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LD 210

Senators Rotundo and Rafferty, Representatives Gattine and Brennan, and other members of the Appropriations and Financial Affairs Committee and Education and Cultural Affairs Committee,

My name is Mike Cauvel, and I am an Associate Professor of Economics at the University of Southern Maine – although I am of course speaking as a private citizen (a resident of South Portland) and not as a representative of the university. I am testifying neither in favor of nor against the governor's proposed budget, but I would like to give some context about the importance of investing in our public universities.

From an economist's perspective, higher education is one of the most important investments that the government needs to make. I think we all know that higher education can have a transformative impact for the individuals who pursue it, but what may be less known is that it also has tremendous social and economic benefits. It is one of the biggest engines of economic growth, it improves productivity, it reduces poverty, and it leads to better health outcomes.

One of the big challenges that we face as a state is that our population is less educated than all of our neighbors. Only 36% of Mainers have a bachelor's degree, which is the lowest in New England. For context, New Hampshire is 5 percentage points higher, and Massachusetts is 15 percentage points higher. This puts us at a serious competitive disadvantage relative to our neighbors, as we will have trouble attracting and retaining dynamic businesses who require a pool of educated workers, as well as the young workers who are looking for these kinds of jobs.

The primary reason our educational attainment lags behind our neighbors is that they invest much more heavily in public higher education than we do. On average, the other state governments in New England spend at least \$2,000 more per student per year at their public universities than we do, comparing similar institutions.

A 4% budget increase seems large, but it is coming after several years in which appropriations have not kept pace with inflation. Adjusting for inflation, the state appropriation to UMS has fallen 10% since 2008, and 2022 was the lowest amount ever appropriated to the system. As a result, there are big structural budget issues across all our campuses that need to be addressed.

We are putting our current students at a disadvantage, and we are doing a disservice to future generations of Mainers by limiting this crucial engine of economic growth. I know that the budget picture is currently challenging. The good news is that you can take action now that will make the legislature's job easier in the future, because education is an investment that more than pays for itself. If we spend more today, tomorrow we will have a more educated population that earns more income, pays more in taxes, and relies less heavily on government services. Therefore, underinvesting in our public universities is costing the state money in the long run. The more we spend on our university system, the easier it will be to balance the budget down the road.

We need to invest more in Maine's future.
Thank you.