

# **LD 353 Budget Document for Fiscal Years 2009, 2010 and 2011**

As Amended by the Unanimous Committee Report

May 19, 2009

Prepared by the Speaker's Office

Thank you!

From the first public hearing for LD 353 held on February 26 to the many, many work sessions, the input from the policy committees has been invaluable to closing this budget.

Narrowing it down:

- The Appropriations Committee started with LD 353 – as written.
- Then came the \$569M Change Package.
- As the weeks went by, the Committee voted in pieces with broad agreement, starting with the unanimous committee reports and finishing with the “stickier” items in the final days.
- Much of what is in the budget, you reviewed in your policy committees and was voted into the budget weeks ago by Appropriations.
- This is a review of some of the items voted into the budget in recent days and other major items

## **K-12 Education**

AFA approved funding for General Purpose Aid to Education at the following levels:

- GPA funding
  - FY 2009: \$983.5 million
  - FY 2010: \$1.01 billion
  - FY 2011: \$947 million
- Penalties Language - Commissioner is prohibited from allocating the penalty funds pending the November Referendum on repealing the consolidation law
- Laptops – Allows the Commissioners of DAFS and EDU to develop a plan to extend the program to high schools with input from the Legislature
- Adult Education: Restored \$1.2M over the biennium
- Teacher Retirement– Issue resolved, but will be studied by Approps during the interim

## **Health and Human Services**

- Restored \$600K for Family Planning/Planned Parenthood services.
- Restored \$600K in funding in order to reduce waitlists for services for people with MR and Developmental Disabilities.
- Hospital Settlements: Trimmed down state share: \$36.7M
- American Recovery and Reinvestment Act – Enhanced FMAP funds.
- CAFAS: Provides 2 months of targeted case management for children who score between 50 and 70
- Children's PNMI: Targeted for cuts in original budget and change package – able to reject half of the cuts in the change package
- Health Info Net, Graduate School of Biomedical Sciences, Doctors for Maine's Future, Patient Centered Medical Homes

## **Hospital Reimbursement Provisions**

Provider Type	Dec 2008 Law	Gov's Proposed Supplemental Budget	Supplemental Budget as amended by the Legislature and enacted	Governor's Proposed Biennial Budget	HHS Committee Recommendation	AFA Proposed Amendment
Critical Access Hospitals	117%	101%	117%	101%	106%	109%
Hospital Based Physicians	89%	57%	70%	57%	70%	83.70%
Private Physicians	57%	57%	70%	57%	70%	70%*

\* Beginning February 1, 2010

## Health and Human Services

### Structural Changes

- A shift away from the Prospective Interim Payment reimbursement system to Diagnosis Related Groups/Ambulatory Payment Classification System in order to create a more predictable and stable MaineCare payment system.
- Managed care in the MaineCare system to control costs of mental health and chronic disease clients.
- Shifting MaineCare emphasis to primary care by finding a medical home pilot project, raising community physician reimbursement rates and requiring a re-weighting for reimbursement rates to encourage primary care in FY 2011.
- Streamlining service systems by reducing beds at PNMs, standardizing rates at children's PNMs, streamlining the case management system, conforming the durable medical equipment systems and restructuring juvenile drug treatment programs and low-performing sites.
- Constraining Pharmacy costs through aggressive utilization management, rebates and multi-state purchasing.
- Major increases in utilization of prior approval for Children's residential treatment, psychiatric hospitalizations, out-of-state hospitalization and adult mental health PNMs.
- Increasing an aggressive effort to recover private payor payments where Medicaid is the payor of last resort.

[Thanks to Rep. Miller for compiling this list]

## Tax Provisions

- Reduced the impact of the tax bracket indexing by half.
- Revenue Collection: "Data Warehousing" - receivables
- Net Operating Loss– In as Amended
- Rejected decoupling from the federal standard deduction on the income tax.
- Restructured the schedule for Rev Sharing
- The Committee rejected the 5% additional Cut to Rev Sharing in Change Package
- Equalization of Smokeless Tobacco
- 10% cuts to BETR, 10%Tree Growth, Rev Sharing
- Reduce Circuit Breaker by 20% across the board, and to reduce the Homestead Exemption to \$10,000 in FY 2011, leaving it as-is in FY 2010. [Per MMA suggestion]

## Dairy Stabilization Program

- As recommended by the Majority report of the Agriculture Committee payments for FY10 will be capped at \$13.4M.
- Payments to farmers will be limited to up to \$9M for the first 5 months of the fiscal year. No payment will be made for December 2009.
- For the last 6 months of the fiscal year payment of the remaining \$4.4M in authorization will be spread out over the months.
- As this is happening, a special task force will be meeting to make recommendations to the Second Session on what changes should be made in the current structure of the Dairy Stabilization Program.

## State Employees

The Committee has replaced the Governor's proposal with this proposal, which saves \$33.8M over the biennium:

- Shut down days:
    - 10 in FY 2010 and 10 in FY 2011, saving \$6.4M in each year
  - Merit & Longevity Pay:
    - Freeze Merit and Longevity Pay in each fiscal year for savings of \$12.8M over the biennium
  - Health Insurance: The below proposals on Health Insurance contributions save \$1.3M in FY 2010 and \$2.4M in FY 2011.
    - Beginning on October 1, 2010:
      - \$30,000 and under – 0% employee contribution of Health Insurance Premium [Current Law]
      - \$30,001 to \$79,999 – 5% employee contribution of Health Insurance Premium
      - \$80,000+ -- 10% employee contribution of Health Insurance Premium
    - Beginning in FY 2011
      - \$30,000 and under – 5% employee contribution of Health Insurance Premium [With ability to buy back 100% of that contribution through wellness program]
      - 30,001 to \$79,999 – 10% employee contribution of Health Insurance Premium [With ability to buy back 50% of that premium contribution through wellness program]
      - \$80,000+ \$80,000+ - 15% employee contribution of Health Insurance Premium [With ability to buy back 50% of the premium contribution through wellness program]
- Report-back in January on status of Wellness Program

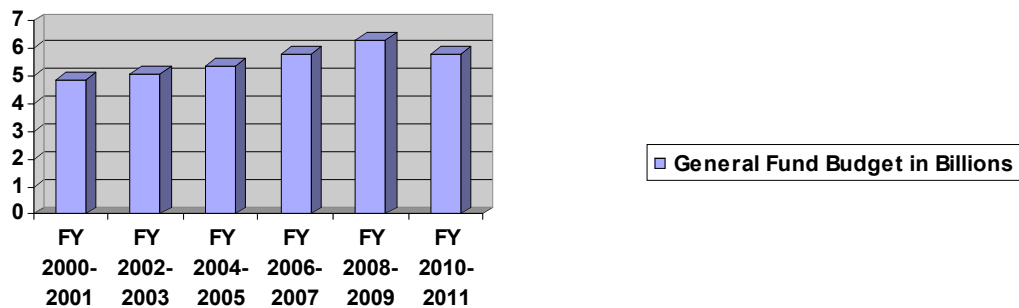
## The Legislature

- Provisions related to State Employee Compensation and Health Insurance will be applied to Legislative Staff.
- Legislators will not receive COLAs
- Health Insurance provisions will apply to Legislators based on Legislator Salary
- 50% Reduction in budget for studies, travel
- 30% Reduction in printing budget, delaying staff technology upgrades
- Delay State House Improvements
- Reducing the Length of the Second Session by 1 week
- Trim 5% of the funding for the Maine Clean Elections Act and increased the amount of seed money that candidates may raise

### Other items of note

- Marine Resources: 3 Water Quality positions funded through septic fees
- Judiciary: Debt Service through access to ME. Governmental Facilities Authority
- Streamlining Commission: Approps will be charged with identifying \$30M in FY 2011
- Fund for a Healthy Maine: FHM funds reduced due to lower tobacco tax revenues, mostly because of the federal increase

### General Fund Budget



In Billions:

FY 2000-2001 4.9  
 FY 2002-2003 5.1  
 FY 2004-2005 5.4  
 FY 2006-2007 5.8  
 FY 2008-2009\* Projected 6.3  
 FY 2010-2011\*\* Projected 5.8

\*FY 2008-2009 assumes all new shortfalls addressed using transfers from other funds.

\*\*FY 2010-2011 assumes no new revenue.

(The nearly \$500M reduction from FY08-09 to FY 10-11 is the largest ever drop from one biennium to the next in Maine history.)