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## 2000 Rating Agency Report

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*Presentation to Fitch IBCA*



**State of Maine**

**Angus S. King, Jr. – Governor**

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**State Treasurer Dale McCormick**

**Commissioner Janet Waldron, Administrative & Financial Services**

**May 19, 2000**

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*Presentation to Moody's Investors Service*



**State of Maine**

**Angus S. King, Jr. – Governor**

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**State Treasurer Dale McCormick**

**Commissioner Janet Waldron, Administrative & Financial Services**

**May 19, 2000**

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*Presentation to Standard & Poor's*



**State of Maine**

**Angus S. King, Jr. – Governor**

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**State Treasurer Dale McCormick**

**Commissioner Janet Waldron, Administrative & Financial Services**

**May 18, 2000**

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## Participants

**Dale McCormick**  
*State Treasurer*

**Janet Waldron**  
*Commissioner, Department of  
Administrative & Financial Services*

**Jack Nicholas**  
*State Budget Officer*

**Alan Brigham**  
*Department of Economic and  
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## Presentation Topics

	<b><u>Tab</u></b>
Finance.....	A
Infrastructure.....	B
Quality of Life.....	C
Economic Development.....	D
Debt Management.....	E
Comparison of Selected States.....	F
Maine’s Economy is Digital, Diverse and Dynamic.....	G

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## **Maine is Realizing Returns on Its Investments**

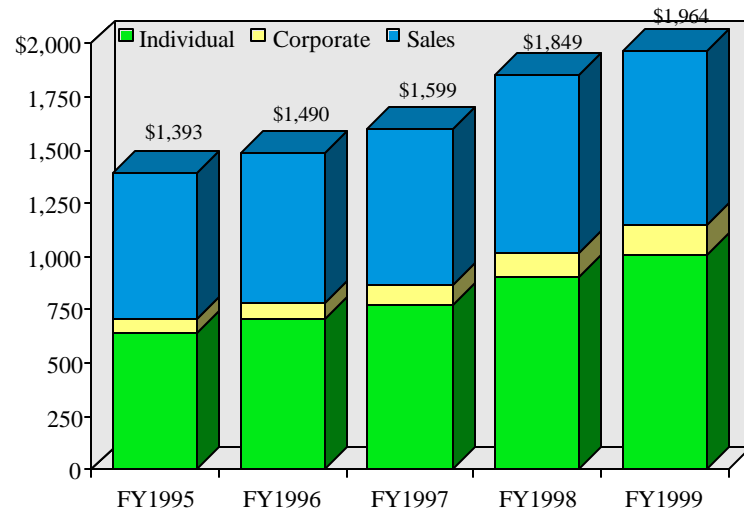
- A.** Repeated financial investments are resulting in a strong financial foundation for the State of Maine.
- B.** The State's investments in public infrastructure are producing high quality facilities and systems while reducing environmental impacts.
- C.** Maine has a strong sense of community and is ranked the #1 place to raise a child.
- D.** The State practices conservative debt management.
- E.** Maine's economy is digital, diverse and dynamic.



# Maine State General Fund Tax Revenues Continue to Show Solid Growth

## Selected Tax Revenue

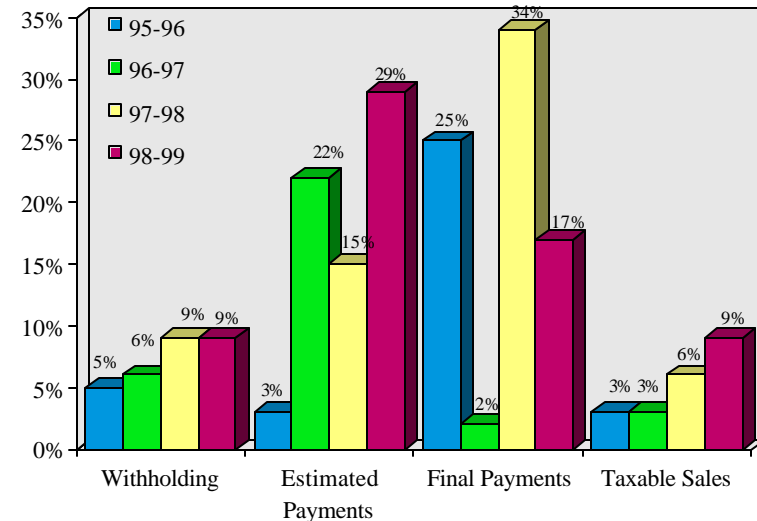
(\$ in millions)



Source: Maine Revenue Services

## Individual Income Tax Payments & Taxable Sales Growth Rates

Fiscal Years 1995 – 1999



Source: Maine Revenue Services

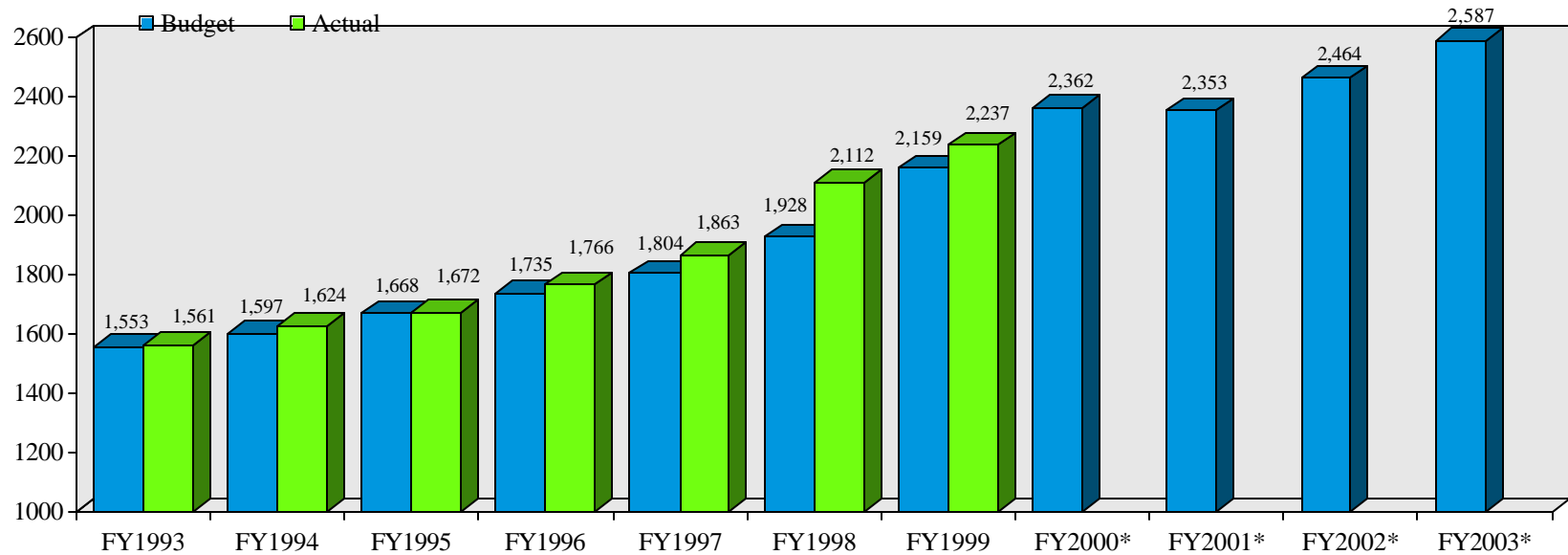
- Individual income taxes represent approximately 46% of General Fund revenues. Individual income tax has been growing at an annual rate of just over 10%.
- Over the 12-month period ending March 2000, Taxable Sales have increased by 9%.
- Through April, after adjusting for timing issues, withholding is up 10%, estimated payments are down 2% and final payments have increased 12%.

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# State General Fund Revenue Receipts Consistently Exceed Budget

## General Fund Revenue Trends

(\$ in millions)



\* Projected.

Source: Maine State Controller.

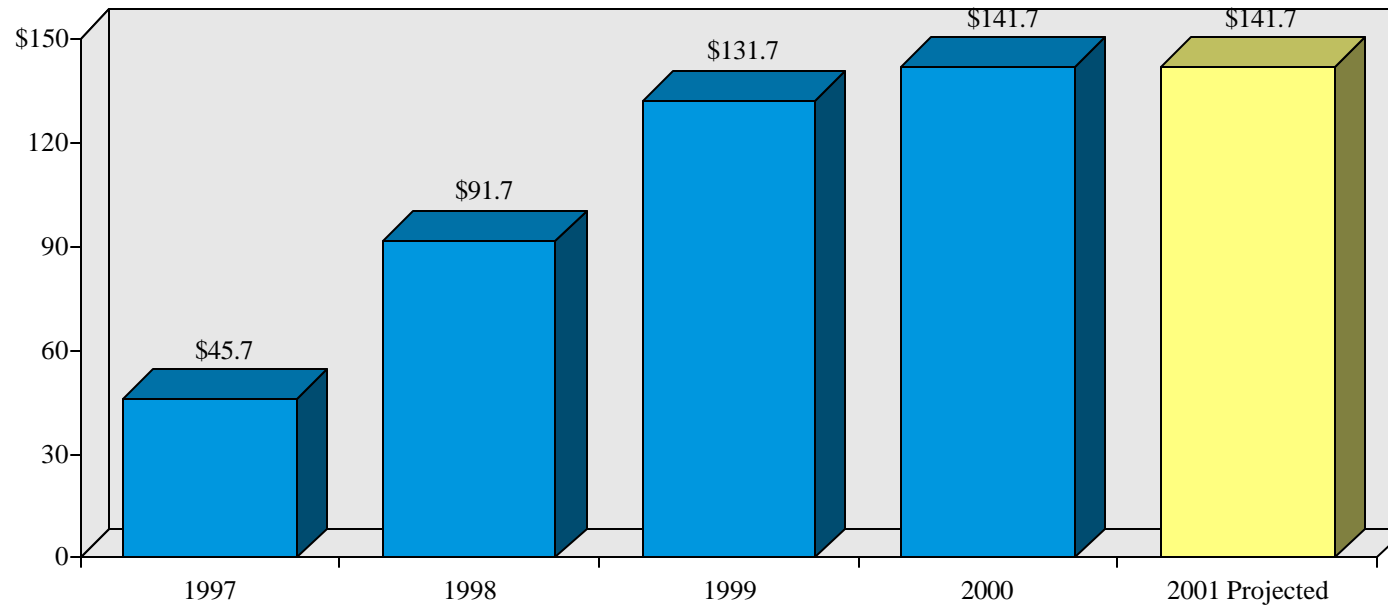
- By the end of Fiscal Year 1999, General Fund revenues will have grown by 33% since 1995, with an average annual growth rate of 6.2%.
- From 1993 to 1999 Actual Receipts have exceeded budget by an average of 2.95%.
- The forecasts are conservative across all lines and project moderate growth.

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## Maine's Rainy Day Fund Continues to Grow to the Cap

### Rainy Day Fund Balance as of June 30

(\$ in millions)



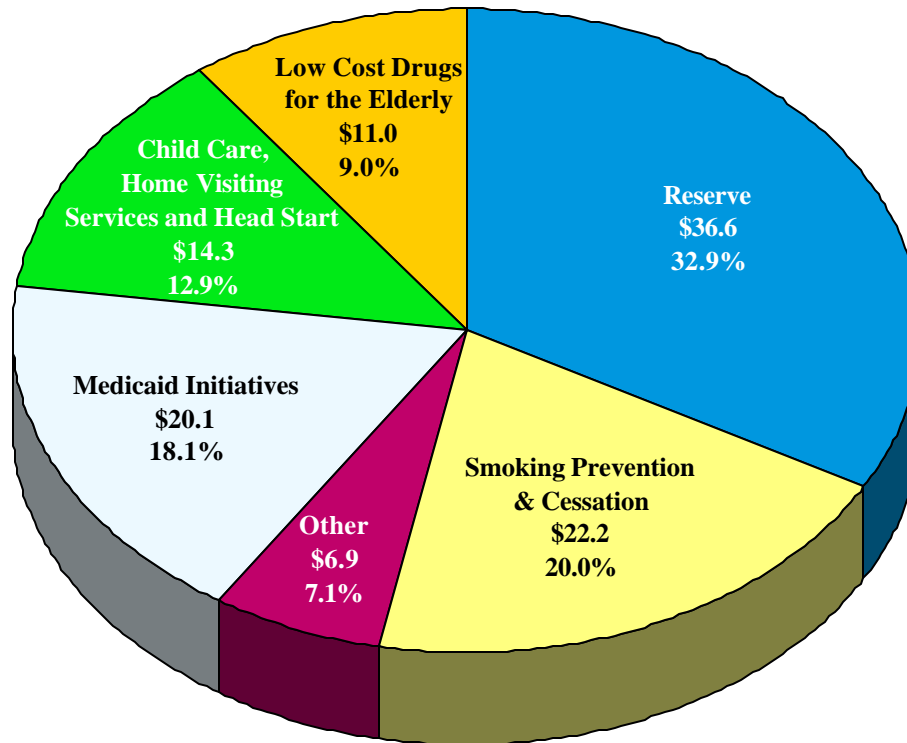
Source: Bureau of the Budget.

- The Rainy Day Fund balance is currently \$134.2 million and is expected to be \$141.7 million at the beginning of FY2001.
- The projected FY2000 Rainy Day Fund balance is 184.5% of debt service.
- The State is 100% reserved against uncollectible taxes.

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# Maine's Tobacco Settlement Revenues Have Been Responsibly Allocated

Use of Tobacco Settlement FY 2001  
Total = \$111.1 million



*(\$ in millions)*

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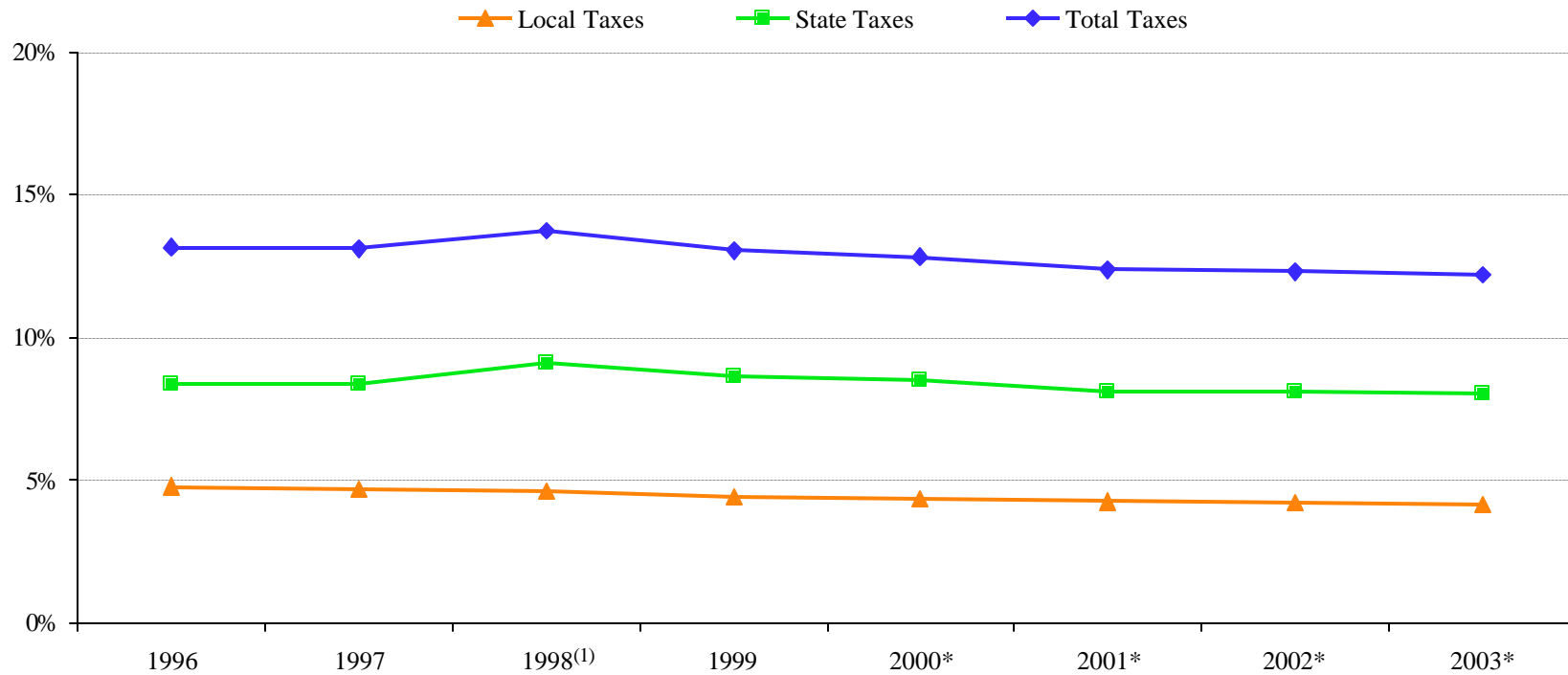
## The State's Combined Balance Sheet Reflects a Strengthened General Fund

*Direct financial investments to improve GF Fund Balance over the last five years include:*

- 100% Reserves against uncollectible taxes (approximate investment of \$151 million)
  
- Reduction in liabilities
  - General Purpose Aid to Education — \$33 million invested
  - Telecommunications — \$44.4 million reduced
  
- Increased Assets
  - Rainy Day Fund Appropriations — \$141 million
  - Between FY'98 and FY'99, investment earnings to the State's Cash Pool increased by 64%

# Maine's Individual Tax Burden is Declining

## Maine State and Local Taxes as a Percentage of Personal Income



Source: Maine State Planning Office.

\* Projected.

(1) The increase in 1998 shows one time capital expenditures made possible by one time taxes on capital gains that are not included in the calculation of personal income.

- By Fiscal Year 2003, Maine citizens will realize close to one half billion dollars annually in “net” tax reductions at the State level since 1995.

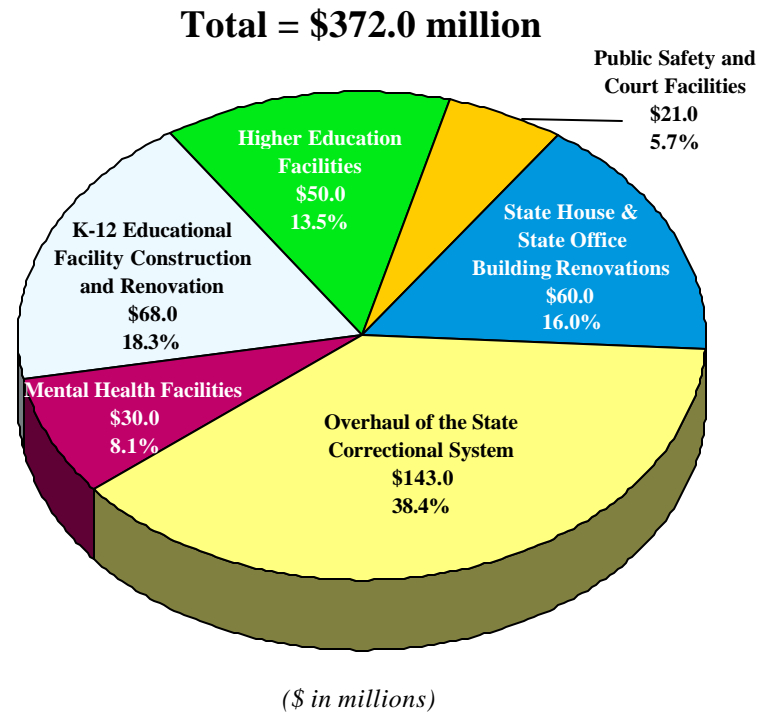
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## Tax Relief Continues

- **Sales & Use Tax Reduction** — On July 1, 2000 the Sales & Use Tax rate will drop from 5.5% to 5%. This will return the State sales tax rate to the level it was at prior to the last recession. In addition, the tax on snacks will be repealed on January 1, 2001. Combined, these reductions will reverse two of the major tax increases imposed during the budget crisis of the early 90s. Sales tax revenues are estimated to drop by approximately \$75 million per year.
- **Index Individual Income Tax Brackets** — Effective for tax year 2002 the individual income tax brackets are adjusted up to help offset inflation. Using a formula similar to the one used at the federal level, effective January 1, 2003, the individual income tax brackets will be indexed for inflation. The estimated revenue reduction in fiscal year 2003 is \$16.7 million.
- **\$6,000 Pension Exemption** — Effective for tax years beginning on or after January 1, 2000 the first \$6,000 of public and private pension income is exempt. The \$6,000 exemption is reduced, but not below zero, by the amount of social security benefits received. This exemption is estimated to reduce revenues by \$17 million per year.
- **State Earned Income Tax Credit** — Effective this tax year, taxpayers eligible for the earned income tax credit at the federal level are allowed a state credit equal to 5% of the federal amount. The state EITC is nonrefundable. The estimated reduction in revenue is \$1.2 million annually.

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## Maine Has Demonstrated Commitment to Sound Investments in Improved Capital Facilities and Programs



- Over the past two years, over \$372 million from a combination of direct appropriations and bonds have been targeted to capital improvements.
- Tens of millions of dollars are being directed to numerous other State facilities and maintenance projects, resulting in increase safety, accessibility and efficiency.
- Master Planning, realigned Capital Budgeting processes and aggressive disposition of distressed properties will ensure ongoing improvements in Capital Facilities.



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## Transportation Infrastructure Improvements and Building for the Future Provide New Opportunities for Maine

- Maine has Doubled the Miles of Highway Improved and Accelerated Bridge Investments
  - Since 1992, the Maine Department of Transportation (MDOT) has doubled the miles of highway improved over a biennium, while decreasing the average cost per mile from \$550,000 to \$475,000. Maine's pavement ratings rank high compared to other states. Maine's Interstate condition is among the best in the nation.
  - For the past four years, the Maine Legislature has supported MDOT's highway and bridge program with general funds, allowing accelerated capital investment with reduced Highway Fund borrowing.
  - ARTERIES: In April 2000, The Maine Legislature supported MDOT's proposal to dramatically accelerate rural arterial highway reconstruction on 306 deficient miles, and launched the new initiative with an appropriation of surplus general funds.
  - MAJOR COLLECTORS: MDOT has refocused attention on long neglected major collector highways, removing road postings on critical economic corridors. Avoidance environmental impacts by preserving the existing alignment has saved money, allowing more miles with the same money, and has been well received by the traveling public.
  - MINOR COLLECTORS: In April 2000, the Maine Legislature used surplus general funds to launch the new Rural Road Initiative which will result in 250 miles of minor collector highway reconstruction in the next six years.

- 
- BRIDGES: MDOT's biennial capital program accelerates state and local bridge replacement and rehabilitation, fully responding to increased needs due to aging structures. Maine has tackled and completed extraordinarily expensive bridge needs in Bath/Woolwich, Portland/South Portland, Waterville/Winslow, and Brunswick/Topsham. In 1999 and 2000, the Maine Legislature used surplus general funds to anticipate upcoming extraordinarily expensive bridge projects such as in Hancock/Waldo and Augusta.
  - Maine Has Funded the Three Port Strategy with Freight Rail and Highway Connections
    - Maine has completed a \$20 million expansion of the Port of Eastport, has funded and is proceeding with a \$20 million rehabilitation of the Port of Searsport, and in November 1998 funded a \$16 million expansion and rehabilitation of passenger and freight facilities in the Port of Portland. Freight rail investment have improved private sector tracks, secured funding for competitive new connections, and stimulated new siding to connect industry to the freight rail network.
  - Passenger Rail and Marine Highway Projects are Allowing Expansion of Tourism and the economy without adding new Stress on the Highways.

*An infrastructure of Marine Passenger facilities linked to rail and mass transit will be built at the following Hubs: Portland, Bath, Boothbay, Rockland, Bar Harbor (Acadia National Park), Bangor and Eastport*

- 
- Funds have been committed for the new \$19 million Portland Marine Passenger Facility for local and international ferries and cruise ships including a rail connection where the Portland Amtrak station will be located.
    - In April 2000, the Maine Legislature raised \$10.5 million to better connect the Amtrak service to downtown Portland and the waterfront, while improving connections north of Portland.
    - For example, soon the QE II will dock in Portland and passengers walk the short distance to trains to Freeport, Boston, Montreal, etc.
  - Planned rail service and existing air service is seamlessly linked to planned high speed marine ferries and cruise ships serving Bar Harbor and Portland, and planned for Rockland, Bath, Bangor, Eastport and beyond.
    - In 2001, Passenger trains will be operating from Boston to Portland.
    - Visitors to Acadia National Park can fly into Trenton Airport near Mount Desert Isle; get on a bus with racks for bikes and gear and go to Bar Harbor or anywhere on the Island including their campground.
    - When the Marine Passenger Facility is built in Bar Harbor, passengers can fly to Boston; take a high-speed ferry to Bar Harbor; and then access this transit system.
  - In April 2000 the Maine Legislature raised \$1M for marketing of Maine's airports, especially Bangor International Airport, while moving forward on feasibility studies to link Bangor's airport to Acadia National Park by rail, bus and ferry.

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## **Investments in Technology Enable Excellence in the State's Financial Systems and E-commerce**

- **A new Budget Management System leads the country in integrating performance budgeting, financial management, and strategic planning.**
- **The Treasury Automated Management Information (TAMI) System is transforming the State's antiquated paper-based methods of cash management to an electronic system by eliminating duplicate data entry, promoting accurate accounting, drastically cutting processing and reconciling time, and allowing for a greater volume of credit card transactions and Electronic Funds Transfers.**
- **The Maine Point of Purchase System (MEPOPS) in the Department of Human Services is a real-time, on-line adjudication system that processes pharmacy claims for the State of Maine Medicare program. Pharmacy providers have immediate notification of eligibility, drug coverage and reimbursement rates. Management reporting data, and on-line incentives to encourage generic prescriptions save the State money while ensuring the best quality care.**
- **Maine's comprehensive tax simulation system is one of the most sophisticated in the U.S.**
- **Statewide Time & Attendance and new Purchases systems will result in significant reductions in operational cost and improved efficiencies.**

- 
- Maine Revenue Services expects to have \$1 billion in Electronic Fund Transactions by FY'03 while Accounts and Controls expects to do \$1.9 billion in EFT payment to vendors or 60% by FY'02.
  - Automation has made Maine a national leader in the area of child support, particularly in the area of recovering TANF expenditures for child support.
  - The State's aggressive web-based focus is bringing on-line thousands of business transactions across all State Agencies.

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## **Energy Choices for Maine Citizens & Business Have Been Advanced by New Developments**

- **Two new gas distribution utilities began operations in Maine.**
- **Two major international gas pipelines offer transmission services to and through Maine.**
- **Construction was begun in 1999 on five gas-fired electricity generation plants.**
- Maine's program to introduce competition into the electric utility industry ushers a new era with new players, new roles, and new responsibilities.
- Buyer aggregations in business and industry, public institutions, and other organizations are actively seeking attractive prices through competitive bids with service providers.
- The State Planning Office has established a new planning process for energy conservation that will use cost effective, market based opportunities and programs to support and expand the use of more energy-based equipment and conservation services.

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# Maine's Education System is One of the Best in the Country

National Assessment of Educational Progress Test

“1997 Kids Count”  
Composite Data

READING

WRITING

SCIENCE

MATHEMATICS

SCHOLASTIC  
ACHIEVEMENT



- Maine is rated No. 1 in the nation for the *highest performing K–12 education system by the National Education Goals Panel (1999)*.
- Maine placed at the top of *Education Week's* rankings among the states in the quality of school climate (1998). Characteristics that contributed to this ranking were:
  - *Small class size prevails*
  - *Student engagement is high*
  - *Parent involvement is strong*
  - *Local autonomy exists*

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## Maine has an Extremely High Return on Education Investments

- **Maine is in the forefront of distance learning by being the first State in the country to have every school and library, nearly 1,200 sites throughout the state linked via frame relay service, connected to the internet.**
- **An advanced interactive television system (ATM) is currently being piloted in the State of Maine and is arguably the most advanced interactive video, voice, and data technology available. By the end of calendar year 2000, the Dept. of Education expects to connect one third of the state's high schools and vocational centers for data and broadcast quality video distance learning.**
- **\$50 million invested in school technology this Legislative Session is expected to return high profits and decrease the "digital divide."**
- Forbes Magazine stated "Maine gets the biggest bang for its education buck." (97)
- Maine ranks second, along with Utah, in the percent of education dollars that are spent directly to support instruction.
- Significant increases to General Purpose Aid have reduced the need for local taxation while improving education opportunities.
- 68% of Maine's graduating seniors took the College Board's SAT in 1998, compared to a national participation rate of 43%.
- Maine leads the nation in implementing Learning Results.



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## Maine's Quality of Life is a Highly Valued Asset

### *Maine is the Number One Place to Raise a Child*

- Maine is ranked No. 1 in the nation — “the best state in which to raise a child” (Children’s Rights Council, Washington, D.C. 1999).
- In 1997, Maine had the best ranking in infant mortality rates with a low of 3.7 per 1,000 births compared to the national average of 7.1 per 1,000 births.
- Maine’s childhood immunization rate of 89% is the highest of any state in the country – the highest level ever recorded in the United States.
- In 1997, Maine’s teen pregnancy rates were the third lowest in the country.

### *Investments in Community Placements and Support Services Improve the Quality of Life*

- Investments in long-term care services have enabled older adults with disabilities to continue to live in their own homes or in a homelike setting at reduced costs to the state.
- Emphasis on the rights of people with mental illness to be treated in the least restrictive setting, and the appropriation of resources for the development of community-based services have influenced the trend of moving mental health treatment from large institutions to communities.
- Excellence in services and policies supporting families and children within communities makes Maine one of three pilot states chosen for Colin Powell’s America’s Promise.

- 
- Maine is the first state in the country to pass legislation to lower the cost of prescription drugs.
    - The State would broker prices for the approximately 325,000 people in Maine without prescription drug insurance by issuing them a Maine Rx card that would qualify them for a 12 – 15% discount starting in January 2001 and as high as 40 – 50% discount within the next 2 years.

### *Maine has a Strong Sense of Community*

- State capital investments are targeted to local growth areas reducing sprawl; 170 communities now have approved comprehensive land use plans.
- Downtown center programs reflect executive and legislative priorities, targeted to revitalize town centers and communities.
- The State Housing Authority has launched a remarkably successful new neighbors program, which is revitalizing housing stock for owner occupancy in distressed areas.
- DOT's protection of highway investments by stricter regulation of access points works to decrease sprawl development.
- Changes to school construction regulation at the state level encourage renovation of existing facilities.

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## **Future Generations will Benefit from Continued Preservation of Maine's Natural Resources and Environment**

### *Land Protection is Important to Maine People*

- Passage of a \$50 million bond issue, matched with \$25 million in private contributions enables the State to purchase and conserve land, enhancing recreational opportunities and providing increased public access.
- Maine's participation in the Forest Legacy Program (one of 13 states) has resulted in the purchase of a 20,268 acre conservation easement around Nicasus Lake and West Lake. Nationally hailed for its innovative land protection, the purchase results in guaranteeing public access, protecting wildlife habitat including three bald eagle nesting sites, protecting 34 miles of shoreline and seven remote ponds, while ensuring and enabling responsible forest management.
- The State's Plum Creek purchase protects 78 miles of undeveloped shoreline on Moosehead and Flagstaff lakes.
- The State has accepted 10,000 acres of thunderous Maine Coastline at Cutler.

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## *Maine is a Leader Nationally in Environmental Protection*

- State negotiations resulted in the national precedent setting removal of Edwards Dam, restoring historic runs of Anadromous fish to the Kennebec River.
- Governor King led the nation in prohibiting the use of MTBE, regulation which was then adopted by EPA for the protection of drinking water.
- With the private sector's agreement over the last two years, Maine had adopted the most aggressive dioxine, mercury river protection programs.
- State environmental efforts have resulted in the opening of over 90,000 acres of shellfish since 1995.
- By mid 2001 Maine will have completely cleaned up the State's five illegal tire stockpiles, each containing millions of tires.
- Maine has closed 90% of the old dumps and removed 99.5% of underground petroleum storage tanks.

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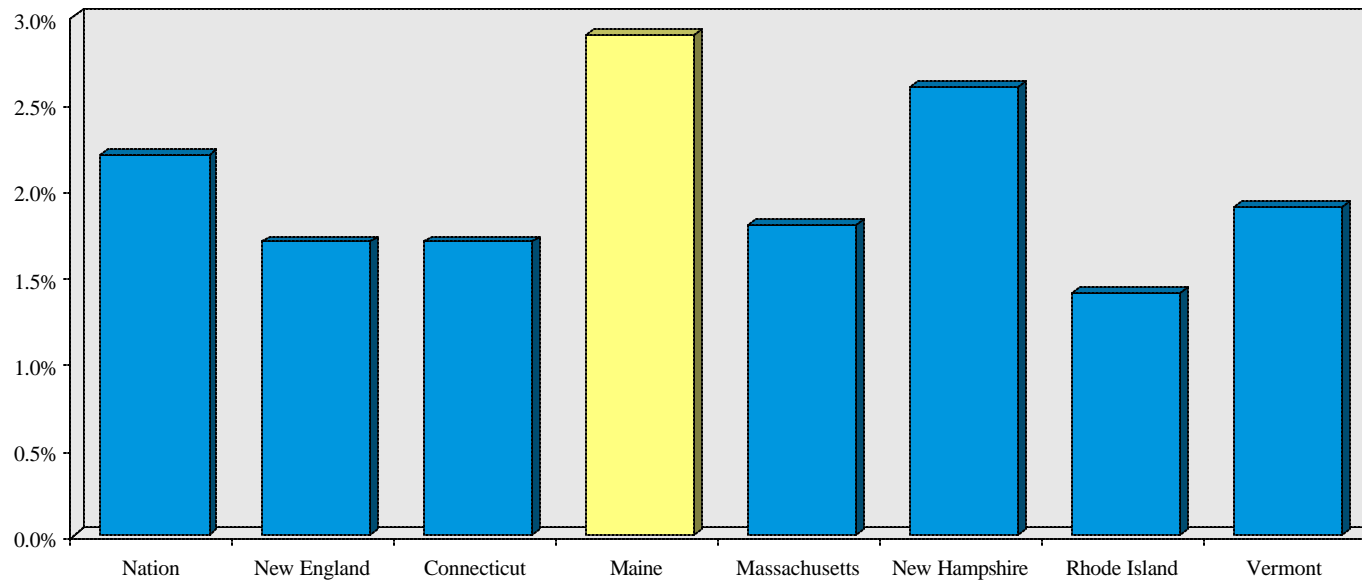
## *Natural Resource Management is Strengthening the State's Economic Return*

- The popular magazine *Outside* rated Portland in April 2000 one of North American's best places to live based on culture and variety of outdoor adventures to enjoy.
- The State with University and nonprofit partners has launched the first in the nation ocean observatory program with The Gulf of Maine Ocean Observatory seeded by a \$6 million dollar federal grant.
- The coastal recreational fishing industry is growing, with a economic value of over \$100 million annually to Maine.
- Maine Resource conservation investments are beginning to show a return with increased groundfish landings and the positive profit margin at the Portland Fish Exchange.
- Land for Maine's Future program has initiated a purchase of development rights programs to keep working farms healthy.

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## Maine Ranked 8th in the Nation in Payroll Job Growth — First in New England

1998 to 1999 Payroll Employment Growth

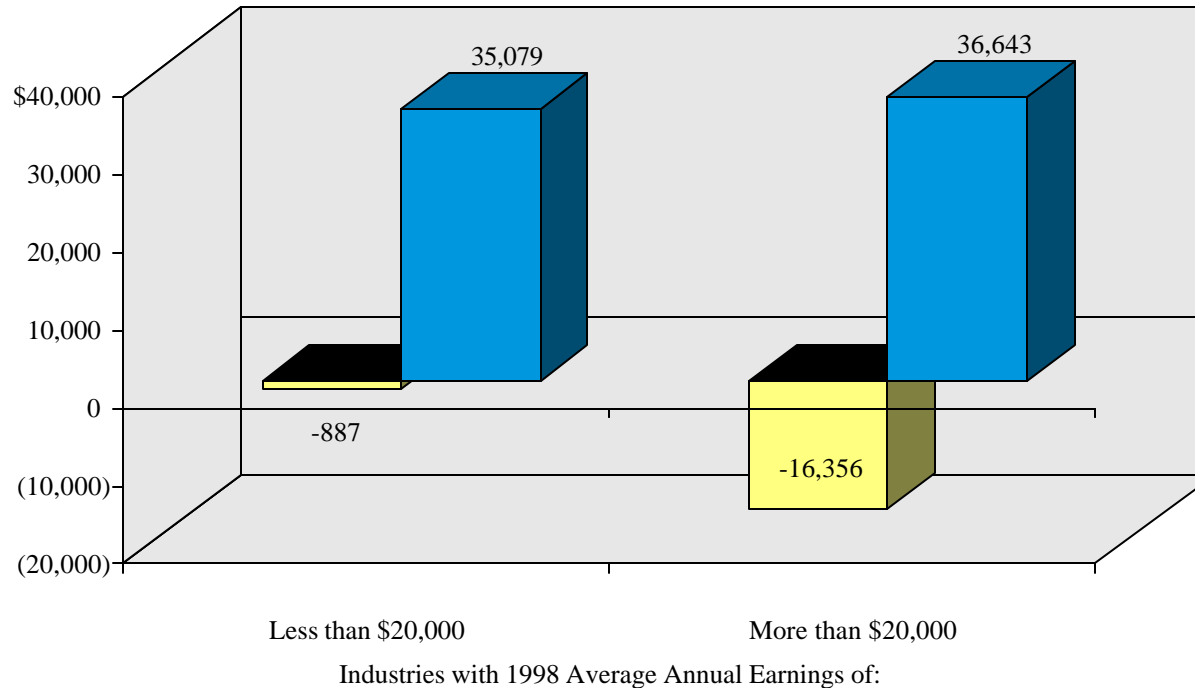


Source: *Maine Department of Administrative and Financial Services.*

- In 1999, the number of payroll jobs expanded by 16,600 (2.9% growth), more than in any year since 1988.
- The February 2000 unemployment rate in Maine was 3.4% the lowest seasonally adjusted rate ever. February's national rate was 4.1% and New England was 3.5%.
- The Average Weekly Wage in the 3Q 1999 was up 7.9% over 3Q 1998; total wage growth increased by 10.9% over the same time period.

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## Maine Added Good-Paying Jobs from 1992 through 1998



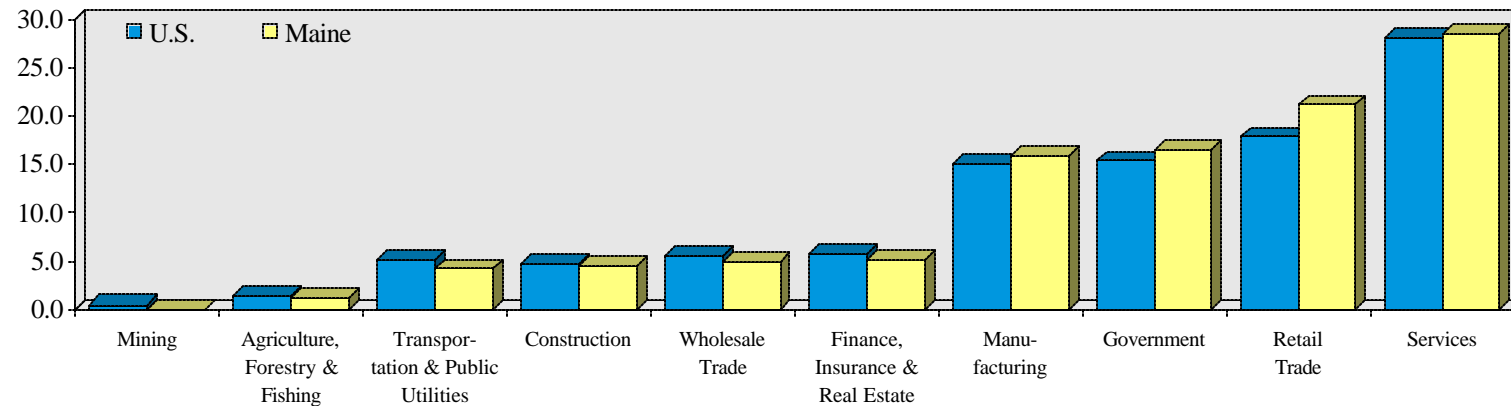
- The numerous jobs paying under \$20,000 result from many part-time and seasonal jobs in Maine's eating, drinking places, as well as retailers.
- More than half of the jobs gained between 1992 and 1998 were in industries that currently pay an annual average wage of \$20,000 or more. Among those industries that pay an annual average wage of \$30,000 or more, gains outweighed losses by 31%.

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## Maine's Economic Diversity Mirrors National Averages

### 1998 Employment by Industry Division

(%)



Source: Division of Labor Market Information Services

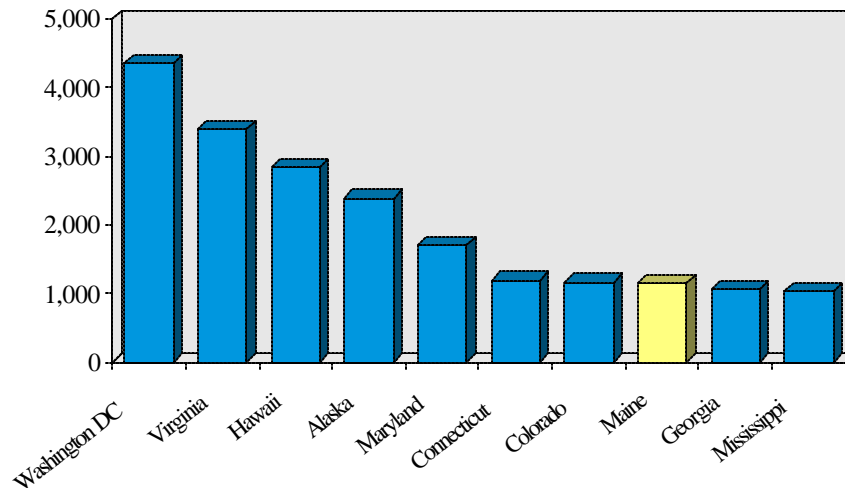
- Technology and service sector jobs are making Maine's economy more diverse and therefore less dependent on manufacturing cycles.
- Health services is Maine's largest growing industry.
- Technology intensive functions are exploding in most sectors.



# Maine Has Maintained a Decreased Dependence on Defense Spending and Diversified the Economy

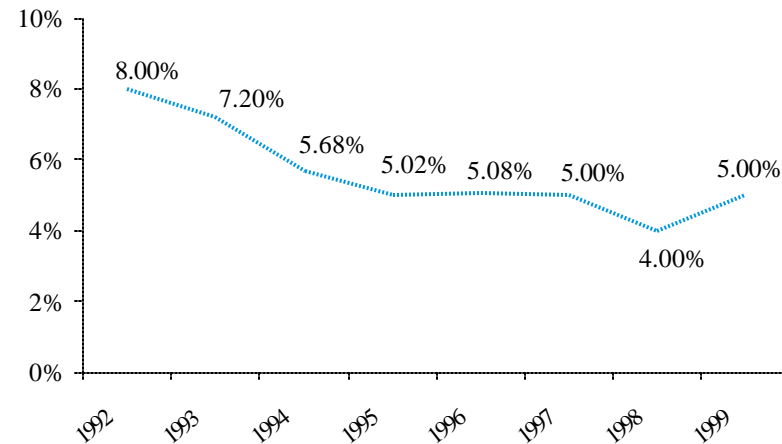
**Top Ten States in Defense Spending per Capita**

(\$)



Source: Department of Defense, U.S. Census Bureau.

**Defense Spending as a Percentage of Personal Income**



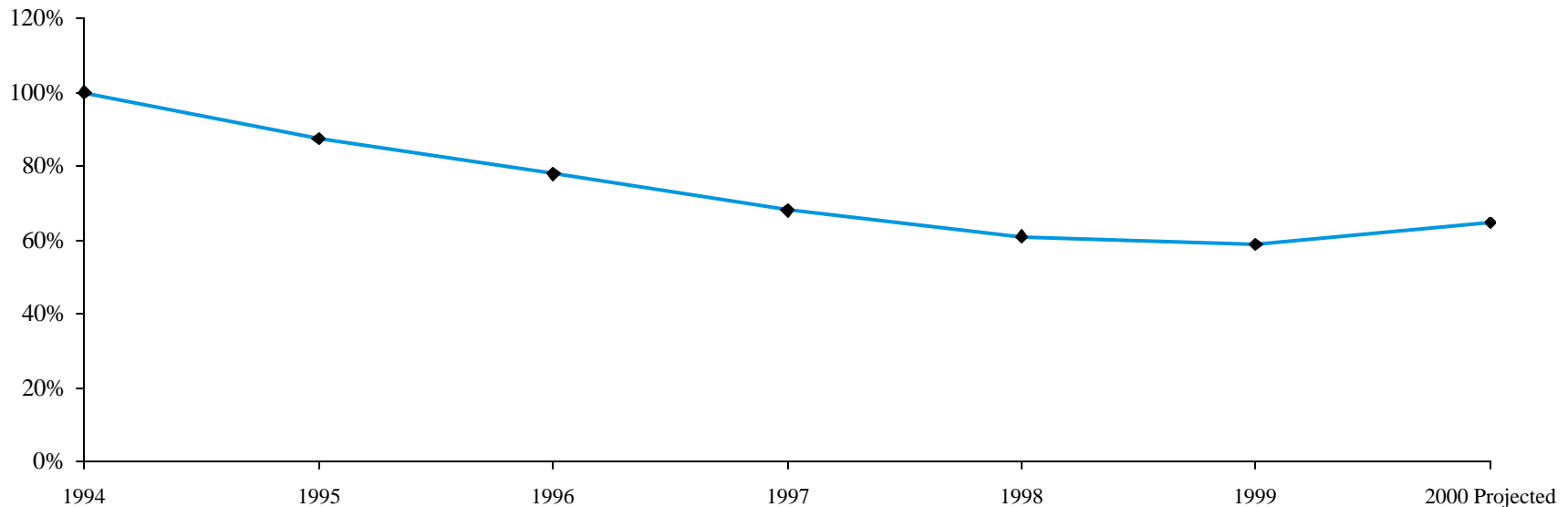
Source: Budget Bureau Controllers Office, Revenue Forecasting Commission, U.S. Bureau of Economic Analysis

- Maine is ranked 8<sup>th</sup> in the nation in contract dollars per capita for FY1999. States with higher per capita contract ratios include the AAA rated states of Virginia and Maryland.
- Defense dollars continue to add to Maine’s economy. BIW’s current backlog is \$4.2 billion resulting in a current projected workload through 2006. With the upcoming DD-21 program, BIW is able to project a workload out to 2015.
- Loring Air Force Base is fast becoming a state of the art “Rebuild Center” for the Department of Defense.

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## Low Worker's Compensation Costs Support Attractive Business Climate

Overall Change in Advisory Loss Costs, Maine 1994 – 2000



Source: Bureau of Insurance

- Since 1994, worker's compensation advisory loss costs have decreased by 35.1%.
- Worker's compensation incurred loss ratios have declined 63.6% since 1991.
- In 1994, Maine had only two worker's compensation insurers. Currently the State has over 152 insurers with approved rates reflecting the competitive market and business climate improvements and up 12 from last year.

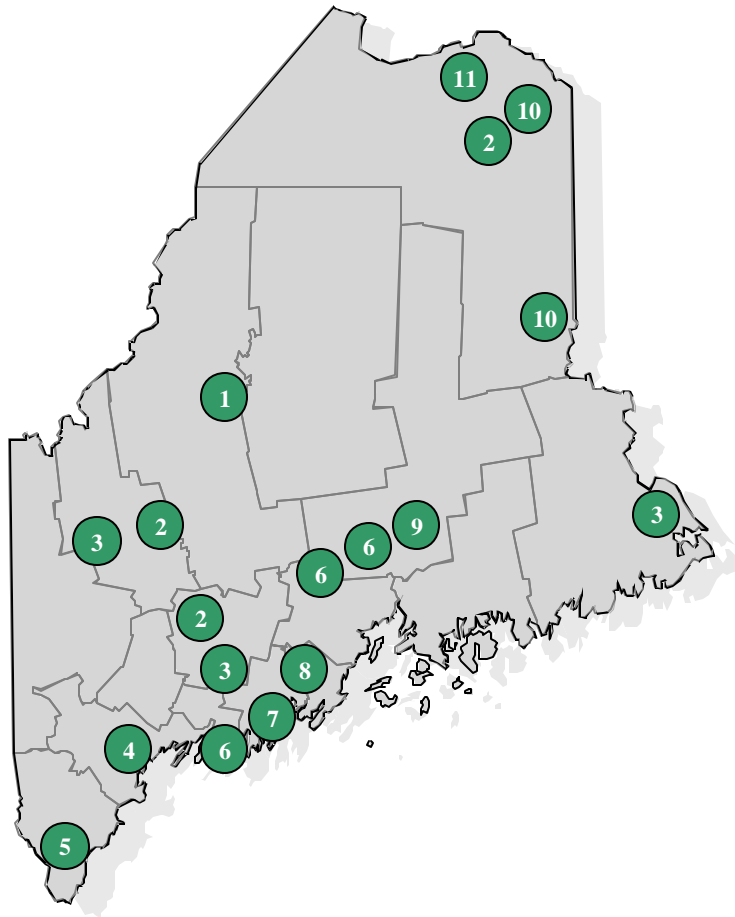
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(1) Advisory loss costs are an estimate of ultimate incurred losses. They form the starting point for establishing rates. In our competitive market, each [carrier] files its own loss cost multipliers to factor in production expenses, general expenses, taxes, profit and [contingency].

(2) Incurred [a] paid plus reserve.

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## Businesses Are Investing Statewide

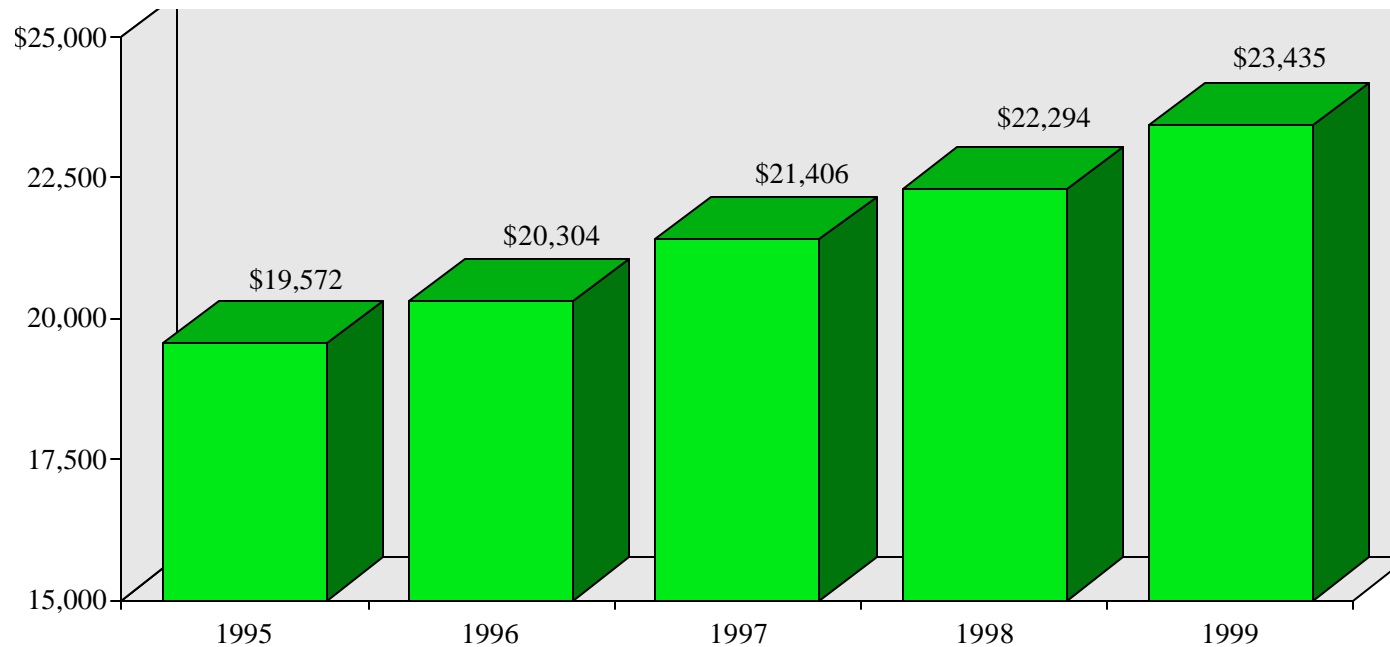


- 
- 1 EST/SPX, manufacturer of fire alarms, will invest \$1.5 million to expand the Pittsfield facility and create 50 jobs.
  - 2 MBNA's estimated \$6.5 million expansion will create 1,500 jobs in Franklin, Aroostook, and Knox counties.
  - 3 ICT will create over 1,000 jobs at 3 new call center facilities in Franklin, Androscoggin, and Washington Counties.
  - 4 Poland Spring Bottling (Perrier) is investing \$88 million with an anticipated job growth of 260 in Poland and investing \$205 million with 175 new jobs expected in Hollis.
  - 5 Pratt & Whitney will expand its North Berwick facility, which manufactures aircraft engines, with a \$500,000 investment.
  - 6 EnvisioNet will invest approximately \$17.7 million and create over 1,200 jobs in Augusta, Brunswick and Orono to handle the new support contract with Microsoft.
  - 7 Bath Iron Works is completing a \$280 million investment to modernize the shipyard.
  - 8 Fisher Engineering manufactures snow plows. A \$7.0 million investment will retain 150 jobs.
  - 9 Sensor Research, a Research and Development Company in Orono, has invested \$9 million and created 25 new jobs.
  - 10 Burrelle's Information Service, a print and broadcast news retrieval service, added 125 jobs at 2 sites in Aroostook County.
  - 11 ATX forms, a software development company will invest \$250,000 and create 100 new jobs by the Spring of 2001.
- 

Source: *Maine State Treasurer.*

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## Maine's Per Capita Personal Income Growth was 3<sup>rd</sup> Highest in the U.S. in 1999



*Note: Personal Income and population as of July 1 of each year.*

*Source: Personal Income from the State Planning Office.*

*Population from the U.S. Census Bureau.*

- Maine's per capita personal income has increased 19.7% since 1995.
- Portland, Maine's cost of living is 8% below the national average for major cities according to statistics provided by Virtual Relocation Corp.
- A median home price in Portland for 1999 was 18.6% less than the national average according to the National Association of Realtors.

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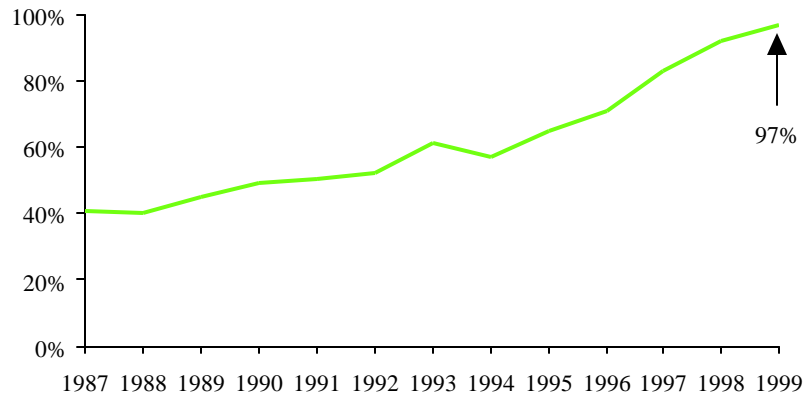
## All Major Indicators Reflect a Growing Economy

- Personal income growth of 5.2% between 1998 3Q and 1999 3Q, up from 5.1% during the same period of 1998.
- Consumer retail sales are growing at an annual rate of 8.4% in 1999. This is on top of 8.9% growth in 1998.
- AFDC caseload fell by 12.6% in 1998 and 10.5% in 1999.
- Unemployment rate in February was 3.4%, the lowest seasonally adjusted rate ever recorded. The national rate in February was 4.1%.
- February payroll employment growth was up 2.9% over the last year, this was 8<sup>th</sup> best in the nation and the best in New England.
- The average weekly wage in the third quarter of 1999 was up 7.9% over the same quarter of 1998; total wage growth increased by 10.9% over the same time period.

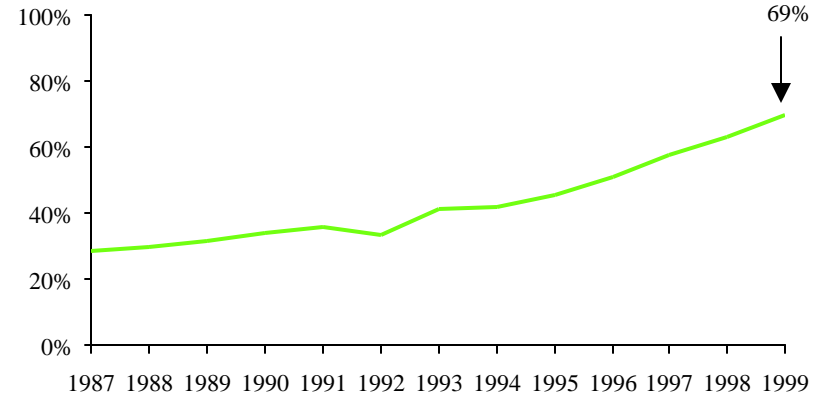
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## The State Continues to Reduce its Unfunded Pension Liability

**Accrued Liabilities Funding Ratios**



**Actuarial Liabilities Funding Ratios**



Source: *Maine State Retirement System*

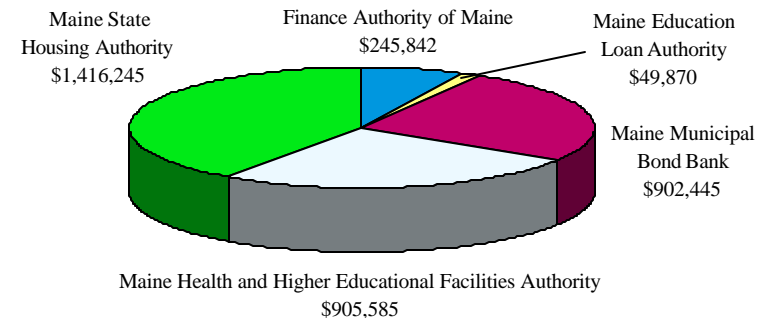
- Effective July 1, 1998, the amortization period for the Unfunded Actuarial Liability (UAL) was reduced from 35 to 25 years
- Effective July 1, 2000, the UAL amortization period will be reduced to 19 years resulting in a payment savings of \$1.9 billion
- \$60.6 million has been transferred to the Retirement Allowance Fund since 1996 in excess of the required payment for the UAL

# The State's Prudent Use of the Moral Obligation Has Resulted in Positive Returns

- **Maine State Housing Authority:**
  - MSHA bonds are overcollateralized with highly rated investments and high quality mortgage loans
  - MO required by very old bond resolution that prohibits withdrawal of surpluses
  - The bond resolution rated higher than MO rating (Aa2/AA)
  - Strong cash flows make MO superfluous
- **Maine Municipal Bond Bank:**
  - Underlying security consists of local general obligation bonds which have increased to 78% while water and sewer revenue bonds have declined to 18% of portfolio.
  - The Bond Bank also maintains significant surpluses in excess of MO reserves.
  - The SRF bond resolution rated higher than MO rating (Aaa/AA)
- **FAME:** repayment of MO bonds issued for utilities is controlled by state regulators.
- **MHHEFA:**
  - Has an intercept of state payments to borrowers under MO bonds.
  - Maintains additional reserves in addition to required MO reserves.
- As a practical matter, the State's exposure to a draw on MO pledges is de minimus.

## Moral Obligation Bonds Outstanding

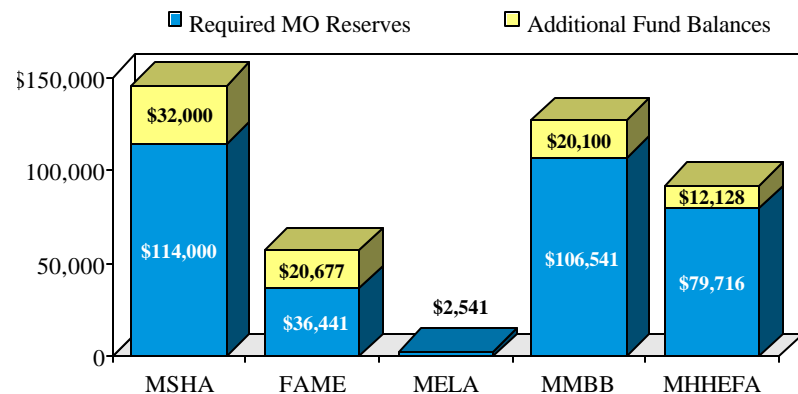
(\$ in thousands)



Note: Loring Development Authority has the moral obligation and no outstanding bonds.

## Moral Obligation Reserves Levels

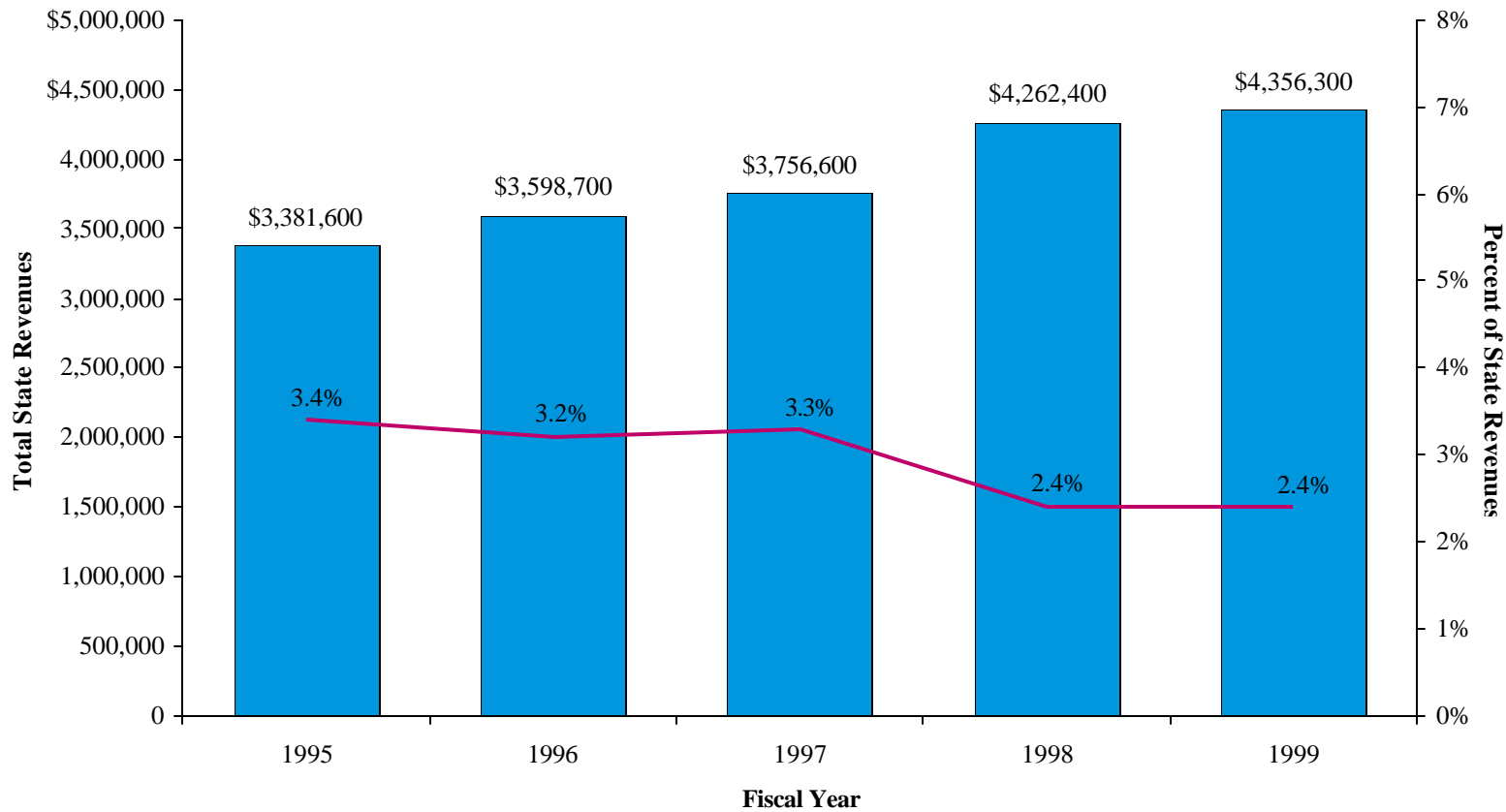
(\$ in thousands)



# Maine's 1999 General Obligation Debt Service Was Only 2.4% of Total State Revenues

## General Obligation Debt Service as a Percentage of Total State Revenues

(\$ in thousands)

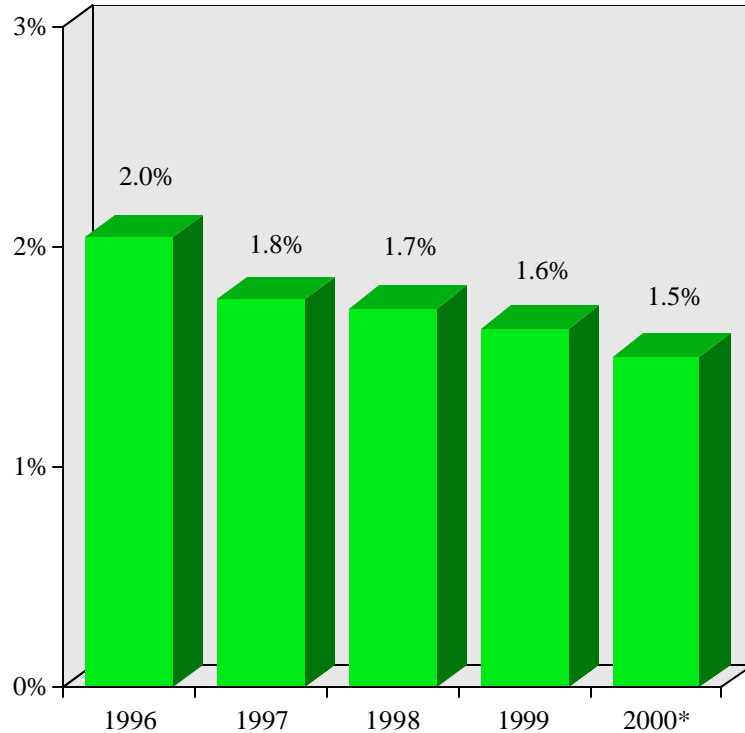


Source: Official Statement



# The State Practices Conservative Debt Management

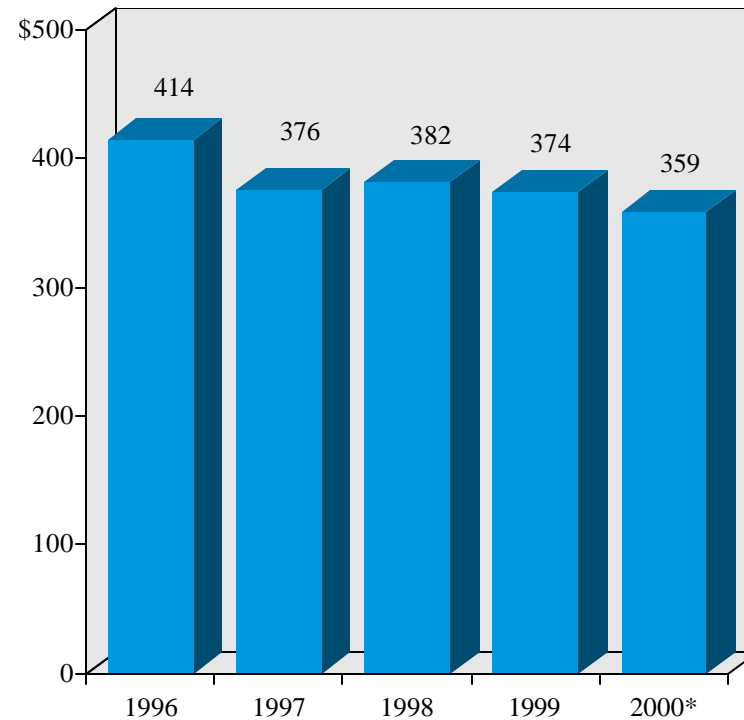
**General Obligation Debt —  
Percent of Personal Income**



\*Projected

Source: Debt: *State of Maine Budgetary Financial Report*  
Personal Income: *State of Maine Budgetary Financial Report and Office of the Treasurer*

**Outstanding General Obligation Debt —  
Per Capita**

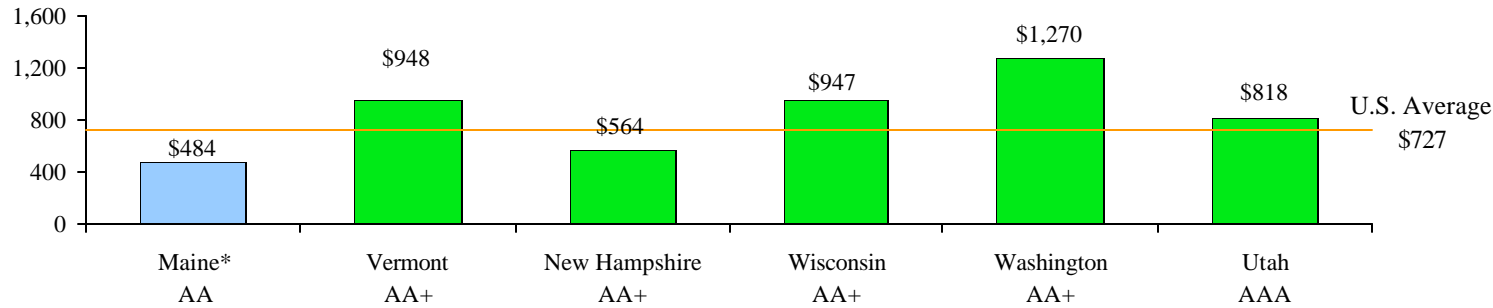


\*Projected

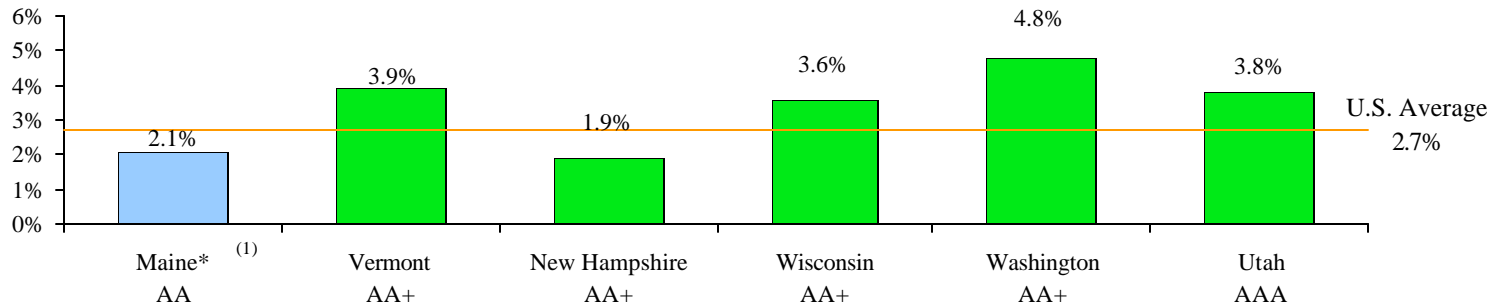
Source: General Obligation debt: *State of Maine Budgetary Financial Report and Office of the Treasurer.*  
Population from the U.S. Census Bureau.

# Maine Compares Favorably With Selected States' Debt Ratios [Fitch]

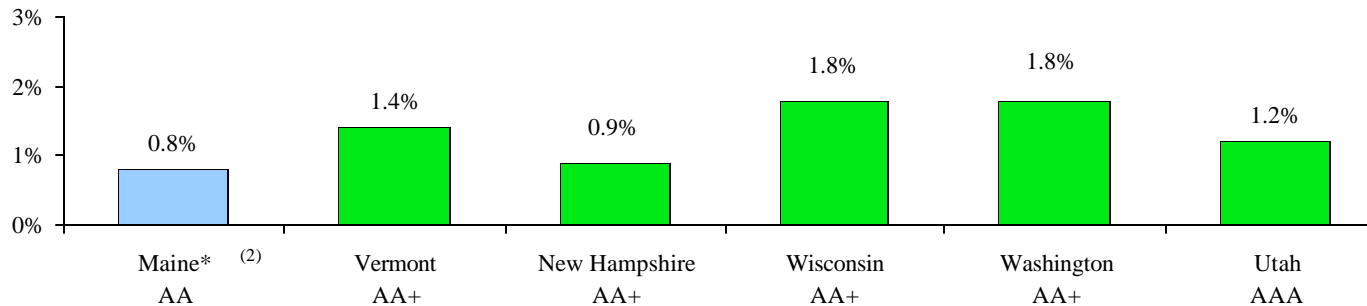
## 1999 Debt Per Capita



## Debt as a Percentage of 1998 Personal Income



## Debt as a Percentage of 1998 Estimated Full Value



\* Includes General Fund, Highway Fund and Maine Governmental Facilities Authority debt, and Certificates of Participation.

(1) Based on Projected 1999 Personal Income.

(2) Based on 2000 Estimated Full Value.

Source: *Maine State Treasury and Fitch Credit Reports*

# Maine Compares Favorably With Selected States' Debt Ratios

## Fitch Credit Reports

	Maine	Vermont	New Hampshire	Wisconsin	Washington	Utah
Rating	AA	AA+	AA+	AA+	AA+	AAA
1999 Debt Per Capita (\$)	484	948	564	947	1,270	818
Debt as a Percentage of 1998 Estimated Full Value (%) <sup>(1)</sup>	.8	1.4	.9	1.8	1.8	1.2
Debt as a Percentage of 1998 Personal Income (%) <sup>(2)</sup>	2.1	3.9	1.9	3.6	4.7	3.8
Dated:		11/03/99	11/24/99	03/06/00	02/04/00	05/11/99

(1) Maine's figure based on 2000 Estimated Full Value.

(2) Maine's figure based on projected 1999 Personal Income.

## State of Maine

<i>General Obligation Debt</i> <sup>(a)</sup>		1999 Population	1,253,040
General Purpose Debt	\$ 301,285,000	1999 Personal Income	\$ 29,365,000,000
Highway Fund Debt	119,955,000	2000 Estimated Full Value	74,274,650,000
Proposed New Issue <sup>(b)</sup>	66,290,000		
<i>Other Tax-Supported Debt</i> <sup>(a)</sup>			
Certificates of Participation	14,572,618	Debt Per Capita (1999 Population)	\$ 483.99
Maine Governmental Facilities Authority	<u>104,360,000</u>	Debt as a Percentage of 1999 Personal Income	2.07%
<i>Net Tax-Supported Debt</i>	\$ 606,462,618	Debt as a Percentage of 2000 Estimated Full Value	.82%

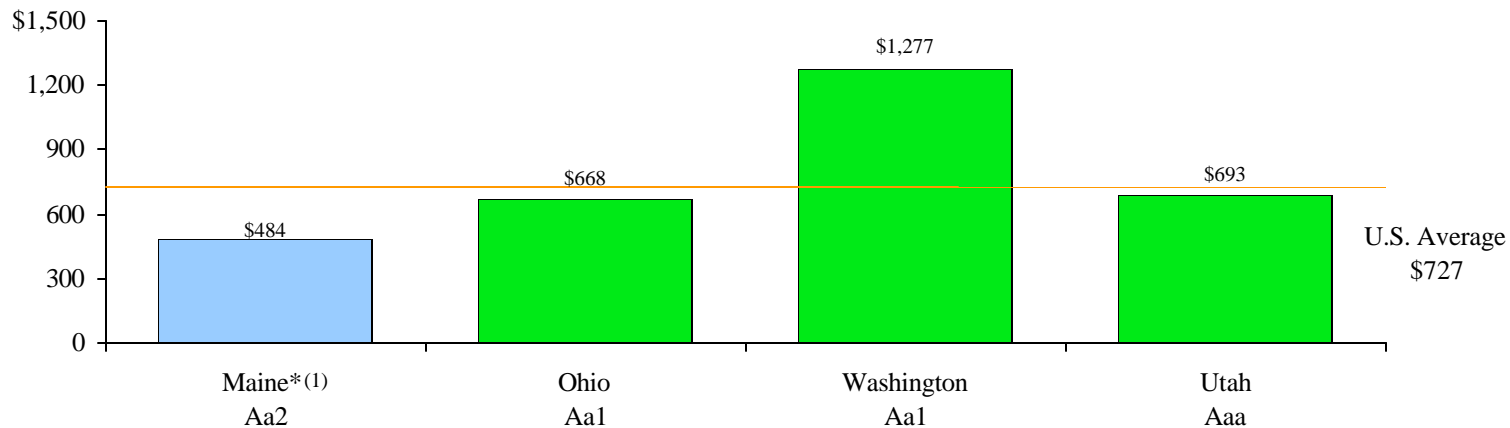
(a) As of 6/30/99.

(b) Preliminary, subject to change.

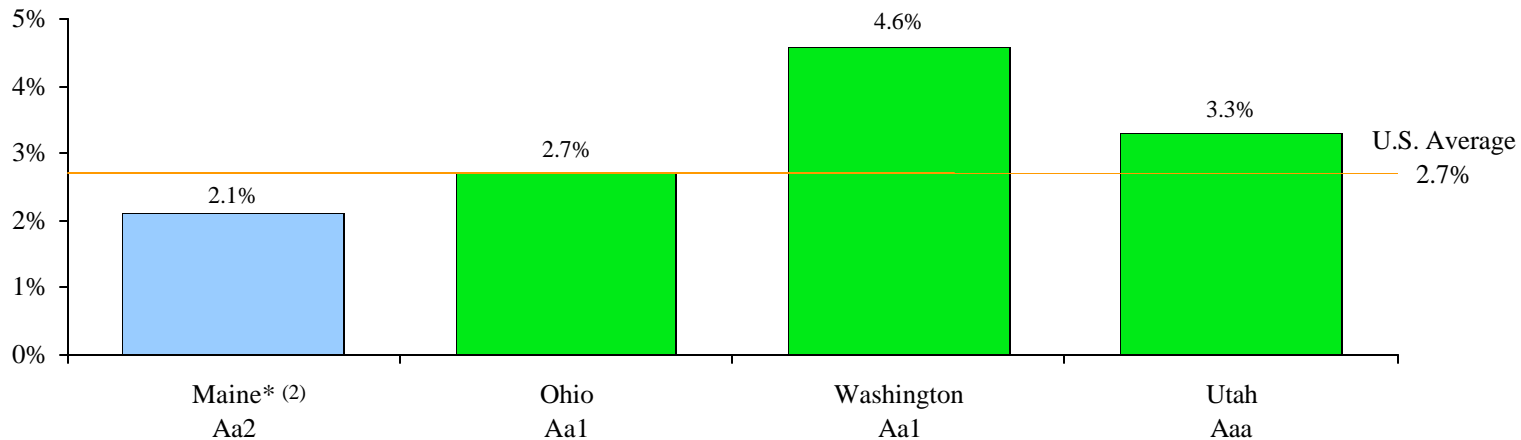
Source: Maine State Treasury and Official Statement.

# Maine Compares Favorably With Selected States' Debt Ratios [Moody's]

## 1999 Net Tax-Supported Debt per Capita



## Net Tax-Supported Debt as a Percentage of 1998 Personal Income



\* Includes General Fund, Highway Fund and Maine Governmental Facilities Authority debt, and Certificates of Participation.

(1) Based on 1999 Population.

(2) Based on projected 1999 Personal Income.

Source: *Maine State Treasury and 2000 Moody's Medians*

# Maine Compares Favorably With Selected States' Debt Ratios

## Moody's Medians, 2000

	Maine	Washington	Utah	Ohio
2000 Rating	Aa2	Aa1	Aaa	Aa1
1999 Debt per Capita <sup>(1)</sup>	484	1,277	693	668
Debt as a Percentage of 1998 Personal Income (%) <sup>(2)</sup>	2.1	4.6	3.3	2.7

(1) Maine's figure based on 1999 Population.

(2) Maine's figure based on projected 2000 Personal Income.

## State of Maine

<i>General Obligation Debt</i> <sup>(a)</sup>		1999 Population	1,253,040
General Purpose Debt	\$ 301,285,000	1999 Personal Income	\$ 29,365,000,000
Highway Fund Debt	119,955,000	2000 Estimated Full Value	74,274,650,000
Proposed New Issue <sup>(b)</sup>	66,290,000		

### *Other Tax-Supported Debt* <sup>(a)</sup>

Certificates of Participation	14,572,618	Debt Per Capita (1999 Population)	\$ 483.99
Maine Governmental Facilities Authority	104,360,000	Debt as a Percentage of 1999 Personal Income	2.07%
		Debt as a Percentage of 2000 Estimated Full Value	.82%

***Net Tax-Supported Debt*** \$ 606,462,618

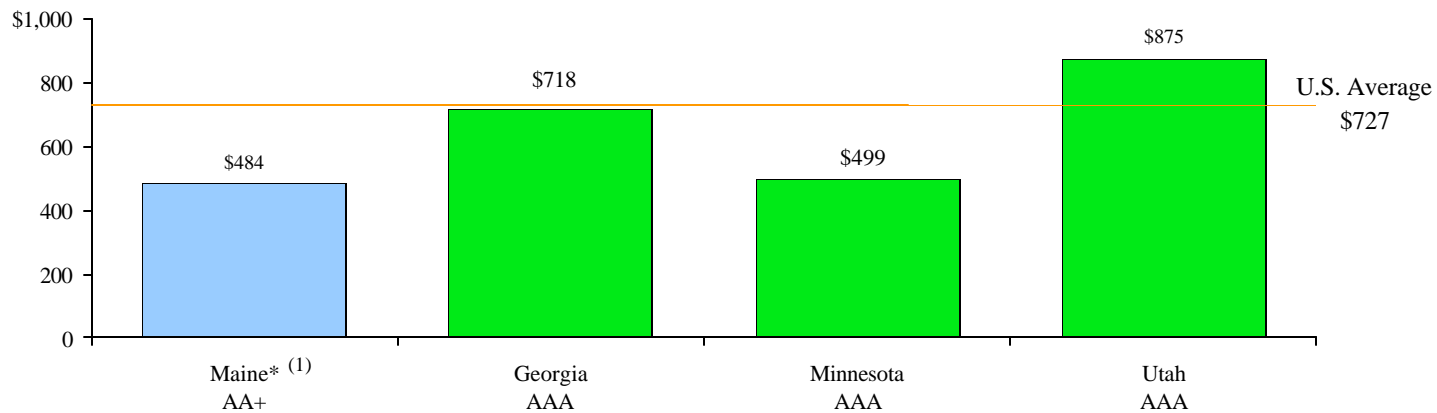
(a) As of 6/30/99.

(b) Preliminary, subject to change.

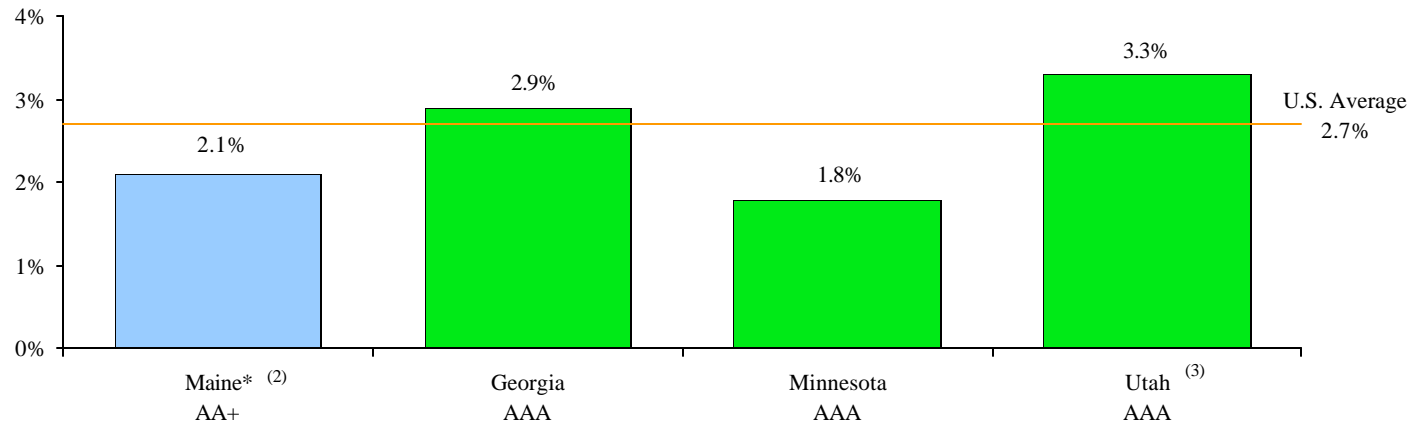
Source: *Maine State Treasury and Official Statement.*

# Maine Compares Favorably With Selected States' Debt Ratios [S&P]

## 1998 Net Tax-Supported Debt Per Capita



## Net Tax-Supported Debt as a Percentage of 1998 Personal Income



\* Includes General Fund, Highway Fund and Maine Governmental Facilities Authority debt, and Certificates of Participation.

(1) Based on 1999 Population

(2) Based on projected 1999 Personal Income

(3) Data from 2000 Moody's Medians.

Source: *Maine State Treasury and 2000 Moody's Medians*

## Maine Compares Favorably With Selected States' Debt Ratios

	Maine	Georgia	Minnesota	Utah
S&P Ratings	AA+	AAA	AAA	AAA
1999 Debt per Capita (\$) <sup>(1)</sup>	484	718	499	875
Debt as a Percentage of 1997 Personal Income (%) <sup>(2)</sup>	2.1	2.9	1.8	3.3 <sup>(3)</sup>
	Dated:	02/15/00	01/04/00	6/14/99

(1) Maine's figure based on 1999 Population

(2) Maine's figure based on projected 1999 Personal Income

(3) Data from 2000 Moody's Medians.

### State of Maine

<i>General Obligation Debt</i> <sup>(a)</sup>		1999 Population	1,253,040
General Purpose Debt	\$ 301,285,000	1999 Personal Income	\$ 29,365,000,000
Highway Fund Debt	119,955,000	2000 Estimated Full Value	74,274,650,000
Proposed New Issue <sup>(b)</sup>	66,290,000		
<i>Other Tax-Supported Debt</i> <sup>(a)</sup>			
Certificates of Participation	14,572,618	Debt Per Capita (1999 Population)	\$ 483.99
Maine Governmental Facilities Authority	<u>104,360,000</u>	Debt as a Percentage of 1999 Personal Income	2.07%
<i>Net Tax-Supported Debt</i>	\$ 606,462,618	Debt as a Percentage of 2000 Estimated Full Value	.82%

(a) As of 6/30/99.

(b) Preliminary, subject to change.

Source: Maine State Treasury and Official Statement.

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## Maine's Economy is Digital, Diverse and Dynamic

### ➤ Digital

- Building on being the first in the nation with 100% digital switching, Maine continues as the first state with a statewide ATM fiber optic based network.
- Maine in one of the most “nexus-friendly” states in the U.S. encouraging e-commerce.
- Based on FCC service quality data, Maine's telecommunications infrastructure has some of the best reliability ratings in the country.
- The State's continued growth in the technology and telecommunication sectors in testimony to our digital excellence.

### ➤ Diverse

- Our growth in exports outpaced the U.S. The State is now exporting over close in 2 billion dollars worth of products, top products reflect the State's diversity — semi-conductors, paper, lumber and wood.
- Although job growth was greatest along I-95, low unemployment in Portland has pushed businesses to other locations with the unemployment rate decreasing in every county.
- Businesses and industries across Maine are investing heavily in technology. An example of this is Madison Paper's planned \$100 million dollar investment in upgrades to its papermaking process, retaining 275 jobs.
- Combined \$80 million of new investments over the past three years in R&D advances in the State's competitive edge in applied research and technology.



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## Maine's Economy is Digital, Diverse and Dynamic

### ➤ Dynamic

- Maine has five of the finest biomedical labs in the county Jackson Laboratory and Mount Desert Laboratory. These nationally renowned research facilities provide a cornerstone for Maine's rapidly expanding biotechnology sector. \$10 million in this session was appropriated to seed funding for Maine's top notch biomedical research labs.
- The State's increased ongoing \$10 million investment to the University system in R & D is already activating a 5 to 1 return.
- Maine is the home of the nation's leading composites material producers. These companies produce over 65% of the North American market in reinforced fibers, and are actively engaged in research to expand the use composites to infrastructure and transportation applications.
- Investments in Marine conservation and aquaculture reflect the value of Maine's commercial fish landings which total over \$280 million in value for 1998.
- Companies such as Brunswick's Envisionet are gazelle's starting with four employees in 1996 propelling to over 1,500 people, providing online support services to national leaders such as Microsoft.
- According to SBA, Maine's new business startups outpaced the rest of New England for the 10<sup>th</sup> year, with about 5,000 new businesses added in 1998.