

**Testimony neither for nor against LD 2214, “An Act to Make Supplemental Appropriations and Allocations from the General Fund and Other Funds for the Expenditures of State Government and to Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2024 and June 30, 2025  
Josie Phillips, Policy Fellow  
February 20th, 2024**

Good afternoon, chairpersons Rotundo and Sachs, and all members of the Appropriations and Financial Affairs Committee. My name is Josie Phillips, and I am representing Maine Center for Economic Policy testifying neither for nor against LD 2214. While the sections being considered today improve the ability of the budget to meet the needs of Maine communities by amending the statutory spending cap, they also withhold critical resources that are necessary to meet those needs.

The proposal to store away \$107 million for future use is overly cautious, given Maine’s current fiscal situation. The state has been experiencing higher revenue than expected, and general fund revenue is projected to grow by \$123 million per year on average between fiscal years 2024 and 2027, with the rate of growth accelerating over time.<sup>1</sup> The economy has remained strong in the years following the COVID-19 pandemic, and the recession economists feared has failed to materialize. We are on solid footing, and now is the time to make bold investments in the long-term wellbeing of Maine people.

Even in the event of economic headwinds or uncertainty, Maine’s budget is resilient. Maine’s Budget Stabilization Fund is already at its statutory maximum of nearly one billion dollars. If more revenue is required to meet the needs of Mainers, legislators have revenue-raising options available including bonding for transportation costs rather than funding them through the general fund, which would more equitably spread infrastructure costs over the long term (and would have made available over \$100 million in Fiscal Year 2024 alone).

If your electricity is at risk of being shut off, you’re unable to make your housing payments, or you can’t afford the health care you need — realities for many Mainers — you wouldn’t prioritize opening a new savings account over meeting your immediate needs. Similarly, the Legislature should prioritize meeting your constituents’ needs over reserving funds on top of the already full rainy day fund.

An aspect of the proposed budget that will assist in meeting those needs is the decision to amend the statutory spending cap. By rebasing the spending cap to December of last year, this proposal will give you the flexibility to appropriate the higher than expected revenues in a way that bolsters Maine communities and makes the state more resilient. In the absence of adjusting the spending cap, you would have just over \$30 million to appropriate in the biennium before hitting this artificial limit. This would leave few resources to meet the many challenges facing Mainers, such as the affordable housing crisis, the direct care shortage, the state employee pay gap, or the education staff shortage.

All of these challenges direly need addressing, and in addressing them, you will help Mainers be more resilient in the face of future economic headwinds or their own personal rainy days. By amending the spending cap to align with current revenues, and rejecting the proposal to transfer

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\$107 million to a special reserve fund, you can maximize the ability of Maine's state government to provide for the wellbeing of all Mainers.

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<sup>1</sup> Report of the Maine State Revenue Forecasting Committee. December, 2023.  
<https://legislature.maine.gov/doc/10486>