



# The **Prosperity** **Budget**

 **MECEP.ORG**

A BLUEPRINT FOR SHARED  
GROWTH AND OPPORTUNITY

# A Letter From **MECEP**

EXECUTIVE DIRECTOR GARRETT MARTIN:

**As business owners, workers, consumers, taxpayers, and citizens, all Mainers have a shared interest in building an economy that works for everyone. Elected officials, however, have a unique role to play in laying the foundations for a strong economy.**

Mainers all pitch in through taxes to pay for the things that benefit all of us. Through their constitutional authority to craft the state's biennial budget, legislators shape the specifics of how we use public resources to tackle challenges and realize opportunities. It's an awesome responsibility, which determines whether we can effectively come together to build a stronger future.

In State of Working Maine 2018, the Maine Center for Economic Policy (MECEP) set forth an action plan for building a more inclusive economy by improving the rules that shape Mainers' working lives. It focused on the relationship between employers and employees and advanced a vision for our state in which Mainers get a fair return on their hard work.

**Today, we follow up that work with the Prosperity Budget — our blueprint for shared growth and opportunity.**

Where State of Working Maine 2018 investigated the nature of work in the modern economy and made recommendations to reaffirm our values of fairness and respect in the workplace, the Prosperity Budget examines the opportunity to leverage state budget and tax policy to build a stronger economy where every Mainer has an equal opportunity to contribute and get ahead.

For eight years, Governor Paul LePage advanced lopsided tax cuts that made it harder for our state to invest in people and communities. The results were predictable. Schools were underfunded. Vital public services were slashed. Health care was put further out of reach for Mainers with low incomes. Absent resources to mitigate food insecurity and economic hardship, Maine bucked regional trends with growing childhood hunger and poverty rates. Property taxes increased as communities struggled to fill the gaps.

Maine's economic recovery was lagging the region and the nation. Maine's voters acted to advance a different, people-first vision for our state. At the ballot box, they voted to increase the minimum wage, expand health care, and raise taxes on the wealthy to pay for our public schools.

Now, the new governor and Legislature have the opportunity to follow the lead of Maine's voters, who once again signaled their desire for a change when they upended the existing balance of power in Maine's government in November.

The Prosperity Budget outlines our recommendation for fueling people-powered growth and opportunity that can be shared by all. We draw from the successful efforts in states including Oregon, Minnesota, and California — all of which enacted post-recession tax increases on wealthier residents and plowed that revenue into communities and their economies. Those states also expanded Medicaid and increased their minimum wage in recent years, and all three have outperformed neighboring states on a range of economic indicators.

This is a transitional moment for our state, full of opportunity to build a brighter future for Maine. We at MECEP look forward to working together with elected officials to seize that opportunity.



**Garrett Martin**  
Executive Director

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# Introduction

## A BLUEPRINT TO MOVE MAINE FORWARD

Maine's prosperity is powered by the people and communities who make up our state. The strength of our families, towns, and cities is inextricably linked to the strength of our economy and our future.

A trained, well-educated workforce makes our small and large businesses more competitive and fuels the innovation necessary for sustained growth. Healthy individuals and families are better able to contribute to our economy and our society as workers and citizens. Communities with strong, modern infrastructure and reliable services create the conditions that allow families and businesses to plant roots and thrive.

**With all of us pitching in and pulling our weight, we can ensure that Mainers and our communities have the tools necessary for all of us to get ahead.**

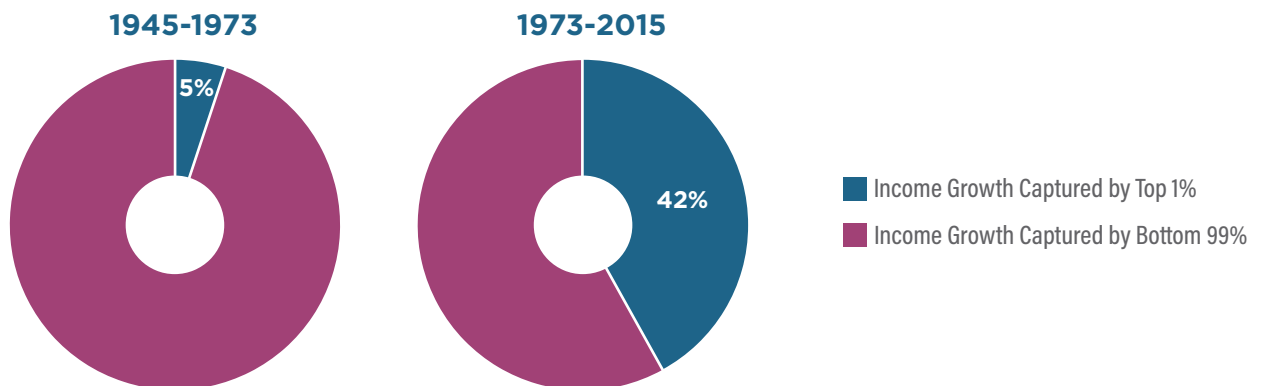
With all of us pitching in and pulling our weight, we can ensure that Mainers and our communities have the tools necessary for all of us to get ahead. But for too long, inadequate budget and tax policies have held us back, keeping us from reaching our full potential as individuals, communities, and a state.

Mainers are working harder than ever but struggling to get ahead. Despite rising productivity, Mainers' paychecks aren't keeping up.<sup>i</sup> When wages fail to adequately compensate workers, inequality increases as economic gains concentrate with those at the top.

Maine has the second-lowest income mobility in the Northeast.<sup>ii</sup>

Mainers born between 1980 and 1982 into the poorest households have just an eight percent chance of making it into the wealthiest 25 percent of households. This inability to get ahead is most concentrated in Washington County.<sup>iii</sup>

### TOP 1% OF MAINERS REAPING LARGER SHARE OF INCOME GROWTH



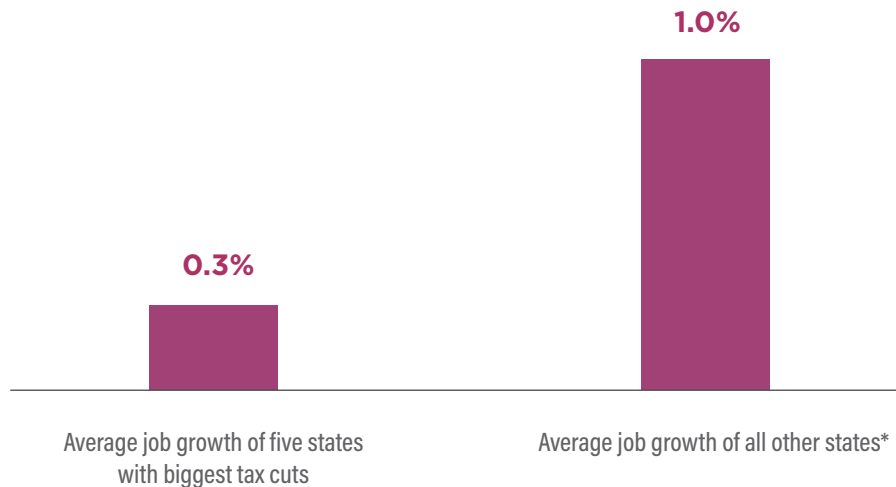
Source: Sommeiller, Estelle, and Mark Price. 2018. *The New Gilded Age: Income Inequality in the U.S. by State, Metropolitan Area, and County*. Economic Policy Institute, July 2018.

○ Economic stagnation in Maine has fueled widening inequality, as the wealthiest households have reaped larger and larger shares of state income growth. **Since 1973, the wealthiest one percent of Mainers have captured 42 percent of the state's income growth — an eightfold increase in accumulation over the previous generation.**<sup>iv</sup>

The Organization on Economic Cooperation and Development finds that countries with higher inequality have slower growing economies than those with low inequality.<sup>v</sup> The level of inequality in a country is also deeply connected to investments in health care, education, and public services and infrastructure, which remove barriers to opportunity experienced by poor and marginalized communities.



## BIG STATE INCOME TAX CUTS LINKED WITH SLOWER JOB GROWTH



**Notes:** Compares states with biggest income tax cuts in the 1990s with all other states average annual growth in employment over next economic cycle, 2000-2007

\*Average does not include NJ, which was one of the six states with the largest tax cuts in the 1990s (along with CO, CT, DE, MA, and NY), but - unlike those states - raised taxes enough in the 2000s to offset the 1990s tax cuts

Source: Center on Budget and Policy Priorities calculations of Bureau of Labor Statistics data

Within the United States, research shows similar outcomes. States that made the deepest cuts to state taxes in the late '90s — thereby limiting their ability to invest in those things that build a strong economy — experienced slower job growth in subsequent years compared to states that didn't make cuts.<sup>vi</sup> More recently, most states, including Maine, have fallen down on their commitments to vital investments such as education and infrastructure, despite those investments' key role in building a strong economy.<sup>vii</sup>

Policy decisions in Maine that led to underfunded schools, difficulty accessing health care, and reduced community investments and services have kept Mainers down and prevented our economy from firing on all cylinders. A failure to address structural barriers that keep people of color from having an equal opportunity to contribute and prosper has had a detrimental effect on all of us.

But today is a new day, with new opportunities to realize a brighter future. The incoming class of legislators and our new governor have an opportunity to craft a budget for people-powered prosperity.

We can empower Maine families to grow an inclusive economy from the bottom up with smart investments in schools, our workforce, health care, and our communities, while ensuring that all Mainers — regardless of their race, where they live, or their family's wealth — can share the rewards of a strong economy. Improving Maine's tax code to support working families, close loopholes, and tap the growing value of our state's booming tourism industry will give us the down payment we need to build that brighter future for our state.

**The incoming class of legislators and our new governor have an opportunity to craft a budget for people-powered prosperity.**

The Prosperity Budget is a blueprint to move Maine forward through shared growth and opportunity for all.

# Summary of Policy Recommendations

## GOOD SCHOOLS, GOOD JOBS

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Fully fund our public schools and make targeted investments in education from pre-K through college to reduce barriers to prosperity and supercharge our economy.

Provide modern benefits such as paid sick days and paid family and medical leave so no Mainer will have to choose between their livelihood and their health.

## HEALTHY FAMILIES

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Power a healthy economy with a healthy workforce by expanding access to quality, affordable health care, including services for seniors and Mainers with disabilities.

Take bold action to save Mainers' lives by combatting the opioid crisis with effective treatment and recovery services.

## STRONG COMMUNITIES

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Build out a modern, robust infrastructure of roads, bridges, and reliable, high-speed internet access to connect and empower Maine's families and small businesses.

Ensure reliable public services by bolstering the public workforce and finally paying what's owed to communities for local services like plowing, paving, and water treatment.

## REVENUE FOR A BRIGHTER FUTURE

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Fund a down payment on shared prosperity by closing loopholes, ending giveaways for the wealthiest, and balancing the scales with progressive tax reforms.

Tap the value of Maine's booming tourism industry by asking visitors to chip in a little bit more to pay for the things that make Maine such a great place to visit and live.



# All Policy Should Advance Racial Equity

## INCLUDING THE BUDGET

**The state budget is the most important instrument in policymakers' toolbox for seizing opportunities and solving challenges faced by the state, its communities, and its people. This year, policymakers should create a Permanent Commission on the Status of Racial and Ethnic Populations, to begin addressing disparities in social, educational, political, health, and economic outcomes that perpetuate inequity and inequality based on race.**

Native Americans, Black Mainers, and immigrants of color have contributed to our state's prosperity in every era of its history. They have done so while opportunities for economic growth in their own communities have been systemically neglected. Today, the state must not only acknowledge this past but actively work to identify and institutionalize mechanisms that ensure these populations are included in every aspect of our state's economic and community development.

But by nearly every measure for which there is data, Native Americans, Black Mainers, and immigrants of color have poorer outcomes than white Mainers. These disparities are mirrored at the national level.

**The effect of our state and nation's history of racism continues to harm in ways that are most often not discussed by those in power. But they cannot be ignored.**

Native American and Black Mainers experience unemployment rates that are double the state average.<sup>xiii</sup> These populations receive lower wages, and are thus more likely to live in poverty, than white Mainers.<sup>xiv</sup> The American Civil Liberties Union of Maine has reported that police departments in Maine arrest members of these populations at higher rates than whites.<sup>xv</sup> Racial disparities can also be found in educational achievement, incarceration rates, and health outcomes.<sup>xvi</sup>

The effect of our state and nation's history of racism continues to harm in ways that are most often not discussed by those in power. But they cannot be ignored. There are countless examples, recorded and unrecorded, that speak to the power of racism in our history, which is inextricably linked to racial disparities today.

In Maine, that history includes efforts to displace and disempower Wabanaki peoples while laying claim to their territories and natural resources. As recently as the 1970s, the state's forced separation of Wabanaki children from their families tore tribal communities apart. It also includes the destruction of the Black and mixed-race fishing community on Malaga Island, where residents were forcibly evicted or incarcerated on specious grounds by the order of the state's white governor in the early 20th century. Policies that disproportionately harm people of color are not resigned to our past: A 2011 law that denies Medicaid and other safety net benefits to legally present immigrants remains on the books in Maine today. These are just some examples. There are countless others.





Often, public policy that does not explicitly address and reduce racial inequality and inequity serves to perpetuate it.

Often, public policy that does not explicitly address and reduce racial inequality and inequity serves to perpetuate it. Labor laws crafted in the early 20th century intended to lift all workers with better wages and on-the-job protections excluded occupations that were held predominantly by Black workers. The impact of these policies, along with a host of others, continue to reverberate.

Policy decisions should advance racial equity and budgets are no exception. Decisions about the allocation of resources can either serve to reduce barriers or simply ignore and thus reinforce them.

Despite our history, there is no official state body charged with investigating or analyzing data about race-based disparities in policy effects across all systems with the stated goal of disrupting racial and ethnic disparities. The Prosperity Budget calls for solutions that will give all Mainers access to opportunity and the ability to contribute and thrive in our economy.

But our investments must be made with a firm understanding of the history of Maine's racial and ethnic inequities and matched by a commitment to advance race equity and racial justice. That's why first and foremost, the Prosperity Budget calls for the creation of the Permanent Commission on the Status of Racial and Ethnic Populations in Maine.

The Commission, modeled on the successful Permanent Commission on the Status of Women which was first established in 1964, will be charged with conducting research, collecting data, engaging directly-impacted communities, and recommending policies to lawmakers designed to improve the lives of our indigenous and new immigrant populations in Maine.

**COST: \$600K**

# Good Schools, Good Jobs

**Sustainable, equitable economic growth will require relentless investment in public education and workforce support to ensure all Mainers can get a job or start a business so they can thrive, not just survive. A constant supply of young people on track to become the next generation of workers, business owners, and leaders is fuel to a competitive workforce that can drive the state's economy. Without it, we stall.**

Greater and sustained investment in schools leads to reduced class sizes, improved teacher quality, and better classroom resources. That investment leads to better educational and employment outcomes for students. These improved outcomes — such as higher test scores, graduation rates, and earnings later in life — are more pronounced for students in schools serving neighborhoods with high poverty rates, students of color, and previously low-performing students.<sup>xviii</sup>

**Maine's ability to improve students' outcomes in the classroom and in the labor market has been hamstrung by the state's history of underfunding.**

Maine's ability to improve students' outcomes in the classroom and in the labor market has been hamstrung by the state's history of underfunding. Voters in 2004 enacted a law requiring the state to fund 55 percent of the cost of essential programs and services at K-12 schools, but that threshold has never been met. The Prosperity Budget calls for fully funding public schools, a crucial pillar of any plan to invest in Maine's workforce.

Today, we know that a public education system that begins in Kindergarten and ends with a high school degree is insufficient to meet the needs of the 21st century economy. Early child care and early childhood education are two of the greatest drivers of improved outcomes for students, while post-secondary education in universities, community colleges, and adult education are critical to developing a trained, skilled workforce to power the economy. The Prosperity Budget calls for new investments in early education and child care, adult education, and financial aid for college students with low incomes.

Comprehensive education systems produce well-rounded citizens and a high-quality workforce. However, the best workforce in the world can still be held back from full productivity by workplace policies that fail to respect workers' health or work-life balance. When workers can't take paid time off for the birth of a child, the death of a parent, or to care for themselves in times of illness, they are forced to choose between the health of their families and their livelihoods. The cost of that choice is smaller paychecks, decreased spending, and increased inequality. Those costs are borne first by individual workers and families but ripple out into the whole economy. To improve job quality and restore the economic power of the workforce, the Prosperity Budget calls for universal paid sick days and paid family and medical leave.

**Comprehensive education systems produce well-rounded citizens and a high-quality workforce.**

Finally, a strong economy requires not only a skilled workforce and jobs that allow workers to care for themselves and their families, but adequate labor protections and enforcement to ensure workers aren't being exploited. The Prosperity Budget calls for a reinvigoration of the Department of Labor's Wage and Hour Division and the Maine Human Rights Commission, both of which play a crucial role in maintaining workers' rights and fairness in the relationship between employers and employees.



## FULLY FUND MAINE'S PUBLIC SCHOOLS

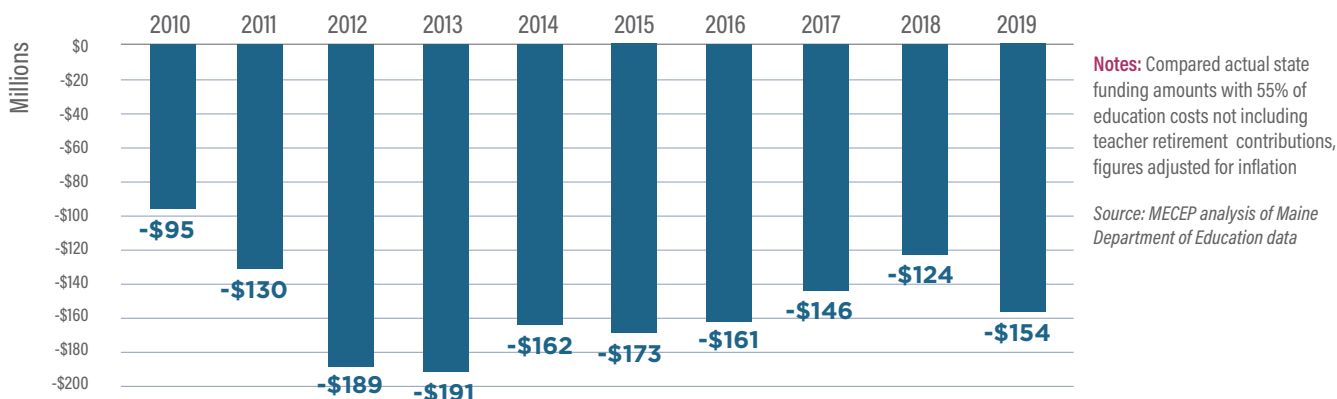
Maine's history of underfunding public schools has become generational. High school graduates in the class of 2018 spent their entire educations in underfunded classrooms and schools.

Voters in 2004 passed a law to require the state fund 55 percent of statewide public education costs, yet the state has never reached that benchmark. **Since 2010, the state has shortchanged public schools by \$1.5 billion, shifting its own responsibility onto communities and property taxpayers to the tune of \$150 million each year on average.**<sup>xviii</sup>

In 2016, Maine voters reaffirmed the 55 percent state funding mandate and approved a 3 percent surcharge on income over \$200,000 to meet the funding benchmark. The Legislature ultimately repealed the surcharge and again failed to fully fund Maine's schools.

It's time to get serious about our commitment to students, teachers, and the future of our state. The Prosperity Budget puts forward a plan to fully fund schools, finally making good on the will of Maine voters and giving Maine kids the resources they need to grow, prosper, and thrive.

### STATE EDUCATION FUNDING SHORTFALL TOPS \$1.5 BILLION SINCE 2010



**COST: \$320M**

## IMPROVE KIDS' FUTURES WITH EARLY CHILD CARE AND EDUCATION

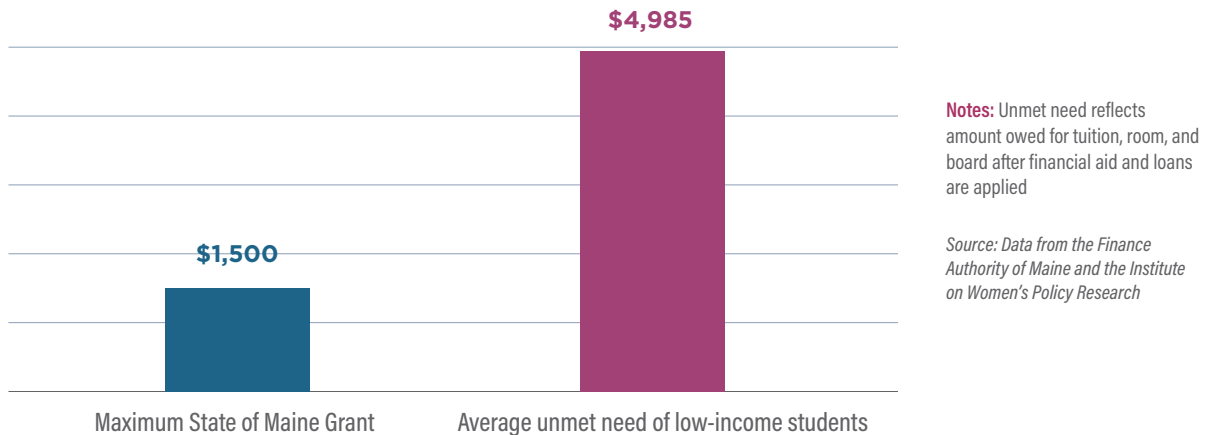
Maine has already gained momentum in setting young children on a path toward success. Policymakers in 2017 adjusted the education funding formula to cover local schools' pre-K start-up costs for the first time, spurring development of this life-altering program in districts that had never previously offered it.

An emerging consensus among researchers shows that early childhood experiences are even more critical to determining future success than was previously understood.<sup>xix</sup> Maine can do more to strengthen and build out early child care and education to more young children.

These efforts include bolstering Head Start, child care subsidies, and home visits for new parents, all of which confer long-lasting development benefits and ensure children are prepared to learn on day one of pre-K.

**COST: \$40M**

## STATE AID FALLS SHORT FOR LOW-INCOME COLLEGE STUDENTS



### MAKE COLLEGE MORE AFFORDABLE BY TRIPLING THE STATE OF MAINE GRANT

Higher education is a proven way to reduce inequality. When first-generation college students graduate, they make the same as their peers with college-going parents.<sup>xx</sup>

But unaffordable tuition and lack of financial aid is leaving students with low incomes with precarious ability to pay for college and decreased graduation rates. Low-income students have an average unmet need of \$4,985 compared to \$1,958 for their higher income peers. Poorer students must work longer hours to pay for living expenses, which is associated with longer college completion times and lower graduation rates overall.<sup>xxii</sup>

The State of Maine Grant is the state's premier needs-based form of non-debt financial aid. However, the grant is capped at \$1,500 — well below the average of low-income student's unmet need. The cap is determined based on funding from the Legislature. Tripling funding will help bring the maximum grant more in line with the unmet need.

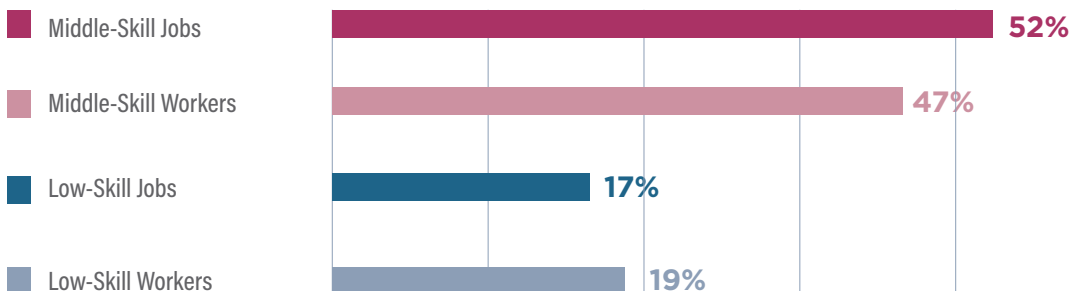
**COST: \$62M**

### EMPOWER MAINERS IN THE ECONOMY THROUGH ADULT EDUCATION

Adult Education provides Mainers from all walks of life the skills they need to get ahead. In Maine, middle-skill jobs account for 52 percent of Maine's labor market, but only 47 percent of Maine's workers are trained to a middle-skill job level.<sup>xxiii</sup> Opportunity exists to "train up" low-skill workers to increase their job prospects and meet market demand.

Adult Education is a bridge to increased skills, greater employment opportunity, or higher education for a broad cross-section of Mainers. With affordable programming including high school equivalency, English proficiency, skill-building, or college preparation, Adult Education can play a crucial role in filling the demand for middle-skill workers.

## TRAINING UP LOW-SKILL WORKERS WILL INCREASE JOB PROSPECTS, MEET MARKET DEMAND



*Source: "Maine's Forgotten Middle" National Skills Coalition*



Adult Education can be most transformational for those Mainers who face structural or cultural barriers to employment or education. Immigrants, veterans, the long-term unemployed, and formerly incarcerated individuals can take charge of their futures and get on a path toward gainful employment and success through Adult Education. However, providers indicate that their current funding levels leave them unable to meet demand for programming. The Prosperity Budget allocates additional resources to fund program expansion to serve more Mainers.

**Adult Education is a bridge to increased skills, greater employment opportunity, or higher education for a broad cross-section of Mainers.**

**COST: \$8M**

## **BOOST INCOMES AND HEALTH WITH PAID SICK DAYS AND PAID FAMILY MEDICAL LEAVE**

No Mainer should have to choose between their livelihood and their health or the health of their families. Unfortunately, many workers are forced to make that choice when they get sick or a family member falls ill.

The ability of employees to take time off work for their health or the health of a loved one, without fear of retribution or lost pay, is crucial to both worker well-being and economic productivity. One in five workers in Maine's private sector work at a company that offers no paid sick, vacation, or holiday time. Mainers lose an estimated \$115 million in wages from unpaid sick time every year. "Presenteeism" — the phenomena of workers showing up to work while sick — markedly decreases productivity. Lack of paid sick days is also linked to increased spread of infectious disease, particularly in the hospitality and food service industries.<sup>xxiv</sup>

**1** in **5**



**One in five workers in Maine's private sector work at a company that offers no paid sick, vacation, or holiday time.**

A lack of long-term paid family and medical leave also pumps the brakes on Mainers' income and the economy. In New England, 87 percent of workers are unable to access paid family leave and 10 percent of workers are unable to access unpaid family medical leave to care for themselves or a relative. Lack of access to this kind of leave drives down wages and retirement savings for women, who are more likely than men to take unpaid long-term family leave.<sup>xxv</sup>

Maine can create a fund to cover the administrative costs of establishing paid sick days and paid family and medical leave, so workers won't be forced to choose between their careers and caring for themselves or family.

**COST: \$20M**

## **STRENGTHEN ENFORCEMENT OF WORKERS' PROTECTIONS**

Existing worker protections to prevent wage theft are not properly enforced, in part because federal and state authorities lack adequate resources. The Wage and Hour Division of Maine's Department of Labor has just six full-time equivalent positions charged with enforcing labor laws at roughly 52,000 workplaces. Other states similar to Maine in size have much more robust departments; Hawaii has 18 employees, and New Hampshire has 16.<sup>xxvi</sup>

Maine's Human Rights Commission is charged with enforcing Maine's Human Rights Act, which prohibits discrimination in the workplace on the basis of race, color, sex, sexual orientation, age, physical or mental disability, genetic pre-disposition, religion, ancestry, or national origin.<sup>xxvii</sup> Complaints to the Commission are on the rise, and in 2016 a special governor's panel recommended additional staff and more training, among other recommendations, to help the Commission meet its mandate.<sup>xxviii</sup>

The Prosperity Budget increases funding for the Department of Labor and the Human Rights Commission to more effectively protect Mainers' rights at the workplace.

**COST: \$3M**

# Healthy Families

**Healthy communities allow all Mainers to contribute to society and the economy. They are places where children, families, and seniors are secure in the knowledge they can see a doctor, get the care they need, and afford the prescriptions necessary to maintain good health.**

Access to affordable health care is central to maintaining healthy communities and insurance coverage is linked to increased productivity and stability for families. Mainers who can get regular checkups, plan when and how to start families, see a doctor when they are sick, and afford needed medicine are better able to show up to work or start their own business. People with health insurance are more likely to access preventative care,<sup>xxxix</sup> stay healthier,<sup>xxx</sup> and avoid sudden crises in their family budgets that come from unplanned emergency care or missed work.<sup>xxxi</sup>

**Mainers with health coverage are better able to show up to work or start their own business.**

Residents of Maine are more likely to lack insurance than residents of any other New England state. Maine lags on insurance coverage rates for all Mainers, including young children.<sup>xxxii</sup>

In 2017, Mainers voted to expand Medicaid eligibility under the terms of the federal Affordable Care Act. Expansion will bring health insurance to 70,000 more Mainers in households with low incomes. While voters recognized the value of expanding access to health care, Governor Paul LePage dragged out implementation of the voter-approved health care law — a move that delayed health care for Maine families, the creation of 6,000 jobs, and \$684 million in additional economic activity per year.<sup>xxxiii</sup> The Prosperity Budget calls for immediate and effective implementation of the Medicaid expansion law, including education and outreach to newly eligible Mainers so they can get coverage.

Healthy communities mean that no one is left behind. That includes the increasing number of Mainers suffering from substance use disorder. Substance use is fueling the gravest public health crisis in our state: the epidemic of overdose deaths. The lack of health care access compounds the crisis. Maine has the 9th highest rate of drug deaths in the country, with overdose killing more than one Mainer per day in 2017.<sup>xxxiv</sup> While fully funding the Medicaid program will expand health care for some Mainers suffering with substance use disorder, more action is needed to address this problem. The Prosperity Budget calls on increased funding for recovery and treatment, and new policies to curb substance use and help sick Mainers reintegrate with families, communities, and the workforce.

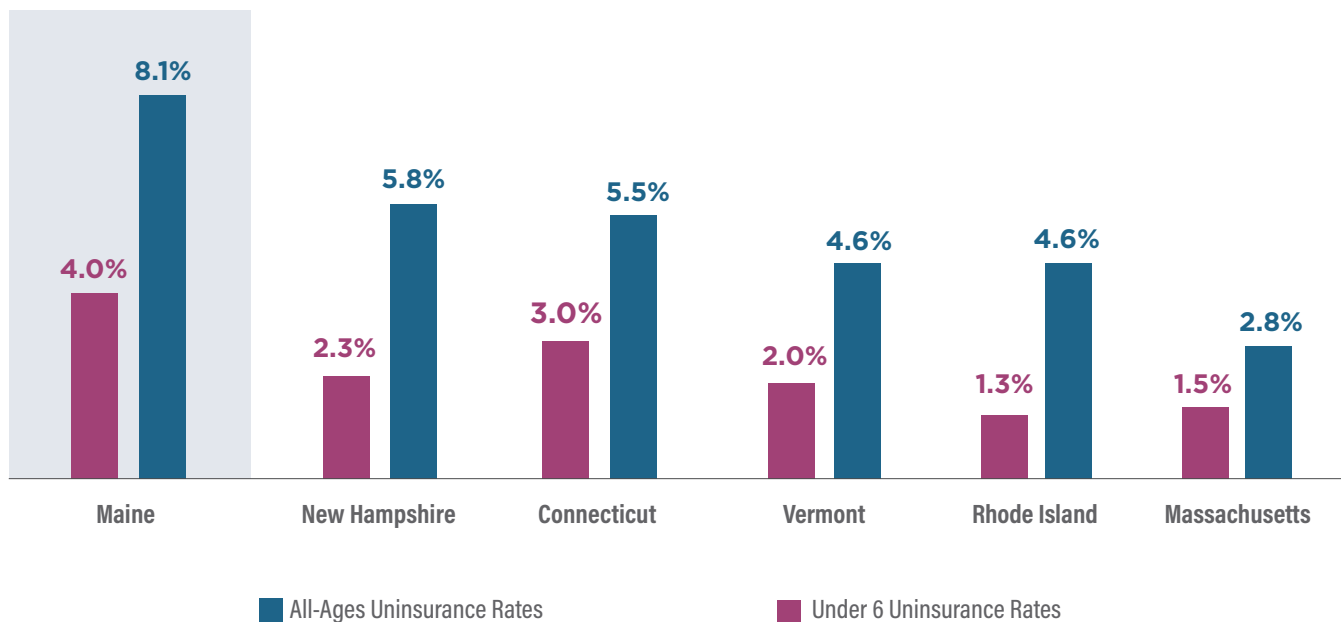
Healthy communities are places where seniors live dignified and secure lives. Today, nearly 20 percent of Maine's population is 65 years old or older and seniors are expected to comprise more than 26 percent of the population by 2030.<sup>xxxv</sup>

Ensuring the health of seniors requires modernizing our care system to meet the demands of Maine's graying populace. Low wages put a damper on recruitment of skilled workers necessary to serve the increasing number of seniors and Mainers with disabilities who require in-home care, while the rising costs of prescription drugs jeopardize seniors' health and economic security. The Prosperity Budget prioritizes services for seniors and Mainers with disabilities.

By expanding health care, tackling the opioid crisis head-on, and strengthening support for seniors and Mainers with disabilities, the next budget can improve the well-being of communities and ensure all Mainers are integrated into the healthy communities necessary for a healthy economy.



## MAINE LAGS NEW ENGLAND IN HEALTH CARE COVERAGE



Source: 2017 American Community Survey 1-Year Estimates



## SPUR GOOD HEALTH BY FULLY FUNDING MEDICAID

Health care is linked to improved educational and economic outcomes. Medicaid currently provides affordable, quality health care to 261,000 Mainers with low incomes.<sup>xxxvi</sup> For these families, health care is critical to forging a path out of poverty. Improved health through regular care outside of an emergency room means adults are better able to find and keep work. It improves children's ability to focus at school.

Maine is on track to expand those health, economic, and education benefits to 70,000 additional Mainers, including 17,500 parents and 6,000 kids.<sup>xxxvii</sup> This coverage is a great value for Maine, which will reap the long-term benefits of increased health coverage while the federal government picks up 90 percent of the cost of expanded eligibility.

The state should also restore eligibility to low-income, legally present immigrants by repealing the 2011 law that cut off their access to Medicaid. Repealing the 2011 law would also improve health and economic outcomes by restoring access to food assistance and Temporary Assistance for Needy Families.

Previous Medicaid funding levels, though, will be insufficient to cover the full cost of the state's Medicaid program in the next two years. The Prosperity Budget calls for additional appropriations to fully fund the program, avoiding interruptions in service and ensuring everyone in Maine who is eligible for coverage can get it.

**COST: \$119M**

## SUPPORT SENIORS, MAINERS WITH DISABILITIES, AND THOSE WHO CARE FOR THEM

Maine's population is getting older. As more Mainers enter their senior years, it's more important than ever to ensure seniors and individuals with disabilities who require in-home or residential services have the care they need to stay happy and healthy.

Policymakers have taken steps to make in-home living possible for more of Maine's seniors and Mainers with disabilities. In a special legislative session in 2018, lawmakers increased wages for direct-care workers by raising the reimbursement rate paid by Medicaid to cover the services they provide. Doing so begins to address a critical workforce shortage and will lead to increased quality services for Mainers who require direct-care assistance in their day-to-day lives.

Taking care of direct-care workers ensures that those who care for our loved ones can do their best work with better wages and training and safer working conditions. The increases in the last budget are a start, but as the state's population of seniors continues to grow, Maine will need to make sure direct-care worker wages keep up. The Prosperity Budget calls for continued reimbursement rate increases to keep up with the needs of seniors, Mainers with disabilities, and the critical workforce dedicated to their care.

Mainers also face barriers to happy, healthy lives in the form of skyrocketing prescription drug costs. For low-income seniors on fixed incomes, the impact of increasing drug prices can be especially severe. A recent congressional report found that the costs of the 20 most commonly prescribed drugs for seniors had increased 10 times faster than the cost of inflation since 2012. That means costs for these drugs were increasing at ten times the rate of Social Security adjustments (the main source of income for seniors) as well.<sup>xxxviii</sup> The Prosperity Budget calls for reimbursing Maine's seniors with low incomes for all or part of their premiums and co-pays for prescription drugs bought with Medicare Part D insurance.<sup>xxxix</sup>

**Prices of seniors' most commonly prescribed drugs have increased 10 times faster than their Social Security income.**

The Prosperity Budget also calls for additional resources for Meals on Wheels, an important program that delivers nutritious meals to seniors and Mainers with disabilities who have difficulty getting out of the house. The boost in nutrition and quality of life for program participants helps keep Mainers in their own homes, but in 2018, funding for Meals on Wheels was insufficient to cover demand, resulting in the first waitlist in the program's history. At the beginning of the year, 257 Mainers were on the waitlist,<sup>xl</sup> and the figure has likely grown. Increased funding will eliminate the waitlist and accommodate growing demand.

This collection of budget initiatives will support the ability of seniors and Mainers with disabilities to live with dignity in the setting that is most appropriate for them — whether that's in their own homes or assisted living or nursing facilities.

**COST: \$142.3M**



## IMPROVE DENTAL CARE

Comprehensive health care requires access to preventative and restorative oral health care, but many Mainers face barriers to dental health.

Many Maine children lack access to dental disease prevention such as teeth cleanings and dental sealants. In 2015, only 42 percent of children on Medicaid and 66 percent of children on private insurance visited a dentist.<sup>xii</sup> Lack of access to affordable preventative and routine dental care is taking a toll on the oral health of Maine children. More than 1 in 3 Maine children have experienced at least one cavity by 3rd grade.<sup>xiii</sup> Early dental disease affects children's overall health, school attendance, and academic achievement.<sup>xiii</sup>

The Prosperity Budget expands the state's community oral health program to better meet the needs of Maine children, provides access to preventative and restorative dental health care for adults who receive coverage through Medicaid, and creates incentives for providers to serve Medicaid patients.

**COST: \$12.8M**

## STRENGTHEN FAMILY PLANNING FOR MAINERS' HEALTH

All Mainers deserve the ability to choose for themselves how, when, and whether to start a family.

Family planning clinics are critical to our health care system. The doctors and other professionals there provide not only comprehensive reproductive health services but are primary care providers to 41 percent of the patients they serve. This is especially true for low-income, uninsured, and underinsured patients.<sup>xliv</sup>

Maine's network of family planning providers is seriously underfunded. With the current lack of resources, Planned Parenthood of Northern New England says that providers are able to meet just one-third of the state's needs. This deficit is further compounded by cuts made under Governor LePage and proposed rules by President Donald Trump's administration that would make it impossible for the state's providers to continue to receive federal Title X funding — the only federal dollars dedicated to providing comprehensive reproductive health care to those in need.<sup>xlv</sup>

The Prosperity Budget calls for increased funding to restore the health care resources cut over the past eight years, better meet the needs of Mainers, and ensure the system can continue to serve patients whose care would be interrupted should President Trump's Title X cuts be implemented.

**COST: \$10M**

## SAVE MAINE LIVES WITH SOLUTIONS TO SUBSTANCE USE

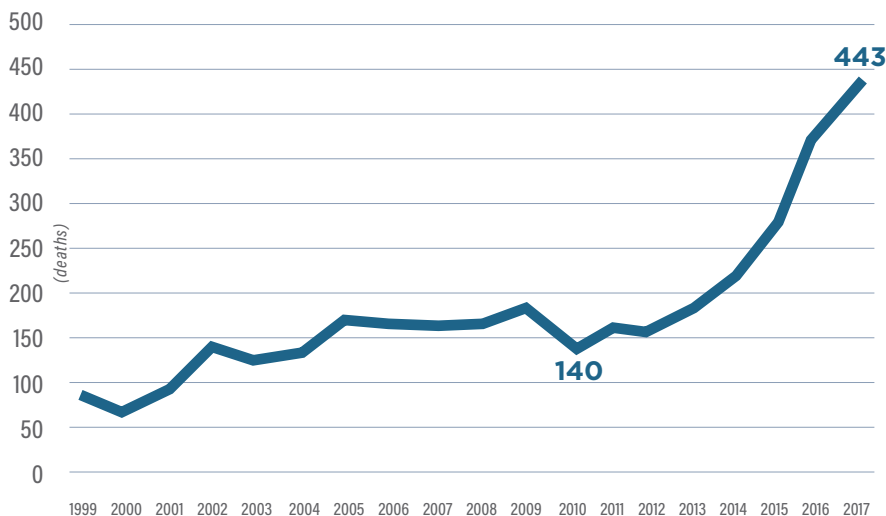
Maine's opioid epidemic commands headlines but a critical part of the story is often missing: Effective treatment and recovery services can put Mainers suffering from substance use disorder back on track.

Maine's Office of Substance Use and Mental Health wrote in 2013 that just under 15,000 individuals received treatment in 2010 — a figure that represents just one-fifth of those who need treatment.<sup>xlvi</sup>

**Since this study, opioid use and deaths have only increased, as drug overdose deaths in Maine more than tripled between 2010 and 2017.<sup>xlvii</sup>**

continued on next page

## MAINE DRUG RELATED DEATHS HAVE MORE THAN TRIPLED SINCE 2010



Source: Centers for Disease Control and Prevention, National Center for Health Statistics

# The scale of Maine's opioid epidemic must be matched by an ambitious plan to provide treatment and prevent overdose deaths.

The scale of the crisis must be matched by an ambitious plan to provide treatment and prevent overdose deaths. Policy discussion about the opioid crisis often pits strategies against each other. But Maine must take a multifaceted approach to expanding treatment to the populations at greatest risk of substance use disorder.

Law Enforcement Assisted Diversion, or LEAD, allows law enforcement officers the ability to place Mainers with substance use disorder into treatment programs that will lead to recovery, rather than jail. Expanding LEAD programs to more law enforcement agencies, paired with greater funding for the facilities and programs offered in lieu of incarceration, will help improve recovery outcomes and reduce recidivism.<sup>xlviii</sup>

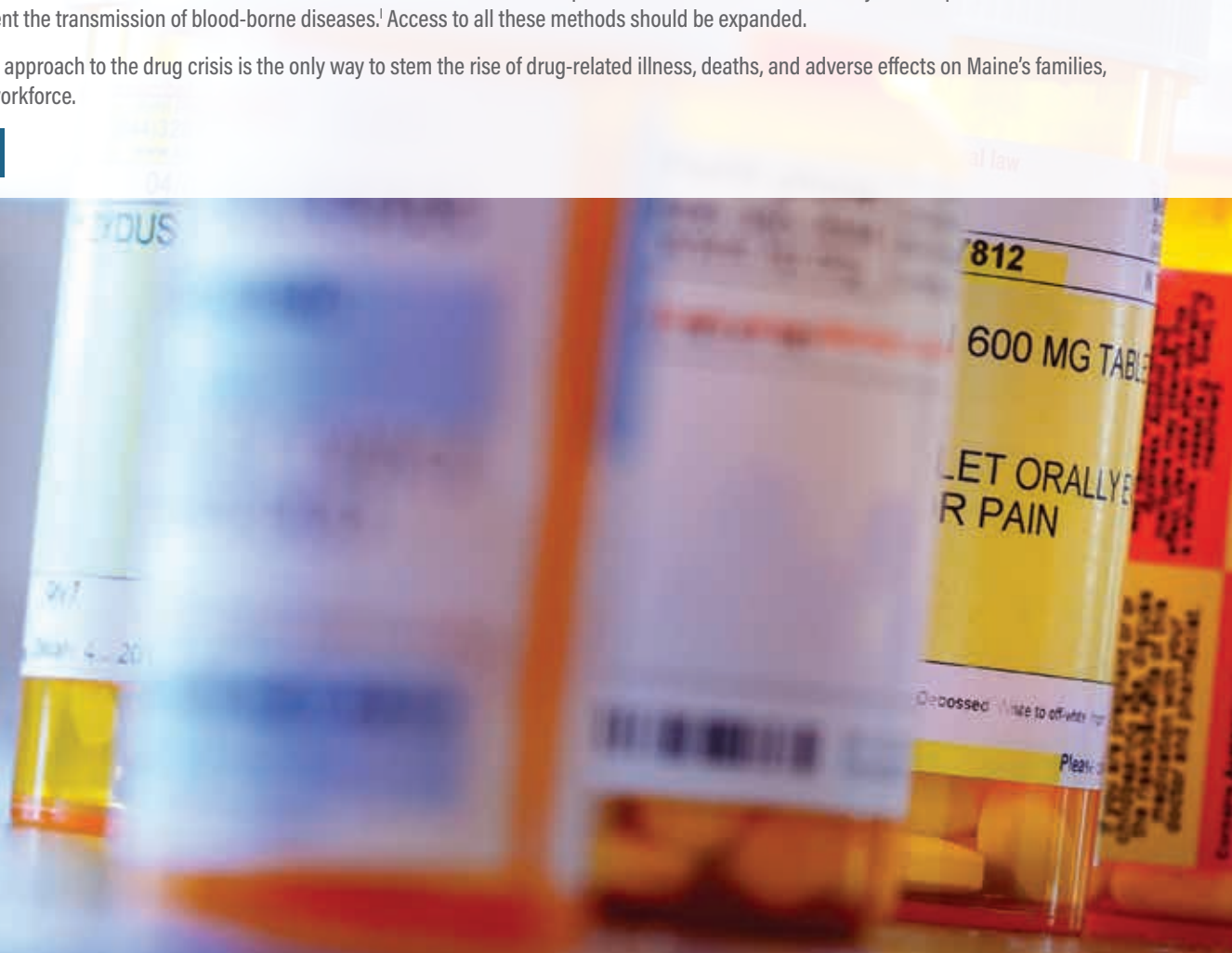
For those Mainers with substance use disorder who are incarcerated, state policy should allow for proven, effective medication-assisted treatments. This treatment model is regarded by medical experts as the gold standard for recovery. The Legislature should also ensure adequate funding to pay for that treatment.

Other evidence-based methods also have a role to play in reversing the drug crisis. Community access to clean needle exchanges and naloxone, a drug that can reverse the effects of an opioid overdose, can save lives. They also help Mainers enter

treatment and prevent the transmission of blood-borne diseases.<sup>i</sup> Access to all these methods should be expanded.

This comprehensive approach to the drug crisis is the only way to stem the rise of drug-related illness, deaths, and adverse effects on Maine's families, communities, and workforce.

**COST: \$22M**





# Communities with Strong Foundations

**Sound, modern infrastructure and high-quality public services are crucial to maintaining a bustling economy. Maine's budget should invest in building those strong foundations, which make it easier to forge the connections that power an economy and keep communities connected.**

Safe transportation infrastructure allows people to get where they need to go and connects businesses with customers and workers. Broadband connects communities to the world through reliable, high-speed Internet service, which creates new possibilities for work, play, and education.

Public-sector employees teach our children, protect our communities, clear our roads of snow and debris, and design and maintain our clean air and water systems. They keep our parks and public lands, build our infrastructure, provide vaccination and public health services, and connect Mainers with unemployment, disability, and other benefits.

Good infrastructure and public services are invaluable to our communities and our economy, but investments in both have fallen behind. This backsliding has kept Maine from strengthening its foundations and has put pressure on municipalities to raise property taxes.

We can strengthen the backbone of our economy by reinvesting in infrastructure and public services. The Prosperity Budget calls for investments to fund modern, reliable roads and bridges; to expand the broadband capacity necessary for our economy's future; and to reinvigorate the public services upon which every Maine family, business, and community relies.

## **BUILD OUT STRONG, MODERN INFRASTRUCTURE**

Maine's broadband capacity is falling behind what's necessary to keep up with today's economy. Census data from 2015 indicates that just 7.9 percent of households and businesses have upload speeds of up to 25 Megabits per second — the standard set by the March 2018 State of Maine Broadband Action Plan.<sup>ii</sup> Broadband access is particularly limited in rural Maine, where much of the state's natural resource-based economy is located, putting farming, fishing, and forestry operations at a competitive disadvantage.

Maine has proven that it can build out new infrastructure to meet new demands. Together, we have successfully brought internet service to 97 percent of our state.<sup>iii</sup> But connection is no longer enough. High-speed internet is the infrastructure of the modern economy, the same way railroads, telephone networks, and highways powered growth and entrepreneurship in previous generations. Keeping pace with increased speeds will be key to staying competitive in the future. With real investment, Maine can not only catch up, but lead. The Legislature should allow a \$100 million bond for broadband expansion to go before voters in 2019. Investment at this level will connect Maine's underserved regions to modern and reliable, high-speed internet.

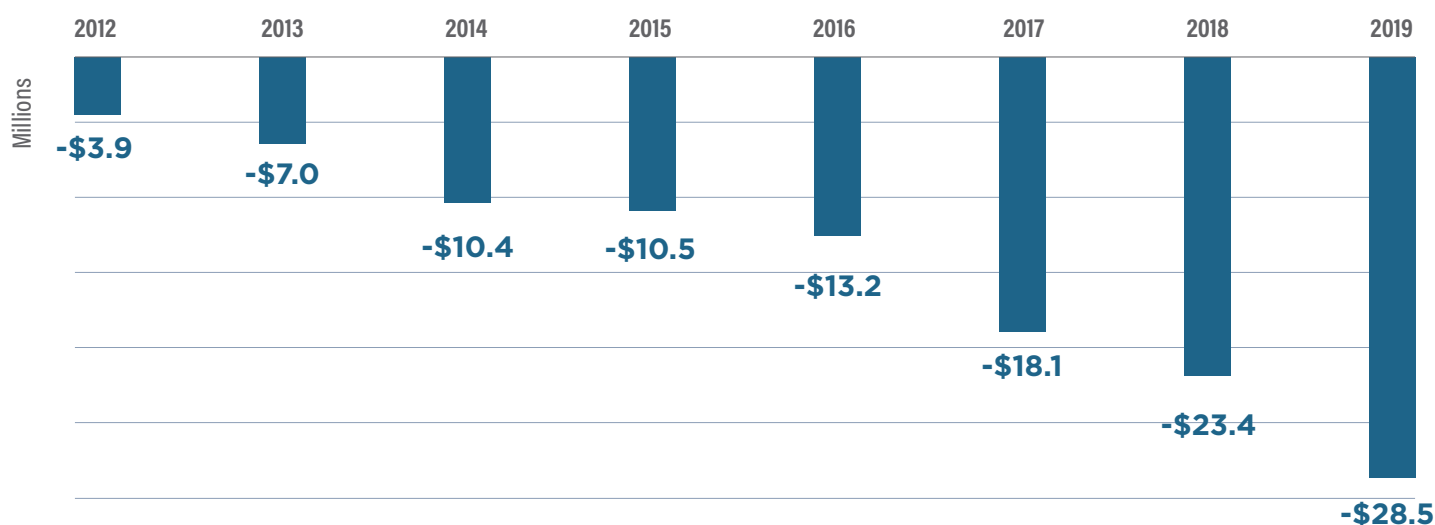
While Maine looks forward to expanding newer forms of infrastructure such as reliable, high-speed Internet, its more traditional infrastructure is also in need of investment. A recent report by Maine Better Transportation Association<sup>iiii</sup> illustrates the state of our transportation infrastructure. Maine has a nearly 2,000-mile backlog of repairs on its major collector system while more than one-quarter of our highway pavement is classified as poor quality. Maine's businesses and families pay for the transportation project backlog in the form of increased car repair bills and more frequent traffic accidents.

Each year, Maine approves transportation bonds to fund infrastructure projects. While borrowing is an appropriate way to fund long-term investments and innovation in transportation, the state should not take out loans for routine maintenance, as has become the norm.

 **Maine's Highway Fund receives two-thirds of its revenue from the gas tax. To keep up with the cost of road and bridge maintenance, the gas tax was historically indexed to inflation. But in 2011, the Legislature voted to eliminate indexing, a move that froze the tax and has resulted in the loss of \$115 million in revenue for Maine's transportation infrastructure.<sup>lv</sup>** The Prosperity Budget calls to restore indexing so that Maine can maintain safe, modern roads and bridges that support families and the economy.



## MAINE LOST \$115 MILLION FOR ROADS AND BRIDGES SINCE 2011



**Notes:** Revenue lost as a result of eliminating gas tax indexing in 2011  
*Source: MECEP analysis of state revenue figures*

## REINVIGORATE OUR PUBLIC SERVICES

Whether at work, home, school, or play, Mainers rely on high-quality services from the public sector to ensure a high standard of living. Often, this work happens behind the scenes. At times of crisis, such as a home fire or a layoff, the work of state and local employees takes center stage.

Public employees have always worked hard to provide the level of service Mainers expect. But in recent years, their work has been undermined by a lack of resources. Wages for state employees have stagnated, leaving many public-sector professionals earning substantially less than they would earn in the private sector and making it harder to attract high-quality applicants.<sup>iv</sup> Positions have been cut and work previously done by state employees accountable to the public has been outsourced to for-profit entities.

Staff shortages contributed to the high-profile problems at Riverview Psychiatric Center, and patient safety and treatment suffered as a result. The LePage administration systemically dismantled Maine's public health nursing workforce, jeopardizing the state's ability to respond to disease outbreaks. Work traditionally performed well by public workers was outsourced. At some state agencies, Mainers report trouble even getting someone to answer the phone.

The Prosperity Budget proposes a state workers study to determine the effect of cuts and underfunding in the public sector and make recommendations to guarantee the high-quality service that Mainers deserve from their government. It also calls for a \$20 million fund to implement the study's recommendations.

**Public employees work hard to provide the level of service Mainers expect. But their work is undermined by a lack of resources.**

### COST: \$23M

Meanwhile, the state has shirked its obligation to provide reliable funding for local services.

The state is required to provide 5 percent of the revenue it receives from broad-based taxes, such as the income tax and the sales tax, back to municipalities. This revenue sharing helps cover the cost of local services and reduce upward pressure on property tax rates. But for years, lawmakers have balanced state budgets at the expense of local communities by shortchanging towns and cities. Over the past four years, municipalities have received just 40 percent of the funding they were owed.

Maine law requires the budget to fully fund revenue sharing in the next budget, and lawmakers need only to defend this revenue from being swept for other needs. Full funding of revenue sharing would increase resources for local services such as libraries, parks, fire protection, and winter road clearing by \$219 million and alleviate pressure on property taxes.

# Revenue for a Brighter Future

To reap the benefits of sustained investment in Maine's schools, workforce, health, and infrastructure, budget writers will need to make a down payment on our future. The Prosperity Budget calls for making that down payment by re-balancing our tax code, closing loopholes for the wealthiest and profitable businesses, and tapping the value of our state's booming tourism industry.

Changes to Maine's income tax code since 2010 mean the state has \$860 million less to invest in our future over the next two years. This revenue was raided to fund tax breaks and giveaways that primarily benefitted the already wealthy. Half of those tax cuts went to the wealthiest one-fifth of households.<sup>vi</sup> Additionally, the decision to gut the estate tax and expand ineffective giveaways and loopholes for profitable businesses have cost the state tens of millions of dollars each year.

○ This strategy has deepened inequality by robbing the state of the resources necessary to create shared prosperity. Federal strategy has followed suit. **Because of the tax bill passed by the Republican Congress and President Trump in 2017, Mainers will pay \$1 billion less in federal taxes in 2019. More than two-thirds of that tax cut will accrue to the wealthiest one-fifth of households.<sup>vi</sup>**

After years of tax policies that have diverted money from public investments that benefit all of us and given it disproportionately to a minority of the wealthiest families and businesses, lawmakers this year can re-balance the tax code to fund a down payment on a brighter future for all Mainers. The Prosperity Budget includes comprehensive income tax reform aimed at expanding growth and opportunity for all Mainers.

Policymakers can also look to Maine's booming tourism industry as a source of sustainable revenue to fund our shared priorities.

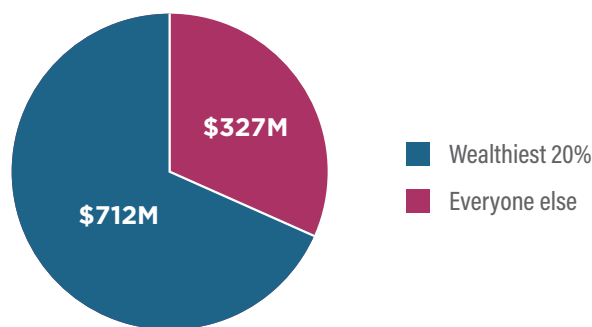
Maine is a great place to vacation, full of natural beauty, outdoor recreation possibilities, and dynamic, bustling downtowns and village centers where visitors can experience Maine culture, shop at Maine businesses, and eat at renowned restaurants. As a result, Maine welcomed 37 million visitors in 2017, and those visitors fueled a \$6 billion tourism industry<sup>viii</sup>, including record sales for the state's restaurant and hospitality industries.<sup>ix</sup>

The Prosperity Budget increases the lodging and restaurant taxes, tapping into the value of this booming sector to promote growth and prosperity in every corner of the state. Nearly 60 percent of the revenue generated by these increases would be paid by visitors to Maine.<sup>ix</sup>

It takes time for changes to tax policy to show up in the state's balance sheet. The total revenue from the tax reforms contained in the Prosperity Budget will not be available immediately. So the Prosperity Budget also draws down a portion of surplus revenues from the previous two-year budget cycle so that Maine can begin investing in its future without delay. Maine has \$263.5 million surplus revenues that can help finance parts of the initial investments while the new revenue sources phase in over the next two years.

As outlined in the Prosperity Budget, these new revenues will be plowed straight into communities and our economy. Taken together, these strategies will make our tax code fairer and would provide the \$781.7 million down payment for Maine's brighter future.

## WEALTHIEST MAINERS REAP TWO-THIRDS OF TRUMP TAX CUTS



Notes: Figures in millions, tax year 2019

Source: Institute on Taxation and Economic Policy, December 2017

## PROGRESSIVE INCOME TAXES FOR GROWTH AND OPPORTUNITY

Maine's top 1 percent, those families with incomes more than \$434,500 each year, pay the lowest effective state and local tax rate of all income groups.<sup>ixi</sup> In other words, families who make less money contribute more of every dollar they make for schools, roads, and community services than the wealthiest families in Maine do.

Re-balancing this upside-down tax code starts by restructuring Maine's income tax to ensure those with the most aren't contributing the least.

The Prosperity Budget creates two new tax brackets on higher incomes that will turn our tax code right-side up: a 9.5 percent tax on family income between \$200,000 and \$500,000, and a 10.5 percent tax on family income greater than \$500,000. For single Mainers, the 9.5 percent tax would apply to income between \$100,000 and \$250,000 and the 10.5 percent tax to income above \$250,000.

**Families with lower incomes contribute more of every dollar they earn for roads, schools and public services than the wealthy do.**

### CURRENT LAW

Single Filers	
\$0- \$21,449	5.8%
\$21,450- \$50,749	6.75%
\$50,750+	7.15%

Married Filers	
\$0- \$42,899	5.8%
\$42,900- \$101,549	6.75%
\$101,550+	7.15%

### PROPOSED LAW

Single Filers	
\$0- \$21,449	5.8%
\$21,450- \$50,749	6.75%
\$50,750- \$99,999	7.15%
<b>\$100,000-\$249,999</b>	<b>9.5%</b>
<b>\$250,000+</b>	<b>10.5%</b>

Married Filers	
\$0- \$42,899	5.8%
\$42,900- \$101,549	6.75%
\$101,550- \$199,999	7.15%
<b>\$200,000-\$499,999</b>	<b>9.5%</b>
<b>\$500,000</b>	<b>10.5%</b>

Next, the Prosperity Budget increases the standard deduction — the amount of income not subject to income tax — from \$24,000 to \$25,000 for married couples and from \$12,000 to \$12,500 for single Mainers. This increase, combined with a gradual phasing out of the standard deduction for single Mainers making more than \$135,000 and families making more than \$270,000 and the elimination of non-medical itemized deductions, will make the tax code simpler and fairer.

The Prosperity Budget also calls for tripling Maine's Earned Income Tax Credit, or EITC, which provides working Mainers with low incomes a larger refund to help them cover the basics. The EITC is the most proven, effective tool in reducing poverty, and Maine is overdue for an expansion in this critical program for working families.

**Together, these reforms will contribute \$308 million to the down payment for Maine's future.**

**REVENUE: \$308M**

## BOOST FAMILY INCOMES WITH EITC

**The Federal Earned Income Tax Credit, or EITC, is one of the most effective poverty reducing policies ever created. Nationally, the EITC alone is responsible for reducing the rate of child poverty by 20 percent.<sup>lxiv</sup> For the 2016 tax year, more than one in seven Maine households received the federal EITC, which resulted in nearly \$212 million more in the pockets of low-income working Mainers.<sup>lxv</sup>**

The EITC boosts Mainers with low incomes by giving them a larger refund when they file their taxes. That makes it easier for families to cover the basics — such as groceries, child care, and medical bills. In turn, that spending ripples throughout communities and supports a strong economy. The program's success has spurred many states, including Maine, to create their own state-level EITCs, which provide a percentage of the full federal credit to residents on their state income taxes.

However, Maine's current EITC is too small — outpaced by most other states offering refundable credits for working families. The Prosperity

Budget triples the Maine EITC so that it equals 15 percent of the federal credit. While the EITC varies depending on income and family size, this expansion will increase the maximum credit from \$315 to \$945.

Tripling the Maine EITC is a cost-effective, targeted way to alleviate an unfair tax burden on working-poor families and boost the effects of the federal credit in fighting poverty and encouraging work. As our tax code is currently written, the poorest one-fifth of Mainers pay a higher percentage of their income in state and local taxes than the wealthiest one percent. Expanding Maine's EITC is a critical part of rebalancing our tax code and helping Mainers with low incomes make ends meet.

The Prosperity Budget also patches a hole in the federal EITC that leaves out childless workers between the ages of 18 and 24, so that those younger Mainers receive the same boost as older childless adults. On average, the EITC revisions in the Prosperity Budget will lower taxes for the poorest one-fifth of Maine households by \$80 and by \$65 for the next fifth of households.

## CLOSE LOOPHOLES & MODERNIZE TAXES

Inherited wealth is a major contributor to generational inequality, allowing the wealthiest families to continually benefit from previous generations' wealth as hard assets continue to rise in value. Meanwhile, Mainers from families with little to no wealth start at zero with every new generation.

Tax policies that benefit those with immense wealth exacerbate inequality. For example, the state's estate tax exemption has more than quintupled. Today, the wealthiest families can pass on \$11.2 million of wealth without paying a cent of the estate tax. This loophole has grown so large that only 20 estates in Maine owed any estate tax at all in 2017.<sup>lxvi</sup>

The Prosperity Budget returns the estate tax for families back to 2011 levels, allowing the wealthiest family estates to shield \$2 million from the estate tax.<sup>lxvii</sup> This reform will help to level the playing field with regard to the share of taxes wealthy families pay relative to other families.

The Prosperity Budget also calls for eliminating a loophole that allows major corporations to hide their profits in offshore tax havens. This loophole allows those businesses to build their profits on Maine's public roads and with workers educated in Maine's public schools without contributing their fair share. The use of tax havens shrinks the tax base and forces smaller businesses and families to pick up the difference.

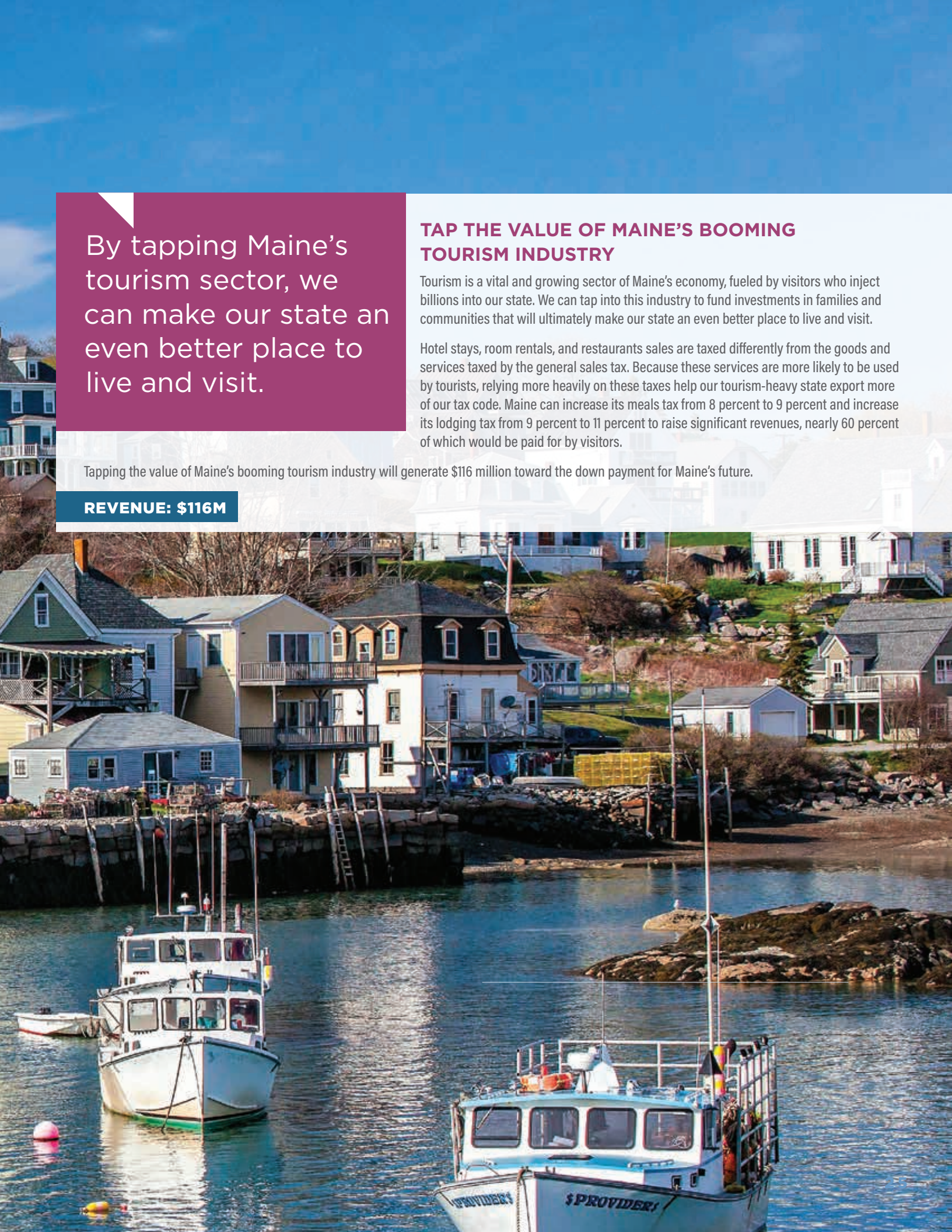
Maine already takes steps to stop multistate corporations and their subsidies from transferring Maine-made profits into on-shore tax havens like Delaware and Nevada. It only makes sense for Maine to close the loophole that lets multinational corporations engage in tax dodging practices on the international stage.

The Prosperity Budget also calls for modernizing the way the state taxes hospitals. Current tax law assesses income tax on hospitals based on their 2014 profits. Unfreezing the tax assessment on hospitals, so that they pay based on each year's earnings just like most families and other businesses, would help fund vital health care efforts across the state.

**Closing the estate tax and tax haven loopholes and modernizing Maine's hospital tax will contribute \$70 million to the down payment for Maine's future.**

**REVENUE: \$70M**





By tapping Maine's tourism sector, we can make our state an even better place to live and visit.

## TAP THE VALUE OF MAINE'S BOOMING TOURISM INDUSTRY

Tourism is a vital and growing sector of Maine's economy, fueled by visitors who inject billions into our state. We can tap into this industry to fund investments in families and communities that will ultimately make our state an even better place to live and visit.

Hotel stays, room rentals, and restaurants sales are taxed differently from the goods and services taxed by the general sales tax. Because these services are more likely to be used by tourists, relying more heavily on these taxes help our tourism-heavy state export more of our tax code. Maine can increase its meals tax from 8 percent to 9 percent and increase its lodging tax from 9 percent to 11 percent to raise significant revenues, nearly 60 percent of which would be paid for by visitors.

Tapping the value of Maine's booming tourism industry will generate \$116 million toward the down payment for Maine's future.

**REVENUE: \$116M**



# Conclusion

## SHARED OPPORTUNITY AND PROSPERITY FOR ALL

**The elements of a strong economy — one where sustainable growth produces shared opportunity and prosperity for all — are no secret.**

Mainers are raised to pull our own weight and do the work necessary to solve the problems we face. We're also raised to recognize the power we have when we come together. Building foundations for our future with targeted investments in education, workforce, health care, and public infrastructure helps create not only a more dynamic economy, but stronger families and thriving communities.

Each one of us benefits from those investments. That's why we all pitch in through taxes to pay for them. But too often in recent years, decisions to make our tax code more favorable for a powerful and wealthy few have held back our ability to enact budgets that can effectively set Maine up for success.

**It's time for a change.**

This year, Maine can align our budget and our tax code to reflect our values of self-determination and solidarity. We can kick-start our economy, spurring growth from the bottom-up and setting our state on an upward trajectory for generations to come. And with improvements to make our tax code more progressive and effective, we can make the down payment on our future necessary to fund those investments that benefit all of us.

By focusing on Mainers' values and on proven, people-powered solutions for our economy, the Prosperity Budget ensures all of us — regardless of our race, where we live, or our families' level of wealth — have real opportunities to contribute and succeed in our state.

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# **APPENDICES**

# SUMMARY OF APPROPRIATIONS

## APPENDIX 1 *All dollar figures here are in millions*

### PERMANENT COMMISSION ON RACE EQUITY

Racist policies and practices have held back Mainers of color. The Commission will research disparities in outcomes and make recommendations for equity and justice.

FY2020	FY2021	Biennial
\$0.3	\$0.3	\$0.6

### GOOD SCHOOLS, GOOD JOBS

Investment in education, including early childhood, post-secondary, and adult education, will power a strong economy and ensure all of us can benefit from growth and prosperity. Workplace benefits such as paid sick days and paid family and medical leave will cement our respect for hard work and dedication to healthy families.

#### Fully Fund pre-K-12 Schools

#### Early Childhood Care & Education

#### Triple State of Maine Grant

#### Fully Fund Adult Education

#### Paid Sick & Family Leave

#### Strengthen Workers' Rights

FY2020	FY2021	Biennial
\$150.0	\$170.0	\$320.0
	\$40.0	\$40.0
\$31.0	\$31.0	\$62.0
\$4.0	\$4.0	\$8.0
	\$20.0	\$20.0
	\$3.0	\$3.0

### HEALTHY FAMILIES

Greater access to health care, dental care, recovery services, and supports for seniors and Mainers with disabilities will improve Mainers' well-being and make our workforce stronger and more productive.

#### Fully Fund Medicaid

#### Restore Eligibility to Lawfully Present Immigrants

#### Kids Dental

#### Adult Dental

#### Family Planning

#### Package to Address Substance Use Disorder

#### Package for the Elderly and Mainers with Disabilities

FY2020	FY2021	Biennial
\$48.6	\$61.9	\$110.5
\$3.5	\$4.0	\$7.5
\$3.0	\$3.0	\$6.0
\$2.3	\$4.5	\$6.8
\$5.0	\$5.0	\$10.0
\$11.0	\$11.0	\$22.0
\$47.6	\$94.7	\$142.3

## COMMUNITIES WITH STRONG FOUNDATIONS\*

Maine's economy needs reliable, robust infrastructure and public services so its families and businesses can thrive. Modernizing our infrastructure and reinvigorating the services that have been neglected or undermined will position us for success in the near- and long-term.

	FY2020	FY2021	Biennial
State Workers Study & Funding	\$3.0	\$20.0	\$23.0

Total Appropriations	\$309.3	\$472.4	\$781.7
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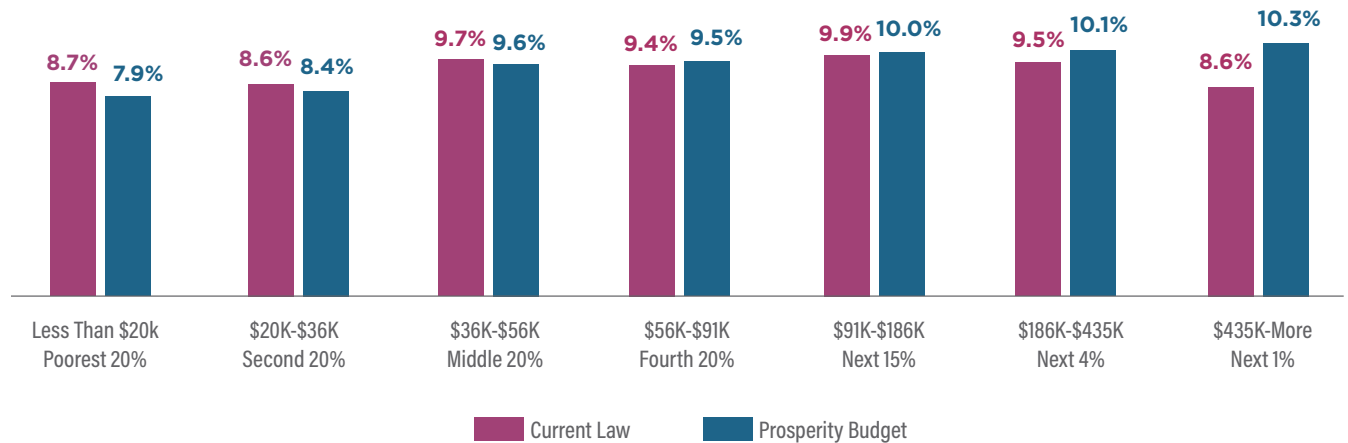
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\* The \$219 million necessary to fully fund Municipal Revenue Sharing is not included in this appropriation table, as the full 5 percent is already included by statute in the projected revenues for the budget baseline. The Prosperity Budget calls for the Legislature to protect this critical funding for Maine's communities. Bonds for transportation infrastructure and broadband build-out are excluded because their funding is unlikely to be deployed before the end of the biennium.

# SUMMARY OF REVENUES

## APPENDIX 2 *All dollar figures here are in millions*

### PROSPERITY BUDGET FUNDS GROWTH AND OPPORTUNITY WITH PROGRESSIVE TAX REFORM



**Notes:** Prosperity Budget's cumulative tax changes as a percent of income, by income group, excluding provisions regarding estate tax, hospital tax, and tax havens

Source: Institute on Taxation and Economic Policy, December 2018

### PROGRESSIVE INCOME TAXES FOR GROWTH AND OPPORTUNITY

Everyone should pitch in their share to build our brighter future. Re-balancing Maine's upside-down tax code will ensure those with the most aren't contributing the least. Asking the wealthiest Mainers to chip in a little more, along with progressive reforms to deductions and the Earned Income Tax Credit, will make our tax code fairer and will power opportunity and prosperity.

Comprehensive Income  
Tax Reform Package

FY2020	FY2021	Biennial
\$154.1	\$154.1	\$308.2



## CLOSE LOOPHOLES AND MODERNIZE TAX CODE

Taxes are the way we come together to pay for the things that benefit us all. But loopholes such as the estate tax and offshore tax havens allow multi-millionaire estates and profitable corporations to avoid paying taxes, jeopardizing our ability to address shared challenges and seize opportunity. Closing loopholes and modernizing out-of-date provisions of our tax code will ensure everyone contributes what they should.

Restore Estate Tax to 2011 Levels

Eliminate Offshore Tax Havens

Update Hospital Tax Assessment

FY2020	FY2021	Biennial
	\$24.0	\$24.0
	\$5.0	\$5.0
\$17.0	\$24.0	\$41.0

## TAP THE VALUE OF MAINE'S BOOMING TOURISM INDUSTRY

Maine's tourism industry continues to shatter records as millions of visitors spend billions of dollars in Maine every year. Small increases to our meals and lodging taxes will export more of our tax code and enable us to fund investments that make Maine an even better place to visit — or live.

Increase Meals Tax from 8 to 9 Percent

Increase Lodging Tax from 9 to 11 Percent

FY2020	FY2021	Biennial
\$37.2	\$37.2	\$74.4
\$32.8	\$32.8	\$65.6

Draw from Surplus

FY2020	FY2021	Biennial
\$68.2	\$195.3	\$263.5

**Total Revenues**

<b>\$309.3</b>	<b>\$472.4</b>	<b>\$781.7</b>
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**About MECEP:** The Maine Center for Economic Policy is a nonprofit research and policy organization dedicated to improving the economic well-being of low- and moderate-income Mainers. Since its founding in 1994, MECEP has provided policymakers, advocates, media organizations, and the public with credible, rigorous analysis that advances economic justice and shared prosperity. MECEP is an independent, nonpartisan organization.

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