans for school repairs across the State, had been depleted over the years from an initial $200 million under then-Governor Angus King to less than $3 million now.

Also included was an initiative that provided $250,000 in each fiscal year to support the efforts of the Governor's Climate Council. The funding was to be used for energy and transportation data modeling, mapping, science consulting, facilitation and report production. The Council would seek to leverage these State funds with private foundation and other support.

Finally, the Governor's change package transferred $34.5 million to the Budget Stabilization Fund with $14.5 million set aside for Riverview Psychiatric Center. The change package identified the remaining funds needed to settle the debt associated with the decertification of the Riverview Psychiatric Center. Riverview Psychiatric Center regained certification effective January 30, 2019. The federal disallowance totaled nearly $80 million. Coupled with the $65 million set aside by the previous Legislature, funds in the change package would allow this debt to be paid to CMS. The remaining $20 million would be added to the Budget Stabilization Fund. See "Certain Expenditures and Obligations - Health and Human Services Funding" herein for further information regarding the Riverview Psychiatric Center disallowance.

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 is from individual income and sales and use taxes. The strong underlying Maine economy is 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. 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 here 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 enables the State to increase their 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 illustrates 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 is about $160.5 million and is more indicative of the true structural gap between revenues and expenditures. However the State cannot yet predict the actual impact of the COVID-19 crisis on State revenues.

The projected gap assumes 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 also assumes 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.

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

The biennial budget recommendation calls 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 currently 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 utilizes the revenue numbers from the December 2020 revenue forecast. At the Governor's direction, the biennial budget balances increases in departmental spending with reductions elsewhere, while avoiding layoffs and ensuring vital services. The budget continues to demonstrate 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 budget does not enact new programs or increase broad-based taxes. Additional resources for the budget were identified through review of unobligated balances throughout State government. The recommended budget will now be considered by the Legislature.

CERTAIN EXPENDITURES AND OBLIGATIONS

General Fund Expenditures

The following table sets forth, by certain major categories, General Fund expenditures set forth in 2015 Chapter 267 and 2017 Chapters 2 and 91, the budgets for fiscal years 2016 and 2017 and miscellaneous laws.

	2016	2017
Governmental Support and Operations	$255,750,510	$289,694,906
Economic Development & Workforce Training	42,417,329	44,632,867
Education	1,440,492,012	1,464,921,755
Arts, Heritage & Cultural Enrichment	8,315,529	7,957,592
Natural Resources Development & Protection	75,855,077	79,790,887
Health & Human Services	1,172,637,382	1,174,807,945
Justice & Protection	335,830,883	341,665,344
Total	$3,331,298,772	$3,403,471,296

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, the budgets for fiscal years 2020 and 2021, and miscellaneous laws through the Second Regular Session of the 129th Maine Legislature. The numbers below include the COVID-19 appropriations and allocation authorized by the Legislature through the end of the 2nd Regular Session of the 129th Legislature.

	2020	2021
Governmental Support and Operations	$346,340,601	$380,965,613
Economic Development & Workforce Training	44,734,671	45,851,957
Education	1,744,483,077	1,820,262,175
Arts, Heritage & Cultural Enrichment	8,981,085	8,872,437
Natural Resources Development & Protection	86,063,675	85,852,576
Health & Human Services	1,327,485,138	1,418,614,932
Justice & Protection	365,793,375	391,951,733
Total	$3,933,881,622	$4,152,371,423

Total General Fund spending over the 2020-2021 biennium is budgeted to be approximately $8.1 billion and for fiscal years 2020 and 2021 is 6.09% and 11.98%, respectively, over budgeted fiscal year 2019 spending. Of the $8.1 billion, 44.1% is attributable to education, 34% to health and human services, and 22% to other purposes of State government. For additional information regarding General Fund actual and budgeted expenditures during fiscal years 2016 through 2021, and for information regarding Highway Fund actual and budgeted expenditures during fiscal years 2016 through 2020, 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.

In LD 1019, as recommended by the Governor, the State's contribution for fiscal year 2016 would have been $1,111,985,349, which equated to a State contribution towards the total cost of education including teacher retirement, retired teacher's health insurance and retired teacher's life insurance of 49.10% in fiscal year 2016. This proposal also included one-time transfers of $5,000,000 in both fiscal year 2016 and fiscal year 2017 from the General Fund to support the consolidation of school administrative units. As enacted, 2015 Chapter 267 set the State's contribution to the costs of K-12 Education for fiscal year 2016 in the amount of $1,131,485,349, the total cost including teacher retirement, retired teacher's health insurance and retired teacher's life insurance, at a percentage share of 50.08%. The one-time transfer proposed by the Governor in both fiscal years 2016 and 2017 of $5,000,000 each to support consolidation of school administrative units was reduced to a one-time transfer of $750,000 in each fiscal year which, due to the significantly reduced funding as enacted, was subsequently proposed by the Governor as a resource in support of tax conformity, 2015 Chapter 388.

Public Laws of Maine 2015, chapter 389 ("2015 Chapter 389") established the State's cost of K-12 Education fiscal year 2017 contribution at $1,157,947,004. The State's contribution towards the total cost of education including teacher retirement, retired teacher's health insurance and retired teacher's life insurance was 50.79% in fiscal year 2017. 2015 Chapter 389 directed the Commissioner of Education to submit by January 10, 2017 and January 10, 2018 to the Governor and the joint standing committee of the Legislature having jurisdiction over education matters, a report that included findings and recommendations for actions to reform public education funding and improve student performance in Maine. 2015 Chapter 389 delayed to fiscal year 2018 when the State began 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% as enacted in 2015 Chapter 267. 2015 Chapter 389, beginning in fiscal year 2016-17, added charter schools to the list of essential programs and services components to be reviewed. Public Laws of Maine 2015, chapter 463, authorized a regional school unit to include an article in the warrant for its annual budget meeting providing that, in the event that the regional school unit receives more State education subsidy than the amount included in its budget, the regional school unit board is authorized to increase expenditures for school purposes in cost center categories approved by the regional school unit board, without a special budget meeting and budget validation referendum. The law also allows a regional school unit to include such articles for the purposes of increasing the allocation of finances in a reserve fund and decreasing the local cost share expectation for local property taxpayers for funding public education. Finally, the Department of Education provided additional one-time funding for municipalities due to a sudden and severe loss in the municipal valuation.

On January 6, 2017, upon the release of the Governor's proposed fiscal year 2017 supplemental and final biennial budgets for fiscal years 2018 and 2019, the Department of Education self-funded requests that were required to be submitted through the Legislature in the Governor's fiscal year 2017 supplemental proposal. The State's recommended contribution for fiscal year 2018 was $1,166,242,285, which would repeal the existing State funding formula to redirect State support to direct instruction, accountability, and teachers, through a statewide teacher contract. The State's contribution towards the total cost of education including teacher retirement, retired teacher's health insurance and retired teacher's life insurance was 50.87% in fiscal year 2018. This proposal also included one-time transfers of $5,000,000 in both fiscal year 2018 and fiscal year 2019 from the General Fund to support voluntary regionalization efforts of school administrative units.

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 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 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 increases the State's share of the total cost of education by 1 percentage point to 51.78% in 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.

Health and Human Services Funding

After education, proposed spending for health and human services and programs comprise the second most significant area of expenditure, at approximately $2.75 billion or 34% of General Fund appropriations for the 2020-2021 biennium. Furthermore, General Fund expenditures for the State's Medicaid program, MaineCare, are the largest, comprising $1.89 billion or 68.67%, of all health and human services spending. In 2019, the State implemented the 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. 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.

The Governor's 2016-2017 biennial budget recommendation, LD 1019, outlined the key priorities of the DHHS for that biennium. The DHHS requested funding to eliminate waitlists for home and community based services and for nursing home facilities. The DHHS also requested funding for Opioid Health Homes for individuals with Stage A and Stage B conditions as well as reimbursement for primary care physicians due to a loss in federal funding under the Affordable Care Act. Additionally, the DHHS requested funding for core services under the Augusta Mental Health Institute ("AMHI") Consent Decree including funding the Bridging Rental Assistance Program ("BRAP") specifically for Consent Decree clients. The Governor's recommendation included offsets that proposed to align the current Federal Poverty Level standard to the federal minimum standard in the Medicare Savings Program for projected savings of $20 million in each fiscal year and standardize rates between hospital and non-hospital compensated physicians of $5 million in each fiscal year. The recommendation also included rate adjustments for medication management, to provide consistency with other sections of policy and outpatient services, a total savings of $7 million in each fiscal year. Finally, the Governor's recommendation included initiatives to reform payments to municipalities for the General Assistance program, of $5 million in each fiscal year and the elimination of 100 vacant positions in the DHHS, of $2 million in General Fund savings in each fiscal year.

2015 Chapter 267 included compromise funding of key priorities of the DHHS. The enacted bill continues to provide an additional $2.9 million per fiscal year for the ongoing reimbursement of primary care physicians replacing expiring federal funds under the Affordable Care Act. Ongoing funding is provided to reduce waitlists for home and community based services for members with intellectual disabilities or autistic disorder, adults with brain injuries and other related conditions. Additional funds are included for cost of living adjustments for nursing homes, $8 million per fiscal year, and private non-medical facilities, $3.2 million in each fiscal year. The Governor's recommendations were accepted to offset a reduction in disproportionate share payments based on the amount of available funding utilizing the historic levels of uncompensated care and the hospital specific limit of $1.9 million per fiscal year and to provide General Fund support for Riverview Psychiatric Hospital's recertification efforts for forensic consumers who the courts determine to be not criminally responsible, who may no longer meet the clinical level of care for residential treatment, but are in the care and custody of the Commissioner of DHHS, of $1.4 million per fiscal year. Additional funding for Riverview also includes funds for additional staffing, as passed in 2015 Chapter 16 and other planned costs as set forth in both a formal external assessment of hospital operations and preliminary long range planning documents from the DHHS. Funding totaling $7 million per fiscal year for core services under the Consent Decree for the BRAP specifically for Consent Decree clients is also provided in the bill as requested by the Governor. Finally, funding for key provisions of welfare reform legislation that proposed additional assistance intended to reward work by families receiving public assistance and promote financial literacy and healthy savings habits of those families was also included. Material offsets include savings to the DHHS's baseline budget from the projected increase in both the regular (current rate of 61.88% to new rate of 62.67%) and federal CHIP enhanced (current rate of 73.32% to new rate of 96.87%) Federal Medical Assistance Percentage ("FMAP") for Federal Fiscal Year 2016, continuation of a DHHS-wide General Fund savings requirement, elimination of positions, and savings from changes in reimbursement of nonemergency use of emergency services to an office rate.

Public Laws of Maine 2015, chapter 484 ("2015 Chapter 484"), An Act to Improve the Integrity of Maine's Welfare Programs, prevents recipients from Temporary Assistance for Needy Families ("TANF") from expending funds on such items as tobacco, gambling, liquor, lotteries, bail and others. As put forward the DHHS convened a working group to discuss technology requirements that includes retailers in the State. Public Laws of Maine 2015, chapter 505 ("2015 Chapter 505") increases wages $2 and $4 per hour to selected positions based on recruitment and retention challenges at the State's psychiatric hospitals.

On January 6, 2017, upon the release of the Governor's proposed supplemental and final biennial budget, the DHHS did not have any requests for funding in the Governor's supplemental proposal for fiscal year 2017. One-time funding for the establishment of Opioid Health Homes was included resulting from a collaborative effort between the Governor and the Legislature. 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 (FQHC). 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 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, 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.

Riverview Psychiatric Hospital. During calendar year 2017, the DHHS prepared for a full survey of the Riverview Psychiatric Hospital, to regain compliance with Medicare Conditions of Participation that expired beginning September 2, 2013. As of May of 2017, the DHHS released a qualification for the construction of a Secure Forensic Rehabilitation Facility and a request for proposal for services within the facility to be located in Bangor, Maine. By letter dated June 7, 2017, the DHHS was notified of disallowance related to Riverview Psychiatric Hospital from the Associate Regional Administrator of the Division of Medicaid and Children's Health Operations, Boston Regional Office, for the amounts in federal financial participation (FFP) for Medicaid services and for disproportionate share hospital (DSH) payments claimed for the quarters ending December 31, 2013 through March 31, 2017, a total of $68,570 and $51,008,060, respectively, that would need to be repaid to the federal government, if this disallowance stands. State officials are reviewing options for reconsideration or an appeal of this decision. The Governor alerted the Appropriations and Financial Affairs Committee of the Legislature of the receipt of the notice of disallowance. This matter did not affect fiscal 2017 financial results and various options are available to address any final determination of liability. 2017 Chapter 284 set aside a reserve of $65 million in the Budget Stabilization Fund to support the DHHS as it moves through the appeals process with the CMS for the initial disallowance of approximately $51 million in federal funds that was drawn since the determination that the Riverview Psychiatric Center was not compliant with the Medicare Conditions of Participation, which began in December of 2013. The reserve also provided funding to support drawdown of current disproportionate share federal funds, of an estimated $3.5 million per quarter until Riverview Psychiatric Center becomes certified. The DHHS was notified in June 2017 by the CMS that it was no longer able to draw disproportionate share federal funds for the facility. The State continued to draw federal funds. Beginning with the quarter ending March 31, 2018, the CMS began to reduce the State's Medicaid grant based on the reported draws for Riverview Psychiatric Center. Funds were transferred to DHHS from the reserve established in 2017 Chapter 284 to offset the grant reductions. Although the appeal process was not successful, Riverview Psychiatric Center was recertified effective January 30, 2019. The total amount owed to CMS was nearly $80 million. The State has now fully settled the debt to CMS using the remaining funds in the original reserve and the supplemental reserve of $14.5 million provided in 2019 Chapter 343. See "Fiscal Management - General Fund Appropriation Limit", and "State Budgets" herein for further information.

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 the Governor. 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 the Governor 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. 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. The Governor's 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. Additional funding was also included in LD 1001 to continue the rate increases and to fund portions of the wait lists referenced in 2017 Chapters 459 and 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, transitions the administration and enforcement of the Maine Medical Use of Marijuana Act from the DHHS to the DAFS. The bill includes 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 is 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 is 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, providing 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 directs 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 provides 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 provides 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 provides 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 funds 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' first proposed biennial budget (LD 1001) included funding to implement the voter approved Medicaid expansion, provide life-saving, affordable health care coverage for more than 70,000 Mainers. The Governor's budget included nearly $140 million of State resources over the 2020-2021 biennium, which when leveraged with federal funding was projected to inject nearly $500 million into Maine's economy providing support to Maine's rural hospital network. In early April 2019, Maine received approval of the State Plan Amendment retroactive to July 2, 2018. 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 is 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 increases in 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), went into law 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 2016, 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 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 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.

Debts of the State

As of November 30, 2020, there were outstanding general obligation bonds of the State in the principal amount of $572,700,000, including $570,490,000 to be paid from the General Fund and $2,210,000 to be paid from the Highway Fund. As of November 30, 2020, 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 November 30, 2020, there are no outstanding tax anticipation notes of the State. As of November 30, 2020, the State's General Fund has not had to borrow from other funds within the State investment pool during fiscal year ending June 30, 2021 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 November 30, 2020, the State has used $60 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 borrowing in fiscal year 2020. The amount budgeted to be borrowed externally in fiscal year 2021 is not currently expected to exceed $200,000,000. If external borrowing is 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 November 30, 2020, 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 $184,630,000. As of November 30, 2020, 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.

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 November 30, 2020, the aggregate principal amount of such lease obligations outstanding was

$54,361,432. 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, 2020 the State Employee and Teacher Retirement Program, with 40,395 active, 37,653 inactive non-vested, 8,157 terminated vested and 37,151 retired members and surviving beneficiaries; the Judicial Retirement Program, with 58 active, 1 inactive non-vested, 3 terminated vested and 83 retired members and surviving beneficiaries; and the Legislative Retirement Program, with 179 active, 94 inactive non-vested, 117 terminated vested and 206 retired members and surviving beneficiaries (collectively “State Plans”). In addition, MainePERS administers the Participating Local District Consolidated Plan on behalf of 307 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 2021 are $16,170,715, as compared to $15,724,821 for fiscal year 2020.

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.

[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.

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 1.92%. 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 Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019 available at https://www.mainepers.org/administration/comprehensive-annual-financial-report-cafr/.
- Actuarial Valuation Report for each of the retirement programs administered by MainePERS as of June 30, 2020 available at https://www.mainepers.org/admiistration/valuations/.
- Final Report of the State Employee and Teacher Retirement Program experience study, dated June 30, 2015 available at https://www.mainepers.org/wp-content/uploads/pdfs/bond-disclosure/MainePERS-Experience-Study-Report-2015-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.
- "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 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, 2020".

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 2018-2019 biennium was projected to be $62,219,068. The State's share of the normal cost for the 2020-2021 biennium is projected to be $65,657,512. The State's share of the normal cost for the 2022-2023 biennium is projected to be $63,866,09. 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.

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, 2020, 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 $12,249,961,306 and the actuarial accrued liability was $14,865,460,130 resulting in a

UAAL of $2,615,498,824 and a funded ratio of 82.4%. 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, 2020, 8 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 $745 million of the UAAL as of June 30, 2020 is allocable to experience losses arising since June 30, 1996 and of that amount, approximately $127 million is expected to be amortized by June 30, 2028 with the remaining $618 million to be amortized by June 30, 2039.

The judicial retirement plan had an actuarial surplus of $2,569,078 at June 30, 2020. The legislative retirement plan had an actuarial surplus of $3,950,381 at June 30, 2020.

The ADC determined for the 2018-2019 biennial budget was based upon an estimate of the assets and liabilities as of June 30, 2016. The estimated assets included the June 30, 2016 assets (at market value), except that the private market values were based on the March 31, 2016 value, with a projection of total cash flows for the year. The liabilities included the June 30, 2015 liabilities, rolled forward based on projected actuarial assumptions for fiscal year 2016. 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 2020-2021 biennial budget, with a minor modification to include an estimate of private market values at June 30, 2018. The amount paid by the State in fiscal years 2018, 2019 and 2020 was $279,730,000, $293,580,000 and 331,164,000, respectively. The amount projected to be paid by the State, using the rate-setting process as described above, in fiscal year 2021 is $340,297,000. 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
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, 2020, the State reported a net pension liability ("NPL") of $2,615,498,824 for the State Employee and Teacher Plan. The State reported a net pension asset ("NPA") of $4,321,000 for the Judicial Plan and $4,181,000 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, 2019 for fiscal year 2020, would have been $3.91 billion or $746 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 2020 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*
2020	$82	$80	$307	$299	$389	$379
2021	81	81	315	315	396	396
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 and $53,800,200 in fiscal years 2018, 2019 and 2020, respectively. Based on the 2018 projections used to establish pension costs for fiscal years 2020 and 2021, the employer normal cost is projected to be $53,609,200 in fiscal year 2021. 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 2016, 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/pdfs/bond-disclosure/MainePERS-Experience-Study-Report-2015-FINAL.pdf. The System is currently conducting an updated experience study which is expected to be completed early in calendar year 2021.

In June 2018, the MainePERS Board of Trustees approved a reduction in the discount rate assumption from 6.875% to 6.75%. The impact of the reduction in the discount rate was estimated to increase the UAAL by approximately $193 million.

The impact of the Constitutional Amendment passed in November 2017 to change the period over which experience losses are amortized from 10 to 20 years was a decrease in the required contributions for the 2020-2021 biennium of approximately $29.1 million. The impact of the reduction in the discount rate was an increase in the required contributions for the 2020-2021 biennium of approximately $40.6 million. The net impact of these changes was an increase in the required contributions for the 2020-2021 biennium of approximately $11.5 million.

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, 2020 (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 2020, the assumed rate of return was 6.75%. For fiscal year 2020, the actuarial rate of return of the assets was 5.88% as compared to a market rate of return of 1.78%. Information about the System's Investment Program is available at www.mainepers.org/Investments/.

The 2020 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 6.75%. If the Programs were to earn 7.75% annual returns, the State's contribution rate would decline from the projected rate in the 2020 Valuation of 20.15% and the UAAL on a market value of assets basis would be paid in full by 2028 rather than the 2040 date projected based on 6.75% returns. The 1996 UAAL would still be paid off by 2028 under the 6.75% scenario, but new loss bases will delay the point the plan reaches 100% funded status, projected to be 2040 if all assumptions are exactly met between now and then. If, however, the Programs were to earn 5.75% annual returns, the State's contribution rate would rise to about 23% of payroll in order to meet the Constitutional requirement. The NPL (in $ thousands) for the State Employee and Teacher Pension Plan (SETP) at the current discount rate of 6.75% is $2,820,544. If the rate were 1% higher, the NPL (in $ thousands) would be $1,030,188. If the rate were 1% lower, the NPL (in $ thousands) would be $4,238,894.

Again, as noted above, the actual future circumstances will likely vary from those assumed in the 2020 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 2019 through 1991, inclusive. The estimated, unaudited return for calendar year 2020 is 7.70%. 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*
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
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
2020	$72,197,110	$74,766,188	$-2,569,078	103.6%	$73,514,720	101.8%	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
2020	$9,728,689	$13,679,070	$-3,950,381	140.6%	$13,450,104	138.3%	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
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. Pursuant to provisions of 2011 Chapter 380, several changes were made to the State Plans. The changes include: changes to the retiree cost-of-living provisions, including a three-year freeze on cost-of-living adjustments, a reduction in the cost-of-living cap from 4% to 3%, and the establishment of a $20,000 limit on the amount of benefit subject to the cost-of-living adjustment; an increase in the normal retirement age from age 62 to age 65 for non-vested members of the regular plan component of the State Employee and Teacher Retirement Program (the non-special plan tiers); and a change that ties eligibility for subsidized health insurance coverage (health insurance benefits are funded directly by the State) to normal retirement age.

The Legislature passed Constitutional Resolution Chapter 1 (L.D. 723), which proposed to amend the State Constitution to change the period over which experience losses are amortized from 10 years to 20 years. MainePERS submitted this proposal as a means to reduce the volatility of annual contributions required from the State that results from market performance. Extending the amortization period would result in lower annual contributions when experience losses occur. The total cost of recovering the losses would increase as payment would be made over a longer period of time. This Constitutional Amendment was approved at the November 2017 statewide election.

The Legislature also enacted Resolve, Chapter 14 (L.D. 917), to convene a working group to evaluate and design retirement plan options for State employees and teachers. The Resolve required the working group to report its recommendations to the Legislature no later than January 1, 2018. A request was submitted to the Legislature for an extension of this deadline, in order for the working group to complete its work. The report was submitted on April 9, 2018 and a copy can be found at https://www.mainepers.org/wp-content/uploads/pdfs/bond-disclosure/State-Teacher-Report-to-the-Appropriations-Committee-4.9.18-FINAL.pdf. The Legislature enacted Resolve, Chapter 57 (L.D. 1907), which permitted the working group to continue its work. The working group submitted a final report on February 27, 2020, and a copy can be found at https://www.mainepers.org/wp-content/uploads/pdfs/bond-disclosure/State-Teacher-Retirement-Plan-Resolve-2017-Chapter-57-2-27-20.pdf.

The 129th Legislature enacted Chapter 540 (L.D. 1104), 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. 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. It will not have any fiscal impact in the current 2020-2021 biennium. 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.

Group Life Insurance Program. MainePERS also administers a group life insurance program which is available to eligible participants. As of June 30, 2020, the State reported a total net other post-employment benefit liability of $100.4 million. The ADC for fiscal year 2020 was $10.7 million and the annual contribution paid was $9.3 million, representing 87% 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 will commence 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.

Litigation. The System is not currently involved in any litigation.

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, 2020 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 $291.6 million as of June 30, 2020. The balance as of November 30, 2020 was $333.9 million.

The OPEB expense paid by the State for state and teacher retirees in fiscal year 2020 was $114,802,020. The amounts budgeted by the State in fiscal years 2020 and 2021 are $118,183,955 and $118,852,260, respectively.

The net OPEB liability for the State Employee Plan as of June 30, 2020 was $888.9 million. The total OPEB liability for the Teachers Plan and First Responders Plan as of June 30, 2020 was $1,441.2 million and $27.5 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 November 2020, the State had approximately 11,536 Executive Branch employees.

The State Employees Labor Relations Act allows State employees in the Executive Branch to engage in collective bargaining. There are seven 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 Law Enforcement Association (MSLEA) represents those in law enforcement activities excluding State Police; and the Maine State Troopers Association (MSTA) represents the State Police.

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. During July and August of 2019, MSEA-SEIU, AFSCME, MSLEA and MSTA all ratified two-year contracts which include a 3% general salary increase on September 1, 2019; and a "4% add/drop a step" effective the start of the pay week commencing closest to December 31, 2020 (i.e. dropping the first step of each salary grade and adding a new top step which is 4% higher than the former top step - employees remain on their current step and receive the new pay associated with that step). These contracts also include increases in longevity pay, two weeks of paid parental leave, and other benefits to attract and retain top candidates for the State workforce. The economic items consistent with the terms of the agreements with the four bargaining units are authorized in Public Laws of Maine 2019, chapter 505 ("2019 Chapter 505") and funded through a transfer of balances from personal services salary savings lapsing at the end of each fiscal year of the 2020-2021 biennium 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 originally granted both confidential employees and employees whose salary are subject to the Governor's adjustment or approval the same 3% general salary increases effective September 1, 2019; the "4% drop/add step" effective at the start of the pay week commencing closest to December 31, 2020; increases to longevity; and paid parental leave. However, given the reduced General Fund revenues resulting from the pandemic, Executive Branch employees that are appointed or elected will not receive the "4% drop/add step".

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 that included a 3% cost of living adjustment for the law enforcement, administrative services, supervisory services, and the professional services bargaining units on September 1, 2019 and July 1, 2020. In addition, the agreement included a lump sum payment of $400 in August 2019 and July 2020 for all four Judicial Branch bargaining units as well as a longevity increase for 30 plus year employees of $.25 per hour effective July 2019, technology stipend adjustments, law enforcement unit uniform allowance increase and a reclassification. These economic items are authorized in 2019 Chapter 502 and funded through a transfer of balances from personal services salary savings lapsing at the end of each fiscal year of the 2020-2021 biennium 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, 2020:

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Interfund Receivables

June 30, 2020

(Expressed in Thousands)

	Due to Other Funds				
Due from Other Funds	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 8,967	$ -	$ -
Highway	2	2	15,893	-	-
Federal	5	-	179	6,939	-
Other Special Revenue	15,777	317	800	915	13
Other Governmental	-	-	-	-	-
Employment Security	-	-	478	-	-
Non-Major Enterprise	2,452	59	-	5	-
Internal Service	12,694	4,423	13,324	4,953	-
Fiduciary	46,577	-	-	-	-
Total	$ 77,507	$ 4,801	$ 39,641	$ 12,812	$ 13

Due from Other Funds	**Employment Security**	**Non-Major Enterprise**	**Internal Service**	**Fiduciary**	**Total**
General	$ -	$ 12,660	$ 18,441	$ -	$ 40,068
Highway	-	-	-	-	15,897
Federal	3,835	-	-	-	10,958
Other Special Revenue	-	7,963	242	-	26,027
Other Governmental	-	-	-	-	-
Employment Security	-	-	-	-	478
Non-Major Enterprise	-	-	-	-	2,516
Internal Service	-	422	5,334	2	41,152
Fiduciary	-	-	-	-	46,577
Total	$ 3,835	$ 21,045	$ 24,017	$ 2	$ 183,673

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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 2018-2021 reflect applicable baseline forecasts, each as updated with laws enacted through the First Regular Session of the 129th Maine Legislature and as updated by the December 2020 RFC meeting. See "State Budgets" herein.

CATEGORY	Fiscal year 2018 baseline budget December 2014 RFC	Fiscal year 2018 budget through the 128th 1st Special Session	Fiscal year 2018 as Revised by the December 2018 RFC
Sales and Use Tax	$1,236,821,231	$1,400,148,328	$1,409,548,328
Service Provider Tax	53,382,769	59,424,469	62,224,469
Individual Income Tax	1,655,777,000	1,508,004,704	1,554,804,704
Corporate Income Tax	211,645,002	165,724,242	171,924,242
Cigarette and Tobacco Tax	130,732,000	136,682,000	129,032,000
Insurance Companies Tax	82,765,000	73,765,000	74,150,000
Estate Tax	34,220,671	12,416,710	12,416,710
Fines, Forfeits and Penalties	22,965,512	19,297,146	18,354,011
Income from Investments	597,719	2,993,949	5,428,946
Transfer from Lottery Commission	57,123,279	54,900,000	59,000,000
Transfer for Tax Relief Programs	(71,768,101)	(64,768,101)	(63,768,101)
Transfer to Municipal Revenue Sharing	(161,236,834)	(67,953,355)	(69,244,574)
Transfers to Education Fund	N/A	(0)	(0)
Other Taxes and Fees	127,626,244	134,349,913	139,808,638
Other Revenues	28,575,291	13,824,664	1,941,056
Total Undedicated Revenues	**$3,409,226,783**	**$3,448,809,669**	**$3,505,620,429**

CATEGORY	Fiscal year 2019 baseline budget December 2014 RFC	Fiscal year 2019 budget as Revised by the May 2019 RFC	Fiscal year 2019 through the 129th 1st Regular Session
Sales and Use Tax	$1,294,195,576	$1,502,180,767	$1,502,117,767
Service Provider Tax	54,450,424	59,222,124	59,222,124
Individual Income Tax	1,701,311,000	1,705,158,151	1,705,158,151
Corporate Income Tax	230,826,711	244,750,000	244,750,000
Cigarette and Tobacco Tax	129,400,000	133,588,615	133,588,615
Insurance Companies Tax	82,765,000	74,450,000	74,450,000
Estate Tax	37,094,841	13,640,409	13,640,409
Fines, Forfeits and Penalties	22,966,512	18,678,774	18,678,774
Income from Investments	597,719	11,027,054	11,027,054
Transfer from Lottery Commission	57,123,279	59,000,000	59,000,000
Transfer for Tax Relief Programs	(75,888,623)	(70,568,623)	(70,568,623)
Transfer to Municipal Revenue Sharing	(167,417,561)	(73,699,854)	(73,698,594)
Transfers to Education Fund	N/A	(0)	(0)
Other Taxes and Fees	128,473,167	145,046,332	145,046,332
Other Revenues	28,103,853	11,594,367	11,594,367
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 1st Regular Session	Fiscal year 2020 as Revised by the March 2020 RFC	Fiscal year 2020 through the 129th 2nd Regular Session	Fiscal year 2020 Actual
Sales and Use Tax	$1,475,000,000	$1,584,138,944	$1,617,545,344	$1,617,738,944	$,1555,713,076
Service Provider Tax	60,000,000	59,524,000	57,024,000	57,024,000	58,012,511
Individual Income Tax	1,686,800,000	1,771,003,500	1,813,003,500	1,810,313,500	1,835,972,805
Corporate Income Tax	178,750,000	205,460,000	217,460,000	217,280,000	216,131,489
Cigarette and Tobacco Tax	131,800,000	141,621,642	141,621,642	141,621,642	137,331,317
Insurance Companies Tax	74,700,000	75,250,000	75,950,000	75,950,000	82,145,116
Estate Tax	12,850,000	10,350,000	20,450,000	20,450,000	21,079,344
Fines, Forfeits and Penalties	22,242,017	18,451,755	12,319,191	12,319,191	9,986,146
Income from Investments	2,421,028	10,575,750	12,304,505	12,304,505	12,121,418
Transfer from Lottery Commission	54,900,000	57,000,000	57,000,000	57,000,000	64,589,742
Transfer for Tax Relief Programs	(69,500,000)	(72,400,000)	(76,815,000)	(76,815,000)	(74,637,969)
Transfer to Municipal Revenue Sharing	(165,459,224)	(107,541,060)	(111,974,092)	(111,897,672)	(113,613,360)
Transfers to Education Fund	N/A	(0)	(0)	(0)	(0)
Other Taxes and Fees	130,034,000	139,559,891	138,146,069	138,146,069	139,144,510
Other Revenues	18,059,135	11,387,936	22,855,866	26,855,866	25,367,559
Total Undedicated Revenues	**$3,612,596,956**	**$3,904,382,358**	**3,996,891,025**	**3,998,291,045**	**3,969,343,702**

CATEGORY	Fiscal year 2021 baseline budget December 2016 RFC	Fiscal year 2021 through the 129th 1st Regular Session	Fiscal year 2021 as Revised by the March 2020 RFC	Fiscal year 2021 through the 129th 2nd Regular Session	Fiscal year 2021 As Revised by the December 2020 RFC
Sales and Use Tax	$1,529,000,000	$1,655,057,178	$1,695,071,678	$1,695,071,678	$1,593,571,678
Service Provider Tax	60,350,000	59,854,000	56,454,000	56,454,000	56,562,000
Individual Income Tax	1,764,300,000	1,840,371,250	1,851,681,250	1,849,921,250	1,695,661,250
Corporate Income Tax	186,600,000	204,200,000	211,990,000	210,175,000	202,855,000
Cigarette and Tobacco Tax	129,500,000	149,277,906	149,277,906	149,277,906	144,401,400
Insurance Companies Tax	80,200,000	80,800,000	81,900,000	81,900,000	84,400,000
Estate Tax	13,300,000	10,800,000	11,800,000	11,800,000	18,050,000
Fines, Forfeits and Penalties	22,243,017	18,417,730	12,425,166	12,425,166	9,387,746
Income from Investments	2,421,028	10,749,123	7,688,587	7,688,587	5,383,431
Transfer from Lottery Commission	54,900,000	57,000,000	57,000,000	57,000,000	60,000,000
Transfer for Tax Relief Programs	(73,000,000)	(74,850,000)	(77,667,000)	(77,667,000)	(75,667,000)
Transfer to Municipal Revenue Sharing	(180,431,859)	(144,848,593)	(144,497,422)	(144,363,359)	(137,573,408)
Transfers to Education Fund	N/A	(0)	(0)	(0)	(0)
Other Taxes and Fees	130,124,253	139,562,669	139,962,981	139,962,981	144,027,645
Other Revenues	17,302,215	11,587,714	20,633,306	20,633,306	14,217,173
Total Undedicated Revenues	**$3,736,808,654**	**$4,017,978,977**	**4,073,720,452**	**4,070,279,515**	**3,815,276,916**

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 $12,400 in tax year 2020 (indexed for inflation) for single filers, $24,800 for joint filers and $18,650 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 $46,272,664 in fiscal year 2020 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 $1,913,071,101.79 in fiscal year 2020. The balance of the State investment pool as of November 30, 2020 was approximately $2.81 billion, including $714.3 million in Coronavirus Relief Funds, which are not currently available to make up for reduced revenues, only COVID-19 related expenditures.

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, 2020, the weighted average final maturity of the pool was 318 days.

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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 November 30, 2020, the unaudited aggregate principal amount of MGFA's bonds outstanding was $360,330,000. 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, 2021 is $37,786,068.

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 November 30, 2020, unaudited amounts outstanding pursuant to these authorizations were $82,799,000 and $147,000 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 November 30, 2020, the unaudited 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 $38,820,000 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 November 30, 2020, the unaudited aggregate principal amount of MELA's bonds outstanding, which were issued pursuant to its Capital Reserve Provisions, was $85,240,000.

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 November 30, 2020, MSHA had an unaudited amount of $1,559,520,000 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 unaudited amount of $22,630,000 of Maine Energy, Housing and Economic Recovery Bonds for a grand total of $1,582,150,000 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 November 30, 2020, MSHA's Indian housing mortgage insurance obligations were approximately $68,000. 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 November 30, 2020, the unaudited aggregate principal amount of the MMBB's bonds outstanding was $1,494,526,380 of which (a) $4,640,000 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) $169,620,000 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) $96,915,000 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 November 30, 2020, the unaudited aggregate principal amount of MHHEFA's bonds outstanding secured by the Capital Reserve was $378,905,000. 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 November 30, 2020, the unaudited aggregate principal amount of outstanding LDA Revenue Bonds was $215,992.00. 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 November 30, 2020, the unaudited aggregate principal amount of the University System's bonds outstanding was $122,965,000.

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 November 30, 2020 the unaudited aggregate principal amount of MTA's bonds outstanding was $594,025,000.

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 November 30, 2020, 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 November 30, 2020, there were no outstanding bonds of MPA.

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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.

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.

Fagre et al. v. Ireland et al. This is a civil rights and wrongful death action brought by the personal representative of the estate of Ambrosia Fagre who was shot and ultimately died as a result of an incident involving law enforcement officers on February 10, 2017. Ms. Fagre was a passenger in a vehicle driven by an individual who had robbed a nearby homeowner and fired at least one shot at officers. The claim asserts excessive force under federal and state law, "failure to provide police protection," negligence, and wrongful death. The probability that this matter will result in future losses to the State in excess of $1 million is undetermined at this time.

Grendell v. State of Maine. The plaintiff in this matter brings a large number of claims against numerous state officials alleging that the State Police violated his rights during a police standoff by, among other things, detonating an explosive breaching charge that inadvertently caused the collapse of plaintiff's house. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Irish, et al. v. Maine State Police, et al. This lawsuit seeks damages for the fatal shooting of Kyle Hewitt, the kidnapping of Brittany Irish, and the shooting of Kimberly Irish by Anthony Lord. Plaintiffs allege that defendant police officers failed to protect against the threat posed by Lord. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Jackson v. Cornish et al. The two plaintiffs in this matter allege that defendants are liable under the Maine Civil Rights Act for one of the defendant's shooting and wounding of them during the course of their armed standoff with police. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Maine SNAP Program. The Food and Nutrition Service (FNS) of the United States Department of Agriculture assessed a $2.6 million liability against the Maine Department of Health and Human Services (DHHS) arising out of DHHS's administration of the Supplemental Nutrition Assistance Program. DHHS has appealed FNS's assessment. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Marc Merrill v. Maine State Police, et al. This is a civil rights action against the Maine State Police and individual officers arising out of the prosecution of Mr. Merrill for allegedly possessing child pornography. Mr. Merrill alleges that his federally-protected rights were violated. 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.

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APPENDIX B

STATE OF MAINE
OFFICIAL STATEMENT

For the Fiscal Year Ended June 30, 2020

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FINANCIAL SECTION

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LEADING THE WAY

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Pola A. Buckley, CPA, CISA
State Auditor

B. Melissa Perkins, CPA
Deputy State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Troy Jackson
President of the Senate

Honorable Ryan Fecteau
Speaker of the House of Representatives

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2020, and the related notes to the financial statements. We did not audit the financial statements of the aggregate discretely presented component units. These financial statements collectively comprise the State of Maine's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following component units: Child Development Services, Efficiency Maine Trust, Finance Authority of Maine, Maine Community College System, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, and the University of Maine System. The financial statements of these named component units comprise 100 percent of the assets, net position, and revenue of the aggregate discretely presented component units; 93 percent of assets, 96 percent of fund balance/net position, and 50 percent of revenue of the aggregate remaining fund information (Maine Public Employees Retirement System and Maine Governmental Facilities Authority); and 4 percent of the assets, and less than 1 percent of the net position and revenue of the governmental activities (Maine Governmental Facilities Authority). The financial statements of these named component units were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units, is based solely on the report of the other auditors. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
Activity related to the COVID-19 global pandemic declared in March 2020 had significant effects on the State of Maine's finances, as discussed in Notes 1, 6, and 17 of the financial statements. In fiscal year 2020, the State received \$1.25 billion of direct relief provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act through the Coronavirus Relief Fund (CRF). Approximately \$289 million in CRF funds was expended during fiscal year 2020, \$269 million of which was used to prevent Employment Security (a major Enterprise Fund) from becoming insolvent. There was a significant accumulation of unemployment benefits owed to claimants at the end of fiscal year 2020, primarily due to a significant increase in claims volume and an associated increase in fraudulent claims within that population. Estimated liabilities of \$92.4 million for the Federal Fund and \$20.0 million for Employment Security (a major Enterprise Fund) are included in the financial statements as of June 30, 2020. In addition, a significant portion of the unemployment benefits paid during the fiscal year was subsequently identified as fraudulent claim activity. The financial statements include these fraudulent amounts as unemployment insurance related receivables. Thus, the identification of fraudulent claims paid during the pandemic resulted in a significant increase to unemployment insurance receivables from the prior year.

The overall impact on the State of Maine's operations and finances is extremely difficult to predict due to uncertainties relating to the duration and severity of the COVID-19 outbreak. Our opinion is not modified with respect to these matters.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 21 to 33, and Budgetary Comparison Information, State Retirement Plans, Other Post-Employment Benefit Plans, and Information about Infrastructure Assets Reported Using the Modified Approach on pages 131 to 167, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Maine's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements on pages 169 to 227 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* our report dated December 11, 2020, on our consideration of the State of Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters will be issued under separate cover. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Maine's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Maine's internal control over financial reporting and compliance.

Pola A. Buckley

Pola A. Buckley, CPA, CISA
State Auditor

B Melissa Perkins

B. Melissa Perkins, CPA
Deputy State Auditor

Audit Managers
Single Audit - Desiree Willigar, CPA
Administration - Kristin Guerette, CPA
Quality Assurance - Sarah Dodge, CPA
Information Technology - Chad Flannery, CISA

Augusta, Maine
December 11, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State of Maine's annual financial report presents the State's discussion and analysis of financial performance during the year ended June 30, 2020. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Coronavirus Disease (COVID-19) Pandemic:

During the fiscal year ended June 30, 2020, 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. The State of Maine declared a state of emergency and issued numerous other public health emergency orders that restrict movement and limit businesses and other activities. These actions and the effects of COVID-19 have significantly disrupted economic activity at all levels, including within the State, and have caused significant volatility in financial markets around the world, including in the United States.

In response to the public health crisis created by COVID-19, since early March, the Governor has issued multiple executive orders and declarations and taken various actions to protect the public health in an effort to reduce community spread of the virus and protect Maine's citizens. These measures have included, among others, closing or restricting access to certain businesses and activities, issuing a "stay at home" directive 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. The current state of emergency may be further extended if circumstances warrant. The Administration has implemented a phased reopening of the State, however, the speed and scope of the reopening process will depend upon progress toward limiting the continued spread of the disease.

Maine was well-poised, economically before the onset of the COVID- 19 pandemic: the State's population had grown for 4 straight years; the unemployment rate was lower than national average; the State's pension plan is 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.

The economic, financial and budgetary impacts on the State and its economy from the measures taken to combat the spread of COVID-19, have been and are expected to continue to be significant.

Government-wide:

- The net position of Governmental Activities decreased by $135.0 million, while net position of Business-Type Activities increased by $97.7 million. The State's assets and deferred outflows exceeded its liabilities and deferred inflows by $1.074 billion at the close of fiscal year 2020. Of this amount $3.403 billion was reported as negative "Unrestricted" net position. A negative balance means that it would be necessary to convert restricted assets (e.g., capital assets) to unrestricted assets if all ongoing obligations were immediately due and payable. Component units reported net position of $3.302 billion, an increase of $161.2 million (5.1 percent) from the previous year.

Fund level:

- At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of $1.5 billion, an increase of $44.0 million from the previous year. The General Fund's total fund balance was $223.8 million, a decrease of $143.6 million from the previous year. The Other Special Revenue Fund total fund balance was $951.7 million, an increase of $176.8 million from the prior year.
- The proprietary funds reported net position at year-end of $983.9 million, an increase of $159.0 million from the previous year. The increase is primarily the result of an increase in the Employment Security Fund of $92.1 million and an increase in Employee Health Insurance, an Internal Service Fund, of $55.9 million.

Long-term Debt:

- The State's liability for general obligation bonds increased by $48.0 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued $141.3 million in bonds and made principal payments of $93.3 million.

Additional information regarding the government-wide, fund level, and long-term debt activities can be found beginning on page 10.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State of Maine's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Statements

The government-wide statements report information about the State as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position presents all of the State's assets, deferred outflows, liabilities and deferred inflows with the difference between the two reported as net position. Over time, increases and decreases in net position are an indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused leave).

Both government-wide statements report three activities:

Governmental activities - Most basic services, such as health and human services, education, governmental support and operations, justice and protection, and transportation are included in this category. The Legislature, Judiciary and the general operations of the Executive departments fall within the Governmental Activities. Income taxes, sales and use taxes, and State and federal grants finance most of these activities.

Business-type activities - The State charges fees to customers to help cover all, or most of, the costs of certain services it provides. Operating costs not covered by customer fees are subsidized by the General Fund. Lottery tickets, Ferry Services, and the State's unemployment compensation services are examples of business-type activities.

Component units - Although legally separate, component units are important because the State is financially accountable for these entities. The State has one "blended" component unit, the Maine Governmental Facilities Authority (MGFA) with Governmental Activities as described above. Maine reports 12 other component units (7 major and 5 non-major) as discretely presented component units of the State, and one component unit is reported with the State's fiduciary funds. Complete financial statements of the individual component units may be obtained directly from their respective administrative offices as shown in Note 1 A to the financial statements.

Government-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting. The following summarizes the impact of the transition from modified accrual to full accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements but are included on government-wide statements.

- Certain tax revenues that are earned, but not available, are reported as revenues in the Governmental Activities, but are reported as deferred inflows on the governmental fund statements.

- Other long-term assets that are not available to pay for current period expenditures are recorded as deferred outflows in governmental fund statements, but not deferred on the government-wide statements.

- Internal service funds are reported as Governmental Activities in the government-wide statements, but reported as proprietary funds in the fund financial statements.

- Governmental fund long-term liabilities, such as certificates of participation, net pension liabilities, compensated absences, bonds and notes payable, and others appear as liabilities only in the government-wide statements.

- Capital outlay spending results in capital assets on the government-wide statements, but is recorded as expenditures on the governmental fund statements.

- Proceeds from bonds, notes and other long-term financing arrangements result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.

- Net position balances are allocated as follows:
    - *Net Investment in Capital Assets* are capital assets, net of accumulated depreciation, and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction or improvement of those assets.
    - *Restricted Net Position* are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation.
    - *Unrestricted Net Position* is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant funds. Funds are fiscal and accounting entities with self-balancing sets of accounts that the State uses to keep track of specific revenue sources and spending for particular purposes. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – and use different measurement focuses and bases of accounting.

Governmental funds: Most of the basic services are included in governmental funds, which generally focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the State. The governmental fund statements focus primarily on the sources, uses, and balance of current financial resources and often have a budgetary orientation. These funds are reported using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Because this information does not encompass the additional long-term focus of the government-wide statements, a separate reconciliation provides additional information that explains the relationship (or differences) between them. The governmental funds consist of the General Fund, special revenue, capital projects, and permanent funds.

Proprietary funds: When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) apply the accrual basis of accounting utilized by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. An example is the State Lottery Fund. Internal service funds report activities that provide supplies and services to the State's other programs and activities – such as the State's Postal, Printing and Supply Fund. Internal service funds are reported as Governmental Activities on the government-wide statements.

Fiduciary funds: The State is the trustee or fiduciary for assets that belong to others. The State is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These funds include pension and other employee benefit trusts administered by the Maine Public Employees Retirement System, a component unit, private-purpose trusts, and agency funds. Fiduciary funds are reported using the accrual basis of accounting, except for Agency funds which have no measurement focus. The State excludes these activities from the government-wide financial statements because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the government-wide and fund financial statements.

Required Supplementary Information

The required supplementary information includes budgetary comparison schedules for the General Fund and major special revenue funds. Also included are notes and a reconciliation of fund balance from the budgetary basis to fund balance determined according to generally accepted accounting principles. This section also includes schedules of funding progress for certain pension and other post-employment benefit trust funds and condition and maintenance data regarding certain portions of the State's infrastructure.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements. Budgetary comparison schedules by agency are also included for the general fund, the highway fund, federal funds, and other special revenue fund.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

The State's net position decreased by $37.3 million to $1.074 billion over the course of fiscal year ended June 30, 2020, as detailed in Tables A-1 and A-2. The decrease is primarily due to lower corporate and individual tax revenue for governmental activities primarily due to the impact of the coronavirus pandemic.

TABLE A-1: CONDENSED STATEMENT OF NET POSITION
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Current and other noncurrent assets	$ 4,474,168	$ 3,221,439	$ 720,204	$ 558,389	$ 5,194,372	$ 3,779,828
Total capital assets net of accum depr	4,346,711	4,322,196	37,205	32,690	4,383,916	4,354,886
Total Assets	8,820,879	7,543,635	757,409	591,079	9,578,288	8,134,714
Deferred Outflows of Resources	839,909	643,665	3,950	4,137	843,859	647,802
Current liabilities	2,511,440	1,366,107	105,160	36,583	2,616,600	1,402,690
Non-current liabilities	6,194,067	5,780,957	26,213	27,060	6,220,280	5,808,017
Total Liabilities	8,705,507	7,147,064	131,373	63,643	8,836,880	7,210,707
Deferred Inflows of Resources	509,385	459,341	1,986	1,283	511,371	460,624
Net Position (Deficit)						
Net Investment in Capital Assets	3,651,931	3,559,387	37,205	32,690	3,689,136	3,592,077
Restricted	182,644	176,632	605,378	513,319	788,022	689,951
Unrestricted (deficit)	(3,388,679)	(3,155,124)	(14,583)	(15,719)	(3,403,262)	(3,170,843)
Total Net Position	$ 445,896	$ 580,895	$ 628,000	$ 530,290	$ 1,073,896	$ 1,111,185

The State's fiscal year 2020 revenues totaled $10.626 billion. (See Table A-2) Taxes and Operating grants and contributions accounted for most of the State's revenue by contributing 39.8 percent and 46.1 percent, respectively. The remainder came from charges for services and other miscellaneous sources.

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is a $2.2 trillion dollar economic stimulus bill signed into law on March 27, 2020 in response to the economic fallout of the COVID-19 pandemic. Through federal legislation, the State of Maine received $1.25 billion dollars of Coronavirus Relief Funds (CRF).

The CARES Act requires that payments from CRF only be used to cover expenses that (1) are necessary expenditures incurred due to the public health emergency with respect to COVID-19; (2) were not accounted for in the budget most recently approved; and (3) were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

The State recorded operating grant revenues and operating expenses in the Coronavirus Relief Federal Expenditures Fund as costs were incurred. The current unexpended amount is recorded as a Due To Other Government.

The total cost of all programs and services totaled $10.663 billion for the year 2020. (See Table A-2) These expenses are predominantly (74.6 percent) related to health & human services, education and economic development & workforce training activities. The State's governmental support & operations activities accounted for 5.2 percent of total costs. Total net position decreased by $37.3 million, primarily due to a decrease in tax revenue of $119.0 million. The increase in operating grants and contributions was offset with increases in expenses in health & human services, education and economic development & workforce training primarily due to the impact of the COVID-19 pandemic.

TABLE A-2: CONDENSED STATEMENT OF ACTIVITIES
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Revenues:						
Program Revenues:						
Charges for Services	$ 581,995	$ 571,632	$ 703,242	$ 641,371	$ 1,285,237	$ 1,213,003
Operating grants and contributions	4,853,773	3,074,939	42,756	10,921	4,896,529	3,085,860
General Revenues:						
Taxes	4,232,398	4,351,358	-	-	4,232,398	4,351,358
Other	211,426	223,558	-	-	211,426	223,558
Total Revenues	9,879,592	8,221,487	745,998	652,292	10,625,590	8,873,779
Expenses:						
Governmental Activities:						
Governmental Support	552,526	475,715	-	-	552,526	475,715
Education	2,115,388	1,845,272	-	-	2,115,388	1,845,272
Health & Human Services	4,450,704	4,054,201	-	-	4,450,704	4,054,201
Justice & Protection	504,571	484,735	-	-	504,571	484,735
Transportation Safety	739,290	613,171	-	-	739,290	613,171
Economic Development & Workforce Training	1,386,867	168,963	-	-	1,386,867	168,963
Other	330,173	305,431	-	-	330,173	305,431
Interest Expense	56,707	51,140	-	-	56,707	51,140
Business-type Activities:						
Employment Security	-	-	92,125	82,683	92,125	82,683
Lottery	-	-	254,683	242,619	254,683	242,619
Alcoholic Beverages	-	-	158,350	144,600	158,350	144,600
Military Equipment Maintenance	-	-	802	1,104	802	1,104
Other	-	-	20,693	21,008	20,693	21,008
Total Expenses	10,136,226	7,998,628	526,653	492,014	10,662,879	8,490,642
Excess (Deficiency) before Special Items, Gain (Loss) on Sale of Assets and Transfers	(256,634)	222,859	219,345	160,278	(37,289)	383,137
Special Items	-	-	-	15,761	-	15,761
Gain (Loss) on Sale of Assets	-	-	-	(5,613)	-	(5,613)
Transfers	121,635	112,833	(121,635)	(112,833)	-	-
Increase (Decrease) in Net Position	(134,999)	335,692	97,710	57,593	(37,289)	393,285
Net Position, beginning of year	580,895	245,203	530,290	472,697	1,111,185	717,900
Ending Net Position	$ 445,896	$ 580,895	$ 628,000	$ 530,290	$ 1,073,896	$ 1,111,185

Governmental Activities

Revenues for the State's Governmental Activities totaled $9.880 billion while total expenses equaled $10.136 billion. The decrease in net position for Governmental Activities was $135.0 million in 2020, which was primarily the result of a decrease in tax revenue of $119.0 million. The increase in expense activities is offset in part with the increase in operating grants & contributions primarily due to the impact of COVID-19. In addition, the State’s Business-Type Activities transfers of $121.6 million (net) to the Governmental Activities, included statutorily required profit transfers and the pledged profit of the Alcoholic Beverages Fund to finance the payment of the Liquor Revenue Bonds.

The users of the State's programs financed $582.0 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of $4.854 billion. $4.444 billion of the State's net costs were financed by taxes and other miscellaneous revenue.

TABLE A-3: TOTAL SOURCES OF REVENUES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2020

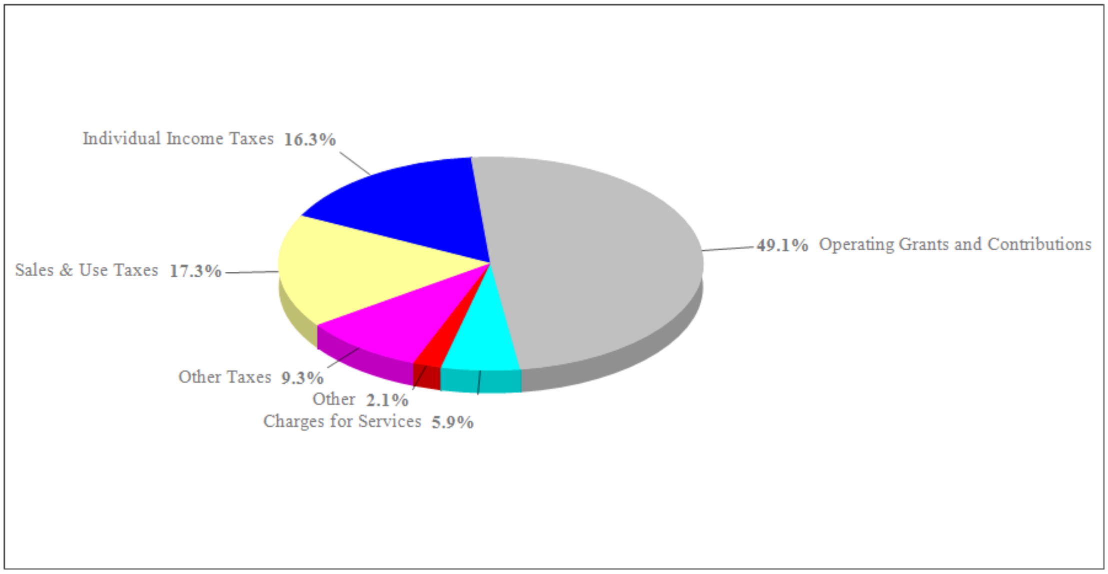
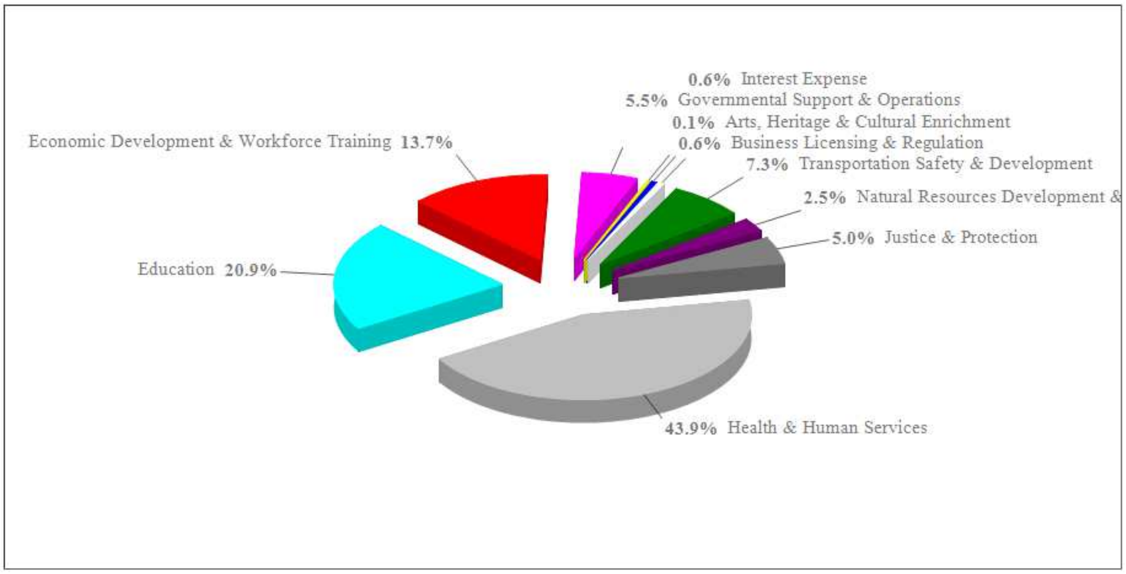


TABLE A-4: TOTAL EXPENSES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2020



Business-Type Activities

Revenues for the State's Business-Type Activities totaled $746.0 million while expenses totaled $526.7 million. The increase in net position for Business-Type Activities was $97.7 million in 2020, due entirely to the decrease in expenses related to the Employment Security Fund

Table A-5 presents the revenue of State Business-Type Activities: Employment Security, Alcoholic Beverages, Lottery, Ferry Services, Military Equipment Maintenance, Consolidated Emergency Communications and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs) or net revenue. The net cost shows the financial burden placed on the State's taxpayers by each of these functions.

TABLE A-5: NET REVENUE (COST) OF BUSINESS-TYPE ACTIVITIES
(Expressed in Thousands)

	Total Cost		Net Revenue (Cost)	
	2020	2019	2020	2019
Employment Security	$ 92,125	$ 82,683	$ 98,918	$ 45,745
Alcoholic Beverages	158,350	144,600	60,090	58,330
Lottery	254,683	242,619	67,672	61,703
Ferry Services	13,841	13,632	(8,915)	(8,402)
Military Equipment Maintenance	802	1,104	(126)	1,626
Consolidated Emergency Communications	5,473	5,950	1,270	727
Other	1,379	1,426	436	549
Total	$ 526,653	$ 492,014	$ 219,345	$ 160,278

The cost of all Business-Type Activities this year was $526.7 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-Type Activities was $219.3 million. Employment Security, Alcoholic Beverages and Lottery contributed $98.9, $60.1 and $67.7 million of net revenue, respectively. The $121.6 million (net) transfers from the State's Business-Type Activities to the Governmental Activities included statutorily required profit transfers and the pledged profit of the Alcoholic Beverages Fund to finance the payment of the Liquor Revenue Bonds.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

TABLE A-6: GOVERNMENTAL FUND BALANCES
(Expressed in Thousands)

	2020	2019	Change
General	$ 223,842	$ 367,487	$ (143,645)
Highway	19,181	34,859	(15,678)
Federal	36,192	15,367	20,825
Other Special Revenue	951,653	774,858	176,795
Other Governmental Funds	269,357	263,648	5,709
Total	$ 1,500,225	$ 1,456,219	$ 44,006

As of the end of the fiscal year, the State's governmental funds reported combined ending fund balances of $1.5 billion, an increase of $44.0 million in comparison with the prior year. Of this total, $67.6 million (4.5 percent) is classified as non-spendable, either due to its form or legal constraints, and $962.8 million (64.2 percent) is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Unspent bond proceeds and revenue restricted for transportation, natural resources or other programs are included in restricted fund balance. At the end of fiscal year 2020, there was no unassigned fund balance on the GAAP basis in the General Fund.

General Fund expenditures and other uses surpassed General Fund revenues and other sources resulting in a decrease in the fund balance of $143.6 million. Revenues and other sources of the General Fund decreased by approximately $84.3 million (2.1 percent), as compared to fiscal year end 2019, which is mainly attributed to a decrease in tax revenue of $111.5 million as a result of the coronavirus pandemic. General Fund expenditures and other financing uses increased by $96.6 million (2.4 percent), as compared to fiscal year 2019. This is due, primarily, to an increase in expenditures for education of $122.8 million.

Other Special Revenue Fund balance increased $176.8 million, due mainly to an increase in net transfers of $26.4 million, and an increase in cash with fiscal agents of $154.8 million as a result of increased bond and COP financing issuances.

Budgetary Highlights

For the 2020 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to $4.165 billion, an increase of about $253 million from the original legally adopted budget of approximately $3.911 billion. Actual expenditures on a budgetary basis amounted to approximately $336.3 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2020, including the budgeted starting balance for fiscal year 2020, there were no funds remaining to distribute in fiscal year 2020. Actual revenues were less than final budget forecasts by $28.8 million. For year end 2020, the Legislature approved transfers of $17.4 million from unappropriated surplus to the Budget Stabilization Fund. In addition, there was interest earnings of $4.5 million, offset by legislatively and statutorily approved transfers resulting in a decrease to the balance in the Budget Stabilization Fund to $258.7 million as of June 30, 2020. This item is further explained in Note 2 of the Financial Statements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2020, the State had roughly $4.384 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2020, the State acquired or constructed more than $109.2 million of capital assets. The most significant impact on capital assets during the year resulted from continued construction and rehabilitation of roads and bridges, and major construction and renovation of State-owned facilities. More detailed information about the State's capital assets and significant construction commitments is presented in Notes 8 and 17 to the financial statements.

TABLE A-7: CAPITAL ASSETS
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land	$ 649,952	$ 644,484	$ 2,389	$ 2,389	$ 652,341	$ 646,873
Buildings	881,631	866,161	4,655	4,655	886,286	870,816
Equipment	323,110	311,748	24,683	24,666	347,793	336,414
Improvements other than buildings	105,064	113,590	42,757	42,757	147,821	156,347
Software	118,777	118,777	-	-	118,777	118,777
Infrastructure	2,959,855	2,931,726	-	-	2,959,855	2,931,726
Construction in Progress	80,121	58,088	12,491	5,674	92,612	63,762
Total Capital Assets	5,118,510	5,044,574	86,975	80,141	5,205,485	5,124,715
Accumulated Depreciation	771,799	722,378	49,770	47,451	821,569	769,829
Capital Assets, net	$ 4,346,711	$ 4,322,196	$ 37,205	$ 32,690	$ 4,383,916	$ 4,354,886

Modified Approach for Infrastructure

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets – highways and bridges. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Utilization of this approach requires the State to: 1) maintain an asset management system that includes an up-to-date inventory of infrastructure assets; 2) perform condition assessments that use a measurement scale and document that the infrastructure assets are being preserved at or above the condition level established; and 3) estimate the annual amounts that must be expended to preserve and maintain the infrastructure at the condition level established by the State. As long as the State meets these requirements, any additions or improvements to infrastructure are capitalized and all other maintenance and preservation costs are expensed.

Highways and bridges are included in the State's infrastructure. There are 8,802 highway miles or 17,880 lane miles within the State. Bridges have a deck area of 12.4 million square feet among 2,983 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2020, the actual average condition was 74.0. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 75.0 at June 30, 2020. Preservation costs for fiscal year 2020 totaled $180.3 million compared to estimated preservation costs of $145.0 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 467, PL 2017, $40 million in General Fund bonds were spent during fiscal year 2020. Of the amount authorized by Chapter 532, PL 2019, $50 million in General Fund bonds were spent during fiscal year 2020.

Additional information on infrastructure assets can be found in Required Supplementary Information (RSI).

Long-Term Debt

The State Constitution authorizes general obligation long-term borrowing, with 2/3 approval of the Legislature and ratification by a majority of the voters, and general obligation short-term notes, of which the principal may not exceed an amount greater than 10 percent of all 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, or greater than 1 percent of the total valuation of the State of Maine, whichever is the lesser.

At year-end, the State had $1.581 billion in general obligation and other long-term debt outstanding. More detailed information about the State's long-term liabilities is presented in Note 11 to the financial statements.

TABLE A-8: OUTSTANDING LONG-TERM DEBT
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
General Obligation						
Bonds	$ 572,700	$ 543,400	$ -	$ -	$ 572,700	$ 543,400
Unmatured Premiums	79,098	60,378	-	-	79,098	60,378
Other Long-Term Obligations	927,893	840,527	948	779	928,841	841,306
Total	$ 1,579,691	$ 1,444,305	$ 948	$ 779	$ 1,580,639	$ 1,445,084

During the year, the State reduced outstanding long-term obligations by $93.3 million for general obligation bonds and $286.7 million for other long-term debt. Also during fiscal year 2020, the State incurred $515.5 million of additional long-term obligations.

Credit Ratings

The State's credit was rated during fiscal year 2020 by Moody's Investors Service as Aa2 with a stable outlook and by Standard & Poor's as AA with a stable outlook.

FACTORS BEARING ON THE FUTURE OF STATE AND NEXT YEAR'S BUDGETS

The Maine Consensus Economic Forecasting Commission (CEFC) convened on October 23, 2020, to review and revise its forecast through 2025. This meeting follows the off-cycle forecast update of July 1, 2020, resulting from the extraordinary circumstances of the past eight months and recession caused by the onset of COVID-19.

As a critical part of the forecasting process, the Commission reviewed their key assumptions from the July 2020 off-cycle forecast. Overall, the CEFC agrees with the original assessment of the economic and public health conditions made during the summer. The Commission reiterates that current conditions are unprecedented, highly uncertain, and changing rapidly. The forecast update represents the best the Commission could do with the information available at that time. Several key assumptions had to be made, encompassing both the public health situation and economic conditions, increasing the level of uncertainty associated with the forecast. Unpredictability, while always an element in the forecasting process, is front and center at this time.

Since the last forecast, the CEFC has identified higher uncertainty regarding the timing of further federal stimulus and remains optimistic about Maine's opportunities to see increased immigration in the upcoming years. Additionally, the CEFC noted their concern that the exacerbation of inequality as different groups experience uneven paces of economic recovery will hold back the overall recovery of the state and place additional demands on state educational and social service programs while threatening to reduce the tax revenues that fund them.

Following the rapid declines of March and April 2020, Maine's employment situation has slowly improved over the summer. The CEFC continues to look for signs of change in the long-term trajectory of employment, immigration data, and labor force participation trends. The Commission is hopeful that this more optimistic medium-term forecast is confirmed with future data. This revised forecast anticipates employment will decline from 636.0 thousand in 2019 to 585.2 thousand in 2020, reaching a peak of 622.6 thousand in 2025. The July 2020 forecast projected a peak of 620.8 thousand. Still, this is significantly lower than the peak of 639.4 thousand in the February 2020 pre-pandemic forecast, reflecting the pronounced disruptions to employment in the state. Structural changes to the labor market complicate this forecast; the CEFC voiced concerns that retraining those who permanently lost jobs and reintegrating workers back into the labor force may take several years and will likely lead to a protracted recovery.

Total personal income was revised up to 5.3% in 2020, 1.4 percentage points higher than the July 2020 forecast. 2021-2025 were also revised up, from -1.2% to -0.5% in 2021; to 3.9% in 2022-2024, from 3.7%, 3.5%, and 3.6%, respectively; and from 3.6% to 4.0% in 2025.

Growth in wages and salaries, the largest component of personal income, was revised up for 2020 by 3.5 points compared to July's forecast, from -5.0% to -1.5%. 2021-2025 were each revised up by one percentage point, to 3.0% in 2021 and 4.0% in 2022-2025. The CEFC notes that heterogeneity in wage dynamics across industries complicates this forecast for total wage and salary income. While there have been signs of rising wages in some industries, both high unemployment and labor mismatch leaves short-term wage growth less certain. Additionally, the CEFC notes that COVID-19's effect on income inequality presents a major concern.

Growth in supplements to wages and salaries was unchanged for 2020-2025. Nonfarm Proprietors' income was also left unchanged for 2020-2025.

Growth in personal current transfer receipts was left unchanged for all years. While negotiations for a new stimulus package are currently underway, the CEFC believes any further federal aid will follow sometime in 2021 and is less likely to take place this year.

The CEFC revised its forecast for the Consumer Price Index (CPI) up for all years. The Commission projects inflation will be 1.3% in 2020, up from 0.9% in the previous forecast, though still well below the national inflation target. Forecasts for 2021 and 2022 were revised up to 2.2%, while 2023-2025 were revised up to 2.1%. These changes reflect the stated willingness of the Federal Reserve to exceed a 2.0% target each year in order to achieve 2.0% average inflation across years.

Finally, the forecast for corporate profits was revised up significantly for 2020, to growth of 0.6% compared to a decline of 30.0% in the July 2020 off-cycle forecast. No other years were revised.

Total personal income in Maine grew 41.0% in the second quarter of 2020, driven by sharp increases in transfer receipts. Wage and salary income, which is the largest component of total personal income, fell by 28.8%. Gross State Product fell by $5.7 billion, or 34.4% at an annualized rate in the second quarter of 2020 during the worst of the COVID-19 pandemic. The Consumer Price Index was up 1.4% year-over-year in September 2020, while energy prices remain 7.6% below September 2019 and food sits 3.9% over last year.

Nationwide, consumer sentiment plummeted in late March and has faced a rocky recovery. The October 2020 consumer sentiment index remained 15% under October 2019. However, the Small Business Optimism Index was up 2.2% in September compared to last year.

Following a massive drop in the second quarter, the price of crude oil rose by 46.4% from the second quarter to the third quarter of 2020. Gasoline prices averaged $2.19 on October 12, 2020, in New England.

Data for August 2020 show total exports in Maine decreased by 21.9% over August 2019 and by 14.1% for the year through August.

Single family existing-home sales in Maine in August 2020 were up 1.3% compared to August 2019, while the median sales price increased 17.4% from a year prior as the market maintains a tight supply. Maine's House Price Index rose by 8.4% in the first quarter of 2020, higher than both New England and the United States.

The first week of October had a year-over-year decline of 6.4% in vehicle miles traveled, up from a decline of 42% in the last week of March. New data from the U.S. Census Bureau shows that 38% of households in Maine have experienced a loss of employment income since March, while other analysis shows employment recovery has been slowest for low-income jobs. Credit and debit card data indicate that consumer spending has begun to stagnate and now sits 13.4% below January levels.

Overall, the commission felt generally comfortable with the assumptions made in the prior forecast. Several preliminary data points, particularly regarding new in-migration and a strong housing market and early signs of a robust winter tourism season, have renewed optimism for the Commission moving forward.

The key assumptions made by the CEFC are:

- A protracted and slow recovery from the current recession, highly uneven across sectors and different groups
- Although there is some concern that the holidays and winter months combined with "COVID fatigue" may lead to further spread of COVID-19, the State has developed resources that will help mitigate the effects
- The timeline for widespread availability and distribution of a vaccine remains uncertain
- Further federal stimulus will likely follow in 2021 including support for state and local governments, unemployed workers, and lower-income households
- Long-term structural changes are likely to occur as the labor market faces a skills mismatch; additionally, the challenges relating to the availability of childcare and K-12 education are seen as major factors in returning labor force participation rates to normal levels
- The Commission is optimistic that there is an opportunity for Maine to see increased in-migration in the coming years as telework becomes part of the "new normal" and people look for less densely populated places to live; however, this does have implications on the commercial real estate front, particularly for office space
- There is additional uncertainty in this forecast relating to the 2020 presidential election and subsequent policy action as well as the recent federal inflation target changes
- Human behavior underpins several key uncertainties at this time, including participation in testing and contact tracing; continued adherence to social distancing procedures; and winter tourism decisions

Of great concern to the CEFC were the structural changes to Maine's economy that COVID-19 may cause. For example, Commission members voiced concern for the potential long-term impacts of labor mismatch and increasing exits from the labor force, while recognizing that increased migration from out-of-state residents might accelerate the recovery process. The CEFC emphasized that improvements in labor conditions are dependent on policies that provide support for childcare and K-12 education. Additionally, further developments regarding another federal stimulus package have the potential to change these forecasts significantly.

Based on the July report of the CEFC, the Revenue Forecasting Committee (RFC) revised General Fund revenue estimates downward by $527.8 million for FY21, by $433.7 million for FY22 and by $449.5 million for FY23. The resulting forecasted overall rate of decline for General Fund revenue for FY21 is -10.8% from FY20 final revenue amounts, followed by growth of 5.6% for FY22 and 3.4% for FY23.

Almost 95% ($498.3 million) of the $527.8 million reduction in FY21 by the RFC is from sales and use and individual income taxes, and 100% of the FY22 and FY23 net reductions are attributable to these two revenue lines. In both cases, swift and unprecedented stimulus from the federal government and the Federal Reserve System has helped to moderate the initial impact on State revenues of the historic COVID-19 recession during the final quarter of FY20. While the CEFC assumes that Congress will provide an additional $1 trillion of stimulus during calendar year 2020, the temporary nature of that stimulus and a weak recovery for the Maine economy leads to significant ongoing reductions in the State's two largest sources of general fund revenue.

In the case of the sales and use tax line, approximately 60% of the $238 million reduction in FY21 is attributable to taxable prepared foods and lodging. Lodging sales are assumed to be down year-over-year by 50% during the third-quarter of 2020, the height of the summer tourism season. Lodging sales are assumed to improve slowly over the remainder of 2020 and are not expected to generate the same level of tax revenue as 2019 until 2022. Prepared food sales, mostly restaurant sales, are projected to perform better than lodging, but are assumed to be down approximately 30% year-over-year during the third-quarter of 2020. Like lodging, prepared food sales are assumed to slowly improve but not get back to the same level of tax revenue as 2019 until 2022. These key assumptions by the RFC about lodging and prepared food sales are consistent with the CEFC's employment forecast for the leisure and hospitality industry. The gradual improvement in both sales categories, representing 25% of total sales tax revenue in a typical year, is the primary reason for the lower decrease in sales tax revenue of $152 million in FY22 and $131.3 million in FY23. One bright note on sales tax is the additional tax revenue the State is collecting because of several recent law changes that require remote sellers to collect and remit sales tax on sales delivered into Maine.

The adjustments to individual income tax revenue are primarily the result of the CEFC's assumption of combined wage and salary and unemployment insurance (UI) benefits growth over the forecast period. The CEFC forecast assumes that the initial enhanced UI benefits that were part of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a continuation of those benefits at some reduced level in the next federal stimulus package, will almost offset the reduction in wages and salaries during calendar year 2020. After 2020 the CEFC assumes that UI benefits will fall back to normal levels and growth as unemployment declines, but wage and salary growth will be weaker than their previous forecast. These assumptions result in a growing gap between the February and July CEFC forecast for the combined level of wage and salary and UI benefits, which has a significant impact on individual income tax liability.

The RFC will meet to review and update the current revenue forecast to comply with the statutory reporting date in December 2020. Based on the November CEFC forecast, the RFC will consider its revenue projections through the fiscal year ending June 30, 2021 for the General Fund, Highway Fund, Fund for a Healthy Maine and Medicaid/MaineCare Dedicated Revenue Taxes.

At June 30, 2020, the State of Maine reported an ending fund balance of $223.8 million in the General Fund on a GAAP basis, a decrease of more than $143 million since the end of fiscal year 2019. There was no "unassigned" fund balance on a GAAP basis in the General Fund at June 30, 2020.

There are factors that adversely affect our General Fund Balance Sheet that we should continue to strive to improve over the next several years. The primary factors that have a significant impact on the State's Financial Statements compiled and issued in accordance with Generally Accepted Accounting Principles as applicable to governments include such items as accruing tax revenues for budgetary purposes and for financial statement purposes without accruing the offsetting liabilities for budgetary purposes and the demand from appropriations whose balances carry from year to year, which results in lower amounts accruing to the Unassigned Fund Balance of the General Fund. The State has eliminated the smaller tax line accruals on a budgetary basis and has made contributions to General Fund reserves a higher priority in the budget.

These actions, along with the Governor's commitment to closing the structural gap in the budget, have resulted in significant increases in the equity and cash positions of the General Fund. Consequently, the State has seen record levels in its Treasurer's Cash Pool and Budget Stabilization Fund, and has not required external borrowing in the form of TANs or BANs for cash flow purposes.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the finances of the State and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

State of Maine
Office of the State Controller
14 State House Station
Augusta, ME 04333-0014
(207)-626-8420
financialreporting@maine.gov

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LEADING THE WAY

BASIC FINANCIAL STATEMENTS

STATE OF MAINE
BASIC FINANCIAL STATEMENTS
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STATE OF MAINE
STATEMENT OF NET POSITION

June 30, 2020
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 1,588,098	$ 282,551	$ 1,870,649	$ 86,055
Cash and Cash Equivalents	218	2,714	2,932	123,825
Cash with Fiscal Agent	335,742	-	335,742	-
Investments	146,906	-	146,906	657,432
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	88,219	-	88,219	-
Restricted Deposits and Investments	1,742	274,454	276,196	621,648
Inventories	11,960	4,056	16,016	2,487
Receivables, Net of Allowances for Uncollectibles:				
Taxes Receivable	490,048	-	490,048	-
Loans & Notes Receivable	3,541	-	3,541	115,610
Other Receivables	291,744	138,477	430,221	67,245
Internal Balances	21,964	(21,964)	-	-
Due from Other Governments	547,326	33,578	580,904	175,864
Due from Primary Government	-	-	-	19,507
Loans Receivable from Primary Government	-	-	-	56,703
Due from Component Units	105,084	-	105,084	-
Other Current Assets	7,186	225	7,411	39,815
Total Current Assets	3,639,778	714,091	4,353,869	1,966,191
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	717,503	6,113	723,616	38,879
Investments	-	-	-	519,386
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	39,857	-	39,857	-
Restricted Deposits and Investments	-	-	-	385,927
Pension Assets	8,502	-	8,502	-
Receivables, Net of Current Portion:				
Taxes Receivable	64,030	-	64,030	-
Loans & Notes Receivable	-	-	-	1,857,284
Other Receivables	465	-	465	8,200
Due from Other Governments	4,033	-	4,033	1,494,403
Loans Receivable from Primary Government	-	-	-	263,490
Due from Primary Government	-	-	-	3,401
Other Noncurrent Assets	-	-	-	13,350
Capital Assets:				
Land, Infrastructure, & Other Non-Depreciable Assets	3,689,928	14,880	3,704,808	768,342
Buildings, Equipment & Other Depreciable Assets	656,783	22,325	679,108	1,036,421
Total Noncurrent Assets	5,181,101	43,318	5,224,419	6,389,083
Total Assets	8,820,879	757,409	9,578,288	8,355,274
Deferred Outflows of Resources	$ 839,909	$ 3,950	$ 843,859	$ 102,599

The accompanying notes are an integral part of the financial statements.

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities				
Current Liabilities:				
Accounts Payable	$ 793,291	$ 78,395	$ 871,686	$ 63,514
Accrued Payroll	65,657	848	66,505	4,964
Tax Refunds Payable	270,020	-	270,020	-
Due to Component Units	19,507	-	19,507	-
Due to Primary Government	-	-	-	105,084
Current Portion of Long-Term Obligations:				
Compensated Absences	9,359	125	9,484	3,857
Due to Other Governments	1,091,224	-	1,091,224	1,430
Amounts Held under State & Federal Loan Programs	-	-	-	20,548
Claims Payable	19,803	-	19,803	-
Bonds & Notes Payable	90,236	-	90,236	232,808
Revenue Bonds Payable	21,980	-	21,980	34,272
Obligations under Capital Leases	6,200	-	6,200	1,306
Certificates of Participation & Other Financing Arrangements	13,852	-	13,852	-
Loans Payable to Component Unit	56,703	-	56,703	-
Accrued Interest Payable	8,265	-	8,265	28,257
Unearned Revenue	4,578	172	4,750	45,647
Other Post-Employment Benefits	31,782	-	31,782	-
Other Current Liabilities	8,983	25,620	34,603	73,161
Total Current Liabilities	2,511,440	105,160	2,616,600	614,848
Long-Term Liabilities:				
Compensated Absences	52,413	823	53,236	-
Due to Component Units	3,401	-	3,401	-
Due to Other Governments	-	-	-	4,763
Amounts Held under State & Federal Loan Program	-	-	-	43,472
Claims Payable	50,619	-	50,619	-
Bonds & Notes Payable	561,562	-	561,562	3,686,691
Revenue Bonds Payable	361,955	-	361,955	408,124
Obligations under Capital Leases	47,522	-	47,522	5,188
Certificates of Participation & Other Financing Arrangements	23,997	-	23,997	-
Loans Payable to Component Unit	263,490	-	263,490	-
Unearned Revenue	6,381	-	6,381	-
Net Pension Liability	2,378,949	12,703	2,391,652	67,021
Other Post-Employment Benefits	2,401,305	12,687	2,413,992	125,902
Pollution Remediation & Landfill Obligations	42,473	-	42,473	-
Other Noncurrent Liabilities	-	-	-	137,994
Total Long-Term Liabilities	6,194,067	26,213	6,220,280	4,479,155
Total Liabilities	8,705,507	131,373	8,836,880	5,094,003
Deferred Inflows of Resources	509,385	1,986	511,371	62,363
Net Position				
Net Investment in Capital Assets	3,651,931	37,205	3,689,136	1,179,020
Restricted:				
Business Licensing & Regulation	26,136	-	26,136	-
Governmental Support & Operations	4,181	-	4,181	-
Justice & Protection	4,321	-	4,321	-
Employment Security	-	605,378	605,378	-
Other Purposes	-	-	-	1,525,730
Funds Held for Permanent Investments:				
Expendable	88,675	-	88,675	-
Nonexpendable	59,331	-	59,331	287,907
Unrestricted	(3,388,679)	(14,583)	(3,403,262)	308,850
Total Net Position	$ 445,896	$ 628,000	$ 1,073,896	$ 3,301,507

STATE OF MAINE
STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental Activities:				
Governmental Support & Operations	$ 552,526	$ 118,150	$ 5,857	$ -
Arts, Heritage & Cultural Enrichment	13,264	1,030	3,113	-
Business Licensing & Regulation	62,441	81,683	77	-
Economic Development & Workforce Training	1,386,867	7,731	1,258,211	-
Education	2,115,388	27,589	235,786	-
Health & Human Services	4,450,704	10,465	2,948,252	-
Justice & Protection	504,571	80,155	76,982	-
Natural Resources Development & Protection	254,468	100,990	54,968	-
Transportation Safety & Development	739,290	154,202	270,527	-
Interest Expense	56,707	-	-	-
Total Governmental Activities	10,136,226	581,995	4,853,773	-
Business-Type Activities:				
Employment Security	92,125	148,287	42,756	-
Alcoholic Beverages	158,350	218,440	-	-
Lottery	254,683	322,355	-	-
Ferry Services	13,841	4,926	-	-
Military Equipment Maintenance	802	676	-	-
Consolidated Emergency Communications	5,473	6,743	-	-
Other	1,379	1,815	-	-
Total Business-Type Activities	526,653	703,242	42,756	-
Total Primary Government	10,662,879	1,285,237	4,896,529	-
Component Units:				
Finance Authority of Maine	41,061	19,978	18,741	-
Maine Community College System	141,936	12,968	55,425	6,946
Maine Health & Higher Education Facilities Authority	23,402	21,587	2,950	-
Maine Municipal Bond Bank	68,103	51,790	24,140	28,031
Maine State Housing Authority	237,295	72,117	190,856	-
Maine Turnpike Authority	107,464	139,964	-	-
University of Maine System	740,475	295,910	197,701	3,387
All Other Non-Major Component Units	171,810	37,513	125,022	8,433
Total Component Units	$ 1,531,546	$ 651,827	$ 614,835	$ 46,797

The accompanying notes are an integral part of the financial statements.

	Net (Expenses) Revenues and Changes in Net Position			
	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
	$ (428,519)	$ -	$ (428,519)	$ -
	(9,121)	-	(9,121)	-
	19,319	-	19,319	-
	(120,925)	-	(120,925)	-
	(1,852,013)	-	(1,852,013)	-
	(1,491,987)	-	(1,491,987)	-
	(347,434)	-	(347,434)	-
	(98,510)	-	(98,510)	-
	(314,561)	-	(314,561)	-
	(56,707)	-	(56,707)	-
	(4,700,458)	-	(4,700,458)	-
	-	98,918	98,918	-
	-	60,090	60,090	-
	-	67,672	67,672	-
	-	(8,915)	(8,915)	-
	-	(126)	(126)	-
	-	1,270	1,270	-
	-	436	436	-
	-	219,345	219,345	-
	(4,700,458)	219,345	(4,481,113)	-
	-	-	-	(2,342)
	-	-	-	(66,597)
	-	-	-	1,135
	-	-	-	35,858
	-	-	-	25,678
	-	-	-	32,500
	-	-	-	(243,477)
	-	-	-	(842)
	$ -	$ -	$ -	$ (218,087)
General Revenues:				
Taxes:				
Corporate Taxes	189,252	-	189,252	-
Individual Income Taxes	1,607,510	-	1,607,510	-
Fuel Taxes	239,976	-	239,976	-
Property Taxes	74,531	-	74,531	-
Sales & Use Taxes	1,708,059	-	1,708,059	-
Other Taxes	413,070	-	413,070	-
Unrestricted Investment Earnings	40,005	-	40,005	22,502
Non-Program Specific Grants, Contributions & Appropriations	-	-	-	345,676
Miscellaneous Income	138,463	-	138,463	11,218
Gain (Loss) on Sale of Assets	-	-	-	(141)
Tobacco Settlement	32,958	-	32,958	-
Transfers - Internal Activities	121,635	(121,635)	-	-
Total General Revenues and Transfers	4,565,459	(121,635)	4,443,824	379,255
Change in Net Position	(134,999)	97,710	(37,289)	161,168
Net Position - Beginning (as restated)	580,895	530,290	1,111,185	3,140,339
Net Position - Ending	$ 445,896	$ 628,000	$ 1,073,896	$ 3,301,507

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LEADING THE WAY

GOVERNMENTAL FUND FINANCIAL STATEMENTS

MAJOR FUNDS

General Fund – This is the State's primary operating fund. Its purpose is to account for all financial resources obtained and used for general government operations, which are not required to be accounted for in another fund.

Highway Fund – This fund is used primarily to account for motor fuel tax revenues, motor vehicle license and registration fees, and special State appropriations that are legally restricted to the construction and maintenance of State highways and bridges.

Federal Fund – This fund is used to account for grants, block grants and other financial assistance received from the federal government, that are legally restricted to expenditures for purposes specified in the grant awards or agreements.

Other Special Revenue Fund – This fund is used to account for revenue sources that are legally restricted to expenditures for specified purposes, including some major capital projects that are not accounted for in the Highway and Federal Funds.

NON-MAJOR FUNDS

Other Governmental Funds are used to account for revenue sources that are legally restricted to expenditures for specified purposes, including some major capital projects and funds held in trust for public purposes.

STATE OF MAINE
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2020
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Treasurer's Cash Pool	$ 372,343	$ 26,382	$ 977,657	$ 510,958	$ 1,112	$ 1,888,452
Cash & Short-Term Investments	99	76	-	41	-	216
Cash with Fiscal Agent	3,827	785	-	325,444	-	330,056
Investments	-	-	-	-	146,906	146,906
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	-	-	-	-	128,076	128,076
Inventories	3,254	1	4,500	-	-	7,755
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	520,103	19,687	-	14,288	-	554,078
Loans Receivable	1	-	-	3,540	-	3,541
Other Receivable	87,563	3,936	128,184	66,338	-	286,021
Due from Other Funds	40,068	15,897	10,958	26,027	-	92,950
Due from Other Governments	-	-	546,599	-	-	546,599
Due from Component Units	-	-	-	105,084	-	105,084
Other Assets	703	2	136	-	-	841
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	$ 1,028,072	$ 66,766	$ 1,668,034	$ 1,051,720	$ 276,094	$ 4,090,686
Liabilities						
Accounts Payable	$ 184,028	$ 26,813	$ 484,412	$ 30,588	$ 958	$ 726,799
Accrued Payroll	32,180	11,732	6,217	11,634	-	61,763
Tax Refunds Payable	269,957	63	-	-	-	270,020
Due to Other Governments	-	-	1,091,211	-	-	1,091,211
Due to Other Funds	77,507	4,801	39,641	12,812	13	134,774
Due to Component Units	2,384	43	3,775	10,360	5,763	22,325
Unearned Revenue	-	3,295	4,500	3,083	3	10,881
Other Accrued Liabilities	2,119	23	2,073	6,833	-	11,048
Total Liabilities	568,175	46,770	1,631,829	75,310	6,737	2,328,821
Deferred Inflows of Resources	236,055	815	13	24,757	-	261,640
Fund Balances						
Nonspendable:						
Permanent Fund Principal	-	-	-	-	59,331	59,331
Inventories & Prepaid Items	3,628	-	4,637	-	-	8,265
Restricted	7,420	19,181	31,555	694,568	210,026	962,750
Committed	19,759	-	-	149,634	-	169,393
Assigned	193,035	-	-	107,451	-	300,486
Total Fund Balances	223,842	19,181	36,192	951,653	269,357	1,500,225
Total Liabilities, Deferred Inflows and Fund Balances	$ 1,028,072	$ 66,766	$ 1,668,034	$ 1,051,720	$ 276,094	$ 4,090,686

The accompanying notes are an integral part of the financial statements.

STATE OF MAINE
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2020
(Expressed in Thousands)

Total fund balances for governmental funds		$	1,500,225
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	4,665,810		
Accumulated Depreciation	518,339		
			4,147,471
Refunded Bond Deferred Outflows			2,070
Pollution Remediation Receivable			476
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. However, these amounts are included in the Statement of Net Position. This net effect of these balances on the statement:			
Bonds Payable	(1,035,733)		
Interest Payable Related to Long-term Financing	(6,125)		
Certificates of Participation and Other Financing Arrangements	(23,086)		
Capital Leases	(531)		
Loans Payable to Component Unit	(320,193)		
Compensated Absenses	(57,268)		
Pension Liabilities and Deferrals	(2,067,857)		
Other Post-Employment Benefit Liabilities and Deferrals	(2,273,390)		
Pollution Remediation and Landfill Obligations	(42,473)		
			(5,826,656)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.			261,640
Other Revenue			4,736
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.			355,934
Net position of governmental activities		$	445,896

The accompanying notes are an integral part of the financial statements.

STATE OF MAINE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 3,683,195	$ 214,585	$ -	$ 344,976	$ -	$ 4,242,756
Assessments	89,132	97,054	-	172,255	-	358,441
Federal Grants & Reimbursements	1,903	-	4,839,559	11,369	-	4,852,831
Charges for Services	52,069	4,451	-	149,430	-	205,950
Investment Income	18,986	258	72	6,466	7,881	33,663
Miscellaneous Revenues	2,357	201	4,646	167,880	94	175,178
Total Revenues	3,847,642	316,549	4,844,277	852,376	7,975	9,868,819
Expenditures						
Current:						
Governmental Support & Operations	322,063	2,619	2,723	187,891	540	515,836
Economic Development & Workforce Training	44,460	-	1,269,921	57,912	17,500	1,389,793
Education	1,732,975	-	235,069	35,746	12,443	2,016,233
Health & Human Services	1,191,315	-	2,936,489	372,057	-	4,499,861
Business Licensing & Regulation	-	-	68	64,316	-	64,384
Natural Resources Development & Protection	85,122	33	53,822	117,744	4,892	261,613
Justice & Protection	341,748	26,945	76,931	92,289	455	538,368
Arts, Heritage & Cultural Enrichment	9,317	-	2,952	1,205	-	13,474
Transportation Safety & Development	8,000	308,433	230,668	119,366	5,344	671,811
Debt service:						
Principal Payments	101,200	7,610	16,135	36,120	-	161,065
Interest Expense	34,948	320	6,021	10,471	-	51,760
Capital Outlay	-	-	-	-	98,555	98,555
Total Expenditures	3,871,148	345,960	4,830,799	1,095,117	139,729	10,282,753
Revenue over (under) Expenditures	(23,506)	(29,411)	13,478	(242,741)	(131,754)	(413,934)
Other Financing Sources (Uses)						
Transfer from Other Funds	117,332	25,272	19,575	319,901	2,076	484,156
Transfer to Other Funds	(243,336)	(12,274)	(12,228)	(73,239)	(5,913)	(346,990)
COPs & Other	5,865	735	-	1,879	-	8,479
Bonds Issued	-	-	-	170,995	114,905	285,900
Premiums on Bond Issuance	-	-	-	-	26,395	26,395
Net Other Finance Sources (Uses)	(120,139)	13,733	7,347	419,536	137,463	457,940
Net Change in Fund Balances	(143,645)	(15,678)	20,825	176,795	5,709	44,006
Fund Balance at Beginning of Year	367,487	34,859	15,367	774,858	263,648	1,456,219
Fund Balances at End of Year	$ 223,842	$ 19,181	$ 36,192	$ 951,653	$ 269,357	$ 1,500,225

The accompanying notes are an integral part of the financial statements.

STATE OF MAINE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 44,006
Amounts reported for governmental activities in the Statement of Net Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Outlay	86,908	
Depreciation Expense	(49,186)	
The net effect of various transactions involving capital assets (i.e. sales, trade-ins and contributions) is to increase net position.	(21)	
		37,701
Refunded Bond Deferred Outflows		(554)
Pollution Remediation Receivable		422
The issuance of long-term debt provides current financial resources to governmental funds which increases long-term debt in the Statement of Net Position. Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but repayment reduces long-term debt in the Statement of Net Position. This is the amount that proceeds exceed repayments:		
Bond Proceeds	(285,900)	
Premium on Bonds Issued	(26,395)	
Proceeds from Other Financing Arrangements	(6,600)	
Loan Proceeds from Component Unit	113	
Repayment of Bond Principal	108,810	
Repayment of Other Financing Debt	18,581	
Repayment of Pledged Revenue Principal	54,857	
Repayment of Capitalized Lease Principal	529	
Accrued Interest	(1,337)	
Amortization of Bond Premiums	7,675	
		(129,667)
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported as expenditures on the Statement of Net Position and have been eliminated from the Statement of Position as follows:		
Compensated Absences	(9,881)	
Pension Liabilities and Deferrals	(81,698)	
Other Post-employment Benefit Liabilities and Deferrals	(34,474)	
Pollution Remediation and Landfill Obligations	(643)	
		(126,696)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		(21,454)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is included in governmental activities in the Statement of Activities.		61,243
Changes in net position of governmental activities		$ (134,999)

The accompanying notes are an integral part of the financial statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

MAJOR FUNDS

Employment Security Fund - This fund accounts for unemployment insurance contributions from employers and the payment of unemployment benefits to eligible claimants.

NON-MAJOR FUNDS

Non-Major Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business, where the State intends to finance or recover the costs of providing goods or services to the General Public on a continuing basis primarily through user charges. The State also uses these funds where periodic determination of net income is appropriate for accountability purposes.

STATE OF MAINE
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2020
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major Employment Security	Non-Major Other Enterprise	Total	Internal Service Funds
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 269,022	$ 13,529	$ 282,551	$ 287,687
Cash & Short-Term Investments	1,960	754	2,714	2
Cash with Fiscal Agent	-	-	-	5,686
Restricted Assets:				
Restricted Deposits & Investments	274,454	-	274,454	1,742
Inventories	-	4,056	4,056	4,205
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	97,930	40,547	138,477	5,721
Due from Other Funds	478	2,516	2,994	41,152
Due from Other Governments	33,578	-	33,578	-
Other Assets	-	225	225	6,345
Total Current Assets	677,422	61,627	739,049	352,540
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	6,113	6,113	129,462
Capital Assets - Net of Depreciation	-	37,205	37,205	199,240
Total Noncurrent Assets	-	43,318	43,318	328,702
Total Assets	677,422	104,945	782,367	681,242
Deferred Outflows of Resources	$ -	$ 3,950	$ 3,950	$ 22,923
Liabilities				
Current Liabilities:				
Accounts Payable	$ 67,213	$ 11,182	$ 78,395	$ 19,915
Accrued Payroll	-	848	848	3,894
Due to Other Funds	3,835	21,045	24,880	24,017
Due to Component Units	-	-	-	583
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	6,808
Obligations under Capital Leases	-	-	-	5,669
Claims Payable	-	-	-	19,803
Compensated Absences	-	125	125	593
Unearned Revenue	-	172	172	78
Accrued Interest Payable	-	-	-	75
Other Accrued Liabilities	996	24,624	25,620	-
Total Current Liabilities	72,044	57,996	130,040	81,435
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Certificates of Participation & Other Financing Arrangements	-	-	-	7,955
Obligations under Capital Leases	-	-	-	47,522
Claims Payable	-	-	-	50,619
Compensated Absences	-	823	823	3,912
Net Pension Liability	-	12,703	12,703	73,313
Net Other Post-Employment Benefit Liability	-	12,687	12,687	72,047
Total Long-Term Liabilities	-	26,213	26,213	255,479
Total Liabilities	72,044	84,209	156,253	336,914
Deferred Inflows of Resources	$ -	$ 1,986	$ 1,986	$ 11,396
Net Position				
Net Investment in Capital Assets:	-	37,205	37,205	136,972
Restricted for:				
Unemployment Compensation	605,378	-	605,378	-
Other Purposes	-	-	-	531
Unrestricted	-	(14,505)	(14,505)	218,352
Total Net Position	$ 605,378	$ 22,700	628,078	$ 355,855
Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-type activities			(78)	
Net Position of Business-Type Activities			$ 628,000	

The accompanying notes are an integral part of the financial statements.

STATE OF MAINE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major Employment Security	Non-Major Other Enterprise	Total	Internal Service Funds
Operating Revenues				
Charges for Services	$ -	$ 554,801	$ 554,801	$ 502,239
Assessments	148,169	-	148,169	-
Miscellaneous Revenues	118	38	156	318
Total Operating Revenues	148,287	554,839	703,126	502,557
Operating Expenses				
General Operations	-	431,232	431,232	390,522
Depreciation	-	2,332	2,332	23,161
Claims/Fees Expense	92,125	-	92,125	18,569
Other Operating Expenses	-	-	-	1,742
Total Operating Expenses	92,125	433,564	525,689	433,994
Operating Income (Loss)	56,162	121,275	177,437	68,563
Nonoperating Revenues (Expenses)				
Investment Revenue (Expenses) - net	11,448	-	11,448	6,342
Interest Expense	-	-	-	(13,416)
Operating Subsidy and Grants	31,308	-	31,308	-
Other Nonoperating Revenue (Expenses) - net	-	116	116	(64)
Total Nonoperating Revenues (Expenses)	42,756	116	42,872	(7,138)
Income (Loss) Before Capital Contributions, Transfers and Special Items	98,918	121,391	220,309	61,425
Capital Contributions, Transfers and Special Items				
Capital Contributions from (to) Other Funds	-	6,840	6,840	801
Transfer from Other Funds	-	5,928	5,928	2,053
Transfer to Other Funds	(6,859)	(127,544)	(134,403)	(4,000)
Total Capital Contributions, Transfers and Special Items	(6,859)	(114,776)	(121,635)	(1,146)
Change in Net Position	92,059	6,615	98,674	60,279
Net Position - Beginning	513,319	16,085		295,576
Net Position - End of Year	$ 605,378	$ 22,700		$ 355,855
Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-type activities			(964)	
Changes in Business-Type Net Position			$ 97,710	

STATE OF MAINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Major Employment Security	Non-Major Other Enterprise	Totals	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from Customers and Users	$ 44,799	$ 542,331	$ 587,130	$ 13,116
Other Operating Cash Receipts (Payments):				
Cash Received from Interfund Services	3,835	12,397	16,232	504,882
Payments of Benefits	(28,252)	-	(28,252)	-
Payments to Prize Winners	-	(214,087)	(214,087)	-
Payments to Suppliers	(169)	(197,317)	(197,486)	(270,371)
Payments to Employees	-	(12,032)	(12,032)	(79,281)
Payments for Interfund Goods and Services	(427)	(3,508)	(3,935)	(66,609)
Net Cash Provided (Used) by Operating Activities	19,786	127,784	147,570	101,737
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	-	5,928	5,928	2,053
Transfers to Other Funds	(6,859)	(127,544)	(134,403)	(4,000)
Operating Subsidy and Grants	31,308	-	31,308	-
Net Cash Provided (Used) by Noncapital Financing Activities	24,449	(121,616)	(97,167)	(1,947)
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	-	(7)	(7)	(13,758)
Proceeds from Financing Arrangements	-	-	-	5,500
Principal and Interest Paid on Financing Arrangements	-	-	-	(22,790)
Proceeds from Sale of Capital Assets	-	-	-	749
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(7)	(7)	(30,299)
Cash Flows from Investing Activities				
Interest Revenue	11,448	116	11,564	6,342
Net Cash Provided (Used) by Investing Activities	11,448	116	11,564	6,342
Net Increase (Decrease) in Cash/Cash Equivalents	55,683	6,277	61,960	75,833
Cash/Cash Equivalents - Beginning of Year	489,753	14,119	503,872	348,746
Cash/Cash Equivalents - End of Year	$ 545,436	$ 20,396	$ 565,832	$ 424,579
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	$ 56,162	$ 121,275	$ 177,437	$ 68,563
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	2,332	2,332	23,161
Decrease (Increase) in Assets:				
Accounts Receivable	(69,910)	(6,865)	(76,775)	1,391
Interfund Balances	3,408	6,262	9,670	941
Due from Other Governments	(33,578)	-	(33,578)	-
Inventories	-	(444)	(444)	(149)
Other Assets	-	308	308	(1,516)
Deferred Outflows	-	187	187	816
Increase (Decrease) in Liabilities:				
Accounts Payable	63,873	1,658	65,531	9,469
Accrued Payroll Expense	-	169	169	710
Due to Other Governments	-	-	-	(1,916)
Compensated Absences	-	169	169	591
Deferred Inflows	-	703	703	3,962
Net Pension Liability	-	(23)	(23)	(695)
Other Accruals	(169)	3,024	2,855	2,430
Net OPEB Liability	-	(971)	(971)	(6,021)
Total Adjustments	(36,376)	6,509	(29,867)	33,174
Net Cash Provided (Used) by Operating Activities	$ 19,786	$ 127,784	$ 147,570	$ 101,737
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued or Acquired	-	-	-	65
Contributed Capital Assets	-	6,840	6,840	801
Disposal of Assets	-	-	-	(4,425)

The accompanying notes are an integral part of the financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

Pension (and Other Employee Benefits) Trusts – accounts for funds held by the Maine Public Employees Retirement System (the System), a component unit included with Fiduciary Funds per GASB Statement No. 34. The System provides pension, death, and disability benefits to its members, including State employees, some public school employees, and employees of approximately 300 local municipalities and other public entities in Maine.

Private-Purpose Trusts and *Agency Funds* are used to account for private-purpose assets held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds.

STATE OF MAINE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2020
(Expressed in Thousands)

	Pension (and Other Employee Benefits)	Private Purpose Trusts	Agency Funds
Assets			
Equity in Treasurer's Cash Pool	$ -	$ 732	$ 21,678
Cash & Short-Term Investments	36,942	3,984	27
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	30,420	-	-
Interest and Dividends	3,970	-	-
Due from Brokers for Securities Sold	275	-	-
Other Receivable	-	1,737	-
Investments at Fair Value:			
Equity Securities	2,557,862	-	-
Common/Collective Trusts	13,035,604	-	-
Investments - Other	-	22,686	-
Restricted Deposits & Investments	-	-	11
Securities Lending Collateral	206,266	-	-
Due from Other Funds	-	46,577	-
Investments Held on Behalf of Others	-	-	63,112
Capital Assets - Net of Depreciation	17,494	-	-
Other Assets	-	4,129	51
Total Assets	15,888,833	79,845	84,879
Liabilities			
Accounts Payable	3,549	743	30
Due to Other Funds	-	2	-
Agency Liabilities	-	-	83,020
Obligations Under Securities Lending	206,266	-	-
Other Accrued Liabilities	38,471	-	1,829
Total Liabilities	248,286	745	84,879
Net Position			
Restricted for Pension	15,198,307	-	-
Restricted for Other Post-Employment Benefits	442,240	-	-
Restricted for Individuals, Organizations and Other Governments	-	79,100	-
Total Net Position	$ 15,640,547	$ 79,100	$ -

The accompanying notes are an integral part of the financial statements.

STATE OF MAINE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

	Pension (and Other Employee Benefits)	Private Purpose Trusts
Additions:		
Contributions:		
Members	$ 214,635	$ -
State & Local Agency Employers	392,279	-
Non-Employer Contributing Entity	179,008	-
Investment Income (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	469,915	1,351
Interest & Dividends	125,910	463
Securities Lending Income & Borrower Rebates Refunded	2,859	-
Less Investment Expense:		
Investment Activity Expense	130,060	-
Securities Lending Expense	132	-
Net Investment Income (Loss)	468,492	1,814
Miscellaneous Revenues	-	26,791
Transfer from Other Funds	-	750
Transfer from Other Pension Plans	29,220	-
Total Additions	1,283,634	29,355
Deductions:		
Benefits Paid to Participants or Beneficiaries	1,143,727	11,813
Refunds & Withdrawals	29,132	-
Administrative Expenses	15,775	368
Claims Processing Expense	915	-
Transfer to Other Funds	-	7,494
Transfer to Other Pension Plans	29,220	-
Total Deductions	1,218,769	19,675
Net Increase (Decrease)	64,865	9,680
Net Position:		
Restricted		
Beginning of Year	15,575,682	69,420
End of Year	$ 15,640,547	$ 79,100

The accompanying notes are an integral part of the financial statements.

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LEADING THE WAY

Component Unit Financial Statements

Finance Authority of Maine (FAME) – The Authority provides commercial financing and loan guarantees to Maine businesses and educational financing to Maine students and their parents; administers several revolving loan programs on behalf of the State; and administers the Maine College Savings Program Fund.

Maine Community College System – is Maine's comprehensive two-year college system and offers certificate, diploma and associate degree programs. The financial statements of the system include the activity of seven colleges, the central administrative office and the Center for Career Development.

Maine Health & Higher Educational Facilities Authority – MHHEFA assists Maine health care institutions and institutions of higher education in undertaking projects involving the acquisition, construction, improvement, reconstruction and equipping of health care and educational facilities and the refinancing of existing indebtedness. The Authority, pursuant to the Student Loan Corporations Act of 1983, may finance student loan programs of institutions of higher education.

Maine Municipal Bond Bank – is authorized to issue bonds providing funds to counties, cities, towns, school districts, or other quasi-municipal corporations within the State.

Maine State Housing Authority – is authorized to issue bonds for the purchase of notes and mortgages on single- and multi-family residential units to provide housing for persons and families of low income in the State. The Authority also administers various housing and energy related state and federal programs and collects and disburses federal rent subsidies for low income housing.

The Maine Turnpike Authority – is authorized and empowered to construct, maintain and operate a turnpike at such a location as shall be approved by the State Highway Commission and to issue turnpike revenue bonds of the Authority, payable solely from revenues of the Authority.

University of Maine System – The State University consists of seven universities, eight centers, and a central administrative office.

STATE OF MAINE
STATEMENT OF NET POSITION
COMPONENT UNITS

June 30, 2020
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health & Higher Educational Facilities Authority	Maine Municipal Bond Bank
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 43,704	$ 13,379	$ 4,254	$ -
Cash & Short-Term Investments	3,653	13,665	13,422	61
Investments	21,361	57,582	4,072	25,321
Restricted Assets:				
Restricted Deposits & Investments	-	-	17,490	378,114
Inventories	-	-	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	39,987	-	31,474	-
Other Receivable	2,799	7,113	233	632
Due from Other Governments	-	-	-	154,275
Due from Primary Government	-	2,728	-	6,658
Loans Receivable from Primary Government	-	-	-	56,703
Other Assets	660	2,302	310	27,991
Total Current Assets	112,164	96,769	71,255	649,755
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	19,745	6,045	1,922	-
Restricted Assets:				
Restricted Assets	19,682	1,154	56,382	207,729
Investments	-	15,106	26,570	-
Receivables, Net of Current Portion:				
Loans & Notes Receivable	54,752	-	352,024	-
Other Receivables	-	-	-	-
Due from Other Governments	-	-	-	1,494,403
Due from Primary Government	-	-	-	-
Loans Receivable from Primary Government	-	-	-	263,490
Capital Assets - Net of Depreciation	1,331	183,243	-	1,132
Other Non-Current Assets	-	-	-	-
Total Noncurrent Assets	95,510	205,548	436,898	1,966,754
Total Assets	207,674	302,317	508,153	2,616,509
Deferred Outflows of Resources	$ 1,584	$ 11,428	$ -	$ 21,266
Liabilities				
Current Liabilities:				
Accounts Payable	$ 4,262	$ 5,990	$ 72	$ 584
Accrued Payroll	-	-	-	-
Compensated Absences	-	3,008	-	-
Due to Other Governments	-	-	-	865
Due to Primary Government	-	-	-	104,006
Amounts Held Under State & Federal Loan Programs	-	-	-	20,548
Bonds & Notes Payable	4,900	810	32,575	173,311
Obligations under Capital Leases	-	-	-	-
Accrued Interest Payable	304	-	8,961	13,368
Unearned Revenue	1,080	3,100	49	4,944
Other Accrued Liabilities	20,156	7,434	-	-
Total Current Liabilities	30,702	20,342	41,657	317,626
Long-Term Liabilities:				
Due to Other Governments	3,904	-	-	323
Amounts Held Under State & Federal Loan Programs	43,472	-	-	-
Bonds & Notes Payable	83,676	16,516	405,580	1,505,005
Obligations under Capital Leases	-	-	-	-
Net Pension Liability	-	48,215	-	598
Net Other Post-Employment Benefit Liability	-	2,368	-	927
Other Noncurrent Liabilities	-	-	-	-
Total Long-Term Liabilities:	131,052	67,099	405,580	1,506,853
Total Liabilities	161,754	87,441	447,237	1,824,479
Deferred Inflows of Resources	-	16,920	-	346
Net Position				
Net Investment in Capital Assets	1,331	167,070	-	1,132
Restricted	20,639	43,602	-	724,483
Unrestricted	25,534	(1,288)	60,916	87,335
Total Net Position	$ 47,504	$ 209,384	$ 60,916	$ 812,950

The accompanying notes are an integral part of the financial statements.

Maine State Housing Authority	Maine Turnpike Authority	University of Maine System	Non-Major Component Units	Total
$ -	$ -	$ 24,718	$ -	$ 86,055
37,413	23,390	12,020	20,201	123,825
283,885	-	251,642	13,569	657,432
-	171,974	-	54,070	621,648
-	1,134	-	1,353	2,487
43,354	-	76	719	115,610
11,587	5,458	35,556	3,867	67,245
5,691	-	13,189	2,709	175,864
4,023	-	4,576	1,522	19,507
-	-	-	-	56,703
-	1,750	5,582	1,220	39,815
385,953	203,706	347,359	99,230	1,966,191
-	-	11,167	-	38,879
-	58,173	5,778	37,029	385,927
60,905	-	401,850	14,955	519,386
1,398,816	-	32,172	19,520	1,857,284
-	341	7,859	-	8,200
-	-	-	-	1,494,403
-	-	2,945	456	3,401
-	-	-	-	263,490
13,408	750,103	683,288	172,258	1,804,763
1,192	232	9,102	2,824	13,350
1,474,321	808,849	1,154,161	247,042	6,389,083
1,860,274	1,012,555	1,501,520	346,272	8,355,274
$ 15,198	$ 20,021	$ 31,407	$ 1,695	$ 102,599
$ 9,145	$ 19,556	$ 12,974	$ 10,931	$ 63,514
-	3,519	-	1,445	4,964
-	-	-	849	3,857
473	-	-	92	1,430
-	-	-	1,078	105,084
-	-	-	-	20,548
24,464	16,015	12,510	2,495	267,080
-	-	1,306	-	1,306
5,624	-	-	-	28,257
7,133	11,961	15,486	1,894	45,647
-	11,385	33,239	947	73,161
46,839	62,436	75,515	19,731	614,848
-	-	-	536	4,763
-	-	-	-	43,472
1,445,536	508,267	119,266	10,969	4,094,815
-	-	5,188	-	5,188
2,282	11,438	-	4,488	67,021
-	58,813	63,247	547	125,902
10,860	1,893	125,241	-	137,994
1,458,678	580,411	312,942	16,540	4,479,155
1,505,517	642,847	388,457	36,271	5,094,003
893	5,898	36,558	1,748	62,363
2,208	296,413	547,438	163,428	1,179,020
332,721	141,439	444,843	117,831	1,825,558
34,133	(54,021)	115,631	28,689	296,929
$ 369,062	$ 383,831	$ 1,107,912	$ 309,948	$ 3,301,507

STATE OF MAINE
STATEMENT OF ACTIVITIES
COMPONENT UNITS

Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

	Finance Authority Of Maine	Maine Community College System	Maine Health & Higher Educational Facilities Authority	Maine Municipal Bond Bank
Expenses	$ 41,061	$ 141,936	$ 23,402	$ 68,103
Program Revenues				
Charges for Services	19,978	12,968	21,587	51,790
Program Investment Income	476	760	2,950	20,900
Operating Grants & Contributions	18,265	54,665	-	3,240
Capital Grants & Contributions	-	6,946	-	28,031
Net Revenue (Expense)	(2,342)	(66,597)	1,135	35,858
General Revenues				
Unrestricted Investment Earnings	1,835	3,147	473	540
Non-program Specific Grants, Contributions & Appropriations	-	73,862	-	-
Miscellaneous Revenues	-	1,259	131	1,385
Gain (Loss) on Assets Held for Sale	-	-	-	-
Total General Revenues	1,835	78,268	604	1,925
Change in Net Position	(507)	11,671	1,739	37,783
Net Position, Beginning of Year (as restated)	48,011	197,713	59,177	775,167
Net Position, End of Year	$ 47,504	$ 209,384	$ 60,916	$ 812,950

The accompanying notes are an integral part of the financial statements.

	Maine State Housing Authority	Maine Turnpike Authority	University Of Maine System	Non-Major Component Units	Total
	$ 237,295	$ 107,464	$ 740,475	$ 171,810	$ 1,531,546
	72,117	139,964	295,910	37,513	651,827
	13,197	-	(1,108)	43	37,218
	177,659	-	198,809	124,979	577,617
	-	-	3,387	8,433	46,797
	25,678	32,500	(243,477)	(842)	(218,087)
	401	6,223	9,074	809	22,502
	-	-	257,957	13,857	345,676
	-	6,510	-	1,933	11,218
	-	49	(511)	321	(141)
	401	12,782	266,520	16,920	379,255
	26,079	45,282	23,043	16,078	161,168
	342,983	338,549	1,084,869	293,870	3,140,339
	$ 369,062	$ 383,831	$ 1,107,912	$ 309,948	$ 3,301,507

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LEADING THE WAY

NOTES TO THE FINANCIAL STATEMENTS

STATE OF MAINE
NOTES TO THE FINANCIAL STATEMENTS
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Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Maine (the State) have been prepared under guidelines established by generally accepted accounting principles (GAAP) as mandated by the Governmental Accounting Standards Board (GASB).

Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

A. REPORTING ENTITY

For financial reporting purposes, the State of Maine's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, organizations, agencies, boards, commissions and authorities. Component units are legally separate organizations for which the State is financially accountable. Component units can also be legally separate, tax exempt entities that raise and hold economic resources for the direct benefit of a governmental unit.

Financial accountability is defined in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The State is financially accountable for those entities for which it appoints a voting majority of the governing board and either is able to impose its will on that entity or the entity may provide specific financial benefits to, or impose specific financial burdens on, the primary government. Entities for which the State does not appoint a voting majority of the governing board may be included if the organization is fiscally dependent on the primary government and there exists a financial benefit or burden relationship with the State. Entities that do not meet the specific criteria for inclusion may still be included if the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement No. 14*, individually significant legally separate, tax-exempt entities should be reported as component units if their resources are for the direct benefit of the State and the State can access those resources. Although the State has not identified any organizations that would qualify as direct component units of the State by meeting all of the criteria of GASB Statement No. 39, a few of the component units described later in this note have significant foundations that meet the criteria of GASB Statement No. 39.

Blended Component Units

Blended component units are entities that are legally separate from the State, but provide services entirely, or almost entirely to the State or otherwise exclusively, or almost exclusively, benefits the primary government even though they do not provide services directly to it. The State reports one blended component unit.

The Maine Governmental Facilities Authority (MGFA) is a legally separate organization that has its board appointed by the primary government and provides services entirely, or almost entirely, to the State. Its purpose includes assisting in the financing, acquisition, construction, improvement, reconstruction, and equipping of additions to structures designed for use as a court facility, State office or State activity space. In their separately issued financial statements, MGFA records a lease receivable from the State and a liability for bonds issued. However, in accordance with GASB, capital leases that exist between the State and MGFA are not recorded as leases in this report. The assets associated with these leases are reported in the government-wide statements along with the related debt. The corresponding debt service activity is recorded in the Governmental Funds. MGFA financial activity associated with servicing the debt is reported in an internal service fund. Therefore, the State reports MGFA's balances and transactions as though they were part of the primary government, using the blending method.

Discrete Component Units

Discrete component units are entities that are legally separate from the State but are either accountable to the State or related so closely to the State that exclusion would cause the State's financial statements to be misleading or incomplete. Component units that are not material to the State's financial statements have been excluded. The column labeled "Component Units" emphasizes these organizations' separateness from the State's primary government.

The State is able to impose its will upon these discretely presented component units whose boards of directors or boards of trustees are appointed by the Governor:

The Maine Community College System is Maine's comprehensive two-year college system and offers certificate, diploma and associate degree programs. The combined financial statements of the System include the activity of seven colleges, the central administrative office and the Center for Career Development (including the Maine Career Advantage and Maine Quality Centers programs), and its component unit, Maine Community College Educational Foundations.

The Maine Turnpike Authority (MTA) constructs, maintains and operates a turnpike at such a location approved by the State Highway Commission. It issues turnpike revenue bonds payable solely from revenues of the Authority. The Authority's fiscal year ends December 31.

The University of Maine System is the State University governed by a single Board of Trustees. The combined financial statements of the System include the activity of seven universities, eight centers, the central administrative office, and its component units, which include several foundations and alumni associations that raise funds on the System's behalf.

There is a financial burden/benefit relationship between these entities and the State:

The Finance Authority of Maine provides commercial financing and loan guarantees to Maine businesses and educational financing to Maine students and their parents. The Authority also provides financial and other services for the NextGen College Investing Plan, Potato Marketing Improvement Fund Board, the Nutrient Management Fund Board, the Northern Maine Transmission Corporation, the Adaptive Equipment Loan Program Fund Board, the Agricultural Marketing Loan Fund Board, Maine Rural Development Authority Board and the Small Enterprise Growth Fund Board. The Governor appoints the fifteen voting members of the Authority.

Maine Health & Higher Educational Facilities Authority (MHHEFA) – MHHEFA assists Maine health care institutions and institutions of higher education in undertaking projects involving the acquisition, construction, improvement, reconstruction and equipping of their facilities and the refinancing of existing indebtedness. The Authority, pursuant to the Student Loan Corporations Act of 1983, may also finance student loan programs of institutions of higher education. MHHEFA's board consists of twelve members, four of whom serve *ex officio* and must be the Superintendent of Financial Institutions, the Commissioner of Health and Human Services, the Commissioner of Education, and the Treasurer of State. The remaining eight members must be residents of the State appointed by the Governor.

The Maine Municipal Bond Bank issues bonds on behalf of counties, cities, towns, school administrative districts, community school districts, or other quasi-municipal corporations or eligible borrowers as designated by the Legislature (the "governmental units") within the State. The Governor appoints three residents of the State to the five-member Board of Commissioners. The remaining two members include the Treasurer of State and Superintendent of Financial Institutions who serve as commissioners, *ex officio*.

Maine State Housing Authority issues bonds to purchase notes and mortgages on residential units, both single and multi-family, for the purpose of providing housing for persons and families of low income in the State. The Authority also acts as an agent for the State in administering federal weatherization, energy conservation, fuel assistance and homeless grant programs and collecting and disbursing federal rent subsidies for low income housing. The Governor appoints five of the Authority's seven commissioners. The remaining two commissioners are the Treasurer of State and the Director of the Maine State Housing Authority, both of whom serve *ex officio*. The Authority's fiscal year ends on December 31.

The State's financial statements also include a fiduciary component unit:

Maine Public Employees Retirement System administers a public employee retirement system. It provides pension, death, and disability benefits to its members, which include employees of the State, some public school employees, employees of approximately 300 local municipalities and other public entities in Maine. The State has a financial benefit/burden relationship with the retirement system since the legislature has substantive approval over their budget.

Complete financial statements of the major component units can be obtained directly from their respective administrative offices by writing to:

Finance Authority of Maine 5 Community Dr. PO Box 949 Augusta, ME 04432	Maine Health and Higher Education Facilities Authority PO Box 2268 Augusta, ME 04338	Maine Public Employees Retirement System PO Box 349 Augusta, ME 04332-0349	Maine Turnpike Authority 2360 Congress Street Portland, ME 04102
Maine Community College System 323 State Street Augusta, ME 04330	Maine Municipal Bond Bank PO Box 2268 Augusta, ME 04338	Maine State Housing Authority 353 Water Street Augusta, ME 04338	University of Maine System 5703 Alumni Hall, Suite 101 Orono, ME 04469

Related Organizations

Officials of the State's primary government appoint a voting majority of the governing board of the Maine Veteran's Home. The primary government has no material accountability for this organization beyond making board appointments.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements
The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Position* presents the reporting entity's non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three components:

Net investment in capital assets component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Constraints placed on restricted components of net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports $788.0 million of restricted net position, of which $631.5 million is restricted by enabling legislation.

Unrestricted component of net position consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of the two preceding categories. The unrestricted component of net position often is designated, to indicate that management does not consider it to be available for general operations and often have constraints on resources that are imposed by management, but can be removed or modified.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

Fund Financial Statements
Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement Focus and Basis of Accounting
The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements except for agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the governmental funds when they become susceptible to accrual, generally when they become both measurable and available. "Available" means earned and collected or expected to be collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues available if they are collected within 60 days of the end of the fiscal year.

Significant revenues susceptible to accrual include: income taxes, sales and use taxes, and other taxes; federal grants; federal reimbursements; and other reimbursements for use of materials and services. Revenues from other sources are recognized when received because they are generally not measurable until received in cash. Property taxes are recognized as revenue in the year for which they are levied, provided the "available" criterion is met.

The State Tax Assessor levies taxes on properties located in the unorganized territory of Maine by August 1 of each year, and on telecommunications personal properties statewide by March 30 of each year. Unorganized territory property taxes are due on October 1 and telecommunications personal property taxes are due on August 15. Formal collection procedures begin on November 1, and unpaid property taxes become a lien no later than March 15 of the fiscal year for which they are levied.

Expenditures are generally recorded when a liability is incurred. However, expenditures related to claims and judgments, debt service and compensated absences are recorded only when payment is due and payable.

Financial Statement Presentation
The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The *Highway Fund* accounts for the regulation, construction and maintenance of State highways and bridges and is funded by motor fuel taxes, motor vehicle license and registration fees, special State appropriations, and other charges.

The *Federal Fund* accounts for grants and other financial assistance received from the federal government, including federal block grants, that are legally restricted to expenditures for purposes specified in the grant awards or agreements.

The *Other Special Revenue Fund* accounts for specific revenue sources that are legally required to be expended for specified purposes, and the related current liabilities, including some major capital projects that are not accounted for in the Highway and Federal Funds. Examples of the most significant types of revenue sources include: Fund for a Healthy Maine (tobacco settlement revenue), State municipal revenue sharing, hospital and service provider taxes, and oil transfer fees.

The State reports the following major enterprise fund:

The *Maine Employment Security Fund* receives contributions from employers and provides unemployment compensation benefits to eligible unemployed workers.

Additionally, the State reports the following fund types:

Governmental Fund Types:
Special Revenue Funds include operating fund activities financed by specific revenue sources that are legally restricted for specified purposes. An example is funds for acquisition of public reserved lands.

Capital Projects Funds account for the acquisition or construction of major capital assets and other programs financed by bond proceeds.

Permanent Trust Funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry. Examples include the Baxter State Park Fund and Baxter Park Wilderness Fund.

Proprietary Fund Types:
Enterprise Funds report the activities for which fees are charged to external users for goods or services, such as the unemployment compensation program, lottery operations and transportation services.

Internal Service Funds provide goods or services primarily to other agencies or funds of the State, rather than to the general public. These goods and services include printing and mailing services, supplies warehousing, information technology, fleet management, risk management, health-related benefits, and financing for acquisition and construction of governmental facilities.

Fiduciary Fund Types:
Pension (and Other Employee Benefits) Trust Funds report resources that are required to be held in trust for members and beneficiaries of the State's pension, death and disability benefit plans. These resources are managed by the Maine Public Employees Retirement System (MPERS). The fund also reports resources that are required to be held in trust for members and beneficiaries of the State and for MPERS' retiree healthcare benefits. The investment trusts, managed by the Maine Public Employees Retirement System, hold the long-term investments. The trustees of the Healthcare Other Employee Benefits Trust Fund are the State Controller and State Treasurer.

Private Purpose Trust Funds report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include Abandoned Property, Public Reserved Lands and the Permanent School funds.

Agency Funds report assets and liabilities for deposits and investments entrusted to the State as an agent for others. Examples include amounts held for payroll withholdings, inmate and student guardianship accounts.

D. Fiscal Year-Ends

All funds and discretely presented major component units are reported using fiscal years which end on June 30, except for the Maine State Housing Authority and Maine Turnpike Authority, which utilize December 31 year-ends.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Equity in Treasurer's Cash Pool
The State pools cash and cash equivalents for a variety of State agencies and public sector entities. The pooled balances are reported at fair value. Interest earned on pooled cash is allocated to the various funds, generally based on their average equity balances. The Treasurer’s Cash Pool has the general characteristics of a demand deposit account and is comprised primarily of prime commercial paper, repurchase agreements, U.S. Treasury Bills, U.S. Treasury Notes, and other U.S. Agency Obligations, certificates of deposit, and corporate bonds.

For component units that participate in the cash pool, equity is shown at fair value.

Cash and Cash Equivalents
Cash equivalents consist of short-term investments that mature within three months. On the Statement of Cash Flows, the amount reported as “Cash and Cash Equivalents” is equal to the total of the amounts reported on the Statement of Net Position as “Equity in Treasurer’s Cash Pool,” “Cash and Cash Equivalents,” “Cash with Fiscal Agent,” “Restricted Equity in Treasurer’s Cash Pool,” and “Restricted Deposits and Investments.”

Cash with Fiscal Agent
Cash with Fiscal Agent in Governmental Funds represents cash that will be used for debt service on bonds and unspent proceeds of bonds and Certificates of Participation.

Cash with Fiscal Agent in Proprietary Funds represents proceeds of Certificates of Participation and other financing arrangements that have not been spent.

Other investments of the State are carried at fair value. Donated investments are stated at fair value at the date of donation.

Investments Held on Behalf of Others
These assets include amounts held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. Generally, these investments are reported at fair value or at amortized cost which approximates fair value. The State also holds $128.6 million of Workers’ Compensation, $59.8 million of Bureau of Insurance, and $41.0 million of Maine Department of Labor surety bonds and letters of credit that are not reflected on the financial statements.

Restricted Deposits and Investments
Restricted deposits and investments include: unemployment tax receipts deposited with the United States Treasury that are drawn down to pay unemployment benefits; cash and investments of the Maine Governmental Facilities Authority, a blended component unit that has been independently audited; unspent bond proceeds, and funds invested in Certificates of Deposit and other investments at various financial institutions within the State. The financial institutions lend these deposits and investments to local commercial and agricultural enterprises to foster economic growth in Maine.

Inventories
The costs of materials and supplies of the Governmental Funds are reported as expenditures when purchased. Undistributed vaccines and food commodities are reported as inventory and unearned revenue in the Federal Fund. Revenues and corresponding expenditures are recognized when vaccines and food commodities are issued. Inventories of materials and supplies in the Proprietary Funds are determined by physical counts and by perpetual inventory systems. Proprietary Fund inventories are stated at cost or average cost.

Receivables
Receivables consist primarily of amounts due to the State from taxpayers and service providers. Also included in receivables are amounts due but not yet remitted to the State from lottery sales by agents. Loans receivable for the primary government represent low interest financing arrangements to construct and modernize agricultural storage facilities and local commercial enterprises, as well as Department of Transportation loans to local governments. Receivables in the component units’ column arise in the normal course of business. Receivables are stated net of estimated allowances for uncollectible amounts that are determined based upon past collection experience and aging of the accounts.

Interfund Transactions and Balances
Numerous transactions are made between funds to finance operations, provide services, and acquire or construct assets. To the extent that transactions between funds were not completed as of June 30, interfund receivables and payables have been recorded in the fund financial statements. Interfund receivables and payables have been eliminated from the Statement of Net Position.

Long-term loans made by one fund to another are classified as “Working Capital Advances Receivable” and “Working Capital Advances Payable.” In the fund financial statements, advances receivable are offset by nonspendable fund balance designations indicating that the long-term loans do not constitute expendable financial resources.

Due from/to Primary Government/Component Units
Numerous transactions are made between the primary government and component units to finance operations, provide services, acquire or construct assets, or repay bonds. To the extent that transactions between funds were not completed as of June 30, “Due from Primary Government” and “Due to Component Unit” receivables and payables have been recorded. Two component units have December 31 year ends, therefore the “due to” and “due from” amounts may differ.

Due from/to Other Governments
Due from/to Other Governments represents amounts receivable from or payable to municipalities or the federal government. Due from Other Governments represents primarily federal grants receivable for Medicaid claims, other health and human services programs, and federal grants receivable for transportation-related expenditures. Due from Other Governments in the component units column represents amounts receivable for grants, bond repayment and retirement benefits. Due to Other Governments primarily consist of amounts owed to municipalities for Municipal Revenue Sharing and the federal government for Medicaid cost recoveries from providers.

Capital Assets
Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., roads, bridges, ramps and similar items), are reported in the government-wide statements and applicable fund financial statements. Capital assets that are used for governmental activities are only reported in the government-wide statements. The State capitalizes governmental fund buildings valued at $1 million or more and proprietary fund buildings valued at $100 thousand or more. Governmental fund equipment is capitalized at $10 thousand or more and proprietary fund equipment is capitalized at $5 thousand or more. Governmental and proprietary fund software is capitalized at $1 million or more. All land, regardless of value, is capitalized. Capital assets are recorded at cost or, if donated, at acquisition value at date of acquisition. In some instances, capital assets historical cost were not available. The costs of these assets at the date of acquisitions have been estimated.

In the government-wide statements, most capital assets are depreciated on a straight-line basis over the assets’ estimated useful lives, which are 10-40 years for software, buildings and improvements, and 2-25 years for equipment. The State uses the modified approach for reporting its significant infrastructure assets. As long as the State maintains and preserves its infrastructure assets at pre-determined condition levels, maintenance costs are expensed and depreciation is not reported. This approach is discussed further in the Required Supplementary Information.

Capital assets of component units are capitalized upon purchase and depreciated over their estimated useful lives. Interest incurred during construction is capitalized. The estimated useful lives of fixed assets are 5–60 years for non-road structures and improvements and 3–15 years for equipment, furniture, fixtures and vehicles. Component units reflect infrastructure in improvements other than buildings and record depreciation expense on them. The Maine Turnpike Authority (MTA) uses the modified approach for reporting its significant infrastructure assets. As long as MTA maintains and preserves its infrastructure assets at pre-determined condition levels, maintenance costs are expensed and depreciation is not reported.

Deferred Outflows of Resources
Deferred outflows of resources are defined as a consumption of net assets by the government applicable to a future period; they increase net position, similar to assets. Note 15 provides further detail on the components of deferred outflows of resources.

Accounts Payable
Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers. Incurred but not paid (IBNP) Medicaid claims settlements are actuarially estimated. The IBNP estimate recorded at June 30, 2020 is $268.8 million.

Tax Refunds Payable
The amount of collected or accrued tax revenues that will be refunded is estimated and accrued as a General Fund liability.

Claims Payable
Claims payable represent workers’ compensation, retiree health, employee health, and other claims payable, including actual claims submitted and actuarially determined claims incurred but not reported. The actuarially determined claims liability is discounted and presented at net present value.

Compensated Employee Absences
In the government-wide statements and proprietary fund financial statements, compensated absences are recorded as a long-term liability as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments to terminated employees as of June 30, 2020 but paid after the fiscal year end are also reported in the funds. Approximately 56 percent of the governmental fund compensated absences are liquidated by the general fund. In the discretely presented component units, employees' accumulated compensated absences are recorded as an expense and liability as the benefits accrue.

Net Pension Liability
For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System (MPERS) and additions/deductions from MPERS' fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The primary government's proportionate share of pension amounts were further allocated to proprietary funds based on the salaries paid by each proprietary fund. Pension investments are reported at fair value. Note 9 provides further detail on the net pension liability.

OPEB Liability
The total OPEB liability is the portion of the actuarial present value of projected benefit payments attributed to past periods of employee service. It is the liability of employers and nonemployer contributing entities to employees for benefits provided through an OPEB plan that is not administered through a trust. The net OPEB liability is the liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust.

Deferred Inflows of Resources
Deferred inflows of resources are defined as an acquisition of net assets by the government applicable to a future period; they decrease net position, similar to liabilities. Note 15 provides further detail on the components of deferred inflows.

Loans Payable to Component Units
In the Statement of Net Position, the amount of bond proceeds received by a component unit for unmatured GARVEE, TransCap and Liquor Revenue bond proceeds is called "Loans Payable to Component Unit." The offsetting receivables are classified as "Loans Receivable from Primary Government."

Long-Term Obligations
In the government-wide statements and proprietary fund financial statements, long-term debt and other long-term obligations are recorded as liabilities.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

Net Position/Fund Balances
The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is "Net Position" on the government-wide, proprietary and fiduciary fund statements and "Fund Balances" on governmental fund statements.

Fund Balance Restrictions
Fund balances for governmental funds have been classified in accordance with GASB Statement No. 54.

The State reported the following fund balance restrictions:

Nonspendable Fund Balance - indicates items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless those proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted Fund Balances – include balances that are legally restricted for specific purposes due to constraints that are either externally imposed by creditors, grantors, contributors, or imposed by law through a constitutional provision or enabling legislation.

Committed Fund Balances – indicates assets can be used only for specific purposes pursuant to constraints imposed by a formal action of the Maine Legislature through Legislation passed into law.

Assigned Fund Balances – include amounts constrained by the State's intent to be used for a specific purpose, but are neither restricted nor committed. The State has two types of intent authorized by statute. Management decisions are made in accordance with statutory powers and duties, including encumbrances. Legislative assignments include formal actions passed into law that lapse with the passage of time and do not require additional legislation. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.

Unassigned Fund Balance – is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

F. REVENUES AND EXPENDITURES/EXPENSES

In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (e.g., governmental support & operations, education, health & human services, etc.). Additionally, revenues are classified between program and general revenues. Program revenues include: charges to customers or applicants for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

The State's policy is that restricted amounts are spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Within unrestricted fund balance, the State's policy is that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

In the governmental fund financial statements, expenditures are reported by function. Capital outlay expenditures for real property or infrastructure (e.g. highways) are included with expenditures by function.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g. general operations and depreciation). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as nonoperating, capital contributions, transfers or special items

G. RISKS AND UNCERTAINTIES

The Worldwide Health Organization declared COVID-19 a global pandemic on March 11, 2020. The impact of the pandemic and significant related restrictive measures are likely to affect operations and performance in fiscal year 2021. In late March 2020, a variety of federal legislation was passed, including, but not limited to, the Coronavirus Aid, Relief, and Economic Security Act (CARES) that provides certain relief to partially mitigate the economic impact of the pandemic. The State of Maine received $1.25 billion of direct relief provided under the CARES Act through the Coronavirus Relief Fund (CRF). The COVID-19 pandemic has significantly affected travel, commerce and financial markets globally. The degree of impact on the State's operations and finance is extremely difficult to predict due to uncertainties relating to the duration and severity of the COVID-19 outbreak. In response, the Maine Consensus Economic Forecasting Commission and the Maine Revenue Forecasting Committee are meeting frequently to monitor and update the economic and revenue forecasts to reflect the impact of the COVID-19 pandemic.

NOTE 2 - BUDGETING AND BUDGETARY CONTROL, AND LEGAL COMPLIANCE

Appropriation Limits
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 Maine Revised Statutes Annotated (MRSA) § 1665, subsection 1, plus the average forecasted inflation rate. "Average forecasted inflation rate" means the average forecasted change in the Consumer Price Index underlying the revenue projections developed by the Revenue Forecasting Committee.

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.

Budget Stabilization Fund
The Maine Budget Stabilization Fund ("BSF"), a fund designation established under Title 5 MRSA C. 142, is included in the General Fund fund balance. The BSF had a balance of $258.7 million. Amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall. The Governor may also allocate funds for payment of death benefits for law enforcement officers, firefighters and emergency medical services personnel.

Balances in the fund do not lapse, but carry forward each year. Money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. The State Controller also transferred $17.4 million from the General Fund unappropriated surplus to the Budget Stabilization Fund in accordance with Public Law 2019, Chapter 616, Part J-1.

The statutory cap for the fund is 18 percent of the total General Fund revenue received in the immediately preceding fiscal year. At the close of the fiscal year, the cap is based on the revenue received in the fiscal year being closed. Based on fiscal year 2020 actual General Fund revenue, the statutory cap at the close of fiscal year 2020 and during fiscal year 2020 was $714.5 million. At the close of fiscal year 2020, the balance of the Maine Budget Stabilization Fund was $258.7 million. No reductions to the Maine Budget Stabilization Fund balance are required when it exceeds the balance of the statutory cap as a result of a decline of General Fund revenue.

Budget Stabilization Fund Activity

(Expressed in Thousands)

Balance, beginning of year (as restated)*	$ 236,904
Increase in fund balance	21,843
Balance, end of year	$ 258,747

*Restated to exclude the Reserve for Riverview Disallowance

Budget and Budgetary Expenditures

The gross unified budget bills and budget document encompass resources from the General Fund, Highway Fund, Federal Expenditures Fund, Federal Block Grant Fund, Other Special Revenue Fund, internal service funds and enterprise funds. Separate gross unified budget bills must be submitted for the General Fund and the Highway Fund. All funds except trust and agency funds, bond funds and costs of goods sold expenditures in internal service funds and enterprise funds are subject to legislative allocation. The biennial budget sets forth proposed expenditures for the administration, operation and maintenance of the departments and agencies of the 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. Within this structure, budgetary control by agency is maintained at the program and line category level. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers.

Except in specific instances, only the Legislature may transfer appropriations between departments. Changes in appropriation, allocation, or funding for new programs are presented to the Legislature as supplemental budgets or separate pieces of legislation. For the year ended June 30, 2020, the Legislature increased appropriations to the General Fund by $20.8 million.

Actual expenditures did not exceed legislatively authorized appropriations at the Department level; therefore, the State complied with all related budget laws at the legal level.

Governmental Fund Balances - Restricted, Committed and Assigned

The State's fund balances represent: (1) restricted purposes, which include balances legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; (3) assigned purposes, which includes balances that are constrained by government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these fund balance types at June 30, 2020 are detailed on the following pages.

Governmental Fund Balances
(Expressed in Thousands)

	NSIF	Restricted	Committed	Assigned
General Fund:				
Education	$ -	$ -	$ -	$ 24,086
Governmental Support & Operations	-	2,361	1,906	2,458
Treasury	-	-	-	10,859
Health & Human Services	-	-	15,848	143,736
Public Safety	-	1,466	-	-
Justice & Protection	-	-	-	8,919
Defense, Veterans & Emergency Management	-	-	-	1,467
Inland Fisheries & Wildlife	-	3,593	-	-
Transportation Safety & Development	-	-	2,005	-
All Other	3,628	-	-	1,510
Total	$ 3,628	$ 7,420	$ 19,759	$ 193,035
Highway Fund:				
Transportation, Highway & Bridge Construction	$ -	$ 19,181	$ -	$ -
Total	$ -	$ 19,181	$ -	$ -
Federal Fund:				
Governmental Support & Operations	$ -	$ 1,913	$ -	$ -
Centers for Disease Control	-	1,462	-	-
Office of Family Independence	-	1,475	-	-
Substance Abuse & Mental Health	-	1,915	-	-
Office of Child & Family Services	-	10,746	-	-
Justice & Protection	-	1,257	-	-
Public Safety	-	2,027	-	-
Transportation - Highway & Bridge Construction	-	8,528	-	-
All Other	4,637	2,232	-	-
Total	$ 4,637	$ 31,555	$ -	$ -
Other Special Revenue Fund:				
Business Licensing & Regulation	$ -	$ 4,571	$ 322	$ -
Workers Compensation Board	-	19,235	-	-
Professional & Financial Regulation	-	66,057	-	819
Public Utilities Commission	-	14,663	-	602
Education	-	2,801	-	7,012
Economic & Community Development	-	26,842	16,086	-
Governmental Support & Operations	-	91,807	27,056	15,665
Treasury	-	-	4,640	-
Liquor Bond	-	3,849	-	-
Bonds for Highway & Bridge Construction	-	140,689	-	-
Health & Human Services	-	1,683	-	-
Aging & Disability Services	-	-	-	1,061
Fund for Healthy Maine	-	-	43,223	-
Office of Family Independence	-	-	-	8,621
Substance Abuse & Mental Health	-	-	8,542	4,532
Centers for Disease Control & Prevention	-	-	3,951	1,254
MaineCare	-	17,056	-	37,509
Defense, Veterans & Emergency Management	-	2,120	-	-
Justice & Protection	-	211,669	4,531	7,177
Public Safety	-	11,714	-	2,003
Agriculture & Conservation	-	4,833	5,212	12,843
Environmental Protection	-	27,413	2,329	-
Inland Fisheries & Wildlife	-	12,103	-	-
Marine Resources	-	4,812	-	5,195
Transportation Safety & Development	-	6,277	1,868	3,020
Transportation - Highway & Bridge Construction	-	11,109	7,615	-
Motor Vehicles	-	8,004	-	-
Multimodal Transportation	-	-	24,259	-
Transcap	-	5,261	-	-
All Other	-	-	-	138
Total	$ -	$ 694,568	$ 149,634	$ 107,451

Governmental Fund Balances
(Expressed in Thousands)

	NSIF	Restricted	Permanent
Other Governmental Funds:			
Capital Projects - Agriculture & Conservation	$ -	$ 7,634	$ -
Capital Projects - Higher Education	-	17,048	-
Capital Projects - Multimodal Transportation	-	49,567	-
Capital Projects - Economic & Community Development	-	12,978	-
Capital Projects - Environmental Protection	-	25,880	-
Capital Project - Treasury	-	7,841	-
Capital Projects - Other	-	403	-
Permanent Funds - Baxter Park	-	-	9,155
Permanent Funds - Baxter Park Wilderness Trust	-	-	24,657
Permanent Funds - All Others	-	-	25,519
Special Revenue Funds - Baxter Park	-	88,081	-
Special Revenue Funds - Baxter Park Wilderness Trust	-	475	-
Special Revenue Funds - All Other	-	119	-
Total	$ -	$ 210,026	$ 59,331

NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS

ACCOUNTING CHANGES
During fiscal year ended June 30, 2020, the State implemented the following accounting standard:

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative* Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This change will improve financial reporting by providing governments with sufficient time to apply the authoritative guidance addressed in this Statement will help to safeguard the reliability of their financial statements, which in turn will benefit the users of those financial statements.

Restatement - Component Unit
A non-major discretely presented component unit increased its beginning net position balance $284 thousand as a result of correcting an error.

NOTE 4 - DEFICIT FUND BALANCES/NET POSITION

PROPRIETARY FUNDS
Five internal service funds showed deficits for the fiscal year ended June 30, 2020. The Workers' Compensation Fund reported a deficit of $20.3 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a deficit of $5.6 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of $14.3 million because expenses are recognized when incurred; however, related revenue is not earned until jobs are satisfactorily completed. All of the deficits mentioned above are expected to be funded by future service charges. The remaining two internal service funds, Financial and Personnel Services and Information Services, reported deficits of $33.7 million and $56.2 million, respectively. These deficits are primarily the result of the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, which required the recognition of the entire net pension and postemployment benefits other than pension liability.

Two enterprise funds showed deficits for the fiscal year ended June 30, 2020. Maine Military Authority reported a deficit of $5.9 million. Maine Military Authority significantly reduced its operation and workforce in Fiscal Year 2019. As a result, the fund incurred a loss on the disposal of its assets. The Consolidated Emergency Communications Fund reported a deficit of $7.3 million. The deficit is primarily the result of the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, which required the recognition of the entire net pension and postemployment benefits other than pension liability.

NOTE 5 - DEPOSITS AND INVESTMENTS

Title 5 MRSA § 135 governs the deposit and investment policies of the State of Maine Office of the State Treasurer. The Treasurer may deposit State funds, including trust funds of the State, in any of the banking institutions (including trust companies, State or federal savings and loan associations, and mutual savings banks) organized under the laws of this State and any national bank or federal savings and loan association located in the State.

The State follows the practice of pooling cash and cash equivalents for a variety of State agencies and public sector entities. The Treasurer may invest funds that exceed current obligations, with the concurrence of the State Controller or the Commissioner of Administrative and Financial Services and the consent of the Governor.

Approved investments include bonds, notes, certificates of indebtedness, other obligations of the United States that mature not more than 36 months from the date of investment; repurchase agreements secured by obligations of the United States that mature within the succeeding 12 months; prime commercial paper with maturities not exceeding 270 days from the date of purchase; tax-exempt obligations that mature not more than 36 months from the date of investment and have a long-term rating of no less than “AA” or the equivalent; corporate bonds rated “AAA” that mature within 36 months from the date of investment; banker’s acceptances with an original maturity not exceeding 180 days and rated in the highest short-term category by at least one nationally recognized securities rating organization (NRSRO); and “no-load” shares of an investment company registered under the Federal Investment Company Act of 1940, which are rated “AAAm” or “AAAm-G” by Standard & Poor’s, or the equivalent by another NRSRO. Although authorized to do so, the Treasurer does not participate in the securities loan market.

Investment policies of the permanent trusts are governed by Title 5 MRSA § 138. The Treasurer, with the approval of the Commissioner of Administrative and Financial Services, the Superintendent of Financial Institutions and the Attorney General, shall invest the funds in securities that are legal investments in accordance with Title 9-B MRSA. The investments need not be segregated to the separate trusts, but the identity of each trust must be maintained. The Treasurer may enter into custodial care and servicing contracts or agreements negotiated in accordance with the laws of this State for the handling of funds held in trust.

No amounts exceeding 25 percent of the capital, surplus, and undivided profits of any trust company or national bank or 25 percent of the reserve fund and undivided profits of a mutual savings bank or State or federal savings and loan association, shall be on deposit in any one institution at any one time. This restriction does not apply to deposits subject to immediate withdrawal to meet the payment of any bonded debt or interest or to pay current bills or expenses of the State. Also exempt are deposits secured by the pledge of certain securities as collateral or fully covered by insurance.

With assistance from the Finance Authority of Maine, the Treasurer participates in a restricted deposit program to encourage banks to provide loans at two percent below market rate. The Treasurer may invest up to $8 million in lending institutions at a two percent lower-than-market rate provided the lenders pass the rate reduction on to the borrowers. This program earmarks $4 million for loans to agricultural enterprises and the other $4 million are designated for commercial entities.

The Primary Government’s Deposits and Investments, excluding component units that are fiduciary in nature, at June 30, 2020 are as follows:

Primary Government Deposits and Investments
(Expressed in Thousands)

	Governmental Activities	Business-Type Activities	Private Purpose Trusts	Agency Funds	Total
Equity in Treasurer's Cash Pool	$ 2,305,601	$ 288,664	$ 732	$ 21,678	$ 2,616,675
Cash and Cash Equivalents	218	2,714	3,984	27	6,943
Cash with Fiscal Agent	335,742	-	-	-	335,742
Investments	146,906	-	22,686	-	169,592
Restricted Equity in Treasurer's Cash Pool	128,076	-	-	-	128,076
Restricted Deposits and Investments	1,742	274,454	-	11	276,207
Investments Held on Behalf of Others	-	-	-	63,112	63,112
Total Primary Government	$ 2,918,285	$ 565,832	$ 27,402	$ 84,828	$ 3,596,347

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. In general, the State holds securities to maturity. All debt securities are reported at full-term.

The following table provides the segmented time distribution of the Primary Government's investments at June 30, 2020:

Maturities in Years
(Expressed in Thousands)

	Less than 1	1-5	6-10	11-20	More than 20	No Maturity	Fair Value
Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	$ 51,848	$ 333,134	$ -	$ -	$ -	$ -	$ 384,982
US Treasury Notes	23,762	460,187	-	-	-	-	483,949
Corporate Notes and Bonds	-	25,930	-	-	-	-	25,930
Certificates of Deposit	173,189	37,446	-	-	-	-	210,635
Cash and Cash Equivalents	705	-	-	-	-	1,620,814	1,621,519
Unemployment Fund	-	-	-	-	-	274,454	274,454
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	427	2,734	384	472	1,011	-	5,028
US Treasury Notes	4,430	8,126	5,253	-	1,375	1,227	20,411
Corporate Notes and Bonds	-	2,931	805	9,047	512	43,696	56,991
Other Fixed Income Securities	241	-	-	69	-	43,548	43,858
Certificates of Deposit	9,143	308	-	-	-	2,901	12,352
Money Market	-	-	-	-	3,242	3,056	6,298
Cash and Cash Equivalents	3,984	-	-	-	-	28,979	32,963
Equities	-	-	-	-	-	74,368	74,368
Other	-	-	-	-	-	6,867	6,867
	$ 267,729	$ 870,796	$ 6,442	$ 9,588	$ 6,140	$ 2,099,910	$ 3,260,605
Other Assets							
Cash with Fiscal Agent							335,742
Total Primary Government							$ 3,596,347

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This credit risk is measured by the credit quality ratings of investments as described by nationally recognized statistical rating organizations. The State's investment policy limits its investments to those with high credit quality made by or with the advice and upon the due diligence of the State's independent investment advisor. The State limits credit risk in its trusts by ensuring that the fixed income credit quality at the time of purchase is a minimum bond rating of "A" by either Standard & Poor's or Moody's rating service. Fixed income holdings thereafter shall maintain a minimum bond rating of "BBB".

The Primary Government's total investments by credit quality rating as of June 30, 2020 are presented below:

Standard and Poor's Credit Rating
(Expressed in Thousands)

	A1	A	AA	AAA	BB	BBB	Not Rated	Total
Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds								
Corporate Notes and Bonds	$ -	$ -	$ -	$ 25,930	$ -	$ -	$ -	$ 25,930
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds								
Corporate Notes and Bonds	-	862	345	292	-	1,532	53,960	56,991
Money Market	-	-	-	-	-	-	6,298	6,298
Other Fixed Income Securities	-	-	-	-	-	-	6,867	6,867
Total Primary Government	$ -	$ 862	$ 345	$ 26,222	$ -	$ 1,532	$ 67,125	$ 96,086

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State limits concentration of credit risk in its trusts by requiring that no single stock represent more than seven percent of the total portfolio. There is no concentration of credit risk policy for the Treasurer's Cash Pool. At June 30, 2020, there were no investments that exceeded five percent of the Treasurer's Cash Pool.

Custodial Credit Risk - For investments, custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The State limits its custodial credit risk for the Treasurer's Cash Pool by maintaining a file of the most recent credit rating analysis reports performed for each approved financial institution. The State also requires that all securities be perfected in the name of the State and held in third party safekeeping by a state approved custodian. Of the cash pool's $225 million invested in non-negotiable certificates of deposit, certain CD's exceeded the FDIC insured amounts for the institutions at which they were held. However, certificates of deposits, money market accounts and regular cash deposits are all collateralized at a minimum of 100 percent with pledged securities or a Federal Home Loan Bank letter of credit.

The State does not have a policy regarding custodial credit risk for its trusts. The Percival P. Baxter Trust and the Baxter Park Wilderness Trusts are held by counterparties, but not in the State's name.

The fair value of the trust's investments as of June 30, 2020 was $113.2 million and was comprised of the following (expressed in thousands):

	Percival Baxter Trust	**Baxter Park Wilderness Trust**
U.S. Instrumentalities	$ 1,867	$ -
U.S. Treasury Notes	2,332	-
Corporate Notes and Bonds	3,072	-
Other Fixed Income Securities	15,715	6,745
Equities	57,753	17,982
Cash and Equivalents	935	417
Other	6,407	-
Total	$ 88,081	$ 25,144

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2020 these disbursements, on average, exceeded $188 million per month. The funds in transit are not collateralized and are not held by the State Treasurer. Until the vendor receives payment, the State retains some liability.

Fair Value Measurements - The State of Maine categorizes its fair value measurements within the fair value hierarchy established by the generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the State of Maine has the ability to access.

Level 2 - Inputs to the valuation method include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets and liabilities measured at fair value are based on one or more of the three valuation techniques. The three valuation techniques are as follows:

- *Market Approach* - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost Approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);
- *Income Approach* – Techniques to convert future amount to a single present amount based on market exceptions (including present value techniques).

Following is a description of the valuation methodologies used for assets at fair value.

Investments classified as level 1: Investments classified as level 1 are primarily exchange traded equity securities and other fixed income securities valued at market prices using interactive exchange data. Investments are evaluated by obtaining feeds from a number of live data sources including active market makers and inter-dealer brokers. Sources are reviewed on the basis of their historical accuracy for individual issues and maturity ranges. Treasury notes and bonds are evaluated by gathering information from market sources and integrate relative credit information, observed market movements, and sector news into the evaluated pricing applications and models.

Investments classified as level 2: Investments classified as level 2 including fixed income corporate bond, fixed income government bonds and treasury notes are priced using a published mid-price. Investments are evaluated as follows: a. A bullet (non-call) spread scale is created for each issuer for maturities going out to forty years. These spreads represent credit risk and are obtained from the new issue market, secondary trading, and dealer quotes. Each issuer-spread line has the capability to link parent/subsidiary and related companies to capture relevant movements. b. An Option Adjusted Spread (OAS) model is incorporated to adjust spreads of issues that have early redemption features. c. Final spreads are added to both a 15: and 16: (ET) U.S. Treasury curve. A special cash discounting yield/price routine calculates prices from final yields to accommodate odd coupon payment dates typical of medium-term notes. d. Evaluators maintain quality by surveying the dealer community, obtaining benchmark quotes, incorporating relevant trade data, and updating spreads daily. Note: Floating-rate medium-term notes are evaluated using the Floating-Rate Note Evaluation Model which generates evaluations for floating-rate notes by calculating current and future coupons, then discounting each cash flow by an appropriate discount margin.

Investments classified as level 3: Investments classified as level 3 include private equities securities that exist in illiquid markets. These securities are broker priced.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the State of Maine believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table set forth by level, within the fair value hierarchy, the State of Maine's assets carried at fair value on a recurring basis as of June 30, 2020:

Fair Value Measurement
(Expressed in Thousands)

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Corporate Notes and Bonds	$ 72,911	$ 43,696	$ 29,179	$ 36
U.S. Instrumentalities	388,972	-	388,972	-
U.S. Treasury Notes	490,265	490,265	-	-
Other Fixed Income Securities	43,810	36,401	1,002	6,407
Equities	74,331	74,331	-	-
Other	417	417	-	-
Total	$ 1,070,706	$ 645,110	$ 419,153	$ 6,443

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Maine Public Employees Retirement System (the System) makes investments in a combination of equities, fixed income securities, infrastructure, private equity, real estate, mutual funds, commingled mutual and index funds, derivative financial instruments, and other investment securities established by the Trustee's investment policy.

Derivative Securities – Derivative financial instruments are financial contracts whose value depends on the value of one or more underlying assets, reference rates or financial indices. They include futures, forwards, options, and swap contracts. The System's investments in derivative securities only have nominal exposure to custodial credit risk. Credit risk is managed, in the case of exchange-traded derivatives, by the execution of trades through a clearinghouse and, in the case of over-the-counter transactions, by managers' due diligence assessment and approval of counterparties. Market risk is managed by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and are monitored by the Chief Investment Officer.

Foreign currency forward contracts are used to hedge against the currency risk in the System's foreign equity and fixed income security portfolios. The System's fixed income managers invest in Collateralized Mortgage Obligations (CMOs) and Asset-Backed Securities to improve the yield or adjust the duration of the fixed income portfolio.

Securities Lending - The System has also entered into agreements for securities lending transactions, which are collateralized in an amount generally valued at 102 percent (105 percent for international securities) of the fair value of the securities loaned plus accrued interest. All securities and loans can be terminated on demand by either the lender or the borrower.

Cash collateral is invested in a short-term investment pool. Cash collateral may also be invested separately in "term loans." At June 30, 2020 all of the collateral for securities lending is subject to custodial credit risk. The System believes that there is no credit risk as defined in GASB Statement No. 28 and GASB Statement No. 40. The collateral held and the market value of securities on loan for the System as of June 30, 2020 was $270.2 million and $264.0 million, respectively.

The system did not have any derivative investments as of June 30, 2020 or during the year then ended.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of investment in a single issue. The System's investment policy places no limit on the amount the System may invest in any one issuer. No investment exceeded 5 percent of the fiduciary net position for the defined benefit and OPEB plans.

COMPONENT UNITS

Generally, component unit investment policies authorize investments in obligations of U.S. Treasury and Agency Securities, repurchase agreements, corporate bonds, certificates of deposit and money market funds. Some component units may invest in stocks, bonds, fixed income securities, mutual funds, commingled mutual funds and index funds, guaranteed investment contracts, real estate and other investment securities.

Certain component units also invest in the Treasurer's Cash Pool and comprise approximately 5.63 percent of pool assets. The component units reported their participation as either Cash and Cash Equivalents or Investments on their financial statements. The State reclassified $124.9 million of the component units' participation to "Equity in Treasurer's Cash Pool" on the State's financial statements. In addition to the amounts reported, the State Treasurer's Cash Pool includes $22.3 million, consisting of Finance Authority of Maine component unit fiduciary funds that, because of GASB Statement No. 34 reporting criteria, are not shown in the accompanying financial statements as invested in the Treasurer's Cash Pool.

NOTE 6 - RECEIVABLES

Receivable balances are segregated by type, and presented in the fund financial statements net of allowance for uncollectibles. The following tables disaggregate amounts considered to be uncollectible by fund and type of receivable as of the close of the fiscal year:

Primary Government - Receivables
(Expressed in Thousands)

	Taxes	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Governmental Funds:					
General	$ 619,976	$ 146,753	$ 1	$ (159,063)	$ 607,667
Highway	19,731	3,952	-	(60)	23,623
Federal	-	213,825	-	(85,641)	128,184
Other Special Revenue	14,561	125,446	4,003	(59,844)	84,166
Total Governmental Funds	654,268	489,976	4,004	(304,608)	843,640
Allowance for Uncollectibles	(100,190)	(203,955)	(463)		
Net Receivables	$ 554,078	$ 286,021	$ 3,541		$ 843,640
Proprietary Funds:					
Employment Security *	$ -	$ 157,662	$ -	$ (59,732)	$ 97,930
Nonmajor Enterprise	-	40,688	-	(141)	40,547
Internal Service	-	5,721	-	-	5,721
Total Proprietary Funds	-	204,071	-	(59,873)	144,198
Allowance for Uncollectibles	-	(59,873)	-		
Net Receivables	$ -	$ 144,198	$ -		$ 144,198

* Accounts receivable increased significantly in the Employment Security Major Enterprise Fund in fiscal year 2020. This is due primarily to a significant increase in fraudulent claims activity associated with Pandemic Unemployment Assistance and emergency benefits provided in response to the Coronavirus Pandemic.

Component Units - Receivables
(Expressed in Thousands)

	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Finance Authority of Maine	$ 2,799	$ 100,759	$ (6,020)	$ 97,538
Maine Community College System	8,279	-	(1,166)	7,113
Maine Health and Educational Facilities Authority	302	383,498	(69)	383,731
Maine Municipal Bond Bank	632	-	-	632
Maine State Housing Authority	11,587	1,450,731	(8,561)	1,453,757
Maine Turnpike Authority	5,799	-	-	5,799
University of Maine System	56,907	33,530	(14,774)	75,663
Net Receivables	$ 86,305	$ 1,968,518	$ (30,590)	$ 2,024,233

NOTE 7 - INTERFUND TRANSACTIONS

Interfund receivables and payables represent amounts owed to one State fund by another, for goods sold or services received, or for borrowings to eliminate negative balances in the Treasurer's Cash Pool.

Balances due within one year are recorded as Due to/Due from Other Funds. The balances of current interfund receivables and payables as of June 30, 2020 were:

Interfund Receivables
(Expressed in Thousands)

	Due to Other Funds				
Due from Other Funds	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 8,967	$ -	$ -
Highway	2	2	15,893	-	-
Federal	5	-	179	6,939	-
Other Special Revenue	15,777	317	800	915	13
Other Governmental	-	-	-	-	-
Employment Security	-	-	478	-	-
Non-Major Enterprise	2,452	59	-	5	-
Internal Service	12,694	4,423	13,324	4,953	-
Fiduciary	46,577	-	-	-	-
Total	$ 77,507	$ 4,801	$ 39,641	$ 12,812	$ 13

	Due to Other Funds				
Due from Other Funds	**Employment Security**	**Non-Major Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total**
General	$ -	$ 12,660	$ 18,441	$ -	$ 40,068
Highway	-	-	-	-	15,897
Federal	3,835	-	-	-	10,958
Other Special Revenue	-	7,963	242	-	26,027
Other Governmental	-	-	-	-	-
Employment Security	-	-	-	-	478
Non-Major Enterprise	-	-	-	-	2,516
Internal Service	-	422	5,334	2	41,152
Fiduciary	-	-	-	-	46,577
Total	$ 3,835	$ 21,045	$ 24,017	$ 2	$ 183,673

Not included in the table above are interfund loans/advances, which are not expected to be repaid within one year. Postal, Printing & Supply (an internal service fund) owes $111 thousand to the General Fund for operating capital.

Transfers are made in accordance with statutory authority. Significant transfers are used to 1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) move receipts restricted for debt service from the funds collecting the receipts to the funds required to pay debt service as principal and interest payments come due, 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 4) move profits from the Lottery Fund, 5) transfer accumulated surpluses from other funds to the General Fund when authorized by statute and 6) move profits from the Alcoholic Beverages Fund.

During fiscal year 2020, the State of Maine, in accordance with the legislatively authorized budget, recorded the following non-routine, nonrecurring transfers.

The General Fund transferred $16.5 million, $4.0 million and $32.5 million to the Other Special Revenue Fund, respectively, for: Indigent Legal Services Fund, Maine Economic Development Fund and the Property Tax Relief Fund. The Liquor Operation Revenue Fund transferred $20.0 million to the unappropriated surplus of the General Fund.

Interfund transfers for the year ended June 30, 2020 consisted of the following:

Interfund Transfers

(Expressed in Thousands)

Transferred To	Transferred From: General	Highway	Federal	Other Special Revenue	Other Governmental
General	$ -	$ -	$ 23	$ 22,046	$ -
Highway	1,689	-	11,764	11,819	-
Federal	-	-	-	12,716	-
Other Special Revenue	239,594	6,346	441	26,658	3,087
Other Governmental Funds	-	-	-	-	2,076
Non-Major Enterprise	-	5,928	-	-	-
Internal Service	2,053	-	-	-	-
Fiduciary	-	-	-	-	750
Total	$ 243,336	$ 12,274	$ 12,228	$ 73,239	$ 5,913

Transferred To	Transferred From: Employment Security	Non-Major Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
General	$ -	$ 84,590	$ 4,000	$ 6,673	$ 117,332
Highway	-	-	-	-	25,272
Federal	6,859	-	-	-	19,575
Other Special Revenue	-	42,954	-	821	319,901
Other Governmental Funds	-	-	-	-	2,076
Non-Major Enterprise	-	-	-	-	5,928
Internal Service	-	-	-	-	2,053
Fiduciary	-	-	-	-	750
Total	$ 6,859	$ 127,544	$ 4,000	$ 7,494	$ 492,887

NOTE 8 - CAPITAL ASSETS

The following schedule details changes in capital assets for the governmental activities and business-type activities of the primary government for the fiscal year ended June 30, 2020:

Primary Government - Capital Assets
(Expressed in Thousands)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 644,484	$ 5,522	$ 54	$ 649,952
Construction in progress	58,088	45,008	22,975	80,121
Infrastructure	2,931,726	28,129	-	2,959,855
Total capital assets not being depreciated	3,634,298	78,659	23,029	3,689,928
Capital assets being depreciated				
Buildings	866,161	23,230	7,760	881,631
Equipment	311,748	22,492	11,130	323,110
Improvements other than buildings	113,590	907	9,433	105,064
Software	118,777	-	-	118,777
Total capital assets being depreciated	1,410,276	46,629	28,323	1,428,582
Less accumulated depreciation for				
Buildings	365,667	22,238	4,916	382,989
Equipment	224,015	23,836	8,578	239,273
Improvements other than buildings	63,878	10,864	9,433	65,309
Software	68,818	15,410	-	84,228
Total accumulated depreciation	722,378	72,348	22,927	771,799
Total capital assets being depreciated, net	687,898	(25,719)	5,396	656,783
Governmental Activities Capital Assets, net	$ 4,322,196	$ 52,940	$ 28,425	$ 4,346,711

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated				
Land	$ 2,389	$ -	$ -	$ 2,389
Construction in progress	5,674	6,817	-	12,491
Total capital assets not being depreciated	8,063	6,817	-	14,880
Capital assets being depreciated				
Buildings	4,655	-	-	4,655
Equipment	24,666	31	14	24,683
Improvements other than buildings	42,757	-	-	42,757
Total capital assets being depreciated	72,078	31	14	72,095
Less accumulated depreciation for				
Buildings	3,044	136	-	3,180
Equipment	11,476	708	14	12,170
Improvements other than buildings	32,931	1,489	-	34,420
Total accumulated depreciation	47,451	2,333	14	49,770
Total capital assets being depreciated, net	24,627	(2,302)	-	22,325
Business-Type Activities Capital Assets, net	$ 32,690	$ 4,515	$ -	$ 37,205

During the fiscal year, depreciation expense was charged to the following functions in the governmental activities column of the Statement of Activities for the primary government:

Governmental Activities - Depreciation Expense
(Expressed in Thousands)

	Amount
Governmental Activities:	
Arts, Heritage and Cultural Enrichment	$ 32
Business Licensing and Regulation	412
Economic Development and Workforce Training	1,814
Education	272
Governmental Support and Operations	12,496
Health and Human Services	10,937
Justice and Protection	15,709
Natural Resources Development and Protection	5,928
Transportation Safety and Development	24,748
Total Depreciation Expense - Governmental Activities	$ 72,348

NOTE 9 - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Overview of the System

The Maine Public Employees Retirement System, formerly named the Maine State Retirement System (the System) is a component unit of the State of Maine. Title 5 MRSA C. 421, 423, and 425 authorized the establishment and administration of the defined benefit plans. The System administers two cost sharing multiple-employer defined benefit plans, two single employer defined benefit plans and one closed agent multiple-employer defined benefit plan. All of these plans provide pension, disability, and death benefits to their members.

The State Employees and Teachers Plan (SETP) is a multiple-employer cost sharing plan with a special funding situation. The plan covers employees of the State and public school employees (defined by Maine law as teachers). The State of Maine is also a nonemployer contributing entity in that the State pays the unfunded actuarial liability on behalf of non-grant funded teachers. School districts contribute the normal cost, calculated actuarially, for their teacher members and directly pay the unfunded actuarial liability on behalf of grant funded teachers. The Participating Local Districts Plan (Consolidated PLD) covers employees of more than 300 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine, each of which contracts for participation in the System under provisions of the relevant statutes.

The System also provides single employer defined benefit plans to cover State legislators and State Judicial employees and administers a closed agent, multiple-employer defined benefit plan (Agent PLD) which covers those employers for whom the System administered single employer plans at the time the PLD Consolidated Plan was implemented who opted not to join the Consolidated Plan.

In addition to administering pension plans, the System invests funds accumulated for two OPEB Trusts. The Retiree Health Insurance Trust Fund accumulates assets to provide funding for the State's unfunded obligations for retiree health benefits. Trustees of the System were named Trustees of the Investment Trust Fund. The System also invests funds for the MainePERS OPEB Trust. The trust accumulates assets to provide funding for retiree health benefits and life insurance in retirement for qualified individuals who retire from the System. The Trustees of the System were named Trustees of the MainePERS OPEB Trust.

The System administers three defined contribution plans for employees of PLD's that elect to participate. At June 30, 2020, there were 74 employers participating in these plans. The 1,394 participants individually direct the $46.0 million covered by the plans.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2020 report may be obtained from the Maine Public Employees Retirement System, PO Box 349 Augusta, ME 04332-0349 or on-line at www.mainepers.org.

Total pension funds managed by the System are constitutionally restricted and held in trust for the payment of pension and related benefits to its members. OPEB funds are statutorily restricted for the payment of retiree healthcare. The System's Board of Trustees, in its fiduciary capacity, establishes the System's investment policies and their overall implementation. With respect to the SETP, the actuary prepares valuations for the State's portion of the SETP, including the segregation of teachers from employees.

The System also provides group life insurance under a plan administered by a third party insurance company and invests long-term assets for two Retiree Health Insurance Post-Employment Benefits Investment Trust Funds. Note 10 provides for further disclosure.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The System's financial statements are prepared on the accrual basis of accounting. Pension contributions are recognized as additions in the period when they become due pursuant to formal commitments or statutory or contractual requirements. Investment income is recognized when earned. Contributions to defined contribution plans are recognized in the period they are contributed. Pension benefits and contributions and premium refunds are recognized as deductions when due and payable in accordance with Statutes. Benefits payable incurred but not reported are reflected as other liabilities. Distributions from defined contribution plans are recognized in the period the disbursement is made.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit retirement plans and additions to or deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the System. The measurement period used is June 30, 2019. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

EMPLOYER ALLOCATIONS FOR COST-SHARING DEFINED BENEFIT RETIREMENT PROGRAMS

Schedules of Employer Allocations for the SETP are displayed separately for the two groups within the Plan, state employees being one group and teachers the second. This is to reflect the unique funding arrangement that currently exists within the Plan for teachers. Total employer contributions for the state employees group, adjusted for employer-specific liability contributions, were used as the basis for allocation. For the teacher group, total employer and non-employer contributions were the basis for the allocation, adjusted to remove the normal cost contributions paid by local school districts on behalf of their employees. This leaves contributions toward the unfunded liability of the Plan as the basis of allocation. This method of allocation properly distributes the collective net pension liability between the State of Maine as the non-employer contributing entity and those districts contributing towards the unfunded liability of the plan using grant funding.

The Schedules of Employer Allocations for the PLD Consolidated Plan reflect current year employer contributions, adjusted to remove contributions related to employer specific liabilities to the Plans. For the PLD Plan, certain employers have individual unpooled pension assets resulting from the closure of individual single employer plans upon joining the PLD Consolidated Plan. For these employers, current year contributions are adjusted to reflect the gross contributions due for service prior to applying an offset from these assets, if applicable. An offset occurs when an employer with un-pooled pension assets held by the System chooses to use a portion of these assets to cover the cost of current contributions due.

MEMBERSHIP

State employees and teachers are covered under the Maine Public Employees Retirement System's State Employee and Teacher Retirement Program (SETP). State employees and public school teachers are required by law to become members of SETP when hired. Membership is optional for elected, appointed officials and substitute teachers. SETP also covers eligible employees of two discretely presented State component units: Maine Community College System and the Northern New England Passenger Rail Authority. At June 30, 2020 there were 237 employers, including the State of Maine, participating in the plan.

PLD employees become members of the Consolidated PLD plan when they are hired if their employer participates as a PLD in MainePERS at that time and if they meet the membership eligibility requirements in effect when they are hired. For some PLD employees, membership is optional. These employees include those employed by their PLD before the PLD joined MainePERS, those whose employers provide Social Security under a federal law, elected and appointed officials, and chief administrative officers. The Consolidated PLD plan includes employees of three component units of the State that have defined benefit plans: Maine Municipal Bond Bank, Maine Maritime Academy, and the Maine Public Employees Retirement System.

The System also administers two single employer retirement programs for specific State employees. The Legislative Retirement Program was established to provide a retirement program for those serving in the Maine Legislature. Except as provided otherwise by statute, membership in the Maine Legislative Retirement Program is mandatory for legislators entering service on or after December 3, 1986. The Judicial Retirement Program was established to provide a retirement program for Maine's judges. Membership in the Judicial Retirement Program is a condition of employment for all judges serving on or after December 1, 1984.

Membership in each single employer defined benefit plan consisted of the following at the measurement date of June 30, 2019:

Employees of single employer covered by benefit terms

	Judicial	Legislative
Inactive employees or beneficiaries currently receiving benefits	76	204
Terminated participants:		
Vested	3	124
Inactive employees due refunds	1	111
Active employees	61	179
Total participants	141	618

STATE EMPLOYEES AND TEACHERS PENSION PLAN BENEFITS

The System's retirement programs provide retirement benefits based on members' average final compensation and creditable service. Vesting occurs upon the earning of five years of service credit or the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. 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. The System also provides disability and survivor benefits, which are established by statute for State employee and teacher members, and by contract with other participating employers under applicable statutory provisions.

PARTICIPATING LOCAL DISTRICTS PLAN BENEFITS

In the event that a member of the Consolidated PLD Plan withdraws from the System, its individual employee-members remain contributing members. The PLD remains liable for contributions sufficient to fund benefits for its already retired former employee-members; for its terminated vested members; and for those active employees, whether or not vested, who remain contributing System members.

CONTRIBUTION INFORMATION

Contributions from members, employers and non-employer contributors and earnings from investments fund the retirement benefits. Disability and death benefits are funded by employer normal cost contributions and investment earnings. Member and employer normal cost contributions are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the plan under which a member is covered. Employers' contribution rates are determined by actuarial valuations.

The Maine Constitution, Maine statutes and the System's funding policy provide for periodic employer contributions in addition to the normal cost contributions for the SETP. These are actuarially determined amounts that, based on certain actuarial assumptions are sufficient to fully fund, on an actuarial basis, the SETP by the year 2028 (Unfunded Actuarial Accrued Liability (UAAL) payments). Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method. The System also uses the level percentage of payroll method to amortize the unfunded liability of the State Employee and Teacher Retirement Program. For participating employers in the PLD Agent Plan, the level percentage of payroll method is also used.

The UAAL rate as applied to State employee members' compensation is first established through the annual valuation process as an amount that will meet the required unfunded actuarial accrued liability payment amount; it is then adjusted in the State's budget process to take into account differences in salary growth projections of the State Budget Office. This adjusted rate, expressed as a percentage of payroll, is the actual rate paid by the State as payment of the required UAAL payment amount for State employees. For teachers, the actuarially determined UAAL amount is paid in 12 equal monthly installments. PLD employer contribution rates are actuarially determined rates.

On occasion, the State may agree to pay employee pension contributions as a part of the compensation and benefits that are negotiated with employees. The employer-paid contributions are treated as part of their pension compensation. In accordance with statute, the actuary accumulates them in the Retirement Allowance Fund. 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 terminated members' accounts is set by the System's Board of Trustees and is currently 1.92 percent.

CONTRIBUTION RATES - DEFINED BENEFIT PENSION PLANS

The Maine Constitution, Maine Statutes and the System's funding policy provide for periodic employer contributions at actuarially determined rates that, based upon certain assumptions, are expressed as percentages of annual covered payroll and are sufficient to accumulate adequate assets to pay benefits when due. On July 20, 2017 Chapter 1, Constitutional Resolution was passed by the legislature and ratified by the voters in November. Any unfunded liability resulting from experience losses must be retired over a period not exceeding 20 years. Prior to the change a 10 year amortization period was used.

Significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the standardized measure of the net pension liability.

Contribution rates[1] in effect for the fiscal years ended June 30, 2020 and June 30, 2019 are as follows:

	June 30, 2020	June 30, 2019
SETP - State Employees		
Employees [2]	7.65% - 8.65%	7.65% - 8.65%
Employer [1]	20.93% - 32.68%	23.44% - 47.64%
SETP - Teachers		
Employees [2]	7.65%	7.65%
Employer [1]	4.16%	3.97%
Non-employer entity [1]	14.33%	11.08%
Judicial Plan		
Employees [2]	7.65%	7.65%
Employer [1]	8.89%	14.94%
Legislative Plan		
Employees [2]	7.65%	7.65%
Employer [1]	0.00%	0.00%
Consolidated Participating Local Entities		
Employees [2]	3.85% - 9.50%	4.50% - 9.50%
Employer [1]	4.50% - 16.20%	4.10% - 16.30%

[1] Employer and non-employer contribution rates include normal cost and the UAAL required payment, expressed as a percentage of payroll.
[2] Employer and employee contribution rates vary depending on specific terms of plan benefits for certain classes of employees.

For the year ended June 30, 2020, the contributions recognized as part of pension expense (grant expense for Teacher Members) for each plan were as follows:

(Expressed in Thousands)

State Employee and Teacher Pension Plan:		
State & Component Unit Members		
State Employees	$	152,815
1 Major and Non-major Component Unit and 1 formerly reported component unit.		8,494
Subtotal State & Component Unit Members	$	161,309
Teacher Members (Non-employer contribution)	$	132,564

NET PENSION LIABILITY - SINGLE EMPLOYER

The State is the sole employer for two defined benefit pension plans. The State's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The changes in net pension liabilities for these plans are as follows:

(Expressed in Thousands)

	Judicial Pension Plan			Legislative Pension Plan		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	$ 68,293	$ 71,235	$ (2,942)	$ 8,560	$ 12,756	$ (4,196)
Changes for the Year:						
Service Cost	1,597	-	1,597	297	-	297
Interest	4,582	-	4,582	578	-	578
Differences Between Expected and Actual Experience	(1,087)	-	(1,087)	239	-	239
Benefit Payments, Including Refunds	(4,068)	(4,068)	-	(607)	(607)	-
Employer Contributions	-	1,213	(1,213)	-	-	-
Member Contributions	-	620	(620)	-	221	(221)
Transfers	-	(3)	3	-	45	(45)
Net Investment Income	-	4,709	(4,709)	-	845	(845)
Administrative Expense	-	(68)	68	-	(12)	12
Net Changes	1,024	2,403	(1,379)	507	492	15
Balances at June 30, 2020	$ 69,317	$ 73,638	$ (4,321)	$ 9,067	$ 13,248	$ (4,181)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			106.2 %			146.1 %
Covered Payroll			$ 8,117			$ 2,660
Net Pension Liability as a Percentage of Covered Payroll			(53.2)%			(157.2)%

COLLECTIVE NET PENSION LIABILITIES, PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - COST SHARING PLANS

The State's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's net pension liability is measured as the proportionate share of the net pension liability. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers and non-employer contributors, actuarially determined. The State's proportionate share of the collective net pension liability for each plan at June 30, 2020 and June 30, 2019 is as follows:

(Expressed in Thousands)

Pension Plan	Proportionate Share June 30, 2019	Proportionate Share June 30, 2020	Net Pension Asset June 30, 2020	Net Pension Liability June 30, 2020
SETP - State Employees [1]	$ 94.652308	94.775523 %	$ -	$ 991,147
SETP - Teachers [2]	95.298384	95.540502 %	-	1,400,505
Total Primary Government			-	2,391,652
SETP - 1 Major and Non-major Component Unit and 1 formerly reported component unit [1]	$ 5.347691	5.224477 %	$ -	$ 54,637

[1] Percentage of State Employees in the SETP
[2] Percentage of employer and non-employer contributors to the SETP - Teachers

The State's SETP – State Employee Plan is allocated to governmental and proprietary funds based on employer contributions as shown below. Of the portion charged to governmental funds, 51 percent is posted to the General Fund, 21 percent to Other Special Revenue Funds, 15 percent to Highway Funds and 13 percent to Federal Funds.

Proportion	June 30, 2019	June 30, 2020	Change Increase (Decrease)
Governmental Funds	91.27 %	91.32 %	0.05 %
Internal Service Funds	7.45 %	7.40 %	(0.05)%
Enterprise Funds	1.28 %	1.28 %	0.00 %

Detailed information about the pension plan's fiduciary net position is available in the separately issued Maine Public Employees Retirement System financial report.

For the cost-sharing defined benefit pension plans it shows:

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
(Expressed in Thousands)

	SETP State of Maine	Component Units[1]	Total State of Maine Employees SETP	SETP Teachers
Total Pension Liability				
Service Cost	$ 75,013	$ 4,135	$ 79,148	$ 145,626
Interest	310,733	17,129	327,862	606,148
Differences Between Expected and Actual Experience	49,370	2,721	52,091	156,628
Benefit Payments, Including Refunds of Member Contributions	(296,753)	(16,358)	(313,111)	(538,358)
Change in Proportionate Share	6,077	(6,077)	-	-
Net Change in Total Pension Liability	144,440	1,550	145,990	370,044
Beginning Total Pension Liability	4,668,307	263,752	4,932,059	9,099,130
Ending Total Pension Liability	4,812,747	265,302	5,078,049	9,469,174
Plan Fiduciary Net Position				
Employer Contributions	153,056	8,437	161,493	56,910
Non-employer Contributions	-	-	-	132,981
Member Contributions	45,355	2,500	47,855	98,164
Transfers	(300)	(17)	(317)	1
Net Investment Income	244,127	13,457	257,584	511,403
Benefit Payments, Including Refunds of Member Contributions	(296,753)	(16,358)	(313,111)	(538,358)
Change in Proportionate Share	4,783	(4,783)	-	-
Administrative Expense	(3,537)	(195)	(3,732)	(7,449)
Net Change in Plan Fiduciary Net Position	146,731	3,041	149,772	253,652
Beginning Plan Fiduciary Net Position	3,674,869	207,624	3,882,493	7,749,687
Ending Plan Fiduciary Net Position	3,821,600	210,665	4,032,265	8,003,339
Ending Net Pension Liability	$ 991,147	$ 54,637	$ 1,045,784	$ 1,465,835
Proportion				
June 30, 2020	94.775523 %	5.224477 %	100 %	95.540502 %
June 30, 2019	94.652308 %	5.347692 %	100 %	95.298384 %
Change - Increase (Decrease)	0.123215 %	(0.123215)%	0 %	0.242118 %

[1]Includes combined totals for one major component unit, one non-major component unit, and 1 formerly reported component unit.

Actuarial Assumptions

Actuarial assumptions used in the June 30, 2018 and 2017 valuations were based on results of an actuarial experience study for the period June 30, 2012 through June 30, 2015. Actuarially determined contribution rates are calculated based on a 2016 actuarial valuation developed as a roll-forward of the 2015 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2016 using assets as of June 30, 2016. The individual entry age normal method is used to determine liabilities. A 3-year smoothed market approach is used for the asset valuation method. Each plan's unfunded actuarial liability is being amortized as a level percentage of payroll. For the SETP, prior to 2012, the amortization method used a closed 16-year amortization of UAL. Beginning in 2012, the amortization method used individual, closed, 10-year amortization of UAL arising each year. The amortization period used by both the Judicial and Legislative Plans is an open 10-year amortization of the 2016 UAL. The investment rate of return used for contributions in 2016 was 6.875 percent. The investment rate of return, inflation rate and annual salary increases, including inflation were 6.75 percent in 2018 (reduced from 6.875 percent), 2.75 percent and 2.75 percent plus merit component based on employee's years of service, respectively. All plans used a 2.20 percent cost-of-living. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The Judicial and Legislative Plans assume that 100 percent retirement occurs at age 60 for members with at least 10 years of creditable service on July 1, 1993. For members with less than 5 years of creditable service on July 1, 2001, 50 percent are assumed to retire each year after reaching age 65.

The Maine State Constitution Article IX, Section 18-A was amended in fiscal year 2018 by CR 2017, c. 1. Any unfunded liability resulting from experience losses must be retired over a period not exceeding 20 years. Prior to the change a 10-year amortization period was used.

ANNUAL PENSION COST AND NET PENSION LIABILITY

For the year ended June 30, 2020, the State recognized pension expense of $412,598 which includes $247,837 of teacher pensions recorded in grant expense.

PENSION COSTS
(Expressed in Thousands)

SETP - State of Maine Pension Expense	$	163,598
SETP - Teachers Non-Employer Pension Expense (grant expense)		247,837
Legislative Pension Expense		65
Judicial Pension Expense		1,098
	$	412,598

At June 30, 2020, the State reported $538,372 of deferred outflows of resources and $300,338 of deferred inflows of resources related to its pension plans. Deferred outflows of resources of $329,330 relate to the State contributions that were made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense over the next four years. Information by pension plan is as follows:

(Expressed in Thousands)

	SETP State of Maine		1 Major Component Unit and 2 Formerly Reported Component Units		Total State of Maine Employees SETP	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience demographic and economic	$ 34,599	$ -	$ 1,907	$ -	$ 36,506	$ -
Changes of assumptions	20,432	-	1,126	-	21,558	-
Net difference between projected and actual earnings on pension plan investments	-	99,070	-	5,461	-	104,531
Changes in proportion and differences between State contributions and proportionate share of contributions	917	672	809	1,053	1,726	1,725
State and component unit contributions subsequent to the measurement date	154,513	-	8,059	-	162,572	-
Total	$ 210,461	$ 99,742	$ 11,901	$ 6,514	$ 222,362	$ 106,256
For the Year Ended						
2021	20,291		1,330		21,621	
2022	(42,044)		(2,787)		(44,831)	
2023	(22,216)		(1,225)		(23,441)	
2024	176		9		185	
2025	-		-		-	

	SETP Teachers		Legislative		Judicial	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience demographic and economic	$ 108,940	$ -	$ -	$ -	$ -	$ 544
Changes of assumptions	40,549	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	197,689	-	341	-	2,022
Changes in proportion and differences between State contributions and proportionate share of contributions	3,605	-	-	-	-	-
State and component unit contributions subsequent to the measurement date	174,093	-	8	-	716	-
Total	$ 327,187	$ 197,689	$ 8	$ 341	$ 716	$ 2,566
For the Year Ended						
2021	66,935		(62)		(974)	
2022	(67,705)		(203)		(1,166)	
2023	(44,426)		(76)		(430)	
2024	600		-		5	
2025	-		-		-	

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equities	30.0 %	6.0 %
U.S. Government	7.5 %	2.3 %
Private Equity	15.0 %	7.6 %
Real Assets:		
Real Estate	10.0 %	5.2 %
Infrastructure	10.0 %	5.3 %
Natural Resources	5.0 %	5.0 %
Traditional Credit	7.5 %	3.0 %
Alternative Credit	5.0 %	4.2 %
Diversifiers	10.0 %	5.9 %

The discount rate used to measure the collective total pension liability was 6.750 percent for the 2019 and 2018 actuarial valuations for the State Employee and Teacher Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at actuarially determined, contractually required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NET PENSION LIABILITY SENSITIVITY

The following table shows how the collective net pension liability would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate used for all plans is 6.750 percent.

(Expressed in Thousands)

Defined Benefit Plans Administered Through MPERS	1% Decrease (5.750%)	Current Discount Rate (6.750%)	1% Increase (7.750%)
State Employee and Teacher Pension Plan:			
State & Component Unit Members			
State Employees	$ 1,198,608	$ 991,148	$ 267,041
Maine Community College System	58,307	48,215	12,991
2 Formerly Reported Component Units.	7,765	6,421	1,730
Subtotal State & Component Unit Members	1,264,680	1,045,784	281,762
Teacher Members (100%)	2,650,268	1,465,876	478,902
Total State Employee and Teacher Pension Plan	$ 3,914,948	$ 2,511,660	$ 760,664
Judicial Pension Plan	1,815	(4,321)	(9,663)
Legislative Pension Plan	(3,260)	(4,181)	(4,978)

RECOGNITION OF CHANGES - EXCEPTIONS

Changes in net pension liability are recognized in pension expense with the following exceptions:

Differences Between Expected and Actual Experience The difference between actual and expected experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2019, this was one year for the Legislative Plan, two years for the Judicial Plan, three years for the State Employee and Teacher Plan and four for the PLD Consolidated Plan. Prior to 2017, this was two years for the Legislative Plan. With the exception of 2018, which reported three years, prior years reflected four years for the PLD Consolidated Plan.

Differences Between Projected and Actual Investment Earnings Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed 5 year period.

Changes in Assumptions Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the June 30, 2019 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015.

Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

COMPONENT UNIT PARTICIPANTS

The Maine Municipal Bond Bank, Maine Maritime Academy, Maine State Housing Authority, Maine Turnpike Authority and the Maine Public Employees Retirement System have defined benefit pension plans. All are participating local entity participants in plans administered by the Maine Public Employees Retirement System.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS

POST RETIREMENT HEALTHCARE PLANS AND BENEFITS

State Employees

The State has a single-employer defined benefit healthcare OPEB plan that is administered through a trust. The State of Maine funds postretirement health care benefits for most retired State employees and legislators, as authorized by Title 5 MRSA § 285. For fiscal years ending after June 30, 2015 statute limited the total premium increase for active and retired State employee health insurance to no more than any percentage increase in the Consumer Price Index, as defined in Title 5 MRSA §17001, subsection 9 plus 3 percent. Pursuant to Title 5 MRSA § 285 most retired employees of the Maine Turnpike Authority, Maine Community College System, Maine Maritime Academy, Maine Public Employees Retirement System, and Maine Educational Center for the Deaf and Hard of Hearing are eligible to participate in the health plan but are not funded by the State.

The State pays 100 percent of postretirement health insurance premiums for state employee retirees who were first employed on or before July 1, 1991. A pro rata portion, ranging from zero percent for retirees with less than five years participation to 100 percent for retirees with ten or more years of participation, is paid for eligible individuals first employed after July 1, 1991. Per Title 5 MRSA § 285 paragraphs 2 and 3, coverage depends upon terms and conditions contained in collective bargaining agreements with the State Health Commission. 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 ineligible for Medicare includes basic hospitalization; supplemental major medical and prescription drugs; and costs for treatment of mental health, alcoholism, and substance abuse.

Part-time employees are eligible for prorated benefits. Retirees who worked 50 percent or more of full-time hours receive 100 percent of the benefit. Surviving spouses and dependents may continue in the plan and pay 100 percent of the premium. Retirees ineligible for a State contribution are allowed to participate and pay the retiree premium.

Teachers and First Responders

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. Specifically excluded (Title 5 MRSA § 285 1-B) from the definition of Teachers are members of the Maine Municipal Association, Maine Teachers Association and employees of counties and municipalities and their instrumentalities, except as provided in subsection 11-A. Each group is a collection of single employer defined benefit plans. State contributions are based on rates negotiated by each school district and municipality and reflect their individual healthcare experience rating. The plans are currently funded on a pay-as-you-go basis with the State directly paying insurers.

Effective January 1, 2006, the State contribution to retired teacher health premiums was increased to 45 percent of the retiree-only premium. The rate is based on a single rate for single and employee plus children coverage, or 50 percent of the two party rate for two party and family coverage. Eligibility mirrors that of State Employees.

County and municipal law enforcement officers and municipal firefighters began coverage in fiscal year 2008 with the State contributing 45 percent of the retiree-only premium of their respective plans. Public Law 2019, Chapter 446 §2 changed a number of plan provisions. Effective July 1, 2021 the applicable premium subsidy is 55 percent. The State's premium subsidy is outlined in Title 5 MRSA §286-M ¶6, as referenced in Title 5 MRSA §285 ¶11-A, as being the cost of the retiree's share of the individual premium for the standard plan identified and offered under the group health insurance plan in which the retiree enrolls. The plan change also enables an enrollee to participate in the group health insurance plan in which the enrollee's spouse participates if that plan is offered in this State or in another group health insurance plan that is offered in this State. Active employees may elect to enroll in the plan on different dates based on date of hire. A special open enrollment period exists for all active employees from October 1, 2019 through December 31, 2021. The State subsidy ends after the retiree is eligible for Medicare. First Responders are eligible if they retire after age 50 with 25 or more years of service and receive a retirement benefit from either the MPERS or a defined contribution plan. If retirees have fewer than 25 years of service, the normal retirement benefit must be at least 50 percent of final average compensation. Retirees must also participate in their employer's health insurance plan or other fully insured health plan for at least five years. Retirees can elect to participate in the plan at their retirement date. If participation is waived at that time, the retiree is ineligible to participate at a later date.

POST RETIREMENT GROUP LIFE INSURANCE PLAN

The Maine Public Employees Retirement System (the System) is a component unit of the State of Maine. For financial reporting purposes, the System administers two multiple-employer cost-sharing, defined benefit Group Life Insurance Plans (GLIP) administered by a third party insurance company in accordance with Title 5 MRSA C. 423 and 425. Members include employees of the State, public school employees (defined by Maine law as teachers), members of the Judiciary and the Legislature, which are eligible for membership in the System. The State of Maine is also a non-employer contributing entity in that the State pays contributions for retired public school teachers in the plan. Group life insurance benefits are also provided to employees of approximately 140 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine that elect to participate under provisions of the relevant statutes.

The Plan provides Basic group life insurance benefits during retirement to employees who participated in the group life insurance plan prior to retirement for a minimum of 10 years. The 10 year participation requirement does not apply to recipients of disability retirement benefits. The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of Basic group life insurance benefit is then subsequently reduced at the rate of 15 percent per year to the greater of 40 percent of the initial amount or $2,500.

Group life insurance funds managed by the System are constitutionally restricted and held in trust for the payment of benefits to participants or their beneficiaries. The System's Board of Trustees, in its fiduciary capacity, establishes the System's investment policies and their overall implementation. The System maintains separate reserves and accounts for each participating entity and performs a single actuarial valuation that provides separate data for each participating plan.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2020 report may be obtained from the Maine Public Employees Retirement System, PO Box 349, Augusta, ME 04332-0349 or on-line at www.mainepers.org.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The State and the System's fiduciary financial statements are prepared on the accrual basis of accounting. Premiums are recognized when due and benefits are paid when incurred using the accrual basis of accounting. Premium refunds reduce premium revenue and claims recoveries reduce claims expense. Investment income is recognized when earned. In addition, an estimate is made for group life insurance death benefits incurred before year end but not reported to the System until after year end. Group life insurance death benefits incurred but not reported are reflected as other liabilities.

CONTRIBUTIONS AND RESERVES

The State Employees Health Insurance Committee establishes contributions to the plan by member employers and employees annually. Both active and retired members pay the same premium rate. Claims liabilities of the plan are periodically computed using statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants.

INVESTMENTS

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value of shares in managed investment pools is based on unit values reported by the funds. The fair value of other investments, including real estate holdings and mortgage participation agreements, are based on third-party appraisals and valuations provided by the sponsor of the agreement. Investment purchases and sales are recorded as of their trade date. Proceeds related to securities sold not yet purchased are carried as a liability and adjusted to the fair value of the securities.

PLAN MEMBERSHIP

Membership in the OPEB plans is as follows:

	Healthcare			Group Life	
	State Employees	Teachers	First Responders	State Employees	Teachers
Actives	11,886	27,236	598	10,793	14,592
Retirees	8,848	10,292	121	8,329	7,437
Inactives Vested	134	533	-	-	-
Total	20,868	38,061	719	19,122	22,029

STATE EMPLOYEE HEALTHCARE FUNDING POLICY

The Trustees of the State Employee Healthcare Plan are the State Controller and State Treasurer. Title 5 MRSA § 286-B authorized an Irrevocable Trust Fund for Other Post-Employment Benefits to meet the State's unfunded liability obligations for retiree health benefits for eligible participants 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 Other Post-employment Benefits. MPERS 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.

TEACHERS PLAN AND FIRST RESPONDERS PLAN HEALTHCARE FUNDING POLICY

A special funding situation exists for these 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 percent level for the current portion of the health plan costs. Plan members are not included in the Trust.

Public Law 2011, Chapter 380 Pt. Y § 2 established separate Irrevocable Trust Funds for Other Post-Employment Benefits to meet the State's unfunded liability obligations for retiree health benefits for eligible participants who are the beneficiaries of the irrevocable trust funds. Annually, beginning with the fiscal year starting July 1, 2011, 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. Public Law 2013, Chapter 368 Pt. H §2 amended the starting date for funding teachers. As amended annually beginning with the fiscal year starting July 1, 2015, the Legislature shall appropriate funds to meet the State's obligations to retire the unfunded liability at June 30, 2006 for eligible teachers in 30 years or less from July 1, 2007.

Public Law 2019, Chapter 280 establishes a separate trust for the purpose of accumulating resources to assist in retiring the unfunded liability of the first responders plan. Beginning June 30, 2020, all monies not necessary to fund the normal costs and administrative costs of the program must be transferred from the Firefighters and Law Enforcement Officers Health Insurance Program Fund to the trust at the end of each fiscal year.

GROUP LIFE INSURANCE FUNDING POLICY

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims and cover administrative costs. For State employee, legislative and judicial classes, the premiums for retiree life insurance coverage are factored into the premiums paid for Basic coverage while participants are active members. The State remits premiums at a single rate that supports basic coverage for active and retired State employees. This rate is 82 cents per month for every $1,000 of coverage. Premiums for retiree life insurance coverage for retired teachers are paid by the State based on a rate of 33 cents per $1,000 of coverage per month during the post-employment retirement period.

CHANGES IN THE TOTAL OPEB LIABILITY

The changes in total OPEB liabilities are as follows:

(Expressed in Thousands)	Healthcare Increase (Decrease) Teachers	Healthcare Increase (Decrease) First Responders
Balances at June 30, 2019	$ 1,235,862	$ 19,232
Changes for the Year:		
Service Cost	33,787	751
Interest	48,502	763
Contributions - Employee	-	(592)
Contributions - Non-Employer Contributing Entity	(33,032)	(48)
Administrative Expenses	-	92
Benefit Payments	-	8,247
Differences Between Expected and Actual Experience	59,296	(863)
Changes in Assumptions - Discount Rate	90,624	939
Changes in Assumptions - Others	6,221	(1,015)
Net Changes	205,398	8,274
Balances at June 30, 2020	$ 1,441,260	$ 27,506
Covered Payroll	$ 1,260,742	$ 66,360
Total OPEB Liability as a Percentage of Covered Payroll	114.3 %	41.4 %
State's Proportionate Share of the Collective Total OPEB Liability	75 %	23 %

The State's proportionate share for fiscal years ended June 30, 2020 and June 30, 2019 was estimated using the same share of implicit subsidy for each school district's or municipality's OPEB Plan.

CHANGES IN NET OPEB LIABILITY

Changes in net OPEB liabilities are as follows:

SCHEDULE OF CHANGES IN NET OPEB LIABILITY

(Expressed in Thousands)

	Healthcare	Group Life Insurance		
	State Employees	State Employees	Component Units and Others	Teachers
Total OPEB Liability				
Service Cost	$ (17,425)	$ (873)	$ (46)	$ (1,213)
Interest	(79,128)	(6,263)	(330)	(6,563)
Differences Between Expected and Actual Experience	51,593	-	-	-
Changes in Assumptions Other	(517)	-	-	-
Change in Proportion	-	180	(180)	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	70,524	3,779	199	3,140
Benefit Payments, Including Refunds of Member Contributions - Implicit	20,305	-	-	-
Net Change in Total OPEB Liability	45,352	(3,177)	(357)	(4,636)
Beginning Total OPEB Liability	(1,199,512)	(93,948)	(4,759)	(97,555)
Ending Total OPEB Liability	(1,154,160)	(97,125)	(5,116)	(102,191)
Plan Fiduciary Net Position				
Employer Contributions - Explicit	(72,524)	(3,998)	(211)	-
Employer Contributions - Implicit	(20,305)	-	-	-
Non-employer Contributions	-	-	-	(3,547)
Transfers	-	-	-	(4,061)
Net Investment Income	(18,846)	(2,238)	(121)	-
Changes in Proportion	-	63	(63)	-
Benefit Payments, Including Refunds of Member Contributions	90,829	3,779	199	3,140
Administrative Expense	3	253	14	460
Net Change in Plan Fiduciary Net Position	(20,843)	(2,141)	(182)	(4,008)
Beginning Plan Fiduciary Net Position	(256,860)	(32,968)	(1,670)	(59,648)
Ending Plan Fiduciary Net Position	(277,703)	(35,109)	(1,852)	(63,656)
Ending Net OPEB Liability	$ (876,457)	$ (62,016)	$ (3,264)	$ (38,535)
Proportion				
June 30, 2020	(100.000000)%	(94.999635)%	(5.000365)%	(100.000000)%
June 30, 2019	(100.000000)%	(95.182167)%	(4.817833)%	(100.000000)%
Change - Increase (Decrease)	0.000000 %	0.182532 %	(0.182532)%	0.000000 %
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	(24.061049)%	(36.148263)%	(36.200156)%	(62.291200)%

ACTUARIAL METHODS AND ASSUMPTIONS

The projection of benefits is based on the terms of the substantive plan at the time of each valuation and include types of benefits in force at the valuation date and the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

State Health Insurance
The valuation date is June 30, 2019. Costs are developed using the entry age normal cost method based on a level percentage of payroll. The participation rate for future retirees is 95 percent of active participants currently enrolled. Actuarial assumptions used in the June 30, 2019 and June 30, 2018 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2019 and June 30, 2018 include: a 6.75 percent investment rate of return, a 2.75 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. The unfunded liability will be fully recognized by June 30, 2037. Assumption changes, plan changes and experience gains are amortized over a 20 year fixed period. Experience losses are amortized over a 10 year fixed period. The initial medical trend rate had been 6.40 percent at June 30, 2018 and 6.20 percent at June 30, 2019. The ultimate medical trend rate for both years was 4.29 percent reached at 2075. The State actively manages premium increases within the statutory cap, so healthcare cost increases are limited to no more than inflation plus 3 percent in any year. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For State employees rates are based on 104 percent and 120 percent for males and females, respectively.

The long-term expected rate of return on Other Post-Employment Benefit Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of long-term real rates of return for each major asset class were benchmarked against returns by asset class as forecast by Horizon Actuarial Services, LLC.

Group Life Insurance
The valuation date is June 30, 2018 rolled forward to June 30, 2019. Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. The participation rate for future retirees is 100 percent of those currently enrolled. Actuarial assumptions used in the June 30, 2019 and June 30, 2018 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 and June 30, 2016 include: a 6.75 percent investment rate of return, a 2.75 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2019, there were 18 years remaining in the amortization schedule for state employees and teachers. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For State employees rates are based on 104 percent and 120 percent for males and females, respectively. Teachers rates are based on 99 percent for both genders.

The long-term expected rate of return on Other Post-Employment Benefit Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of long-term real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the table in the plan section below.

The discount rate used to measure the total OPEB liability for the State Employee and Teacher Plan was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Teachers Health Insurance

The valuation date is June 30, 2019. Costs are developed using the entry age normal cost method based on a level percentage of payroll. 93.33 percent of all Teachers are assumed to be eligible to receive a State contribution at retirement. 75 percent of active participants currently with coverage continue coverage at retirement. The State is currently funding the plan on a pay-as-you-go basis. One third of active participants who have currently waived coverage elect coverage at retirement. Actuarial assumptions used in the June 30, 2019 and June 30, 2018 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2019 and June 30, 2018 include: using a 2.75 percent inflation rate and 3.00 percent annual salary increases. Since the State's portion of the Teachers' postretirement medical plans are not being funded by assets in a separate trust, GASB No. 75 requires that the discount rate be based on the index rate as of the measurement date of a 20-year tax-exempt general obligation municipal bond index with an average rating of AA/Aa or higher. The State of Maine elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. The discount rate was 3.50 percent as of the measurement date, June 30, 2019, (3.87 percent as of June 30, 2018). The initial medical trend rate had been 6.40 percent at June 30, 2018 and 6.20 percent at June 30, 2019. The ultimate medical trend rate for both years was 4.29 percent reached at 2075. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For Teachers rates are adjusted based on 99 percent for males and females.

First Responders Health Insurance

The valuation date is June 30, 2019. Costs are developed using the entry age normal cost method based on a level percentage of payroll. 90 percent of all active members who currently have coverage are assumed to elect coverage at retirement. No employee who has waived coverage will be assumed to be eligible for coverage at retirement. The State is currently funding the plan on a pay-as-you-go basis. The valuation assumes the State will continue this policy. Since the State's portion of the First Responders' postretirement medical plans are not being funded by assets in a separate trust, GASB No. 75 requires that the discount rate be based on the index rate as of the measurement date of a 20-year tax-exempt general obligation municipal bond index with an average rating of AA/Aa or higher. The State of Maine elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. The discount rate was 3.50 percent as of the measurement date, June 30, 2019, (3.87 percent as of June 30, 2018). Actuarial assumptions used in the June 30, 2019 and June 30, 2018 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Other significant actuarial assumptions employed by the actuary for June 30, 2019 and June 30, 2018 include using a 2.75 percent inflation rate and 3.00 percent annual salary increase. The initial medical trend rate had been 6.40 percent at June 30, 2019 and 6.20 percent at June 30, 2020. The ultimate medical trend rate for both years was 4.29 percent reached at 2075. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. Rates were adjusted 104 percent for males and 120 percent based on females.

OPEB EXPENSE AND DEFERRALS

For the year ended June 30, 2020, the State recognized OPEB expense of $162,484. Costs related to non-State employees are charged to the General Fund.

OPEB COSTS

(Expressed in Thousands)

SETP - State of Maine Healthcare OPEB Expense	$	68,805
SETP - Teachers Non-Employer Healthcare OPEB Expense		77,144
First Responders Healthcare OPEB Expense		7,804
Group Life Insurance OPEB Expense - State Employees		5,093
Group Life Insurance OPEB Expense - Teachers (grant expense)		3,638
	$	162,484

Of State employee costs charged to governmental funds, 49 percent is charged to the General Fund, 21 percent to Other Special Revenue Funds, 16 percent to the Highway Fund and 14 percent to Federal funds. At June 30, 2020, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Healthcare
(Expressed in Thousands)

	State		Teachers		First Responders	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience demographic and economic	$ 8,944	$ 41,594	$ 76,892	$ 3,778	$ -	$ 2,609
Changes of assumptions	417	-	83,740	146,260	-	4,103
Net difference between projected and actual earnings on OPEB plan investments	-	9,591	-	-	-	-
State and component unit contributions subsequent to the measurement date	88,619	-	31,133	-	649	-
Total	$ 97,980	$ 51,185	$ 191,765	$ 150,038	$ 649	$ 6,712
For the Year Ended						
2021	(10,413)		(5,145)		(1,457)	
2022	(10,414)		(5,145)		(1,457)	
2023	(9,459)		(5,145)		(1,457)	
2024	(9,957)		(5,145)		(1,457)	
2025	(1,581)		5,363		(674)	
Thereafter	-		25,811		(210)	

Group Life Insurance
(Expressed in Thousands)

	State		Teachers	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience demographic and economic	$ 904	$ -	$ 486	$ -
Changes of assumptions	1,047	-	1,289	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,078	-	1,914
Changes in proportion and differences between State contributions and proportionate share of contributions	196	106	-	-
State and component unit contributions subsequent to the measurement date	4,623	-	4,478	-
Total	$ 6,770	$ 1,184	$ 6,253	$ 1,914
For the Year Ended				
2021	53		(573)	
2022	53		(573)	
2023	(272)		-	
2024	(409)		246	
2025	(388)		761	
Thereafter	-		-	

The long-term expected rate of return on OPEB plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation are summarized in the following table.

	State Employee Healthcare		Group Life Insurance	
Asset Class:	**Target Allocation**	**Long-Term Expected Real Rate of Return**	**Target Allocation**	**Long-Term Expected Real Rate of Return**
U.S. Government Securities	9.00 %	2.30 %	10.00 %	2.30 %
Public Equity	70.00 %	6.00 %	70.00 %	6.00 %
Traditional Credit	16.00 %	3.00 %	15.00 %	3.00 %
Real Assets:				
Real Estate	5.00 %	5.20 %	5.00 %	5.20 %

For the year ended June 30, 2020, the annual money-weighted average rate of return on investments, net of investment expense was 6.0 percent for both plans. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The discount rate used to measure the collective total OPEB liability for the actuarial valuations varied by plan and is disclosed below. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at the actuarially determined, contractually required rates. Based on the assumption, the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

SENSITIVITY ANALYSIS

The following tables show how the collective OPEB liabilities would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The discount rate used for the funded healthcare plan is 6.75 percent. The discount rate used for unfunded healthcare plans is 3.50 percent. The discount rate used for funded group life insurance plans is 6.75 percent.

Discount Rate
(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liabilities			
State Employee Healthcare Plan	$ 1,014,099	$ 876,457	$ 761,938
State Employee Group Life	$ 75,320	$ 62,014	$ 51,121
State Employee Group Life - DCU	$ 3,965	$ 3,266	$ 2,691
Teacher Group Life	$ 53,867	$ 38,535	$ 26,125
Total OPEB Liabilities			
Teacher Healthcare Plan	$ 1,730,596	$ 1,441,260	$ 1,213,428
First Responders Healthcare Plan	$ 29,968	$ 27,506	$ 25,282

Healthcare Cost Trend Rate
(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB State Employee Healthcare Plan	$ 745,704	$ 876,457	$ 1,035,223
Total OPEB Teacher Healthcare Plan	$ 1,181,120	$ 1,441,260	$ 1,786,209
Total OPEB First Responder Healthcare Plan	$ 24,852	$ 27,506	$ 30,586

For all plans, the current trend rate is 6.20 percent grading down to 4.29 percent.

Plan Information

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, principal objective is to improve the usefulness of OPEB information in the external financial statements of State and local governments. GASB established different reporting requirements for OPEB plans based on whether or not plan assets accumulated for benefits are placed in trusts (or equivalent arrangements). Two OPEB Plans met the requirements for funded OPEB trusts or their equivalents: the State Employee Healthcare Plan and the Group Life Insurance Plan for State Employees and Teachers. The other plans are funded on a pay-as-you-go basis.

Information not already contained in this note disclosure at June 30, 2020 follows. The Trustees of the State Retiree Healthcare Plan (SRHP) are the State Controller and State Treasurer.

Components of the Net OPEB Liability for the plans at June 30, 2020 were as follows:

(Expressed in Thousands)

	State Employee Healthcare Plan	State and Teachers Group Life Insurance Benefit Plan
Total OPEB liability	$ 1,180,487	$ 213,309
Plan fiduciary net position	291,559	105,617
State of Maine's net OPEB liability	$ 888,928	$ 107,692
Plan fiduciary net position as a percentage of the total OPEB liability	24.70 %	49.51 %

Actuarial assumptions for both funded OPEB plans used in the June 30, 2020 valuations were based on results from an actuarial experience study for the period of June 30, 2012 to June 30, 2015. The individual entry age normal method is used to determine liabilities. Asset amounts are taken as reported to the actuaries by the System without audit or change. Specific health and group life insurance OPEB plans' actuarial assumptions are included in the plan specific section of this note. For the 2020 healthcare valuation, actuaries decreased the initial medical trend rate from 6.20 percent to 6.00 percent.

The long-term expected rate of return on OPEB plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plans' target asset allocation are summarized in the following table.

	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class for the State Employee and Teacher Group Life Insurance Benefit Plan		
Public Equity	70.0 %	6.0 %
Real Estate	5.0 %	5.2 %
Traditional Credit	15.0 %	3.0 %
U.S. Government Securities	10.0 %	2.3 %
Asset Class for State Employee Healthcare Plan		
Public Equity	70.0 %	6.0 %
Real Estate	5.0 %	5.2 %
Traditional Credit	16.0 %	3.0 %
U.S. Government Securities	9.0 %	2.3 %

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 6.0 percent for both plans. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The discount rate used to measure the collective total OPEB liability for the actuarial valuations varied by plan and is disclosed below. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at actuarially determined, contractually required rates. Based on these assumptions, the OPEB plans' fiduciary net position were projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table shows how the collective net OPEB liabilities would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate used for both plans is 6.75 percent.

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
State Employee Healthcare Plan	$ 1,028,260	$ 888,928	$ 772,972
State Employee and Teacher Group Life Insurance Benefit Plan	$ 138,563	$ 107,692	$ 82,569

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following table shows how the collective net OPEB liabilities would change if the healthcare rate used was one percentage point lower or one percentage point higher than the current rate of 6.00 percent grading down to 4.29 percent.

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
State Employee Healthcare Plan	$ 746,393	$ 888,928	$ 1,062,502

NOTE 11 - LONG-TERM OBLIGATIONS

PRIMARY GOVERNMENT

The State records its liability for general obligation bonds in the Governmental Activities column on the Statement of Net Position. Other long-term obligations recognized by the State include: revenue bonds issued by the Maine Governmental Facilities Authority, a blended component unit; obligations under Certificates of Participation and other financing arrangements; loans payable to component unit for repayment of bonds issued by the Maine Municipal Bond Bank on behalf of the Maine Department of Transportation and the Liquor Operations Revenue Fund and compensated employee absences.

GENERAL OBLIGATIONS BONDS

Programs for which the State issues general obligation bonds include: adaptive equipment loan programs; environmental cleanup and protection; highway and transportation related projects; agricultural and small business job creation; and acquisition, construction, and renovation of major capital facilities including State parks and historic sites. General obligation bonds are secured by the full faith and credit of the State. Debt service requirements are provided by legislative appropriation from the State’s general tax revenues and are repaid in annual installments beginning not more than one year after issuance.

Changes in general obligation bonds of the primary government during fiscal year 2020 were:

Primary Government - Changes in General Obligation Bonds
(Expressed in Thousands)

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
General Obligation Debt:					
General Fund	$ 533,580	$ 114,905	$ 77,995	$ 570,490	$ 77,700
Special Revenue Fund	9,820	-	7,610	2,210	2,210
Unamortized Premiums:					
General Fund	60,378	26,395	7,675	79,098	10,326
Total	$ 603,778	$ 141,300	$ 93,280	$ 651,798	$ 90,236

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2020 until maturity, are summarized in the following table:

Future Debt Service on General Obligation Bonds
(Expressed in Thousands)

Fiscal Year	Principal	Interest	Total
2021	$ 79,910	$ 26,332	$ 106,242
2022	83,845	23,018	106,863
2023	79,110	19,578	98,688
2024	79,105	15,800	94,905
2025	67,810	12,125	79,935
2026-2030	182,920	21,663	204,583
Total	$ 572,700	$ 118,516	$ 691,216
Unamortized Premiums	79,098		
Total Principal	$ 651,798		

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2020 are as follows:

Primary Government - General Obligation Bonds Outstanding
(Expressed in Thousands)

	Amounts Issued	Outstanding June 30, 2020	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year	Interest Rates
General Fund:					
Series 2010	$ 31,755	$ -	2011	2020	1.41% - 4.00%
Series 2011	86,010	6,625	2012	2021	1.625% - 5.00%
Series 2012	49,265	9,470	2013	2022	1.00% - 5.00%
Series 2014	112,945	45,175	2015	2024	0.20% - 5.00%
Series 2015	102,555	51,275	2016	2025	0.85% - 5.00%
Series 2016	97,705	58,620	2017	2026	1.00% - 5.00%
Series 2017	98,060	68,635	2018	2027	2.00% - 5.00%
Series 2019A	111,255	89,000	2019	2028	3.125% - 5.00%
Series 2019B	140,875	126,785	2020	2029	2.50% - 5.00%
Series 2020	114,905	114,905	2021	2030	1.25% - 5.00%
		570,490			
Plus Unamortized Bond Premium		79,098			
Total General Fund		$ 649,588			
Special Revenue Fund:					
Series 2010	25,080	-	2011	2020	1.41% - 4.00%
Series 2011	22,125	2,210	2012	2021	1.625% - 5.00%
Total Special Revenue		$ 2,210			

AUTHORIZED UNISSUED BONDS

Any bonds not issued within five years of the date of ratification may not be issued after that date. Within two years after expiration of the five-year period, the Legislature may extend, by a majority vote, the five-year period for an additional five years or may deauthorize the bonds. If the Legislature fails to take action within those two years, the bond issue shall be considered to be deauthorized and no further bonds may be issued. At June 30, 2020, general obligation bonds authorized and unissued totaled $64.6 million.

REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY

The State included $383.9 million in other financing arrangements to reflect revenue bonds issued by the Maine Governmental Facilities Authority (MGFA), a blended component unit. Payment of the bonds is subject to, and dependent upon, biennial appropriations being made by the State Legislature. Debt issued by MGFA is not debt of the State or any political subdivision within the State. The State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. MGFA may not issue securities in excess of $701.1 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2020, MGFA issued $171.0 million in 2020A bonds with interest rates between 2.50 percent and 5.00 percent.

At June 30, 2020, there were no in-substance defeased bonds outstanding.

CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS

The State uses financing companies, Certificates of Participation (COP's), and lease/purchase agreements to finance construction of certain State buildings, to purchase or generate software, and to purchase equipment and vehicles, including school buses. COP's are issued through a trustee, and the State is responsible for payments to the trustee that approximate the interest and principal payments made to the certificate holders. The State and school districts maintain custody and use of the assets; however, the trustee holds a lien as security until such time as the certificates are fully paid.

Neither COP's nor the other financing arrangements constitute a legal debt, liability, or contractual obligation in excess of amounts appropriated. The State's obligation to make minimum payments or any other obligation under agreements is subject to, and dependent upon, appropriations being made by the Legislature. The Legislature has no obligation to appropriate the money for future minimum payments or other obligations under any agreement.

SHORT-TERM OBLIGATIONS

The State of Maine did not issue or retire Bond Anticipation Notes during fiscal year 2020. Short-term obligations are used to meet temporary operating cash flow needs. At June 30, 2020 there were no outstanding Tax Anticipation Notes or Bond Anticipation Notes.

OTHER LONG-TERM OBLIGATIONS

In general, expenditures and fund liabilities are not recorded in governmental funds for long-term obligations until amounts owed are "due and payable." Fund liabilities are recorded in the proprietary funds when obligations are incurred. In the Statement of Net Position, the State has recorded long-term obligations for its compensated employee absences, net pension liability, other post-employment benefit obligations, pollution remediation landfill closure and post-closure care costs.

Changes in other long-term obligations for governmental and business-type activities for the fiscal year ended June 30, 2020, are summarized as follows:

Primary Government - Changes in Other Long-Term Obligations
(Expressed in Thousands)

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
General Activities:					
MGFA Revenue Bonds	$ 236,699	$ 170,995	$ 23,759	$ 383,935	$ 21,980
COP's and Other Financing	51,269	12,100	25,520	37,849	13,852
Compensated Absences	51,299	18,242	7,769	61,772	9,359
Claims Payable	67,520	167,958	165,056	70,422	19,803
Capital Leases	58,577	4,626	9,481	53,722	6,200
Loans Payable to Component Unit	375,163	-	54,970	320,193	56,703
Total Government Activities	$ 840,527	$ 373,921	$ 286,555	$ 927,893	$ 127,897
Business-Type Activities:					
Compensated Absences	$ 779	$ 272	$ 103	$ 948	$ 125

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2020 until maturity, are summarized as follows:

Future Debt Service on MGFA Revenue Bonds, COPS and Other Financing Arrangements
(Expressed in Thousands)

	Governmental Funds			Internal Service Funds		
Fiscal Year	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2021	$ 7,044	$ 376	$ 7,420	$ 28,787	$ 16,514	$ 45,301
2022	4,648	268	4,916	24,688	15,517	40,205
2023	3,912	189	4,101	23,789	14,537	38,326
2024	3,984	117	4,101	22,610	13,576	36,186
2025	2,349	45	2,394	21,753	12,615	34,368
2026 - 2030	1,150	23	1,173	99,785	49,047	148,832
2031 - 2035	-	-	-	92,855	27,641	120,496
2036 - 2040	-	-	-	84,430	7,958	92,388
Total	$ 23,087	$ 1,018	$ 24,105	$ 398,697	$ 157,405	$ 556,102

LOANS PAYABLE TO COMPONENT UNIT

The State of Maine has pledged various revenue streams, as security for Grant Anticipation Bonds (GARVEE) and Transportation Infrastructure Revenue Bonds (TransCap) issued by the Maine Municipal Bond Bank (MMBB) on behalf of the Maine Department of Transportation to provide financing for qualified transportation projects.

In addition, the State of Maine has also pledged the profit from the Alcoholic Beverages Enterprise Fund as security for $220.6 million ($193.8 million net of the debt service reserve) of Liquor Operations Revenue Bonds issued by MMBB. The bonds are special, limited obligations of the MMBB.

Changes in GARVEE, TransCap and Liquor Operations revenue bonds during fiscal year 2020 were:

Primary Government - Changes in GARVEE, TransCap and Liquor Revenue Bonds Payable
(Expressed in Thousands)

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Loans Payable to Components Unit:					
Federal Funds	$ 156,752	$ -	$ 18,211	$ 138,541	$ 18,605
Special Revenue Fund	218,411	-	36,759	181,652	38,098
Total	$ 375,163	$ -	$ 54,970	$ 320,193	$ 56,703

Payment of principal and interest on the GARVEE bonds shall be subject to appropriation each year by the Legislature in an amount sufficient to cover the principal and interest requirements of MMBB's debt for these bonds. The State's receipt of these funds is subject to continuing federal appropriations. MMBB insured payments of principal and interest with a financial guaranty insurance policy. The bonds do not constitute a legal debt or obligation of the State.

Principal and interest on TransCap bonds are payable solely from pledged revenues, pledged rights, and pledged TransCap funds and accounts. Pledged revenues include certain motor vehicle registration and other fees, a portion of excise tax on gasoline and other special fuel, and certain amounts required to be transferred from the Highway Fund. All pledged revenues are required to be transferred to the TransCap Fund. The bonds do not constitute a legal debt or liability of the State.

Payment of principal and interest on the Liquor Operations Revenue bonds shall be made solely from the profit of the Alcoholic Beverages Enterprise Fund. The bonds do not constitute a legal debt or obligation of the State.

GARVEE, TransCap and Liquor Operations Revenue bonds issued and outstanding at June 30, 2020 are as follows:

GARVEE, TransCap and Liquor Revenue Bonds Outstanding
(Expressed in Thousands)

	Amounts Issued	Outstanding June 30, 2020	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year	Interest Rates
Federal Funds:					
Series 2010B	$ 24,085	$ 14,890	2018	2022	4.52% - 5.32%
Series 2014A	44,810	29,645	2015	2026	2.00% - 5.00%
Series 2016A	44,105	35,575	2017	2028	2.63% - 5.00%
Series 2018A	44,310	44,310	2023	2030	4.00% - 5.00%
Series 2018B	9,875	5,030	2019	2020	4.00%
Total Federal Funds		$ 129,450			
Special Revenue Fund:					
Series 2009A	105,000	19,855	2010	2023	2.50% - 5.00%
Series 2009B	30,000	2,140	2010	2024	2.00% - 5.00%
Series 2011A	55,000	46,395	2012	2026	2.00% - 5.00%
Series 2013	220,660	96,915	2015	2024	1.07% - 4.35%
Series 2015A	54,680	50,985	2019	2024	4.00% - 5.00%
Total Special Revenue Funds		$ 216,290			

Total principal and interest requirements over the life of the 2010 GARVEE bonds are $35.8 million, with annual requirements of up to $5.6 million; for 2014 GARVEE bonds total principal and interest requirements are $59.0 million, with annual requirements of up to $5.0 million; for 2016 GARVEE bonds total principal and interest requirements are $58.0 million, with annual requirements up to $4.9 million; for 2018A GARVEE bonds total principal and interest requirements are $63.3 million, with annual requirements up to $6.7 million; for 2018B GARVEE bonds total principal and interest requirements are $10.4 million, with annual requirements up to $5.1 million. Total federal highway transportation funds received in federal fiscal year 2020 were $231.9 million. Current year payments to MMBB for GARVEE bonds were $22.4 million (9.7 percent of federal highway transportation funds received).

Total principal and interest requirements over the life of the 2009A TransCap Revenue bond are $139.3 million, with annual requirements up to $10.1 million; for the 2009B TransCap Revenue bonds total principal and interest requirements are $45.2 million, with annual requirements up to $15.9 million. Total principal and interest requirements over the life of the 2011A TransCap Revenue bond are $84.2 million, with annual requirements up to $20.3 million. Total principal and interest requirements over the life of the 2015A TransCap Revenue bond are $74.4 million, with annual requirements up to $16.6 million. Total revenue received for revenue sources used as pledged revenues were $40.8 million in fiscal year 2020.

Total principal and interest requirements over the life of the 2013 Liquor Operation Revenue bond are $273.7 million, with annual requirements up to $26.8 million. Current year payments to MMBB for the Liquor Operation bonds were $26.8 million. Total revenue received from revenue sources used as pledged revenue were $62.3 million in fiscal year 2020.

OBLIGATIONS UNDER CAPITAL LEASES

The State leases various assets under non-cancelable leasing arrangements. Leases that constitute rental agreements are classified as operating leases; the resulting expenditures are recognized as incurred over the lease term. Leases that are comparable to purchases are classified as capital leases.

In the government-wide and proprietary fund statements, assets and liabilities resulting from capital leases are recorded at lease inception. The principal portion of lease payments reduces the liability; the interest portion is expensed.

Most leases have cancellation clauses in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered because the likelihood that they will be exercised is considered remote. Some lease agreements include renewal or purchase options. The effect of such options is reflected in the minimum lease payments only if it is considered reasonably assured that an option will be exercised. Because the accounting treatment for installment purchase agreements is similar, such agreements are reported with capital leases.

Leases that exist between the State and the Maine Governmental Facilities Authority (MGFA), a blended component unit, are not recorded as leases in this report. In their separately issued financial statements, MGFA records a lease receivable from the State. Although payables and receivables technically exist between these parties, when combined for government-wide reporting, they are eliminated. A long-term liability exists on the government-wide statements for the bonds issued by MGFA to construct the assets associated with the leases. Future payments to MGFA are; therefore, not included in the schedule of lease commitments below.

At June 30, 2020 capital assets include capitalized buildings of $98.3 million in Governmental Activities, with related accumulated depreciation of $49.8 million.

Obligations Under Operating Leases

The State is obligated under certain leases, accounted for as operating leases, in the proprietary funds. Operating leases do not give rise to property rights or lease obligations, and therefore assets and liabilities related to the lease agreements are not recorded in the State's financial statements. Rental expense incurred under operating leases totaled $3.1 million during the year.

A summary of the operating and non-cancelable capital lease commitments to maturity follows:

Future Minimum Lease Payments
Capital and Operating Leases
(Expressed in Thousands)

Fiscal Year	Capital Leases	Operating Leases
2021	$ 6,200	$ 3,088
2022	5,238	2,311
2023	4,872	1,988
2024	4,401	1,776
2025	4,098	1,648
2026-2030	15,919	5,321
2031-2035	10,112	2,943
2036-2040	7,125	735
2041-2045	5,534	736
2046-2050	3,206	797
2051-2055	-	290
Total Minimum Payments	66,705	$ 21,633
Less: Amount Representing Interest	12,983	
Present Value of Future Minimum Payments	$ 53,722	

MGFA Revenue Bonds, COP's and Other Financing Arrangements

MGFA revenue bonds will be liquidated by the MGFA Internal Service Fund, from revenues received through lease agreements with various governmental funds. The liability for loans payable to the component unit will be liquidated from the Federal Fund and Highway Fund. The vast majority of COP's and other financing arrangements will be liquidated by the internal service fund in which the leases are recorded; the General and Highway Funds will pay relatively small amounts.

Claims Payable

Claims payable that represent Medicaid claims will be paid from the General Fund and Federal Fund. Claims payable that represent workers' compensation and retiree/employee health will be liquidated by the applicable governmental and internal service funds that account for the salaries and wages of the related employees. Other claims and judgments attributable to governmental activities will be liquidated by the General Fund and related special revenue funds.

Compensated Absences

In the government-wide statements and proprietary fund financial statements, compensated absences are reported as long-term liabilities as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments made to terminated employees as of June 30, 2020 but paid after the fiscal year end is also reported in the funds.

COMPONENT UNITS

Bonds payable of the discretely presented component units are legal obligations of the component units and are not general obligations of the State. The following table summarizes bonds outstanding for selected material balances of discretely presented component units, as reported in their separately issued financial statements, utilizing their respective fiscal year-ends:

Component Unit Bonds Outstanding
(Expressed in Thousands)

Component Unit	Interest Rates	Amount	Maturity Dates
Finance Authority of Maine	3.000% - 5.050%	$ 88,576	2020 - 2040
Maine Community College System	4.250% - 5.000%	$ 17,326	2020 - 2036
Maine Health and Higher Educational Facilities Authority	2.000% - 5.250%	438,155	2020 - 2049
Maine Municipal Bond Bank	0.500% - 6.120%	1,678,316	2020 - 2049
Maine State Housing Authority	0.000% - 5.000%	1,470,000	2020 - 2054
Maine Turnpike Authority	2.000% - 5.250%	524,282	2020 - 2047
University of Maine System	1.500% - 5.000%	$ 131,776	2020 - 2037

In periods of declining interest rates, Maine Health and Higher Educational Facilities Authority (MHHEFA) has refunded certain bond obligations. The proceeds of any advance refunding bonds are primarily used to purchase U.S. Treasury obligations, the principal and interest on which will be sufficient to pay the principal and interest, when due, of the defeased bonds.

On July 31, 2019 Maine Health and Higher Educational Facilities Authority (MHHEFA) issued $54.6 million of bonds under the 2019A Reserve Resolution bonds with an average interest rate of 4.2 percent, all of which was used to in-substance defease $62.6 million of 2008C, 2008D and 2009A bond series. The net proceeds of approximately $63.1 million were used to purchase U.S. Government securities which will provide for all future debt service payments on defeased bonds. The economic benefits associated with the refunding inure to the respective institutions and not the Authority.

On July 31, 2019 MHHEFA issued a forward refunding of $42.4 million of 2019C Reserve Resolution bonds with a closing date of April 3, 2020. The bonds have an average interest rate of 5.0 percent. The bonds were used to defease $50.7 million of certain maturities within the 2010A bond series. The net proceeds of approximately $51.9 million, including other sources of funds and after payment of underwriting fees and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on defeased bonds. The economic benefits associated with the refunding inure to the respective institutions and not the Authority.

On June 30, 2020 MHHEFA issued $21.7 million in 2020A Reserve Resolution fund bonds with an average interest rate of 4.39 percent, all of which was used to in-substance defease $26.4 million of certain maturities within the 2010B bond series. The net proceeds of approximately $27.1 million, including other sources of funds and after payment of underwriting fees and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on defeased bonds. The economic benefits associated with the refunding inure to the respective institutions and not the Authority.

At June 30, 2020, MHHEFA had approximately $106.9 million of defeased bonds remaining outstanding with respect to all advance-refunding issues within the Reserve Fund Resolution.

In periods of declining interest rates, MMBB has refunded certain of its bond obligations, reducing aggregate debt service. Where allowed, the bank retires outstanding bonds prior to their contractual maturity. In other cases, the proceeds of the refunding bonds were principally used to purchase U.S. Government Treasury obligations that will provide for future payment on the debt. The U.S. Treasury obligations are deposited with the trustees of the in-substance defeased bonds.

At June 30, 2020, the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately $45.8 million.

For the period ended December 31, 2019, the Maine State Housing Authority redeemed prior to maturity $107.2 million of its Mortgage Purchase Fund Group bonds from reserve funds, mortgage prepayments, surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund gains of $228 thousand were attributed to recognition of the related bond premium.

The following table summarizes debt service requirements for outstanding bonds of the discretely presented component units:

Component Units Principal Maturities
(Expressed in Thousands)

Fiscal Year Ending	FAME	MMBB	MCCS	MSHA	MTA	UMS	MHHEFA
2021	$ 4,535	$ 132,110	$ 810	$ 23,935	$ 16,015	$ 10,870	$ 32,575
2022	5,415	148,330	850	48,255	17,350	11,347	34,780
2023	6,335	139,080	895	48,880	18,435	10,831	31,835
2024	6,915	135,970	935	51,030	19,360	11,316	31,980
2025	7,445	142,275	980	49,825	23,790	9,820	31,250
2026 - 2030	28,905	479,446	5,370	246,070	136,850	43,655	132,530
2031 - 2035	17,395	215,690	5,202	263,255	99,920	26,455	90,245
2036 - 2040	8,295	139,135	245	262,235	67,620	865	44,080
2041 - 2045	-	13,960	-	218,805	52,040	-	7,130
2046 - 2050	-	5,000	-	184,160	28,660	-	1,750
2051 - 2055	-	-	-	49,165	-	-	-
Net Unamortized Premium (or Deferred Amount)	3,336	127,320	2,039	24,385	44,242	6,617	-
Total Principal Payments	$ 88,576	$ 1,678,316	$ 17,326	$ 1,470,000	$ 524,282	$ 131,776	$ 438,155

NOTE 12 - SELF - INSURANCE

A. Risk Management

The State maintains several types of insurance plans and accounts for them in two funds that are combined for financial statement purposes as the Risk Management Fund. The Risk Management Division provides insurance advice and services to State governmental agencies. The State-Administered Fund offers similar services to quasi-governmental entities. Statute requires the Self-Insurance Fund to be replenished by appropriation if the fund balance drops below $1 million. The State-Administered Fund balance has no similar provision; however, statutes prevent it from being used for any purpose other than providing insurance services.

Insurance plans offered include property, vehicle, boat and aircraft, tort, civil rights, employee bonds, police professionals, and a variety of other insurance products. These plans have limits of liability of as much as $2 million per occurrence.

In some cases the State purchases excess insurance to limit the State's liability for insured events. For example, coverage for property damage is $400 million per occurrence. The State retains $2 million of this risk per occurrence. A private insurance carrier covers the remaining risk (excess insurance). Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

Coverage, risk retention, and excess insurance amounts for major types of insurance are listed below:

Type of Insurance:	Coverage Per Occurrence	Risk Retention Per Occurrence	Excess Insurance Per Occurrence
Property*	$400 million	$2 million	$400 million
Ocean Marine Boat Liability*[1]	10 million	10 thousand	10 million
Boiler and Machinery*	150 million	2 million	150 million
General Liability Including Employment Practices	400 thousand	400 thousand	none
Police Professionals	400 thousand	400 thousand	none
Vehicular Liability[2]	400 thousand	400 thousand	600 thousand
Bonding	500 thousand	500 thousand	none
Foster Parents	300 thousand	300 thousand	none
Inland Marine (various policies)	500 thousand	500 thousand	none
Aircraft Liability*[3]	3 million	none	3 million
Data Breach*	3 million	400 thousand	3 million

*These lines of insurance have commercial excess insurance covering losses above the risk retention amount up to the per occurrence amount listed. All other insurance programs are wholly self-insured.

[1] 10 million is the maximum limit for per occurrence coverage. Some agencies have chosen $400 thousand.

[2] Excess insurance is only for out of state travel.

[3] $3 million is the maximum limit for per occurrence coverage. Some agencies have chosen $500 thousand.

The plan funds the cost of providing claims servicing and claims payment by charging a premium to each agency based on a review of past losses and estimated losses for the current period.

All risk-financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities represent the estimated cost of claims as of March 31, 2020. This cost of claims includes case reserves, the development of known claims, and the direct administrative expenses for settling specific claims.

Claims liabilities are determined on an actuarial basis. Biennial re-evaluation occurs to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

At March 31, 2020 and 2019 the present value of claims payable for the State's self-insurance plan was estimated at $11.7 million and $8.0 million, respectively. The actuary calculated this based on the State's rate on investments.

Risk Management Fund
Changes in Claims Payable
(Expressed in Thousands)

	2020	2019
Liability at Beginning of Year	$ 8,039	$ 8,026
Current Year Claims and Changes in Estimates	9,620	2,298
Claims/Fees Expense	5,957	2,285
Liability at End of Year	$ 11,702	$ 8,039

As of June 30, 2020, fund assets of $26.7 million exceeded fund liabilities of $13.2 million by $13.5 million. The portion of this amount that may be reserved for catastrophic losses has not been determined.

B. UNEMPLOYMENT INSURANCE

The State is self-insured for unemployment compensation. As a direct reimbursement employer, the State recognizes all costs for unemployment compensation as claims are paid. These costs totaled $620 thousand for the fiscal year ended June 30, 2020.

C. WORKERS' COMPENSATION

Workers' Compensation is accounted for in an Internal Service Fund. Interfund premiums are treated as quasi-external transactions. Each State agency is charged a premium based on the number of employees to be covered plus an added amount to reduce the unfunded liability. The Legislature, Legislative Council, and Law Library employees are self-insured for workers' compensation purposes. The State assumes the full risk of all claims filed for workers' compensation.

Claims liabilities are actuarially determined based on estimates of the ultimate cost of claims, including future claim adjustment expenses that have been incurred but not reported and claims reported but not settled. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

The balance of claims liabilities as of June 30, 2020 and 2019:

Workers' Compensation Fund
Changes in Claims Payable
(Expressed in Thousands)

	2020	2019
Liability at Beginning of Year	$ 44,316	$ 46,149
Current Year Claims and Changes in Estimates	12,612	8,764
Claims Payments	9,497	10,597
Liability at End of Year	$ 47,431	$ 44,316

Based on the actuarial calculation as of June 30, 2020, the State is liable for unfunded claims, and incurred but not reported claims, of approximately $61.7 million. The discounted amount is $47.4 million and was calculated based on a 3.0 percent interest rate on investments.

D. EMPLOYEE HEALTH INSURANCE

The employee health and retiree health insurance programs are accounted for in two Internal Service Funds. The State became self-insured for employee and retiree health care coverage on July 1, 2003. A stop loss agreement provides catastrophic coverage for individual claims exceeding $750 thousand.

The State retained third-party administration (TPA) services for claims administration, utilization review, and case management services. Premium equivalents are developed with the technical assistance of the plan's consulting actuary and paid by subscribers and associated State departments.

There are two primary health plans available. A Preferred Provider Organization (PPO) plan is available to all active employees and some retirees not eligible for Medicare Part A. A Medicare Advantage plan is available to Medicare eligible retirees. Total enrollment averaged approximately 36,175 covered individuals. This total includes approximately 26,850 active employees, retirees and their dependents in the PPO plan and 9,325 Medicare retirees and dependents.

The State maintains PPO plan funding through the accumulation of premiums from employee contract holders and from the departments with whom they are employed. Claims and administrative expense are paid through these accumulated premiums based on invoices remitted from the TPA.

Expenses and liabilities for incurred but not reported claims, based on an actuarial analysis of claim lag pattern, have been recorded as liabilities in the amount of $11.3 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2020 follows:

(Expressed in Thousands)

	Employee Health Fund	Retiree Health Fund
Liability at Beginning of Year	$ 11,374	$ 3,791
Claims and Changes in Estimate	116,036	29,690
Claims Payments	118,943	30,659
Liability at End of Year	$ 8,467	$ 2,822

The table above reflects actual activity of the employee health and retiree health insurance programs. In accordance with GASB Statement No. 75, certain costs reported above were reclassified for financial statement purposes. Retiree healthcare costs of $71.2 million were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, $17.4 million of active employee healthcare costs were reclassified from the internal service fund to the OPEB Trust Fund to reflect age-adjusted claims.

NOTE 13 - JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose. The State of Maine participates in two separate joint venture arrangements: the Tri-State Lotto Commission (Commission) and the Multi-State Lottery Association (MUSL).

TRI-STATE LOTTO COMMISSION

The Commission was established in 1985 pursuant to passage into law of the Tri-State Lotto Compact by the States of Maine, New Hampshire, and Vermont. The Commission is authorized and empowered to promulgate rules and regulations regarding the conduct of lottery games, including ticket prices, prizes, and the licensing of agents under Title 8 MRSA C. 16.

The Commission is composed of one member from each of the participating states. Each member State’s commission appoints one of its members to serve on the Commission and each member holds office at the pleasure of his or her appointing authority. The Commission annually elects a chairman from among its members. The Commission designated that 50 percent of its sales revenue be reserved for prize awards and agent bonuses.

A prize award liability is established when the winning ticket number is selected. If no winning ticket is selected, the available jackpot is carried over to the following drawing. The Tri-State Lotto Compact requires that prizes not claimed within one year from the date of the drawing be forfeited. All expired unclaimed prizes are credited to future prize pools. The Commission funds its jackpots through annuity contracts purchased from insurance companies and U.S. Government Treasury Strips.

A proportional share of revenues and expenses are allocated to each State based on ticket sales made by each State. Exceptions are the facility's management fee, which is based on a contracted percentage of operating revenue that varies from State to State, per diem charges, advertising, and certain printing, travel, and miscellaneous costs, which are allocated based on actual charges generated by each state.

The Tri-State Lotto Commission financial report for fiscal year 2020, which may be obtained from the Bureau of Alcoholic Beverages and Lottery Operations, 8 State House Station, Augusta, ME 04333-0008, includes the following selected unaudited financial information as of the date of publication.

Tri-State Lotto Commission (Unaudited)
(Expressed in Thousands)

Current Assets	$	15,051
Noncurrent Assets		20,409
Total Assets	$	35,460
Current Liabilities	$	13,728
Long-term Liabilities		14,710
Total Liabilities	$	28,438
Designated Prize Reserves	$	4,346
Reserve for Unrealized Gains		2,676
Total Net Position		7,022
Total Liabilities and Net Position	$	35,460
Total Revenue	$	72,892
Total Expenses		50,271
Allocation to Member States		22,621
Change in Unrealized Gain on Investments Held for Resale		674
Change in Net Position	$	674

Multi-State Lottery Association

The Maine State Lottery became a member of the Multi-State Lottery Association (MUSL) in July 2004. The MUSL currently has 38 member State lotteries, including the District of Columbia and the United States Virgin Islands. The MUSL is managed by a board of directors, which is comprised of the lottery directors or their designee from each of the party States, and authorized to initiate, promulgate, administer and carry out one or more lottery product offerings that will enhance the participating parties' lottery revenue.

Participating lotteries sell Powerball tickets, collect all revenues, and remit prize funds to the MUSL, net of lower tier prize awards. The operating costs of the board are divided equally among all of the participating lotteries. Jackpot prizes payable in installments are satisfied through investments purchased by the MUSL. The MUSL purchases US government obligations which are held in irrevocable trusts established by the MUSL for the benefit of participating State lotteries. Each week the MUSL allocates 50 percent of sales to the prize pool. If no winning ticket is selected, the available jackpot is carried over to the following jackpot drawing.

The Multi-State Lottery Association's financial report for fiscal year 2020, which may be obtained from the Bureau of Alcoholic Beverages and Lottery Operations, 8 State House Station, Augusta, ME 04333-0008, includes the following selected information:

Multi State Lottery Association
(Expressed in Thousands)

Cash and Cash Equivalents	$ 362,307
Investments in US Government Securities	79,603
US Government Securities Held for Prize Annuities	64,127
Due from Party Lotteries	27,316
Other Assets	913
Total Assets	$ 534,266
Amount Held for Future Prizes	$ 452,465
Grand Prize Annuities Payable	64,186
Other Liabilities	2,905
	519,556
Net Position, Unrestricted	14,710
Total Liabilities and Net Position	$ 534,266
Total Revenue	$ 7,523
Total Expenses	5,981
Excess (Deficit) of Revenues over Expenses	1,542
Other Changes in Net Assets	(7,800)
Increase (Decrease) in Net Assets	(6,258)
Net Position, beginning	20,969
Net Position, ending	$ 14,711

NOTE 14 - RELATED PARTY TRANSACTIONS

PRIMARY GOVERNMENT

The State of Maine entered into memoranda of understanding with the Wells National Estuarine Research Reserve Management Authority, a jointly governed organization, through the Bureau of Parks and Lands. These agreements outline each entity's responsibilities in relation to the operation of the Reserve and the management of the property included within the boundaries of the Reserve. The agreement continues in effect from year to year until termination by either the Bureau or the Authority pursuant to Articles 8 and 9.

Spurwink, a non-profit organization, received $57.3 million in funding from the MaineCare program and $3.5 in funding for General Purpose Aid to Schools during fiscal year 2020. A member of the Maine Senate served on the board of directors during the fiscal year.

Children's Center of Maine received $2.0 million in funding from the MaineCare Program during fiscal year 2020. The spouse of an employee of the Department of Economic and Community Development served as the director during the fiscal year.

Maine Coalition Against Sexual Assault received $1.7 million in funding from the Crime Victim's Assistance Program and additional funding of $2.9 million from various other State programs during fiscal year 2020. An employee of the State of Maine served as the president of the board of directors during the fiscal year.

The Maine Technology Institute, a component unit of the State of Maine, received $16.6 million in funding from the Department of Economic and Community Development. The Director of MTI is an employee of the State of Maine and two board members are Commissioners of the State of Maine.

COMPONENT UNITS

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, $250.2 million; Maine Community College System, $84.7 million; Maine Municipal Bond Bank (MMBB), $40.8 million; Finance Authority of Maine, $18.4 million; and Maine State Housing Authority, $36.6 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total $26.8 million at June 30, 2020, as a liability in Amounts Held Under State Revolving Loan Programs in their fiduciary financial statements. The state reports the asset as a receivable in the Special Revenue Fund. During fiscal year 2020, the State expended $3.1 million to FAME for State revolving loan funds. The State also transferred $1.0 million from its Loan Insurance Reserves to FAME.

Title 20-A MRSA Chapter 419-A established the Maine State Grant Program as a fund under the jurisdiction of the Finance Authority of Maine. All grant revenues under this fund must be distributed by FAME to students who meet the eligibility requirements for a grant under this chapter. FAME paid approximately $7.2 million in grants to the University of Maine System (UMS) on behalf of eligible students. The UMS reflected these as grant revenues from the State.

The Maine Turnpike Authority (MTA) pays the State for services rendered by the Maine State Police (MSP). MSP has a separate troop responsible for patrolling the Maine Turnpike. MTA pays all costs associated with that troop. For fiscal year 2020, the amount billed totaled $9.7 million.

NOTE 15 - DEFERRED OUTFLOWS AND DEFERRED INFLOWS

The following table provides additional detail regarding deferred outflows of resources and deferred inflows of resources reported on the government-wide Statement of Net Position:

(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Deferred Outflows of Resources:				
Accumulated Decrease in Fair Value of Hedging Derivatives	$ -	$ -	$ -	$ 10,860
Refunding of Debt	2,070	-	2,070	39,184
Pension Related	535,839	2,533	538,372	18,598
OPEB Related	302,000	1,417	303,417	33,957
Total Deferred Outflows of Resources	$ 839,909	$ 3,950	$ 843,859	$ 102,599
Deferred Inflows of Resources:				
Grant Income	$ -	$ -	$ -	$ 6,486
Loan Origination Fees	-	-	-	473
Pension Related	299,060	1,278	300,338	12,357
OPEB Related	210,325	708	211,033	43,047
Total Deferred Inflows of Resources	$ 509,385	$ 1,986	$ 511,371	$ 62,363

The following table provides additional detail regarding deferred inflows of resources reported on the Governmental Funds Balance Sheet:

Governmental Funds
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources:						
Tax Revenue or Assessments	$ 236,055	$ 815	$ 13	$ 24,757	$ -	$ 261,640
Total Deferred Inflows of Resources	$ 236,055	$ 815	$ 13	$ 24,757	$ -	$ 261,640

NOTE 16 - TAX ABATEMENTS

For financial reporting purposes, a tax abatement is defined as an agreement between the government and an individual or entity through which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to the economic development or otherwise benefits the government or its citizens.

As of June 30, 2020, the State provided tax abatements through the following programs:

Program Name	Pine Tree Development Zone Tax Credit	Employment Tax Increment Financing	New Markets Capital Investment Tax Credit
Program Purpose	The program encourages capital investment and job creation in designated industries and geographic areas within the state.	The program is designed to create and prevent loss of employment in designated industries and geographic areas within the state.	The program is designed to encourage investment in qualified businesses located in economically distressed areas within the state.
Tax Types Abated	Personal income, corporate income, insurance premiums, bank franchise and sales taxes.	State income tax withholding from employee salary.	Personal income, corporate income, insurance premiums, and bank franchise taxes.
Statutory Authority	36 M.R.S. §5219-W	36 M.R.S. §6754	36 M.R.S. §5219-HH
Eligibility Criteria	Businesses apply to be certified as a qualified business, agree to conduct a qualified business activity, and hire at least one net new employee within two years.	Businesses apply for certification and agree to hire at least five net new employees within two years.	A person must make a qualified equity investment that has been certified by the Finance Authority of Maine, and execute a memorandum of agreement with the state.
Abatement Method	Allowance of credit against taxes attributable to qualified business activity, up to the amount of tax liability (nonrefundable credit).	Qualified business applies for annual reimbursement payment independent of any other tax reporting requirements.	Allowance of credit against taxes. Taxpayer receives full amount of annual credit regardless of tax liability (refundable credit).
Abatement Computation	Credit equals 100 percent of the tax liability attributable to the qualified activity of a certified business for a period of five years. Businesses located in certain areas receive a 50 percent credit for an additional five years.	Reimbursement equals 30 - 80 percent of qualified state-withheld taxes, depending on the unemployment rate in the area where the employee works, for a period of ten years.	The credit amount equals a total of 39 percent of the qualified investment, spread over a period of seven years in varying amounts each year.
Recapture Provisions	None.	Any overpayment must be applied to reduce future reimbursement payments. Overpayments must be repaid if the business no longer qualifies for future payments.	The abatement amount may be recaptured upon 1) recapture of any amount of the related federal NMTC credits; 2) early repayment of any portion of the principle amount that forms the qualified equity investment, or 3) failure to reinvest less than 85% of the qualified equity investment into a qualified business.
Estimated Revenue Reduction for FYE 6/30/2020	$2,779,119	$12,741,278	$13,396,078

Note: An estimate of PTDZ sales tax exemptions claimed at the point of purchase cannot be determined.

Source: Maine Revenue Services

NOTE 17 - COMMITMENTS AND CONTINGENCIES

PRIMARY GOVERNMENT

LITIGATION

The State of Maine, its units, and its employees are parties to numerous legal proceedings, many of which are the result of normal governmental operations. In the opinion of the Attorney General and other legal counsel representing the State, in all of the cases listed, the State or its agencies or employees have valid defenses. Certain cases have the potential for liability in excess of $1 million. Even if liability is found, the State should not expect to pay out the full amounts being sought against it in all of the cases. In any given case, however, the State could incur a large judgment.

ACA Connects - America's Communication Assoc., et 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 judgement 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.

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.

Fagre et al. v. Ireland et al. This is a civil rights and wrongful death action brought by the personal representative of the estate of Ambrosia Fagre who was shot and ultimately died as a result of an incident involving law enforcement officers on February 10, 2017. Ms. Fagre was a passenger in a vehicle driven by an individual who had robbed a nearby homeowner and fired at least one shot at officers. The claim asserts excessive force under federal and state law, “failure to provide police protection,” negligence, and wrongful death. The probability that this matter will result in future losses to the State in excess of $1 million is undetermined at this time.

Irish, et al. v. Maine State Police et. al. This lawsuit seeks damages for the fatal shooting of Kyle Hewitt, the kidnapping of Brittany Irish and the shooting of Kimberly Irish by Anthony Lord. Plaintiffs allege that defendant police officers failed to protect against the threat posed by Lord. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Jackson v. Cornish et al. The two plaintiffs in this matter allege that defendants are liable under the Maine Civil Rights Act for one of the defendant’s shooting and wounding of them during the course of their armed standoff with police. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Maine SNAP Program. The Food and Nutrition Service (FNS) of the United States Department of Agriculture assessed a $2.6 million liability against the Maine Department of Health and Human Services (DHHS) arising out of DHHS's administration of the Supplemental Nutrition Assistance Program. DHHS has appealed FNS's assessment. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Marc Merrill v. Maine State Police, et al. This is a civil rights action against the Maine State Police and individual officers arising out of the prosecution of Mr. Merrill for allegedly possessing child pornography. Mr. Merrill alleges that his federally-protected rights were violated. 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 Comapny 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.

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.

There are various lawsuits in which plaintiffs seek damages in excess of $1 million against the State or against State officials, and there are various notices of claim which also specify damages in excess of $1 million where no lawsuit has been filed. In none of these instances, in the view of the Attorney General, is there any reasonable possibility that the State’s liability could reach or exceed $1 million. Therefore, these suits have not been individually identified.

There are also numerous workers' compensation claims now pending against various State agencies. Since most claims involve the possibility for significant long-term damages, and since the test for demonstrating a causal relationship between the employment and the illness or injury is not as rigorous as in ordinary civil cases, these cases involve the possibility of significant liability for the State. Since possible damages include future medical costs and wage replacements for the employee (and in some cases spouse), it is difficult to estimate the total potential liability to the State.

All other legal proceedings are not, in the opinion of management after consultation with the Attorney General, likely to have a material adverse effect on the financial position of the State.

ENCUMBRANCES

Encumbrances are reported in the restricted, committed, and assigned fund balances of the governmental funds. General fund, highway fund, federal fund, other special revenue fund and other governmental funds encumbrance balances are $79.9 million, $2.2 million, $212.4 million, $45.8 million and $12.7 million, respectively.

FEDERAL GRANTS

The State receives significant financial assistance from the federal government. The receipt of grants is generally dependent upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Grants are subject to the Federal Single Audit Act. Disallowances by federal officials as a result of these audits may become liabilities of the State. The amount of expenditures that may be disallowed by the grantor agencies cannot be determined at this time.

POLLUTION REMEDIATION

The Department of Environmental Protection (DEP) and Department of Transportation (DOT) have pollution remediation obligations as defined by Governmental Accounting Standards Board (GASB) Statement No. 49. The State's total amount of pollution remediation obligation as of June 30, 2020 is $20.9 million. Superfund sites account for approximately $7.2 million. Superfund is the federal government program to clean up hazardous waste sites.

The following are Superfund sites for which the State has recorded a liability for pollution remediation activities:

Eastland Woolen Mill – The State recorded a liability for pollution remediation activities of approximately $650 thousand. Currently the State shares the costs with Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in September of 2018, the State assumed 100 percent of the operation and maintenance and long-term monitoring costs.

Eastern Surplus – The State recorded a liability for pollution remediation activities of approximately $2.0 million. Beginning in August of 2012, the State assumed 100 percent of the operation, maintenance and monitoring costs. As of June 30, 2020, the State has received $2.1 million in recoveries from the Department of Defense. The State expects to recover additional costs of $11 thousand.

Callahan Mine – The State recorded a liability for pollution remediation activities of approximately $4.5 million. Currently the State shares the costs with EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA. The State will assume 100 percent of the cost for the operation and maintenance of the site.

The State recorded a liability for pollution remediation activities of approximately $13.4 million (net of unrealized recoveries of $298 thousand) related to five uncontrolled hazardous substance sites. The State expects to recover $0.46 million in costs. The Uncontrolled Hazardous Substance Sites Program was created in response to the threats and potential threats to human health and the environment posed primarily by abandoned hazardous waste sites. The Uncontrolled Hazardous Substance Sites program is the State's equivalent to the Federal Superfund Program.

The State has the knowledge and expertise to estimate the remediation obligation based on prior experience in identifying and funding similar remediation activities. The standard requires the liability to be measured using the expected cash flow technique. The remediation obligation estimates are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statues or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the State's obligation.

MUNICIPAL SOLID WASTE LANDFILLS

Dolby Landfills – On September 16, 2011 the State entered into an agreement with Katahdin Paper Company (KPC) to acquire the Dolby Landfill, a solid waste disposal facility, located in the Town of East Millinocket. The State, as a holder of the permits, is responsible for closure and post closure monitoring and maintenance activities and costs.

The Dolby Landfill no longer accepts solid waste. In Calendar Year 2016, the first phase of a multi-year plan to cap approximately 100 acres at the facility was completed. The State allocated $6 million of current bond funds and anticipates another $6 million in bonds funds to complete the closure of the facility. In addition to the closure of the facility, the State anticipates additional post-closure maintenance and monitoring costs of approximately $15 million over the next 30 years. Actual costs may be higher due to inflation, changes in technology or changes in applicable laws or regulations. The State's total obligation related to the Dolby Landfill as of June 30, 2020 is $21.9 million.

Title 38 M.R.S.A., §1310-F establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose a potential hazard and that meet other qualifying criteria. The law provides for reimbursement of 75% of a municipality's closure expenses. If initial closure of a landfill fails to protect public health and the environment, DEP is obligated to reimburse up to 90% of a municipality's subsequent remediation expenses. However, these obligations are subject to the availability of funds approved for that purpose. In 2012, DEP through bonds had paid all of the outstanding match requirements for closure, but had $2,568,654 in outstanding match obligation for remediation. Additionally, several Municipalities needed to close their failing landfills early, but could not afford to do so without the state match for closure, which had expired. To address this, in 2013 the legislature enacted a fee on disposal of certain Construction and Demolition Debris (CDD), and in 2015 extended the eligibility date for reimbursement of closure costs from 2015 to 2025. There is no eligibility end date for reimbursement of remediation costs. Therefore, DEP continues to incur new match cost obligations as additional qualifying landfills close before the 2025 date, and as others undertake necessary remediation actions. As the CDD fee does not generate enough funding to pay the Department's cost share obligations in their entirety, the Department provides partial payments to municipalities on a quarterly basis.

In FY2020 the DEP received $1,210,489 from the CDD fee. As required, the entirety of this fee was used to reimburse municipalities for eligible expenses. At the beginning of FY20, DEP's total outstanding reimbursement obligation to municipalities was $3,892,096. At the end of FY20 the outstanding match obligation was $3,187,658. Although the overall outstanding debt during the year decreased, $506,051 of additional debt was incurred due to qualifying expenses which were submitted over the course of the year. DEP incurred the oldest outstanding match obligations in 2008.

SAND AND SALT STORAGE PROGRAM

The State estimates the potential aggregate cost to comply with the environmental requirements associated with the Sand and Salt Storage program to be $1.4 million. The state no longer provides funding for municipal facilities.

POLLUTION ABATEMENT PROGRAM

Title 38 MRSA §411, §411-A, and §412 establish within DEP cost-sharing programs for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the planning of municipal pollution abatement facilities; the design, engineering, and construction of private, commercial, and municipal pollution abatement facilities; and make payments to the Maine Municipal Bond Bank to supply the State's share of the revolving loan fund established by Title 30A §6006-A. During the 2020 fiscal year, $3.77 million of general obligation bond funds and $2.46 million of Liquor Operation Revenue Funds were expended for pollution abatement projects. As of June 30, 2020, amounts encumbered for pollution abatement projects totaled $10.62 million, and general obligation bonds authorized for these projects, but not yet encumbered, totaled $17.86 million. As of June 30, 2020, DEP estimates the total cost (federal, State, and local) of future projects to be $1 billion.

GROUND WATER OIL CLEAN-UP FUND

The Maine Ground and Surface Waters Clean-up and Response Fund is established in Title 38 MRSA § 551. Fund activities include, but are not limited to, providing insurance to public and private entities for cleanup of oil spills. The program is funded by a per barrel assessment on petroleum products imported into the State. Coverage is up to $750 thousand per occurrence for aboveground storage tanks and $1 million per occurrence for underground storage tanks. Third party injury coverage may not exceed $200 thousand per claimant.

Number of Priority Sites
Requiring Long-term Remediation
Calendar Year Ended December 31

	Completed	Remaining
2019	137	530
2018	91	540
2017	117	519
2016	126	525
2015	151	524

The annual average cost per spill over the past five years ranged between $18,000 and $41,000. The cost per spill can vary significantly based on the location and type of fuel discharged.

CONSTRUCTION COMMITMENTS

A portion of the payment that is made to municipalities for General Purpose Aid to Local Schools is allocated for debt service. Although the outstanding indebtedness for school construction projects is debt of the municipalities, the State subsidizes 50.78 percent of the annual payments. As of June 30, 2020 outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled $1.040 billion.

At June 30, 2020, the Department of Transportation had contractual commitments of approximately $269.9 million for construction of various highway projects. The State's share of that amount is expected to be approximately $62.3 million. Of these amounts, $8.2 million has already been accrued. Federal and State funds plus bond proceeds are expected to fund these future expenditures.

TOBACCO SETTLEMENTS

On November 23, 1998, Maine along with 45 other states and six civil jurisdictions, collectively known under the Master Settlement Agreement (MSA) as the "Settling States", entered into the MSA with certain Participating Tobacco Manufacturers (PMs). The MSA is a settlement of lawsuits brought by many States against the four largest tobacco companies alleging multiple counts of misconduct and claiming punitive and compensatory damages, including a claim for all the States' Medicaid costs caused by or related to tobacco use. The MSA includes provisions to annually compensate the State for smoking-related Medicaid costs and to impose marketing and advertising restrictions on PMs to protect public health. In this settlement, the PMs agreed, among other things, to make annual payments to the states and jurisdictions based on their allocable share of the market. In return, the states agreed to relinquish claims to further damages resulting from, among other things, Medicaid costs. Annual payments fluctuate subject to various adjustments and are partially contingent on the passage and enforcement of a State statute imposing economic conditions related to the State's public health claims on the Nonparticipating Manufacturers (NPMs) in the form of an annual escrow payment due from each NPM with in-state sales. The NPM Adjustment is set forth in the Master Settlement Agreement (MSA). If the PMs claim an NPM Adjustment for a given year and prove that they lost market share to the NPMs and it is determined that the MSA was a significant factor contributing to that lost market share then an NPM Adjustment 'shall apply' unless a Settling State passed a qualifying statute and 'diligently enforced' that statute. In effect this means that the Allocated Payment to a Settling State that diligently enforced will not be reduced, but a Settling State that did not diligently enforce its qualifying statute will be subject to a reduction in its payment due to the NPM Adjustment. NPM Adjustment Due to the provisions of the MSA, if a State that is found not to have diligently enforced its qualifying statute may lose up to its entire annual payment amount due to the NPM Adjustment for a given year.

The NPM Adjustment may be claimed each year and has been claimed for each completed calendar year since 2003. Frequently PMs claim entitlement to the NPM Adjustment and either withhold the amount from their annual payments, or place the amount in what is known as a 'disputed payment account'. Each year beginning in 2003 Maine's annual payments have been lower than calculated because many of the PMs have claimed entitlement to the NPM Adjustment and either withheld money or routed it to the disputed payments account. For the year 2003, the Adjustment claimed by the PMs, and calculated as set forth in the MSA, was approximately 18 percent of the total amount paid by the PM's and distributed among the Settling States. However, the total amount related to the NPM Adjustment to which the PMs are entitled is dependent on the number of non-diligent states.

In addition, in the MSA, the PMs agreed to pay $8.6 billion in Strategic Contribution Payments (SCP) to certain states and jurisdictions as compensation for their contribution to the overall settlement. Maine's share of this total amount was approximately $114 million. Maine received this amount in ten annual SCP payments which began in 2008 and ended in 2017.

In April 2020, Maine received an annual tobacco settlement payment of $46.2 million.

ESCHEAT PROPERTY

The State Abandoned Property Statute requires the deposit of certain defined and unclaimed assets into a state-managed Abandoned Property Fund (Private Purpose Trust Fund). The State Statute provides that whenever the cash balance of the fund exceeds $.5 million at fiscal year-end, the excess must be remitted to the General Fund where it is reported as operating transfers from other funds. At June 30, 2020, the Fund included $4.1 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2020 of approximately $260.0 million represent a contingent liability to the State since claims for refund may be filed by the owners of such property.

A liability representing the probable amount of escheat property that will be reclaimed and paid to claimants and other third parties is reported in the Fund. To the extent that the assets in the Fund are less than the claimant liability, a receivable (due from other funds) is reported in that Fund and an equal liability (due to other funds) is reported in the General Fund. At June 30, 2020, the amount reported in the Fund for claimant liability is $51.2 million. The General Fund shows a $46.6 million payable to the Escheat Fund.

CONSTITUTIONAL OBLIGATIONS

The State of Maine's constitutional obligations represent nonexchange financial guarantees, as defined by GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The State acts as the guarantor for these ongoing insurance and loan programs operated by 2 discrete component units. The Finance Authority of Maine's mission covers commercial financing and loan insurance to Maine businesses and assistance to Maine students and their parents to finance costs of attendance at institutions of higher education. Maine State Housing Authority's mission encompasses loans to Maine veterans and members of Indian tribes or reservations. Details of the nonexchange financial guarantees are provided below.

Article 9, § 14-A, C, and D of the Maine State Constitution provides that the State may insure the payment of mortgage loans for industrial, manufacturing, fishing, agricultural and recreational enterprises; mortgage loans for the acquisition, construction, repair and remodeling of houses owned or to be owned by members of two tribes on several Indian reservations; and mortgage loans to resident Maine veterans of the Armed Forces of the United States, including loans to a business organization owned in whole or in part by resident Maine veterans. The aggregate of these obligations, at any one time, may not exceed $90 million, $1 million, and $4 million, respectively. At June 30, 2020, loans outstanding pursuant to these authorizations are $86.4 million, less than $0.1 million, and $0.2 million, respectively. The State has not paid, nor does it expect to pay, any amounts as a result of these authorizations as of June 30, 2020.

Article 8, § 2, of the Maine State Constitution provides that the State may secure funds, through the issuance of bonds authorized by the Governor, for loans to Maine students attending institutions of higher education. The amount of bonds issued and outstanding shall not at any one time exceed $4 million in the aggregate. At June 30, 2020, no bonds were outstanding. The State has not paid, nor does it expect to pay, any amount as a result of this authorization as of June 30, 2020.

MORAL OBLIGATIONS

The State of Maine, through statute, enables certain Authorities to establish capital reserve funds. These funds may be used to secure a variety of financial undertakings including the issuance of bonds. The minimum amount of the capital reserve fund may be determined by statute or set by the Authority. The statutes may also limit the amount of debt that may be secured by the capital reserve funds, and allow the Authority to issue debt that is not secured by these funds.

On or before December first of each year, the Authorities are required to certify to the Governor the amount, if any, necessary to restore any capital reserve fund to its required minimum. If there is a shortfall, the Governor is required to pay first from the "Contingent Account" the amounts necessary for restoration. The Governor shall certify any remaining unpaid amounts to the Legislature, which is then required to appropriate and pay the remaining amounts to the Authority during the then-current State fiscal year.

These moral obligations are not considered to be "full faith and credit" obligations of the State, and voter approval of the underlying bonds is not required. No capital reserve fund restorations have been made in the current or previous years.

The following summarizes information regarding outstanding moral obligations:

Moral Obligation Bonds
(Expressed in Thousands)

Issuer	Bonds Outstanding	Required Debt Reserve	Obligation Debt Limit [1]	Legal Citation
Maine Health and Higher Educational Facilities Authority	$ 438,155	$ 53,000	NIL	22 MRSA § 2075
Finance Authority of Maine	39,891	-	642,000	10 MRSA §1032, 1053
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
	85,240	1,005	225,000	20-A MRSA §11424
Maine Municipal Bond Bank	1,269,325	157,057	NIL	30-A MRSA §6006
Maine State Housing Authority	1,419,645	92,564	2,150,000	30-A MRSA §4906
Total	$ 3,252,256	$ 303,626		

[1] NIL indicates a "no limit" obligation.

COMPONENT UNITS

CONSTRUCTION CONTRACTS

At June 30, 2020, UMS and MCCS had outstanding commitments on uncompleted construction contracts. They totaled $21.3 million and $4.8 million, respectively.

At December 31, 2019, the Maine Turnpike Authority had $123.3 million remaining in commitments on outstanding construction projects for improvements and maintenance.

MORTGAGE COMMITMENTS

Mortgage commitments are agreements to lend provided there is no violation of any term or condition of the agreement. Generally, once exercised, the loans made under the terms of such commitments are secured by a lien on the related property and other collateral as deemed necessary. At December 31, 2019 Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately $104.1 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2019, single-family loans being processed by lenders totaled $42.0 million.

INSURED LOAN COMMITMENTS

The Finance Authority of Maine (FAME) insures loans made by financial institutions to qualifying businesses under various insurance programs. FAME is contingently liable for the insured portion of payments due on these loans. At June 30, 2020, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately $126.5 million. At June 30, 2020, FAME was insuring loans with an aggregate outstanding principle balance approximating $2.2 million which were 90 or more days delinquent. The aggregate insured balance of these loans was approximately $1.3 million at June 30, 2020. In addition, FAME has entered into commitments to insure loans at some future date. At June 30, 2020, these commitments under the Loan Insurance Program were approximately $13.4 million. FAME provides loan insurance on direct educational loans and consolidation loans made by participating financial institutions in the Maine Private Education Loan Network. At June 30, 2020, approximately $19.3 million of loans were insured under this program. Such loans are unsecured.

FEDERAL STUDENT LOAN RESERVE FUND

FAME held and administered the Federal Student Loan Reserve Fund for the US Department of Education (USDE) until December 1, 2019. The entire guarantee loan portfolio, including all associated guarantee obligations, transfered to another agency. At June 30, 2020, the reserve level, approximately $3.5 million, was transferred to USDE in fiscal year 2021.

CONTINGENT LIABILITIES

Overpayments made by the Office for Family Independence (OFI) client services are recorded as accounts receivable in the State financial statements. The total overpayments for Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP), applicable to federal funds, are $29.7 million as of June 30, 2020. All overpayments that are outstanding for more than one year, $23.2 million, are fully reserved.

Federal regulations in the former Aid to Families with Dependent Children (AFDC) require States to continue collection efforts until the full amount is recovered. The AFDC Program was repealed and replaced with the TANF Program effective October 1, 1996. The federal portion of any AFDC overpayments (made prior to October 1, 1996) that are recovered, must be returned to the federal government. For AFDC and TANF overpayment recoveries, made from October 1, 1996 and forward, States are not required to repay any portion to the federal government. Instead, the full amount of the recovered overpayments are to be retained by the State and used for TANF program costs during the grant year in which they are recovered, or later.

The liability for TANF and SNAP overpayments that may be recovered and remitted to the federal government or retained for program costs cannot be determined at this time.

During fiscal year 2020, a backlog of unemployment claims occurred primarily due to a significant increase in claims filed as a result of the COVID-19 pandemic and an associated increase in fraudulent unemployment claims included in that population. The exact amount of the liability for backlog claims cannot be determined. Based on a range of outstanding claims, the State has recorded an estimated liability of $92.4 million in the federal funds and $20.0 million in the Employment Security, Major Enterprise Fund.

NOTE 18 - SUBSEQUENT EVENTS

PRIMARY GOVERNMENT

At June 30, 2020, $269 million was reported as Equity in Treasurer's Cash Pool in the Employment Security, Major Enterprise Fund, as the result of a transfer from the State's Coronavirus Relief Fund. On July 9, 2020, this amount was transferred to the Unemployment Insurance Trust Fund, which would be reported as Restricted Deposits & Investments.

On November 10, 2020 the Maine Municipal Bond Bank (MMBB) issued $60.9 million of Series 2020A Grant Anticipation Bonds on behalf of the Maine Department of Transportation. The bonds bear an interest rate of 5.00 percent and maturities from 2021 to 2033.

On November 24, 2020 the State issued $22.5 million of Certificates of Participation (COP's) for the purpose of consolidating and upgrading Maine Revenue Service's computer applications. The COP's carry interest rates of 1.62 percent and maturities from 2024 to 2028.

COMPONENT UNITS

Maine State Housing Authority (MSHA), has a December 31 fiscal year end. On January 22, 2020, MSHA issued at par $34.4 million of bonds in the General Mortgage Purchase Bond Resolution.

On July 29, 2020 Maine Health and Higher Educational Facilities Authority (MHHEFA) issued $212.7 million of bonds under the General Bond Resolution with an interest rate of 4.0 percent, with principal payments beginning July 1, 2026 and maturing July 1, 2050. On September 29, 2020, MHHEFA issued $45.4 million in bonds under the General Bond Resolution with an interest rate of 2.25 percent, with principal payments beginning April 1, 2023 and maturing April 1, 2050. The debt of the General Bond Resolution is considered conduit debt and neither the Authority nor the State of Maine is under obligation for repayment.

On September 21, 2020, MHHEFA defeased certain maturities of Reserve Resolution bonds with a par value of $39.6 million within series 2011A, 2011C and 2012A bond issues with funds from other sources. The economic benefits associated with the refunding inure to the respective institutions and not the Authority.

On November 11, 2020, MHHEFA issued $13.1 million, on behalf of three borrowers, under the Reserve Fund Resolution with an average interest rate of 3.18 percent and a final maturity of July 1, 2040.

On October 29, 2020, MMBB issued $15.7 million of Series 2020B General Resolution Tax Exempt bonds for making loans to several municipal governments. Also on October 29, 2020, MMBB issued $44.5 million of refunding bonds that refunded the remaining outstanding bonds, totaling $46.3 million, for the Series 2011C General Resolution Tax Exempt bond issue.

On November 18, 2020, the Maine Turnpike Authority issued $130.0 million in bonds with net proceeds equaling $156.0 million.

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LEADING THE WAY

REQUIRED SUPPLEMENTARY INFORMATION

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STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

	General Fund				Highway Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues								
Taxes	$ 3,800,675	$ 3,907,465	$ 3,893,218	$ (14,247)	$ 235,076	$ 235,076	$ 218,976	$ (16,100)
Assessments and Other	97,106	91,656	89,596	(2,060)	96,063	97,720	95,944	(1,776)
Federal Grants	1,585	2,029	1,903	(126)	-	-	-	-
Service Charges	40,724	48,711	51,664	2,953	6,208	6,342	6,137	(205)
Income from Investments	10,575	12,305	18,490	6,185	513	313	258	(55)
Miscellaneous Revenue	59,810	63,814	5,344	(58,470)	3,473	5,880	5,979	99
Total Revenues	4,010,475	4,125,980	4,060,215	(65,765)	341,333	345,331	327,294	(18,037)
Expenditures								
Governmental Support & Operations	354,412	387,903	364,576	23,327	40,238	45,000	42,051	2,949
Economic Development & Workforce Training	44,414	46,029	44,321	1,708	-	-	-	-
Education	1,726,550	1,756,291	1,720,925	35,366	-	-	-	-
Health and Human Services	1,323,872	1,487,897	1,247,062	240,835	-	-	-	-
Business Licensing & Regulation	-	-	-	-	-	-	-	-
Natural Resources Development & Protection	86,394	87,826	84,233	3,593	33	33	33	-
Justice and Protection	366,701	378,597	350,032	28,565	31,629	28,607	26,040	2,567
Arts, Heritage & Cultural Enrichment	9,152	10,130	9,265	865	-	-	-	-
Transportation Safety & Development	-	10,000	8,000	2,000	270,015	293,815	265,730	28,085
Total Expenditures	3,911,495	4,164,673	3,828,414	336,259	341,915	367,455	333,854	33,601
Revenues Over (Under) Expenditures	98,980	(38,693)	231,801	270,494	(582)	(22,124)	(6,560)	15,564
Other Financing Sources (Uses)								
Operating Transfers Net	(108,667)	(108,054)	(123,152)	(15,098)	-	-	(6,346)	(6,346)
Proceeds from Pledged Future Revenues	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	(108,667)	(108,054)	(123,152)	(15,098)	-	-	(6,346)	(6,346)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (9,687)	$ (146,747)	$ 108,649	$ 255,396	$ (582)	$ (22,124)	$ (12,906)	$ 9,218
Fund balances, beginning of year			814,399				59,337	
Fund balances, end of year			$ 923,048				$ 46,431	

Federal Funds				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
$ -	$ -	$ -	$ -	$ 349,528	$ 348,818	$ 344,954	$ (3,864)
366	366	-	(366)	195,857	203,859	172,354	(31,505)
3,526,091	4,928,785	5,245,011	316,226	12,744	14,730	11,355	(3,375)
6,023	6,027	-	(6,027)	226,022	227,385	217,275	(10,110)
-	-	2,181	2,181	1,186	1,312	2,627	1,315
252	252	4,646	4,394	214,437	234,577	222,915	(11,662)
3,532,732	4,935,430	5,251,838	316,408	999,774	1,030,681	971,480	(59,201)
4,719	7,651	1,740	5,911	194,999	253,274	228,492	24,782
100,461	1,222,466	1,127,819	94,647	72,003	78,584	55,173	23,411
241,251	387,743	226,131	161,612	46,938	51,316	35,522	15,794
2,719,069	2,974,391	2,555,338	419,053	627,487	566,741	518,386	48,355
123	123	68	55	70,665	79,509	64,123	15,386
46,833	67,411	42,861	24,550	138,508	160,156	120,263	39,893
74,757	126,763	66,936	59,827	77,262	85,772	65,970	19,802
3,864	4,770	2,901	1,869	2,000	2,081	1,090	991
248,659	295,122	262,436	32,686	53,294	165,025	125,408	39,617
3,439,736	5,086,440	4,286,230	800,210	1,283,156	1,442,458	1,214,427	228,031
92,996	(151,010)	965,608	1,116,618	(283,382)	(411,777)	(242,947)	168,830
91,347	(4,198)	12,827	17,025	16,119	116,030	211,695	95,665
-	-	-	-	21,100	76,100	50,215	(25,885)
91,347	(4,198)	12,827	17,025	37,219	192,130	261,910	69,780
$ 184,343	$ (155,208)	$ 978,435	$ 1,133,643	$ (246,163)	$ (219,647)	$ 18,963	$ 238,610
		9,374				497,647	
		$ 987,809				$ 516,610	

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LEADING THE WAY

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION

Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

	General Fund	Highway Fund	Federal Funds	Special Revenue Fund
Fund Balances - Non-GAAP Budgetary Basis	$ 923,048	$ 46,431	$ 987,809	$ 516,610
Basis Differences				
Revenue Accruals/Adjustments:				
Taxes Receivable	10,754	(2,874)	-	13,461
Other Receivables	58,216	3,675	127,276	56,413
Inventories	3,244	-	4,500	-
Due from Component Units	-	-	-	106,211
Due from Other Governments	-	-	545,131	-
Due from Other Funds	30,541	19,591	10,773	347,717
Other Assets	2,462	-	84	4
Unearned Revenues	-	(3,295)	(4,500)	5,898
Deferred Inflows - Taxes and Assessment Revenues	(236,055)	(815)	(13)	(24,757)
Total Revenue Accruals/Adjustments	(130,838)	16,282	683,251	504,947
Expenditure Accruals/Adjustments:				
Accounts Payable	(182,535)	(26,893)	(485,850)	(30,023)
Due to Component Units	(1,923)	(43)	(2,292)	(11,263)
Accrued Liabilities	(32,180)	(11,732)	(8,282)	(13,085)
Taxes Payable	(269,957)	(63)	-	-
Intergovernmental Payables	-	-	(1,091,211)	-
Due to Other Funds	(81,773)	(4,801)	(47,233)	(15,533)
Total Expenditure Accruals/Adjustments	(568,368)	(43,532)	(1,634,868)	(69,904)
Fund Balances - GAAP Basis	$ 223,842	$ 19,181	$ 36,192	$ 951,653

Statutory/Budgetary Presentation

In accordance with statute, the Governor presents a biennial budget for the General Fund and special revenue funds to the Legislature for enactment or revision. Effective November 27, 1995, a State Constitutional Amendment provided the Governor a "line item" veto of dollar amounts, allowing a 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. Another Constitutional Amendment requires the State to fund at least 90 percent of the annual cost of future mandates imposed on local governments; any exception requires a two-thirds vote of the elected members of the House and Senate.

Once passed and signed, the budget becomes the financial plan 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. The State Budget Officer is required to use the revenue projections of the Revenue Forecasting Committee in preparing the General Fund and Highway Fund budgets.

Exceptional circumstances do not apply to new programs or program expansions that go beyond existing program criteria and operation.

Detailed budgetary control is maintained at the program and line category level at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers. Except in specific instances, only the Legislature may transfer appropriations between departments. Increases in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget or separate pieces of legislation. For the year ended June 30, 2020, the legislature increased appropriations to the General Fund by $20.8 million.

Governmental funds use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of the applicable appropriation or allocation. Unencumbered appropriations in the General Fund and Highway Fund lapse at June 30 unless, by law, they are carried forward to a subsequent year. 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).

The State's budget is prepared primarily on a cash basis. Sales, income, corporate and fuel taxes include a modified accrual basis adjustment to recognize revenues that are expected to be collected within 60 days of the end of the fiscal year. The Budgetary Comparison Schedule is presented as Required Supplementary Information (RSI) in this report. Actual amounts in this schedule are presented on a budgetary basis. Because this basis differs from accounting principles generally accepted in the United States of America (GAAP), a reconciliation between the budgetary and GAAP basis is presented in the RSI.

The various funds and programs within funds utilize a number of different budgetary control processes. Annual legislative appropriations and revenue estimates are provided for most "operating" funds.

The original executive budget and original legislative appropriations provide general purpose (unrestricted) revenue estimates in order to demonstrate compliance with constitutional provisions. Revenues restricted by law or outside grantors to a specific program are estimated at a level of detail consistent with controlling related expenditure accounts.

For programs financed from restricted revenues, spending authorization is generally contingent upon recognition of the related revenue. Reductions of spending authority occur if revenues fall short of estimates. If revenues exceed the estimate, supplemental appropriations are required before the additional resources can be spent.

The budgetary comparison schedule presented for the General Fund, the Highway Fund, the Federal Fund, and the Other Special Revenue Fund presents the original and final appropriated budgets for fiscal year 2020 - 2021, as well as the actual resource inflows, outflows and fund balances stated on the budgetary basis.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of June 17, 2019, and includes encumbrances carried forward from the prior year.

Generally accepted accounting principles (GAAP) require that the final legal budget be reflected in the "final budget" column. Therefore updated revenue estimates available for appropriations as of June 30, 2020 rather than the amounts shown in the original budget, are reported.

The final appropriations budget represents original and supplemental appropriations, carry-forwards, approved transfers, and executive order reductions. Expenditures, transfers out, other financing uses, and encumbrances are combined and classified by policy area rather than being reported by character and function as shown in the GAAP statements. This policy area classification is used to better reflect organizational responsibility and to be more consistent with the budget process.

Compliance at the Legal Level of Budgetary Control

The Budgetary Comparison Schedules by Agency depict budgeted to actual expenditures at the Department level, which is the legal level of budgetary control for all governmental funds. The schedules provide further detail at the agency level within departments for transparency.

STATE OF MAINE
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET)
JUDICIAL PENSION PLAN

Last Six Fiscal Years
(Expressed in Thousands)

	2020	2019	2018
Total Pension Liability			
Service Cost	$ 1,597	$ 1,487	$ 1,466
Interest	4,582	4,442	4,358
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(1,087)	469	(893)
Changes of Assumptions	-	698	-
Benefit Payments, Including Refunds of Member Contributions	(4,068)	(3,805)	(3,652)
Net Change in Total Pension Liability	1,024	3,291	1,279
Beginning Total Pension Liability	68,293	65,002	63,723
Ending Total Pension Liability	69,317	68,293	65,002
Plan Fiduciary Net Position			
Employer Contributions	1,213	1,179	1,144
Member Contributions	620	604	585
Net Investment Income	4,709	6,607	7,800
Transfers	(3)	-	-
Benefit Payments, Including Refunds of Member Contributions	(4,068)	(3,805)	(3,652)
Administrative Expense	(68)	(62)	(57)
Net Change in Plan Fiduciary Net Position	2,403	4,523	5,820
Beginning Plan Fiduciary Net Position	71,235	66,712	60,892
Ending Plan Fiduciary Net Position	73,638	71,235	66,712
Ending Net Pension Liability (Asset)	$ (4,321)	$ (2,942)	$ (1,710)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	106.2 %	104.3 %	102.6 %
Covered Payroll	$ 8,117	$ 7,894	$ 7,640
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(53.2)%	(37.3)%	(22.4)%

2017	2016	2015
$ 1,397	$ 1,606	$ 1,518
4,155	3,863	3,736
2,017	28	17
(1,746)	2,238	(292)
2,490	-	426
(3,502)	(3,384)	(3,219)
4,811	4,351	2,186
58,912	54,561	52,375
63,723	58,912	54,561
1,078	979	932
550	550	528
130	1,055	8,416
6,343	-	-
(3,502)	(3,384)	(3,219)
(48)	(49)	(42)
4,551	(849)	6,615
56,341	57,190	50,575
60,892	56,341	57,190
$ 2,831	$ 2,571	$ (2,629)
95.6 %	95.6 %	104.8 %
$ 7,188	$ 7,186	$ 6,742
39.4 %	35.8 %	(39.0)%

STATE OF MAINE
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET)
LEGISLATIVE PLAN

Last Six Fiscal Years
(Expressed in Thousands)

	2020	2019	2018
Total Pension Liability			
Service Cost	$ 297	$ 282	$ 265
Interest	578	565	530
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	239	(91)	158
Changes of Assumptions	-	100	-
Benefit Payments, Including Refunds of Member Contributions	(607)	(460)	(469)
Net Change in Total Pension Liability	507	396	484
Beginning Total Pension Liability	8,560	8,164	7,680
Ending Total Pension Liability	9,067	8,560	8,164
Plan Fiduciary Net Position			
Employer Contributions	-	-	-
Member Contributions	221	154	202
Net Investment Income	845	1,176	1,366
Transfers	(607)	(460)	(469)
Benefit Payments, Including Refunds of Member Contributions	45	(460)	(469)
Administrative Expense	(12)	(11)	(9)
Net Change in Plan Fiduciary Net Position	492	399	621
Beginning Plan Fiduciary Net Position	12,756	11,897	10,807
Ending Plan Fiduciary Net Position	13,248	12,296	11,428
Ending Net Pension Liability (Asset)	$ (4,181)	$ (4,196)	$ (3,733)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	146.1 %	143.6 %	140.0 %
Covered Payroll	$ 2,660	$ 2,711	$ 2,651
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(157.2)%	(154.8)%	(140.8)%

2017	2016	2015
$ 412	$ 451	$ 450
549	545	503
-	4	4
(246)	(508)	(93)
(147)	-	86
(446)	(439)	(318)
53	53	632
7,558	7,505	6,873
7,558	7,558	7,505
-	4	4
138	193	140
48	206	1,622
(446)	(439)	(318)
(446)	(439)	(318)
(8)	(9)	(8)
(45)	(484)	1,122
11,075	11,120	9,680
11,075	10,636	10,802
$ (3,127)	$ (3,517)	$ (3,615)
146.0 %	140.7 %	143.9 %
$ 2,590	$ 2,528	$ 2,535
(139.0)%	(139.1)%	(142.6)%

STATE OF MAINE
SCHEDULE OF STATE CONTRIBUTIONS
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLANS - EMPLOYER CONTRIBUTIONS

Last Seven Fiscal Years
(Expressed in Thousands)

	2020	2019	2018
Judicial Pension Plan			
Actuarially Determined Contribution	$ 716	$ 1,213	$ 1,179
Contributions in Relation to the Actuarially Determined Employer Contribution	(716)	(1,213)	(1,179)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Payroll	$ 8,054	$ 8,117	$ 7,894
Contributions as a percentage of covered payroll	8.89 %	14.94 %	14.94 %
Legislative Pension Plan			
Actuarially Determined Contribution	$ -	$ -	$ -
Contributions in Relation to the Actuarially Determined Employer Contribution	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Payroll	$ 2,814	$ 2,660	$ 2,711
Contributions as a Percentage of Covered Payroll	0.00 %	0.00 %	0.00 %

(continued)

2017	2016	2015	2014
$ 1,144	$ 1,078	$ 951	$ 932
(1,144)	(1,078)	(951)	(932)
$ -	$ -	$ -	$ -
$ 7,640	$ 7,188	$ 7,186	$ 6,742
14.97 %	15.00 %	13.23 %	13.82 %
$ -	$ -	$ -	$ -
-	-	-	(4)
$ -	$ -	$ -	$ (4)
$ 2,651	$ 2,590	$ 2,528	$ 2,535
0.00 %	0.00 %	0.00 %	0.16 %

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2020 can be found in the June 30, 2018 actuarial valuation report.

Notes to Schedule

Key Methods and Assumptions Used to Determine Contribution Rates	
Valuation date	June 30, 2017 June 30, 2020 actuarially determined contribution rates are calculated based on 2018 liabilities developed as a roll-forward of the 2017 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2018 using assets as of June 30, 2018.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level percent of payroll, open 10-year amortization of 2016 UAL.
Discount rate	6.75%
Amortization growth rate	2.75%
Price inflation	2.75%
Salary increases	2.75%
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.
Most recent review of plan experience	2015
Mortality	104 percent and 120 percent of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females.

Former actuarial assumptions:

Discount rate	Change in assumptions 2018: The annual rate of investment return was reduced from 6.875% used at funding to 6.75%. The impact of this change is included in the TPL reconciliation as a change in assumptions.
Other information	Change in assumptions 2016: the amounts reported as changes of assumptions were due to assumptions that were updated based on the experience study covering the period from June 30, 2012 through June 30, 2015.

Benefit changes. By law, the COLA is based on the Consumer Price Index for Urban Consumers (CPI-U) as of June 30th applied to the statutory COLA base. If the percentage is negative, then no adjustment is made in that year. In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. This process of adjustment may occur over a multi-year period if needed to recoup the full actuarial value of the negative CPI-U. Cost-of-living adjustments are effective September 1. Retirees are eligible to receive a cost-of-living adjustment after being retired for at least 12 months, except that retirees with less than 10 years of service on July 1, 1993 who retire prior to normal retirement age are not eligible to receive a cost-of-living adjustment until 12 months after reaching normal retirement age. The maximum annual limit is 3% of up to the first $20,000 of annual benefit, indexed. This is a permanent increase in retiree’s benefit. The $20,000 COLA base is indexed each year going forward by the same percentage as the COLA that is paid.

Per GASB Statement No. 68, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

STATE OF MAINE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE EMPLOYEES AND TEACHERS PLAN - STATE EMPLOYEES ONLY

Last Six Fiscal Years
(Expressed in Thousands)

	2020	2019	2018
State Employees			
Proportion of the Collective Net Pension Liability	94.775523 %	94.652308 %	94.829879 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 991,147	$ 993,438	$ 1,080,168
Covered Payroll	$ 627,615	$ 608,615	$ 601,904
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	157.92 %	163.23 %	179.46 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	79.41 %	78.70 %	76.10 %
Maine Community College System			
Proportion of the Collective Net Pension Liability	4.610452 %	4.695230 %	4.605776 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 48,215	$ 49,280	$ 52,462
Covered Payroll	$ 31,535	$ 31,106	$ 30,867
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	152.89 %	158.43 %	169.96 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	79.41 %	78.70 %	76.10 %
Non-Major and Formerly Reported Component Units			
Proportion of the Collective Net Pension Liability	0.614025 %	0.652461 %	0.564345 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 6,421	$ 6,848	$ 6,428
Covered Payroll	$ 4,115	$ 4,240	$ 3,700
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	156.04 %	161.51 %	173.73 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	79.41 %	78.70 %	76.10 %
Total SETP - State of Maine Employees			
Proportion of the Collective Net Pension Liability	100.000000 %	100.000000 %	100.000000 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 1,045,784	$ 1,049,566	$ 1,139,058
Covered Payroll	$ 663,265	$ 643,961	$ 636,471
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	157.67 %	162.99 %	178.96 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	79.41 %	78.70 %	76.10 %

Notes to Schedule:

As of June 30, 2020, the SETP includes the State, 1 major component unit, 1 non-major component unit and 1 formerly reported component unit in its definition of state employees. Totals for the non-major and formerly reported component unit have been combined.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2020 can be found in the June 30, 2018 actuarial valuation report.

Per GASB Statement No. 68, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

2017	2016	2015
94.498857 %	92.825250 %	92.853946 %
$ 1,269,080	$ 950,597	$ 837,743
$ 588,415	$ 520,115	$ 525,765
215.68 %	182.77 %	159.34 %
71.00 %	76.80 %	79.21 %
4.969634 %	6.640831 %	6.618303 %
$ 66,740	$ 68,007	$ 59,710
$ 32,627	$ 32,008	$ 31,679
204.55 %	212.47 %	188.48 %
71.00 %	76.80 %	79.21 %
0.531509 %	0.533919 %	0.527751 %
$ 7,138	$ 5,468	$ 4,760
$ 3,424	$ 3,927	$ 3,776
208.47 %	139.24 %	126.06 %
71.00 %	76.80 %	79.21 %
100.000000 %	100.000000 %	100.000000 %
$ 1,342,959	$ 1,024,072	$ 902,213
$ 624,466	$ 556,050	$ 561,220
215.06 %	184.17 %	160.76 %
71.00 %	76.80 %	79.21 %

STATE OF MAINE
SCHEDULE OF STATE CONTRIBUTIONS
COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS - EMPLOYER CONTRIBUTIONS
STATE EMPLOYEES AND TEACHERS PLAN - STATE EMPLOYEES ONLY

Last Seven Fiscal Years
(Expressed in Thousands)

	2020	2019	2018	2017
State Employees				
Actuarially Determined Contribution	$ 155,628	$ 152,439	$ 148,115	$ 141,295
Contributions in Relation to the Actuarially Determined Employer Contribution	(155,628)	(152,439)	(148,115)	(141,295)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 688,817	$ 627,615	$ 608,615	$ 601,904
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	22.59 %	24.29 %	24.34 %	23.47 %
Maine Community College System				
Actuarially Determined Contribution	$ 7,030	$ 7,416	$ 7,347	$ 6,863
Contributions in Relation to the Actuarially Determined Employer Contribution	(7,030)	(7,416)	(7,347)	(6,863)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 32,713	$ 31,535	$ 31,106	$ 30,867
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	21.49 %	23.52 %	23.62 %	22.23 %
Combined Non-major and Formerly Reported Component Units				
Actuarially Determined Contribution	$ 1,005	$ 987	$ 1,021	$ 840
Contributions in Relation to the Actuarially Determined Employer Contribution	(1,005)	(987)	(1,021)	(840)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 4,571	$ 4,115	$ 4,240	$ 3,700
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	21.99 %	23.99 %	24.08 %	22.70 %
Total SETP - State of Maine Employees				
Actuarially Determined Contribution	$ 163,663	$ 160,842	$ 156,483	$ 148,998
Contributions in Relation to the Actuarially Determined Employer Contribution	(163,663)	(160,842)	(156,483)	(148,998)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 726,101	$ 663,265	$ 643,961	$ 636,471
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	22.54 %	24.25 %	24.30 %	23.41 %

(continued)

2016	2015	2014
$ 136,139	$ 107,807	$ 117,380
(136,139)	(107,807)	(117,380)
$ -	$ -	$ -
$ 588,415	$ 521,846	$ 525,765
23.14 %	20.66 %	22.33 %
$ 7,159	$ 8,135	$ 3,133
(7,159)	(8,135)	(3,133)
$ -	$ -	$ -
$ 32,627	$ 30,257	$ 31,679
21.94 %	26.89 %	9.89 %
$ 766	$ 635	$ 522
(766)	(635)	(522)
$ -	$ -	$ -
$ 3,424	$ 3,947	$ 3,776
22.37 %	16.09 %	13.82 %
$ 144,064	$ 116,577	$ 121,035
(144,064)	(116,577)	(121,035)
$ -	$ -	$ -
$ 624,466	$ 556,050	$ 561,220
23.07 %	20.97 %	21.57 %

Notes to Schedule:

The SETP includes the State, 1 major component unit, 1 non-major component unit and 1 formerly reported component unit in its definition of state employees. Totals for the non-major and formerly reported component unit have been combined.

Valuation date	June 30, 2017 June 30, 2020 actuarially determined contribution rates are calculated based on 2018 liabilities developed as a roll-forward of the 2017 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2018 using assets as of June 30, 2018.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level Percentage of payroll, closed 16-year amortization of the UAL prior to 2012 and individual, closed, level percent of payroll, 20-year amortization of UAL arising each year beginning in 2012.
Discount rate	6.75%
Amortization growth rate	2.75%
Price inflation	2.75%
Salary increases	2.75% plus merit component based on employee's years of service.
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.
Mortality	104 percent and 120 percent of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2020 can be found in the June 30, 2018 actuarial valuation report.

Former actuarial assumptions:

Discount rate	Change in assumptions 2018: The annual rate of investment return was reduced from 6.875% used at funding to 6.75%. The impact of this change is included in the TPL reconciliation as a change in assumptions.
Other information	Change in assumptions 2016: the amounts reported as changes of assumptions were due to assumptions that were updated based on the experience study covering the period from June 30, 2012 through June 30, 2015.

Benefit changes. By law, the COLA is based on the Consumer Price Index for Urban Consumers (CPI-U) as of June 30th applied to the statutory COLA base. If the percentage is negative, then no adjustment is made in that year. In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. This process of adjustment may occur over a multi-year period if needed to recoup the full actuarial value of the negative CPI-U. Cost-of-living adjustments are effective September 1. Retirees are eligible to receive a cost-of-living adjustment after being retired for at least 12 months, except that retirees with less than 10 years of service on July 1, 1993 who retire prior to normal retirement age are not eligible to receive a cost-of-living adjustment until 12 months after reaching normal retirement age. The maximum annual limit is 3% of up to the first $20,000 of annual benefit, indexed. This is a permanent increase in retiree's benefit. The $20,000 COLA base is indexed each year going forward by the same percentage as the COLA that is paid.

Per GASB Statement No. 68, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

STATE OF MAINE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE EMPLOYEES AND TEACHERS PLAN - TEACHERS

Last Six Fiscal Years
(Expressed in Thousands)

	2020	2019	2018
Non-employer Contributing Entity's Proportion of:			
Percentage of the Collective Net Pension Liability	95.540502 %	95.298384 %	95.016790 %
Amount of the Collective Net Pension Liability	$ 1,465,876	$ 1,349,443	$ 1,452,536
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	84.50 %	85.20 %	83.30 %

Notes to Schedule:

Per GASB Statement No. 68, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

2017	2016	2015
95.002519 %	95.036038 %	95.069591 %
$ 1,766,662	$ 1,350,118	$ 1,027,065
79.00 %	83.60 %	86.46 %

STATE OF MAINE
SCHEDULE OF STATE CONTRIBUTIONS
COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS - EMPLOYER CONTRIBUTIONS
STATE EMPLOYEES AND TEACHERS PLAN - TEACHERS

Last Seven Fiscal Years
(Expressed in Thousands)

	2020	2019	2018	2017
Teachers - Non-Employer Contributor				
Actuarially Determined Contribution	$ 174,530	$ 132,981	$ 129,422	$ 116,080
Contributions in Relation to the Actuarially Determined Non-Employer Contribution	(174,530)	(132,981)	(129,422)	(116,080)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Employer Contributors				
Actuarially Determined Contribution	$ 61,582	$ 56,761	$ 54,472	$ 47,659
Contributions in Relation to the Actuarially Determined Employer Contribution	(61,582)	(56,761)	(54,472)	(47,659)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Total SETP - Teachers				
Actuarially Determined Contribution	$ 236,112	$ 189,742	$ 183,894	$ 163,739
Contributions in Relation to the Actuarially Determined Employer Contribution	(236,112)	(189,742)	(183,894)	(163,739)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -

(continued)

2016	2015	2014
$ 112,478	$ 147,048	$ 146,362
(112,478)	(147,048)	(146,362)
$ -	$ -	$ -
$ 45,349	$ 38,404	$ 36,931
(45,349)	(38,404)	(36,931)
$ -	$ -	$ -
$ 157,827	$ 185,452	$ 183,293
(157,827)	(185,452)	(183,293)
$ -	$ -	$ -

Notes to Schedule:

Valuation date	June 30, 2017 June 30, 2020 actuarially determined contribution rates are calculated based on 2018 liabilities developed as a roll-forward of the 2017 valuation liability, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2018 using actual assets at June 30, 2018.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level Percentage of payroll, closed 16-year amortization of the UAL prior to 2012 and individual, closed. level percent of payroll, 20-year amortization of UAL arising each year beginning in 2012.
Discount rate	6.75%
Amortization growth rate	2.75%
Price inflation	2.75%
Salary increases	2.75% plus merit component based on employee's years of service.
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.
Mortality	99 percent of the RP-2014 Total Dataset Healthy Annuitant Mortality Table for males and females.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2020 can be found in the June 30, 2018 actuarial valuation report.

Discount rate	Change in assumptions 2018: The annual rate of investment return was reduced from 6.875% used at funding to 6.75%. The impact of this change is included in the TPL reconciliation as a change in assumptions.
Other information	Change in assumptions 2016: the amounts reported as changes of assumptions were due to assumptions that were updated based on the experience study covering the period from June 30, 2012 through June 30, 2015.

Benefit changes. By law, the COLA is based on the Consumer Price Index for Urban Consumers (CPI-U) as of June 30th applied to the statutory COLA base. If the percentage is negative, then no adjustment is made in that year. In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. This process of adjustment may occur over a multi-year period if needed to recoup the full actuarial value of the negative CPI-U. Cost-of-living adjustments are effective September 1. Retirees are eligible to receive a cost-of-living adjustment after being retired for at least 12 months, except that retirees with less than 10 years of service on July 1, 1993 who retire prior to normal retirement age are not eligible to receive a cost-of-living adjustment until 12 months after reaching normal retirement age. The maximum annual limit is 3% of up to the first $20,000 of annual benefit, indexed. This is a permanent increase in retiree’s benefit. The $20,000 COLA base is indexed each year going forward by the same percentage as the COLA that is paid.

Per GASB Statement No. 68, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

STATE OF MAINE
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY HEALTHCARE PLAN - STATE EMPLOYEES

Last Four Fiscal Years
(Expressed in Thousands)

	2020	2019	2018	2017
Total OPEB Liability				
Beginning Total Liability	$ 1,226,111	$ 1,199,512	$ 1,161,320	$ 1,143,542
Service Cost	17,777	17,425	16,917	12,246
Interest	81,020	79,128	76,921	75,650
Differences Between Expected and Actual Experience	(56,455)	20,875	17,725	-
Changes of Assumptions Others	652	-	5,241	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	(71,199)	(70,524)	(58,347)	(54,118)
Benefit Payments, Including Refunds of Member Contributions - Implicit	(17,419)	(20,305)	(20,265)	(16,000)
Net Change in Total OPEB Liability	(45,624)	26,599	38,192	17,778
Ending Total OPEB Liability	1,180,487	1,226,111	1,199,512	1,161,320
Plan Fiduciary Net Position				
Beginning Plan Fiduciary Net Position	277,703	256,860	233,596	203,088
Employer Contributions - Explicit	71,199	72,524	60,347	58,118
Employer Contributions - Implicit	17,419	20,305	20,265	16,000
Net Investment Income	13,859	18,846	21,270	26,513
Benefit Payments, Including Refunds of Member Contributions	(88,618)	(90,829)	(78,612)	(70,118)
Administrative Expense	(3)	(3)	(6)	(5)
Net Change in Plan Fiduciary Net Position	13,856	20,843	23,264	30,508
Ending Plan Fiduciary Net Position	291,559	277,703	256,860	233,596
Ending Net OPEB Liability	$ 888,928	$ 948,408	$ 942,652	$ 927,724
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	24.7 %	22.6 %	21.4 %	20.1 %
Covered Payroll	$ 687,595	$ 626,384	$ 612,195	$ 574,663
Net OPEB Liability as a Percentage of Covered Payroll	$ 129.3	$ 151.4	$ 154.0	$ 161.4

This information relates to the OPEB Plan, not the employer's plan.

Per GASB Statement No. 75, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

STATE OF MAINE
SCHEDULE OF CHANGES IN
THE NET OPEB LIABILITY
GROUP LIFE INSURANCE PLAN - STATE EMPLOYEES AND TEACHERS

Last Four Fiscal Years
(Expressed in Thousands)

	2020	2019	2018	2017
Total OPEB Liability				
Beginning Total Liability	$ 204,432	$ 196,263	$ 183,723	$ 175,647
Service Cost	2,191	2,132	2,122	2,065
Interest	14,275	13,155	12,531	12,015
Differences Between Expected and Actual Experience	589	-	1,957	-
Changes of Assumptions Discount Rate	-	-	3,200	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	(8,178)	(7,118)	(7,270)	(6,004)
Net Change in Total OPEB Liability	8,877	8,169	12,540	8,076
Ending Total OPEB Liability	213,309	204,432	196,263	183,723
Plan Fiduciary Net Position				
Beginning Plan Fiduciary Net Position	100,617	94,287	86,883	77,416
Employer and Non-Employer Contributions	9,311	7,756	7,639	6,921
Net Investment Income	4,886	6,418	7,805	9,886
Benefit Payments, Including Refunds of Member Contributions	(8,178)	(7,118)	(7,270)	(6,004)
Administrative Expense	(1,019)	(726)	(770)	(1,336)
Net Change in Plan Fiduciary Net Position	5,000	6,330	7,404	9,467
Ending Plan Fiduciary Net Position	105,617	100,617	94,287	86,883
Ending Net OPEB Liability	$ 107,692	$ 103,815	$ 101,976	$ 96,840
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	49.5 %	49.2 %	48.0 %	47.3 %
Covered Payroll	$ 1,484,373	$ 1,380,619	$ 1,343,669	$ 1,277,009
Change - Increase (Decrease)	7.3 %	7.5 %	7.6 %	7.6 %

Per GASB Statement No. 75, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

STATE OF MAINE
SCHEDULE OF CHANGES IN
TOTAL OPEB LIABILITY
HEALTHCARE PLAN - TEACHERS

Last Four Fiscal Years
(Expressed in Thousands)

	2020	2019	2018	2017
Total OPEB Liability				
Beginning Total Liability	$ 1,235,862	$ 1,248,326	$ 1,323,731	
Service Cost	33,787	35,795	42,214	-
Interest	48,502	45,495	38,521	-
Contribution - Non-Employer Contributing Entity	(33,032)	(26,855)	(28,848)	-
Differences Between Expected and Actual Experience	59,296	(5,178)	-	-
Changes of Assumptions Discount Rate	90,624	(61,721)	(170,420)	-
Changes of Assumptions - Others	6,221	-	-	-
Differences Between Expected and Actual Investment Earnings	-	-	43,128	-
Net Change in Total OPEB Liability	205,398	(12,464)	(75,405)	-
Ending Total OPEB Liability	$ 1,441,260	$ 1,235,862	$ 1,248,326	$ 1,323,731
Covered Payroll	$ 1,260,742	$ 1,156,592	$ 1,149,126	$ 1,125,444
Total OPEB Liability as Percentage of Covered Payroll	114.3 %	106.9 %	107.5 %	117.6 %
State's Proportionate Share of the Collective Total OPEB	75 %	74 %	83 %	83 %

This plan is funded on a pay-as-you go basis. The State's proportionate share for fiscal years June 30, 2017 through June 30, 2019 was estimated assuming the same share of implicit subsidy for each school district's OPEB Plan.

Per GASB Statement No. 75, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

STATE OF MAINE
SCHEDULE OF CHANGES IN
TOTAL OPEB LIABILITY
HEALTHCARE PLAN - FIRST RESPONDERS

Last Four Fiscal Years
(Expressed in Thousands)

	2020	2019	2018	2017
Total OPEB Liability				
Beginning Total Liability	$ 19,232	$ 18,980	$ 26,052	
Service Cost	751	776	1,836	-
Interest	763	698	786	-
Changes in Benefit Terms	8,247	-	-	-
Contribution - Employee	(592)	(617)	(618)	-
Contribution - Non-Employer Contributing Entity	(48)	(5)	(78)	-
Administrative Expenses	92	98	99	-
Differences Between Expected and Actual Experience	(863)	(191)	(2,909)	-
Changes of Assumptions Discount Rate	939	(507)	(1,325)	-
Changes of Assumptions - Others	(1,015)	-	(4,863)	-
Net Change in Total OPEB Liability	8,274	252	(7,072)	-
Ending Total OPEB Liability	$ 27,506	$ 19,232	$ 18,980	$ 26,052
Covered Payroll	$ 66,360	$ 64,427	$ 62,551	$ 55,651
Total OPEB Liability as Percentage of Covered Payroll	41.4 %	29.9 %	30.3 %	46.8 %
State's Proportionate Share of the Collective Total OPEB	23 %	13 %	23 %	23 %

This plan is funded on a pay-as-you go basis. The State's proportionate share for fiscal years June 30, 2017 through June 30, 2019 was estimated assuming the same share of implicit subsidy for each municipality's OPEB Plan.

Per GASB Statement No. 75, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

STATE OF MAINE
SCHEDULE OF STATE CONTRIBUTIONS
STATE FUNDED HEALTHCARE AND GROUP LIFE INSURANCE OPEB PLANS

Last Four Fiscal Years
(Expressed in Thousands)

	2020	2019	2018	2017
State Employee Healthcare				
Actuarially Determined Contribution	$ 56,241	$ 71,363	$ 71,179	$ 69,000
Contributions in Relation to the Actuarially Determined Employer Contribution	(88,618)	(92,829)	(80,612)	(74,000)
Contribution Deficiency (Excess)	$ (32,377)	$ (21,466)	$ (9,433)	$ (5,000)
Covered Payroll	$ 687,595	$ 626,384	$ 612,195	$ 582,934
Contributions as a Percentage of Covered Payroll	12.89 %	14.82 %	13.17 %	12.69 %
State Employee and Teacher Group Life Insurance Benefit Plan				
Actuarially Determined Contribution	$ 10,671	$ 9,040	$ 8,806	$ 8,240
Contributions in Relation to the Actuarially Determined Employer Contribution	(9,310)	(7,756)	(7,638)	(6,921)
Contribution Deficiency (Excess)	$ 1,361	$ 1,284	$ 1,168	$ 1,319
Covered Payroll	$ 1,484,373	$ 1,380,619	$ 1,343,669	$ 1,277,009
Contributions as a Percentage of Covered Payroll	0.63 %	0.56 %	0.57 %	0.54 %

Notes to Schedule:

Pay-as-you-go plans do not require an actuarially determined contribution.

State Health Insurance The valuation date is June 30, 2019. Costs are developed using the entry age normal cost method based on a level percentage of payroll. The participation rate for future retirees is 95 percent of active participants currently enrolled. Actuarial assumptions used in the June 30, 2020 and June 30, 2019 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2020 and June 30, 2019 include: a 6.75 percent investment rate of return, a 2.75 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. The unfunded liability will be fully recognized by June 30, 2037. Assumption and plan changes are amortized over an 18 year fixed period. Experience losses are amortized over a 10 year fixed period. The medical trend rate had been 6.80 at June 30, 2016. Every year thereafter, the medical trend rate has dropped by .20. At June 30, 2020, the medical trend rate was 6.00. The ultimate medical trend rate for both years is 4.29 percent reached at 2075. The State actively manages premium increases within the statutory cap, so healthcare cost increases are limited to no more than inflation plus 3 percent in any year. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For State employees rates are based on 104 percent and 120 percent for males and females, respectively. The only assumption changed has been the annual decline in medical trend rate of .20 annually since June 30, 2016.

Group Life Insurance The valuation date is June 30, 2016 for State Employees and June 30, 2014 for Teachers. Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. The participation rate for future retirees is 100 percent of those currently enrolled. Actuarial assumptions were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2020 include: a 6.75 percent investment rate of return, a 6.875 percent discount rate, a 2.75 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2020, there were 17 years remaining in the amortization schedule for state employees and teachers. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For State employees rates are based on 104 percent and 120 percent for males and females, respectively. Teachers rates are based on 99 percent for both genders. One assumption changed in 2018. The discount rate assumption was lowered from 6.875 percent to 6.750 percent.

Per GASB Statement No. 74, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

STATE OF MAINE
SCHEDULE OF INVESTMENT RETURNS
STATE FUNDED HEALTHCARE AND GROUP LIFE INSURANCE OPEB PLANS

Last Four Fiscal Years

	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	6.00 %	6.60 %	9.00 %	12.88 %

Notes to Schedule:

Per GASB Statement No. 74, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to those assets, unless the improvements expand the capacity or efficiency of an asset. Assets accounted for under the modified approach include 8,802 highway miles or 17,880 lane miles of roads and 2,983 bridges having a total deck area of 12.4 million square feet that the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved at, or above, the established condition level.

Roads and bridges maintained by the Department of Transportation are accounted for using the modified approach.

HIGHWAYS

Measurement Scale for Highways

The Maine Department of Transportation (MDOT) uses six indicators to determine the condition of highway adequacy. The six indicators and their relative point weighting are listed in the table below.

Data Element	Point Rating (%)	Description
Pavement Condition Rating (PCR)	45	PCR is defined as the composite condition of the pavement on a roadway only, and is compiled from the severity and extent of pavement distresses such as cracking, rutting and patching. It is the key indicator used to determine the optimum time to treat a particular section of road. Points decrease as PCR decreases
Safety	20	Statewide crash rates are used to allocate points. Locations with high rates get fewer points.
Backlog (Built vs. Unbuilt roadway)	15	A "Built" road is one that has been constructed to a modern standard, usually post 1950. This includes adequate drainage, base, and pavement to carry the traffic load, and adequate sight distance and width to meet current safety standards. "Unbuilt" (backlog) is defined as a roadway section that has not been built to modern standards. Yes or No (15 or 0).
Annual Average Daily Traffic divided by the hourly highway capacity (AADT/C)	10	This ratio measures how intensely a highway is utilized. As a highway facility's AADT/C ratio increases, the average speed of vehicles on that facility tends to decrease. This decrease in average speed is evidence of reduced mobility. As congestion increases, points decrease (0-10).
Posted Speed	5	Lower speeds equal fewer points
Paved Shoulder	5	In general, roadways with paved shoulders perform at a higher level and last longer than those without shoulders or with only gravel shoulders. Yes or No (5 or 0).
	100	

BRIDGES

MDOT uses four separate factors to obtain a numerical value used to indicate the ability of bridges to remain in service at the current level of usage. The numeric value is a percentage ranging from 0 percent to represent an entirely insufficient or deficient bridge, and 100 percent to represent an entirely sufficient bridge. The four indicators and their relative point weighting are listed in the table below. The composite numeric value is based on the sufficiency rating formula in the Recording and Coding Guide for Structure Inventory and Appraisal of the Nation's Bridges.

Data Element	Point Rating (%)	Description
Structural Adequacy and Safety	55	This category considers inventory rating, superstructure, substructure and culverts.
Serviceability and Functional Obsolescence	30	Serviceability and functional obsolescence that addresses the number of lanes, average daily traffic, roadway width, bridge width, deck condition, under clearances, waterway adequacy, alignment, and defense highway designation.
Essentiality for Public Use	15	This considers detour length, average daily traffic, and defense highway designation.
Special Reduction	(13)	The sufficiency rating also includes consideration of special reductions for detour length, safety features, and type of structure.

Assessed Conditions

The following table shows adequacy ratings for maintenance levels from Excellent to Poor.

Adequacy Rating	Total
Excellent	80 - 100
Good	70 - 80
Fair	60 - 70
Poor	0 - 60

MDOT intends to maintain highways and bridges at an adequacy rating of 60 or higher. The following table shows adequacy ratings achieved by MDOT.

Fiscal Year	Highways	Bridges
2020	74.0	75.0
2019	70.0	74.0
2018	71.8	74.0

Comparison of Estimated-to-Actual Preservation Costs

The following table presents the State's preservation costs for the past five fiscal years. It also shows the estimate of spending necessary to preserve and maintain the roads and bridges at, or above, a sufficiency rating of 60 for both highways and bridges (in millions).

Actual Preservation Costs
(Expressed in millions)

	2020	2019	2018	2017	2016
Highways	$ 148.3	$ 119.6	$ 124.8	$ 123.3	$ 110.7
Bridges	32.0	13.2	16.4	18.8	4.9
Total	$ 180.3	$ 132.8	$ 141.2	$ 142.1	$ 115.6

Estimated Preservation Costs
(Expressed in millions)

	2020	2019	2018	2017	2016
Highways	$ 130.0	$ 112.0	$ 133.0	$ 142.2	$ 113.4
Bridges	15.0	13.5	21.0	23.7	8.8
Total	$ 145.0	$ 125.5	$ 154.0	$ 165.9	$ 122.2

Transportation Bonds

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 467, PL 2017, $40 million in General Fund bonds were spent during FY2020. Of the amount authorized by Chapter 532, PL 2019, $50 million in General Fund bonds were spent during FY2020.

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LEADING THE WAY

STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX C

Certain Revenues of the State (Unaudited)

STATE OF MAINE
UNDEDICATED REVENUES
GENERAL FUND
FISCAL YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2018

	2017				2018			
	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)
Sales and Use Tax	1,336,944,791	1,332,011,722	$ 4,933,069	0.4%	$1,423,551,101	$1,409,548,328	$ 14,002,773	1.0%
Service Provider Tax	61,211,051	59,149,448	2,061,603	3.5%	59,601,858	62,224,469	(2,622,611)	(4.2%)
Individual Income Tax	1,523,852,981	1,514,348,976	9,504,005	0.6%	1,595,191,847	1,554,804,704	40,387,143	2.6%
Corporate Income Tax	175,239,114	164,093,471	11,145,643	6.8%	185,737,065	171,924,242	13,812,823	8.0%
Cigarette and Tobacco Tax	144,243,207	139,179,000	5,064,207	3.6%	132,949,700	129,032,000	3,917,700	3.0%
Insurance Companies Tax	76,553,592	76,700,000	(146,408)	(0.2%)	73,469,449	74,150,000	(680,551)	(0.9%)
Inheritance & Estate Tax	11,717,686	16,378,323	(4,660,637)	(28.5%)	13,801,409	12,416,710	1,384,699	11.2%
Fines, Forfeits and Penalties	19,589,175	19,375,448	213,727	1.1%	18,402,955	18,354,011	48,944	0.3%
Income from Investments	3,592,268	3,128,076	464,192	14.8%	6,601,717	5,428,946	1,172,771	21.6%
Transfer from Lottery Commission	58,219,690	54,900,000	3,319,690	6.0%	62,307,123	59,000,000	3,307,123	5.6%
Transfer for Tax Relief Programs	(63,961,530)	(64,448,340)	486,810	0.8%	(65,413,185)	(63,768,101)	(1,645,084)	(2.6%)
Transfer to Municipal Revenue Sharing	(65,228,793)	(65,208,251)	(20,542)	(0.0%)	(69,338,529)	(69,244,574)	(93,955)	(0.1%)
Other Taxes and Fees	148,183,240	141,032,892	7,150,348	5.1%	145,821,475	139,808,638	6,012,837	4.3%
Other Revenues	24,747,389	22,828,191	1,919,198	8.4%	4,991,864	1,941,056	3,050,808	157.2%
Total Undedicated Revenue	**$3,454,903,862**	**$3,413,468,956**	**$41,434,906**	**1.2%**	**3,587,675,849**	**$3,505,620,429**	**$82,055,420**	**2.3%**

STATE OF MAINE
UNDEDICATED REVENUES
GENERAL FUND
FISCAL YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2020

	2019				2020			
	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)
Sales and Use Tax	1,503,771,784	1,502,117,767	$ 1,654,017	0.1%	$ 1,555,713,076	$ 1,617,545,344	$ (61,832,268)	(3.8%)
Service Provider Tax	59,012,956	59,222,124	(209,168)	(0.4%)	58,012,511	57,024,000	988,511	1.7%
Individual Income Tax	1,701,005,768	1,705,158,151	(4,152,383)	(0.2%)	1,835,972,805	1,810,313,500	25,659,305	1.4%
Corporate Income Tax	252,866,884	244,750,000	8,116,884	3.3%	216,131,489	217,280,000	(1,148,512)	(0.5%)
Cigarette and Tobacco Tax	125,977,694	133,588,615	(7,610,921)	(5.7%)	137,331,317	141,621,642	(4,290,325)	(3.0%)
Insurance Companies Tax	77,277,183	74,450,000	2,827,183	3.8%	82,145,116	75,950,000	6,195,116	8.2%
Inheritance & Estate Tax	15,851,350	13,640,409	2,210,941	16.2%	21,079,344	20,450,000	629,344	3.1%
Fines, Forfeits and Penalties	15,485,118	18,678,774	(3,193,656)	(17.1%)	9,986,146	12,319,191	(2,333,045)	(18.9%)
Income from Investments	12,474,570	11,027,054	1,447,516	13.1%	12,121,418	12,304,505	(183,087)	(1.5%)
Transfer from Lottery Commission	62,675,109	59,000,000	3,675,109	6.2%	64,589,742	57,000,000	7,589,742	13.3%
Transfer for Tax Relief Programs	(68,087,807)	(70,568,623)	2,480,816	3.5%	(74,637,969)	(76,815,000)	2,177,031	2.8%
Transfer to Municipal Revenue Sharing	(74,095,532)	(73,698,594)	(396,938)	(0.5%)	(113,613,360)	(111,887,992)	(1,725,368)	(1.5%)
Other Taxes and Fees	150,110,769	145,046,332	5,064,437	3.5%	139,144,510	138,146,069	998,441	0.7%
Other Revenues	14,185,246	11,594,367	2,590,879	22.3%	25,367,559	26,855,866	(1,488,307)	(5.5%)
Total Undedicated Revenue	**$ 3,848,511,092**	**$ 3,834,006,376**	**$ 14,504,716**	**0.4%**	**$ 3,969,343,702**	**$ 3,998,107,125**	**$ (28,763,423)**	**(0.7%)**

STATE OF MAINE
UNDEDICATED REVENUES
GENERAL FUND
FIVE MONTHS ENDED NOVEMBER 30, 2020
FISCAL YEAR ENDING JUNE 30, 2021

PRELIMINARY AND TENTATIVE

	Month				Year to Date				Total Budgeted
	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Fiscal Year Ending 6/30/2021
Sales and Use Tax	$ 141,678,220	$ 114,940,278	$ 26,737,942	23.3%	$ 770,769,699	$ 690,548,464	$ 80,221,235	11.6%	$ 1,455,720,480
Service Provider Tax	4,353,448	4,837,313	(483,865)	(10.0%)	22,937,630	24,475,201	(1,537,571)	(6.3%)	57,454,000
Individual Income Tax	155,122,137	119,628,998	35,493,139	29.7%	744,829,036	635,531,337	109,297,699	17.2%	1,589,621,248
Corporate Income Tax	6,507,200	(7,426,898)	13,934,098	(187.6%)	76,359,471	55,075,303	21,284,168	38.6%	175,505,002
Cigarette and Tobacco Tax	13,864,413	12,513,256	1,351,157	10.8%	63,131,226	62,389,805	741,421	1.2%	144,451,400
Insurance Companies Tax	6,510,182	4,108,911	2,401,271	58.4%	14,620,442	13,120,175	1,500,267	11.4%	82,300,000
Inheritance & Estate Tax	2,061,957	1,100,000	961,957	87.5%	12,960,811	4,269,225	8,691,586	203.6%	12,050,000
Fines, Forfeits & Penalties	560,133	402,357	157,776	39.2%	3,754,034	4,197,423	(443,389)	(10.6%)	11,253,699
Income from Investments	454,970	295,766	159,204	53.8%	1,828,033	1,260,670	567,363	45.0%	3,824,776
Transfer from Lottery Commission	4,884,356	5,585,329	(700,973)	(12.6%)	27,799,433	25,643,990	2,155,443	8.4%	60,000,000
Transfers for Tax Relief Programs	(876,844)	(814,383)	(62,461)	(7.7%)	(531,784)	(4,921,801)	4,390,017	89.2%	(75,567,000)
Transfer to Municipal Revenue Sharing	(12,461,329)	(10,284,589)	(2,176,740)	(21.2%)	(62,135,960)	(57,127,901)	(5,008,059)	(8.8%)	(127,745,420)
Other Taxes and Fees	12,223,076	8,307,863	3,915,213	47.1%	59,780,582	56,894,407	2,886,175	5.1%	134,284,714
Other Revenues	2,852,546	3,461,066	(608,520)	(17.6%)	(11,326,965)	(13,955,503)	2,628,538	(18.8%)	19,317,074
Total Undedicated Revenue	**$ 337,734,464**	**$ 256,655,267**	**$ 81,079,197**	**31.6%**	**$ 1,724,775,687**	**$ 1,497,400,795**	**$ 227,374,892**	**15.2%**	**$ 3,542,469,973**

STATE OF MAINE
HIGHWAY FUND
REVENUES
FISCAL YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2018

	2017				2018			
	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)
Fuel Taxes	$ 228,291,442	224,110,357	$ 4,181,085	1.9%	$ 225,996,401	$ 224,172,333	$ 1,824,068	0.8%
Motor Vehicle Registration & Fees	90,977,458	88,134,415	2,843,043	3.2%	92,774,864	88,451,559	4,323,305	4.9%
Inspection Fees	3,410,700	2,982,500	428,200	14.4%	3,373,101	3,202,500	170,601	5.3%
Miscellaneous Taxes and Fees	1,378,595	1,280,229	98,366	7.7%	1,490,993	1,293,729	197,264	15.2%
Fines, Forfeits & Penalties	719,555	739,039	(19,484)	(2.6%)	724,478	739,039	(14,561)	(2.0%)
Earnings on Investments	348,432	364,114	(15,682)	(4.3%)	326,847	218,841	108,006	49.4%
All Other Revenues	9,191,942	9,680,335	(488,393)	(5.0%)	10,943,111	10,602,160	340,951	3.2%
Total	**$ 334,318,123**	**$ 327,290,989**	**$ 7,027,134**	**2.1%**	**$ 335,629,795**	**$ 328,680,161**	**$ 6,949,634**	**2.1%**

STATE OF MAINE
HIGHWAY FUND
REVENUES
FISCAL YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2020

	2019				2020			
	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)
Fuel Taxes	231,586,428	232,748,962	$ (1,162,534)	(0.5%)	$ 218,970,635	$ 235,076,450	$ (16,105,815)	(6.9%)
Motor Vehicle Registration & Fees	96,930,631	93,712,689	3,217,942	3.4%	90,648,098	92,541,913	(1,893,815)	(2.0%)
Inspection Fees	3,324,510	3,202,500	122,010	3.8%	3,120,970	3,202,500	(81,531)	(2.5%)
Miscellaneous Taxes & Fees	1,508,539	1,280,229	228,310	17.8%	1,280,909	1,368,729	(87,820)	(6.4%)
Fines, Forfeits & Penalties	610,373	739,039	(128,666)	(17.4%)	899,735	606,412	293,323	48.4%
Earnings on Investments	893,027	653,735	239,292	36.6%	257,790	313,070	(55,280)	(17.7%)
All Other Revenues	11,640,306	11,130,832	509,474	4.6%	11,998,433	12,222,250	(223,817)	(1.8%)
Total	**$ 346,493,814**	**$ 343,467,986**	**$ 3,025,828**	**0.9%**	**$ 327,176,570**	**$ 345,331,324**	**$ (18,154,754)**	**(5.3%)**

STATE OF MAINE
HIGHWAY FUND
REVENUES
FIVE MONTHS ENDED NOVEMBER 30, 2020
FISCAL YEAR ENDING JUNE 30, 2021

	Month				**Year to Date**				Total Budgeted
PRELIMINARY AND TENTATIVE	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Fiscal Year Ending 6/30/2021
Fuel Taxes	$ 18,588,737	$ 17,854,392	$ 734,345	4.1%	$ 93,793,119	$ 89,475,911	$ 4,317,208	4.8%	$ 207,519,747
Motor Vehicle Registration & Fees	7,529,887	6,827,174	702,713	10.3%	44,638,972	39,443,914	5,195,058	13.2%	90,815,021
Motor Vehicle Inspection Fees	36,912	202,468	(165,556)	(81.8%)	877,657	1,153,428	(275,772)	(23.9%)	3,202,500
Miscellaneous Taxes & Fees	140,409	112,200	28,209	25.1%	693,467	622,119	71,348	11.5%	1,377,454
Fines, Forfeits & Penalties	109,589	75,551	34,038	45.1%	422,445	256,069	166,376	65.0%	517,867
Earnings on Investments	29,319	4,700	24,619	523.8%	94,197	(299)	94,496	31604.1%	63,394
All Other	6,281,884	525,345	5,756,539	1095.8%	8,356,167	6,020,021	2,336,146	38.8%	9,741,159
Total	**$ 32,716,737**	**$ 25,601,830**	**$ 7,114,907**	**27.8%**	**$ 148,876,023**	**$ 136,971,163**	**$ 11,904,860**	**8.7%**	**$ 313,237,142**

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STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX D

Selected Information Regarding Authorized
And Outstanding Debt of the State

AUTHORIZED EXPENDITURES

The purpose for which authorized expenditures may be made, the expending department or agency, the authorizing acts and the balances of authorized expenditures were as of the date hereof as follows:

	Agency	Law	Description	Amount Auth/Uniss
1	DEP	2017 PL Ch 467	Competitive grant program to upgrade of municipal culverts at stream crossings	$ 2,500,000
2	DEP	2019 PL Ch 532	Competitive grant program to upgrade municipal culverts at stream crossings	4,000,000
3	DOT	2017 PL Ch 467	Ports, harbors, marine transport, aviation, freight, and passenger rail, transit, pedestrian and bicycle trails.	5,000,000
4	DOT	2019 PL Ch 532	Ports, harbors, marine transport, aviation, freight, and passenger rail, transit, pedestrian and bicycle trails.	15,000,000
5	DOT	2019 PL Ch 673	Highway & Bridge	90,000,000
6	DOT	2019 PL Ch 673	Ports, harbors, marine transport, aviation, freight, and passenger rail, transit, pedestrian and bicycle trails.	15,000,000
7	CMEA	2019 PL Ch 673	High Speed Internet Infrastructure for unserved and underserved areas	15,000,000
8	MCCS	2017 PL Ch 465B	Upgrade facilities at MCCS to provide access to high-skill, low-cost technical and career education	6,000,000
9	MMA	2017 PL Ch 467	Improve/remediate Maine Maritime Academy's waterfront pier in Castine	1,000,000
10	UMS	2017 PL Ch 465A	Modernize facilities and infrastructure at UMS to strengthen Maine's economy and future workforce	24,820,000
11	UMS	2017 PL Ch 465A	Modernize facilities and infrastructure at UMS to strengthen Maine's economy and future workforce	6,310,000
			TOTAL (As of 10/31/2020)	**$ 184,630,000**

GENERAL FUND BONDS
DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2020

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
2021	77,700,000.00	26,221,996.53	103,921,996.53
2022	83,845,000.00	23,017,875.00	106,862,875.00
2023	79,110,000.00	19,578,400.00	98,688,400.00
2024	79,105,000.00	15,800,275.00	94,905,275.00
2025	67,810,000.00	12,125,425.00	79,935,425.00
2026	57,550,000.00	9,010,525.00	66,560,525.00
2027	47,780,000.00	6,210,425.00	53,990,425.00
2028	37,975,000.00	3,838,750.00	41,813,750.00
2029	26,850,000.00	1,964,750.00	28,814,750.00
2030	12,765,000.00	638,250.00	13,403,250.00
	$ 570,490,000.00	**$ 118,406,671.53**	**$ 688,896,671.53**

HIGHWAY FUND BONDS
DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2020

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
2021	2,210,000.00	110,500.00	2,320,500.00
	$ 2,210,000.00	**$ 110,500.00**	**$ 2,320,500.00**

GF + HF	**$ 572,700,000.00**	**$ 118,517,171.53**	**$ 691,217,171.53**

INFORMATION REGARDING LEASE FINANCING AGREEMENTS

As of November 30, 2020
Unaudited

Issuance	Agency	Date of Agreement	Original Principal Amount	Principal Amount Outstanding 11/30/2020
CFM 17	Administrative & Financial Services	February, 2017	5,500,000	706,195
CFM 18	Administrative & Financial Services	February, 2018	5,500,000	1,406,733
CFM 19	Administrative & Financial Services	March, 2019	5,500,000	4,125,000
CFM 20	Administrative & Financial Services	March, 2020	5,500,000	5,500,000
DAFS 16	Administrative & Financial Services	May, 2016	7,500,000	768,198
MRS 21	Administrative & Financial Services	11/24/2020	22,490,000	22,490,000
OIT 15	Administrative & Financial Services	April, 2015	2,700,000	557,201
OIT 18	Administrative & Financial Services	November, 2017	21,000,000	13,116,462
OIT 19	Administrative & Financial Services	September, 2019	2,600,000	2,247,573
OIT 20	Administrative & Financial Services	April, 2020	1,900,000	1,766,866
PS 19 GF & HF	Public Safety	March, 2019	2,100,000	471,967
PS 20 GF & HF	Public Safety	March, 2020	2,100,000	1,205,238
Totals			**$ 84,390,000**	**$ 54,361,432**

Debt Ratios

The following table sets forth the certain ratios relating to the State's general obligation debt as of June 30, 2020.

	Amount of Debt (P&I)	Per Capita (1)	Debt to Estimated Full Valuation (2)	Debt to Personal Income (3)
General Fund	$ 688,896,672	$ 512.49	0.37%	1.01%
Highways & Bridges	2,320,500	1.73	0.001%	0.003%
Total	**$ 691,217,172**	**$ 514.22**	**0.37%**	**1.02%**

(1) Based on population estimate of 1,344,212 for 2019 by the U.S. Department of Commerce, Bureau of the Census.

(2) Based on assessed property valuation at full value by the Maine Revenue Services as of January 2020 of $185,896,400,000.

(3) Based on State of Maine total personal income reported by the U.S. Department of Commerce for 2019 of $68,062,380,000.

Debt Ratio Statistics

June 30, 2030

Debt to Full Value

2018	0.26%
2019	0.35%
2020	0.37%

Debt to Personal Income

2018	0.69%
2019	0.95%
2020	1.02%

Per Capita Debt

2018	$332.23
2019	$486.11
2020	$514.22

DEBT SERVICE PAID OVER THE PAST FISCAL YEARS ENDING JUNE 30

FY	GF Principal	GF Interest	HF Principal	HF Interest	Total Principal	Total Interest
2002	$ 64,225,000	$ 15,444,189	$ 23,300,000	$ 5,299,529	$ 87,525,000	$ 20,743,718
2003	63,880,000	12,941,300	21,215,000	4,003,828	85,095,000	16,945,128
2004	56,240,000	12,567,264	16,015,000	3,022,015	72,255,000	15,589,279
2005	53,440,000	12,525,813	13,280,000	2,477,535	66,720,000	15,003,348
2006	57,915,000	15,253,937	13,950,000	2,007,306	71,865,000	17,261,243
2007	69,280,000	17,364,513	10,415,000	1,387,084	79,695,000	18,751,597
2008	66,230,000	16,057,428	10,750,000	2,050,995	76,980,000	18,108,423
2009	65,685,000	15,179,120	13,505,000	3,848,227	79,190,000	19,027,347
2010	74,905,000	15,451,420	11,820,000	4,803,042	86,725,000	20,254,462
2011	72,905,000	13,609,228	15,100,000	5,312,205	88,005,000	18,921,433
2012	81,055,000	14,015,648	16,385,000	5,698,368	97,440,000	19,714,016
2013	85,595,000	12,924,559	16,735,000	5,151,841	102,330,000	18,076,400
2014	67,445,000	10,159,578	16,035,000	4,544,279	83,480,000	14,703,857
2015	65,670,000	11,674,238	15,275,000	3,914,654	80,945,000	15,588,891
2016	60,595,000	13,970,158	15,300,000	3,265,079	75,895,000	17,235,237
2017	59,415,000	15,620,081	21,015,000	2,600,579	80,430,000	18,220,659
2018	65,840,000	18,133,570	18,285,000	1,691,210	84,125,000	19,824,780
2019	72,345,000	20,507,969	12,500,000	905,540	84,845,000	21,413,509
2020	77,995,000	23,941,818	7,610,000	389,668	85,605,000	24,331,486

BONDS OUTSTANDING AT JUNE 30 COMPARED TO TOTAL GOVERNMENTAL FUNDS REVENUE

Year Ended	General Fund	Highway Fund	Self-Liquidating	Total	Total Governmental Funds Revenue	Percent of State Revenues
1991	$ 277,710,000	$ 102,870,000	$ 14,840,000	$ 395,420,000	$ 2,533,777,000	15.6%
1992	308,890,000	107,395,000	13,395,000	429,680,000	2,995,325,000	14.3%
1993	405,823,000	136,320,000	2,562,000	544,705,000	3,178,491,000	17.1%
1994	383,618,000	143,355,000	2,312,000	529,285,000	3,311,809,213	16.0%
1995	377,055,000	136,950,000	2,055,000	516,060,000	3,381,332,000	15.3%
1996	369,457,945	144,440,000	1,792,055	515,690,000	3,598,717,000	14.3%
1997	339,620,600	129,060,000	1,529,400	470,210,000	3,756,557,734	12.5%
1998	337,575,000	139,180,000	1,290,000	478,045,000	4,168,141,000	11.5%
1999	334,725,000	133,700,000	1,115,000	469,540,000	4,257,340,458	11.0%
2000	341,205,000	111,230,000	940,000	453,375,000	4,604,954,195	9.8%
2001	297,405,000	108,635,000	765,000	406,805,000	4,608,742,000	8.8%
2002	260,790,000	85,335,000	600,000	346,725,000	4,808,788,859	7.2%
2003	293,990,000	64,120,000	445,000	358,555,000	5,114,542,674	7.0%
2004	355,025,000	61,105,000	290,000	416,420,000	5,902,866,220	7.1%
2005	439,110,000	47,825,000	160,000	487,095,000	6,114,225,943	8.0%
2006	433,585,000	33,875,000	90,000	467,550,000	6,336,819,316	7.4%
2007	398,280,000	50,460,000	20,000	448,760,000	6,230,265,000	7.2%
2008	378,575,000	97,260,000	-	475,835,000	6,406,301,524	7.4%
2009	408,925,000	121,065,000	-	529,990,000	6,827,986,832	7.8%
2010	365,775,000	134,325,000	-	500,100,000	7,083,733,435	7.1%
2011	378,880,000	141,350,000	-	520,230,000	7,190,530,232	7.2%
2012	347,090,000	124,965,000	-	472,055,000	6,947,865,367	6.8%
2013	261,495,000	108,230,000	-	369,725,000	6,959,425,993	5.3%
2014	306,995,000	92,195,000	-	399,190,000	7,315,154,917	5.5%
2015	343,880,000	76,920,000	-	420,800,000	7,103,637,361	5.9%
2016	380,990,000	61,620,000	-	442,610,000	7,287,605,663	6.1%
2017	419,635,000	40,605,000	-	460,240,000	7,497,107,875	6.1%
2018	353,795,000	22,320,000	-	376,115,000	7,709,591,127	4.9%
2019	533,580,000	9,820,000	-	543,400,000	8,130,496,776	6.7%
2020	570,490,000	2,210,000	-	572,700,000	10,720,169,583	5.3%

APPENDIX E

The information contained in this Appendix E is derived from information contained in the actuarial valuation reports for the year ended June 30, 2020 for the State Employee and Teacher Retirement Program, the Legislative Retirement Program, the Judicial Retirement Program, and the Group Life Insurance Program. These actuarial valuation reports are available at https://www.mainepers.org/bond-disclosures/.

Maine Public Employees Retirement System

State Employees and Public School Teachers
Actuarial Balance Sheet, June 30, 2020

ASSETS (Present Value of Expected Income)	**State Employees (SE)**	**Teachers**	**SE and Teachers**
(1) Invested Assets			
(a) Members Contribution Fund	$ 886,668,081	$ 1,714,166,111	$ 2,600,834,192
(b) Retirement Allowance Fund	3,222,697,452	6,426,429,662	9,649,127,114
(c) Total Invested Assets (a + b)*	$ 4,109,365,533	$ 8,140,595,773	$ 12,249,961,306
(2) Future Contributions			
(a) Member Contributions	$ 399,218,510	$ 819,560,850	$ 1,218,779,360
(b) Actuarial Costs	1,293,908,534	1,836,157,956	3,130,066,490
(c) Total Contribution Income (a + b)	$ 1,693,127,044	$ 2,655,718,806	$ 4,348,845,850
(3) Present Value of Total Income (1 + 2)	$ 5,802,492,577	$10,796,314,579	$ 16,598,807,156
LIABILITIES (Present Value of Expected Benefit Payments)			
(1) Active Employees			
(a) Current Accrued Benefits	$ 1,386,808,817	$ 2,583,098,822	$ 3,969,907,639
(b) Future Benefit Accruals	937,010,731	2,023,596,457	2,960,607,188
(c) Total Active Benefits (a + b)	$ 2,323,819,548	$ 4,606,695,279	$ 6,930,514,827
(2) Inactive Employees			
(a) Total Inactive Benefits	$ 3,478,673,029	$ 6,189,619,300	$ 9,668,292,329
(3) Present Value of Total Benefits (1 + 2)	$ 5,802,492,577	$10,796,314,579	$ 16,598,807,156

*Actuarial Value

Maine Public Employees Retirement System

Judicial Plan

Actuarial Balance Sheet, June 30, 2020

ASSETS
(Present Value of Expected Income)

(1) Invested Assets	
(a) Members Contribution Fund	$ 12,368,756
(b) Retirement Allowance Fund	62,397,432
(c) Total Invested Assets (a + b)*	$ 74,766,188
(2) Future Contributions	
(a) Member Contributions	$ 2,618,245
(b) Actuarial Costs	1,100,863
(c) Total Contribution Income (a + b)	$ 3,719,108
(3) Present Value of Total Income (1 + 2)	$ 78,485,296

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees	
(a) Current Accrued Benefits	$ 25,848,440
(b) Future Benefit Accruals	9,538,448
(c) Total Active Benefits (a + b)	$ 35,386,888
(2) Inactive Employees	
(a) Total Inactive Benefits	$ 43,098,408
(3) Present Value of Total Benefits (1 + 2)	$ 78,485,296

*Actuarial Value

Maine Public Employees Retirement System

Legislative Plan

Actuarial Balance Sheet, June 30, 2020

ASSETS
(Present Value of Expected Income)

(1) Invested Assets	
(a) Members Contribution Fund	$ 3,039,660
(b) Retirement Allowance Fund	10,639,410
(c) Total Invested Assets (a + b)*	$ 13,679,070
(2) Future Contributions	
(a) Member Contributions	$ 604,281
(b) Actuarial Costs	(3,775,586)
(c) Total Contribution Income (a + b)	$ (3,171,305)
(3) Present Value of Total Income (1+ 2)	$ 10,507,765

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees	
(a) Current Accrued Benefits	$ 2,693,945
(b) Future Benefit Accruals	696,121
(c) Total Active Benefits (a + b)	$ 3,663,066
(2) Inactive Employees	
(a) Total Inactive Benefits	$ 6,844,699
(3) Present Value of Total Benefits (1 + 2)	$ 10,507,765

* Actuarial Value

Maine Public Employees Retirement System

State Employees and Public School Teachers

Actuarial Balance Sheet for Group Life Insurance, June 30, 2020

ASSETS (Present Value of Expected Income)	**State Employees**	**MTRA Teachers**	**All Employees**
(1) Invested Assets			
(a) Members Contribution Fund	$ 0	$ 0	$ 0
(b) Retirement Allowance Fund	37,921,471	67,029,368	104,950,839
(c) Total Invested Assets (a + b)*	$ 37,921,471	$ 67,029,368	$ 104,950,839
(2) Future Contributions			
(a) Member Contributions	$ 0	$ 0	$ 0
(b) Actuarial Costs	73,124,280	49,603,766	122,728,046
(c) Total Contribution Income (a + b)	$ 73,124,280	$ 49,603,766	$ 122,728,046
(3) Present Value of Total Income (1 + 2)	$111,045,751	$116,633,134	$ 227,678,885

LIABILITIES (Present Value of Expected Benefit Payments)	**State Employees**	**MTRA Teachers**	**All Employees**
(1) Active Employees			
(a) Current Accrued Benefits	$ 22,658,473	$ 23,001,426	$ 45,659,899
(b) Future Benefit Accruals	14,970,235	18,943,994	33,914,229
(c) Total Active Benefits (a + b)	$ 37,628,708	$ 41,945,420	$ 79,574,128
(2) Inactive Employees			
(a) Total Inactive Benefits	$ 73,417,043	$ 74,687,714	$ 148,104,757
(3) Present Value of Total Benefits (1 + 2)	$111,045,751	$116,633,134	$ 227,678,885

* Plan Fiduciary Net Position

Maine Public Employees Retirement System

Judicial Plan

Actuarial Balance Sheet for Group Life Insurance, June 30, 2020

ASSETS		
(Present Value of Expected Income)		
(1) Invested Assets		
(a) Members Contribution Fund	$	0
(b) Retirement Allowance Fund		648,656
(c) Total Invested Assets (a + b)*	$	648,656
(2) Future Contributions		
(a) Member Contributions	$	0
(b) Actuarial Costs		1,250,809
(c) Total Contribution Income (a + b)	$	1,250,809
(3) Present Value of Total Income (1 + 2)	$	1,899,465
Liabilities		
(Present Value of Expected Benefit Payments)		
(1) Active Employees		
(a) Current Accrued Benefits	$	679,058
(b) Future Benefit Accruals		186,403
(c) Total Active Benefits (a + b)	$	865,461
(2) Inactive Employees		
(a) Total Inactive Benefits	$	1,034,004
(3) Present Value of Total Benefits (1 + 2)	$	1,899,465

* Plan Fiduciary Net Position

Maine Public Employees Retirement System

Legislative Plan

Actuarial Balance Sheet for Group Life Insurance, June 30, 2020

ASSETS
(Present Value of Expected Income)

(1) Invested Assets		
(a) Members Contribution Fund	$	0
(b) Retirement Allowance Fund		16,994
(c) Total Invested Assets (a + b)*	$	16,994
(2) Future Contributions		
(a) Member Contributions	$	0
(b) Actuarial Costs		32,771
(c) Total Contribution Income (a + b)	$	32,771
(3) Present Value of Total Income (1 + 2)	$	49,765

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees		
(a) Current Accrued Benefits	$	0
(b) Future Benefit Accruals		0
(c) Total Active Benefits (a+b)	$	0
(2) Inactive Employees		
(a) Total Inactive Benefits	$	49,765
(3) Present Value of Total Benefits (1+2)	$	49,765

* Plan Fiduciary Net Position

STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX F

Selected Economic Information
with Respect to the State

Maine Population

Year	Population	Rank U.S.	Percent Change	Per Square Mile
2001	1,285,692	40	0.7%	41.7
2002	1,295,960	40	0.8%	42.0
2003	1,306,513	40	0.8%	42.4
2004	1,313,688	40	0.5%	42.6
2005	1,318,787	40	0.4%	42.8
2006	1,323,619	40	0.4%	42.9
2007	1,327,040	40	0.3%	43.0
2008	1,330,509	40	0.3%	43.1
2009	1,329,590	41	-0.1%	43.1
2010	1,327,629	41	-0.1%	43.0
2011	1,328,284	41	0.0%	43.1
2012	1,327,729	41	0.0%	43.0
2013	1,328,009	41	0.0%	43.1
2014	1,330,513	42	0.2%	43.1
2015	1,328,262	42	-0.2%	43.1
2016	1,331,317	42	0.2%	43.2
2017	1,334,612	42	0.3%	43.3
2018	1,339,057	42	0.3%	43.4
2019	1,344,212	42	0.4%	43.6

Source: U.S. Census Bureau

Personal Income and Earning by Industry in Maine, 2014-2019	2014	2015	2016	2017	2018	2019
Personal income (thousands of dollars)	$ 55,649,960	$ 57,941,776	$ 59,685,393	$ 62,145,822	$ 65,335,205	68,062,380
Earnings by place of work	36,478,217	37,948,573	38,962,283	40,552,683	42,412,182	44,510,871
Farm earnings	234,631	243,648	178,322	202,883	186,663	214,972
Nonfarm earnings	36,243,586	37,704,925	38,783,961	40,349,800	42,225,519	44,295,899
Forestry, fishing, and related activities	512,465	671,660	682,732	640,039	588,657	610,694
Mining, quarrying, and oil and gas extraction	15,698	16,798	17,370	22,611	21,859	21,426
Utilities	195,434	186,075	197,857	213,019	212,496	220,027
Construction	2,649,529	2,696,914	2,729,990	2,889,859	3,016,761	3,166,003
Manufacturing	3,494,120	3,613,503	3,601,046	3,744,735	3,888,884	4,080,906
Wholesale Trade	1,452,153	1,538,526	1,537,374	1,573,970	1,651,600	1,694,313
Retail Trade	2,826,733	2,947,265	2,985,158	3,100,429	3,211,144	3,364,710
Transportation and warehousing	989,708	1,035,751	1,054,572	1,105,414	1,108,202	1,171,618
Information	488,522	501,471	512,225	502,825	562,702	574,842
Finance and insurance	1,963,760	2,043,963	2,129,694	2,317,130	2,450,402	2,565,301
Real estate and rental and leasing	517,939	547,618	584,956	608,952	660,088	693,947
Professional, scientific, and technical services	2,474,723	2,622,574	2,689,304	2,876,090	3,107,106	3,320,614
Management of companies and enterprises	808,633	839,719	951,567	1,016,628	1,131,092	1,279,336
Administrative and support and waste management and remediation services	1,426,510	1,479,390	1,503,340	1,571,768	1,658,041	1,649,908
Educational services	749,770	759,392	788,260	808,202	858,199	912,760
Health care and social assistance	5,879,882	6,130,532	6,294,979	6,533,476	6,793,881	7,131,980
Arts, entertainment, and recreation	409,649	405,141	437,528	449,752	484,113	506,573
Accommodation and food services	1,463,208	1,563,065	1,692,484	1,839,799	1,966,591	2,064,646
Other services (except government and government enterprises)	1,338,613	1,389,571	1,425,992	1,463,178	1,547,375	1,609,767
Government and government enterprises	6,586,537	6,715,997	6,967,533	7,071,924	7,306,326	7,656,528

Bureau of Economic Analysis, last updated September 24, 2020.

Per Capita Personal Income
Maine, New England, and U.S.

	Per Capita Income			**Maine as a percent of**		**Annual Percent Increase**		
	U.S.	N.E	Maine	U.S.	N.E.	U.S.	N.E	Maine
2001	$31,589	$38,901	$28,885	91.4%	74.3%			
2002	31,832	38,916	29,641	93.1%	76.2%	0.8%	0.0%	2.6%
2003	32,681	39,693	30,837	94.4%	77.7%	2.7%	2.0%	4.0%
2004	34,251	41,747	32,256	94.2%	77.3%	4.8%	5.2%	4.6%
2005	35,849	43,534	32,946	91.9%	75.7%	4.7%	4.3%	2.1%
2006	38,114	46,636	34,514	90.6%	74.0%	6.3%	7.1%	4.8%
2007	39,844	49,086	35,686	89.6%	72.7%	4.5%	5.3%	3.4%
2008	40,904	51,026	37,054	90.6%	72.6%	2.7%	4.0%	3.8%
2009	39,284	50,133	37,055	94.3%	73.9%	-4.0%	-1.8%	0.0%
2010	40,547	52,094	37,910	93.5%	72.8%	3.2%	3.9%	2.3%
2011	42,739	54,105	39,468	92.3%	72.9%	5.4%	3.9%	4.1%
2012	44,605	55,761	40,287	90.3%	72.2%	4.4%	3.1%	2.1%
2013	44,860	55,440	40,170	89.5%	72.5%	0.6%	-0.6%	-0.3%
2014	47,071	57,892	41,826	88.9%	72.2%	4.9%	4.4%	4.1%
2015	49,019	60,563	43,622	89.0%	72.0%	4.1%	4.6%	4.3%
2016	50,015	62,293	44,832	89.6%	72.0%	2.0%	2.9%	2.8%
2017	52,118	64,549	46,565	89.3%	72.1%	4.2%	3.6%	3.9%
2018	54,606	67,507	48,792	89.4%	72.3%	4.8%	4.6%	4.8%
2019	56,490	69,754	50,634	89.6%	72.6%	3.5%	3.3%	3.8%

Bureau of Economic Analysis, last updated September 24, 2020

State Valuation of Taxable Real and Personal Property

January 1992	$68,471,100,000
January 1993	67,751,400,000
January 1994	66,565,660,000
January 1995	66,425,500,000
January 1996	67,102,925,900
January 1997	68,286,600,000
January 1998	69,691,900,000
January 1999	71,779,350,000
January 2000	74,260,000,000
January 2001	78,389,400,000
January 2002	84,874,550,000
January 2003	94,034,050,000
January 2004	104,219,950,000
January 2005	118,038,020,000
January 2006	133,628,600,000
January 2007	148,946,200,000
January 2008	162,732,200,000
January 2009	168,071,150,000
January 2010	170,336,350,000
January 2011	166,990,700,000
January 2012	163,424,200,000
January 2013	160,011,900,000
January 2014	158,661,600,000
January 2015	159,770,050,000
January 2016	162,950,100,000
January 2017	165,485,750,000
January 2018	169,799,900,000
January 2019	176,176,000,000
January 2020	185,896,400,000

Source: Maine Revenue Services – Property Tax Division.
The State valuation of taxable property is equal to 100% of value.
The State valuation filed in January of each year is based on the value of property as of April 1, 21 months prior to the filing date.

Selected Labor Market Information for Maine

Annual Avg. Not Seasonally Adjusted	2014	2015	2016	2017	2018	2019
Nonfarm Wage and Salary Employment	605,500	610,900	618,500	624,100	628,700	635,500
Manufacturing Employment	50,200	50,700	50,800	51,100	52,000	53,300
Nonmanufacturing Employment	555,300	560,200	567,700	573,000	576,700	582,200
Average Weekly Hours of Manufacturing Production	41.9	41.9	41.3	41.2	40.5	41.6
Average Hourly Earnings of Manufacturing Production	$20.55	$20.89	$21.28	$22.18	$22.48	$22.50
Unemployment Rate	5.6%	4.4%	3.8%	3.4%	3.4%	3.0%
Number Unemployed	39,125	29,967	26,168	23,669	23,524	20,980

Source: Maine Department of Labor, Center for Workforce Research & Information.

Civilian Labor Force
Employed and Unemployed by Labor Market Area, Not Seasonally Adjusted
October 2020

	Civilian Labor Force			Employment			Unemployment			Unemployment Rate		
LABOR MARKET AREA	Oct-20	Sep-20	Oct-19	Oct-20	Sep-20	Oct-19	Oct-20	Sep-20	Oct-19	Oct-20	Sep-20	Oct-19
Acton	4,430	4,451	4,554	4,200	4,200	4,447	230	251	107	5.2%	5.6%	2.3%
Augusta	41,071	41,332	40,109	39,381	39,376	39,218	1,690	1,956	891	4.1	4.7	2.2
Bangor	70,563	70,385	72,575	67,515	66,945	70,832	3,048	3,440	1,743	4.3	4.9	2.4
Belfast	13,877	13,927	13,982	13,240	13,195	13,639	637	732	343	4.6	5.3	2.5
Boothbay	3,060	3,228	3,335	2,890	3,033	3,262	170	195	73	5.6	6.0	2.2
Bridgton-Paris	13,622	13,753	13,952	12,814	12,824	13,597	808	929	355	5.9	6.8	2.5
Brunswick	34,456	34,628	34,563	33,050	32,988	33,836	1,406	1,640	727	4.1	4.7	2.1
Calais	5,076	5,028	5,002	4,757	4,672	4,790	319	356	212	6.3	7.1	4.2
Conway	3,678	3,691	3,843	3,440	3,442	3,751	238	249	92	6.5	6.7	2.4
Dover-Durham	10,979	11,021	11,890	10,394	10,385	11,651	585	636	239	5.3	5.8	2.0
Dover-Foxcroft	8,920	8,962	8,928	8,461	8,485	8,674	459	477	254	5.1	5.3	2.8
Ellsworth	27,765	28,346	29,488	26,565	26,968	28,836	1,200	1,378	652	4.3	4.9	2.2
Farmington	17,137	16,988	17,511	16,234	15,958	16,958	903	1,030	553	5.3	6.1	3.2
Houlton	7,183	7,229	7,143	6,812	6,812	6,896	371	417	247	5.2	5.8	3.5
Lewiston-Auburn	54,964	55,371	56,434	52,216	52,133	55,030	2,748	3,238	1,404	5.0	5.8	2.5
Lincoln	2,830	2,794	2,803	2,662	2,615	2,683	168	179	120	5.9	6.4	4.3
Machias	7,641	7,354	7,608	7,289	6,956	7,414	352	398	194	4.6	5.4	2.5
Madawaska	2,576	2,592	2,576	2,474	2,480	2,500	102	112	76	4.0	4.3	3.0
Millinocket	3,415	3,435	3,415	3,200	3,182	3,274	215	253	141	6.3	7.4	4.1
Pittsfield	6,614	6,594	6,563	6,180	6,133	6,330	434	461	233	6.6	7.0	3.6
Portland-South Portland	203,679	205,094	211,155	194,139	193,865	206,781	9,540	11,229	4,374	4.7	5.5	2.1
Portsmouth	16,220	16,412	17,301	15,447	15,558	16,985	773	854	316	4.8	5.2	1.8
Presque Isle	20,772	20,651	20,808	19,817	19,535	20,044	955	1,116	764	4.6	5.4	3.7
Rockland-Camden	20,081	20,243	20,525	19,203	19,224	20,084	878	1,019	441	4.4	5.0	2.1
Rumford	7,932	7,945	8,053	7,361	7,253	7,766	571	692	287	7.2	8.7	3.6
Sanford	11,749	11,907	11,919	11,084	11,160	11,609	665	747	310	5.7	6.3	2.6
Skowhegan	13,068	13,205	13,415	12,324	12,369	12,947	744	836	468	5.7	6.3	3.5
Waldoboro	8,766	8,840	9,051	8,412	8,430	8,851	354	410	200	4.0	4.6	2.2
Waterville	23,016	23,162	22,881	21,973	21,987	22,247	1,043	1,175	634	4.5	5.1	2.8
Wells	8,670	8,899	9,164	8,228	8,412	8,978	442	487	186	5.1	5.5	2.0
MAINE	679,139	682,807	695,929	646,844	645,646	679,180	32,295	37,161	16,749	4.8	5.4	2.4
UNITED STATES (000)	161,053	160,073	164,576	150,433	147,796	159,067	10,620	12,277	5,510	6.6	7.7	3.3

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