Governor Mills Presents Balanced Budget to Strengthen COVID-19 Response, Cover Projected Revenue Shortfalls & Increase Rainy Day Fund to Record High Savings

January 8, 2021

Governor's proposals focused on critical investments that bolster the State's COVID-19 response while expanding savings

Governor Janet Mills today 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 continue 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 preserve a solid financial foundation for the State. The proposed budgets focus on combatting the COVID-19 pandemic by continuing to rebuild the State's public health infrastructure and protecting essential health care, education, and life-saving services.

> *"At a time when Maine people are hurting, when small businesses are struggling to keep their doors open, when the ranks of the unemployed have swelled, and when we are fighting a deadly virus all around us, we are proposing a balanced budget that tightens our belt, that protects support for children's education, that saves, and that reinforces public health, child welfare, and public safety measures of great concern to Maine families,"* ***said Governor Janet Mills****. "We are focused on keeping Maine people healthy, saving lives, educating our kids, and getting people back to work."*

> *"More than $7.6 billion in first round of Federal pandemic relief to Maine, coupled with the Governor's swift bipartisan action to hone in on key priorities and adopt austerity and efficiency measures, kept our ship steady amid the stormy seas of the pandemic. That these proposals address pandemic-induced revenue shortfalls while also maintaining the services so critical for Maine people at this time is a tribute to that strong fiscal response to the pandemic,"* ***said Kirsten Figueroa, Commissioner for the Department of Administrative and Financial Services****. "This process has been thoughtful, a true accomplishment, with the wellbeing of Maine people at its core."*

When Governor Mills took office, she focused heavily on rebuilding critical parts of State government, such as child protection services, public health infrastructure and education, to better serve and protect Maine families. The Governor has also focused on expanding health care, investing in Maine's public schools, and advancing economic development. With the need for health care more acute than ever before, with an unprecedented demand on Maine's public health services, and with schools facing dramatic new challenges as a result of the pandemic, these investments continue to be timely, important and responsible.

In preparing these proposals, the Governor directed department heads to tighten their belts, to continue curtailments, to maximize federal funds and other non-General Fund resources, to prioritize programs that allow the State to respond to the COVID-19 pandemic, and to protect services that support Maine people through these difficult times. The Governor also directed the Department of Administrative and Financial Affairs to maximize savings to the Budget Stabilization Fund to buttress the State against budget-related impacts of the pandemic and any future financial crises.

With those goals in mind, the Governor is presenting a biennial budget that continues to rebuild public health infrastructure, that protects investments in health care and education, and that increases the Budget Stabilization Fund to a record high amount. More specifically, the budgets include:

- $3 million to the Maine Center for Disease Control and Prevention (Maine CDC) to fund the Health and Environmental Testing Lab, the Health Inspection Program, the Maine Immunization Program, and the Public Health Emergency Preparedness Program (biennial);
- $5 million for Maine CDC for COVID-19 testing, vaccines, and support services for people who need to stay in isolation and quarantine (supplemental);
- To further fulfill the State's commitment to vulnerable Maine people, $6 million to fund Section 29 services for adults with developmental disabilities in their homes and communities, adding 30 more slots per month (biennial); and $45 million for MaineCare rate increases for nursing facilities, residential facilities for children and older Mainers, services for adults with intellectual and developmental disabilities, and other providers as rates are renewed, per state and federal requirements (biennial);
- $7.5 million for mental health and substance use disorder services, including funds for community mental health and $2 million for the OPTIONS (Overdose Prevention Through Intensive Outreach, Naloxone and Safety) Initiative to dispatch mobile response teams in every Maine county to communities with high rates of drug overdoses (biennial);
- $45 million for K-12 public education, making progress toward a minimum teacher salary of $40,000 and allowing local districts to manage in-person, remote, and hybrid learning options during the pandemic. If approved, the increase in the State's commitment to GPA from 51.78 to 51.83 percent will be the highest level of state funding for education ever (biennial); and
- $1.8 million to facilitate the expansion of broadband into areas with inadequate service (supplemental).

The combined budgets add $61 million to the Budget Stabilization Fund, otherwise known as the Rainy Day Fund, across the three Fiscal Years to help the State weather the pandemic and as a hedge against future fiscal crises. If approved, these budgets would increase the Budget Stabilization Fund to more than $320 million, a record amount of savings. Under Governor Mills, the Budget Stabilization Fund has already grown by more than $50 million. Moody's Analytics and Standard & Poor's credit rating agencies have cited Maine's governance practices and its reserves in the Budget Stabilization Fund as grounds for reaffirming Maine's Aa2 bond rating and for rating Maine's debt as stable, while downgrading ratings of other states.

> *"Over the past two years, my Administration and the Legislature have added money to the Rainy Day Fund, a wise move that has shored up our fiscal position and spared us from the financial downgrades experienced by other states,"* ***said Governor Janet Mills****. "We must continue to build on that progress, both because it is the prudent thing to do and because it will protect our state and its people against unexpected financial crises of the future."*

The Governor also proposes adding $25.5 million to the Medicaid Stabilization Fund to budget responsibly for MaineCare.

At the Governor's direction, the biennial budget balances any increases in departmental spending with reductions elsewhere, while avoiding layoffs and ensuring vital services. In all, the Governor's proposal for Fiscal Years 2022-2023 would result in a $8.394 billion budget, an increase of less than ¾ of one percent (0.69 percent) – or $57 million – over existing commitments in the baseline budget, which amounts to $8.337 billion. The increase results primarily from statutorily-mandated policies, such as teachers' retirement and retirees health insurance, General Purpose Aid for schools, and a $15 million commitment to property tax relief for Maine people through the Homestead Exemption Program.

The non-partisan Revenue Forecasting Committee also projects $8.7 billion in revenue for the 2024-2025 Fiscal Years, which is more than $300 million dollars greater than this proposal.

Despite the projected revenue shortfall, the Governor was able to maintain critical services for Maine people with the responsible fiscal moves she and the Legislature made last year, along with prudent management of Departmental spending throughout the pandemic, and significant Federal support for Maine's economy and for Maine people that improved revenue projections. For a deeper analysis of the State Budget during the pandemic, please see the attached explainer and timeline (PDF).

The Governor has also submitted to the Legislature proposals for Highway Fund budgets, including a supplemental proposal for Fiscal Year 2021 and a biennial proposal for Fiscal Years 2022-2023. The supplemental proposal is balanced and utilizes $21.8 million in balance forward generated in Fiscal Year 2020. The biennial proposal, also balanced, comes in at $676 million, and when combined with anticipated federal funds and bonding, maintains essential levels of service.

The Governor's complete proposals will be available today on the Bureau of the Budget website. The Governor's letter to the Legislature regarding the budget submission is here (PDF).

Copyright © 2023
All rights reserved.