

## Maine Spends Too Much... But Where?

*(And what can Maine Taxpayers do to make it stop?)*

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The next state budget has not been submitted yet, but the debates about a gap of at least \$500 million between tax revenues and spending have already started calls for cuts, elimination of programs, state employee layoffs, hiring freezes, across-the-board spending decreases, and/or ideas to raise state's revenues with tax increases, new taxes or higher fees.

These predictable crises are fueled by the obvious fact that Maine government spends too much money, and the decisions to spend the money directly create the high taxes. Adding another complication to this problem is the fact that Maine people's incomes are relatively low.

These factors combine for a double-whammy on Maine people, who are supporting very high state spending with below-average incomes.

Still another aspect that makes studying these threads a challenge is that tax revenues are transferred among levels of government (federal, state, county and local), which can blur the cause-and-effect relationships between taxes and spending. An example is school spending, which pools varying proportions of federal, state and local funds for something that is considered local spending.

*NOTE: Instead of mixing sources and trying to confuse things, this study uses U.S. Census Data because they report spending and tax revenues in a way that allows state-by-state comparisons.*

1. Maine state and local governments spend a combined \$8,139 for every man, woman and child in Maine, which equals \$25.83 of every \$100 in personal income earned in the state. **Maine ranks #12 in state and local spending burden.**
2. The state spends \$5,035 for every man, woman and child in Maine, which equals \$16.03 of every \$100 in personal income in the state. **Maine ranks #5 in state spending burden.** This level of state spending is significantly higher than the U.S. average, the New England average and the average for the five most rural states.
3. The two drivers of Maine's high state spending habits are Public Welfare (*Medicaid, Temporary Assistance for Needy Families [TANF], and other welfare payments*) and Health Spending (*Women, Infants and Children [WIC], state clinics, etc.*). These two categories account for 44 percent of the state's spending. **In both areas, Maine ranks #1 in the U.S. in terms of the spending burden on income earners.** The high Welfare spending is due to some of the nation's most generous eligibility rules for Medicaid, and the lack of any lifetime limits on TANF eligibility. Maine's #1 rankings are also a result of the *double-whammy* of high spending in a low-income state.
4. Local spending averages \$3,008 for every man, woman and child in the Maine, which equals \$9.89 of every \$100 in personal income in the state. **Maine ranks #41 in local spending burden.** This ranking exceeds the New England average, but is below the average for the five most rural states.
5. The one area of concern in local spending is the high portion spent on education, where Maine's spending equals \$5.11 for each \$100 in personal income. **Maine ranks #19 in local education spending burden.**

Clearly, the responsibility for lowering Maine's state tax and spending burden falls on the shoulders of Maine's state legislators. Unfortunately, Maine's state legislators have simply not lived up to the task in the past. As such, Mainers should strongly consider enacting spending controls such as MHPC's model legislation titled "An Act to Provide Tax Relief." [1]

**Introduction**

Spending drives taxes. Maine’s high tax burden is a direct result of Maine’s uncontrolled spending. Unfortunately, getting under the hood of government spending is an arduous task. For example, funds are shifted between levels of government and they are shifted from one year to another. These shenanigans destroy transparency in government and confuse voters.

In a effort to better understand Maine’s spending habits, this analysis draws on publicly available data from the U.S. Census Bureau. The Census Bureau attempts to put back some transparency into government finance (see Methodology section). As such, this analysis find some disturbing spending patterns.

**State Spending Burden**

Chart 1 and Table 1 shows Maine’s state spending for Fiscal Year (2006). Total direct expenditures equaled \$16.03 per \$100 of personal income or \$5,053 for every man, woman and child. Maine ranked as the 5th and 8th highest spending burden, respectively.

Maine’s state spending burden is also compared to the U.S. average, New England average and rural state average as well as the 10 constituent New England and rural states. Maine’s state spending burden as a percent of personal income exceeds the U.S. average, New England average and rural state average, including all 10 constituent states. On a per capita basis, only Rhode Island exceeds Maine’s state spending burden.

In addition, Chart 1 and Table 1 also look at the top 5 areas of state spending . First, public welfare includes programs that directly aid individuals such as Medicaid and Temporary Assistance for Needy Families (TANF).[2] Maine’s state public welfare spending is the highest in the country at \$5.95 per \$100 of personal income which is 94.3 percent higher than the U.S. average of \$3.06. On a per capita basis, Maine ranks number

three at \$1,873. Overall, public welfare spending is greater than the next four categories in Table 1 combined.

Second, health spending includes items that improve public health such as drug abuse prevention/rehabilitation, vaccinations, and WIC (Women, Infants and Children) to name a few. Maine’s state health spending is the highest in the country at \$1.14 per \$100 of personal income which is 267.3 percent higher than the U.S. average of \$0.31. On a per capita basis, Maine ranks number three at \$360 in health spending.

Third, highway spending includes items such as highways, streets, roads, alleys, sidewalks, bridges, tunnels, ferry boats and viaducts. Maine’s state highway spending is the 10th highest in the country at \$1.30 per \$100 of personal income which is 63.9 percent higher than the U.S. average of \$0.79. On a per capita basis, Maine ranks number ten at \$410. Maine is significantly higher than the New England average but well under the rural state average.

Fourth, government administration includes items such as financial administration, judicial and legal administration and construction and maintenance of public buildings. Maine’s state government administration is the 13th highest in the country at \$0.65 per \$100 of personal income which is 46.4 percent higher than the U.S. average of \$0.44. On a per capita basis, Maine ranks 18th highest at \$203. Maine is a bit above the New England average but a bit below the rural state average.

Fifth, interest on debt includes amounts paid for use of borrowed monies, except those on utility debt. Maine’s state government interest on debt is the 9th highest in the country at \$0.55 per \$100 of personal income which is 55.1 percent higher than the U.S. average of \$0.36. On a per capita basis, Maine ranks 12th highest at \$174. Maine is significantly higher than the rural state average but well under the New England average.

**Chart 1**  
Selected State Direct Expenditures  
State Fiscal Year 2006

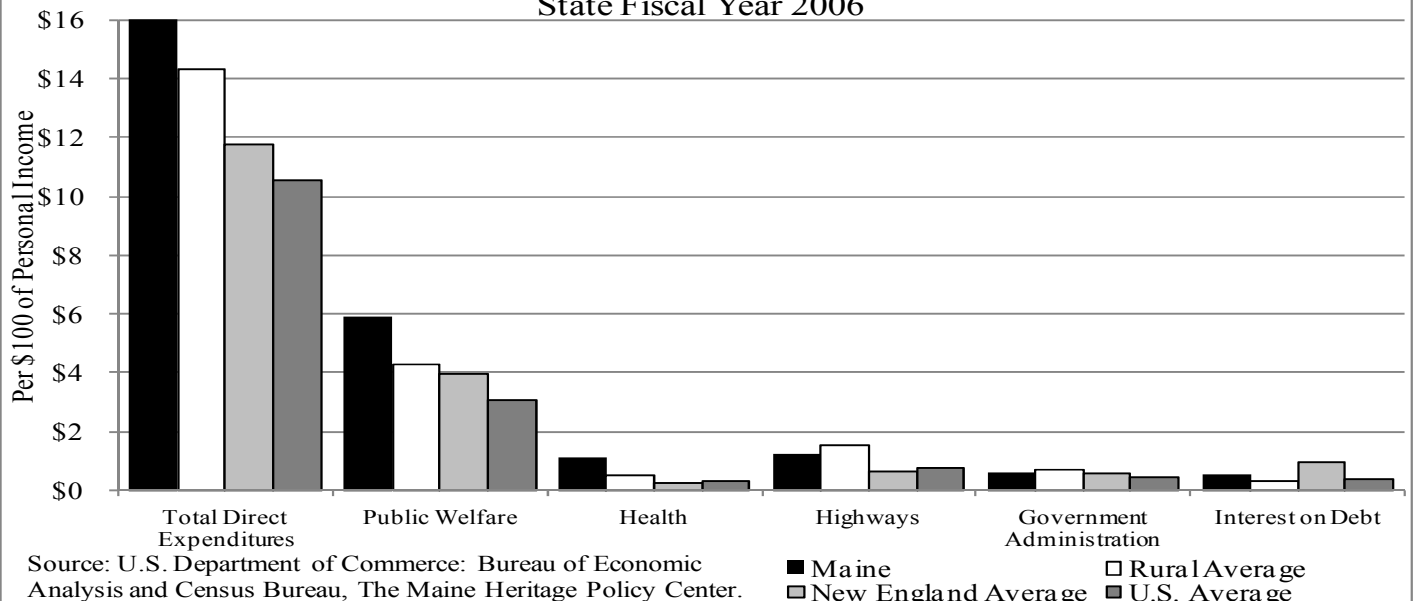


Table 1  
Selected *State* Direct Expenditures  
State Fiscal Year 2006

State	Total Direct Expenditures				State	Highways			
	Per \$100 of Personal Income	Rank	Per Person	Rank		Per \$100 of Personal Income	Rank	Per Person	Rank
U.S. Average	\$10.58	--	\$3,776	--	U.S. Average	\$0.79	--	\$283	--
New England Average	\$11.76	--	\$4,979	--	New England Average	\$0.62	--	\$263	--
<b>Maine</b>	<b>\$16.03</b>	<b>5</b>	<b>\$5,053</b>	<b>8</b>	<b>Maine</b>	<b>\$1.30</b>	<b>10</b>	<b>\$410</b>	<b>10</b>
Connecticut	\$9.94	36	\$4,940	12	Connecticut	\$0.46	49	\$229	43
New Hampshire	\$9.13	42	\$3,521	34	New Hampshire	\$0.83	27	\$319	23
Massachusetts	\$11.46	25	\$5,141	7	Massachusetts	\$0.53	45	\$238	39
Rhode Island	\$15.32	8	\$5,598	4	Rhode Island	\$0.78	32	\$283	29
Vermont	\$15.63	7	\$5,304	6	Vermont	\$1.07	18	\$364	14
Rural State Average	\$14.31	--	\$3,971	--	Rural State Average	\$1.56	--	\$434	--
Arkansas	\$13.58	15	\$3,764	29	Arkansas	\$1.02	21	\$284	28
Mississippi	\$15.11	9	\$3,954	23	Mississippi	\$1.52	9	\$398	11
Montana	\$14.44	13	\$4,363	15	Montana	\$1.97	4	\$596	5
South Dakota	\$11.21	26	\$3,610	33	South Dakota	\$1.86	6	\$598	4
West Virginia	\$15.74	6	\$4,268	16	West Virginia	\$2.08	2	\$565	7
	<b>Public Welfare</b>					<b>Government Administration</b>			
U.S. Average	\$3.06	--	\$1,092	--	U.S. Average	\$0.44	--	\$157	--
New England Average	\$3.99	--	\$1,690	--	New England Average	\$0.55	--	\$232	--
<b>Maine</b>	<b>\$5.95</b>	<b>1</b>	<b>\$1,873</b>	<b>3</b>	<b>Maine</b>	<b>\$0.65</b>	<b>13</b>	<b>\$203</b>	<b>18</b>
Connecticut	\$2.61	44	\$1,296	13	Connecticut	\$0.58	19	\$290	7
New Hampshire	\$2.55	45	\$982	36	New Hampshire	\$0.38	33	\$146	30
Massachusetts	\$3.95	11	\$1,770	5	Massachusetts	\$0.52	22	\$233	14
Rhode Island	\$5.49	3	\$2,008	2	Rhode Island	\$0.92	6	\$336	3
Vermont	\$5.33	4	\$1,808	4	Vermont	\$0.69	12	\$234	13
Rural State Average	\$4.32	--	\$1,197	--	Rural State Average	\$0.68	--	\$188	--
Arkansas	\$4.43	9	\$1,228	17	Arkansas	\$0.70	11	\$194	21
Mississippi	\$4.90	6	\$1,281	15	Mississippi	\$0.31	41	\$82	48
Montana	\$2.90	36	\$875	45	Montana	\$0.93	5	\$281	8
South Dakota	\$2.91	35	\$937	40	South Dakota	\$0.60	18	\$192	22
West Virginia	\$4.78	7	\$1,296	14	West Virginia	\$1.11	3	\$300	5
	<b>Health</b>					<b>Interest on Debt</b>			
U.S. Average	\$0.31	--	\$111	--	U.S. Average	\$0.36	--	\$127	--
New England Average	\$0.28	--	\$119	--	New England Average	\$0.98	--	\$414	--
<b>Maine</b>	<b>\$1.14</b>	<b>1</b>	<b>\$360</b>	<b>3</b>	<b>Maine</b>	<b>\$0.55</b>	<b>9</b>	<b>\$174</b>	<b>12</b>
Connecticut	\$0.31	32	\$152	19	Connecticut	\$0.62	7	\$308	4
New Hampshire	\$0.20	40	\$76	38	New Hampshire	\$0.68	6	\$263	5
Massachusetts	\$0.26	34	\$115	30	Massachusetts	\$1.09	2	\$487	1
Rhode Island	\$0.39	26	\$143	20	Rhode Island	\$0.71	4	\$259	6
Vermont	\$0.63	10	\$212	7	Vermont	\$0.69	5	\$235	7
Rural State Average	\$0.48	--	\$134	--	Rural State Average	\$0.34	--	\$94	--
Arkansas	\$0.44	20	\$138	22	Arkansas	\$0.20	42	\$56	45
Mississippi	\$0.35	30	\$91	33	Mississippi	\$0.28	36	\$73	41
Montana	\$0.97	4	\$293	5	Montana	\$0.55	10	\$166	14
South Dakota	\$0.39	25	\$127	25	South Dakota	\$0.45	18	\$145	20
West Virginia	\$0.51	16	\$138	22	West Virginia	\$0.46	17	\$124	26

Source: U.S. Department of Commerce: Bureau of Economic Analysis and Census Bureau, The Maine Heritage Policy Center.

**Local Spending Burden**

Chart 2 and Table 2 shows Maine’s local spending for Fiscal Year (2006). Total direct expenditures equaled \$9.79 per \$100 of personal income or \$3,008 for every man, woman and child. Maine ranked as the 41st and 40th highest spending burden, respectively.

Maine’s local spending burden is also compared to the U.S. average, New England average and rural state average as well as the 10 constitute New England and rural states. Maine’s local spending burden as a percent of personal income exceeds the New England average but falls well under the U.S. average and rural state average. On a per capita basis, however, Maine’s local spending burden is below the U.S. average, New England average and rural state average.

In addition, Chart 2 and Table 2 also looks at the top 5 areas of local spending. First, education includes elementary and secondary and higher education, but excludes libraries. Maine’s local education spending is the 19th highest in the country at \$5.11 per \$100 of personal income which is 3.3 percent higher than the U.S. average of \$4.95. On a per capita basis, Maine ranks the 27th highest at \$1,611. Overall, education spending is greater than the next four categories in Table 2 combined.

Second, police protection spending includes general police, sheriff, state police, and other governmental departments that preserve law and order, protect persons and property from illegal acts, and work to prevent, control, investigate, and reduce crime. Maine’s police

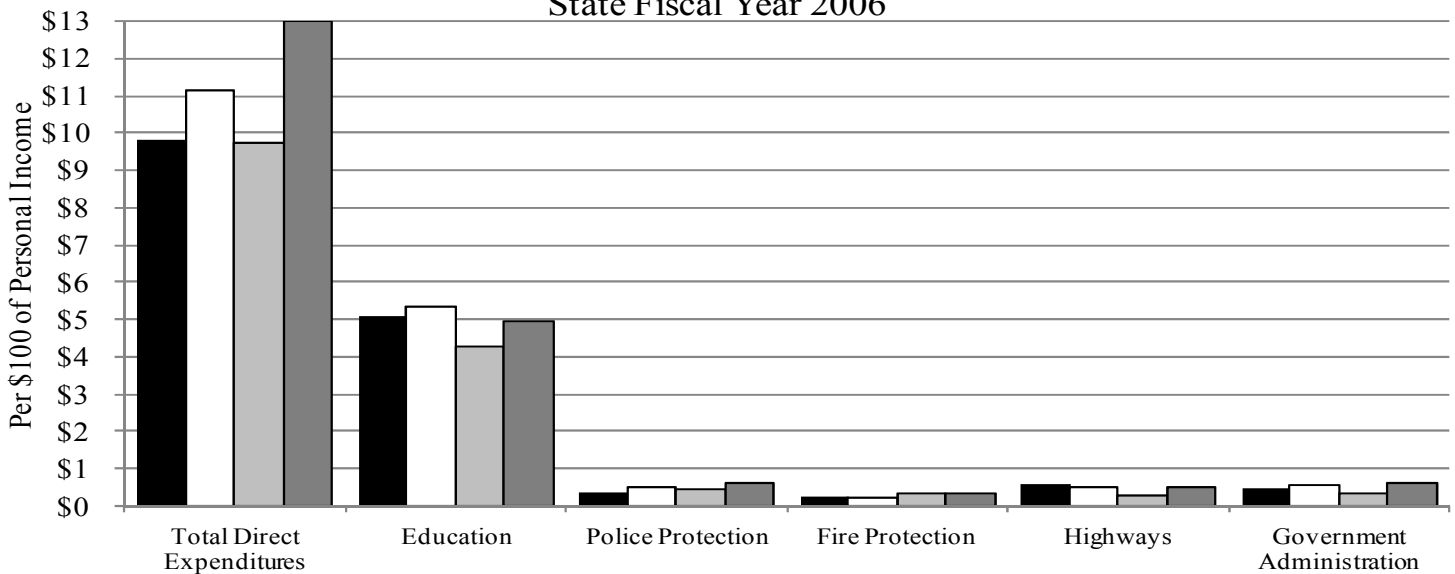
protection spending is the 48th highest in the country at \$0.38 per \$100 of personal income. On a per capita basis, Maine ranks 47th at \$120. Maine is below the U.S., New England and rural state average.

Third, fire protection includes the prevention, avoidance, and suppression of fires and provision of ambulance, medical, rescue, or auxiliary services provided by fire protection agencies. Maine’s local fire protection spending is the 27th highest in the country at \$0.29 per \$100 of personal income. On a per capita basis, Maine ranks 27th highest at \$91. Maine is above the rural state average but under the U.S. and New England average.

Fourth, highway spending includes items such as highways, streets, roads, alleys, sidewalks, bridges, tunnels, ferry boats and viaducts. Maine’s local highway spending is the 15th highest in the country at \$0.63 per \$100 of personal income which is 30.2 percent higher than the U.S. average of \$0.48. On a per capita basis, Maine ranks 16th at \$198. Maine is also significantly higher than both the New England and rural state average.

Fifth, government administration includes items such as financial administration, judicial and legal administration and construction and maintenance of public buildings. Maine’s local government administration is the 35th highest in the country at \$0.49 per \$100 of personal income. On a per capita basis, Maine ranks 40th highest at \$155. Maine is also a bit above the New England average but a bit below the rural state average.

**Chart 2**  
Selected Local Direct Expenditures  
State Fiscal Year 2006



Source: U.S. Department of Commerce: Bureau of Economic Analysis and Census Bureau, The Maine Heritage Policy Center.

■ Maine □ Rural Average  
■ New England Average ■ U.S. Average

Table 2  
Selected *Local* Direct Expenditures  
State Fiscal Year 2006

State	Total Direct Expenditures				State	Fire Protection			
	Per \$100 of Personal Income	Rank	Per Person	Rank		Per \$100 of Personal Income	Rank	Per Person	Rank
U.S. Average	\$12.98	--	\$4,049	--	U.S. Average	\$0.32	--	\$115	--
New England Average	\$9.72	--	\$4,112	--	New England Average	\$0.36	--	\$151	--
<b>Maine</b>	<b>\$9.79</b>	<b>41</b>	<b>\$3,008</b>	<b>40</b>	<b>Maine</b>	<b>\$0.29</b>	<b>27</b>	<b>\$91</b>	<b>27</b>
Connecticut	\$8.19	49	\$3,764	16	Connecticut	\$0.26	33	\$130	11
New Hampshire	\$8.77	48	\$3,304	31	New Hampshire	\$0.32	17	\$125	14
Massachusetts	\$9.90	39	\$3,606	23	Massachusetts	\$0.34	13	\$152	5
Rhode Island	\$9.44	44	\$3,170	35	Rhode Island	\$0.63	1	\$229	1
Vermont	\$9.94	38	\$3,050	37	Vermont	\$0.20	43	\$67	41
Rural State Average	\$11.13	--	\$3,088	--	Rural State Average	\$0.23	--	\$65	--
Arkansas	\$10.32	34	\$2,562	47	Arkansas	\$0.23	38	\$65	43
Mississippi	\$14.01	5	\$3,284	32	Mississippi	\$0.29	26	\$76	38
Montana	\$9.99	36	\$2,900	43	Montana	\$0.23	39	\$68	40
South Dakota	\$9.38	45	\$2,708	46	South Dakota	\$0.19	44	\$61	45
West Virginia	\$9.50	43	\$2,387	49	West Virginia	\$0.17	46	\$46	48
	Education					Highways			
U.S. Average	\$4.95	--	\$1,767	--	U.S. Average	\$0.48	--	\$172	--
New England Average	\$4.29	--	\$1,814	--	New England Average	\$0.29	--	\$124	--
<b>Maine</b>	<b>\$5.11</b>	<b>19</b>	<b>\$1,611</b>	<b>27</b>	<b>Maine</b>	<b>\$0.63</b>	<b>15</b>	<b>\$198</b>	<b>16</b>
Connecticut	\$4.21	43	\$2,093	5	Connecticut	\$0.27	44	\$136	38
New Hampshire	\$4.54	36	\$1,749	19	New Hampshire	\$0.40	35	\$155	29
Massachusetts	\$4.04	48	\$1,812	12	Massachusetts	\$0.25	45	\$112	44
Rhode Island	\$4.91	25	\$1,794	14	Rhode Island	\$0.24	46	\$88	47
Vermont	\$5.91	5	\$2,007	6	Vermont	\$0.73	11	\$248	12
Rural State Average	\$5.36	--	\$1,488	--	Rural State Average	\$0.52	--	\$144	--
Arkansas	\$5.34	12	\$1,480	37	Arkansas	\$0.44	33	\$122	41
Mississippi	\$5.99	3	\$1,567	31	Mississippi	\$0.75	9	\$196	17
Montana	\$4.86	27	\$1,470	38	Montana	\$0.48	29	\$144	32
South Dakota	\$4.19	44	\$1,349	46	South Dakota	\$0.79	6	\$254	10
West Virginia	\$5.31	14	\$1,441	41	West Virginia	\$0.17	50	\$45	50
	Police Protection					Government Administration			
U.S. Average	\$0.64	--	\$229	--	U.S. Average	\$0.61	--	\$217	--
New England Average	\$0.45	--	\$190	--	New England Average	\$0.32	--	\$135	--
<b>Maine</b>	<b>\$0.38</b>	<b>48</b>	<b>\$120</b>	<b>47</b>	<b>Maine</b>	<b>\$0.49</b>	<b>35</b>	<b>\$155</b>	<b>40</b>
Connecticut	\$0.41	46	\$203	21	Connecticut	\$0.29	49	\$144	43
New Hampshire	\$0.46	40	\$176	30	New Hampshire	\$0.45	40	\$175	30
Massachusetts	\$0.44	41	\$198	23	Massachusetts	\$0.28	50	\$127	48
Rhode Island	\$0.59	18	\$217	15	Rhode Island	\$0.38	48	\$137	45
Vermont	\$0.29	50	\$99	50	Vermont	\$0.39	47	\$131	47
Rural State Average	\$0.52	--	\$143	--	Rural State Average	\$0.55	--	\$153	--
Arkansas	\$0.52	34	\$144	43	Arkansas	\$0.43	42	\$119	49
Mississippi	\$0.62	13	\$163	37	Mississippi	\$0.68	12	\$179	28
Montana	\$0.56	26	\$168	33	Montana	\$0.56	28	\$169	32
South Dakota	\$0.41	47	\$131	46	South Dakota	\$0.49	36	\$156	39
West Virginia	\$0.37	49	\$101	49	West Virginia	\$0.57	25	\$155	41

Source: U.S. Department of Commerce: Bureau of Economic Analysis and Census Bureau, The Maine Heritage Policy Center.

## Conclusion

One important lesson is that spending is concentrated at both the state and local levels. At the state level, it is public welfare that dominates spending while at the local level it is education that dominates spending.

This analysis also shows that it is state spending that is the primary culprit for Maine's excessive spending. It is driven by Maine's highest-in-the-country spending on public welfare programs such as Medicaid and Temporary Assistance for Needy Families (TANF).

Fortunately, there are ways to tackle these behemoths. Recently The Maine Heritage Policy Center made recommendations to reduce state government spending by \$217 million which included up to \$53.5 million in Medicaid savings and up to \$6 million in TANF savings among many others.[3]

If Maine's legislators fail to lead in the area of spending restraints, Maine voters may have to take matters into their own hands by enacting spending controls such as MHPC's model legislation titled "An Act to Provide Tax Relief."

## Methodology

Government spending data can be particularly difficult to analyze because funds are frequently and easily shifted from one level of government to another. The federal government sends funds to state governments—such as Medicaid—while state governments send funds to local government—such as aid for education.

The Census Bureau nets these "intergovernmental transfers" to the level of government from which the spending actual occurs. So, for example, though Maine state government sends aid to localities for education; it is Maine local government that Census attributes the spending to. This study is based on the "netted" data found here:

<http://www.census.gov/govs/www/estimate.html>

However, the Census Bureau does present data where funds stay with their originating level of government. For state-only data, see:

<http://www.census.gov/govs/www/state.html>

The "New England" aggregate excludes Maine. The "Rural State" aggregate consists of the five most rural states excluding Maine and Vermont which are ranked 49th and 50th, respectively. The rural-urban distinction is based on data from the 2000 Census found here:

<http://www.census.gov/main/www/cen2000.html>

## Notes and Sources:

- [1] <http://www.mainepolicy.org/library/resources/90.pdf>
- [2] For a more detailed description of spending categories, see: [http://ftp2.census.gov/govs/class06/ch\\_5.pdf](http://ftp2.census.gov/govs/class06/ch_5.pdf)
- [3] <http://www.mainepolicy.org/library/resources/45.pdf>

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