



Maine Education Association

Grace Leavitt President | Jesse Hargrove Vice President | Beth French Treasurer
Rebecca Cole NEA Director | Rachelle Bristol Executive Director

Testimony

In Support

LD 667: An Act to Impose a Tax Surcharge on Certain Incomes and LD 843: An Act to Improve Income Tax Progressivity by Establishing a New Top Individual Income Tax Rate

And In Opposition

LD 835: An Act to Phase Out the Income Tax and LD 971: An Act to Establish the Income Tax Relief Fund for Maine Residents

**John Kosinski, Government Relations Director, Maine Education Association
Before the Taxation Committee**

March 23, 2023

Senator Grohoski, Representative Perry and esteemed members of the Taxation 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 submit this testimony on behalf of the MEA in support of LD 667, *An Act to Impose a Tax Surcharge on Certain Incomes* and LD 843, *An Act to Improve Income Tax Progressivity by Establishing a New Top Individual Income Tax Rate*, and in opposition to LD 835, *An Act to Phase Out the Income Tax* and LD 971, *An Act to Establish the Income Tax Relief Fund for Maine Residents*.

In support of LD 667 and LD 843:

In 2015-2016 I was pleased to serve as the campaign manager for the Stand Up for Students campaign – a statewide campaign that resulted in a ballot initiative approved by voters in November of 2016. The campaign brought together teachers, educators, parents, school board members, administrators, seniors and countless others. That ballot initiative, Question 2, was a direct response to years of underfunding of public education. Voters approved a 3% tax surcharge and set that revenue aside to better fund public education. You can imagine the chagrin of those same teachers, educators, parents, school board members, administrators, seniors and countless volunteers when the Legislature saw fit to undo the voter approved surcharge, actually repeal the voter-approved initiative, including the language creating the fund for public schools, and give public schools half the funding they would have received if the surcharge had been in place. Those same budget negotiations that resulted in the repeal of Question 2 also resulted in a state shutdown due to an impasse over the state budget.

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The voter-approved surcharge for education, I will note, was a tax of 3% of household income above \$200,000. By tying the 3% surcharge to only taxable income over \$1 million and 6% for taxable income over \$10 million, LD 667 is a far more modest proposal. I can say with absolute confidence this proposal would receive a resounding YES vote if put to the voters of Maine, especially if the funding is earmarked for public schools, as written in this bill.

While achieving 55% state funding of public education was a historic achievement, our schools and our students are facing new challenges and have new needs. Even with 55% state funding, some districts are currently struggling with difficult school budgets and could be facing layoffs and other reductions due to fluctuations in the school funding formula. We are seeing tremendous workforce shortages in public education, which we believe are directly related to the low pay for teachers and other educators, especially compared to the private sector. Wages for ed techs and bus drivers and salaries for teachers have not kept up with inflation and too many are leaving due to the challenging working conditions and what was already low pay even before the higher inflation we've been seeing.

And of course, we are seeing more need for mental health support for students in our schools. We need more counselors working with students to address these challenges or their learning and development may suffer. There are bills this session to address these pressing concerns, and proposals like LD 667 and LD 843 can help provide the revenue to address the state's various needs.

In opposition LD 835 and LD 971:

Our opposition to both of these bills derives not only from our desire to see our state address pressing needs for students and families, but also from the most recent history of tax cuts in our state.

LD 835, An Act to Phase Out the Income Tax, attempts to eliminate the income tax over five years but offers no plan for how the state can meet its obligations as this occurs.

I would like to remind the Committee the last major reductions in the income tax happened in 2011 and were largely done at the expense of retired teachers and state employees. That budget included drastic cuts to the Maine Public Employees Retirement System (MainePERS) – cuts that are largely irreversible today due to the state's constitutional requirements. These cuts were made to retirees and future retirees, all to pay for large income tax cuts that disproportionately went to the wealthiest among us.

The cuts to the pension system for teachers, ed techs (IIs and IIIs) and state employees included:

- Capping the annual cost-of-living adjustment (COLA) so it only applies to the first \$20,000 of pension earnings (later adjusted for inflation)
- COLAs frozen for several years
- Capping the maximum COLA at 3%

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- Lifting the normal retirement age to 65 for new entrants (and even those working but not yet vested in the plan)

Every year since, there are multiple bills each session to address the pension cuts in the 2011 budget, and every time these bills are slapped with huge fiscal notes which put fixes out of reach. Just a few weeks ago, the Labor and Housing Committee voted **UNANIMOUSLY** ought to pass as amended on LD 70, *An Act to Eliminate the Cap on Retirement Benefits for State Employees and Teachers to Which a Cost-of-living Adjustment Is Made*. The amendment adjusted the bill so a retiree would get a COLA on the first \$40,000 of their pension benefit, but the cost is expected to be over \$700 million. Last year, retirees in MainePERs received a COLA of 3% -- the new maximum under the 2011 pension cuts. Yet, inflation during this time was 9.1% -- meaning a retiree's benefit lost 6.1% in terms of purchasing power, and benefits for all active teachers also diminished, whenever they retire. Funding the full 9.1% COLA would require an additional \$500+ million. I must note, many career educators do not qualify for Social Security and their MainePERs benefit may be all they have to live on whenever they retire. If they do qualify for Social Security benefits, they will often lose 2/3rds or more of these benefits due to two intractable "offsets" in the Social Security program, namely the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO). These cuts in 2011 hurt thousands of retired teachers and state employees and have a long tail of pain that future retirees will face whenever they retire.

Before we phase out the income tax, or consider further reductions to the income tax, we should help the state fulfill its obligations to retired teachers and state employees. These dedicated public servants had the rug pulled out from under them in 2011 with huge cuts to their benefits. Some planned judiciously for retirement, only to see the state change the rules. Is it any wonder why we are struggling to recruit teachers when retirees share their stories of woe with their children and grandchildren? We hope the state will work to better fulfill its obligation to teachers, ed techs and state employees before phasing out or reducing a critical source of revenue to the state.

LD 971 attempts to create a fund to capture excess revenue to provide income tax relief. In fact, I believe LR 205 *An Act to Stabilize the Pension Funds of the Maine Public Employees Retirement System* submitted by Senator Pierce of Falmouth is designed to do something similar but instead dedicates the revenue to undoing the pension cuts made in 2011. Rather than squirreling away money to provide additional income tax cuts, we hope the state would prioritize undoing the damage caused by the last major round of income tax cuts, specifically related to the pension benefits of retired public servants. Those cuts impact tens of thousands of current retirees, and every single teacher and ed tech II and ed tech III working in a public school today. LR 205, I believe is an attempt to capture any excess revenue and dedicate the funding to gradually reducing the painful pension cuts put in place in 2011.

Thank you for your time and your service to the people of Maine. I will do my best to answer any questions you may have.