

Janet Mills calls for sweeping budget cuts to offset pandemic losses

Caitlin Andrews | August 5, 2020 | [Click here to view online.](#)

AUGUSTA, Maine — Gov. Janet Mills on Wednesday directed most state department heads to identify 10 percent cost reductions in their agencies in her administration's most dramatic response yet to revenue shortfalls caused by the coronavirus pandemic.

An email from Department of Administrative and Financial Services Commissioner Kirsten Figueroa sent out Wednesday told department heads they have until Aug. 19 to submit their proposals to the Democratic governor's administration.

The reductions appear to be part of preparations to propose a reduction package to the Legislature. Figueroa said "we will either incorporate the curtailment initiatives you provide or replace those initiatives with alternatives" that achieve the savings but require legislative approval.

The sudden severity of the virus-induced recession is prompting an unprecedented response by the state. **Maine is facing a projected \$1.4 billion revenue shortfall over the next three years due to the pandemic with \$524 million falling within the budget year ending June 30, 2021.**

That total roughly adds up to what department heads are being asked to reduce, Figueroa noted. The benchmark for departments and agencies funded by the General Fund budget is 10 percent, while **programs funded by the transportation budget would be cut by 5 percent.**

"This information will be essential as the Administration considers curtailment options and these proposals will also help inform the biennial budget process as these percentages are equal to the percentage reductions required in the biennial budget," she wrote.

When Gov. John Baldacci faced a projected shortfall of \$570 million projected shortfall over two years during a recession in 2009, he proposed closing the gap with state employee furloughs, the elimination of merit pay increases and requiring new hires to pay portions of health insurance. Those changes will look minor next to the amount requested by Mills.

Sen. James Hamper, R-Oxford, a member of the Legislature's budget committee, said it was "high time" the solicitation was made, saying it seemed clear for months that cuts would be necessary as key revenues like use and sales tax plummeted. He was glad Mills took the action, but he said "more action is needed."

Democrats on the panel recently caucused virtually to discuss what could be done to address the shortfall and budget reductions were one option floated, said Rep. John Martin, D-Eagle Lake, a former House speaker. He supported the action, noting that Maine must balance its budget while saying the action does not necessarily mean all cuts will be made.

"We're in a good place right now," he said.

Under Mills' guidelines, department heads are not allowed to eliminate any program or reduce payments for centralized government services that are subject to their own targets, according to the email. They were also asked to review all resources from prior years' unencumbered balances and reserves.

The drivers of the state budget shortfall have long been known: Sales and use tax revenue is expected to be down \$230 million by the end of the 2021 fiscal year next June, a 6 percent decrease caused by dips in demand and associated economic restrictions from Mills as a way to slow the spread of the coronavirus.

Mills has taken some actions to try to stop the bleeding. She ordered a spending freeze earlier this year expected to free up around \$250 million. A supplemental budget proposal for this biennium was scaled down by \$54 million from the original proposal.

Minority Republicans have continued to chide the governor for a two-year budget of just under \$8 billion passed last year. It was 11 percent over the baseline when proposed, roughly the amount that the governor wants to cut.

The state has a rainy day fund with \$258 million and other reserves that could soften the blow. But the shortfall still presents a daunting challenge for lawmakers when they return to Augusta either this year or after the 2020 election with additional relief from Congress uncertain.