STATE OF MAINE
DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES
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SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

JANET T. MILLS
GOVERNOR

KIRSTEN LC FIGUEROA
COMMISSIONER

Wednesday, September 9, 2020

Governor Janet T. Mills
210 State Street
Augusta, ME 04333

Dear Governor:

Due to the substantial impacts of COVID-19, the Revenue Forecasting Committee projects a $528 million shortfall in General Fund revenues through the biennium ending June 30, 2021.

Even before that Committee released its report, your mid-March actions on a supplemental budget and related legislation, which reserved more than $106 million of unspent General Funds, was a fiscally prudent move by the Legislature and this Administration and greatly improved Maine's financial response to the pandemic.

Below, for your consideration, is a three-part proposal aimed at closing the remaining $422 million estimated gap. The process of identifying these recommendations was painstaking and without additional federal funding, future budget exercises are likely to be even more difficult.

1. First, I recommend 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 specifically authorized purposes. Updated guidance from the U.S. Treasury states that governments may presume that payroll costs for public health and public safety employees are payments for services substantially dedicated to mitigating or responding to the COVID-19 public health emergency and therefore may be paid with CRF.

2. Second, I suggest the recapture of $70 million from higher-than-expected alcoholic beverage sales; $50 million from prior balances and $20 million from FY21 budget estimates.

3. Finally, I recommend adopting $255.6 million in cost savings and efficiencies within departmental budgets, which include:

    a. Setting aside $125.1 million in General Fund appropriations slated for the current year (FY21) resulting from improved federal Medicaid reimbursement rates ("FMAP"); switching funding sources, primarily to federal grants awarded for departmental functions; managing expenses through hiring freezes for certain vacant positions, delayed technology updates, reduced spending on existing or future contracts; and cancelling conferences, projects, and related travel, due to COVID-related moratoria and/or shifting priorities of State personnel as they work diligently to provide for the wellbeing of Maine citizens during these trying times.

b. The transfer of $130.5 million in existing departmental appropriations ("unencumbered balances") from FY20 that went unspent thanks, in part, to your mandate, at the outset of the pandemic, that State government adopt frugality measures, including freezes, delays, and cancelations referenced above.

Additionally, I am recommending the same style of freezes, delays, and cancelations to achieve savings within the Highway Fund, for which the Revenue Forecasting Committee has projected a $40 million shortfall through the biennium.

Per your request, this recommendation does not advance any proposal(s) that would have a significant negative effect on vital programs and/or State personnel. For instance, this proposal: a) avoids layoffs, b) does not cut make use of General Purpose Aid (GPA) and, instead, preserves those monies for the intended goal of funding education, c) protects the safety net infrastructure to ensure Mainers' ability to access critical health and safety services, and d) keeps Maine's Budget Stabilization Fund (the so-called "Rainy Day Fund") intact, the balance of which remains at approximately $258.9 million, an increase of more than $50 million under your tenure.

My analysis indicates that you could immediately set aside $221.8 million of the above recommendations for the General Fund and $23 million of the above recommendations for the Highway Fund by way of curtailment.

As you can see, enactment of the CARES Act has been very important to balancing our FY21 budget. This Administration has been proactive in attracting federal funds and has shown unprecedented willingness to leverage those funds on behalf of Maine citizens. As we look ahead to the next biennium, federal funds will be even more crucial in preserving solvency for the State's most important functions. Without an increased commitment from the federal government for FY22 and FY23, this state and every other state in the country will be forced to make significant programmatic changes.

Sincerely,

Kirsten LC Figueroa

Kirsten LC Figueroa
Commissioner