
INTRODUCTORY SECTION



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

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December 17, 2024

**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 2024 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 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.

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 2024 a net \$0.0 million was transferred into the fund, resulting in an ending balance of \$968.3 million.

MAJOR INITIATIVES AND FUTURE PROJECTS

Fiscal Stability

Maine maintained strong fiscal footing throughout fiscal year 2024. Monthly General Fund revenues consistently exceeded projections. 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 remained steady - comparable with the New England and U.S. averages, while the unemployment rate has been consistently below 3 percent. 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 was \$968.3 million.

The December 2023 and March 2024 revenue forecasts both revised General Fund estimates upward for fiscal year 2024. In the December 2023 forecast, projected revenues were increased by \$139.3 million for fiscal year 2024. The March 2024 forecast revised General Fund revenue estimates upward by another \$82.3 million for fiscal year 2024. The December and March reports also reflected a combined upward adjustment of General Fund revenues for the 2024-2025 biennium of \$341.5 million, composed of an adjustment upward of \$221.7 million in fiscal year 2024 and an adjustment upward of \$119.8 million in fiscal year 2025.

The fiscal year 2024-2025 General Fund supplemental budget, Public Law 2023 Chapter 643, increased appropriations by \$127.4 million for the biennium with no impact in fiscal year 2024. The primary reason General Fund appropriations were not impacted in fiscal year 2024 was because the law was not enacted as an emergency; thereby delaying the effective date of the law to August 2024 in fiscal year 2025. The enacted appropriations were a mix of one-time and ongoing impacts. The increased appropriations included support for the MaineCare program as a result of the FMAP reduction and a revenue reduction due to the elimination of health care services from the Service Provider Tax, a preschool education program, child welfare workers, hospitals, nursing homes, long-term care facilities, 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 net one-time transfers of \$242.5 million in fiscal year 2025 from General Fund unappropriated surplus 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. Approximately \$76 million was transferred to Maine State Housing Authority in support of programs to address the critical shortage of Maine housing, particularly for low-income residents. Other General Fund transfers were directed to support: the Child Development Services Program; services in response to the Lewiston mass shooting; restoration of State parks, historic sites and public lands due to storm damage; increases to components of Nursing Facility rates; and, funding set-asides in the Education Stabilization Fund, the MaineCare Stabilization Fund and the Disaster Recovery Fund.

Actual General Fund revenues over the course of fiscal year 2024 consistently exceeded projections and at year-end revenues that exceeded budget were distributed in accordance with statute. Distributions via the "cascade" included transfers of \$110,677 to the Governor's Contingent Account, \$1 million to the Finance Authority of Maine, Loan Insurance Reserve, \$2 million to the Retiree Health Insurance, \$2.5 million to the Reserve for Operating Capital, \$12.9 million to the Maine Child Care Affordability Program and \$74.9 million to MaineDOT for Highway and Bridge Capital. At the end of the fiscal year, there was a General Fund unappropriated surplus of about \$321.7 million and the balance in the Budget Stabilization Fund was \$968.3 million.

Both the December 2023 and March 2024 revenue forecasts also increased Highway Fund revenues by modest margins for a total upward revision of \$9.4 million for fiscal year 2024. The Highway Fund changes in both forecasts were largely the result of decreases in overall motor fuels revenue partially offset by forecasted increases in motor vehicle registration and fees including increases in the estimates for the new liquor operations fund transfer and in the estimate for the automotive sales tax transfer from the General Fund. The enacted 2024-2025 Highway Fund supplemental budget, Public Law 2023 Chapter 645, included an allocation increase of \$23,641 in fiscal year 2024 and about \$5.4 million for the biennium overall. Actual Highway Fund revenues for fiscal year 2024 exceeded budgeted projections and the Highway Fund had a projected unallocated balance of approximately \$6.9 million at the end of fiscal year 2024.

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 allocated \$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 businesses 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 more than 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.

Since the Jobs Plan became law on October 18, 2021, its initiatives have delivered \$175 million to thousands of Maine businesses, created workforce opportunities for 25,000 people, and invested in more than 400 infrastructure projects statewide to bolster childcare, broadband, energy efficiency and weatherization, housing, and more.

As of September 30, 2024, of the more than 152 business cases (across 114 initiatives), 152 have been fully approved through a two-part process that confirms federal eligibility, reporting parameters, and metric structure. This represents a total of approximately \$997 million in Federal funds deployed or ready to be deployed into Maine's economy. Through the same timeframe, more than \$882 million of the \$997 million has been expended or obligated.

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 remained strong through fiscal year 2024, 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 2024 fiscal year.

The Budget Stabilization Fund (BSF) remained at its statutory cap of 18% of General Fund revenue throughout fiscal year 2024. During fiscal year 2024, interest earnings of \$33.1 million that would otherwise have been credited to the BSA if it were not at its cap, were transferred to the Irrevocable Trust Fund for Other Post-employment Benefits for the State Employee Plan, in accordance with statute. The final balance in the BSF on June 30, 2024, was \$968.3 million. The total BSF balance represents the statutory cap of 18% of the State's 2023 fiscal year General Fund revenue, which exceeds the new cap of \$963.5 million for fiscal year 2024.

Several severe winter storms impacted communities and businesses throughout the State in fiscal year 2024, particularly the coastal communities that rely on working waterfronts to conduct business. In response, the Administration and the Legislature included two fiscal year 2025 transfers from the Budget Stabilization Fund in the 2024-2025 supplemental budget: \$50 million was transferred to the Department of Transportation, Infrastructure Adaptation Fund for municipal, State or regionally significant infrastructure adaptation, repair and improvements that support public safety, protection of essential community assets, regional economic needs and long-term infrastructure resiliency; and, \$10 million was transferred to the Department of Economic and Community Development, Business Recovery and Resilience Fund, for economic recovery and resilience grants to businesses and nonprofit organizations within areas that were significantly impacted by severe Winter storms in fiscal year 2024.

Stress-Testing State Revenues

The 2020 Stress-Test Report was issued as the national and State economies struggled to respond to the COVID-19 recession, and the 2022 report after historic fiscal and monetary stimulus implemented by Congress and the Federal Reserve in the months immediately after the start of the pandemic led to unprecedented revenue growth in FY2021 and FY2022. The 2024 report was issued as the Federal Reserve begins to reduce interest rates as inflation moves towards its 2% target, geo-political conflicts in Europe and Middle East continue, and State revenues return to a more moderate rate of growth. As a result, the latest report was timely in providing 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 Budget Stabilization Fund (BSF) in each of the recession scenarios.

The two forecasting committees estimate that a hypothetical moderate recession beginning in the first quarter of CY2025 would reduce General Fund revenues relative to the March baseline revenue forecast by 1.7 percent in FY2025 and 6.1 percent in FY2026. The revenue decline would continue at 5.3 percent in FY2027 before narrowing to 3.5 percent in FY2028. The moderate recession scenario assumes a relatively slow recovery, resulting in General Fund revenues still below the baseline revenue forecast by 2.9 percent in FY2029. The current BSF level of \$908.3 million and other available resources would be enough to maintain current FY2025 appropriations of \$5.3 billion and provide sufficient resources to maintain the spending limitation (the current baseline revenue forecast) through the FY2026-27 biennium. The current BSF, which is equal to 17.0% of FY2024 General Fund revenue, would fall short of the current revenue forecast for the FY2028-29 biennium by approximately \$268.0 million. If the BSF was at its maximum level of 18% of FY2024 General Fund revenue (\$963.5 million) there would be sufficient funds to fully offset the revenue shortfall through the FY2026-27 biennium but continue to fall short of the FY2028 and FY2029 baseline revenue forecasts by \$39.0 million and \$174.0 million, respectively. While the BSF maximum of 18% of prior year revenue falls short of covering all the revenue shortfall over the five-year forecasting period, the revenue shortfalls estimated in the FY2028-29 biennium are relatively small and provide the Governor and Legislature two and a half years from the start of the recession to make any needed adjustments to General Fund expenditures and revenues to meet policy objectives.

The two forecasting committees estimate that the hypothetical severe recession beginning in the first quarter of CY2025 will reduce General Fund revenues relative to the March baseline revenue forecast by 2.7 percent in FY2025, 11.6 percent in FY2026, peaking at 14.8 percent in FY2027, and then declining to 12.4 and 10.0 percent in FY2028 and FY2029, respectively. The current BSF level of \$908.3 million and other available resources would be exhausted by early FY2027 but provide approximately 15-18 months for the Governor and Legislature to address the revenue shortfalls caused by the severe recession. We estimate the BSF would require a prohibitive level of funding to fully offset the reduction in revenue during the budget window studied. A BSF equal to the current maximum of 18% of FY2024 General Fund revenue would allow for additional funding in FY2027 but would still fall far short of the March 1, 2024, baseline revenue forecast for FY2027.

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 fiscal year 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 2023 Chapter 17, continued to build upon this achievement and increased funding for GPA by over \$101 million over the biennium, enabling the State to maintain its contribution at 55% for the biennium. The budget also provided over \$58 million in General Fund dollars, to fully fund universal free meals in public schools enacted by the previous Legislature. The University of Maine System budget included the continuation of a one-time initiative from 2023 providing \$7.9 million in ongoing funding to offset tuition increases.

Public Law 2023 Chapter 412 included additional items for education. These items included over \$10 million for preschool through Child Development Services with an additional \$15 million in one-time funding for special purpose private schools, nearly \$1.5 million to support cost of Education in the Unorganized Territories, and almost \$55 million for the University System, Community College System, and Maine Maritime Academy. Additionally, the budget included the transfer of \$15 million to the Community College System to continue the free community college program for another two cohorts of high school graduates.

Public Law 2023 Chapter 643, the 2024-2025 General Fund supplemental budget, provided an additional \$22.6 million to maintain funding for K-12 education at 55%. The supplemental budget also provided \$9 million for year one of the three-year phase-in of the oversight of educational plans for preschool-age children with disabilities from the CDS agency to public schools and provided \$4 million to fund infrastructure upgrades at those schools that voluntarily assume the education of children ages 3 through 5. Additionally, nearly \$3M was provided for facilities-related costs of education in the unorganized territory.

Healthcare

On March 30, 2023, the Legislature passed a "current services" biennial budget for fiscal years 2024 and 2025, enacted as Public Law 2023 Chapter 17 and provided over \$128 million in funding to continue required rate increases within the DHHS, recognized savings from enhanced federal participation in the Medicaid program in fiscal year 2024 and provided over \$27 million for a projected reduction to the normal FMAP rate in fiscal year 2025. Additionally, the budget included a \$20 million reduction in each year for the Medicaid program. The budget provided nearly \$8 million for continued salary supplements to individuals who provide childcare or are early childhood educators.

On July 6, 2023, the Legislature passed a "Part II" budget for fiscal years 2024 and 2025, enacted as Public Law 2023 Chapter 412 and included almost \$20 million for rate increases related to Medicaid services, including funds for hospital rates and nursing facility rebasing, \$10.5 million one-time funding for the General Assistance program and nearly \$12 million to reflect the number of children in the foster care system. The budget also included several initiatives focused on strengthening care for older Mainers, including continued support for home-delivered meals, increased funding for programs that reduce abuse, neglect and exploitation, and the elimination of the asset test for eligibility in the elderly low-cost drug program and Medicare savings program, as well as an updated income eligibility for qualified Medicare beneficiaries. The budget updated funding to reflect the elimination of the service provider tax on health care services. Significant investments were made in the childcare area including increasing the availability of head start services, doubling the monthly wage supplement for all childcare workers, and increasing eligibility for childcare subsidies from 85% to 125% of the State's median income.

Public Law 2023 Chapter 643, the 2024-2025 General Fund supplemental budget continued ongoing efforts to provide rate reform and/or cost of living adjustments to a variety of services across several program areas including: nursing facilities, behavioral health services, adult family care services, day health services, residential care facilities, intermediate care facilities and federally qualified health centers and hospitals. Additional amounts were provided: \$28.5 million due to the elimination of the service provider tax on health care services; \$16.2 for the actual reduction to the normal FMAP rate in fiscal year 2025; \$18.4M to fund increases in clawback payments; and \$5.4 million to fund higher utilization costs in the State-funded SNAP program. The supplemental budget stipulated 5th and 6th priority transfers, up to \$12,906,649 of the excess General Fund remaining after certain other priority transfers is transferred to Department of Health and Human Services to support the Maine Child Care Affordability Program. The total amount was transferred at year end.

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.

In fiscal year 2024, the State continued to experience a persistent and growing gap between projected Highway Fund revenues and the funds needed to adequately support Maine's transportation infrastructure. Allocations to MaineDOT in recent budgets reflect this challenge.

The fiscal year 2024-2025 Highway Fund biennial budget was enacted by the Legislature on June 15, 2023, and was signed by the Governor on June 16, 2023, as Public Law 2023 Chapter 189. To resolve the noted gap, the law included ongoing structural adjustments to the revenue stream supporting the Highway Fund. These ongoing adjustments totaled about \$148.0 million in fiscal year 2024 and \$150.2 million in fiscal year 2025, and were composed of a transfer of liquor revenues of \$53 million per year; a transfer of automobile sales tax in fiscal year 2024 of \$101.8 million and in fiscal year 2025 of \$104.1 million; and, an increase in the fuel tax revenue dedicated to the TransCap Trust Fund from 7.5 percent to 10.25 percent. December 2023 and March 2024 revenue forecasts projected additional increases totaling \$11.7 million in fiscal year 2024 and \$17.3 million for the transfer of liquor revenues and the transfer of automobile sales tax.

Beginning with fiscal year 2021, 20% of the excess General Fund remaining after certain other priority transfers is transferred to MaineDOT for the Highway and Bridge Capital program. Additionally, Public Law 2023, Chapter 412 stipulated that 80% of General Fund revenue that exceeds the appropriation limitation, when the stabilization fund is at the statutory limit of 18% of General Fund revenues, should be transferred to support the Highway and Bridge Capital program. MaineDOT received about \$74.9 million from the "cascade" at the end of fiscal year 2024.

Property Tax Relief

Public Law 2021 Chapter 398 raised municipal revenue sharing to 4.5% in fiscal year 2022 and then fully restored revenue sharing to its statutorily required 5% level in fiscal year 2023. Revenue was increased each 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, until reaching the statutory level of 5 percent in fiscal year 2023. In fiscal year 2024, revenue sharing distributions totaled \$260.1 million. For comparison, revenue sharing at 2 percent would have delivered only \$102.4 million to municipalities, a difference of nearly \$158 million. Chapter 398 also maintained the reimbursement to municipalities for the Homestead Property Tax Exemption at 70% in fiscal year 2022 and increases the reimbursement by 3% each year thereafter until it reaches 100%. Public Law 2023, Chapter 412 caps the Homestead Property Tax reimbursement to municipalities at 76% effective in fiscal year 2025.

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 Property Tax Fairness Credit was further expanded in Public Law 2023, Chapter 412 increasing the maximum credit for individuals 65 years or older and indexing the credit for inflation. All the changes since 2019 are estimated to increase the relief provided by the Property Tax Fairness Credit to \$111.5 million in fiscal year 2025 and roughly double the number of tax returns benefiting from the credit.

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 (GOPIF) and the Department of Administrative 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 four years 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. Since the Jobs Plan went into law on October 18, 2021, its initiatives have delivered \$211 million in direct economic relief to thousands of Maine small businesses; invested in workforce programs estimated to offer apprenticeship, career and education advancement, and job training opportunities to 26,000 Maine people; and catalyzed more than 700 infrastructure projects to bolster childcare, broadband, energy efficiency and weatherization, housing, and more.

The 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 especially as it relates to infrastructure, climate resilience and energy. Other areas of focus for GOPIF include issues related to supporting Maine's children's and Aging adults, housing, and economic issues, and federal funds and workforce development coordination, as well as targeted initiatives to reduce hunger and combat the opioid epidemic, in partnership with other State agencies. 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 and the State will release an updated version of that plan by December 1, 2024, as required by statute. The strategies are already underway to help meet Maine's legal requirement to decrease greenhouse gas emissions by 45% by 2030 and 80% by 2050 and achieve carbon neutrality by 2045. As of 2021, the State had reduced emissions by 30%. Significant and sustained investments, from new federal programs and from State funds, have put Maine on track to implement multiple 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; through continued clean energy development and deployment; and significant State and local projects are underway to reduce vulnerability from increasing storm and weather changes including flooding, heat, and climate-driven changes in key economic sectors like tourism, farming, fishing, and the forest products industry. In addition, a 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 200 Maine communities are engaged in the program and doing the essential work to plan for and act in response to climate changes.
- State Infrastructure Rebuilding & Recovery Commission: The Infrastructure Rebuilding and Resilience Commission—created by Governor Mills through Executive Order in May 2024—is reviewing and evaluating Maine's response to the devastating 2023 and 2024 storms, identifying crucial areas for near-term investment and policy needs, and developing the State's first long-term infrastructure plan to ensure that Maine is ready for the harsh storms ahead. The Commission, composed of individuals with expertise in infrastructure, construction, engineering, electrical utilities, floodplain management, financing, philanthropy, emergency response, and climate science, and is staffed by GOPIF with support from the Maine Emergency Management Agency. Recommendations will align closely with the Maine Won't Wait State Climate Action 2024 update, and will provide further detail on topics including funding, community support, data sharing, vulnerable infrastructure, energy resilience, and regulations that support rebuilding with resilience. The recommendations also identify gaps in funding and financing resources, propose new approaches to improve disaster recovery and response in the State, and strengthen resilience supports at the State, regional, and local levels. The Commission will release its long-term resilience plan for Maine in May 2025
- Governor's Infrastructure Implementation Committee: On April 25, 2022, Governor Mills signed an executive order to mobilize a cross-agency effort to coordinate federal Bipartisan Infrastructure Law (BIL) funds and opportunities among State agencies, municipalities, tribal governments, and other entities. This work has expanded beyond BIL to include tracking and applying for funding opportunities made possible through subsequent federal laws, including

the Inflation Reduction Act (IRA) and the CHIPS & Science Act. Through the Governor's Infrastructure Implementation Committee, staff from the Governor's Office and the GOPIF coordinate this work as State agencies pursue formula and discretionary funding opportunities, utilizing four working groups focused on a range of relevant topics (Resilience, Workforce, Broadband, and ensuring that federal Justice40 equity requirements are met). Members of the Committee include leadership and staff from the Departments of Transportation, Environmental Protection, Economic and Community Development, Health and Human Services, and Administrative and Financial Services, as well as the Maine Connectivity Authority and the Governor's Energy Office. Working groups also include leadership from State natural resource agencies, the Maine Emergency Management Agency, and the Department of Labor. 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. The Committee's work has resulted in more than \$4 billion in infrastructure investments in Maine to date from nearly 200 programs funded through BIL, IRA, and CHIPS.

- Cabinet on Aging: The Governor's Cabinet on Aging, created by Executive Order in 2022, 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 is helping Maine prepare for and address these demographic changes by advancing policies that support Maine people in aging safely, affordably, and in ways and settings that best serve their needs. The Cabinet brings 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 Energy Plan: Pathway to 2040: The Governor's Energy Office is conducting a planning effort to achieve the use of 100 percent clean energy in Maine by 2040. The "Maine Energy Plan: Pathway to 2040" is engaging the public and key energy stakeholders on actionable and affordable strategies to meet this target, such as through diversifying energy sources in Maine, stabilizing electricity rates, reducing emissions, and supporting jobs and economic investment. This process stems from direction by Governor Janet Mills, who called for accelerating Maine's trajectory to using 100 percent clean electricity to 2040 in her State of the Budget Address in 2023, in response to the burden placed on Maine people and businesses from high fossil fuel prices caused by the Russian invasion of Ukraine. The "Maine Energy Plan: Pathway to 2040" process will align with goals of the State's climate action plan, Maine Won't Wait, and build upon recent State energy analyses centering on distributed generation, energy storage, offshore wind, renewable energy markets, and strengthening Maine's clean energy economy. GEO has expert consultants to conduct modeling and technical analyses to inform this planning process which will be completed in early 2025.
- Clean Energy Partnership: Maine's Clean Energy Partnership (CEP) within the Governor's Energy Office was established to advance Maine's clean energy, climate, economic development, and workforce goals – including the Governors' goal of more than doubling Maine's clean energy and energy efficiency jobs by 2030. Maine's clean energy sector has high growth potential and is poised to become a leader in the Northeast. This will be accomplished by preparing and expanding our clean energy workforce as well as supporting the innovation of clean tech products and services. The CEP convenes an Advisory Group of leading experts to sustain attention and promote collaboration to address emerging needs, build new and expand existing supply chains, and support opportunities for Maine in these fast-growing fields. More than \$6 million in workforce and innovation grants have been funded through the CEP across Maine with more awards to come.
- Maine Offshore Wind Initiative: The Governor's Energy Office leads the State's efforts to harness the wind resources off the coast of Maine, which are key to achieving the State's goals of diversifying our electricity generation and to 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 reached an agreement with the federal government to lease a roughly 15-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 plans 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: GOPIF is supporting the urgent need to increase the supply of housing across the State for multiple household income levels through policy, coordination, and new funding programs, including MJRP funds, State and federal tax credits, and State funds. From rural rental programs to targeted efforts to preserve mobile housing parks to the development of “housing first”, multiple strategies are being implemented to meet the diverse housing needs across the State. Key partnerships with Maine Housing, DECD’s Housing Opportunity Program, Department of Health and Human Services, and in collaboration with other State, regional, municipal planning and private sector entities are needed to successfully accomplish this work. In partnership with State lawmakers, unprecedented State and federal funds are being allocated to address short and long-term housing needs and additional resources and additional policies will continue to be pursued in the coming year to accelerate the pace of production to meet the State’s housing challenges.
- 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. The Mills Administration, led by the Children's Cabinet, have continued to make significant progress toward the Cabinet’s goals including targeting State government resources on several efforts. Governor Mills sees early quality 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 MJRP, State funds, and other ARPA response funds, additional resources have been allocated to stabilize child care programs, to recruit and retain a qualified early childhood education workforce and to support the expansion of child care infrastructure and Pre-K programs. Additional funds have been invested in career exploration programs to support Maine youth to plan for their futures and transition into adulthood.
- Ending Hunger by 2030 Initiative: Public Law 2022 Chapter 677 directed GOPIF to serve as a convener, bringing together stakeholders within and outside State government to coordinate and leverage anti-hunger efforts across the State to create greater food security for all Maine people. In its role as a convener, GOPIF facilitates the collaboration and coordination of anti-hunger strategies and policies across State government, convenes and supports the Ending Hunger by 2030 Advisory Committee and helps to ensure greater collaboration and communication between State agencies and external stakeholders.
- Office of New Americans: Public Law 2023 Chapter 643 established the Office of New Americans within the GOPIF for the purpose of improving the economic and civic integration of immigrants into the State’s workforce and communities to strengthen the economy over the long term. The Office is responsible for identifying and addressing needs, barriers and opportunities to support the long-term economic and civic integration of immigrants in the State. With unemployment at record lows, and economic growth among the best in the nation, Maine faces a shortage of workers across regions, professions, and skill levels, especially in critical sectors such as health care, education, and construction. As the new Office launches in early 2025 with two dedicated staff the overarching goal will be to ensure that Maine is effectively incorporating immigrants into its workforce and communities to strengthen the State’s economy over the long-term.
- Free Community College: \$15 million was appropriated to continue providing up to two years of free community college education for all students from the high school graduating classes of 2024 and 2025 who enroll in a Maine community college.

- Delivery of Legal Services: Provides \$2.6 million in ongoing funding to create six trial court judgeships to address the backlog of cases, along with nearly 40 new positions including deputy marshals and clerks to help facilitate court operations. The budget also provides \$4 million in one-time funding to be distributed through the Civil Legal Defense Fund, which supports civil legal services in Maine.
- Maine Office of Community Affairs: Public Law 2023 Chapter 643 established the Maine Office of Community Affairs to partner with communities in the State and regional councils by providing technical assistance and funding related to planning to municipalities, tribal governments and regional councils that supports a sustainable future for the State's people, communities, natural resources, physical infrastructure, industries, businesses and institutions. Additionally, the Office will facilitate general coordination and communication between municipalities, tribal governments, regional councils and State Government. In the 2026-2027 Governor's Proposed General Fund Biennial Budget, a number of State planning and community resilience programs will be reorganized under the Office to provide a centralized agency to better serve municipalities throughout the State.

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, 2023. This is the seventeenth consecutive year that Maine has achieved this prestigious award. 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 to achieving this award.

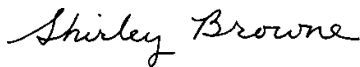
State government continues to have many accomplishments of which it can be proud. Consistent with the vision of Governor Mills to improve and enhance the fiscal administration of governmental operations, the Office of the State Controller continues to improve and refine its skills to meet the challenges of financial management in the 21st century. The Office assists many State agencies 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 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,

Handwritten signature of Douglas E. Cotnoir in black ink.

Douglas E. Cotnoir, CPA, CIA
State Controller

Handwritten signature of Shirley Browne in black ink.

Shirley A. Browne, CIA
Deputy State Controller

Handwritten signature of Sandra J. Royce in black ink.

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





STATE OF MAINE

OFFICIALS OF STATE GOVERNMENT

AS OF JUNE 30, 2024

EXECUTIVE

Janet T. Mills, *Governor*

LEGISLATIVE

Troy D. Jackson, *President of the Senate*

Rachel Talbot Ross, *Speaker of the House*

Constitutional/Statutory Officers

Aaron Frey, *Attorney General*

Matthew Dunlap, *State Auditor*

Shenna Bellows, *Secretary of State*

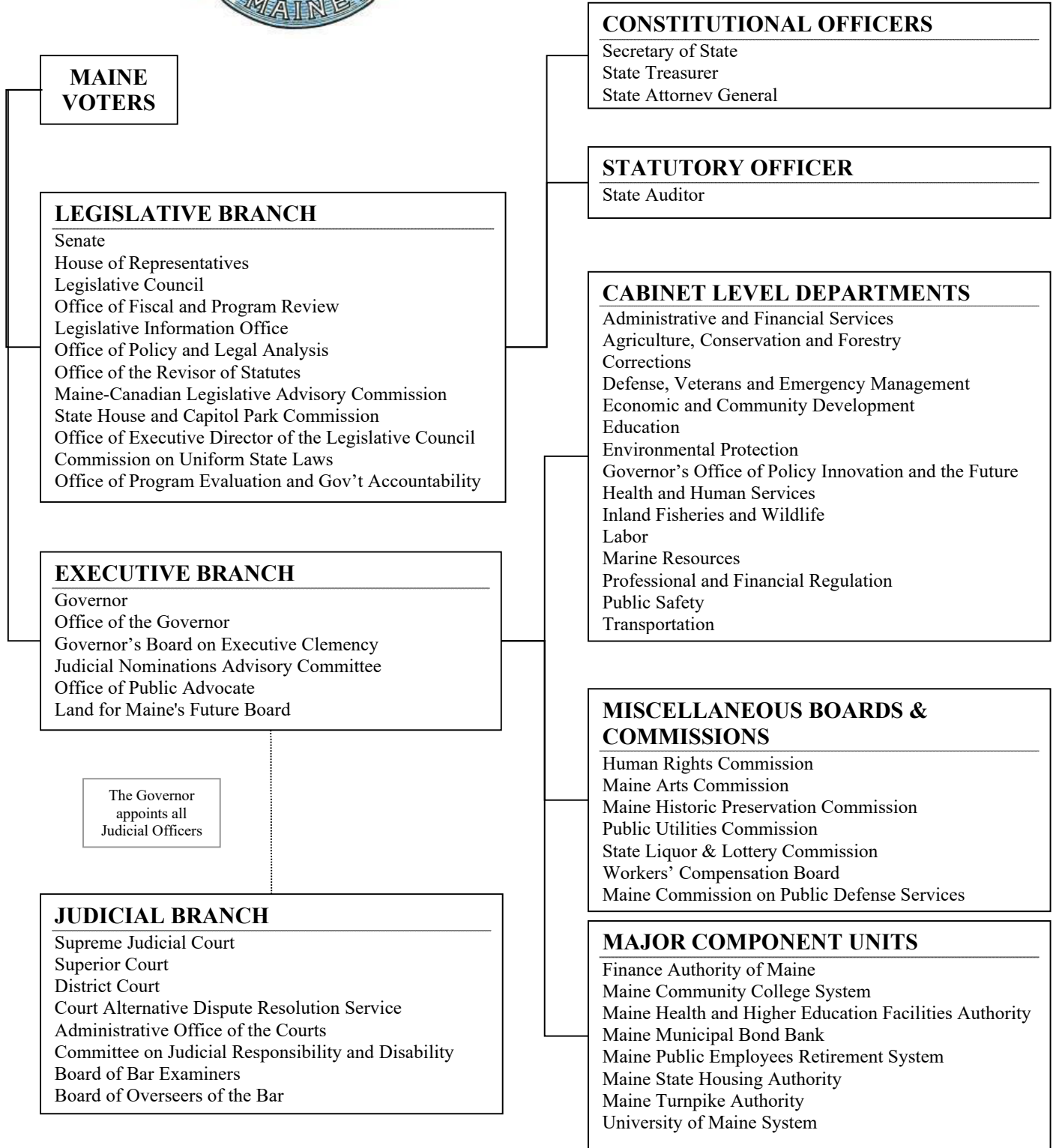
Henry Beck, *State Treasurer*

JUDICIAL

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



STATE OF MAINE ORGANIZATION CHART AS OF JUNE 30, 2024



**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 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

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 Innovation and the Future
 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
 Maine Commission on Public Defense Services

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

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State of Maine

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill

Executive Director/CEO