



Maine Education Association

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Testimony

In Support Of

LD 457: An Act to Amend Maine's Tax Laws

Jan Kosinski, Government Relations Director, Maine Education Association

Before the Taxation Committee

February 4th, 2024

Senator Grohoski, Representative Perry, and other esteemed member of the Taxation Committee,

My name is Jan Kosinski and I have the pleasure of serving as the Director of Government Relations at the Maine Education Association (MEA), which represents around 24,000 educators in our state, including over 5,000 retired educators. On behalf of MEA, I submit this testimony in support of LD 457, *An Act to Amend Maine's Tax Laws*, as amended by the proposal from Senator Chipman.

As you are no doubt aware, retired educators have been growing increasingly concerned about their financial stability in retirement. The pension cuts in 2011 pushed by the previous Governor, Paul LePage, resulted in steep cuts to the earnings of retired educators. Those cuts have long tails that compound and accumulate over time. For example, the cuts in 2011 included a cap on the amount the cost-of-living adjustment (COLA) applies to. First, it was set at \$20,000 and later adjusted for inflation. This means each year retired educators are falling farther and farther behind as their pension benefit does not even keep pace with inflation.

This pain has only been compounded by the high inflation we have seen in recent years. The pension benefits were not keeping up when inflation was at 3%. Annual inflation of nearly 10% has only made more retired educators feel like they are drowning. And since the COLA only applies to a portion of their pension, some may see annual increases well below 3%. Inflation at nearly 10% and a COLA at 1% or less has caused many thousands of retired teachers to feel as if the pension benefits they rely on are losing purchasing power and they are not wrong.

And add to this the unfair GPO/WEP Social Security offsets, which are federal laws. These two penalties impact thousands of retired teachers and ed techs in our state. Some may have come from another state and landed in Maine to teach. Some may have had other jobs before coming into schools or have had a second, even third, jobs while teaching or working as an ed tech to help support their families. Any retired teacher who is eligible for Social Security benefits meets the buzzsaw of GPO/WEP which often results in them losing 2/3rds or more of the benefits they earned.

We have tried over many years to find fixes to the problems created by the previous Governor and while we have made minor progress in some areas, significant fixes have eluded us largely due to the costs. The Maine Constitution requires us to pay the whole cost up front for any pension improvement to avoid the creation of any new unfunded liabilities.

But LD 487, as amended, can do something to help the retirees facing instability in retirement. This bill proposes to amend the state income tax exemption on pension benefits by phasing out the ability to qualify for the exemption from those doing well. While we supported the pension income tax exemption and appreciate that it was included in the final supplemental budget last year, we now recognize that the exemption was not means tested. In some cases, a MainePERs beneficiary may have tens of thousands of dollars in additional income, or more, yet they are eligible for the pension tax exemption.

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This bill proposes to remove that exemption from certain high earners and dedicate the revenue to pension improvements for those with the least amount of earnings.

Last year, the Labor Committee heard a bill, LD 70 from Representative Dodge. The bill's original version proposed to entirely lift the COLA cap put in place in 2011 and was expected to have a fiscal note of over \$1 billion. Sensing the unlikelihood of passing a bill with such a huge fiscal note, the Committee amended the bill so retirees would get the COLA on the first \$40,000 of pension earnings. Reminder, prior to the changes in 2011, a retired teacher would see a COLA on all their earnings, not just a sliver. This amended version of LD 70 still had a cost of over \$700 million. Despite that, after hearing the pleas of the retirees, the Labor Committee voted UNANIMOUSLY to support LD 70. Republicans and Democrats on the Labor Committee may not agree on much. But they did agree the cuts in 2011 went too far, retired teachers and state employees need our help, and we must do something to keep retired teachers from falling further behind, now and into the future.

LD 457, as amended, will not completely fix the problems retired teachers face, but as a number of retired teachers have said to me since 2011, "every little bit helps." LD 457 is a little bit. But with many retired teachers living perilously close to financial instability, we hope this Committee can come together, Democrats and Republicans, and pass this small fix and provide relief to some retirees.

Please remember, the retirees I am here speaking for today are retired teachers and ed techs. They may have dedicated their entire career to educating the future of our state. They may have been the inspiration for you, or another student. They did not get rich working as a teacher or an ed tech, but they expected they could retire with basic comforts. They deserve to be able to retire with dignity and respect.

Thank you for your time and consideration and I am more than happy to answer any questions you may have.

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