

Testimony of Jeff McCabe
Maine Service Employees Association, SEIU Local 1989

In Support of LD 258, "An Act Making Unified Appropriations and Allocations from the General Fund and Other Funds for the Expenditures of State Government and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2023, June 30, 2024 and June 30, 2025" (Emergency)
(Governor's Bill)

Sponsored by Representative Melanie Sachs

Before the Joint Standing Committee on Appropriations and Financial Affairs,
and the Joint Standing Committee on Taxation
Wednesday, February 8, 2023, State House Room 228, and Electronically

Senator Rotundo, Representative Sachs, members of the Committee on Appropriations and Financial Affairs, and Senator Grohoski, Representative Perry, members of the Committee on Taxation, I'm Jeff McCabe, director of politics and legislation for the Maine Service Employees Association, Local 1989 of the Service Employees International Union. Maine Service Employees Association represents over 13,000 workers across the state, including workers in all three branches of Maine State Government.

The members of MSEA-SEIU Local 1989 look forward to working with this committee and the 131st Legislature in advancing what we see as shared goals in the administration's proposed State Budget.

We pay taxes for critical services that benefit all of us. Our public schools and colleges, roads and bridges, public safety, parks, clean water and the safety net protecting our children and seniors are just a few of the services we all count on. The revenues we raise through taxes ideally would provide the conditions for Maine communities to be places where we can all live, work, raise our families and, someday, retire with dignity in our own homes. This would be accomplished by ensuring that those who have benefited the most in this economy make tax contributions toward public investments that pay it forward for future generations on Maine workers, families and retirees.

Maine's current tax structure is imbalanced as a direct result of the 2011 tax cuts that mostly benefited the wealthy. We are concerned that proposals to further cut taxes would compromise Maine's capacity to uphold its commitments to Maine people and our communities now and in the future. Cutting taxes now would create shortfalls in more challenging economic times – which is exactly when resources are needed the most to sustain vital programs for Maine people and communities and to ensure continued investment in our schools and communities. It's also important to note those calling for tax cuts now never want to raise them in times of shortfalls to meet the needs of Maine people.

Instead of cutting taxes, we respectfully ask you to keep Maine's financial house in order both in good times and bad, rather than put a match to it now.

Our members are still struggling to dig out of the hole after the tax cuts in 2011 and the near destruction of State services. In fact, with the rising cost of living, our members are falling further and further behind.

Instead of cutting taxes, please ensure that profitable corporations and the wealthy pay their share. Please ensure that expensive tax programs like the property tax freeze and others are reigned in and

helping those who need it most. We also believe more disclosure is long overdue; disclosure would help complete the picture.

Again, we look forward to continuing to work with this committee, the 131st Maine Legislature and the administration on solutions to address these critical issues and any others central to the lives of Maine's public service workers, active and retired, and to the people of Maine who count on quality public services.

Thank you and I would be glad to answer any questions.

Our View: Enthusiasm for tax cuts better channeled elsewhere

pressherald.com/2023/02/05/our-view-enthusiasm-for-tax-cuts-better-channeled-elsewhere/

Siobhan Brett

Sit with the following assessments for a moment and see how they make you feel.

Flush with cash. Record surplus. Soaring revenue. Strong fiscal health. “A billion dollars more in hand.” One commentator went as far as to say that the state had “hit the jackpot.”

Not bad, right? Nor are the numbers. Forecasters expect Maine to pull in \$10.5 billion over the next two years and \$11.6 billion in the two years after that, both up from \$9.4 billion in this two-year period. We can’t continue just socking money away; our rainy day fund is creeping toward its statutory cap of \$970 million.

And it’s against this very ready-for-rain backdrop that Maine joins a long list of states, unusually solvent thanks to infusions of federal pandemic funds and climbing tax revenue, that have either brought in or are entertaining state tax cuts.

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Instead, we hope legislators put the money where it is seriously, undeniably needed.

As we reported last week, lawmakers in Augusta have submitted at least 17 bills to change Maine’s income tax code. About the same number of bills again are seeking various changes to the sales tax.

By July of last year, 10 U.S. states had enacted individual income tax cuts and six more had approved corporate income tax cuts.

And there were other means of divvying up the historic spoils. Eleven states took a direct tax rebate route (Maine among them, sending back \$850 to eligible taxpayers last summer); five states observed gas tax holidays at one point or another; and Kansas and Virginia removed groceries from the sales tax base.

Yes, the Maine state ledger is looking good. Yes, that gives us a major opportunity. But not necessarily the one a lot of people are talking about at the moment.

We're suggesting the Legislature do something more labor- and time-intensive than simply releasing the surplus in the form of income or other tax cuts. In the most thoughtful and targeted manner possible, we should reinvest it.

The unique set of circumstances that gave rise to this sum of money have given rise to a variety of other unusual, challenging developments for Maine. The word "crisis" applies to several basic aspects of the state economy in 2023.

With remote work planted firmly in the mainstream, people are landing in Maine by their thousands. At the same time, the damage done by the pandemic has had gnawing sequelae that are proving extremely difficult to recover from.

There's a major disconnect between supply of services and demand for those services. Workers are increasingly unavailable or unfit for open jobs. Child care facilities are overwhelmed. Schools and students are struggling; school districts can't even find bus drivers. Evicted tenants, soaring in number, have nowhere to go. Hospital waiting lists are mile-long. Drug overdose deaths are breaking records.

Both Democrats and Republicans are secure in the knowledge that almost nothing is more popular or memorable than a tax cut, electorally, and that evaluating and selling the merits of investment in the public good is a drag by comparison. The tax cut proposals swirling in Maine reportedly "run the gamut." We're not surprised.

Tax holidays on certain supplies is one thing; the abolition of income tax quite another. Anything remotely regressive – doing the least for people who have the least – should be abandoned right away. It seems to us unlikely that any of the proposals have the laser focus necessary to simultaneously assist those in need, disappoint more comfortable pockets of the electorate, and support vital programs and ambitious goals.

We urge lawmakers to resist the tantalizing arguments over who benefits from which tax cut and why, or by how much. Instead, pour that valuable time into exploring how the money can make an appreciable, lasting difference in all places where public policy has repeatedly fallen short. Such a rare opportunity to help future taxpayers should not be squandered.

Although we learned last week that the national and public health emergencies will expire in May, we've also surely learned that something like the COVID-19 pandemic can strike at any time. What's more, projected revenue growth is all but impossible to bank on these days. By now familiar macroeconomic variables – war and supply chain volatility – could upset the broader picture and leave the state with a reduced tax base at risk of budget shortfall.

This “post-pandemic” windfall is compelling and has real potential for Maine. We have a wealth of options available to us, the least constructive of which would be to make significant tax changes.

There is no good reason to believe that this is anything but a one-time surplus. The balancing act that cutting tax rates requires catches up with state services eventually. It would be a deep irony if those services suffered, ultimately, when they could have been worthy beneficiaries of once-in-a-generation rehabilitation and reform.

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