



Testimony Regarding LD 829

An Act to Authorize a General Fund Bond Issue to Invest in Transportation, Broadband Infrastructure, Downtown Revitalization, Land for Maine's Future and Training Facilities in Labor Market Areas with Higher than Average Unemployment for Tourism-related Training

By Garrett Martin, Executive Director, Maine Center for Economic Policy

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Senator Rosen, Representative Flood, and distinguished members of the Joint Standing Committee on Appropriations and Financial Affairs. My name is Garrett Martin, and I am executive director at the Maine Center for Economic Policy (MECEP). MECEP advances public policies that help Maine people prosper in a strong, fair and sustainable economy.

MECEP supports LD 829. At a time when Maine's economy, particularly in rural areas, continues to lag the rest of the nation in terms of job creation we must do all we can to create jobs now and position ourselves for future economic success. LD 829 provides critical resources to do just that.

For many years, MECEP has raised concerns about the economic prospects for rural Maine. In 2005, we produced a report entitled "Spreading Prosperity to the 'Other Maines'" and followed that with a report in 2007 entitled "Health Care and Tourism: A Lead Strategy for Rural Maine." More recently, in 2010 we released "Amenity Investments & Tourist Destination Development" – I am including a summary of this most recent report with my testimony. Each of these studies benefited greatly from the involvement of David Vail, Adams-Catlin Professor of Economics at Bowdoin College, and author of the latter two works.

From this body of work we know that tourism plays an important role in the economy of rural Maine. One in nine workers in Maine's six most rural counties is directly employed in tourism-related jobs. Tourism accounts for nearly 10% of the economic activity in these counties and tourism is the third largest growth sector after health care and education.

Traditionally, the State has emphasized tourism marketing as a way to boost tourism. The potential game changer now to boost Maine's tourism economy is state investment in tourism destinations and products. Such investments will not only support a more competitive tourism sector, they will accrue economic and quality of life benefits to area residents and newcomers alike. These investments also build on existing natural assets and increase the likelihood that Maine's tourist destinations will attract a greater number of "experiential tourists." Such tourists represent the greatest area of growth in the tourism sector. They are interested in the "whole package": outdoor recreation experiences combined with high quality hospitality services, shopping opportunities and cultural and heritage activities.

To capitalize on these opportunities we must be willing to invest and invest boldly.

The areas of focus identified in LD 829 correspond directly with the areas of need MECEP identified in its most recent study. Detailed case studies and in depth interviews with representatives from Northern Franklin County, Piscataquis County, and Washington County clearly established that Maine must do more to support destination development. While the State received high marks from respondents for its support of land conservation, it received poor marks related to its support for regional and town road maintenance, town and village revitalization, employee training, and cell phone and internet service. We know from experience that public investment paired with private initiative can have a dramatic impact on economic growth and revitalization. While other facets of Maine's rural economy warrant our attention, we believe the investments called for in LD 829 will have a positive impact on these areas as well by increasing the overall competitiveness of rural Maine.

On a technical note, I believe the bill could be improved by striking language that references "tourism-related training" in the sections related to transportation, ConnectME, Communities for Maine's Future, and Land for Maine's Future. Also, while I am not testifying separately on LD 1187, MECEP supports it as well. We believe that LD 1187 supports many of the objectives of LD 829 related to downtown revitalization (albeit not in as targeted a fashion). Included with my testimony is a map of Maine's labor market areas and a list of labor markets that would be eligible for targeted investment called for in this proposal. I believe such targeting makes sense given the economic challenges that many of these areas face. I am also including materials that make a general case for bonds and encourage you to see your way to as robust and comprehensive a bond package as possible.

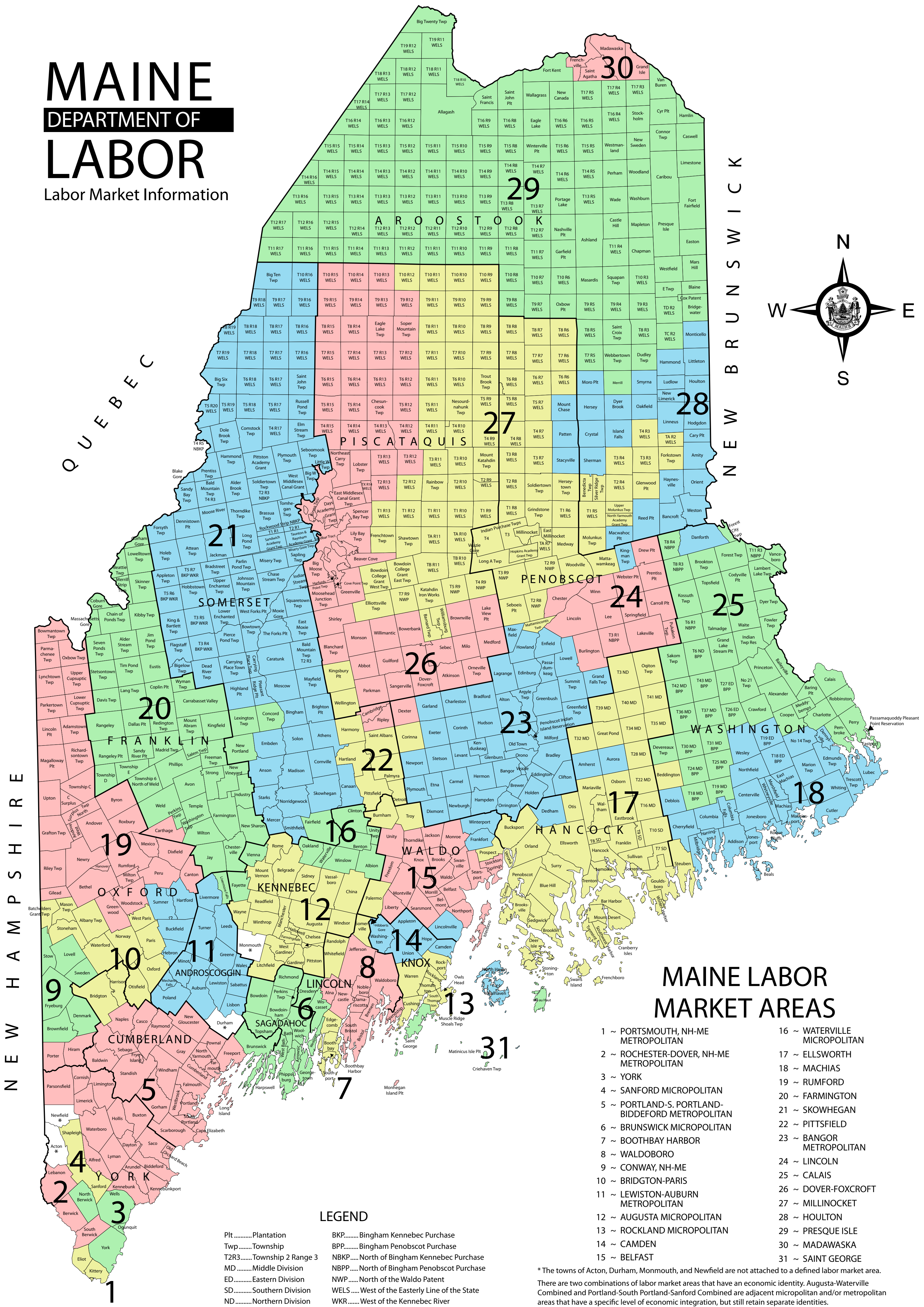
Thank you for your time and service.

MAINE

DEPARTMENT OF

LABOR

Labor Market Information



MAINE LABOR MARKET AREAS

- 1 ~ PORTSMOUTH, NH-ME METROPOLITAN
- 2 ~ ROCHESTER-DOVER, NH-ME METROPOLITAN
- 3 ~ YORK
- 4 ~ SANFORD MICROPOLITAN
- 5 ~ PORTLAND-S. PORTLAND-BIDDEFORD METROPOLITAN
- 6 ~ BRUNSWICK MICROPOLITAN
- 7 ~ BOOTHBAY HARBOR
- 8 ~ WALDOBORO
- 9 ~ CONWAY, NH-ME
- 10 ~ BRIDGTON-PARIS
- 11 ~ LEWISTON-AUBURN METROPOLITAN
- 12 ~ AUGUSTA MICROPOLITAN
- 13 ~ ROCKLAND MICROPOLITAN
- 14 ~ CAMDEN
- 15 ~ BELFAST
- 16 ~ WATERVILLE MICROPOLITAN
- 17 ~ ELLSWORTH
- 18 ~ MACHIAS
- 19 ~ RUMFORD
- 20 ~ FARMINGTON
- 21 ~ SKOWHEGAN
- 22 ~ PITTSFIELD
- 23 ~ BANGOR METROPOLITAN
- 24 ~ LINCOLN
- 25 ~ CALAIS
- 26 ~ DOVER-FOXCROFT
- 27 ~ MILLINOCKET
- 28 ~ HOULTON
- 29 ~ PRESQUE ISLE
- 30 ~ MADAWASKA
- 31 ~ SAINT GEORGE

LEGEND

- Plt.....Plantation
- Twp.....Township
- T2R3.....Township 2 Range 3
- MD.....Middle Division
- ED.....Eastern Division
- SD.....Southern Division
- ND.....Northern Division
- BKP.....Bingham Kennebec Purchase
- BPP.....Bingham Penobscot Purchase
- NBKP.....North of Bingham Kennebec Purchase
- NBPP.....North of Bingham Penobscot Purchase
- NWP.....North of the Waldo Patent
- WELS.....West of the Easterly Line of the State
- WKR.....West of the Kennebec River

* The towns of Acton, Durham, Monmouth, and Newfield are not attached to a defined labor market area.
 There are two combinations of labor market areas that have an economic identity. Augusta-Waterville Combined and Portland-South Portland-Sanford Combined are adjacent micropolitan and/or metropolitan areas that have a specific level of economic integration, but still retain separate identities.

Maine Center for Economic Policy
Analysis of Eligible Labor Markets Based Criteria in LD 829

Labor markets with 2010 average annual unemployment rates higher than the state average of 7.9%:

Belfast 8.9% (Waldo)
Bridgton 9.6% (Cumberland)
Calais 12.4% (Washington)
Dover-Foxcroft 11.3% (Piscataquis)
Ellsworth 8.9% (Hancock)
Farmington 9.9% (Franklin)
Houlton 10.8% (Aroostook)
Lewiston 8.1% (Androscoggin)
Lincoln 10.1% (Penobscot)
Machias 10.0% (Washington)
Madawaska 9.4% (Aroostook)
Millinocket 14.9% (Penobscot)
Pittsfield 12.0% (Somerset)
Presque Ilse 9.4% (Aroostook)
Rochester NH –Berwick, South Berwick ME 8.0% (York)
Rumford 12.4% (Oxford)
Sanford 10.8% (York)
Skowhegan 10.8% (Somerset)
Waterville 8.4% (Kennebec)

Only counties NOT affected: Sagadahoc, Knox, Lincoln

Source: Local Area Unemployment Statistics available at <http://www.maine.gov/labor/cwri/laus.html>



Getting Maine Back to Work

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

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

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

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

It's about Jobs

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

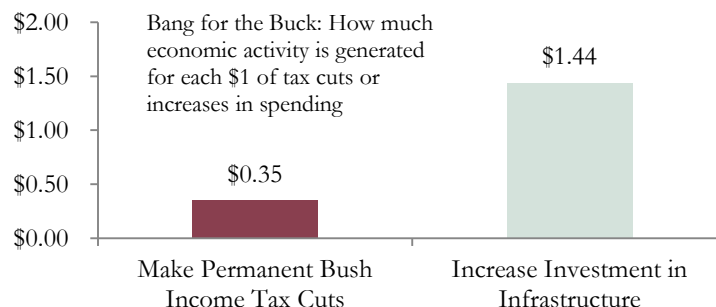
Mark Zandi of Moody's Analytics estimates that every dollar spent on infrastructure generates \$1.44 of economic output.² Another analysis suggests that every \$1 million Maine invests in infrastructure improvements creates 15.3 jobs.³ Infrastructure investments also improve workforce competitiveness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

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

Our Future Economic Growth Depends on Wise Investment

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

Infrastructure Investments Create Jobs and Grow the Economy Better than Tax Cuts⁵



52,601

Number of unemployed Maine workers¹²

15.3

Number of Maine jobs generated per \$1 million invested in infrastructure projects¹³

3.65%

General obligation debt service as a percent of General Fund and Highway Fund Revenues for Fiscal Year 2012¹⁴

5%

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

\$865

Tax supported debt per capita (Maine)¹⁵

\$1066

Tax supported debt per capita (national median)¹⁶

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

Maine's Problem is Not a Debt Problem

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

Moody's Investment Service, May 2011⁷

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

Maine's debt service ratio is well below the long-established 5% threshold for general obligation bonds as a percentage of General Fund and Highway Fund revenues.⁸ Maine's tax supported debt per capita is \$865, significantly less than the national median of \$1,066.⁹ Further, Maine's tax supported debt as a percentage of personal income is 2.4%, again lower than the national median of 2.8%.¹⁰

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

Let Maine People Decide

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

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

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

Sources: ^{1,5,12}Maine Department of Labor, Center for Workforce Research and Information. ^{2,5}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. ^{3,4,13}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. ⁶Dan Coyne, *Maine Revenue & Spending Primer 2011*, Maine Center for Economic Policy, at <http://www.mecp.org/view.asp?news=1486>. ^{8,14}Data provided by Maine State Treasurer's Office. ^{9,10,15,16}Maine's Debt Snapshot, June 30, 2011 at http://www.maine.gov/treasurer/debts_bonds/debt_summary.html. ^{7,11}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.

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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.

Bonds Will Create Jobs Now and Have a Lasting Economic Impact

(Job Impacts per \$1 Million in Public Investment)

	Temporary Jobs/Million \$	Permanent Jobs/Million \$
Housing ¹	70.0	26.7
Transportation ²	7.3	31.4
Hospitals ³	2.6	31.6
Education ⁴	9.4	13.1
Research & Development ⁵	11.3	3.8

Sources:

¹An Analysis of the Impacts of a Proposed Affordable Housing Program for Maine," Colgan, 2009

²HWA, "Highway Operations Spending as a Catalyst for Job Growth (Page 2 of 5)",
http://www.ops.fhwa.dot.gov/freight/freight_analysis/highway_ops/hiway_ops2.htm

³"Hospital Construction Projects in New Hampshire," 2007, Economic and Labor Market Information Bureau

⁴NE Dental school analysis, <http://www.une.edu/dentalmedicine/support/economic.cfm>

⁵Habib Dagher, the University of Maine, quoted in Portland Press Herald 5/31/10, on question 2