

February 22, 2021

Dear members of the 130th Maine Legislature,

Thank you for your ongoing work to serve the people of Maine during this unprecedented time. The pandemic, the economic downturn, and the ongoing harm of inequality have converged to create a historic crisis, when your leadership and dedication matter as much as ever. We know that all of you care deeply about steering our state toward recovery.

While our state faces many challenges, the needed response to COVID has understandably dominated this legislative session. We recognize the need to respond to the immediate public health and economic crises created by the pandemic, and support efforts to do everything necessary to protect Maine families from disease and destitution.

We also know that our state and many of the people in it had unmet needs long before SARS-CoV-2 arrived in Maine. Like you, we all know what it takes to meet those needs and to build strong communities and a fair, thriving economy for all Mainers.

Our state has made some important progress in recent years. Thanks to leadership from Gov. Janet Mills and the Legislature:

- Funding for Essential Programs and Services at our public schools and for Municipal Revenue Sharing have inched upward — progress after years of cuts.
- The voter-approved expansion of Medicaid has been implemented, and as a result, more than 70,000 Mainers have coverage today than had it in January 2020.
- Before the pandemic, childhood poverty was on the decline, thanks in part to voters' and policymakers' support for raising the minimum wage and other policy changes made to strengthen the safety net.

But just like Maine cannot allow marginal improvements in case numbers or test positivity rates to make us complacent in the fight against COVID, we must not let small advances toward shared prosperity decrease the sense of urgency we feel to ensure *all Mainers* have equal opportunity to prosper and thrive.

Schools and communities have fallen behind as a result of underfunding from the state. Inequality has risen to unprecedented levels, with a small percentage of Maine households prospering greatly while an unconscionable number of families with low-to-moderate income struggle to pay for rent, food, health care, and child care. Pay and benefits for teachers, social service providers, park workers, and other public-sector workers have lagged, putting a drag on working families and making it harder for the state to attract talent.

This year's session is an opportunity not only to turn the tide on the pandemic, but to make major progress to reduce hardship, build a stronger future, and reverse inequality. The risk to our future is not in doing too much to build back better, but in doing too little.

Here are some examples of unmet needs and lagging investment that are holding our state back:

- Over the past 10 school years, Maine has underfunded its public schools by \$2.54 billion.
- Over the same period, the state pushed a \$707 million shortfall onto property taxpayers by failing to fully fund local services such as road maintenance, parks, and water treatment.
- Even before the pandemic, roughly 19% of Maine adults could not afford their monthly bills and 17% could not afford a \$400 emergency, like a car repair or hospital bill. Another two in 10 Maine adults would have to take on debt or sell belongings to afford that same emergency.
- Decades of underinvestment have left state agencies understaffed, which means fewer jobs for Mainers and less reliable services for families, businesses, and communities.
- Decades of underinvestment have left state workers underpaid by 15%, on average, depressing the incomes of one of the largest workforces in Maine.
- Maine's rental housing market is among the least affordable in the nation.¹ Nearly 60% of extremely low-income households pay more than 50% of their income for rent.² That leaves little for all other needs. In the midst of the pandemic, roughly 20,000 – 40,000 Maine households are behind in their rent and at risk of eviction.³
- 1 in 8 adults, including 1 in 5 children, experience food insecurity yearly. They are unable to get enough healthy food on a day-to-day basis.⁴ More than half of all Maine households with children are “not at all confident” or “not very confident” that they would be able to afford needed food in the next four weeks. Food pantries say the pandemic has prompted a 50% spike in demand for food assistance across the state.⁵
- Underinvestment in essential care services has left Maine’s direct care workforce underpaid, short-staffed, and unable to meet the needs of our state’s most vulnerable residents. Each week, hundreds of older, disabled and Mainers with mental health needs are left on waitlists as thousands of hours of necessary care go undelivered.
- In 2020, the Connect Maine Authority recommended a state investment of at least \$200 million over the next five years to achieve the goal of getting 99% of Mainers access to an adequate broadband connection.⁶
- The Maine DOT work plan contained a \$232 million annual shortfall, even before the pandemic caused gas tax revenues to drop significantly.⁷
- Expansion of Medicaid has meant that more than 70,000 Mainers have had coverage during the pandemic. Unfortunately, there are still thousands of Mainers without coverage, with roughly 1 in 12 Mainers uninsured,⁸ including many of our family, friends, and neighbors who are immigrants.
- Before the pandemic, the average cost of child care for an infant in Maine was \$9,500. For eight out of nine Maine families, this is unaffordable.⁹

Our entire state is held back by these unmet needs, but hardship falls disproportionately on Mainers of color. Black communities in Maine have contracted COVID-19 at a rate more than 20 times that of white Mainers.¹⁰ Black, Indigenous, and People of Color are more likely to be unemployed due to the pandemic, with Black workers more likely to experience longer periods of unemployment than white workers.¹¹ At the same time, workers of color are less likely than white workers to receive unemployment benefits for which they qualify,¹² and inequity in access to reliable, high-speed Internet means many people of color and immigrants lack the connectivity they need to study, attend online classes, apply for

jobs, or work remotely. Alarming, 26% of Maine's homeless population is Black or African American even though they make up only 1% of Maine's population.¹³

The Legislature has the authority and ability to meet these challenges head-on. But the path forward requires us to address the elephant in the room: Our state's inadequate, out-of-date tax code.

Even before the pandemic, existing revenue streams were inadequate to address Maine's largest challenges. Every budget cycle, the Legislature does what it can to "make do," but there's never enough revenue to meet even basic commitments to education and municipalities. Meanwhile, other legislation that would improve Mainers' lives fail — not for lack of political support, but for a lack of funding. This dynamic has existed for years, but was supercharged under former Gov. Paul LePage, who cut taxes for those at the top and eliminated or underfunded critical services that improve Maine for everyone.

The reason for this structural revenue shortfall is straightforward: Our tax system is hobbled by wasteful business loopholes, and inadequate taxes on high-income, high-wealth households, many of which pay a lower effective tax rate than middle class families.¹⁴ As a result, our tax code perpetuates inequality and austerity. It prioritizes wealth and the wealthy over the investments that would strengthen communities, and build a stronger, fairer economy for all Mainers, but particularly those with low-to-moderate incomes.

We cannot meet Mainers' needs without cleaning up our tax code, raising new revenues and investing those funds right back into families, communities, and our local economies.

The Legislature should set a goal this session of increasing state revenue by \$400 million annually. While that sum would not allow lawmakers to meet every unmet need, it would fully fund Maine's core obligations — including its 55% minimum obligation to Maine's schools and its share of the cost of local services and infrastructure through the Municipal Revenue Sharing program — and leave another roughly \$250 million available to meet other pressing needs.

This year, you will consider legislation to meet that goal by rolling back harmful tax cuts and improving Maine's tax code on a variety of fronts.¹⁵ These include:

- More adequate taxation of those at the top through reforms to the income tax and the creation of a new surcharge on capital gains income;
- An increased tax rate on corporate profits above \$3.5 million;
- The closure of corporate tax loopholes, including but not limited to the offshore tax haven loophole;
- The strengthening of Maine's estate tax, the most progressive and effective wealth tax in the state, which has the best ability to combat inequality.

These proposals would improve both the fairness and adequacy of Maine's tax code and would help raise the revenue necessary to fuel our COVID recovery and build a stronger, more equitable future.

We urge you to take this session as an opportunity to address not only Maine’s short-term COVID recovery, but to address long standing needs and build the foundation for a fairer, stronger economy. We are eager to support that work.

Thank you for your service to the people of Maine,

Signed:

Behavioral Health Community Collaborative
Maine AFL-CIO
Maine Center for Economic Policy
Maine Council on Aging
Maine Education Association
Maine Equal Justice
Maine Immigrants’ Rights Coalition
Maine People’s Alliance
Maine Service Employees Association - SEIU Local 1989
Maine Women’s Lobby
Mainers for Working Families
Planned Parenthood Maine Action Fund
Southern Maine Workers’ Center

Notes:

¹ Lawlor, Joe. “Maine’s rental market among nation’s least affordable, report says.” *Portland Press Herald*. June 13, 2018. <https://www.pressherald.com/2018/06/13/maines-rental-market-among-least-affordable-in-the-nation/>

² Maine State Data Overview. *National Low Income Housing Coalition*. Accessed February 16, 2021. <https://nlihc.org/housing-needs-by-state/maine>

³ “Analysis of Current and Expected Rental Shortfall and Potential Evictions in the U.S.” *National Council of State Housing Agencies*. September 25, 2020. https://www.ncsha.org/wp-content/uploads/Analysis-of-Current-and-Expected-Rental-Shortfall-and-Potential-Evictions-in-the-US_Stout_FINAL.pdf

⁴ “Hunger In Maine” *Feeding America*. Accessed February 16, 2021. <https://www.feedingamerica.org/hunger-in-america/maine>

⁵ “As Thanksgiving Approaches, Fewer than Half of Households with Kids Very Confident About Affording Needed Food.” *Center on Budget and Policy Priorities*. November 18, 2021. <https://www.cbpp.org/blog/as-thanksgiving-approaches-fewer-than-half-of-households-with-kids-very-confident-about>

⁶ “State of Maine Broadband Action Plan,” Connect Maine Authority, January 2020.

⁷ “The MaineDOT Work Plan, Calendar Years 2021-2022-2023,” Maine Department of Transportation.

⁸ Kaiser Family Foundation analysis of 2008-2019 American Community Survey, 1-year estimates.

⁹ “The cost of child care in Maine,” Economic Policy Institute, last updated October 2020.

¹⁰ Miller, Kevin. “Maine has nation’s worst COVID-19 racial disparity.” *Portland Press Herald*. June 21, 2020. <https://www.pressherald.com/2020/06/21/maine-has-nations-worst-covid-19-racial-disparity/>

¹¹ Williams, Jhacova. “Laid Off More, Hired Less: Black Workers in the COVI-19 Recession.” *The Rand Blog*. September 29, 2020. <https://www.rand.org/blog/2020/09/laid-o-more-hired-less-black-workers-in-the-covid.html>

¹² Gitis, Ben. “Survey Points to Potential Racial Disparities in Approval Rates for Unemployment Insurance Claims.” *Bipartisan Policy Center*. July 30, 2020. <https://bipartisanpolicy.org/blog/survey-points-to-potential-racial-disparities-in-approval-rates-for-unemployment-insurance-claims/>

¹³ “Maine Homelessness Survey: 2019 Point in Time Count” *Maine State Housing Authority*. Revised May 17, 2019. https://www.mainehousing.org/docs/default-source/housing-reports/2019-point-in-time-survey.pdf?sfvrsn=6d6fb415_4

¹⁴ The top 1% pay an effective state and local tax rate of 8.5% — lower than both the middle and fourth income quintiles. Institute on Taxation and Economic Policy, 2018 analysis.

¹⁵ Austin, Sarah. “Tax Policy Options: Maine Needs Progressive Revenue Solutions to Build a Stronger, Fairer Future.” *Maine Center for Economic Policy*. January 26, 2021. <https://www.mecep.org/wp-content/uploads/2021/01/MECEP-2021-Revenue-Options-Report.pdf>