

State of the Budget Address of Governor Janet Mills
As Prepared for Delivery
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Introduction

Thank you.

Madam President, Mr. Speaker, Madam Chief Justice, Mr. Attorney General, Madam Secretary of State, Mr. Treasurer, Chief Sabattis, Chief Nicholas, Members of the Cabinet, including our newly confirmed Commissioner Joan Cohen, Members of the 132nd Legislature, and esteemed guests –

Tonight, we gather for the time-honored tradition of a Governor’s Address to you, the one hundred and eighty-six public servants who collectively have been chosen to represent the interests of the 1.4 million people of this state.

One year ago, we were starting to recover from several deadly storms which had devastated our communities.

We responded with the largest investment in storm relief in state history to rebuild our working waterfronts, critical infrastructure and local businesses. That funding was significant, but it was merely a down payment on the rest of the work ahead to prepare for the violent storms of the future.

As the very first measure of this legislative session, we have once again come together to introduce LD 1, a bill that directly responds to the interim recommendations of my Rebuilding Commission to prepare our homes and public infrastructure against future storms.

I want to thank Hannah Pingree, Director of my policy office, for spearheading this measure and Bob Carey, our Superintendent of Insurance, for his contributions to this legislation. I also want to thank President Daughtry, Speaker Fecteau, Senate Minority Leader Stewart, and House Minority Leader Faulkingham for sponsoring it.

LD 1 is the next step in fortifying our state and our economy from the type of damage we experienced a year ago and that we are bound to see again. This bill has no General Fund impact. Send LD 1 to my desk and I will sign it.

We gather tonight during a period of transition as a new administration takes shape in Washington. The new President has issued a flurry of orders, and he promises others that could affect our biennial budget and the way we do things in our state.

Just yesterday, the President directed a halt to nearly all Federal loans, grants, and other financial assistance.

Like many of you, I have serious questions about the extent and scope of his decision; about the impact on Maine people, Maine industries, schools, small businesses, the elderly and our most vulnerable; and about his legal authority to issue such an edict.

My Administration is evaluating the effects of this order, but it is already clear that it is causing needless chaos and confusion that could turn into real and serious harm.

I want to reaffirm for the people of Maine, though, as with any administration, if the President does something good for our state, I will support him. If he does something that would harm our state, I will firmly oppose him.

Time will tell what paths the President and the new Congress choose.

No matter what, I ask this Legislature to join me in putting the people of Maine first. The people we serve – they think for themselves, they take care of their neighbors, and they stand together when things get tough, regardless of their differences. And so can we.

The people of Maine expect us to get things done, regardless of what happens in Washington.

Drawn from sixteen counties across the State of Maine, you bring diverse views, backgrounds and beliefs to this Capitol to create positive change and make our state a better place.

Each of the bills you will debate this session is designed to change things for the better, but the most consequential and complex tool we have that affects the lives of Maine people is the state budget.

That is the bill I want to talk with you about tonight.

For six years I have introduced balanced budget proposals, and with your support, those budgets have sent historic amounts of money back to Maine schools, Maine communities and Maine people to create the conditions for strong economic growth.

Nearly 40 percent of state revenue goes right back to local schools and governments with the hope that these funds will relieve the burden on property taxes assessed at the local level. Alleviating the burden of those taxes and investing wisely in the things that bring jobs, that expand our workforce, and that protect those in need will keep us on the path to more economic growth.

State of the Economy

I am proud to report to you that Maine's economic growth is outpacing the national average, including the rest of New England, and it's outpacing even large states like New York and California.

In fact, over the past six years, in spite of the pandemic, Maine has experienced more economic growth than it did in the entire fourteen years before I took office.

Our state's credit ratings have been upgraded to the second highest possible rating after being downgraded during the previous administration — a reflection of what the credit rating agencies have called our "strong fiscal governance."

Maine's unemployment rate has remained below four percent for three years straight – one of the longest stretches ever – and it's been consistently below the national average.

The number of people working in Maine is at an all-time high.

The average salary of Maine workers has increased by more than 25 percent from 2019 to 2023.

Our Budget Stabilization Fund is near its record high limit – in fact, this emergency fund has grown by nearly \$720 million since I took office.

Last year, more than 17,800 new businesses opened up in Maine.

One person who has been instrumental in bringing about Maine's remarkable economic growth is Commissioner Heather Johnson. The author of our ten-year economic plan, a Maine native with national credentials, Commissioner Johnson has championed innovative new businesses, promoted Free Community College, and fought for universal high-speed internet for all Maine people – another economic driver and a boon to our state.

To my dismay, Commissioner Johnson has announced that she will be pursuing new opportunities come March. I want to thank her for six years of hard work making Maine a better place to live. Thank you, Heather.

I'm proud of our economic accomplishments, but some folks may be thinking, "So what? A strong GDP isn't making my groceries any cheaper. A big Rainy Day Fund isn't helping me buy a house. A low unemployment rate isn't making a dent in my electric bill."

I hear you.

The cost of living in Maine, as in much of America, is too high. The price of fuel, the cost of supplies, utilities and labor have driven up expenses for families across the country and have impacted the budgets of nearly every state.

I welcome a robust discussion among Democrats, Republicans and Independents during this legislative session, because I want everyone to benefit from the availability of good jobs, a good public education, and good health care in our state – things that allow every person to be their best selves.

While not everyone is feeling it, our economy is strong.

That strength is reflected in recent budget surpluses —

Fiscal Outlook

Over the past three years, we have ended every Fiscal Year in the black. In 2022, our budget surplus was \$562 million. In 2023, it was \$141 million. In 2024, it was nearly \$94 million.

But last year we could see that these state revenues were leveling off as federal stimulus funds faded and as the economy returned to normal following the pandemic.

That was no surprise — most other states across the country, including many in New England, are seeing revenues level off too.

At the same time, programs that people widely support – like education, revenue sharing, free community college, and school meals – are all costing more.

The price of goods, the cost of fuel, equipment, technology and labor all impact our baseline budget for K-12 education, school meals, higher education, corrections and public safety, and other services. These baseline expenses also generate some of the increases included in this budget.

Maintaining the state’s share of K-12 education alone costs an additional \$156 million over the biennium, over and above the more than \$2.8 billion in the baseline budget.

On top of that, we are required by Constitutional amendment passed in 1995 to pay down the debt to the teachers’ retirement fund. That alone costs an additional \$30 million, bringing the total cost of this item alone to more than \$470 million over the next two years.

For some of the same reasons, operational costs for hospitals, nursing homes, doctors and nurses are also increasing. At the same time, people are catching up on medical procedures that were postponed during the pandemic. And because our economy has improved, the federal share of those medical costs, or “FMAP,” for the Medicaid program has gone down, meaning we need to cover the \$63 million the Federal government is taking away for this coming biennium alone.

Higher operational costs and the leveling off of revenues have merged to produce a tougher than usual budget environment this year.

We saw this coming, which is why I asked the Legislature last year to reduce spending by amending certain programs and to set aside \$107 million for this biennium.

That did not happen, and instead, measures supported by people from both parties added more spending onto the budget.

Lawmakers then sent more spending bills to my desk at the end of the session, bills which I did not sign and which did not become law. And some folks – again, not just Democrats – even tried to advance a spending bill that would have cost another \$117 million. We stopped that too.

I say this not to wag a finger at anyone, but simply to acknowledge that – regardless of whether you are a Democrat or a Republican or an Independent – the urge to say yes to well-meaning measures, especially at the end of a long legislative session, is strong, and it is difficult to say no to last minute appeals and heavy lobbying.

My friends, this time around, we simply cannot say yes.

The time for hard conversations and tough decisions is here, starting with the supplemental budget.

Supplemental Budget

In the supplemental budget I am asking you to close a current gap in MaineCare that jeopardizes timely payments to hospitals and others.

That gap is the result of four things: 1) the Federal government requiring us to keep people on MaineCare during and after the pandemic; 2) an uptick in health care services as more people went back to the doctor after the pandemic; 3) an increase in the cost of those services because of inflation; and 4) the practice of “cost reimbursement” which does not allow the State to control costs – something we are trying to move away from.

Any of these things on their own might not have been troublesome, but together they are very concerning. We will need to address this shortfall promptly and within existing resources. I am proposing to use the additional revenue we have taken in for this current Fiscal Year to cover that gap. Maine patients and providers need you to approve the Supplemental Budget in a timely, bipartisan manner to fulfill our obligation to hospitals, nursing homes, and other providers. Their budgets, and their patients, cannot afford disruptions and delays. I urge you all to please approve this funding.

Now let’s turn to the biennial budget – another place where tough choices will be required.

Biennial Budget

To fund every program in current law – every bill already enacted, every program already authorized -- would cost a minimum of \$11.67 billion over the next two years – and that is very likely an underestimate because costs have only grown since last October, when that number was calculated.

On the other hand, the State of Maine is expected to take in \$11.2 billion in revenue. I don’t have to spell it out for you – that’s a budget gap.

Maine is far from the only state facing such a gap. In fact, many states are – red and blue states both.

Colorado is looking at a shortfall of around \$750 million next year. Washington State is facing a \$10 to \$12 billion budget gap for the next two years. Nebraska, a Republican-led state, is facing a \$432 million shortfall. Iowa, another Republican-led state, is looking at a \$1.1 billion budget gap – one driven not by spending, but by tax cuts.

My point is that budget constraints are not unique to blue states or to red states this year. Nearly every state has fiscal challenges right now, and for a variety of reasons.

I am pleased to say that Maine is in better shape than many other states, but we have work to do to enact a balanced budget as required by the Maine Constitution, one that provides stability, one that protects public safety, one that preserves a basic social safety net, and one that promotes the continued growth of our economy.

That work will be hard, but we’ve done it before.

State of the Budget

It is easy to forget that, of 20 major money bills in the past six years, including supplemental budgets, biennial budgets, and highway fund budgets, 16 of them were enacted with bipartisan support. Across these various spending bills, members of the minority and the majority parties voted together to change the lives of Maine people —

- We expanded Medicaid, as voters told us to do.
- We achieved 55 percent state funding for education for the first time in Maine history, putting funds directly into classrooms to benefit Maine kids.
- We fully restored revenue sharing to 5 percent, after it had been severely cut by the previous Administration. We are sending a lot more money to towns and cities for fire and police protection and the like so that those costs wouldn't all be passed on to the property taxpayers.
- We delivered \$850 checks to Maine taxpayers, one of the strongest inflation relief programs in the nation, and, later, another \$450 in winter energy relief payments.
- We expanded property tax relief to keep more money in the pockets of Maine residents.
- We became the second state in the nation to fund universal free meals in the public schools, erasing a divide that only stigmatized kids whose families have less.
- We delivered two years of free community college to recent high school graduates, bringing higher education within reach of more students, and creating a direct pipeline of trained workers for employers.
- We expanded student debt relief to all graduates, not just those who attended Maine colleges, encouraging them to work in Maine. That tax credit is now one of the strongest student debt relief programs in the country.
- We enacted housing tax credits that are spurring construction across the state, and we developed a nation-leading 'Housing First' program to end chronic homelessness.
- We invested hundreds of millions of dollars in rate reform to improve MaineCare reimbursements for many health care providers and to base those increases on objective criteria, not just on who lobbies more effectively.

I am grateful to you in this room – both Democrats and Republicans and Independents – who contributed to these and other achievements.

My budget proposes to maintain these core commitments to Maine people – to provide affordable health care, to fully fund education, to protect the public safety, to send money back to our towns

and cities in order to reduce property taxes, and to keep the doors of opportunity open for all our people.

This is not reckless spending, as I have heard some say. Rather, if we did not do these things, hospitals would incur more uncompensated care, property taxes would only go up, and tuition to higher eds would certainly rise.

Stealing from Peter to pay Paul never works; (I should know, they're both my brothers!)

Now let's talk about health care.

Health Care

I have long said that we cannot have a healthy economy if we do not have healthy people. We all know that it's pretty hard to hold down a job, support a family, or pay attention at school if you're sick or taking care of someone who is sick.

I am proud that we have expanded access to health care to more than 100,000 people in Maine, as the voters required us to do. That expansion group is funded 90 percent by the Federal government. In recent years, you also expanded health care coverage for children to those with incomes of up to 300 percent of the Federal Poverty Level, recognizing that keeping children healthy promotes better outcomes later in life.

Last year, about 133,000 children were enrolled in MaineCare; that's up from about 100,000 in 2019.

At the same time, nearly 70,000 people have come off the MaineCare rolls as a result of the 'unwinding,' required by the federal government, and just recently, nearly 65,000 people have enrolled in private health insurance through Maine's state-based marketplace, CoverMe.Gov, under the Affordable Care Act – a larger enrollment than ever before.

Protecting the health care of Maine people – particularly our most vulnerable and those who cannot afford health insurance – is important. That is why in this budget I am proposing \$122 million a year to stabilize the MaineCare program over the biennium.

Nearly 400,000 people, including children, the elderly, people with disabilities, pregnant women, and veterans are enrolled in MaineCare. They should not have to choose between getting medical care and going hungry, going without heat, or being evicted because they have had a heart attack, had a car accident, or had a cancer diagnosis.

In this budget we are also strengthening our children's behavioral health system, including fully funding a residential psychiatric treatment facility for youth, the first of its kind in Maine, so that kids aren't sent out of state in order to get appropriate care.

I also propose more money for therapeutic foster care, along with a screening system to better identify children's behavioral health needs. We know that emergency rooms are not where a child's needs are best met. These measures are at the heart of our recent settlement with the U.S. Department of Justice to improve children's behavioral health services.

I read a story recently about a family whose son waited nearly a year for a treatment bed for severe behavioral health needs. His mom, Jessica, said “We don’t have choices, and he is in constant distress; we need to figure this out.”

Jessica is right. With the Legislature’s support, we have invested more than \$260 million in recent years to improve these services. With this budget, we can, and we will, do better by children with severe behavioral health needs and their families.

Just as health care is a central part of this budget, so too is education.

Education

Every child in Maine deserves a good education regardless of their zip code and regardless of their family’s assets.

In 2021, with that goal in mind, we met the state’s obligation to pay 55 percent of local education costs for the first time since the voters told us to do so in 2004. My budget includes an additional \$156 million to continue this commitment, investing directly in our schools, teachers, staff, and students – and preventing the entire cost of public education from being passed onto the property taxpayers.

Now, I know that sounds like a lot of money, and it is. Fully funding education is the largest cost driver in state government, behind Medicaid. In 2019, the State paid nearly \$1.1 billion towards the cost of K-12 education.

Having achieved 55 percent, that total now stands at \$1.5 billion per year. It is a fact of life that these costs keep going up, but we have an obligation to our children to pay them.

In 2021, we also passed nation-leading legislation to ensure that no Maine child goes hungry during the school day. I am now proposing another \$6 million – for a total of \$126 million over the biennium – to continue this popular program so that no child tries to learn on an empty stomach.

Together we increased funding for career and technical education centers by more than \$20 million over the last five years.

And, in 2022, we made two years of Community College free for recent high school graduates impacted by the pandemic. We believed that not only would it allow students to pursue higher education debt-free but that it would make ready a trained workforce where it was sorely needed in certain sectors of our economy.

In the two years since then, 17,000 students total have enrolled in a Maine Community College tuition-free. Hundreds of those students then transferred to four-year colleges and contributed to the highest increase in enrollment in the University of Maine System in three years.

Cameron Beers of Eddington studied welding at the United Technology Center in Bangor. She then used the Free Community College Program to enroll in welding classes at Eastern Maine

Community College. After she graduates, Cameron intends to work full time and take courses at the University of Maine as well. She is a shining example of the success of this program.

Over the past several years, we have funded the Free Community College Program on a one-time basis to evaluate whether it's working.

I think the answer is pretty clear, and the time has come to make free community college permanent for recent high school graduates.

I hope you will support this investment in my budget.

Importantly, this budget also includes \$41 million for a 4 percent increase for all of our public higher education institutions — the University of Maine System, the Maine Community College System, and the Maine Maritime Academy – to cover basic operational costs.

We need to make sure that a college education remains affordable, and we can't ignore the economic contributions of all of our higher eds, including the world-renowned research going on at our R1 institution, the University of Maine. Thank you, President Ferrini-Mundy and Chancellor Malloy for your leadership.

Property Tax Relief and Housing Cost Relief

As I mentioned, together we have made historic investments in education to boost our public schools and to fight property tax increases. In 2022, we also fully restored municipal revenue sharing to 5 percent for the first time in 13 years, sending more than \$260 million last year alone to cities and towns across Maine. By contrast, in 2019, revenue sharing sent only \$74 million to our cities and towns.

My budget includes a total of \$561 million to maintain the required level of municipal revenue sharing. That's about \$284 million a year going directly back to cities and towns in 2027.

That increase makes a big difference to our communities.

As Auburn firefighter Michael Scott said a few years ago, “Any additional revenue coming into the municipalities that doesn't come straight from property taxes always makes it a little bit easier for the municipalities to figure out their budgets.”

Now, with these large increases in funds coming from state government, I fervently hope that the towns, cities and schools find ways to better share and coordinate services and personnel, regionalize programs, save money, and reduce the burden on our property taxpayers.

Stabilizing property taxes is important, and we also have to bring down other costs related to home ownership.

You passed – and I signed into law – expansions of tax relief programs like the Property Tax Fairness Credit, the Homestead Exemption and the State Historic Rehabilitation Tax Credit to promote housing development.

You also passed – and I signed into law – historic new tax relief programs like the Affordable Housing Tax Credit, sponsored by Speaker Fecteau — You even let Speaker Fecteau move back into his own Accessory Dwelling Unit (ADU) right off the House Chamber!

My budget maintains these significant programs. And it maintains funding for our Housing First Program, to address chronic homelessness – we expect funding applications for at least four Housing First properties to be awarded this spring, as scheduled.

I am also proud to say that my budget dedicates \$3 million in one time funding to the very successful Mobile Home Park Preservation Fund we created last year. That Fund has already preserved housing and prevented eviction for hundreds of people across Maine.

Zach Walker, who lives at Blueberry Fields Cooperative in Brunswick, which was recently purchased by the residents, says that he’s been “basking in the security that we’ll never have to worry about what’s going to happen in the future.” These people can now stay in their homes, continue to pay rent and keep their jobs in the community. It is money well spent.

My budget also invests in public safety.

Public Safety

After the tragedy of October 25th in Lewiston, we established a commission of distinguished experts to determine the facts surrounding that horrific event. Following their report, we authorized an independent after-action review of the law enforcement response.

That review recommended measures to improve communications and coordination in the event of another such tragedy. We are requesting additional positions in the budget to meet those recommendations and to strengthen our response to future emergencies.

As an aside, the Lewiston Commission also noted that Maine’s Extreme Risk Protection Order, or so-called “Yellow Flag” Law, could have been used to remove the perpetrator’s guns before that tragedy occurred.

Last year we strengthened this law to clarify and streamline the process further.

Last week, advocates submitted signatures to force a referendum that would directly undermine our current law.

Opponents of our current law argue: 1) that family members should be allowed to petition the court for removal of a weapon, not just law enforcement, and 2) that a mental health assessment is not necessary and that it stigmatizes people with mental health issues.

I agree that not all people who have mental health issues are violent, but our law does not require a diagnosis or a lengthy exam. It simply asks a medical provider to understand a person's frame of mind and determine whether the person poses a threat to themselves or others. And think about this: the words "suicide" or "suicidal" were used more than 300 times by law enforcement to describe the state of mind of the individuals whose weapons were removed by court order.

This law is not a burden. These are folks who are in crisis and who, thanks to the mental health assessment, are also now being connected – perhaps for the first time – to Maine's mental health system.

The law provides due process and it will survive legal scrutiny.

I also don't believe a private citizen should have to navigate what can be a complex and confusing court procedure by themselves, especially in the middle of already difficult circumstances.

It is the government's responsibility, not that of a private citizen, to protect the public from gun violence.

Law enforcement officers across Maine are taking this law seriously, have been trained, and are using the law on a daily basis to remove firearms from those who should not have them – 672 times total as of yesterday.

As York County Sheriff William King put it, "People are getting used to it. Spurwink put out a step-by-step process that's awesome for us, and very clear about what to do and when to do it. It's becoming easier for us to implement the law."

I stand by our current law. It was passed with the near unanimous support of the legislature. It is working. It is saving lives every day.

Substance Use Disorder

Another problem that continues to threaten our health and public safety is substance use disorder. With your support, my Administration, with the leadership of Gordon Smith, has worked with partners across the state to increase prevention, treatment and recovery:

- We have widely distributed the overdose-reversal drug naloxone.
- We have strengthened prevention in our communities and schools.
- We have increased the number of treatment beds all across Maine.
- At the same time, law enforcement is doing its job taking nearly 200 pounds of illegal drugs off our streets last year alone — including nearly 40 pounds of methamphetamine and 35 pounds of fentanyl.

But Maine saw a 16 percent decline in fatal overdoses in 2023, one of the nation's largest decreases. Last year, overdose deaths declined another 19 percent. 116 people saved.

We are saving lives, and we won't rest until this problem is solved.

The Legislature approved my request last year for \$4 million to expand Medication Assisted Treatment in our county jails, and those funds are giving residents a chance at new life as they re-enter their communities.

A young woman named Amanda who got MAT while she was in the Somerset County Jail, said "I felt like I was living, not just an addict. It made me feel like a regular person."

Let's keep that program going with the continued funding for MAT included in my budget.

The budget also includes \$1.5 million to continue our Mobile Crisis Response Teams — specially trained behavioral health responders dispatched twenty-four hours a day, seven days a week, to de-escalate mental health and substance use crises, assess needs, and provide an appropriate level of care in the least restrictive setting.

Last year we also authorized more crisis receiving centers, modelled on the successful center in Portland, to offer prompt and appropriate care for any person experiencing a mental health crisis, instead of them suffering alone or languishing in an emergency department or a jail, which happens too often.

We aren't able to fund all of the centers that were requested, but my budget does fund two new crisis receiving centers in Lewiston and Penobscot County. When taken with the one in Portland, these will provide improved geographic balance and better access to crucial services for more people.

Maine Commission of Public Defense Services

It's worth noting here that there are some things you will be asked about for which we are not proposing major increases.

The budget of the Maine Commission on Public Defense Services, for instance, quadrupled already from \$11 million to \$44 million in recent years. Next Fiscal Year, it will be more than \$50 million.

And yet, though we have poured more and more tax dollars into this agency, more people than ever are going without legal counsel when facing criminal charges or child protection proceedings.

The number of criminal defendants who lack legal representation reportedly skyrocketed by 658 percent in one year alone between 2022 and 2023. It doesn't make sense, when there are about 4,000 lawyers practicing in Maine, that only 130 are "rostered" to take new cases.

Many individuals are facing domestic violence charges, and the criminal defense bar is asking that these unrepresented and potentially violent people just go free.

I agree with Chief Justice Stanfill and others who have said this is a crisis.

And because it's a crisis, the Public Defense Commission must do a lot more to find lawyers immediately for people charged with crime.

That means getting rid of arbitrary case load limits, restrictions, rules and rostering requirements, none of which are constitutionally required. It means accepting help from the Judiciary in finding capable lawyers to take cases, rather than resisting that help. And it means allowing the newly created public defender offices – which have shown some promise in Kennebec County – to handle the volume and type of cases required.

The current system has become a disastrous example of the perfect becoming the enemy of the good. Just a few years ago we had all the lawyers we needed, but not enough accountability. Now we have a system that is so focused on rules that it has driven away the lawyers. The Commission wants tens of millions of dollars more in the budget. But first, the Commission must change.

Savings

My Administration spent months carefully developing a budget to protect the programs you have embraced and protect the long-term fiscal health of the state.

Ultimately, we took a balanced approach – one that made some investments, that proposed some savings, and that made targeted revenue increases.

To reduce spending, we are proposing changes to programs – primarily within the Department of Health and Human Services.

These decisions were not easy to make.

Believe me when I say that, despite having invested more than \$56 million in child care, I do not like having to reduce the stipends that were doubled just last year.

Despite having invested more than half a billion dollars into improving MaineCare rates, I do not like having to suspend upcoming cost of living increases for health care providers.

Despite expanding Pre-K options across the state, I do not like having to propose scaling back the increases in state funding for Head Start.

Despite having stood up shelters and provided other subsidies, tax credits and loan programs for housing, I do not like having to propose scaling back the General Assistance payments for housing.

Despite having increased the pension deduction for retirees three-fold in three years, I do not like having to modify it for anyone, even if only for higher income retirees.

But we did not set out to achieve savings in a careless way. Instead, we have tried to be purposeful.

Wherever possible, I have proposed amending programs that have not been implemented yet, to make these changes less disruptive. Or I have proposed scaling back programs that have become more expansive in recent years. Or scaling back State dollars where Federal dollars are available.

All of these are worthwhile investments that I wish we could continue at higher levels. But we simply cannot sustain all of them.

Just as I don't like proposing cuts to programs, I also don't like proposing revenue increases – even targeted ones.

But if I had to consider a revenue increase, I decided that I wanted it to be specific and purposeful, rather than broad-based, and I wanted it to provide some social benefit in return. That is what the cigarette tax achieves.

Cigarette Excise Tax

Maine has the highest adult smoking rate – and the second highest youth smoking rate – in New England. We also have the cheapest cigarettes of nearly every state in New England, and we have not raised the cigarette excise tax in two decades, unlike every other New England state.

When cigarettes are a leading cause of cancer, heart disease, and stroke, and when more than one-third of Maine cancer deaths each year are caused by smoking, our current policy doesn't make sense.

Recognizing that a higher cost to cigarettes can dissuade some people from smoking, especially young people, my budget proposes a \$1 increase to the cigarette excise tax. A \$1 increase, for a total of three dollars, puts us in the middle of our New England neighbors, which is still relatively low.

Now, I have heard some of my Republican friends criticize this proposal. Republicans oppose tax increases; I heard some folks huff and puff – no pun intended.

Remember how earlier I said that Republican-led Nebraska is facing their own budget problems. Well, their Republican governor, like your Democratic governor, has proposed an increase in their cigarette tax too.

So, no, not all Republicans oppose an increase in cigarette taxes.

And look, I understand your concern about the impact on low-income people and that, really, you would like to make it as cheap as possible for people to smoke.

If that is the case, I would simply ask in return that you not also try to cut the very health care services these same folks are going to need due to smoking. Because that is what you are doing when you look at cutting Medicaid.

And you should also know that smoking-related medical care costs the MaineCare program more than \$281 million a year, and that smoking also reduces productivity – causing absenteeism and an inability to work – an estimated \$1.5 billion loss to our state’s economy each year.

That is taxpayer money that could be saved and productivity that would add value to our economy.

Other Revenues

In 2016, Maine voters legalized adult use cannabis by referendum. Despite that, the program was not implemented until I took office. Since retail sales began in 2020, Maine’s cannabis market has changed a lot. It’s time to change our cannabis taxes too. That’s why I am proposing to lower the excise tax and increase the sales tax, adjustments which will put Maine in the middle of the pack among the states for cannabis taxes.

And while we are talking about cannabis, I want to say that the time has come to better regulate the medical market with testing and tracking requirements so that those consumers – just like recreational users – can be confident that those products are safe. If you are ingesting cannabis for medical reasons, you should want to know that you are not consuming pesticides or other contaminants that are going to make your health worse.

We cannot continue to encourage the wild wild west of medical cannabis, which is contributing to the illicit market that has emerged – and that needs to be fought – across rural Maine.

My budget also proposes an assessment on non-municipal ambulance and on pharmacy prescriptions.

I understand the natural apprehension when you hear the words ambulance, pharmacy, and assessment together in one sentence, but let me explain. First, it is important to note that these are not charges that should be passed along to consumers.

Here’s why: creating this new stream of revenue will allow us to draw down additional Federal funds along with it. We take this new funding, turn around, and invest much of it back into higher reimbursement rates for both those ambulances and pharmacies, so that they are basically made whole for the cost to begin with.

These targeted increases all told, I believe, are reasonable, and they raise revenues while leaving the wallets of most Maine families untouched.

Coming Together

I have to tell you: it’s not been fun or easy to put this budget together – something you are beginning to understand. And, again, over all of this is the unpredictability of the federal government whose actions may directly affect our state appropriations and expenditures and the welfare of Maine people.

When I introduced my budget two weeks ago, I could hear the collective groans of both Democrats and Republicans echoing in the chambers upstairs.

That is the same pain and frustration my commissioners and I have felt over the past several months as we put this budget together.

I know there is a strong desire among some of you to just “tax the rich” or “end corporate welfare.”

I hear you.

But I have opposed changing our tax rates, much to the dismay of my Democratic friends, because stability and predictability, for our people and for entrepreneurs and investors looking at Maine, cannot be overstated.

Changing our income or sales taxes in order to raise revenue would discourage investments we very much need to keep our economy on track. Investors are looking for a stable fiscal climate and they in turn will bring good, high-paying jobs, raising the standard of living, and growing the economy.

In the long run, that is the best way to expand state and local revenues and to support all our people.

In that same vein, when you say, ‘corporate welfare,’ what I hear is, you want to do away with incentives that attract new technology, manufacturing, life sciences, and the like – the wave of the future and the producers of future jobs. That too would be short-sighted.

To raise broad-based taxes and to cut economic development tools are not winning strategies.

Look, to my Democratic friends, I know you don’t want to see programs cut. I know many of you would prefer to see us raise more money through tax increases to avoid any reductions whatsoever. But you also know your Republican colleagues on the other side of the aisle don’t want to do that.

To my Republican friends, some of you say you don’t want to raise revenues – even in a targeted way.

I know you would prefer to cut more programs to bridge the gap and avoid any and all tax increases. But you also know your Democratic colleagues on the other side of the aisle generally don’t want to do that.

So where do we go from here?

I have put forward a budget that does not rely entirely on either revenue increases or cuts to programs. Instead, it does both to bridge the gap and continue to invest in things we all support, like education, revenue sharing, public safety, higher education, and school meals.

Now, I have already heard some of you criticizing the budget before it was even printed. “No tax increases,” some said. “No program cuts” from others.

It is easy to stand in front of a TV camera and say “No”. It is easy to fire off a social media post and to feel good as the “Likes” roll in.

I encourage you to reserve judgment, however, and not create barriers to compromise. Look, I mean, even Old Orchard Beach isn't big enough for all the lines in the sand some of you have already drawn.

But it is harder to do the work of sitting around the table – or the horseshoe -- putting forward your own ideas, hearing what folks on all sides have to say, and then coming to consensus to enact balanced public policy.

Whether you are a Democrat, a Republican, or an Independent – that's how I hope you approach these conversations: in good faith, with good ideas, with civility, with an open mind to the views of others, and, ultimately, with the commitment and the courage to make hard choices.

Conclusion

Tonight, I have shared with you a clear account of where the state budget stands so that our discussions may commence with a common understanding of the challenges we face. While it's true that we have some tough decisions to make in the coming weeks, we should not lose sight of the strengths of our state and the strengths of our people.

What other place is home to people who can make a living off the unpredictable and uncontrollable elements of life as we do — the fishermen who greet the ebb and flow of the tides, farmers who meet the rise and fall of the seasons, loggers and millworkers who remake the bounty of our forests?

What other place is home to scenic downtowns with award-winning food & drink, vibrant small businesses, thought-provoking art, literature and music that move the soul, pristine beaches, granite coves and breathtaking fields and mountains always within reach?

What other place has produced stars like Cooper Flagg and his talented brothers from Newport, Maine, young men who make all of life's achievements seem like a slam dunk?

Or singers like Julia Gagnon, who capture the charm and spirit of our state with her beautiful voice?

Clean air, clean water, good schools and, yes, safe streets. Healthy forests and farms, clear lakes and fish-filled rivers, sturdy waterfronts. A strong economy with rewarding jobs, and a state that people want to visit in every season — we know that these are not little things, my friends, but we have them all. We are lucky.

Let's use this session to protect those things that make us special and keep our state on a stable fiscal course.

When we hear anger and acrimony, we should remember the words of our old friend Dave Mallett, who told us that things — especially things in Maine — are “Better than That.”

It is this time of year that the early morning sun confronts the face of the Capitol breaking through the east-facing facade, crowning it with light. It makes me feel hopeful about the progress of the day and the course of the year. I see faces and I hear voices across every county, town and city,

every corner of the state, all looking to us to manage the finances of the state, to work with civil purpose, to solve problems, to create hope and prosperity, to keep people safe, and to preserve that which makes our state so special.

We have demonstrated in the past that Democrats, Republicans, and Independents can put their heads together and get good results. I am ready to work with you in the coming months on a budget that is balanced, that is fiscally responsible, that strengthens our economy and that lifts up our greatest asset of all: the people of Maine.

Thank you, and God bless the State of Maine.