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Where the Money Is and Isn't: MHPC Report Raises False Alarms about Maine's Spending Priorities

The Maine Heritage Policy Center's recent report on state spending has set off false alarms in the media and the public about the issues confronting Maine in this challenging time.

The MHPC report falls short on several counts. Here's how:

Telling Half the Story

The basis of MHPC's report is that the 40 fastest growing General Fund (GF) programs consume a larger share of state General Fund revenues than ten years ago. It's a sensationalized sales pitch that raises a false alarm.

In truth, total Department of Health and Human Services (DHHS) spending is actually *lower* than ten years ago. The MHPC does acknowledge this in its report but fails to mention it as a necessary context in the press release. The report also neglects the fact that *total* GF spending is lower now than in 2005 and has risen *less* than the inflation rate since 2002. The State already practices fiscal discipline and has kept its budget under control.

It is natural for some public programs to grow more than others due to changing circumstances. When working within a limited budget, it is critical to prioritize programs and pool resources for what is most important. But MHPC ignores these facts and does not recognize how spending has evolved to meet changing needs. MHPC's interest is not in targeting resources more effectively, but rather cutting government no matter whether costs are excessive or not. Ignored is the reality that Maine's current state budget challenges are the result of revenue collapse from the worst recession since the Great Depression, not from overspending.

Relying on Faulty Evidence to Make Headlines

There is no solid research to substantiate what amounts to a publicity stunt by MHPC. A preliminary survey of the report reveals critical flaws of the kind that consistently plague MHPC reports:

1) Irresponsible generalizing and data "lumping"

This is the easiest way to disseminate faulty, misleading data without differentiating apples from oranges. It paints a distorted picture of funding. In reality, many state functions are funded by a combination of sources. In some cases, cost increases in accounts cited in the report were offset by costs *decreases* in other accounts. This is especially true of some administrative accounts.

For example, in the case of the Bureau of Family Independence-Regional account, the cost allocation plan changed as caseloads started to include more recipients in one category and fewer in another. As a result, costs allocated to the account listed in the MHPC report increased, and costs allocated to other accounts (which were not listed in the report) decreased. Such administrative adjustment has to be taken into account in order to accurately evaluate cost trends.

2) Creating funding issues out of non-issues

Case in point: The Driver Education and Evaluation Programs (Office of Substance Abuse) costs have gone up because participation has increased. However, fee revenue has also gone up proportionately. Program costs are fully covered by fees. There is no net cost to the General Fund for this program, so there has been *no increase* in net cost to the General Fund.

3) Gross distortion by" cherry-picking" data

Evaluating the cost change of any program requires a balanced analysis of all the critical components of the cost allocations. By skipping such analysis, MHPC misleads the public with unreliable data. Consider these two cases:

- Not reflected in the MHPC report: an accumulated surplus of child support collections resulted in a one-time General Fund savings in the FY02-03 biennium. This prompted MHPC to conclude that the Temporary Assistance for Needy Families (TANF) program increased by 72.1% from the FY02-03 biennium to the FY10-11 biennium. If all sources of revenue had been accounted for, the increase over that period was less than 9%. What sounds like a debacle is really a success story: DHHS actually achieved significant savings for the General Fund.

- Not clarified in the MHPC report: the largest growth of allocation for the Department of Corrections was in the "Correctional Medical Services fund" (117.9%). "Correctional Medical Services" is not a service description-it is the name of the private company that handles medical care for all the state corrections facilities and the Cumberland County Jail. It is ironic that MHPC overlooks this given their reverence for private solutions to public challenges.

4) Disregard of program purposes and achievements

A reminder about MHPC's favorite target for attack, TANF: it constitutes approximately 1% of the state's budget and serves about 14,200 families. Basic benefits have not increased since 2001 and remain the lowest in New England, even as costs of heating and rent for households have gone up considerably.

As for rising health care costs, DHHS has no control over this. Its administrative cost ratio for health care delivery is lower than that of private insurance companies.

The Bottom Line

Over the last nine years, DHHS has *reduced* its total General Fund expenses by nearly 7 percent while serving 120,000 more people than in 2002. General Fund spending has also leveraged billions in federal funds, resulting in services and infrastructure that benefit all Maine people.

So, MHPC may have succeeded in achieving "gotcha" publicity for ideological propaganda disguised as dispassionate research. But the media and the public deserve to know that this latest report is riddled with inaccuracy, distortion and deception. Given the high profile role MHPC has assumed with Maine's Governor-elect and the new Legislature, how the material MHPC produces influences Maine's tax and budget policies is the real alarm that should be set off for Maine people.