JANUARY 2023

MAINE POLICY BUDGET

A BUDGET BLUEPRINT FOR MAINE GOVERNMENT

MAINE POLICY INSTITUTE | MAINEPOLICY.ORG

CONTENTS

1. BUDGET BLUEPRINT OVERVIEW 6

Context 6
Reforms 6
Revenues 7
Expenditures 7
Balances 8
Blueprint 9
Recommendations 9

2. CONTEXT 11

Introduction 12
Budget 12
Overview 12
2015 Budget Evaluation 13
2019 Budget Evaluation 15
Economic Philosophy 16
Liberty and Government 16
Consumer Price Index Minus X 17
Conclusion 18

3. REFORMS 19

Introduction 20
Revenues 20
Taxes 20
Rates 21
Base 22
Mobility 23
Income 24
Flat 24
Neutrality 25
Setting Ideal Tax Rates 25
Limitations 27
Fees 27
Expenditures 28
Tax-and-Spend 28
Balanced 28
Caps 29
Pensions 31
Conclusion 32

4. REVENUES 33

Introduction 34
History 34
Revenues 34
Taxes 36
Others 37
Grants 39

Benchmarks 39
New England 39
Rural States 43
Best-Mid-Worst 46
Implications 49
Options 50
Baseline 50
Cautious 51
Sensible 54
Ambitious 55
Conclusion 55

5. EXPENDITURES **56**

Introduction 57
History 57
Departments 58
Offices 59
Independents 60
Agencies 61
Policies 62
Benchmarks 63
Policies 63
New England 64
Rural States 65
Best-Mid-Worst 66
Combined Benchmarks 66
Combinations 69
Census 69
Statistics 70
X-factors 70
Tiers 72
Agencies 72
Rankings 72
Conclusion 74

6. BALANCES **76**

Introduction 77
Funds 77
Revenues 77
Uplifts 78
CPI-X 78
CPI 79
X-factors 80
Multipliers 81
Options 82
Baseline 82
Cautious 83
Sensible 83
Ambitious 83
Implications 84
Expenditures 84
Revenues 85
Balances 86

Constraints 87

7. BLUEPRINT **89**

Budget 90
Revenues 91
Expenditures 92

8. RECOMMENDATIONS **94**

Budget 95
Ambitious 96
Sensible 96
Cautious 96
Institutions 96
Transparency 97
Value 97
Productivity 98
Reviews 99
Stabilization 99
Others 100

9. BACKGROUND **101**

Institute 102
Policies 103
Project 103
Revenues 104
Expenditures 104
Presentation 104
Authors 105

INTRODUCTION

For years, Maine has engaged in irresponsible and unsustainable budgetary practices which have not only grown government spending wildly out of control, but have also set the state up for a future fiscal implosion if it doesn't correct its course.

This is a difficult reality to convince people of, because on the surface Maine finances appear to be strong. In the past two years, for instance, we have repeatedly seen reports of record revenue, windfall surpluses, and the appearance of fiscal health. Yet when we look more closely at the fundamental construction of Maine's budget and analyze why the seemingly good news is happening, we begin to learn that the supposed sound management of the state's finances is nothing more than a mirage. Unprecedented federal funds have plugged holes in state government, inflation has artificially spiked revenues, and a series of budgetary gimmicks have kept things afloat.

This is not the first time that Maine has found itself in this position. In the 1990s and the first decade of the 2000s, successive Maine governors and Legislatures fooled themselves into thinking that economic growth and prosperity would last forever, and that they could safely spend and grow government with no consequences. Thus, they made a series of reckless decisions that left the state in deep trouble. Beginning in 2011, lawmakers were able to make some difficult decisions and begin to confront and repair the damage that had been done.

Maine needs to act now if we are to avoid a potential cataclysm when federal funding returns to normal, inflation slows down, and an economic downturn takes place. Without bold and decisive action, the state will not only find itself in a very painful situation in the future, but it will continue to lose ground against its neighbor states in economic competitiveness.

This document represents Maine Policy Institute's **Maine Budget Blueprint** initiative. What is presented here is intended to be more ambitious than just a single proposal for the next biennium. It is instead a longer term vision that includes the next two biennial budgets of 2024-2025 and 2026-2027, which covers the next four fiscal years in Maine. The basis of the data used in this report relies on six years of official, actual and estimated data for 2017-18 through 2022-23 from the Maine Bureau of Budget (BOB) and Office of Fiscal and Program Review (OFPR), as well as the US Census Bureau (Census).

The goal, and indeed the statutory requirement of the Maine Legislature is to create a budget in balance. We hope this document will help lawmakers do just that, while unleashing the economic potential of the Maine people. If you have any questions or require additional data or information, I and the rest of the staff at Maine Policy Institute are available to discuss this information at length.

Matthew Gagnon
Chief Executive Officer
Maine Policy Institute

BUDGET BLUEPRINT OVERVIEW

To provide an overview of the organization of this report, this executive summary will look at the contents of the report and provide a set of important takeaways from the more detailed content which follows.

CONTEXT

The statistical evidence is clear from official government sources that the Maine budget, in terms of both revenues and expenditures, has grown *out of control* over the past decade. Despite a more prudent and responsible approach to budgeting during the LePage administration than during the tenure of his predecessors, his eight years in office still grew state expenditures by roughly $1 billion. This growth, problematic as it may be, is minor compared to the explosive growth we have seen in the 2020s.

As you consider what Maine's state budget should look like, never forget that the institution of government is the ultimate legal monopoly and thus faces the strongest of economic incentives to raise costs and reduce quality. It may not be intentional on the part of lawmakers, but there is an economic interest in the government collecting and spending more of taxpayers' hard earned money. Bureaucrats and the various people and groups that directly benefit from the government also greatly contribute to this problem.

Also be aware that taxation is not the only way for a state government to raise the cost of living and the cost of business to families and workplaces, respectively. Government public expenditure also reduces private sector supply and competition even further, thus completing the one-two punch of fiscal policy. The state's growing red tape then yet further crowds out efficient supply and competition. All of these state interventions through fiscal and regulatory means end up piling on and making federal monetary inflation even worse.

Given all that, the **CPI minus X (CPI-X)** approach was chosen for Maine to significantly reduce government operating expenditures. To identify the areas within state government that are most in need of reform, we have identified three tiers for classifying state agencies and policies which describe their recent history related to spending growth: ***Ruinous***, ***Reckless*** and ***Restrained***. Based on these categories, we then provide three options for budget reductions that would help reset state expenditures to a more rational level: ***Ambitious***, ***Sensible*** and ***Cautious***.

REFORMS

For Maine to boost competitiveness and achieve its full potential, lawmakers should copy the policies that have a proven track record of success–and that means smaller government, tax reform, and spending caps. As an example, if Maine had approved a TABOR-style spending cap that hypothetically began in 2010, that one initiative alone could have produced cumulative savings for Maine taxpayers of more than **$3.5 billion** over that period.

This report will make recommendations for reforms to Maine's economic system, which rely heavily on reform to Maine's tax code and general approach to tax collections, as well as major changes to the way we approach expenditures. Other states provide powerful examples of reform opportunities, which will be detailed in this report.

REVENUES

While the state maintains a revenue forecast, those projections are highly volatile and actual revenue to state government is typically above or below expectations by hundreds of millions of dollars. To provide ourselves multiple options for revenue models that we can use to build a budget, we will provide three different possible scenarios.

The projected possibilities for annual Maine revenues over the next four fiscal years (2023-24 through 2026-27) depend on the choices that lawmakers make related to tax reform and other changes that would impact the revenue stream into state government. Maine Revenue Services' (MRS) projected baseline revenue number for Fiscal Year 2023 is $10.1 billion, which includes all state spending including federal funds. After applying the necessary uplift multiplier to make up for apparent mismatches in state budget documentation, the resulting revenue projections by Fiscal Year 2027 are as follows:

AMBITIOUS	SENSIBLE	CAUTIOUS
$9.1 billion	$10.7 billion	$11.8 billion

The **ambitious** revenues category limits nominal state revenue growth to 4.3 percent, while the **sensible** revenue plan would grow state revenues by 5.7 percent, and the **cautious** revenue plan would grow revenues by 6.5 percent, from 2022-23 to 2026-27.

EXPENDITURES

Getting control of expenditures is the primary function that policymakers should focus on more than any other task. Given the state of Maine's finances, we recommend that significant changes are made to the budget now to make Maine more competitive. Similar to how projected revenues are handled, our recommendations for state expenditures can be broken down into three categories, which correspond with those found in the Maine revenue projections above.

Starting from a baseline overall spending number from the Office of Fiscal and Program Review (OFPR) of $12.7 billion for Fiscal Year 2023, which includes all state spending including federal funds, our Maine Expenditures Blueprint thus outlines state spending targets, which result in the following for the 2026-27 biennial budget:

AMBITIOUS	SENSIBLE	CAUTIOUS
$8.9 billion	$9.7 billion	$10.6 billion

The **ambitious** expenditures category reduces nominal state spending by 30.4 percent, while the **sensible** expenditures category reduces spending by 23.8 percent, and the **cautious** expenditures category reduces spending by 16.7 percent in Fiscal Year 2027.

Looking at expenditures more specifically, the 33 Maine umbrella agencies and 9 Maine policy areas we have identified will be impacted internally at varying rates, depending on the spending control (or a lack thereof) that has been demonstrated by those agencies over the last several years. We will detail those specific targets within this report.

BALANCES

Official state data on overall revenue and expenditures does not match between the Bureau of the Budget (BOB) and the OFPR. To account for the mismatch, uplift multipliers were developed to apply to the revenue options from Adept Economics to better match the BOB expenditures for agencies and policies.

In order to determine appropriate growth multipliers for the succeeding **Cautious, Sensible,** and **Ambitious** budget blueprint recommendations, a unique Maine Consumer Price Index (CPI), as well as X-factors for each option, were calculated. After ranking the top-24 most **Restrained** Maine internal and national peer state expenditure benchmarks, each budget option is expressed as a statistical range of one standard deviation from either the median, average, or mid-point between the two. The steps for this process are as follows:

- Regarding the **Cautious** option, use the Median as the starting point for the Ruinous tier then apply the Standard Deviation to that for the Reckless tier and then the Restrained tier;
- Regarding the **Sensible** option, use the mid-point as the starting point for the Ruinous tier then apply the Standard Deviation to that for the Reckless tier and then the Restrained tier;

- Regarding the **Ambitious** option, use the Average as the starting point for the Ruinous tier then apply the Standard Deviation to that for the Reckless tier and then the Restrained tier.

BLUEPRINT

The **Maine Budget Blueprint** recommendations over the four fiscal years of 2023-24 through 2026-27 are as follows:

- The **AMBITIOUS** combination of revenues and expenditures is the A-grade option that is highly recommended and results by 2026-27 with a **$239.4 million** budget surplus of 2.5%.
- The **SENSIBLE** combination of revenues and expenditures is the B-grade option that is moderately recommended (if the A-grade one is not feasible in terms of the economy, law or politics) and results by 2026-27 with a **$981.9 million** budget surplus of 9.5%.
- The **CAUTIOUS** combination of revenues and expenditures is the C-grade option that is lowly recommended (if the B-grade one is not feasible in terms of the economy, law or politics) and results by 2026-27 with a **$1.2 billion** budget surplus of 11.0%.

These three blueprint recommendations are chosen out of nine possible combinations of ambitious, sensible, and cautious revenue and expenditure projections. While they present numbers derived from actual budget numbers, they are better meant to be read as guardrails. Any of the nine combinations could be used to develop a standard by which future growth or reduction in the state budget is judged.

The large surpluses in the **Sensible** and **Cautious** combinations reflect a properly cautious approach to budgeting, leaving a larger margin for deviation, where the **Ambitious** combination leaves a much smaller margin of difference between revenues and spending.

RECOMMENDATIONS

The **Maine Budget Blueprint**, regarding the next two biennial budgets for the next four fiscal years, contains three constructions for what a budget can look like, once again categorized as **ambitious, sensible** and **cautious**. The details of these different recommendations are contained in the following pages.

One of the key lessons from the Maine Budget Blueprint exercise is the need for new and better budget-related institutions that will help lawmakers make sound, restrained decisions related to state finances. The following four new reforms are recommended to make a meaningful difference in controlling future budgets:

- Maine Transparency Portal
- Maine Value Authority

- Maine Competition Bureau
- Maine Productivity Commission

Another one of the key lessons from the Maine Budget Blueprint exercise is the need for further sound, but much deeper, reviews and reforms over the next several fiscal years. This should begin as soon as possible in calendar year 2023 with the Maine Transparency Portal, with the next stage being the implementation of some combination of the remaining three. Beyond these changes, further review is necessary in a variety of areas:

- The **Maine Budget Stabilization Fund** is an imperfect mechanism for maintaining state fiscal health. A bipartisan review is needed, involving both the legislative and executive branches (especially OFPR and BOB respectively), to align their data collection, broaden the applicability of the MBSF beyond the General Fund, expand its horizon to two years instead of one, study the real-world evidence behind the arbitrary 1-18% statutory limitations, and observe how it interacts with various spending caps around the nation.
- Lawmakers should amend the **Revenue Cascade** so that future budget surpluses are used to lower income, fuel or sales & use tax rates over the succeeding biennium. This would provide a more stable economic environment that promotes growth and investment and protects Mainers' paychecks, especially during this period of record-high inflation.
- A **Fit-for-Purpose Review** should be conducted on the efficiency, effectiveness and ethics of having 351 unit agencies under 33 umbrella agencies with up to 16 cost categories each.
- A **Proof-of-Concept Review** should be conducted of the efficiency, effectiveness and ethics of administering 9 policy areas, incorporating a ***Red Team vs. Blue Team*** approach for a proper diversity of ideas, experiences and viewpoints.
- An **Outside-the-Box Review** should be conducted of the scale and scope of the state government's interventions into the "life, liberty and the pursuit of happiness" by Mainers that should finally put on the table such reforms as bureaucrat life tenure, convenient withholding-style taxation, and federal monetary dependence.

CONTEXT

INTRODUCTION

This chapter provides important context to the **Maine Budget Blueprint** in terms of Maine's recent budget history as well as the principles of sound budget economics. The former mainly draws upon the work of the **Maine Policy Institute** (MPI), while the latter is based upon a mainstream economic foundation as well as *Austrian school* economic principles.

BUDGET

A numerical overview is provided in this section regarding the relatively recent history of the Maine state government's budget along with a sampling of two previous sets of analysis by the MPI regarding the budgets of the two most recent Maine chief executives: Governor Janet Mills (January 2019 to the present) and Governor Paul LePage (January 2011 to January 2019).

OVERVIEW

As per Figure 1, the Maine government's share of state Gross Domestic Product (GDP) was $9.8 billion in October 2021.

Figure 1: GDP, Government and Government Enterprises in Maine

Source: St. Louis Federal Reserve Bank

This data was sourced from the Federal Reserve in December of 2022. This was a record high, in contrast to the record low of $6.4 billion in January 2005."[1] And as per Figure 2,

[1] https://tradingeconomics.com/united-states/gross-domestic-product-by-industry-government-for-maine-mil-of-dollar-fed-data.html

from MPI's *Maine By The Numbers 2020*,[2] the state ranked 26th in the nation on government budget revenues per capita and 28th on government budget expenditures.

Figure 2

	Maine (RANK)	New England Average	Rural Peer Average	US Average	Highest State	Lowest State
TAX/FISCAL						
Combined State and Local Sales Tax Rate (n)	9.52% RANK: 3	5.22%	5.49%	6.57%	9.55% TX	0% DE, MT, NH, OR
State and Local Sales Tax as Percent of Personal Income (n)	3.26% RANK: 25	2.33%	3.20%	3.16%	5.95% HI	0% DE, MT, NH, OR
Top State Individual Income Tax Rate (n)	7.15% RANK: 11	6.53%	5.30%	5.40%	13.3% CA	0% AK, FL, NV, SD, TX, WA, WY
State and Local Individual Income Tax as Percent of Personal Income (n)	2.4% RANK: 17	2.12%	1.53%	1.91%	4.46% NY	0% AK, FL, NV, SD, TX, WA, WY
State and Local Property Tax as Percent of Personal Income (n)	4.32% RANK: 6	4.26%	3.23%	2.85%	4.94% NJ	1.33% AL
Top State Corporate Income Tax Rate (o)	8.93% RANK: 7	8.27%	6.06%	6.16%	12.0% IA	0% NV, OH, SD, TX, WA, WY
Overall Tax Burden (Excise, Income, Property and Sales) (o)	10.73% RANK: 4	9.59%	8.57%	8.60%	12.94% NY	5.59% DE
State and Local Tax Collections Per Capita (n)	$5,302 RANK: 14	$6,000.83	$4,760.73	$4,836.10	$9,073 NY	$3,370 AL
State and Local Tax Revenues Per Capita (o)	$9,159 RANK: 26	$10,333.17	$9,930.82	$9,576.14	$15,723 AK	$6,918 TN
State Spending Per Capita (c)	$6,281 RANK: 28	$7,705.67	$7,166.82	$6,837.88	$14,016 AK	$3,396 FL
State Debt Per Capita (n)	$6,504 RANK: 38	$9,962.67	$6,114.18	$8,356.64	$17,405 NY	$3,930 ID
Unfunded Liabilities Per Capita (p)	$10,709.16 RANK: 11	$16,312.72	$14,618.36	$15,477	$42,950 AK	$7,246 TN
State Government Workers Per 100 Private Sector Workers (q)	3.75 RANK: 26	3.77	4.86	4.11	10.65 HI	2.07 FL
Average State Government Employee Wage as Proportion to Average Private Sector Wage (e)	93.34% RANK: 18	92.78%	88.94%	94.23%	113.97% MO	69.53% IA

2015 BUDGET EVALUATION

In 2015, Maine Policy Institute (then known as The Maine Heritage Policy Center) published *Cracking the Code*, an evaluation of Governor Paul LePage's proposed 2016-2017 biennial budget.[3] This budget represented a major proposal to reshape tax collections in Maine, and sought minor increases in state spending. Highlights from this report include:

- **Expenditures:**
  - o The 2010-2011 budget was, at the time, the first budget that had proposed spending less than its predecessor in 35 years.
  - o In the proposed 2016-2017 budget, LePage sought to raise government spending by $166,019,357, or roughly 2.59 percent.

[2] https://mainepolicy.org/project/maine-by-the-numbers-2020/

[3] https://mainepolicy.org/project/the-proposed-mills-budget-irresponsible-unsustainable/

- o In that proposal, only two departments, the Department of Education and the Maine Community College System, saw decreases in their budgets against the prior biennium. Every other department saw spending increases, including several that saw relatively explosive growth.

- **Revenues:**
  - o Levels of spending within the LePage budget ended up sabotaging the potential to cut income tax rates deeper, or preserve the current rate of sales tax, rather than increase it.
  - o An alternative budget that flatlined spending would have provided $166 million that could be committed to the goal of eliminating the personal income tax.
  - o The LePage budget proposal was not a revenue neutral change to the Maine tax code. The proposal will result in significant reductions of tax collection over time, which would have a downward impact on spending.

Figure 3

DEPARTMENT / AGENCY	2016 – 2017	2014 – 2015	SPENDING GROWTH	% GROWTH
Department of Education	**$2,317,174,043**	$2,333,069,073	($15,895,030)	-0.68%
Department of Health And Human Services	**$2,287,023,179**	$2,246,018,081	$41,005,098	1.83%
Board of Trustees of the University of Maine System	**$404,814,984**	$390,579,446	$14,235,538	3.64%
Department of Corrections	**$331,914,396**	$302,540,696	$29,373,700	9.71%
Department of Administrative and Financial Services	**$258,820,128**	$248,819,423	$10,000,705	4.02%
(Office of) Treasurer of State	**$169,861,801**	$160,226,608	$9,635,193	6.01%
Judicial Department	**$140,577,050**	$126,211,987	$14,365,063	11.38%
Maine Community College System	**$110,917,072**	$111,417,072	($500,000)	-0.45%
Department of Public Safety	**$88,430,218**	$77,742,055	$10,688,163	13.75%
Department of Inland Fisheries and Wildlife	**$51,692,571**	$47,320,053	$4,372,518	9.24%
Legislature	**$50,849,961**	$49,969,744	$880,217	1.76%
Department of the Attorney General	**$41,328,441**	$30,245,564	$11,082,877	36.64%
Finance Authority of Maine	**$31,384,788**	$21,362,788	$10,022,000	46.91%
Maine Commission on Indigent Legal Services	**$29,425,060**	$27,976,399	$1,448,661	5.18%

DEPARTMENT / AGENCY	2016 – 2017	2014 – 2015	SPENDING GROWTH	% GROWTH
Department of Economic and Community Development	**$24,688,595**	$22,268,571	$2,420,024	10.87%
Department of Labor	**$22,878,257**	$18,831,376	$4,046,881	21.49%
Department of Marine Resources	**$20,485,942**	$18,542,616	$1,943,326	10.48%
Department of Environmental Protection	**$15,315,454**	$13,401,741	$1,913,713	14.28%

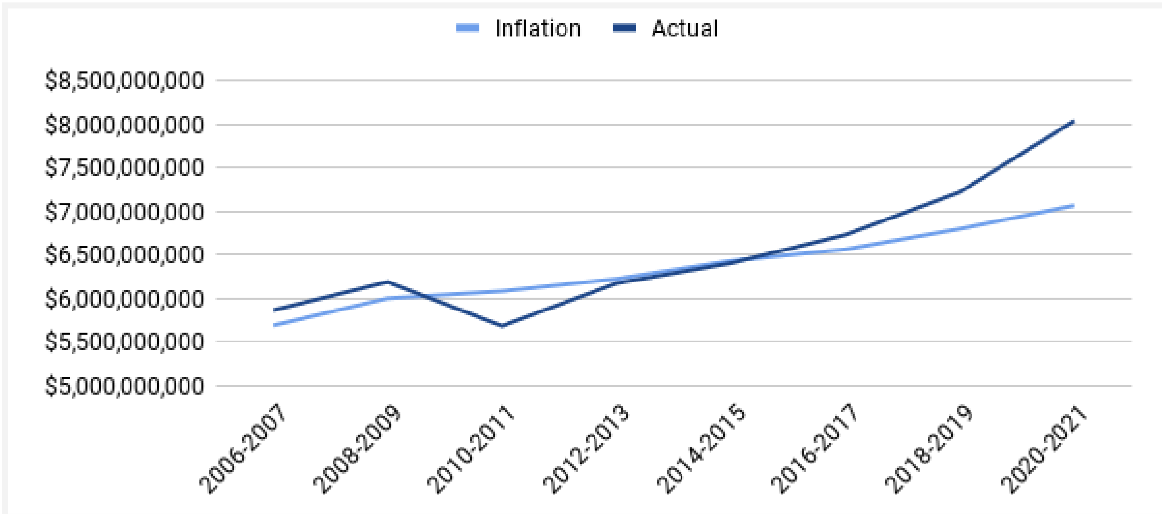
2019 BUDGET EVALUATION

In 2019, Maine Policy Institute issued a report, *Irresponsible and Unsustainable*, reacting to Governor Mills's proposed 2020-2021 biennial budget.[4] As stated therein: "The budget proposal released on February 8, 2019, by Governor Janet Mills reflects the urge among Maine's political left to drastically increase spending on new and existing programs. If enacted as drafted, this budget would swiftly deteriorate Maine's exceptional fiscal standing." Other highlights from this report include:

- **Expenditures:**
    - o The proposal increased spending by approximately 11.33 percent, which far exceeds inflation or personal income growth. This included using $124 million in surplus revenues (one-time funding) to cover spending increases and spending nearly all projected revenue.
    - o Regarding the position Maine government finds itself in: if every biennial budget since 2005 increased only by the inflation rate from the previous full year, Maine would be in a much more fiscally sustainable position and taxpayers would keep more of their money.
    - o The difference between actual government spending and spending based on inflation from the Fiscal Year 2005 budget to present is substantial. Maine's 2021-2022 budget would be approximately $7.06 billion, a reduction of $973 million over actual.
- **Revenues:**
    - o With an adjusted revenue forecast of $7.91 billion to work with, lawmakers had a golden opportunity to enact meaningful tax reductions to ease the burden on Mainers who face some of the highest tax rates in the country. However, Mills' budget takes the opposite course.
    - o If another economic downturn were to strike, Mills' proposed spending levels would be unsustainable.
    - o Mills could have used surplus funds from the prior budget and projected revenues over the biennium to provide income tax reductions across the board. Instead, she is using these funds to grow government spending.
    - o Maine competes with other states in the region that impose lower income tax rates, including New Hampshire, which does not impose an individual income tax. This begs the question: If not now, when will it be possible to enact tax reform to increase Maine's economic competitiveness and reduce the burden on Maine people?"

[4] https://mainepolicy.org/project/cracking-the-code/

Figure 4: FY 2005 Budget with inflation onward versus actual appropriations



Source: Bureau of the Budget, Maine Policy Institute

ECONOMIC PHILOSOPHY

To create an effective, efficient state budget that prioritizes growth and prosperity, we must first establish the principles and economics behind our construction. What we propose to do must be guided by underlying reasons that are grounded in simple, easy to understand philosophies. This report recommends significant reductions to state government spending over the next four fiscal years, based on those philosophies.

LIBERTY AND GOVERNMENT

When creating state budgets, lawmakers need to not only review revenues and expenditures, but also ask themselves fundamental questions of philosophy regarding the role of government. The following guiding principles for government budgets are chiefly focused on the necessity of elected representatives to guard and protect the liberty of their constituents against the great power of government:

1. Government is ultimately, whether democratic or not, a legal monopoly on force within a geographical area.
2. Government is incentivized, like any monopoly or cartel, to maximize the price tag to others and minimize the cost tag to them (e.g. quantity, quality and service).
3. Government is incentivized, like any economic agent, to maximize and concentrate their own benefits and minimize and disperse their own costs.
4. Government is incentivized, like any bureaucracy, to focus on change-resistance, empire-building and rules-proliferation (with the latter not being the *Rule of Law* but rather *Law of Rule*).

5. Government does not create, but extracts from and reduces, market-created wealth.
6. Government taxes and expenditures both, and separately, intervene in free markets.
7. Government taxes and expenditures overall should, over time, not only aim to be in balance, but minimized over time.
8. Government tax types and rates minimize distortions and maximize revenues when simpler and lower.
9. Government expenditures are not like market costs, subject to downward pressure from price, product, and profit/loss competition, thus need to be de-monopolized over time through greater competition, consolidation, downsizing, privatization, scrutiny, transparency and other innovative means.
10. *Government that governs least, governs best.*

CONSUMER PRICE INDEX MINUS X

The RPI minus X, or CPI minus X (CPI-X), approach to infrastructure utilities regulation was invented by Professor Stephen Littlechild of the United Kingdom in the early 1980s.[5] CPI stands for Consumer Price Index and RPI for Retail Price Index. The latter is a subset of the former. The CPI-X approach expanded around the world soon after the mid-1980s.

Law Insider defines this approach as: "[A] means of controlling the extent to which companies with monopoly power raise their prices. [It] prevents regulated companies from increasing their prices or revenue by more than general price inflation, less an X value determined by the regulator, over a specified period. The control protects consumers, by preventing companies with monopoly power from abusing that power through price increases."[6]

Decades of experience with this strongly suggest three things:

- Sustained monopoly power derives from government (fiscal and regulatory) intervention;
- Sustained price inflation also derives from government (monetary) intervention;
- Thus this form of price regulation applies more so, if not exclusively to, government itself (or the public sector) over "companies" (or the private sector).

CONCLUSION

[5] https://www.sciencedirect.com/science/article/abs/pii/S0957178714000691

[6] https://www.lawinsider.com/dictionary/rpi-x

The main takeaways from this chapter include:

- The **statistical** evidence is clear, from official government sources, that the Maine budget, in terms of both revenues and expenditures, is out of control over the past decade and longer. And this has gotten much worse in the 2020s.
- Never forget that the institution of government is the ultimate legal **monopoly** and thus faces the strongest of economic incentives to raise costs, reduce quality and empire-build directly through its bureaucrats and indirectly through its cronies.
- Be aware (and beware) that **taxation** is not the only way for a state government to raise the cost of living and the cost of business to families and workplaces respectively. Government public **expenditure** also reduces private sector supply and competition even further, thus completing the one two punch of fiscal policy. The state's growing red tape then yet further crowds out efficient supply and competition. All of these state interventions through fiscal and regulatory means end up piling on and making federal monetary inflation even worse.
- Given all that, the **CPI-X** approach was chosen for the state of Maine in an innovative world-first to reduce government operating expenditures in three detailed tiers for the ***Ruinous***, ***Reckless*** and ***Restrained*** state agencies and policies resulting in three overall options of budget cuts of ***Ambitious***, ***Sensible*** and ***Cautious***.

REFORMS

INTRODUCTION

An overarching concern when contemplating good state tax policy is competitiveness. Investors, entrepreneurs, and business owners have considerable ability to choose where to locate. And, in a post-pandemic world, workers also have more flexibility as well.

Unfortunately, Maine does not rank highly according to the main indices of state fiscal competitiveness:

- #35 in the Tax Foundation's *State Business Tax Climate Index*;[7]
- #37 for fiscal policy in the Cato Institute's *Freedom in the 50 States*;[8]
- #46 for tax policy in the *Economic Freedom of North America*;[9]
- #44 in ALEC's *Rich States, Poor States* ranking of competitiveness.[10]

If lawmakers want the state to attract more jobs and investment, boosting those scores should be a top priority. This chapter explains how better tax policy can produce better outcomes, particularly when coupled with spending restraint.

REVENUES

This section covers several issues, starting with the economics of taxation, followed by a review of potential reform options and a discussion of key concepts.

TAXES

The Finance Minister for King Louis XIV of France, Jean-Baptiste Colbert, is believed to have said that "The art of taxation consists in so plucking the goose as to obtain the largest amount of feathers with the least possible amount of hissing." He presumably was motivated by a desire to maximize revenue while avoiding a revolt by peasants and merchants.

If Monsieur Colbert lived today and had a more enlightened understanding of fiscal policy, he might say "The art of taxation consists of collecting enough revenue to finance the legitimate functions of government with the least possible amount of economic harm."

[7] https://taxfoundation.org/2023-state-business-tax-climate-index/

[8] https://www.freedominthe50states.org/fiscal

[9] https://www.fraserinstitute.org/sites/default/files/economic-freedom-north-america-202-us-edition.pdf

[10] https://www.richstatespoorstates.org/states/ME/

While other chapters of this report explain how Maine can enjoy a smaller and more efficient government, this section explains the principles of sensible tax policy that the modern version of Monsieur Colbert might support. One obvious goal is to allow people to keep more of their earnings. But it is also important to examine how taxes are collected. That's because some taxes cause significant damage and other ways of generating revenue are relatively benign.

Policymakers thus have two choices to make. First, how much revenue do they want? Second, should they try to have a growth-friendly tax system?

RATES

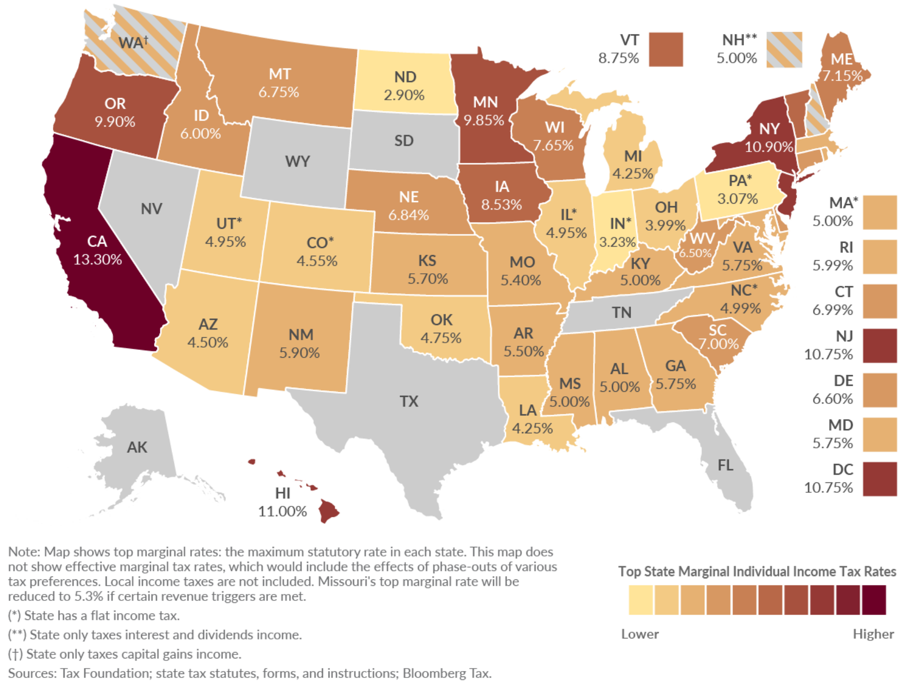
A key factor in economic decision making (and location decisions) is the marginal tax rate, which is the level of tax on additional increments of income.

In a nation with labor and capital mobility between states, onerous marginal tax rates on productive activity are costly. To be more specific, economic activity is more likely in jurisdictions where marginal tax rates are reasonable. The top tax rate is particularly important since it affects the decisions of investors, entrepreneurs, and business owners.

The bad news is that Maine has the second-highest top tax rate in New England, with a top rate of 7.15 percent. The worse news for Maine is that its immediate neighbor, New Hampshire, imposes no income tax whatsoever.

This map from the Tax Foundation shows top tax rates on personal income for the 50 states. Maine's tax system is worse than average. To make matters worse, the top tax rate takes effect when income reaches $54,450 for single households and $108,900 for married households (Vermont taxpayers with that level of income face a marginal tax rate of 6.6 percent).

Figure 5: Top marginal state individual income tax rates (as of January 1, 2022)



Source: Tax Foundation

Incidentally, Massachusetts voters just approved a referendum to eviscerate the state's 5 percent flat tax by adding a 9 percent top tax rate. This self-inflicted wound may indirectly benefit Maine, depending on the level (and destination) of out-migration from the Bay State.

The business tax system is equally problematic. Maine's corporate tax rate is 8.93 percent. That obviously compares unfavorably to the seven states with no tax. But it's also the highest tax rate in New England. Maine's corporate tax rate is even higher than New York's.

The bottom line is that the state's business tax burden is not a selling point, either regionally or nationally. To make matters worse, Maine also has a death tax. Only 12 states impose this form of double taxation, providing yet another reason for successful taxpayers to leave.

BASE

The ideal tax system has the lowest possible rates with the fewest distortions. A low rate is easy to understand – a 3 percent rate, for instance, is better than a 5 percent rate. But the tax base also matters and that is true for both income taxes and sales taxes. If lawmakers have special preferences or penalties in a tax system, such policies encourage people to make inefficient choices when earning or spending money.

With income taxes, lawmakers often piggyback on bad federal tax policies, such as the double taxation of interest, dividends, and capital gains.[11] In addition, loopholes can be a problem for both income taxes and sales taxes. Special preferences are misguided not only because lawmakers then feel pressure to raise general tax rates to make up for lost revenue, but also because the process has a corrupting influence on the political system.

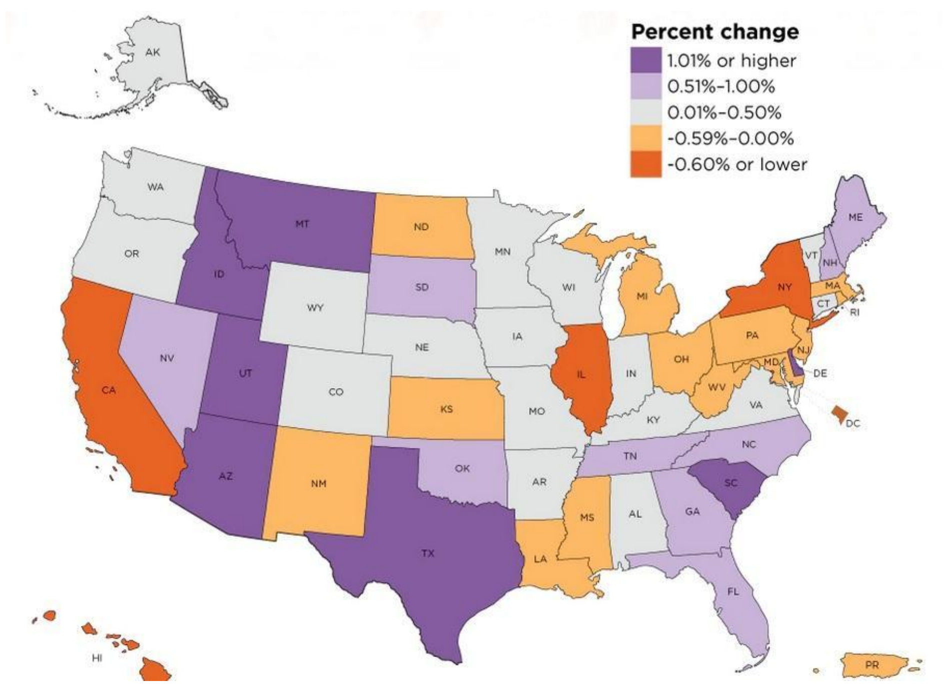
MOBILITY

America's federalist system means that people can choose where to live based on a wide range of factors. Fiscal policy often is part of the decision. The map below from the Census Bureau illustrates which states have been winners and losers from this process.

As you can see, Maine actually is gaining population. This data does not tell us, though, whether the state is gaining people who pay a lot of tax or people who use up a lot of government spending. From a fiscal perspective, it is very desirable to attract people who contribute to the state's fiscal position.

What the data does tell us is that it is not good to suffer significant out-migration, which seems to be a characteristic of some of the most notorious high-tax states such as California, Illinois, and New York.

Figure 6: Population change for states (and Puerto Rico) from July 2020 to July 2021



Source: US Census Bureau

[11] https://danieljmitchell.wordpress.com/2015/04/14/tax-policy-double-taxation-tax-reform-and-the-proper-definition-of-income/

The bottom line is that people and businesses can cross borders in search of better tax policy. Migration has a major impact on some states. Tens of thousands of people – along with tens of billions of dollars of taxable income – move every year from high-tax states to low-tax states.

INCOME

If a state is interested in maximizing prosperity, the best choice is to have no income tax. Depending on whether a capital gains tax in the state of Washington survives legal challenge, there are either eight or nine states that avoid this punitive levy. Those states enjoy above-average economic performance and serve as magnets for tax refugees from high-tax states such as Illinois, California, and New York.

For states that already have income taxes and want to rectify that mistake, bold reform is possible. The big obstacle is how to deal with foregone tax revenue. The best approach is spending restraint, which is capable of creating a large amount of "fiscal space" over time.

Lawmakers also may feel the need to replace some of the foregone income tax revenues with additional taxes from other sources. That is not the ideal approach, but it can be a net plus so long as the replacement taxes do less damage than the income tax.

FLAT

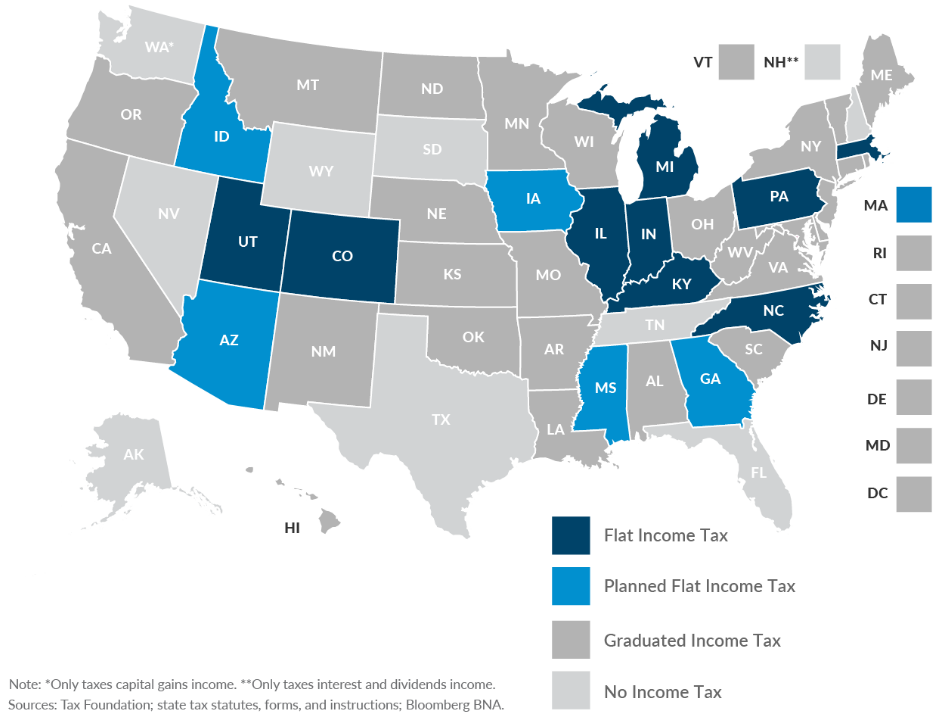
Abolishing the income tax is the best fiscal strategy for states, but it is often not wise to make the perfect the enemy of the good. If abolition of the income tax is not a practical goal, the next-best option is to replace a discriminatory progressive tax with a simple, low-rate flat tax.

This type of tax reform means a relatively low tax rate, which is more likely to encourage job creation and economic growth. Equally important, it tells entrepreneurs, investors, business owners, and other job creators that they are treated equally.

The good news is that tax reform seems very practical. Indeed, five new states in the past two years have enacted legislation to replace so-called progressive tax systems with low-rate flat taxes.[12]

[12] https://taxfoundation.org/flat-tax-state-income-tax-reform/

Figure 7: State individual income tax structures as of November 2022



Source: Tax Foundation

NEUTRALITY

Another goal for sensible tax policy is neutrality. This is the notion that taxpayers should not enjoy special preferences – or get hit with special penalties – based on how they earn their income or how they spend their income. Unfortunately, the internal revenue code is rife with preferences and penalties, so states that piggyback off the IRS's definition of taxable income implicitly import those biases into their states.

There is, however, a very state-specific form of non-neutrality, and that's when states provide special holidays or tax breaks to favored companies or industries. This type of cronyism inevitably carries the stench of corruption, but tax favoritism is bad for prosperity since firms are rewarded for following the dictates of politicians rather than focusing on how to serve the needs of consumers.

SETTING IDEAL TAX RATES

The main goal of better tax policy is to achieve more economic growth. That's good for people and businesses, but it's also good for government coffers. When more people get jobs, more people earn higher incomes, more businesses generate profits, and more sales take place, this means more taxable activity.

This does not mean that tax cuts pay for themselves or that tax increases lose revenue. But it does mean there is not a linear relationship between tax rates and tax revenue. To correctly assess the impact of changes in tax policy, it is important to estimate the likely impact of the policy on economic activity.

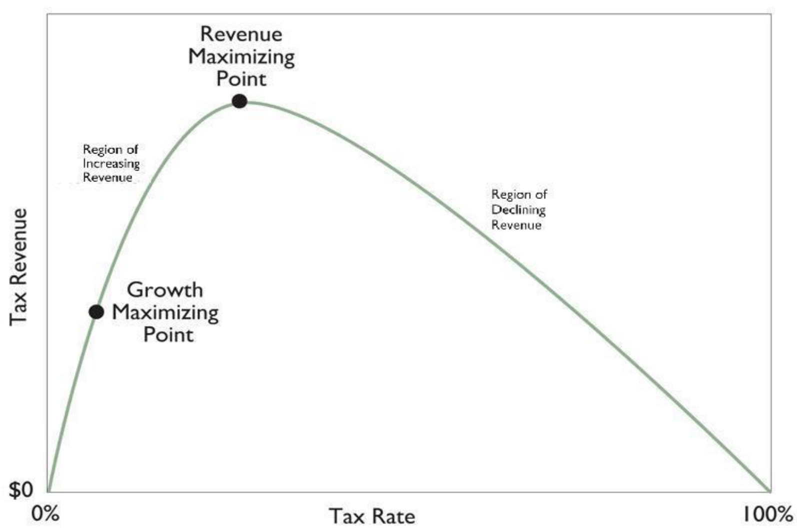
If a tax increase discourages entrepreneurship and encourages out-migration, then state lawmakers will probably be very disappointed when they discover that only a fraction of projected tax revenues actually materialize. Conversely, they will likely be pleased when they find out that a reduction in tax rates does not lose as much revenue as predicted.

This phenomenon of revenue feedback is sometimes known as the *Laffer Curve*. The core premise is that the government obviously does not collect revenue when a tax is zero. But it is also true that the government will collect zero revenue (or almost no revenue) when a tax is set at 100 percent. Even left-leaning economists such as Paul Krugman agree with this basic concept.

A relevant question, of course, is the shape of the curve. Many people want to know the revenue-maximizing point on the curve. In other words, when tax rates are so high that governments lose revenue.

There is not a consensus, at least for those hoping to have precise guidelines. But there is a consensus that every tax has its own *Laffer Curve*. And the shapes of those curves vary depending on whether taxpayers have a lot of flexibility to change behavior in response to changes in tax policy. Most importantly, even the *International Monetary Fund* recently noted in a study that class-warfare taxes are most likely to generate negative revenue feedback.[13]

Figure 8: The Laffer Curve



Source: CATO Institute

[13] https://www.imf.org/en/Publications/WP/Issues/2022/09/30/Cross-Country-Evidence-on-the-Revenue-Impact-of-Tax-Reforms-524050

One very important observation is that policymakers should not try to be at the revenue-maximizing tax rate. Yes, that is the point where they can get the most money (at least in the short run), but it is also the point where the economic harm is so pronounced that the revenue increase from higher tax rates is exactly offset by the revenue loss from diminished economic activity.[14]

LIMITATIONS

Since tax increases are generally a bad idea, and since class-warfare tax increases are particularly harmful for prosperity, policymakers should consider reforms that create procedural obstacles to tax increases. The two most popular tax-limitation measures are:

- Supermajority requirements: Fifteen states have some sort of hurdle that requires at least 60 percent support before a legislature can impose certain types – or all types – of tax increases.[15]
- Voter approval requirements: Some states also have rules that allow voters to decide whether tax increases should be enacted. This is a notable feature, for instance, of Colorado's Taxpayer Bill of Rights.

Either or both of these reforms would increase the likelihood of better fiscal policy in Maine.

FEES

User fees are the revenues generated when a government imposes a charge for something. Most economists are sympathetic to such charges because the person utilizing some sort of good or service from the government is bearing the cost. The challenge, of course, is figuring out what's a user fee and what's a tax (or some other type of grab for money). A pure example of a genuine user fee is the entrance fee for a state park. The choice to enter the park is voluntary and the entrance fee helps to cover the cost of the park.

But what about gas taxes? Some people claim that levies on gasoline are akin to a user fee, at least in cases where funds from the tax are used to build and maintain roads. One problem is that such taxes do not apply to electric cars. Tolled roads would be a clearer example of a genuine user fee. But there are some fees that are thinly disguised taxes. If the government mandates that you do something undesirable and then charges you for doing it, it stretches credulity to call it a user fee.

The bottom line is that user fees are better than taxes, assuming they are properly defined.

[14] https://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1174.pdf

[15] https://www.ncsl.org/research/fiscal-policy/supermajority-vote-requirements-to-pass-the-budget635542510.aspx

EXPENDITURES

Other chapters of this report identify specific reforms to control the growth of state spending. This section discusses the economic argument for smaller and more efficient government, as well as some discussion of important budget rules.

TAX-AND-SPEND

The most important thing to understand is that government spending imposes costs on the private sector, regardless of whether it is financed by taxes or borrowing. In either case, resources are being transferred from the productive sector of the economy to the government. From an economic perspective, that process can be justified if the spending has some sort of positive effect:

- It is bad for the economy to take money from the private sector, but spending on courts and prisons – if done prudently – can be good for the economy by taking criminals off the streets and creating a general deterrent to criminal activity.
- It is bad for the economy to take money from the private sector, but spending on infrastructure such as roads – if done prudently – can enable commerce and increase economic efficiency.
- It is bad for the economy to take money from the private sector, but spending on education – if done prudently – can boost human capital and increase economic productivity.

In many cases, though, governments spend money on things that do not generate any compensating economic benefits. Not even in theory. This does not mean it is wrong to spend money on certain activities. But it does mean that lawmakers should be aware that there are adverse economic consequences.

BALANCED

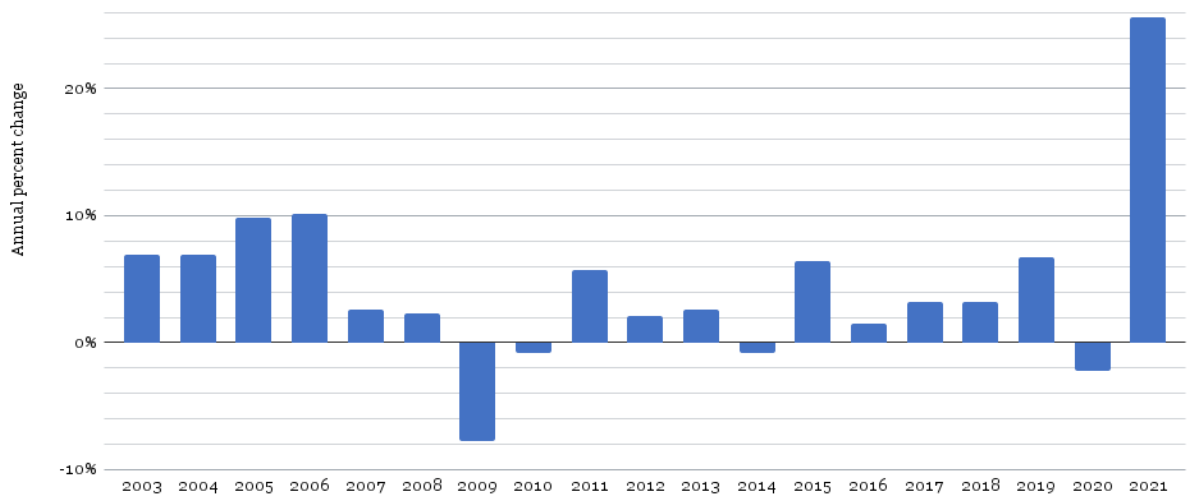
Like almost every state, Maine has a balanced budget requirement.[16] Such a rule is considered desirable because it prevents politicians from buying votes today and imposing the bill on future generations. That is a good idea, but balanced budget requirements should be viewed as a necessary and not sufficient condition for good fiscal policy.

There are two shortcomings to consider. First, balanced budget amendments put fiscal policy at the mercy of the business cycle. When the economy is strong, revenues might grow more than 10 percent in one year. That means politicians can increase spending at a very rapid rate. On the other hand, revenues sometimes fall during an economic downturn. And this puts pressure on politicians to curtail – or even cut – spending at a time when they feel

[16] https://www.maine.gov/legis/ofpr/other_publications/budget_process/budget_process.htm

the greatest desire to increase outlays. The cyclical nature of revenues makes enforcement of a balanced budget rule very problematic. This is true in Washington D.C and true in Maine, as illustrated by the following chart.[17]

Figure 9: Maine tax revenues are very cyclical



Source: Maine state comprehensive reports

The other shortcoming is that balanced budget requirements are designed solely to limit the ability of politicians to enact debt-financed spending. Yet the most important fiscal variable is the level of government spending, not how it is financed. Almost every state has some sort of balanced budget rule, yet that does not stop high taxes and excessive spending. For example, California, New York, and Illinois have such requirements, so it is clear that such rules are not associated with fiscal restraint. If anything, politicians use the requirement as an excuse to raise taxes.

CAPS

To address the problem identified in the previous section, this section talks about spending caps. The underlying concept – government can grow no faster than a predetermined amount every year – is very straightforward. But spending caps are like speed limits. Depending on one's perspective, they can be too high, too low, or just right:

- A cap can be set at a high level, allowing the government to expand compared to the private sector.
- A cap can be set so that the government remains at its current size, relative to the private sector.
- A cap can be set so that the burden of government gradually shrinks relative to the private sector.

[17] Annual Comprehensive Financial Report | Office of the State Controller (maine.gov)

Colorado's Taxpayer Bill of Rights (TABOR) is the best known spending cap in the United States, though technically it caps tax revenue growth rather than spending growth. To be more specific, TABOR is a constitutional rule that limits revenue so that it cannot grow faster than population plus inflation (revenues above the cap must be rebated to taxpayers). This rule, combined with the state's balanced budget requirement, creates a *de facto* spending cap.

TABOR was amended one time to allow more spending. Politicians also have figured out creative ways to add extra spending, often by classifying taxes as fees. Yet it is nonetheless a successful rule.[18] Indeed, the best evidence of its effectiveness is that the pro-spending lobbies periodically try to get voters to approve measures that would weaken TABOR.

Maine had a chance to vote for a TABOR-style fiscal limit in 2009. That effort failed, but it is worth considering how much money would have been saved if the initiative had been enacted. As illustrated by the chart below, a TABOR-style cap that began in 2010 would have produced cumulative savings for taxpayers of more than $3.5 billion.

Other states have spending caps, but they are far less effective. In Hawaii, for instance, there is a spending cap that allows the government budget to expand as fast as personal income.[19] But since personal income generally increases faster than inflation plus population, the cap is like a 60-mph speed limit in a school zone. To make matters worse, the cap is routinely waived by the state legislature.

Interestingly, Texas also had a spending cap that allowed the budget to expand as fast as personal income. That was better than nothing, but the state recently strengthened its spending cap so that budgetary outlays can grow only by population plus inflation.[20] As is the case with Hawaii, the legislature can suspend the cap, though that seems less likely given the state's more fiscally conservative orientation.

Perhaps Hawaii and Texas should both learn from Colorado. One of the most effective features of TABOR is that surplus revenues automatically are rebated to taxpayers. This means voters have a built-in incentive to defend the law – as illustrated by the many times they have voted against referendums to use excess revenues to finance new spending.[21]

---

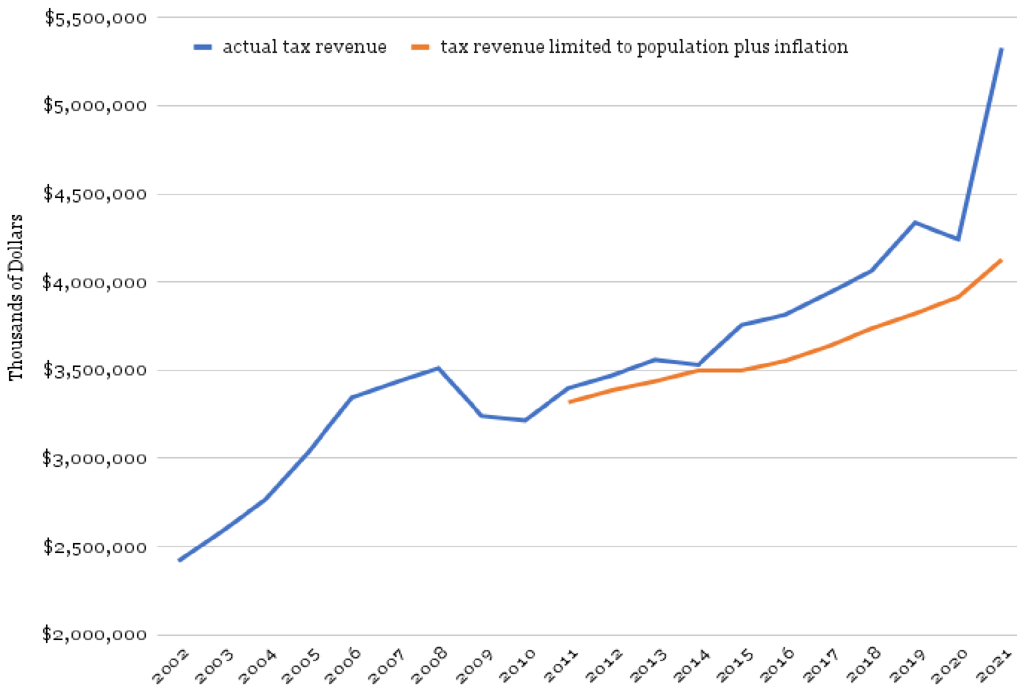
[18] https://i2i.org/wp-content/uploads/2015/01/IP-4-2016_b.pdf

[19] https://www.grassrootinstitute.org/2020/06/start-working-now-to-adopt-a-meaningful-spending-cap/

[20] https://www.texaspolicy.com/txbudget/

[21] https://coloradosun.com/2019/11/05/proposition-cc-fails-tabor-colorado-election-2019/

Figure 10: Impact of a TABOR limit in Maine



Source: Maine state comprehensive reports

Interestingly, when international bureaucracies have examined fiscal rules, they have generally found that spending caps or expenditure limits have been effective. Even institutions that have a left-of-center reputation such as the *International Monetary Fund* the *Organization for Economic Cooperation and Development* and the *European Central Bank* have come to this same conclusion.[22,23,24]

PENSIONS

A major problem in some states is that lawmakers can appease interest groups by making commitments to spend money in the future. This often happens with promises of generous retirement benefits for government employees.

Such commitments do not require tax increases or offsetting spending savings in present-day budgets, so they are perceived to be a political win-win situation, but they can create very large legally binding obligations to spend money in the future.

For states such as Illinois and New Jersey, these future spending commitments almost surely will contribute to fiscal crises. To be more specific, these states have not set aside

[22] https://www.imf.org/en/Publications/WP/Issues/2019/12/27/Do-Fiscal-Rules-Cause-Fiscal-Discipline-Over-the-Electoral-Cycle-48882

[23] https://www.oecd-ilibrary.org/governance/the-state-of-public-finances-2015_9789264244290-en

[24] https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op288~b3b265ed14.en.pdf

enough money in their pension funds (and other savings vehicles) to finance future benefits. The good news for Maine is that there is underfunding, but it is less of a problem than it is in most other states.[25]

There are two sensible ways of dealing with pension and benefit issues. First, it is important not to give government employees compensation packages that are far more generous than workers in the productive sector of the economy. Second, the fringe benefits that are provided should go to "defined contribution" accounts rather than "defined benefit" systems. This ensures that the state is protected from future unfunded liabilities.

CONCLUSION

The main takeaways from this chapter include:

- America's 50 **states** provide good examples and bad examples of tax and spending policy.
- They also provide a road map of fiscal **rules** that are successful and unsuccessful.
- For **Maine** to boost competitiveness and achieve its full potential, lawmakers should copy the policies that have a proven track record of success – and that means smaller government, tax reform, and spending caps.

[25] https://taxfoundation.org/state-pension-funding/

REVENUES

INTRODUCTION

In this chapter, the operating revenue of the state of Maine is analyzed with a view to developing reform options consistent with MPI's values. First, how the state raises revenue is reviewed. Second, Maine's revenue is benchmarked against other states, including other New England states, other predominantly rural states, and the best and worst in the U.S. Third, cautious, sensible, and ambitious policy reform options are presented along with their estimated budgetary impacts.

HISTORY

REVENUES

The state of Maine raises operating revenue through a variety of means (Table 1). Approximately 90% of revenue is derived from ten sources with the other 10% from at least 64 other sources. The federal government is the largest source of revenue, and this spiked massively during the COVID-19 pandemic, owing to a variety of federal programs supporting the states.

Table 1: Composition of Maine revenue by fiscal year (millions of dollars)

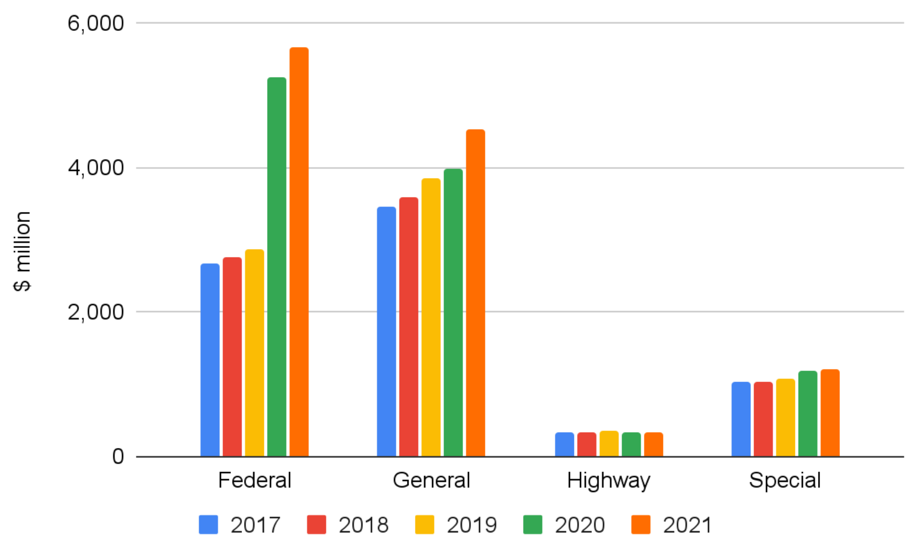
Source	2017	2018	2019	2020	2021
From Federal Government	2,667.6	2,762.8	2,861.0	5,243.8	5,657.7
Individual Income Tax	1,534.9	1,605.1	1,709.1	1,843.5	2,075.3
Sales and Use Tax	1,336.9	1,423.6	1,503.8	1,555.7	1,804.1
Corporate Income Tax	175.2	185.7	252.9	216.1	284.3
From Private Sources	240.4	196.7	235.6	261.0	261.9
Gasoline Tax	221.2	226.5	225.9	212.9	201.2
Cigarette and Tobacco Tax	144.2	132.9	126.0	137.3	147.2
Service Charges for Current Services	91.6	105.0	105.9	115.6	117.1
Hospital Assessments and Taxes	95.0	103.4	102.5	115.5	115.9
Service Provider Tax	104.9	105.6	109.4	111.0	102.9
Other revenue sources (64 items)	884.4	861.6	896.7	905.2	947.2
Total	**7,496.4**	**7,708.7**	**8,128.6**	**10,717.7**	**11,714.9**

Source: Maine State budget documents.

After federal grants, the largest category of revenue is individual income tax (approximately $2 billion in FY21), followed by sales and use tax (approximately $1.8 billion in FY21). After that, the next most important revenue categories are corporate income tax and private sources, largely child support collections. These categories bring in $250-300 million each.

Operating revenue is managed via four separate types of funds: federal, general, highway, and special (Figure 11). In this way, revenues can be earmarked for specific purposes, such as funding federally-supported programs, highways, or special purposes. Maine provides budget reporting for its separate funds.

Figure 11: State of Maine funds by fiscal year



Source: Maine State budget documents.

In its *Four Year Revenue and Expenditure Forecast Report* for 2022-2025, the Maine Department of Administrative and Financial Services (DAFS) projected in October 2022 that General Fund revenues would exceed allocations (i.e. giving a surplus) by $304 million over 2023-24 and 2024-25.[26] However, revenues allocated to the Highway Fund were projected to be insufficient, looking at a substantial deficit over Fiscal Years 2024 and 2025 of $712 million. The following sections drill down into specific revenue categories within the DAFS report.

It is important to note that, in its December report, the Revenue Forecasting Committee, which builds on financial data from DAFS, but also models revenue projections farther in the future, raised their General Fund projection for fiscal years 2024 and 2025 by nearly 5%, predicting $488.6 million more than expected over the 2024-2025 biennium. RFC estimates for the Highway Fund were revised downward by $1.5 million for the 2024-2025 biennium.[27]

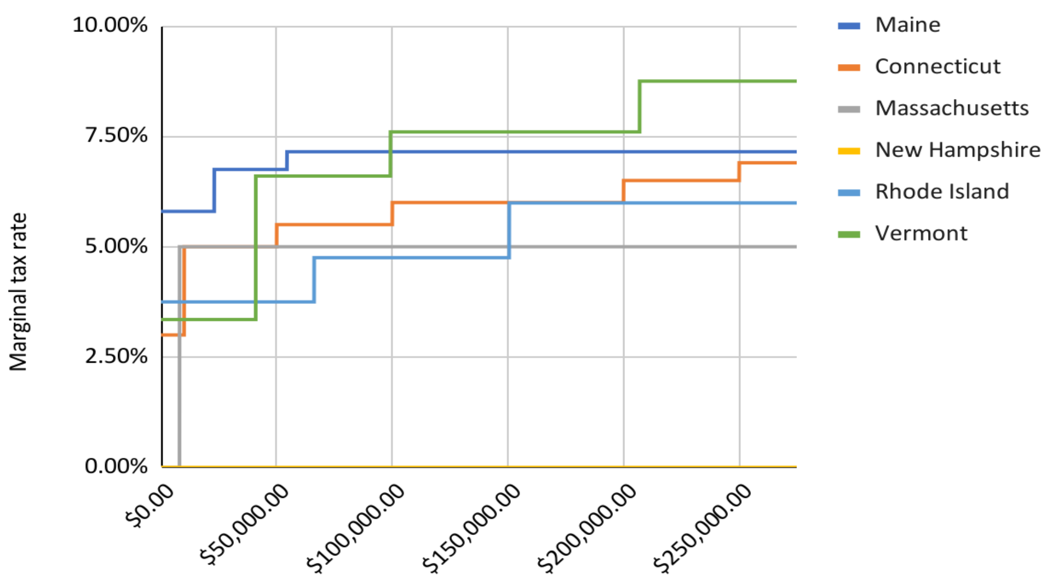
[26] https://www.maine.gov/budget/sites/maine.gov.budget/files/inline-files/Four%20Year%20Revenue%20and%20Expenditure%20Forecast%20Report%202022%20-%202025%20Final_0.pdf
[27] https://legislature.maine.gov/doc/9342

TAXES

The largest own-source revenue item for Maine is individual income tax. This is levied at a rate that increases with taxable income from 5.8% to 7.15%. It is a progressive tax. There are three different schedules depending on the person's living arrangements. Maine's individual income tax rate appears higher on lower-income earners than income tax rates in other New England states, as illustrated in Figure 12, which is based on tax rates for a single individual.

That said, comparisons of income tax rates across states are complicated by differences in the treatment of singles versus married couples and the availability of standard deductions. In Maine, in 2022, there is a personal exemption of $4,450 and a standard deduction of $12,950 for a single individual. Massachusetts, for example, has a personal exemption of $4,400, but no standard deduction. Personal exemptions and standard deductions are accounted for in the economic modeling that underpins the proposed revenue reforms in this Blueprint.

Figure 12: Income tax rates: Maine versus other New England states



Source: Various state revenue authorities.

The next largest source of tax revenue ($1.8 billion in FY21) is sales and use taxes, which are levied at a variety of rates depending on the commodity (Figure 13). Different categories of commodities to which sales taxes apply make interstate comparisons of tax rates challenging. Maine's general sales tax rate of 5.5% is slightly below that of most other New England states, with the exception of New Hampshire, which does not have a general sales tax. General sales tax rates are 6.35% in Connecticut, 6.25% in Massachusetts, 7% in Rhode Island, and 6% in Vermont.

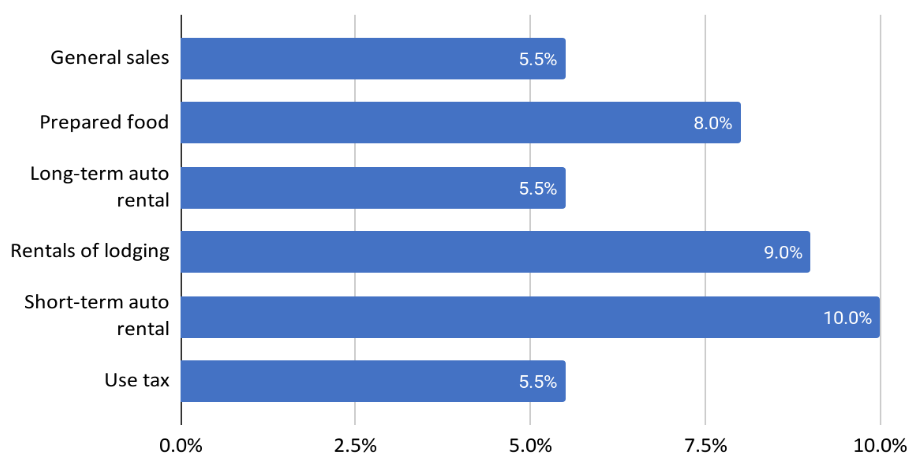
Among New England states, Maine's corporate tax rate is slightly higher than other states on more profitable companies. For companies earning over $3.5 million per year, the company tax rate is 8.93%, compared with flat company tax rates in Connecticut of 7.5%, 8% in Massachusetts, and 7% in Rhode Island, and top marginal company tax rates of 7.6% in New Hampshire and 8.5% in Vermont. Maine's corporate tax appears high even in New England, and is substantially higher than in low tax states such as Florida, which has a 5.5% corporate tax rate.[28]

OTHERS

Other taxes raising in the vicinity of $100 million annually include hospital assessments and taxes, given that Maine imposes a 2.23% tax on the net operating revenue of hospitals, and the service provider tax.

Maine has a progressive estate tax with an exemption threshold of approximately $6 million, with marginal rates of 8% up to $9 million, 10% up to $12 million, and 12% over $12 million.[29] This tax raised $40 million in FY21. There are various approaches to estate taxes in other New England states. Consistent with the large majority of U.S. states, New Hampshire has no estate tax. Vermont, in contrast, has a flat estate tax of 16%. Massachusetts has a top rate of 16% for estates over $10 million, Connecticut has a top marginal rate 12% on estates over $10 million, and Rhode Island has a top rate of 16% on estates over $10 million.

Figure 13: Maine sales tax rates



Source: Maine Revenue Services.

[28] https://floridarevenue.com/taxes/taxesfees/Pages/corporate.aspx

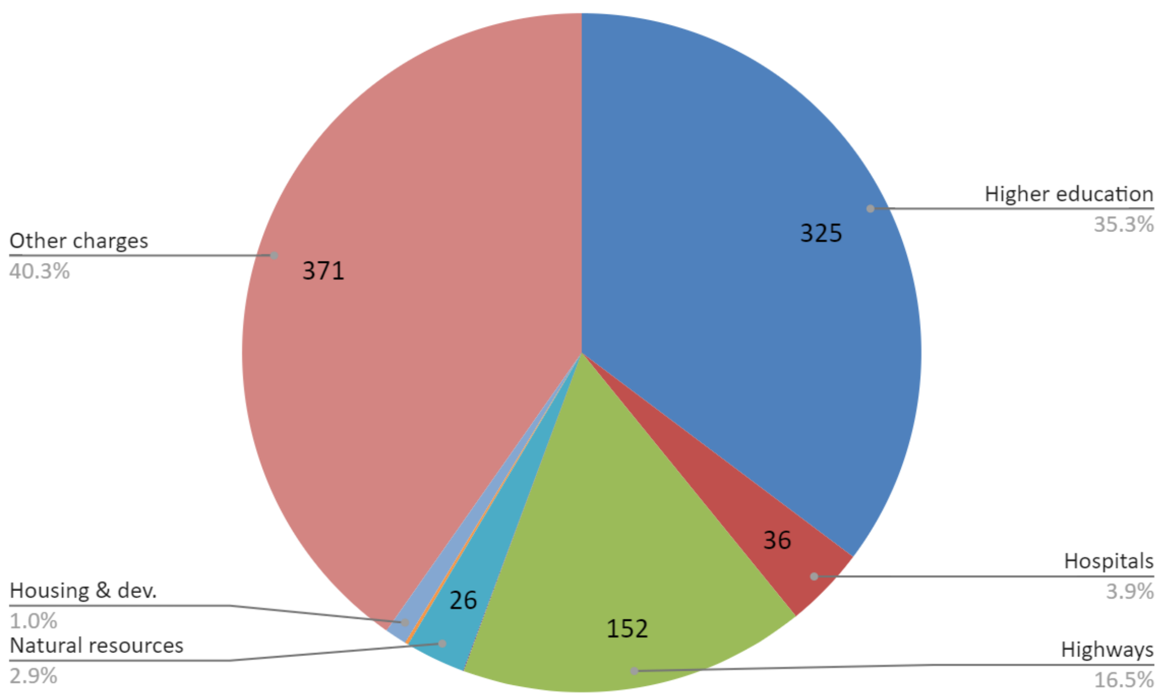
[29] https://www.maine.gov/revenue/taxes/income-estate-tax/estate-tax-706me

There are also at least 10 other taxes which raise less than $100 million and some even less than $1 million, notably the blueberry and potato taxes, both raising around $800,000, and the mahogany quahog tax, which raises in the order of $20,000 annually. Many of these taxes would be imposing high administrative burdens on taxpayers relative to revenue raised by Maine and should hence be prime candidates for elimination.

According to Census Bureau data, charges and miscellaneous revenues accounted for over $1.3 billion of revenue in FY20. This included revenues related to higher education (i.e. University of Maine), hospitals, highways, among other things (Figure 14).

In addition to taxes, charges, and federal grants, in FY20, the state of Maine received $340 million from miscellaneous general revenue items and a relatively small amount ($645,000) from property sales, as well as around $150 million of interest earnings on investments. These interest earnings appear largely unavailable for the budget as the budget-related funds only had investment earnings of $17 million in FY20. They could be related to a financing authority owned by the state of Maine which is borrowing and lending to the private sector (e.g. FAME, the Finance Authority of Maine).

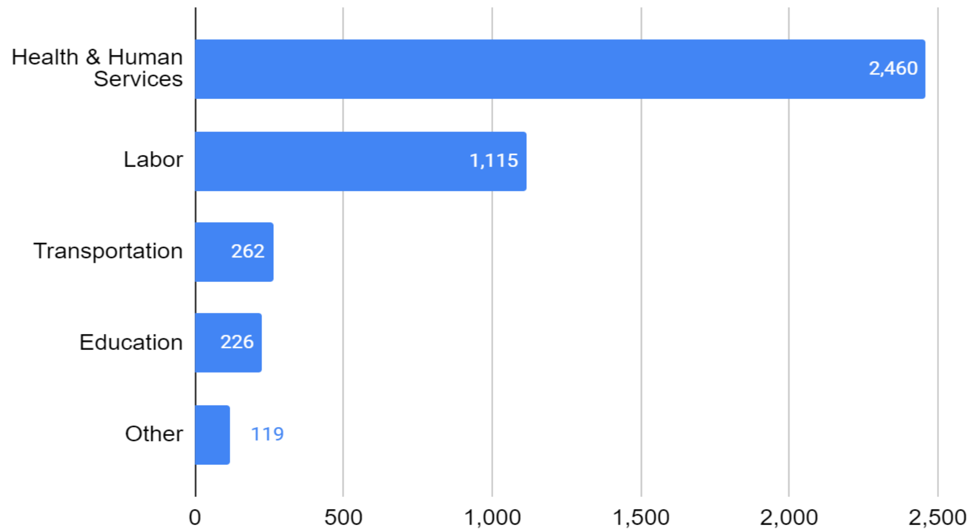
Figure 14: Maine state charges by type, FY2020 (millions of dollars)



Source: U.S. Census Bureau.

GRANTS

Figure 15: Allocations from Maine's Federal Fund, FY2020 (millions of dollars)



Source: Maine Development Foundation for Policy Leaders Academy, Maine State Budget Primer 2021, p. 15.

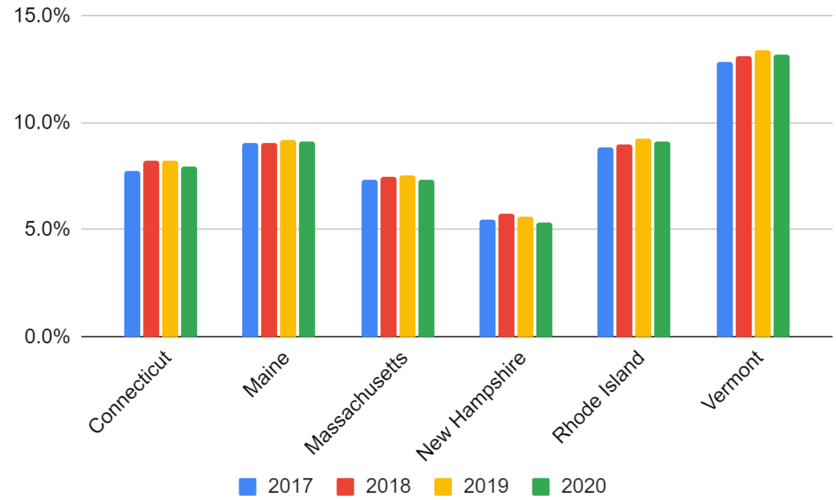
As shown in Table 1 at the beginning of this chapter, federal grants represent the largest source of funds for the state of Maine, accounting for just over one-third of revenue pre-pandemic and surging to nearly half of total operating revenue in FY20 and FY21, an increase which is expected to be temporary. These grants are administered by various federal funds operated by the state of Maine. Largely, revenue from federal grants is for specific purposes, particularly health and human services (i.e. the federal-state MaineCare program) and, during the pandemic, for unemployment benefits (Figure 15). Typically, matching state funds are required.

BENCHMARKS

NEW ENGLAND

In this section, revenue of the state of Maine is benchmarked against other New England states. Maine state government own-source revenue (i.e. excluding federal grants) as a percentage of GDP, at around 9% of GDP, is higher than Connecticut and Massachusetts, at 7-8% of GDP, and much higher than New Hampshire at 5-6% of GDP (Figure 16). It is comparable to Rhode Island and below Vermont which has own-source revenue of around 13% of GDP.

Figure 16: State government own-source revenue as a percentage of state GDP, New England states



Source: U.S. Census Bureau and Bureau of Economic Analysis

More detailed comparisons of revenue items across the New England states are presented in Tables 2 to 4 below.

Table 2: Percentage of GDP comparisons—New England states

Source	State	2017	2018	2019	2020
General revenue	Connecticut	10.6%	10.9%	11.3%	11.7%
	Maine	14.0%	13.9%	13.9%	16.1%
	Massachusetts	10.5%	10.6%	10.6%	11.0%
	New Hampshire	8.9%	9.2%	8.9%	10.2%
	Rhode Island	13.8%	13.9%	14.1%	16.2%
	Vermont	19.0%	19.5%	19.6%	23.4%
Own-source general revenue	Connecticut	7.7%	8.2%	8.2%	8.0%
	Maine	9.1%	9.1%	9.2%	9.2%
	Massachusetts	7.3%	7.5%	7.5%	7.4%
	New Hampshire	5.5%	5.8%	5.6%	5.3%
	Rhode Island	8.9%	9.0%	9.2%	9.1%
	Vermont	12.8%	13.1%	13.4%	13.2%
Individual income tax	Connecticut	3.0%	3.5%	3.0%	2.9%
	Maine	2.5%	2.5%	2.6%	2.7%
	Massachusetts	2.8%	3.0%	3.0%	3.0%
	New Hampshire	0.1%	0.1%	0.1%	0.1%
	Rhode Island	2.1%	2.3%	2.3%	2.1%
	Vermont	2.3%	2.5%	2.6%	2.3%
General sales tax	Connecticut	1.6%	1.6%	1.6%	1.6%
	Maine	2.4%	2.4%	2.4%	2.4%

	Massachusetts	1.2%	1.2%	1.2%	1.2%
	New Hampshire	0.0%	0.0%	0.0%	0.0%
	Rhode Island	1.7%	1.8%	1.9%	1.9%
	Vermont	1.2%	1.2%	1.2%	1.3%
Corporate income tax	Connecticut	0.3%	0.3%	0.7%	0.7%
	Maine	0.3%	0.3%	0.4%	0.3%
	Massachusetts	0.4%	0.4%	0.5%	0.4%
	New Hampshire	0.7%	1.0%	1.0%	0.9%
	Rhode Island	0.2%	0.2%	0.3%	0.4%
	Vermont	0.3%	0.3%	0.4%	0.4%

Source: U.S. Census Bureau and BEA.

Table 3: Percentage of private industry GDP comparisons—New England states

Source	State	2017	2018	2019	2020
General revenue	Connecticut	11.8%	12.1%	12.5%	12.9%
	Maine	16.2%	16.0%	16.0%	18.6%
	Massachusetts	11.6%	11.8%	11.8%	12.2%
	New Hampshire	10.0%	10.3%	10.0%	11.4%
	Rhode Island	15.9%	16.1%	16.4%	19.0%
	Vermont	22.1%	22.8%	22.9%	27.4%
Own-source general revenue	Connecticut	8.6%	9.1%	9.1%	8.9%
	Maine	10.5%	10.5%	10.6%	10.5%
	Massachusetts	8.2%	8.3%	8.4%	8.1%
	New Hampshire	6.1%	6.5%	6.3%	6.0%
	Rhode Island	10.3%	10.4%	10.7%	10.7%
	Vermont	14.9%	15.3%	15.7%	15.5%
Individual income tax	Connecticut	3.3%	3.9%	3.3%	3.2%
	Maine	2.9%	2.9%	2.9%	3.1%
	Massachusetts	3.1%	3.3%	3.3%	3.3%
	New Hampshire	0.1%	0.1%	0.2%	0.2%
	Rhode Island	2.5%	2.6%	2.7%	2.4%
	Vermont	2.7%	2.9%	3.0%	2.7%
General sales tax	Connecticut	1.8%	1.8%	1.8%	1.8%
	Maine	2.7%	2.7%	2.8%	2.8%
	Massachusetts	1.3%	1.3%	1.3%	1.3%
	New Hampshire	0.0%	0.0%	0.0%	0.0%
	Rhode Island	2.0%	2.1%	2.2%	2.2%
	Vermont	1.4%	1.4%	1.4%	1.5%
Corporate income tax	Connecticut	0.4%	0.3%	0.8%	0.8%
	Maine	0.3%	0.3%	0.4%	0.4%
	Massachusetts	0.5%	0.5%	0.6%	0.5%

	New Hampshire	0.8%	1.1%	1.1%	1.0%
	Rhode Island	0.3%	0.2%	0.3%	0.4%
	Vermont	0.4%	0.4%	0.5%	0.5%

Source: U.S. Census Bureau and BEA.

Table 4: Per capita comparisons (USD)

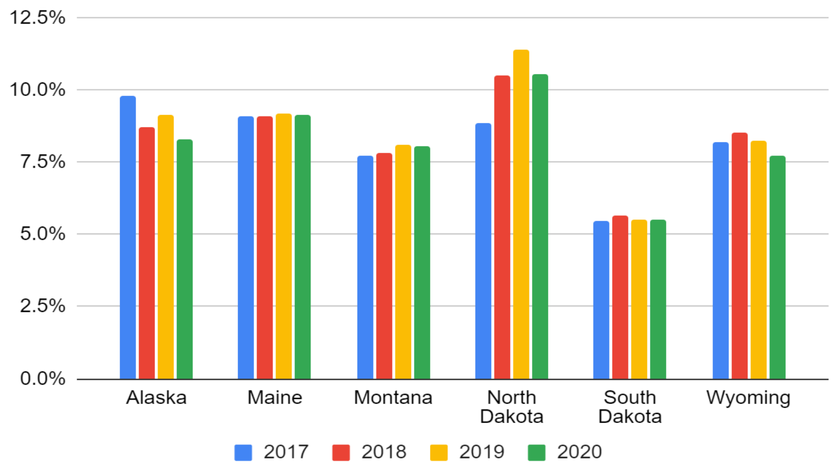
Source	State	2017	2018	2019	2020
General revenue	Connecticut	7,908	8,449	9,017	9,105
	Maine	6,429	6,626	6,913	8,105
	Massachusetts	7,979	8,453	8,899	9,193
	New Hampshire	5,250	5,591	5,614	6,380
	Rhode Island	7,525	7,689	8,016	8,947
	Vermont	9,731	10,221	10,495	12,231
Own-source general revenue	Connecticut	5,769	6,365	6,552	6,232
	Maine	4,165	4,343	4,564	4,598
	Massachusetts	5,593	5,956	6,323	6,134
	New Hampshire	3,233	3,522	3,539	3,354
	Rhode Island	4,850	4,964	5,249	5,035
	Vermont	6,566	6,871	7,192	6,904
Individual income tax	Connecticut	2,227	2,723	2,369	2,271
	Maine	1,150	1,199	1,271	1,353
	Massachusetts	2,146	2,365	2,488	2,480
	New Hampshire	49	78	90	89
	Rhode Island	1,174	1,256	1,299	1,133
	Vermont	1,191	1,312	1,379	1,187
General sales tax	Connecticut	1,186	1,224	1,287	1,273
	Maine	1,080	1,142	1,200	1,223
	Massachusetts	910	943	992	971
	New Hampshire	0	0	0	0
	Rhode Island	944	991	1,057	1,056
	Vermont	602	637	661	672
Corporate income tax	Connecticut	251	216	579	573
	Maine	131	139	188	159
	Massachusetts	320	350	428	361
	New Hampshire	425	584	612	567
	Rhode Island	123	112	167	195
	Vermont	178	177	240	220

Source: U.S. Census Bureau and BEA.

RURAL STATES

Maine's own-source revenue as a percentage of GDP is significantly higher than in other rural states, except for North Dakota, which benefits from substantial oil-and-gas extraction tax revenues (see Figure 17).. Maine's own-source revenue at around 9% of GDP is comparable with Alaska's, higher than Montana and Wyoming (both around 8% of GDP) and much higher than South Dakota (around 5.5% of GDP). More detailed comparisons of revenue items across the rural states are presented in Tables 5 to 7 below.

Figure 17: State government own-source revenue as a percentage of state GDP, rural states



Source: U.S. Census Bureau and Bureau of Economic Analysis

Table 5: Percentage of GDP comparisons for rural states

Source	State	2017	2018	2019	2020
General revenue	Alaska	16.1%	15.1%	15.9%	16.9%
	Maine	14.0%	13.9%	13.9%	16.1%
	Montana	14.2%	14.1%	14.4%	15.1%
	North Dakota	12.1%	13.6%	14.4%	16.2%
	South Dakota	8.5%	8.6%	8.4%	11.2%
	Wyoming	15.4%	14.8%	14.1%	17.7%
Own-source general revenue	Alaska	9.8%	8.7%	9.1%	8.3%
	Maine	9.1%	9.1%	9.2%	9.2%
	Montana	7.7%	7.8%	8.1%	8.0%
	North Dakota	8.8%	10.5%	11.4%	10.6%
	South Dakota	5.4%	5.7%	5.5%	5.5%
	Wyoming	8.2%	8.5%	8.3%	7.7%
Individual income tax	Alaska	0.0%	0.0%	0.0%	0.0%
	Maine	2.5%	2.5%	2.6%	2.7%

	Montana	2.5%	2.6%	2.8%	2.6%
	North Dakota	0.6%	0.6%	0.7%	0.7%
	South Dakota	0.0%	0.0%	0.0%	0.0%
	Wyoming	0.0%	0.0%	0.0%	0.0%
General sales tax	Alaska	0.0%	0.0%	0.0%	0.0%
	Maine	2.4%	2.4%	2.4%	2.4%
	Montana	0.0%	0.0%	0.0%	0.0%
	North Dakota	1.6%	1.6%	1.8%	1.9%
	South Dakota	2.1%	2.2%	2.2%	2.2%
	Wyoming	1.6%	1.8%	2.0%	2.0%
Corporate income tax	Alaska	0.2%	0.4%	0.6%	0.3%
	Maine	0.3%	0.3%	0.4%	0.3%
	Montana	0.3%	0.4%	0.4%	0.4%
	North Dakota	0.1%	0.2%	0.2%	0.1%
	South Dakota	0.1%	0.1%	0.1%	0.1%
	Wyoming	0.0%	0.0%	0.0%	0.0%

Source: U.S. Census Bureau and BEA.

Table 6: Percentage of private GDP comparisons for rural states

Source	State	2017	2018	2019	2020
General revenue	Alaska	20.3%	19.1%	20.1%	21.6%
	Maine	16.2%	16.0%	16.0%	18.6%
	Montana	16.8%	16.5%	16.9%	17.7%
	North Dakota	13.6%	15.2%	16.2%	18.3%
	South Dakota	9.5%	9.7%	9.5%	12.7%
	Wyoming	18.5%	17.8%	16.9%	21.4%
Own-source general revenue	Alaska	12.3%	11.0%	11.6%	10.6%
	Maine	10.5%	10.5%	10.6%	10.5%
	Montana	9.1%	9.2%	9.5%	9.5%
	North Dakota	10.0%	11.8%	12.8%	12.0%
	South Dakota	6.1%	6.4%	6.2%	6.2%
	Wyoming	9.9%	10.3%	9.9%	9.3%
Individual income tax	Alaska	0.0%	0.0%	0.0%	0.0%
	Maine	2.9%	2.9%	2.9%	3.1%
	Montana	3.0%	3.1%	3.2%	3.1%
	North Dakota	0.7%	0.7%	0.8%	0.7%
	South Dakota	0.0%	0.0%	0.0%	0.0%
	Wyoming	0.0%	0.0%	0.0%	0.0%
General sales tax	Alaska	0.0%	0.0%	0.0%	0.0%

	Maine	2.7%	2.7%	2.8%	2.8%
	Montana	0.0%	0.0%	0.0%	0.0%
	North Dakota	1.8%	1.8%	2.0%	2.1%
	South Dakota	2.4%	2.4%	2.4%	2.5%
	Wyoming	2.0%	2.2%	2.3%	2.4%
Corporate income tax	Alaska	0.2%	0.5%	0.8%	0.4%
	Maine	0.3%	0.3%	0.4%	0.4%
	Montana	0.3%	0.4%	0.4%	0.4%
	North Dakota	0.1%	0.2%	0.3%	0.2%
	South Dakota	0.1%	0.1%	0.1%	0.1%
	Wyoming	0.0%	0.0%	0.0%	0.0%

Source: U.S. Census Bureau and BEA.

Table 7: Per capita comparisons (USD) for rural states

Source	State	2017	2018	2019	2020
General revenue	Alaska	11,308	11,109	11,889	12,025
	Maine	6,429	6,626	6,913	8,105
	Montana	6,344	6,616	6,891	7,094
	North Dakota	8,568	10,229	11,165	11,846
	South Dakota	4,897	5,009	5,019	6,832
	Wyoming	9,592	9,699	9,554	11,676
Own-source general revenue	Alaska	6,865	6,406	6,826	5,913
	Maine	4,165	4,343	4,564	4,598
	Montana	3,442	3,670	3,872	3,789
	North Dakota	6,268	7,931	8,809	7,731
	South Dakota	3,136	3,297	3,295	3,352
	Wyoming	5,114	5,606	5,596	5,087
Individual income tax	Alaska	0	0	0	0
	Maine	1,150	1,199	1,271	1,353
	Montana	1,121	1,230	1,322	1,233
	North Dakota	423	485	545	484
	South Dakota	0	0	0	0
	Wyoming	0	0	0	0
General sales tax	Alaska	0	0	0	0
	Maine	1,080	1,142	1,200	1,223
	Montana	0	0	0	0
	North Dakota	1,155	1,204	1,382	1,371
	South Dakota	1,221	1,256	1,294	1,358
	Wyoming	1,017	1,193	1,331	1,325

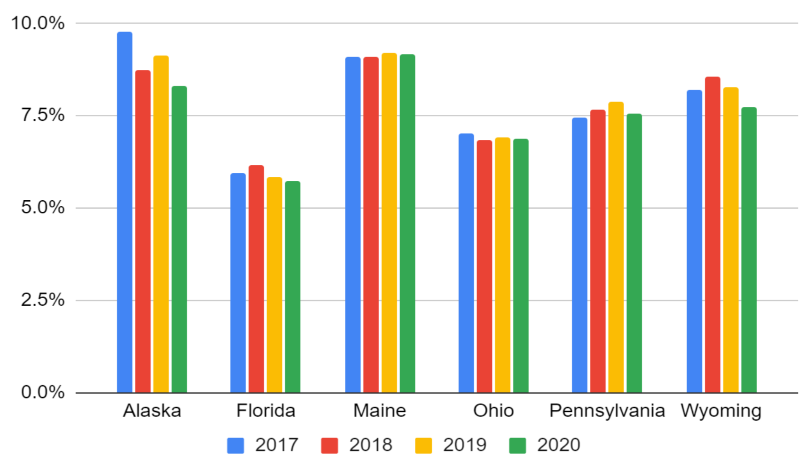
Corporate income tax	Alaska	119	267	455	222
	Maine	131	139	188	159
	Montana	119	166	173	172
	North Dakota	81	142	192	105
	South Dakota	35	37	52	42
	Wyoming	0	0	0	0

Source: U.S. Census Bureau and BEA.

BEST-MID-WORST

As a percentage of GDP, Maine's own-source revenue is tied for the highest among the best-mid-worst group, given that on average over FY17 to FY20, Alaska's own-source revenue to GDP was also around 9%. Maine's own-source revenue is higher than Pennsylvania's and Wyoming's at 7-8% of GDP, Ohio's at around 7% of GDP, and is much higher than Florida's at around 6% of GDP.

Figure 18: State government own-source revenue as a percentage of state GDP, best-mid-worst states



Source: U.S. Census Bureau and Bureau of Economic Analysis

More detailed comparisons of revenue items across the best, mid, and worst states are presented in Tables 8 to 10 below.

Table 8: Percentage of GDP comparisons for best, mid, and worst

Source	State	2017	2018	2019	2020
General revenue	Alaska	16.1%	15.1%	15.9%	16.9%
	Florida	8.7%	8.9%	8.5%	9.1%
	Maine	14.0%	13.9%	13.9%	16.1%
	Ohio	10.8%	10.6%	10.6%	11.4%
	Pennsylvania	11.4%	11.5%	11.9%	12.4%

	Wyoming	15.4%	14.8%	14.1%	17.7%
Own-source general revenue	Alaska	9.8%	8.7%	9.1%	8.3%
	Florida	6.0%	6.2%	5.8%	5.7%
	Maine	9.1%	9.1%	9.2%	9.2%
	Ohio	7.0%	6.8%	6.9%	6.9%
	Pennsylvania	7.4%	7.7%	7.9%	7.5%
	Wyoming	8.2%	8.5%	8.3%	7.7%
Individual income tax	Alaska	0.0%	0.0%	0.0%	0.0%
	Florida	0.0%	0.0%	0.0%	0.0%
	Maine	2.5%	2.5%	2.6%	2.7%
	Ohio	1.3%	1.3%	1.4%	1.2%
	Pennsylvania	1.6%	1.7%	1.7%	1.6%
	Wyoming	0.0%	0.0%	0.0%	0.0%
General sales tax	Alaska	0.0%	0.0%	0.0%	0.0%
	Florida	2.6%	2.9%	2.6%	2.4%
	Maine	2.4%	2.4%	2.4%	2.4%
	Ohio	2.0%	1.9%	1.9%	1.9%
	Pennsylvania	1.4%	1.4%	1.5%	1.5%
	Wyoming	1.6%	1.8%	2.0%	2.0%
Corporate income tax	Alaska	0.2%	0.4%	0.6%	0.3%
	Florida	0.2%	0.2%	0.3%	0.2%
	Maine	0.3%	0.3%	0.4%	0.3%
	Ohio	0.0%	0.0%	0.0%	0.0%
	Pennsylvania	0.3%	0.3%	0.4%	0.3%
	Wyoming	0.0%	0.0%	0.0%	0.0%

Source: U.S. Census Bureau and BEA.

Table 9: Percentage of private GDP comparisons

Source	State	2017	2018	2019	2020
General revenue	Alaska	20.3%	19.1%	20.1%	21.6%
	Florida	9.8%	10.0%	9.5%	10.1%
	Maine	16.2%	16.0%	16.0%	18.6%
	Ohio	12.2%	11.9%	11.9%	12.8%
	Pennsylvania	12.7%	12.8%	13.1%	13.7%
	Wyoming	18.5%	17.8%	16.9%	21.4%
Own-source general revenue	Alaska	12.3%	11.0%	11.6%	10.6%
	Florida	6.7%	6.9%	6.5%	6.4%
	Maine	10.5%	10.5%	10.6%	10.5%
	Ohio	7.9%	7.7%	7.7%	7.7%
	Pennsylvania	8.3%	8.5%	8.7%	8.4%
	Wyoming	9.9%	10.3%	9.9%	9.3%

Individual income tax	Alaska	0.0%	0.0%	0.0%	0.0%
	Florida	0.0%	0.0%	0.0%	0.0%
	Maine	2.9%	2.9%	2.9%	3.1%
	Ohio	1.5%	1.5%	1.5%	1.4%
	Pennsylvania	1.8%	1.9%	1.9%	1.8%
	Wyoming	0.0%	0.0%	0.0%	0.0%
General sales tax	Alaska	0.0%	0.0%	0.0%	0.0%
	Florida	2.9%	3.2%	2.9%	2.7%
	Maine	2.7%	2.7%	2.8%	2.8%
	Ohio	2.2%	2.1%	2.1%	2.1%
	Pennsylvania	1.6%	1.6%	1.7%	1.6%
	Wyoming	2.0%	2.2%	2.3%	2.4%
Corporate income tax	Alaska	0.2%	0.5%	0.8%	0.4%
	Florida	0.3%	0.3%	0.3%	0.3%
	Maine	0.3%	0.3%	0.4%	0.4%
	Ohio	0.0%	0.0%	0.0%	0.0%
	Pennsylvania	0.4%	0.4%	0.4%	0.4%
	Wyoming	0.0%	0.0%	0.0%	0.0%

Source: U.S. Census Bureau and BEA.

Table 10: Per capita comparisons (USD)

Source	State	2017	2018	2019	2020
General revenue	Alaska	11,308	11,109	11,889	12,025
	Florida	4,045	4,320	4,313	4,639
	Maine	6,429	6,626	6,913	8,105
	Ohio	5,890	5,911	6,173	6,570
	Pennsylvania	6,562	6,838	7,276	7,449
	Wyoming	9,592	9,699	9,554	11,676
Own-source general revenue	Alaska	6,865	6,406	6,826	5,913
	Florida	2,780	2,988	2,950	2,933
	Maine	4,165	4,343	4,564	4,598
	Ohio	3,811	3,822	4,017	3,961
	Pennsylvania	4,273	4,552	4,831	4,540
	Wyoming	5,114	5,606	5,596	5,087
Individual income tax	Alaska	0	0	0	0
	Florida	0	0	0	0
	Maine	1,150	1,199	1,271	1,353
	Ohio	718	745	797	703
	Pennsylvania	943	1,000	1,056	952
	Wyoming	0	0	0	0
General sales tax	Alaska	0	0	0	0

	Florida	1,209	1,392	1,304	1,250
	Maine	1,080	1,142	1,200	1,223
	Ohio	1,073	1,040	1,086	1,091
	Pennsylvania	822	853	918	895
	Wyoming	1,017	1,193	1,331	1,325
Corporate income tax	Alaska	119	267	455	222
	Florida	114	114	145	115
	Maine	131	139	188	159
	Ohio	1	1	1	0
	Pennsylvania	183	194	231	193
	Wyoming	0	0	0	0

Source: U.S. Census Bureau and BEA.

IMPLICATIONS

The revenue benchmarking, combined with the review of tax rates by state, confirms that the burden Maine is imposing on households and businesses, is relatively high. This is consistent with Tax Foundation analysis which places Maine in the top ten U.S. states for combined state-local tax burden, with a burden of 12.4% of Net Product in FY2022 compared with a national average of 11.2%. Reducing the Maine state-local tax burden to the national average would require a reduction equivalent to around 1.2% of Net Product, or in the order of $800-900 million. This would require, say, a 40% or more cut to income tax revenue. Reducing the Maine state-local tax burden to the burden in the rural states of Wyoming and South Dakota (i.e. to around 8% of Net Product), would require a reduction in taxes in the order of $3 billion, which could only be achieved by abolishing state income tax and substantially cutting other taxes.

Partly because of Maine's relatively high tax burden, Maine scores poorly on measures of economic freedom. The Fraser Institute's assessment of Economic Freedom in 2020 placed Maine at 45th place in the U.S., in the least free quartile of states. In contrast, New Hampshire, a state with no income tax, was in 2nd place, after Florida.[30] The most direct way to provide tax relief to Maine households would be to cut income tax rates as proposed in this Blueprint. Both conservative and ambitious policy packages are recommended and modeled. Additionally, based on the proliferation of state taxes and charges raising relatively small amounts of revenue, it would be sound to eliminate many of the taxes which have a relatively high compliance burden relative to revenue raised.

Finally, with Maine being only one of 11 states with an estate tax, and given it only raises around $40 million annually, there is an opportunity to distinguish Maine from other high-tax New England states by cutting the estate tax, as is suggested in the reform packages below. This could have a positive impact on Maine's economy and ultimately its

[30] https://www.fraserinstitute.org/sites/default/files/economic-freedom-of-north-america-2022-us-edition.pdf

tax base by attracting high net worth individuals from other states. The total cost to the Maine budget of an estate tax cut could be partly or largely offset by increases in other tax revenues.

OPTIONS

BASELINE

Forecasts for Maine General Fund revenues from the Commissioner of the Maine Department of Administrative and Financial Services (DAFS) are presented in Table 11. These figures arrive at a baseline revenue figure of $10.1 billion in Fiscal Year 2024 from which to begin modeling different budget options over the next four years. In its December 2022 report, the Maine Revenue Forecasting Committee (RFC) explained that the unusually-high income and corporate tax revenues flowing to the General Fund for FY2022 "are primarily the result of tax year 2021 net liability growth of more than 22% and more optimistic assumptions of wage and salary growth over the remainder of the forecast period."[31] Persistent inflation has driven these values higher as well. Official forecasts could be under-estimating potential revenues in future years at current tax rates, providing scope for greater tax relief.

Table 11. Forecasts for General Fund by source (USD)

Sources for General Fund	FY2022	FY2023	FY2024	FY2025
Sales and Use Tax	2,078,875,746	2,114,558,587	2,178,657,000	2,243,185,100
Service Provider Tax	51,328,641	50,000,000	49,500,000	49,000,000
Individual Income Tax	2,580,656,661	2,054,227,867	2,128,356,714	2,234,903,451
Corporate Income Tax	415,817,438	335,688,199	368,403,000	390,565,000
Cigarette & Tobacco Tax	148,517,422	151,740,000	152,742,000	154,645,000
Insurance Premium Tax	101,673,456	88,800,000	86,100,000	87,050,000
Inheritance & Estate Tax	34,183,165	24,150,000	25,000,000	25,950,000
Fines, Forfeits and Penalties	4,905,204	11,913,139	11,913,139	11,913,139
Income from Investments	9,023,821	8,166,254	10,241,813	10,148,903
Transfer from Lottery	71,351,415	60,000,000	60,000,000	60,000,000
Trans. for Tax Relief Programs	-78,022,119	-81,040,000	-84,540,000	-88,240,000
Trans. to Muni. Rev. Share	-232,362,928	-233,340,025	-239,320,667	-248,903,173
Other Taxes and Fees	159,808,374	154,469,485	154,129,881	155,099,722
Other Revenues	45,857,274	19,153,661	12,605,367	10,198,852
Total General Fund	**5,391,613,570**	**4,758,487,167**	**4,913,788,247**	**5,095,515,994**

Source: Maine Budget documents.

[31] https://www.legislature.maine.gov/doc/9342

The Commissioner of Maine DAFS also produces forecasts for Highway Fund revenues (Table 12). As noted above, forecast revenues are insufficient to meet expected outlays, implying that any tax cuts, ideally, would be matched with spending cuts.

Table 12: Forecasts for Highway Fund by source (USD)

Sources for Highway Fund	FY2022	FY2023	FY2024	FY2025
Fuel Tax	222,781,777	230,395,483	232,776,418	235,180,018
Motor Vehicle Registrations & Fees	102,460,134	92,175,912	92,177,801	92,179,423
Inspection Fees	2,920,344	3,202,500	3,202,500	3,202,500
Miscellaneous Taxes & Fees	1,693,757	1,267,454	1,267,454	1,267,454
Fines Forfeits & Penalties	1,381,965	606,412	606,412	606,412
Income from Investments	189,723	221,169	325,442	341,517
Other Revenues	13,428,123	11,304,465	11,304,465	11,304,465
Total Highway Fund	**344,855,823**	**339,173,395**	**341,660,492**	**344,081,789**

Source: Maine Budget documents.

Over the next few years, federal grants will return to more typical levels after the pandemic-related surge (Table 13), based on White House estimates. Regarding other special funds, it is assumed they will grow at the historical average.

Table 13: Forecasts for Federal and other Special Funds (USD)

Other funds	FY2022	FY2023	FY2024	FY2025
Federal fund*	5,065,075,000	3,706,284,000	3,706,284,000	3,706,284,000
Other special funds**	1,239,659,098	1,285,027,297	1,332,055,850	1,380,805,522

**FY2022 and FY2023 are projections from the White House.*
***It is assumed that this fund will grow at 3.6% on average.*

CAUTIOUS

This option includes the elimination of a variety of taxes which have dubious merit and are economically inefficient (e.g. insurance premium tax, real estate transfer tax, professional and occupational licensing fees) or very likely high compliance costs relative to revenue raised. In FY21 these revenue items raised a total of $294 million (Table 14). Cutting these taxes would deliver significant benefits to Maine consumers and taxpayers. For example, the insurance premiums tax is equal to 2% of insurance premiums and a tax cut would likely result in premium reductions. Also, the real estate transfer tax of $2.20 per $5,000 raises the costs of real estate purchases and reduces economic efficiency by discouraging some transfers at the margin.

Table 14: Recommended revenue items for abolition, USD

Source	2017	2018	2019	2020	2021
Insurance Premium Tax	76,553,592	73,468,185	77,277,183	82,145,116	84,462,691
Real Estate Transfer Tax	32,187,561	35,241,698	36,767,138	41,525,229	52,185,934
Estate Tax	11,717,686	13,801,409	15,851,350	21,079,344	40,399,594
Finance Industry Fees	30,019,796	29,201,565	29,082,500	27,952,210	27,220,420
Hunting and Fishing License Fees	17,618,379	17,595,270	17,833,206	18,085,711	20,982,313
Professional and Occupational Licensing Fees	13,163,716	14,111,337	15,478,580	16,646,161	18,326,683
Oil Transfer Fees	13,304,005	13,550,546	14,221,999	14,082,768	12,331,490
Finance Industry Fees and Assessments	7,711,636	8,484,781	8,800,695	8,953,102	9,621,460
Telecommunications Excise Tax	6,248,478	6,221,980	6,317,492	6,418,268	6,724,254
Insurance Regulatory Assessments and Fees	2,099,110	12,268,423	2,325,539	13,389,777	5,692,860
Milk Handling Fee	4,613,496	4,916,070	4,848,648	1,676,018	3,880,801
Motor Vehicle Inspection Fees	3,410,700	3,373,100	3,324,510	3,120,970	3,098,522
Milk Pool and Other Milk Fees	3,254,384	3,247,020	3,157,767	2,847,461	2,845,405
Recycling Assistance Fees	1,490,341	1,499,855	1,516,772	1,495,746	1,996,057
Lake and River Protection Sticker Fees	1,118,735	1,193,852	1,131,791	1,293,304	1,975,987
Blueberry Tax	1,906,410	1,138,848	899,059	1,479,251	810,299
Adult Use Marijuana License Fees	0	0	0	135,590	767,685
Potato Tax	767,376	758,512	845,617	763,358	760,457
Cigarette and Tobacco Products License Fees	14,033	231,429	211,504	194,722	193,021
Mahogany Quahog Tax	26,930	19,827	23,894	15,395	13,423
Total	**227,226,364**	**240,323,707**	**239,915,244**	**263,299,501**	**294,289,356**

Source: Maine Budget documents.

Over the next biennial budget periods, FY24/FY25 and FY26/FY27, the total revenue reduction due to the cautious policy package is estimated to be around $1.4 billion, and may well be less than that given behavioral increases in the tax base which will partially offset revenue reductions (Table 15). Over FY24 to FY27, it is estimated that total reduction in Maine operating revenue would be 3.2% of baseline revenue.

Table 15. Maine state operating revenues: baseline versus cautious (millions of dollars)

Sources	FY2024	FY2025	FY2026	FY2027
Individual Income Tax	2,128	2,235	2,331	2,432
Rest of other revenues	2,595	2,667	2,750	2,838
Total General Fund	4,723	4,902	5,081	5,270
Total Highway Fund	338	341	343	346
Total Federal fund	3,706	3,706	3,706	3,706
Total Other special funds	1,214	1,241	1,279	1,303
Total operating revenue	**9,981**	**10,190**	**10,410**	**10,624**
Baseline operating revenue	10,294	10,527	10,762	11,008
Difference from baseline	*-312*	*-337*	*-351*	*-384*

Source: Prepared by Adept Economics based on Maine budget documents.

SENSIBLE

This option includes a substantial cut to state income tax, effectively a 41.5% reduction in the total tax liability in each fiscal year (Table 16). This reform involves an increase of the income threshold to $50,000 and a flat income tax rate of 4.5% for income above $50,000. Those who earn below $50,000 would pay no income tax. Assuming this proposal will be implemented in FY24, income tax revenue would be cut by $889 million relative to the baseline, with the tax cut increasing to $1,015 million by FY27. This tax cut would represent a substantial increase in the disposable income of Maine households.

Table 16. Individual income tax cuts forecast, impact by income range

Baseline—Income Tax liability ($ M)

MAGI:	2024	2025	2026	2027
<=0	0	0	0	0
0<=$25,000	11	12	12	13
$25,000 <= $50,000	140	147	154	160
$50,000 <= $75,000	220	231	241	252
$75,000 <= $100,000	222	233	243	253
$100,000 <= $150,000	388	407	425	443
$150,000 <= $200,000	407	427	446	465
$200,000 <= $500,000	321	337	352	367
$500,000 <= $1,000,000	177	186	194	202
> $1,000,000	254	267	278	290
Total	**2,140**	**2,247**	**2,344**	**2,445**

Individual income tax reform ($ M)—flat 4.5% over $50,000

MAGI:	2024	2025	2026	2027
<=0	0	0	0	0
0<=$25,000	0	0	0	0
$25,000 <= $50,000	0	0	0	0
$50,000 <= $75,000	139	146	152	159
$75,000 <= $100,000	139	146	153	159
$100,000 <= $150,000	244	256	267	279
$150,000 <= $200,000	256	269	281	293
$200,000 <= $500,000	202	212	221	231
$500,000 <= $1,000,000	111	117	122	127
> $1,000,000	160	168	175	183
Total	**1,252**	**1,314**	**1,371**	**1,430**
Difference from baseline	*-889*	*-933*	*-973*	*-1,015*

Source: Prepared by Adept Economics, based on data from Maine Revenue Services.
Note: MAGI stands for Modified Adjusted Gross Income.

In addition to the income tax cut, the sensible option includes the elimination of the dubious taxes and charges identified for elimination in the cautious policy package (Table 14). Over the next biennial budget periods, FY24/FY25 and FY26/FY27, the total revenue reduction is estimated to be a maximum of $5.2 billion, and may well be less than that given behavioral increases in the tax base which will partially offset revenue reductions (Table 17). Over the four fiscal years FY24 to FY27, it is estimated that total reduction in Maine operating revenue would be around 12.2% of baseline revenue.

Table 17. Maine state operating revenues: baseline versus sensible (millions of dollars)

Sources	FY2024	FY2025	FY2026	FY2027
Individual Income Tax	1,239	1,302	1,358	1,417
Rest of other revenues	2,595	2,667	2,750	2,838
Total General Fund	3,834	3,969	4,108	4,255
Total Highway Fund	338	341	343	346
Total Federal fund	3,706	3,706	3,706	3,706
Total Other special funds	1,209	1,236	1,274	1,297
Total operating revenue	**9,088**	**9,252**	**9,432**	**9,604**
Baseline operating revenue	10,294	10,527	10,762	11,008
Difference from baseline	*-1,206*	*-1,275*	*-1,330*	*-1,404*

Source: Prepared by Adept Economics, based on Maine budget documents.

AMBITIOUS

This option, which would need to be accompanied by larger spending cuts, instead of attempting to incorporate the individual income tax cut in the sensible policy package, is proposed to abolish state income tax altogether, along with the dubious miscellaneous taxes and charges identified in Table 14. The expected budget impact is set out in Table 18. The expected reduction in revenue over the next biennial budget periods is expected to be $10.6 billion, a reduction of operating revenue of 24.8%. The ambitious package would bring Maine close to the low-taxing rural states of Wyoming and South Dakota.

Table 18. Maine state operating revenues: baseline versus ambitious (millions of dollars)

Sources	FY2024	FY2025	FY2026	FY2027
Individual Income Tax	0	0	0	0
Rest of other revenues	2,595	2,667	2,750	2,838
Total General Fund	2,595	2,667	2,750	2,838
Total Highway Fund	338	341	343	346
Total Federal fund	3,706	3,706	3,706	3,706
Total Other special funds	1,202	1,229	1,266	1,289
Total operating revenue	**7,841**	**7,943**	**8,066**	**8,179**
Baseline operating revenue	10,294	10,527	10,762	11,008
Difference from baseline	*-2,453*	*-2,584*	*-2,696*	*-2,829*

Source: Prepared by Adept Economics based on Maine budget documents.

CONCLUSION

The main takeaways from this chapter include:

- The analysis of Maine's operating revenue has revealed a large scope for tax cuts in the interests of improving Maine's tax **competitiveness**.
- At the very least, a ***Cautious*** option of **eliminating** a wide variety of **smaller taxes** and charges which are economically inefficient is recommended.
- The ***Sensible*** option goes further, and recommends a substantial **cut** in the **income tax** burden through the application of a generous free threshold and a flat-tax rate.
- Finally, an ***Ambitious*** option, involving an **elimination** of individual **income tax**, bringing economic gains, although resulting in a greater revenue reduction.

EXPENDITURES

INTRODUCTION

This chapter and the next two after are based on extensive modeling over the course of several months. The data used for the modeling is broken down into several categories:

1. **Maine Agency Expenditures History Model**: of which there are 33 umbrellas and 351 units which are categorized three ways into 19 departments, 8 offices and 6 independent categories;
2. **Maine Policy Expenditures History Model**: of which there are 9 Maine policy categories which are mapped forward to the 13 US Census Bureau ones;
3. **Maine Cost Expenditures History Model**: of which there are 15 Maine cost categories which are mapped forward to the 7 Census ones;
4. **US Regional Expenditures Benchmark Model:** of which there are 6 states including Maine under each of the three regional categories of New England states, Rural states and Best-Mid-Worst (BMW) states;
5. **US Policy Expenditures Benchmark Model**: of which there are 7 Census policy categories which are mapped backward to the 15 Maine ones;
6. **US Cost Expenditures Benchmark Model:** of which of which there are 7 Census cost categories which are mapped backward to the 15 Maine ones;
7. **Maine Budget Blueprint Model:** which not only brings together four of the above six models of ME-agency, ME-policy, US-policy and US-region as the one **Maine Expenditures Blueprint Model (ME-spend)** but also the **Maine Revenues Blueprint Model (ME-tax)**.

The two primary sources of government expenditure data are the Maine Bureau of Budget (**BOB**)[32] and the US Census Bureau (**Census**).[33] Each of BOB's annual reports are around 450 pages in length; the following tables are derived from data in those reports. BOB reports the most relevant expenditure categories in terms of funds (General, HIghway, etc.), cost items (salaries & wages, retirements, equipment, etc.), policy areas (education, justice, health & human services, etc.), and the 33 umbrella agencies which make up the Maine state government, including executive departments, legislative offices, judicial branch offices, and independent agencies.

HISTORY

The road to the **Maine Budget Blueprint (MBB)** is as much about expenditures as it is revenues, and perhaps more so, as the former has more often than not been ignored in fiscal reforms around the state, country, and world. These two major fiscal policy tools are

[32] https://www.maine.gov/budget/maine-state-government-annual-report

[33] https://www.census.gov/programs-surveys/state.html

akin to the supply and demand, respectively, of Maine government interventions into the market of households and businesses through bureaucrats, red tape and cronies. And, as per *Say's Law*,[34] supply is the larger of the two blades driving the Marshallian scissors of demand and supply. Policy and agency expenditures are certainly no less of an interventionist factor than tax and grant revenues.[35]

DEPARTMENTS

Expenditures from the four latest BOB annual reports are analyzed for fiscal years 2017-18 to 2020-21. Straight-forward, and widely-accepted, statistical analysis is used via the standard Excel formulas of ***Minimum***, ***Median*** and ***Maximum*** to objectively identify the Maine internal benchmarks for the three expenditure tiers for all of 19 departments (and eventually the rest of the 33 umbrella agencies with the 351 unit agencies in total underneath) of ***Restrained***, ***Reckless*** and ***Ruinous***. Note that ***Median*** is primarily used because if there is an odd number of analyzed cells, then there is one or more objective entities identified unlike using the more commonly used ***Average*** formula. And with even numbers, ***Median*** still narrows down the candidates far better than an ***Average*** does. Throughout all seven models, all major data is also analyzed in terms of dollars, ***Materiality*** ($), multi-year ***Indexation*** (I=100), and year-to-year ***Change*** (%) through numbers and charts. The key findings for the 19 Maine departments across the 9 Maine policy areas are:

- **Materiality ($)**:
    - the *D-Health* umbrella under *Health* policy (Department of Health and Human Services) is the statistical *Maximum*, both over multiple years at **$16.8 billion** and in any single year at **$4.7 billion**, and thus the internal benchmark for ***Ruinous***;
    - the *Judge-D* umbrella under *Justice* policy (Judicial Department) and the *D-Enviro* umbrella under *Natural* policy (Department of Environmental Protection) are the statistical *Medians*, over multiple years at **$361.8M** and in any single year between **$82.2M** and **$68.9M** respectively, and thus the internal benchmarks for ***Reckless***;
    - the *Exec-D* umbrella under *Operations* policy (Executive Department) is the statistical *Minimum*, both over multiple years at **$31.6M** and in any single year at **$6.9M**, and thus the internal benchmark for ***Restrained***;
- **Indexation (I=100)**:
    - the *D-Labor* umbrella under *Economic* policy (Department of Labor) is the statistical *Maximum*, over multiple years at **+853.7%**, and thus the internal benchmark for ***Ruinous***;
    - the *D-AG* umbrella under *Justice* policy (Department of the Attorney General) is the statistical *Median*, over multiple years at **+15.1%**, and thus the internal benchmarks for ***Reckless***;

[34] https://mises.org/library/says-law-markets

[35] https://patrickjuli.us/2015/10/03/the-scissors-of-supply-and-demand/

- the *D-Wild* umbrella under *Natural* policy (Department of Inland Fisheries and Wildlife) is the statistical *Minimum*, over multiple years at **-2.3%**, and thus the internal benchmark for ***Restrained***;

- **Change (%)**:
  - the *D-Labor* umbrella under *Economic* policy (Department of Labor) is the statistical *Maximum*, in any single year at **+666.1%**, and thus the internal benchmark for ***Ruinous***;
  - the *D-Reg* umbrella under *Regulation* policy (Department of Professional and Financial Regulation) is the statistical *Median*, in any single year at **+5.1%**, and thus the internal benchmark for ***Reckless***;
  - the *D-Econ* umbrella under *Economic* policy (Department of Economic and Community Development) is the statistical *Minimum*, in any single year at **-18.2%**, and thus the internal benchmark for ***Restrained***.

OFFICES

For the 8 Maine offices across the 9 Maine policy areas, the key findings are:

- **Materiality ($)**:
  - the *Maine-U* umbrella under *Education* policy Board of Trustees of the University of Maine System) and the *O-Treasure* umbrella under *Operations* policy (Office of Treasurer of State) are the statistical *Maximums*, over multiple years at **$909.6M** and in any single year at **$263.1M** respectively, and thus the internal benchmarks for ***Ruinous***;
  - the *O-Audit* umbrella under *Operations* policy (Office of the State Auditor) and the *Maritime-U* umbrella under *Education* policy (Maine Maritime Academy) are the statistical *Medians*, over multiple years at **$14.5M-$40.0M** and in any single year at **$3.8M-$9.4M** respectively, and thus the internal benchmarks for ***Reckless***;
  - the *Fund-House* umbrella under *Operations* policy (Reserve Fund for State House Preservation and Maintenance) is the statistical *Minimum*, both over multiple years at **$1.9M** and in any single year at **$307.8K**, and thus the internal benchmark for ***Restrained***;

- **Indexation (I=100)**:
  - the *O-Treasure* umbrella under *Operations* policy (Office of Treasurer of State) is the statistical *Maximum*, over multiple years at **+69.0%**, and thus the internal benchmark for ***Ruinous***;
  - the *Maine-U* umbrella under *Education* policy (Maine Maritime Academy) is the statistical *Median*, over multiple years at **+9.4%**, and thus the internal benchmark for ***Reckless***;

    - the *Util-Com* umbrella under *Regulation* policy (Public Utilities Commission) is the statistical *Minimum*, over multiple years at **-30.2%**, and thus the internal benchmark for ***Restrained***;
- **Change (%)**:
    - the *O-Treasure* umbrella under *Operations* policy (Office of Treasurer of State) is the statistical *Maximum*, in any single year at **+47.8%**, and thus the internal benchmark for ***Ruinous***;
    - the *Law-Lib* umbrella under *Operations* policy (Law and Legislative Reference Library) is the statistical *Median*, in any single year at **+4.8%**, and thus the internal benchmark for ***Reckless***;
    - the *Fund-House* umbrella under *Operations* policy (Reserve Fund for State House Preservation and Maintenance) is the statistical *Minimum*, in any single year at **-49.8%**, and thus the internal benchmark for ***Restrained***.

INDEPENDENTS

For the 6 Maine independent bodies across the 9 Maine policy areas, the key findings are:

- **Materiality ($)**:
    - the *Indep-Not* umbrella under *Multiple* policies is the statistical *Maximum*, both over multiple years at **$539.0M** and in any single year at **$220.9M**, and thus the internal benchmark for ***Ruinous***;
    - the *Indep-Reg* umbrella under *Multiple* policies and the *Indep-Othr* umbrella under *Multiple* policies are the statistical *Medians*, over multiple years at **$55.4M-$83.0M** and in any single year at **$14.4M-$18.0M** respectively, and thus the internal benchmarks for ***Reckless***;
    - the *Indep-Inter* umbrella under *Multiple* policies and the *Indep-Advis* umbrella under *Multiple* policies are the statistical *Minimums*, over multiple years at **$211.8K** and in any single year at **$2.0K** respectively, and thus the internal benchmarks for ***Restrained***;
- **Indexation (I=100)**:
    - the *Indep-Advis* umbrella under *Multiple* policies is the statistical *Maximum*, over multiple years at **+12,690.8%**, and thus the internal benchmark for ***Ruinous***;
    - the *Indep-Inter* umbrella under *Multiple* policies is the statistical *Median*, over multiple years at **0.0%**, and thus the internal benchmark for ***Reckless***;
    - the *Indep-Othr* umbrella under *Multiple* policies is the statistical *Minimum*, over multiple years at **-27.8%**, and thus the internal benchmark for ***Restrained***;

- **Change (%)**:
    - the *Indep-Advis* umbrella under *Multiple* policies is the statistical *Maximum*, in any single year at **+24,348.7%**, and thus the internal benchmark for ***Ruinous***;
    - the *Indep-Othe* umbrella under *Multiple* policies is the statistical *Median*, in any single year at **+2.6%**, and thus the internal benchmark for ***Reckless***;
    - the *Indep-Advis* umbrella under *Multiple* policies is also the statistical *Minimum*, in any single year at **-99.6%**, and thus the internal benchmark for ***Restrained***.

AGENCIES

For all 33 Maine umbrella agencies across the 9 Maine policy areas, the key findings are:

- **Materiality ($)**:
    - the *D-Health* umbrella under *Health* policy is the statistical *Maximum*, both over multiple years at **$16.8 billion** and in any single year at **$4.7 billion**, and thus the internal benchmark for ***Ruinous***;
    - the *D-Wild* umbrella under *Natural* policy and the *D-Econ* umbrella under *Economic* policy are the statistical *Medians*, over multiple years at **$193.5M** and in any single year at **$49.2M-$48.5M** respectively, and thus the internal benchmarks for ***Reckless***;
    - the *Indep-Inter* umbrella and the *Indep-Advis* umbrella under *Multiple* policies are the statistical *Minimums*, over multiple years at **$1.9M** and in any single year at **$2.0K** respectively, and thus the internal benchmark for ***Restrained***;
- **Indexation (I=100)**:
    - the *Indep-Advis* umbrella under *Multiple* policies is the statistical *Maximum*, over multiple years at +**12,690.8%**, and thus the internal benchmark for ***Ruinous***;
    - the *D-State* umbrella under *Operations* policy is the statistical *Median*, over multiple years at **+14.0%**, and thus the internal benchmark for ***Reckless***;
    - the *Util-Com* umbrella under *Regulation* policy is the statistical *Minimum*, over multiple years at **-30.2%**, and thus the internal benchmark for ***Restrained***;
- **Change (%)**:
    - the *Indep-Advis* umbrella under *Multiple* policies is the statistical *Maximum*, over multiple years at +**24,348.7%**, and thus the internal benchmark for ***Ruinous***;
    - the *O-Treasure* umbrella under *Operations* policy is the statistical *Median*, in any single year at +**4.8%**, and thus the internal benchmark for ***Reckless***;

- the *Indep-Advis* umbrella under *Multiple* policies is also the statistical *Minimum*, in any single year at **-99.6%**, and thus the internal benchmark for ***Restrained***.

POLICIES

As seen in Table 19 below, the three tables are of the 9 Maine policy areas mapped to the 13 Census policies:

1. Education expenditure (***EdEx***);
2. Public welfare expenditure (***WelfEx***);
3. Hospitals expenditure (***HospEx***);
4. Health expenditure (***HealEx***);
5. Highways expenditure (***HiEx***);
6. Police protection expenditure (***PolEx***);
7. Corrections expenditure (***CorEx***);
8. Natural resources expenditure (***NatEx***);
9. Parks and recreation expenditure (***RecEx***);
10. Governmental administration expenditure (***AdmEx***);
11. Other and unallocable expenditure (***OthEx***);
12. Utility expenditure (***UtilEx***);
13. Liquor stores expenditure (***LiqEx***).

The key findings in regards to the 9 Maine policy areas, found in Table 19 below, are:

- **Materiality ($)**:
    - Maine *Health* policy mapped to Census *HealEx* policy is the statistical *Maximum*, both over multiple years at **$11.1 billion** and in any single year at **$3.1 billion**, and thus the internal benchmark for ***Ruinous***;
    - Maine *Operations* policy mapped to Census *AdmEx* policy and Maine *Justice* policy mapped to Census *CorEx* policy are the statistical *Medians*, over multiple years at **$2.6 billion** and in any single year at **$362.7M-$564.0M** respectively, and thus the internal benchmarks for ***Reckless***;
    - Maine *Cultural* policy mapped to Census *RecEx* policy and Maine *Economic* policy mapped to Census *LiqEx* policy are the statistical *Minimums*, over multiple years at **$52.1M** and in any single year at **$9.7M** respectively, and thus the internal benchmarks for ***Restrained***;
- **Indexation (I=100)**:
    - Maine *Economic* policy mapped to Census *LiqEx* policy is the statistical *Maximum*, over multiple years at **+655.8%**, and thus the internal benchmark for ***Ruinous***;

- Maine *Health* policy mapped to Census *HospEx* policy is the statistical *Median*, over multiple years at **+21.2%**, and thus the internal benchmark for ***Reckless***;
- Maine *Regulation* policy mapped to Census *UtilEx* policy is the statistical *Minimum*, over multiple years at **-11.0%**, and thus the internal benchmark for ***Restrained***;

Change (%):

- Maine *Economic* policy mapped to Census *WelfEx* policy is the statistical *Maximum*, in any single year at **+397.3%**, and thus the internal benchmark for ***Ruinous***;
- Maine *Cultural* policy mapped to Census *RecEx* policy is the statistical *Median*, in any single year at **+6.7%**, and thus the internal benchmark for ***Reckless***;
- Maine *Regulation* policy mapped to Census *UtilEx* policy is the statistical *Minimum*, in any single year at **-5.2%**, and thus the internal benchmark for ***Restrained***.

BENCHMARKS

The U.S. Census has uniform state government revenues, expenditures and finance data going back to 1992. The expenditures are broken down in parallel to both cost items and policy areas for all 50 states. The three combinations looked at in this section are Maine plus: the other 5 ***New England*** states; 5 other ***Rural*** states (in terms of Census population density[36]); and 2 best, 1 mid and 2 worst states (***Best-Mid-Worst*** or ***BMW***) based on the latest fiscal rankings by the Cato Institute.[37] Note that Maine is compared throughout but not included in the various interstate benchmark calculations itself because the object to be benchmarked externally should not include that object itself.

POLICIES

The 13 Census policies were mapped to the 9 Maine policy areas in terms of dollars materiality ($), multi-year indexation (I=100) and year-to-year change (%). The key findings are:

- **Materiality ($)**:
  - Census *WelfEx* policy mapped to Maine *Economic* policy is the statistical *Maximum*, both over multiple years at **$562.1 billion** and in any single year at **$152.1 billion**, and thus the external benchmark for ***Ruinous***;
  - Census *HospEx* and *HealEx* policy both mapped to Maine *Health* policy are the statistical *Medians*, over multiple years at **$58.6 billion** and in any single year

[36] https://www.census.gov/data/tables/time-series/dec/density-data-text.html

[37] https://www.freedominthe50states.org/fiscal & noting https://www.cato.org/blog/cato-releases-fiscal-report-governors-2022

at **$14.0 billion to$13.7 billion** respectively, and thus the external benchmarks for ***Reckless***;
  - Census *RecEx* policy mapped to Maine *Cultural* policy is the statistical *Minimum*, both over multiple years at **$4.6 billion** and in any single year at **$1.1 billion**, and thus the external benchmark for ***Restrained***;
- **Indexation (I=100)**:
  - Census *OthEx* policy mapped to Maine *Operations* policy is the statistical *Maximum*, over multiple years at **+32.2%**, and thus the external benchmark for ***Ruinous***;
  - Census *WelfEx* policy mapped to Maine *Economic* policy is the statistical *Median*, over multiple years at **+13.5%**, and thus the external benchmark for ***Reckless***;
  - Census *RecEx* policy mapped to Maine *Cultural* policy is the statistical *Minimum*, over multiple years at **-7.6%**, and thus the external benchmark for ***Restrained***;
- **Change (%)**:
  - Census *OthEx* policy mapped to Maine *Operations* policy is the statistical *Maximum*, in any single year at **+14.4%**, and thus the external benchmark for ***Ruinous***;
  - Census *PolEx* policy mapped to Maine *Justice* policy is the statistical *Median*, in any single year at **+4.1%**, and thus the external benchmarks for ***Reckless***;
  - Census *RecEx* policy mapped to Maine *Cultural* policy is the statistical *Minimum*, in any single year at **-5.1%**, and thus the external benchmark for ***Restrained***.

NEW ENGLAND

In terms of the 6 ***New England*** states including Maine in terms of dollars materiality ($), multi-year indexation (I=100) and year-to-year change (%). The key findings are:

- **Materiality ($)**:
  - the state of *Massachusetts (MA)* is the statistical *Maximum*, both over multiple years at **$280.4 billion** and in any single year at **$78.3 billion**, and thus the external benchmark for ***Ruinous***;
  - the states of *New Hampshire (NH)* and *Rhode Island (RI)* are the statistical *Medians*, over multiple years at **$39.1 billion** and in any single year at **$10.0 billion to $9.8 billion** respectively, and thus the external benchmarks for ***Reckless***;
  - the state of *Vermont (VT)* is the statistical *Minimum*, both over multiple years at **$28.4 billion** and in any single year at **$6.8 billion**, and thus the external benchmark for ***Restrained***;

- **Indexation (I=100)**:
  - the state of *Massachusetts (MA)* is the statistical *Maximum*, over multiple years at **+19.7%**, and thus the external benchmark for ***Ruinous***;
  - the state of *New Hampshire (NH)* is the statistical *Median*, over multiple years at **+13.4%**, and thus the external benchmarks for ***Reckless***;
  - the state of *Connecticut (CT)* is the statistical *Minimum*, over multiple years at **+10.7%**, and thus the external benchmark for ***Restrained***;
- **Change (%)**:
  - the state of *Massachusetts (MA)* is the statistical *Maximum*, in any single year at **+13.0%**, and thus the external benchmark for ***Ruinous***;
  - the state of *Rhode Island (RI)* is the statistical *Median*, in any single year at **+3.6%**, and thus the external benchmark for ***Reckless***;
  - the state of *Connecticut (CT)* is the statistical *Minimum*, in any single year at **+0.9%**, and thus the external benchmark for ***Restrained*.**

RURAL STATES

In terms of the 6 ***Rural*** peer states including Maine in terms of dollars materiality ($), multi-year indexation (I=100) and year-to-year change (%). The key findings are:

- **Materiality ($)**:
  - the state of *Alaska (AK)* is the statistical *Maximum*, both over multiple years at **$47.8 billion** and in any single year at **$13.1 billion**, and thus the external benchmark for ***Ruinous***;
  - the states of *North Dakota (ND)* and *Montana (MT)* are the statistical *Medians*, over multiple years at **$30.7 billion** and in any single year at **$7.7 billion to$7.8 billion** respectively, and thus the external benchmarks for ***Reckless***;
  - the state of *South Dakota (SD)* is the statistical *Minimum*, both over multiple years at **$21.5 billion** and in any single year at **$5.1 billion**, and thus the external benchmark for ***Restrained***;
- **Indexation (I=100)**:
  - the state of *South Dakota (SD)* is the statistical *Maximum*, over multiple years at **+11.2%**, and thus the external benchmark for ***Ruinous***;
  - the state of *Alaska (AK)* is the statistical *Median*, over multiple years at **+6.4%**, and thus the external benchmarks for ***Reckless***;
  - the state of *Wyoming (WY)* is the statistical *Minimum*, over multiple years at **-1.4%**, and thus the external benchmark for ***Restrained***;
- **Change (%)**:
  - the state of *Alaska (AK)* is the statistical *Maximum*, in any single year at **+15.6%**, and thus the external benchmark for ***Ruinous***;

- the state of *Wyoming (WY)* is the statistical *Median*, in any single year at **+2.3%**, and thus the external benchmark for ***Reckless***;
- the state of *Alaska (AK)* is the statistical *Minimum*, in any single year at **-12.9%**, and thus the external benchmark for ***Restrained***.

BEST-MID-WORST

In terms of the 6 ***BMW*** states including Maine in terms of dollars materiality ($), multi-year indexation (I=100) and year-to-year change (%). The key findings are:

- **Materiality ($)**:
  - the state of *Pennsylvania (PA)* is the statistical *Maximum*, both over multiple years at **$436.4 billion** and in any single year at **$122.6 billion**, and thus the external benchmark for ***Ruinous***;
  - the state of *Ohio (OH)* is the statistical *Median*, both over multiple years at **$362.0 billion** and in any single year at **$88.5 billion to$89.1 billion**, and thus the external benchmark for ***Reckless***;
  - the state of *Wyoming (WY)* is the statistical *Minimum*, both over multiple years at **$25.3 billion** and in any single year at **$6.2 billion**, and thus the external benchmark for ***Restrained***;
- **Indexation (I=100)**:
  - the state of *Pennsylvania (PA)* is the statistical *Maximum*, over multiple years at **+19.0%**, and thus the external benchmark for ***Ruinous***;
  - the state of *Ohio (OH)* is the statistical *Median*, over multiple years at **+12.2%**, and thus the external benchmarks for ***Reckless***;
  - the state of *Wyoming (WY)* is the statistical *Minimum*, over multiple years at **-1.4%**, and thus the external benchmark for ***Restrained***;
- **Change (%)**:
  - the state of *Alaska (AK)* is the statistical *Maximum*, in any single year at **+15.6%**, and thus the external benchmark for ***Ruinous***;
  - the state of *Florida (FL)* is the statistical *Median*, in any single year at **+4.4%**, and thus the external benchmark for ***Reckless***;
  - the state of *Alaska (AK)* is the statistical *Minimum*, in any single year at **-12.9%**, and thus the external benchmark for ***Restrained***.

COMBINED BENCHMARKS

Table 19 below shows the combined ***New England***, ***Rural*** and ***BMW*** states including Maine by overall state spending in terms of dollars materiality ($), multi-year indexation (I=100) and year-to-year change (%). The key findings are:

- **Materiality ($)**:
  - the state of *Pennsylvania (PA)* is the statistical *Maximum*, both over multiple years at **$436.4 billion** and in any single year at **$122.6 billion**, and thus the external benchmark for ***Ruinous***;
  - the state of *Ohio (OH)* is the statistical *Median*, both over multiple years at **$362.0 billion** and in any single year at **$88.5 billion to$89.1 billion**, and thus the external benchmark for ***Reckless***;
  - the state of *Wyoming (WY)* is the statistical *Minimum*, both over multiple years at **$25.3 billion** and in any single year at **$6.2 billion**, and thus the external benchmark for ***Restrained***;
- **Indexation (I=100)**:
  - the state of *Pennsylvania (PA)* is the statistical *Maximum*, over multiple years at **+19.0%**, and thus the external benchmark for ***Ruinous***;
  - the state of *Ohio (OH)* is the statistical *Median*, over multiple years at **+12.2%**, and thus the external benchmarks for ***Reckless***;
  - the state of *Wyoming (WY)* is the statistical *Minimum*, over multiple years at **-1.4%**, and thus the external benchmark for ***Restrained***;
- **Change (%)**:
  - the state of *Alaska (AK)* is the statistical *Maximum*, in any single year at **+15.6%**, and thus the external benchmark for ***Ruinous***;
  - the state of *Florida (FL)* is the statistical *Median*, in any single year at **+4.4%**, and thus the external benchmark for ***Reckless***;
  - the state of *Alaska (AK)* is the statistical *Minimum*, in any single year at **-12.9%**, and thus the external benchmark for ***Restrained***.

Table 19: Maine Benchmarks Comparison

EXPENDITURE ($)					
State	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**Total**
Maine	$9,150,721,000	$9,390,692,000	$9,743,650,000	$10,954,376,000	$39,239,439,000
Alaska	$11,301,460,000	$13,069,082,000	$11,381,484,000	$12,027,170,000	$47,779,196,000
Connecticut	$27,862,972,000	$28,118,776,000	$29,292,865,000	$30,844,260,000	$116,118,873,000
Florida	$90,521,044,000	$97,294,564,000	$103,154,416,000	$107,659,776,000	$398,629,800,000
Massachusetts	$65,392,160,000	$67,436,881,000	$69,279,574,000	$78,292,385,000	$280,401,000,000
Montana	$7,789,499,000	$7,847,659,000	$8,031,744,000	$8,601,582,000	$32,270,484,000
New Hampshire	$8,798,111,000	$8,890,261,000	$9,045,984,000	$9,974,933,000	$36,709,289,000
North Dakota	$7,792,663,000	$7,208,896,000	$7,729,270,000	$7,936,307,000	$30,667,136,000
Ohio	$86,876,706,000	$88,511,291,000	$89,163,525,000	$97,458,562,000	$362,010,084,000
Pennsylvania	$103,025,204,000	$102,227,933,000	$108,555,679,000	$122,554,436,000	$436,363,252,000
Rhode Island	$9,169,659,000	$9,503,534,000	$9,843,932,000	$10,548,793,000	$39,065,918,000
South Dakota	$5,139,886,000	$5,247,974,000	$5,343,524,000	$5,716,059,000	$21,447,443,000
Vermont	$6,843,630,000	$6,951,149,000	$7,018,267,000	$7,591,060,000	$28,404,106,000
Wyoming	$6,445,250,000	$6,308,802,000	$6,159,560,000	$6,355,680,000	$25,269,292,000
	$446,108,965,000	$458,007,494,000	$473,743,474,000	$516,515,379,000	$1,894,375,312,000

	Minimum	Median	Maximum
Stats 4xFY	$21,447,443,000	$39,065,918,000	$436,363,252,000
Stats 1xFY	$5,139,886,000	$9,909,432,500	$122,554,436,000

INDEX (I=100)					
State	2017-18	2018-19	2019-20	2020-21	Total
Maine	100.0	102.6	106.5	119.7	19.7%
Alaska	100.0	115.6	100.7	106.4	6.4%
Connecticut	100.0	100.9	105.1	110.7	10.7%
Florida	100.0	107.5	114.0	118.9	18.9%
Massachusetts	100.0	103.1	105.9	119.7	19.7%
Montana	100.0	100.7	103.1	110.4	10.4%
New Hampshire	100.0	101.0	102.8	113.4	13.4%
North Dakota	100.0	92.5	99.2	101.8	1.8%
Ohio	100.0	101.9	102.6	112.2	12.2%
Pennsylvania	100.0	99.2	105.4	119.0	19.0%
Rhode Island	100.0	103.6	107.4	115.0	15.0%
South Dakota	100.0	102.1	104.0	111.2	11.2%
Vermont	100.0	101.6	102.6	110.9	10.9%
Wyoming	100.0	97.9	95.6	98.6	-1.4%
	Stats 1xFY	Minimum	Median	Maximum	
		-1.4%	11.2%	19.7%	

CHANGE (%)				
State	2017-18	2018-19	2019-20	2020-21
Maine	-	2.6%	3.8%	12.4%
Alaska	-	15.6%	-12.9%	5.7%
Connecticut	-	0.9%	4.2%	5.3%
Florida	-	7.5%	6.0%	4.4%
Massachusetts	-	3.1%	2.7%	13.0%
Montana	-	0.7%	2.3%	7.1%
New Hampshire	-	1.0%	1.8%	10.3%
North Dakota	-	-7.5%	7.2%	2.7%
Ohio	-	1.9%	0.7%	9.3%
Pennsylvania	-	-0.8%	6.2%	12.9%
Rhode Island	-	3.6%	3.6%	7.2%
South Dakota	-	2.1%	1.8%	7.0%
Vermont	-	1.6%	1.0%	8.2%
Wyoming	-	-2.1%	-2.4%	3.2%
	Stats 1xFY	Minimum	Median	Maximum
		-12.9%	3.2%	15.6%

COMBINATIONS

The analysis above, of both Maine expenditures history and interstate expenditure benchmarks, are combined together here in a large matrix of both Maine internal benchmarks and interstate external benchmarks. Such a combination is made feasible due to the mapping of Maine unit agency, umbrella agency and policy area expenditures to Census policy, state and region expenditures.

CENSUS

Combining the three interstate regions, along with Maine, in terms of all-years (i.e., one- and multi-years combined), dollar materiality ($), multi-year indexation (I=100), and year-to-year change (%), key findings are:

- **Materiality ($)**:
    - the ***Ruinous*** all-years highlights include the state of *Pennsylvania (PA)* and interstate *Economic* policy at **$142.6 billion** as well as Maine *Health* policy and Maine *D-Health* at **$28.0 billion**;
    - the ***Reckless*** all-years highlights include the state of *Rhode Island (RI)* at **$13.1 billion** and interstate *Natural* policy at **$3.1 billion** as well as Maine *Natural* policy and Maine *D-Wild*;
    - the ***Restrained*** highlights include the state of *Wyoming (WY)* at **$2.1 billion** and interstate *Regulation* policy at **$16.3M** as well as Maine *Cultural* policy and Maine *Indep-Advis* at **$2.0K**;
- **Indexation (I=100)**:
    - the ***Ruinous*** all-years highlights include the state of *Connecticut (CT)* at **+14.2%** and interstate *Transport* policy at **+75.8%** as well as Maine *Cultural* policy and Maine *Indep-Not* at **+12.5%**;
    - the ***Reckless*** all-years highlights include the state of *Ohio (OH)* at **+10.7%** and interstate *Education* policy at **-0.4%** as well as Maine *Operations* policy and Maine *D-State* at **+40.9%**;
    - the ***Restrained*** highlights include the state of *Alaska (AK)* at **-8.2%** and interstate *Regulation* policy at **-53.9%** as well as Maine *Regulation* policy and Maine *Util-Com* at **-30.2%**;
- **Change (%)**:
    - the ***Ruinous*** all-years highlights include the state of *Wyoming (WY)* at **+19.2%**.and interstate *Operations* policy at **+24.3%** as well as Maine *Operations* policy and Maine *Exec-D* at **+7.4%**;

- the ***Reckless*** all-years highlights include the state of *Massachusetts (MA)* at **+6.6%** and interstate *Transport* policy at **-2.1%** as well as Maine *Education* policy and Maine *D-Ed* at **-4.2%**;
- the ***Restrained*** all-years highlights include the state of *South Dakota (SD)* at **+2.4%**.and interstate *Regulation* policy at **-52.0%**.as well as Maine *Economic* policy and Maine *D-Econ* at **-18.2%**.

STATISTICS

Boundaries from the previous matrix are summarized in terms of statistical ***Maximums***, ***Medians***, ***Averages***, ***Mid-Points*** (i.e., in-between ***Medians*** and ***Averages***) and ***Minimums***. These are the potential ***X-factors*** (discussed in the next chapter regarding ***CPI-X***):

- ***Ruinous* (%)**:
    - all-years ranging from a high of **+105,050.0%** to a low of **+3.6%** with **+9,255.5%** in-between;
    - multiple-years ranging from a high of **+105,050.0%** to a low of **+12.5%** with **+10,443.6%** in-between;
    - one-years ranging from a high of **+24,348.7%** to a low of **+3.6%** with **+1,359.2%** in-between;
- ***Reckless* (%)**:
    - all-years ranging from a high of **+51.2%** to a low of **-4.2%** with **+9.9%** in-between;
    - multiple-years ranging from a high of **+51.2%** to a low of **-0.4%** with **+10.8%** in-between;
    - one-years ranging from a high of **+37.8%** to a low of **-4.2%** with **+4.4%** in-between;
- ***Restrained* (%)**:
    - all-years ranging from a high of **+6.7%** to a low of **-99.6%** with **-21.8%** in-between;
    - multiple-years ranging from a high of **+4.5%** to a low of **-53.9%** with **-19.7%** in-between;
    - one-years ranging from a high of **+6.7%** to a low of **-99.6%** with **-15.6%** in-between.

X-FACTORS

As can be seen in Table 20 below, the matrix presents only the ***Restrained*** benchmarks as the likely ***X-factors*** (to be further discussed in the next chapter regarding ***CPI-X***). The key findings are:

- the most ***Restrained*** Maine agencies are *D-Correct* (Department of Corrections), *D-Econ* (Department of Economic and Community Development), *Indep-Advis* (independent advisory agencies), and *Util-Com* (Public Utilities Commission);
- the most ***Restrained*** Maine and interstate policies are *Cultural*, *Economic*, *Justice*, *Regulation* and *Transport*;
- the most ***Restrained*** interstate states are *Alaska (AK)*, *New Hampshire (NH)*, *North Dakota (ND)* and *South Dakota (SD)*;
- ***Restrained*** single-digit negative figures range from **-0.8%** to **-8.2%**;
- certain ***Restrained*** double-digit negative figures ranging from **-12.1%** to **-27.9%**;
- further ***Restrained*** double-digit negative figures ranging from **-30.2%** to **-53.9%.**

Table 20: Maine Potential X-factors

BENCHMARKS (%)						
Restrained	**Years**	**Interstate Region**	**State**	**Census Policy**	**Maine Policy**	**Maine Agency**
-0.8%	Multiple	Rural + BMW	AK			
-8.2%	Multiple	Rural + BMW	AK			
-1.5%	Multiple	Rural + BMW	AK			
4.5%	Multiple	Rural + BMW	AK			
-53.9%	Multiple	NewEng	NH	UtilEx	Regulation	
-53.9%	Multiple	NewEng	NH	UtilEx	Regulation	
-35.4%	Multiple	NewEng	NH	UtilEx	Regulation	
-27.9%	Multiple	Rural	ND	HiEx	Transport	
-16.0%	Multiple	NewEng + Rural + BMW	ME	UtilEx	Regulation	Util-Com
-30.2%	Multiple	NewEng+Rural+BMW	ME	UtilEx	Regulation	Util-Com
-20.1%	Multiple	NewEng+Rural+BMW	ME	UtilEx	Regulation	Util-Com
-12.1%	Multiple	NewEng+Rural+BMW	ME	UtilEx	Regulation	Util-Com
-8.2%	One	Rural + BMW	AK			
-5.2%	One	Rural + BMW	AK			
0.2%	One	Rural + BMW	AK			
2.4%	One	Rural	SD			
-52.0%	One	Rural + BMW	AK	UtilEx	Regulation	
-25.7%	One	NewEng	NH	UtilEx	Regulation	
-22.6%	One	NewEng	NH	UtilEx	Regulation	
-14.3%	One	NewEng	NH	UtilEx	Regulation	
-99.6%	One	NewEng+Rural+BMW	ME	RecEx	Cultural	Indep-Advis
-18.2%	One	NewEng+Rural+BMW	ME	WelfEx + LiqEx	Economic	D-Econ
-2.6%	One	NewEng+Rural+BMW	ME	UtilEx	Regulation	Util-Com
6.7%	One	NewEng+Rural+BMW	ME	PolEx + CorEx	Justice	D-Correct

TIERS

AGENCIES

Measuring the 33 Maine umbrellas across the 9 Maine policy areas, in terms of dollars materiality ($), multi-year indexation (I=100) and year-to-year change (%), we found that:

- **Materiality ($)**:
  - the *D-Health* umbrella under *Health* policy is the statistical *Maximum*, both over multiple years at **$16.8 billion** and in any single year at **$4.7 billion**, and thus a key parameter for the ***Ruinous*** tier;
  - the *D-Wild* and *D-Econ* umbrellas under *Natural* and *Economic* policies are the statistical *Medians*, over multiple years at **$193.5M** and in any single year at **$49.2M-$48.5M** respectively, and thus key parameters for the ***Reckless*** tier;
  - the *Indep-Inter* and *Indep-Advis* umbrellas under *Multiple* policies are the statistical *Minimums*, over multiple years at **$211.8K** and in any single year at **$2.0K** respectively, and thus key parameters for the ***Restrained*** tier;
- **Indexation (I=100)**:
  - the *Indep-Advis* umbrella under *Multiple* policies is the statistical *Maximum*, over multiple years at **+12,690.8%**, and thus a key parameter for the ***Ruinous*** tier;
  - the *D-State* umbrella under *Operations* policy is the statistical *Median*, over multiple years at **+14.0%**, and thus a key parameter for the ***Reckless*** tier;
  - the *Util-Com* umbrella under *Regulation* policy is the statistical *Minimum*, over multiple years at **-30.2%**, and thus a key parameter for the ***Restrained*** tier;
- **Change (%)**:
  - the *Indep-Advis* umbrella under *Multiple* policies is the statistical *Maximum*, in any single year at **+24,348.7%**, and thus a key parameter for the ***Ruinous*** tier;
  - the *O-Treasure* umbrella under *Operations* policy is the statistical *Median*, in any single year at **+4.8%**, and thus a key parameter for the ***Reckless*** tier;
  - the *Indep-Advis* umbrella under *Multiple* policies is the statistical *Minimum*, in any single year at **-99.6%**, and thus a key parameter for the ***Restrained*** tier.

RANKINGS

The list of 33 umbrellas is ranked based on a calculation using the previous analysis which scores -2 points for every ***Ruinous*** agency, -1 point for ***Reckless***, and +3 points for ***Restrained***,. This then determines the three Maine agency expenditure tiers of ***Ruinous*** *(red)*, ***Reckless*** *(yellow)* and ***Restrained*** *(green)*. These expenditures are then applied to three corresponding ***X-factors*** to eventually help arrive at three Maine budget options of ***Cautious***, ***Sensible*** and ***Ambitious*** discussed in the next chapter.

As shown below in Table 21, the worst-spending Maine state umbrella departments overall, in terms of dollar materiality, multi-year indexation and year-to-year change, are the Department of Labor and Department of Economic and Community Development. While the Department of Health and Human Services is among the most ***Ruinous*** spenders in terms of materiality/dollar amount, it has been relatively ***Restrained*** in year-over-year change, and merely ***Reckless*** in terms of multi-year indexation, therefore falling among the middle-of-the-pack in terms of overall score.

In contrast, the umbrella departments which have best performed in terms of constraining spending growth are the Public Utilities Commission and Office of the Secretary of State. The categories of independent agencies vary broadly, and only spend a fraction of what larger umbrella departments and agencies spend.

Table 21: Maine Agency Rankings

Pts	Policies	Umbrellas	Agencies
-5	Economic	Department of Labor	D-Labor
-5	Economic	Department of Economic and Community Development	D-Econ
-5	Multiple	Independent Agencies - Not Part of State Government	Indep-Not
-4	Natural	Department of Agriculture, Conservation and Forestry	D-Conserv
-4	Operations	Office of Treasurer of State	O-Treasure
-1	Multiple	Independent Agencies - Other	Indep-Othr
-1	Regulation	Department of Professional and Financial Regulation	D-Reg
-1	Operations	Executive Department	Exec-D
-1	Multiple	Independent Agencies - Advisory	Indep-Advis

Pts	Policies	Umbrellas	Agencies
0	Education	Department of Education	D-Ed
0	Health	Department of Health and Human Services	D-Health
0	Natural	Department of Environmental Protection	D-Enviro
0	Operations	Department of Administrative and Financial Services	D-Admin
0	Transport	Department Of Transportation	D-Transport
0	Operations	Reserve Fund for State House Preservation and Maintenance	Fund-House
1	Multiple	Independent Agencies - Interstate Compact	Indep-Inter
1	Natural	Department of Inland Fisheries and Wildlife	D-Wild
1	Natural	Department of Marine Resources	D-Marine
1	Education	Board of Trustees of the University of Maine System	Maine-U
1	Justice	Department of Corrections	D-Correct
1	Education	Maine Maritime Academy	Maritime-U
1	Justice	Department of Defense, Veterans and Emergency Management	D-Defend

Pts	Policies	Umbrellas	Agencies
5	Multiple	Independent Agencies - Regulatory	Indep-Reg
5	Operations	Legislative Department	Legis-D
5	Operations	Office of the State Auditor	O-Audit
5	Justice	Department of Public Safety	D-Safe
5	Justice	Department of the Attorney General	D-AG
5	Operations	Office of Program Evaluation and Government Accountability	O-Account
5	Operations	Law and Legislative Reference Library	Law-Lib
5	Justice	Judicial Department	Judge-D
9	Multiple	Independent Agencies - Other	Indep-Othe
9	Operations	Department of the Secretary of State	D-State
9	Regulation	Public Utilities Commission	Util-Com

CONCLUSION

This chapter outlines the way spending growth was benchmarked for analysis, over both single and four-year timescales. The main takeaways from this chapter include:

- **Maine Agency Benchmarks**:
    - the ***Ruinous*** maximum was set by the Department of Health and Human Services (*D-Health*) in terms of materiality, and independent advisory boards (*Indep-Advis*) in terms of change
    - the ***Restrained*** minimum was set by independent agencies which deal with interstate compacts (*Indep-Inter*) and those which act as advisory boards (*Indep-Advis*) in terms of materiality, and the Public Utilities Commission (*Util-Com*) and other independent agencies (*Indep-Othe*) such as Finance Authority of Maine (FAME) and the Maine Municipal Bond Bank in terms of change.
- **Maine Policy Benchmarks**:
    - the most ***Ruinous***, maximum spending policy areas are health spending (*Health/HealEx*) in terms of materiality, and liquor stores (*Economic/LiqEx*) and public welfare (*Economic/WelfEx*) in terms of change;
    - the ***Reckless*** median spending areas are government administration (*Operations/AdmEx*) and corrections (*Justice/CorEx*) in terms of materiality, and parks & recreation (*Cultural/RecEx*) in terms of change;
    - the minimum ***Restrained*** spending policies are parks & recreation (*Cultural/RecEx*) and liquor stores (*Economic/LiqEx*) in terms of materiality, and utilities (*Regulation/UtilEx*) in terms of change;
- **Maine Potential X-factors**:
    - the maximum ***Ruinous*** changes span from **+3.6%** to **+12.5%**;
    - the median ***Reckless*** changes span from **-0.4%** to **-4.2%**;
    - the minimum ***Restrained*** changes span from **-15.6%** to **99.6%**;

- **Maine Agency Tiers**:
    - ***Ruinous*** spending growth has occurred at *D-Labor*, *D-Econ*, *Indep-Not*, *D-Conserv*, *O-Treasure*, *Indep-Othr*, *D-Reg*, *Exec-D* and *Indep-Advis*;
    - ***Reckless*** spending has occurred at *D-Ed*, *D-Health*, *D-Enviro*, *D-Admin*, *D-Transport*, *Fund-House*, *Indep-Inter*, *D-Wild*, *D-Marine*, *Maine-U*, *D-Correct*, *Maritime-U* and *D-Defend*;
    - ***Restrained*** spending has occurred at *Indep-Reg*, *Legis-D*, *O-Audit*, *D-Safe*, *D-AG*, *O-Account*, *Law-Lib*, *Judge-D*, *Indep-Othe*, *D-State* and *Util-Com*.

BALANCES

INTRODUCTION

This chapter is based on the ***Maine Budget Blueprint Model (ME-tax&spend)*** which is, in turn, based on the ***Maine Expenditures Blueprint Model (ME-spend)*** and the ***Maine Revenues Blueprint Model*** **(*ME-tax*)** from the previous two chapters. Note that the primary source in this chapter for Maine government revenues and funds data is the Office of Fiscal and Program Review (**OFPR**).[38] Note that the latest 2022-23 OFPR report is nearly 900 pages in length in terms of tables, text and other information. Any budget, whether government or private, of course, needs to account for the balance between revenues and expenditures over time including any resulting surpluses, deficits and financing – i.e., ***Budget = Revenues – Expenditures = Surplus or Deficit***.

FUNDS

Maine government revenues and expenditures come together through the various funds (General, Federal, Highway, etc.). Unfortunately, **OFPR**'s revenue fund categories and **BOB**'s expenditure fund categories do not exactly align. This leads to significantly lower overall revenue figures than expenditures in 2022-23 alone.

REVENUES

The analysis and options presented in the revenues chapter both appropriately focused on tax revenues and relied on OFPR's operating funds category, before applying needed uplift multipliers due to inconsistent reporting in state budget documents. These three options along with the relevant four OFPR operating fund sub-categories are reproduced in Table 22 below.

Table 22: Maine Revenue Options

CAUTIOUS	2023-24	2024-25	2025-26	2026-27
Individual Income Tax	$2,128,000,000	$2,235,000,000	$2,331,000,000	$2,432,000,000
Rest of other revenues	$2,595,000,000	$2,667,000,000	$2,750,000,000	$2,838,000,000
Total General Fund	$4,723,000,000	$4,902,000,000	$5,081,000,000	$5,270,000,000
Total Highway Fund	$338,000,000	$341,000,000	$343,000,000	$346,000,000
Total Federal fund	$3,706,000,000	$3,706,000,000	$3,706,000,000	$3,706,000,000
Total Other special funds	$1,214,000,000	$1,241,000,000	$1,279,000,000	$1,303,000,000
Total operating revenue	**$9,981,000,000**	**$10,190,000,000**	**$10,410,000,000**	**$10,624,000,000**
Baseline operating revenue	$10,294,000,000	$10,527,000,000	$10,762,000,000	$11,008,000,000
Difference from baseline	*($312,000,000)*	*($337,000,000)*	*($351,000,000)*	*($384,000,000)*

[38] https://legislature.maine.gov/ofpr/compendium & https://legislature.maine.gov/doc/9078

SENSIBLE	2023-24	2024-25	2025-26	2026-27
Individual Income Tax	$1,239,000,000	$1,302,000,000	$1,358,000,000	$1,417,000,000
Rest of other revenues	$2,595,000,000	$2,667,000,000	$2,750,000,000	$2,838,000,000
Total General Fund	$3,834,000,000	$3,969,000,000	$4,108,000,000	$4,255,000,000
Total Highway Fund	$338,000,000	$341,000,000	$343,000,000	$346,000,000
Total Federal fund	$3,706,000,000	$3,706,000,000	$3,706,000,000	$3,706,000,000
Total Other special funds	$1,209,000,000	$1,236,000,000	$1,274,000,000	$1,297,000,000
Total operating revenue	**$9,088,000,000**	**$9,252,000,000**	**$9,432,000,000**	**$9,604,000,000**
Baseline operating revenue	$10,294,000,000	$10,527,000,000	$10,762,000,000	$11,008,000,000
Difference from baseline	*($1,206,000,000)*	*($1,275,000,000)*	*($1,330,000,000)*	*($1,404,000,000)*

AMBITIOUS	2023-24	2024-25	2025-26	2026-27
Individual Income Tax	$0	$0	$0	$0
Rest of other revenues	$2,595,000,000	$2,667,000,000	$2,750,000,000	$2,838,000,000
Total General Fund	$2,595,000,000	$2,667,000,000	$2,750,000,000	$2,838,000,000
Total Highway Fund	$338,000,000	$341,000,000	$343,000,000	$346,000,000
Total Federal fund	$3,706,000,000	$3,706,000,000	$3,706,000,000	$3,706,000,000
Total Other special funds	$1,202,000,000	$1,229,000,000	$1,266,000,000	$1,289,000,000
Total operating revenue	**$7,841,000,000**	**$7,943,000,000**	**$8,066,000,000**	**$8,179,000,000**
Baseline operating revenue	$10,294,000,000	$10,527,000,000	$10,762,000,000	$11,008,000,000
Difference from baseline	*($2,453,000,000)*	*($2,584,000,000)*	*($2,696,000,000)*	*($2,829,000,000)*

UPLIFTS

The revenue figures and fund categories for these three options are next brought together and compared to those from **BOB** and **OFPR** as well as, for completeness, those from the Maine Revenue Forecasting Committee (**RFC**).[39] To account for the mismatch between each source of budget documentation in terms of fund categories and overall fund numbers, these figures are next turned into four percentage differences and compared in terms of **RFC**, **OFPR** and **BOB** as potential uplift multipliers for the revenue options from Adept Economics to better match the BOB expenditures for agencies and policies. A BOB-multiplier of **111.2%** was chosen to raise Adept Economics analysis of revenues which are **88.8%** of BOB's number, based on the gap driven by its *Misc Funds* category, thus requiring the revenue number to be raised by **11.2%** in order to begin modeling from balance.

CPI-X

CPI-X, RPI-X and the like are more closely associated with the economic regulation of infrastructure and other utility-related services, prices and costs in certain monopoly, duopoly, oligopoly and cartel industries especially in such nations as the United Kingdom (i.e., RPI-X) and Australia (i.e., CPI-X). Such monopoly-like situations are almost always the (sometimes unintended but usually intended) consequences of, and sustained through,

[39] https://www.legislature.maine.gov/doc/9293 & noting https://www.legislature.maine.gov/ofpr/revenue-forecasting-committee/9609

government tax, subsidy and regulatory interventions into free markets. And there is not a more sustainable monopoly or oligarchy than that of government bureaucracy and cronyism. Therefore, CPI-X is, in economic reality, far more applicable to the public sector of bureaucrats and cronies (i.e., wealth takers and destroyers) than the private sector of workers and entrepreneurs (i.e., wealth makers and creators).

CPI

Although there are plenty of state-level statistics for Maine and all the others around the country, one of the big three economic indicators of official government statistics (GDP, CPI, and unemployment) is not. Since a Maine-specific CPI does not exist, determining one is not a straightforward exercise. A number of figures were combined and tested based on both quantitative statistical analysis and qualitative economic judgment. The figure of **7.2%** was calculated, shown in Table 23 below, from an average formula derived from 12 of the 20 historical data points which included various regional and national indicators of price inflation and price parity. This choice was reinforced by the inflationary expectations for years to come in the state, country and around the world in large part driven at the national and global levels by policies informed by the likes of *Modern Monetary Theory*.[40] The key options and data sources in summary were:

- from the Bureau of Labor Statistics (BLS):[41]
    - CPI for Boston-Cambridge-Newton, MA-NH (CPI-BCN);
    - CPI for New England (CPI-NEW);
    - CPI for population centers under 2.5 million in Northeast USA (CPI-NOR);
    - CPI for the nation as a whole (CPI-NAT);
- from the Bureau of Economic Analysis (BEA):[42]
    - Regional Price Parity (RPP) for Maine, and linked-back to CPI-NAT, (RPP-ME);
    - Implicit Regional Price Deflator (IRPD) for Maine, and linked-back to RPP and Personal Consumption Expenditures (PCE).

[40] https://mises.org/library/upside-down-world-mmt

[41] https://www.bls.gov/regions/new-england/

[42] https://www.bea.gov/data/prices-inflation/regional-price-parities-state-and-metro-area

Table 23: Maine CPI Calculation (average of underlined percentages)

CPI-U SOURCES			CPI-U STATISTICS (%) Growth	Min	Ave	Max
BLS	**Boston-Cambridge-Newton**	CPI-BCN	48.3	261.8	281.3	310.1
			9.2%	-1.0%	4.4%	13.0%
BLS	**New England**	CPI-NEW	13.4	101.6	105.9	115.0
			4.2%	0.0%	1.7%	4.9%
BLS	**Northeast <2.5M**	CPI-NOR	26.6	150.9	159.8	177.5
			5.9%	0.5%	2.4%	7.2%
BLS	**National**	CPI-NAT	47.1	241.2	257.7	288.3
			9.8%	0.7%	4.3%	12.6%
BEA	**Regional Price Parities**	RPP-ME	22.5	232.2	243.9	254.7
			-1.4%	4.0%	5.6%	7.5%
BEA	**Implicit Regional Price Deflator**	IRPD-ME	7.1	100.6	104.8	107.6
			-2.2%	0.8%	1.8%	3.0%

CPI-U TIERS (%)			
Ruinous			
9.8%	4.0%	5.6%	13.0%
0	0	0	0
Reckless			
4.2%	0.8%	3.4%	8.0%
CPI-AVE	CPI-AVE	CPI-AVE	CPI-AVE
Restrained			
-2.2%	-1.0%	1.7%	3.0%
0	0	0	0

CHOSEN
7.2%

X-FACTORS

In order to calculate appropriate X-factors, the top-24 most ***Restrained*** Maine internal and national peer state benchmarks were ranked. Each budget option is expressed as a statistical range of one standard deviation from either the median, average, or mid-point between the two. Average is the highest value, referring to greatest spending restraint; median is the lowest value within that range. Table 24 below shows the top-24 policy areas and the expenditure **X-Factors** outlined for each budget blueprint option.

The Maine **benchmarks** from the previous chapter are brought to bear through the Maine **X-factors** in this section. The steps for this process are as follows:

- Regarding the ***Cautious*** option, use the *Median* as the starting point for the *Ruinous* tier then apply the *Standard Deviation* to that for the *Reckless* tier and then the *Restrained* tier;
- Regarding the ***Sensible*** option, use the *Mid-Point* as the starting point for the *Ruinous* tier then apply the *Standard Deviation* to that for the *Reckless* tier and then the *Restrained* tier;
- Regarding the ***Ambitious*** option, use the *Average* as the starting point for the *Ruinous* tier then apply the *Standard Deviation* to that for the *Reckless* tier and then the *Restrained* tier.

Table 24: Maine X-Factors Matrix

X-FACTORS (%)		X-BENCHMARKS (%)						
		Restrained	**Years**	**Interstate Region**	**State**	**Census Policy**	**Maine Policy**	**Maine Agency**
CAUTIOUS		-99.6%	One	NewEng+Rural+BMW	ME	RecEx	Cultural	Indep-Advis
Ruinous	**-15.2%**	-53.9%	Multiple	NewEng	NH	UtilEx	Regulation	
Reckless	**-11.4%**	-53.9%	Multiple	NewEng	NH	UtilEx	Regulation	
Restrained	**-8.6%**	-52.0%	One	Rural + BMW	AK	UtilEx	Regulation	
		-35.4%	Multiple	NewEng	NH	UtilEx	Regulation	
SENSIBLE		-30.2%	Multiple	NewEng+Rural+BMW	ME	UtilEx	Regulation	Util-Com
Ruinous	**-17.9%**	-27.9%	Multiple	Rural	ND	HiEx	Transport	
Reckless	**-13.5%**	-25.7%	One	NewEng	NH	UtilEx	Regulation	
Restrained	**-10.2%**	-22.6%	One	NewEng	NH	UtilEx	Regulation	
		-20.1%	Multiple	NewEng+Rural+BMW	ME	UtilEx	Regulation	Util-Com
AMBITIOUS		-18.2%	One	NewEng+Rural+BMW	ME	WelfEx + LiqEx	Economic	D-Econ
Ruinous	**-20.6%**	-16.0%	Multiple	NewEng + Rural + BMW	ME	UtilEx	Regulation	Util-Com
Reckless	**-15.5%**	-14.3%	One	NewEng	NH	UtilEx	Regulation	
Restrained	**-11.7%**	-12.1%	Multiple	NewEng+Rural+BMW	ME	UtilEx	Regulation	Util-Com
		-8.2%	Multiple	Rural + BMW	AK			
		-8.2%	One	Rural + BMW	AK			
X-STATISTICS (%)		-5.2%	One	Rural + BMW	AK			
Deviation	**24.6%**	-2.6%	One	NewEng+Rural+BMW	ME	UtilEx	Regulation	Util-Com
Maximum	**6.7%**	-1.5%	Multiple	Rural + BMW	AK			
Median	**-15.2%**	-0.8%	Multiple	Rural + BMW	AK			
Mid-Point	**-17.9%**	0.2%	One	Rural + BMW	AK			
Average	**-20.6%**	2.4%	One	Rural	SD			
Minimum	**-99.6%**	4.5%	Multiple	Rural + BMW	AK			
		6.7%	One	NewEng+Rural+BMW	ME	PolEx + CorEx	Justice	D-Correct

MULTIPLIERS

The Maine **X-factor** tiers are consolidated in the matrix below along with CPI. CPI *minus* X (CPI-X) is then calculated; the resulting multipliers are simply 1 *plus* CPI-X but are powerful like compound interest. This results in 9 multipliers to be applied to 3 tiers of expenditures for each of the three budget options. The key points are as follows:

- the *multiplier* is used to multiply budget *expenditure* for each relevant year at something less than 100%, therefore the smaller the positive *multiplier* percentage is, then the larger the budget *expenditure* cuts are, and *vice versa*;
- the larger the negative ***CPI-X*** percentage is, then the smaller the positive *multiplier* percentage is, and *vice versa*;

- the larger the negative ***X-factor*** percentage is, then the larger the negative *CPI-X* percentage is, and *vice versa*;
- the smaller the positive ***CPI*** percentage is then the larger the *CPI-X* percentage is, and *vice versa*.

Table 25: CPI-X Multipliers Matrix

MAINE CPI-X OPTIONS				
CAUTIOUS				
TIERS	**CPI**	**-X**	**CPI-X**	**Multiplier**
Ruinous	7.2%	-15.2%	-7.9%	92.1%
Reckless	7.2%	-11.4%	-4.2%	95.8%
Restrained	7.2%	-8.6%	-1.4%	98.6%
SENSIBLE				
TIERS	**CPI**	**-X**	**CPI-X**	**Multiplier**
Ruinous	7.2%	-17.9%	-10.6%	89.4%
Reckless	7.2%	-13.5%	-6.2%	93.8%
Restrained	7.2%	-10.2%	-2.9%	97.1%
AMBITIOUS				
TIERS	**CPI**	**-X**	**CPI-X**	**Multiplier**
Ruinous	7.2%	-20.6%	-13.4%	86.6%
Reckless	7.2%	-15.5%	-8.3%	91.7%
Restrained	7.2%	-11.7%	-4.5%	95.5%

OPTIONS

This section looks at the prospective spending over the 33 umbrella agencies of the Maine state government over time. Keep in mind that there are 351 unit agencies underneath the 19 umbrella departments, 8 umbrella offices, and 6 umbrella categories of independent bodies.

BASELINE

The ***Baseline*** CPI of 7.2% is first applied to the ***Baseline*** expenditure tier, as baseline signifies no X-factor used as a growth limitation factor. The year 2023-24 starts the compound interest, like inflationary growth, based on applying CPI-only ***escalation*** to the previous year of 2022-23 from OFPR. Under this scenario, total expenditures are **$4.1 billion** or **+32.2%** greater per fiscal year in 2026-27 than in 2022-23. Contrast this and the following scenarios with the **+5.2%** increase from 2021-22 to 2022-23 and the **+15.1%** increase from 2019-20 to 2020-21.

CAUTIOUS

The three ***Cautious*** CPI-X tiers below in Table 26 are applied to the three ***Cautious*** expenditure tiers for all 33 Maine umbrella agencies. The year 2023-24 begins compounding mild ***cuts*** based on applying a CPI-X ***de-escalation*** to the previous year of 2022-23 from OFPR. Under this scenario, total expenditures are **$2.1 billion** or **-16.7%** less per fiscal year in 2026-27 than in 2022-23.

Table 26: Cautious Expenditures Option

CAUTIOUS				
TIERS	**CPI**	**-X**	**CPI-X**	**Multiplier**
Ruinous	7.2%	-15.2%	-7.9%	92.1%
Reckless	7.2%	-11.4%	-4.2%	95.8%
Restrained	7.2%	-8.6%	-1.4%	98.6%

SENSIBLE

The three ***Sensible*** CPI-X tiers in Table 27 below are applied to the three ***Sensible*** expenditure tiers for all 33 Maine umbrella agencies. The year 2023-24 begins compounding significant ***cuts*** based on applying a CPI-X ***de-escalation*** to the previous year of 2022-23 from OFPR. Under this scenario, total expenditures are **$3.0 billion** or **-23.8%** less per fiscal year in 2026-27 than in 2022-23.

Table 27: Sensible Expenditures Option

SENSIBLE				
TIERS	**CPI**	**-X**	**CPI-X**	**Multiplier**
Ruinous	7.2%	-17.9%	-10.6%	89.4%
Reckless	7.2%	-13.5%	-6.2%	93.8%
Restrained	7.2%	-10.2%	-2.9%	97.1%

AMBITIOUS

The three ***Ambitious*** CPI-X tiers in Table 28 below are applied to the three ***Ambitious*** expenditure tiers for all 33 Maine umbrella agencies. The year 2023-24 begins compounding deep ***cuts*** based on applying a CPI-X ***de-escalation*** to the previous year of 2022-23 from OFPR. Under this scenario, total expenditures are **$3.9 billion** or **-30.4%** less per fiscal year in 2026-27 than in 2022-23.

Table 28: Ambitious Expenditures Option

AMBITIOUS				
TIERS	**CPI**	**-X**	**CPI-X**	**Multiplier**
Ruinous	7.2%	-20.6%	-13.4%	86.6%
Reckless	7.2%	-15.5%	-8.3%	91.7%
Restrained	7.2%	-11.7%	-4.5%	95.5%

IMPLICATIONS

The budget model brings to a head, in this section, the key data, calculations and analysis of this chapter plus the previous two chapters. The perspective in this section is that of the Maine state government, as a whole and over time. Like revenues previously, there are three Maine budget options presented here, along with the ***Baseline Budget Comparison*** (blue), of: a ***Cautious Budget Option*** (bronze); a ***Sensible Budget Option*** (silver); and an ***Ambitious Budget Option*** (gold). And, in the case of expenditures but not revenues, there are three tiers within each budget option of: ***Restrained Budget Tier*** (green); ***Reckless Budget Tier*** (orange); and ***Ruinous Budget Tier*** (red).

EXPENDITURES

The key points from the budget expenditure options in Table 29 below are as follows:

- ***Baseline*** annual expenditures ***grow*** according to this CPI-minus-zero or CPI-only by **+32.2%** or **$4.1 billion** from **$12.7 billion** to **$16.8 billion** over the five years of 2022-23 to 2026-27;
- ***Cautious*** annual expenditures noticeably ***shrink*** according to these three CPI-Xs by **-16.7%** or **$2.1 billion** from **$12.7 billion** to **$10.6 billion** over the five years of 2022-23 to 2026-27;
- ***Sensible*** annual expenditures significantly ***shrink*** according to these three CPI-Xs by **-23.8%** or **$3.0 billion** from **$12.7 billion** to **$9.7 billion** over the five years of 2022-23 to 2026-27;
- ***Ambitious*** annual expenditures seriously ***shrink*** according to these three CPI-Xs by **-30.4%** or **$3.9 billion** from **$12.7 billion** to **$8.9 billion** over the five years of 2022-23 to 2026-27.

Table 29: Budget Expenditures Matrix

Tiers v Options	CPI-X			MAINE EXPENDITURE OPTIONS ($)					Change
	CPI	-X	Multiplier	2022-23	2023-24	2024-25	2025-26	2026-27	
BASELINE									
	7.2%	0%	107.2%	$12,722,495,227	$13,642,672,305	$14,629,402,825	$15,687,500,384	$16,822,126,729	$4,099,631,502
				100.0	107.2	115.0	123.3	132.2	32.2%
CAUTIOUS									
Ruinous	7.2%	-15.2%	92.1%	$1,475,092,209	$1,358,294,763.60	$1,250,745,311.75	$1,151,711,599.57	$1,060,519,352.84	-28.1%
Reckless	7.2%	-11.4%	95.8%	$10,692,056,626	$10,244,283,390.00	$9,815,262,474.33	$9,404,208,549.52	$9,010,369,174.97	-15.7%
Restrained	7.2%	-8.6%	98.6%	$555,346,392	$547,703,862.08	$540,166,506.62	$532,732,878.26	$525,401,549.52	-5.4%
				$12,722,495,227	$12,150,282,016	$11,606,174,293	$11,088,653,027	$10,596,290,077	($2,126,205,150)
				100.0	95.5	91.2	87.2	83.3	-16.7%
SENSIBLE									
Ruinous	7.2%	-17.9%	89.4%	$1,475,092,209	$1,318,058,867.60	$1,177,742,766.09	$1,052,364,243.49	$940,333,095.53	-36.3%
Reckless	7.2%	-13.5%	93.8%	$10,692,056,626	$10,024,440,373.37	$9,398,510,344.11	$8,811,663,633.91	$8,261,459,864.84	-22.7%
Restrained	7.2%	-10.2%	97.1%	$555,346,392	$539,096,455.93	$523,322,007.63	$508,009,133.91	$493,144,328.68	-11.2%
				$12,722,495,227	$11,881,595,697	$11,099,575,118	$10,372,037,011	$9,694,937,289	($3,027,557,938)
				100.0	93.4	87.2	81.5	76.2	-23.8%
AMBITIOUS									
Ruinous	7.2%	-20.6%	86.6%	$1,475,092,209	$1,277,822,971.61	$1,106,935,238.91	$958,900,920.05	$830,663,748.11	-43.7%
Reckless	7.2%	-15.5%	91.7%	$10,692,056,626	$9,804,597,356.74	$8,990,798,748.12	$8,244,546,837.36	$7,560,235,131.24	-29.3%
Restrained	7.2%	-11.7%	95.5%	$555,346,392	$530,489,049.78	$506,744,323.88	$484,062,413.52	$462,395,747.02	-16.7%
				$12,722,495,227	$11,612,909,378	$10,604,478,311	$9,687,510,171	$8,853,294,626	($3,869,200,601)
				100.0	91.3	83.4	76.1	69.6	-30.4%

REVENUES

The key points from the budget revenue options in Table 30 below are as follows:

- ***Baseline*** annual revenues ***grow*** by **+6.9%** or **$793.8 million** from **$11.4 billion** to **$12.3 billion** over the four years of 2023-24 to 2026-27;
- ***Cautious*** annual revenues ***grow*** by **+6.5%** or **$715.9 million** from **$11.1 billion** to **$11.8 billion** over the four years of 2023-24 to 2026-27;
- ***Sensible*** annual revenues ***grow*** by **+5.7%** or **$574.8 million** from **$10.1 billion** to **$10.7 billion** over the four years of 2023-24 to 2026-27;
- ***Ambitious*** annual revenues ***grow*** by **+4.3%** or **$375.8 million** from **$8.7 billion** to **$9.1 billion** over the four years of 2023-24 to 2026-27.

Table 30: Budget Revenues Matrix

MAINE REVENUE OPTIONS ($)				
2023-24	**2024-25**	**2025-26**	**2026-27**	**Change**
BASELINE				
$11,443,923,222	$11,702,951,210	$11,964,202,615	$12,237,682,808	**$793,759,586**
100.0	102.3	104.5	106.9	**6.9%**
CAUTIOUS				
$11,095,958,586	$11,328,305,579	$11,571,769,654	$11,811,898,605	**$715,940,019**
100.0	102.1	104.3	106.5	**6.5%**
SENSIBLE				
$10,102,091,541	$10,285,523,378	$10,484,519,128	$10,676,844,630	**$574,753,090**
100.0	101.8	103.8	105.7	**5.7%**
AMBITIOUS				
$8,716,903,243	$8,830,297,470	$8,965,925,858	$9,092,660,582	**$375,757,339**
100.0	101.3	102.9	104.3	**4.3%**

BALANCES

The budget balance options (of budget deficits and surpluses), via a matrix of the three tier options in Table 31 below, present these findings:

- ***Baseline*** medium deficit ***grows*** by **108.5%** absolute value (ABS) or **$2.4 billion** in total from **$11.4 billion** to **$12.3 billion** over the four years of 2023-24 to 2026-27;
- ***Cautious*** smaller deficits ***shrink*** greatly by **+419.0%** ABS on average, or **$2.3 billion** *Cautious-Cautious*, **$2.9 billion** *Cautious-Sensible* and **$3.5 billion** *Cautious-Ambitious*, over the four years of 2023-24 to 2026-27;
- ***Sensible*** medium deficits ***shrink*** moderately by **+159.9%** ABS on average, or **$2.1 billion** *Sensible-Cautious*, **$2.8 billion** *Sensible-Sensible* and **$3.3 billion** *Sensible-Ambitious*, over the four years of 2023-24 to 2026-27;
- ***Ambitious*** larger deficits ***shrink*** noticeably by **+81.8%** ABS on average, or **$1.9 billion** *Ambitious-Cautious*, **$2.6 billion** *Ambitious-Sensible* and **$3.1 billion** *Ambitious-Ambitious*, over the four years of 2023-24 to 2026-27.

Table 31: Budget Balances Matrix (spending options under each revenue option)

Tiers v Options	MAINE BUDGET BALANCES ($)			
	2023-24	2024-25	2025-26	2026-27
BASELINE	**$11,443,923,222**	**$11,702,951,210**	**$11,964,202,615**	**$12,237,682,808**
Baseline	($2,198,749,083)	($2,926,451,615)	($3,723,297,769)	($4,584,443,920)
CAUTIOUS	**$11,095,958,586**	**$11,328,305,579**	**$11,571,769,654**	**$11,811,898,605**
Cautious	($1,054,323,430)	($277,868,713)	$483,116,627	$1,215,608,527
Sensible	($785,637,111)	$228,730,461	$1,199,732,643	$2,116,961,315
Ambitious	($516,950,793)	$723,827,268	$1,884,259,483	$2,958,603,978
SENSIBLE	**$10,102,091,541**	**$10,285,523,378**	**$10,484,519,128**	**$10,676,844,630**
Cautious	($2,048,190,475)	($1,320,650,915)	($604,133,899)	$80,554,553
Sensible	($1,779,504,156)	($814,051,740)	$112,482,117	$981,907,341
Ambitious	($1,510,817,837)	($318,954,933)	$797,008,957	$1,823,550,004
AMBITIOUS	**$8,716,903,243**	**$8,830,297,470**	**$8,965,925,858**	**$9,092,660,582**
Cautious	($3,433,378,773)	($2,775,876,823)	($2,122,727,169)	($1,503,629,495)
Sensible	($3,164,692,454)	($2,269,277,648)	($1,406,111,153)	($602,276,707)
Ambitious	($2,896,006,135)	($1,774,180,841)	($721,584,313)	$239,365,956

CONSTRAINTS

Because RFC, OFPR and BOB provide inconsistent General Fund numbers, based on fund categories which do not align, determining the exact surpluses under each budget blueprint combination option is inexact. This makes relying on mandatory single-year balances made to the MBSF more difficult for policymakers than necessary.

A major legislative constraint on budget balances, but sadly also on sound economic reductions in, and/or reforms of, both taxes and expenditures, is the **Maine Budget Stabilization Fund (MBSF)**. The previous budget balances are thus checked against the budget constraints in the spirit of the MBSF's lower limit of 1% and upper limit of 18% (ABS) in Table 32 below. The results of this shed even more positive light on the previous budget balances in that the former was about half in the red but the latter is less than a third in the red.

Current Maine law regarding distribution of unappropriated budget surpluses to the MBSF is outdated in yet another way. Since today it is very close to its statutory maximum, lawmakers should pursue a different approach to saving Maine people more money if the state government runs a surplus. Unappropriated surpluses should be directed to pay down various tax rates over the succeeding biennium, through what is known as the "revenue cascade" in Title 5, §1536.[43]

[43] https://mainelegislature.org/legis/statutes/5/title5sec1536.html

Table 32: Budget Constraints Matrix (spending options under each revenue option)

Tiers v Options	MAINE BUDGET CONSTRAINTS (1%-18% ABS)			
	2023-24	2024-25	2025-26	2026-27
BASELINE				
Baseline	17.3%	21.5%	25.5%	29.2%
CAUTIOUS				
Cautious	8.3%	2.3%	4.2%	11.0%
Sensible	6.2%	1.9%	10.8%	20.4%
Ambitious	4.1%	6.2%	17.8%	30.5%
SENSIBLE				
Cautious	16.1%	10.9%	5.2%	0.7%
Sensible	14.0%	6.9%	1.0%	9.5%
Ambitious	11.9%	2.7%	7.5%	18.8%
AMBITIOUS				
Cautious	27.0%	22.8%	18.3%	13.6%
Sensible	24.9%	19.1%	12.7%	5.8%
Ambitious	22.8%	15.3%	6.8%	2.5%

BLUEPRINT

BUDGET

The **Maine Budget Blueprint (MBB)** in this section is regarding the Maine government budget as a whole, in terms of balances and constraints, followed by the underlying Maine government revenues and expenditures, remembering that: ***Budget = Revenues – Expenditures = Surplus or Deficit = Stabilization or Debt***. Another level of depth is provided for both revenues and expenditures in terms of funds and agencies respectively.

The **MBB**, presented in in Table 33 over the four fiscal years of 2023-24 to 2026-27, is as follows:

- The ***AMBITIOUS*** combination of revenues and expenditures is the ***A-grade*** option that is highly recommended that results by 2026-27 with a **$239.4M** budget ***surplus*** of **2.5%**.
- The ***SENSIBLE*** combination of revenues and expenditures is the ***B-grade*** option that is moderately recommended (if the ***A-grade*** one is not feasible in terms of the economy, law or politics) that results by 2026-27 with a **$981.9M** budget ***surplus*** of **9.5%**.
- The ***CAUTIOUS*** combination of revenues and expenditures is the ***C-grade*** option that is lowly recommended (if the ***B-grade*** one is not feasible in terms of the economy, law or politics) that results by 2026-27 with a **$1.2 billion** budget ***surplus*** of **11.0%**.

Table 33: Maine Budget Blueprint

Tiers v Options	MAINE BALANCES BLUEPRINT ($)				Change
	2023-24	2024-25	2025-26	2026-27	
BASELINE	**$11,443,923,222**	**$11,702,951,210**	**$11,964,202,615**	**$12,237,682,808**	**108.5%**
Baseline	($2,198,749,083)	(2,926,451,615)	($3,723,297,769)	($4,584,443,920)	($2,385,649,838)
CAUTIOUS	**$11,095,958,586**	**$11,328,305,579**	**$11,571,769,654**	**$11,811,898,605**	**419.0%**
Cautious	($1,054,323,430)	($277,868,713)	$483,116,627	**$1,215,608,527**	**$2,269,931,957**
Sensible	($785,637,111)	$228,730,461	$1,199,732,643	$2,116,961,315	**$2,902,598,427**
Ambitious	($516,950,793)	$723,827,268	$1,884,259,483	$2,958,603,978	**$3,475,554,771**
SENSIBLE	**$10,102,091,541**	**$10,285,523,378**	**$10,484,519,128**	**$10,676,844,630**	**159.9%**
Cautious	($2,048,190,475)	($1,320,650,915)	($604,133,899)	$80,554,553	**$2,128,745,028**
Sensible	($1,779,504,156)	($814,051,740)	$112,482,117	**$981,907,341**	**$2,761,411,498**
Ambitious	($1,510,817,837)	($318,954,933)	$797,008,957	$1,823,550,004	**$3,334,367,842**
AMBITIOUS	**$8,716,903,243**	**$8,830,297,470**	**$8,965,925,858**	**$9,092,660,582**	**81.8%**
Cautious	($3,433,378,773)	($2,775,876,823)	($2,122,727,169)	($1,503,629,495)	**$1,929,749,277**
Sensible	($3,164,692,454)	($2,269,277,648)	($1,406,111,153)	($602,276,707)	**$2,562,415,747**
Ambitious	($2,896,006,135)	($1,774,180,841)	($721,584,313)	**$239,365,956**	**$3,135,372,091**

Tiers v Options	MAINE CONSTRAINTS BLUEPRINT (1%-18% ABS)				Count
	2023-24	2024-25	2025-26	2026-27	
CAUTIOUS					
Cautious	8.3%	2.3%	4.2%	11.0%	0
Sensible	6.2%	1.9%	10.8%	20.4%	1
Ambitious	4.1%	6.2%	17.8%	30.5%	1
SENSIBLE					
Cautious	16.1%	10.9%	5.2%	0.7%	1
Sensible	14.0%	6.9%	1.0%	9.5%	0
Ambitious	11.9%	2.7%	7.5%	18.8%	1
AMBITIOUS					
Cautious	27.0%	22.8%	18.3%	13.6%	3
Sensible	24.9%	19.1%	12.7%	5.8%	2
Ambitious	22.8%	15.3%	6.8%	2.5%	1

REVENUES

In line with the **MBB** above, the **Maine Revenues Blueprint (MRB)**, presented in Table 34 below over the four fiscal years of 2023-24 to 2026-27, is as follows:

- The ***AMBITIOUS*** revenues option is the ***A-grade*** one that is highly recommended that grows by **+4.3%** to **$9.1 billion** in 2026-27.
- The ***SENSIBLE*** revenues option is the ***B-grade*** one that is moderately recommended that grows by **+5.7%** to **$10.7 billion** in 2026-27.
- The ***CAUTIOUS*** revenues option is the ***C-grade*** one that is lowly recommended that grows by **+6.5%** to **$11.8 billion** in 2026-27.

What this all looks like in terms of the 4 Maine OFPR categories of operating funds is also presented in Table 40 below.

Table 34: Maine Revenues Blueprint

MAINE REVENUES BLUEPRINT ($)				Change
2023-24	2024-25	2025-26	2026-27	
CAUTIOUS				
$11,095,958,586	$11,328,305,579	$11,571,769,654	$11,811,898,605	**$715,940,019**
100.0	102.1	104.3	106.5	**6.5%**
SENSIBLE				
$10,102,091,541	$10,285,523,378	$10,484,519,128	$10,676,844,630	**$574,753,090**
100.0	101.8	103.8	105.7	**5.7%**
AMBITIOUS				
$8,716,903,243	$8,830,297,470	$8,965,925,858	$9,092,660,582	**$375,757,339**
100.0	101.3	102.9	104.3	**4.3%**

SOURCES	FUNDS ($)			
	2023-24	2024-25	2025-26	2026-27
BASELINE	**$11,443,923,222**	**$11,702,951,210**	**$11,964,202,615**	**$12,237,682,808**
CAUTIOUS	**$11,095,958,586**	**$11,328,305,579**	**$11,571,769,654**	**$11,811,898,605**
General Fund	$4,723,000,000	$4,902,000,000	$5,081,000,000	$5,270,000,000
Highway Fund	$338,000,000	$341,000,000	$343,000,000	$346,000,000
Federal Fund	$3,706,000,000	$3,706,000,000	$3,706,000,000	$3,706,000,000
Other Special Funds	$1,214,000,000	$1,241,000,000	$1,279,000,000	$1,303,000,000
SENSIBLE	**$10,102,091,541**	**$10,285,523,378**	**$10,484,519,128**	**$10,676,844,630**
General Fund	$3,834,000,000	$3,969,000,000	$4,108,000,000	$4,255,000,000
Highway Fund	$338,000,000	$341,000,000	$343,000,000	$346,000,000
Federal Fund	$3,706,000,000	$3,706,000,000	$3,706,000,000	$3,706,000,000
Other Special Funds	$1,209,000,000	$1,236,000,000	$1,274,000,000	$1,297,000,000
AMBITIOUS	**$8,716,903,243**	**$8,830,297,470**	**$8,965,925,858**	**$9,092,660,582**
General Fund	$2,595,000,000	$2,667,000,000	$2,750,000,000	$2,838,000,000
Highway Fund	$338,000,000	$341,000,000	$343,000,000	$346,000,000
Federal Fund	$3,706,000,000	$3,706,000,000	$3,706,000,000	$3,706,000,000
Other Special Funds	$1,202,000,000	$1,229,000,000	$1,266,000,000	$1,289,000,000

EXPENDITURES

In line with the **MBB** above, the **Maine Expenditures Blueprint (MEB)**, over the five fiscal years of 2022-23 to 2026-27, is as follows:

- The ***AMBITIOUS*** expenditures option is the ***A-grade*** one that is highly recommended that is historically slashed by **-30.4%** to **$8.9 billion** in 2026-27.
- The ***SENSIBLE*** expenditures option is the ***B-grade*** one that is moderately recommended that is significantly cut by **-23.8%** to **$9.7 billion** in 2026-27.
- The ***CAUTIOUS*** expenditures option is the ***C-grade*** one that is lowly recommended that is noticeably reduced by **-16.7%** to **$10.6 billion** in 2026-27.

Applied to the 33 Maine umbrella agencies and 9 Maine policy areas, over the four fiscal years of 2023-24 to 2026-27, key points are as follows:

- The ***AMBITIOUS*** option expenditures decrease by an average of **-22.8%** composed of:
    - **-35.0%** from the 9 ***Ruinous***-tier agencies such as *D-Labor* and the associated policy area of *Economic*;
    - **-22.9%** from the 13 ***Reckless***-tier agencies such as *D-Ed* and the associated policy area of *Education*;
    - **-12.8%** from the 11 ***Restrained***-tier agencies such as *Util-Com* and the associated policy area of *Regulation*.
- The ***SENSIBLE*** option expenditures option decrease by an average of **-17.6%** composed of:
    - **-28.7%** from the 9 ***Ruinous***-tier agencies such as *D-Conserv* and the associated policy area of *Natural*;

- **-17.6%** from the 13 ***Reckless***-tier agencies such as *D-Health* and the associated policy area of *Health*;
- **-8.5%** from the 11 ***Restrained***-tier agencies such as *D-State* and the associated policy area of *Operations*.

- The ***CAUTIOUS*** option expenditures option decrease by an average of **-12.1%** composed of:
    - **-21.9%** from the 9 ***Ruinous***-tier agencies such as *D-Reg* and the associated policy area of *Regulation*;
    - **-12.0%** from the 13 ***Reckless***-tier agencies such as *D-Admin* and the associated policy area of *Operations*;
    - **-4.1%** from the 11 ***Restrained***-tier agencies such as *D-AG* and the associated policy area of *Justice*.

RECOMMENDATIONS

BUDGET

Table 35 below shows a break-down of the recommendations in terms of the **Ambitious** Budget Blueprint, **Sensible** Budget Blueprint, and **Cautious** Budget Blueprint.

Table 35: Maine Budget Recommendations

EXPENDITURES		AMBITIOUS		SENSIBLE		CAUTIOUS ($)		BASELINE ($)	
Policies	Agencies	Total ($)	Change (%)	Total ($)	Change (%)	Total ($)	Change (%)	Total ($)	Change (%)
Economic	D-Labor	$918,807,268	-35.0%	$987,960,347	-28.7%	$298,973,304	-21.9%	$348,164,674	23.3%
Economic	D-Econ	$419,670,106	-35.0%	$451,256,143	-28.7%	$136,557,646	-21.9%	$159,026,066	23.3%
Multiple	Indep-Not	$705,802,216	-35.0%	$758,923,690	-28.7%	$229,662,985	-21.9%	$267,450,429	23.3%
Natural	D-Conserv	$706,847,707	-35.0%	$760,047,868	-28.7%	$230,003,181	-21.9%	$267,846,598	23.3%
Operations	O-Treasure	$994,859,596	-35.0%	$1,069,736,675	-28.7%	$323,720,186	-21.9%	$376,983,268	23.3%
Multiple	Indep-Othr	$194,781,624	-35.0%	$209,441,662	-28.7%	$63,380,545	-21.9%	$73,808,820	23.3%
Regulation	D-Reg	$163,244,257	-35.0%	$175,530,667	-28.7%	$53,118,512	-21.9%	$61,858,330	23.3%
Operations	Exec-D	$64,358,882	-35.0%	$69,202,787	-28.7%	$20,941,919	-21.9%	$24,387,584	23.3%
Multiple	Indep-Advis	$5,951,222	-35.0%	$6,399,134	-28.7%	$1,936,485	-21.9%	$2,255,103	23.3%
Education	D-Ed	$6,502,382,358	-22.9%	$6,858,676,525	-17.6%	$1,925,199,559	-12.0%	$2,154,678,959	23.3%
Health	D-Health	$19,121,857,640	-22.9%	$20,169,628,437	-17.6%	$5,661,523,712	-12.0%	$6,336,364,436	23.3%
Natural	D-Enviro	$384,855,367	-22.9%	$405,943,288	-17.6%	$113,946,450	-12.0%	$127,528,607	23.3%
Operations	D-Admin	$3,455,485,520	-22.9%	$3,644,826,790	-17.6%	$1,023,086,437	-12.0%	$1,145,036,009	23.3%
Transport	D-Transport	$2,827,056,690	-22.9%	$2,981,963,577	-17.6%	$837,023,724	-12.0%	$936,795,044	23.3%
Operations	Fund-House	$2,588,851	-22.9%	$2,730,706	-17.6%	$766,497	-12.0%	$857,861	23.3%
Multiple	Indep-Inter	$333,153	-22.9%	$351,408	-17.6%	$98,639	-12.0%	$110,396	23.3%
Natural	D-Wild	$240,090,807	-22.9%	$253,246,440	-17.6%	$71,085,133	-12.0%	$79,558,319	23.3%
Natural	D-Marine	$137,122,294	-22.9%	$144,635,828	-17.6%	$40,598,625	-12.0%	$45,437,888	23.3%
Education	Maine-U	$910,290,296	-22.9%	$960,169,111	-17.6%	$269,515,138	-12.0%	$301,640,728	23.3%
Justice	D-Correct	$705,195,267	-22.9%	$743,836,022	-17.6%	$208,791,416	-12.0%	$233,678,877	23.3%
Education	Maritime-U	$60,608,874	-22.9%	$63,929,902	-17.6%	$17,944,835	-12.0%	$20,083,818	23.3%
Justice	D-Defend	$252,310,955	-22.9%	$266,136,183	-17.6%	$74,703,226	-12.0%	$83,607,680	23.3%
Multiple	Indep-Reg	$65,591,284	-12.8%	$68,232,550	-8.5%	$18,109,973	-4.1%	$19,690,788	23.3%
Operations	Legis-D	$117,710,959	-12.8%	$122,451,010	-8.5%	$32,500,389	-4.1%	$35,337,341	23.3%
Operations	O-Audit	$16,579,325	-12.8%	$17,246,951	-8.5%	$4,577,607	-4.1%	$4,977,185	23.3%
Justice	D-Safe	$481,123,673	-12.8%	$500,497,829	-8.5%	$132,839,854	-4.1%	$144,435,415	23.3%
Justice	D-AG	$177,917,966	-12.8%	$185,082,465	-8.5%	$49,123,745	-4.1%	$53,411,745	23.3%
Operations	O-Account	$5,596,758	-12.8%	$5,822,131	-8.5%	$1,545,283	-4.1%	$1,680,171	23.3%
Operations	Law-Lib	$7,009,747	-12.8%	$7,292,020	-8.5%	$1,935,415	-4.1%	$2,104,357	23.3%
Justice	Judge-D	$389,198,410	-12.8%	$404,870,868	-8.5%	$107,458,982	-4.1%	$116,839,052	23.3%
Multiple	Indep-Othe	$426,451,851	-12.8%	$443,624,451	-8.5%	$117,744,781	-4.1%	$128,022,696	23.3%
Operations	D-State	$218,592,336	-12.8%	$227,394,734	-8.5%	$60,354,075	-4.1%	$65,622,368	23.3%
Regulation	Util-Com	$77,919,224	-12.8%	$81,056,918	-8.5%	$21,513,758	-4.1%	$23,391,689	23.3%
		$40,758,192,486	-22.8%	$43,048,145,115	-17.6%	$12,150,282,016	-12.1%	$13,642,672,305	23.3%

AMBITIOUS

The **Ambitious Budget Blueprint** version of the **MBB**, presented in the gold-shaded columns of Table 41, is the ***A-grade recommended option***. This includes:

- The ***AMBITIOUS*** **revenues** option ***grows*** by **+4.3%** to **$9.1 billion** in 2026-27.
- The ***AMBITIOUS*** **expenditures** option ***slashes*** by **-30.4%** to **$8.9 billion** in 2026-27.
- The ***AMBITIOUS*** combination of **revenues – expenditures** results in a **$239.4M** budget ***surplus*** of **2.5%** by 2026-27.

SENSIBLE

The **Sensible Budget Blueprint** version of the **MBB**, presented in the silver-shaded columns of Table 41, is the ***B-grade recommended option*** if the **Ambitious** plan is rejected. This includes:

- The ***SENSIBLE*** **revenues** option ***increases*** by **+5.7%** to **$10.7 billion** in 2026-27.
- The ***SENSIBLE*** **expenditures** option ***decreases*** by **-23.8%** to **$9.7 billion** in 2026-27.
- The ***SENSIBLE*** combination of **revenues – expenditures** results in a **$981.9M** budget ***surplus*** of **9.5%** by 2026-27.

CAUTIOUS

The **Cautious Budget Blueprint** version of the **MBB**, presented in the bronze-shaded columns of Table 41, is the ***C-grade recommended option*** if the **Sensible** plan is rejected. This includes:

- The ***CAUTIOUS*** **revenues** option ***climbs*** by **+6.5%** to **$11.8 billion** in 2026-27.
- The ***CAUTIOUS*** **expenditures** option ***cuts*** by **-16.7%** to **$10.6 billion** in 2026-27.
- The ***CAUTIOUS*** combination of **revenues – expenditures** results in a **$1.2 billion** budget ***surplus*** of **11.0%** by 2026-27.

INSTITUTIONS

One of the key lessons from the **MBB** exercise is the need for new and better budgetary institutions. These recommendations are supported by Mr. Nelson's experience in fiscal, monetary and regulatory policies over nearly three decades and across multiple nations:

- **Maine Transparency Portal (MTP)**

- **Maine Value Authority (MVA)**
- **Maine Productivity Commission (MPC)**, based on the Australian *Productivity Commission (PC)*.[44]

TRANSPARENCY

The *American Legislative Exchange Council (ALEC)* helped inspire transparency applications across the US and world, and can do so for the recommended Maine Transparency Portal (MTP) as well:

- **Model Transparency Legislation:**
    - o "FOIAs and official goodwill are insufficient in securing citizens and journalists information they need and have a right to review. Therefore, this act affirms that the government of the state of {insert state} has a duty to affirmatively disclose certain information, in a timely manner, and to shift the burden from citizens and journalists to the state, to share all information necessary, so that citizens may hold their elected officials accountable."[45]
- **Budget Transparency Increases Accountability in State Government:**
    - o "Since adopting model language to promote budget transparency in 2007, ALEC has witnessed dozens of states pass comprehensive legislation to improve transparency and accountability by establishing central, searchable databases of government expenditures. ... These Web sites have streamlined the process of budget research, reduced the burden of paperwork on state agencies, and generated millions of hits, demonstrating real public interest in such an effort."[46]
- **State Spending Transparency Portals Vary in Their Approaches and Results:**
    - o "Complete spending transparency in state government still has a long way to go, but the ideal situation of open access to up-to-date expenditures is entirely achievable. Several states already do this, and many are just a few small steps away. … The six criteria are searchability, grants, contracts, line item expenditures, department or agency budgets, and public employee salaries."[47]

VALUE

The prime focus of the recommended Maine Value Authority (MVA) would be in undertaking, overseeing and judging cost-benefit analysis (CBA) of the Maine government's fiscal, regulatory and monetary policies for all three branches of legislative, executive and

---

44 https://www.pc.gov.au/about/history/thirty-years

45 https://alec.org/model-policy/transparency-and-government-accountability-act/

46 https://alec.org/article/budget-transparency-increases-accountability-in-state-government/

47 https://alec.org/article/state-spending-transparency-portals-vary-in-their-approaches-and-results/

judicial (subject, of course, to state and federal constitutional and administrative laws). Note that fiscal revenues are a prime legislative-branch responsibility, regulatory expenditures are a prime executive-branch responsibility (which includes the entire bureaucracy and not just so-called regulators) and monetary funds come into play because of state debt and stabilization as well as federal grants. A major judicial-branch responsibility concerns public and private sector disputes and interpretations regarding these three policy areas. The key steps of a sound CBA typically include:

- **Defining & Deciding:**
    - the goals of the situation or action (X) of concern (e.g. outputs/outcomes sought from policy or investment project);
    - on none, one or more 'counter-factual' alternatives (Y) to the policy or investment project;
    - from whose viewpoint/s will benefits and costs be analyzed (i.e. standing);
    - on one or more CBA 'success' decision criteria such as net present value (NPV), benefit cost ratio (BCR), internal rate of return (IRR), net benefit investment ratio (NBIR) &/or social return on investment (SROI);
- **Identifying & Quantifying:**
    - non-money impacts or quantities (Q) of the policy or investment project (e.g. outputs/outcomes achieved);
    - money values or prices ($P) of the benefits & costs (e.g. social = external + private);
    - risk & uncertainty (R&U), directly into impacts or values, or indirectly into the discount rate;
    - inflation (I), directly into values, or indirectly into the discount rate (%);
- **Calculating & Comparing:**
    - aggregate benefits ($B) less aggregate costs ($C) – i.e. net benefits or costs ($NBC = $B – $C);
    - discounted net benefits or costs ($DNBC), at one or more discount rates (DR%);
    - decision criteria (DC) such as NPV of project X > $0 &/or NPV of project X > NPV of project Y;
    - distributions of $B, $C & $DNBC (e.g. at least, those with CBA standing);
    - sensitivities of DR and I, as well as the key Ps, Qs & R&Us (e.g. at least, best-case, worst-case & most-likely-case).

PRODUCTIVITY

The Australian Productivity Commission (PC) is by far the most freedom-friendly and economically-rigorous government agency on the planet be it at federal, state or local level. To support well-informed policy decision-making, the PC conducts independent and transparent analyses of matters relating to the nation's economic productivity and living standards. The PC has been instrumental in helping to turn the Australian economy around from one of the worst in the early 1980s to one of the best by the early 2000s through reforms (under both left-leaning and right-leaning federal and state governments) that have decreased the uncompetitive, semi-accountable and inefficient public sector in favor of empowering the private sector. These reforms took place in: trade and finance; labor and unions; tax and expenditures; welfare and entitlements; pensions and retirement; and infrastructure and utilities. The latter was a big part of the implementation of the Australian National Competition Policy (NCP), which the PC showed by 2005 did increase **GDP** by at least **2.5%** above levels that would otherwise have prevailed.[48]

REVIEWS

There is only so much one full-time economist plus three part-time ones, working from outside the *Maine Governmental Complex*, can do in just a few months. Thus, another one of the key lessons from the **MBB** exercise is the need for further sound, but much deeper, reviews and reforms over the next several years starting as soon as possible in 2023.

STABILIZATION

A clear case for review and reform can be made for the *Maine Budget Stabilization Fund (MBSF)* as it is as likely to *prevent* better budget management, rather than *promote* it. This is because it is way too restrictive on a year-to-year basis by limiting deficits and surpluses to *no less than* 1% and *no greater than* 18% of the General Fund at one time.[49] An independent review commission should be established to broaden the applicability of the MBSF beyond the General Fund, expand its horizon to two years instead of one, study the real-world evidence behind the arbitrary 1-18% statutory limitations, and observe how it interacts with various spending caps around the nation.

In order to provide a more stable economic environment, one that promotes growth and investment, Maine lawmakers would be wise to pursue ways to stabilize tax rates for Mainers over the long-term, especially during this period of record-high inflation. A proposal to accomplish this would direct an end-of-fiscal-year surplus, also known as an "unappropriated surplus," to be used to lower certain tax rates, be they income, fuel or sales & use taxes, over the succeeding biennium. This way, Mainers and prospective Mainers would know that, as long as the state runs a budget surplus, they would save in tax payments over the following two years.

OTHERS

[48] https://web.archive.org/web/20190322225537/https:/libertyworks.org.au/advance-australia-fair-reforms-from-the-past-challenges-for-the-future/

[49] https://legislature.maine.gov/statutes/5/title5sec1532.html

BACKGROUND

INSTITUTE

This chapter provides some background to the **Maine Budget Blueprint (MBB)** in terms of the **Maine Policy Institute (MPI)** and previous budget-related policy advice as well as the MPI staff involved in, and the independent contracted authors and modelers of, the **MBB** report.

Maine Policy Institute is a nonprofit, nonpartisan organization that works to expand individual liberty and economic freedom in Maine. MPI is the strongest voice in Augusta for taxpayers and believes in an open, transparent, and accountable state government. They work to ensure hardworking Mainers keep the fruits of their labor and defend their rights and liberties from government overreach.

MPI regularly offers to guide and help new and returning state legislators such as in the ongoing series of *Maine Legislative Guidebooks*.[53] The timeless advice of "*A Note for New Lawmakers*" from the most recent edition is worth quoting again here:

- **You are here to serve Maine:**
    - "It might seem obvious, but it is one of the facts most quickly forgotten by many legislators. Don't fall in love with the dome or view your job as a stepping stone of ambition. You are here to serve the people of Maine. Never forget it."
- **Be bold and stand for something:**
    - "Many politicians believe that taking a bold or controversial stance on an issue is a dangerous thing to do. This is rarely true. Constituents respect responsive leaders who listen, care, and who have their best interest at heart. The people who sent you to Augusta actually appreciate passion and are unfazed by lawmakers who disagree with them on issues, as long as you are perceived to be a genuine advocate for them."
- **Be skeptical:**
    - "Question everything. As a lawmaker, you will be given an avalanche of studies, data, statistics, and expert testimony. Be aware that everyone in Augusta has an agenda, and that statistics and data can be easily manipulated. Political interest groups and politicians are less interested in the truth than they are the acquisition of power and authority for their own purposes."
- **Sometimes trying to help can actually hurt:**
    - "We all want to help solve problems. Unfortunately, our tendency to offer solutions that use government power often does little to help, and simultaneously creates new problems."

[53] https://mainepolicy.org/project/lgb-2/

POLICIES

MPI has done a lot of important work over the years on state fiscal policy including the following small, but important, sample:

- ***Maine By The Numbers 2020:***
    - "A fact-based look at how Maine compares to other states in six key areas: demographics, economics, health care, welfare, education, and fiscal policy. Maine's totals and rankings are provided alongside the New England state average, rural peer state average, national average, and the highest and lowest-ranked states for each entry."[54]
- ***Irresponsible and Unsustainable: The Proposed Mills Budget 2020-2021:***
    - "There is a clear trend as to the direction that state spending has gone; it has increased significantly, and the current budget does not change that trend. Had every biennial budget since 2005 increased only by the inflation rate from the previous full year, Maine would be in a much more fiscally sustainable position and Maine taxpayers would keep more of their money."[55]
- ***Cracking the Code: The Proposed LePage Budget 2016-2017:***
    - "In the last four decades, only one budget, the 2010-2011 biennial budget, has spent less money than the budget that preceded it. … With less industry to tax, and more services that have not historically been subject to taxation, the state has responded with incrementally higher taxes to obtain more from less."[56]

PROJECT

MPI was interested in producing a detailed budget framework for the upcoming 2023-2024 biennium Maine state budget. The stated goal of this project was to create a detailed non-partisan, non-political budget outline that will serve as a guide for the next gubernatorial administration, and state lawmakers, as they seek to construct, amend, debate, and then approve the official state budget.

To complete this project, MPI sought outside consultation from an individual or team of economists with budgetary experience to help produce the budget outline document. The finished product was expected to satisfy a number of important functions, outlined below.

REVENUES

[54] https://mainepolicy.org/wp-content/uploads/MBTN2020Final.pdf

[55] https://mainepolicy.org/wp-content/uploads/BUDGETFINAL-compressed-1.pdf

[56] https://mainepolicy.org/wp-content/uploads/Cracking-the-Code-compressed.pdf

It was MPI's intention that the document that is produced should build significant reform proposals to Maine's tax environment, including simplifications and reductions to the state's income tax, and many other revenue areas. The specific revenue and taxation goals were identified by MPI in collaboration with state leaders, and the consulting economists were to help build those goals into actionable budget changes.

EXPENDITURES

A thorough review of each of Maine's state government departments was to be conducted, to identify and eliminate unnecessary government spending. This was expected to take the form of many things, including the identification of unnecessary or duplicative government programs, as well as the wholesale reform of certain aspects of necessary expenditures.

For instance, in the period between 2011 and 2019, Maine state government made significant changes to various welfare programs, including the institution of time limits and work requirements for welfare benefits, tightening eligibility for Medicaid, and many other programs and services. The state's relationship with towns via the revenue sharing program, the general assistance program, and the structure of education spending are all ripe for reform.

A reasonable assessment of Maine state spending in a variety of categories, compared to rural state peer and national averages should be one of the first steps of this evaluation, with the goal that Maine identifies a reasonable set of limits on state government responsibilities, in order to right-size expenditures, and fit them into the reformed revenue picture.

PRESENTATION

Upon completion of the research and calculations, the final product was expected to be a reasonably sized booklet, with an estimated length of 50-200 pages, that outlines a framework for the next biennial budget. It was to include a detailed outline of both revenue projections and proposed changes to the tax structure, as well as in-depth expenditure reports for every area of state government, broken down by department. Inside each part of the expenditure breakdown, there was to be total expenditures, as well as estimates and projections for what spending on certain areas and projects should be, with as much specificity as is possible. Backend modeling data and analysis used to derive findings in this blueprint are available from MPI upon request.

AUTHORS

The expert consulting team for the **MBB** project, report and models were:

- **Mr. Darren Brady Nelson**, who is the lead researcher, author, editor and manager of the overall project, report and models. In addition, he is the lead author for eight out of the ten chapters plus the lead modeler for seven out of the eight models. This includes the budget context, budget expenditures, budget balances, budget as a whole and budget recommendations.
- **Dr. Daniel J. Mitchell**, who is the expert researcher and author of the chapter on budget reforms.
- **M. Gene Tunny**, who is the expert author and manager of the chapter on budget revenues.
- **Mr. Arturo Espinoza Bocangel**, who is the expert researcher and modeler of the budget revenues.

Mr. Darren Brady Nelson is a Co-Founder and the Chief Economist of LibertyWorks. He is also a regular media commentator, such as on One America News, a recent Economics Associate of the CO2 Coalition as well as the author of the paper How to Fix America's Crumbling Infrastructure: Lessons from Australia and the book Ten Principles of Regulation & Reform. Darren is one of the nation's leading experts on regulatory and monetary policy and reform as well as the Austrian School of economics. He holds a master's degree in law with distinction from the University of New South Wales and a bachelor's degree in economics with honors from the Australian National University, finishing first in antitrust law and economic policy respectively.

Dr. Daniel J. Mitchell is a Co-Founder and Chairman of the Center for Freedom and Prosperity. He is also a regular media commentator, such as on Fox Business and An Inconvenient Tax, former Senior Fellow of both the Cato Institute and the Heritage Foundation, as well as the author of two books of the Global Tax Revolution and The Flat Tax. He is one of the world's leading experts on fiscal and tax policy and reform as well as Supply-Side economics. He holds a PhD in economics from George Mason University as well as master's and bachelor's degrees in economics from the University of Georgia.

Mr. Gene Tunny is the Founder and the Director of Adept Economics as well as Founder and Host of the Economics Explored podcast. He is also a regular media commentator, such as on the Australian Broadcasting Corporation, former Vice-President of the Economic Society of Australia (Queensland) and a current Director of Reimagine Australia as well as the author of the book Beautiful One Day, Broke The Next: Queensland's Public Finances since Sir Joh and Sir Leo. Gene is one of the nation's leading experts on fiscal and debt policy and reform as well as Neoclassical-Keynesian economics. He holds a bachelor's degree in economics with honors from the University of Queensland, where he was a university medalist and has since lectured at including on macroeconomic policy.

Mr. Arturo Espinoza Bocangel is an Economic Researcher with Adept Economics. and an Economics Tutor at the University of Queensland. He holds a master's degree in economics and public policy from the University of Queensland. Before moving to Australia from Peru, Arturo was working as a public officer in the Ministry of Foreign Trade and Tourism (MINCETUR) focusing on market access topics at the multilateral and regional level.