



MAINE STATE BUDGET PRIMER 2026

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Policy Leaders Academy

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MAINE'S ECONOMY

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For more information, visit www.mdf.org or call (207) 622-6345.

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Introduction

Maine's state government allocates over \$13 billion each year from state and federal sources. Managing this money is a principal responsibility of Maine's Governor and Legislature. The state budget is the document that outlines how that money will be collected and spent.

This primer explains the process by which the Governor and Legislature create the budget, and its various categories of revenue and spending. It is an overview that draws on information from the [Maine Department of Administrative and Financial Services](#), the [Maine Department of Education](#), the [Maine Public Employees Retirement System](#), the Legislature's [Office of Fiscal and Program Review](#) (OFPR), and the [Maine State Treasurer](#). These offices are invaluable sources of additional information and expertise. Except where noted, the budget statistics presented in this primer are from OFPR's report of [Total Appropriations & Allocations: All Funds, 2026-2027 Biennium](#) released in August 2025 and the Revenue Forecasting Committee's [December 2025 Revenue Forecast](#).

The State of Maine expects to receive over \$5 billion in federal funds in the 2026 fiscal year, mostly for health insurance and medical care, but also for transportation, education, economic development, and myriad other programs. This primer uses OFPR's most recent projections of federal funds based on current policies and practices. Just like the state budget, they are subject to change.

Maine operates on a July 1-June 30 fiscal year. Throughout this primer, years refer to the year in which the fiscal year ends. For instance, "2026" refers to the fiscal year that started on July 1, 2025 and will end on June 30, 2026.

Maine by the Numbers (±)

- 1,405,000 residents¹
- 645,000 acres of public land²
- 705,000 people in the workforce³
- 171,000 students in PK-12 public schools⁴
- 78,000 cases annually filed in state courts⁵
- 65,000 business establishments⁶
- 49,000 students in public colleges and universities⁷
- 28,000 miles of public roads⁸
- 1,800 adults in the state correctional system⁹
- 2,400 children in state care¹⁰
- 189 legislators¹¹
- 1 state budget

Budget Basics

It covers two fiscal years. The state budget covers one biennium, which is two fiscal years. The budget negotiated during the 2024 legislative session will be for the biennium that begins on July 1, 2024, and lasts for the following 24 months, ending on June 30, 2026.

It must be balanced. The Maine Constitution requires that the state budget be balanced. Except for a few narrow situations (such as repelling invasion), the State is not permitted to take on debt for current expenditures.

It must be within funding projections. The revenue side of the State's balanced budget comes from projections by the Revenue Forecasting Committee (RFC). Spending proposed in the Governor's budget may not exceed these projections plus any other additional available funding.

It must fund some items. The Maine Constitution requires the State to make debt payments and fund the state retirement system. A collection of federal mandates, court orders, and consent decrees impose additional requirements.

It must be within the state spending cap. There is a law that limits the growth of most state appropriations. Each year, appropriations may increase by no more than the 10-year average growth of personal income in Maine.

It may be revised. The State's finances must be monitored to ensure that revenues and expenses remain balanced. If expenses exceed revenues, then the Governor or the Legislature may propose changes in a supplemental budget that revises the biennial budget. In the event of a revenue shortfall, the Governor may also reduce spending by Executive Order until the Legislature has an opportunity to make changes.

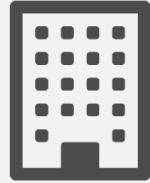
The Governor proposes the first draft; the Legislature passes the final draft. The Governor submits a budget to the Legislature prior to the start of each biennium. The Legislature then reviews and revises the Governor's budget and passes its own version, which the Governor then signs, vetos, or allows to become law without his/her signature.

It must go into effect July 1 (the first day of the state's fiscal year) for state government to operate. There are two ways this can happen:

- The Legislature can pass the budget as an emergency bill anytime prior to July 1. Emergency bills require a 2/3 vote and become effective immediately.
- The Legislature can pass the budget as a non-emergency bill at least 90 days before July 1. This requires a majority vote and goes into effect 90 days after adjournment. The Legislature can adjourn after passing the budget and call itself back into session to work on other bills.
- A "continuing services budget" is a non-emergency bill that maintains existing funding levels for programs and services without introducing major new initiatives or cuts. These may be included in subsequent pieces of legislation.

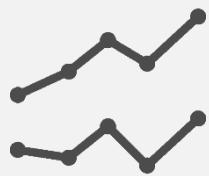
Biennial Budget Process

1



State agencies submit budget requests to the Bureau of the Budget by September 1.

2



The Consensus Economic Forecasting Commission (CEFC) projects future economic conditions by November 1.

3



Using the CEFC's projections, the Revenue Forecasting Committee (RFC) projects state revenues by December 1.

4



The Governor submits a draft budget to the Legislature by the Friday following the 1st Monday of January.

5



The Legislature holds public hearings on the budget.

6



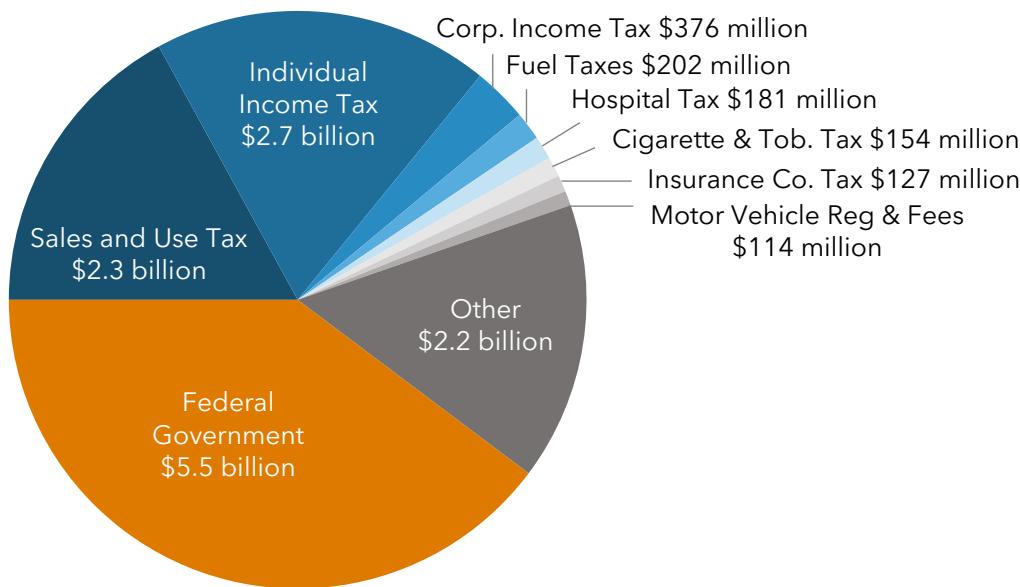
The Legislature's policy committees make recommendations to the Appropriations and Financial Affairs Committee ("Appropriations") on the budgets of the departments and agencies in their oversight.



Sources of State Revenue

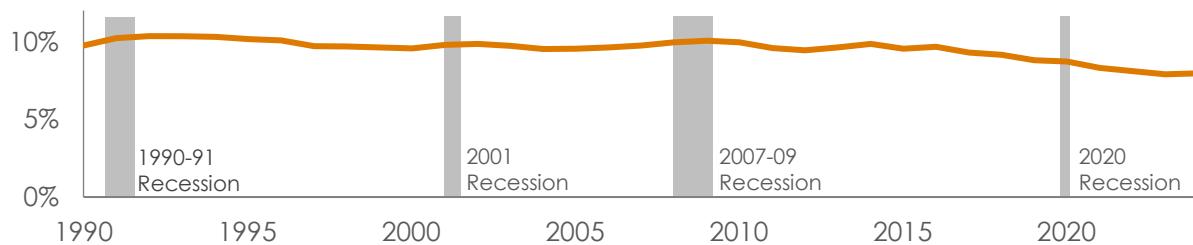
The State of Maine receives revenue from many sources, including individual tax payers, businesses, and the federal government. The chart below shows the largest sources of operating revenue. As of August 1, 2025, federal funds for Medicaid ("MaineCare"), education, transportation, workforce training, and other programs are expected to be 40% of all revenues. Sales and income taxes accounted for 17% and 19%, respectively, with corporate income and gasoline taxes each accounting for less than 3%. "Other" includes the cigarette tax, service provider tax, motor vehicle fees, service charges, and numerous smaller categories.

Maine's anticipated operating revenue is \$13.8 billion in 2026.*



From 1990 to 2014, state and local government spending accounted for about 10% of Maine's economy on average. It has steadily fallen since then, to just under 8% in 2023 and 2024. This has occurred as GDP growth has exceeded the growth of government expenditures.

State and local government spending as a percentage of Maine's economy¹²



*Operating funds don't include Enterprise Funds and Trust and Agency Funds.

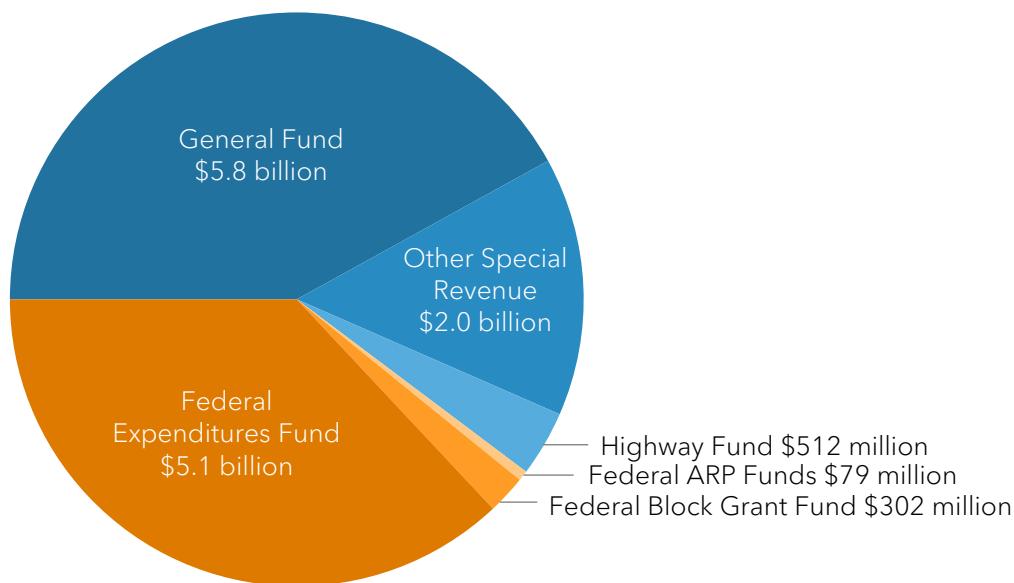
State Funds

The State has an extensive bookkeeping system that assigns all revenues to specific funds and accounts. There are four categories of operating funds.

The **General Fund** is the State's largest discretionary fund. It is the primary funding source for state agencies, the Legislature, and the Judiciary. The **Highway Fund** was constitutionally established to direct highway-related revenue for highway purposes. It is used to maintain Maine's transportation infrastructure and for state enforcement of traffic laws. **Other Special Revenue Funds** usually come from a dedicated source and are restricted by law to a specific use; for example, payment for care at the State's mental health facilities, or fees for professional licenses and exams that pay to administer these programs. It also includes the Fund for a Healthy Maine, established to receive funds from the tobacco settlement agreement.

Federal Expenditure Funds receive federal funds, which are generally restricted to specific uses. Many flow to Maine residents, communities, and service providers through programs administered by state agencies. Historically, over 70% have been matching Medicaid and transportation funds. **Federal Block Grants** provide more flexible funding in broad policy areas such as economic development, public health, and social services. Examples include the Community Development Block Grant and the Mental Health Block Grant. Maine is also still allocating federal funds from the **American Rescue Plan** Act (ARP) of 2021.

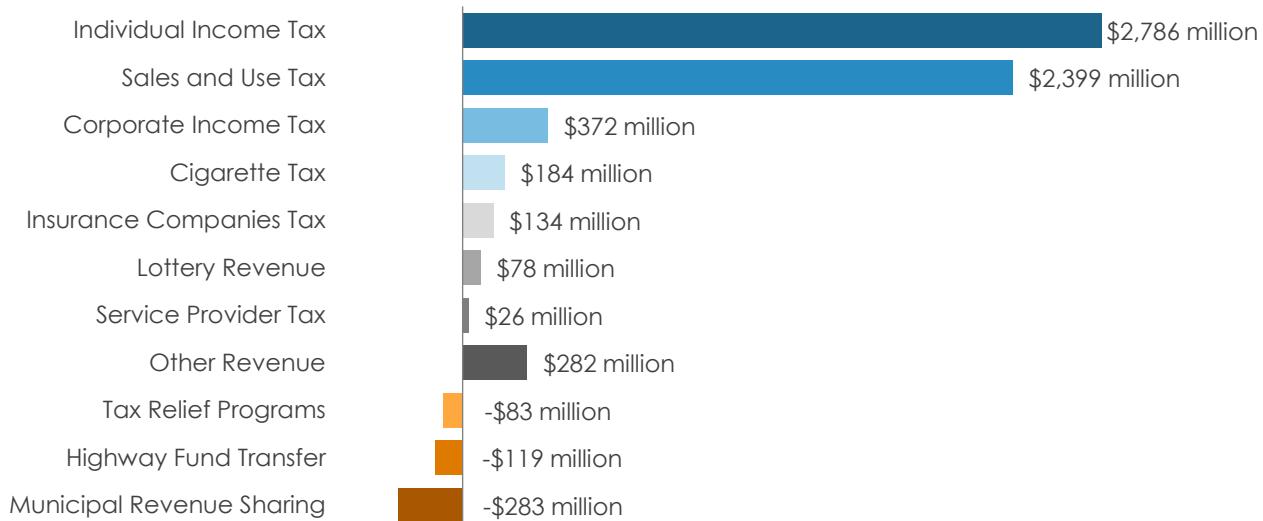
In 2026, 60% of Maine state government operating funds are from state sources; 40% are from federal sources.



General Fund

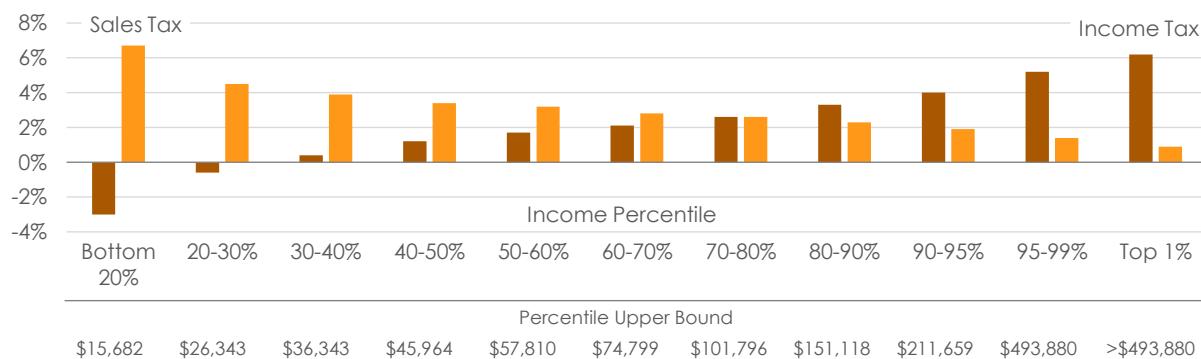
The General Fund is the state's largest discretionary fund. It is the primary funding source for state agencies, the Legislature, and the Judiciary. It supports everything from education and human services to law enforcement and wildlife management. Consistently, income and sales taxes account for almost 90% of General Fund revenue. Since 2019, the greatest change to the fund's balance sheet has been increased transfers to the Local Government Fund (Municipal Revenue Sharing) and the Highway Fund. These are expected to total \$402 million in 2026, up from \$74 million in 2019.

General Fund revenues are projected to be \$5.8 billion in 2026.



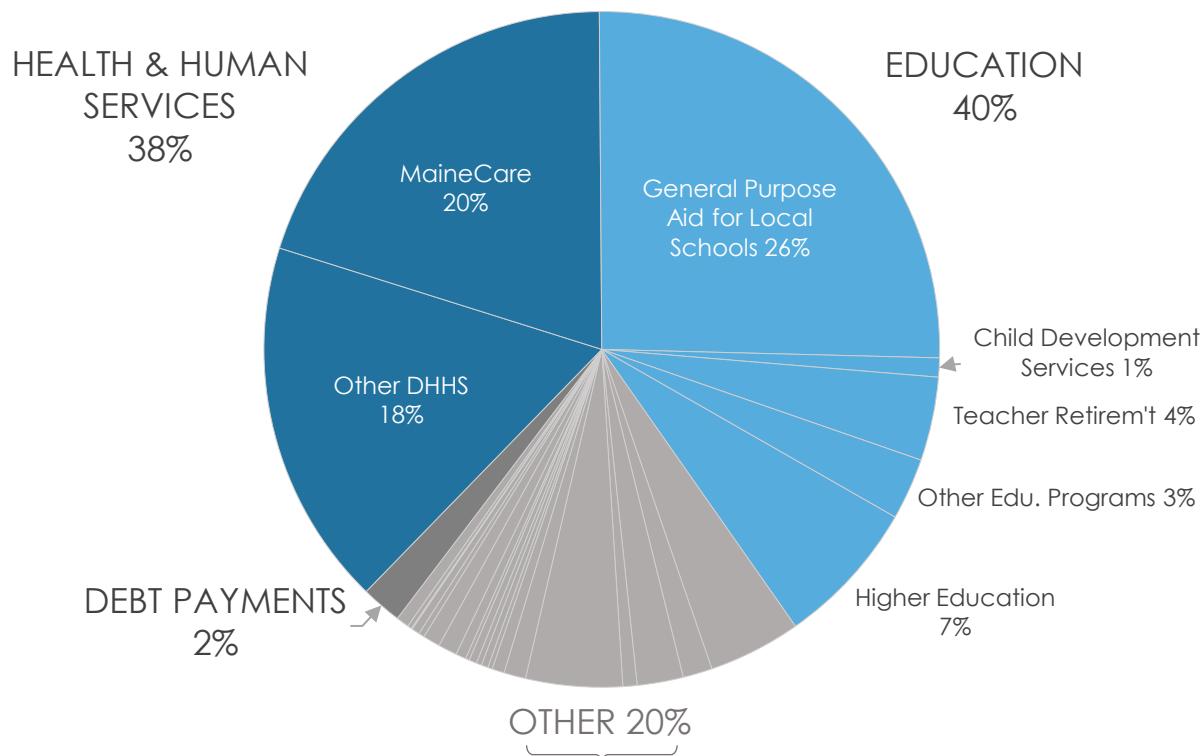
Maine residents pay different amounts of taxes based on their incomes and spending habits. The chart below shows state taxes paid as a percentage of income for families in different income groups. Lower-income families pay a higher percentage of their income in sales taxes while higher-income families pay a higher percentage in income taxes. (Information on property taxes is not included here but is available from Maine Revenue Services.)

Maine income and sales taxes as a percentage of family income¹³



Education and health and human services together account for 78% of General Fund appropriations. Debt payments are currently about 2%. The remaining 20% includes all other state agencies, the Legislature, and the Judiciary. Since 2019, total appropriations have grown 6.0% per year on average. Annual education spending has grown slower, 4.9%, while health and human services has risen faster, 7.5%. This corresponds in part to Maine's changing demographics. Since the 2019 school year, the school enrollment has declined 5% (9,600 students) while the number of residents age 65 and over grew 16% (45,000).¹⁴

General Fund appropriations total \$5.8 billion in 2026.*



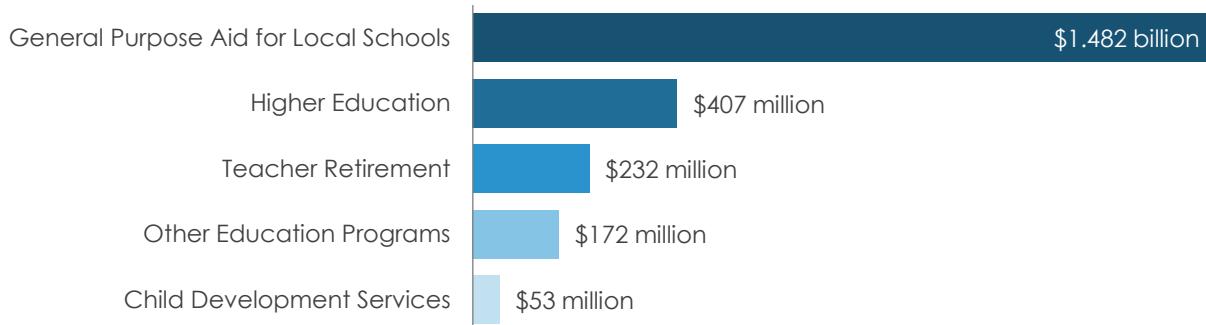
Administrative & Financial Services	4.6%	Finance Authority of Maine	0.5%
Corrections	4.4%	Marine Resources	0.4%
Judiciary	2.2%	Environmental Protection	0.4%
Treasurer of State	2.0%	Defense, Veterans & Emergency Mgmt	0.3%
Public Safety	1.4%	Labor	0.3%
Agriculture, Conservation & Forestry	1.0%	Economic & Community Development	0.3%
Public Defense Services	0.9%	Cultural Agencies	0.2%
Inland Fisheries & Wildlife	0.8%	Secretary of State	0.2%
Legislature	0.7%	Executive Department	0.2%
Attorney General	0.6%	Additional "Other" categories	0.6%

* General Fund appropriations may not exceed available funding for the biennium but may exceed revenue for a given fiscal year within the biennium. Appropriations also may not align with expected revenues before the legislature has amended them in response to new forecasts.

Education

Education is one of the State's largest expenses, totaling 40% of General Fund appropriations for 2026. Almost 2/3 of that is General Purpose Aid for Local Schools (GPA), the pool of state funds given to Maine's over 600 public PK-12 schools. About 1/6 is higher education.

General Fund appropriations for PK-12 and higher education are \$2.3 billion for 2026.



Note: In addition, Maine expects to receive \$284 million in federal funds for education in FY2026.

Allocating State Education Funds

The State divides GPA among Maine's public PK-12 schools through a complex process that can be loosely summarized in three steps.

- 1. Determine each school's financial need** using the EPS formula (see below).
- 2. Determine the amount to be raised locally.** Municipalities contribute to their schools' needs up to a certain mill rate (estimated to be 6.10 in 2026).¹⁴ The EPS mill rate is based on the expectation that municipalities collectively pay 45% of statewide K-12 education costs and the State pays 55%. Most municipalities vote to raise more than this amount, exceeding EPS by 25% on average in FY2025.¹⁵
- 3. Whatever is not paid locally is paid by the State.**

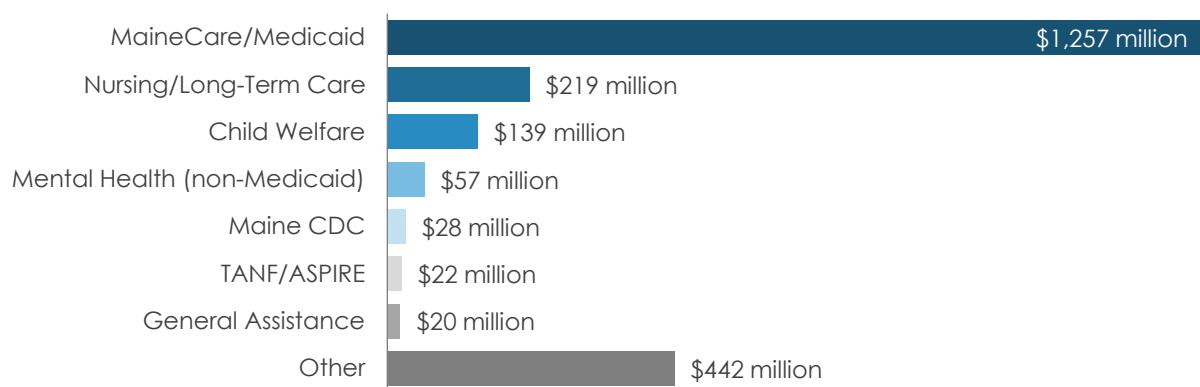
What is EPS? Essential Programs and Services (EPS) is the mathematical formula used by the Maine Department of Education to calculate each school's funding needs. EPS uses the size of the student body, the number of special-needs students, and other factors to calculate the funds necessary for those students to achieve the Maine Learning Results. EPS is based on analysis of "high-performing, cost-effective school units."¹⁶

Why 55%? In 2003, Maine voters passed a referendum directing the State to increase its share of public K-12 education costs to 55%. For 2025-2026, the State is expected to fund 59% of these costs when including its annual contributions to teacher retirement, or 55% when excluding teacher retirement.¹⁷

Health & Human Services

Maine's Department of Health and Human Services (DHHS) accounts for 38% of General Fund appropriations in 2026. Over 2/3 of DHHS's budget is MaineCare, Maine's program for Medicaid and the federal Children's Health Insurance Program. MaineCare helps pay for medical care of children and adults from low-income households. In 2026, for every \$1.00 of General Fund revenue appropriations to DHHS programs, the federal government is projected to contribute \$1.92.

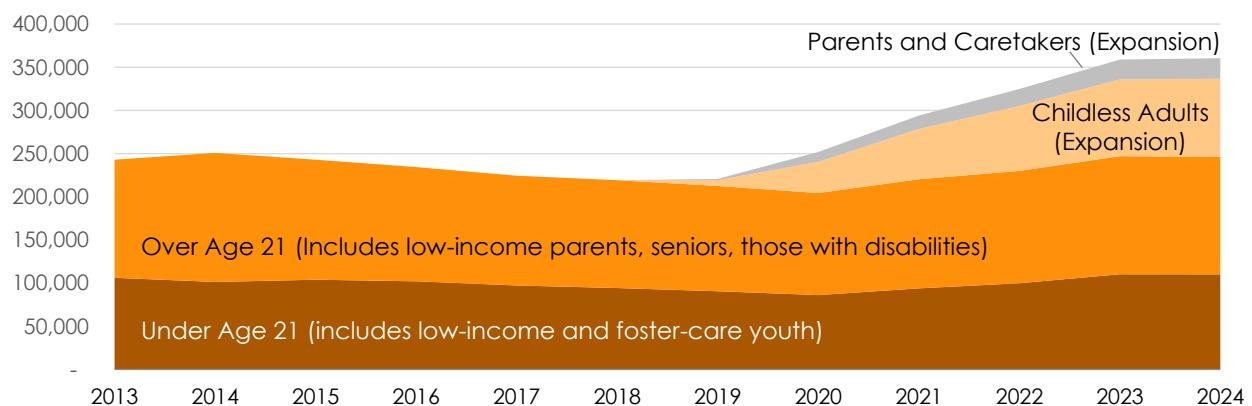
General Fund appropriations for Health & Human Services total \$2.2 billion for 2026.*



Note: In addition, Maine expects to receive \$4.2 billion in federal funds for health and human services in FY2026.

In 2019, Maine expanded Medicaid coverage to more low-income adults, a change made possible by the federal Affordable Care Act of 2010. Before, the program was mainly for children, low-income parents, seniors, and those with disabilities. Now it is open to all adults with incomes up to 138% of the Federal Poverty Line (\$21,597 for an individual in 2025).¹⁸

In 2024, MaineCare covered 63% more Mainers than in 2019.¹⁹

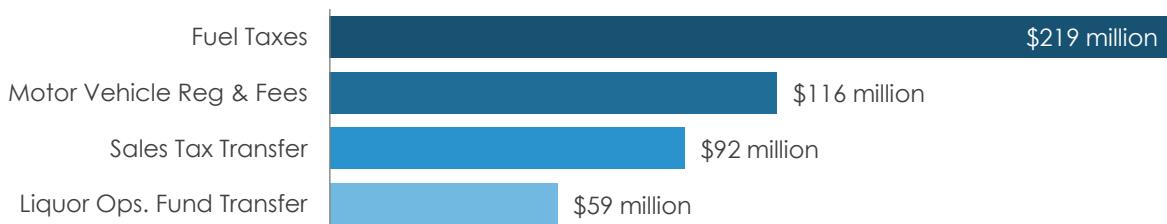


* "Nursing/Long-Term Care" includes nursing facilities; "Child Welfare" includes foster care, adoption, and child care services and Head Start; "TANF/ASPIRE" is Temporary Aid for Needy Families/Additional Support for People in Retraining and Employment

Highway Fund

Maine's state government maintains about 9,000 miles of roads.²⁰ Highway Fund pays to maintain this infrastructure and enforce traffic laws. It was constitutionally established to direct highway-related revenue for highway purposes. It does not include funding for the Maine Turnpike Authority (MTA). The Legislature approves the MTA's budget in a process separate from the state budget process.

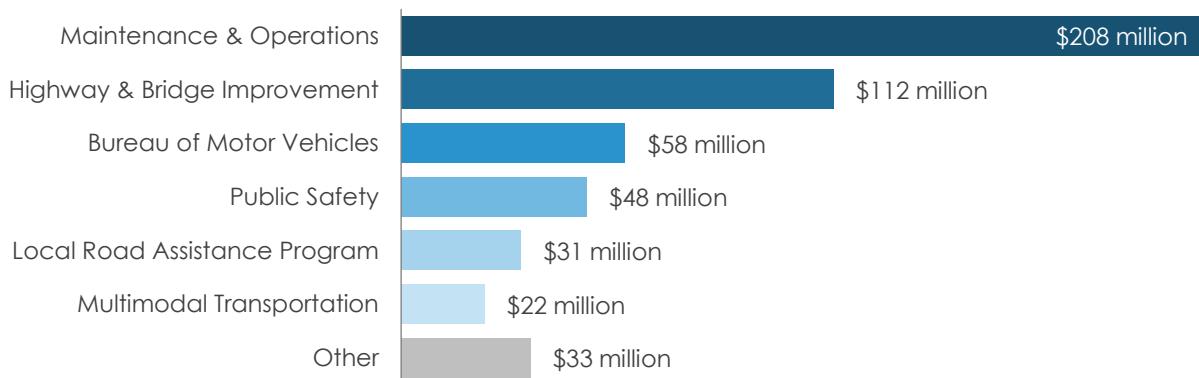
Highway Fund revenues are projected to be \$506 million in 2026.



Note: In addition, Maine also expects to receive \$651 million in federal funds for transportation in FY2026.

Historically, fuel taxes and motor vehicle fees provided adequate revenue to cover Highway Fund expenditures. This has changed as cars have become more fuel efficient, electric and hybrid vehicles have become more common, construction costs have risen, and the State stopped indexing the gasoline tax. (It has remained \$0.30 per gallon since 2012.)²¹ In 2024, the State began transferring to the Highway Fund 40% of sales taxes on motor vehicles and proceeds from the State's liquor operations fund. Together, these transfers are projected to be \$152 million in 2026, about 30% of total Highway Fund revenues.

Highway Fund appropriations total \$512 million in 2026.*



* Highway Fund appropriations may not exceed available funding for the biennium but may exceed revenue for a given fiscal year within the biennium. Appropriations also may not align with expected revenues before the legislature has amended them in response to new forecasts.

Other Special Revenue Funds

Maine has numerous Other Special Revenue funds for specific uses. For example, payments for care at the State's mental health facilities support those institutions; payments for services from the State Police go to that department; fees for professional licenses and exams pay to administer those programs; proceeds from the milk handling fee, the blueberry tax, and the potato tax go to programs that support those industries.

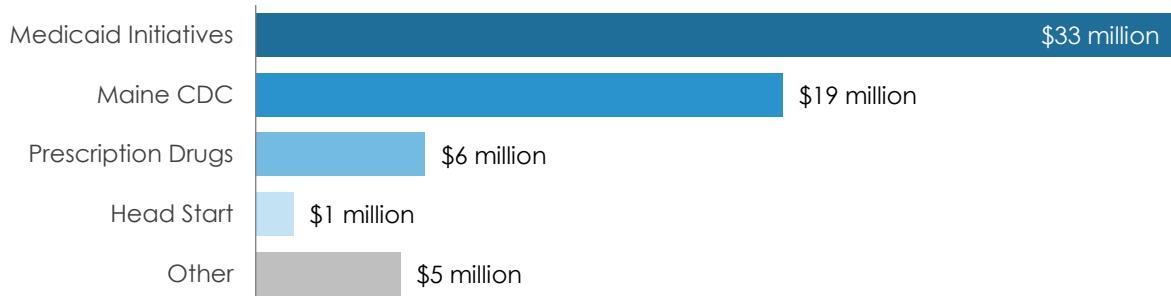
Other Special Revenue allocations total \$2.0 billion in 2026.

Health and Human Services	\$714 million
Municipal Revenue Sharing	\$276 million
Transportation	\$248 million
Agricultural, Conservation, and Forestry	\$180 million
Environmental Protection	\$59 million
Administrative and Financial Services	\$55 million
Professional and Financial Regulation	\$54 million
Education (including Higher Education)	\$44 million
Maine State Housing Authority	\$34 million
Public Safety	\$34 million
Other	\$254 million

Fund for a Healthy Maine

In 1999, the State established the Fund for a Healthy Maine (FHM) to handle payments from tobacco manufacturers stemming from a national lawsuit seeking compensation for smoking-related health care costs. The use of FHM funds is limited to a list of health-related purposes established in law ([22 MRS §1511](#)). The fund started FY2026 with a balance of \$42 million and is projected to receive \$33 million from the tobacco settlement and from Maine casinos.²²

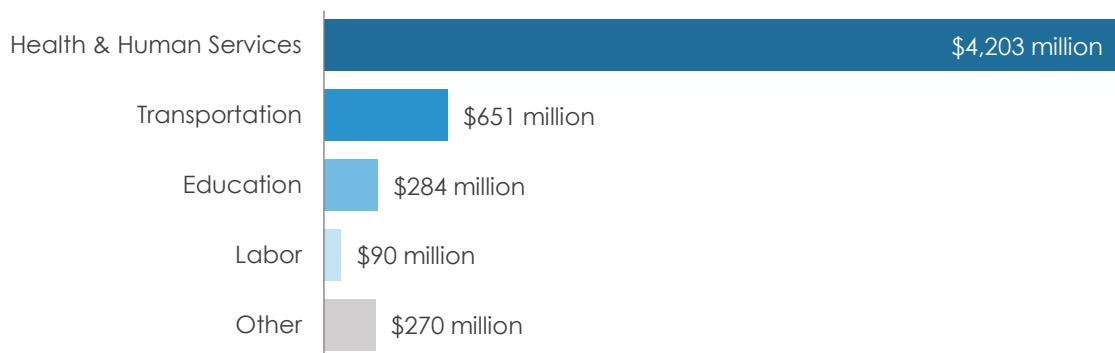
Fund for a Healthy Maine allocations are \$65 million in 2026.²³



Federal Funds

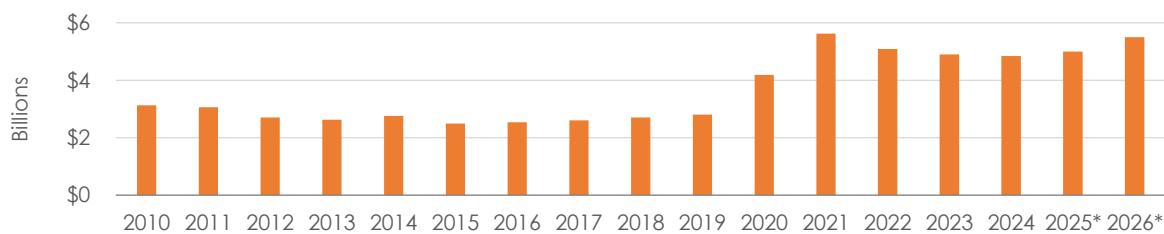
The State of Maine receives billions in federal funds every year. Most is restricted to specific uses and comes as a federal match of state funds. Much of it flows through state agencies to Maine residents, service providers, and communities. In 2026, the Department of Health and Human Services is expected to receive about 76% of Maine's federal funds, mainly for MaineCare (Maine's program for Medicaid and the federal Children's Health Insurance Program).

**Maine's federal fund expenditures are projected to total
\$5.5 billion in 2026.**



The amount of federal funds Maine receives jumped significantly following the COVID-19 pandemic. From 2010 to 2019, Maine received \$2.8 billion annually on average. In 2020, this jumped to \$4.2 billion, due to the federal government's COVID-19 pandemic relief funds. Receipts have remained near that level ever since due to multi-year stimulus funding and Medicaid expansion. From 2020 to 2026, Maine has received \$5.0 billion on average.

**Maine's average annual federal revenues nearly doubled following the
COVID-19 pandemic.**



* Projected

Transfers to Local Governments

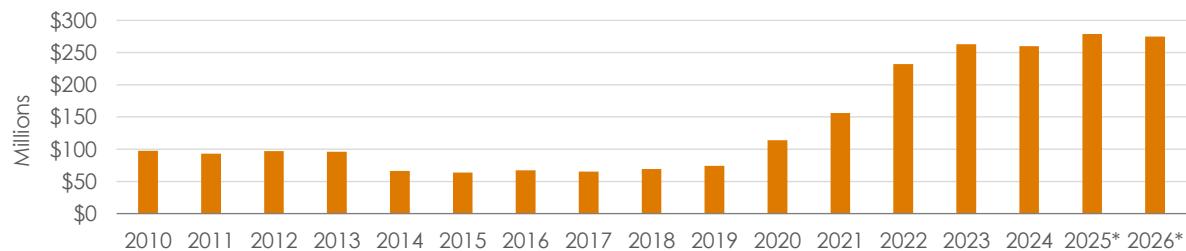
Each year, the State transfers over one-third of General Fund revenue to municipal and county governments. Those funds are intended to reduce reliance on local property taxes. The transfers below do not include federal funds passed through state agencies to local governments.

Category ²⁴	Major Items	2026
Education	K-12 schools and teachers' retirement	\$1,761 million
Revenue Sharing	Unrestricted funds given to municipalities	\$275 million
Property Tax Reimbursement	Homestead and business equipment exemptions	\$181 million
Criminal Justice	Jails and district attorneys	\$43 million
Transportation	Block grants including bond proceeds	\$32 million
General Assistance	Basic-needs aid distributed by municipalities	\$23 million
Natural Resource Agencies	Off-road vehicle programs and environ'l protection	\$14 million
Emergency & Disaster Assistance	Disaster assistance	\$10 million
Economic Development	Community development grants	\$3 million
Total		\$2,342 million
Percentage of FY26 General Fund Revenue (including Revenue Sharing)		37%

Revenue Sharing

Each month, the State sends 5% of its revenue from income, sales, and some service provider taxes to municipalities. These "Revenue Sharing" funds are distributed through a two-part formula. The "Revenue Sharing I" formula divides 80% of funds between all municipalities based on their population and property tax burden. The "Revenue Sharing II" formula distributes the remaining 20% to municipalities with disproportionately high property tax burdens. The percentage of state revenues shared gradually rose from 2% in 2019 to 5% in 2023 and beyond (returning to the historical rate), corresponding to a four-fold increase as tax revenues have also grown.

Municipal Revenue Sharing is estimated to be \$276 million in 2026.²⁵



Tax Expenditures

“Tax expenditures” are provisions in law that reduce tax revenues. They are referred to as expenditures because they allocate potential revenue as does government spending, only through the tax code. They are sometimes called “tax breaks.” They are generally intended to encourage certain activities or provide relief for individuals in certain circumstances. Examples include the sales tax exemption for groceries, credits such as the Earned Income Credit and the Research Expense Tax Credit, and deductions such as the income tax deduction for interest on student loans. By law, the Governor’s budget document must include a list of current tax expenditures and the Legislature must vote on whether to continue them.

Sales Tax Expenditures Over \$50 Million²⁶

	2026 (millions)	Change since 2019 (millions)	Change since 2019 (percent)
Business purchases of legal, bus., admin. & support services	\$716	\$224	45%
Consumer purchases of medical services	\$707	\$94	15%
Property used in manufacturing production	\$437	\$237	119%
Business purchases of financial services	\$417	\$192	85%
Consumer purchases of financial services	\$239	\$36	17%
Sales to the state and political subdivisions	\$237	\$43	22%
Motor vehicle fuel (subject to gasoline or special fuel tax)	\$185	\$92	99%
Grocery staples	\$184	\$5	3%
Rental charges on continuous residence for over 28 days	\$158	-\$60	-27%
Consumer purchases of amusement and rec. services	\$148	\$73	98%
Prescription drugs	\$126	\$27	27%
Consumer purchases of transportation services	\$112	\$83	285%
Consumer purchases of personal, household, & bus. services	\$110	\$27	32%
Business purchases of transportation services	\$105	\$19	23%
Business purchases of information services	\$84	\$47	125%
Consumer purchases of social services	\$83	\$28	50%
Business purchases of construct'n services for maint. & repair	\$72	\$25	53%
Consumer purchases of education services	\$68	-\$12	-15%

Income Tax Expenditures and Property Tax Reimbursement Over \$20 Million²⁷

	2026 (millions)	Change since 2019 (millions)	Change since 2019 (percent)
Deduction for Soc. Sec. benefits taxable at federal level	\$157	\$65	71%
Deduction for pension income	\$133	\$101	312%
Property Tax Fairness Credit	\$118	\$102	639%
Student Loan Repayment Tax Credit	\$75	\$50*	201%
Reimburse't for Bus. Equip. Tax Exempt. (paid to muni's)	\$74	\$31	72%
Dirigo Business Incentives Tax Credit	\$45	\$45	--
Earned Income Credit	\$41	\$31	302%
Sales Tax Fairness Credit	\$28	-\$6	-17%
Credit for Rehabilitation of Historic Properties	\$21	\$6	37%
Items due to conformity with federal tax code	\$1.2+ billion	\$432+ million	56%+

*Compared to the previous Credit for Educational Opportunity

Tax-supported Debt

Bonds are financial tools that allow the State to borrow money. When the State sells ("issues") bonds, the purchasers give the State money to make a desired investment (a road, bridge, building, etc). The State repays the money with interest over a number of years. Bonds allow the State to pay for an investment gradually, over its lifetime, rather than up front. Maine's state government utilizes a variety of bonds. They differ in their approval process and the source of funds used to repay them.

- **General Obligation** bonds commit the "full faith and credit" of the State; the Constitution requires the Legislature and State Treasurer to repay them. These bonds require approval by 2/3 of both the House and Senate, and a majority of voters. They are repaid with General Fund or Highway Fund revenue.
- Bonds repaid with specific revenue streams require legislative approval. They include **Maine Energy, Housing & Economic Recovery** (MEHER) Bonds (future real estate transfer tax revenue), **GARVEE** bonds (future federal transportation funds), Tax-Supported **Certificates of Participation** (future lease payments), **Liquor Revenue** Bonds (repaid with future revenues from the contract to distribute liquor in Maine), and **Transcap** Bonds (future fuel tax revenues and motor vehicle fees). The latter two are currently not in use.
- The **Maine Government Facilities Authority** (MGFA) issues bonds for facilities leased by public entities such as courts, prisons, and state agencies. These bonds require approval by a majority of MGFA's board and 2/3 of both the House and Senate. The bonds are repaid with future lease payments, which come from the operating budgets of the entities leasing the facilities.

Maine has no legal debt limit. Some policymakers refer to an informal "5% Rule," which suggests that general obligation debt payments should not exceed 5% of operating revenue. Total debt payments for 2025 were approximately 3.01% of General and Highway fund revenue.²⁸ In 2025, bond-rating agencies Standard & Poor's and Moody's ranked Maine's general obligation debt (i.e., the State of Maine's credit) as "very strong" and "high quality."²⁹

Maine's tax-supported debt was \$1.3 billion as of June 30, 2025.³⁰

Maine Gov't Facilities Authority	\$440 million	Certificates of Participation	\$106 million
General Obligation Bonds	\$361 million	MEHER Revenue Bonds	\$41 million
Capital Leases	\$252 million	Liquor Revenue Bonds	\$0 million
GARVEE Bonds	\$148 million	Transcap Bonds	\$0 million

Long-term Unfunded Debt

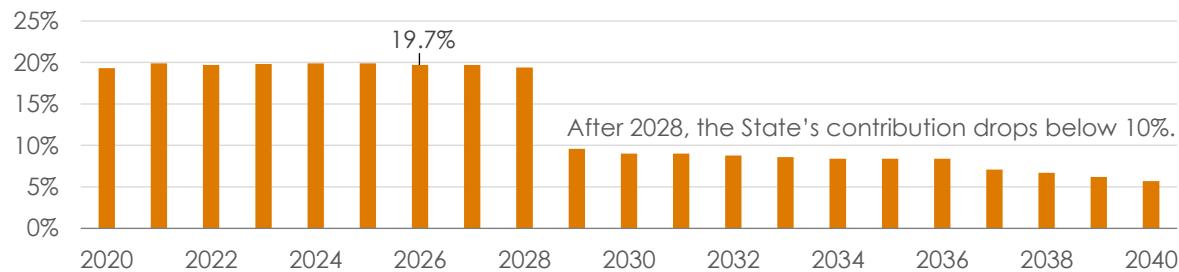
The State of Maine has long-term unfunded debt in the form of future retirement benefits that exceed the projected value of funds available to pay them. These benefits have been promised to past and current employees. This debt is called an “unfunded actuarial liability” (UAL).

The State Employees & Teachers Retirement plan has an unfunded actuarial liability of \$2.3 billion as of June 30, 2025, and three other plans have smaller UALs.

Plan ³¹	Liabilities	Assets	Difference*	Plan Status
State Employees & Teachers Retirement	\$18.8B	\$16.4B	-\$2.3B	Unfunded liability
Participating Local Districts (PLD) Retirement	\$4.7M	\$4.3M	-\$0.4M	Unfunded liability
Judicial Retirement	\$83.1M	\$90.0M	\$7.2M	Funded
Legislative Retirement	\$13.4M	\$18.2M	\$4.8M	Funded
Group Life Insurance for State/Teacher Plans	\$257.1M	\$187.6M	-\$69.5M	Unfunded liability
Group Life Insurance for PLD Plans	\$35.7M	\$26.7M	-\$9.0M	Unfunded liability

The State is making payments to eliminate the State Employees & Teachers unfunded liability. In 1995, Maine voters passed a constitutional amendment requiring the State to eliminate the liability by 2028. The payments are in the form of employer payroll contributions that increase slowly over three decades, peaking at nearly 20%. Those payments will decrease after 2028.

Maine’s projected contribution to the State Employees & Teachers Retirement plan is over 19% of payroll in 2026 and 2027.³²

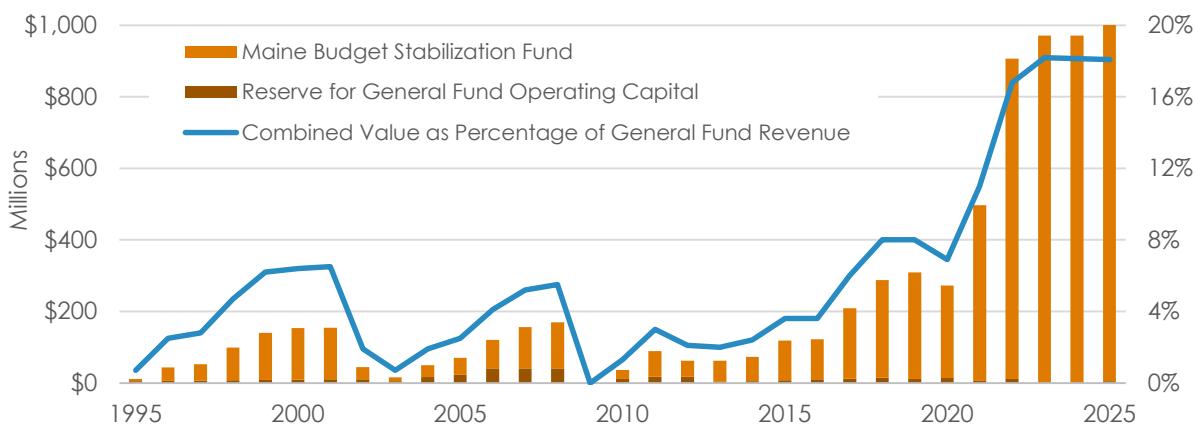


The State also has unfunded actuarial liabilities related to retirees’ future health insurance costs. As of June 30, 2024, these were estimated to be \$1.6 billion for teachers and \$836 million for state employees.³³

* Numbers may not add up due to rounding.

Reserve Funds³⁴

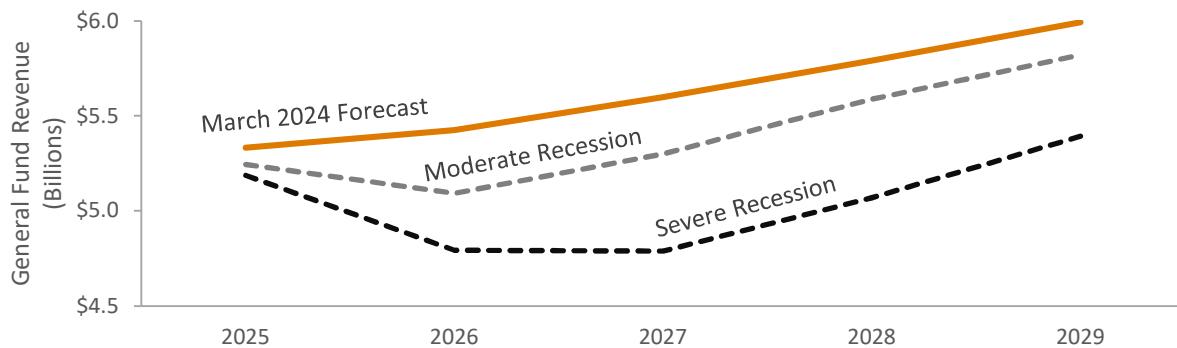
Maine has two major reserve funds. The **Maine Budget Stabilization Fund** may offset General Fund shortfalls, pay death benefits for police and firefighters, or support nonprofit food banks during a state of emergency. Any revenue over the State's spending cap (page 4) goes to this fund. It may also receive direct appropriations or surplus revenue through the "cascade" (page 21). The **Reserve for General Fund Operating Capital** helps the State manage cash flow. For instance, if an expense arises early in the year before the State has enough revenue to pay it, then the State may use this reserve fund.



Stress Test

Every two years, the CEFC and RFC estimate the impact of a recession on General Fund revenues.³⁵ This "stress test" also assesses the adequacy of the Budget Stabilization Fund to cover the hypothetical revenue losses. As of June 2024, this fund held \$968 million. The CEFC and RFC estimate that a moderate or severe recession would reduce revenues below current projections by \$1 billion or \$3 billion, respectively, from 2025 to 2029.

The Budget Stabilization Fund's current balance almost matches the hypothetical 5-year impact of a moderate recession (\$1 billion).



Surplus Funds: The “Cascade”

Sometimes the State reaches the end of the year with a General Fund surplus. This happens when revenues exceed projections or expenditures fall short of projections. In this case, the State Controller allocates the surplus to six accounts in order of priority established in law. The Governor’s State Contingent Account receives funds first. If there are additional funds remaining, they “cascade” to the second-priority account, FAME’s Loan Insurance Reserve. Lower-priority accounts receive funds only if money remains after filling higher-priority accounts.

1st Priority: State Contingent Account (up to \$350,000)



2nd Priority: FAME’s Loan Insurance Reserve (up to \$1,000,000)



3rd Priority: Reserve for General Fund Operating Capital (\$2,500,000)



4th Priority: Retiree Health Insurance Fund (up to \$2,000,000)



5th Priority: Budget Stabilization Fund (80% of remaining funds)* and Highway and Bridge Capital program (20% of remaining funds)

*If the Budget Stabilization Fund reaches 18% of General Fund revenue, then 100% of remaining funds go to the Highway and Bridge Capital program (an Other Special Revenue account).

Endnotes

1 U.S. Census Bureau, July 1, 2024, population estimate. **2** Maine Department of Agriculture, Conservation, and Forestry, Bureau of Parks and Land, FY2024 Annual Report, reserved and nonreserved public land. **3** U.S. Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics, 2024 labor force. **4** Maine Department of Education, October 1, 2025 publicly funded student count. **5** State of Maine Judicial Branch, FY2025 trial court case filings. **6** BLS, Quarterly Census of Employment and Wages, 2024 establishments. **7** University of Maine System and Maine Community College System, Fall 2025 enrollment. **8** Maine Department of Transportation (MDOT), “Public Road Mileage by County,” January 2017. **9** Maine Department of Corrections, average daily population, 2024. **10** Annie E. Casey Foundation, Kids Count Data Center, children in foster care as of December 31, 2024. **11** Maine’s Senate has 35 members. The House of Representatives has 151 members plus three non-voting representatives of the Penobscot Nation, the Passamaquoddy Tribe, and the Houlton Band of Maliseets. **12** State and local government operations as a percentage of Maine’s share of gross domestic product; Sources: U.S. Bureau of Economic Analysis and the National Bureau of Economic Research. **13** Maine Revenue Services (MRS), “Maine State Tax Expenditure Report” (MSTER), February 2025, Appendix E. **14** Maine Department of Education (MDOE), publicly funded attending students, and U.S. Census Bureau Population Division, annual estimates of the resident population. **15** MDOE, email, November 24, 2025. **16** MDOE, “Education Subsidy Information for Property Tax Bill, FY2025-2026,” accessed October 21, 2025. **17** MDOE, “Essential Programs and Services (EPS) Funding” website. **18** U.S. Department of Health and Human Services, 2025 Poverty Guidelines for the 48 Contiguous States and the District of Columbia. **19** Maine Department of Health and Human Services, MaineCare caseload reports posted by OFPR. **20** MDOT, Highway Corridor Priority based on 2024 inventory. **21** MRS, “Fuel Tax Rates,” accessed December 3, 2025. **22** OFPR, Fund for a Healthy Maine (FHM) status report, December 1, 2025. **23** OFPR, FHM Allocations 2026-2027 Biennium, July 2025. **24** OFPR, “Summary of Major State Funding Disbursed to Municipalities and Counties,” November 2025. **25** Office of the Maine State Treasurer, “FY26 Revenue Sharing Projections,” May 2, 2025. **26** MRS, MSTER, 2025. **27** Ibid. **28** Maine Bureau of the Budget, “2024-2025 Governor’s Budget Overview,” January 11, 2023, and Maine Office of the State Controller (MOSC), “Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024” (ACFR), January 2024. **29** Maine Office of the Treasurer, “Bond Ratings and Designation,” accessed October 21, 2025. **30** Maine Office of the Treasurer, “Maine Debt Snapshot - 6/30/25.” **31** Cheiron, Inc., Maine Public Employees Retirement System Actuarial Valuation Reports as of June 30, 2025. **32** Ibid. **33** MOSC, ACFR, January 2024. **34** MOSC, Maine Budget Stabilization Fund as of June 30, 2025, and OFPR, Reserve for General Fund Operating Capital from Cash Balances for FY25. **35** CEFC and RFC, “Stress-testing Maine General Fund Revenues and Reserves: FY2025-FY2029,” October 2, 2024.

Glossary of Budget Terms

This glossary explains many of the terms used in this primer. The Maine State Legislature has a longer list of terms at https://legislature.maine.gov/LawMakerWeb/glossary_of_terms.asp.

Allocation A budget amount that represents how much fund revenue the State directs to a particular program. This relates to funds other than the General Fund.

Appropriation A General Fund budget amount that represents how much the State approves to spend on a particular program or item. It may be different from the amount the State eventually spends, which is called an "expenditure."

Biennium A biennium is two fiscal years. It starts on the first day (July 1) of one fiscal year and ends on the last day (June 30) of the following fiscal year.

Bond A financial tool that allows the State to borrow money. The purchaser of the bond gives the State a large sum of money. In return, the State promises to repay the bond with interest over a number of years. See page 18.

Cascade The mechanism by which surplus General Fund revenues are allocated at the close of a fiscal year. See page 21.

Consensus Economic Forecasting Commission (CEFC) A panel of five professionals that creates the economic forecast on which the RFC's projections of state revenues are based. See page 5.

Continuing services budget A non-emergency bill that maintains existing funding levels for programs and services without introducing major new initiatives or cuts. These may be included in subsequent pieces of legislation.

Enact When there are no further amendments to be made to a bill (and it is ready to become an act), it is passed to be "enacted."

Engross Refers to writing a new version of a bill that incorporates all adopted amendments. An amended bill must be engrossed before the House or Senate can vote to enact it.

Essential Programs and Services (EPS) A mathematical formula used by the Maine Department of Education to calculate the funding needs of local PK-12 schools. See page 11.

Expenditure An amount the State spends on a particular program or item. It may be different from the budgeted amount, which is called an "appropriation" or "allocation."

Finance Authority of Maine (FAME) A public financial institution established by the State of Maine to improve access to capital for Maine businesses and individuals seeking higher education.

Fiscal note A calculation by the Office of Fiscal and Program Review of a proposed piece of legislation's impact on the State's finances. It answers the question, "How much will this bill cost the State of Maine if enacted?"

Fiscal year A twelve-month period starting on July 1 and ending on June 30. Fiscal years are referred to by the year in which they end. For example, "FY2026" means the fiscal year ending on June 30, 2026.

General Purpose Aid for Local Schools (GPA) The pool of state funds used to pay for local PK-12 education. The State divides GPA funds among schools using the EPS school funding formula. See page 11.

Mill expectation The maximum property tax mill rate that municipalities are required to raise for local PK-12 schools. See page 11.

Revenue Sharing A program that directs a portion of state tax revenue to municipalities for property tax relief. See page 16.

Revenue Forecasting Commission (RFC) A panel of state and legislative officials, plus one outside economist, that projects the amount of revenue the State will receive. See page 5.

Supplemental budget A budget that adjusts state spending in the current fiscal year in response to changes in revenue, changes in need, new laws, or judicial actions.

Tax expenditure A provision in law that reduces tax revenues, such as a tax credit, exemption, or deduction. Sometimes called a "tax break." See page 17.

Unfunded actuarial liability A liability created when future retirement benefits promised to employees exceed the projected value of funds available to pay them. See page 19.



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