Testimony in Opposition of LD 894:
"An Act to Amend the Laws Governing Paid Family and Medical Leave"

Senator Tipping, Representative Roeder, and the distinguished members of the Committee on Labor, my name is Harris Van Pate, and I serve as policy analyst for Maine Policy Institute. Maine Policy is a free market think tank, a nonpartisan, nonprofit organization that advocates for individual liberty and economic freedom in Maine. Thank you for the opportunity to submit testimony in opposition to LD 894, "An Act to Amend the Laws Governing Paid Family and Medical Leave."

LD 894 seeks to expand and entrench Maine's government-run Paid Family and Medical Leave (PFML) program through new enforcement powers, enhanced regulatory authority, and further bureaucratic expansion. This concerning move will only amplify the harmful effects of an already flawed and burdensome program.

A Solution in Search of a Problem

The original PFML scheme was hastily enacted, despite widespread concerns from Maine workers, small business owners, and industry leaders. This program is not a safety net—it is a government-mandated entitlement funded by a payroll tax that disproportionately harms Maine's working families and small employers.

LD 894 proposes to formalize a new "Bureau of Paid Family and Medical Leave" within the Department of Labor—an unnecessary expansion of state government that will require more taxpayer dollars, more staffing, and more layers of bureaucracy to administer a program that Maine doesn't need and cannot afford. If the past is any guide, we can expect cost overruns, mismanagement, and operational failures, as seen in other states with similar systems.

New Bureaucracy, New Burdens

The bill also grants the Department of Labor extensive new enforcement authority, allowing it to:

- Impose levies on third parties for unpaid premiums.
- Enforce collections through civil actions.
- Assign successor liability for penalties and assessments.
- Penalize employers offering private alternatives if coverage lapses.

This is a clear signal: the state intends to build a compliance and enforcement regime to pursue small businesses for funds they may be unable to afford while placing even greater administrative and legal burdens on job creators.

Small business owners in rural communities—who already operate on razor-thin margins—will find it even harder to offer flexible benefits to their employees as they contend with complex rules, unpredictable penalties, and the looming threat of audits.

Other States' Warnings

The experience of other states confirms that programs like these are unworkable in practice. In Washington State, the PFML fund ran deficits in two of its first four years.[1] Massachusetts' program ballooned to over $1 billion, causing delays in benefit disbursement and creating significant financial challenges.[2] These states had far higher median incomes and more robust economies than Maine. We should learn from their missteps, not replicate them.

The Better Path

Rather than expanding government mandates, we should focus on fostering a business environment that allows employers to offer competitive benefits voluntarily. Following the passage of the Tax Cuts and Jobs Act, many employers—large and small—enhanced their paid leave offerings without government intervention. Private-sector innovation, not government coercion, is the best way to improve working conditions and family security.

Conclusion

LD 894 moves Maine in the wrong direction—toward more government control, higher costs, and more significant economic distortion. It entrenches a flawed system that will burden workers and employers while diverting resources from vulnerable populations.

Maine Policy Institute urges this committee to reject LD 894 and prioritize reforms that empower individuals and businesses, not the state bureaucracy. Thank you for your time and consideration.

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[1] "In two of its first four years, the PFML program had negative net income. This means that expenses (benefits and administrative costs) exceeded revenue (premiums and investment income)."
https://leg.wa.gov/jlarc/reports/2024/PFML/p_11/default.html

[2] "In FY 2024, the Department approved 179,564 applications for PFML. This is a 25.26% increase in approved applications over FY 2023.
https://worklaw.com/blog/massachusetts-department-of-family-and-medical-leave-issues-important-pfml-updates