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MECEP analysis finds that state budget cuts will likely result in a loss of 7,000 to 10,000 Maine jobs

Maine workers will lose jobs as a result of proposed state budget cuts. Job losses will be experienced by both public and private sector employees as the impact of cuts ripple through the economy. Analysis by the Maine Center for Economic Policy (MECEP) details the extent of these losses related to cuts in health care and education. Together these two sectors comprise over 60% of general fund spending and account for nearly 119,000 jobs.

Although the proposed budget includes over \$108 million in reductions for Medicaid, MECEP focused its analysis on the \$55 million in cuts that will result in a direct loss of services for Maine people. These dollars also draw down matching Federal funds. Thus, **the overall impact of a \$55 million reduction in state Medicaid spending results in a total loss of \$185.4 million in direct spending in the Maine economy.** These cuts will have the greatest impact on long-term care in nursing homes and home health and care for people with mental illness and developmental disabilities.

The proposed budget also includes \$16.4 million in cuts to higher education and \$73.2 million in cuts to primary and secondary education.

Cuts to education and health care will take \$275 million directly out of the Maine economy.

Reductions in state spending will result in job losses in both the public and private sector. Direct losses include 44 state jobs, 1,200 education and municipal jobs as projected by the Maine Municipal Association, and at least 1,000 health care jobs as indicated in testimony by private and nonprofit health care providers appearing before the Health and Human Services Committee. These figures represent a partial accounting of known or anticipated public and private sector job losses. These losses are only part of the story.

To tell the full story, we must consider what happens when a person loses a job. The first thing someone who is recently unemployed will do is cut back on spending. Doing so results in a decline of economic activity that ripples through the economy. The ripple effects impact other workers whose jobs may be put at risk as a result of decreased demand for the goods or services they provide. On the flip side, when a person gains a job, he or she will likely increase spending and support greater economic activity that bolsters job opportunities elsewhere in the economy. This is the phenomenon economic developers talk about when advocating for public support of development projects. Shouldn't we be similarly concerned with this phenomenon when we have a choice between sustaining or losing existing jobs?

To quantify the impact of proposed cuts on jobs, MECEP applied standard multipliers provided by the U.S. Department of Commerce, Bureau of Economic Analysis. These multipliers provide a tool that helps determine the direct and indirect impact on jobs of any increase or decrease of economic activity or expenditure in a given sector. They are most commonly used by economic developers and economists to depict the gain or loss of jobs associated with particular projects, development incentives, or changes in economic activity.

The impact on jobs in health care vary based on the area affected. Cuts in spending on long term care result in the greatest impact with approximately 35.2 jobs lost for every \$1 million in spending reductions. Cuts to doctors' offices and other health practitioners have the lowest multiplier, 20.5 jobs lost for every \$1 million in cuts. Since the proposed cuts impact a variety of services, MECEP applied these multipliers to obtain a range of projected job losses. The reduction of \$185.4 million in health care spending will result in a loss of between 3,792 and 6,519 jobs throughout the Maine economy.

In higher education, approximately 30.2 jobs are lost for every million dollars in reduced spending. The proposed \$16.4 million cut in spending on higher education will result in a total loss of 495 jobs. In primary and secondary education, close to 37.2 jobs are lost for every million dollars in cuts. Thus, the proposed \$73.2 million in cuts results in 2,721 lost jobs.

Based on this analysis, **\$275 million in cuts to health care and education will result in a loss of approximately 7,000 to 10,000 jobs.** This comes at a time when the demand for these services is more pressing than ever before. Now is the time to maintain investments that will provide greater economic security and position Maine for future economic prosperity. Indeed, arguments for state tax incentives for businesses or investments in infrastructure or research and development are made on the basis of much smaller projected job impacts. It would be inconsistent for the legislature not to take these potential job losses from spending reductions into equal account in setting difficult budget priorities.