Maine Education Association
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Testimony

Neither For Nor Against

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.

John Kosinski, Government Relations Director, Maine Education Association

Before the Appropriations and Financial Affairs Committee and the Labor and Housing Committee

February 9, 2023

Senator Rotundo, Representative Sachs and other esteemed members of the Appropriations and Financial Affairs Committee,

Senator Tipping, Representative Roeder and other esteemed members of the Labor and Housing Committee,

My name is John Kosinski (he/him) and I am proud to serve as the Director of Government Relations for the Maine Education Association (MEA). The MEA represents 24,000 educators in the state of Maine, including teachers and other professionals in nearly every public school in the state and faculty and other professional staff in the University of Maine and Community College Systems.

I am here to testify neither for nor against the portions of the budget impacting retired teachers and ed techs, specifically their pension benefits.

There are a multitude of ways educators are disadvantaged in retirement. I have testified before both Committees about the unfair and intractable Social Security offsets that impact thousands of retired teachers and ed techs in Maine. These offsets are completely controlled by federal policy and therefore a solution requires action in Washington, DC. But there are many decisions that you make that will have a direct and meaningful impact on the thousands of retired teachers and ed techs in Maine.

Sadly, the Governor's proposed biennial budget does little to help retirees make up ground from the inflation we have seen over the past two years. A retired teacher with a pension at the maximum cost of living (COLA limit), approximately $24,000, has lost nearly $2,000 in annual benefits over the past two years alone. They lost 1.4% in purchasing power compared to inflation for the 22-23 fiscal year, and now are set to lose another 6.1% in the current year, and this is before we begin to calculate and assess the impact of the 2011 cuts on their pension benefits.

Here's a bit of good news: inflation has slowed. The inflation rate for December of 2022 was calculated at 6.5%, a decline from the 7.1% in November of 2022. The US Dept of Labor is set to release the next update on inflation next Tuesday, February 14th. But let's be clear – even if inflation slows to 6% or 5%, again the maximum COLA is 3% and without action from this Legislature we can expect to be back before these Committees near year and the year after as we try to make sure that retirees can at least keep pace with inflation. The Governor's proposed budget, simply put, does not allow retirees to keep pace with inflation in the current year or in future years. Instead, this same scenario is set to play out again and again, as inflation continues to outpace benefits and more retired educators fall below, or dangerously close, to the poverty line. We can do better and I hope you agree we must do better for the individuals who spent their lives educating students.

We do not have one solution to propose, but many. We know there are many competing priorities for the state's precious resources. Our goal is primarily to help retirees keep pace with the rising prices around them so they can retire with the dignity they deserve. To that end we recommend the following:

- **Address the pension cuts in 2011 by undoing the damaging effects of those cuts:** For example, lifting the COLA cap so retirees can receive the maximum COLA on more of their benefits will help thousands of retired educators. LD 70, a bill sponsored by Representative Dodge, proposes to entirely remove the COLA cap so the benefits apply to the entire benefit, not the first $24,000. Removing the entire cap will likely cost hundreds of millions of dollars due to Maine's unique constitutional constraints, but any effort to lift the cap so the COLA applies to more of their benefits will only help more retirees.

- **Medicare Part B support**: LD 111, a bill sponsored by Representative Dan Shagoury, is a novel approach that proposes the state pick up some or all of the cost of Medicare Part B for retired teachers, ed techs and state employees. Nearly all retired educators rely on Medicare for health care and paying for at least a portion of their monthly Medicare Part B payments will help their bottom line as they try to keep pace with inflation. The bill is tiered, thus providing more benefit and paying more of the cost for those with the most meager pension and less for those with the richest benefit. Since this bill falls outside of the language in the constitution, the cost will not need to be paid upfront, thus making this idea financially viable for the state while providing meaningful, direct relief to retirees.

- **Medicare Advantage support**: LD 112 is another bill that attempts to make up for declining pension benefits by providing more support for the health care costs of retired teachers. Currently the state provides 55% funding for the Medicare Advantage program for retired teachers and ed techs. This will would increase the amount the state pays by 5% each year over the next two fiscal years, first rising to 60% on July 1, 2023, and then 65% on July 1, 2024. This too will provide real financial support for retired educators and make sure they have access to the health care they need, without triggering the language in the state constitution that requires an upfront payment for the entire program. Instead, LD 111 can be a "pay as you go program" with the state debating the program in every two-year budget cycle.

- **<u>Future protections for inflation</u>**: While many predict inflation will slow, it is unlikely we will see inflation return to levels seen before the pandemic anytime soon. Instead of recreating the current trend whereby inflation outpaces the maximum COLA every year and retirees are left in the lurch while trying to make their case to lawmakers about the need for increases, we encourage the committee to consider setting aside additional money in the biennial for each of the next two years with the assumption that inflation will be greater than 3%. We recommend the state consider setting aside the resources for at least a 5% COLA for the next two years. In the unlikely event that inflation is less than 5%, at least retirees will have a chance to make up some financial ground following the inflationary pressures and the loss of purchasing power they have experienced over the past two years. Setting aside additional money in each year of the state budget for the next two years could help prevent the current cycle and provide stability to the state and peace of mind to retired educators.

I hope you agree, we cannot sweep this problem under the rug. The supplemental budget provided a one-time, ad hoc COLA of 1%. This provides some relief to retirees today, but does little to help retirees keep pace with inflation in the future. Thousands of retirees rely on their pension benefits in retirement. For many, this may be their only income in retirement. This may be all they have. We fully understand there are many competing priorities, but I implore these committees to please prioritize funding for elderly educators – people who dedicated their lives to students. They deserve to retire with dignity but we are hearing from many this is becoming harder and harder. They need your help.

Thank you in advance for your time, your service and your attention, and I will do my best to answer any questions you may have.