

**Testimony of Kirsten LC Figueroa, Commissioner
Department of Administrative and Financial Services**

**Before the Joint Standing Committees on
Appropriations and Financial Affairs
and Veterans and Legal Affairs**

**“An Act Making Unified Appropriations and Allocations for the Expenditures
of State Government, General Fund and Other Funds and Changing Certain
Provisions of the Law Necessary to the Proper Operations of State
Government for the Fiscal Years Ending June 30, 2021,
June 30, 2022 and June 30, 2023”**

March 2, 2021

Good afternoon Senator Breen, Representative Pierce, and members of the Joint Standing Committee on Appropriations and Financial Affairs; Senator Luchini, Representative Caiazzo and members of the Joint Standing Committee on Veterans and Legal Affairs. My name is Kirsten Figueroa, and I am the Commissioner of the Department of Administrative and Financial Services. I am here today to testify in support of the fiscal year 2022-2023 biennial budget bill, LD 221, specifically those items on today’s agenda relating to the Department of Administrative and Financial Services.

As Governor Mills said, 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 balanced budgets as required by the Constitution that continue efficiencies, good fiscal management and curtailments to cover projected revenue shortfalls for all three fiscal years. They 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. They do not change Maine tax rates and they maintain the Budget Stabilization Fund. With a future made unpredictable due to the ongoing pandemic, these budgets make good on the promise of government, which is to protect and support the wellbeing of our people and institutions.

Department of Administrative and Financial Services

The Department of Administrative and Financial Services (DAFS) consists of ten bureaus, a handful of boards and commissions, and more than 1,200 employees serving the public and all three branches of state government.

The Department has a broad range of responsibilities. We serve as the principal fiscal advisor to Governor Mills, prepare the state budget, coordinate the financial planning and programming activities of state agencies, prepare the financial records of the state, and advise the Maine Legislature on the economic status of the state and financial statutes of state government.

Additionally, DAFS oversees all aspects of: human resources, including employee benefits, contract negotiations, recruiting, retaining, training and performance; information technology services, including cyber security, data management, application development, project management, technology infrastructure, accessibility, and network services; maintenance, repairs and capital improvements of state-owned buildings and grounds; leased space; procurement, contracting and vendor management; state postal services; surplus property; tax collection, tax law and tax policy; and fleet management.

Various internal services for state agencies are provided by the Department, including review of accounting transactions and procedures and the implementation of account controls. We also administer the state's lottery operations, medical and adult use marijuana programs, and the sale of distilled spirits within Maine's borders.

Alcoholic Beverages – General Operations

We will begin on **page A-8** with the baseline budget for the Alcoholic Beverages – General Operations program. The Bureau effectively regulates the alcohol beverage industry in Maine by ensuring responsible business practices by agency liquor stores, beer and wine wholesalers, and bars and restaurants within a favorable economic climate. Through the guidance of the State Liquor and Lottery Commission, the Bureau has responsibility for the pricing, listing and delisting of spirits. The Bureau is tasked with managing a profitable business organization with profits deposited into the Liquor Revenue Fund that, in part, pays the Maine Municipal Bond Bank for debt service related to the \$220.6 million hospital payment revenue bond.

The General Fund baseline supports 13 positions in the Division of Liquor Licensing and Enforcement. The Division reviews applications for liquor licenses and periodically inspects each location. In addition, the Division collects the excise taxes on beer, wine, and flavored malt beverages.

A fee on the registration of labels of alcoholic beverages is deposited into the Other Special Revenue account. These funds are used for education and awareness programs for alcohol servers.

This program also includes the Alcoholic Beverages Fund with an additional 2 positions. You will notice that there is a significant jump in the All Other baseline budget for this fund. This is the result of erroneously including cost of goods sold (COGS) in this category. Pursuant to Title 5, section 1666 cost of goods sold expenditures in Enterprise Funds are not subject to legislative allocation. The baseline All Other allocation for Alcoholic Beverage Fund is overstated by \$135,862,763 in each year, as it was in FY20 and FY21. The annual allocation should be approximately \$12.1 million each year. We will make this correction in the biennial budget change package.

There are five new initiatives in this program.

The first initiative reduces the General Fund appropriations by \$159,833 in each fiscal year based on projected expenditures for information technology and consulting services. This is a continuation of savings identified in the FY21 curtailment process.

The second initiative realigns the funding of one Public Service Manager III position to be 100% within the Alcoholic Beverages - General Operations, Alcoholic Beverages Fund. This position is currently split 50/50 between the Alcoholic Beverages Fund and the Lottery Administration program within the State Lottery Fund. This initiative will align work effort with appropriate funding for the Deputy Director for Liquor Operations within the Bureau of Alcoholic Beverages and Lottery Operations. This initiative will also be found on page A-22 in the Lottery Administration program.

The final initiative on page A-8 provides the funding to reorganize 5 Liquor Licensing Inspector positions to more appropriately align with their duties. This request, approved by the Bureau of Human Resources, is funded with a deappropriation in All Other.

At the top of **page A-9**, there is an initiative to reorganize one Public Service Manager I position to a Public Service Manager II position and uses All Other funds for this reorganization. This and the previous initiative will provide a more balanced Liquor Inspection Division structure to better serve the licensee community and the state.

The final initiative in this program reflects the allocation increase necessary for the acquisition, licensing, installation, implementation, maintenance, debt service and support of a system to modernize alcoholic beverage operations within the Bureau. This upgrade would allow, as examples, for better reporting, improved communications and outreach with licensees, and transforming the excise tax collections from paper to electronic. Part of the funding would be through a Certificate of Participation, which is included in **Part L on page 17** of the language document.

Adult Use Marijuana Public Health and Safety Fund

On **page A-6** is the **Adult Use Marijuana Public Health and Safety Fund**. This program pays the expenses of public health, safety awareness, education, and enhanced law enforcement training programs supporting the adult use of marijuana. The Other Special Revenue is from certain marijuana excise tax and sales tax as described in Public Law 2017, chapter 409, subchapter 11.

There are no new initiatives in this program.

Adult Use Marijuana Regulatory Fund

On **page A-7** is the baseline for the **Adult Use Marijuana Regulatory Coordination Fund**. This program supports the implementation, administration, and enforcement of the adult use of marijuana. This program includes 32 positions in the General Fund and 3 positions within the Other Special Revenue Fund, funded from licensing and application fees. The positions consist of senior leadership, a compliance division to ensure compliance within the program, a licensing division and a data analytics division which oversees the state's inventory tracking system and uses data to better understand the impact of marijuana on our state.

There are two initiatives in this program.

The first initiative proposes to eliminate 5 positions in the office and reorganizes the Director to identify it as a major policy influencing position, similar to the other directors in DAFS. The language associated with this change can be found in **Part U beginning on page 22** of the language document. The positions for the Office of Marijuana policy were established in Public Law 2017, chapter 409, subchapter 11. The five positions identified here were never utilized and will not be needed in the new organizational structure. This initiative results in a General Fund savings of \$469,721 in FY22 and \$485,439 in FY23.

The second initiative increases the allocation in the Adult Use Marijuana Regulatory Coordination Fund Other Special Revenue account to align with the projected resources. The newness of this account had us believing an allocation adjustment was necessary, but additional information indicates that this is no longer required. We will remove the request in the biennial change package.

Lottery Operations

The last DAFS program scheduled for today is **Lottery Operations on page A-22**. The Maine State Lottery offers instant ticket scratch games and draw games to the public generating over \$64 million last year to the General Fund. The operations of this program are supported entirely by the proceeds from the sale of lottery tickets. The budget allocation supports the administration of the state's lottery games, including 22 positions responsible for customer service, marketing, field sales, security and general operations.

There are three initiatives in this program.

The first initiative is the transfer of the Public Service Manager III position discussed in the Alcoholic Beverages – General Operations found on page 2 of my testimony and page A-8 of the budget document.

The second initiative reorganizes one Marketing Specialist position to a Lottery Marketing Manager and funds the reorganization with All Other. The Marketing Specialist has evolved to require greater focus on marketing efforts and consumer communications planning. This initiative will increase the responsibilities of the incumbent and allow the Deputy Director for Lottery Operations to dedicate more time to strategic modeling and long-term planning.

The final initiative in this program provides funding for the proposed reorganization of one Office Assistant II position to an Accounting Associate I position and reduces All Other to fund the reorganization. The Maine State Lottery has two positions that perform the same duties. The positions are responsible for assisting the public entering our Augusta office to claim prizes. Currently, one is an Accounting Associate I position (salary grade 11) and one is an Office Assistant II position (salary grade 8). This initiative will align the titles and salary grades appropriately with their functions and provide parity for the positions.

Part J

On **page 16** of the language document, **Part J** transfers \$1,000,000 in each year of the biennium from the Medical Use of Marijuana Fund to the unappropriated surplus of the General Fund. This is a one-time transfer as we do anticipate increased expenses in this account including our licensing system, the InforME online portal, and implementing the state's inventory tracking system.

Part U

Beginning on **page 22** of the language document, **Part U** amends Title 2 and Title 5 to include the Director of the Office of Marijuana Policy. When the Office of Marijuana Policy was created, with some positions transferred from the Department of Health and Human Services, the Director was not added to these statutes. This Part will identify the Director, Office of Marijuana Policy as a major policy influencing position within the Department of Administrative and Financial Services and adds it to the list of positions with salaries set by the Governor.

This concludes my testimony. Thank you. I would be happy to address any questions you may have.