

The Pew Charitable Trusts' 2023 report "Tools for Sustainable State Budgeting" examines whether and how states are using long-term budget assessments and budget stress tests to measure and strengthen their fiscal outlooks.¹ This is one of 20 fact sheets describing the approaches of and opportunities to improve for each state that produces at least one of these analyses.²



Maine: Tools for Sustainable State Budgeting

Long-term budget assessment:

Budget stress test:

Report: "Stress-Testing Maine General Fund Revenues & Reserves FY2023-FY2027"³
Office: Consensus Economic Forecasting Commission and Revenue Forecasting Committee

Analyses

Maine was one of the first states to legally mandate regular budget stress tests. A 2017 law requires two forecasting committees to jointly produce the analyses every two years.⁴ The 2022 edition analyzed how much moderate and severe recession scenarios would reduce tax collections below baseline forecasts through fiscal year 2027.⁵ This unusually long time horizon helps Maine's stress test more fully reflect the effects of the stress scenarios than do similar analyses in other states.

The stress tests also compare revenue declines to the state's rainy day fund balance to assess whether the state is ready for the recession scenarios.⁶ The forecasters concluded in 2022 that the state was reasonably well prepared for the moderate recession scenario, while the fund's existing balance would help address shortfalls caused by a severe recession but not fully offset them.⁷

Policy impact

In early 2020, when the COVID-19 pandemic jeopardized tax collections, executive branch officials used the 2018 stress test to estimate that revenue would fall by as much as \$200 million through the remainder of fiscal 2020.⁸ When writing the budget, the Legislature left roughly that amount of money in reserve as an extra cushion against potential revenue declines.⁹ Ultimately, this estimate proved more accurate than predictions from outside organizations.¹⁰ Had Maine not conducted its own stress test, lawmakers might have cut far more deeply than eventually proved necessary.

Next steps

Maine's next stress test, scheduled for 2024, could add estimates of how much spending demands would increase under recession scenarios to provide a more comprehensive estimate of the size of potential budget shortfalls. As the 2022 stress test notes, "The omission of spending programs ... understates the 'fiscal shock' the budget will experience in a recession."¹¹ To better gauge preparedness for the recession scenarios, Maine could also examine other budget balancing tools in addition to the rainy day fund.

Maine could also begin producing long-term budget assessments. To do so, the state would need multiyear spending projections to pair with the long-term revenue projections forecasters already produce. One option would be adding more years of projections and analysis to a report that Maine's executive budget office already publishes, which forecasts revenue and spending for two years and uses those projections to estimate the state's structural surplus or deficit for the upcoming biennium.¹²

Endnotes

- 1 The Pew Charitable Trusts, “Tools for Sustainable State Budgeting” (2023), <https://www.pewtrusts.org/en/research-and-analysis/reports/2023/11/tools-for-sustainable-state-budgeting>.
- 2 The Pew Charitable Trusts, “States’ Use of Sustainable Budgeting Tools” (2023), <https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2023/11/states-use-of-sustainable-budgeting-tools>.
- 3 Maine Consensus Economic Forecasting Commission and Revenue Forecasting Committee, “Stress-Testing Maine General Fund Revenues & Reserves FY2023-FY2027” (2022), <https://legislature.maine.gov/doc/9043>.
- 4 Maine Rev. Stat. Tit. 5, § 1710-G, <https://legislature.maine.gov/statutes/5/title5sec1710-G.html>.
- 5 Maine Consensus Economic Forecasting Commission and Revenue Forecasting Committee, “Stress-Testing Maine General Fund Revenues & Reserves FY2023-FY2027,” 20-26.
- 6 *Ibid.*, 26-29.
- 7 *Ibid.*, 29-30.
- 8 *Ibid.*, 10.
- 9 *Ibid.*
- 10 *Ibid.*, 11.
- 11 *Ibid.*, 21.
- 12 Maine Bureau of the Budget, “Four Year Revenue and Expenditure Forecast Report” (2022), https://www.maine.gov/budget/sites/maine.gov.budget/files/inline-files/Four%20Year%20Revenue%20and%20Expenditure%20Forecast%20Report%202022%20-%202025%20Final_0.pdf.

For more information, please visit: pewtrusts.org/fiscaltools

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