



Dylan Pugh

37 Fall Brook St,
Portland, ME 04103

Phone: (207) 200-7791

Dylan.Pugh@legislature.maine.gov

HOUSE OF REPRESENTATIVES

2 STATE HOUSE STATION

AUGUSTA, MAINE 04333-0002

(207) 287-1400

TTY: MAINE RELAY 711

May 22, 2025

Testimony of Rep. Dylan Pugh presenting

LD 1943, Resolve, to Establish a Commission to Study the Role of Private Equity in Maine's Economy and in Key Economic Sectors

Before the Joint Standing Committee on Housing and Economic Development

Senator Curry, Representative Gere and esteemed colleagues of the Joint Standing Committee on Housing and Economic Development, I am Dylan Pugh, and I represent House District 114, which includes part of Portland. I am pleased to present **LD 1943, Resolve, to Establish a Commission to Study the Role of Private Equity in Maine's Economy and in Key Economic Sectors**.

In simple terms, private equity is a type of investment where a group of investors pools their money together to buy a private company or real estate property.¹ This differs significantly from public investment, and importantly, is often a much more opaque process. The private equity industry is expanding rapidly, and it is especially adept at operating in vulnerable markets, and environments without proper regulation.² This presents a potentially dangerous situation for us in Maine, as our healthcare and housing systems faces serious challenges. Unlike publicly traded companies, private investment is held to few reporting requirements. The limited disclosure, complex structures and fees, and opacity of private equity investments demand scrutiny and vigilance.

In order to make good policy, we need to have a better understanding of the role of private equity in our state and its effects. Maine's business sectors and government will need to be prepared to assess private equity activities and practices, some of which have been said to have no legitimate business purpose. A study will prepare our state to create policy addressing the intersecting and unique concerns among economic sectors. We should be able to assess the costs to our State, and our communities. We should also be able to assess whether private equity contributes to the common good, and determine the limit of privatization when it concerns essentials for Mainers.

Despite some positive results, private equity is often an extractive model with a poor track record – the pursuit of profits over short periods of time, coupled with a reliance on high levels of debt makes strengthening businesses they invest in less likely. Private equity firms are also likely to be less concerned if they degrade the value of Maine businesses for both employees and

¹ https://pestakeholder.org/wp-content/uploads/2024/04/UPDATED-Private-Equity-FAQ-handout_March-2024.pdf

² <https://www.cnn.com/2024/04/17/investing/premarket-stocks-trading>

customers. For example, in 2024, 11% of private equity transactions end in bankruptcy.³ Private equity is behind 65% of billion-dollar bankruptcies in 2024.⁴

It's important to note that this is already happening in our backyard. We have multiple examples of Maine-based companies selling their companies or portions of their companies to private equity firms, including Clarion View Partners in Portland, who sold 50% of their company to Growth Orthopedics Services Parent LLC, a Florida-based management organization. We've also seen examples affecting veterinarian clinics, retail stores, energy companies, and of course, single-family homes.

There are risk assessments for how vulnerable each state is to losses from private equity failures. Maine's overall risk assessment was 39/100.⁵ While this seems like a relatively low risk, our healthcare sector was assessed at a 45/100, and our public pension system was flagged as very high risk as a result of its investment in private equity, with a score of 86/100.⁶

My hope is that this study will help us formulate a cohesive strategy for managing private equity and its impact in the state; there are so many unknowns regarding private equity, and given its breadth across nearly every business sector, we need to have a better grasp on how it's operating within Maine's sectors.

Maine is not alone in facing this concern; there are a multitude of other states (CA, CT, IL, IN, MA, NM, NY, OR, SC, TX, VT and WA) who have taken steps to learn the impact private equity has at all levels in their state.

I urge you to please vote "Ought to Pass" on LD 1943 and give Maine a chance to evaluate the real impact of private equity in our state. Thank you, and I am happy to answer any questions.

³ <https://pestakeholder.org/reports/private-equity-bankruptcy-tracker/>

⁴ <https://pestakeholder.org/news/private-equity-behind-65-of-billion-dollar-bankruptcies-in-2024/>

⁵ <https://privateequityrisk.org/state/maine/>

⁶ <https://privateequityrisk.org/state/maine/>