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# SIERRA CLUB

## MAINE CHAPTER

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**To:** Committee on Taxation

**From:** Marianne Hill, Ph.D., Economist, Sierra Club Maine

**Date:** March 25, 2025

**Re: Testimony in Support of LD 1047, An Act to Impose an Additional Tax on Certain Unearned Income**

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Senate Chair Nicole Grohoski, Representative Chair Kristen Cloutier, and members of the Joint Committee on Taxation: I am testifying on behalf of Sierra Club Maine, representing over 22,000 supporters and members statewide. Founded in 1892, Sierra Club is one of our nation's oldest and largest environmental organizations. We work diligently to amplify the power of our 3.8 million members nation-wide as we work towards combating climate change and promoting a just and sustainable economy. To that end, we support LD 1047 and urge an "ought to pass" report on LD 1047.

Maine can expect a revenue shortfall in FY25-26. Already urgent needs of Maine's families are not being met in health care, housing, child care and clean energy. The state must find more funding sources if it wishes to prevent increased hunger, reduced access to health care and housing and other declines in well-being. The FY26 budget is based on a revenue forecast last updated in December 2024. Since then, DOGE has slashed contracts, grants and jobs across government agencies, including cuts in school lunch programs and plans to cut 50% of jobs in the US Department of Education. Maine has lost millions in grants, including \$15 million in EPA grants to fund energy efficiency and clean energy equipment. Double-digit tariffs have been imposed on major trading partners. In addition, the proposed federal budget for FY25-26 includes more tax cuts benefiting the wealthy, as well as sizable new reductions in funding for Medicaid, housing assistance and more. Many of these actual and anticipated cuts became apparent only after the December state revenue forecast, which was based on a positive growth rate of employment and income for each year from 2025 to 2027.

Analysts agree that low-income families and rural hospitals will be hit especially hard under the proposed FY26 federal budget. Cuts to Maine's Supplemental Nutrition Assistance Program, special education programs and unemployment benefits are likely. Free school lunch and the related family summer grocery benefits for qualifying families are expected to drop from 75

participating schools to 31. The 12.4% of Maine’s children living in poverty will be especially hurt. Demands for food assistance, then, will rise. Hospitals will lose critical funding support, with rural hospitals suffering disproportionately. The number of persons applying for unemployment benefits will undoubtedly rise as federal jobs are cut and the negative multiplier effects from higher prices and the reduced inflow of federal funds.

And these negatives are on top of on-going problems: already there is widespread acknowledgement that Maine faces a housing crisis - reflected in the numbers of homeless - and a child care crisis.

In short, demand for state assistance will grow. The need for additional funds is clear, and LD 1047 offers a partial solution. This surtax, in addition, is a step towards a tax structure that is fairer and more equitable.

We urge you to support LD 1047 and report “ought to pass”. Thank you for your consideration.

Sincerely,

Marianne Hill, Ph.D.  
Economist  
Member, Legislative Committee  
Sierra Club Maine

**More relevant data:**

Maine Gross Domestic Product: \$99 billion (2024)  
Inflow of federal funds: \$21 billion (2024)  
Federal funds in state budget: \$4.8 billion (FY24)  
General funds in state budget: \$5.1 billion (FY24)  
Net balance: federal funds per capita minus payments to federal government: + \$7,555 (2022)

**SOURCES:**

1 - <https://themainemonitor.org/federal-education-funding-at-risk/> Maine received \$283 million in FY24 for Dept of Education. Staff at the US Department of Education are slated to be reduced by 50%, and program cuts are expected to mean a drop in the number of schools in Maine offering free school lunch to only 31. Those receiving health care under MaineCare will shrink along with the national budget for Medicaid. Also,

<https://www.pressherald.com/2025/03/13/maine-loses-15m-for-energy-efficiency-heat-pump-loans/> Maine has lost \$15 million in EPA grants to support energy efficiency and clean energy equipment.

2 - <https://legislature.maine.gov/doc/11282> Revenue Forecasting Report

3 - <https://www.usaspending.gov/state/maine/2024?section=top-five> Federal funds by state.

4 - <https://legislature.maine.gov/doc/11045> state budget summary pp. 8-9

5 - <https://www.bea.gov/news/2024/gross-domestic-product-state-and-personal-income-state-3rd-quarter-2024> gross domestic product Also <https://apps.bea.gov/itable/>

6 - [https://www.cbpp.org/sites/default/files/atoms/files/snap\\_factsheet\\_maine.pdf](https://www.cbpp.org/sites/default/files/atoms/files/snap_factsheet_maine.pdf) 12% of population eligible for SNAP and info on proposed federal budget for FY26 at: <https://www.cbpp.org/research/state-budget-and-tax/president-trump-congressional-republican-proposals-would-shift-large>

7 - <https://mainepolicy.org/maines-predictable-mainecare-funding-shortfall/> MaineCare shortfall <https://www.mainepublic.org/politics/2025-01-17/janet-mills-plan-to-fill-maines-first-budget-hole-in-over-a-decade> \$450 million shortfall January 17, 2025 calls for additional taxes

8 - <https://datacenter.aecf.org/data/tables/1562-children-in-poverty#detailed/2/any/false/2545,1095,2048,574,1729,37,871,870,573,869/any/11725,3331> 12.6% of Maine children live in poverty 2023

9 - <https://rockinst.org/issue-areas/fiscal-analysis/balance-of-payments-portal/> Net federal funds per capita: \$7,700 with \$11,152 in direct federal payments and \$5,800 paid in federal income taxes, among other payments. Return on the dollar: 1.68.

10 - <https://www.mecep.org/blog/8-things-to-know-about-federal-funding-in-maine/>

About 12,000 persons in Maine work for the federal government (the Navy, the VA, Social Security, Transportation...) plus 3,000 postal workers. These jobs are already being cut.

Individuals receive \$8.9 billion from the federal government, largely social security. About \$5.9 billion goes to the state government and another \$4.9 billion is paid to businesses and organizations, including about \$2.9 billion in defense contracts. Local governments, including tribal governments, receive almost \$1.0 billion.

Marianne Hill  
Sierra Club Maine  
LD 1047

I am testifying in support of LD1047 on behalf of the Sierra Club Maine.  
A revenue shortfall can be expected In FY26 & perhaps beyond, and this bill offers a means of closing some of the likely gap. It also improves tax fairness and equity in the state.

Marianne Hill, Ph.D. economics