**To:** All Concerned

**From:** Marianne Hill, Ph.D., Economist

Updated and revised

**I Support LD 1089 - An Act to Permanently Fund 55 Percent of the State's Share of Education by Establishing a Tax on Incomes of more than $1,000,000**

I support LD 1047 and urge an “ought to pass” report on LD 1089.

Maine can expect a revenue shortfall in FY25-26. Already urgent needs of Maine’s families are not being met in health care, housing, child care, clean energy and more. The state must find more funding sources if it wishes to prevent increased hunger, reduced access to health care and housing and other declines in will-being. The FY26 budget is based on a revenue forecast last updated in December 2024. Since then, DOGE has slashed contracts, grants and jobs across government agencies, including plans to cut 50% of jobs in the Department of Education. Despite the climate crisis, funding for EPA programs aimed at promoting clean energy are at risk - Maine has already lost $15 million in grants aimed at funding clean energy equipment and energy efficiency. Double-digit tariffs have been imposed on major trading partners. In addition, the proposed federal budget for FY25-26 includes more tax cuts benefiting the wealthy, as well as sizable new reductions in funding for Medicaid, housing assistance and more. Many of these actual and anticipated cuts became apparent only after the December state revenue forecast, which was based on a positive growth rate of employment and income for each year from 2025 to 2027.

Analysts agree that low-income families and rural hospitals will be hit especially hard under the proposed FY26 federal budget. Cuts to Maine’s Supplemental Nutritional Assistance Program, special education programs and unemployment benefits are likely. Free school lunch and the related family summer grocery benefits for qualifying families are expected to drop from 75 participating schools to 31. The 12.4% of Maine’s children living in poverty will be especially hurt. Demands for food assistance, then, will rise. Hospitals will lose critical funding support, with rural hospitals suffering disproportionately. The number of persons applying for unemployment benefits will undoubtedly rise as federal jobs are cut and the negative multiplier effects from higher prices and the reduced inflow of federal funds.

And these negatives are on top of on-going problems: already there is widespread acknowledgement that Maine faces a housing crisis - reflected in the numbers of homeless - and a child care crisis.

In short, demand for state assistance will grow. The need for additional funds is clear, and LD 1089 offers a partial solution. This surtax, in addition, is a step towards a tax structure that is fairer and more equitable.

We urge you to support LD 1089 and report “ought to pass”. Thank you for your consideration.

Sincerely,

Marianne Hill, Ph.D.

Economist

**More relevant data:**

Maine Gross Domestic Product: $99 billion (2024)

Inflow of federal funds: $21 billion (2024)

Federal funds to state budget: $4.8 billion (FY24)

General funds to state budget: $5.1 billion (FY24)

Net balance: federal funds per capita minus payments to federal government: + $7,555 (2022)

**SOURCES:**

1 - https://themainemonitor.org/federal-education-funding-at-risk/ Maine received $283 million in FY24 for Dept of Education. Staff at the US Department of Education are slated to be reduced by 50%, and program cuts are expected to mean a drop in the number of schools in Maine offering free school lunch from 75 to only 31. Those receiving health care under MaineCare will shrink along with the national budget for Medicaid. (added later): shows federal funds by agency in Maine in chart. Also,

<https://www.pressherald.com/2025/03/13/maine-loses-15m-for-energy-efficiency-heat-pump-loans/> Maine has lost $15 million in EPA grants to support energy efficiency and clean energy equipment.

2 - <https://legislature.maine.gov/doc/11282> Revenue Forecasting Report

3 - <https://www.usaspending.gov/state/maine/2024?section=top-five> Federal funds by state.

4 - https://legislature.maine.gov/doc/11045 state budget summary pp. 8-9

5 - <https://www.bea.gov/news/2024/gross-domestic-product-state-and-personal-income-state-3rd-quarter-2024> gross domestic product Also <https://apps.bea.gov/itable/?>

6 - <https://www.cbpp.org/sites/default/files/atoms/files/snap_factsheet_maine.pdf> 12% of state population eligible for SNAP. Info on proposed federal budget for FY26 at:

https://www.cbpp.org/research/state-budget-and-tax/president-trump-congressional-republican-proposals-would-shift-large

7 - <https://mainepolicy.org/maines-predictable-mainecare-funding-shortfall/> MaineCare shortfall

<https://www.mainepublic.org/politics/2025-01-17/janet-mills-plan-to-fill-maines-first-budget-hole-in-over-a-decade> $450 million shortfall January 17, 2025 calls for additional taxes

8 - <https://datacenter.aecf.org/data/tables/1562-children-in-poverty#detailed/2/any/false/2545,1095,2048,574,1729,37,871,870,573,869/any/11725,3331> 12.6% of Maine children live in poverty 2023

9 - https://rockinst.org/issue-areas/fiscal-analysis/balance-of-payments-portal/ net $7,700 federal received per capita, with $11,152 direct payments and $5,800 paid in federal income tax, among other payments. Return on the dollar: 1.68.

10 - [8 things to know about federal funding in Maine - MECEP](https://www.mecep.org/blog/8-things-to-know-about-federal-funding-in-maine/)

About 12,000 persons in Maine work for the federal government (the Navy, the VA, Social Security, Transportation…) plus 3,000 postal workers. These jobs are already being cut.

Individuals receive $8.9 billion from the federal government, largely social security. About $5.9 billion goes to the state government and another $4.9 billion is paid to businesses and organizations, including about $2.9 billion in defense contracts. Local governments, including tribal governments, receive almost $1.0 billion.