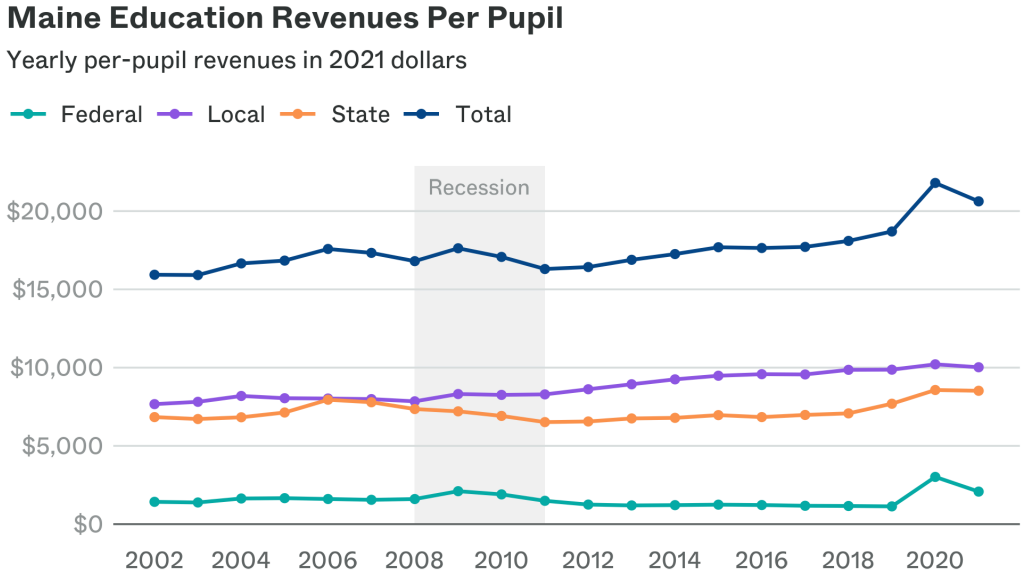
MAINE

Lessons from the Great Recession

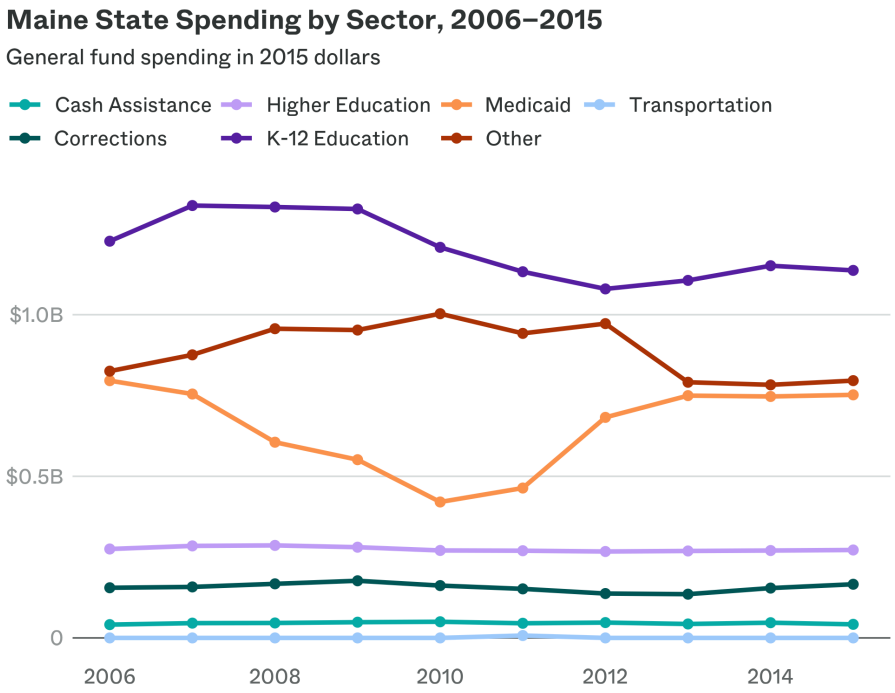
1. How did the Great Recession affect education spending?

The Great Recession provides some indication of how Maine's education budget may fare during a future recession. Funding per pupil sharply declined during the recession, falling about 18 percent between 2006 and 2011. This was an annual loss of $1,430 per pupil (in 2021 dollars), equivalent to wiping out nearly two months of educational spending for every student. This loss was initially offset by increases in federal funding through the American Recovery and Reinvestment Act (ARRA), but even as stimulus funding decreased, state education revenues continued to drop. It was not until 2020 that state education revenues surpassed their inflation-adjusted pre-recession peak. This is partly because inflation and cost adjustments within the Essential Programs and Services (EPS) model did not keep pace with actual cost changes.[1]

An analysis of state spending using data from the National Association of State Budget Officers (NASBO)[2] shows that Maine cut education spending even as it increased or maintained spending in other areas. Medicaid also saw significant cuts, but the state began increasing spending on Medicaid before education. This delay suggests that education has not been prioritized during periods of fiscal stress.



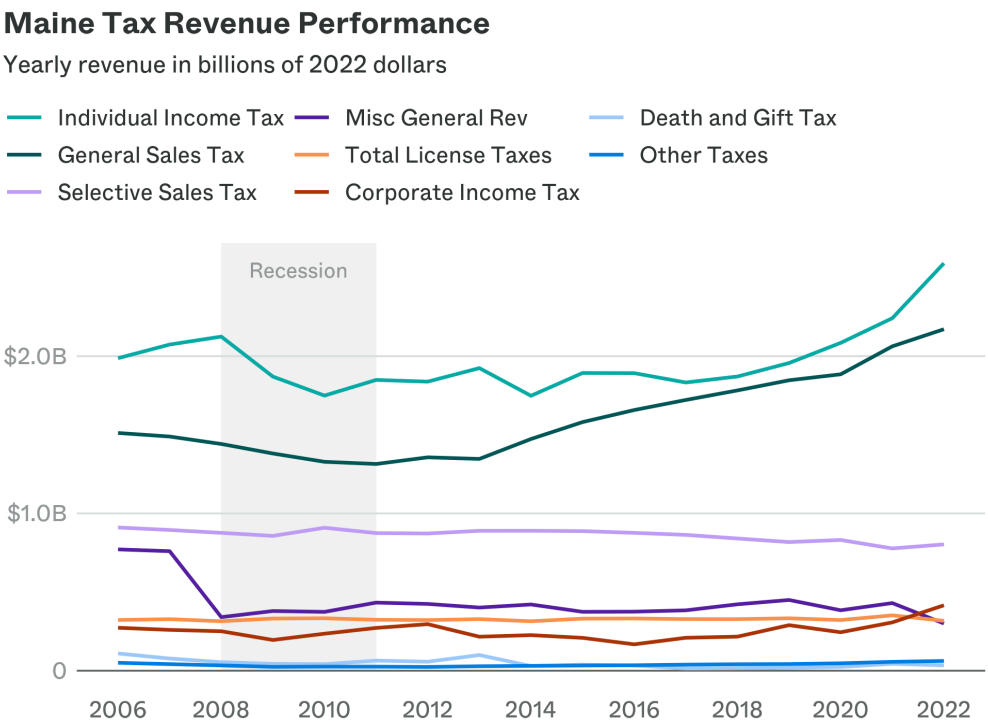
Source: National Center for Education Statistics.



2. How did the state's revenue base perform during the Great Recession?

In the immediate aftermath of the Great Recession, Maine saw a sharp decline in income tax revenue and a smaller decline in general sales tax revenue, the two largest sources of state tax dollars. While both revenue sources had sluggish recovery, income tax revenues took especially long to recover, only surpassing 2008 levels in 2021. This slowness was driven by slow rates of job growth, amplified by a structural shift away from manufacturing employment.[3] Tax cuts targeted at high-income residents further impeded revenue recovery.[4]

It took roughly a decade for Maine's tax revenues to fully recover from the Great Recession, significantly longer than the national average state recovery time of 4.5 years.[5] A future recession may be driven by different economic factors. However, this analysis does raise concerns that Maine's revenue base could struggle to recover from a future economic downturn, especially given an aging population and shrinking labor force.[6] Further, Maine's economy is highly dependent on tourism: 9.4 percent of jobs are in the leisure and hospitality industry, and one in six jobs are linked to tourism.[7] A nationwide economic downturn impacting tourism (as tariff-driven declines in Canadian tourism already have) could deepen the employment impacts of a future recession.[8]



Source: Urban Institute.

Notes

1. Kristian Moravec, "How Much State Funding Does Each Maine School District Get?" *The Maine Monitor*, April 6, 2025, https://themainemonitor.org/essential-programs-services-formula/.

2. National Association of State Budget Officers, "Archive of State Expenditure Report," https://www.nasbo.org/reports-data/state-expenditure-report/state-expenditure-archives.
3. Maine Center for Economic Policy, "Maine's Jobs Recovery from the Great Recession Continues to Lag behind Other States," April 1, 2014, https://www.mecep.org/news/new-mecep-report-maines-jobs-recovery-from-the-great-recession-continues-to-lag-behind-other-states/; and Center for Workforce Research and Information, *Manufacturing Jobs: Trends, Issues, and Outlook* (Maine Department of Labor, July 2012), https://www.maine.gov/labor/cwri/sites/maine.gov.labor.cwri/files/files/documents/ManufacturingJobsTrendsIssuesandOutlook.pdf.
4. Maine Center for Economic Policy, "The Consequences of Maine's Income Tax Cuts," October 2012, https://www.mecep.org/wp-content/uploads/2012/10/Income_Tax_Cut_Fact_Sheet_final_10-16-12.pdf.
5. Barb Rosewicz, Justin Theal, and Alexandre Fall, "Decade After Recession, Tax Revenue Higher in 45 States," Pew, January 9, 2020, https://pew.org/39AxqhJ.
6. Office of the State Economist, *Maine Population Outlook 2020 to 2030* (Maine Department of Administrative and Financial Services, June 2023), https://www.maine.gov/dafs/economist/sites/maine.gov.dafs.economist/files/inline-files/Maine%20Population%20Outlook%20to%202030_0.pdf.
7. Nick Murray and J. Scott Moody, *Long-Term Growth vs. Short-Term Gimmicks: Maine's Economy and Gov. Mills' Second Biennial Budget*, issue brief #8 (Maine Policy Institute, March 2021), https://mainepolicy.org/growth-vs-gimmicks/.
8. Sophia Harris, "Why Canada Is Winning the Travel Trade War with the U.S," CBC News, November 21, 2025, https://www.cbc.ca/news/business/travel-trump-canada-u-s-9.6983566.