



Testimony Regarding LDs 225, 409, 777, and 874

“An Act to Authorize a General Fund Bond Issue in the Amount of \$50,000,000 to Fund Research and Development”

“An Act to Authorize a General Fund Bond Issue for Research and Development for Technology Advancement”

“An Act to Authorize a General Fund Bond Issue to Expand Necessary Capital Improvements at the University of Maine System That Support the Critical Disciplines of Science, Technology, Engineering and Math to Enhance Economic Development and Employment Opportunities for Maine Citizens”

“An Act to Authorize a General Fund Bond Issue for Educational Opportunities for Underserved Regions of the State”

Senator Rosen, Representative Flood, and distinguished members of the Joint Standing Committee on Appropriations and Financial Affairs. My name is Dan Coyne, and I am the legislative director with the Maine Center for Economic Policy (MECEP). MECEP advances public policies that help Maine people prosper in a strong, fair and sustainable economy. Thank you for the opportunity to testify in support of many of the bond proposals before you today.

Attached to my circulated testimony is a detailed fact sheet MECEP produced highlighting the need and capacity for a responsible bonds package. Therefore, I will be brief and discuss a few key points.

With more than 100,000 Mainers unemployed or underemployed, we must, as a State, do whatever we responsibly can to help create jobs.

A healthy private sector should be our primary economic engine. When demand is down, however, government must step to the plate with timely and targeted investment. Such investment puts more money into the hands of working families, which will help drive private business demand because workers will spend these increased earnings, much at local businesses. Increasing demand is the best stimulus to private sector hiring.

One policy tool available to this Committee, the entire Legislature, and the Administration is bonds. General obligation bonds enable the State to invest in a modern transportation, education, and communications infrastructure. Such investment generates economic activity and creates jobs.

Bonds will help create jobs in the short- and long-term. Mark Zandi of Moody's Analytics has estimated that every dollar spent on infrastructure generates \$1.44 of

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Executive Director

Garrett Martin
Associate Director

Judy Ward
Office Manager

Dan Coyne
Legislative Director

Connie Zhu
Policy Analyst

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economic output.¹ Another analysis suggests that every \$1 million Maine invests in infrastructure improvements creates 15.3 jobs.²

Bonds will also help create a modern infrastructure, which can serve to attract businesses looking to expand or relocate. States that invest in their people and communities set the table for future investments and economic growth.

Maine can afford to approve a responsible bonds package. Its debt service ratio is below the long-established 5% threshold for general obligations as a percentage of General Fund and Highway Fund revenues. Additionally, Maine's tax supported debt per capita is below the national median (\$865 versus \$1,066), as well as its tax supported debt as a percentage of personal income (2.4% versus 2.8%).

Maine has prudent bond practices. It retires its debt within ten years, uses general obligation bonds for infrastructure improvements not for operating costs, and uses available cash to fund approximately half of its annual capital expenditures.³

The greatest challenge facing federal and state policymakers is how to create jobs and put more money into the hands of working families. At the state level, this means approving a responsible bond package.

MECEP does not necessarily recommend this Committee ultimately approve in their entirety each one of these bills. However, MECEP supports the goals of each of these bills and strongly recommends the Committee ultimately adopt a responsible package that makes a sizable, prudent investment in Maine's people and communities.

Thank you for the opportunity to testify, and I am happy to answer any questions you may have.

¹ 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.

² 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.

³ 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.