Testimony of Kirsten LC Figueroa, Commissioner
Department of Administrative and Financial Services

Before the Joint Standing Committees on
Appropriations and Financial Affairs
and State and Local Government

"An Act Making Supplemental Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds, and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Year Ending June 30, 2021"

January 27, 2021

Good morning Senator Breen, Representative Pierce, and members of the Joint Standing Committee on Appropriations and Financial Affairs; Senator Baldacci, Representative Matlack and members of the Joint Standing Committee on State and Local Government. My name is Kirsten Figueroa, and I am the Commissioner of the Department of Administrative and Financial Services. I am here today to present the fiscal year 2021 supplemental budget bill.

Governor Mills has submitted to the Legislature a supplemental budget proposal for Fiscal Year 2021 and a biennial budget proposal for Fiscal Years 2022-2023 that focus on maintaining vital services and increasing savings without creating new programs. The budgets are balanced as required by the Constitution and include efficiencies, good fiscal management and curtailments to cover projected revenue shortfalls for all three fiscal years. The budgets do not change Maine tax rates and do not dip into the Budget Stabilization Fund; in fact, they add to the state's savings in order to plan for a future made unpredictable due to the ongoing pandemic. The proposed budgets focus on combatting COVID-19 by continuing to rebuild the State's public health infrastructure and protecting essential health care, education, and life-saving services.

Before we get into the specifics, it's important to recap the last year.

First, in March 2020, the Governor worked with the Legislature to enact a bipartisan supplemental budget, limited in scope to primarily address the needs of COVID-19, which reduced spending commitments and set aside at that time $184 million.

Second, also at the onset of the pandemic, the Governor instructed departments to implement frugality measures, including freezing certain hiring and restricting access to unencumbered balances – those measures remain in place.

Due to the substantial impacts of COVID-19, the Consensus Economic Forecasting Commission (CEFC) and the Revenue Forecasting Committee (RFC) met for off-cycle reports during the summer. On September 9, 2020, we identified $422 million in strategies to put the budget back in balance, including a $222 million curtailment order later signed by Governor Mills.

Throughout, Governor Mills has successfully solicited and strategically utilized federal pandemic relief, which has brought more than $8 billion to Maine significantly stimulating Maine's economy. Of this approximately $8 billion, about $4.7 billion was awarded directly to Mainers and Maine institutions (e.g. via the Paycheck Protection Program, provider relief, higher education systems, etc.) while approximately $2.8 billion passed through State government, the majority of which was enhanced unemployment benefits and the $1.25 billion in Coronavirus Relief Funds.

I want to specifically call out the $1.25 billion in federal Coronavirus Relief Funds, which Governor Mills dedicated judiciously and strategically – and transparently.

You can review all the details of our CRF efforts through the Governor's numerous press releases and via a page on the Bureau of the Budget's website specifically dedicated to COVID-19 federal funding. As you'll see there, the Administration provided significant funding to Maine's public school systems to help them provide safe in-person learning opportunities and to adjust to hybrid- or fully remote-learning options, including purchasing remote learning devices for students and partnering with Internet Service Providers to expand broadband.

Additionally, this Administration harnessed CRF for the State's response to COVID-19 and related public health and safety efforts, including the procurement of PPE for Maine's healthcare network; grants for municipalities to deploy public health and prevention programs; child care; pandemic assistance for people who are homeless, minorities, food insecure, and otherwise marginalized; and a strong COVID-19 testing and laboratory infrastructure.

Additionally, the Governor committed nearly half of Maine's CRF to support Maine's small businesses and workers. For example, the Administration provided

$294 million to bolster the Unemployment Trust Fund to avert significant business tax increases to Maine employers and provided more than $250 million in additional economic recovery grants to help sustain business operations.

Just as we were wrapping up the commitment of CRF, as part of its traditional December report, thanks in large part to the stimulating impact of Federal relief, the RFC boosted its previously downgraded revenue forecast, projecting a $255 million shortfall for FY21 as a result of COVID-19 (up from their originally predicted shortfall of $528 million). Similarly, the RFC ratcheted up expectations for FY22 and FY23, projecting a $396 million shortfall for the biennium as a result of COVID-19 (up from their originally predicted shortfall of $883 million). Though still below pre-pandemic figures, the COVID-related shortfall we were initially expected to experience in just one fiscal year has now, in effect, been spread over three years.

It is this hard work amid the global pandemic to keep the ship steady that makes it possible for Governor Mills to submit to the Legislature balanced proposals that cover shortfalls caused by the pandemic for this current fiscal year and FY22-23, and to maintain critical services so important to Maine families at this time with a focus on combatting COVID-19.

These budgets include initiatives to:

- maximize federal and other resources;
- implement administrative efficiencies;
- utilize unobligated balances;
- balance certain increases in departmental spending with reductions elsewhere;
- continue critical investments in healthcare, education, public health infrastructure and economic and workforce development.

Now to the outline of this Fiscal Year 2021 supplemental. Attachment A-1 is included with a copy of this testimony. This sheet outlines the Revenue Forecasting changes, the supplemental initiatives that affect transfers, deappropriations and appropriations, and the balance we carry forward into the next biennium.

Specifically, to transfers:

This budget proposes an infusion of $41 million to the Budget Stabilization Fund, bringing the total to just over $300 million.

And, after returning $14.5 million in the Medicaid Stabilization Fund back to the Fund for Healthy Maine, this proposal adds $25.5 million to the Medicaid Stabilization Fund for a total of $40 million in that fund to help plan responsibly for MaineCare expenses.

Specifically, to the deappropriations:

The supplemental budget proposes to deappropriate the items outlined in the curtailment order signed by Governor Mills on September 17, 2020 for a total of $125.1 million. These items are the result of improved federal Medicaid reimbursement (FMAP) for FY21 quarters one and two; switching funding sources for departmental functions; and managing expenses through: hiring freezes for certain vacant positions; delaying technology updates; reduced spending on existing or future contracts; cancelling conferences; postponing and reducing travel due to COVID-related moratoria; delaying projects due to shifting priorities of State personnel as they work diligently to provide for the wellbeing of Maine citizens during the pandemic. An additional $64.9 million deappropriation due to continued enhanced FMAP the result of the ongoing declared state of health emergency is also proposed for the third quarter of this fiscal year. The details of the curtailment items are exactly as outlined in the document distributed on September 17th (and redistributed recently by Maureen).

Also as part of the curtailment order, we use a one-time infusion to the General Fund of $96.7 million from the Coronavirus Aid, Relief, and Economic Security (CARES) Act's Coronavirus Relief Funds (CRF) for allowable payroll costs for certain public health and public safety employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

As such, as we testify on the supplemental throughout this week, we will refer to these in broader strokes of "curtailment initiative" rather than reading each of the individual lines from the supplemental. Of course, at any time should someone desire additional details, just ask and we can bring those to the work sessions.

Specifically, to the appropriations:

There are twelve initiatives in five departments, the details of which will be described over this week.

And finally, there are revenue reductions the result of the tax conformity proposal and change package relating to federal tax changes through the CARES Act and the Consolidated Appropriations 2021 Act.

The bottom line of the proposed FY21 supplemental, as adjusted with the change package relating to tax conformity, is a balance of $44.2 million carrying into the FY22/23 biennium.

Now to the specific items on this afternoon's agenda.

Office of the State Auditor

The first initiative this afternoon is within the Office of the State Auditor, **Audit Bureau** program on **page A-13**. As part of the curtailment effort, the Office identified $34,854 in savings by managing existing vacancies.

The newly elected State Auditor, Matt Dunlap, is here and available to respond to questions.

Executive Department

Moving to **page A-34**, we have three initiatives within the **Blaine House** program. Each of the initiatives relate to savings achieved by managing vacancies and were included in the curtailment. In total, the initiatives deappropriate a total of $98,854 from the program. Still on **page A-34**, there are two initiatives for the **Office of Policy Innovation and the Future**. These were both included in the curtailment.

Department of Secretary of State

On **page A-81**, we move on to the Department of Secretary of State, **Administration – Archives** program. There are six individual initiatives that were part of the curtailment. These savings were identified as the Secretary of State reviewed projected expenses for the year (rent, travel, and state vehicle costs) and the delay of projects and training. In total, these result in deappropriations of $189,969 from the Administration – Archives program.

I would like to take a moment to introduce the new Secretary of State, Shenna Bellows, who is here and available to respond to questions.

Office of Treasurer of the State

There is one curtailment initiative within the Office of the Treasurer of the State. The **Administration – Treasury** program can be found on **page A-83**. This initiative deappropriates $218,934 based on the anticipated actual banking costs for this fiscal year.

The State's Deputy Treasurer, Matt Colpitts, is here and available to answer questions.

Administrative and Financial Services, Department of

Moving on to DAFS, the **Administration – Human Resources program (0038)** can be found on **page A-1**. There are two curtailment initiatives which identify savings from freezing vacant positions within the Bureau of Human Resources. The two initiatives deappropriate $95,317.

The **Buildings & Grounds Operations** program can be found on **page A-2**. There are three initiatives in this program from the curtailment order. These include fuel and utility cost savings as well as materials and supplies. These initiatives result in deappropriations of $525,000.

Bureau of General Services – Capital Construction & Improvement Reserve Fund (0883)

The next program, on **page A-2**, is the **Capital Construction & Improvement Reserve Fund**. This fund is used for major capital improvements, maintenance, repairs, and renovations of state government owned facilities. There are two initiatives in this program.

The first initiative was part of the curtailment.

The second initiative appropriates $2 million in General Funds in this fiscal year for the repair and maintenance of state facilities. Public Law 2015, chapter 267, Part L-8 amended the statute that prioritized year end transfers, otherwise known as "the cascade", by eliminating the transfer to this program. Prior to this elimination, at the close of each fiscal year following certain other transfers, 10% of the remaining excess revenues were transferred to this fund to support necessary projects and improvements related to state owned properties. It looks like there was an intention to replace this cascade elimination with an ongoing appropriation and, indeed, $3 million was included in both fiscal year 2016 and 2017. However, this level of funding was not appropriated beyond FY17.

For the current biennial budget, there was just the baseline appropriation of $310,587. In the Supplemental Budget proposed last year, we asked for $3 million in both FY20 and FY21. We received an additional one time $2 million in FY20. The $3 million requested for FY21 didn't make it to the emergency change package or the bill passed last March. Also, there is an Other Special Revenue account for proceeds from the sale of state buildings and property, which has spent down to nearly zero. Although this fund is meant to be used to support maintenance, deposits are not consistent as sales of state property are infrequent and are not nearly enough to cover even the basic of routine maintenance and repairs for the more than two million square feet of space, let alone when we have an emergency or unplanned event such as a failed system or building envelope issue. Or the frozen pipe in the State Office Building last year that caused a flooding issue, and, by the way, may have been caused by cold air flow from windows that are long overdue for replacement.

Repair and maintenance funds are needed for: parking garage repairs; plumbing and electrical issues; roof replacements and repairs; mold, lead, asbestos and water testing; walkway repairs; septic system maintenance; building envelope repairs; drainage upgrades; paving improvements and striping; master plan update; masonry repointing; window replacements; space planning; mechanical system upgrades; painting, flooring, carpeting, lighting repairs and updates; retaining wall maintenance; remediation efforts; and capital asset management planning.

As reported last year while working through LD 1969, An Act To Protect State Workers from Exposure to Carcinogens presented by Representative Harnett, some of the routine maintenance and upkeep of our state-owned assets has been neglected. Additionally, general tracking of building (owned or leased) issues and concerns had been sporadic and somewhat haphazard.

Over the last year, BGS has made a concerted effort to collect and catalog in a comprehensive file known data related to harmful contaminants contained in and around workspaces (both owned and leased), including asbestos, lead, PCB and mold. This database includes any testing associated with the discovery or remediation, such as air and water testing, including post clearance results. We also include the steps taken to remediate these items. This is an ongoing, dynamic effort and file. We use and track this information to help ensure that facilities are safe, sanitary and healthy for those who repair, maintain, work in and visit them.

DAFS has also contracted with a vendor to do a separate analysis and inventory of all state facilities to include “catch up, keep up and build up” maintenance, remediation and renovation information. That work and evaluation is ongoing.

The Department of Administrative and Financial Services has direct responsibility to ensure the safety and wellness of our state government employees. Our Bureau of Human Resources’ statutory mission is “to establish within state government a high concern for state employees as people”. Our Bureau of General Services (BGS) is tasked specifically with ensuring “facilities are safe, sanitary and healthy for those who work in and visit them”.

In this supplemental, we are requesting this onetime appropriation. As a sneak peek into the biennial budget, we also ask for a onetime appropriation for FY22. And then, in FY23, we propose to reinstate the cascade language to reestablish an ongoing funding source to ensure the proper maintenance and upkeep of our state’s capital assets and the protection of our state’s human assets.

Moving to **page A-3** are the curtailment items the **Capital Construction/Repairs/Improvement – Admin (0059),** the **Debt Service – Government Facilities Authority (0893),** and the **Information Services (0155) program.** There is one initiative in each program from the curtailment.

Also, on **page A-3** is the **Central Administrative Applications** program. This program was established to segregate costs related to the State’s centralized computer applications such as those for accounting, budgeting, payroll and other statewide applications.

There are two new initiatives in this Program. This request provides General Funds of $4,695,000 in FY21 and borrowing authority for an $8 million Certificate of Participation to implement and support the Workday Human Resources Management System (Workday) project. The borrowing authority is included in Part J on page 15 of the language document.

Workday is a comprehensive effort to replace a 30-year-old mainframe payroll-only system. The programming language for the current system has been out of use for decades. There is potential for failure of the payroll system because there are few programmers who understand or can use this programming language – the

State currently employs two, both of whom are close to retirement. Replacing this outdated system was long overdue.

Workday will provide vastly increased functionality and information. In addition to time tracking and payroll, it will support many human resources functions that are currently done manually or in a variety of systems that either don't communicate with each other or are themselves outdated. These include: recruitment and hiring; employee onboarding; ability for employees to view and manage retirement and health benefits; ability for employees to view and manage vacation and leave balances, and electronically submit time off requests; self-service capabilities for employees to make address changes and changes to dependent information, electronic funds disbursement and withholding; ability for managers to view organization structures, personnel, and position information; ability for supervisors to manage their employee's schedules and time off requests as a team to ensure operational coverage; tracking employee licensing and certifications; and reporting. Workday is a fully integrated, Software as a Service product – going forward, we will always have an up to date, supported, modern system.

The Workday project began in October 2018. The current project plan estimates that we will go-live with the new system in 2022. The funds in the supplemental are needed for implementation efforts to continue. DAFS will also be submitting a request in the FY22-FY23 biennial budget to complete implementation and provide funding for maintenance, updates, debt service and support.

The final three programs are next on **page A-4.** The **Office of the Commissioner (0718)** on **page A-4,** the **Office of the State Controller (0056)** on **page A-5,** and the **Statewide Radio Network System (0112)** on **page A-6**. Each program includes one initiative identified during the curtailment process.

Amid this deadly pandemic and quite unprecedented circumstances, I remain impressed at every turn with the ability to keep the ship steady and to make good on the promises of government, which, as you know, are to protect the wellbeing of our people and institutions. We are proud of this work and appreciate your partnership in it. We welcome your questions and thank you for your support.

This concludes my testimony. Thank you.