Testimony in Opposition to LD 209:
"The Supplemental Budget"

Senator Rotundo, Representative Gattine, and the 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, non-profit organization that advocates for individual liberty and economic freedom in Maine. Thank you for the opportunity to testify in opposition to LD 209, the Supplemental Budget for FY 2025.

While this budget contains various proposals to address statewide challenges, we have significant concerns about its fiscal responsibility, sustainability, and potential impact on Maine's rural communities and economic competitiveness. Below, we outline our key positions on specific provisions in the proposed supplemental budget.

Opposition to Renewable Energy Credits Expansion (Part D)

The proposed expansion of renewable energy credits represents a concerning shift toward policies that artificially distort energy markets. These credits impose hidden costs on consumers, increasing electricity rates while benefiting only a select few. Maine residents and businesses already face some of the highest energy costs in the nation.[1]

Subsidizing renewable energy already costs New Englanders dearly on utility bills and reliability, and recent reports show these costs outweigh the Biden administration's "social costs of carbon" reduction estimates.[2] Rather than pursuing ineffective and unsustainable renewable energy credit programs that pick winners and losers in the energy market, we urge the Legislature to focus on policies that promote affordable, reliable energy through free-market innovation.

Opposition to Paid Family and Medical Leave Premiums for University of Maine Employees (Part E)

Using General Fund and Highway Fund dollars to subsidize the University of Maine System employees' family and medical leave premiums confirms warnings of many of the opponents of the now-passed statewide paid and family medical leave program.

This need for one-time funding for the University of Maine System is likely because they need to pay a 1% payroll tax for their non-collective bargaining employees. Unintended consequences

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[1] https://www.electricchoice.com/electricity-prices-by-state/

[2] https://mainepolicy.org/news/release-the-staggering-costs-of-new-englands-green-energy-policies/#:~:text=The%20report%20shows%20that%20on,make%20New%20England%20more%20unaffordable.

like this will keep arising, and Maine will need to continue making significant unexpected contributions to the program due to the volatile nature of the statewide PFML program. Avoiding these inevitable costs would be the best thing for Maine, and the most effective way to do that is to repeal the PFML program entirely.

Investment in Licensing and Inspection Database (Part H)

While streamlining licensing and inspection processes is an important goal, blindly allocating $1.5 million to a new database raises questions about cost-effectiveness and measurable outcomes. Any investments in such projects would be better spent reducing licensing fees and frameworks instead of spending tax dollars updating licensing databases. Otherwise, this becomes taking money from Mainers so the state can better restrict and regulate their employment.

Concern Over Removal of Rural Pharmacy Access Funding (Part K)

The removal of $4 million allocated initially for rural pharmacy access is deeply concerning, particularly when considered alongside the Governor's proposal to tax pharmacies in the upcoming biennial budget. Rural and underserved communities in Maine already face significant barriers to accessing affordable prescription drugs.[3] Taxing pharmacies will only exacerbate these challenges, driving up costs and reducing availability in areas that rely on these critical services. Lawmakers should restore funding to support rural pharmacy access and avoid policies that increase costs for vulnerable Mainers.

Opposition to Continued Taxation of Hospitals (Part L)

Maine's continued taxation of hospitals is a policy that makes it harder for healthcare providers to offer affordable, reliable care—especially in rural areas where hospitals struggle to stay afloat. Clarifying and expanding hospital taxation policies in Part L compound these challenges. Instead of raising taxes on healthcare providers, the state should prioritize reforms that reduce costs and expand access, particularly for rural Mainers who rely on critical access and community hospitals.

Opposition to Using General Funds for the Child Care Affordability Program (Part N)

While addressing childcare affordability is essential, allocating General Fund dollars to this program is an unwise use of taxpayer resources. Much of the high cost of childcare in Maine stems from excessive licensing fees and heavy-handed regulations that drive up operating

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[3] https://www.newscentermaine.com/article/news/health/towns-in-rural-maine-struggle-with-a-lack-of-pharmacies-health-care/97-e5d1ec75-fa0a-427f-98bd-a594386f8386

expenses for providers–costs that are eventually passed onto parents as childcare consumers. Without addressing these underlying causes, funneling more money into the system will only perpetuate inefficiencies. The Legislature should focus on regulatory reform to lower costs for providers and families rather than expanding taxpayer-funded subsidies.

Opposition to Suspending the Appropriation Limit (Part R)

Part R's proposal to suspend the appropriation limit is fiscally irresponsible and sets a dangerous precedent for government spending. Limits on appropriations exist to protect taxpayers from excessive and unsustainable budget growth. Suspending these limits undermines accountability and jeopardizes Maine's long-term fiscal stability. In times of economic uncertainty, maintaining prudent fiscal controls is more important than ever.

Support for Limiting Housing Assistance (Part S)

We support the provision in Part S that limits housing assistance to a maximum of three months within a 12-month period for those not covered by temporary housing or emergency shelters. These reforms are a logical step toward reducing reliance on public assistance and encouraging individuals to seek other housing solutions. Public assistance programs should be structured to help individuals transition to self-sufficiency rather than fostering long-term dependency.

Opposition to increased MaineCare spending

The supplemental budget also dedicates approximately $118 million to MaineCare due to a shortfall that was somehow unexpected to the Mills administration. While the current administration may be surprised by this shortfall, Maine Policy Institute is not. We predicted a similar shortfall in 2019, as many states have seen enrollment in their Medicaid programs exceed expectations post-expansion.[4]

This will not be a one-time increase in MaineCare costs, and this fiscal year's shortfall is simply a warning of what is to come. Maine should reverse course while it still can, as the costs of MaineCare will only increase in the future. This is especially true as a new federal administration enters that seems to be heavily considering reducing the federal percentage coverage of Medicaid.[5]

When Maine first considered expanding MaineCare, it was estimated that 70,000 Mainers would be eligible for coverage under expansion. According to the Maine DHHS dashboard, which was last updated in October of 2023, there are more than 106,500 enrolled in expansion. This

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[4] https://mainepolicy.org/maines-predictable-mainecare-funding-shortfall/
[5] https://www.kff.org/quick-take/what-trumps-2024-victory-means-for-medicaid/

program continues to disincentivize work, and given ballooning enrollment, it's no wonder why the state is experiencing significant cost overruns.

Conclusion and Recommendations

The 2025 Supplemental Budget includes provisions that raise significant concerns regarding fiscal responsibility and the burden on Maine taxpayers and rural communities. To ensure a sustainable and fair budget, we recommend the following actions:

1. Reject Parts D and E to prevent unnecessary expansion of renewable energy credits and taxpayer-funded family and medical leave premiums.
2. Avoid forcing new taxes on pharmacies.
3. Oppose Parts L and N, which exacerbate costs for healthcare providers and childcare operators, and instead pursue targeted regulatory reforms.
4. Maintain state appropriation limits (Part R) to protect taxpayers from runaway spending.
5. Support Part S's reforms to housing assistance programs as a step toward reducing dependency on public assistance.
6. Remove the $118 million in funding for MaineCare expansion and stop providing expanded MaineCare coverage to childless, able-bodied adults. State participation in this program is optional and should be rescinded before Maine returns to the days of out-of-control program costs and issuing IOUs to hospitals.

Maine's fiscal challenges require thoughtful, targeted solutions—not broad, unsustainable increases in spending and taxation. Maine Policy Institute stands ready to assist lawmakers in developing policies that empower Mainers, protect taxpayers, and foster economic opportunity for all. Thank you for your time and consideration.