

**Testimony of the
Workers' Compensation Board**

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

February 10, 2025

Good afternoon Senator Rotundo, Representative Gattine and members of the Joint Standing Committee on Appropriations and Financial Affairs and good afternoon Senator Tipping, Representative Roeder and members of the Joint Standing Committee on Labor. My name is John Rohde. I am the Executive Director of the Workers' Compensation Board. I am here today to testify in favor of the Board's portion of L.D. 210, the 2026-2027 Biennial Budget.

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, the Governor's budget takes a balanced approach: one that makes some investments – including operations 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.

I. INTRODUCTION

The Workers' Compensation Board (the "Board") is a quasi-independent state entity. We do not receive General Fund money. We are funded by an assessment on workers' compensation insurance and self-insured employers. 39-A M.R.S.A. § 154(3), (4) & (7).

The Board is governed by a Board of Directors. In 1992, when the Board was created, it was composed of 8 members; 4 representing labor and 4 representing management. During the 1990s, the Board deadlocked on a number of important issues. Because gridlock continued to be a problem in the late 1990s and early 2000s, the legislature changed the structure of the Board in 2004 to its current configuration. Today, the Board is composed of 7 members; 3 labor members, 3 management members and an Executive Director appointed by the Governor sit as voting members of the Board. The Executive Director is chair of the Board and is also the agency's chief executive.

The Board “has general supervision over the administration of [the Workers’ Compensation Act] and responsibility for the efficient and effective management of the board and its employees.” 39-A M.R.S.A. § 152(1). This responsibility includes submitting a biennial budget proposal as required by 5 M.R.S.A § 1665(1).

This year’s proposal has two components: The spending request found on pages A-642 and A-643; and, a language change found in Part YYY. The spending request for fiscal year 2026 is \$15,876,191 and for fiscal year 2027, is \$16,566,927. The spending request proposes to continue the Board’s operations largely within existing baseline budget amounts. There are no new positions or reclasses in this proposal. The initiatives are for increases in rent and centralized services provided by the Department of Administrative and Financial Services (“DAFS”). The language change in Part YYY amends 39-A M.R.S.A. § 154(6) -- referred to as the “assessment cap” – to ensure the Board is able to fund expenditures allocated by the Legislature and maintain its reserve.

The proposal before you today, which was the only one presented for consideration by the Board, was approved by a vote of 4-3.

II. PROGRAMS and INITIATIVES

The Board’s budget is divided into three programs, each of which I will briefly summarize.

A. Administration – Workers’ Compensation Board 0183 (p. A-642)

The first program, on page A-642, is Administration – 0183. This program funds the operations of the Workers’ Compensation Board, including:

- 1. Administration:** The administration of the Board and its operations. This includes budget, legal, technology, regional office supervision, oversight of the Board’s medical fee schedule and employment rehabilitation process, claims management to ensure claims are handled in a timely and accurate manner and to ensure workers’ compensation insurance coverage is obtained as required by the Act.
- 2. Dispute Resolution:** The Workers’ Compensation Board has five regional offices (Augusta, Bangor, Caribou, Lewiston and Portland) where troubleshooting, mediation and formal hearings take place. Dispute resolution also includes the Board’s Appellate Division which is authorized to hear and decide appeals from decisions issued by Administrative Law Judges (ALJs).
- 3. Monitoring Audit and Enforcement:** The Board monitors the timeliness with which certain forms and payments are being made; conducts compliance audits to ensure all obligations under the Workers’ Compensation Act are met; and, provides assistance to employers, insurers, self-insured employers, claim adjusters, and third-party administrators. Through its Abuse Investigation Unit,

the Board enforces the administrative penalty provisions of the Workers' Compensation Act.

- 4. Worker Advocates:** The Worker Advocate Program provides legal representation without cost to injured workers pursuing claims before the Workers' Compensation Board. In order for an injured worker to qualify for Advocate representation, the injury must have occurred on or after January 1, 1993; the worker must have participated in the Board's troubleshooter program; the worker must have failed to informally resolve the dispute; and finally, the worker must not have retained private legal counsel.

There are three initiatives for this program, all of which can be found on page A-642.

The first initiative accounts for increases in rents paid by the Board for its regional offices. The amounts are: \$68,131 in FY 26 and \$77,133 in FY 27.

The second initiative provides funding for technology services provided by DAFS' Office of Information Technology. The amounts are \$346,214 in FY 26 and \$347,471 in FY 27. MaineIT is responsible for the delivery of safe, secure, and high-performing networks and systems to State Agencies, including the Board, and for daily performance of their missions for the citizens of Maine. IT enterprise functions benefiting all state agencies are managed through MaineIT's 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 newwork and systems modernization and upgrades. This recoupment process results in increased billing rates to department and agencies.* In addition to the statewide services provided by MaineIT, this initiative includes programming support the Board will use to enhance its ability to more efficiently receive information that is required to be filed with the Board by workers' compensation insurers and self-insurers.

The third initiative provides funding for the Board's share of the cost for the financial and human resources service center within DAFS. The amounts are \$35,317 in FY 26 and \$48,315 in FY 27. *Service Centers within DAFS provide centralized accounting, payroll, budgeting and human resources services to departments and agencies including the Board. As is the case with MaineIT, the Service Centers are established as internal service funds that 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 department and agencies.*

B. Employment Rehabilitation Program – 0195 (p. A-643)

The second program, on page A-643, is the Employment Rehabilitation Program. The Employment Rehabilitation Program is mandated by statute and is used to make initial payments to ensure injured workers have access to employment rehabilitation services.

There are no initiatives for this program.

C. Workers' Compensation Board 0751 (p. A-643)

The third program funds the Workers' Compensation Board of Directors. The per diem and expenses of the 6 labor and management members are funded in this program and are set forth on page A-643.

There is one initiative for this program, found on page A-643. The amounts are \$2,416 in FY 26 and \$2,416 in FY 27. This increase is a byproduct of the hard work that the labor and management directors are putting into the Workers' Compensation Board. The Board is working to achieve consensus on issues that come before it. Building consensus takes time, commitment, direct communications, and, inevitably, more meetings. This initiative funds the Board's ongoing efforts in this regard.

III. LANGUAGE CHANGE -- PART YYY

Part YYY amends 39-A M.R.S.A. § 154(6) to ensure the Board will be able to fund expenditures allocated by the Legislature and to maintain its reserves. This amendment also ensures that the Legislature sets the maximum assessment. This will happen automatically when the Legislature approves the Board's allocations. This change is necessary because the Board is a dedicated revenue agency that does not receive General Fund money.

As is the case with General Fund agencies, the Board must submit a biennial budget proposal that is included in the Governor's budget bill and then subject to legislative approval and allocation. 39-A M.R.S.A. § 154(2). When the Board submits its budget, it must also demonstrate that it has the ability to generate income sufficient to fund its requested allocations. If the maximum assessment in 39-A M.R.S.A. § 154(6)(A) is equal to or higher than projected expenditures, the Board can demonstrate it has the authority to raise the revenue needed to meet projected expenditures. If projected expenditures exceed the maximum assessment, the Board must account for the difference.

Part YYY accounts for the difference between the existing maximum, \$14,700,000, and the Board's requested expenditures. It does this by defining the maximum assessment to be no more than needed to produce sufficient revenue to fund the Board's allocated expenditures and maintain its reserve. Part YYY does not eliminate the maximum assessment. It was also, as I mentioned earlier, the only proposal put forth for Board consideration.

Part YYY has the same language that was submitted by the Board to the Second Regular Session of the 131st Maine Legislature. Briefly, that earlier bill, L.D. 2176, was submitted after the Board, in 2022, reached consensus on its budget and the need to increase the maximum assessment, but could not reach consensus to increase the assessment cap by the

minimum amount needed to submit the agreed upon budget. Essentially, the Board agreed to spend money it would not be able to raise. Obviously, a different solution was required. To keep the door open for discussion, a proposal was made to submit the agreed upon budget and increase the cap to \$14,700,000, the minimum needed to allow the Board to submit its biennial budget request. No other alternatives were offered. A majority of the Board then voted in favor of the proposal.

In 2023, as planned, discussions continued with respect to the maximum assessment. The same language now in Part YYY was proposed. Again, no alternatives were proposed. A majority of the Board voted to submit what became L.D. 2176 which, ultimately, was held on the Governor's desk at the end of the session and, therefore, did not become law.

If Part YYY is enacted, the Act will still contain a maximum assessment. The maximum assessment will be set by the Legislature and will be no more than needed to produce sufficient revenue to fund the Board's allocated expenditures and maintain its reserve. It will also ensure that the Board will be able to fund expenditures allocated by the Legislature.

Thank you for your time this afternoon. I am happy to answer any questions.