

Legislative Update

Governor Mills unveiled both her Supplemental Budget proposal (LD 209) for 2025 and her Biennial Budget proposal (LD 210) for FY '26 and '27. The Supplemental Budget is a \$94 million proposal, which includes dealing with the \$118 million MaineCare shortfall and various cost saving measures, mostly related to rearranging various positions within departments. It is notable that the state has almost \$250 million in surplus revenue in the current fiscal year, but most of this will be used to fill a projected \$450 million deficit in the next biennial budget.

The projected deficit in this case is simply the difference between the revenue that is expected to be available versus the amount of revenue that would be required if the state continued funding every on-going program in the current budget. The Governor and DAFS Commissioner Kristen Figueroa urged the 131st Legislature to carry forward a balance of more than \$100 million. Instead, almost all of this was allocated to fund mostly one-time allocations for new proposals. Governor Mills and Commissioner Figueroa are quick to remind anyone listening that the shortfall was forewarned.

Supplemental Budget

The Supplemental Budget is expected to be dealt with relatively quickly with public hearings scheduled to begin next Tuesday afternoon and continue through Thursday afternoon. Some committees of jurisdiction are expected to begin work sessions on the budget as soon as next week with the rest working the relevant portions of the budget in the last week of January. Our understanding is that the Appropriations Committee hopes to have voted the Supplemental Budget out of the committee by the end of the month.

Perhaps the most controversial aspect of the Supplemental Budget is the failure of the Mills Administration to fulfill its commitment to funding COLAs for direct care workers funded through MaineCare. The Administration informed providers of the services, all of whom had created annual budgets based on the state budget that was passed last year which included the COLA provision, that the COLA would not be funded starting January 1, 2025.

As one can understand, these providers are almost 100% funded by State and Federal funds through MaineCare. As the minimum wage increases, and other costs increase (housing, food, heat, healthcare for employees, etc.) the rates they are paid must go up, or they will be unable to continue to provide these essential services. At the very least they are at a severe disadvantage compared to other employers who are not fully dependent on state funding.

The absence of an allocation to fund the COLAs through the end of the current budget means that providers of all kinds will be testifying on Thursday afternoon to the combined

Appropriations and Health and Human Services Committees. In addition, cuts to the funding for the Homestead Exemption, the infertility insurance mandate, and the Office of Violence Prevention may receive pushback from the public.

The Supplemental Budget includes increased funding for the Disaster Recovery Fund, Maine Community Colleges, and an allocation to help the University of Maine System pay for the increased costs of the new Paid Family and Medical Leave program. It also provides \$2 million to help address a Spruce Budworm outbreak in Maine's northern forests.

Biennial Budget

The Biennial Budget would have to allocate approximately \$11.67 billion in order to pay for all ongoing expenses in statute. Projected revenue for the state during this time period is roughly \$11.62 billion thus creating a "structural gap" of roughly \$450 million for the next biennium. The Governor's Recommended Biennial Budget includes \$11,626.7 million in General Fund appropriations. This is an increase of 11% over total appropriations enacted for the 2024-2025 biennium through the Second Regular Session of the 131st Legislature.

The Governor maintained her commitments to funding 55 percent of the cost of education and Medicaid expansion, as well as free school meals for all Maine public students or those receiving public tuition. It also maintains 5 percent municipal revenue sharing, and it makes permanent the free community college program, increases funding for public higher education institutions, and it continues the Mobile Home Preservation Fund.

Unfortunately, in the budget, the Governor excludes Maine students attending private colleges from receiving grants from the Maine State Grant Program (MSGP). The MSGP has been an important financial assistance tool for many years that allowed Maine students to choose which higher education institution served them best.

Some of the structural gap is paid for with the remaining surplus from the current fiscal year, but Governor Mills also proposes to create over \$80 million in new revenue by raising the cigarette tax by 50%. She also proposes increasing the sales tax on cannabis (while lowering the excise tax) and adding new taxes on prescriptions and streaming services.

Governor Mills will give her State of the State Address on Tuesday, January 28th at 7 pm. She will speak more in detail about her budget at that time. The public hearings are expected to begin in the first week of February, and public hearings and work sessions are expected to continue at least into March.

Given that the last few budgets have all been partisan majority budgets, many expect the Biennial Budget is likely to be as well. The Democrats will definitely push to be able to vote on

the two-year budget at the end of March in order to have it take effect before the next fiscal year begins on July 1st.

Republicans have already made public commitments to oppose the tax increases and new taxes proposed by Governor Mills. Democrats will make clear their intentions to attempt a bipartisan budget if they show no willingness to compromise on those proposals. Preti will provide ongoing updates related to budgets as they proceed through the legislative process.

The Legislature continues meeting in session only on Tuesdays until the last week of February when they will begin meeting on Thursdays, as well. The presiding officers have made clear that, not only will there be no session days during the February school break, but no committees are allowed to meet that week either.

Rules Changes

As many of you are aware, there has been a concerted effort by members of the public and some legislators to curtail the practice of submitting legislative “concept drafts” as bill titles. This has been a long-standing practice, especially by leadership, in order to have vehicles for other members of their caucus as needed, or the ability to act on topics of known concern or need without really knowing what one would propose. The Appropriations Chairs almost always have placeholder bills if needed for budget purposes and other committee chairs often do as well.

Unfortunately, these bills became commonly used by leaders and rank-and-file members alike to be able to present last minute language at public hearings before any members of the public, or even their fellow legislators, could review and weigh-in on the actual bill. This became much more frequent in the 130th and 131st Legislatures, and lobbyists, advocates, and other members of the public raised an outcry.

Because of this, the Joint Rules Committee met for the first time in many years to consider various changes, including the elimination or limitations of concept drafts. While some support elimination, a majority of the members of the committee are unwilling to completely remove them as a tool for committee and leaders to respond to unforeseen circumstances that might require an appropriate legislative vehicle.

Therefore, a bipartisan majority of the Rules Committee voted to support a Joint Order that allows concept drafts to be submitted to the Revisors’ Office, but, once the committee chairs of the committee to which said bill was referred schedule a public hearing, the sponsor must provide a fully drafted bill to the committee staff at least three business days prior to the hearing. The staff must make the bill available to the public on-line at least two business days prior to the hearing. If this does not happen, the bill is dead.

There are concerns that the sponsors may pressure committee chairs to not schedule the public hearing in a timely manner. There is also concern that the committee analysts may be pressured to prioritize these bills and thus create a bottleneck in the committee process. Many interested parties will be watching how this process unfolds and will be looking to see if unintended consequences arise.

Legislative work is ramping up fast. Preti is actively talking to legislators and members of the administration, watching as the new bill language comes out, and setting up meetings for our clients with relevant lawmakers. Please reach out to us with any questions, concerns and needs.

Preti Flaherty's Government Affairs Practice Group

Dan Walker

Chair, Government Affairs Group
dwalker@preti.com

Steven Hudson

shudson@preti.com

John Doyle

jdoyle@preti.com

Bruce Gerrity

bgerrity@preti.com

Andrew Roth-Wells

Legislative Liaison
aroth-wells@preti.com

Jared Bornstein

Preti Strategies*
jbornstein@preti.com

Diane Johanson

Legislative Liaison
djohanson@preti.com

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