

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

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

**“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 27, 2021

Good afternoon Senator Breen, Representative Pierce, and members of the Joint Standing Committee on Appropriations and Financial Affairs. 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, which Governor Mills dedicated judiciously and strategically – and transparently.

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 makes 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.

To the outline of this Fiscal Year 2021 supplemental. You have previously seen and received Attachment A-1, which 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.

The only item on this afternoon's agenda is **Language Part L**, which can be found on **page 16** of the language document. This part proposes to transfer \$41,000,000 from the unappropriated surplus of the General Fund to the Maine Budget Stabilization Fund in order to plan for a future made unpredictable due to the ongoing pandemic. This transfer would bring the balance of this fund to just over \$300 million, or approximately 7.7% of the proposed FY21 General Fund appropriations amount.

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 testimony. Thank you.