

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

**Before the Joint Standing Committees on  
Appropriations and Financial Affairs  
and Health Coverage, Insurance and Financial Services**

**“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 26, 2025**

Good morning, Senator Rotundo, Representative Gattine, and members of the Joint Standing Committee on Appropriations and Financial Affairs; Senator Bailey, Representative Mathieson and members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services. I am Kirsten Figueroa, the Commissioner of the Department of Administrative and Financial Services. I am here today to testify in support of the fiscal year 2026-2027 biennial budget bill, LD 210, specifically those items on today’s agenda relating to DAFS.

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 of Administrative and Financial Services**

The Department of Administrative and Financial Services (DAFS) consists of ten bureaus, a handful of boards and commissions, and more than 1,200 employees serving the public and all three branches of state government.

The Department has a broad range of responsibilities. We serve as the principal fiscal advisor to Governor Mills, prepare the state budget, coordinate the financial planning and programming activities of state agencies, prepare the financial records of the state, and advise the Maine Legislature on the economic status of the state and financial statutes of state government.

Additionally, DAFS oversees all aspects of: human resources, including employee benefits, contract negotiations, recruiting, retaining, training and performance; information technology services, including cyber security, data management, application development, project management, technology infrastructure, accessibility, and network services; maintenance, repairs and capital improvements of state-owned buildings and grounds; leased space; procurement, contracting and vendor management; state postal services; surplus property; tax collection, tax law and tax policy; and fleet management.

Various internal services for state agencies are provided by the Department, including review of accounting transactions and procedures and the implementation of account controls. We also administer the state's lottery operations, medical and adult use cannabis programs, and the sale of distilled spirits within Maine's borders. We are also responsible for the oversight of Maine's three state-owned landfills.

DAFS employees are respected as conscientious stewards of the State's assets: fiscal, human, physical and technical. We are valued for the professional expertise we provide that ensures State departments and agencies efficiently, effectively, and economically fulfill their important missions for the people of Maine. We lead and collaborate with open doors, open minds, and open hearts.

DAFS has six committees of jurisdiction – plus significant interaction with the Joint Standing Committee on Appropriations & Financial Affairs.

Today's testimony is about HCIFS-related initiatives proposed in the biennial budget.

### **Accident – Sickness – Health Insurance**

I'll begin on **page A-3**, the **Accident-Sickness-Health Insurance** program. This program funds: management and administration of a series of benefits and services

available to employees and eligible ancillary groups and retirees, including the State employee health plan, dental plan, direct reimbursement accounts, deferred compensation, vision care, and life insurance; management of contracted services for employee assistance programs, including Living Resources; and the development of health and safety policies and programs to reduce the incidence of illnesses and injuries to employees.

*The General Fund baseline budget is just over \$770,000 for each fiscal year. The program also includes allocation for three separate Internal Service Funds: The Retiree Health Insurance Fund; the Accident-Sickness-Health Insurance Internal Service Fund; and, the Firefighters and Law Enforcement Health Insurance Program Fund. The baseline for Accident-Sickness-Health Insurance Internal Service Fund includes Personal Services supporting 18 positions and All Other allocation totaling approximately \$3.8 million each year. The baseline allocation for the Retiree Health Insurance Fund is \$117 million each year. The baseline allocation for the Firefighters and Law Enforcement Health Insurance Program Fund supports one position and All Other totaling approximately \$170,000 each year.*

There are four initiatives in this program.

This first initiative continues one Public Service Manager II position until June 18, 2027, to assist with the design of the benefits portion of the Human Resource Management System (PRISM) project. This position is critical to the successful transition of highly manual and paper-driven benefits processes to the new, modern system, working as the benefits lead with the necessary knowledge of state and federal insurance requirements as well as current and historical knowledge of state government benefits data elements.

This initiative increases the allocation in the Accident, Sickness & Health Insurance Internal Services Fund by \$172,626 in fiscal year 2026 and \$179,491 in fiscal year 2027.

The second initiative in this program increases the allocation in the Retiree Health Insurance Fund by \$17,235,498 in each fiscal year to align allocations with projected expenditures and available resources. This Fund provides health insurance coverage to eligible retired state employees. Increasing allocation will reduce the need for mid-year financial orders.

Moving to **page A-4**, there are two initiatives to provide increased funding for the costs of the Service Center and MaineIT within DAFS.

These rates are being 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. Centralized service requests are summarized at the end of this testimony as **Appendix B**.

*The first initiative on page A-4 increases allocation in the Retiree Health Insurance Fund by \$6,063 in each fiscal year and by \$43,266 each year in the Accident, Sickness & Health Insurance Internal Service Fund for statewide technology services provided by Maine IT.*

*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-4, increases allocation in the Retiree Health Insurance Fund by \$696 in fiscal year 2026 and by \$2,374 in fiscal year 2027 and increases the Accident, Sickness & Health Insurance Internal Service Fund allocation by \$2,088 in fiscal year 2026 and \$7,121 in fiscal year 2027 to support the Board'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 fund 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.*

### **State Benefit Mandate Defrayal (Z373)**

This program funds the cost of the benefit mandate providing coverage of infertility treatment as enacted by Public Law 2021, chapter 692, An Act To Provide Access to Fertility Care.

*By way of reminder, under the Affordable Care Act (ACA), the federal government provides tax credits and cost sharing reductions to eligible individuals who buy Qualified Health Plans (QHPs) on the Health Insurance Marketplace. This subsidy program began in 2014, and since that time states have been required to defray the costs of all newly created mandated health benefits that are included in QHPs, unless those mandates are required as part of the ACA's essential health benefit (EHB) package.*

*What this means, at a high level, is that if Maine mandates coverage beyond the essential health benefits in Maine's EHB package, the state must cover the cost by reimbursing the carriers that offer QHPs (QHP issuers). A 2024 GAO report clarified the state's responsibility to pay defrayal reimbursement.*

*It is important to note that defrayal only represents the costs of state mandates not included in the EHB benchmark plan for individual coverage sold on CoverME.gov. Small and large group plans are also required to cover state mandated benefits, as are off-Marketplace individual plans. The cost of state mandates for those plans is paid by the policyholders through premiums, and is not covered by defrayal.*

*To estimate the impact of a mandate, the state must estimate the cost for each additional mandated benefit based on an actuarial analysis. The amount reimbursed to QHP issuers is based on the actual costs incurred in providing the mandated benefit. The current baseline appropriation for this program is \$3.8 million, based on a previous actuarially supported estimate that was completed on January 10, 2023.*

*The defrayal account and payment process is shared between DAFS and the Bureau of Insurance (BOI). The defrayal account is in DAFS; rules and mandate studies to estimate defrayal costs as well as finalizing actual payments are in BOI. Once BOI determines the reimbursement amount based on actual claims, DAFS will issue the payments to the relevant carriers. We anticipate making payments related to CY2024 claims before the end of FY25.*

*The current baseline appropriation for this program is \$3.8 million, based on a previous actuarially supported estimate that was completed on January 10, 2023.*

*Since the original estimate, the Bureau of Insurance worked with their external actuary to refine the estimated cost for the fertility defrayal. The actuary based the updated estimate off actual experience in Maryland, which has a similar fertility benefit, and limits on the benefit adopted by the Bureau in its final rule in May 2024.*

*There is one initiative in this program reducing the appropriation for the defrayal of the infertility benefit by \$2.6 million each fiscal year to align the appropriation with the \$1.2 million updated estimate developed by the actuary. Going forward, the BOI will collect*

quarterly claims data from the insurers so we can carefully monitor this benefit, and subsequently refine our estimates and budget requests, as necessary.

Also, as you know, in its work on the Fiscal Year 2025 Supplemental Budget, LD209, the Legislature voted out certain items included by the Administration. One of those items was a fiscal year 2025 deappropriation in the amount of \$3.3 million. Language was included to carry those funds into fiscal year 2026. The change package will include a request to transfer the \$3.3 million to the Unappropriated Surplus of the General Fund to help balance the 2026-2027 biennial budget as required by the Maine Constitution.

### **Trade Adjustment Assistance Health Insurance**

The Trade Adjustment Assistance Health Insurance program is on **page A-52**. This program provides a group health insurance product for individuals certified to receive federal assistance for health coverage under the terms of the tax credit program within the federal Trade Adjustment Assistance Reform Act of 2002. Individuals certified under the Trade Adjustment Assistance Reform Act are workers who have been displaced because of foreign competition. Although there have not been any expenses in this program since 2010 this is still an active program that could have participants. The program includes a baseline Federal Expenditures Fund allocation of \$8,385 in each fiscal year and \$75,000 each year as a baseline in the Other Special Revenue Funds account.

There are no proposed changes to this Program.

This concludes my testimony. Thank you.

## **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 of 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.
- Central Fleet Management (CFM) within DAFS centrally procures, distributes and disposes of passenger and light truck vehicles. CFM handles many aspects of vehicle service including writing vehicle specifications, ordering vehicles, providing drivers with maintenance schedules, service assistance, fueling resources, insurance protection, and accident information processing.

- 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.
- The Division of Leased Space manages leases encompassing office, warehouse, garage, storage, tower, classroom, mixed-use, and training spaces.
- Central Services within DAFS provides a wide range of mail services, including interoffice mail, as well as disposition of state surplus materials and equipment no longer needed by the state agency that purchased them. This group also manages federal surplus property.

Page	Program	Service	Fund	FY26 Amt	FY27 Amt
A-4	0455	MaineIT	Retiree ISF	6,063	6,063
A-4	0455	MaineIT	ASH ISF	43,266	43,266
A-4	0455	Service Ctrs	Retiree ISF	696	2,374
A-4	0455	Service Ctrs	ASH ISF	2,088	7,121