

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

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

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

April 17, 2025

Good afternoon, 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 (DAFS). I am here today to testify Neither For Nor Against LD 1521, an Act to Require All State Agencies to Provide a Zero-based Budget Once Every 10 Years.

“The bill requires the development of a new budgeting system in which agencies would be subject to zero-based budgeting every 10 years and in the interim years be subject to review and alternative budget requirements. The bill also requires the Department of Administrative and Financial Services to submit legislation facilitating a zero-based budget to the Joint Standing Committee on Appropriations and Financial Affairs and authorizes the committee to report out a bill based on the department's submission.”

“For the purposes of this bill, ‘zero-based budgeting’ means a method of budgeting in which programs and activities are justified for a budgetary period using cost-benefit analysis without regard to the amount that was budgeted for those programs and activities in a prior budgetary period.”

I’ve heard that a zero-based budgeting approach is a way to “draw back the curtain” and provide more transparency to the budget process. In fact, from the Administration’s viewpoint...the windows, doors and curtains are always open.

There is a lot of information available, included, posted, and distributed in various ways, but a thorough presenting and digesting of it takes time. The Legislative process around the budget, as we have experienced it, focuses more on the additions (initiatives) to the budget rather than discussing and building it from zero. There has been quite a bit of conversation at the Legislative level about how long the agencies are meant to testify at public hearings, which often results in the baseline getting less discussion and little to no attention being given to programs that don't require new initiatives.

However, in fact, the biennial budget process includes a comprehensive review by agencies of all components of their budgets, including their baselines and desired additions, as well as their program goals and objectives. As part of their daily efforts, and particularly during budget preparation, Commissioners and department/agency heads evaluate statutory requirements, program challenges, cost increases, and any hurdles to successful implementation and operations. A primary function during budget prep for the Budget Analysts in the Bureau of Budget is to evaluate previous years' spending to budget, in various categories of expenses, including professional contracted services, travel, technology, office supplies, utilities, insurance, general operating expenses, training, professional and state employee wages and benefits. This comprehensive, ongoing review of programs and finances by the agency and the analysis by the Budget Office are combined and evaluated during budget meetings between DAFS, Bureau of Budget, and agencies as we prepare our budget proposal to the Governor. This process is more comprehensive during the biennial budget process but also occurs during the supplemental.

This is not about lack of transparency or lack of attention or failure to attend to the myriad of details, financial pressures, programmatic challenges, statutory requirements and adjustments, etc. etc. etc.; it is about how to build time into the existing process to deliver, digest, and discuss all of the above.

It is this months-long process that leads us to understanding that a program can continue to meet its statutory objectives within existing resources or if it needs right sizing, which can mean additional funding or a reduction in spending. It is this process that has us confirming that a limited period position is in fact needed permanently or can end as originally planned. It is this process that has us requesting

to move positions from one area of a department to another. It is this process that has us adding or deducting allocation as federal grants come and go. All of which ends up as initiatives and discussion in front of the Legislature.

As a rather simple example, this process resulted in the DAFS' budget initiative to reduce Homestead appropriations for fiscal years 2025, 2026 and 2027. As we discussed during Supplemental and Biennial Budget testimony, total payments to municipalities for Homestead Property Tax Exemption reimbursements have been dropping the past couple of years, even as the reimbursement rate has been increasing. The drop in reimbursements is due to the rapid increases in the real estate market reducing the values of the homestead exemption relative to the market value of residential properties. In other words, we did exactly what is prescribed in this bill, we evaluated the cost-benefit analysis without regard to the amount that was budgeted for this program in previous years and right sized the necessary appropriation through the budget.

There are various ways program and financial evaluations happen and are distributed or presented or posted, with the below just being a small representative sample.

- The budget format shows each program in each agency, including a brief description of what the baseline purchases, whether or not the program has a new initiative. The space for narrative is somewhat limited by the Budget Financial Management System. Also, while we have the budget details by expense category, to print the budget with all of this detail would easily triple the size of the document.
- The Maine State Government Annual Report is compiled by the Bureau of the Budget on behalf of the Governor pursuant to the Maine Revised Statutes, Title 5, chapter 3, sections 43 - 46. It documents, in convenient reference form, the administrative and financial structure, activities and accomplishments of the agencies of the State Government.
- Financial Orders that adjust current work program expectations. Part of Bureau of Budget evaluation is to review financial orders processed during the year to see if budgetary adjustments should be made in the future.

- Government Evaluation Reports, which are comprehensive reviews of agency programs, goals, objectives and finances presented to Legislative Committees of Jurisdiction (3 MRSA §§951-963).
- The Compendium of State Fiscal Information, compiled by OFPR and updated on an annual basis, provides a summary of the most important fiscal information affecting Maine State Government. It includes a summary of actual operating revenue and expenditures, descriptions of revenue sources, and summaries of Maine's debt, General Fund reserve fund balances and Maine's tax burden.
- The myriad of reports that agencies send to the Legislature on various efforts.

I did have an opportunity to discuss this bill with the sponsor, Representative Ducharme. Instead of DAFS submitting legislation, I suggested and requested that I, along with the State Budget Officer and DAFS Deputy Commissioner, meet with him (and others he'd like to invite) to review all of the above and other data we – as employees of the Executive Branch who spend our days deep in these details performing these reviews and evaluating these efforts – have, compile, review, analyze, and report on. Based on that review and how we might share, explain, and discuss more of what we already do, we can talk timing, systems adjustments and capacity (if necessary and impacted), and presentation opportunities, and bring that proposal back to you in/around January 2026.

This concludes my testimony, thank you.