

**Testimony of Elaine Clark, Commissioner  
Department of Administrative and Financial Services**

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

**“An Act Making Supplemental 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, 2026  
and June 30, 2027”**

**February 25, 2026**

Good afternoon, Senator Rotundo, Representative Gattine, and members of the Joint Standing Committee on Appropriations and Financial Affairs. I am Elaine Clark, the Commissioner of the Department of Administrative and Financial Services. I am here today to testify in support of certain items in LD 2212, the Governor’s proposed fiscal year 2026-2027 supplemental budget bill.

This is the final budget proposal from this Administration. The proposal delivers financial relief to Maine people, preserves programs lawmakers and Maine people support, and addresses some emergent issues, including impacts of new federal legislation. Governor Mills’ guiding belief has always been that our strongest asset is the people of Maine and that’s why this budget, like those in the past, seeks to invest in and support them. We look forward to working with the Legislature in the coming weeks to enact a balanced budget that supports Maine people and protects the fiscal health of our state.

I will start with the initiative found on **Page T-1** and the corresponding language in **Part T**, which starts on **Page 40** of the language document. This initiative is one of the components of the Governor’s Affordability Agenda and proposes a \$300 Affordability Relief Payment to approximately 725,000 Maine eligible tax filers.

*Provides one-time funding for an affordability payment program that will provide a \$300 affordability payment to each eligible recipient. The costs of administration, programming, mailing, and taxpayer assistance must also come from this fund.*

**Part T** proposes one-time language to change the use of the state's record high Budget Stabilization Fund (BSF) in order to fund certain affordability and emergency initiatives. The proposal transfers a total of \$324.7 million.

Specifically, **sections T1-T8 on Pages 40-43** establish the Affordability Payment Program, funds it with a transfer from the Budget Stabilization Fund and outlines the requirements of the program. The costs of administration, programming, mailing, and taxpayer assistance must also come from this fund. This is \$218.5 million to send a one-time \$300 affordability relief payment to an estimated 725,000 eligible Maine people, amounting to \$600 in relief for the average Maine family.

Recipients will have filed a 2025 Maine individual income tax return as a full-time resident and not be claimed as a dependent on another's tax return. To qualify, a resident must have a Federal adjusted gross income (FAGI) of less than: \$75,000 if filing single or if married and filing separately; \$112,500 if filing as head of household; or \$150,000 for a couple filing jointly.

Eligible Maine people do not need to take any additional action to receive this payment. My department is readying for this program, but there are things we will not do without final approval (such as programming in the new tax system, STARS). Depending on legislative timing, the Mills Administration expects the first round of payments, for those who have filed by April 15, 2026, to be distributed as soon as administratively feasible, but no later than the end of July. For those who extend and file after April 15 and before the October 15 deadline, we anticipate making payments intermittently throughout the summer and fall, with the bulk of payments being finalized by the end of October.

As you have heard others testify throughout the past week or so, in addition to the one-time Affordability Relief Payment just discussed, other items proposed with transfers from the BSF are: \$70 million for housing initiatives, another component of the Governor's Affordability Agenda.

This includes \$69 million to Maine Housing that, among other things, will result in 825 new homes all across Maine, and \$1 million to Maine's Office of Community Affairs for building code enforcement efforts. There are additional details of this proposal included below that I won't read but are here as additional information. \$25.4 million to the Maine Commission on Public Defense Services to cover an anticipated increase in private counsel and non-counsel costs above baseline. This is a one-time infusion, while the Commission continues to evaluate its permanent funding needs, for fiscal years 2026 and 2027 to address increased billable hours and the higher number of felony cases, and while the Commission continues its transition to a mix of private and state attorneys. \$5.9 million to the Department of Education for retrofitting approximately 2300 Maine school buses with crossing arms and anti-pinch door sensors. And nearly \$5 million to the Department of Health and Human Services for one-time needs for technology and compliance with the One Big Beautiful Bill Act; this is mostly \$3.8 million for changes to the benefits eligibility system.

Under the leadership of Governor Mills and the Legislature, the BSF has increased to its statutory maximum of \$1.03 billion, an increase of more than \$820 million since 2019. As proposed, the Budget Stabilization Fund balance will stand at more than \$700 million.

**Part D** may be found on **Page 7** of the language document. This Part adjusts actions from Public Law 2021, chapter 483, the Maine Jobs and Recovery Plan (MJRP). Specifically, it authorizes the transfer of allocation within or between departments through fiscal year 2027 (current authorization is through fiscal year 2026) to maximize the use of the State and Local Fiscal Recovery Funds. This will allow the redistribution of funds as projects move through their life cycle. The MJRP team is actively monitoring projects to make sure that all funds can and will be spent by the US Treasury's December 31, 2026 deadline. Overall, the dollars are on track to be spent by this date. However, even with the best plans and intentions, it is important that we have flexibility, within the parameters of chapter 483 and in accordance with US Treasury guidelines, to adjust the allocations either within the same department or agency or between departments and agencies for projects on previously approved business plans to ensure all the funds are successfully spent. The plan is that every dollar be spent to support Maine.

*Some examples:*

*1. A project may be completed with a small unspent balance remaining. Those unexpended funds will be added to another Public Law 2023, chapter 483 initiative in lieu of returning the funds to the US Treasury.*

*2. Some of the initiatives have amounts that have been distributed to subrecipients. For purposes of the US Treasury, those amounts are considered obligated and expended. If a subrecipient has dollars they are unable to spend they would need to return the remaining balances to us, thereby reducing obligations for US Treasury reporting purposes. In the event this happens after you adjourn or near the December 31, 2026 deadline, we want the opportunity to transfer these funds, in lieu of returning the funds to the US Treasury.*

*3. A project's original scope may have been reduced due to higher than anticipated bids or increased cost estimates. Unspent balances may be used to restore work eliminated due to cost.*

*The Maine Jobs and Recovery Plan is Maine's plan to invest nearly \$1 billion in federal American Rescue Plan funds to improve the lives of Maine people and families, help businesses, create good-paying jobs, and build an economy poised for future prosperity. The Governor's Jobs Plan was approved by the Legislature on July 19, 2021, and went into effect as Public Law 2021, chapter 483, on October 18, 2021. Funds were distributed through 145 business cases that have been reviewed and approved to ensure alignment with federal eligibility. This made Maine one of the first four states in the nation and the first in New England to commit 100 percent of its State Fiscal Recovery Funds. The full amount of funding received was allocated by the Legislature in fiscal years 2022 and 2023 with the understanding that these funds could and would be obligated through December 2024 and expended through December 2026, in accordance with the US Treasury timeline.*

*The intent of Part D is to allow us to move funds between programs to maximize all the funding. As mentioned, our business cases are on track and we don't anticipate a significant volume of transfers. However, we need to be flexible to ensure that the full \$997 million stays in Maine, supporting Maine people.*

**Part E** starts on **Page 8** of the language document. This Part repeals the language requiring a separate account for the administrative costs of the state employee health insurance program. Similar to other Internal Service Funds, while administrative costs can and should be tracked separately, having them be a part of the same Fund is efficient and effective accounting. This Part further clarifies that the reserve fund is also being accounted for in the Internal Service Fund.

**Part H** starts on **Page 11** of the language document. This Part clarifies that most Internal Service Funds (ISF) will be exempt from the cash pool interest earnings and interest expense. Centralized services, such as financial management, human resources, postal, and information technology are billed to agencies through ISF. ISF are meant to recover the costs of providing the service while maintaining as close to breakeven as possible. Many costs of the services provided by centralized services must be paid for before they are billed out to user agencies. As such, the cash balances of these funds can swing positive to negative as expenses are paid by the ISF and billings to and payments by agencies follow. In the circumstance that these accounts go in the negative while awaiting reimbursement from agencies, this means they are charged an interest expense from the cash pool for covering these expenditures in the short term. It is not reasonable that the ISF pay a fee for being in this situation. Additionally, it only increases the costs of the service that must be recovered from the agencies. The exception will be the insurance ISFs – risk management and the employee health insurance and workers’ compensation funds – as these funds are meant to have cash reserves, and interest earnings from the cash pool are a part of their fiscal strategy.

**Part P**, which may be found on **Page 39** of the language document, suspends the appropriation limit for fiscal year 2027. Maine Revised Statutes, Title 5, section 1534, establishes a General Fund Appropriation Limitation and prescribes the calculation thereof.

Adding funds in fiscal year 2027 to meet state obligations, such as 55 percent for General Purpose Aid and to compensate for the reduction in the federal Medicaid match rate, results in appropriations exceeding the established limitation in the second year of the biennium.

**Part Q**, also on **Page 39** of the language document, authorizes the State Controller to transfer, before the end of fiscal year 2026, \$6,678,121 in investment earnings from the Federal Expenditures Fund-ARP State Fiscal Recovery Fund to the unappropriated surplus of the General Fund. As you will recall, differently than how we typically receive federal funding, the State and Local Fiscal Recovery Funds (SLFRF) authorized in the American Rescue Plan Act were transferred to the State in two tranches. As such, these funds have been in our cash pool. Investment earnings on SLFRF are not subject to program restrictions. This amount represents earnings from June 1, 2025, through December 31, 2025.

*We have transferred all the investment earnings on this Fund through May 31, 2025:*

- *Public Law 2023, chapter 412, Part S, \$9,186,703 transferred to the TransCap Trust Fund to pay off the existing Transportation Capital bond.*
- *Public Law 2025, chapter 2, Part F, \$42,393,017 to the unappropriated surplus of the General Fund.*
- *Public Law 2025, chapter 388, Part SS, \$7,178,388 to the unappropriated surplus of the General Fund.*
- *Per 5 MRS §1507, sub-section 7, \$700,000 in October 2025, to increase food supplies and maintain meal delivery and community dining services for Maine families, older adults, children, veterans, and people with disabilities during the extended federal shutdown.*

**Part R**, also on **Page 39** of the language document, authorizes the State Controller to transfer, before the end of fiscal year 2027, \$2,500,000 from the Reserve for General Fund Operating Capital to the unappropriated surplus of the General Fund.

In addition to the above, I'd like to testify to a new part that will be introduced in detail by the Department of Agriculture, Conservation and Forestry in their testimony. Language **Part UUU** will adjust how the Budget Stabilization Fund (BSF) investment earnings are distributed.

Currently, when the BSF is below its statutory limitation of 18 percent, all investment earnings are credited to the BSF at the end of each month. This proposal would distribute these earnings in three parts: 50 percent to BSF; 25 percent to the state employee plan OPEB (*aka Irrevocable Trust Fund for Other Post-employment*

*Benefits established in Title 5 § 286B (2) for the state employee plan, as defined in § 286B (1) (D)); and 25 percent to the Land for Maine's Future Trust Fund.*

Currently, when the BSF is at its statutory limitation of 18 percent, all investment earnings are credited to the state employee plan OPEB at the end of each month. This proposal would distribute these earnings in two parts: 75 percent to the state employee plan OPEB and 25 percent to the Land for Maine's Future Trust Fund.

OPEB UAL information:

The OPEB Unfunded Actuarial Liability or UAL is the unfunded liability of the retiree health insurance plans for state government workers, teachers and first responders. An unfunded liability is a financial obligation for which sufficient funds have not been set aside to cover future expenses, posing risks to financial stability and ability to meet health care expenses. This is an obligation of the state of nearly \$1.2 billion that is meant to be liquidated by 2037 per statute. To figure out and liquidate the retiree health UAL means an increased commitment from the General Fund, increased premium costs to the retirees, the need to reduce health insurance benefits, extending the liquidation timeline – or a mix of any of the above.

It is important to note that this UAL is separate and distinct from the retirement system UAL that will be liquidated, per Maine's Constitution, at the end of fiscal year 2028.

The OPEB UAL balances as of June 30, 2024, are: \$292M – State Plan, \$857M – Teacher Plan, \$29M– First Responder Plan (*offset in part by a \$24 million investment trust account*). June 30, 2024, is the most recent data. The annual actuarial valuation (update) is underway now.

Prior to PL 2023, chapter 643 there was only \$2 million from the Year End Cascade being devoted to meeting this \$1.2 billion obligation annually. Applying the BSF earnings toward this purpose has proven an effective strategy, especially given that the OPEB Trust is invested with more market exposure and earns a significantly higher rate of return than the Treasurer's Cash Pool.

At the end of June 2022, the State Plan portion was \$746.6 million prior to other annual contributions and laws (Public Law 2023, chapters 412 and 643) redirecting BSF earnings to the balance.

This shows the impact of redirecting the BSF earnings. Along with the annual actuarial considerations, with \$44.2 million applied from BSF earnings, we have recognized a reduction in the UAL balance of more than \$450 million, or 60 percent, based upon earnings to date and future projected earnings over the next decade.

When the state employee plan OPEB UAL is liquidated, the intent is to change statute such that these earnings would next be applied to the OPEB-Teachers Trust.

#### Land for Maine's Future Trust Fund information:

Land for Maine's Future Trust Fund (LMF) is the State of Maine's primary funding vehicle for conserving natural and working lands. The program was established in 1987 when Maine citizens voted to fund \$35 million to purchase lands of statewide importance. LMF has garnered strong broad-based support ever since. LMF acquires land and interests in land, from willing sellers only, for conservation and outdoor recreation, water access, hunting and fishing, wildlife and fish habitat, timber harvesting, working farmland preservation, and working waterfront preservation. More than half of LMF investments have been spent on working lands. LMF provides a practical and effective response to the significant development pressure facing farmland, forests, and working waterfronts, the rising costs of land, and the importance of sequestering carbon.

The State's climate action plan, *Maine Won't Wait*, calls for an increase in total conserved acreage to 30% by 2030. It also calls for doubling permanently protected farmland by 2030 to strengthen access to food grown and harvested in Maine; LMF is an essential partner in this strategy.

With the \$40 million allocated to LMF in 2021, 78,129 acres have been selected for protection, representing 92 projects. 57 of these projects have already closed, permanently protecting 39,470 acres. Of the \$40 million, only \$2.5 million remained unallocated at the end of 2025.

These remaining funds will be awarded to Working Waterfront and Water Access projects in the coming months, which will fully deplete available funds for future projects. The latest Request for Proposals for Working Farmland is only possible thanks to the availability of \$2.5 million in interest that remained unallocated.

A consistent monthly infusion of funding to LMF would create long-sought program stability and a predictable level of support to facilitate thoughtful planning in alignment with state conservation goals. While land costs per acre can vary widely based on location and type, the cost over the past four years of projects has averaged \$551/acre across all land types and leveraged \$35,488,591 in additional match funding. An infusion of \$750,000 to \$1 million per month could mean another 16,334 – 21,778 acres protected annually.

This concludes my testimony. I will be happy to answer any questions the Committee may have. Thank you.