MAINE

External Threats to the State Budget and Education Spending

Federal spending cuts, whether or not they target education directly, may reduce the resources available for state priorities. As federal support for social safety net programs like Medicaid and SNAP diminishes, states will need to take on those costs or allow residents to lose benefits. Maintaining current benefit levels will require the state to either raise revenues or take funds away from other areas of state spending, like education.

1. How do federal health care spending cuts threaten the state budget?

Direct Threats:

- Between the Medicaid changes in the reconciliation package ("OBBBA") and the expiration of Affordable Care Act subsidies, roughly 33,000 Maine residents will become uninsured, a decrease of two percentage points.[1] Fewer Medicaid enrollees will mean less federal funding.
- A new cap on state tax rates for health care providers constrains the state's ability to finance its share of Medicaid spending. Any cut to spending would reduce federal matching funds.
- These factors together mean an estimated $3 billion less in federal funds over 10 years, an 8 percent cut,[2] roughly equal to the cost of covering over 30,000 Medicaid enrollees each year.[3]

Indirect Threats:

- Medicaid has a multiplier effect, as increased health sector employment and improved financial well-being for beneficiaries generate state tax revenue.[4] Funding reductions may lead to job losses, decreased state GDP, lower credit ratings, and loss of state tax revenues.[5]
- In 2026, Maine stands to lose an estimated $64 million in GDP, $6 million in tax revenue, and 500 jobs as downstream impacts of the expiration of the Affordable Care Act Marketplace advanced premium tax credits.[6]
- These economic impacts may lead to job loss and other financial pressures for families, which could leave the state education budget squeezed between decreased revenues and an increased number of high-need students.

2. How do federal SNAP cuts threaten the state budget?

Direct Threats:

- Starting in 2027, Maine will be responsible for an increased share of the administrative costs associated with SNAP. In 2028, the state must also cover a portion of benefit costs. Maine could face an estimated annual increase of over $64 million in its state cost share, equivalent to a 444 percent increase in SNAP's current share of the state budget.[7] At Maine's average SNAP benefit level, this increase is equivalent to a full year of food assistance for over 30,000 people.[8]

Indirect Threats:

- SNAP cuts may contribute to an economic downturn. The USDA estimates that every $1 billion the government spends on SNAP benefits generates $1.54 billion for the country's Gross Domestic Product (GDP) and leads to 13,560 additional jobs.[9] SNAP cuts will likely mean lost jobs and decreased GDP, reducing state revenues.
- Economic challenges associated with cuts may lead to increased student need as families experience job loss and other financial pressures. The state's funding formula may have to support a greater number of high-need students just as revenues are declining.[10]
- SNAP cuts \threaten automatic student eligibility for free meals.[11] To maintain the same level of free meal provision, the state and/or districts may have to increase spending either on administrative costs (for individual school meal applications) or on the meals themselves.

3. How do potential federal education funding cuts threaten state education spending?

Threats to state education budgets are indirect.

- Federal sources contributed 4.8 percent of Maine's education education revenue (excluding COVID aid) came from federal sources in 2023, well below the national average of 8.8 percent.[12] Most federal funding is provided directly to public school districts, largely through child nutrition programs, Title I, and IDEA.[13]
- Since federal funds are substantially directed toward high-need, low-income districts, these districts will be less able to meet student needs without additional state support.[14]
- Schools will still be legally obligated to provide certain services, such as appropriate language instruction for English learners, even if federal funding is cut. The state may have to increase outlays to help districts maintain required services.

Notes

1. Alice Burns, Jared Ortaliza, Justin Lo, Matthew Rae, and Cynthia Cox, “How Will the 2025 Reconciliation Law Affect the Uninsured Rate in Each State?” KFF, August 20, 2025, https://www.kff.org/uninsured/how-will-the-2025-reconciliation-law-affect-the-uninsured-rate-in-each-state/.
2. Rhiannon Euhus, Elizabeth Williams, Alice Burns, and Robin Rudowitz, “Allocating CBO’s Estimates of Federal Medicaid Spending Reductions Across the States: Enacted Reconciliation Package,” KFF, July 23, 2025, https://www.kff.org/medicaid/allocating-cbos-estimates-of-federal-medicaid-spending-reductions-across-the-states-enacted-reconciliation-package/.
3. Medicaid.Gov, “Medicaid Per Capita Expenditures,” 2023, https://www.medicaid.gov/state-overviews/scorecard/measure/Medicaid-Per-Capita-Expenditures?dataAvailabilities=%5B%221%22%5D&measure=EX.5&dataset=2025&measureView=state&stratifications=%5B%22Total%22%5D&dataView=pointInTime&chart=map&timePeriods=%5B%222023%22%5D.
4. Celli Horstman, Sara Federman, Carson Richards, and Akeiisa Coleman, “How Does Medicaid Benefit States?” The Commonwealth Fund, May 5, 2025, https://doi.org/10.26099/av72-3b84.
5. Leighton Ku, Kristine Namhee Kwon, Leticia Nketiah, Taylor Gorak, Maddie Krips, and Joseph Cordes, “How Potential Federal Cuts to Medicaid and SNAP Could Trigger the Loss of a Million-Plus Jobs, Reduced Economic Activity, and Less State Revenue,” The Commonwealth Fund, March 25, 2025, https://doi.org/10.26099/x2q9-7027; and Andy Schneider, “Cutting Federal Medicaid Payments to States: Bad News for Their Credit Ratings,” Georgetown University McCourt School of Public Policy: Center For Children and Families, January 22, 2025, https://ccf.georgetown.edu/2025/01/22/cutting-federal-medicaid-payments-to-states-bad-news-for-their-credit-ratings/.
6. Leighton Ku, Taylor Gorak, Kendal Orgera, Kristine Namhee Kwon, Maddie Krips, and Joseph J. Cordes, “Expiring ACA Premium Tax Credits Could Lead to Nearly 340,000 Jobs Lost Across the U.S. in 2026,” The Commonwealth Fund, October 16, 2025, https://doi.org/10.26099/dhxk-qf82.
7. Miguel Villa and Stephanie Scott, “SNAP Changes Will Upend State Budgets,” Georgetown Center on Poverty and Inequality, September 29, 2025, https://www.georgetownpoverty.org/issues/snap-changes-will-upend-state-budgets/.
8. “Average Supplemental Nutrition Assistance Program (SNAP) Benefits Per Person," KFF, 2024, https://www.kff.org/state-health-policy-data/state-indicator/avg-monthly-snap-benefits/.
9. Jordan Jones, “Supplemental Nutrition Assistance Program (SNAP)—Key Statistics and Research,” USDA Economic Research Service, July 24, 2025, https://www.ers.usda.gov/topics/food-nutrition-assistance/supplemental-nutrition-assistance-program-snap/key-statistics-and-research.
10. Leighton Ku, Kristine Namhee Kwon, Maddie Krips, Taylor Gorak, and Joseph Cordes, “How Medicaid and SNAP Cutbacks in the ‘One Big Beautiful Bill’ Would Trigger Big and Bigger Job Losses Across States,” The Commonwealth Fund, June 23, 2025, https://doi.org/10.26099/tryd-ht51.
11. Emily Gutierrez, *Changes to SNAP and Medicaid Would Have Implications for Student Access to School Meals* (Urban Institute, 2025), https://www.urban.org/sites/default/files/2025-06/Changes_to_SNAP_and_Medicaid_Would_Have_Implications_for_Student_Access_to_School_Meals.pdf.
12. New America analysis of United States Census Bureau, *2023 Public Elementary-Secondary Education Finance Data: Summary Tables* (Updated April 2025), distributed by the United States Census Bureau, https://www2.census.gov/programs-surveys/school-finances/tables/2023/secondary-education-finance/elsec23_sumtables.xlsx.
13. “How Is K–12 Education Funded?” Peterson Foundation, July 22, 2025, https://www.pgpf.org/article/how-is-k-12-education-funded/.
14. Zahava Stadler and Jordan Abbott, “A District-by-District Accounting of the $6.2 Billion U.S. Department of Education Has Held Back from Schools,” New America, July 7, 2025, http://newamerica.org/education-policy/edcentral/a-district-by-district-accounting-of-the-62-billion-the-us-department-of-education-has-held-back-from-schools/.