

MAINE

In-State Risk Factors and Safeguards

1. Is there a revenue source dedicated to K–12 education? If not, what legal protections exist for education funding?

Maine has no revenue source dedicated to K–12 education, and all state funds are biennially appropriated. In 2016, voters passed a state ballot initiative that would have created a 3 percent tax on income above \$200,000 dedicated to education, but Maine’s governor and legislature repealed the tax.¹

There is no state Supreme Court ruling finding an enforceable constitutional right to education in Maine, unlike most other New England states.² This means any lawsuits challenging the funding system as inadequate or inequitable will face an uphill battle, removing an important deterrent to cuts that may be operative in other states.³

Allocations are primarily driven by the state’s funding formula, the calculation of which is defined in statute.⁴ Education spending has been a priority in recent years; Governor Mills’s administration has made significant investments in school capital improvement projects and the school lunch program. Since a 2004 referendum, the state has been legally responsible for paying 55 percent of public education costs, but only first met this obligation in 2021.⁵ The formula has been fully funded since, despite flattening revenues.

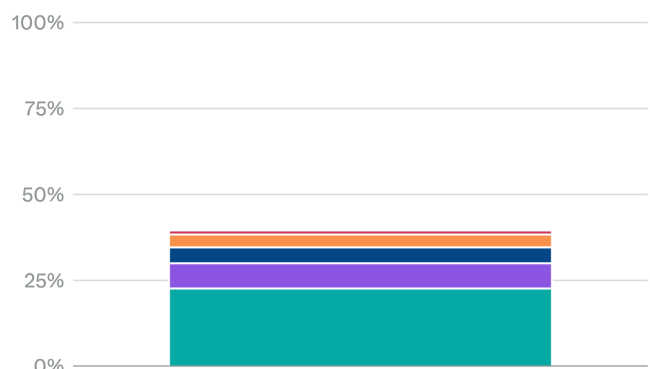
2. What budget commitments could limit spending flexibility?

A significant percentage of state spending is on autopilot—dictated by existing law and contracts—which limits states’ flexibility.⁶ To assess how much room policymakers have to protect

Maine General Fund Expenditures on Autopilot (2024)

General Fund fixed cost expenditures, millions of 2024 dollars

■ Medicaid ■ Corrections ■ TANF & Other Cash Assist.
■ Pensions ■ Debt Service



Source: NASBO 2025 State Expenditure Report.

education funding, we created a rough measure of how much of the General Fund is restricted.⁷ We conservatively estimate that roughly 40 percent of Maine’s General Fund is restricted.

Because states define budget categories differently, it is hard to estimate restricted General Fund spending in a consistent way. Further, what counts as “restricted” and “discretionary” spending is partially dependent on political will and could shift under fiscal stress. These estimates should therefore not be viewed as precise measures, but as an indication of the limits on policymakers’ fiscal flexibility.

3. Are the state’s revenue sources vulnerable to an economic downturn?

An analysis by The Pew Charitable Trusts found that Maine’s 15-year tax revenue volatility—the swings in a state’s revenues from year to year as the economy changes—was well below the national average.⁸ In addition, Maine is one of only 10 states where quarterly revenues are higher than their 15-year average, pointing to strong revenue performance.⁹ Maine has also had a budget surplus since 2003.¹⁰ Additionally, the state’s Revenue Forecasting Committee recently shifted its biennial revenue predictions upward by roughly \$250 million due to higher projected sales and income tax revenues.¹¹

However, Maine’s most recent Consensus Economic Forecasting Commission report highlights federal funding and tariff policy changes as a key risk to revenue due to the state’s dependence on trade and tourism from Canada.¹² If this or other external factors affect Maine’s unemployment rates or wage levels, income tax collections—which make up 37 percent of Maine’s revenue—could be affected.¹³

4. Is the state prepared to manage an economic downturn without making cuts to education?

A robust rainy day fund can provide a buffer against budget cuts during a recession.¹⁴ Maine has a record-high rainy day fund of \$1.03 billion, enough to cover over 68.2 days of state operations, well above the national median of 47.8 days.¹⁵ The reserve is capped at 18 percent of the General Fund’s prior-year revenues and is currently fully funded. Maine conducts regular revenue stress testing to ensure the rainy day fund is sufficient to safeguard against revenue shortfalls.¹⁶

Notes

1. Ballotpedia, “Maine Tax on Incomes Exceeding \$200,000 for Public Education, Question 2 (2016),” accessed February 26, 2026, [https://ballotpedia.org/Maine_Tax_on_Incomes_Exceeding_\\$200,000_for_Public_Education_Question_2_\(2016\)](https://ballotpedia.org/Maine_Tax_on_Incomes_Exceeding_$200,000_for_Public_Education_Question_2_(2016)).
2. Julie Vakoc, “Maine,” Youth Advocacy and Policy Lab, Harvard Law School, December 1, 2025, <https://ylab.law.harvard.edu/Maine/>.
3. Daniel Morton-Bentley, “Rhode Island’s School Funding Challenges in Historical Context,” *Roger Williams University Law Review* 24, no. 2 (2019), <https://doi.org/10.2139/ssrn.3483272>.
4. Maine Department of Education, “School Funding—General Purpose Aid (GPA),” accessed February 26, 2026, <https://www.maine.gov/doe/funding/gpa>.
5. State of Maine, Office of Governor Janet T. Mills, “Promise Kept: Governor Mills Signs Strong, Bipartisan Budget Achieving 55 Percent of Education Costs for First Time in Maine History,” July 1, 2021, <https://www.maine.gov/governor/mills/news/promise-kept-governor-mills-signs-strong-bipartisan-budget-achieving-55-percent-education>.
6. Tracy Gordon, Megan Randall, Eugene Steuerle, and Aravind Boddupalli, *Fiscal Democracy in the States: How Much Spending Is on Autopilot?* (Urban Institute, July 2019, updated August 2019), https://taxpolicycenter.org/sites/default/files/publication/157519/fiscal_democracy_in_the_states_how_much_spending_is_on_autopilot_16.pdf.
7. Due to data limitations, we do not include spending on other post-employment benefits (OPEB), which are obligatory and often paid partly through the General Fund. We exclude capital expenditures to estimate annual operating expenditures. All data are sourced from the National Association of State Budget Officers (NASBO), with the exception of pension data, which were compiled on a per-state basis using state budget documents and data from Equable.
8. John Hamman, Gayathri Venu, and Justin Theal, “State Tax Revenue Is Becoming More Volatile,” The Pew Charitable Trusts, March 27, 2025, <https://pewtrsts.org/4j9waFm>.
9. Justin Theal and Alexandre Fall, “Most States’ Tax Revenue Falls Below Long-Term Trends Amid Federal Uncertainties,” The Pew Charitable Trusts, June 16, 2025, <https://pewtrsts.org/4jCwVGH>.
10. Joanna Biernacka-Lievstro and Page Forrest, “Revenue Wave Fueled Fiscal 2023 Surpluses in All 50 States,” The Pew Charitable Trusts, November 18, 2025, <https://pewtrsts.org/3M6K6o7>.
11. Lauren McCauley, “Maine Expected to Take in \$250M More than Initially Thought over next Two Years,” *Maine Morning Star*, November 25, 2025, <https://mainemorningstar.com/briefs/maine-expected-to-take-in-250m-more-than-initially-thought-over-next-two-years/>.
12. *Report of the Consensus Economic Forecasting Commission*, November 1, 2025, https://www.maine.gov/dafs/economist/sites/maine.gov.dafs.economist/files/documents/Report%20of%20the%20CEFC%20Meeting%20November%202025_3.pdf.
13. Melissa Maynard and Riley Judd, “How States Raise Their Tax Dollars, FY 2024,” The Pew Charitable Trusts, June 2, 2025, <https://www.pew.org/en/research-and-analysis/data-visualizations/2025/06/how-states-raise-their-tax-dollars-fy-2024>.
14. Hamman, Venu, and Theal, “State Tax Revenue Is Becoming More Volatile,” <https://pewtrsts.org/4j9waFm>; and Bernie Gallagher, “Strong Rainy Day Funds Can Help Mitigate Damage From Economic Downturns,” *Off the Charts* (blog), Center on Budget and Policy Priorities, February 16, 2023, <https://www.cbpp.org/blog/strong-rainy-day-funds-can-help-mitigate-damage-from-economic-downturns>.
15. Page Forrest and Justin Theal, “Strength of State Rainy Day Funds Declines as Budgets Tighten,” The Pew Charitable Trusts, March 24, 2026, <https://www.pew.org/en/research-and-analysis/articles/2026/03/24/strength-of-state-rainy-day-funds-declines-as-budgets-tighten>.
16. Consensus Economic Forecasting Commission and Revenue Forecasting Committee, *Stress-Testing Maine General Fund Revenues & Reserves FY2025–FY2029* (CEFC and RFC, October 1, 2024), <https://mainelegislature.org/doc/11151>.