

Chairpersons Rotundo, Sachs, Chipman, and Williams, and all members of the Committees on Appropriations and Financial Affairs and Transportation:

My name is Josie Phillips, and I am representing Maine Center for Economic Policy. I am testifying against the portion of LD 258 which would transfer \$200 million from the general fund to the highway fund. Maine Center for Economic Policy believes that Maine's infrastructure needs would be better and more fairly paid for through issuing bonds, and the unappropriated surplus mentioned in section RRR of the proposed budget would be better spent on any number of the other crises faced by Maine's communities.

By spreading the costs over time, bonding makes funding infrastructure improvements more affordable in the short run and more fair in the long run. Maine's credit rating is currently strong, and the state spends less than the national average on servicing its debts, indicating that the state is in a good position to issue the kinds of long-term bonds that fund infrastructure projects.¹² Bonding also ensures that the benefits of infrastructure investments are aligned with the people who fund them. Quality infrastructure benefits Maine's residents for decades, and by spreading the cost of these projects across a longer time frame, bonding ensures that the people who enjoy these benefits pay their fair share for them.

Instead of dedicating hundreds of millions of dollars in general funds towards infrastructure — which could be paid for through more appropriate funding mechanisms — Maine's legislature should put this money towards addressing Mainers' needs that are not typically able to be bonded for. For instance, Maine's care economy — encompassing both child care and care for aging Mainers and Mainers with disabilities — is in crisis.^{3,4} The \$200 million could be used for ongoing direct wage supplements that would strengthen this crucial sector of the economy that supports working Mainers' ability to provide for themselves and their families.

Alternatively, the funding could be used to mitigate Maine's affordable housing crisis. The state is experiencing an affordable housing shortage of up to 25,000 units,⁵ more than two in five Maine renters are considered cost burdened — spending more than 30% of their income on housing — and the fair market rent for a two-bedroom apartment is unaffordable to the average renter in every county in Maine.⁶ The lack of affordable housing endangers Mainers' health,

¹ Governor's Office, "Governor Mills, Treasurer Beck Announce Moody's and S&P Affirm Maine's Strong Credit Rating." <https://www.maine.gov/governor/mills/news/governor-mills-treasurer-beck-announce-moodys-and-sp-affirm-maines-strong-credit-rating-2022>

² U.S. Census Annual Survey of State and Local Government Finances.

³ Central Maine, "Child-care funding cliff nears, putting Maine families and facilities at risk." <https://www.centralmaine.com/2022/12/04/child-care-industry-fears-funding-cliff-as-covid-19-money-dwindles/>

⁴ Maine Public, "'I Just Cannot Get The Help I Need' — Direct Care Worker Shortage Leaves Older Mainers Unsupported." <https://www.mainepublic.org/health/2021-01-19/i-just-cannot-get-the-help-i-need-direct-care-worker-shortage-leaves-older-mainers-unsupported>

⁵ Central Maine, "Our View: Maine can't let up against unrelenting housing crisis." <https://www.centralmaine.com/2022/10/06/our-view-maine-cant-let-up-against-unrelenting-housing-crisis/>

⁶ Maine Housing, "Housing in Maine: An Overview." <https://legislature.maine.gov/doc/8866>

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safety, and financial security,⁷ as well as the economic wellbeing of the entire state.⁸ The \$200 million currently considered for infrastructure bonds could help to alleviate this ongoing crisis by preserving, restoring, or creating affordable housing that will enable families across the state to thrive.

The potential investments that could be made with \$200 million are numerous. With just half of this amount, the state could reduce child poverty by 25 percent by increasing the state Child Tax Credit and making it refundable.⁹ For \$40 million,¹⁰ the state could provide the upfront costs of a paid family and medical leave program that would improve Maine families' health and financial wellbeing, as well as strengthen Maine's small businesses.¹¹ The opportunities that \$200 million represents are hardly limited to the options listed in this testimony.

By dedicating \$200 million in unallocated funding to infrastructure projects which could be more fairly paid for through bonding, Maine's state government would be failing to seize these myriad opportunities. Because there are fairer ways to pay for necessary infrastructure projects that carry much lower opportunity costs, Maine Center for Economic Policy urges both committees to consider different ways in which the unallocated \$200 million could benefit our state's communities.

⁷ Health Affairs, "Housing and Health: An Overview of the Literature."

<https://www.healthaffairs.org/doi/10.1377/hpb20180313.396577/>

⁸ Courier-Gazette, "State Economist sees challenges from inflation, housing crisis, work force shortage."

<https://knox.villagesoup.com/2022/11/04/state-economist-sees-challenges-from-inflation-housing-crisis-work-force-shortage/>

⁹ Institute for Taxation and Economic Policy, "Child Tax Credit Options for Reducing Child Poverty."

<https://itep.sfo2.digitaloceanspaces.com/Child-Tax-Credit-Options-Maine-2022.pdf>

¹⁰ Milliman, "Maine Paid Family and Medical Leave Program Benefits."

https://static1.squarespace.com/static/62a0ad4bda5a1f5cff8bfd02/t/631c9fe39032e5709370e10c/1662820323827/Maine+PFML+Actuarial+Study+Report_Draft+8-15-22.pdf

¹¹ Center on Budget and Policy Priorities, "A National Paid Leave Program Would Help Workers, Families."

<https://www.cbpp.org/research/economy/a-national-paid-leave-program-would-help-workers-families>