



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

SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

KIRSTEN LC FIGUEROA
COMMISSIONER

DOUGLAS E. COTNOIR, CPA, CIA
STATE CONTROLLER

**TO: Janet T. Mills, Governor
Kirsten LC Figueroa, Commissioner**

FROM: Douglas E. Cotnoir, CPA, CIA, State Controller

DATE: July 22, 2020

SUBJECT: Fiscal Year 2020 Year-End

The State of Maine closed fiscal year 2020 with Unappropriated Surplus in the General Fund of \$186.6 million. After making a required transfer of \$2.5 million to the Reserve for General Fund Operating Capital, the remaining unappropriated surplus is \$8.5 million less than the amount budgeted to be carried forward into fiscal year 2021 as part of the biennial budget. This shortfall is comprised of (amounts in millions):

• Revenue shortfall <i>(Actual Revenues below Budgeted Estimates)</i>	(\$28.7)
• Lapsing General Fund accounts - unbudgeted <i>(Unexpended balances of General Fund accounts not authorized to carry by law)</i>	13.4
• Lapsing General Fund encumbrances <i>(Unexpended balances of prior period encumbrances not authorized to carry by law)</i>	7.6
• Prior period accounting adjustments <i>(Prior period corrections to transactions, balance forward adjustments, and the current year corrections accumulated throughout the fiscal year)</i>	1.7
• Transfer to Reserve for General Fund Operating Capital <i>(Required by Title 5 §1536)</i>	<u>-(2.5)</u>
Net Shortfall in Unappropriated Surplus	<u>(\$ 8.5)</u>

Title 5 §1536 defines the statutory order for priority transfers at year end. At fiscal year end, the Controller is required to transfer \$2.5 million to the Reserve for Operating Capital. Additionally, if amounts are available in unappropriated surplus, the Controller is required to restore the Governor's Contingent Account to a maximum \$350,000; transfer \$1.0 million to the FAME Loan Insurance Reserve; and, transfer \$2.0 million to reduce the Unfunded Actuarial Liability for Retiree Health Insurance. There was not sufficient unappropriated surplus to allow for those transfers at the close of fiscal year 2020.

From the net unappropriated surplus, after the priority transfers, the Controller is required to transfer 80% to the Budget Stabilization Fund and 20% to the Property Tax Relief Fund in accordance with Title 5 §1536. There was not sufficient unappropriated surplus to allow for those transfers at the close of fiscal year 2020.

At the close of fiscal year 2020, the only transfer made from the General Fund Unappropriated Surplus was \$2.5 million to the Reserve for General Fund Operating Capital (*Title 5 §1536*).

The final reserve balances in the General Fund at June 30, 2020 were:

- **Budget Stabilization Fund** **\$258.7 million**
 - *The statutory limit for this reserve is \$714.5 million for FY 2020, which represents 18% of General Fund revenue of the immediately preceding year.*
 - **Reserve for General Fund Operating Capital** **\$13.9 million**
 - *The statutory limit for this reserve is \$50.0 million. If at its maximum, excess amounts are transferred to the Budget Stabilization Fund.*
 - **Reserve for Property Tax Relief** **\$375 thousand**
 - *All excess amounts would be transferred to this reserve if Budget Stabilization and Operating Capital Reserves were at their maximum. Funds are distributed when the amount available in the fund is sufficient to make a relief payment of at least \$100 to the property tax payer for each homestead in the State, estimated to be \$31 million.*
- Total Reserves** **\$273.0 million**

**General Fund
Unreserved Fund Balance/Unappropriated Surplus Calculation
Fiscal Year Ended June 30, 2020**

Overall Equity Balance (before required reserves and year end transfers)	\$ 923,047,483
Existing Reserves:	
Encumbrances	(79,930,969)
Carrying Balances	(385,688,220)
Contingent Account	(275,910)
General Fund Operating Capital	(11,418,554)
Budget Stabilization	(258,746,831)
Loan Insurance	0
Other Reserves	32,733
Tax Relief	(375,293)
Unappropriated Surplus	\$ 186,644,439
Less Budgeted Priority Transfers:	
Budgeted Balance Forward	(192,630,835)
Contingent Account - Title 5 § 1507	0
Loan Insurance Reserve - Title 5 § 1511	0
General Fund Operating Capital - Title 5 § 1536	(2,500,000)
Retiree Health Insurance UAL - Title 5 § 1519	0
Amount Available for Final Priority Reserves	(8,486,396)

Final Priority Reserves:		
Budget Stabilization	(80%)	-
Property Tax Relief Fund for Maine Residents	(20%)	-
Total Final Priority Reserve Transfers		\$ -

Final Reserve Balances:	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Budget Stabilization Fund	\$ 236,904,105	\$ 258,746,831
Reserve for Riverview Disallowance	60,305,815	0
Reserve for General Fund Operating Capital	11,418,554	13,918,554
Reserve for Property Tax Relief	32,980,692	375,293
Total Reserves	\$ 341,609,166	\$ 273,040,679