

**TESTIMONY OF
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DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on State and Local Government
Hearing Date: *April 28, 2025*

LD 1553 – *“RESOLUTION, Proposing an Amendment to the Constitution of
Maine to Require a Supermajority of the Legislature to Approve Raising Taxes”*

Senator Baldacci, Representative Salisbury, and members of the Committee on State and Local Government – my name is Kirsten Figueroa, Commissioner of the Department of Administrative and Financial Services. I am submitting this testimony Against LD 1553, *“RESOLUTION, Proposing an Amendment to the Constitution of Maine to Require a Supermajority of the Legislature to Approve Raising Taxes.”*

This bill proposes the adoption of a Constitutional Amendment which, if passed by the people of Maine through a referendum, would prohibit tax rate increases or imposition of “a new tax” unless either a 2/3’s vote is reached in each House, or the change is approved by the “consent of the people by exercise of their right of direct initiative”.

The Administration opposes this bill because a threshold 2/3 vote of this nature would restrict the Legislature’s ability to respond quickly and flexibly to revenue shortfalls, potentially jeopardizing the State’s ability to meet debt obligations. In addition to the direct impact on the State, bond rating agencies consider carefully a state’s capacity to meet its debt obligations. Bond rating agencies have responded negatively to similar constitutional provisions in other States that hamper the ability of a State to quickly respond to a budget crisis.

As such, a Constitutional Amendment like this could negatively impact Maine's bond rating, potentially raising Maine's borrowing costs and overall debt burden.

Additionally, the establishment of a 2/3 threshold on any legislation relating to a tax increase or "new tax" could hamper the ability of the Legislature to enact important priorities and address the needs of Maine citizens. The proposed amendment could also complicate efforts to adjust, correct, and modernize or otherwise reform state taxes, as these efforts may often involve a mixture of tax increases, or a new tax, even when those increases are limited or part of an overall tax cut package.

Finally, it is also important to note that if this proposal was enacted, the distinction between taxation and fees would take on greater importance. This distinction, and at times uncertainty regarding the distinction, has been a cause of controversies in other states with supermajority taxation requirements.

Addressing state taxes is an important and standard part of the work of the Legislature. A measure such as proposed by LD 1553 is neither warranted nor prudent. In sum, passing a requirement of this nature would reduce legislative flexibility and potentially risk harm to Maine's bond rating with little evidence that it would result in a tax reduction.

The Administration looks forward to working with the Committee on the bill; representatives from Maine Revenue Services will be available for the Work Session to provide additional information and respond in detail to the Committee's questions.