

Spring 2004

MaineInterest, Spring 2004

Office of the Maine State Treasurer

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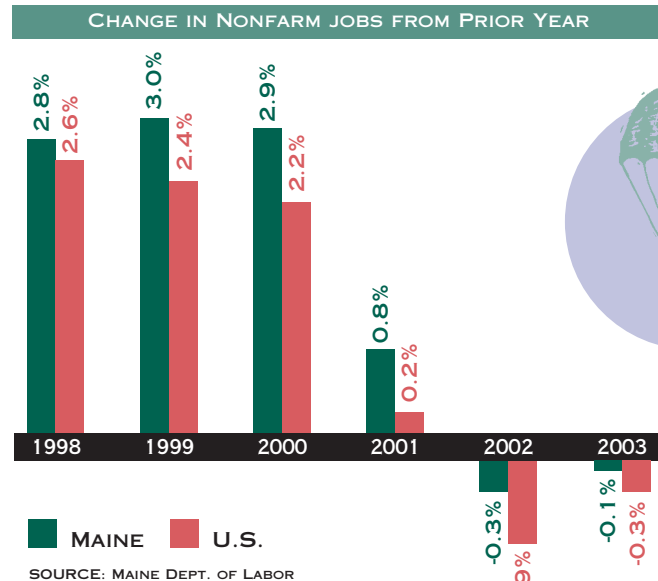
MaineINTEREST

Notes From Maine State Treasurer  Dale McCormick

Spring 2004

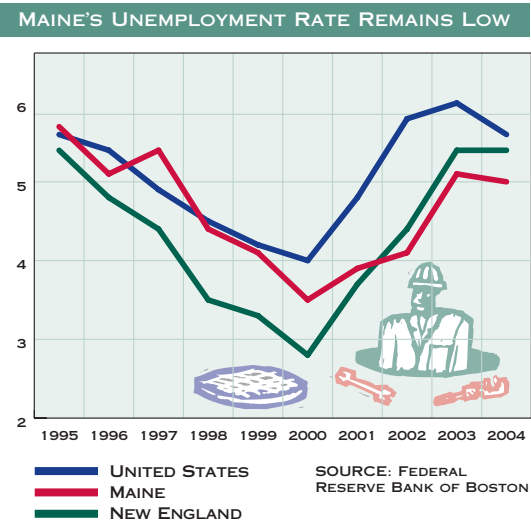
Maine Continues to Outperform the Nation in Nonfarm Wage and Salary Jobs

For the sixth consecutive year Maine has outperformed the nation in the change in nonfarm wage and salary jobs. From 1998 through 2001, Maine's growth surpassed that of the nation. Although 2002 and 2003 saw net job losses as the economy slowed, the national employment figures were more dire than Maine's. This was the first time since the early 1990s that Maine saw two consecutive years of job loss.



Maine's Unemployment Rate Remains Below US and New England Averages

At 5.0% in February 2004, Maine's seasonally-adjusted unemployment rate is still well below the nation's average of 5.6%. This is the sixth consecutive year Maine's unemployment rate fared better than the US as a whole. New England's average is 5.4% — better than the US as a whole, but not as good as Maine's. For the second year in a row Maine saw a net decrease in jobs, although the State started to see new job creation in second half of 2003.



In This Issue:
Maine's Debt Carefully Managed & A Fond Farewell



Reflecting on Four Great Terms of Public Service

FROM THE TREASURER

Dear Maine Citizens:

As I complete my final newsletter, I look back on the past eight years as your State Treasurer with a sense of accomplishment and pride. Due to Maine's term-limit law, I cannot run for a fifth term. Being State Treasurer has been one of the greatest experiences of my life. My staff of 18 dedicated, intelligent, and enjoyable people made it possible for us to achieve so much over these four great terms of public service.

The State Treasurer's Office is now a great deal more efficient. We provide more services to Mainers at a higher level of quality. Here are just a few examples of how we have improved and streamlined our services and activities:

Since 1997 the amount of money coming in and out of my office has grown by \$1 billion. *In the last decade the state budget has doubled. We created our statewide cash collection system "TAMI," which has saved us from drowning in paperwork.*

Changes to the Unclaimed Property Division allow us to return more money to both Maine citizens and the General Fund. *In fact, we return lost financial property to people faster and with less work on their part!*

We've negotiated new contracts for all the major functions in the Treasurer's Office. *We now receive state-of-the-art services beyond what we ever received before — and most of these contracts are at a lower cost to the state.*

We created and oversee, along with the Finance Authority of Maine, NextGen (Maine's 529 College Savings Plan) and have grown it to the 5th largest in the country at over \$2 billion in assets.

Bank reconciliations are now done within industry standards thanks to TAMI and Deputy Treasurer Holly A. Maffei.

We forecast more revenue lines than ever before because of the notable success we've had in Assistant Treasurer Adam Krea's thorough and thoughtful predictions.

There are many more things to say, but most importantly I am proud of the accomplishments that Denise, Sherry, Cathy, Bonnie, Karen, Erle, Kristi, Jane, Kathy, Jeff, Pam, Alma, Michelle, Rose, Tim, Pat, Holly, Adam, and I have made over these last eight years.

I hope you have enjoyed the MaineINTEREST newsletter and I look forward to writing to you again soon in a new capacity serving the people of Maine.

All my best,

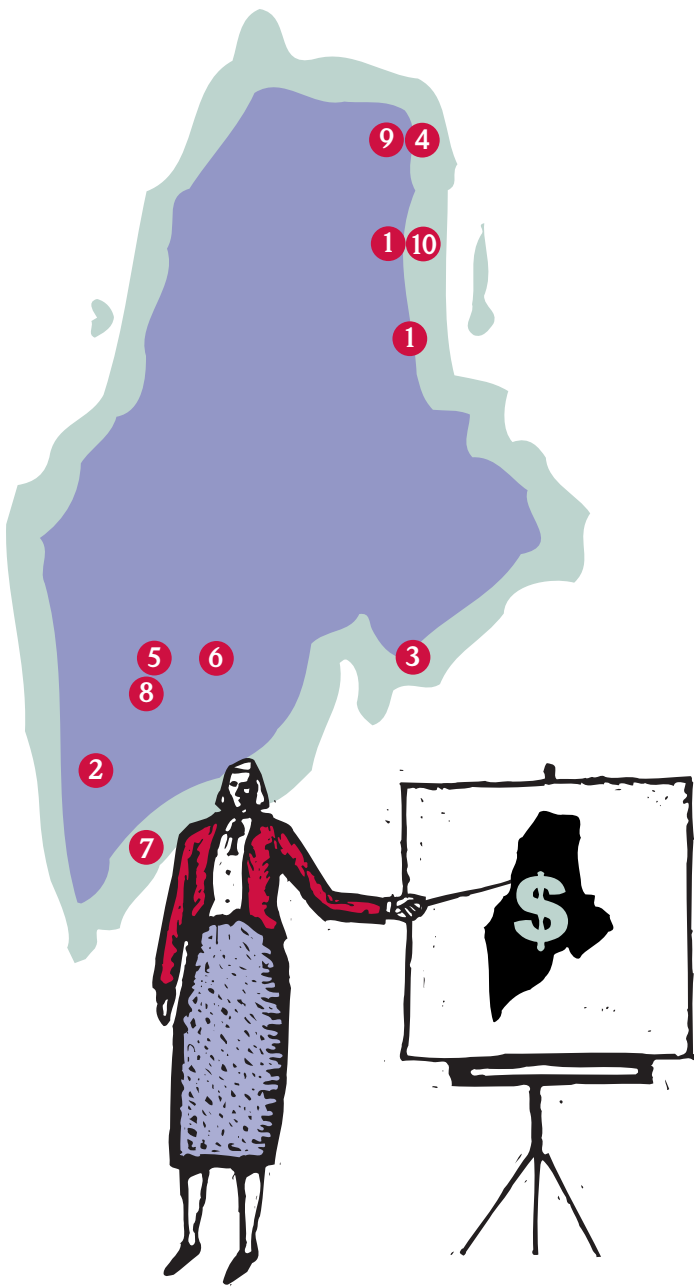
Dale

Dale

Maine State Treasurer a Leader in Corporate Governance Issues

After investors lost hundreds of millions of dollars in the Enron, Tyco and WorldCom scandals, it became evident that the most important thing Treasurers could do to protect the value of the Trusts and other Funds we manage is to actively seek corporate reform, increased transparency, accountable Directors, and an SEC that ensures that investors have the information they need to make wise decisions. Maine has been a leader in that effort.

- ▶ **August–September 2003** Advocated for reforms at the New York Stock Exchange
- ▶ **November 21, 2003** Co-convened the first Institutional Investor Summit on Climate Risk at the United Nations bringing together 300 fiduciaries and money managers representing \$3 trillion in assets
- ▶ **November 21, 2003** Founded the National Coalition on Corporate Reform along with several Treasurers and Controllers
- ▶ **November 21, 2003** Issued a *Call to Action* on Climate Risk signed by Treasurers McCormick, Angelides, Nappier, Edwards, Spaulding and Vigil, Comptrollers Hevesi and Thompson and fiduciaries Abrecht and Boarman asking the SEC, Corporate Directors, Investment Managers and the State and Federal Governments to ensure that investors have the information we need to analyze risks posed by climate change to the companies in which we invest
- ▶ **December 22, 2003** Sent letters to the SEC urging shareholder involvement in nominating directors on proxy ballots
- ▶ **December 22, 2003** Co-filed a proxy resolution with ExxonMobil asking for a report, at reasonable cost, on how climate change will impact the company
- ▶ **March 1, 2004** Co-signed a letter to the SEC urging that Climate Risk be included in the Management and Analysis of long term trends and uncertainties
- ▶ **March 2004** Adopted the Mutual Fund Investment Principles
- ▶ **April 2004** Adopted Proxy Voting Guidelines for the Maine State Treasurer
- ▶ **April 2004** Requested that each of NextGen's five fund families vote NextGen's proxies according to the Treasurer's Proxy Voting Guidelines
- ▶ **April–May 2004** Voted individually all proxies of State of Maine Trusts during 2004 season
- ▶ **May 2004** Wrote an Op Ed piece for the Bangor Daily News explaining how proxies work and urging individual stockholders to vote their proxies
- ▶ **June 2004** Advocated for passage of Climate Change resolution at ExxonMobil annual shareholder meeting.



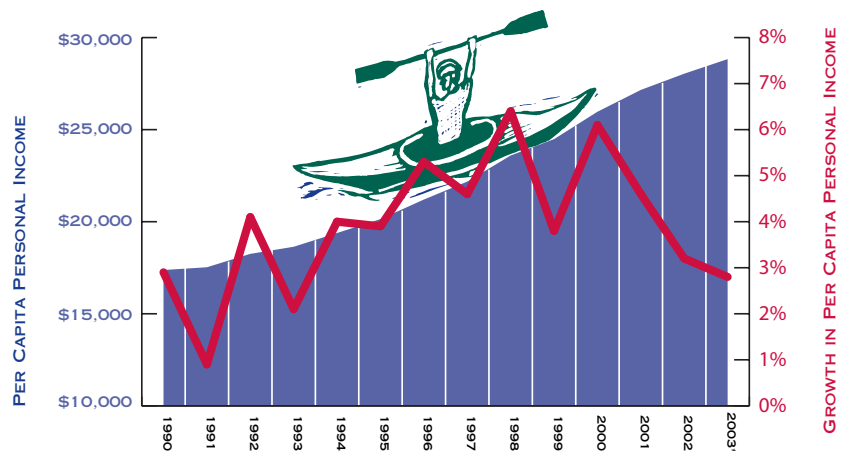
Businesses Invested \$146.3 Million in Maine in 2003

- 1 Burelle's, a press clipping company in Houlton and Presque Isle, added 21 new jobs.
- 2 CCS Companies in Oxford added 25 new jobs in their credit collections center.
- 3 Columbia Air Services retained 15 jobs and invested \$500,000 in their Trenton facility where they provide aviation support services.
- 4 DFAS is a defense accounting firm that added 100 new jobs in Limestone.
- 5 ICT in Wilton added 85 new jobs to their telecommunications center.
- 6 CPA Realty LLC in Waterville retained 16 jobs, added 6, and invested \$500,000 in their accounting services firm.
- 7 The Gulf of Maine Research Institute invested \$9,000,000 and added 55 jobs in their Portland Marine Research center.
- 8 International Paper in Jay retained 1,100 jobs and invested \$112,000,000 in their paper mill.
- 9 RS Information Systems, a data backup center in Limestone, added 17 jobs.
- 10 Smith & Wesson added 28 jobs and invested \$1,000,000 in their precision metals manufacturing facility in Houlton.

Maine's Per Capita Personal Income Growth Has Kept Pace With the Nation's

Maine's per capita personal income grew 2.8% in 2003. This placed Maine 21st in the nation and 3rd in New England. This consistent growth since the early 1990's has moved Maine from the bottom of the state rankings to 35th in 2001 to 21st today. Personal income and per capita personal income measure how well workers in the State are doing economically, while also taking into account dividends, rents, and transfer payments.

MAINE'S PER CAPITA PERSONAL INCOME GROWTH

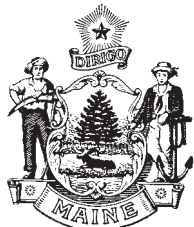


SOURCE: REVENUE SERVICE

MaineINTEREST

Notes From Maine State Treasurer ■ Dale McCormick

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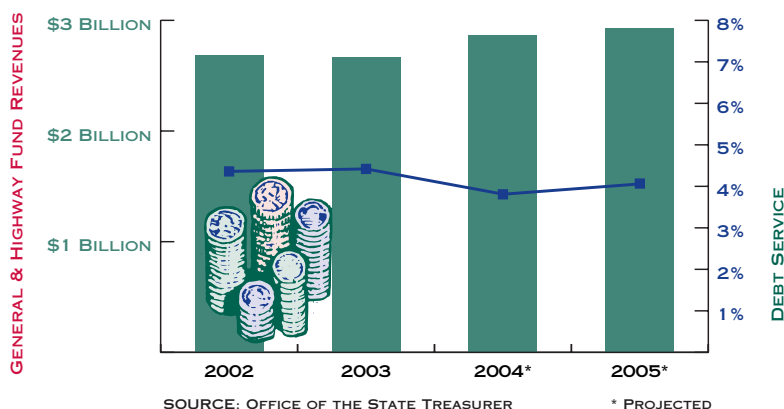
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PRE-SORT STANDARD
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Maine's Tax-Supported Debt is Carefully Managed

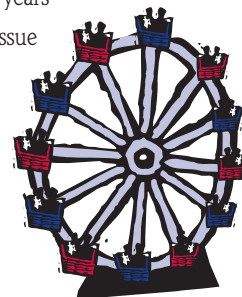
Since 2000, Maine has been using a new Debt Control Formula that limits the yearly tax-supported debt payments (called debt service) to no more than 5% of General Fund and Highway Fund revenues. This strict formula includes all debt that is paid by tax dollars. Tax-supported debt includes General Obligation Bonds, bonds issued by the Maine Governmental Facilities Authority, and Certificates of Participation. Tax-supported debt is currently 3.91% of General Fund and Highway Fund revenues. Tax-supported debt for next fiscal year is projected to increase slightly to 4.02% — still well below the limit. This careful debt management by the Governor, Legislature, and State Treasurer has been noted by the rating agencies over the years and contributes to Maine's strong credit rating.

TAX-SUPPORTED DEBT SERVICE AS A PERCENTAGE OF
GENERAL FUND AND HIGHWAY FUND REVENUES:



Maine has the Capacity to Issue More Debt if Needed

Maine's debt is like a Ferris wheel: just as riders get off allowing new riders to get on, each year Maine retires old bonds, and issues new ones. This year we will make the final payments on just under \$75 million of bonds and retire them. In some years we retire more bonds than we issue and in some years we issue more new bonds than we pay off in old bonds. Overall, however, Maine's level of debt does not change drastically from year to year.



THANK YOU



I would like to thank the following people for providing information and/or production help with this newsletter:

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