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# INTRODUCTORY SECTION

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

SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

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December 14, 2022

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

We are pleased to present the State of Maine's Fiscal Year 2022 Annual Comprehensive Financial Report (ACFR) prepared in accordance with Generally Accepted Accounting Principles (GAAP). The annual ACFR, required by Title 5 MRSA § 1547, is compiled and published by the Office of the State Controller (OSC). The report is the primary means of reporting the State's financial activities. The objective of this report is to provide a clear picture of our government as a single, unified entity, as well as providing traditional fund based financial statements.

## **INTRODUCTION TO THE REPORT**

### **Responsibility**

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

### **Adherence to Generally Accepted Accounting Principles**

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

### **Format of Report**

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

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

### **Internal Control Structure**

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

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

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

### **Independent Auditors**

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

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

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

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

## **PROFILE OF THE GOVERNMENT**

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

### **Reporting Entity**

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

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

### **Budgetary Control**

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

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

The total General Fund appropriation for each fiscal year of the biennium in the Governor's budget submission to the Legislature may not exceed the General Fund appropriation of the previous fiscal year multiplied by one plus the average real personal income growth rate, as defined in Title 5 MRSA § 1665, subsection 1. This appropriation

limitation may be exceeded only by the amount of the additional costs or the lost federal revenue from the following exceptional circumstances: unfunded or under-funded new federal mandates; losses in federal revenues or other revenue sources; citizens' initiatives or referenda that require increased State spending; court orders or decrees that require additional State resources to comply with the orders or decrees; and sudden or significant increases in demand for existing State services that are not the result of legislative changes that increased eligibility or increased benefits. The Governor may designate exceptional circumstances that are not explicitly defined, but meet the intent of this statute. "Exceptional circumstances" means an unforeseen condition or conditions over which the Governor and the Legislature have little or no control. Exceptional circumstances do not apply to new programs or program expansions that go beyond existing program criteria and operation.

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

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

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

### **Maine Budget Stabilization Fund**

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

Balances in the fund do not lapse; but carry forward each year. The money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. In addition to interest earnings, the fund is capitalized at the close of each fiscal year. In fiscal year 2022 a net \$404.1 million was transferred into the fund, resulting in an ending balance of \$896 million.

## MAJOR INITIATIVES AND FUTURE PROJECTS

### **Fiscal Stability**

Maine maintained strong fiscal footing throughout fiscal year 2022. Monthly General Fund revenues consistently exceeded projections. Expenditures ran under budget in part due to pandemic-induced supply chain issues and workforce shortages. The Governor and Legislature made wise, bipartisan decisions to continue managing State government in a fiscally sound manner, including investing federal COVID-19 funds strategically and appropriately. Surplus revenues were directed toward bolstering the State's savings, providing relief to those most impacted by the pandemic, and addressing other critical issues facing the State.

The unprecedented federal fiscal and monetary policies and Maine's fiscally prudent efforts significantly impacted Maine's economy, raising the volume and mix of economic activity, which in turn increased revenues to unexpected levels. Under Governor Mills' leadership, Maine's GDP growth over the past four years is 6th best in the nation and the unemployment rate has dropped to 3.3 percent – tied with the New England average and just below the U.S. average. Currently, Maine's economy, as measured by GDP, has surpassed pre-pandemic levels, our impressive bond ratings have been upheld by Moody's and S+P, State government is in the black, and the State's Budget Stabilization Fund is at its highest level ever.

The December 2021 and March 2022 revenue forecasts both revised General Fund estimates upward for fiscal years 2022 and 2023 by substantial margins with all the major revenue lines showing increases. In the December 2021 forecast, projected revenues were increased by \$443.2 million for fiscal year 2022 and \$822.2 million for the 2022-2023 biennium overall. The March 2022 forecast revised General Fund revenue estimates upward by another \$234.9 million for fiscal year 2022 and \$411.7 million for the biennium overall.

The fiscal year 2022-2023 General Fund supplemental budget enacted in April 2022, Public Law 2021 Chapter 635, included net appropriations of about \$172 million for the biennium with a reduction of about \$90.6 million in fiscal year 2022. The reduction primarily resulted from a one-time de-appropriation to capture freed up General Fund dollars from the enhanced Federal Medical Assistance Percentage (FMAP) rate states have been receiving during the COVID-19 public health emergency. The enacted appropriations were a mix of one-time and ongoing impacts. One-time appropriations included support for higher education, career and technical education materials and supplies, child welfare, hospitals, nursing homes, long-term care facilities, and emergency housing assistance. Ongoing appropriations supported childcare workers and early childhood educators, universal free meals in public schools, behavioral health, in-home and community services, and increased wages for direct support workers and professionals under the MaineCare program.

The supplemental budget also included one-time transfers of \$892.5 million in fiscal year 2022 and \$40.8 million in fiscal year 2023 from General Fund unappropriated revenue to Other Special Revenue accounts in agencies for a variety of one-time purposes intended to address critical needs and other priorities for the Administration. These purposes included \$729.3 million for one-time \$850 checks sent directly to an estimated 858,000 Maine people to assist with pandemic related costs, including inflation. Other General Fund transfers in fiscal years 2022 and 2023 were directed to: highway and bridge projects, efforts to address PFAS contamination, cost of living payments for retired teachers and State employees, electric vehicle incentives, a two years of free community college pilot, and an affordable housing voucher program.

Finally, Public Law 2021 Chapter 635 contained several tax relief measures, primarily impacting fiscal year 2023 revenue. These included: increasing the value of the Earned Income Tax Credit and the maximum benefit under the Property Tax Fairness Credit, which were continuations of measures enacted in Public Law 2021 Chapter 398;

an overhaul to the Education Opportunity Tax Credit to transform it into a powerful, nation-leading tool to retire student debt for graduates and help employers to draw people from all walks of life to work and live in the State of Maine; and a provision to increase the amount of retirement pension exempt from state income tax up to \$35,000. Language establishing transfers to MaineDOT and a new Education Stabilization Fund as priorities for fiscal year 2022 General Fund resources distributed through the “cascade” was also enacted.

Actual General Fund revenues over the course of fiscal year 2022 consistently exceeded projections and at year end revenues that exceeded budget were distributed in accordance with statute. Distributions via the “cascade” included transfers of \$35 million to the Highway and Bridge Reserve account, \$15 million to the newly created Education Stabilization Fund, \$2.5 million to the Reserve for Operating Capital, just over \$100 million to MaineDOT for Highway and Bridge Capital and nearly \$402 million to the Budget Stabilization Fund. At the end of the fiscal year, there was a General Fund unappropriated balance of about \$33.6 million and the balance in the Budget Stabilization Fund was nearly \$896 million. The budgeted General Fund unappropriated balance for the end of the 2022-2023 biennium is currently projected at \$34.5 million.

Both the December 2021 and March 2022 revenue forecasts also increased Highway Fund revenues by modest margins for a total upward revision of \$5.4 million for fiscal year 2022 and \$8.1 million for the 2022-2023 biennium overall. The Highway Fund changes in both forecasts were largely the result of projected increases in motor vehicle registrations and fees and other Highway Fund revenue lines with motor fuel tax lines unchanged. The enacted 2022-2023 Highway Fund supplemental budget included net allocations of about \$721,000 in fiscal year 2022 and about \$6.2 million for the biennium overall. Actual Highway Fund revenues for fiscal year 2022 exceeded budgeted projections and the Highway Fund had a projected unallocated balance of approximately \$21 million at the end of fiscal year 2022 with a projected balance of about \$1.4 million at the end of the biennium.

### **American Rescue Plan Act**

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), signed into law on March 27, 2020, provided \$1.25 billion in Coronavirus Relief Funds (CRF) to the State of Maine. Subsequently, the President signed the American Rescue Plan Act of 2021 (ARPA) on March 11, 2021, which provided \$997.5 million in Coronavirus State Fiscal Recovery Funds (SFRF) to the State of Maine.

In June and July of 2021, the Legislature enacted, and the Governor signed into law, Public Law 2021 Chapter 78 and Chapter 483, which allocates \$997 million of the State’s discretionary ARPA funding. This effort, known as the Maine Jobs and Recovery Plan (MJRP), includes 114 projects across 23 State entities.

The MJRP draws heavily on recommendations from the Governor’s Economic Recovery Committee and the State’s 10-Year Economic Development Strategy, transforming them into real action to improve the lives of Maine people and strengthen the economy. Governor Mills has specifically honed in on strategic investments to relieve the significant toll of the COVID-19 pandemic on Maine’s people, communities, and economy, while addressing known, systemic challenges that have constrained the State’s ability to grow and thrive, broadly divided into three categories: immediate economic recovery from the pandemic; long-term economic growth for Maine; and infrastructure revitalization. The Governor’s Jobs Plan was approved by the Legislature on July 19, 2021 and went into effect on Oct. 18, 2021. This made Maine one of the first four states in the nation and the first in New England to commit 100% of its State Fiscal Recovery Funds from the American Rescue Plan Act.

The MJRP included three initiatives to support the economic recovery of Maine’s heritage industries – forestry, fishing and farming – from impacts due to the COVID\_19 pandemic. Over \$40 million in economic recovery funds was awarded to 391 business in these heritage sectors across all 16 counties in Maine. Through the MJRP funding,

in just over one year, the State has provided health insurance premium support to 5,700 small businesses and 27,900 employees covering 44,500 lives, funded 286 PreK student slots and converted 123 existing PreK slots from part day/part week to full day/full week through first round of PreK infrastructure grants, and enabled Maine's community colleges to enroll 1,000+ students into free and low-cost training programs, with 206 courses planned or underway. The Jobs Plan is providing grant funds to help communities address critical infrastructure with more than \$54 million funding 111 drinking water, sewer, septic system, and infrastructure climate adaptation grants awarded across 75 communities.

In the year since the Jobs Plan took effect, the Mills Administration has delivered direct economic relief to nearly 1,000 Maine small businesses, supported more than 100 infrastructure projects around the state to create jobs and revitalize communities, and invested in workforce programs estimated to offer apprenticeship, career and education advancement, and job training opportunities to 22,000 Maine people.

As of November 8, 2022, of the more than 142 business cases (across 114 initiatives), 135 have been fully approved through a two-part process that confirms federal eligibility, reporting parameters, and metric structure. This represents a total of approximately \$974 million in Federal funds deployed or ready to be deployed into Maine's economy. At the end of October 2022, more than half of all funds (~55%) have now been obligated or spent.

Maine was highlighted by the non-partisan Center on Budget and Policy Priorities as a national leader in deploying American Rescue Plan recovery funds towards talent, jobs, and innovation. The report ranked Maine in the top three states for share of funds allocated towards workforce development, higher education, and business assistance. The White House has also cited three of Maine's initiatives in describing American Rescue Plan workforce best practices and the US Department of Treasury, the federal agency charged with overseeing the American Rescue Plan Act, recognized Maine as the lead example of a state investing in job training with federal recovery funds.

### **Liquidity and Reserves**

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

During FY 2022, \$401.9 million was transferred into the Budget Stabilization Fund (BSF) from General Fund Unappropriated Surplus and an additional \$2.5 million of interest earnings was deposited into the fund. The final balance in the BSF on June 30, 2022 was \$896.0 million. The total BSF balance represents 16.6% of the State's 2022 fiscal year General Fund revenue.

### **Stress-Testing State Revenues**

The 2022 Stress-Test Report was issued after historic fiscal and monetary stimulus implemented by Congress and the Federal Reserve in the months immediately after the start of the pandemic have led to unprecedented revenue growth in FY 2021 and FY 2022 and a BSF at 16.6% of FY 2022 revenue. The report provides policymakers with the estimated impact of a moderate and severe recession on sales and individual income tax revenues, and the sufficiency and needs of the BSF in each of the recession scenarios.

The two forecasting groups concluded that the current BSF of \$896 million is sufficient to fully offset the revenue shortfalls estimated as the result of a moderate recession assuming certain individual income tax conformity provisions to the 2017 federal TCJA expire as provided under current law. If those federal provisions are extended beyond 2027 and the state conforms to those extensions, the BSF is sufficient to meet the FY 2023 – FY 2025 spending limits and comes within \$21 million of meeting the FY 2026 spending limit. A BSF at its current maximum



of 18% of FY 2022 revenue (\$970.5 million) would provide enough resource to meet the state's spending limit through FY 2026 but continue to leave a revenue shortfall of \$150 million in FY 2027.

While the BSF at its current level or at its statutory cap would not be sufficient to fully offset a revenue shortfall because of a severe recession, it would provide enough resource to maintain spending at the spending limit in FY 2023 and FY 2024, providing approximately 15 months for the Governor and Legislature to bring the budget into balance.

### **Education**

Increased General Fund appropriations to General Purpose Aid for Local Education enacted in the 2022-2023 biennial budget, Public Law 2021 Chapter 29 and Chapter 398, enabled the State to make a historic investment in Maine public schools and keep a promise from the Governor. Beginning in FY 2022, for the first time in the State's history, the State met its statutory obligation to pay 55 percent of the cost of K-12 education. Public Law 2021 Chapter 398 also provided a 3 percent baseline increase to the University of Maine System, the Maine Community College System, and Maine Maritime Academy.

Public Law 2021 Chapter 635, the 2022-2023 General Fund supplemental budget, maintained funding for K-12 education at 55% and directed \$15 million of year-end unappropriated surplus to a new Education Stabilization Fund to help maintain that funding commitment into the future. Additionally, it included ongoing appropriations to fully fund universal free meals for students in public schools and support increased pay for childcare workers and early childhood educators to strengthen Maine's childcare system. This was in addition to the significant investments the Maine Jobs & Recovery Plan makes in expanding childcare and Pre-K education.

The supplemental budget also included several one-time initiatives to tackle Maine's workforce shortage and improve opportunities for Maine students. Twenty million in one-time General Fund dollars was dedicated to providing up to two years of free community college for all students from the high school graduating classes of 2020, 2021, 2022 and 2023 who enroll in a Maine community college full-time. Additionally, nearly \$8 million in one-time General Fund dollars was directed to the University of Maine System to help keep tuition flat for in-state students and an additional \$7.5 million provides ongoing debt service for the University System to invest in updating and renovating its campus buildings. The supplemental budget also provided one-time General Fund dollars to offset cost increases of career and technical education materials and supplies and included provisions to overhaul the Education Opportunity Credit to provide an annual \$2,500, up to \$25,000 lifetime maximum, refundable tax credit benefit for student loan debt relief.

Although schools reopened in the fall of 2020, remote learning continued to be critical to the hybrid learning models being utilized as schools continue to respond to the impacts of the COVID-19 pandemic during fiscal year 2022. Federal funding associated with Covid-19 continued to be used to support schools in a variety of ways, including but not limited to personal protective equipment (PPE), facility reconfigurations, air system upgrades, additional transportation and teacher costs, COVID-19 testing for students and staff, and supporting teacher training and knowledge in remote learning techniques.

### **Healthcare**

The biennial and supplemental budgets for fiscal years 2022 and 2023 (Public Law 2021 Chapter 29, Chapter 398 and Chapter 635) provided funding for numerous healthcare initiatives that include but are not limited to: one-time support for hospitals, nursing facilities and private non-medical institutions in responding to the pandemic; rate increases and related cost-of-living adjustments for a broad spectrum of Medicaid providers and services; investments in the State's public health capacity; provision of a full adult dental benefit for low-income Mainers;

wage increases for direct care workers; additional support for in-home and community services for older adults, healthcare benefits for children who would be eligible for federal benefits but for their immigration status, and expansion of the Children’s Health Insurance Program to provide comprehensive coverage to an additional 40,000 Maine kids. Substantial one-time reductions related to the pandemic-related enhanced FMAP rate were also included.

Additional funded efforts included DHHS’ continued work to improve the child welfare system and transform the system of services for people with behavioral health challenges. Nearly \$130 million in behavioral health system investments were made as part of the biennial and supplemental budgets to support prevention, early intervention, harm reduction, all levels of treatment, crisis care, and recovery assistance. The supplemental budget also provided \$22 million in one-time General Fund dollars to create an Emergency Housing Relief Fund at MaineHousing to help address homelessness with emergency housing assistance.

In addition to expanding access to MaineCare for more than 90,000 Maine people, Governor Mills’ Made for Maine Health Coverage Act authorized the Department of Health and Human Services to run a State-based Health Insurance Marketplace as part of a larger plan to improve private health insurance for Maine people and small businesses. The State-Based Marketplace is central to the Administration’s work to improve access to affordable health care. Open enrollment in the [CoverME.gov](https://www.coverme.gov) Marketplace began on November 1, 2021 giving Maine people better access to affordable health insurance options.

Combatting the opioid epidemic in Maine has remained another of the Governor’s top health-related priorities and efforts to address this continuing crisis are also supported by both federal and State funds. Recent efforts include increasing reimbursement rates for residential substance use disorder treatment and extending a key employment program for Maine people affected by the opioid crisis. The new reimbursement rates were funded through the 2022 – 2023 “Part II” biennial budget and were approved by the U.S. Centers for Medicare and Medicaid Services. The new rates took effect Nov. 1, 2021. Additionally, the Maine Department of Labor extended its Connecting with Opportunities Initiative, a program for Maine people affected by the opioid epidemic to receive education, skills training, and job search assistance through the end of 2022. The Initiative also prepares Maine people for careers in fields that directly treat substance use disorders, such as counseling, addiction treatment, and mental health care. Finally, the Administration’s OPTIONS program has placed liaisons around the State to connect people who have overdosed to recovery services and treatment, promote drug prevention and harm reduction strategies, and distribute naloxone, the lifesaving overdose medication. One of the Governor’s highest priorities continues to be mitigating the public health impacts of the COVID-19 pandemic to ensure the safety of Mainers. Substantial federal funds have supplemented State funds committed to prevention and response efforts, as well as financial supports for healthcare providers intended to address impacts from the pandemic. Compared to other states, Maine has one of the strongest and most effective nationwide responses to the pandemic and has had a nation-leading vaccination rate.

### **Transportation**

MaineDOT traditionally receives its funding from the State Highway Fund, the TransCap Trust Fund, federal funds, proceeds from authorized bond sales, and other sources. MaineDOT released a \$3.17 billion work plan for all MaineDOT work activities for calendar years 2022 through 2024. The work plan consists of \$2.2 billion in capital work over three years with \$1.8 billion for highway and bridge projects and \$424 million for multi-modal projects.

The State continues to experience a persistent and growing gap between projected Highway Fund revenues and the funds needed for Maine’s transportation infrastructure. Allocations to MaineDOT in recent budgets reflect this challenge. About \$8 million in reductions of Highway Fund FY 2022 and FY 2023 allocations to MaineDOT

programs were contained in the enacted biennial budget, Public Law 2021 Chapter 224. These were primarily associated with adjusting for actual employee benefit costs and managing position vacancies and administrative costs within available resources. The 2022-2023 supplemental budget, Public Law 2021 Chapter 537, increased Highway Fund allocations to MaineDOT by about \$3.2 million for the biennium, nearly all of which was allocated for FY 2023. MaineDOT has also directed additional federal COVID funding available for FY 2022 and FY 2023 to its Highway and Bridge Capital and Highway Light Capital programs.

Notably, the General Fund 2022-2023 biennial and supplemental budgets included measures to direct General Funds to MaineDOT's highway and bridge projects. Consistent with the Governor's recommendations, the bills enacted by the Legislature authorized a one-time transfer of \$50 million from FY 2021 General Fund unappropriated surplus to MaineDOT for use in FY 2022 and \$85 million from FY 2022 surplus to use in FY 2023. Additionally, Public Law 2021 Chapter 398 amended statute regarding the required year-end distributions of any General Fund revenue that exceeds budget. Beginning with FY 2021, 20% of the excess General Fund remaining after certain other priority transfers is transferred to MaineDOT for highway and bridge projects. MaineDOT received about \$56 million from the "cascade" at the end of FY 2021 and about \$100 million at the end of FY 2022. Additionally, the law provides that if the Budget Stabilization Fund is at its statutory limit, then the funds that would normally flow to it are transferred to MaineDOT instead.

### **Property Tax Relief**

Public Law 2021 Chapter 398 raised municipal revenue sharing to 4.5% in FY 2022 and then fully restored revenue sharing to its statutorily required 5% level in FY 2023. Revenue sharing has increased every year since the Governor took office, improving from 2 percent to 3 percent in Fiscal Year 2020, to 3.75 percent in Fiscal Year 2021, to 4.5 percent in Fiscal Year 2022, and now to the full 5 percent in Fiscal Year 2023. The Department of Administrative and Financial Services estimates revenue sharing at 5 percent to be \$233,372,787 for Fiscal Year 2023. For comparison, revenue sharing at 2 percent would have delivered only \$93,349,115 to municipalities, a difference of more than \$140 million. Chapter 398 also maintained the reimbursement to municipalities for the Homestead Property Tax Exemption at 70% in FY 2022 and increases the reimbursement by 3% each year thereafter until it reaches 100%.

The biennial budget and the 2022-2023 supplemental budget also included provisions that increased the amount of the Property Tax Fairness Credit and expanded eligibility for the credit. For tax years beginning on or after January 1, 2022, resident individuals whose benefit base exceeds 4% of their income can receive a credit up to \$1,000 if under 65 years of age, or \$1,500 if 65 years of age or older.

The increases in revenue sharing rates, Homestead reimbursement and Property Tax Fairness credit, along with increasing the funding level for the total cost of K-12 education to 55%, are intended to help mitigate property tax increases at the local level.

### **Looking to the Future**

Forward looking planning and policy for Maine's future remain among the Governor's top priorities. The Governor's recommended budgets consistently allocate funding for Maine's long-term planning and coordination efforts across state government. Additionally, the Governor's Maine Jobs & Recovery Plan, approved by the Legislature and supported by the Governor's Office of Policy Innovation and the Future and the Department of Administration and Financial Services, invests nearly \$1 billion in federal American Rescue Plan funds to achieve three goals: immediate economic recovery from the pandemic; long-term economic growth for Maine; and infrastructure revitalization. As previously described, these investments are already working to address known, systemic challenges that have constrained Maine's ability to thrive, with priority focus on expanding Maine's

workforce. After more than one year of implementation, Maine is among the leading states in the country in successfully deploying these funds to benefit economic recovery, workforce challenges, and infrastructure projects.

The Governor's Office of Policy Innovation and the Future (GOPIF), in partnership with the Governor's Energy Office, plays a critical role in efforts to identify Maine's long-term challenges, develop goals and strategies, and then helps coordinate the ongoing work between State agencies to achieve them. Areas of focus include climate change and energy issues, children's policy, housing, and economic issues like federal funds management and workforce development. Notable activities on these fronts include, but are not limited to:

- Maine Won't Wait, a four-year Climate Action Plan: On December 1, 2020, the Maine Climate Council released a four-year Climate Action Plan entitled Maine Won't Wait. The plan's strategies are already underway and supporting Maine's legal requirement to decrease greenhouse gas emissions by 45% by 2030 and 80% by 2050 and achieve carbon neutrality by 2045. The climate plan was recognized in 2022 by the American Planning Association as the among the best state planning efforts in the country. Since its release, significant and sustained investments, capitalized by state funds and new federal programs, are already underway to implement strategies of the state's Climate Action Plan. Targeted programs and efforts have been made to reduce emissions and improve efficiency in buildings including the most successful heat pump deployment program in the country; efforts to reduce emissions in transportation sector through EV charging infrastructure and vehicle incentives and new public transportation programs; and through continued clean energy development and deployment which is proceeding at a record pace. In addition, a new state program, the Community Resilience Partnership, has been launched to support regional, municipal and tribal efforts to reduce emissions, understand community vulnerabilities, and plan for adaptation to climate impacts. Already more than 100 Maine communities are engaged in the program and doing the essential work to plan for and act in response to climate changes.
- Governor's Bipartisan Infrastructure Law Coordinating Committee: Governor Mills signed an executive order on April 25, 2022, to mobilize a cross-agency effort to coordinate federal Bipartisan Infrastructure Law funds and opportunities among state agencies, municipalities, tribal governments and other entities. Staff from the Governor's Office and the Governor's Office of Policy Innovation and the Future coordinate this work as State agencies pursue opportunities through an Infrastructure Implementation Committee and a Resilience Working Group. While many of the 375 programs outlined in the BIL legislation are continuing to take their final form at the federal level, it is estimated that Maine will receive close to \$2.5 billion in formula funding alone and will have opportunities to compete for extensive additional grants. The Mills Administration is committed to ensuring Maine people and communities receive the greatest possible benefit from the initiatives included in the Bipartisan Infrastructure Law. Members of the Committee include leadership and staff from the Departments of Transportation, Environmental Protection, Economic and Community Development, Health and Human Services, Administration and Financial Services as well as the Maine Connectivity Authority and the Governor's Energy Office. The Resilience Working Group also includes State natural resource agencies and Maine Emergency Management Agency. GOPIF has engaged additional support to ensure communities and state agencies are aware of upcoming competitive funds and staff are providing targeted grant-writing support for high priority projects.
- Aging Cabinet: Governor Mills created the Cabinet on Aging in 2022 by executive order. The new Governor's Cabinet comes at a time when Maine's median age makes it the oldest state in the nation, with tens of thousands of people expected to retire in the coming years, removing them from the state's workforce and increasing demand for aging-related services. The Cabinet on Aging will help Maine prepare for and address these demographic changes by advancing policies that will support Maine people in aging

safely, affordably, and in ways and settings that best serve their needs. The Cabinet is bringing together State government agencies to coordinate and advance work on issues such as affordable housing and long-term services and supports; community engagement and planning; financial security and protection against fraud; access to information, broadband, and services; and engagement and employment in Maine's growing economy.

- Maine Offshore Wind Initiative - Harnessing the wind resources off the coast of Maine is seen as key for achieving the State's goal of using 100 percent renewable energy by 2050. In 2019, Governor Mills created the Maine Offshore Wind Initiative, a multi-faceted approach to pursue a thoughtful, responsible path for offshore wind. Elements of the initiative include a comprehensive economic plan for an offshore wind industry in Maine, the Maine Offshore Wind Roadmap; the research array for floating offshore wind; a study of port infrastructure to support offshore wind focusing on Searsport; regional collaboration through the Gulf of Maine Task Force; and forging offshore wind research and development partnerships. Recently, the Mills Administration applied to the federal government to lease a 15.2-square-mile area in the Gulf of Maine for the nation's first research site in federal waters for floating offshore wind. On this site, which is nearly 30 miles offshore, the State hopes to deploy a small-scale research array of 12 or fewer wind turbines on innovative floating hulls designed at the University of Maine. This project will advance UMaine's patented technology and will foster leading research into how floating offshore wind interacts with Maine's marine environment, fishing industry, shipping and navigation routes, and more.
- Housing Policy: With a new senior level policy leader, GOPIF is supporting the urgent need to increase the supply of housing across the state for multiple household income levels through policy, coordination, and through new funding programs, including Maine Jobs & Recovery Funds. With key partnerships with Maine Housing, a new DECD Housing Opportunity Program, other state government municipal planning efforts, and with state lawmakers, unprecedented state and federal funds are being allocated to address short and long-term housing needs and additional resources and policies will continue to be pursued.
- Children's Cabinet: The Children's Cabinet's strategic plans lay out two overarching goals that all Maine children enter kindergarten prepared to succeed and all Maine youth enter adulthood healthy, connected to the workforce and/or education. Despite the impacts of the pandemic, the Mills Administration, led by the Children's Cabinet have continued to make significant progress toward those goals including targeting State government resources on several efforts. Governor Mills sees quality early childcare and education as critical to the healthy development of young children and to the long-term growth of Maine's economy and supports investments in Maine's childcare infrastructure to increase the availability and quality of childcare, especially in underserved communities in rural Maine. With significant new funding from the Maine Jobs & Recovery Plan, state funds, and other ARPA response funds, significant additional resources have been allocated to stabilize the childcare system staff and providers, to support the expansion of childcare infrastructure and Pre-K programs, and additional funds have been invested in career exploration programs for Maine youth.

## OTHER INFORMATION

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the State of Maine for its annual comprehensive financial report for the fiscal year ended June 30, 2021. This is the fifteenth consecutive year that Maine has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily

readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

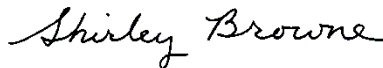
State government continues to have many accomplishments of which it can be proud. Consistent with the vision of Governor Mills to improve and enhance the fiscal administration of governmental operations, the Office of the State Controller continues to improve and refine its skills to meet the challenges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

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

Sincerely,



Douglas E. Cotnoir, CPA, CIA  
State Controller



Shirley A. Browne, CIA  
Deputy State Controller



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



# STATE OF MAINE

## OFFICIALS OF STATE GOVERNMENT

AS OF JUNE 30, 2022

### EXECUTIVE

**Janet T. Mills**, *Governor*

### LEGISLATIVE

**Troy D. Jackson**, *President of the Senate*

**Ryan M. Fecteau**, *Speaker of the House*

#### Constitutional/Statutory Officers

**Aaron Frey**, *Attorney General*

**Matthew Dunlap**, *State Auditor*

**Shenna Bellows**, *Secretary of State*

**Henry Beck**, *State Treasurer*

### JUDICIAL

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



# STATE OF MAINE ORGANIZATION CHART AS OF JUNE 30, 2022

## MAINE VOTERS

### LEGISLATIVE BRANCH

Senate  
House of Representatives  
Legislative Council  
Office of Fiscal and Program Review  
Legislative Information Office  
Office of Policy and Legal Analysis  
Office of the Revisor of Statutes  
Maine-Canadian Legislative Advisory Commission  
State House and Capitol Park Commission  
Office of Executive Director of the Legislative Council  
Commission on Interstate Cooperation  
Commission on Uniform State Laws  
Office of Program Evaluation and Gov't Accountability

### EXECUTIVE BRANCH

Governor  
Office of the Governor  
Governor's Board on Executive Clemency  
Judicial Nominations Advisory Committee  
Office of Public Advocate  
Land for Maine's Future Board

The Governor  
appoints all  
Judicial Officers

### JUDICIAL BRANCH

Supreme Judicial Court  
Superior Court  
District Court  
Court Alternative Dispute Resolution Service  
Administrative Office of the Courts  
Committee on Judicial Responsibility and Disability  
Board of Bar Examiners  
Board of Overseers of the Bar  
State Court Library Committee

### CONSTITUTIONAL OFFICERS

Secretary of State  
State Treasurer  
State Attorney General

### STATUTORY OFFICER

State Auditor

### CABINET LEVEL DEPARTMENTS

Administrative and Financial Services  
Agriculture, Conservation and Forestry  
Corrections  
Defense, Veterans and Emergency Management  
Economic and Community Development  
Education  
Environmental Protection  
Governor's Office of Policy and Management  
Health and Human Services  
Inland Fisheries and Wildlife  
Labor  
Marine Resources  
Professional and Financial Regulation  
Public Safety  
Transportation

### MISCELLANEOUS BOARDS & COMMISSIONS

Human Rights Commission  
Maine Arts Commission  
Maine Historic Preservation Commission  
Public Utilities Commission  
State Liquor & Lottery Commission  
Workers' Compensation Board

### MAJOR COMPONENT UNITS

Finance Authority of Maine  
Maine Community College System  
Maine Health and Higher Education Facilities Authority  
Maine Municipal Bond Bank  
Maine Public Employees Retirement System  
Maine State Housing Authority  
Maine Turnpike Authority  
University of Maine System





Government Finance Officers Association

Certificate of  
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for Excellence  
in Financial  
Reporting

Presented to

**State of Maine**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morrill*

Executive Director/CEO

