



Fiscal Policy Foundations II: Budgeting for the Future

The strength of Maine's economy is tied to the strength of the foundations we build and maintain. Access to high quality education, affordable health care and community services such as safe roads, fire protection and the infrastructure for clean water and waste management are all necessary for a strong future.

All Mainers pitch in to pay for those investments, which in turn allow families and communities to thrive. But successive Legislatures, prompted by the outgoing administration, have opted to decrease revenues with budget-busting tax cuts, rather than appropriating existing funds to education, local services and other crucial needs.

The next Legislature can lead by appropriating the \$643.5 million necessary to uphold core commitments to Maine families and communities.

Identifying the revenue necessary to meet those budget needs, and appropriating it accordingly, is the only way for the state to fully fund public schools, health care and local services. Policymakers can reinvest in Maine's success with a smart, effective budget that prioritizes our obligations to each other and puts us on a path to shared prosperity.

Budget Basics

To build a budget for the future, the next legislature needs to uphold its core commitments to Mainers. These include:

- Fully funding the state's share of K-12 education, as voters demanded in 2004 and 2016.
- Providing affordable health care to 70,000 Mainers by implementing Medicaid expansion, as approved by 59 percent of Maine voters in 2017.
- Reducing upward pressure on property taxes by making sure towns receive the state aid they were promised to support local services.

FULLY FUNDED PUBLIC SCHOOLS

Well-funded public-school systems are essential to help *all* children get a good start in life. Adequate and sustained investment in public schools improves children's school performance and later-in-life earnings, particularly for low-income children.¹

For years the state has missed the mark on fully funding public K-12 schools. The uneven ability of local communities to make up the difference has dimmed the prospects for Maine's next generation of parents, workers and leaders.

¹ C. Kirabo Jackson & Rucker C. Johnson & Claudia Persico, 2016. "[The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms.](#)" *The Quarterly Journal of Economics*, vol 131(1), pages 157-218.

+\$320 million
to fully fund public schools, as twice demanded by Maine voters

The decision not to fully fund the state's share of education has contributed to a tax shift onto communities and placed increased pressure on local property tax rates, with property taxes growing as a total share of state and local taxes paid by Mainers (see "Fiscal Policy Foundations I: Re-balancing Maine's Tax Code").

Fully funding schools is within legislators' reach. Doing so would not only restore the promise of public education but would reduce upward pressure on homeowners' and renters' property tax bills.

HEALTH CARE FOR 70,000 MAINERS

The voter-approved initiative to expand health insurance coverage through expansion of MaineCare will need funding in the next budget. Much of this funding could come from existing resources.

Funding Medicaid expansion in the next budget cycle will bring coverage for 70,000 Mainers and create \$49.3 million in state savings, for a net budget cost of \$110.5 million. What's more, it will unlock more than \$930 million in federal funding.²

+\$110.5 million
to expand voter-approved health care to 70,000 Mainers

This investment will expand access to life saving care and stimulate Maine's economy by bringing in new funds that shore up rural health providers, creating thousands of new jobs, and providing the care that helps Mainers keep working. According to MECEP analysis, expansion will create 5,980 jobs and \$685 million in economic activity.³

PAYING FOR LOCAL SERVICES MAINE FAMILIES CAN RELY ON

The state is required to redistribute 5 percent of the revenue it receives from broad-based taxes, such as the income tax and the sales tax, back to municipalities. This revenue sharing helps cover the cost of local services and reduce upward pressure on property tax rates.

+\$213 million
to lower property taxes and fund crucial local services

But for years, lawmakers have balanced state budgets at the expense of local communities by shortchanging the revenue-sharing program. For example, over the past four years, revenue sharing has been funded at only 40 percent of what towns were promised.

Full funding of revenue sharing would increase resources for local services such as libraries, parks, fire protection and winter road clearing by \$213 million and alleviate pressure on property taxes.

² Manatt Health. "Estimated Budget Impacts of Expanding MaineCare," February 28, 2018.

³ MECEP analysis using IMPLAN economic planning models.