

**Testimony of
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Department of Administrative and Financial Services**

**Before the Joint Standing Committees on
Appropriations and Financial Affairs
and Health and Human Services**

**“An Act Making Supplemental Appropriations and Allocations for the
Expenditures of State Government, General Fund and Other Funds, and
Changing Certain Provisions of the law Necessary to the Proper Operations
of State Government for the Fiscal Year Ending June 30, 2021”**

January 26, 2021

Good morning Senator Breen, Representative Pierce, and members of the Joint Standing Committee on Appropriations and Financial Affairs; Senator Claxton, Representative Meyer and members of the Joint Standing Committee on Health and Human Services. My name is Kirsten Figueroa, and I am the Commissioner of the Department of Administrative and Financial Services. I am here today to present the fiscal year 2021 supplemental budget bill.

Governor Mills has submitted to the Legislature a supplemental budget proposal for Fiscal Year 2021 and a biennial budget proposal for Fiscal Years 2022-2023 that focus on maintaining vital services and increasing savings without creating new programs. The budgets are balanced as required by the Constitution and include efficiencies, good fiscal management and curtailments to cover projected revenue shortfalls for all three fiscal years. The budgets do not change Maine tax rates and do not dip into the Budget Stabilization Fund; in fact, they add to the state’s savings in order to plan for a future made unpredictable due to the ongoing pandemic. The proposed budgets focus on combatting COVID-19 by continuing to rebuild the State’s public health infrastructure and protecting essential health care, education, and life-saving services.

Before we get into the specifics, it’s important to recap the last year.

First, in March 2020, the Governor worked with the Legislature to enact a bipartisan supplemental budget, limited in scope to primarily address the needs of COVID-19, which reduced spending commitments and set aside at that time \$184 million.

Second, also at the onset of the pandemic, the Governor instructed departments to implement frugality measures, including freezing certain hiring and restricting access to unencumbered balances – those measures remain in place.

Due to the substantial impacts of COVID-19, the Consensus Economic Forecasting Commission (CEFC) and the Revenue Forecasting Committee (RFC) met for off-cycle reports during the summer. On September 9, 2020, we identified \$422 million in strategies to put the budget back in balance, including a \$222 million curtailment order later signed by Governor Mills.

Throughout, Governor Mills has successfully solicited and strategically utilized federal pandemic relief, which has brought more than \$8 billion to Maine significantly stimulating Maine's economy. Of this approximately \$8 billion, about \$4.7 billion was awarded directly to Mainers and Maine institutions (e.g. via the Paycheck Protection Program, provider relief, higher education systems, etc.) while approximately \$2.8 billion passed through State government, the majority of which was enhanced unemployment benefits and the \$1.25 billion in Coronavirus Relief Funds.

I want to specifically call out the \$1.25 billion in federal Coronavirus Relief Funds, which Governor Mills dedicated judiciously and strategically – and transparently.

You can review all the details of our CRF efforts through the Governor's numerous press releases and via a page on the Bureau of the Budget's website specifically dedicated to COVID-19 federal funding. As you'll see there, the Administration provided significant funding to Maine's public school systems to help them provide safe in-person learning opportunities and to adjust to hybrid- or fully remote-learning options, including purchasing remote learning devices for students and partnering with Internet Service Providers to expand broadband.

Additionally, this Administration harnessed CRF for the State's response to COVID-19 and related public health and safety efforts, including the procurement of PPE for Maine's healthcare network; grants for municipalities to deploy public health and prevention programs; child care; pandemic assistance for people who are homeless, minorities, food insecure, and otherwise marginalized; and a strong COVID-19 testing and laboratory infrastructure.

Additionally, the Governor committed nearly half of Maine's CRF to support Maine's small businesses and workers. For example, the Administration provided \$294 million to bolster the Unemployment Trust Fund to avert significant business

tax increases to Maine employers and provided more than \$250 million in additional economic recovery grants to help sustain business operations.

Just as we were wrapping up the commitment of CRF, as part of its traditional December report, thanks in large part to the stimulating impact of Federal relief, the RFC boosted its previously downgraded revenue forecast, projecting a \$255 million shortfall for FY21 as a result of COVID-19 (up from their originally predicted shortfall of \$528 million). Similarly, the RFC ratcheted up expectations for FY22 and FY23, projecting a \$396 million shortfall for the biennium as a result of COVID-19 (up from their originally predicted shortfall of \$883 million). Though still below pre-pandemic figures, the COVID-related shortfall we were initially expected to experience in just one fiscal year has now, in effect, been spread over three years.

It is this hard work amid the global pandemic to keep the ship steady that make it possible for Governor Mills to submit to the Legislature balanced proposals that cover shortfalls caused by the pandemic for this current fiscal year and FY22-23, and to maintain critical services so important to Maine families at this time with a focus on combatting COVID-19.

These budgets include initiatives to:

- maximize federal and other resources;
- implement administrative efficiencies;
- utilize unobligated balances;
- balance certain increases in departmental spending with reductions elsewhere;
- continue critical investments in healthcare, education, public health infrastructure and economic and workforce development.

Now to the outline of this Fiscal Year 2021 supplemental. Attachment A-1 is included with a copy of this testimony. This sheet outlines the Revenue Forecasting changes, the supplemental initiatives that affect transfers, deappropriations and appropriations, and the balance we carry forward into the next biennium.

Specifically, to transfers:

This budget proposes an infusion of \$41 million to the Budget Stabilization Fund, bringing the total to just over \$300 million.

And, after returning \$14.5 million in the Medicaid Stabilization Fund back to the Fund for Healthy Maine, this proposal adds \$25.5 million to the Medicaid Stabilization Fund for a total of \$40 million in that fund to help plan responsibly for MaineCare expenses.

Specifically, to the deappropriations:

The supplemental budget proposes to deappropriate the items outlined in the curtailment order signed by Governor Mills on September 17, 2020 for a total of \$125.1 million. These items are the result of improved federal Medicaid reimbursement (FMAP) for FY21 quarters one and two; switching funding sources for departmental functions; and managing expenses through: hiring freezes for certain vacant positions; delaying technology updates; reduced spending on existing or future contracts; cancelling conferences; postponing and reducing travel due to COVID-related moratoria; delaying projects due to shifting priorities of State personnel as they work diligently to provide for the wellbeing of Maine citizens during the pandemic. An additional \$64.9 million deappropriation due to continued enhanced FMAP the result of the ongoing declared state of health emergency is also proposed for the third quarter of this fiscal year. The details of the curtailment items are exactly as outlined in the document distributed on September 17th (and redistributed recently by Maureen).

Also as part of the curtailment order, we use a one-time infusion to the General Fund of \$96.7 million from the Coronavirus Aid, Relief, and Economic Security (CARES) Act's Coronavirus Relief Funds (CRF) for allowable payroll costs for certain public health and public safety employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

As such, as we testify on the supplemental throughout this week, we will refer to these in broader strokes of "curtailment initiative" rather than reading each of the individual lines from the supplemental. Of course, at any time should someone desire additional details, just ask and we can bring those to the work sessions.

Specifically, to the appropriations:

There are twelve initiatives in five departments, the details of which will be described over this week.

And finally, there are revenue reductions the result of the tax conformity proposal and change package relating to federal tax changes through the CARES Act and the Consolidated Appropriations 2021 Act.

The bottom line of the proposed FY21 supplemental, as adjusted with the change package relating to tax conformity, is a balance of \$44.2 million carrying into the FY22/23 biennium.

Amid this deadly pandemic and quite unprecedented circumstances, I remain impressed at every turn with the ability to keep the ship steady and to make good on the promises of government, which, as you know, are to protect the wellbeing of our people and institutions. We are proud of this work and appreciate your partnership in it. We welcome your questions and thank you for your support.

This concludes my part of the testimony today.

For the specifics related to the Department of Health and Human Services, I will turn to Ben Mann, Deputy Commissioner of DHHS.