

Mills asks state departments to trim spending by 10 percent

State Finance Commissioner Kirsten Figueroa directed state department leaders to find ways to reduce costs as the state grapples with COVID-19-related revenue losses.

BY [SCOTT THISTLE](#) STAFF WRITER | AUGUST 6, 2020 | [CLICK HERE TO VIEW ONLINE.](#)

Gov. Janet Mills is asking state department heads to cut spending by 10 percent in an attempt to address the steep drop in state revenue triggered by the coronavirus pandemic.

“Like every state in the nation, Maine is facing significant budget shortfalls caused by the coronavirus pandemic,” Mills said in a prepared statement Thursday. “While the steps we have already taken have protected Maine’s fiscal stability in the short-term, we still need to make difficult decisions in the months and years ahead.”

State Finance Commissioner Kirsten Figueroa, in an email to state department heads late Wednesday, detailed revenue shortfalls, including \$528 million in the current fiscal year, that will upend the state budget unless spending is cut or new sources of revenue are found.

Figueroa’s memo asks department leaders for their suggestions to reduce spending before Mills moves to issue what are known as “curtailment” orders, which will force the reductions.

Curtailling is the practice of reserving funding appropriated by the Legislature, rather than spending it, so that if a budget shortfall occurs, the reserved funding may be used to cover the shortfall and ensure that the budget remains in balance as required by the Maine Constitution.

Utilizing a curtailment, or holding certain funds in reserve, allows the state government to prepare for anticipated shortfalls while maintaining the flexibility to adjust the curtailment in the event that additional resources – including more federal funds – become available.

Members of Mills’ Cabinet already were beginning to review their budgets but had not announced any specific ideas as of Thursday. Combined, the Department of Health and Human Services and the Department of Education, which provides general purpose aid to local public schools, account for about 63 percent of the state’s general fund spending.

Jackie Farwell, spokeswoman for DHHS, said Commissioner Jeanne Lambrew was looking closely at possible ways to reduce spending.

“In conducting that review and in offering initial recommendations later this month, the department will be focusing on possible savings that would have the least impact on the vital programs and services that Maine people rely on,” Farwell said in a prepared statement.

Kelli Deveau, a spokeswoman for Education Commissioner Pender Makin, said the education department also is following the governor's directions and looking for ways to curb spending and save funds.

"In conducting that review and in offering initial recommendations later this month, the department will be focusing on possible savings that would have the least impact on our capacity for supporting Maine schools during this exceptionally challenging time," Deveau said. She added that the department was hoping to spare general purpose aid to schools from the curtailment but added a caveat.

"Obviously much depends on Congressional action, including additional federal funds for education," she said.

Former Republican Gov. Paul LePage was the last governor to issue a curtailment order. Facing [a \\$35 million revenue shortfall in 2012](#), LePage ordered [all state departments to curtail spending](#) in December.

In 2009, former Democratic Gov. John Baldacci faced a revenue shortfall closer to the figure Mills is now facing. In setting the state's two-year budget in 2009, following an economic collapse triggered by the sub-prime mortgage crisis, Baldacci confronted a revenue shortfall of \$838 million over the two-year budget cycle.

Baldacci took several steps to close the gap that ranged from shuttering some government facilities like an underused prison to requiring state workers to take unpaid furlough days. In 2010, he signed a two-year budget that for the first time in a decade cut state spending by about \$500 million.

"Today's circumstances place demands on the Legislature that we haven't seen in generations," Baldacci said in praising the Legislature's bipartisan work at the time.

Figueroa's memo also details a proposed 5 percent reduction to the state's highway fund, used for road and bridge repair and construction and other transportation services, like state-operated ferries.

Highway fund revenues, largely supported by the tax motorists pay on gasoline, are off by \$31 million, but the fund was already facing a more than \$230 million shortfall. Voters approved in July another \$100 million bond, or borrowing package, for the fund.

The state's [Revenue Forecasting Committee last week projected revenue losses of \\$528 million](#) in the current fiscal year, which will end on June 30, 2021, and \$883 million in losses for the following two-year budget cycle in 2022 and 2023.

A 10 percent reduction in spending for the current fiscal year would make up about \$500 million of the lost revenue. Unspent funds and surplus revenues will help soften the blow by about another \$120 million in the current fiscal year but decreasing tax revenues, mostly from

sales and income taxes, are expected to continue to hamstring government spending over the next two years.

The state is halfway through its two-year budget cycle. The current \$8 billion budget was approved by the Legislature in June 2019 and runs through June 2021. But lawmakers on the Legislature's budget-writing Appropriations and Financial Affairs Committee are anticipating a supplemental budget proposal from Mills later this year that will set the budget in balance.

Mills already has moved to reduce government spending, ordering a freeze on new hiring in her first set of executive orders when Maine first went into a state of civil emergency in mid March.

The move toward curtailments is unlikely to result in any immediate layoffs in state government, but spending cuts will probably result in fewer state workers as jobs are eliminated by attrition over time.

Sen. Jim Hamper, R-Oxford, the ranking Senate Republican on the Appropriations Committee, said he was not surprised by the move toward curtailment, but was surprised Mills did not begin the process sooner. Still, Hamper credited Mills for acting to slow spending quickly as the pandemic reached Maine.

"Early on she told the commissioners to curtail their spending and implemented hiring freezes," Hamper said. "So we have to give her credit for that. She pulled in the reins so there was money left over in a number of accounts."

Hamper said Figueroa had given budget-writing lawmakers a "heads up" that she was going to recommend curtailments to Mills.

House Speaker Sara Gideon, D-Freeport, said the memo was additional proof the federal government needs to do more to help states.

"Like every other state in the country, Maine is seeing a sharp decrease in our revenues as a result of COVID-19," Gideon said. "This directive, along with the recent revenue forecast report, demonstrates the urgent need for additional support from the federal government to both accelerate our economic recovery and maintain our ability to meet the needs of our people."

Gideon is her party's nominee to challenge Republican incumbent U.S. Sen. Susan Collins in November.

Sen. Cathy Breen, D-Falmouth, the Senate chair of the budget committee said Maine has \$258 million in its Rainy Day Fund and more than \$100 million of uncommitted revenue in the General Fund, but the state needs federal help to deal with the pandemic.

"Congress needs to step up and help states weather the storm so we can come out stronger on the other side," she said.

Negotiations were continuing in Congress on a relief package Thursday, but an agreement seemed unlikely and it was unclear whether any deal would include funding for states or municipalities.