Janet T. Mills
GOVERNOR

STATE OF MAINE
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04333-0001

June 25, 2025

The Honorable Susan Collins
United States Senate
413 Dirksen Senate Office Building
Washington D.C. 20510

The Honorable Angus King
United States Senate
133 Hart Senate Office Building
Washington D.C. 20510

The Honorable Chellie Pingree
United States House of Representatives
2162 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Jared Golden
United States House of Representatives
1223 Longworth House Office Building
Washington, D.C. 20515

Dear Senators Collins and King and Representatives Pingree and Golden:

I write to express deep concern about the 2025 Federal budget reconciliation bill, which was passed by the U.S. House of Representatives last month and is now pending before the U.S. Senate. While I understand the details of various initiatives are still being developed, modified, or in some cases eliminated, and while my staff and members of my administration continue to keep your staff informed of the impacts of these proposals on the state, I also wanted you to hear directly from me about my concerns.

To put it plainly, this bill will have profoundly harmful consequences for Maine and our people. If enacted, thousands of Maine people will lose health coverage; vulnerable rural hospitals will face increased financial pressure; Maine families will lose access to healthy food, the end of clean energy and energy efficiency tax credits will eliminate jobs and raise energy costs, and hard-working Maine people will continue to bear an unfair tax burden while the wealthiest Americans will receive a tax cut.

Additionally, the legislative package now under consideration not only represents the largest cuts in history to Medicaid and the Supplemental Nutrition Assistance Program, or SNAP, as well as the Health Insurance Marketplace, but it also marks a historic shift of financial, administrative and human costs from the Federal government to the states. As you know, states like Maine do not have the financial resources to absorb cuts of this magnitude. This means that, if enacted, these measures will eliminate vital support from thousands of families, children, and seniors across Maine, strain the finances of state and local governments, destabilize safety net programs for vulnerable populations, and seriously harm our economy.

Below you will find more specific concerns. I hope you will take them, and their detrimental impacts on Maine, into consideration as you evaluate the bill now before you. While I support the

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desire for sensible policy to lower taxes for hard-working people, foster economic growth, and exercise fiscal restraint, slashing essential services in this manner will only do the opposite.

Eliminating Health Care Coverage for Thousands of Maine People

The Senate Finance Committee draft language of June 16 largely follows, and in some respects worsens, the House-passed reconciliation bill that shifts significant costs to states, tightens eligibility for essential programs, and weakens the infrastructure that keeps hundreds of thousands of Mainers healthy and able to work. Here are some of its impacts on Maine:

- **Impacts to Medicaid:** As of January, about 392,000 Maine people had health coverage through Medicaid (MaineCare), of which more than 140,000 were children. In some rural areas, such as Aroostook County, Washington County and Somerset County, about 40 percent of the population rely on MaineCare for health coverage. Under these proposals, tens of thousands of Maine people likely will lose health coverage, threatening access to necessary medical care and putting their health and lives needlessly at risk. An independent estimate of the bill provided to the State determined, if the Senate bill is enacted, Maine should expect a $5.9 billion cut to MaineCare over the next decade, and of this amount, $4.5 billion is lost federal funds.

- Even further, because of reduced health coverage, health care providers across Maine will see higher costs for uncompensated care and increased financial strain. The independent estimate provided to the State indicated Maine hospitals would lose nearly one-quarter of their funding from Medicaid over the next decade. Hospitals which serve a high share of patients with MaineCare must likely curtail certain services or close, resulting in lost health care access and jobs, particularly in rural communities where hospitals are large employers. As you are aware, curtailments of services at hospitals, reorganizations, and even the outright closure of a Maine hospital have become too common in recent times. Now, national studies show several Maine hospitals, particularly those serving rural communities, face increasing risks of closure if the reconciliation bill as stands is enacted.

- In addition to the above, the provider tax moratorium included in the bill would prevent Maine from leveraging additional Federal matching funds to help cover rising costs of care, which would put further strain on providers and patients. Also, proposed elimination or limitation of payment error waiver authority under the bill may expose Maine to potential multi-million-dollar penalties, which would make cuts even harder to absorb.

- **Impacts to CoverME.gov Marketplace:** Approximately 64,000 Mainers rely on Marketplace coverage to obtain private health care coverage, with 85 percent utilizing subsidies from the Federal government. Elimination of successful automatic re-enrollment process, and other changes to enrollment and eligibility, including restrictions on cost sharing reductions applied to plans covering non-Hyde abortion services, will create barriers for Marketplace coverage, especially with younger, healthier individuals. Younger, healthier people will become more likely to unenroll, or simply not enroll, in health insurance, which will make the insurance risk pool "sicker" and lead to higher premium and out-of-pocket costs for those purchasing coverage on the Marketplace. Moreover, if Congress also fails to extend enhanced premium tax credits by the end of 2025, private plans through the Marketplace will become unaffordable and people will likely be forced to forgo health insurance.

Putting Maine Families at Risk of Going Hungry

For the entirety of the Supplemental Nutrition Assistance Program, the Federal government has paid 100 percent of SNAP benefits, a key component in its ability to mitigate impacts of economic downturns. Under the Senate version of the reconciliation bill, beginning in Fiscal Year (FY) 2028, Maine would be required to provide a 15 percent cost-share for SNAP benefits. With annual SNAP benefits in Maine now totaling \$356 million, Maine's estimated 15 percent cost share would be \$53.4 million annually.

In addition to the cost-share, the State faces an increased share of SNAP's administrative costs of 50 percent to 75 percent. SNAP administrative costs in Maine are now \$26.6 million annually, of which the State is responsible for half, or \$13.3 million. Under the new cost sharing provision, the State would pay \$6.6 million for SNAP, for a new total of \$20 million per year. When both cost-sharing provisions are combined, the State's annual SNAP obligation would increase by \$60 million annually by FY 2028 – a cost the State simply cannot absorb. This burdensome shift would threaten the viability of Maine's SNAP program and risk 175,000 Maine people going hungry.

Increasing Energy Costs and Undermining Efficiency Investments

Over the past few years, Maine has made great strides to diversify its energy supply to offset our over-reliance on fossil fuels for home heating and electricity. This has resulted in significant new investment and growing innovation across the state, a clean energy job sector that's the fastest growing in New England and growing regional collaboration on long-term energy strategies to make electricity cleaner and more affordable. Federal support from across a variety of agencies and programs has underpinned these efforts.

The pending proposals under the reconciliation bill, however, would repeal critical clean energy and energy efficiency tax credits and funding, the end of which would substantially increase household and business energy expenses and dramatically impact the pace and cost of new energy project development and electric grid improvements. At a time when New England needs energy efficiency investments and new generation resources to meet our growing energy demand, this bill could increase costs, with some studies estimating that electricity rates for Maine households and businesses could increase by 20 percent due to the removal of clean energy tax credits.

With one of the nation's oldest housing stocks, the loss of programs for residential energy efficiency and rooftop solar could further derail Maine's efforts to reduce our nation-leading reliance on heating oil and successful programs to weatherize homes and install heat pumps for heating and cooling, including innovative approaches for mobile homes and affordable housing.

Challenging Tax Provisions

Changes to Federal E-filing Programs: The House and Senate bills would create a task force to study a public-private partnership "to replace free file and any IRS run direct file programs." As of today, approximately 90 percent of Maine individual income tax returns are filed using the IRS's Modernized e-File program. Data from this program has become vital for State tax administration and underpins the Legislature's revenue forecasting and economic modeling. Any significant cut, change, or termination of Modernized e-File could significantly harm Maine taxpayers and administration alike.

Tax Conformity and Retroactivity: When the Federal government makes changes to the tax code, the State considers similar changes to its tax code to maintain consistency between the two. This process, known as conformity, is not automatic in Maine as it is in some states, but, instead, is considered and adopted by the Legislature. Several proposed tax code changes proposed in this bill at the Federal level, particularly those that are applied retroactively, will prompt a conversation about conformity in the Maine Legislature – a conversation that will revolve around revenue reductions at the state level because any tax reduction provided by the State will reduce its revenues, thereby throwing the budget out-of-balance and requiring discussion about cuts to standing programs. These conversations become more difficult, and conformity becomes more administratively challenging to implement, when the tax code changes are applied retroactively, as provisions in the bill propose.

However, I want to note a tax provision in the bill that I do support. As you know, the 2017 Tax Cuts and Jobs Act limited the deduction for state and local taxes, known as the SALT deduction, to $10,000, regardless of filing status. A substantial numbers of Maine taxpayers have seen their Federal taxes increase because of this SALT cap. Increasing the SALT cap from $10,000 to $40,000, as the bill proposes to do, would provide substantial relief to Maine taxpayers and would be welcomed by my Administration.

Conclusion

As you can see, I have deep concerns about the significant impact this bill will have on the health and safety of Maine people, our state's financial future, and the stability of Maine's economy. While there are many other concerns not voiced here, my Administration will remain in touch with your offices to answer any questions you may have or to provide you with information as you continue to evaluate this package. I appreciate your hard work and am committed to working with all of you on navigating these proposals.

Sincerely,

Janet T. Mills
Governor