

**TESTIMONY OF
COMMISSIONER KIRSTEN FIGUEROA
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation
Hearing Date: *May 14, 2025*

LD 1818 – “*RESOLUTION, Proposing an Amendment to the Constitution of
Maine to Limit Taxes, Spending or Debt Without Approval by the Voters*”

Senator Grohoski, Representative Cloutier, and members of the Taxation Committee – good afternoon, my name is Kirsten Figueroa, Commissioner for the Department of Administrative and Financial Services. I am testifying at the request of the Administration Against LD 1818, “*RESOLUTION, Proposing an Amendment to the Constitution of Maine to Limit Taxes, Spending or Debt Without Approval by the Voters.*”

This Resolution would amend the Constitution of Maine to prohibit any new taxes, tax increases, spending increases, or the issuing of debt without the approval of voters through a referendum. This referendum would apply to statewide, county, and municipal tax/spending policy. However, spending increases that are at or below the rate of inflation would not be subject to voter approval. This bill is conceptually similar to LDs 1553 and 1304, both of which were proposed this Legislative Session.

Generally, tax bills that are passed by a simple majority and become law are implemented 90 days after the end of the Legislative Session. Bills passed by a 2/3s vote (otherwise known as Emergency Bills) are implemented immediately upon being enacted into law. Referendum requirements are rare, and implementing such a requirement in this broad fashion would raise significant concerns.

The Administration opposes this bill because a referendum process of this nature would greatly restrict the Legislature's ability to respond quickly and flexibly to revenue shortfalls, potentially jeopardizing the State's ability to meet debt obligations. In addition to the direct impact on the State, bond rating agencies consider carefully a State's capacity to meet its debt obligations. Bond rating agencies have responded negatively to constitutional provisions in other States that hamper the ability of a State to quickly respond to a budget crisis. A referendum requirement, and other restrictive provisions, run the risk of negatively impacting Maine's bond rating, potentially raising Maine's borrowing costs and overall debt burden.

Additionally, the establishment of a referendum requirement on any legislation relating to a tax increase, "new tax", or spending increase could hamper the ability of the Legislature to enact important priorities and address the needs of Maine State citizens.

The proposed amendment would also complicate efforts to adjust, correct, and modernize or otherwise reform state taxes, as these efforts may often involve a mixture of tax increases, or a new tax, even when those increases are limited or part of an overall tax cut package. In addition to the concerns regarding taxation, the proposed restrictions on spending could complicate the Legislature's and Administration's ability to implement important spending priorities. Notably, under this proposal, the Legislature would have to adjourn without a complete picture of the state's future revenue. For these reasons and more, this measure is neither warranted nor prudent.

Addressing state taxes and state spending is a central component of the Legislature's work. Ultimately, passing this Resolution would reduce legislative

flexibility and potentially risk harm to Maine's bond rating with little evidence that it would result in a tax reduction or spending reduction.

Turning to technical concerns, the requirement for voter approval should expressly refer by citation to the specific Maine Constitution citizen referendum provisions, unless another process is intended.

From a legal standpoint, it is important to note that if this proposal was enacted, the distinction between taxation and fees would take on greater importance. This distinction, and at times uncertainty regarding the distinction, has been a cause of controversies in other states with restrictive taxation requirements.

The fiscal cost estimate is not available at this time.

The administrative cost estimate is not available at this time.

The Administration looks forward to working with the Committee on the bill; representatives from Maine Revenue Services will be here for the Work Session to provide additional information and respond in detail to the Committee's questions.