

Dear chairpersons Rotundo and Sachs, and all members of the Appropriations and Financial Affairs Committee:

My name is Josie Phillips, and I am a budget and tax policy fellow with Maine Center for Economic Policy. Maine Center for Economic Policy is testifying in support of COLA adjustments above what this supplemental budget provides. The one-time \$176 payout to retirees does not fully honor Maine's commitment to these former public servants, given the elevated cost of living of the past two years. And because this proposal does not include an adjustment to their base benefits, it will mean that retirees are forever losing ground to inflation.

Over the past fifteen years, Maine's state government significantly rolled back its commitment to state retirees by freezing and later capping their cost of living adjustments, a policy decision from which they still have not recovered. It is only recently that this trend has begun to reverse. During 2021 and 2022, retirees on state pension plans effectively received a four percent increase in their benefits along with a modest increase to the base to which these benefit adjustments apply. While those adjustments did not fully account for rising costs of living, retirees lost less ground under those adjustments than they will under this one as proposed. By comparison, between December 2020 and December 2022, prices for goods and services in the Northeast increased by more than 12 percent on average, according to the Bureau of Labor Statistics. Food prices have increased by more than 15 percent, housing costs have gone up by 11 percent, and — most strikingly — the cost of household energy has skyrocketed by more than 40 percent. Put simply: the cost of core essentials has risen faster than state retirees' ability to adjust to these price increases.

Maine Center for Economic Policy believes that we should honor those who dedicated their careers in service of our communities, and the first step is to ensure they are able to support themselves and their families in retirement by guaranteeing cost of living adjustments commensurate with inflation. We urge this committee to look for opportunities to improve upon this COLA adjustment in the supplemental and biennial budgets the committee will be crafting this session.

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