

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

**Before the Joint Standing Committee on
Appropriations and Financial Affairs**

**“An Act to Establish the Winter Energy Relief Payment Program to Aid
Residents with High Heating Costs and to Finalize the COVID Pandemic
Relief Payment Program”**

December 21, 2022

Good afternoon, President Jackson, Speaker Talbot-Ross and members of the special Committee on Appropriations and Financial Affairs. I am Kirsten Figueroa, the Commissioner of the Department of Administrative and Financial Services. I am here today to present **LD 3** An Act to Establish the Winter Energy Relief Payment Program to Aid Residents with High Heating Costs and to Finalize the COVID Pandemic Relief Payment Program.

There are six initiatives in this relief package. These six initiatives are funded through two sources: one-time General Funds available from fund balance and the continuation of enhanced federal matching; and revenues above projections from the December 1 Revenue Forecast Committee for the current Fiscal Year that ends June 30th.

This bill takes these one-time funding sources to address a (hopefully) one time emergency issue – to make sure Maine people have the financial resources to keep them safe, secure, warm, and housed this winter, amid near-record high energy prices, and to meet the obligation of the \$850 inflation relief program to approximately 13,500 outstanding tax filers.

Totaling \$474 million – which, as mentioned earlier, is funded through \$283 million in new revenues recently forecasted by the Revenue Forecasting Committee, \$157 million in General Funds that are one-time available as the result of the continuation of enhanced federal matching funds due to the federal pandemic public health emergency, and \$34 million in fund balance from the 130th Legislature – the majority of the bill is the Emergency Winter Energy Relief Plan, which is comprised of the following measures.

Beginning on **page 1, Part A** includes three transfers to the Maine State Housing Authority.

Supplementing HEAP: First is the Home Energy Assistance Program (HEAP) Supplement. This is \$40 million to supplement the Home Energy Assistance Program, a Federal program administered by MaineHousing through local Maine Community Action Agencies that helps qualified homeowners and renters pay for heating costs, including fuel and emergency fuel delivery.

This funding, which nearly doubles the amount of existing federal funding, will allow MaineHousing to provide HEAP recipients a financial benefit equal to last year's benefit. Without this supplemental funding, households would receive, on average, just half the heating fuel or equivalent benefit of last year.

There are several reasons for this supplemental funding. First, there are more Mainers in the federal HEAP program this year: MaineHousing is estimating 45,000, up more than 6,000 from last year. Also, and more impactfully, the benefit last year was twice what it is this year. And, because of price increases, that half will only buy half again the fuel it would have last year. In other words, this year's federal benefit is the equivalent of 25 cents to buy a dollar when last year a dollar bought a dollar. Payments are made direct to fuel dealers on behalf of recipient.

This initiative builds on Governor Mills' successful effort to press Federal officials to provide more funding for HEAP. In July, the Governor wrote to the Biden Administration urging an increase in HEAP funding and the Administration did include additional funding in its proposal. She also joined her fellow New England governors to urge Congressional leaders to prioritize additional supplemental HEAP funds.

The \$40 million allocation can be found at the bottom of page 2 in the State Housing Authority (0442) program. Any funds remaining unobligated by October 31, 2023, will be returned to the unappropriated surplus of the General Fund.

Emergency Home Heating: The second transfer in Part A, on **pages 1 and 2**, is the Emergency Home Heating program. This is \$10 million for Maine Community Agencies to provide emergency fuel assistance to prevent Maine families from running out of heating fuel. With this supplemental funding, it is estimated that 12,500 homes may be eligible for up to \$800 in emergency funds to avert a heating crisis. Eligibility is assessed by the Community Action Agencies, with recipients demonstrating inability to fill their tank. Home energy assistance program

households will have to exhaust their fuel assistance benefit and any energy crisis intervention program amount before accessing these funds.

Compared to this time last year, Maine heating oil consumers are paying roughly \$525 more to fill their oil tank and even more than that for kerosene. Close to 60% of Maine homes are reliant on home heating oil to meet their heating needs, compared to just 4% nationally.

At the same time, Maine people are again seeing an increase in their electricity bills – between \$20 and \$30 per month depending on their utility. This is on top of a similar increase last year. When compared to typical years (before the pandemic and the Russian invasion of Ukraine) this will mean paying an additional \$500-\$600 per year in electricity bills for the average residential customer.

The \$10 million allocation is on **page 3** of the bill in the Maine State Housing Authority (0442) program. Any funds remaining unobligated by October 31, 2023, will be returned to the unappropriated surplus of the General Fund.

Short-Term Housing: The final component of Part A, on **page 2**, is for Short-Term Housing Support. This is \$21 million to support emergency housing and emergency shelters to prevent people from experiencing homelessness this winter. This will bolster the Emergency Housing Relief Fund created earlier this year by Governor Mills and the Legislature and capitalized with \$22 million that's been allocated to more long-term solutions for housing in Maine.

Of this \$21 million, \$15 million will go to housing with preference to be given to supporting warming shelters and other similar approaches as designed by local communities. As a last resort, funds will support those persons and households currently in hotels during the winter months, with MaineHousing negotiating the lowest pricing possible from those hotel owners. The remaining \$6 million will pay off the rental assistance claims that were made under the federal Emergency Rental Assistance program prior to that program closing to new applications, which happened on September 29th. Any funds remaining unobligated at the close of fiscal year 2023 will be returned to the unappropriated surplus of the General Fund.

With the end of the Federal Emergency Rental Assistance program on December 31, without possibility of extension, this funding will offer vital, temporary support for individuals and families who may be at risk of experiencing homelessness once the program ends. Specifically, these funds will be used to: extend housing supports between December and April to individuals and families experiencing homelessness

or housing instability in the state prior to December 1; to expand support for shelters and other efforts to help individuals and families experiencing homelessness; and to help establish warming centers in communities around Maine to ensure people and families have a safe, warm place in the cold months ahead.

Broadly speaking, this emergency housing assistance will be guided by the approaches being undertaken by local leaders and organizations and will be deployed efficiently and flexibly by MaineHousing to support the good work that Maine people throughout the state are undertaking to care for one another and keep each other safe this winter. Every man, woman and child in our state needs and deserves the certainty of a warm, safe place to be through the hard months ahead, and this proposal will make that possible.

Winter Energy Relief Payment: Part B begins on **page 3** and continues through to **page 5**. This establishes the Winter Energy Relief Payment Program, funds it with a transfer from the unappropriated surplus of the General Fund, and outlines the requirements of the program. This is \$398 million to fund a one-time \$450 energy relief payment to an estimated 880,000 eligible Maine people, amounting to \$900 in relief for the average Maine family.

Recipients will have filed a 2021 Maine individual income tax return as a full-time resident and not be claimed as a dependent on another's tax return. Eligible Maine people will have a Federal adjusted gross income (FAGI) of less than: \$100,000 if filing single or if married and filing separately; \$150,000 if filing as head of household; or \$200,000 for couples filing jointly.

Eligible Maine people do not need to take any action to receive this payment. If the Legislature enacts the Plan as an emergency measure, the Mills Administration expects the payments to be distributed beginning by the end of January 2023.

Based on legislative negotiations and Republican feedback, the income threshold was raised from \$75,000, \$112,500, and \$150,000 to the current \$100,000, \$150,000, and \$200,000.

My department is readying for this program, but there are things we will not do without final approval (such as programming). A vote today means checks start going out within a month, during January, one of Maine's coldest months. A further delay in approval means a further delay in issuing.

I would also note that my department is only able to issue these relief checks on such a short timeframe because it follows the same parameters as the previously-issued checks. Changing the parameters of the program – meaning, any adjustments outside of the income thresholds – as an alternative proposal has suggested, would prove administratively difficult to implement and would significantly extend the timeline for the distribution of the funds, thereby negating the practical effect of the relief checks.

Now shifting to the other components of the bill.

Part C, beginning on **page 5**, completes the nation-leading \$850 inflation relief program delivered by Governor Mills and the Legislature earlier this year.

The \$850 relief check total is now estimated at approximately 880,000, which is 22,000 more than the original estimate of 858,000. The original estimate assumed 4 percent increase of tax filers but, as a result of broad encouragement and advertising over the summer, the actual increase was nearly 12 percent. This unanticipated response underscored the program's success reaching Maine residents who are most at risk; largely those not required to file a return. It is good to note that these people will also be eligible for other existing programs, such as Property Tax and Sales Tax Fairness Credits and Earned Income Tax Credits.

The \$850 pandemic relief is meant to put money back into people's pocket for costs related to inflation, heating, energy and other day to day expenses that cost more. This payment was established in Public Law 2021, Chapter 635, Part L.

As of today, we have processed 865,827 \$850 relief payments using all available funding. We had previously moved by Financial Order the Covid-19 Response Fund in the Operating Capital account of nearly \$8.1 million. Approximately 13,472 payments are awaiting additional funding through this legislative process.

An additional \$11.5 million is needed to meet the commitment to complete the program and ensure everyone who qualifies, receives a check. On **page 6, section C-3**, is the request for a General Fund transfer of \$4.4 million. In **section C-1**, is the request to transfer \$385,754 of all of the program funds leftover from the original \$285 Covid Disaster Relief Payment program. In **section C-2**, is the request to transfer funds from the Homestead Property Tax Exemption Reimbursement program that are no longer needed – approximately \$2.6 million from the FY22 program as well as \$4 million from the current program based on payments year to date. This does not change the parameters of the Homestead Program; it is that fewer

funds are needed than estimated. Property values have gone up but mill rates down, so the net impact is a reduction to the state share payment to municipalities.

Sections B-6 and C-4 authorize the transfer of available funds between the COVID Pandemic Relief Payment Program Fund and the Winter Energy Relief Payment Program Fund.

The final initiative may be found on **Part E, page 10**. The Department of Environmental Protection regulates the sulfur content of fuels to address a number of environmental concerns, including fine particulate and regional haze pollution. The Department currently lacks a mechanism to respond quickly to address fuel supply disruptions caused by natural disasters or geopolitical turmoil. This bill reestablishes in State law a process by which the Department can waive fuel sulfur limitations if necessary to protect public health, safety or welfare. The proposal will provide the Commissioner of the Department of Environmental Protection with the authority to temporarily waive these environmental requirements to ensure that an adequate supply of fuel is available for home heating, commercial, and industrial users, mirroring provisions in other states.

Now to the resources.

This bill takes one time funding to address a (hopefully) one-time emergency issue – to make sure Maine people have resources to heat their homes or keep them out of the elements during the coldest part of Maine winters, and to meet the state’s obligation to up to 13,500 tax filers awaiting the \$850 Pandemic Relief payment.

Language in Part F on page 10 permits use of revenues over previous estimates of \$283 million that were projected by the Revenue Forecasting Committee in its December 1 report for the current fiscal year that ends June 30, 2023. The updated forecast incorporated the new economic forecast released by the Consensus Economic Forecasting Commission (CEFC) on November 1, 2022. One-time funds available in fiscal year 2023.

In **Part D**, beginning on **page 7** and continuing onto **page 10**, you will find the entries to adjust Medicaid accounts in order to reflect the continuation of the enhanced federal match authorized during the pandemic public health emergency. The impact of the increased federal match is a reduction to the General Fund accounts.

\$157 million of the funding for LD 3 comes from this *temporary* increase in the Federal Medical Assistance Percentage (FMAP) due to the extension of the public health emergency. The Families First Coronavirus Response Act authorized a 6.2% increase in federal match for Medicaid Services. Thus, we are receiving more federal dollars to support Medicaid services we currently provide – services that the Legislature and the Administration have made significant investments in in recent years. Investments such as increased provider rates, improvements to the behavioral health system, additional coverage for children, funding for nursing facilities, direct care worker salaries, expanded adult dental, etc.). The FY23 budget assumed this enhanced federal match would have stopped by now. It hasn't.

In other words, when budgeting for Medicaid initiatives in fiscal year 2023, the normal federal match rate was assumed. This means approximately 36 cents of state General Funds and 64 cents of federal funds (note that some services or administration have different rates). With the continuation of the enhanced rate, the state share is reduced to 30 cents. This means that the 6 cents difference is available, on a one-time basis. The calculation is based on the enacted appropriation and allocation of each Medicaid account. Take those amounts times the 6 cents difference. The state funding goes down by this amount and is offset by the increased funding available from the federal account. This is true for the Fund for Healthy Maine account, too; fewer FHM dollars are needed for the same level of services.

The enhanced federal match initiative is only for the known timeframe of the public health emergency. The public health emergency currently ends January 11, 2023. The enhanced match is through the end of that quarter. This initiative, to use General Fund dollars available as a result of the ongoing enhanced match, covers three quarters of fiscal year 2023, the timeframe July 1, 2022 to March 31, 2023. The enhanced FMAP bump that has been received in prior quarters has been used in the past for one-time needs with no negative impact on budgeted spending for other services.

This proposal does not cut services, raid accounts, or sweep funding from Medicaid, as has, unfortunately, been wrongly stated. It does not assume different utilization of services. It does not change the pricing of the services. It does not adjust the payments to providers for these services. We simply get more federal dollars to pay for those services, with the extra becoming newly-available General Funds. We have read reports where members are suggesting services cuts, i.e. traumatic brain injury. I want to assure you, that is not the case.

These General Funds are no longer required to do the initiatives as enacted by the Legislature.

But this funding *is not ongoing, it is one-time*, and thus should not be used to fund services that are more appropriately addressed in the budget.

The bill is simple, straightforward.

It is ten pages. 6 initiatives, 2 funding sources.

One-time initiatives and one-time funding sources.

As I've just outlined.

The details have been released publicly.

The discussion on energy costs and inflation has been happening for the past six months.

This is an emergency, as the Community Action Agencies and MaineHousing, in addition to the people of Maine themselves, repeatedly tell us – and this proposal is the most significant, most immediate way to deliver help in the most comprehensive way.

We have identified the immediate, urgent needs facing Maine people – heating their homes, short-term housing support, and finalizing the \$850 program - as the greatest priority at this time for these one-time resources.

Thank you.