Testimony in Support of LDs 406 & 539:
"An Act to Repeal the Laws Providing for Paid Family and Medical Leave and to Reimburse Taxpayers" & "An Act to Repeal the Paid Family and Medical Leave Benefits Program"

Senator Tipping, Representative Roeder, and the distinguished members of the Committee on Labor, 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 submit testimony in support of LD 406, "An Act to Repeal the Laws Providing for Paid Family and Medical Leave and to Reimburse Taxpayers," and LD 539, "An Act to Repeal the Paid Family and Medical Leave Benefits Program."

This bill is not only necessary—it is urgent. Beginning January 1, 2025, Maine employers and employees alike began paying into a government-mandated Paid Family and Medical Leave (PFML) scheme that was hastily enacted last year. This new payroll tax represents another financial burden on Maine's workers and job creators, imposed during high inflation, labor shortages, and economic uncertainty.

A New Tax on Work

The PFML program is funded by a new payroll tax of up to 1%, split between employers and employees—or, in the case of small businesses with fewer than 15 workers, wholly borne by employees. While 1% may sound small in theory, it is a $233.5 million tax hike on Mainers' wages in practice.[1] This will take hundreds of millions of dollars out of the pockets of working families each year, even if they never use the benefit. In a state with the thirteenth highest cost of living in the country,[2] with a median salary two thousand dollars less than every higher-cost state,[3] a $500 tax on the state's median income is a massive blow.

An Administrative Boondoggle

Beyond the financial burden, the implementation of the PFML program is a bureaucratic nightmare in the making. The program is expected to require significant state resources and create a new layer of government to oversee its administration.

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[1] Two years of inflation applied to $218.4 million in 2023 dollars. https://www.dol.gov/sites/dolgov/files/WB/paid-leave/Simulation-Model-Estimates-Maine-June.pdf

[2] https://worldpopulationreview.com/state-rankings/cost-of-living-index-by-state

[3] Also of note is the fact that while Rhode Island, Connecticut, and Massachusetts all have substantially higher costs of living, their median incomes are three, nine, and thirteen thousand dollars, respectively, higher than Maine's median salary of $47,590 https://www.cnbc.com/2024/04/14/median-annual-income-in-every-us-state.html

Maine's Department of Labor is already strained in its capacity. Handing it the reins to a new, complex entitlement system will almost certainly result in delays, mismanagement, and confusion—mirroring the troubled rollout of similar programs in other states.

Lessons from Elsewhere

States like Washington[4] and Massachusetts,[5] which implemented similar PFML programs, saw rapidly escalating costs, long delays in benefit disbursement, and frequent budget shortfalls. In Massachusetts' program, costs ballooned to over $1 billion. These are not speculative outcomes—they are real warnings. Such government mandates are expensive, inefficient, and ultimately harmful to the workers they claim to help.

These Bills Offer a Sensible Exit Ramp

LD 406 and 539 are responsible for corrections to a flawed policy. It halts contributions to the Fund before they become entrenched and costly, and rightly reimburses Maine workers and employers for funds already extracted from their paychecks. In doing so, it restores fairness and prevents future economic damage.

Maine Policy Institute strongly supports LDs 406 and 539 and urges this committee to advance the bills immediately. Thank you for your time and consideration.

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[4] "In two of its first four years, the PFML program had negative net income. This means that expenses (benefits and administrative costs) exceeded revenue (premiums and investment income)." https://leg.wa.gov/jlarc/reports/2024/PFML/p_11/default.html

[5] "In FY 2024, the Department approved 179,564 applications for PFML. This is a 25.26% increase in approved applications over FY 2023. https://worklaw.com/blog/massachusetts-department-of-family-and-medical-leave-issues-important-pfml-updates