

# MAINE STATE LEGISLATURE

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STATE OF MAINE

STATE OF MAINE

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OFFICIAL STATEMENT

RELATING TO THE ISSUANCE OF

\$19,445,000

GENERAL OBLIGATION BONDS

TO BE OFFERED FOR SALE ON

APRIL 6, 1976

STATEMENT PREPARED BY THE  
TREASURER OF STATE

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STATE OF MAINE - OFFICIAL STATEMENT

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## INTRODUCTION

The purpose of this Official Statement of the Treasurer of the State of Maine is to furnish bond analysts, underwriters, investors and others with pertinent information in connection with the sale of \$19,445,000 principal amount of State of Maine General Obligation Bonds (the "Bonds"). Additional copies of this Official Statement and the Notice of Sale and Invitation to Bid Form may be obtained from Rodney L. Scribner, State Treasurer, State Office Building, Augusta, Maine 04333, (telephone 207-289-2771).

All quotations from and summaries and explanations of laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof. All references to the Bonds are qualified in their entirety by reference to the definitive forms of the Bonds.

## TREASURER'S CERTIFICATION

I, Rodney L. Scribner, Treasurer of State, attest that the information and statements, including financial statements, of or pertaining to the State of Maine contained in this Official Statement and the Notice of Sale and Invitation to Bid Form are correct in all material respects; and insofar as the State of Maine and its affairs, including its financial affairs, are concerned, do not contain an untrue statement of a material fact or omit to state a required material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

/S/ Rodney L. Scribner  
Rodney L. Scribner  
Treasurer of State

## THE BONDS

### Legal Provisions for Issuance of Bonds

The Bonds are being issued in accordance with the provisions of the laws of Maine as follows:

| <u>Amount of Issue</u> | <u>Authorized but Unissued</u> | <u>Laws of Maine</u>         | <u>Approved by Vote of the People</u> |
|------------------------|--------------------------------|------------------------------|---------------------------------------|
| \$ 3,000,000           | \$ 3,000,000                   | P & S, Ch. 179-1969          | November 3, 1970                      |
| 6,295,000              | 14,400,000                     | P & S, Ch. 136-1973          | November 5, 1974                      |
| 2,000,000              | 29,300,000                     | P & S, Ch. 181-1969          | November 4, 1969                      |
| 1,000,000              | 2,000,000                      | P & S, Ch. 235-1963          | November 3, 1964                      |
| 4,850,000              | 15,603,500                     | Constitution, Art. IX, 14-B  |                                       |
| 900,000                | 31,845,000                     | Constitution, Art. IX, 14-A  |                                       |
|                        |                                | As Limited P.L. Ch. 117-1975 |                                       |
| <u>1,400,000</u>       | <u>3,400,000</u>               | P. & S, Ch. 183-1973         | June 11, 1974                         |
| <u>\$19,445,000</u>    |                                |                              |                                       |

### Application of Bond Proceeds

The proceeds from the sale of the Bonds will be used as follows:

|   |                     |
|---|---------------------|
| Elementary and Secondary School Building Construction Aid   | \$ 9,295,000        |
| Planning, Construction and Equipment of Pollution Abatement Facilities  | 2,000,000           |
| Construction and Equipment of Pollution Abatement Facilities  | 1,000,000           |
| Provide Additional Moneys to the Recreational Project Mortgage Insurance Fund of the<br>Maine Guarantee Authority   | 4,850,000           |
| Provide Additional Moneys to the Industrial Building Mortgage Insurance Fund of the<br>Maine Guarantee Authority  | 900,000             |
| Acquire Deer Yards, Salt Marshes, Fresh Marshes, Stream Borders, Nesting Islands, Dams,<br>Water Rights and Abandoned Farmlands through the Inland Fisheries and Game<br>Acquisition Fund | <u>1,400,000</u>    |
| Total   | <u>\$19,445,000</u> |

### Security Provisions

The laws of Maine provide the protection necessary to repay all obligations. Several of the more significant provisions are:

*“Said bonds shall be deemed a pledge of the full faith and credit of the State.”* – P & S Law, Ch. 179 - 1969.

*“Said bonds shall be deemed a pledge of the faith and credit of the State.”* – P & S Law, Ch. 136 - 1973.

*“Such bonds shall be general obligations of the State of Maine and the full faith and credit of the State shall be pledged to the payment of interest and redemption of the bonds.”* – P & S Law, Ch. 181 - 1969.

*“Such bonds shall be general obligations of the State of Maine and the full faith and credit of the State shall be pledged to the payment of interest and redemption of the bonds.”* – P & S Law, Ch. 235 - 1963.

*“The bonds so issued shall be deemed a pledge of the faith and credit of the State.”* – Revised Statutes, Title 10, Section 802.

*“Said bonds shall be deemed a pledge of the faith and credit of the State.”* – P & S Law, Ch. 118 - 1973.

### Market Risk

There can be no assurance of continued marketability of the Bonds at current price levels. Various factors affect the market value of municipal securities, including the Bonds, over most of which the State has no control, such as general economic conditions in the world and the nation, inflation, federal economic policies and interest rate trends. State finances, future state legislative actions, and bond ratings will also contribute to the market value of the Bonds.

## THE STATE

### General Background

Maine has the largest land area of the six New England states and it is the farthest northeast. It is bounded by New Hampshire, New Brunswick and Quebec Province. Its rugged coast, because of deep indentations, measures 3,478 miles. Maine is noted for its scenic and vacation attractions, lobsters, potatoes, poultry and forest products, fishing and hunting. Long governed as a part of Massachusetts, Maine became a state in 1820.

Maine's coastal waters produce 75% of the nation's lobsters and 50% of its soft-shelled clams. Maine grows about 12% of the nation's potatoes, second only to Idaho, and is the leading supplier of seed potatoes. It produces 90% of the nation's low bush blueberries. Also grown are sweet corn, apples, peas and beans with poultry and eggs being the largest income item.

With more than 80% of its area in forest, wood products are important to the Maine economy. Over 98% of the forest land is privately owned. Spruce, white pine and birch are the most important woods. Also of key economic importance are processed foods, shoes and textiles. Maine's scenic seacoast, beaches, lakes, mountains and resorts make it a popular vacationland. Tourism is a most important seasonal industry.

Maine's State government is composed of a bicameral Legislature, an Executive branch and a Judicial branch. The Legislature is made up of 33 Senators and 151 Representatives. All legislators serve two-year terms. The Executive branch is headed by the Governor who is the only state official elected state-wide. He serves a four-year term. There is no Lieutenant Governor. The government also includes the Secretary of State, Attorney General, State Auditor and State Treasurer who are elected by the Legislature.

Local government is comprised of 16 counties, nearly 500 cities and towns, and numerous special purpose districts. Several independent authorities have been created by legal process.

#### POPULATION

|             | <u>Population</u> | <u>Rank</u><br><u>U.S.</u> | <u>Percent</u><br><u>Increase</u> | <u>Per Square</u><br><u>Mile</u> |
|-------------|-------------------|----------------------------|-----------------------------------|----------------------------------|
| <b>1920</b> | 768,000           | 35                         | -----                             | 25.7                             |
| 1930        | 797,000           | ---                        | 3.8%                              | 25.7                             |
| 1940        | 847,000           | 35                         | 6.2%                              | 27.3                             |
| 1950        | 914,000           | ---                        | 7.9%                              | 29.4                             |
| 1960        | 969,000           | 36                         | 6.1%                              | 31.3                             |
| 1970        | 992,000           | 38                         | 2.4%                              | 32.1                             |

Source: Statistical Abstract of the U.S., 1975, pp. 14-15

#### PERSONAL INCOME (millions of dollars)

| <u>Origin of Income</u>                             | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> |
|---|-------------|-------------|-------------|-------------|
| Farms   | \$ 78       | \$ 83       | \$ 196      | \$ 256      |
| Manufacturing                                       | 735         | 797         | 864         | 940         |
| Mining  | 2           | 2           | 2           | 2           |
| Contract Construction                               | 187         | 202         | 215         | 232         |
| Wholesale and Retail Trade                          | 438         | 469         | 516         | 564         |
| Finance, Insurance and Real Estate                  | 113         | 118         | 128         | 141         |
| Transportation, Communications and Public Utilities | 170         | 189         | 207         | 225         |
| Hotels and Lodging Places                           | 23          | 26          | 28          | 27          |
| Personal Services and Private Households            | 49          | 51          | 53          | 54          |
| Business and Repair Services                        | 35          | 41          | 48          | 54          |
| Amusement and Recreation                            | 8           | 9           | 10          | 11          |
| Professional, Social and Related Services           | 242         | 280         | 319         | 352         |
| Other Industries                                    | 16          | 18          | 22          | 23          |
| Federal Government - Civilian                       | 151         | 157         | 166         | 182         |



| <u>Origin of Income</u>              | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> |
|--------------------------------------|-------------|-------------|-------------|-------------|
| Federal Government - Military        | 100         | 112         | 110         | 106         |
| State and Local Government           | 275         | 312         | 362         | 388         |
| Dividends, Interest, Rents and Other | 818         | 923         | 1,066       | 1,248       |
| Total Personal Income                | \$3,439     | \$3,789     | \$4,314     | \$4,806     |

Source: U.S. Department of Commerce, Survey of Current Business, August Issues

#### ASSESSED PROPERTY VALUATION

|               |                 |
|---------------|-----------------|
| December 1964 | \$2,234,019,940 |
| December 1966 | 2,421,399,595   |
| December 1968 | 2,820,928,984   |
| January 1971  | 3,397,364,877   |
| January 1973  | \$3,894,148.603 |

Assessed property valuation is estimated to be equal to 50% of full value.

#### EMPLOYMENT AND UNEMPLOYMENT

|                                   | <u>Monthly Averages</u> |             |             |
|-----------------------------------|-------------------------|-------------|-------------|
|                                   | <u>1973</u>             | <u>1974</u> | <u>1975</u> |
| Total Nonagricultural Employment  | N/A                     | 363,600     | 352,300     |
| Total Manufacturing Employment    | N/A                     | 105,200     | 94,800      |
| Total Nonmanufacturing Employment | N/A                     | 258,400     | 257,600     |
| Average Weekly Hours              | 40.8                    | 40.3        | 39.9        |
| Average Hourly Earnings           | \$3.23                  | \$3.51      | \$3.81      |
| Unemployment Rate                 | 5.9%                    | 6.7%        | 10.1%       |
| Number Unemployed                 | 25,100                  | 29,500      | 44,400      |

Source: Federal Reserve Bank of Boston, Economic Indicators, February Issues

#### Recent Major Business Developments

The largest amount of business expansion currently underway is in the paper industry. Major projects include a \$190 million Scott Paper complex at Skowhegan - Fairfield, the \$140 million International Paper expansion at Jay, the \$85 million St. Regis paper machine project at Bucksport with treatment plant facilities which will add 55 percent to the plant's annual production. The total amounts of pulp and paper expansions for production are more than \$600 million and for environmental protection are approximately \$185 million.

The R.T. French Co. has constructed a \$7 million potato processing plant at Washburn which will process approximately 1.75 million hundredweight of potatoes per year.

The Bath Iron Works Corp. has received a U.S. Navy contract to build five patrol frigates. The \$223.8 million contract raises the yard's shipbuilding order backlog to \$359 million. The shipyard is one of Maine's larger employers with a work force of 3,300 employees.

A major negative development occurred when the final 393 W.T. Grant stores in the United States were closed as a result of the firm's bankruptcy. Grant's was the largest single retail employer in the state. The final closing in Maine affected 26 stores with approximately 1,400 full and part time employees.

## ADMINISTRATION OF STATE FINANCES AND DEBT

### Budget Process

On or before September 1st of the even numbered years, budget requests for the ensuing biennium are required to be filed with the State Budget Officer. The budget shall present a complete financial plan for each fiscal year of the ensuing biennium. The Governor is required to transmit the budget document to the Legislature not later than the close of the 2nd week of the regular legislative session. A new Governor is allowed 4 additional weeks. The budget is then considered by the Legislature for adoption for the biennium beginning on July 1st of the odd numbered years.

Budgetary control of the operating funds is maintained by a quarterly allotment system. The law provides that revenue shortfalls and unbalanced budgets shall be dealt with in the following manner:

*“Whenever it appears to the Commissioner of Finance and Administration that the anticipated income and other available funds of the State will not be sufficient to meet the expenditures authorized by the Legislature, he shall so report to the Governor and Council and they may curtail allotments equitably so that expenditures will not exceed the anticipated income and other available funds.”*

### Basis of Accounting

The financial statements of the State are presented in accordance with generally accepted accounting principles. In accounting for financial operations; self-balancing sets of accounts or funds are established for the reserves, fund balances, retained earnings, revenues and expenditures related to their purpose and may be categorized generally between operating funds (General Fund and Special Revenue Funds) and special purpose funds (General Long Term Debt, Proceeds of Bonds, Enterprise, Intragovernmental Service, and Trust and Agency.) The State's accounting records are maintained on a modified cash basis. Purchase commitments are recorded as encumbrances at the time the purchase order is issued. Any unliquidated encumbrances at year end are included in the reserve for encumbrances.

### Audit Practices

A preaudit of financial transactions is conducted by the State Controller to determine regularity, legality and correctness. A postaudit of financial records is conducted by the State Auditor who employs a full time staff. The State Auditor is elected by and reports to the Legislature. The report of the State Auditor is published separately from the Financial Report. Additionally, an audit is conducted by independent auditors on a quadrennial basis. The most recent such audit was performed by Ernst & Ernst for the four years ended June 30, 1974. The report of their examination was dated November 15, 1974. Coopers & Lybrand have been engaged to conduct the audit for the quadrennium which will end on June 30, 1978.

The engagement of a new firm of independent auditors was a result of a competitive proposal process which is required by state regulations. These regulations apply to the engagement of professional services with the exception of architects or engineers.

### Tax Structure

Principal taxes of the State include a 5% sales and use tax which excludes food, a graduated personal income tax from 1% to 6% of income, and a corporation income tax at a rate of 5% on the first \$25,000 of income plus 7% of income exceeding \$25,000.

Effective April 30, 1976 the graduated personal income tax rates will be increased to 1% to 8% of income. Effective January 1, 1977 the graduated personal income tax rates will be increased to 1% to 10% of income. The increased rates were approved by the Legislature subsequent to a veto by the Governor.

Other taxes include a gasoline tax of 9c per gallon and a cigarette tax of 16c per pack. The standard employer contribution for unemployment taxes is at the rate of 2.7% of the first \$4,200 of employee wages each year. Additionally, a uniform school tax is levied upon municipalities with a primary purpose being the partial equalization of property taxes.

**Debt Structure**

As set forth in Appendix A, the Constitution of the State of Maine provides that the Legislature shall not create any debt which exceeds \$2,000,000, except to suppress insurrection, to repel invasion or for purposes of war except when two-thirds of the Legislature and a majority of the voters authorize the issuance of debt. The Constitution also provides that tax anticipation loans must be repaid during the fiscal year of issuance. The Constitution has been amended to allow the Legislature to authorize the issuance of up to \$17,000,000 to guarantee recreational loans; \$80,000,000 to guarantee business loans; \$1,000,000 for Indian housing; \$4,000,000 to guarantee student loans; \$2,000,000 to guarantee small business loans to war veterans; and \$25,000,000 to insure revenue bonds issued for local school buildings. The \$80,000,000 constitutional limit for guaranteed business loans was further limited in October 1975 by a statutory maximum of \$40,000,000.

As set forth in the accompanying balance sheet and following schedule the amount of authorized and unissued bonds at June 30, 1975 pursuant to the preceding limitations was \$183,916,500.

**Authorized and Unissued Bonds**

|  | <u>Balance</u><br><u>June 30, 1975</u> |
|--|--|
| Highway and Bridge Construction  | \$ 7,800,000                           |
| Elementary and Secondary School Building Construction  | 17,400,000                             |
| Planning, Construction and Equipment of Pollution Abatement Facilities                         | 29,300,000                             |
| Construction and Equipment of Pollution Abatement Facilities                                   | 2,000,000                              |
| Inland Fisheries and Game Acquisition Fund   | 3,400,000                              |
| Land Acquisition for State Parks   | 1,368,000                              |
| Abatement or Removal of Prohibited Discharges of Oil, Petroleum Products or Their Byproducts   | 4,000,000                              |
| Provide Additional Moneys to the Industrial Building Mortgage Fund of the Guarantee Authority  | 71,845,000                             |
| Provide Additional Moneys to the Recreational Project Mortgage Fund of the Guarantee Authority | 15,603,500                             |
| Guarantee of Loans for Maine Students in Higher Education                                      | 3,200,000                              |
| Insurance of Loans of Maine School Building Authority  | 25,000,000                             |
| Insurance of Mortgage Loans for Indian Housing   | 1,000,000                              |
| Guarantee of Mortgage Loans to Resident Maine Veterans   | 2,000,000                              |
| Total Authorized and Unissued  | <u>\$183,916,500</u>                   |

### Referendum Election of November 1975

Pursuant to Acts of the Legislature, two proposals for the authorization of additional bonded debt were presented to the voters in November 1975. Both proposals received the necessary favorable approval of the voters. Accordingly, the authorized, but unissued general obligation bonded debt was increased as follows:

| <u>Purpose</u>  | <u>Law</u>        | <u>Amount</u>        |
|---|-------------------|----------------------|
| Highway and Bridge Construction                                     | P & S Ch. 88-1975 | \$ 13,600,000        |
| University of Maine - Self Liquidating<br>for Dormitory Renovations | P & S Ch. 64-1975 | 900,000              |
| Total Additional Authorized and Unissued                            |                   | <u>\$ 14,500,000</u> |

### Bond Issuance Provisions

Common legal provisions relating to issuance of bonds include the authorization for the Treasurer of State to issue bonds under the direction of and in accordance with terms and conditions approved by the Governor and Council, a maturity not over a certain number of years, and payment of interest and matured bonds by the Treasurer of State. Other provisions relate to recordkeeping and restrictions upon the disbursement of bond proceeds. In some instances, the approval of other state agencies such as the State Board of Education must be obtained prior to the issuance of certain bonds.

### Bond Anticipation Notes

Periodically, the State has issued bond anticipation notes. The most recent notes were sold on November 17, 1975 and will mature on April 15, 1976. This loan is in the principal amount of \$8,750,000 and is being fully funded by the Bonds. Loans of this type are strictly regulated by the Revised Statutes which require that bond anticipation loans shall be repaid from the proceeds of the bonds within one year from the date of the loan.

### Tax and Revenue Anticipation Notes

As set forth in Appendix A, the Constitution of the State of Maine provides that temporary loans may be utilized if they are paid out of money raised by taxation during the fiscal year in which they are made. The Revised Statutes limit such borrowing to \$10,000,000. In December 1968, \$10,000,000 was borrowed on a tax anticipation loan and repaid in June 1969. In December 1975, \$10,000,000 was borrowed and is scheduled for repayment on June 16, 1976.

The State of Maine has not issued any revenue anticipation notes for anticipated federal or similar non-tax revenues. The State has no present intention to do so in the future.

### Inter-Fund Borrowing

Aggregate inter-fund borrowing at June 30, 1975 totalled \$15,348,220. These transactions originated as a result of direct legislative action or upon terms and conditions established by the Legislature. The primary purpose of such borrowing has been to provide working capital to funds intended to be self-supporting from fees, service charges and other revenue. Repayments by the borrowing funds were current at June 30, 1975 and have been generally so in prior years.

## INTER-FUND BORROWING

June 30, 1975

| <u>Lending Fund:</u>                           | <u>Balances<br/>Outstanding</u> |
|--|---------------------------------|
| General Fund                                   | \$ 4,815,106                    |
| Highway Fund                                   | 10,533,114                      |
| Total  | <u>\$ 15,348,220</u>            |
| <br>   |                                 |
| <u>Borrowing Fund:</u>                         |                                 |
| Bureau of Alcoholic Beverages                  | \$ 3,500,000                    |
| Seed Potato Board Fund                         | 50,000                          |
| State Lottery Fund                             | 400,000                         |
| Surplus Property Pool                          | 2,000                           |
| Highway Garage Fund                            | 10,533,114                      |
| State Plane Fund                               | 100,000                         |
| Postal, Printing and Supply Fund               | 369,000                         |
| Schooling of Children in Unorganized Territory | 344,106                         |
| Group Life Insurance Fund                      | 50,000                          |
| Total  | <u>\$ 15,348,220</u>            |

### Federal Loans for Unemployment Purposes

During the current fiscal year which began on July 1, 1975 unemployment fund loans have been obtained from the Federal government. Through March, 1976, obligations of \$13,900,000 have been incurred. It is expected that \$15,100,000 of additional borrowing will be sought during the remainder of calendar year 1976. The balance outstanding at December 31, 1976 is expected to be \$29,000,000. This borrowing is made in accordance with section 1201 of the Social Security Act. Pursuant to that Act, no additional burden upon Maine employers will be imposed until at least November 10, 1977. Various methods of deferral beyond that date are available based upon future action by the Maine Legislature to revise unemployment tax rates, tax bases, or experience formulas. The terms and conditions of the loans do not involve the payment of interest by the State.

### Pending Litigation

The 107th Legislature has waived the sovereign immunity of the State and authorized the commencement of actions seeking the recovery of up to \$129,000 from the General Fund and up to \$253,500 from the State Highway Fund. In one of the actions involving the State Highway Fund, a judgment has been awarded against the State in the sum of \$435,187.50. That matter is currently on appeal to the Supreme Judicial Court. Additional actions are pending against the State seeking monetary damages where the sovereign immunity of the State has not been waived by the Maine Legislature.

The United States has filed a complaint in the United States District Court for the District of Maine on behalf of the Passamaquoddy Indian Tribe claiming \$150 million damages for alleged wrongs by the State of Maine and the Commonwealth of Massachusetts (its predecessor-in-interest) for the past 200 years. A similar action has been filed on behalf of the Penobscot Indian Tribe. The actions were instituted at the direction of the United States District Court for the District of Maine when the United States Secretary of the Interior and the United

States Attorney General refused to institute the actions on the ground that there was no trust relationship between the United States and the Passamaquoddy Tribe. Both actions have been stayed pending the outcome of *Passamaquoddy v. Morton*, which challenged the legality of the refusal of the Secretary of the Interior and the United States Attorney General to sue the State of Maine. The First Circuit Court of Appeals has affirmed a United States District Court ruling that the Secretary of the Interior and the United States Attorney General could not refuse to sue the State on the sole ground that there is no trust relationship between the United States and the Passamaquoddy Tribe. It is uncertain whether the United States will now proceed with the actions against the State or whether it will decline to sue the State at the Tribe's request on some other grounds. In the event the suits do proceed, it is the opinion of the Maine Attorney General that there are valid defenses to the actions and that the likelihood of any significant monetary recovery is remote.

A complaint has been filed by certain municipal corporations and individuals in State Superior Court for a judgment declaring legislation enacted in order to reduce the burden of educational costs unconstitutional because of the alleged violations of certain provisions of the United States Constitution and Maine Constitution, including, among other things, equal protection of the law, due process of the law, and impairment of obligation of contract. Among the infirmities alleged are the elimination of local control over schools, the requirement that property owners in certain municipalities support schools of other municipalities, the attempt to equalize education solely on the basis of amount of moneys expended and imposition of ceilings on expenditures for education in certain municipalities and districts. Other actions have also been commenced challenging the constitutionality of such legislation. Whether a final judgment will be entered declaring such legislation unconstitutional is uncertain. The effect of such a judgment may be that the State will not be authorized under such legislation to make the aforesaid payments to governmental units for State approved school construction projects. Legislation has recently been enacted by the State Legislature over the veto of the Governor as a substitute for the school education aid presently in force, making certain changes with respect to the funding of local educational costs and allowing governmental units to make local appropriations to provide additional funds for local educational costs in excess of funds available from the state allocation.

The State of Maine, joined by the Commonwealth of Massachusetts and the State of Vermont, has filed an original action in the United States Supreme Court against the State of New Hampshire to recover taxes unlawfully diverted from them by a New Hampshire Commuter's Income Tax held unconstitutional by the United States Supreme Court in *Austin v. New Hampshire*, 420 U.S. 656 (1975). The State of Maine is seeking recovery of an approximate amount of \$2,970,754, plus interest.

Potential liability for pending litigation does not constitute a significant impairment of the State's financial condition.

### **Current Financial Position**

A strong current financial position has been maintained in prior years. The best single measure of this characteristic is the amount of combined fund balances of the operating funds. Financial statements portraying these balances and their changes during recent years are included in this Official Statement in the financial statement section.

The Legislature is in session as this Official Statement is being issued, so no precise estimates of current financial position are available for the present fiscal year. However, it is expected that the enactment of pending legislation will not result in aggregate fund balances of the operating funds below \$5 million at June 30, 1976. This amount is believed to be a conservative estimate. For the fiscal year ending June 30, 1977, there is no reason to believe that aggregate operating fund balances of less than a like amount will be available. The estimated amount of such balances beyond the current fiscal year are not susceptible to more precise estimates, at this time.

### Key Financial Officials

Such officials include John P. O'Sullivan C.P.A., Commissioner of the Department of Finance and Administration, who is responsible for the overall administration of state finances. He is appointed by the Governor. Reporting to the Commissioner are the following bureau directors (partial listing):

Richard A. Dieffenbach C.P.A., State Controller  
Otto W. Siebert, State Budget Officer  
Joseph E. Stephenson, State Purchasing Agent  
Raymond L. Halperin, State Tax Assessor

The Treasury Department is responsible for the management of investments and debt. It is directed by Rodney L. Scribner C.P.A., Treasurer of State, who is elected by the Legislature.

The Audit Department is responsible for a continuing postaudit of state financial records. It is directed by Raymond M. Rideout, Jr., State Auditor, who is elected by the Legislature.

All of the preceding officials maintain offices at the State Office Building, Augusta, Maine 04333. A wide variety of financial and statistical information is available from them upon request.

## FINANCIAL STATEMENTS

### Fund Structure

Financial transactions are recorded in funds established in general conformity with the recommendations of the National Committee on Governmental Accounting and the American Institute of Certified Public Accountants. To comply with the provisions of laws and regulations, the following funds are recognized:

**General Fund:** Principal revenues to this fund include the uniform property tax levied upon municipalities, inheritance and estate taxes, cigarette taxes, the net income from the operation of a statewide network of approximately 90 retail liquor stores, and various business taxes. The sales and income taxes are credited 96% to this fund and 4% to a special revenue fund. A wide variety of governmental expenditures are financed through the general fund. Programs financed include the court system, legislature, central administrative agencies, grants to the University of Maine, a portion of local school subsidies, five vocational technical institutes, correctional facilities, hospitals, and many others. This fund pays the debt service on approximately 65% of the outstanding bonded debt.

**Highway Fund:** Principal revenues include the gasoline tax, motor vehicle fees and drivers' licenses, and federal grants. This fund is also credited with the proceeds of the sale of bonds for highway purposes. It is the only operating fund to receive funds from the sale of bonds. This fund finances highway construction and maintenance and related activities. Approximately 25% of debt service costs on outstanding bonded debt is paid by this fund.

**Federal Revenue Sharing Fund:** This fund accounts for federal payments to state government under the State and Local Fiscal Assistance Act. All revenue is from the federal government and income from temporary investments. All expenditures are made to local governments for elementary and secondary school subsidies.

**Other Special Revenue Funds:** A wide variety of special funds are included in this grouping to account for various revenues which are dedicated to specific purposes. These revenues include unemployment taxes, fishing and hunting license fees, 4% of sales and income taxes, federal grants, the potato tax, the sardine tax and numerous other sources. Expenditures are for a great variety of governmental programs. Included are regulation of businesses, unemployment benefits, health, sanitation, environmental protection, general purpose grants to municipalities, and agricultural inspection, for example.

\*\*\*\* When the four preceding funds and groups are combined for financial statement presentation of the current operations of state government, they are referred to as the "operating funds". \*\*\*\*

**Proceeds of General Bonds Funds:** These funds are used to account for bond proceeds other than highway bonds. Revenue also includes federal grants for construction purposes and investment income. Expenditures are generally for construction, land acquisition and related purposes. Expenditures include debt service for self-liquidating dormitory bonds. This amounts to approximately 10% of debt service costs on outstanding bonded debt.

**General Long Term Debt Fund:** This fund is utilized to account for the long term liabilities which are intended to be repaid by the Operating and Proceeds of General Bonds Funds. Debt of enterprise funds is not included even though it is of a general obligation nature because it is only contingently payable from the operating funds.

**Enterprise Funds:** These funds account for business type operations of state government where the primary revenue source is the public as opposed to other government agencies. Maine operates eleven enterprise funds. Their principal characteristics are the operation of state liquor stores, the state lottery, seed potato production, port terminal operation, airport operation, guaranteed business and recreational loans, ferry boat operations and prison industries. Debt service on ferry bonds is financed through the enterprise fund for that program. This item amounts to less than 1% of all funds debt service.

**Intragovernmental Service Funds:** These funds account for business type operations where the primary revenue source is other state agencies. Principal funds of this type are central computer services; postal, printing and supply fund; a self insurance fund for a portion of property insurance and the motor vehicle pool (Highway Garage) of the Transportation Department. These funds have no outstanding bonds payable. However, central computer services is obligated for \$4,410,614 at June 30, 1975 for lease purchase agreements for computer equipment. These agreements may be cancelled by the State if the Legislature fails to provide a sufficient appropriation.

**Trust and Agency Funds:** These funds account for the financial transactions of the state government in its capacity as trustee or agent for the public, local governments and the Federal government. The largest such fund is the Maine State Retirement System. Payroll deductions, guaranty deposits of regulated businesses and the trust funds established with the funds received by the state from the original sale of public land are recorded here.

On the following pages, financial statements of the aforementioned funds are presented:



**COMBINED BALANCE SHEET - ALL FUNDS**  
**JUNE 30, 1975**

**OPERATING FUNDS**

|  | General<br>Fund      | Highway<br>Fund      | Federal<br>Revenue<br>Sharing<br>Fund |
|--|----------------------|----------------------|---------------------------------------|
| <b>ASSETS AND OTHER DEBITS</b>   |                      |                      |                                       |
| Equity in Treasurer's Demand Cash and/or Investments                         | \$ 23,376,293        | \$ 31,485,039        | \$ 385,792                            |
| Cash - Other   | 316,041              | 139,982              | —                                     |
| Investments  | 28,242               | 48,000               | —                                     |
| Deposit with United States Treasury  | —                    | —                    | —                                     |
| Receivables - Less Allowance for Possible Losses                             | 12,077,265           | 8,843,428            | —                                     |
| Due from Other Funds   | 44,933               | 2,671                | —                                     |
| Inventories  | —                    | —                    | —                                     |
| Prepaid Expense and Other Assets   | 1,343,147            | 790,763              | —                                     |
| Working Capital Advances to Other Funds                                      | 4,815,106            | 10,533,114           | —                                     |
| Plant and Equipment - Less Allowance for<br>Amortization and Depreciation    | —                    | —                    | —                                     |
| Amount Due from Proceeds of Bonds or<br>Notes Authorized - Not Issued        | —                    | 7,800,000            | —                                     |
| Future Revenue Needed for Retirement of Bonded Debt                          | —                    | —                    | —                                     |
| Bonds Authorized - Not Issued  | —                    | —                    | —                                     |
| <b>Total Assets and Other Debits</b>   | <b>\$ 42,001,030</b> | <b>\$ 59,642,999</b> | <b>\$ 385,792</b>                     |
| <b>LIABILITIES</b>   |                      |                      |                                       |
| Accounts Payable   | \$ 10,597,556        | \$ 72,315            | \$ —                                  |
| Due to Other Funds   | 977,848              | 75,242               | —                                     |
| Other Current Liabilities  | 1,046,475            | 140,840              | —                                     |
| Lease Purchase Payable   | —                    | —                    | —                                     |
| Bonds Payable  | —                    | —                    | —                                     |
| Mortgages Payable  | —                    | —                    | —                                     |
| Amount Due Funds from Proceeds of Bonds Authorized<br>Not Issued - Allocated | —                    | —                    | —                                     |
| Unallocated  | —                    | —                    | —                                     |
| Contingent   | —                    | —                    | —                                     |
| Working Capital Advances   | —                    | —                    | —                                     |
| <b>Total Liabilities</b>   | <b>12,621,880</b>    | <b>288,398</b>       | <b>—</b>                              |
| <b>RESERVES AND FUND BALANCES/RETAINED EARNINGS</b>                          |                      |                      |                                       |
| Reserve for Encumbrances   | 6,811,152            | 15,302,116           | —                                     |
| Reserve for Authorized Expenditures - Unencumbered                           | 11,227,389           | 26,565,902           | —                                     |
| Reserve for State Contingent Account   | 800,000              | —                    | —                                     |
| Reserve for Operating Capital  | 2,000,000            | —                    | —                                     |
| Reserve for Working Capital Advances   | 4,815,106            | 10,533,114           | —                                     |
| Other Reserves   | 411,373              | 799,252              | —                                     |
| Contributions from Other Funds   | —                    | —                    | —                                     |
| Fund Balance   | 3,314,127            | 6,154,215            | 385,792                               |
| Retained Earnings (Deficit)  | —                    | —                    | —                                     |
| <b>Total Reserves and Fund Balances/Retained Earnings</b>                    | <b>29,379,149</b>    | <b>59,354,601</b>    | <b>385,792</b>                        |
| <b>Total Liabilities, Reserves and Fund Balances/<br/>Retained Earnings</b>  | <b>\$ 42,001,030</b> | <b>\$ 59,642,999</b> | <b>\$ 385,792</b>                     |

Source: Financial Report of the State Controller

**SPECIAL PURPOSE FUNDS**

| <b>Other<br/>Special<br/>Revenue<br/>Funds</b> | <b>Proceeds<br/>of General<br/>Bonds<br/>Funds</b> | <b>General<br/>Long Term<br/>Debt Fund</b> | <b>Enterprise<br/>Funds</b> | <b>Intra-<br/>Governmental<br/>Service<br/>Funds</b> | <b>Trust<br/>and<br/>Agency<br/>Funds</b> |
|--|--|--|-----------------------------|--|---|
| \$ 25,316,756                                  | \$ 19,227,056                                      | \$ —                                       | \$ 3,515,763                | \$ 4,631,557   | \$ 9,175,758                              |
| 1,964,173                                      | 55,215   | —  | 227,832                     | 10,000   | 10,625,845                                |
| —  | —  | —  | —                           | —  | 193,925,768                               |
| 5,153,924                                      | —  | —  | —                           | —  | —   |
| 1,575,600                                      | 35,870   | —  | 4,815,109                   | 17,503   | —   |
| 745,757  | —  | —  | 19,498                      | 424,221  | 50,000                                    |
| —  | —  | —  | 5,551,144                   | 2,750,404  | —   |
| 155,662  | —  | —  | 926,804                     | 2,882  | 150,062                                   |
| —  | —  | —  | —                           | —  | —   |
| —  | —  | —  | 6,160,360                   | 13,394,936   | —   |
| —  | 75,000   | —  | —                           | —  | —   |
| —  | —  | 276,560,000                                | —                           | —  | —   |
| —  | —  | 183,916,500                                | —                           | —  | —   |
| <b>\$ 34,731,873</b>                           | <b>\$ 19,393,142</b>                               | <b>\$460,476,500</b>                       | <b>\$ 21,216,513</b>        | <b>\$ 21,231,506</b>                                 | <b>\$213,927,435</b>                      |
| \$ 4,267,849                                   | \$ 255,184   | \$ —                                       | \$ 3,220,628                | \$ 559,701   | \$ 328,211                                |
| 148,251  | —  | —  | 83,490                      | 1,117  | —   |
| 100,365  | 34,215   | —  | 364,062                     | —  | 216,579                                   |
| —  | —  | —  | —                           | 4,410,614  | —   |
| —  | —  | 276,560,000                                | 1,010,000                   | —  | —   |
| —  | —  | —  | 1,439,192                   | —  | —   |
| —  | —  | 39,100,000                                 | —                           | —  | —   |
| —  | —  | 26,168,000                                 | —                           | —  | —   |
| —  | —  | 118,648,500                                | —                           | —  | —   |
| —  | —  | —  | 3,950,000                   | 11,348,220   | 50,000                                    |
| 4,516,465                                      | 289,399  | 460,476,500                                | 10,067,373                  | 16,319,654   | 594,790                                   |
| 8,559,262                                      | 6,674,580  | —  | —                           | —  | —   |
| —  | —  | —  | —                           | —  | 56,581                                    |
| —  | —  | —  | —                           | —  | —   |
| —  | —  | —  | —                           | —  | —   |
| 1,088,724                                      | —  | —  | —                           | —  | —   |
| —  | —  | —  | 25,959,339                  | 3,883,683  | 10,000                                    |
| 20,567,420                                     | 12,429,161   | —  | —                           | —  | —   |
| —  | —  | —  | (14,810,199)                | 1,028,168  | 213,266,062                               |
| 30,215,408                                     | 19,103,742   | —  | 11,149,139                  | 4,911,851  | 213,332,644                               |
| <b>\$ 34,731,873</b>                           | <b>\$ 19,393,142</b>                               | <b>\$460,476,500</b>                       | <b>\$ 21,216,513</b>        | <b>\$ 21,231,506</b>                                 | <b>\$213,927,435</b>                      |

**COMBINED REVENUES AND EXPENDITURES**  
**ALL OPERATING FUNDS**  
Years Ending June 30

|  | <u>1972</u>           | <u>1973</u>          | <u>1974</u>          | <u>1975</u>            |
|--|-----------------------|----------------------|----------------------|------------------------|
| <b>Revenues:</b>   |                       |                      |                      |                        |
| Sales and Use Tax  | \$102,677,940         | \$117,577,970        | \$126,846,806        | \$137,369,006          |
| Income Taxes   | 36,767,405            | 41,351,471           | 50,180,362           | 64,784,500             |
| Gasoline Tax   | 46,762,475            | 50,488,124           | 49,989,934           | 50,272,779             |
| Cigarette Tax  | 18,733,670            | 19,438,210           | 19,991,671           | 22,976,832             |
| Motor Vehicle Registration and<br>Drivers' Licenses              | 15,090,219            | 16,227,317           | 20,905,200           | 19,783,963             |
| Unemployment Compensation Tax                                    | 15,243,009            | 27,769,420           | 29,055,748           | 29,327,836             |
| Other Taxes  | 34,155,020            | 35,971,526           | 38,915,702           | 49,351,383             |
| <b>Total Taxes</b>   | <u>269,429,742</u>    | <u>308,824,041</u>   | <u>335,885,426</u>   | <u>373,866,303</u>     |
| From Federal Government  | 155,729,745           | 168,570,482          | 181,691,078          | 225,523,379            |
| From Local Governments   | 3,400,420             | 3,913,297            | 5,397,422            | 5,789,729              |
| Service Charges  | 9,880,760             | 8,560,618            | 9,615,346            | 11,885,590             |
| From Bureau of Alcoholic Beverages                               | 19,218,651            | 19,891,804           | 20,134,352           | 21,768,362             |
| Other Revenue  | 13,669,580            | 9,096,555            | 17,283,080           | 17,893,056             |
| Transfers  | 6,935,802             | 10,621,889           | 2,804,718            | 863,482                |
| <b>Total Revenues</b>  | <u>\$478,264,702</u>  | <u>\$529,478,689</u> | <u>\$572,811,426</u> | <u>\$657,589,905</u>   |
| <b>Expenditures:</b>   |                       |                      |                      |                        |
| Salaries and Wages   | \$ 90,521,244         | \$ 98,440,556        | \$106,590,249        | \$115,607,487          |
| Contractual Services   | 35,189,175            | 39,707,537           | 42,569,546           | 55,494,418             |
| Commodities  | 14,640,827            | 15,394,724           | 18,167,190           | 19,464,614             |
| To Municipalities, Districts,<br>University, Other Organizations | 119,314,294           | 127,980,346          | 160,114,348          | 224,304,708            |
| Unemployment Benefits  | 37,281,619            | 26,613,036           | 28,349,132           | 61,494,070             |
| Welfare and Other Benefits                                       | 90,260,333            | 107,501,727          | 117,801,066          | 140,411,830            |
| To State Retirement System                                       | 16,061,244            | 16,303,435           | 22,252,515           | 23,766,268             |
| To Other State Funds   | 11,821,441            | 11,649,453           | 8,130,336            | 2,022,601              |
| Land and Land Rights   | 4,326,290             | 2,793,771            | 2,091,585            | 1,385,772              |
| Buildings and Improvements                                       | 1,521,143             | 1,922,890            | 1,982,041            | 8,627,405              |
| Equipment  | 3,014,697             | 3,160,204            | 3,275,321            | 3,678,572              |
| Highway Contract Payments  | 40,680,470            | 32,646,685           | 32,308,512           | 32,132,764             |
| Debt Retirement  | 7,778,101             | 9,250,237            | 15,090,000           | 15,835,000             |
| Bond and Note Interest   | 10,295,000            | 12,665,000           | 10,680,466           | 11,150,562             |
| <b>Total Expenditures</b>  | <u>\$482,705,878</u>  | <u>\$506,029,602</u> | <u>\$569,402,307</u> | <u>\$715,376,072</u>   |
| Excess (Deficiency) of Revenues<br>Over Expenditures             | <u>(\$ 4,441,176)</u> | <u>\$ 23,449,087</u> | <u>\$ 3,409,119</u>  | <u>(\$ 57,786,167)</u> |

Source: Compiled from Financial Reports of the State Controller

**ANALYSIS OF CHANGES IN FUND BALANCES**  
**ALL OPERATING FUNDS**  
 Years Ended June 30

|                                       | <u>1972</u>          | <u>1973</u>          | <u>1974</u>          | <u>1975</u>          |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Balance at Beginning of Year          | \$ 41,678,451        | \$ 54,063,002        | \$ 97,689,318        | \$ 74,409,049        |
| Prior Year's Adjustments              | <u>325,664</u>       | <u>206,559</u>       | <u>366,565</u>       | <u>421,931</u>       |
| Adjusted Beginning Balance            | 42,003,364           | 54,269,563           | 98,055,883           | 74,830,980           |
| Additions:                            |                      |                      |                      |                      |
| Excess of Revenues Over Expenditures  | ----                 | 23,449,087           | 3,409,119            | ----                 |
| Balances Forward at Beginning of Year | 46,526,214           | 44,647,247           | 46,255,428           | 71,408,915           |
| Repayments, Transfers and Adjustments | 440,315              | 430,093              | 1,519,786            | 2,792,667            |
| Allocation of Highway Bond Issues     | ----                 | 10,300,000           | ----                 | 7,800,000            |
| Decreases in Reserves                 | <u>15,146,087</u>    | <u>11,948,542</u>    | <u>44,899</u>        | <u>2,631,137</u>     |
| Total Additions                       | 62,112,616           | 90,774,969           | 51,229,232           | 84,632,719           |
| Deductions:                           |                      |                      |                      |                      |
| Excess of Expenditures Over Revenues  | 4,441,176            | ----                 | ----                 | 57,786,167           |
| Balances Forward at End of Year       | 44,872,230           | 46,363,830           | 71,557,479           | 68,465,822           |
| Advances and Transfers                | 739,575              | 949,979              | 396,250              | 2,712,983            |
| Increases in Reserves                 | ----                 | 41,405               | 2,631,137            | 14,539               |
| Adjustments and Refunds               | <u>----</u>          | <u>----</u>          | <u>291,203</u>       | <u>62,634</u>        |
| Total Deductions                      | 50,052,981           | 47,355,214           | 74,876,069           | 129,042,145          |
| Balances at End of Year               | <u>\$ 54,063,002</u> | <u>\$ 97,689,318</u> | <u>\$ 74,409,049</u> | <u>\$ 30,421,554</u> |
| Recapitulation by Fund:               |                      |                      |                      |                      |
| General Fund                          | \$ 15,495,948        | \$ 42,112,708        | \$ 27,898,834        | \$ 3,314,127         |
| Highway Fund                          | 4,401,215            | 8,775,740            | 7,477,657            | 6,154,215            |
| Federal Revenue Sharing Fund          | ----                 | 13,023,517           | 1,860,100            | 385,792              |
| Other Special Revenue Funds           | <u>34,165,839</u>    | <u>33,777,353</u>    | <u>37,172,458</u>    | <u>20,567,420</u>    |
| Balances at End of Year               | <u>\$ 54,063,002</u> | <u>\$ 97,689,318</u> | <u>\$ 74,409,049</u> | <u>\$ 30,421,554</u> |

Source: Compiled From Financial Reports of the State Controller

**DEBT SERVICE REQUIREMENTS TO MATURITY  
GENERAL OBLIGATION BONDS - ALL FUNDS**

June 30, 1975

| <u>Fiscal<br/>Year</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total<br/>Debt Service</u> |
|------------------------|----------------------|----------------------|-------------------------------|
| 1976                   | \$ 17,790,000        | \$ 12,978,157        | \$ 30,768,157                 |
| 1977                   | 17,835,000           | 12,129,669           | 29,964,669                    |
| 1978                   | 16,990,000           | 11,279,582           | 28,269,582                    |
| 1979                   | 17,030,000           | 10,462,295           | 27,492,295                    |
| 1980                   | 16,715,000           | 9,649,877            | 26,364,877                    |
| 1981                   | 16,750,000           | 8,843,657            | 25,593,657                    |
| 1982                   | 16,765,000           | 8,045,517            | 24,810,517                    |
| 1983                   | 16,605,000           | 7,250,619            | 23,855,619                    |
| 1984                   | 16,615,000           | 6,457,210            | 23,072,210                    |
| 1985                   | 15,480,000           | 5,675,021            | 21,155,021                    |
| 1986                   | 15,415,000           | 4,915,640            | 20,330,640                    |
| 1987                   | 14,970,000           | 4,158,954            | 19,128,954                    |
| 1988                   | 14,260,000           | 3,413,534            | 17,673,534                    |
| 1989                   | 13,730,000           | 2,708,687            | 16,438,687                    |
| 1990                   | 11,910,000           | 2,066,242            | 13,976,242                    |
| 1991                   | 9,865,000            | 1,493,938            | 11,358,938                    |
| 1992                   | 8,110,000            | 1,068,825            | 9,178,825                     |
| 1993                   | 6,290,000            | 730,984              | 7,020,984                     |
| 1994                   | 3,685,000            | 494,683              | 4,179,683                     |
| 1995                   | 2,940,000            | 336,357              | 3,276,357                     |
| 1996                   | 1,255,000            | 225,620              | 1,480,620                     |
| 1997                   | 1,285,000            | 179,942              | 1,464,942                     |
| 1998                   | 1,120,000            | 138,475              | 1,258,475                     |
| 1999                   | 750,000              | 102,702              | 852,702                       |
| 2000                   | 715,000              | 77,890               | 792,890                       |
| 2001                   | 590,000              | 57,942               | 647,942                       |
| 2002                   | 595,000              | 40,170               | 635,170                       |
| 2003                   | 490,000              | 24,420               | 514,420                       |
| 2004                   | 415,000              | 11,412               | 426,412                       |
| 2005                   | 320,000              | 992                  | 320,992                       |
| 2006                   | 285,000              | 285                  | 285,285                       |
| Total                  | <u>\$277,570,000</u> | <u>\$115,019,298</u> | <u>\$392,589,298</u>          |

**RECAPITULATION OF BOND PRINCIPAL**

June 30, 1975

|                      |                                 |
|----------------------|---------------------------------|
| \$276,560,000        | General Long Term Debt Fund     |
| <u>1,010,000</u>     | Enterprise Fund - Ferry Service |
| <u>\$277,570,000</u> | Total Principal As Above        |

Source: State Controller

## **PUBLIC AUTHORITIES AND RETIREMENT OBLIGATIONS**

### **Maine Turnpike Authority**

This Authority was created in 1941 to facilitate vehicular traffic between the southwestern and north-eastern sections of the State. Bonds issued by the Authority shall not be deemed to be a debt of the State of Maine, but such bonds shall be payable exclusively from tolls. The bonds shall not directly or indirectly or contingently obligate the State of Maine to levy or pledge any form of taxation whatever therefor or to make any appropriation for the payment. As of December 31, 1975, the total principal amount of outstanding Authority bonds was \$33,602,000.

### **Maine School Building Authority**

This Authority was created in 1951 to construct, acquire, alter or improve public school buildings and to issue revenue bonds, payable from rentals to finance such buildings. The Authority is authorized to insure the payment of its revenue bonds and to this end the faith and credit of the State is pledged, consistent with the terms and conditions of the State Constitution, Article IX, section 14-C. As of June 30, 1975, the total principal amount of outstanding Authority bonds was \$9,884,000.

### **Maine Housing Authority**

This Authority was created in 1969 to undertake various programs related to housing. The bonds and other obligations of the Authority shall not be a debt of a municipality, the State or any political subdivision thereof and neither the State nor a municipality nor any political subdivision thereof shall be liable thereon. As of December 31, 1975, the total principal amount of outstanding Authority bonds was \$64,795,000. The State has a reserve fund restoration commitment with the Authority. The State has not been required to restore the reserve fund since the inception of the Authority.

### **Maine Municipal Bond Bank**

This Authority was created in 1972 to provide adequate capital markets and facilities for borrowing money by counties, cities, towns, School Administrative Districts, community school districts, and quasi-municipal corporations. Bonds and notes issued by the Authority shall not be in any way a debt or liability of the State and shall not create any debt or debts, liability or liabilities on behalf of the State or be or constitute a pledge of the faith and credit of the State. As of June 30, 1975, the total principal amount of outstanding Authority bonds was \$45,225,000. The State has a reserve fund restoration commitment with the Authority. The State has not been required to restore the reserve fund since the inception of the Authority.

### **Maine Health Facilities Authority**

This Authority was created in 1974 to provide the means to expand, enlarge and establish health care, hospital, nursing home and other related facilities. Bonds and notes issued by the Authority do not constitute or create any debt or debts, liability or liabilities on behalf of the State or of any political subdivision thereof other than the Authority or a loan of the credit of the State or a pledge of the faith and credit of the State or of any political subdivision other than the Authority. As of June 30, 1975, the total principal amount of outstanding Authority bonds was \$38,020,000.

### **Maine State Retirement System**

The Maine State Retirement System, having been established by Chapter 384 of the Public Laws of 1947, began operations on July 1, 1947. The System covers all categories of State employees, except Judges of the District Court and Justices of the Superior Court and the Supreme Judicial Court, local public school teachers and employees of participating local districts. On June 30, 1975, the System's State employee and teacher membership was comprised of approximately 31,319 active employees, 10,016 inactive members, and 10,738 retirees and surviving beneficiaries. In addition to State employees and public school teachers, the Maine State Retirement Laws allow local government employees to participate in the retirement system. Each entity stands on its own with its own assets and liabilities. As of June 30, 1975, 213 individual districts participate in the Maine State Retirement System.

Retirement, disability and death benefits provided by the System are financed by employee contributions and by employer contributions determined on an actuarial reserve basis. Actuarial valuations are prepared each year to determine the total employer contribution requirement, which is comprised of the normal cost plus the payment required to amortize the unfunded accrued liability. As of July 1, 1975, the unfunded accrued liability amounted to \$495.8 million and 27.7 years remained in the amortization period.

Actuarial valuations are prepared annually by Towne & Associates, consulting actuaries to the Board of Trustees of the System. The actuarial balance sheet (State employees and public school teachers) derived from the most recent actuarial valuation as of June 30, 1975 is as follows:

**ACTUARIAL BALANCE SHEET**

June 30, 1975

| Assets<br>(expected income)                       | <u>State<br/>Employees</u> | <u>MTRA<br/>Teachers</u>  | <u>Old System<br/>Teachers</u> | <u>All<br/>Employees</u>  |
|---|----------------------------|---------------------------|--------------------------------|---------------------------|
| (1) Invested Assets                               |                            |                           |                                |                           |
| (a) Members contribution fund                     | \$ 48,982,528              | \$ 63,391,159             | \$ 816,914                     | \$113,190,601             |
| (b) Retirement allowance fund                     | 41,681,128                 | 63,979,050                | (66,969,056)                   | 38,691,122                |
| Value invested funds (a+b)                        | <u>90,663,656</u>          | <u>127,370,209</u>        | <u>(66,152,142)</u>            | <u>151,881,723</u>        |
| (2) Future Contributions                          |                            |                           |                                |                           |
| (a) Future membership service                     | 79,427,887                 | 104,813,836               | -----                          | 184,241,723               |
| (b) Past membership service                       | 155,967,050                | 164,392,936               | 44,468,621                     | 364,828,607               |
| (c) Prior service                                 | 19,825,631                 | 28,316,510                | 82,875,552                     | 131,017,693               |
| Value contribution income (a+b+c)                 | <u>255,220,568</u>         | <u>297,523,282</u>        | <u>127,344,173</u>             | <u>680,088,023</u>        |
| (3) Value Total Income (1+2)                      | <u><u>345,884,224</u></u>  | <u><u>424,893,491</u></u> | <u><u>61,192,031</u></u>       | <u><u>831,969,746</u></u> |
| <b>Liabilities</b><br>(expected benefit payments) |                            |                           |                                |                           |
| (1) Active Employees                              |                            |                           |                                |                           |
| (a) Future membership service                     | 79,427,887                 | 104,813,836               | -----                          | 184,241,723               |
| (b) Past membership service                       | 109,147,165                | 134,511,374               | 163,383                        | 243,821,922               |
| (c) Prior service                                 | 3,335,745                  | 3,642,272                 | -----                          | 6,978,017                 |
| Value active benefits (a+b+c)                     | <u>191,910,797</u>         | <u>242,967,482</u>        | <u>163,383</u>                 | <u>435,041,662</u>        |
| (2) Retired Employees                             |                            |                           |                                |                           |
| (a) Past membership service                       | 98,498,877                 | 105,329,079               | 18,857,592                     | 222,685,548               |
| (b) Prior service                                 | 26,442,098                 | 48,324,322                | 22,815,850                     | 97,582,270                |
| (c) Cost of living                                | 29,032,452                 | 28,272,608                | 19,355,206                     | 76,660,266                |
| Value retired benefits (a+b+c)                    | <u>153,973,427</u>         | <u>181,926,009</u>        | <u>61,028,648</u>              | <u>396,928,084</u>        |
| (3) Value Total Benefits (1+2)                    | <u><u>345,884,224</u></u>  | <u><u>424,893,491</u></u> | <u><u>61,192,031</u></u>       | <u><u>831,969,746</u></u> |

## APPENDIX A

### EXTRACTS FROM THE CONSTITUTION OF THE STATE OF MAINE

#### ARTICLE VIII

##### Part First

##### Education

**Section 2.** For the purpose of assisting the youth of Maine to achieve the required levels of learning and to develop their intellectual and mental capacities, the Legislature, by proper enactment, may authorize the credit of the State to be loaned to secure funds for loans to Maine students attending institutions of higher education, wherever situated. Funds shall be obtained by the issuance of state bonds, when authorized by the Governor and Council, but the amount of bonds issued and outstanding shall not at one time exceed in the aggregate four million dollars. Funds loaned shall be on such terms and conditions as the Legislature shall authorize.

##### Part Second

##### Municipal Home Rule

**Section 2.** For the purposes of fostering, encouraging and assisting the physical location, settlement and resettlement of industrial and manufacturing enterprises within the physical boundaries of any municipality, the registered voters of that municipality may, by majority vote, authorize the issuance of notes or bonds in the name of the municipality for the purpose of constructing buildings for industrial use, to be leased or sold by the municipality to any responsible industrial firm or corporation.

#### ARTICLE IX

##### General Provisions

**Section 14.** The credit of the State shall not be directly or indirectly loaned in any case, except as provided in sections 14-A, 14-B, 14-C, 14-D and 14-E. The Legislature shall not create any debt or debts, liability or liabilities, on behalf of the State, which shall singly, or in the aggregate, with previous debts and liabilities, hereafter incurred at any one time, exceed two million dollars, except to suppress insurrection, to repel invasion, or for purposes of war, and except for temporary loans to be paid out of money raised by taxation during the fiscal year in which they are made; and excepting also that whenever two-thirds of both Houses shall deem it necessary, by proper enactment ratified by a majority of the electors voting thereon at a general or special election, the Legislature may authorize the issuance of bonds on behalf of the State at such times and in such amounts and for such purposes as approved by such action; but this shall not be construed to refer to any money that has been, or may be deposited with this State by the Government of the United States, or to any fund which the State shall hold in trust for any Indian tribe. Whenever ratification by the electors is essential to the validity of bonds to be issued on behalf of the State, the question submitted to the electors shall be accompanied by a statement setting forth the total amount of bonds of the State outstanding and unpaid, the total amount of bonds of the State authorized and unissued, and the total amount of bonds of the State contemplated to be issued if the enactment submitted to the electors be ratified. Temporary loans to be paid out of moneys raised by taxation during any fiscal year shall not exceed in the aggregate during the fiscal year in question an amount greater than 10% of all the moneys appropriated, authorized and allocated by the Legislature from undedicated revenues to the General Fund and dedicated revenues to the Highway Fund for that fiscal year, exclusive of proceeds or expenditures from the sale of bonds, or greater than 1% of the total valuation of the State of Maine, whichever is the lesser.

**Section 14-A.** For the purposes of fostering, encouraging and assisting the physical location, settlement and resettlement of industrial, manufacturing, fishing and agricultural enterprises within the State, the Legislature by proper enactment may insure the payment of mortgage loans on the real estate and personal property within the State of such industrial, manufacturing, fishing and agricultural enterprises not exceeding in the aggregate \$80,000,000 in amount at any one time and may also appropriate moneys and authorize the issuance of bonds on behalf of the State at such times and in such amounts as it may determine to make payments insured as aforesaid. For the purposes of this section, a documented fishing vessel shall be construed as real estate.



**ARTICLE IX**  
**General Provisions (Continued)**

**Section 14-B.** For the purpose of fostering, encouraging and assisting the physical location, settlement and resettlement of recreational projects within the State, the Legislature by proper enactment may insure the payment of mortgage loans on real estate and personal property within the State of such recreational projects not exceeding in the aggregate seventeen million dollars in amount at any one time outstanding and may also appropriate moneys and authorize the issuance of bonds on behalf of the State at such times and in such amounts as it may determine to make payments insured as aforesaid.

**Section 14-C.** In order to encourage and assist in the provision and construction of public school buildings in the State, the Legislature by proper enactment may insure the payment of revenue bonds of the Maine School Building Authority on school projects within the State not exceeding in the aggregate twenty-five million dollars in amount at any one time and may also appropriate moneys and authorize the issuance of bonds on behalf of the State at such times and in such amounts as it may determine to make payments insured as aforesaid.

**Section 14-D.** For the purpose of fostering and encouraging the acquisition, construction, repair and remodeling of houses owned or to be owned by members of the 2 tribes on the several Indian reservations, the Legislature by proper enactment may insure the payment of mortgage loans on such houses not exceeding in the aggregate \$1,000,000 in amount at any one time and may also appropriate moneys and authorize the issuance of bonds on behalf of the State at such times and in such amounts as it may determine to make payments insured as aforesaid.

**Section 14-E.** For the purposes of recognizing the services and sacrifices of Maine's men and women who have served their state and country through honorable service in the Armed Forces of the United States in time of war or national emergency; enlarging the opportunities for employment of Maine's veterans; insuring the preservation and betterment of the economy of the State of Maine; and stimulating the flow of private investment funds to Maine's veterans, the Legislature by proper enactment may insure the payment of up to eighty percent of any mortgage loan to resident Maine veterans of the Armed Forces of the United States, when such loans are made in connection with such legitimate purposes and under such terms and conditions as the Legislature may determine, not exceeding in the aggregate two million dollars in amount at any one time and may also appropriate moneys and authorize the issuance of bonds on behalf of the State at such times and in such amounts as it may determine to make payments insured as aforesaid.

**Section 15.** Municipal indebtedness. The Legislature shall enact general law regulating the total borrowing capacity of municipal corporations.

**APPENDIX B**  
**SCHEDULE OF BONDS PAYABLE**  
June 30, 1975

| Description of Loan                            | <u>Date<br/>of<br/>Issue</u> | <u>%</u> | <u>Balance<br/>Outstanding</u> |
|--|------------------------------|----------|--------------------------------|
| <b>GENERAL LONG TERM DEBT FUND</b>             |                              |          |                                |
| <b>GENERAL FUND</b>                            |                              |          |                                |
| Capital Improvements                           | May 1, 1964                  | 3.00     | \$ 3,920,000                   |
| Pollution Abatement                            | July 1, 1965                 | 3.00     | 490,000                        |
|  |                              | 2.90     | 490,000                        |
|  |                              | 3.00     | 1,715,000                      |
| Capital Improvement - University of Maine      | February 15, 1966            | 4.00     | 4,010,000                      |
| Capital Improvement - Mental Health Department | November 1, 1966             | 3.75     | 300,000                        |
| Maine Cultural Building                        | March 15, 1967               | 3.30     | 200,000                        |
|  |                              | 3.40     | 40,000                         |
| General Purposes                               | March 15, 1968               | 4.50     | 2,250,000                      |
|  |                              | 4.40     | 1,000,000                      |
| General Purposes                               | July 1, 1968                 | 4.00     | 4,950,000                      |
|  |                              | 4.10     | 2,750,000                      |
| General Purposes                               | March 1, 1969                | 4.625    | 4,200,000                      |
|  |                              | 4.70     | 5,630,000                      |
| General Purposes                               | October 15, 1969             | 5.60     | 4,000,000                      |
|  |                              | 5.70     | 2,140,000                      |
| General Purposes                               | February 15, 1970            | 5.80     | 4,525,000                      |
|  |                              | 6.00     | 3,620,000                      |
|  |                              | 6.30     | 5,455,000                      |
| General Purposes                               | April 1, 1970                | 5.70     | 10,790,000                     |
|  |                              | 4.00     | 1,570,000                      |
| General Purposes                               | November 15, 1970            | 6.00     | 11,665,000                     |
| School Building Construction                   | March 15, 1971               | 4.00     | 1,250,000                      |
|  |                              | 4.25     | 1,000,000                      |
|  |                              | 4.50     | 1,750,000                      |
| General Purposes                               | October 15, 1971             | 4.25     | 7,590,000                      |
|  |                              | 4.50     | 2,760,000                      |
|  |                              | 4.00     | 1,330,000                      |
| General Purposes                               | April 15, 1972               | 5.25     | 3,900,000                      |
|  |                              | 4.80     | 5,850,000                      |
|  |                              | 3.25     | 1,300,000                      |
| Industrial Building Authority                  | April 15, 1972               | 3.70     | 1,700,000                      |
| General Purposes                               | November 15, 1972            | 4.40     | 9,900,000                      |
|  |                              | 4.75     | 4,125,000                      |
|  |                              | 4.00     | 805,000                        |
| General Purposes                               | April 15, 1973               | 6.00     | 5,375,000                      |
|  |                              | 4.90     | 11,825,000                     |
|  |                              | 4.00     | 2,120,000                      |
| General Purposes                               | November 15, 1973            | 4.50     | 550,000                        |
|  |                              | 4.75     | 4,400,000                      |
|  |                              | 3.00     | 230,000                        |

| GENERAL LONG TERM DEBT FUND (Con't)<br>GENERAL FUND (Con't) | Date<br>of<br>Issue | %     | Balance<br>Outstanding |
|---|---------------------|-------|------------------------|
| Maine Guarantee Authority                                   | November 15, 1973   | 4.10  | 1,310,000              |
| General Purposes  | May 15, 1974        | 6.00  | 4,400,000              |
|   |                     | 5.70  | 3,080,000              |
|   |                     | 4.00  | 820,000                |
| General Purposes  | November 1, 1974    | 5.40  | 4,800,000              |
|   |                     | 5.50  | 2,400,000              |
|   |                     | 5.75  | 2,335,000              |
| General Purposes  | May 15, 1975        | 7.00  | 7,740,000              |
|   |                     | 6.40  | 6,880,000              |
|   |                     | 5.00  | 2,530,000              |
| Total General Fund .....                                    |                     |       | \$179,765,000          |
| <b>HIGHWAY FUND</b>   |                     |       |                        |
| Bangor-Brewer Bridge  | August 1, 1952      | 1.75  | 1,500,000              |
| Jonesport Reach Bridge                                      | December 1, 1956    | 2.375 | 360,000                |
| Highway and Bridges   | August 1, 1961      | 3.00  | 150,000                |
|   |                     | 3.10  | 900,000                |
|   | July 15, 1963       | 2.75  | 2,100,000              |
|   |                     | 2.90  | 2,800,000              |
|   |                     | 3.00  | 1,400,000              |
|   | March 15, 1967      | 3.30  | 6,500,000              |
|   |                     | 3.40  | 1,300,000              |
|   | July 1, 1967        | 3.70  | 4,125,000              |
|   |                     | 3.75  | 750,000                |
|   | October 15, 1968    | 3.70  | 3,360,000              |
|   |                     | 3.90  | 2,400,000              |
|   |                     | 4.00  | 960,000                |
| Androscoggin River Bridge                                   | July 1, 1970        | 6.50  | 1,625,000              |
|   |                     | 5.00  | 375,000                |
| Highway and Bridges   | July 1, 1970        | 6.50  | 8,320,000              |
|   |                     | 5.00  | 1,920,000              |
| Androscoggin River Bridge                                   | October 15, 1971    | 4.00  | 1,000,000              |
|   |                     | 4.50  | 600,000                |
|   |                     | 4.00  | 100,000                |
| Highway and Bridges   | October 15, 1971    | 4.00  | 3,000,000              |
|   |                     | 4.50  | 1,800,000              |
|   |                     | 4.00  | 300,000                |
|   | August 1, 1972      | 4.75  | 8,100,000              |
|   |                     | 5.00  | 3,375,000              |
|   |                     | 3.00  | 675,000                |
| Highway and Bridges   | November 1, 1974    | 5.40  | 5,150,000              |
|   |                     | 5.50  | 2,575,000              |
|   |                     | 5.75  | 2,575,000              |
| Total Highway Fund .....                                    |                     |       | 70,095,000             |

|   | <u>Date<br/>of<br/>Issue</u> | <u>%</u> | <u>Balance<br/>Outstanding</u>     |
|---|------------------------------|----------|------------------------------------|
| <b>GENERAL LONG TERM DEBT FUND (Con't)</b>  |                              |          |                                    |
| PROCEEDS OF GENERAL BONDS FUND  |                              |          |                                    |
| UNIVERSITY OF MAINE   |                              |          |                                    |
| Construction  | June 1, 1960                 | 3.50     | 2,445,000                          |
|   |                              | 1.00     | 155,000                            |
|   | August 1, 1961               | 3.50     | 2,105,000                          |
|   |                              | 1.00     | 125,000                            |
|   | April 1, 1963                | 5.00     | 40,000                             |
|   |                              | 3.20     | 1,550,000                          |
|   |                              | .25      | 95,000                             |
|   | February 1, 1964             | 5.00     | 115,000                            |
|   |                              | 3.30     | 1,510,000                          |
|   |                              | .10      | 95,000                             |
|   | February 15, 1966            | 4.00     | 210,000                            |
|   |                              | 3.50     | 4,605,000                          |
|   |                              | .10      | 555,000                            |
|   |                              |          | <u>13,605,000</u>                  |
| <b>STATE TEACHERS COLLEGES AND VOCATIONAL INSTITUTES</b>                            |                              |          |                                    |
| Student Housing - State Colleges  | June 15, 1962                | 5.00     | 165,000                            |
|   |                              | 3.00     | 1,415,000                          |
|   |                              | 1.00     | 285,000                            |
| Student Housing - State Colleges  | May 1, 1964                  | 3.00     | 545,000                            |
|   |                              | .10      | 550,000                            |
| Student Housing and Dining Facilities -<br>State Colleges and Vocational Institutes | March 15, 1967               | 3.30     | 1,200,000                          |
|   |                              | 3.40     | 2,150,000                          |
| Student Housing and Dining Facilities -<br>State Colleges and Vocational Institutes | March 15, 1968               | 4.50     | 1,670,000                          |
|   |                              | 4.40     | 3,465,000                          |
|   |                              | 3.00     | 775,000                            |
| Farmington College - Dormitory  | March 1, 1969                | 4.625    | 145,000                            |
|   |                              | 4.70     | 350,000                            |
|   |                              | 3.00     | 380,000                            |
|   |                              |          | <u>13,095,000</u>                  |
| Total Proceeds of General Bonds Fund .....  |                              |          | <u>26,700,000</u>                  |
| <b>Total General Long Term Debt Fund .....</b>                                      |                              |          | <b>\$276,560,000</b>               |
| <b>BONDED INDEBTEDNESS - ENTERPRISE FUNDS</b>                                       |                              |          |                                    |
| Self-Supporting Enterprise - Guaranteed by the State                                |                              |          |                                    |
| Maine Ferry Service Loan Bonds  | October 15, 1958             | 2.75     | 180,000                            |
|   |                              | 3.10     | 630,000                            |
|   | July 1, 1959                 | 3.00     | 40,000                             |
|   |                              | 3.25     | 160,000                            |
| Total Enterprise Fund .....   |                              |          | <u>1,010,000</u>                   |
| <b>TOTAL STATE BONDED DEBT - ALL GENERAL OBLIGATION</b>                             |                              |          | <b><u><u>\$277,570,000</u></u></b> |

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