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LD 1521

An Act to Require All State Agencies to Provide a Zero-based Budget Once Every 10 Years

Good morning, Chair Rotundo, Chair Gattine and honorable members of the Joint Standing Committee for Appropriations and Financial Affairs. I am Jack Ducharme. I have the honor of representing the towns of Madison, Norridgewock, and Cornville in House District 71 in the legislature. I am here today to present my bill, LD 1521, An Act to Require All State Agencies to Provide a Zero-Based Budget Once Every 10 years.

Maine's current budget process requires only additions or deletions to current expenditures to be explained or justified in the Governor's biennial budget proposal. A zero-based budget system would require justification of all expenditures from a department starting from scratch. Given the high turnover in Maine's citizen legislature and expansion of programs and spending throughout Maine's budget, such a system could provide the Governor, the Legislature, and the public with a more complete picture of the state's budget and greater transparency.

Rather than continuing to add money to programs without proper review of efficacy or once it is included in the baseline, a department would need to identify all current activities, funding and staff/contract resources and justify their importance to advancing the agency's core mission. Where expiring budgets encourage a "use it or lose it mentality" and maintaining additional empty positions and personal services funds, zero based or periodic review would require careful examination of program efficacy.

Since I submitted this bill, I have been made aware of the efforts of the Department of Administrative and Financial Affairs relative to a careful scrutiny of the actual baseline budget before the budget is presented to the Appropriations Committee. I am told that many of the "principles" of a zero-based budget approach are, in fact, being employed by DAFS. DAFS reviews the baseline with the department prior to discussing any new initiatives. Once that review is complete, then any new initiatives are discussed before presentation to the Appropriations committee and the various policy committees. The unfortunate thing is that most recent budget presentations have focused on new spending initiatives rather than a discussion about what the baseline budget was really funding.

While my proposal uses the term "Zero-Based Budgeting," it really suggests a modified form often referred to as "Periodic agency review budgeting." This requires each agency

District 71
Cornville, Madison, and Norridgewock

or department to review all operations and expenditures on a regular basis, with that schedule to be determined by the Legislature or the Chief Executive. LD 1521 suggests a 10-year cycle. Such a review should include analysis of all areas of agency fiscal needs against several questions:

1. What is the mission of the department/agency?
2. Why does it do it?
3. What is the department legally required to do, by the Legislature, by the Federal government?
4. Are there activities in the department that do not fulfil the mission and why?
5. How does it impact the people of Maine, and can they afford it?

Other factors to consider in this discussion include directives and actions of the Legislature. The State Constitution imposes several funding requirements that bind the Legislature, as do certain statutes and previous legislative actions. Funding requirements include: debt payments; state employee retirement; education spending (55% current law). These all must be considered in the budget discussion.

Businesses in Maine must do this critical analysis of their budgets annually. They do not have the ability to raise taxes to plug holes in their budgets that appear due to either weakening economic conditions or excessive spending. They rely on their ability to adjust their spending to meet the revenues that are realized in their operations or to find ways to increase their revenue. Since government has no ability to raise revenue other than by taking it from the citizens, analysis of spending on a regular basis is crucial.

Maine's biennial budget has grown exponentially in recent years. According to the Office of Fiscal and Program Review's website, spending in the State of Maine including all funds (state and federal money) has grown from \$8.3 billion in the 2016-2017 biennium to \$13.2 billion in the 2024-2025 biennium. That is a stunning 59% increase in 8 years! This level of growth is unsustainable. We MUST find a way to slow it down. With projections of flattening or declining revenues looming, we simply cannot continue to do things the way we have always done them and hope to ride out the fiscal storm that is approaching.

I would ask you to join with me in this effort to take a critical look at how we are spending the money given to government...or more accurately taken by government from the people of Maine. We must ask the tough questions; what is government doing, why is government doing it, and can the people of Maine afford it? Many of you have heard me talk about examining and re-ordering our priorities considering our declining revenues. This legislation proposes a way to do just that in an organized fashion on a regular basis.

Thank you for taking the time to listen to my proposal. I know that there are many questions that I have not answered and will try to do so. Frankly, I have more questions than answers, but I look forward to working with the committee and the administration to come to a consensus on a proposal that we can all support. More importantly, I hope that we can reign in state spending growth to a level that the people of Maine can afford.

Cordially, *Jack Ducharme*

District 71
Cornville, Madison, and Norridgewock

10 Year Zero Base Budget Proposal

Year	26-27 Biennial		28-29 Biennial		30-31 Biennial		32-33 Biennial		34-35 Biennial		36-37 Biennial		38-39 Biennial	
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
	<i>For 2028</i>			<i>For 2030</i>		<i>For 2032</i>		<i>For 2034</i>		<i>For 2036</i>		<i>For 2038</i>		<i>For 2040</i>
	DAFS		EDU	DPFR	DHHS	DECD	ACF	OST	DPS	OAG	DOL	DAFS	EDU	DPFR
	IFW			MAR		SOS	DEP	JUD	EXE	DVEM	OSA	IFW		MAR
	<i>Cycle Begins Again</i>													

Departments to Zero Base		Prepare ZBB	For Biennial Budget
DAFS	Department of Administrative and Financial Affairs	Fall 2027	2028-2029
EDU	Department of Education	Fall 2027	2028-2029
IFW	Inland Fisheries and Wildlife	Fall 2027	2028-2029
DHHS	Department of Health and Human Services	Fall 2029	2030-2031
MAR	Marine Resources	Fall 2029	2030-2031
OFPR	Department of Financial and Professional Regulation	Fall 2029	2030-2031
DEP	Department of Environmental Protection	Fall 2031	2032-2033
ACF	Department of Agriculture, Conservation and Forestry	Fall 2031	2032-2033
DECD	Department of Economic and Community Development	Fall 2031	2032-2033
SOS	Department of the Secretary of State	Fall 2031	2032-2033
DPS	Department of Public Safety	Fall 2033	2034-2035
OST	Office of the State Treasurer	Fall 2033	2034-2035
JUD	Judiciary	Fall 2033	2034-2035
OSA	Office of State Auditor	Fall 2033	2034-2035
DOL	Department of Labor	Fall 2035	2036-2037
OAG	Office of the Attorney General	Fall 2035	2036-2037
DVEM	Department of Defense, Veterans and Emergency Management	Fall 2035	2036-2037
EXE	Executive		