



Janet T. Mills
Governor

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL & FINANCIAL REGULATION



Joan F. Cohen
Commissioner

**Testimony of Joan F. Cohen, Commissioner
Department of Professional and Financial Regulation
February 6, 2025**

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

LD210 "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"

Good morning, Senator Rotundo, Representative Gattine, and Members of the Joint Standing Committee on Appropriations and Financial Affairs; Senator Tipping, Representative Roeder and members of the Joint Standing Committee on Labor. My name is Joan F. Cohen. I am the Commissioner of the Department of Professional and Financial Regulation, and I am here today to testify in support of the Governor's biennial budget bill, LD210.

I am pleased to present information to both committees regarding the Governor's biennial budget request for the Department of Professional and Financial Regulation's Administrative Services Division, Office of Professional and Occupational Regulation and the Board of Licensure for Professional Engineers.

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.

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In addition to the three programs, I will be discussing today, there are four agencies within the Department and four affiliated boards under the oversight of the Joint Standing Committee on Health Coverage, Insurance and Financial Services, which will be discussed on February 26th. These are the Bureau of Insurance, the Bureau of Financial Institutions, the Bureau of Consumer Credit Protection, the Office of Securities, the Board of Licensure in Medicine, Board of Nursing, Board of Optometry, and Board of Osteopathic Licensure.

As a whole, the Department of Professional and Financial Regulation is charged with protecting the health, safety and welfare of citizens of Maine through the regulation of State-chartered financial institutions, the insurance industry, grantors of consumer credit, the securities industry, and numerous professions and occupations providing services to the public through licensing, examination, and auditing activities; by conducting programs aimed at increasing voluntary compliance with State laws; by investigating possible violations of law; and by undertaking enforcement actions. By encouraging the development of sound ethical businesses which serve the needs of Maine citizens, the Department fosters a healthy business environment through competent, impartial and efficient regulation.

It is important to note that our budget contains no General Fund appropriations or initiatives. The Department is funded exclusively with dedicated revenue and relies on Other Special Revenue Funds as the sole source of revenue to fund Department operations. Functionally this means that the Department's is requesting permission to use funds collected from regulated entities for the regulation of these professions and industries.

This testimony addresses budget items on pages A-552, A-554 and A-556 and includes the baseline budgets for three programs and 7 initiatives.

Our budget includes one request for an approved position reclassification. The State's collective bargaining unit agreements include negotiated language related to this process. Our Department's reclass request is summarized at the end of this testimony as Appendix A. I won't read the specifics but have the blippie and justification in this testimony on the relevant page in italics for your reference.

Our budget includes four requests for increases to centralized services. These include: financial, human resources, technology and insurance provided by the Department of Administrative and Financial Services and legal services provided by the Office of the Attorney General. Rates for these services are adjusted as a result of vendor increases, capital needs, supply chain impacts, but the primary factor is the significant collective bargaining efforts approved by the Governor and Legislature. Our Department's centralized service requests are summarized at the end of this testimony as Appendix B. As with the position changes, I won't read the specifics but have the blippie and justification in this testimony on the relevant page in italics for your reference.

The remaining two requests address operational increases in the Board of Licensure for Professional Engineers, which I will discuss in more detail as we go through the programs I am presenting today.

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Administrative Services Division – 0094 (page A-552)

I will begin with the Administrative Services Division on page A-552. The Division, which includes the Commissioner's Office, provides overall management and administrative oversight for the Department's regulatory agencies and affiliated boards in the areas of policy development, legislative support, technology services, accounting, budgeting, facility management, personnel and information management, centralizing functions to ensure efficient operations and compliance with statutory and public service responsibilities. The Division is supported by Other Special Revenue Funds transferred from the programs it supports.

The budget request for this program includes baseline allocation to provide continued administrative support for the Department and two new initiatives, requesting additional funding for the increased cost of technology, financial and HR support provided by the Department of Administrative and Financial Services (DAFS) and are included in Appendix B.

The first initiative on page A-552 provides Other Special Revenue All Other allocation of \$327,755 in FY26 and \$320,218 in FY27 for statewide technology services provided by the Department of Administrative and Financial Services, Office of Information Technology.

MaineIT is responsible for the delivery of safe, secure, and high-performing networks and systems to State Agencies for daily performance of their missions for the citizens of Maine. IT enterprise functions benefiting all state agencies are managed through this office to ensure consistency, volume discount efficiencies, and optimum performance and throughput. MaineIT is established as an internal service fund intended to recoup their costs through billings to departments and agencies for services provided. MaineIT expenses are higher due to negotiated and benefit changes to Personal Services as well as increases in operational costs, including vendor increases, supply chain costs, and network and systems modernization and upgrades. This recoupment process results in increased billing rates to departments and agencies.

The second initiative on page A-552 provides Other Special Revenue All Other allocation of \$126,419 in FY26 and FY27 for the Department's share of the cost for the financial and human resources service center within the Department of Administrative and Financial Services.

Service Centers within DAFS provide centralized accounting, payroll, budgeting and human resources services to departments and agencies. Service Centers are established as an internal service funds intended to recoup their costs through billings to departments and agencies for services provided. The Service Centers expenses are higher due to negotiated and benefit changes to Personal Services as well as increases in operational costs. This recoupment process results in increased billing rates to departments and agencies.

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Board of Licensure for Professional Engineers – 0369 (page A-554)

The next program I will be discussing is the Board of Licensure for Professional Engineers on page A-554. The Board protects the public safety and welfare of the people of Maine through the licensing of qualified applicants and regulation of the practice of engineering. The Board is supported solely by Other Special Revenue Funds generated from licensing fees. The Board consists of seven members appointed by the Governor and employs an executive director and one administrative staff member.

The Board elects a Chair from its members. Brent Bridges P.E. is the current Board Chair.

The budget request for this program includes baseline allocation to continue funding for administrative operations and 5 new initiatives. The first three initiatives include requests to increase funding for technology and financial support provided by DAFS and legal services provided by the Office of the Attorney General and are included in Appendix B.

The first initiative on page A-554 provides Other Special Revenue All Other allocation of \$2,998 in FY26 and FY27 for statewide technology services provided by the Department of Administrative and Financial Services, Office of Information Technology.

MaineIT is responsible for the delivery of safe, secure, and high-performing networks and systems to State Agencies for daily performance of their missions for the citizens of Maine. IT enterprise functions benefiting all state agencies are managed through this office to ensure consistency, volume discount efficiencies, and optimum performance and throughput. MaineIT is established as an internal service fund intended to recoup their costs through billings to departments and agencies for services provided. MaineIT expenses are higher due to negotiated and benefit changes to Personal Services as well as increases in operational costs, including vendor increases, supply chain costs, and network and systems modernization and upgrades. This recoupment process results in increased billing rates to departments and agencies.

The second initiative on page A-554 provides Other Special Revenue All Other allocation of \$4,263 in FY26 and \$6,154 in FY27 for increased cost for services provided by the Office of the Attorney General.

The cost of legal services is higher due to negotiated and benefit changes to Personal Services as well as increases in operational costs.

The third initiative on page A-554 provides Other Special Revenue All Other allocation of \$2,110 in FY26 and FY27 for statewide insurance coverage provided through the Department of Administrative and Financial Services, Division of Risk Management based on claims experience, coverage increases, attorney fees on claims, and actuarially recommended reserves.

The Division of Risk Management within DAFS provides high quality insurance, loss control and claims services to all state agencies, the State's higher education institutions and some quasi-state agencies at

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the lowest possible cost. The rates are applicable to various insurance lines provided by the State's self-insurance program and have been calculated in accordance with Title 5 §1733. The 2026-2027 budget includes rate increases in the Tort Policy based on claims experience, coverage increases, attorney fees on claims, and actuarially recommended reserves.

The budget proposal for the Board includes a request to increase funding for general operating expenses, including costs associated with processing licenses, tuition reimbursement and an increase in the Board's statewide cost allocation plan¹ (STACAP) rate. This request is higher in fiscal year 2026 because the Board has a biennial licensing renewal cycle and expenses associated with processing licenses are higher in even fiscal years.

The fourth initiative on page A-554 provides Other Special Revenue All Other allocation of \$24,202 in FY26 and \$10,244 in FY27 to align allocation with anticipated expenses.

The higher anticipated expenses across various categories will enable the board to maintain and improve the quality of services provided. These increased costs cannot be offset with reductions in other expense categories.

The final request for this program is for a one-time allocation for temporary staffing services to assist the board with the digitization of files. This is an ongoing effort that the board expects to finalize in fiscal year 2026.

The last initiative on page A-554 provides one-time Other Special Revenue All Other allocation of \$7,175 in FY26 to provide funding for temporary staff to assist the board with digitization efforts.

Office of Professional and Occupational Regulation – 0352 (page A-562)

The last program I will be discussing is the Office of Professional and Occupational Regulation (OPOR), on page A-562. OPOR is an umbrella administrative agency for 38 professional and occupational regulatory programs, and the budget request is a consolidation of the budget requests for the 38 individual programs. As a whole, the Office protects the public against unqualified, incompetent and unethical practitioners through licensure, establishment of practice standards, inspection, complaint investigation and, when warranted, imposition of professional discipline. Full-time staff and board members appointed by the Governor implement license qualifications determined by the Legislature, set standards of practice and ethical behavior, and assist in conducting disciplinary proceedings. The program is funded with Other Special Revenue Funds, primarily licensing fees.

The Other Special Revenue budget request for this program includes baseline allocation for administrative operations including licensing, complaint investigation and rent, as well as providing funding for program-

¹ *The statewide cost allocation plan is used to develop indirect cost rates, which are used to bill the Federal and special revenue fund units, their "fair share" of the indirect costs.*

specific needs such as inspection staff and rulemaking. The Office has two initiatives, requesting increased allocation for legal services provided by the OAG included in Appendix B and funding for an approved position reclassification included in Appendix A.

The first initiative on page A-562 provides Other Special Revenue All Other allocation of \$220,732 in FY26 and \$297,398 in FY27 for cost increases for services provided by the Office of the Attorney General.

The cost of legal services is higher due to negotiated and benefit changes to Personal Services as well as increases in operational costs.

The second and final initiative on page A-562 provides Other Special Revenue Personal Services allocation of \$10,471 in FY26 and \$6,001 in FY27 for the approved reclassification of one Office Specialist I position to an Office Specialist II position. This reclassification is retroactive to August 15, 2024.

That concludes my testimony on these portions of the Governor's Biennial Budget Request. I thank you for your time and consideration, and I will be happy to answer any questions.

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APPENDIX A: Reclasses/Reorgs/Range Changes

Civil Service Rules require the Director of the Bureau of Human Resources to maintain the classification plan and establish the processes and procedures with which to do so. There is a long-standing process in place to evaluate proper classification of positions and determine through a functional job analysis whether a position meets the requirements for reclassification, including any pay adjustment. The State's collective bargaining unit agreements include negotiated language related to this process. Actions may include changing classification or keeping the same classification but changing pay range (usually referenced in blippie as range change). Requests may be employee initiated (usually referred to as reclass) or management initiated (usually referred to as reorganization). Approved employee-initiated actions include a retroactive pay component back to the date the request was signed. Reclass/reorg/range change initiatives in Part A of the budget are necessary to fund these approved actions, which is required before the action can be processed and paid.

Page	Program	Fund	FY26 Amount	FY27 Amount
A-562	0352	OSR	\$10,471	\$6,001

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APPENDIX B: Centralized Services

The Department of Administrative and Financial Services (DAFS) develops, delivers, and maintains centralized government systems that support the financial, human resource, physical and technological infrastructure of state government. The services are billed to agencies through Internal Service Funds.

All components of an internal service fund, including staff, All Other and capital, are included in Internal Service Fund budgeting. Personal Services increases the result of collective bargaining, or any other Personal Services action, as well as increases to All Other costs for various reasons, including vendor increases or supply chain costs, etc. impact these budgets. Internal Service Funds are meant to recover the costs of providing the service. DAFS bills agencies for these services and the agencies pay the bills with All Other funds.

In this biennial budget, DAFS has adjusted these rates for all the reasons outlined above, but primarily the result of significant collective bargaining efforts approved by the Governor and Legislature. Agency All Other funds are not increased in the baseline to reflect the increased costs of the Internal Service Funds, so statewide all agencies will include initiatives for additional All Other to cover these services.

DAFS Centralized Services Internal Service Funds include:

- Service Centers within DAFS provide centralized accounting, payroll, budgeting and human resources services to departments and agencies.
- MaineIT is responsible for the delivery of safe, secure, and high-performing networks and systems to State Agencies for daily performance of their missions for the citizens of Maine. IT enterprise functions benefiting all state agencies are managed through this office to ensure consistency, volume discount efficiencies, and optimum performance and throughput.
- The Division of Risk Management within DAFS provides high quality insurance, loss control and claims services to all state agencies, the State's higher education institutions and some quasi-state agencies at the lowest possible cost.

Page	Program	Service	Fund	FY26 Amt	FY27 Amt
A-552	0094	MaineIT	OSR	\$327,755	\$320,218
A-552	0094	Service Center	OSR	\$126,419	\$126,419
A-554	0369	MaineIT	OSR	\$2,998	\$2,998
A-554	0369	Risk Management	OSR	\$2,110	\$2,110

Office of the Attorney General: Legal Services

Page	Program	Fund	FY26 Amt	FY27 Amt
A-554	0369	OSR	\$4,263	\$6,154
A-562	0352	OSR	\$220,732	\$297,398

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