



## Getting Maine Back to Work

### Maine Lawmakers Should Send Voters a Bond Package to Create Jobs Now and Lay the Foundation for Future Prosperity

Maine has a jobs deficit. More than 100,000 Mainers are unemployed or underemployed.<sup>1</sup> A responsible bond package can create jobs now and pave the way for future economic growth and shared prosperity.

The case for bonds is clear. Maine has a proven record of responsible debt management and significant bonding capacity. The Legislature and Governor must act to:

- prevent further decay of Maine's roads, bridges and other infrastructure,
- invest to enhance quality of life and improve Maine's competitiveness,
- seize the opportunity of near historically low borrowing costs, and
- put Maine people back to work.

#### It's about Jobs

In the short-term, bonds create construction and related jobs, with workers spending much of their earnings at local businesses. In the long-term, bonds create permanent jobs for those who work in the new facilities and businesses the bonds generate and provide infrastructure for entrepreneurs to start and grow their workforce.

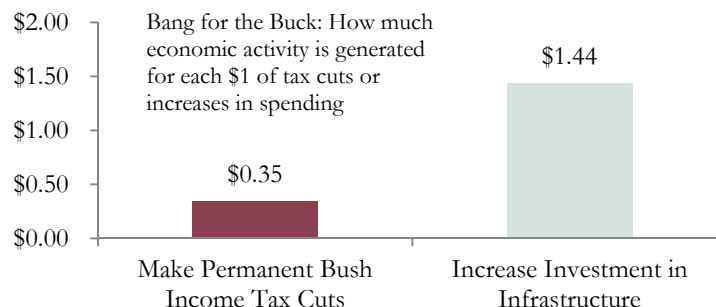
Mark Zandi of Moody's Analytics estimates that every dollar spent on infrastructure generates \$1.44 of economic output.<sup>2</sup> Another analysis suggests that every \$1 million Maine invests in infrastructure improvements creates 15.3 jobs.<sup>3</sup> Infrastructure investments also improve workforce competitiveness and incomes by expanding opportunities and reducing business costs.<sup>4</sup>

Targeted and timely investment works because it has a ripple effect throughout the economy. Working families will spend much of their new earnings at local businesses, increasing demand – the best stimulus to private sector hiring.

#### Our Future Economic Growth Depends on Wise Investment

For generations, Mainers have supported critical investments in transportation, communication, education, and other infrastructure, as well as in research and development, conservation, small businesses, and public facilities. We all benefit from these investments. Reversing course as we struggle to recover from the Great Recession would jeopardize future prosperity.

#### Infrastructure Investments Create Jobs and Grow the Economy Better than Tax Cuts<sup>5</sup>



**52,601**

Number of unemployed Maine workers<sup>12</sup>

**15.3**

Number of Maine jobs generated per \$1 million invested in infrastructure projects<sup>13</sup>

**3.65%**

General obligation debt service as a percent of General Fund and Highway Fund Revenues for Fiscal Year 2012<sup>14</sup>

**5%**

Long-established threshold for acceptable levels of general obligation bond debt service as a percent of General Fund and Highway Fund revenues

**\$865**

Tax supported debt per capita (Maine)<sup>15</sup>

**\$1066**

Tax supported debt per capita (national median)<sup>16</sup>

Like the homeowner who defers critical roof repairs, we run the risk of even more costly upgrades and repairs to Maine's aging infrastructure. In addition, we must invest in new infrastructure if we are to compete effectively in the 21<sup>st</sup> century economy. Bonds effectively capitalize such investments because they extend the costs of much needed repairs and upgrades over time.<sup>6</sup> With borrowing costs at near historic lows it makes little sense to delay new investments.

### **Maine's Problem is Not a Debt Problem**

“Maine continues its conservative approach to debt, with an aggressive payout structure and capacity to accommodate unforeseen borrowing needs.”

*Moody's Investment Service, May 2011<sup>7</sup>*

Maine's balance sheet has suffered as a result of one of the worst economic downturns since the Great Depression. Still our capacity to issue bonds remains strong.

Maine's debt service ratio is well below the long-established 5% threshold for general obligation bonds as a percentage of General Fund and Highway Fund revenues.<sup>8</sup> Maine's tax supported debt per capita is \$865, significantly less than the national median of \$1,066.<sup>9</sup> Further, Maine's tax supported debt as a percentage of personal income is 2.4%, again lower than the national median of 2.8%.<sup>10</sup>

Maine has a solid record of prudent debt management. The State retires its debt in ten years, much earlier than most other states. Maine only uses its general obligation bonds to fund infrastructure improvements, not cover operating costs. Finally, the State's use of available cash to fund approximately half of its annual capital expenditure enhances Maine's capacity to issue bonds.<sup>11</sup>

### **Let Maine People Decide**

Ultimately, the decision to invest rests with Maine voters. They deserve the opportunity to vote on a comprehensive bond package. Two representative examples of proposals that could position Maine for quicker economic recovery and ultimately stronger long-term job creation include:

- LD 829: \$100 million in investments in transportation, broadband, downtown revitalization, green infrastructure, and higher education. It ties investments to projects in labor markets with an unemployment rate higher than the statewide average – where jobs are needed most.
- LD 225: \$50 million for much needed research and development efforts across a variety of critical industry sectors.

To put Maine's more than 100,000 unemployed or underemployed back to work, we must do all we can to create jobs and position Maine for future prosperity. A responsible bond package will help put more money in the pockets of more people who will spend it, strengthen local businesses, and lay the foundation for future economic growth. The case for bonds is strong and the Legislature and the Governor need to present Maine voters with a robust bond package.

Sources: <sup>1,5,12</sup>Maine Department of Labor, Center for Workforce Research and Information. <sup>2,5</sup>Mark Zandi, “At Last, the U.S. Begins a Serious Fiscal Debate,” April 14, 2011, at [http://www.economy.com/dismal/article\\_free.asp?cid=198972&src=msnbc](http://www.economy.com/dismal/article_free.asp?cid=198972&src=msnbc). <sup>3,4,13</sup>Jeffrey Thompson, *Prioritizing Approaches to Economic Development in New England: Skills, Infrastructure, and Tax Incentives*, August 2010, at [http://www.peri.umass.edu/fileadmin/pdf/published\\_study/priorities\\_September7\\_PERI.pdf](http://www.peri.umass.edu/fileadmin/pdf/published_study/priorities_September7_PERI.pdf). <sup>6</sup>Dan Coyne, *Maine Revenue & Spending Primer 2011*, Maine Center for Economic Policy, at <http://www.mecp.org/view.asp?news=1486>. <sup>8,14</sup>Data provided by Maine State Treasurer's Office. <sup>9,10,15,16</sup>Maine's Debt Snapshot, June 30, 2011 at [http://www.maine.gov/treasurer/debts\\_bonds/debt\\_summary.html](http://www.maine.gov/treasurer/debts_bonds/debt_summary.html). <sup>7,11</sup>Moody's Investment Service, May 26, 2011. Moody's Assigns Aa2 Rating and Stable Outlook to State of Maine General Obligation bonds 2011 Series A and 2011 Series B.

*Version 2.0, September 25, 2011*

#### **About the Maine Center for Economic Policy**

The Maine Center for Economic Policy advances public policies that help Maine people prosper in a strong, fair and sustainable economy. We advance this mission through high-quality research, analysis, citizen education, and coalition building. MECEP is an independent, nonpartisan organization.