



Testimony in Opposition to LD 2212: The 2026 Supplemental Budget
“An Act Making Supplemental Appropriations and Allocations from the General Fund and Other Funds for the Expenditures of State Government and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2026 and June 30, 2027”

Senator Rotundo, Representative Gattine, and distinguished members of the Committee on Appropriations and Financial Affairs, 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 provide testimony in opposition to the Governor’s supplemental budget proposal.

This supplemental budget is not a minor adjustment to unforeseen circumstances. It represents a fundamental shift away from the Governor's proclaimed belief in fiscal restraint and toward expanded spending, expanded executive authority, and a more complex and distortionary tax code—at a time when Maine’s revenue outlook remains strong.

Raiding the Rainy Day Fund for Political Spending

The proposal draws heavily from the Budget Stabilization Fund to finance \$300 rebate checks. The stabilization fund exists to protect Maine during downturns or revenue collapses—not to distribute broad cash payments during a period of revenue growth.

There is no recession. There is no fiscal emergency. Using one-time reserves for election-year checks weakens Maine’s long-term fiscal position and erodes the credibility of the stabilization fund itself. If budget stabilization funds are to be used when the budget is already stable, the fund loses all meaning.

Expanding Emergency Powers Without Guardrails

This supplemental budget significantly expands unilateral executive spending authority.

Emergency distributions to food banks increase from \$400,000 to \$4 million—a tenfold jump. Additional emergency heating assistance funding is also authorized after only ten days of a declared emergency. These expenditures can occur without prior legislative approval.



This effectively creates a quasi-appropriation power triggered by minimal conditions, without meaningful guardrails and without a contemporaneous vote of the Legislature. Emergency powers were designed for short-term crisis response—not as an alternative appropriations process.

The Legislature’s constitutional power of the purse should not be diluted through broad standing emergency authorities.

Spending Growth Despite Declining Enrollment

The budget increases education spending yet again. Maine’s K–12 enrollment has declined over the past decade, yet per-pupil expenditures continue to rise dramatically.¹ When student counts fall but spending increases, costs per student escalate—often without corresponding improvement in outcomes.

Instead of structural reform to address administrative overhead, district consolidation barriers, or low cost and high flexibility education reforms, this budget locks in higher baseline spending. If enrollment is declining, lawmakers should ask why total expenditures are not declining proportionally.

More Health Spending While Raising Hospital Taxes

The proposal moves the hospital tax base year forward—effectively increasing hospital tax liabilities. This occurs while Maine’s healthcare system faces strain, workforce shortages, rural hospital instability, and ambulance delays.

Raising provider taxes in a fragile system does not make healthcare more affordable. It increases operating costs that will ultimately be passed on to patients, employers, and insurers. At a time of excess revenue, it is difficult to justify increasing hospital tax burdens.

\$67 Million for Housing, Without Structural Reform

The supplemental budget allocates over \$67 million to housing programs:

- \$37.5 million for rural affordable rental housing
- \$10 million for a one-time middle-income housing pilot
- \$7.5 million for mobile home construction

¹ <https://www.maine.gov/doe/data-warehouse/reporting/enrollment>



- \$12 million for homelessness initiatives

These are demand-side subsidies and targeted spending programs—not supply-side reform. Maine’s housing crisis is driven largely by land-use restrictions, zoning barriers, permitting delays, and regulatory constraints that restrict supply.

Increasing subsidies while leaving those structural barriers intact predictably raises prices. Subsidizing demand without deregulating supply will not fix Maine’s housing shortage. It will worsen it.

Homestead Exemption Expansion and Tax Shifting

The expansion and consolidation of homestead exemptions may provide relief to certain property owners—but they shift tax burdens onto non-exempt property owners.

When exemptions expand without structural spending restraint, municipalities must recover revenue elsewhere. That typically means higher effective tax burdens on renters, second-home owners, small businesses, and non-exempt households.

This is not broad-based tax relief. It is tax redistribution.

A More Complex, Not Simpler, Tax Code

Rather than providing structural rate relief, this budget makes narrow and complicated changes:

- Phased conformity with federal IRC 174A R&D deductions over multiple years
- Continued decoupling from federal accelerated depreciation rules
- Repeal of the employer family and medical leave tax credit
- Expanded refundable credits with aggressive income phase-outs

The R&D conformity phase-in—100%, then 70%, 50%, 30%, 10%—creates compliance burdens and multi-year tracking complexity. At the same time, Maine decouples from federal accelerated depreciation, forcing businesses to maintain separate accounting treatments.

This increases compliance costs and discourages capital investment. If conformity is good policy, it should be adopted fully. If it is not, it should not be partially adopted. Phased distortion is still distortion.



Repeal of the Employer Family and Medical Leave Tax Credit

The supplemental budget repeals the employer income tax credit for providing family and medical leave benefits. While distinct from the state's Paid Family and Medical Leave (PFML) payroll contribution program, the repeal nonetheless removes an incentive that offset some of the costs employers face when offering leave benefits voluntarily.

This change comes as Maine continues implementation of its Paid Family and Medical Leave program, which imposes new payroll contribution requirements on employers and employees. Even though the tax credit and the PFML payroll contribution are separate mechanisms, the practical effect is cumulative: employers face rising leave-related compliance and contribution costs while losing an income tax credit that previously mitigated some benefit expenses.

Layering the repeal of a leave-related tax credit on top of a new statewide payroll program increases the effective cost of employment. During a period of workforce shortages and economic uncertainty, lawmakers should be reducing payroll burdens, not compounding them.

Narrow Changes Instead of Broad Relief

Despite strong revenue collections:

- There is no rollback of recent tax increases.
- Maine does not fully conform immediately to federal tax changes.
- Maine did not enroll in the new federal education scholarship tax credit framework.
- There is no meaningful rate reduction.

Instead of broad-based relief that improves Maine's competitive position, the budget relies on narrow credits, temporary rebates, and targeted carve-outs.

Why Expand Spending During Revenue Strength?

The central question underlying this supplemental budget is simple: If Maine is experiencing revenue strength, why is the response to expand spending and entrench new commitments?



Why are we:

- Growing education expenditures amid declining enrollment?
- Increasing hospital tax burdens amid healthcare instability?
- Expanding emergency executive authority without legislative votes?
- Spending tens of millions on housing subsidies instead of deregulating supply?
- Making the tax code more complex instead of simpler?

The responsible path during strong fiscal years is restraint—not expansion.

Conclusion

This supplemental budget:

- Raids almost a third of the rainy day fund for politically attractive payments.
- Expands executive spending authority with minimal oversight.
- Increases education and health spending without structural reform.
- Allocates \$67 million to housing subsidies while leaving supply barriers intact.
- Complicates the tax code rather than simplifying it.
- Fails to undo recent tax increases.
- Raises effective employment costs during workforce shortages.

Maine's fiscal outlook remains stable today. Budgets like this make it less stable tomorrow. Maine Policy Institute urges this committee to reject the supplemental proposal in its current form and instead pursue a fiscally restrained approach that prioritizes structural reform, regulatory relief, and broad-based tax reduction.

Thank you for your time and consideration. We look forward to working with the committee to craft a more responsible path forward for Maine taxpayers and businesses.