

FOR IMMEDIATE RELEASE

Kelsey Goldsmith at (207) 624-7453
Department of Administrative and Financial Services

DAFS Delivers Proposed Budget Recommendations to Governor Mills for Consideration

AUGUSTA, Maine (September 9, 2020) – Today, Kirsten Figueroa, Commissioner of the Department of Administrative and Financial Services (DAFS), delivered to Governor Janet Mills a three-part proposal intended to balance the State budget and address an estimated \$528 million revenue shortfall caused by the COVID-19 pandemic.

The recommendations in the proposal include: 1) utilizing \$97 million in available Federal funding for authorized public health and safety costs; 2) transferring approximately \$70 million in liquor sales tax receipts; and 3) adopting approximately \$255.6 million in departmental cost savings and efficiencies, thereby avoiding deep programmatic cuts and layoffs for now.

“While every state in the nation is facing significant budget shortfalls caused by the pandemic, our early actions have protected Maine’s fiscal stability in the short term and prevented significant impacts to the services that Maine people rely on,” said Governor Mills. “I will closely evaluate Commissioner Figueroa’s recommendations to further stabilize the state’s budget, and I urge Congress to provide additional aid to state and local governments, along with flexibility for funding already awarded, so that we can continue to preserve critical services for Maine people and chart a full economic recovery.”

In July, the non-partisan Revenue Forecasting Committee projected that the State of Maine would face a \$528 million revenue shortfall for the biennial ending June 30, 2021 as a result of the COVID-19 pandemic. Prior to the release of that report, Governor Mills worked with the Legislature in a bipartisan manner to pass a supplemental budget and related legislation that reserved more than \$106 million.

To fill the remaining \$422 million shortfall, at the direction of Governor Mills, DAFS instructed State government departments, agencies and public institutions to identify 10 percent in cost reductions. The Governor also directed DAFS to attempt to find solutions to the shortfall that would minimize the impact on critical programs, such as GPA for education, and State government personnel.

To that end, Commissioner Figueroa:

1. identified nearly \$97 million that the State could save by utilizing one-time Federal funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act Coronavirus Relief Funds for authorized public health and safety costs in line with updated guidance from the U.S. Treasury Department.
2. identified \$70 million of revenue from several years of higher-than-expected liquor sales.

3. after deliberations with leaders across State government, crafted a proposal that includes \$255 million of efficiencies within departmental budgets.

Commissioner Figueroa said that approximately \$125 million of the departmental efficiencies could be applied to the current fiscal year (FY21), and includes replacement funds from CARES Act-improved Medicaid federal reimbursement rates (“FMAP”); federal grants awarded for departmental functions; and managing expenses through hiring freezes for certain vacant positions; delayed technology updates; reduced spending on existing or future contracts; and the cancelation of conferences, projects and related travel.

The remaining \$130 million in departmental efficiencies is achieved by transferring appropriations from FY20 that went unspent thanks, in part, to Governor Mills’ mandate to her Cabinet, at the outset of the pandemic, that State government adopt frugality measures, which includes the same style of freezes, delays and cancelations.

Commissioner Figueroa also identified savings for initiatives funded by the Highway Fund to address the estimated \$40 million shortfall projected by the Revenue Forecasting Committee.

Commissioner Figueroa said Governor Mills can set aside \$221.8 million from the General Fund and \$23 million from the Highway Fund by way of curtailment, a mechanism Maine governors can use to balance upended budgets when the State Legislature is adjourned. The previous four governors have used curtailments.

“This proposal identifies funds to meet the revenue shortfall, as we know it today, without deep cuts to important programs or layoffs. We will closely monitor monthly revenues, look to our next revenue forecast scheduled for early December and consider the next round of relief currently being discussed at the federal level, and adjust as needed,” said Commissioner Figueroa. “The challenge of identifying these solutions, for only the final months of FY21 and with these significant federal contributions, made it exceedingly clear that without additional federal help anticipated revenue reductions in FY22 and FY23 may be dramatic enough to require programmatic reductions.”

A copy of the letter Commissioner Figueroa sent to Governor Mills today outlining the recommendations is attached.

###