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IN OPPOSITION - LD 377, An Act to Establish a University of Maine Medical School and to Dedicate Funds from
Raising the Cigarette Tax to the School
March 3, 2025

Chairs Senator Rafferty and Representative Murphy and members of the Committee on Education and Cultural Affairs,

The Retail Association of Maine and the Maine Grocers and Food Producers Association are testifying in joint opposition to *LD 377, An Act to Establish a University of Maine Medical School and to Dedicate Funds from Raising the Cigarette Tax to the School*. Our business trade associations represent Main Street businesses including independently owned and operated grocery stores and supermarkets, general merchandise retailers, and convenience stores, food and beverage manufacturers, distributors and supporting partners — together representing more than 450 members statewide. Maine's retail sector employs more than 85,000 Mainers.

It is premature to pass LD 377 this session, as we await the findings of the study commissioned under *LD 129, Resolve, to Direct the University of Maine System to Study the Feasibility of Establishing a Public Allopathic Medical School in Penobscot County* from the 131st Legislature. The study is expected to provide critical data on the feasibility of establishing a public allopathic medical school in Penobscot County. The study is due November 6, 2025, and it is appropriate to wait for the study's findings before moving forward.

While we recognize and respect the public health concerns surrounding tobacco use, this targeted approach to address issues within the healthcare system has unintended economic and social consequences that will disproportionately impact Maine. Increasing the cigarette tax will negatively affect Maine's 1,480 retailers.¹ With heating fuel, electricity, and employee benefit costs significantly impacting retailers, we cannot sustain additional increased costs at the register. This increase will ultimately tighten the already thin margin in which our members operate. Tax increases negatively impact the economy by reducing consumer spending, putting pressure on household budgets, and limiting retailer sales.

We often discuss Maine's proximity to New Hampshire and specifically their low cigarette tax of \$1.78 per 20-pack. This proposal seeks to create a significant incentive for consumers to cross state lines for lower prices. This shift in purchasing habits will particularly hurt small businesses near the New Hampshire border. Additionally, higher cigarette taxes often lead to an increase in illicit trade and black-market sales, which undermines public health objectives and deprives the state of legitimate tax revenue.

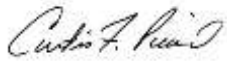
An increased cigarette tax could provide incentives for smuggling and other contraband activities, resulting in lost tax revenues. According to the former chief of the *Alcohol and Tobacco Enforcement Branch for the Bureau*

¹ Retail locations based on internal PMUSA data and rounded to nearest 10.

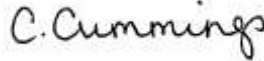
of Alcohol, Tobacco, Firearms and Explosives, “The smuggling problem is pervasive. As many as one-fifth of all cigarettes purchased in the United States annually — about 3 billion packs — are sold illegally. Nationwide, these illicit sales result in \$3 billion to \$7 billion a year in lost tax revenue to states and localities.”²

Again, we applaud efforts to support increased access to rural healthcare professionals but urge the Committee to fully discuss the resolve’s findings, ensure policy changes will result in the intended outcome of increased medical residents working in rural Maine, and how that may be achieved without economic harm to Maine’s small businesses and residents. We urge you to oppose any proposal to increase Maine’s cigarette tax especially as this may relate to the already proposed increase within the Governor’s budget.

Thank you for the opportunity to provide testimony.



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² Fox, Joe (2018) “The harm of Virginia’s illicit tobacco trade” Washington Post, August 17;
https://www.washingtonpost.com/opinions/virginias-low-cigarette-tax-hurts-national-security/2018/08/17/ad3ee786-9f08-11e8-93e3-24d1703d2a7a_story.html