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

**Before the Joint Standing Committees on**
**Appropriations and Financial Affairs**
**and Environment and Natural Resources**

**"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 28, 2021**

Good morning Senator Breen, Representative Pierce, and members of the Joint Standing Committee on Appropriations and Financial Affairs; Senator Brenner, Representative Tucker and members of the Joint Standing Committee on Environment and Natural Resources. 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.

Now to today’s agenda items.

All initiatives in the Department of Environmental Protection were included in curtailment order.  The Department’s initiatives can be found on **pages A-32 and A-33** of the Supplemental Budget document.

**Page A-32** includes curtailment initative for the **Administration – Environmental Protection (0251)** program, the **Air Quality (0250)** program, the **Land Resources (Z188)**, and the **Remediation and Waste Management (0247)** program.  The **Water Quality (0248)** program can be found on **page A-33**.

<u>Language Part M</u>

**Part M**, beginning on **page 16 of the language document**, is a companion piece to an initiative proposed by the Finance Authority of Maine (FAME) in Part A, page A-36, for the Waste Motor Oil Disposal Site Remediation Program (Z060).  It also mirrors the termination of the program proposed in L.D. 92, *An Act To Amend the Waste Motor Oil Disposal Site Remediation Program*, which would become unnecessary if these parts of the Supplemental Budget pass.  Part M terminates the Finance Authority of Maine's waste motor oil disposal site remediation program and directs all remaining funds in the Waste Motor Oil Revenue Fund to the Department of Environmental Protection's Uncontrolled Sites Fund.

The waste motor oil disposal site remediation program was specifically created to fund the investigation and remediation of the Casco, Ellsworth, Plymouth and Presque Isle branches of the defunct Portland-Bangor Waste Oil company.  It resolved the liability of hundreds of “responsible parties,” including auto dealers, repair shops, oil change companies, other businesses, municipalities, major out-of-state corporations and federal agencies.

The program authorized FAME to issue bonds to pay the response costs associated with these waste motor oil disposal sites. The revenues to pay debt service on the bonds were originally generated by a fee on motor vehicle oil changes, and later, by premiums on the sale and distribution of certain motor vehicle oils. The bonds were issued in September 2009, and after ten years of paying down the bonds, all remaining outstanding maturities were redeemed early on October 1, 2019. On October 3, 2019 FAME informed Maine Revenue that there were no outstanding revenue obligations associated with the waste oil disposal site remediation program.

Pursuant to Title 10 §1020(7) the notice effectively repealed the imposition of the motor oil premiums collected by MRS on the sales tax return.

> Title 10 §1020(7) **Effective date.** *This section takes effect on October 1, 2007 and remains in effect until the later of June 30, 2018 and any date thereafter but no later than December 31, 2030 <u>on which the authority notifies the State Tax Assessor that there are no outstanding revenue obligation securities that were issued pursuant to section 1020-A.</u>*

All costs directed to be paid under the program to date have been paid, and the bonds issued by FAME in 2009 have been fully redeemed. FAME has proposed terminating the program and associated fees.

This proposal has been included in Part M of the Supplemental Budget to authorize the transfer of the remaining funds to DEP as quickly as possible. The fund has a cash balance of approximately $4.3 million. DEP proposes that the balance transferred to the Uncontrolled Sites Fund should be directed specifically for per- and polyfluoroalkyl substances (PFAS)-related expenditures. DEP is testing and treating dozens of private water supplies contaminated with PFAS above established screening levels. DEP plans to continue testing wells in areas identified as potentially at-risk, and anticipates finding more impacted homes, businesses and properties. While the DEP is working with other State of Maine agencies, lawmakers, and federal partners to address the costs of PFAS in Maine, those costs keep growing.

The original purpose of the program and associated fees has been fulfilled, and DEP supports terminating the program and redirecting remaining funds to PFAS investigation and private well treatment.

At this time, I’d like to introduce and offer that Melanie Loyzim, the Commissioner of the Department of Environmental Protection and Bill Norbert representing FAME are available to answer questions you may have on these initiatives.

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.