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

Before the Joint Standing Committee on
Appropriations and Financial Affairs

"An Act Making Unified Appropriations and Allocations from the General Fund and Other Funds for the Expenditures of State Government and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2025, June 30, 2026 and June 30, 2027"

February 3, 2025

Good morning, Senator Rotundo, Representative Gattine, and members of the Joint Standing 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 testify in support of certain items in LD 210, the Governor's proposed fiscal year 2026-2027 biennial budget bill.

Introduction

Maine – like many states, both blue and red – is facing a tight budget environment. The Mills Administration has spent months carefully developing a balanced budget proposal to preserve the programs lawmakers and Maine people support, including education, revenue sharing, public safety, higher education, and school meals, while also protecting the long-term fiscal health of Maine.

Ultimately, we took a balanced approach: one that makes some investments - including operational needs such as technology efficiencies, health and safety improvements, collective bargaining impacts, etc. - that proposes some spending cuts, and that makes some targeted revenue increases. We know these proposals are difficult, and appreciate that you will consider them with an open mind.

We look forward to working with you over the coming months to enact a budget that supports our greatest asset of all: the people of Maine.

Department and Agencies – Statewide

We'll start on **Page A-23** with the Department and Agencies – Statewide program. This program is used as a placeholder to record funding adjustments that are subsequently reallocated to the appropriate programs. Public Law 2023, chapter 412 appropriated $984,444 to this account for State government's, as an employer, 1 percent premium contributions effective January 1, 2025 for the new Paid Family and Medical Leave program (PFML). The description (blippie) specifies that these were ongoing funds, which is how they became a part of the baseline budget for fiscal years 2026 and 2027 as a component of the Personal Services budget. Therefore, this separate General Fund appropriation in this account is not necessary. We will include a correction reducing the FY26 and FY27 amounts (in both the General Fund and the Highway Fund) to $0 in the biennial change package.

Language Part P

Part P on page 61 of the language document authorizes the State Controller to transfer $42,393,017 in interest earnings from the Federal Expenditures Fund-ARP State Fiscal Recovery Fund to the unappropriated surplus of the General Fund. As you will recall, differently than how we typically receive federal funding, the State and Local Fiscal Recovery Funds authorized in the American Rescue Plan Act were transferred to the State in two tranches. As such, these funds have been in our cash pool earning interest. Unlike the CRF Pandemic Funds, interest earned on SLFRF is not subject to program restrictions.

In Public Law 2023, chapter 412, Part S, $9,186,703 of SLFRF interest earnings as of that time was transferred to the TransCap Trust Fund to pay off the existing Transportation Capital bond. The $42.4 million noted here represents the continued interest earnings on the funds.

Language Part Q

Language **Part Q, beginning on page 61** of the language document, authorizes the State Controller to transfer the cash balances in various Other Special Revenue Fund accounts within the Department to the unappropriated surplus of the General Fund. The total proposed transfer is $6,306,133.

Our review of DAFS accounts identified the following unexpended balances that can be transferred to the General Fund:

- *$350 from Sales of State Property, Other Special Revenue Funds account; the last activity was in 2015*
- *$40,229 from the Maine Military Authority Facilities, Other Special Revenue Funds account; the last activity was in 2013*
- *$1,500 from the BPI Insurance & Loss Prevention, Other Special Revenue Funds account; the last activity was in 2011*
- *$500 from the Monument for Women Veterans, Other Special Revenue Funds account; the last activity was in 2010*
- *$1,784 from the BPI Food Vending Services, Other Special Revenue Funds account; the last activity was in 2014*
- *$6,222 from the Monument to Franco-American, Other Special Revenue Funds s account; the last activity was in 2021*
- *$4,355 from the Employee Suggestion System, Other Special Revenue Funds account; the last activity was in 2011*
- *$3,600 from the Fund for Efficient Delivery of Local & Regional Services, Other Special Revenue Funds account; the last activity was in 2014*
- *$3,633 from the Human Resources Training, Other Special Revenue Funds account; the last activity was in 2012*
- *$596 from the Accident Sickness and Health, Other Special Revenue Funds account; the last activity was in 2015*
- *$3,943,283 from the Reimbursement-Homestead Property Tax Exemption-OSR, Other Special Revenue Funds account. You may recall that in Public Law 2021, chapter 398 funding for the Homestead Property Tax Exemption program was changed from a General Fund appropriation to an Other Special Revenue Funds allocation supported with a General Fund transfer of revenue (Part NNNN of the same law). This change was in place for only fiscal years 2022 and 2023. This cash balance remains in the Other Special Revenue Funds account and can be transferred back to the General Fund.*
- *$2,300,081 from the Property Tax Stabilization-OSR, Other Special Revenue Funds account. This is the projected balance in the account after the $1 million included in the Supplemental Budget (LD 209) is allocated and paid.*

History. Public Law 2021, chapter 751 - An Act To Stabilize Property Taxes for Individuals 65 Years of Age or Older Who Own a Homestead for at Least 10 Years - allowed a permanent resident who was at least 65 years of age and owned a homestead in Maine for at least 10 years to stabilize the property tax billed to them at the amount they were billed for the homestead in the previous tax year, essentially freezing the property tax bill at the previous year's level until the home was sold. The law required the State to reimburse the municipalities for the difference between the stabilized amount and the amount that would otherwise be due. The Property Tax Stabilization Fund was created to reimburse municipalities for this difference.
The program was amended by Public Law 2023, chapter 412, Part S to limit the program to the property tax year beginning April 1, 2023 in favor of an expanded Property Tax Fairness Credit under Maine Revised Statutes, Title 36, section 5219-II, and Property Tax Deferral Program under Maine Revised Statutes, Title 36, chapter 908.

Language Part R

Part R begins on **page 63** of the language document. Attrition is the assumption that a portion of the state's Personal Services budget can be reduced knowing that some number of positions will be vacant for some amount of time in each fiscal year. The standard rate authorized in law is 1.6%. This language adjusts the attrition rate for the 2026-2027 biennium from 1.6% to 5% for judicial branch and executive branch departments and agencies.

The appropriation reductions noted for the **Executive Branch Departments and Independent Agencies – Statewide program (0017)** reflect the projected savings from this change. The same proposal has been made in the budget bill for the Highway Fund.

The baseline budgets submitted for each Program include a reduction of 1.6%, the standard rate authorized in law, of salaries for each position. The reductions of $19,333,382 for Executive and $2,100,122 for Judicial in Fiscal Year 2026 and $20,023,933 and $2,140,911 in Fiscal Year 2027 reflect the change from the budgeted 1.6% to the 5.0% that is proposed in Part R.

The reductions will be distributed to the Executive and Judicial accounts by Financial Order in each fiscal year.

Language Part ZZZ

Part ZZZ on **page 125** of the language document suspends the appropriation limit for fiscal year 2026. Maine Revised Statutes, Title 5, section 1534, establishes a General Fund Appropriation Limitation and prescribes the calculation thereof.

As discussed during the supplemental, in Fiscal Year 2025 and into the 2026-2027 biennial, the MaineCare program is experiencing a funding gap stemming predominantly from significant enrollment increases due to the federal COVID-era continuous enrollment requirement, as well as from increases in health care costs due to high inflation, increasing patient need, returning to pre-pandemic levels of service utilization, and reimbursement practices that do not control sufficiently for cost growth. The biennial budget includes $122 million in General Fund each year to stabilize the program and bridge the shortfall. This results in appropriations exceeding the established limitation in the first year of the biennium.

This concludes my testimony. Thank you.