

# Lisa Leaverton

## Testimony in Support of LD 1943

Good day, Committee Chairs: Senator Curry, Representative Gere, and Members of the Housing and Economic Development Committee: I offer the following testimony in support of LD 1943: A Resolve, to Establish a Commission to Study the Role of Private Equity in Maine's Economy and Key Economic Sectors, a bill I initiated..This bill is born of concern over PE's growing influence across key sectors—healthcare, housing, labor, and more. Despite its outsized influence on our communities—rising costs, reduced services, and labor shifts—its operations remain largely invisible due to limited transparency. Mainers, who lack comprehension of opaque financial activities undertaken in private, with hordes of financial engineers, quantitative analysts, attorneys, and lobbyists working at the behest of the wealthy finance sector, nevertheless, are asking “Why are hospitals closing? Why can’t we find affordable homes to buy or rent? Why is the nursing home understaffed? Why are more and more jobs turned into gigs? The costs doubled at my veterinary clinic?” “Why did the fabric store go out of business?” Private equity is often controlled by entities outside Maine that have no long term commitment to <sup>the</sup> Maine communities or long-term interest in our businesses’ economic success. A commission can help identify lack of data or lack of response to wrongdoing, ~~for example, understaffing,~~ prevent private equity’s engagement in abusive tactics, ~~for example dividend recapitalization,~~ and reduce systemic risks that the industry poses to Maine’s broader economy, ~~for example~~ bankruptcy. (Ballou)

My interest in this issue was sparked by the 2010 bailout Two years ago when I formed a collective to investigate finance sector impacts on communities. PE IS a class of investments that also includes venture capital, hedge funds, and others with instruments engineered to meet different needs. LBOs tend to characterize private equity ~~and make this a~~ formula used in monetary contracts for buying companies.

My concern with Private equity, which potentially provides capital and expertise, is that it can operate as an extractive force. Owing to its reliance on debt, aggressive instruments, and quick exits, PE leaves communities vulnerable, especially in healthcare, housing, and essential services; preferential tax rules and weak enforcement, allows massive profits by private equity while passing costs to patients, states, and taxpayers. I want Maine to be prepared to intervene when private sector investments detract from much-needed public sector investments and to manage the increasingly privatized sectors. This means anticipating vulnerabilities that attract PE investment, examining PE’s intersections between corporate structures, tax law and policy in Maine.

PE's impacts on Healthcare are documented (NIH), its involvement often leads to higher costs, staff reductions, and decreased care quality. The case of Spectrum Orthopaedics in Portland, sold in part to a Florida-based firm, illustrates how complex corporate structures mask PE's presence. (HMFA) An NIH study highlights transparency issues in PE-owned orthopedic practices, showing increased surgeries and inflated prices.

As you probably are aware, Massachusetts recently passed legislation upon the collapse of Steward Health, demonstrating a proactive model for oversight. (CHIRBLOG) Rhode Island's Hospital Conversions Act is another example, granting the state authority to evaluate mergers for public interest alignment. (Health.ir.gov) These could serve as templates for Maine.

With even less oversight, PE's footprint in housing/real estate is untenable for workers like me. In 2023, 24% of single-family homes in Maine were owned by investors with multiple properties. (BDN) In 2024, 5.5% of homes sold went to PE firms, masquerading as single-family home sales, with an average ROI of 30.9%. (Cotality) The use of LLCs and non-transparent ownership structures hampers oversight. As you know already, housing is a huge issue, exacerbated by investors— you are aware of the rising prices, shrinking availability—which might be resolved with some guidelines for corporate investors, including private equity firms.

As Rep. Pugh pointed out, along with examples from Maine's sectors PE's impact on labor also needs attention. Though PE firms claim to support jobs, studies show they often cut them. A 2019 Harvard study found PE takeovers resulted in 4.4% more job losses than control firms, and an uptick in gig employment. (SSRN.org )

Despite these challenges, Maine has taken some positive steps, such as mobile home residents' right of first refusal. LD 1943 offers an opportunity for Maine to evaluate PE's impact holistically, rather than through fragmented sector-specific reforms. There is no surfeit of guidelines- e.g., author Brendan Ballou's detailed guidelines, and those outlined by the SEC.

Private equity is not inherently bad—but without oversight, its downsides can erode public well-being. A commission to study its role would be a modest investment for potentially transformative policy outcomes, with less piecemeal solutions, across Maine's sectors.

---

## Links

1. <https://pmc.ncbi.nlm.nih.gov/articles/PMC11745941/>
2. <https://www.hfma.org/cost-effectiveness-of-health/david-johnson-the-collis-dilemma-caught-between-the-pe-rock-and-the-venture-capital-hard-place/>
3. <https://pestakeholder.org/issues/healthcare/>

4. <https://www.sec.gov/newsroom/speeches-statements/lee-sec-speaks-2021-10-12>
5. <https://chirblog.org/state-spotlight-new-massachusetts-law-enhances-over-sight-of-private-equity-in-health-care/>
6. <https://health.ri.gov/hospitals/hospital-conversions-mergers-program>
7. <https://stateline.org/2024/01/18/shell-game-when-private-equity-comes-to-town-hospitals-can-see-cutbacks-closures/>
8. <https://pestakeholder.org/news/pesp-applauds-state-level-actions-to-roll-back-private-equity-investments-in-housing/>
9. <https://www.youtube.com/watch?v=HZvnc47r2So>
10. <https://www.bangordailynews.com/2023/10/09/news/investors-snapping-up-maine-single-family-homes-joam40zk0w/>
11. <https://www.cotality.com/insights/articles/mom-and-pop-investors-shape-housing-market>
12. [https://www.maine.gov/pfr/securities/staff\\_directory.htm](https://www.maine.gov/pfr/securities/staff_directory.htm)
13. <https://pestakeholder.org/news/largest-private-equity-owned-employer-concentrated-in-low-wage-industries/>
14. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3465723](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3465723)
15. <https://pestakeholder.org/private-equity-risks/effects-of-private-equity-investments/>
16. <https://www.pressherald.com/2025/03/23/maine-mobile-home-owners-are-marching-back-against-private-investors/>