



Putting People before Politics

Maine's challenges highlight need for facts and the importance of keeping all options on the table

Maine's state budget reflects the public's priorities. To achieve shared prosperity, we must maintain public investments in our people and communities in good times and bad.

Now more than ever, Maine policymakers must keep all options, not just budget cuts, on the table and rely on facts to craft a responsible budget that puts people before politics.

The recession's dark clouds remain

Maine's current budget challenges result directly from the recent recession, which caused a collapse in revenues. For FY2012 general fund revenues are approximately 20% or \$750 million below expected levels based on pre-recession trends.¹ We don't have a spending problem, we have a revenue problem.

20,000

Approximate number of public and private sector job losses if \$840 million budget shortfall is addressed with cuts alone.

896

Total number of state positions cut since 2002.

1998

Last year in which general fund spending was lower than the current level in inflation adjusted terms.

28.4%

Percent of 2010 general fund expenditures allocated to health and human services.

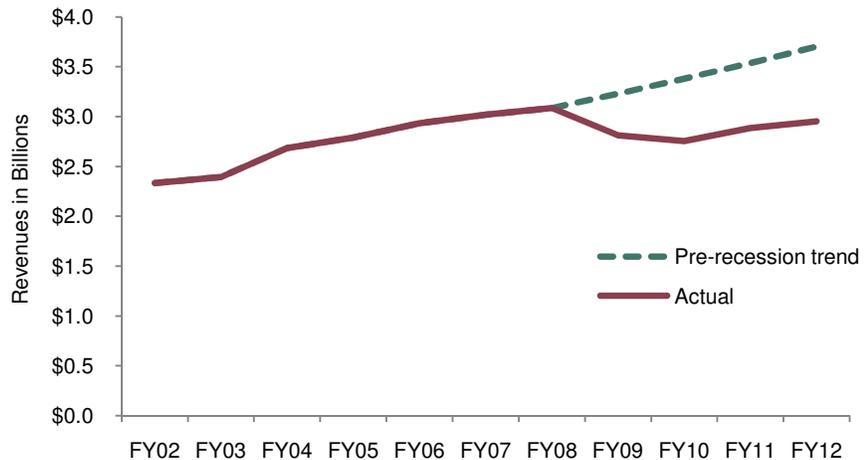
65.5%

Health care inflation rate from 1998 to 2011, approximately 30% greater than the rate of inflation.⁵

26

Maine's rank among states in terms of total revenues per person from state and local sources combined in 2008.

General Fund Revenues: A Recession Driven Shortfall



Maine people are similarly affected. More than 57,000 are unemployed, tens of thousands more are underemployed and employment opportunities are limited. In some industries like food service, the ratio of job seekers to available jobs is 11 to 1. In the construction industry it is 26 to 1.² These facts reinforce the continued importance of public investment to job creation and to our economic well-being.

Additional public and private sector job losses threaten economic recovery

An over-reliance on service cuts to meet recession-induced revenue shortfalls will cost additional public and private sector jobs. Research conducted by MECEP shows that proposed \$275 million state budget cuts last January would have meant that 7,000 to 10,000 people would lose their jobs in both the public and private sectors. Relying on cuts alone to erase the projected \$840 million 2012-2013 budget shortfall could result in 20,000 lost jobs, roughly equivalent to laying off every public and private school teacher in Maine.

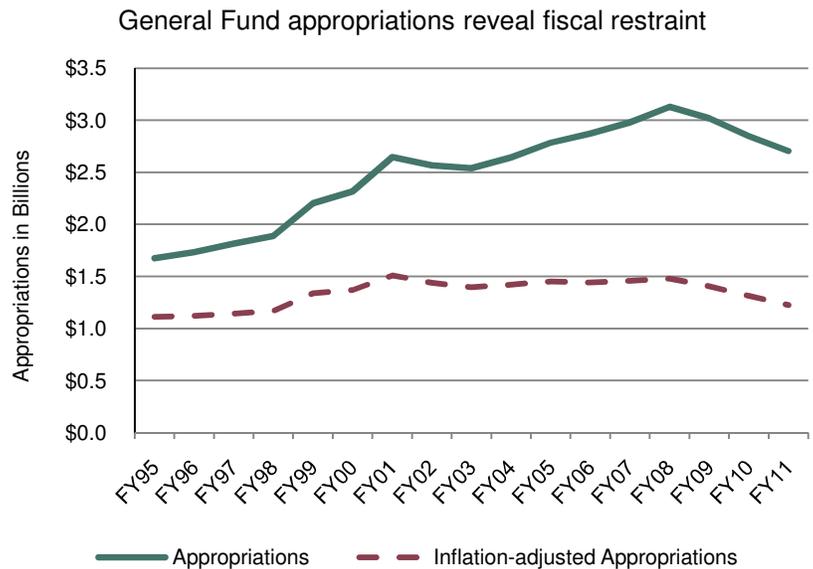
Maine has weathered the storm so far with prudent budgeting and timely federal assistance

Maine lawmakers have made tough choices. In recent years, they have passed bipartisan budgets that both reflect our values and demonstrate fiscal restraint.

Maine's state spending and public sector jobs have actually declined in recent years.

General fund appropriations for FY 2011 are lower than in 2005. Adjusted for inflation, they are lower than in 1999. State highway fund allocations are below 2005 levels and, adjusted for inflation, are below spending for 18 of the last 20 years.

Maine is in the middle of the 50 states when it comes to taxes. In average total revenues per person, Maine ranked 26th in the nation in 2008, below the national average and second lowest in New England.³ This index, produced with data from the U.S. Bureau of the Census, includes all revenues collected by state and local government.



This distinction is important. During a time of increased challenges, holding the line on state taxes may seem politically expedient. But it may ultimately shift the costs of education, health care, road maintenance, assistance to the disadvantaged and other vital services to local governments and other public and private providers.

Finally, Maine's tax supported debt per capita is \$760, well below the national median of \$936. As a percentage of personal income, Maine's tax supported debt is 2.2%, again lower than the national median of 2.5%.⁴

The state's use of available cash to fund half of its annual capital expenditures improves Maine's bonding capacity. Maine also pays off its debt much faster than most states, generally within ten years. These facts mean that Maine is well-positioned to maintain investments in its people and infrastructure needed to increase future prosperity.

Maine needs objective and responsible fiscal stewardship to fuel economic growth and deliver prosperity to hard working Maine families

In these troubling economic times, Maine's prosperity depends on continuing to invest in its people and infrastructure. MECEP urges the Legislature and Governor to consider all options and adopt a reasonable, balanced approach that includes revenues instead of relying only on budget cuts. This will preserve needed investments in roads, bridges, schools, health care and retiree security. As confirmed by Moody's Investor Services and other national financial rating firms, the facts make it clear that Maine has the fiscal capacity to address our short and long range challenges. Maine's economic future and the well-being and financial security of our families demand responsible fiscal stewardship that puts people before politics.

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.

Sources: ¹Charts, budget and employment figures are MECEP analysis of information from Office of Program and Fiscal Review unless otherwise noted; ²Maine Department of Labor; ³Federation of Tax Administrators, <http://www.taxadmin.org/fta/rate/08sttrev.html>; ⁴Moody's Investment Service at http://www.maine.gov/treasurer/debts_bonds/Moodys%20Maine%20BAN%20report%207-23-10.pdf; ⁵Bureau of Labor Statistics as presented at <http://www.halfhill.com/inflation.html>.